



Turner & Townsend

United Utilities

PR24 Affordability and Acceptability
Testing Assurance Report – Final

12th September 2023



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1.1 Overview and Scope

PR24 Affordability and Acceptability Testing



To support the UUW PR24 business plan assurance statement on customer engagement (as set out in table 10.2 of the PR24 methodology), and its submissions around this activity, UUW has asked us to provide assurance that UUW has appropriately followed the guidance set out by Ofwat/ CCWater for Affordability and Acceptability Testing.

The assurance activity was split into phases to align with your testing stages – with the overall picture and final assurance assessment being based on a consideration of the end-to-end testing process. The scope of each phase is summarised below.

- **Phase 1a Qualitative stage** – this focused on the qualitative stage of the testing and obtaining an understanding of the design, method and approach outlined in the guidance document. We reviewed the approach UUW has adopted, including the research material and stimulus, and whether this followed the research methodologies and correspondence outlined in the guidance (and engaged with Your Voice (ICG) appropriately).
- **Phase 1b Quantitative lite stage** – this focused on a broad review of UUW’s additional, optional research phase to identify if learnings and recommendations could be identified ahead of the full quantitative stage noted below. This critical friend assurance review did not lead to an assurance statement related to this activity.
- **Phase 2 Quantitative stage** – as per Phase 1a, this focused on the full quantitative stage of the testing and obtaining an understanding of the design, method and approach outlined in the guidance document and then reviewing the approach UUW adopted to assess whether this followed the research methodologies and guidance outlined in the guidance, as well as reviewing any decisions made between the qualitative and quantitative stages. We agreed to review the data tables for alignment to the requirements, but not undertake a detailed assessment of your research providers analysis.
- **Phase 2 Qualitative stage** – this included a review of the rationale, engagement with the ICG and any changes/ exceptions in the approach from the first round of Qualitative testing.

This report covers our final assurance assessment of your end-to-end affordability testing; including the extra, unscheduled round of qualitative testing (in phase 2) initiated by a change in the proposed customer bill level.

1.2 Key Conclusions

PR24 Affordability and Acceptability Testing

U UW has evidenced its approach for meeting Ofwat and CCWater requirements in the Affordability and Acceptability Testing research element of the PR24 process.

Our assurance of both U UW’s qualitative and quantitative approach observed good evidence it had considered and accounted for the Ofwat and CCWater guidance criteria and did not identify material misalignment or issues.

At the conclusion of our work across the stages there are no outstanding recommendations.

Based on our review of the documents provided to us and follow-up discussions with U UW’s teams as part of this assurance:

- **In Phase 1** we saw evidence that **the team has actively tracked and managed evidence across a large number of prescriptive requirements**. The team had **updated and managed actions** for areas of clarification during our assurance of the affordability and acceptability requirements. The qualitative Affordability and Acceptability customer research approach appears to be in **sufficient alignment to the Ofwat and CCWater requirements** (including taking into account feedback from the U UW ICG). We identified some **minor recommendations** related to: document management; presentation of future research outputs; and the joint presentation of cost and service of alternative plans in any future stimulus material.
- We made three main **interim recommendations** in June 2023 and we note these were **actioned** either through revisions to phase 1 documents or through our review of phase 2.*
- **In Phase 2** we saw further **good evidence** in both qualitative and quantitative of phases of the Affordability and Acceptability customer research that the approach appears to be in sufficient alignment to the Ofwat and CCWater requirements. Phase 2 of the Qualitative research does not meet the sample sizes expected for full testing for all segments, however U UW have good evidence of **“best and proportionate efforts”** as per the requirements for re-testing.
- For Phase 2 – and reflecting the timing of the work, our scope and the general level of evidence seen – there are no meaningful recommendations arising to consider prior to submission.

Due to the timing of the conclusion of the phase 2 research and your governance process, we have not reviewed recommendations for how the business plan could be improved following the research, and we note the **final debrief with the ICG** is scheduled for w/c 11th September.

2. Our Delivery Methodology



2.1 Our approach to this assurance

PR24 Affordability and Acceptability Testing

We have provided targeted assurance for UuW following the approach below

1. Requirements Review

We have undertaken an off-line review of the requirements for customer research outline by Ofwat and CCWater

2. Process review

We have gained an understanding of your process and approach across the Phases, its alignment to the guidance and how you have set out to evidence this.

3. Evidence & Analysis

We have conducted evidence sampling using both your evidence tracker and our own spot-checks against the Ofwat requirements.

4. Output Validation

We have produced a draft report with feedback, risk grades and recommendations, and submitted it to key UuW stakeholders for checks and validation.

