

Asset Health Cost Adjustment Claim

Research Report

January 2026



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Background & objectives

- Yorkshire Water submits a business plan to regulator Ofwat every five years, detailing planned investments and cost to customer—a process called the Price Review.
- After approval in December 2024, companies can request additional funding through Cost Adjustment Claims (CACs) for unique material costs not covered in baseline estimates. Historically, regulations prioritised short-term resilience over long-term asset health, leading to aging infrastructure that has increased chance of failure.
- To address this, Ofwat now requires water companies to assess random asset samples and submit CACs for areas needing extra investment beyond original forecasts, promoting long-term infrastructure health.
- Assets (like boreholes and settling tanks) are graded from Grade 1 (best) to Grade 5 (worst) across key areas (mechanical, electrical, civil).
- The PR24 planning process included plans to upgrade grade 5 assets only, in order to minimise the cost impact on customers. However, the consultation allows YW to make a case to upgrade assets in moderate condition thereby preventing urgent intervention later. Research was needed to explore customer support and willingness to pay for increased investment.

Research objectives

- Which asset types are most important and why?
- Do customers support upgrading all grade 5 assets for each asset type?
- Do customers support upgrading all grade 3 and grade 4 assets for each asset type?
- Are the proposed bill impacts affordable?
- Are the proposed bill impacts acceptable?
- Are the proposed bill impacts good value for money?
- Do customers think Ofwat should allow YW to include the proposals in their plan?
- What are their key concerns?
- What is the generational impact of these investments? (front loaded, balanced, back loaded investment plans)
- Explore overall perceptions of Yorkshire Water if the plan is enacted



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Research Design

Approach:

- A 10-minute online survey
- Participants were invited to take part from an online access panel and from Yorkshire Water’s online community *Your Water*.
- There were 3 participant groups
 - Household customers – to qualify, participants had to be resident in Yorkshire, customers of Yorkshire Water, and jointly/partly responsible for their household’s water bill. This sample is made up of customers from the Your Water community panel and an external boost sample.
 - Future customers – to qualify, participants had to be resident in Yorkshire, aged 18-29, and not responsible for their water bill (living with parents/guardians or in student accommodation)
 - Business customers – to qualify, participants had to be business customers of Yorkshire Water, and jointly/partly responsible for their organisation’s water bill
- In the report, we make significant comparisons to those that are financially vulnerable in the household sample. These individuals have been identified by those who select ‘fairly/very difficult’ to the question ‘How easy or difficult do you think it will be for you to afford these water/sewage bills in the future?’

Fieldwork dates:

The online survey was carried out between the 5th and 16th January 2026.

Participants:

Household customers – 1448
Future household customers– 50
Business customer - 101

Sample identifiers:



Household customers



Future household customers



Business customers



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Key Insights & Recommendations (1)

There is strong overall support and acceptability for the plan

Customers are broadly supportive of the plan, with the majority finding the proposed upgrades acceptable, providing reassurance that plans should proceed.

Even with an associated bill increase, most feel it represents good value for money. However, consideration should be given to customers who may struggle financially.

While most customers consider the £5 per year average increase manageable and express its great value, there will be instances of customers who potentially struggle. In these cases, Yorkshire Water should outline any plans to support these customers and communicate this where necessary (like detailing the PSR or other financial support initiatives). Customer service representatives should take extra precautions around the time of these increases to identify any customers who would be impacted financially by the increase.



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Key Insights & Recommendations (2)

On balance, customers are happy for bill increases to start immediately and would be supportive if Yorkshire Water challenged Ofwat's decision

While overall support is strong, particular attention should be given to the potential impact on future bill payers. Clear communication will be important to explain the reasoning for the plan, ensuring customers feel that their individual circumstances have been taken into consideration.

Customers prioritise clean water tanks and service reservoirs for investment. Yorkshire Water should use this opportunity to explain the importance of upgrading other assets.

Customers consistently prioritise clean water tanks / service reservoirs. This is likely due to familiarity, salience (given last year's drought conditions), and the onus customers place on clean drinking water. When considering which assets to upgrade, it's important to educate customers on the role assets play in the provision of drinking water and removal of wastewater.

Communicating this clearly is important. One suggestion would be to use imagery / simple infographics and share via social media channels. This will help understanding and invite customers into a dialogue.



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Asset evaluation

To ensure respondents understood the cost adjustment claim process and were able to give an informed view of investing in each asset, **the survey order was as follows:**

1. Respondents were given information on **the cost adjustment claim process** between Ofwat and Yorkshire Water and asked to **confirm if they understood it.**
2. Information was provided on **how assets are graded from condition grades 1 to 5.**
3. Respondents were **presented with a randomised list of images and supporting information on each asset** (including their current condition, grading and an explanation of the factors informing each grade). They were then **asked a series of questions on them.**
4. Customers were first asked how acceptable it would be to upgrade assets in **grade 5** (those in the worst condition).
5. Later in the survey, we asked customers how acceptable it would be to also upgrade assets in **grades 3 & 4** in addition to those in grade 5.

Assets presented (1)

Service reservoirs and clean water tanks

A service reservoir is a storage facility in the water supply system that holds treated drinking water before it is distributed to consumers. It helps balance supply and demand, maintain consistent pressure in the network, and provide a reserve for emergencies or peak usage periods. Service reservoirs are typically located at strategic points in the distribution system and can be either above ground or underground.

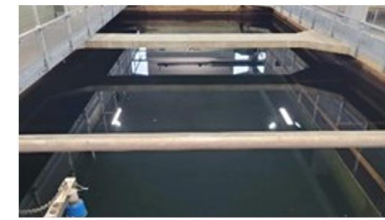
Grade "1"



Grade "5"



Grade "1"



Grade "5"



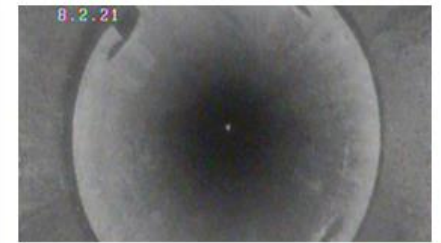
Rapid Gravity Filter

A rapid gravity filter is a widely used water treatment technology designed to remove suspended solids from water. It consists of a large tank filled with granular solids, typically sand, through which water flows downward under gravity. As water passes through the sand, particles are trapped, producing clearer water. RGFs are commonly employed in municipal drinking water treatment and wastewater polishing because they offer high flow rates, efficient particle removal, and relatively low operational costs. Periodic washing is required to clean the sand and maintain performance.

Boreholes

A borehole is a deep, narrow shaft drilled into the ground to access water for drinking water supply or industrial use. Water is pumped from underground sources through the borehole, providing a reliable source where surface water is limited. Boreholes are commonly used in rural areas as part of sustainable water resource management.

Grade "1"



Grade "5"



Assets presented (2)

Activated sludge tanks

These are basins where air or oxygen is introduced and microorganisms break down organic pollutants in the wastewater. The process produces treated water and biological solids (sludge) which are later separated.

Grade "1"



Grade "5"



Trickling filters

These are used as part of the biological wastewater treatment process. It consists of a circular bed filled with porous (allows air or liquid to pass through) materials (e.g., gravel). Wastewater is poured on top of this bed, trickling through the porous layer. The top of the bed contains a layer of microorganisms known as a biofilm, which consume the organic pollutants within the wastewater. The treated water collects at the bottom before being moved to the next stage of treatment.

Grade "1"



Grade "5"



Settlement tanks

A settlement tank is used in wastewater treatment to remove solids via gravity. Wastewater flows slowly through the tank, allowing heavier particles to settle at the bottom like sludge, while lighter materials like grease float to the top, allowing for easy removal.

Grade "1"



Grade "5"



Upgrade acceptability and investment preferences



An overwhelming number of customers and future bill payers are happy with the plan to upgrade all assets in condition grade 5



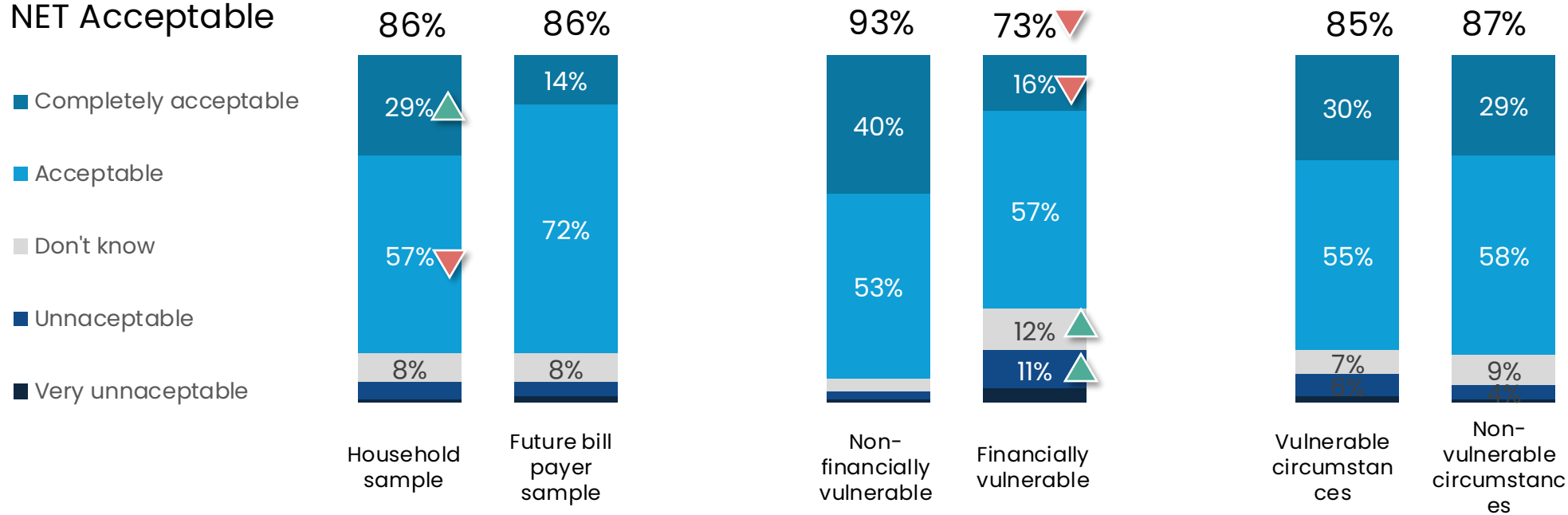
Significantly more in the household sample are inclined to think the upgrade of grade 5 is 'Completely acceptable'

How acceptable or unacceptable are plans to upgrade all assets in condition grade 5?

Sample: Household sample (n=1488), Future bill payer sample (n=50), Non-financially vulnerable (n=745), Financially vulnerable (n=251), Vulnerable circumstances (n=616), Non-vulnerable circumstances (n=796)

Significantly higher / lower than other group

NET Acceptable



The significant difference between the household vs future bill payers likely arises because the household sample is more directly engaged with Yorkshire Water's operations. It is likely, as current bill payers, they are more invested because they directly bear the cost and are therefore more inclined to express stronger responses than future bill payers.

Please note: Any vulnerability splits are from the household sample

QB3a. Based on everything you have seen and read about Yorkshire Water's investment plan, how acceptable or unacceptable is it to you? Household sample (1488), Future bill payer sample (50), Non-financially Vulnerable (n=745), Financially Vulnerable (n=251), Vulnerable circumstances (616), Non-vulnerable circumstances (796)



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The acceptability of upgrading Grade 5 assets largely reflects concerns about water safety and cleanliness



Notably, the household sample expresses greater concern in their responses

Reasons why it is acceptable to upgrade all assets in condition grade 5...

