



United Utilities: Social Tariff Cross Subsidy Research 2023

August 2023



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Background, objectives & methodology

Background and objectives

Ofwat has recognised United Utilities as the leading water company when it comes to supporting customers in vulnerable circumstances, awarding them the only 'A' grade for 'addressing affordability and vulnerability' in the initial assessment of the PR19 business plans. United Utilities offers an extensive affordability support package to help low-income households afford water charges. This package is funded by shareholders, direct company contributions and a customer cross subsidy of approximately £7 a year.

United Utilities plans to significantly improve its affordability package for AMP 8. To date this improved package has been tested amongst a suite of improvements as part of the Acceptability and Affordability testing of the PR24 business plan. While the affordability package has been received positively, there is a significant minority (mainly those working but struggling with bills) who are nervous about it as they feel bills will be put up to fund it.

This research assesses customers' attitudes towards bill increases to fund improvements to the affordability package, as well as gauging opinions about how to uplift the affordability offering over the 5-year business plan period.



Methodology

**1,012
quantitative
interviews**



Prior to launching the survey, eight cognitive interviews were conducted to test participants' understanding of the survey and identify any areas for improvement.

Following this, a total of 1,012 interviews were carried out for the quantitative phase, split between online and face-to-face CAPI (Computer Assisted Personal Interview) methodologies, with the latter specifically targeting digitally excluded customers.

Fieldwork was carried out
17th July – 31st July.

Results have been weighted by age, region, gender, SEG and water meter status to ensure they are reflective of the United Utilities customer base.

933 online



**79 CAPI
(face-to-face)**



**10 depth
interviews**



Following completion of the quantitative element of the research, depth interviews were carried out to gain additional insight around customers' willingness to contribute. These were conducted with the following groups.

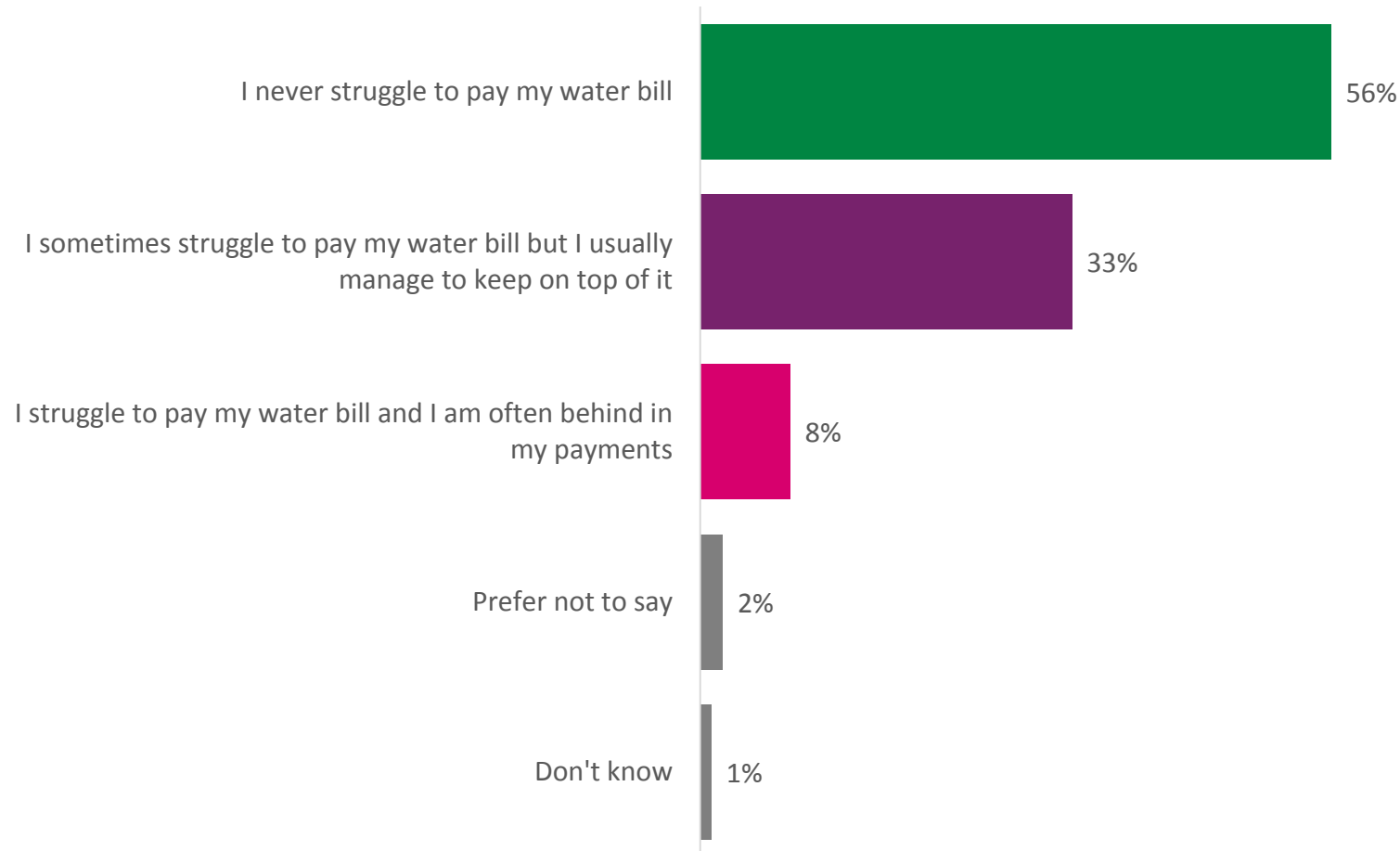
- 4 x willingness to contribute of £0
- 3 x willingness to contribute of £0.01-£1.00
- 2 x willingness to contribute £1.01-£2.00
- 1 x willingness to contribute >£2.00

Every effort was made to achieve a good demographic split.

Customer awareness, attitudes and perceptions

Current affordability

Many customers are experiencing strained household finances, with one in twelve saying that they struggle to pay their water bill and one in three saying that they sometimes struggle but usually manage.



C05- Which of the following statements best applies to your situation? Base: 1012.

Those more likely to struggle

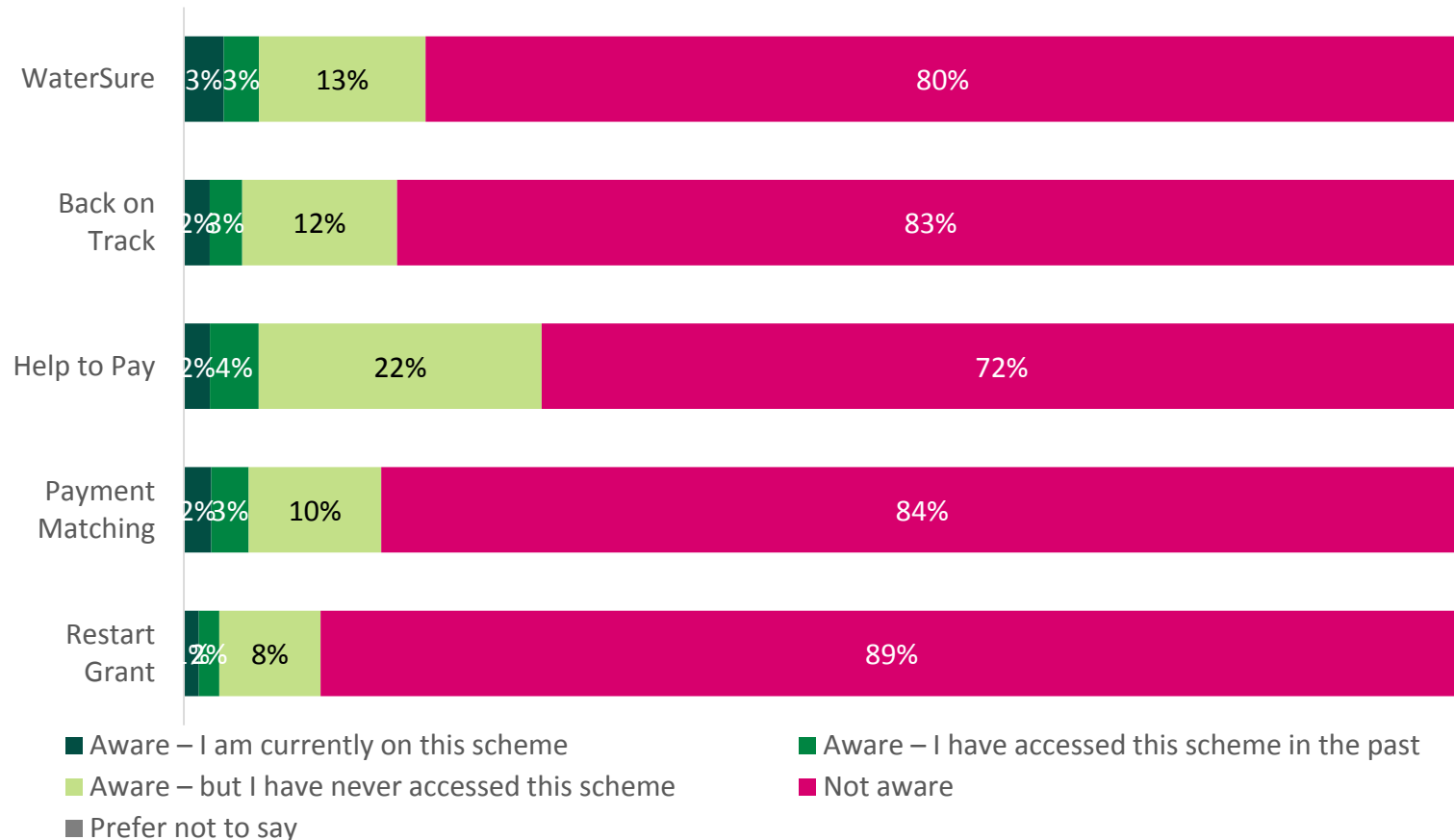
There is a clear age divide, with those aged 55+ significantly less likely to report that they are struggling compared to their younger counterparts (18-34 11%; 35-44 16%; 45-54 13%; 55-64 3%; 65+ 3%).

Those in the DE SEG group are more than twice as likely to say they are struggling compared to other SEG groups (DE 14% cf. C1C2 6%; AB 3%).

