

Part C1 – Consumers’ Views**Summary Report by REPORTER****Summary of Audit Findings & Reporter Opinion**

We are not required to form an opinion on the quality of the research itself but have confirmed that this work has been properly peer-reviewed by leading specialists engaged by Thames, see below. Thames also notes in its commentary that it is a corporate member of the Consultation Institute and follows the principles set out in the Better Regulation Executive’s Code of Practice on Consultation.

- The Company has (TEXT REDACTED) engaged in a comprehensive programme of research and consultation into consumer and stakeholder views since 2006 with the express purpose of informing the SDS, the DBP and FBP. The research has combined both qualitative and quantitative approaches which have been undertaken by recognised independent organisations with strong credentials for this type of work. The individual research projects and consultation exercises and their chronology are explained in the Company’s overview to Section C1. Since the DBP submission Thames has undertaken further work on consumer and stakeholder views. (TEXT REDACTED)

(TEXT REDACTED) In preparing the C1 commentary the Company has taken the findings from each research report largely verbatim with some minor editorial changes of grammar and style. At the first audit several sections of the draft C1 text were chosen at random and the Company was able to identify the source report, page and paragraph from where the text was extracted. This provides a transparent summary of the research findings without introduction of bias. We can thus confirm that the Company’s summary of consumer views can be traced back to the identified research source.

The C1 submission draws particularly on the stated preference survey (TEXT REDACTED) and presents the mean willingness to pay for the enhancements and quality elements of the plan as £53-£68 (page 3, paragraph 4). These figures are derived from the study, which reported a lower and upper range for the average willingness to pay; The consultants who undertook this research stated that “*we consider that the PCCV¹ and DCCV² estimates of mean WTP are likely to provide an envelope around true mean WTP. Thus, the PCCV WTP values are regarded as lower bound estimates of mean WTP for the*

¹ PCCV = Payment Card Contingent Valuation

² DCCV – Dichotomous Choice Contingent Valuation

Full-plan and its components with the DCCV estimates regarded as an upper bound estimates. Therefore we would conclude that true WTP for the Full-plan is likely to lie in the range £53 per household per year and £68 per household per year.” (TEXT REDACTED)

We challenged the Company to explain a number of assumptions/conclusions made regarding the interpretation of the latest WTP research. The challenges were based on preliminary draft reports with clarification being supplied once the final full reports were provided by the Company. (TEXT REDACTED)

Thames has commissioned a number of experts in the field of customer research, willingness to pay and contingent valuation and present in their submission peer review reports on six of their key reports. The reviewers are supportive of the research and interpretations. There is also evidence in their submissions to the Company that the peer reviewers have critically examined the methodologies and findings and have made observations/recommendations on key points as appropriate.

(TEXT REDACTED)

Reporter’s Company Specific Guidance

For the FBP Ofwat issued specific guidance for Part B3 (informed by Part A, B1, C1 and (TEXT REDACTED)). Regarding C1 the specific question related to whether customers had been asked if they were prepared to pay more for maintaining the services as well as paying more for a better service. This question was explored with Thames at the audit on the 16th March 2009. Thames reported that customers had only been asked to consider paying more for an enhanced level of service and not explicitly asked if they were prepared to pay more for maintaining current service levels. However, information gathered in the surveys can be interpreted to understand their WTP. This position was confirmed through examination of the two key WTP reports. (TEXT REDACTED)

Reporter Engagement & Scope of Audit

Ofwat’s guidance to the Reporter for C1 is to *“confirm or otherwise that the Company’s summary of consumer views can be traced back to the identified research source.”*

An audit on the DBP was conducted on C1 on 1st July 2008. The focus of this audit was on the methodology by which the Company had extracted the findings from the customer research and how overall conclusions had been drawn. Following the audit we undertook further detailed examination of the research reports prepared against the findings reported by the Company in

the C1 commentary. In reviewing the Company's C1 submission we have had sight of all the supporting research project reports.

A further audit on the FBP was undertaken on 16th March 2009. At this second audit an updated draft of the C1 submission was made available. The focus of this audit was on the work that had been undertaken since the DBP submission and changes that had been made to C1 between the DBP and the FBP.

Summary of Thames Water's Proposals

Thames submission for C1 is complete & consistent with the SDS.

Summary of Audit & Review

The Company has been proactive in engaging with the Reporting team and responded positively to questions and observations.

Areas for Refinement post FBP

None

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