Sample: Household sample who find it acceptable to upgrade all assets in condition grade 5 (n=1243)

"All pictures showing the level 5 outdated assets need updating. Especially to the public eye. Tanks with flaking concrete and vegetation on top doesn't really promote clean drinking water."

Male, 35-44

"Because upgrading the level 5 to level 1 means more clean water and it sure will be low water bills."

Male, 25-29

"Serious problems need addressing quickly and thoroughly."

Female, 65+

"Because the infrastructure is ageing, it improves water quality and safety, and it meets modern environmental standards."

Male, 30-34

"These items categorised as grade 5 are no longer safe for the general public and could be hazardous to the health of individual, so there for it differently needs to be changed."

Male, 30-34

Sample: Future bill payer sample who find it acceptable to upgrade all assets in condition grade 5 (n=44)

"Because the water generally meets quality standards, however it could use some improvement as there has been reports of contaminated water."

Female, 18-24

"It shows they want to keep the infrastructure clean."

Male, 18-24

"We need clean water? Also, it's good for the environment if you clean the water I guess."

Female, 18-24

"Clean water is something that cannot be argued about. maintaining an efficient yet cost effective way is very important for both the consumer and manufacturer to get the best possible outcome."

Female, 18-24

"Basic and its straightforward plan to give a better service to their customers so I think it's an amazing idea all round."

Female, 18-24

For those who see the upgrade as unacceptable, their reservations clearly relate to the impact on their bills



This likely comes from pre-existing price sensitivity around bill increases and should be considered when communicating these changes if plans go ahead

Reasons why it is unacceptable to upgrade all assets in condition grade 5...

Sample: Household sample who find it unacceptable to upgrade all assets in condition grade 5 (n=86)

"Poor management, rising costs. What does all this money pay for?"

Male, 35-44

"Yorkshire Water should have been investing in infrastructure for decades rather than paying excessive dividends and now crying poverty and expecting customers to pay again for improvements."

Male, 55-64

"They should have been investing in infrastructure instead of giving profits to shareholders"

Female, 45-54

"The water bills are constantly rising but nothing gets done about it. When you report water leaks, they take ages repairing them causing disruption to people's travel etc"

Male, 55-64

"Recent very high price increases are totally unacceptable and they should find their finance for their projects from traditional capital markets and their reserves"

Male, 65+

There is an expectation among some customers that their money should have been used earlier to prevent such degradation. Therefore, **extra care should be taken when communicating these plans to ensure full transparency around the process.** These reservations are likely driven in part by a lack of knowledge of how the funding works, but this only further highlights the importance of providing additional information.

Please note: Due to small bases, the 3 unacceptable comments for future bill payers have not been included or covered on this slide.

The intention to upgrade all assets in grades 3 & 4 is also deemed acceptable by the majority of household and future bill payers



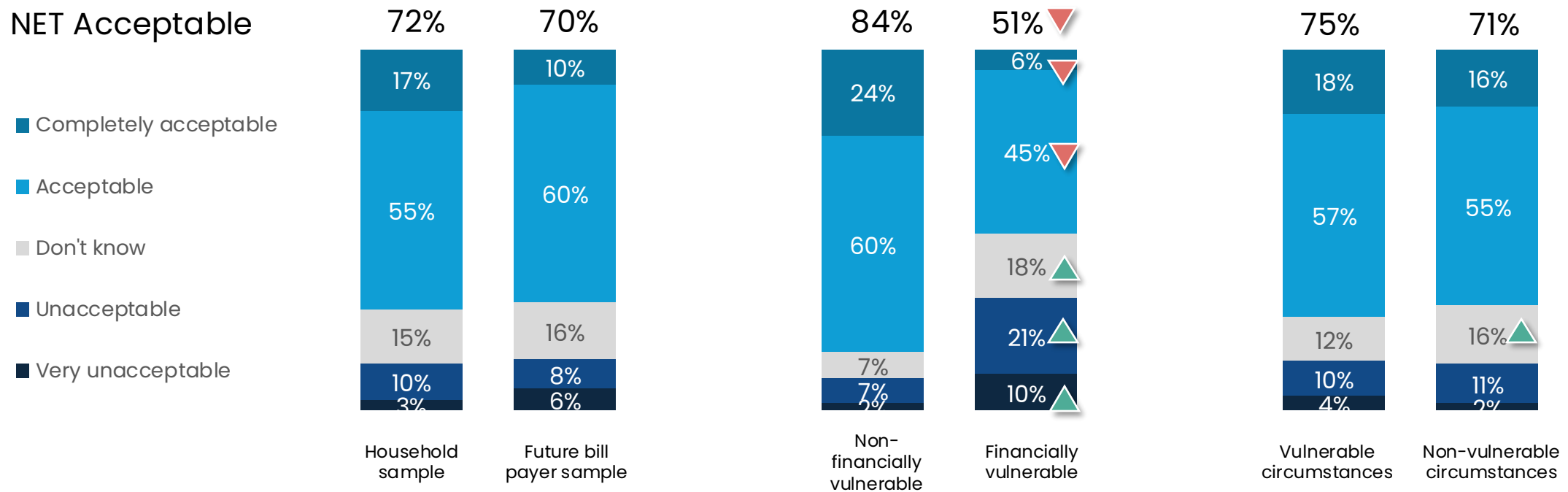
Household customers and future customers were more accepting of upgrading grade 5 assets compared to upgrading those in grades 3 & 4

How acceptable or unacceptable are plans to also upgrade all assets in condition grades 3 and 4?

Sample: Household sample (n=1448), Future bill payer sample (n=50), Non-financially vulnerable (n=745), Financially vulnerable (n=251), Vulnerable circumstances (n=616), Non-vulnerable circumstances (n=796)

▲/▼ Significantly higher / lower than other group

NET Acceptable



Please note: Any vulnerability splits are from the household sample

QB9a. How acceptable or unacceptable is this alternative plan to invest in assets in condition grades 3 or 4, in addition to those in condition grades 5? Household sample (1488), Future bill payer sample (50), Non-financially Vulnerable (n=745), Financially Vulnerable (n=251), Vulnerable circumstances (616), Non-vulnerable circumstances (796)



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Both samples find it more acceptable to upgrade grade 5, compared to the additional grades 3 & 4

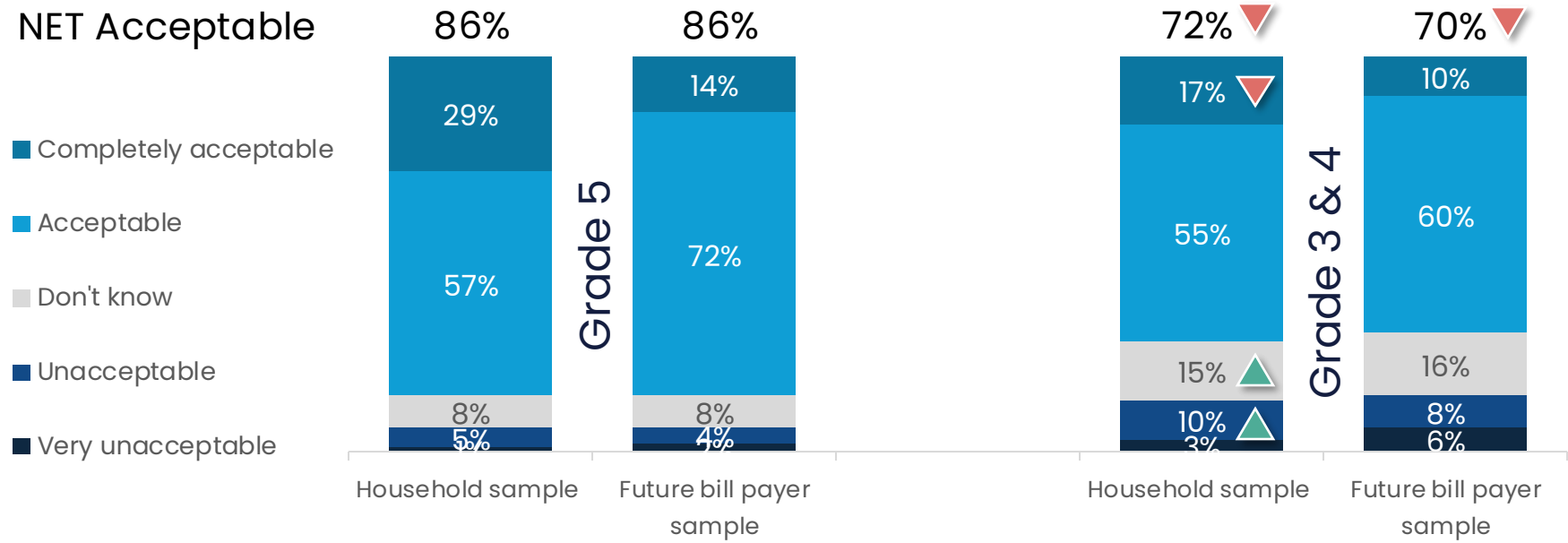


Although not as high, acceptability for grades 3 and 4 are still considered high

Acceptability of grade 5 asset upgrades, compared to grades 3 and 4?

Sample: Household sample (n=1448), Future bill payer sample (n=50)

▲▼ Significantly higher / lower than same sample for different grades



Differences between acceptance of grade 5 assets compared to 3 & 4 (86% vs 72%, 86% vs 70%) potentially indicate a concern around an additional cost, with customers expressing that they would expect their bill to go up more if upgrading all assets.

Significant comparisons conducted between same sample for different grade (e.g. household sample grade 5 vs household sample grade 3 & 4)

QB3a. Based on everything you have seen and read about Yorkshire Water's investment plan, how acceptable or unacceptable is it to you?
 QB9a. How acceptable or unacceptable is this alternative plan to invest in assets in condition grades 3 or 4, in addition to those in condition grades 5? Household sample (1488), Future bill payer sample (50)

Whilst many customers recognise that upgrading grade 3 and 4 assets will help prevent future issues, some feel that money shouldn't be wasted in investing assets that are still functional



And want assets in the most severe conditions prioritised first and foremost

Reasons why it is **acceptable** to upgrade all assets in condition grades 3 and 4, in addition to 5...

Sample: Household sample who find it **acceptable** to upgrade all assets in condition grade 3-4 (n=1038)

"Failing systems should be addressed, not ignored"

Female, 65+

"This would prevent long term deterioration and hopefully save money long term, also will hopefully make the water better quality"

Female, 30-34

"It's a requirement that needs doing to ensure all equipment and services are up to speed"

Male, 35-44

"Investing in assets that are in condition grades 3 or 4 helps prevent future issues and ensures the infrastructure is more resilient, which could save money and reduce the risk of failures down the line."

Female, 30-34

"Dealing with Level 5 equipment is critical but 4 will soon become 5! You should have had better asset plans in place to prevent getting into the current position."

Male, 65+

Reasons why it is **unacceptable** to upgrade all assets in condition grades 3 and 4, in addition to 5...

Sample: Household sample who find it **unacceptable** to upgrade all assets in condition grade 3-4 (n=195)

"If something is still fit for purpose although not necessarily in excellent condition it should not be replaced as a matter of course. Waste of money"

Female, 65+

"I don't understand why the customer has to pay for the maintenance of any company. Surely that's what some of the profits are for"

Female, 55-64

"Because if the structures are still in working order it would be a waste of money to fix what isn't broken"

Female, 55-64

"Once again the increase profits the shareholders surely you can afford this work on the money from astronomical bills"

Male, 65+





There is a general understanding from future bill payers that if assets need upgrading, they should be upgraded as a rule

Future bill payers were less likely to see the benefit of upgrading grade 3 and 4 assets due to a lack of perceived urgency

Reasons why it is **acceptable** to upgrade all assets in condition grades 3 and 4, in addition to 5...