Similarly, households with a gross income of less than £21k are four times as likely than those with a higher income to report struggling (16% cf. 4%). Interestingly, those who report a high level of variability in their household income are particularly likely to struggle (27%). Results for those just above £21k (£21k-£36k) are in line with the average.

Awareness/use of current support

35% of United Utilities customers are aware of at least one of the support schemes offered, while 6% currently access one of the support schemes. The Help to Pay scheme enjoys the highest level of awareness. Those who are digitally excluded are less likely to be aware of each of the schemes except for WaterSure.



Q02- Which of these schemes, if any, were you aware of before today? Base: 1012.

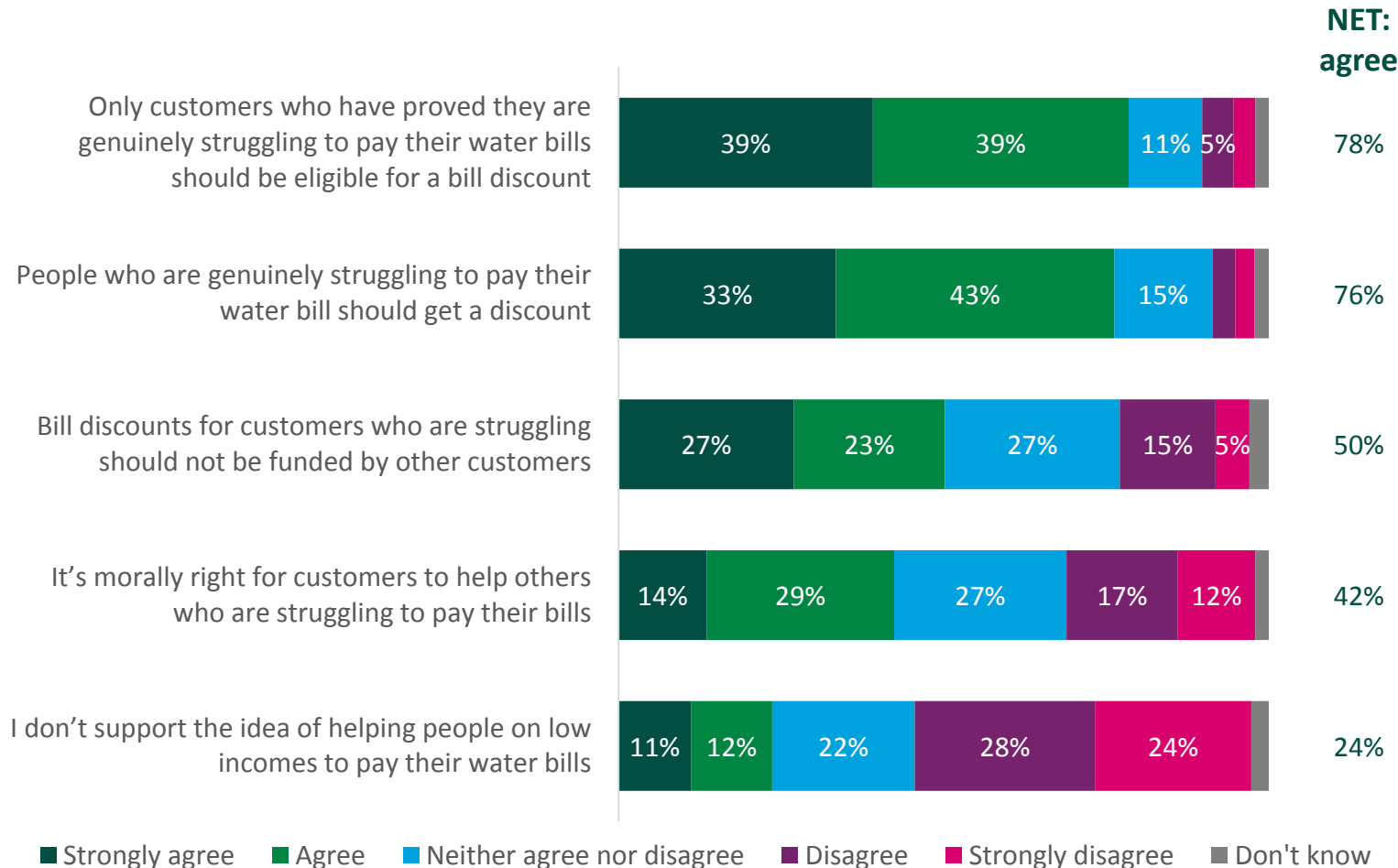
Some respondents have misgivings about the eligibility criteria for the WaterSure scheme...

“Some schemes seem fair... Not sure I agree with the WaterSure scheme for large families. Surely family size is a choice and couples choosing a larger family should be prepared to pay for that family.”
Male 55-64

“I would feel comfortable about cross-subsidising those who struggle through no fault of their own, e.g. medical problems or unexpected hardship. I feel less comfortable about large families living on benefits. I already fund their benefits through taxes and am aware of a number of instances where family size has been designed to ensure benefits.”
Male 75-84

Attitudes towards support

The majority of customers agree with the principle of offering support to vulnerable customers, but there is clearly some division on whether it is fair that other customers should fund this.



“Really good idea to help people who are struggling, especially during the cost-of-living crisis.”
Male 55-64

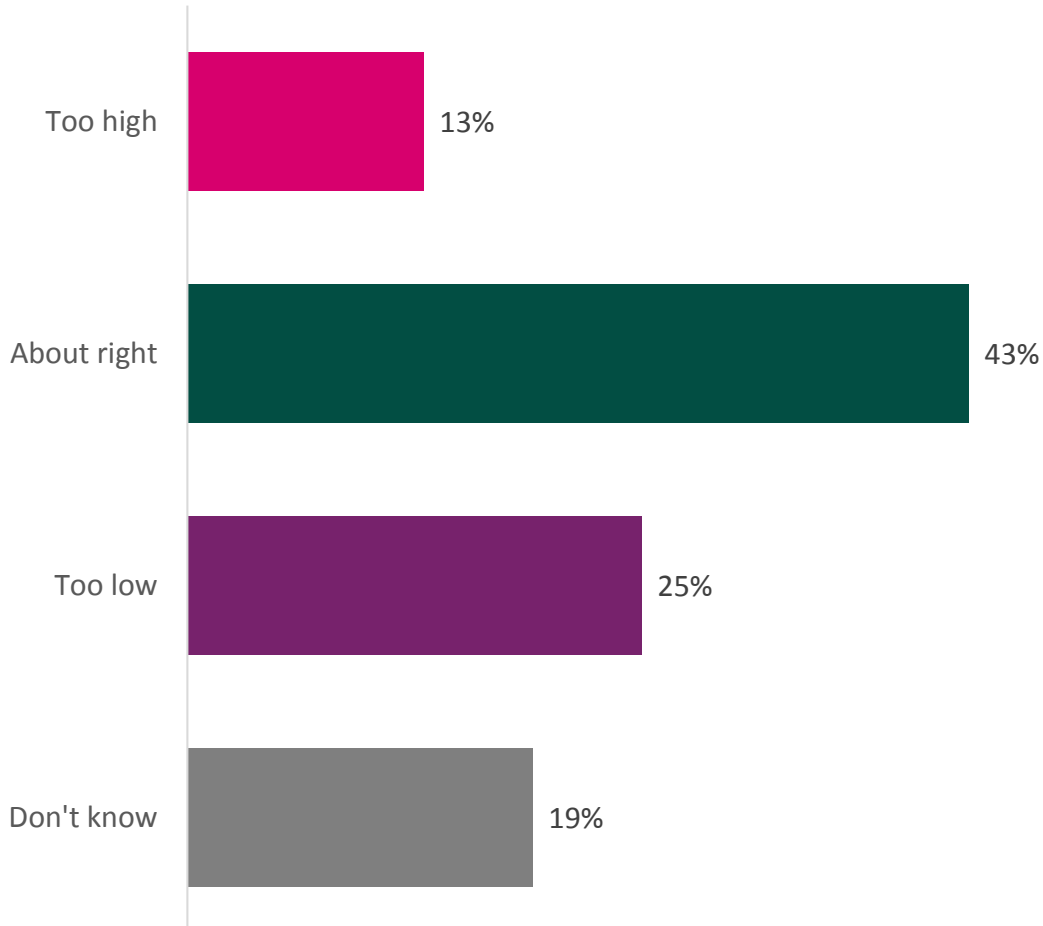
“Fine, so long as other customers don't have to fund them. These schemes should be funded entirely from the profits made by United Utilities”
Male 45-54

“I'm fed up of paying extra for people who have never worked a day in their life. We should have been told about this and should be able to opt out.”
Female 55-64

Q013- To what extent do you agree or disagree with the following statements? Base: 1012. Data labels ≤3% suppressed for clarity.

Attitudes towards UU contribution

A plurality of respondents feel that the current level of United Utilities' contribution is about right but around a quarter feel that there should be a greater contribution while one in eight feel that it is too high.



Q04- How do you feel about the amount that United Utilities' shareholders contribute? Base: 1012.



A majority of those currently on a support scheme believe that the current level of contribution is reasonable (62%).



Around a quarter of customers who often struggle to pay their water bill say that United Utilities' contribution is too high (24%). This may reflect a feeling of resentment among some that they are not eligible for support despite the amount United Utilities is investing.



Again, there is an age split with those aged 55+ more likely to feel that the amount is too low compared to younger age groups (55-64 32% & 65+ 29%). However, it should be noted that a plurality of all age groups back the current level of contribution.

Willingness to contribute extra to the social tariffs

Background info

Prior to asking customers about increasing their social tariff contributions, they were presented with the following information for context...

The support schemes offered (including an overview of the eligibility criteria and the average discount).

The amount customers currently contribute towards social tariff schemes.

The amount United Utilities shareholders currently/will contribute towards support schemes.

The number of customers that will be supported by United Utilities at the current contribution level.

The estimated number of customers who need support in paying their water bill.

The number of additional vulnerable customers that could be helped through a given increase in the customer contribution level.

The fact that every penny of additional funding provided by customers would go towards helping vulnerable customers.

That those on social tariff schemes would not see their bills increase.