5. Final Outputs

We produced a final report outlining the assurance findings, risk grades and recommendations with a summary of the assessments.

2.1 Our approach to Phases 1a and 1b

Affordability and acceptability testing assurance

Our approach for Phase 1 of the work was centred around an offline review of the affordability and acceptability elements of your PR24 research approach and your methodologies/outputs supported by discussions with U UW's team(s). We have developed our understanding of, for example, the following:

- Your research tracker and whether, in the round, the requirements captured cover what we consider to be the material aspects of the guidance as articulated through the CCWater/Ofwat guidance and the PR24 methodology (including the appendices on the QAA and affordability)¹.
- Your approach and the research materials and stimulus used.
- The extent to which the documents evidence meeting the guidance and in particular the requirements in the appendices. This was triaged by a view in the round of the approach and its documentation.
- Your approach to collating and analysing the research results and how this might influence further testing
- Your interaction with its ICG
- Any key risks/issues associated with your approaches and/or their application – and their justification and/or mitigation.
- Linked to our understanding of the documentation of your approach and its outputs, the extent to which these are captured/evidenced for audit trail purposes.

We note the offline evidence the team provided comprised of over 60 documents and files, used throughout the various stages of qualitative research. It also provided its 'Assurance Tracker', which it used to document, reference evidence and agree the status of specific elements of the Ofwat guidance.

¹ Guidance for water companies acceptability and affordability of PR24 business plans

2.1 Our approach to Phase 2

Affordability and acceptability testing assurance

Our approach for Phase 2 was an extension of the work undertaken in Phase 1.

Both qualitative and quantitative elements were again centred around an offline review of the research approach and the methodologies/outputs supported by clarifications and discussions with U UW's team(s). We re-reviewed the following:

- Your approach and the research materials and stimulus used.
- The extent to which the documents evidence meeting the guidance, and sample checked the requirements in the appendices.
- Your approach to collating and analysing the research results and how this might influence further testing
- Your interaction with the ICG
- Any key risks/issues associated with your approaches and/or their application – and their justification and/or mitigation.
- Linked to our understanding of the documentation of your approach and its outputs, the extent to which these are captured/evidenced for audit trail purposes.
- Updates and actions completed following assurance feedback at the end of Phase 1 (including revisions to Phase 1 documents).

We note the offline evidence the team provided for phase 2 comprised of over 30 documents and files. We were provided with two 'Assurance Trackers', for each element of the research, used to document, reference evidence. These had been updated from Phase 1. We have reviewed the phase 2 data tables for alignment to the requirements, but have not undertaken a detailed assessment of the data presented.

¹ Guidance for water companies acceptability and affordability of PR24 business plans

2.2 Feedback and scoring criteria

PR24 Affordability and Acceptability Testing

We discussed clarifications and emerging findings with your team and summarise our feedback in section 3.

Within section 3, our scores/grades represent the **level of evidence** associated with the items reviewed. For this submission, our scoring/grading represents the following:

Grade/ Meaning	Summary
A	Good evidence that the criteria has been considered and accounted for in the process. This is reflected in the documentation provided and approach.
B	Moderate evidence that the criteria has been considered and accounted for in the process. The requirements are reflected in the documentation provided and approach but with some gaps
C	Limited evidence that the criteria has been considered and accounted for in the process. There are gaps in the documentation provided and approach.
D	No evidence that the criteria has been considered or accounted for in the process. There are material gaps and issues identified with the documentation provided and the approach.

To support and further explain a grade, we also set out in section 3 our summary assessment of the area reviewed; findings; and recommendations.

3. Assessment of Audit Areas



3.1 Score by Area

PR24 Affordability and Acceptability Testing

We present below the score/grade for each area, based on material reviewed and discussions held, during Phase 1 of our assurance. The remaining slides in this section set out for each area a **risk-based grade** and, to support and explain that grade: our summary assessment of the area reviewed; findings; and recommendations for consideration.

No score was provided for the quantitative light phase (1b) as it was agreed this critical friend assurance would not inform the assurance statement.

1	Qualitative Phase (1a)	A
2	Quantitative Light Phase (1b)	N/A
3	Quantitative Phase (2a)	A
4	Revised Qualitative Phase (2b)	A

Grade/ Meaning	Summary
A	Good evidence that the criteria has been considered and accounted for in the process. This is reflected in the documentation provided and approach.
B	Moderate evidence that the criteria has been considered and accounted for in the process. The requirements are reflected in the documentation provided and approach but with some gaps
C	Limited evidence that the criteria has been considered and accounted for in the process. There are gaps in the documentation provided and approach.
D	No evidence that the criteria has been considered or accounted for in the process. There are material gaps and issues identified with the documentation provided and the approach.