Sample: Future bill payers who find it acceptable to upgrade all assets in condition grade 3-4 (n=35)

"Because it makes sense to upgrade things that are wearing down."

Gender neutral, 18-24

"It means everything can be in good condition and be safe from failure."

Male, 18-24

"It would cost more money but may be more effective."

Male, 25-29

"Because its better standards of equipment therefore it makes for a better water system."

Male, 18-24

"Likely maintaining the 3 and 4 services would cost less than entirely overhauling a 5 and would still improve water services throughout the UK."

Female, 18-24

Reasons why it is **unacceptable** to upgrade all assets in condition grades 3 and 4, in addition to 5...

Sample: Future bill payers who find it unacceptable to upgrade all assets in condition grade 3-4 (n=7)

"Because grade 5 things needs to be resolved."

Female, 18-24

"Everyone will prefer top quality."

Male, 25-29

"Grades 3 or 4 will be able to maintain their situation until grade 5's are in a better situation."

Male, 25-29

"For the long term it is not cost affective as they would need replacing sooner."

Female, 18-24

"It's not fair to add extra money into a bill people are already paying for."

Female, 18-24



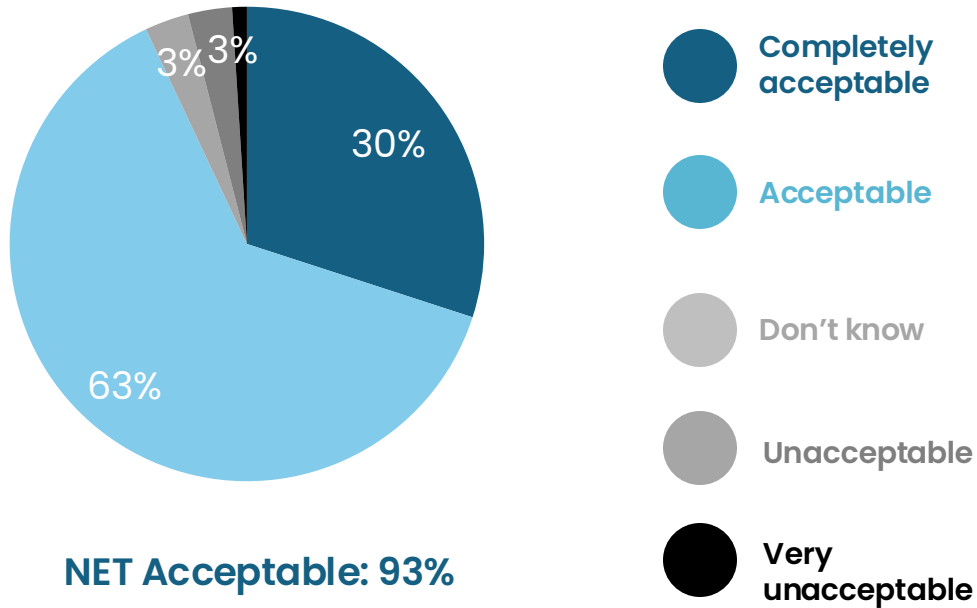
The majority of business customers think it's acceptable to upgrade assets in grade 5 condition



Some feel that the investment is essential for the consistency of service, and highlight how good it is to see Yorkshire Water prioritise this investment

How acceptable or unacceptable are plans to upgrade all assets in condition grade 5?

Sample: Business sample (n=101)



NET Acceptable: 93%

NET Unacceptable: 4%

Why do you say this?

"It safeguards the company's reputation and customer trust. Reliable infrastructure underpins service performance and public confidence."

Acceptable, Small business, Medium water consumption

"It's good to see that the water companies are investing profit back into the business to improve services."

Acceptable, Large business, Medium water consumption

"This would greatly benefit us all on different levels, particularly if greater efficiency leads to lower water rates."

Acceptable, Micro-business, Low water consumption

"Well it clearly needs doing. The result will be a more efficient water service who could complain at that."

Acceptable, Micro-business, Low water consumption

"If it's work that needs doing to keep providing the service then it's acceptable."

Acceptable, Large business, High water consumption

"I run a business with a high usage of water and fixing the assets is a great benefit to my business."

Acceptable, Large business, High water consumption

QB3a. Based on everything you have seen and read about Yorkshire Water's investment plan, how acceptable or unacceptable is it to you? Business sample (101)



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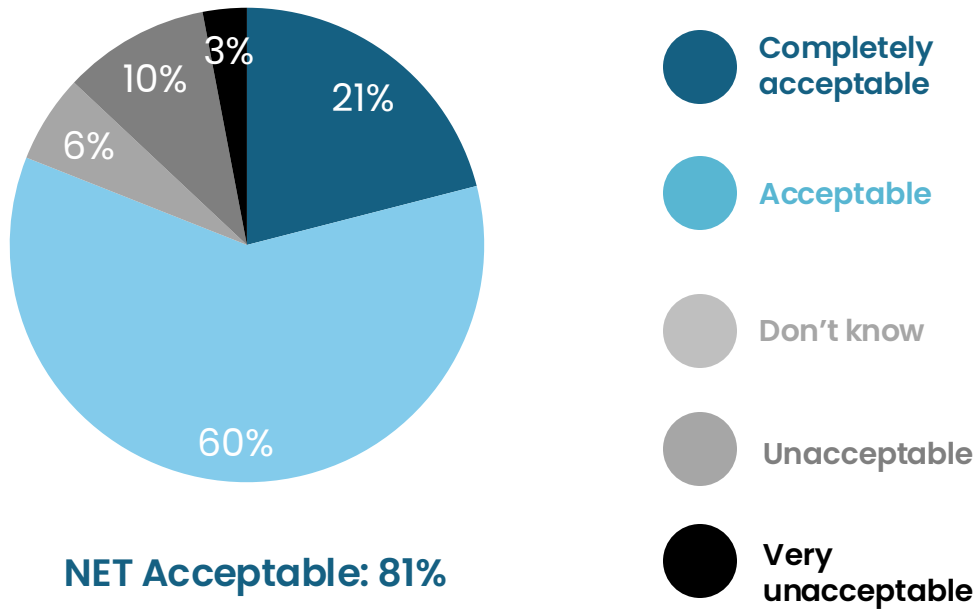
Most business customers would also accept a plan to upgrade grade 3 & 4 assets along with grade 5, specifying that preventive maintenance is a positive action from Yorkshire Water

For the few that think its unacceptable, scepticism relates to possible financial impact (bases are small)

How acceptable or unacceptable are plans to also upgrade all assets in condition grades 3 and 4?

Why do you say this?

Sample: Business sample (n=101)



NET Acceptable: 81%

NET Unacceptable: 13%

"Because this could be for preventative purposes. If we don't repair the grade 3 to 4 infrastructures they could reach grade 5 and therefore become more expensive to repair in the future."

Acceptable, Medium business, Low water consumption

"Because we need to invest in it before it leads to failure"

Acceptable, Large business, High water consumption

"Grade 3 and 4 should be paid attention as well, because without constant maintenance it could end up like grade 5."

Acceptable, Large business, High water consumption

"I will only support the plan if Yorkshire water pays all"

Unacceptable, Medium business, Medium water consumption

"Because people are poor."

Unacceptable, Medium business, Medium water consumption

"Because your shareholders have taken extra bonuses resulting in the trouble the water companies generally find themselves in."

Unacceptable, Micro-business, Low water consumption

QB9a. Based on everything you have seen and read about Yorkshire Water's investment plan, how acceptable or unacceptable is it to you?/QB9a. How acceptable or unacceptable is this alternative plan to invest in assets in condition grades 3 or 4, in addition to those in condition grades 5?
Business sample (101)

All customers agree that Service reservoirs/clean water tanks should be prioritised for upgrade first

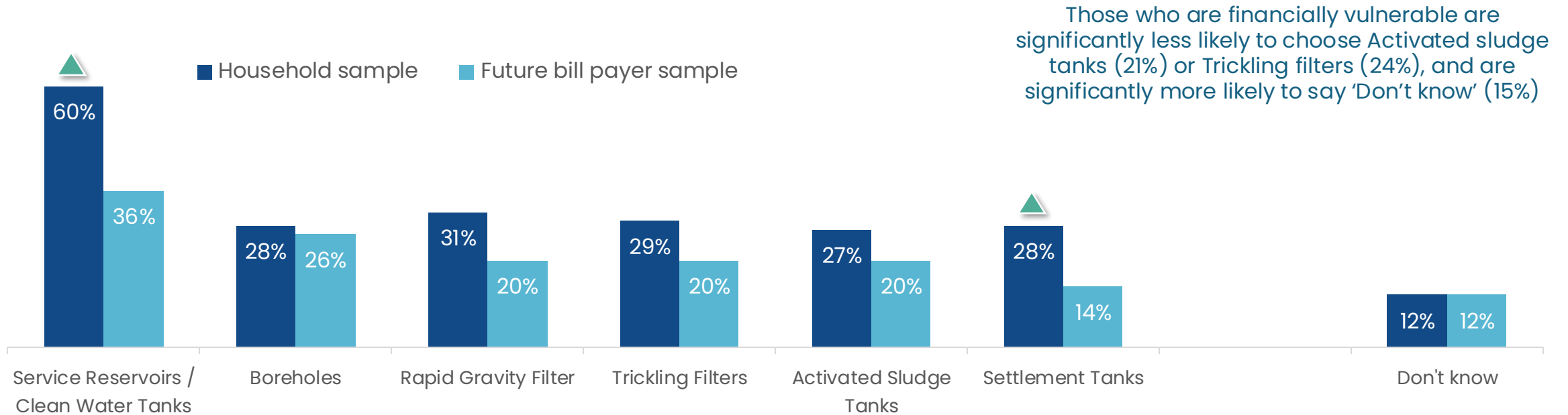


With the other assets then of equal importance with consistent scores across household customers and future bill payers

Important assets to upgrade - % that ranked top 3

Significantly higher / lower than other group

Sample: Household sample (n=1448), Future bill payer (n=50)



Please note – respondents were asked to select a maximum of 3 assets they feel are the most important to invest in

QB2a. Based on what you have just seen, which of the following assets do you think are most important for Yorkshire Water to invest in?
Household sample (1448), Future bill payer sample (50)

Service reservoirs/clean water tanks are most important to households



Concerns around lack of water following summer's drought has influenced customers choice of service reservoirs, along with the need to provide clean water

Which is most important and why?

Sample: Household sample who think service reservoirs/clean water tanks are most important (n=486)



54%
Said service reservoirs/clean water tanks are **most important** to upgrade

Please note – respondents were only shown this question if more than one asset was selected for prioritisation and doesn't include those who selected 'Service reservoirs/clean water tanks' only.

QB2b. And which would you say is the most important? /QB2c. Why do you say that? Household sample who think it is most important to upgrade service reservoirs/clean water tanks (486)

"Because clean water is most important"

Male, 30-34

"we keep hearing stories about water shortages and these are a way of keeping some in reserve for when supply is low"

Male, 55-64

"Being able to store enough clean water is likely an issue due to the recent hosepipe bans, if we could store more this potentially wouldn't have happened."

Female, 25-29

"Only because following last summer's drought, there is a clear need to store more fresh water. With the unpredictable weather patterns and climate change, the capture, storage and extraction of water is essential."

Male, 45-54

"I just hope that we could have perfection in our drinking water supply. Obviously I realise it's a very complex procedure and all stages are in need of updating."