Every effort was made to ensure consistent terminology was used throughout to aid respondent understanding. Consistency was further improved on in the qualitative phase following feedback from YourVoice.



Explaining the willingness to contribute exercise

To understand customers' willingness to contribute (WtC) towards the social tariff, a **contingent valuation** exercise was conducted. Contingent valuation is used to establish the amount customers are willing to pay (if anything) towards a scheme/service.

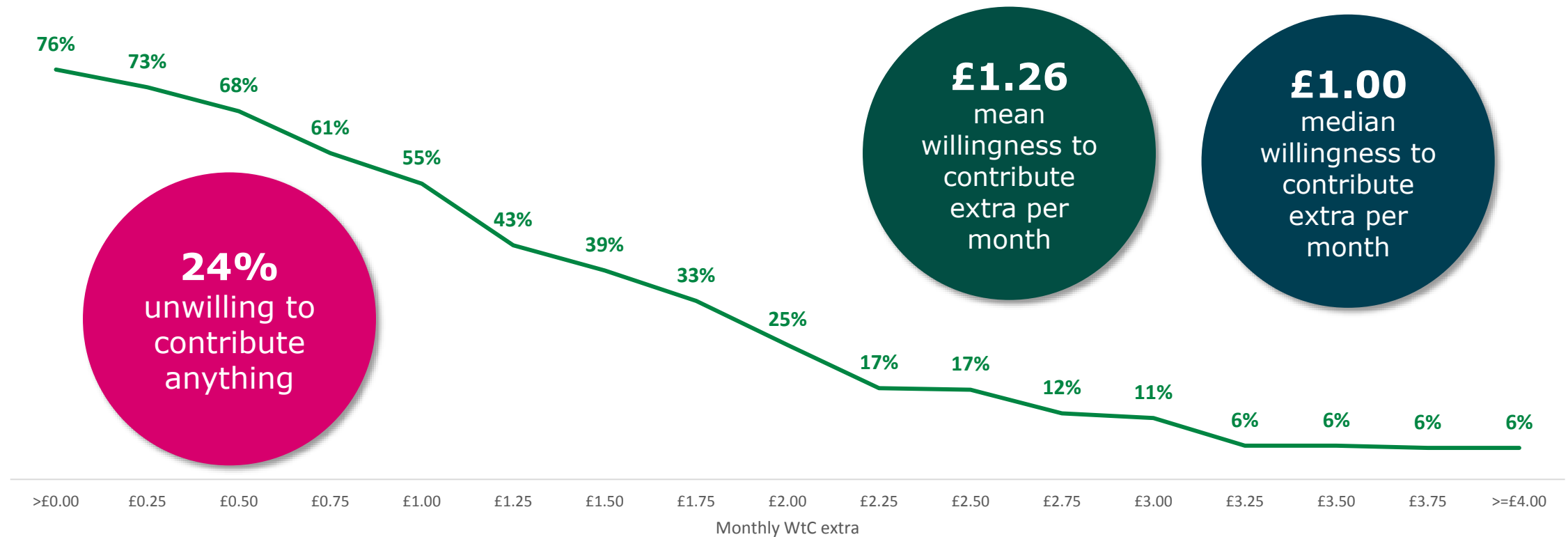
Respondents were presented with a randomised starting price point and asked if they would be willing to pay this amount extra each month to contribute towards the social tariff. If customers answered 'no' they were asked again about a lower price point – repeated up to three times. If customers answered 'yes' they were asked about a higher price point - repeated up to three times. Finally, respondents were asked to specify the maximum amount they were willing to contribute.

The answers to this exercise allow us to model each respondent's willingness to contribute, enabling us to give an overall WtC figure, as well as a WtC figure for subgroups of interest.



Overall willingness to contribute

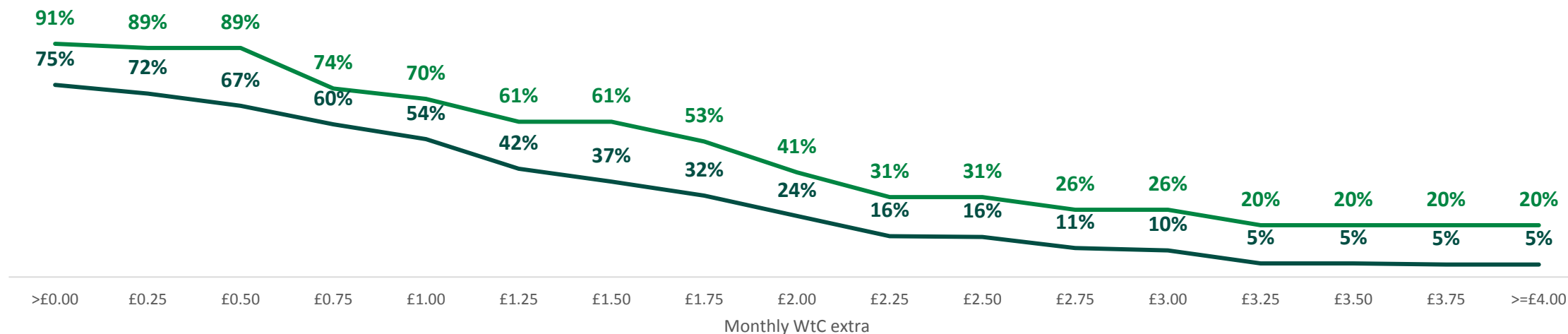
Just over three quarters of customers are willing to contribute at least something extra towards the social tariff schemes. £1.00 represents the median willingness to contribute and is a tipping point as there is a substantial decline in support after this amount is exceeded.



Base: 912. Valid responses only.

Willingness by support access

Those who are currently on a United Utilities' support scheme are far more likely to advocate a higher level of additional contribution compared to those who are not. This likely represents a feeling among that those in receipt of support that they may benefit from enhanced contributions, knowledge that they themselves will not have to pay the additional contribution, and first-hand experience of the scheme increasing empathy and the desire to see other vulnerable customers helped.



	— Currently on UU support scheme	— Not currently on UU support scheme
Not willing to contribute	9%	25%
Mean willingness to contribute	£2.02	£1.21
Median willingness to contribute	£1.75	£1.00

Currently on UU support scheme base: 52; Not currently on a UU support scheme base: 861.

Subgroup willingness (I)

Residents of Merseyside and Cheshire are the least inclined to contribute extra towards the social tariff. Furthermore, the divergence between age groups is visible once again, with younger age groups more willing to contribute extra towards the social tariff schemes. While those in younger age groups are more likely to be on a support scheme, the differences in age persist even when those currently receiving support are excluded.

	Cumbria (a)	Merseyside (b)	Greater Manchester (c)	Lancashire (d)	Cheshire (e)	Under 35 (f)	35-44 (g)	45-54 (h)	55-64 (i)	65+ (j)
% not willing to contribute	15% >be	31% <a	21%	20%	29% <a	10% <ij	18% <j	25%	28% >f	31% >fg
% willing to contribute something	85% <be	69% >a	79%	80%	71% >a	90% >ij	82% >j	75%	72% <f	69% <fg
Mean willingness to contribute	£1.30	£1.19	£1.43 >a	£1.18	£1.02 <c	£1.75 >hij	£1.52 >ij	£1.25 <f	£1.02 <fg	£1.02 <fg
Median willingness to contribute	£1.00	£1.00	£1.05	£1.00	£0.75	£1.50	£1.30	£1.00	£0.75	£0.80
Base size	81	167	329	188	148	111	141	160	179	321

Interestingly, those in Merseyside (32%) and Cheshire (34%) are more inclined to disagree that it is morally right for customers to help others who are struggling with their bills compared to those in Cumbria (19%)

Subgroup willingness (II)

Those in SEG group AB are significantly more likely to be willing to contribute extra compared to C1C2. Interestingly, those who are digitally excluded are more than twice as likely to be unwilling to contribute compared to those who are not digitally excluded. It is likely that the higher age profile of the digitally excluded has some bearing on this, as well as the digitally excluded sample having a higher share of respondents from the C1C2 SEG group and two most reluctant to contribute regions, Cheshire and Merseyside.

	Male (a)	Female (b)	AB (c)	C1C2 (d)	DE (e)	Water meter (f)	No water meter (g)	No vulnerability in HH (h)	Vulnerability in HH (i)	Not digitally excluded (j)	Digitally excluded (k)
% not willing to contribute	27%	22%	16% <d	27% >c	22%	23%	26%	23%	26%	22% <k	50% >j
% willing to contribute something	73%	78%	84% >d	73% <c	78%	77%	74%	77%	74%	78% >k	50% <j
Mean willingness to contribute	£1.29	£1.21	£1.42	£1.21	£1.27	£1.31	£1.21	£1.28	£1.25	£1.32 >k	£0.54 <j
Median willingness to contribute	£1.00	£1.00	£1.05	£1.00	£1.20	£1.00	£1.00	£1.00	£1.00	£1.00	£0.20
Base size	417	493	229	460	211	471	419	533	363	843	70

Subgroup willingness (III)

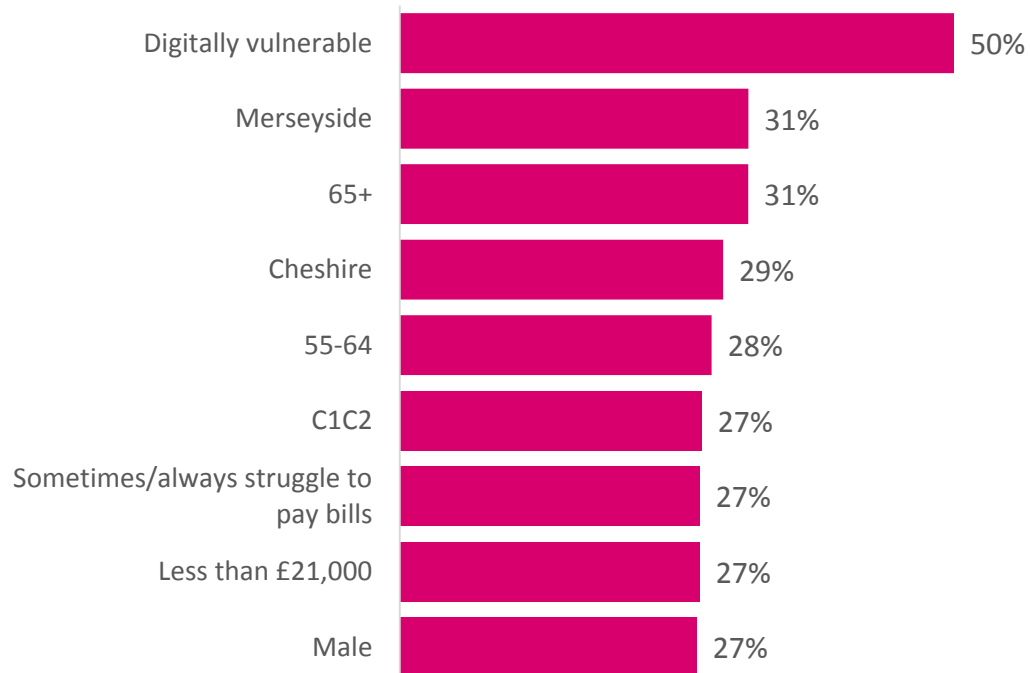
There are significant differences by income. Those with a household income under £21k are significantly less likely to be willing to contribute any more compared to households with higher incomes. There is a similar distinction by ability to keep up with water bills, although the disparity is less pronounced. Please note, there are no significant differences present when the £21k-£52k income band is split out further.