3.2 Phase 1a: Qualitative Phase



Score

Audit Area	Overall Grade	Material submission risk
Qualitative Phase	A	No




Findings

Overall, we observed alignment to Ofwat and CCWater guidance and did not identify material misalignment or issues that would significantly impact the next phase of testing. Our detailed findings relate to three key areas:

- **Requirements for testing**, including approach, sample size, make-up of the different cohorts and role of the ICG:
 - U UW demonstrated that it has met the CCWater requirements around sample size and demographic make-up of both the in-depth deliberation sessions and individual interviews. We saw evidence that U UW used customer lists to identify research participants, as well as “free-found” data for Future Bill Payers.
 - We saw evidence of correspondence and minutes of meetings with the U UW ICG showing that they had been engaged throughout the process.
 - We reviewed the process for customer sampling through a process document and evidence of database ‘column heading’. We were not able to directly check individual details due to data protection. No issues were noted with the process as described.
- **Presentation of stimulus materials**, including presentation of inflation, statutory programmes and social tariff schemes:
 - Most of the requirements have been checked and are clearly presented in the stimulus document. Wording related to statutory programmes was applied as required, as was the requirement to show the difference in the “must-do” vs the proposed business plan. We note that, after consideration with your research partner, your stimulus material did not include an illustration of the service levels associated with the cost of the ‘must-do’ plan, but that this was included in voice-over instead.
 - The presentation of the bill impact matches prescribed requirements for inflation. We reviewed an additional file to show the prescribed inflation forecasts used.
 - The presentation of social tariffs in the qualitative work was somewhat difficult to trace – for example, the stimulus included the same bill impact charts for household and vulnerable customers. The in-depth discussion guide indicated some elements of personalisation and adjustment for participants on social tariffs. This is an important area as the results on affordability from financially vulnerable participants appear higher than would be expected.
- **Outputs and deliverables:**
 - Through version 2 of the outputs report, we saw good evidence that the research outputs considered the analysis and conclusions criteria.
 - Given the timing of our assurance we were unable to ascertain what potential changes, or areas/issues to consider, were suggested off the back of the research to support the development of the business plan. We understand you plan to demonstrate this during Phase 2 of the assurance (in relation to both qualitative and quantitative research).
 - In addition, given the timing of our assurance we were unable to review what changes were made to the business plan following customer feedback. We anticipate that this is something U UW will need to demonstrate in future phases of the business plan process.

3.2 Phase 1a: Qualitative Phase (cont)

Recommendations

- 
- 1) Presentation of statutory/must-do programmes vs proposed business plan:** Review how service levels as well as costs of the “must do” business plan elements can be presented to customers to clearly show the services received against each cost level. UJW should consider if they are fully meeting the requirement to “articulate the relationship between the bill and new service level targets”. [Completed – see Phase 2b]
 - 2) Social Tariff Schemes:** Update the report and evidence tracker to make clear what bill impact information was presented to those already on social tariff schemes and how these differ from the wider HH segment. Expand any conclusions relating to how this may have affected the affordability score. [Completed – see Phase 2b]
 - 3) Report Outputs:** Strengthen and deepen the conclusions regarding overall customer acceptance and affordability, potentially drawing out the nuances, and difficulty in making conclusions based on small sample sizes or contradictory information. [Completed through version 2 of the output report, as seen during our Phase 2 work]
 - 4) Report Outputs:** Future reports should provide more detailed recommendations regarding areas of the business plan that might need to reflect most on the research findings. [Completed through version 2 of the output report, as seen during our Phase 2 work]
 - 5) Evidence Tracker:** Continue to develop a robust tracking system for evidencing against the requirements including consistency of naming convention and evidence from both qualitative and quantitative where necessary. [Completed – see Phase 2b]

3.2 Phase 1b: Quantitative Lite Phase



Score

Audit Area

Overall Grade

Material submission risk

Quantitative Lite Phase

n/a

n/a



Findings

We consider the undertaking of this additional phase of testing (that was not specifically prescribed within the Ofwat guidance) to have been a valuable exercise to understand some of the challenges that might arise in a full Quantitative phase. We note the following:

- Requirements for testing, including approach, sample size, make-up of the different cohorts and role of the ICG:
 - Certain over-arching requirements (for example those around ICG engagement) are identical to the qualitative stage. We have spot tested these where appropriate, however, we note that these have been covered in-depth within Phase 1a
 - The £10 incentive in the recruitment letter appears to have been offered initially rather than in the reminder – exceeding guidance expectations
 - The recruitment letter was brief and did not explicitly cover all the bullet point requirements that would be expected for Phase 2 - for example limited evidence of accessibility to diverse customer base.
 - When Appendix F of the requirements document was cross checked with document 'QTS' we noted some minor changes to wording on question S2/Q4.
 - We note that certain requirements related to the full Quantitative Phase (such as those related to sample sizes) will be addressed in Phase 2.
- Presentation of stimulus materials, including presentation of inflation, statutory programmes and social tariff schemes:
 - We were provided with evidence that the required inflation figures had been applied and we reviewed an additional file to show the prescribed inflation forecasts used.
 - The requirements for social tariffs were met within the quantitative survey.
- Outputs and deliverables:
 - The report showed clear breakdown of the results in the required categories. There are no conclusions at this time and data tables were not provided at this stage.



Recommendations

- 1) **Initial invitation:** The wording of the initial invitation should include email and postal options, as well as all the other listed requirements (eg: around accessibility).
[Completed – see Phase 2a]
- 2) **Survey Questionnaire:** Check the questionnaire wording is completely aligned with requirements as per appendix F.
[Completed – see Phase 2a]

3.2 Phase 2a: Quantitative Phase



Score

Audit Area

Overall Grade

Material submission risk

Quantitative Phase

A

No



Findings

UW have undertaken two separate quantitative research engagements, one with a higher, and one with a lower bill amount. Given the relatively short timeframe for testing, we note that UW have reached a significant number of customers – over and above that mandated by Ofwat.

- Requirements for testing, including approach, sample size, make-up of the different cohorts and role of the ICG:
 - There is good evidence that the requirements for testing are in line with the requirements.
 - We note the £10 incentive in the recruitment letter continued to be offered initially rather than in the reminder – exceeding guidance expectations. UW have confirmed this is their preference and considered best practice.
 - There is a minor deviation whereby the invitation letter refers to a URL <https://acsvy.com/3606survey> which includes an ambiguous character (ie. "0"). UW evidenced reasonable mitigation for this through a URL and QR code option.
 - There is evidence the sample sizes were met in line with the requirements and evidence of tailoring the sample proportions based on previous surveys.
- Presentation of stimulus materials, including presentation of inflation, statutory programmes and social tariff schemes:
 - We noted there was no business plan summary in the stimulus, the decision for which was evidenced through an email exchange with CCW, that UW should not be showing the one pager.
 - There is evidence that the required inflation figures had been applied. We note the minor deviation from the requirements to include the total on each bar of the chart, a change which was also discussed with the ICG.
 - The requirements for social tariffs were met within the quantitative survey.
- Outputs and deliverables:
 - UW provided outputs, data files and a report, for both the higher and lower bill amount testing. The structure and approach is the same, although we have focused predominantly on the higher bill amount documentation.
 - The report showed clear breakdown of the results in the required categories and the conclusions are clear and comprehensive. We were provided data tables showing a breakdown of results that appears in line with the minimum analysis requirements. We note in line with our scope and general timing of the work, we have not undertaken a detailed analysis of the data files and/or cross checked between the data tables and the reports.



Recommendations Update (from Phase 1 into Phase 2)

- 1) **Initial invitation:** The wording of the initial invitation should include email and postal options, as well as all the other listed requirements (eg: around accessibility).
 Complete - we note the accessibility updates to the invite, as well as the reference to the MRS society.
- 2) **Survey Questionnaire:** Check the questionnaire wording is completely aligned with requirements as per appendix F.
 Complete - updated to align with requirements.

3.2 Phase 2b: Revised Qualitative Phase



Score

Audit Area

Overall Grade

Material submission risk

Revised Qualitative Phase

A

No



Findings

We reviewed the qualitative phase 2 materials in line with the Ofwat and CCW requirements on re-testing- i.e. the company should make best and proportionate efforts, in the time available, to test the revised plan prior to submission. We observed that U UW have evidenced this re-testing in line with the full requirements, with only minor deviations – given this was a re-testing exercise, these minor deviations did not materially impact our overall grade. We note the following:

- **Requirements for testing**, including approach, sample size, make-up of the different cohorts and role of the ICG:
 - There is good evidence that the U UW have aligned their overall re-testing approach to the requirements, for example in the prescribed questions and structure, cognitive testing and ensuring options for inclusivity are available for participants.
 - We note U UW have been unable to fully meet the sample size requirements in this re-testing phase. However, there is evidence that 'best and proportionate' efforts have been undertaken.
 - There is good evidence of ICG engagement in the re-testing approach. We note that the debrief of the final report to the ICG is scheduled and will take place after this assurance.
- **Presentation of stimulus materials**, including presentation of inflation, statutory programmes and social tariff schemes:
 - We re-checked the stimulus materials and there is good evidence that the requirements are met.
 - U UW shared the 'Qual bill impact handout' as further evidence of the personalisation of information presented.
- **Outputs and deliverables**:
 - The affordability and acceptability of the proposed and must do plan are analysed comparatively. We note U UW's explanation that there is not a separate assessment as the overall £ values are so similar.
 - We note that the requirement for considering the quantitative survey is not applicable due to the timing of this revised qualitative round alongside the quantitative testing.
 - We have seen evidence of proposed changes to the business plan following the Qualitative phase 1 work. Due to timing, we have not reviewed any changes post Qualitative phase 2.



Recommendations Update (from Phase 1 into Phase 2)

Presentation of statutory/must-do programmes vs proposed business plan: Review how service levels as well as costs of the "must do" business plan elements can be presented to customers to clearly show the services received against each cost level. U UW should consider if they are fully meeting the requirement to "articulate the relationship between the bill and new service level targets".
[Complete – new slide on the 'must do' programme added to session stimulus.](#)

Social Tariff Schemes: Update the report and evidence tracker to make clear what bill impact information was presented to those already on social tariff schemes and how these differ from the wider HH segment. Expand any conclusions relating to how this may have affected the affordability score.
[Complete – further evidence provided for phase 2 on individual bill impact information.](#)

Report Outputs: Strengthen and deepen the conclusions regarding overall customer acceptance and affordability, potentially drawing out the nuances, and difficulty in making conclusions based on small sample sizes or contradictory information.
[Complete – report conclusions are more nuanced and detailed in phase 2 \(and were updated for Phase 1a in version 2 of the report\).](#)

Report Outputs: Future reports should provide more detailed recommendations regarding areas of the business plan that might need to reflect most on the research findings.
[Complete – see immediately above.](#)

Evidence Tracker: Continue to develop a robust tracking system for evidencing against the requirements including consistency of naming convention and evidence from both qualitative and quantitative where necessary.
[Complete – evidenced through updates and ongoing management of the tracker following phase 1.](#)

4. Appendix



4.1 Interim key conclusions – Phase 1

PR24 Affordability and Acceptability Testing

UW has evidenced its approach for meeting Ofwat and CCWater requirements in the Qualitative Affordability and Acceptability Testing research element of the PR24 process.

Our assurance of UW’s qualitative approach observed good evidence it had considered and accounted for the Ofwat and CCWater guidance criteria and did not identify material misalignment or issues that would significantly impact the next phase of testing.

Based on our review of the documents provided to us and follow-up discussions with UW’s teams as part of this assurance:

- We have seen evidence that **the team has actively tracked and managed evidence across a large number of prescriptive requirements**. The team have **updated and managed actions** for areas of clarification during our assurance of the affordability and acceptability requirements.
- The qualitative Affordability and Acceptability customer research approach appears to be in **sufficient alignment to the Ofwat and CCWater requirements** (including taking into account feedback from the UW ICG).
- We have identified some **minor recommendations** related to: document management; presentation of future research outputs; and the joint presentation of cost and service of alternative plans in any future stimulus material (eg: between submission and FDs).

In addition, the Quantitative Lite (phase 1b) work appears to have been a valuable exercise to understand some of the challenges that might arise in a full Quantitative phase. We note some very minor inconsistencies with the prescriptive requirements within this report.

4.2 Interim recommendations – Phase 1

PR24 Affordability and Acceptability Testing

In reviewing and sample checking the evidence provided to us against the U UW tracker; the regulatory requirements; and our price review customer engagement experience – we recommend the following areas for further consideration. Given the Phase 1 qualitative work is concluded, and we identified no material guidance alignment issues, we have focused the below recommendations arising from our Phase 1 work on any further Affordability and Acceptability work that may take place over the course of the price review.

Main recommendations for any further Affordability and Acceptability work over the course of the price review:

- 1) Presentation of statutory/must-do programmes vs proposed business plan:** Review how service levels as well as costs of the “must do” business plan elements can be presented to customers to clearly show the services received against each cost level (if more than one plan is being presented in any future engagement).
- 2) Report outputs:** Strengthen and deepen the conclusions regarding overall customer acceptance and affordability, potentially drawing out the nuances, and difficulty in making conclusions based on small sample sizes or contradictory information. Future reports should provide more detailed recommendations regarding areas of the business plan that might need to reflect most on the research findings.
- 3) Evidence Tracker:** Continue to develop a robust tracking system for evidencing against the requirements, including consistency of naming convention and evidence from both qualitative and quantitative phases where necessary.

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