Female, 65+

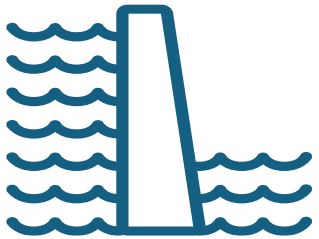
Service reservoirs/clean water tanks are also most important to future bill payers



This importance is likely due to future customers familiarity with these assets and a presumption that they are more integral to water supply

Which is most important and why

Sample: Future bill payer sample who think service reservoirs/clean water tanks are most important (n=4)



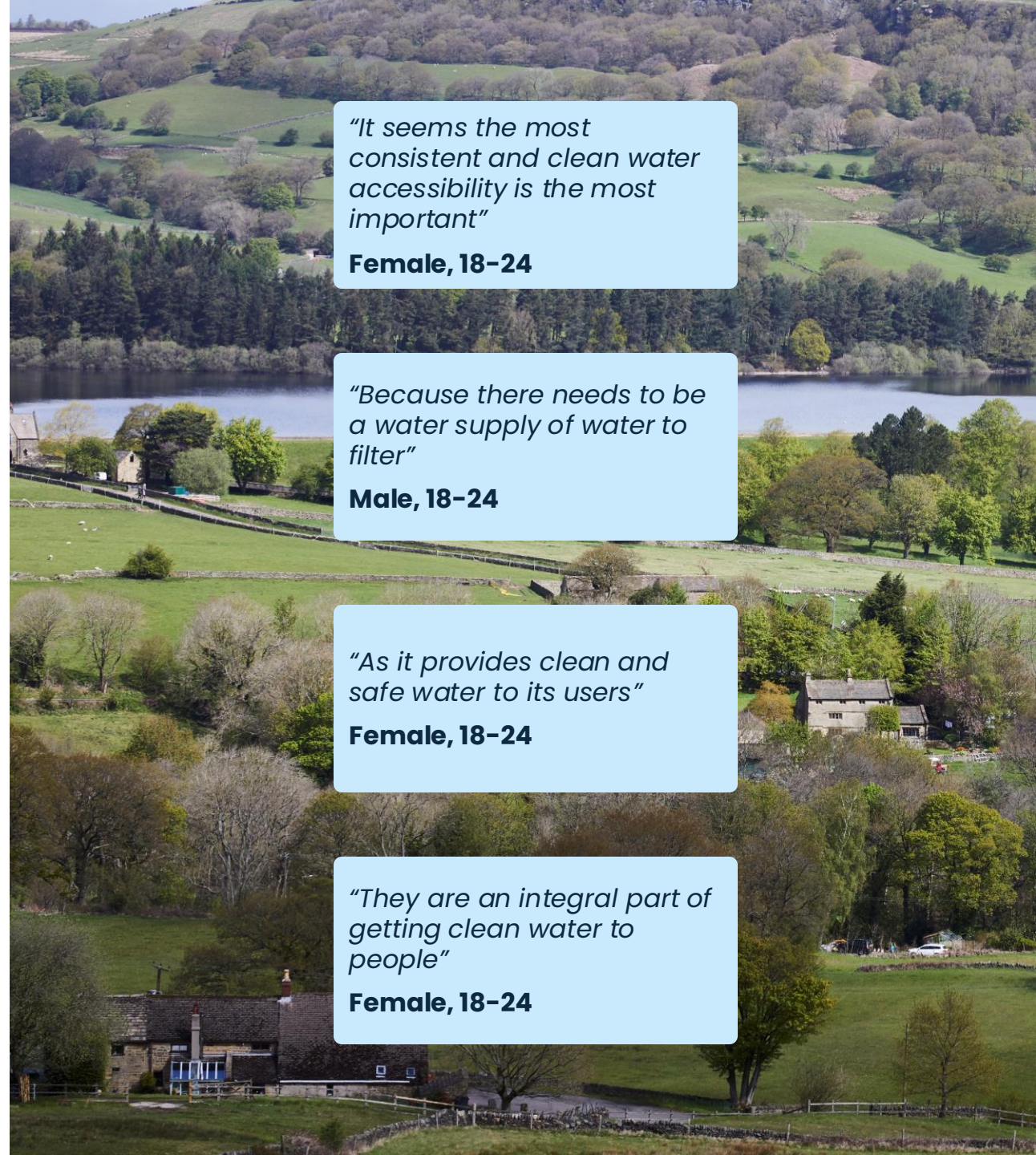
27%

Said service reservoirs/clean water tanks are **most important** to upgrade

Please note – respondents were only shown this question if more than one asset was selected for prioritisation and doesn't include those who selected 'Service reservoirs/clean water tanks' only.

Caution low base.

QB2b. And which would you say is the most important? /QB2c. Why do you say that? Future bill payers who think it is most important to upgrade service reservoirs/clean water tanks (4)



"It seems the most consistent and clean water accessibility is the most important"

Female, 18-24

"Because there needs to be a water supply of water to filter"

Male, 18-24

"As it provides clean and safe water to its users"

Female, 18-24

"They are an integral part of getting clean water to people"

Female, 18-24

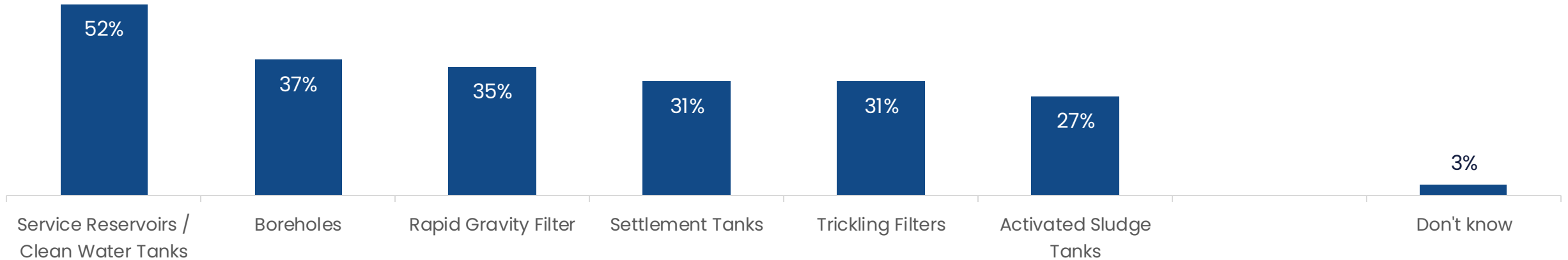
Business customers also believe the service reservoirs/clean water tanks are the most important asset to upgrade



All other assets score similarly for their importance, suggesting investment in any of these assets would appeal to businesses alongside service reservoirs / clean water tanks

Important assets to upgrade - % that ranked top 3

Sample: Business sample (n=101)



Please note – respondents were asked to select a maximum of 3 assets they feel are the most important to invest in

QB2a. Based on what you have just seen, which of the following assets do you think are most important for Yorkshire Water to invest in?
Business sample (101)

For business customers, service reservoirs/clean water tanks are also deemed most important – again linked to drinking water quality



Boreholes and rapid gravity filters would be the next most important asset to business customers

Reasons why assets are the most important to upgrade – top 3

Sample: Business sample (n=101)

Service reservoirs/ clean water tanks

Most important
to upgrade for
36%

“Because clean tanks helps to ensure that neatly purified water are stored and used daily. This helps to make the water more healthy to use for both cooking and other essential use.”

Large business, Medium water consumption

“Because clean water should always be the number one priority.”

Small business, Low water consumption

Boreholes

Most important
to upgrade for
21%

“I think boreholes are the most important, because if they are not properly maintained, it can contaminate the water early on. Also, this is where people get their water.”

Large business, High water consumption

“Borehole gives sufficient amount of water and it's very neat.”

Medium business, Medium water consumption

Rapid gravity filter

Most important
to upgrade for
15%

“Because removing solid substance from water will increase the water flow and also lesser water blockage.”

Small business, Low water consumption

“Because it is a critical control point.”

Large business, High water consumption





Across all samples, **customers prioritised service reservoirs/clean water tanks as the most important asset to upgrade**, followed by boreholes

This is likely due to:

- Familiarity: the average customer knows what these assets are
- Salience: 2025's drought conditions and hosepipe ban mean an uninterrupted water supply is likely top of mind
- Purpose: Customers regularly tell us that the main purpose of a water company is to supply clean drinking water above all else.

Impact of price increases





After asking about acceptability, household customers were informed of the bill impact of upgrading all assets in condition grade 5

The following information was provided in the survey....

*Based on the level of investment Yorkshire Water are asking for and the way they propose to spread the impact of their plan over time, this means **adding an average of £5 to a household customer water bill of £602 a year in 2025 (average).***

Over half of household customers say it would be easy to afford the bill increase if the plan was enacted

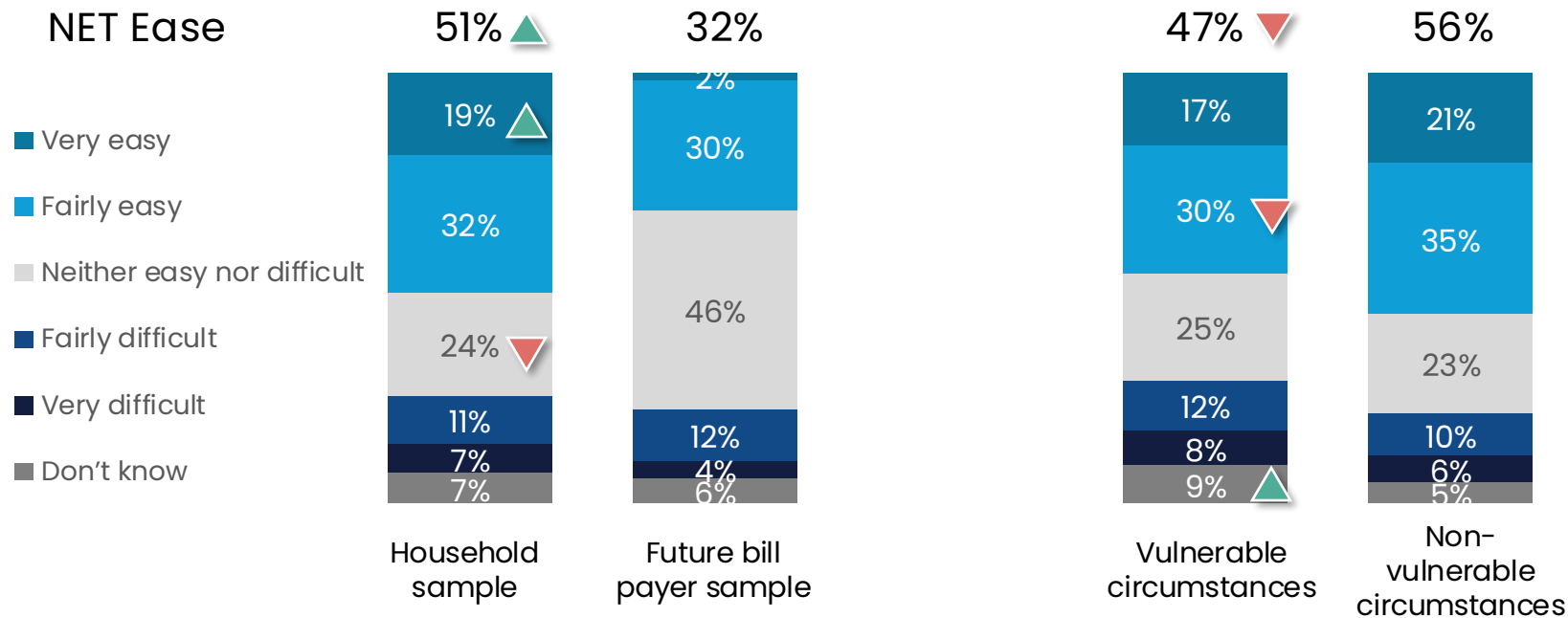


Household customers are significantly more likely to say it would be 'very easy' to afford compared to future bill payers. Just 18% of household customers say it would be difficult to afford the increase.