	<£21,000 (a)	£21,000-£51,999 (b)	≥£52,000 (c)	Sometimes/ often struggle with water bills (d)	Never struggle with water bills (e)	CC Water – most financially vulnerable (f)	CC Water – potentially financially vulnerable (g)	CC Water – least financially vulnerable (h)
% not willing to contribute	27% >bc	19% <a	17% <a	27% >e	22% <d	22%	23%	17%
% willing to contribute something	73% <bc	81% >a	83% >a	73% <e	78% >d	78%	77%	83%
Mean willingness to contribute	£1.21	£1.38	£1.56	£1.31	£1.24	£1.42	£1.25	£1.49
Median willingness to contribute	£1.00	£1.00	£1.05	£1.00	£1.00	£1.35	£1.00	£1.00
Base size	267	392	133	351	543	130	412	248

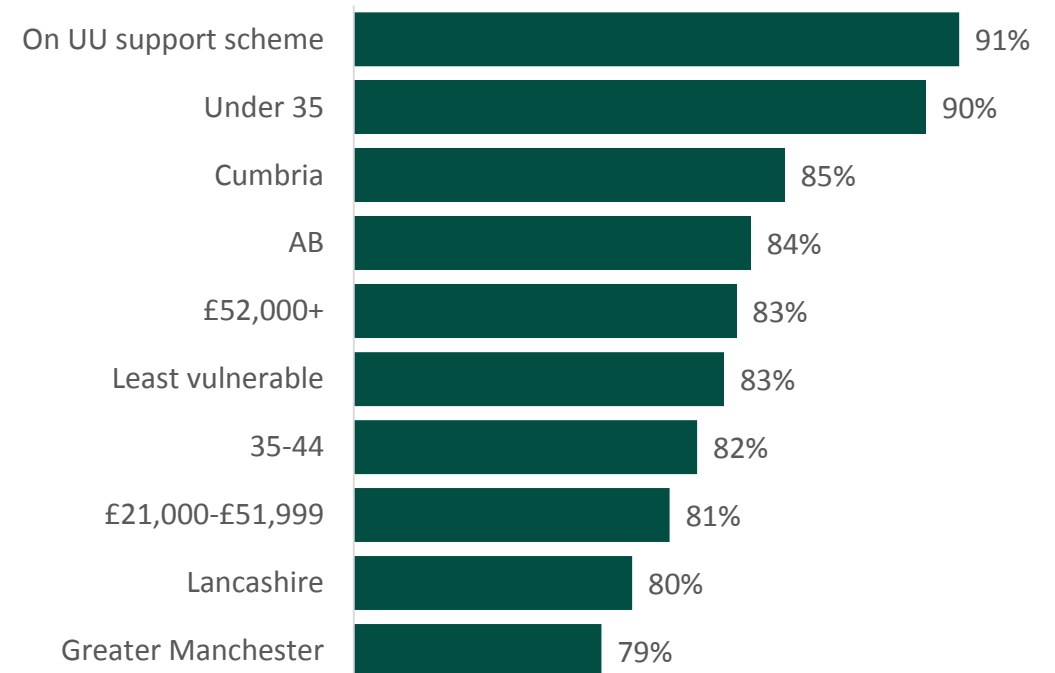
Percentage willing to contribute extra

Half of those who are digitally excluded indicate that they are unwilling to contribute anything extra, making them by far the most reluctant group. On the other hand, those on a social tariff scheme and those aged under 35 are the most willing subgroups, with nine in ten indicating that they would be happy to contribute at least something extra.

Subgroups most unwilling to contribute anything extra



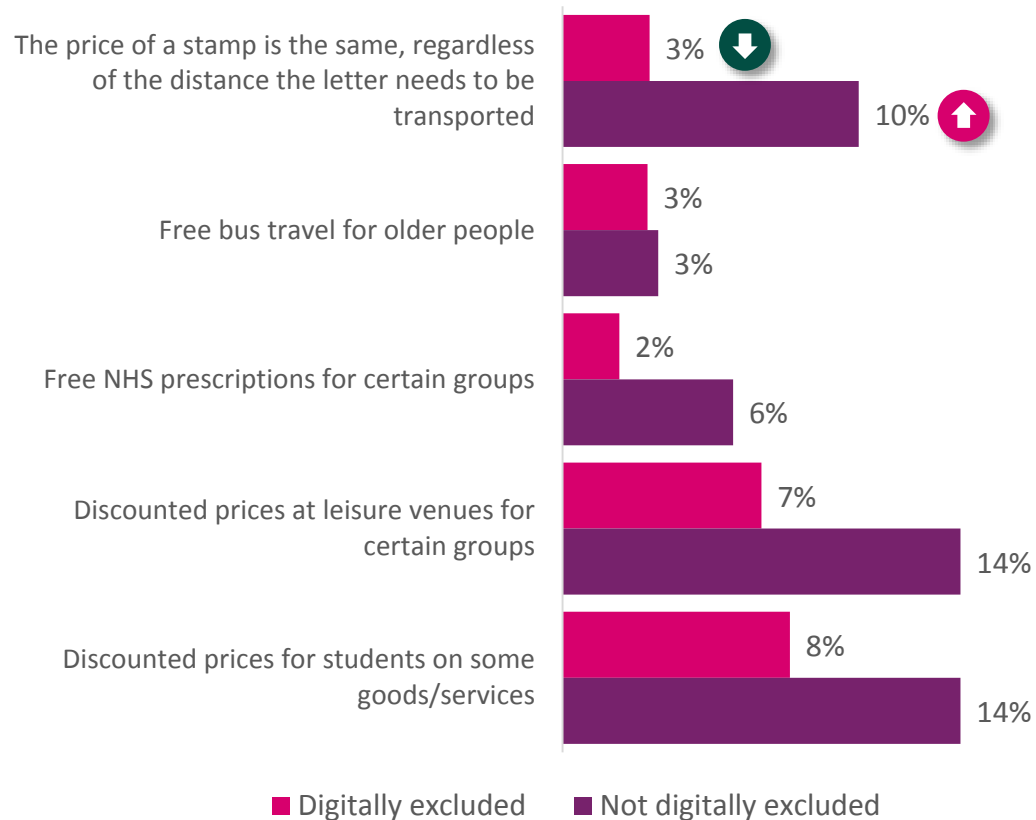
Subgroups most willing to contribute extra



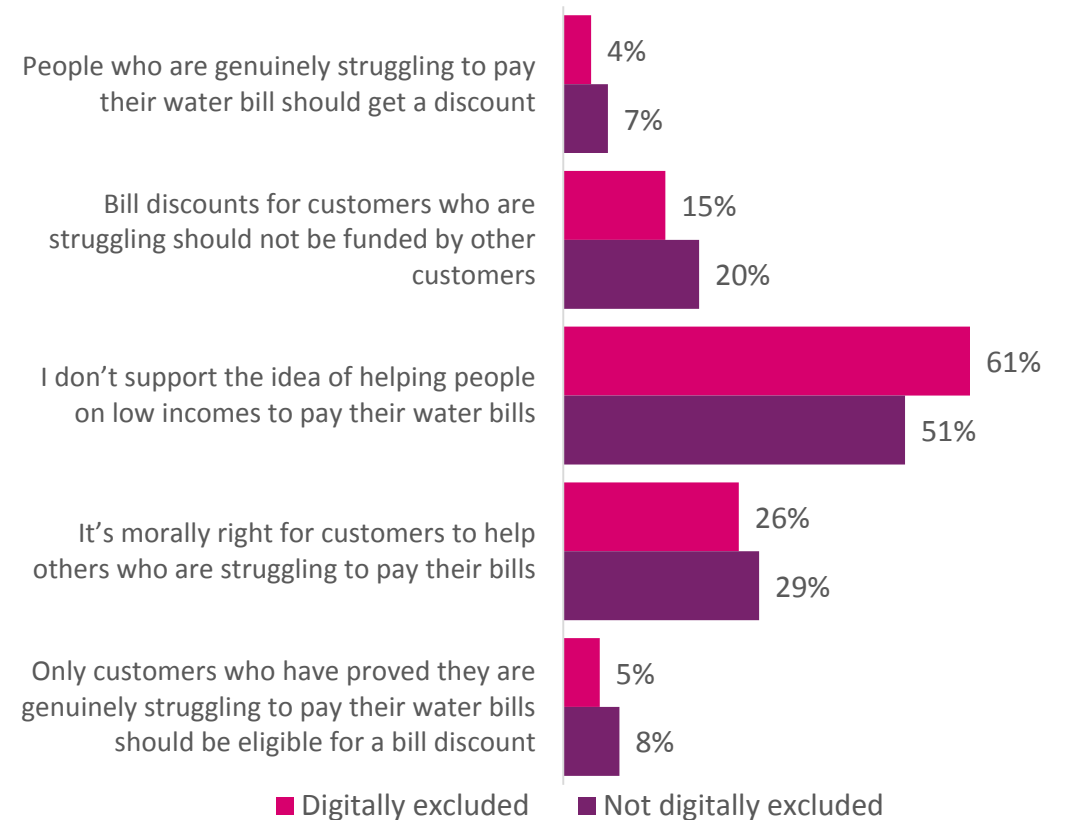
Attitudinal statements by digital exclusion status

The percentage who disagree with the concept of cross-subsidies tends to be higher among the non-digittally excluded (although many of the differences are not significant), implying that this is not the cause of the reticence to contribute among the digittally excluded. This is also the case when looking at these questions by age.

Attitudes towards other cross-subsidies (% disagree)



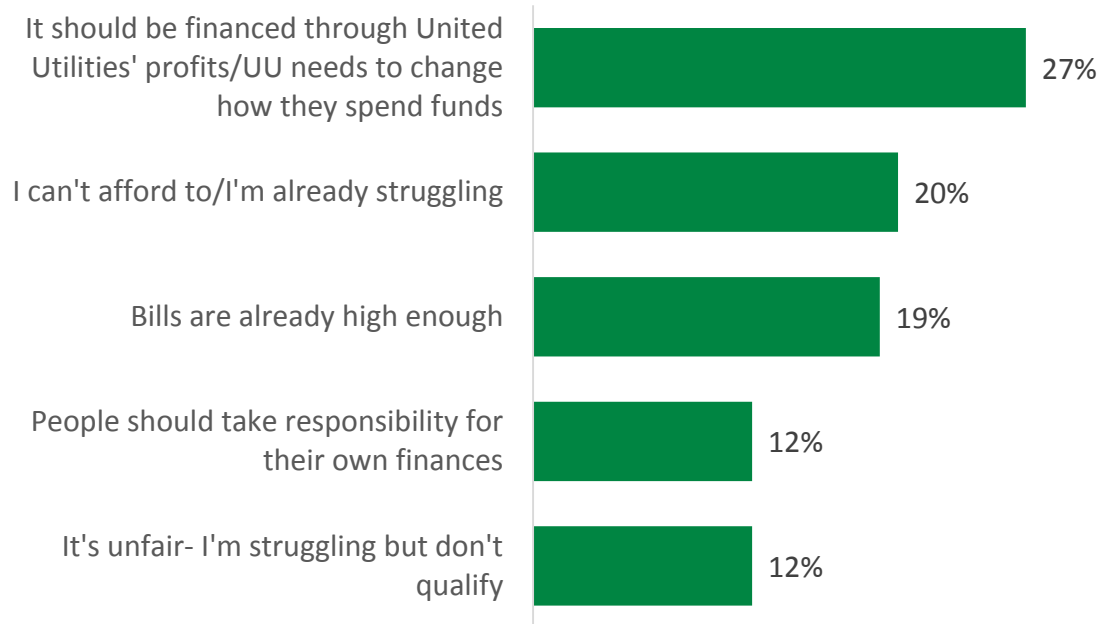
Attitudes relating to social tariffs (% disagree)



Q01- Below are some examples of cross-subsidies. How acceptable or unacceptable do you find each of these?
 Q013- To what extent do you agree or disagree with the following statements? Base: digittally excluded (79), not digittally excluded (933).

Top reasons for £0 additional contribution

Those who are unwilling to contribute anything extra give a mixture of reasons for this. Some disagree that they should have to pay towards this, some don't feel they can afford to help, and others disagree with contributing on principle.



"I cannot afford to subsidise others I pay enough already."
Male 65-74

"Why should I have to help others pay their bills? I get no help."
Male 45-54

"I pay enough for my water rates and the shareholders cream off a massive profit. Water companies should be returned to the PUBLIC Sector."
Female 65-74

"Because I am struggling to pay my own bills and don't qualify for help."
Female 35-44

"Being a pensioner and only just over the threshold to receive any benefits I feel that people on benefits are better off than me."
Female 65-74

55% of the digitally excluded whose WtC is £0 explained their reluctance by saying that social tariff schemes should be financed through United Utilities' profits/UU should change how they spend funds, compared to 22% of those who are not digitally excluded.

Q08-You said that you aren't willing to contribute anything towards the proposed changes to the social tariff. In as much detail as possible, please tell us why you say that. Base: 221

Case study 1: willing to contribute £0

About Barbara

- She is 55-64 years old and lives in Merseyside.
- She is semi-retired but hopes to retire fully soon.
- Her combined household income is £36k-£52k. She is living comfortably but avoids excess and budgets accordingly.
- She had a bit of prior awareness of social tariff schemes before the research through the work of her husband, who directs people in need towards them.

Barbara works in the social care sector and her firsthand experience makes her sceptical of the need for social tariffs. She feels that it's unfair to ask people like her, who budget according to their income, to subsidise others.

Barbara feels that social tariffs aren't morally right, except for those with medical conditions. The money should be put towards fixing things like leaks instead.

"I just don't think that's right. It's just a bit too easy. Somebody is sitting there saying 'we know we're not getting the money in so we'll just increase everyone else's bill.'"

Barbara particularly doesn't like the idea of large families receiving subsidies.

"That's a choice they've made... They've got a large family. Trust me they're getting a lot of benefits."

Barbara feels that those who can't pay should have their water cut off.

"What happened to the days where you could cut them off? I'm sorry if that sounds harsh but water is valuable and I'm not sure people appreciate it."

Case study 2: willing to contribute £0

About Daniel

- He is 75-84 years old and lives in Greater Manchester.
- He is retired from work and is digitally excluded.
- His combined household income is £16k-£21k. Bills can sometimes be a struggle, but he lives frugally and usually manages. However, he is worried about bills going up in the future.
- He was not aware of social tariff schemes prior to taking the survey and would only be interested in hearing more about them if they benefitted him. |

Daniel begrudges the amount he's paying for water bills (non-metered). He feels that he is conservative in the amount of water that he uses but still ends up paying more than others and has been told by UU that a meter wouldn't save him any money. Because of this he begrudges paying more, especially as he lives a frugal life.

His financial circumstances and sense of unfairness regarding his bill amount led him to opt for £0 but he does indicate that he might be willing to contribute a little extra.

"I'm paying far too much. I'm not vulnerable but I'm on the verge of it... Maybe £1 because that's a small amount."

Daniel has some doubts about how genuine the people who receive support are.

"How do you know they're struggling? They could be saying that they're struggling to pay and be in the bookies smoking every day."

He thinks shareholders should contribute more, but this wouldn't affect his willingness to pay extra.

"They've probably got enough money anyway... I think they should contribute a bit more and take less of a dividend."

Case study 3: willing to contribute £0

About Kiara

- She is 45-54 years old and lives in Lancashire.
- She is currently off sick from work due to mental ill health.
- Her household income is £16k-£21k. Bills are a real struggle for Kiara and she finds it hard to make ends meet each month.
- She did not have much knowledge of social tariffs prior to taking the survey but knew that some form of support was available. |

Kiara is really struggling to make ends meet and needs to budget carefully to get through the month. Despite this, she's not eligible for any benefits and finds this very frustrating. She is hugely supportive of the concept of social tariffs but does not think it should be up to customers to fund them.

She feels that social tariff schemes are morally right and is glad they exist.

"It's sad that they're necessary, but I'm glad they are available... it's morally the right thing."

Kiara strongly disapproves of water company privatisation and this is the main reason for her reluctance to contribute.

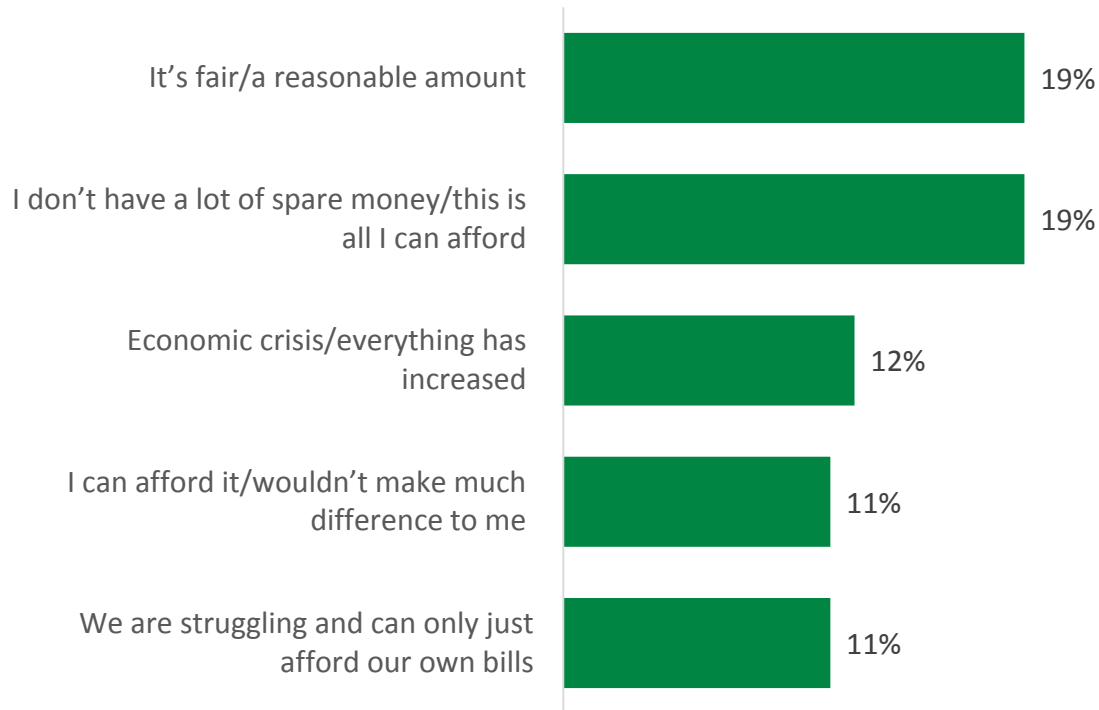
"I don't think it's the customers that should be bearing the brunt of this, especially at the moment when everybody is struggling... ask me after they've negated their profit."

She expressed frustration that people like her who are struggling but are not on benefits, don't qualify for help.

"Not everyone on low income is on benefits... they [UU] do it because they don't have to do their own due diligence. It's an easy tick box."

Top reasons for £0.01-£1.00 additional contribution

Those who are willing to contribute up to the median amount generally express that they want to help but are limited by what they can afford.