How easy or difficult do you think it will be for you to afford these water/sewage bills in the future?

Significantly higher / lower than other group

Sample: Household sample (n=1448), Future bill payer sample (n=50), Vulnerable circumstances (n=616), Non-vulnerable circumstances (n=796)



This difference between the household vs future bill payer groups reflects future bill payers' limited ability to conceptualise what consists of an affordable water bill, considering they've likely never paid a water bill, they will be less aware of the affordability and impact of the increase

Please note: Any vulnerability splits are from the household sample

QB4. How easy or difficult do you think it will be for you to afford these water/sewage bills in the future? Household sample (1448), Future bill payer sample (50), Vulnerable circumstances (616), Non-vulnerable circumstances (796)

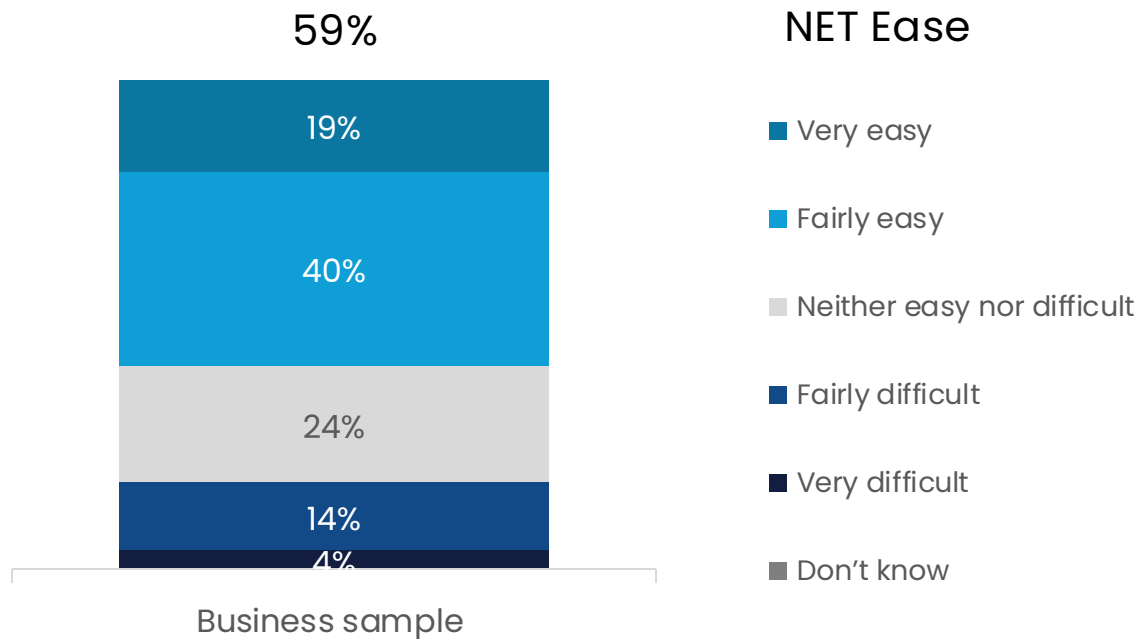
The majority of business customers said it would be easy to afford these bills in the future



Around 1 in 5 would find the £5 per year bill increase difficult to afford

How easy or difficult do you think it will be for your business to afford these water/sewage bills in the future?

Sample: Business sample (n=101)



"It's not too much of a raise"

Easy to afford, Medium business, Medium water consumption

"It will be a bit easy for me and my business because we will in turn increase the price of the services we render to our customers."

Easy to afford, Large business, Medium water consumption

"An extra £5 is a small price to pay for more cost-effective water treatment."

Easy to afford, Micro-business, Low water consumption

QB4. How easy or difficult do you think it will be for your business to afford these water/sewage bills in the future?/QB5. Why do you say this? Business sample (101)



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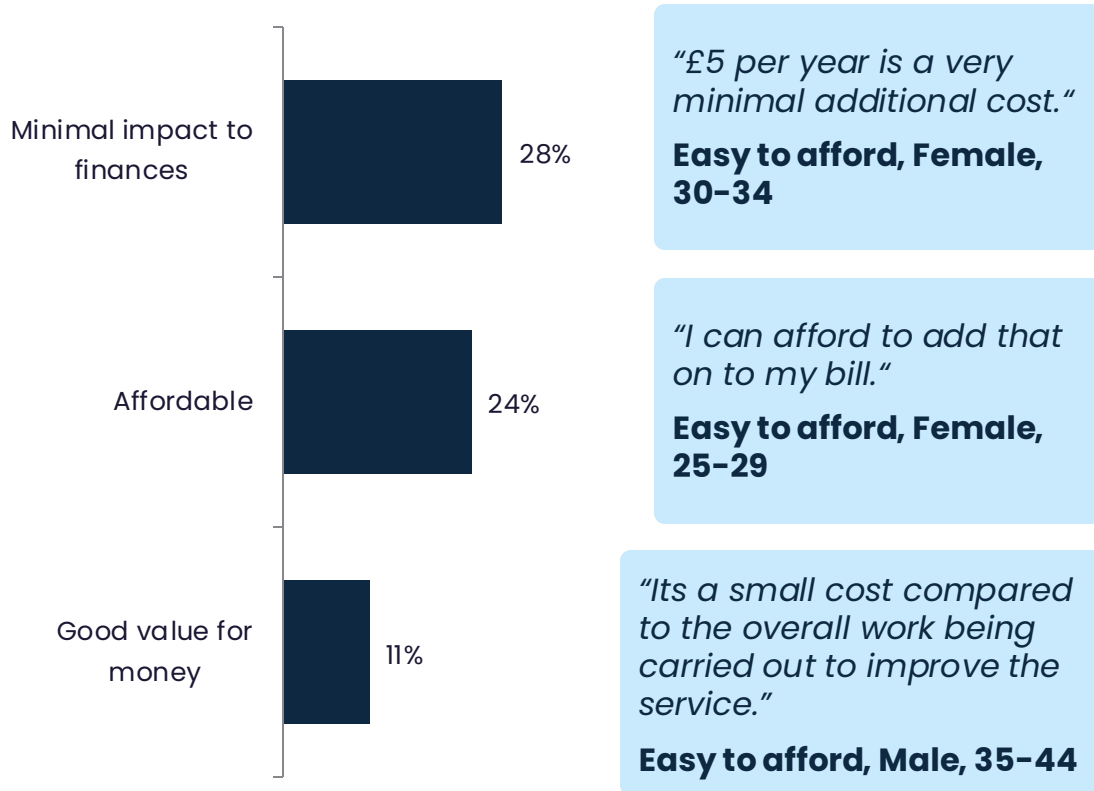
When asked to explain why they would find the increase easy to afford, household customers cite its minimal impact and overall affordability



Household customers who would find it difficult to afford the bill increase cite the increasing cost of living

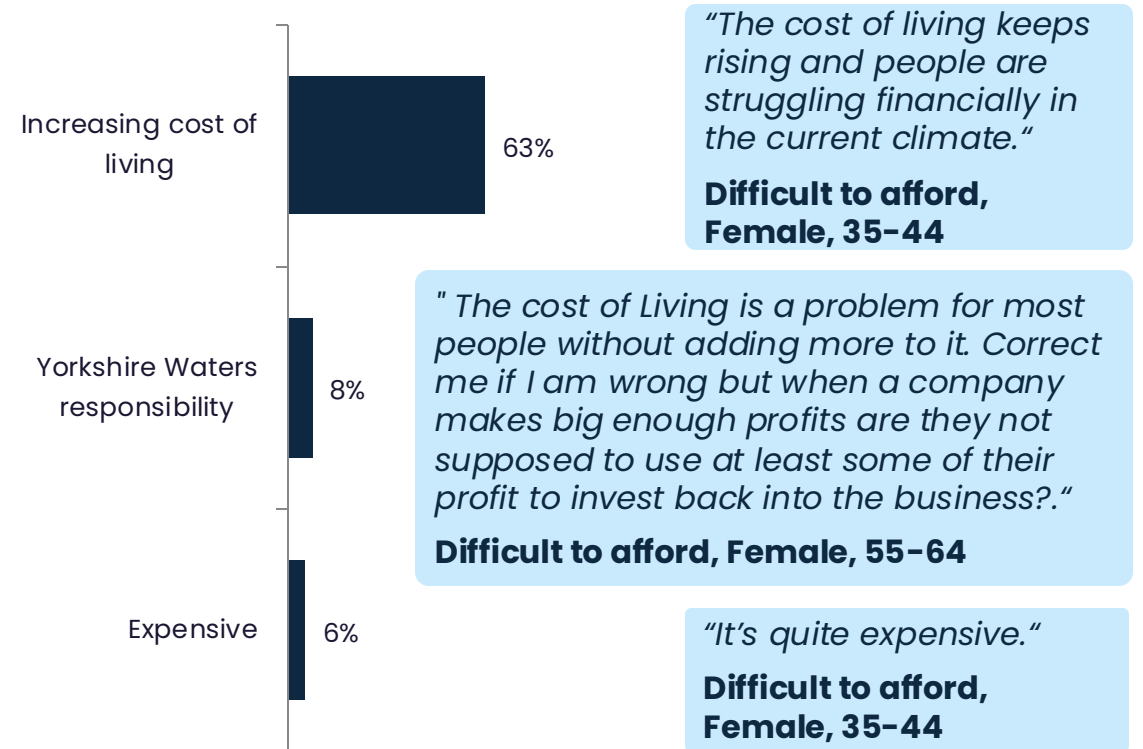
Why would household customers find it **easy** to afford the increased bill in the future? – top 3 themes

Sample: Household sample (n=745)



Why would household customers find it **difficult** to afford the increased bill in the future? – top 3 themes

Sample: Household sample (n=251)



QB5: Why do you say that? Household customers who think they would find it easy or difficult to afford the increased water/sewage bills in the future (996)

Similarly, future bill payers mention the manageability of the £5 increase



The few who found it difficult cite rising cost pressures

Why would future bill payers find it **easy** to afford the increased bill in the future? – top 3 themes

Sample: Future bill payer sample (n=16)

"It would only be £5, so it will be possible to afford the increase"

Easy to afford, Male, 25-29

"Sounds reasonable"

Easy to afford, Male, 18-24

"Because it is only £5 and it's cheaper to pay that than not invest and have downtime"

Easy to afford, Male, 18-24

"Because in the long run £5 isn't a lot"

Easy to afford, Female, 18-24

"5 pound is not too significant of a jump from the previous cost - as long as it doesn't continue to rise too quickly it's manageable"

Easy to afford, Female, 18-24

Why would future bill payers find it **difficult** to afford the increased bill in the future? – top 3 themes

Sample: Future bill payer sample (n=8)

"Everything is becoming more expensive"

Difficult to afford, Male, 18-24

"Cost of living crisis"

Difficult to afford, Female, 18-24

"Because alongside me there are lots of other people who earn very little and find it challenging to pay for their bills"

Difficult to afford, Female, 18-24

"Water bills are already high and increasing it will just make it more difficult for people to afford alongside the other bills required."