"That's all I can afford."
Female 55-64

"We are struggling ourselves but don't qualify for any help and this is all we can afford."
Female 35-44

"I already struggle to pay my bill and ration all my water to keep my bill down."
Female 45-54

"My concern is that we will be doing the same for council tax, bus fares, gas, electric and so on!"
Male 55-64

"It's not a lot to fork out."
Male 85+

Those who sometimes/often struggle with their water bill are more likely to explain their level of support in terms of their limited financial capability to help more.

Q08- You've said that you would be willing to contribute £0.01-£1.00 per month. In as much detail as possible, please tell us why you say that. Base: 261

Case study 1: willing to contribute £0.01-£1.00

About Rebecca

- She is 35-44 years old and lives in Greater Manchester.
- She is working but is pregnant and expects to take maternity leave soon.
- Household income is £52k-£73k. They are comfortable but her husband is a freelancer meaning his income can vary. She worries about the impact her maternity leave will have on their finances.
- She was not aware that customers are already paying towards social tariffs and thinks people should be made aware of this. |

Rebecca was happy to contribute in the survey but as the depth discussion progressed and she gave it further thought, she expressed misgivings about contributing more...

Her willingness to contribute faltered once she fully accounted for the existing subsidy on bills that is compulsory. She would like more information to reassure her.

“The fact that I’ve not been given a choice... It makes me think quite badly of them [United Utilities] really.... [I would like to know] what the schemes are, how they test [eligibility] for them. What kind of checks there have been.”

Rebecca has concerns over some of the schemes and feels like she should have more control over whether to pay the subsidy and how it is spent.

“My instinct is there should be an option to opt in or opt out... 58p a month is probably not a big deal but you add that up over a lifetimes and that’s a lot of money... [there should be a] tick box of what [schemes] you want to support.”

She also worries about people who are struggling but are not eligible for support.

“People have circumstances that don’t make them qualify, and it [contributions] would cause additional strain.”

Case study 2: willing to contribute £0.01-£1.00

About Jane

- She is 55-64 years old and lives in Cumbria with her husband.
- She is retired but previously worked in public health.
- Her household income is £26k-£36k. She is a bit worried about the cost of living while she waits for state pension eligibility but is keeping on top of things and feels comfortable.
- She was aware of the social tariff schemes as she has reviewed United Utilities' website thoroughly.

Jane is supportive of social tariff schemes, particularly at the moment given the cost-of-living crisis. She thinks an extra contribution is fair looking ahead to the future.

She thinks paying up to £1 extra is reasonable given United Utilities' contribution and their profit levels but would review this if shareholders contributed more.

"I think it's a fair amount because we've just discussed how much United Utilities has made in profit...

"[If UU' shareholders contributed more] I would be flexible and look at it again... maybe in another year."

Jane is supportive of all of the schemes but has reservations about providing support for large families.

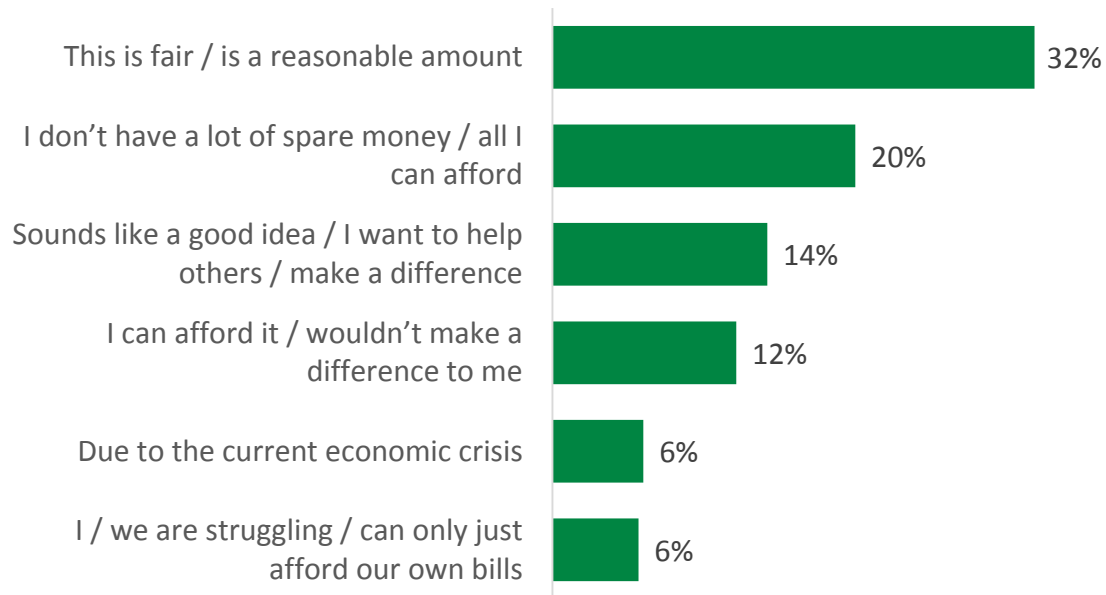
"You get this bad publicity and I shouldn't take it all as read, but people have deliberately large families in order to be able to live off the welfare state."

She feels that the social tariff contribution needs to be clearly explained on customer bills and considers the extra contribution as "voluntary".

"We discussed myself paying another pound. That's almost voluntary so it needs to be laid out clearly on the bill you are paying."

Top reasons for £1.01-£2.00 additional contribution

Going beyond the median amount shifts the sentiment, with more customers more inclined to state that they think the amount they are willing to contribute is fair and feeling as though it will make a difference. Even at this price level, some are still inhibited by what they feel that they can afford.



“£2 isn't much to help other people.”
Female 65-74

“That's equivalent to 50p a week and even though I am on a low income myself and registered disabled this amount I would be able to budget for.”
Female 45-54

“It's the price of a coffee so not too much to ask if really needed by more vulnerable.”
Female 45-54

“It would feel good to help people in these hard times.” **Female 55-64**

“Because everyone is struggling through miserable times”
Male 45-54

Those in the AB SEG group are the most likely to justify this level of this contribution by stating that they feel it is a fair/reasonable amount. Meanwhile, those on low incomes (<£21k) are more inclined to say that this is all they can afford.

Case study 1: willing to contribute £1.01-£2.00

About Sally

- She is 65-74 years old and lives in Merseyside
- She is retired and lives alone.
- Her household income is £10k-£16k from her pension and pension credit. She is struggling financially, so much so that her daughter has started paying her water bill of £40 per month.
- She was not aware of these schemes prior to the survey but feels very strongly that United Utilities should inform customers of the cross subsidy and publicise the support available more widely.

Sally is supportive of social tariff schemes because she feels that you never know when you may need support yourself. It seems like she may be eligible for support but is not currently receiving it.

She wants to contribute because, despite her own struggles, she feels that there are others out there who are worse off.

“I support it if it’s helping people who are struggling... everyone is struggling at the moment. It’s to help these people who are struggling more than I’m struggling... to help children who are going home and have no electricity... or pensioners who are scared of wasting water...”

Sally wants to contribute more but her financial circumstances prevent this. She also feels that shareholders should increase their contribution.

“It wouldn’t do them any harm to put more money in.”

Sally does not feel that she gets value for money from United Utilities due to her high bill and feels that water should be nationalised.

“Expensive... my daughter has been paying it for a while. They wanted the money right away.”

Case study 2: willing to contribute £1.01-£2.00

About Tim

- He is 65-74 years old and lives in Cumbria.
- He is retired and lives with his wife.
- His household income is £16k-£21k. They are not struggling but cannot afford to be frivolous with money. However, his household used to struggle more.
- He thinks it is very important that people are aware of the social tariff contribution because they have a right to know and may feel proud about helping others. |

Tim is supportive of social tariff schemes and is impressed by how United Utilities handles this. He feels that it's a good way to help others and understands what it is like to be in need.

He is happy to chip more each month. He doesn't consider this a large amount and knows firsthand the problems debt can cause.

"I really empathise with anyone else who's got debt issues because it causes mental health issues too, and now that I feel better off and a bit more comfortable, I'm quite happy to try and lend a little bit of a hand."

Tim has full faith in United Utilities to administer these schemes.

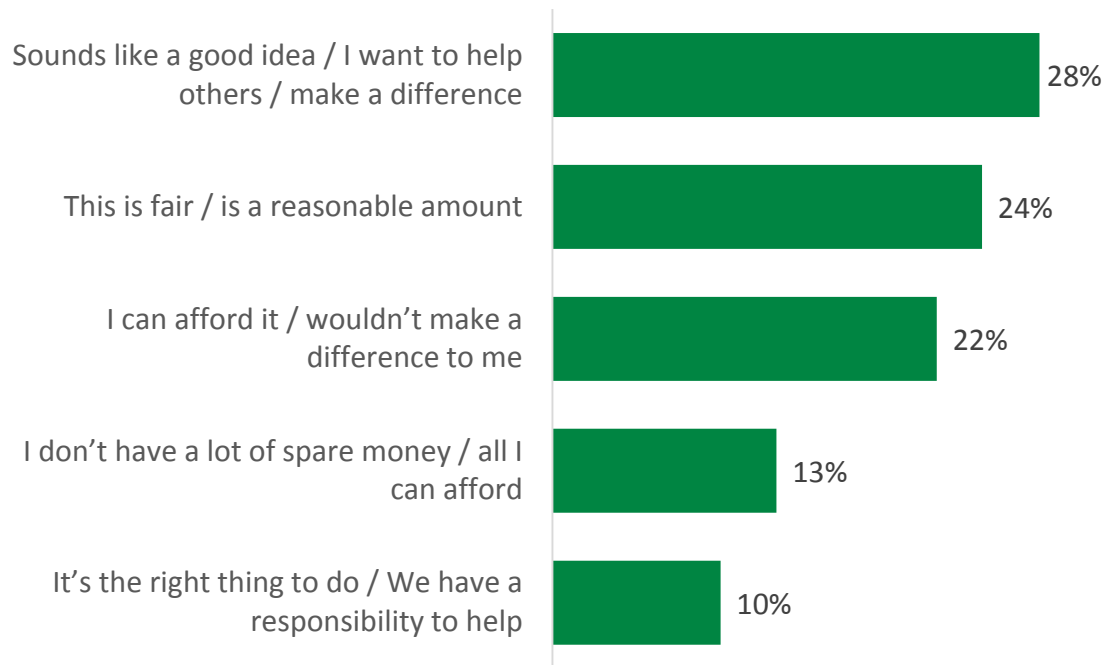
"I'm sometimes suspicious of charities and am not really sure where your money actually ends up. But with someone like UU, a respected, proper organisation, I'm fairly confident that anything I do give over and above will be spent in the right way..."