Difficult to afford, Female, 18-24

"Everything is getting more expensive"

Difficult to afford, Male, 18-24

NB. Unable to draw themes due to small bases

The majority of household customers claim the bill increase represents good value for money

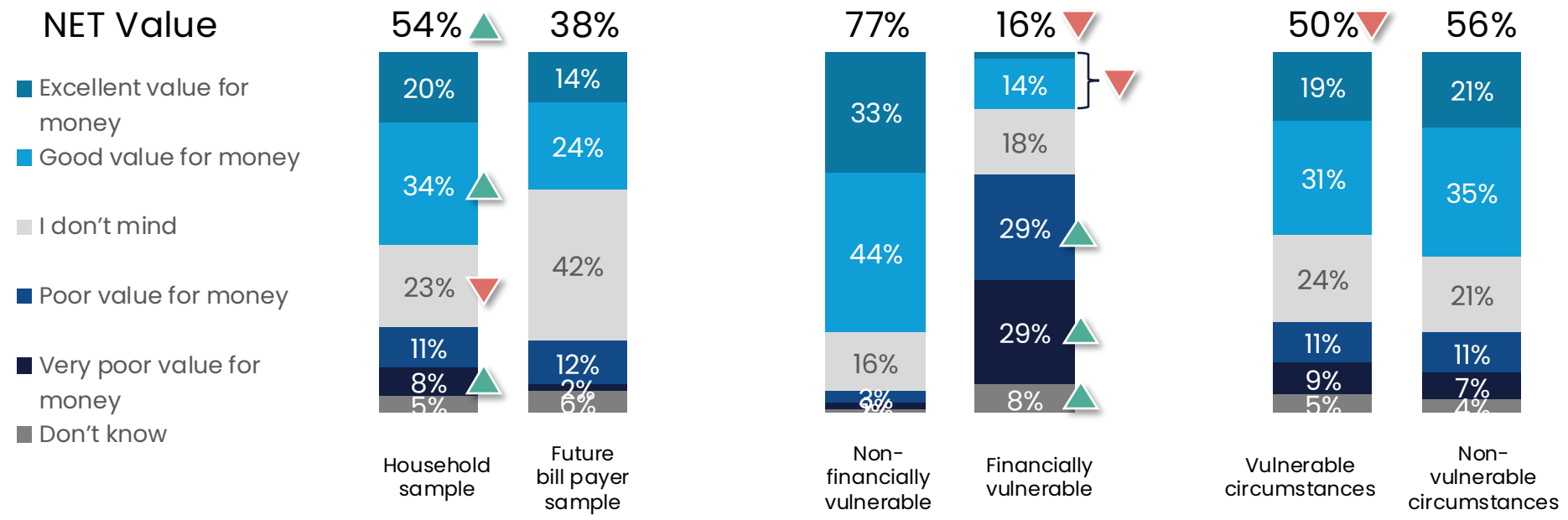


Future bill payers find it harder to say whether the increase represents poor value for money – with almost half stating “I don’t mind”

Value for money of a household bill increase of £5 per year, on average?

Sample: Household sample (n=1448), Future bill payer sample (n=50), Non-financially vulnerable (n=745), Financially vulnerable (n=251), Vulnerable circumstances (n=616), Non-vulnerable circumstances (n=796)

Significantly higher / lower than other group



Similarly to the question on affordability, the significant difference between the household and future bill payer groups likely reflects future bill payers' limited ability to conceptualise what consists of good value for money when it comes to a water bill.

Please note: Any vulnerability splits are from the household sample

QB6. In terms of value for money, how would you rate a household bill increase of £5 per year, on average, so investments can be made in these assets? Household sample (1448), Future bill payer sample (50), Non-financially vulnerable (n=745), Financially vulnerable (n=251), Vulnerable circumstances (616), Non-vulnerable circumstances (796)



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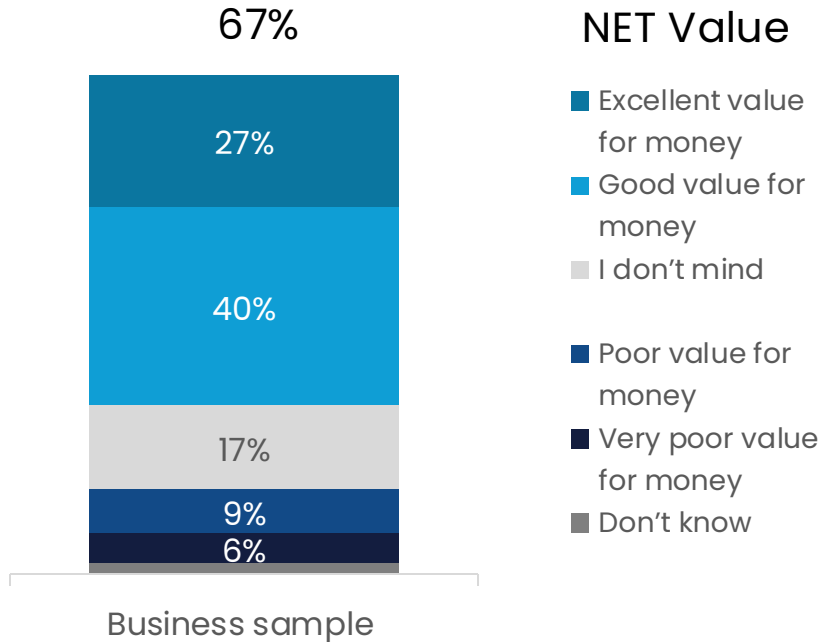
The majority of business customers think the bill increase offers good value for money



A small minority think it offers poor value for money

Value for money of a bill increase of £5 per year, on average?

Sample: Business sample (n=101)



▲
The **business sample** would be significantly more likely to find the increase good value for money in comparison to the **household sample** (67% vs 54%) and the **future bill payer sample** (67% vs 38%)



QB4. In terms of value for money, how would you rate a bill increase of £5 per year, on average, so investments can be made in these assets? Business sample (101)

The general preference across both household customers and future bill payers is for the increase in bills to start sooner rather than later

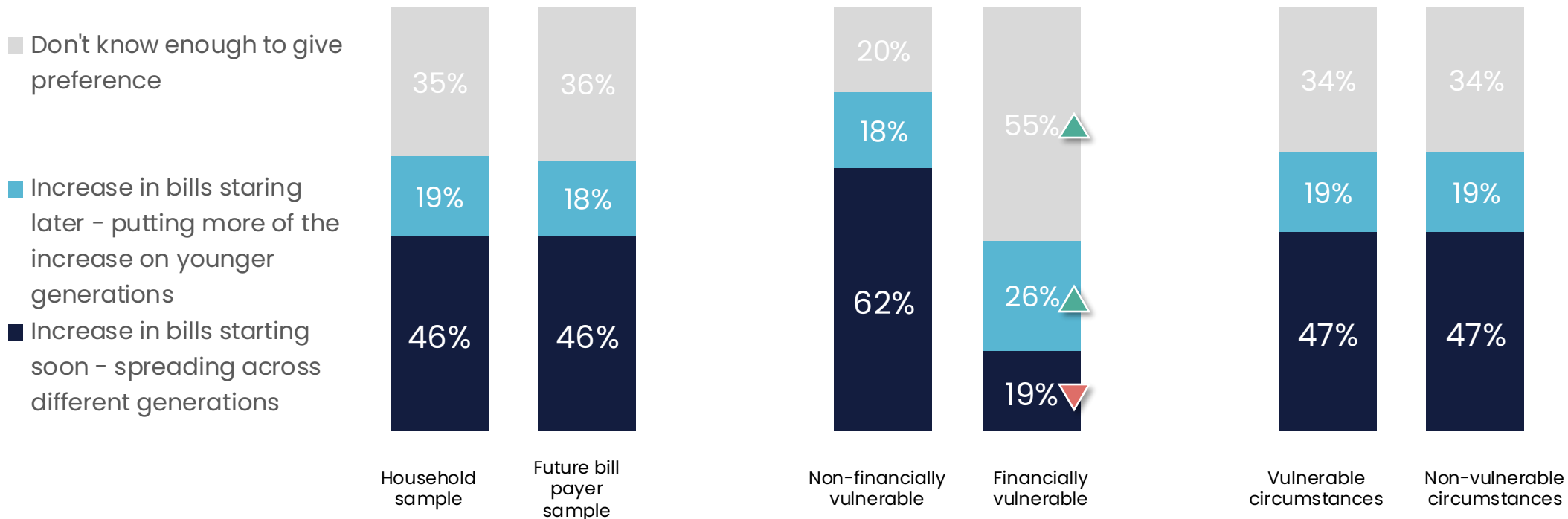


1 in 3 household customers and future bill payers felt they didn't know enough to give a preference highlighting the need to keep customers informed of the process and how it affects them

Preferred bill impact

Sample: Household sample (n=1448), Future bill payer sample (n=50), Non-financially vulnerable (n=745), Financially vulnerable (n=251), Vulnerable circumstances (n=616), Non-vulnerable circumstances (n=796)

▲ ▼ Significantly higher / lower than other group



Please note – these scores concern preferences on bill impacts for investing in assets in conditions grades 3 or 4, in addition to those in grade 5

Please note: Any vulnerability splits are from the household sample

QB10. Long term investment by Yorkshire Water will require an increase in customer bills. Bills could increase in different ways over time. For example, there could be increases now for current bill payers, or bigger increases in the long term for future generations. Which of the following options would you prefer? Household sample (1448), Future bill payer sample (50), Non-financially vulnerable (n=745), Financially vulnerable (n=251), Vulnerable circumstances (616), Non-vulnerable circumstances (796)



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Business customers are split – around half would prefer bill increases to start immediately

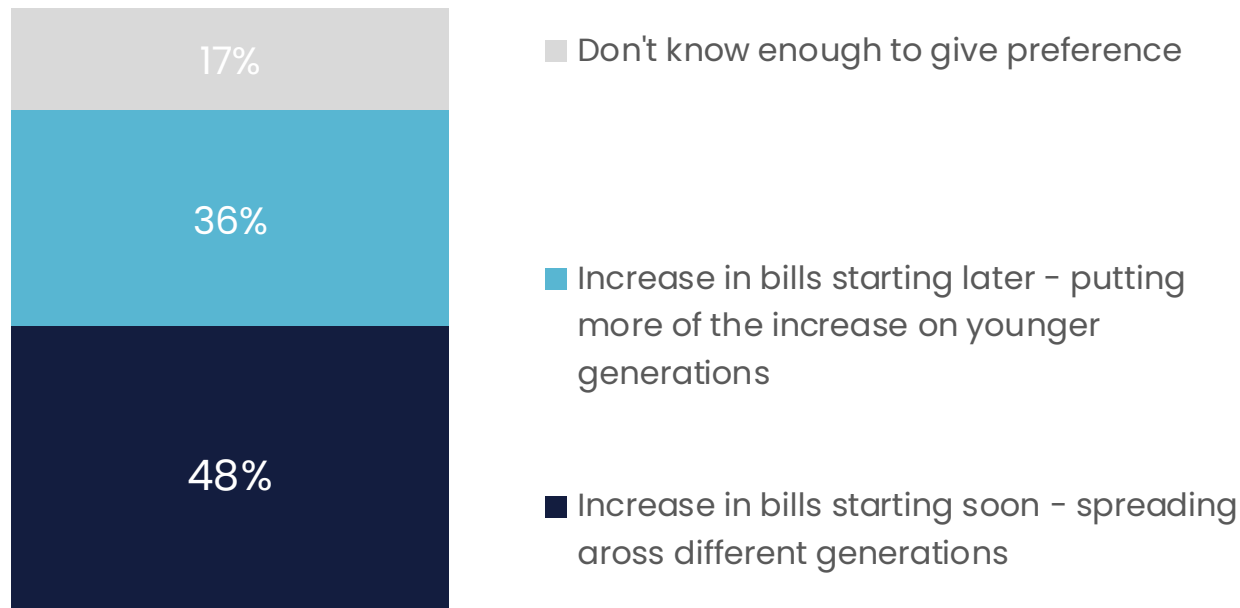


A significant minority however – over 1 in 3 – still would prefer the increase to start later


Preferred bill impact

Sample: Business sample (n=101)

 Significantly higher / lower than other group



Business sample

 Compared to the **household sample, business customers** would be significantly more likely to want the increase to start later (19% vs 36%).

One reason for this may be that businesses potentially have different priorities when it comes to budgeting, which might factor into their future decision making.

Please note – these scores concern preferences on bill impacts for investing in assets in conditions grades 3 or 4, in addition to those in grade 5

QB10. Long term investment by Yorkshire Water will require an increase in customer bills. Bills could increase in different ways over time. For example, there could be increases now for current bill payers, or bigger increases in the long term for future generations. Which of the following options would you prefer? Business sample (101)



After being asked about their bill impact preference, respondents were told of Ofwat's proposition....

The following information was provided in the survey....

*Ofwat have proposed pushing the greatest impact of increased investment onto bills in future 5 year planning periods, meaning that **future generations of bill payers would be hit most by the impact of bills.***

There would be little pushback from household customers and future bill payers should Yorkshire Water challenge Ofwat on the decision to push back bill increases



The majority are either supportive of the suggestion to challenge Ofwat or wouldn't mind

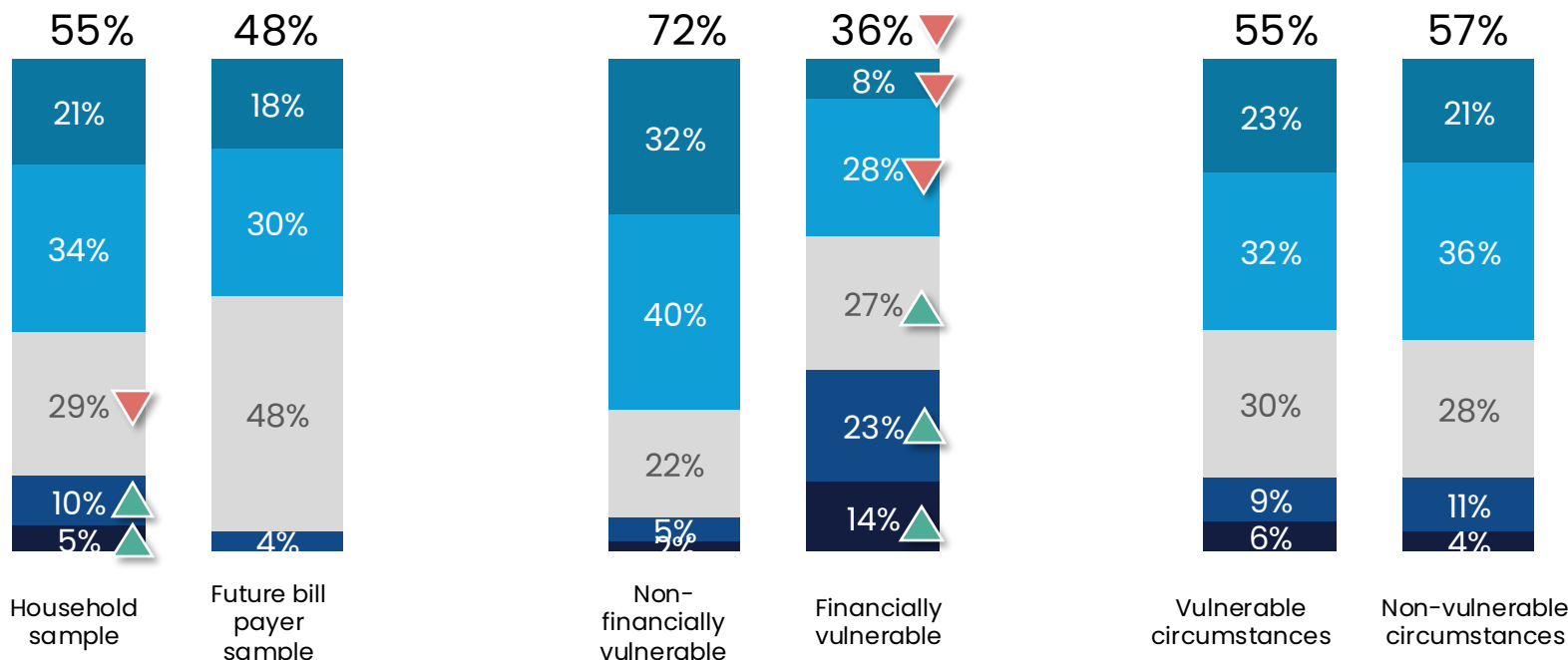
How supportive or unsupportive would you be if Yorkshire Water decided to challenge Ofwat on this decision?

Sample: Household sample (n=1448), Future bill payer sample (n=50), Non-financially vulnerable (n=745), Financially vulnerable (n=251), Vulnerable circumstances (n=616), Non-vulnerable circumstances (n=796)

Significantly higher / lower than other group

NET Support

- Very supportive
- Supportive
- I don't mind
- Unsupportive
- Very unsupportive



Household customers who are considered **financially vulnerable** would be significantly less supportive of Yorkshire Waters decision to challenge Ofwat (37%).

If Yorkshire Water decide to challenge Ofwat to bring forward the bill increase, it is important to consider customers who may struggle with the imminent rise and ensure plans are in place to support those who are financially vulnerable.

QB11. How supportive or unsupportive would you be if Yorkshire Water decided to challenge Ofwat on this decision? Household sample (1448), Future bill payer sample (50), Non-financially vulnerable (n=745), Financially vulnerable (n=251), Vulnerable circumstances (616), Non-vulnerable circumstances (796)

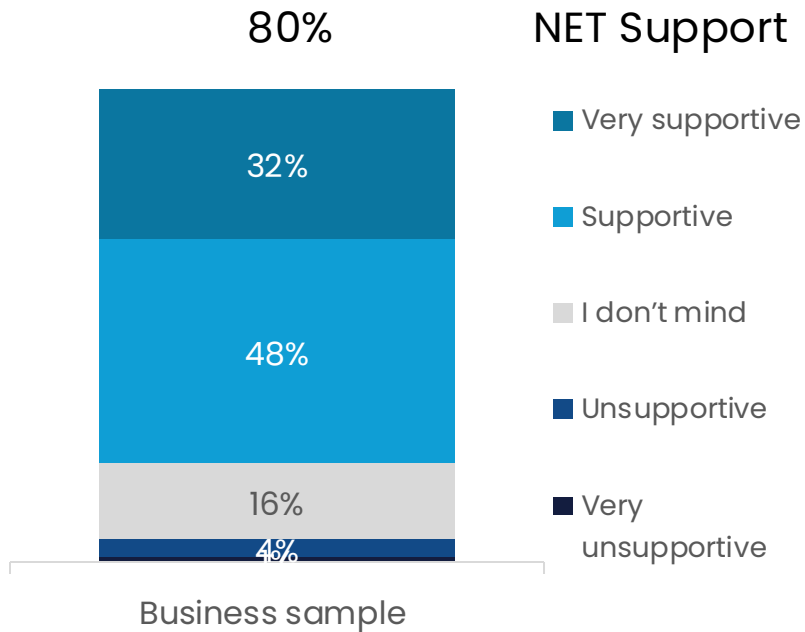
There is even greater support for Yorkshire Water to challenge the decision among business customers



4 out of 5 business customers would be supportive of Yorkshire Waters' decision to challenge

How supportive or unsupportive would you be if Yorkshire Water decided to challenge Ofwat on this decision?

Sample: Business sample (n=101)



▲ The **business sample** would be significantly more supportive in comparison to the **household sample** (80% vs 55%) and the **future bill payer sample** (80% vs 48%)



QB11. How supportive or unsupportive would you be if Yorkshire Water decided to challenge Ofwat on this decision? Business samples (101)



Most see bill increase associated with the plan to upgrade all assets in grade 5 condition as value for money and easy to afford...

However there are some who would struggle to afford the bill increase in the current climate, and would need additional support and information from Yorkshire Water

Customers and future bill payers alike would prefer the bill increase to start immediately, and would be supportive of Yorkshire Water challenging Ofwat in doing so



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**Overall
support of the
plan and
impact on
Yorkshire
Water
perceptions**



There is strong overall support of the plan to upgrade all assets at grade 5 – with very few unsupportive of Yorkshire Water putting forward this plan

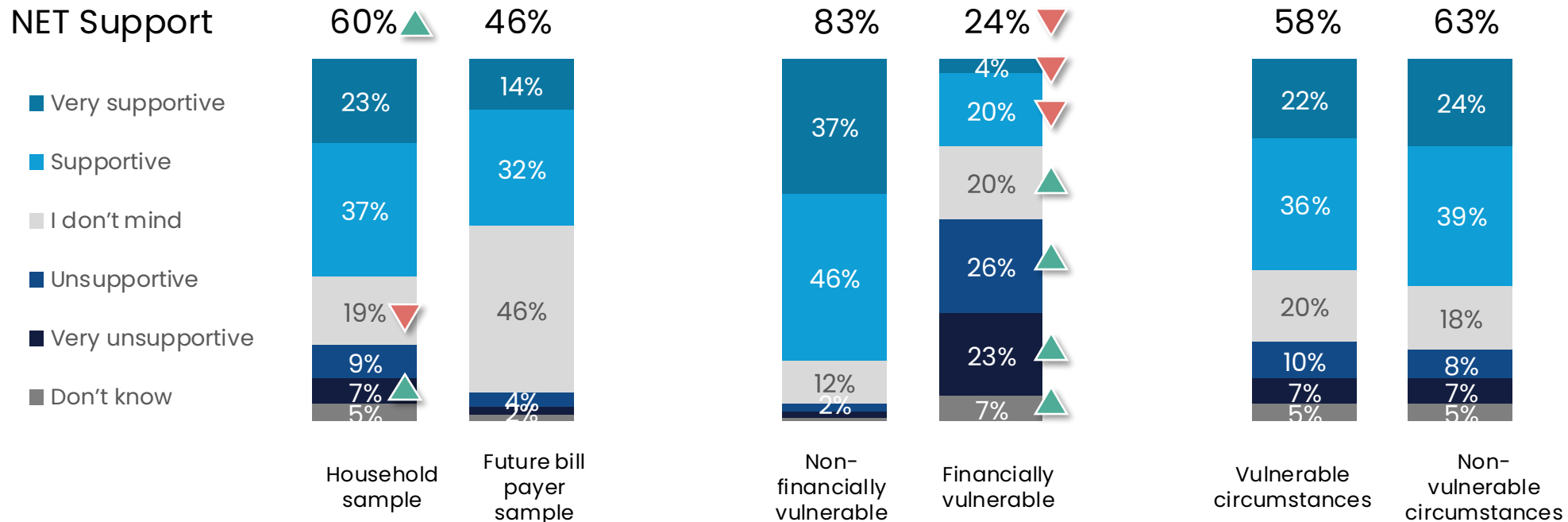


Support is significantly stronger among household customers than future bill payers

How supportive or unsupportive would you be of Yorkshire Water putting forward this investment plan to Ofwat?