Tim likes the schemes operated by UU but feels there may be a need for more flexibility.

"Large families, people on low-income benefits and struggling pensioners, it seems to be the right demographic... it would be nice if there was some flexibility for special situations."

Top reasons for >£2.00 additional contribution

Those who are willing to pay the higher amounts express that they have a desire to make a difference and feel that this is a fair/reasonable amount. Even at this level, some do indicate that they are limited by what they can afford.



“Because I am well off and I like to help out those less fortunate.”
Female 25-34

“It is all I can afford. Everyone has a right to water.”
Male 45-54

“It wouldn't make a difference to me in the grand scheme of things, but that £2.50 could support a family in need.”
Female 18-24

“It seems a reasonable sum to contribute to support the less advantaged.”
Female 45-54

“It's affordable and wouldn't impact my household budget”
Female 65-74

Limited subgroup differences of interest detected due to low base size.

Case study: willing to contribute >£2.00

About Walter

- He is 65-74 years old and lives in Lancashire.
- He is retired plumber so has had many dealings with UU.
- His household income is £21k-£26k and they are currently living comfortably but they do try to keep bills down.
- He had an idea before the survey that something was in place to help vulnerable customers but was unaware of any specifics. He thinks customers should be aware but shouldn't have the option to opt-out. |

Walter really likes the idea of social tariffs and is very supportive of them and is very positive towards United Utilities. His only reservation about the schemes is whether they are open to abuse.

He likes all UU's social tariff schemes but was particularly keen on Back on Track and Help to Pay.

[Back on Track] "We all know people like this... A few quid here and there is going to help them a lot. I'm in favour of that."

[Help to Pay] "In a few years time it might be me so yeah of course I'm going to support something like that... It's down the road for everybody – a lot quicker than you think sometimes!"

Walter is happy to contribute and doesn't think it should solely be down to UU shareholders to do so, particularly given the need to invest in things like infrastructure.

"You can't put all of the onus on them. We can't expect them to pay it all, so a bit of help from other people who can probably afford it is needed."

Walter would be willing to pay even more if UU felt there was a genuine need for it.

"If they needed another £2 on top of that that's fine... It's one less bottle of wine for my missus but that's better value to help someone out that's genuinely struggling."

Key drivers of willingness to contribute

A KDA is performed to identify which factors, when taken together, have a significant influence on WtC. These significant factors are called key drivers. Other factors, such as SEG, might have some correlation with WtC but these do not add significantly to WtC above and beyond the key drivers listed. The regression considers each factor in conjunction with any higher ranked factors to determine the additional influence on WtC. The most influential factors on WtC are attitudes; people who agree that it's morally right for customers to help others and disagree bill discounts should be funded by other customers tend to have higher WtC than other customers. Each Key Driver contributes additionally to WtC above and beyond these attitudes.

Rank	Factor	Influence
1	It's morally right for customers to help others who are struggling to pay their bills	Customers who agree have a higher WtC
2	Bill discounts for customers who are struggling should not be funded by other customers	Customers who disagree have a higher WtC
3	Age	Younger customers have a higher WtC
4	Support scheme recipient	Those who are currently on a scheme have a higher WtC
5	I don't support the idea of helping people on low incomes to pay their water bills	Customers who disagree have a higher WtC
6	Digital exclusion status	Customers who are not digitally excluded have a higher WtC
7	Income	Those earning £52k+ have a higher WtC
8	Opinion on United Utilities' shareholder contribution to affordability schemes	Customers who do not say the shareholder contribution is too low have a higher WtC
9	Gender	Males have a higher WtC
10	Region	Customers from Greater Manchester have a higher WtC

Future updates to the cross-subsidy

Explaining future cross-subsidy uprating to respondents

United Utilities wanted to explore customer attitudes on two options to uprate the cross-subsidy going forward: inflation matching or inflation & service improvement matching. The subject matter is inherently complex and therefore a lot of care was taken in framing the question and deciding how much information to include. As such, this was one of the main focuses of the cognitive pilots.

From the cognitive pilot feedback, it was clear that the priority should be to focus in on the core contextual information only in order to not overwhelm or confuse respondents. Therefore, it was explained to respondents that bills will increase in the future due to two factors: inflation (a brief explanation was offered) and investment in service improvements (examples such as improving the sewer network and fixing leaks were given). Then the two options for uprating the cross subsidy were explained, with a focus on outlining the impact the cross-subsidy uprating would have on customer bills and the number of vulnerable customers that could be helped in the future. It was made clear to respondents that the figures presented were indicative only, as the future cross-subsidy amount (and therefore the uprated amounts) are still to be finalised and are dependent on the results of this research.

As well as the two uprating options, a 'don't know' option was provided so that those who struggled with the question were not forced into choosing. Respondents were also asked follow-up questions to ascertain how [easy/difficult they found the question to answer and if difficult the reasons why](#).

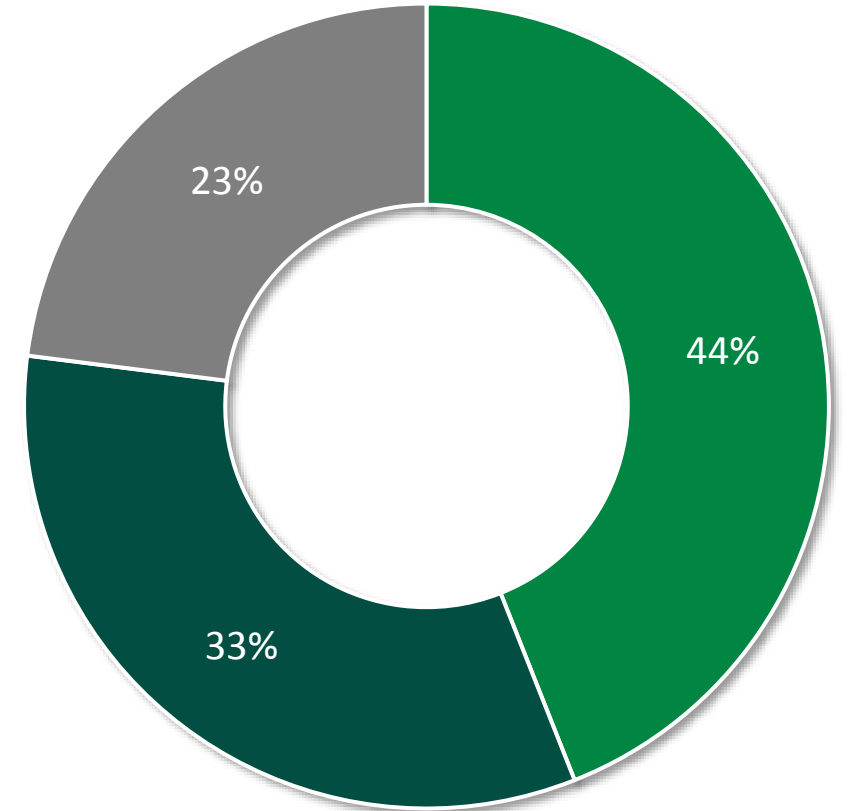


Future cross-subsidy uprating

Neither option enjoys a majority, with 44% preferring inflation only increases to the cross-subsidy going forward and 33% preferring inflation plus investment. 23% of customers answered don't know which is unsurprising given that this question asks customers to think about the future, inherently creating a sense of uncertainty, and requires understanding of concepts which many find challenging (e.g. inflation).

Subgroup differences are limited, but those belonging to the AB SEG group are more likely than others to opt for the inflation and investment option (45%). The same can be said about the least financially vulnerable (43%) compared to the potentially (34%) and most financially vulnerable (23%). However, both of the aforementioned subgroup differences seem to be at least partially driven by differences in the level of 'don't know' responses.

That being said, those with higher annual water bills (£751 per year or more) tend to prefer the inflation only increase (58%), and this does not appear to be driven by differences in the level of 'don't know' responses.

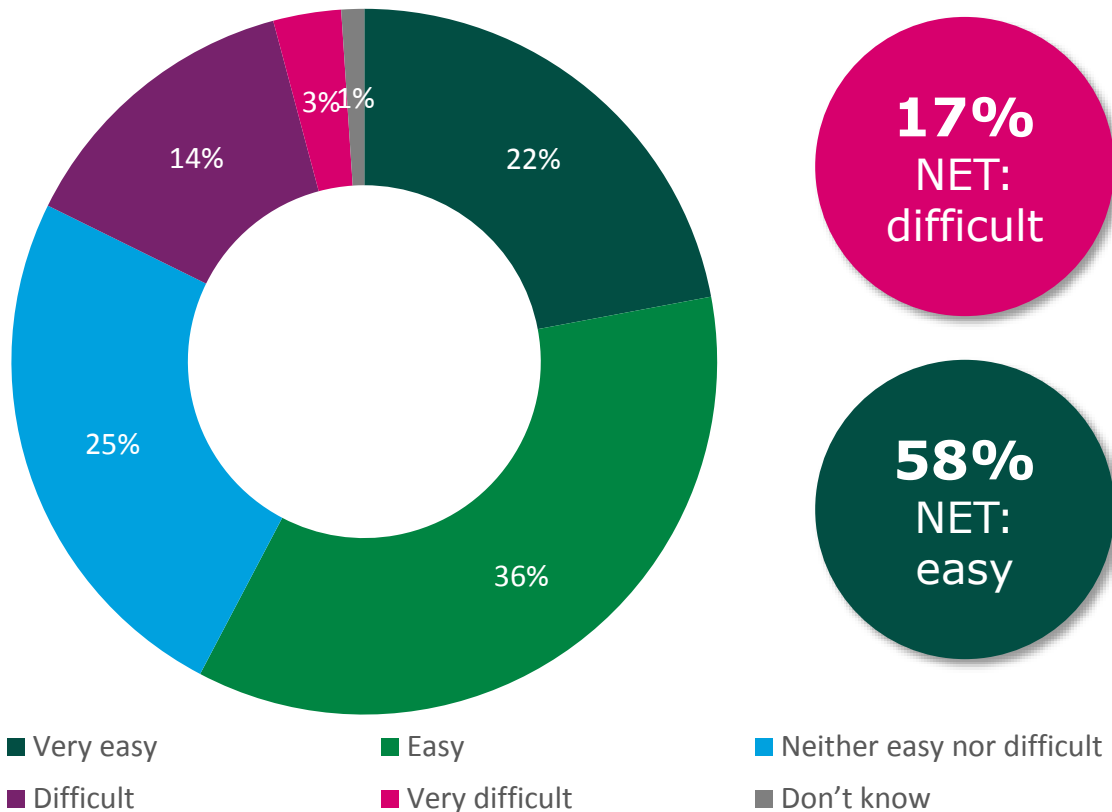


■ Inflation only ■ Inflation + investment ■ Don't know

Q09- Customers' social tariff contributions can either increase in line with **inflation only** or **in line with both**. This will affect the amount added to customer bills and the number of vulnerable customers who can be helped. In principle, which of these two options is the most acceptable to you? Base: 1012

Understanding of social tariff uprating exercise

The majority of customers found the social tariff question easy to answer (58%) with a minority finding it difficult (17%). Those who found it difficult give a mix of reasons, as some found the subject matter difficult but others felt like they needed more information, disagreed with the premise of the question or struggled morally with how to answer given the current economic climate.



Reasons why the question was difficult

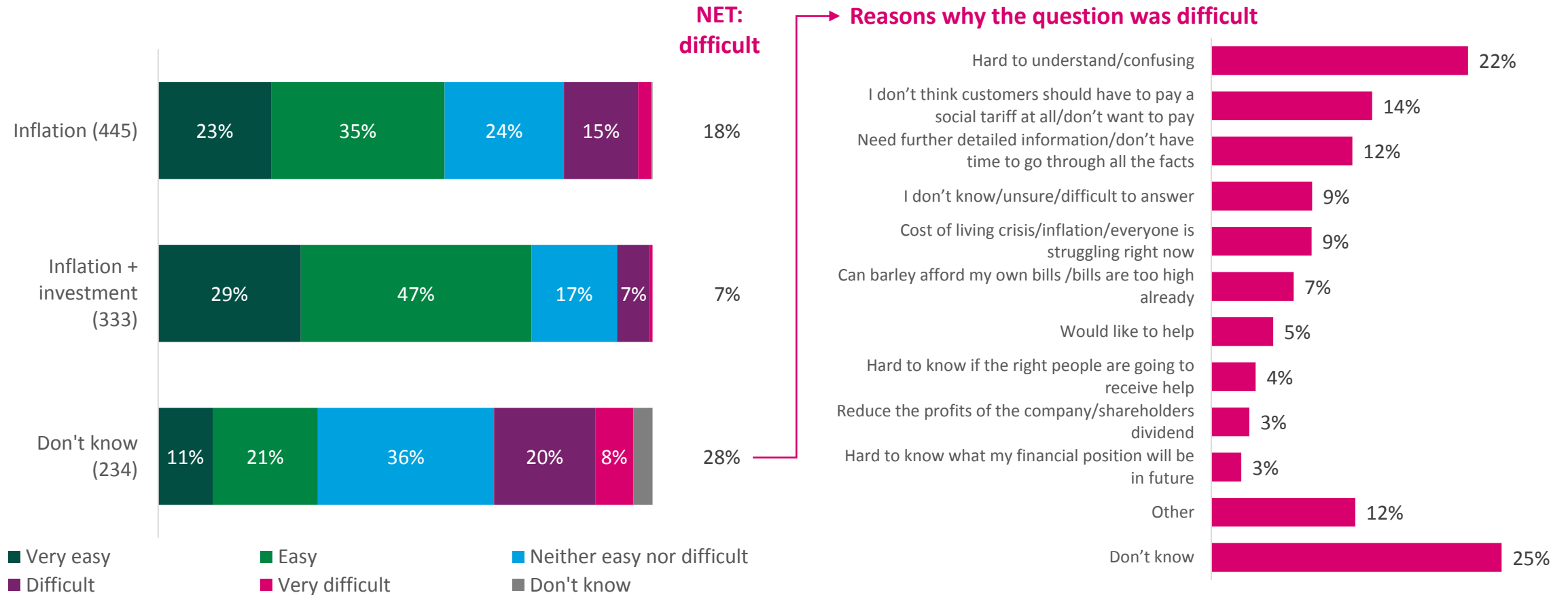


Q10. Before we move on, can we just check how easy or difficult it was to answer the question we've just asked on future social tariff rates? Base: 1012

Q10a. What made it difficult? Please give as much detail as possible. Base: 189

Further investigation of responses (I)

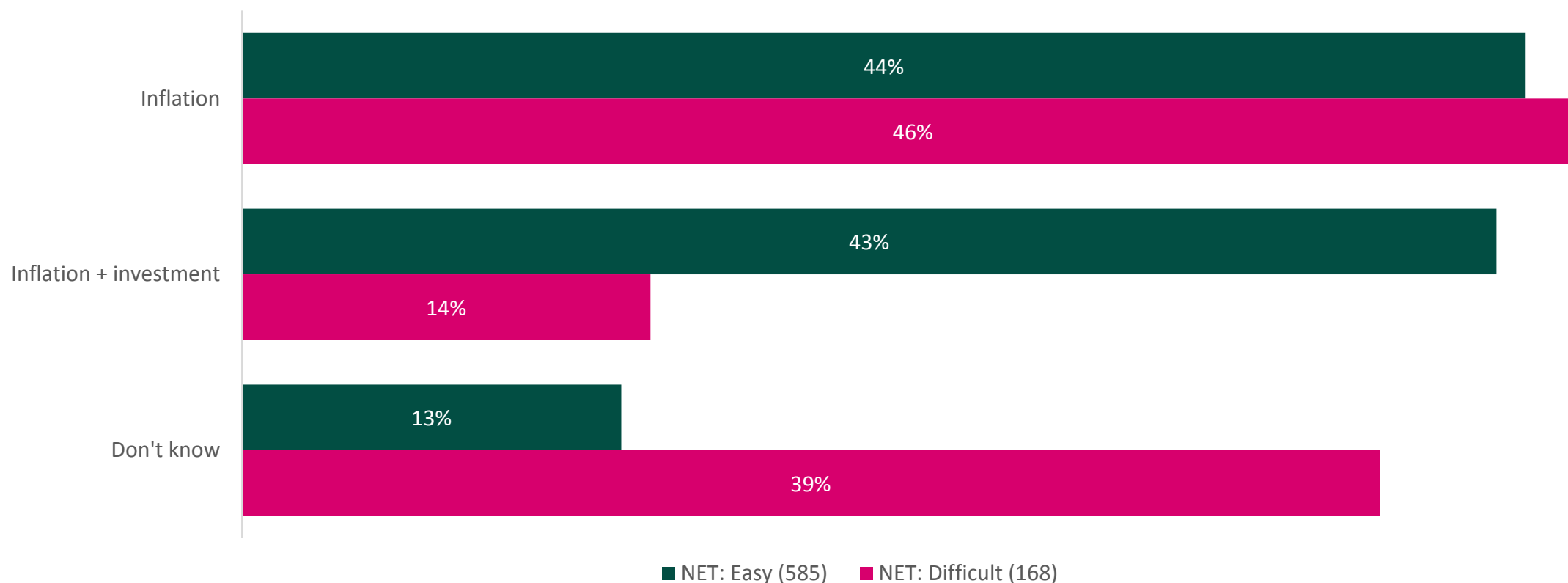
Those who answered 'don't know' are more likely to say that they found the exercise difficult, although this only accounts for just over one in four of this group. These respondents gave a range of reasons for this, some relating to the question but others relating to exogenous factors.



Q09- Customers' social tariff contributions can either increase in line with **inflation only** or **in line with both**. This will affect the amount added to customer bills and the number of vulnerable customers who can be helped. In principle, which of these two options is the most acceptable to you? Q10. Before we move on, can we just check how easy or difficult it was to answer the question we've just asked on future social tariff rates? Base sizes in parenthesis.

Further investigation of responses (II)

Those who found the exercise easy are evenly split between the inflation and inflation plus investment options, but those who found the exercise difficult are far less likely to opt for the inflation + investment option and are more likely to say don't know. The clear preference for the inflation only increase suggests that those who found it difficult may have predominantly used bill impact as a heuristic to state a preference.



Q09- Customers' social tariff contributions can either increase in line with **inflation only** or **in line with both**. This will affect the amount added to customer bills and the number of vulnerable customers who can be helped. In principle, which of these two options is the most acceptable to you? Q10. Before we move on, can we just check how easy or difficult it was to answer the question we've just asked on future social tariff rates? Base: in legend

Summary

Key findings

76%
willing to
contribute
extra

£1.26
mean
willingness to
contribute
extra per
month

£1.00
median
willingness to
contribute
extra per
month

Recommendations & considerations

Despite many customers feeling a strain on their household finances, there is clear support for an increased social tariff contribution. Indeed, there is majority support for at least some level of additional contribution among nearly every subgroup.

Attitudinal differences are the strongest drivers of willingness to contribute, although age and being in receipt of support are also strong influences.

There are a variety of reasons for not wanting to contribute (extra) to the social tariff. For some, it is purely financial but for others attitudes towards vulnerable groups or United Utilities are key. It will likely prove difficult to meaningfully increase support among these customers for (increased) social tariff contributions.

There is some desire to know more about the schemes and a feeling that there should be more transparency regarding customer contributions. Given this, United Utilities should ensure comms are in place which raise awareness and make the case for the schemes.

Even those who are happy to make an additional contribution have concerns about the scheme being open to abuse. Comms should address this to shore up support.

There is some scepticism regarding the (nationally mandated) WaterSure scheme being open to those with large families. Even some of those willing to contribute question why they should subsidise the perceived choice of a large family. If this group is going to be supported going forward, United Utilities will have to explain why they deserve support or risk losing customer buy-in.