Sample: Household sample (n=1448), Future bill payer sample (n=50), Non-financially vulnerable (n=745), Financially vulnerable (n=251), Vulnerable circumstances (n=616), Non-vulnerable circumstances (n=796)

Significantly higher / lower than other group



Please note: Any vulnerability splits are from the household sample

QB7. How supportive or unsupportive would you be of Yorkshire Water putting forward this investment plan to Ofwat? Household sample (1448), Future bill payer sample (50), Non-financially vulnerable (n=745), Financially vulnerable (n=251), Vulnerable circumstances (n=616), Non-vulnerable circumstances (n=796)



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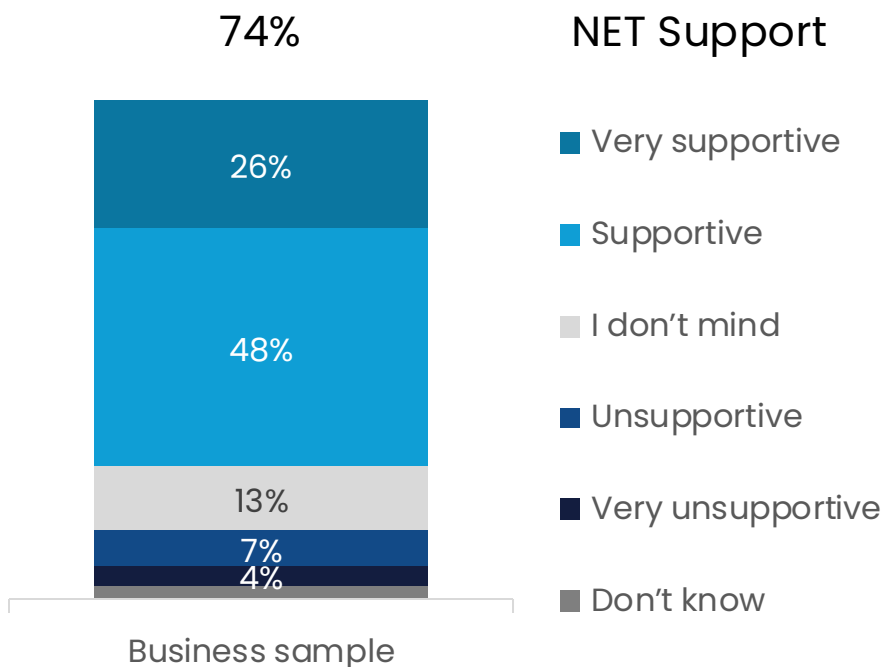
There is also strong support among business customers – 3 in 4 would be supportive of Yorkshire Water’s plan



Only a small minority would be unsupportive

How supportive or unsupportive would you be of Yorkshire Water putting forward this investment plan to Ofwat?

Sample: Business sample (n=101)



▲ The **business sample** would be significantly more supportive in comparison to the **household sample** (74% vs 60%) and the **future bill payer sample** (70% vs 46%)



If the plan was enacted, there would be a net positive change to perceptions of Yorkshire Water



Perceptions would stay the same for around half of household customers and 3 in 5 future bill payers

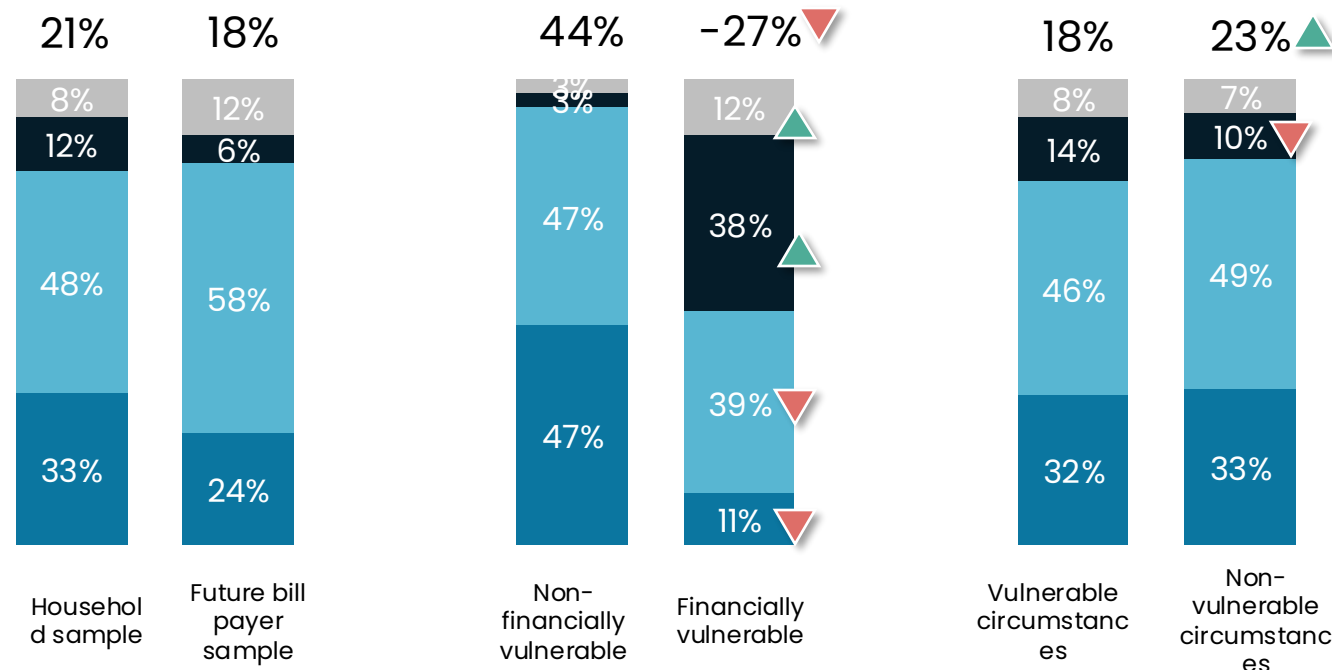
How would your perceptions of Yorkshire Water change if the investment plan is enacted?

Sample: Household sample (n=1448), Future bill payer sample (n=50), Non-financially vulnerable (n=745), Financially vulnerable (n=251), Vulnerable circumstances (n=616), Non-vulnerable circumstances (n=796)

▲ ▼ Significantly higher / lower than other group

NET Positive

- Don't know
- They would get worse
- They would stay the same
- They would improve



As the changes are largely intangible for customers, the primary reference point is any increase to their bill. Given that most customers consider this increase to be manageable, enacting the plan is not enough to prompt a large shift in overall perceptions. Nevertheless, some customers report an improvement in perception, suggesting they value Yorkshire Water's proactiveness and responsible approach to investing in its infrastructure.

Please note: Any vulnerability splits are from the household sample

QB8. How would your perceptions of Yorkshire Water change if the investment plan is enacted? Household sample (1448), Future bill payer sample (50), Non-financially vulnerable (n=745), Financially vulnerable (n=251), Vulnerable circumstances (n=616), Non-vulnerable circumstances (n=796)

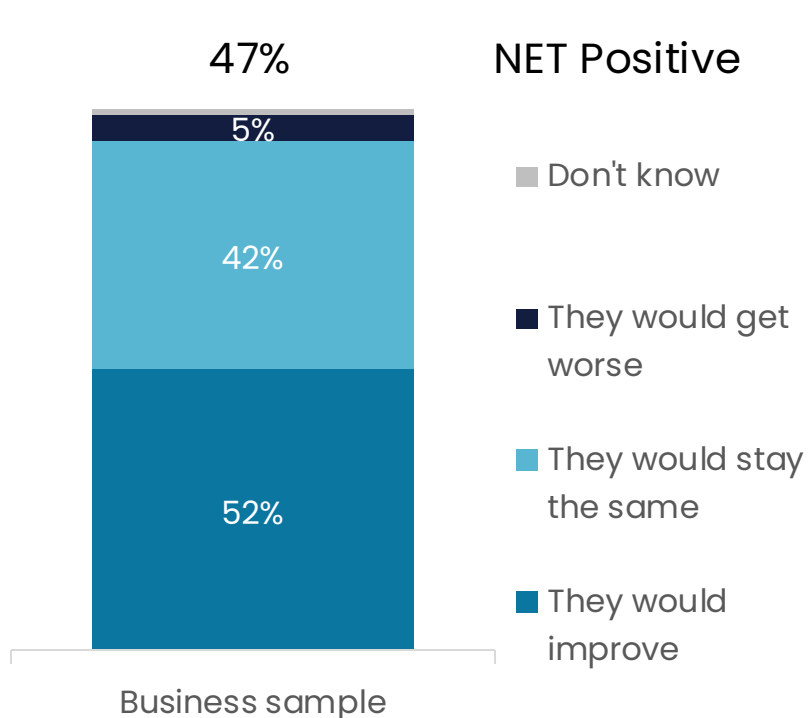
Just over half of business customers would say their perception of Yorkshire Water would improve if the plan was enacted



2 in 5 said their perceptions would remain unchanged

How would your perceptions of Yorkshire Water change if the investment plan is enacted?

Sample: Business sample (n=101)



The **business samples** perception of Yorkshire Water would significantly improve compared to the **household sample** (52% vs 33%) and **future bill payer** (52% vs 24%)

Additionally, when comparing NET positive, the **business samples** perceptions would be significantly more positive compared to the **household** (47% vs 21%) and **future bill payer** (47% vs 18%) samples





Summary (1/2)

The majority of household, business and future customers would support plans to upgrade degrading assets.

Acceptability of the plan to upgrade all grade 5 assets is high – with over 4 in 5 household, future bill payers and business customers supportive of the plan. Acceptability of the plan to improve assets grade 3 and 4 is also high, but lower than the plan to only upgrade grade 5 assets across all customers with some reluctance over resultant price increases

Even among financially vulnerable customers, there is a good proportion who accept the plan to upgrade all assets grade 5, although this was before the price increase was introduced

When it comes to specific assets, service reservoirs and clean water tanks should be prioritised, as they are consistently rated as the most important across all samples



Summary (2/2)

After introducing the associated price increase to upgrading, most business and household customers are supportive of the plan

Household and business sample would see the bill increase as good value for money and can generally afford it, however future bill payers and financially vulnerable are less likely to say it would be easy to afford.

This subset of 'financially vulnerable' customers who would not see the increase as good value for money and would struggle to afford are less supportive of the plan. This should be taken into consideration when introducing the increase, ensuring there is sufficient support available for these individuals.

Clear communication of the benefits of these upgrades to customers should take precedence to instill confidence amongst those that are reluctant to support. Yorkshire Water should focus on highlighting the importance of investing now and how this will help avoid mounting costs further down the line.

Only prioritising upgrading assets 5 is also advised to not impact these financially vulnerable customers further

There is a preference across all customer samples that bills increases start immediately rather than being passed onto future bill payers



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Thank You

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Jason.Nixon@yorkshirewater.co.uk



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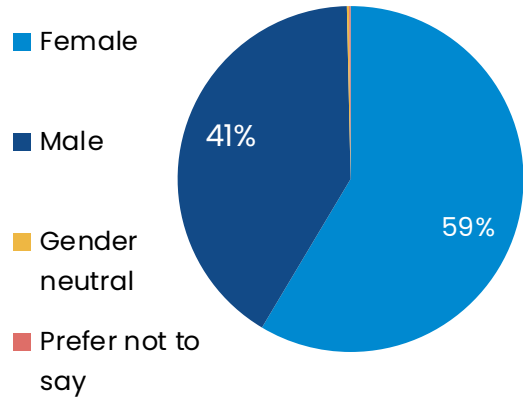
Appendix



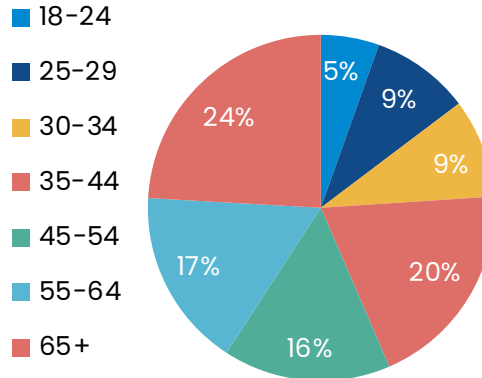
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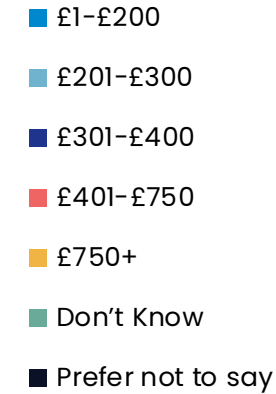
Household Sample Profile (n=1448)



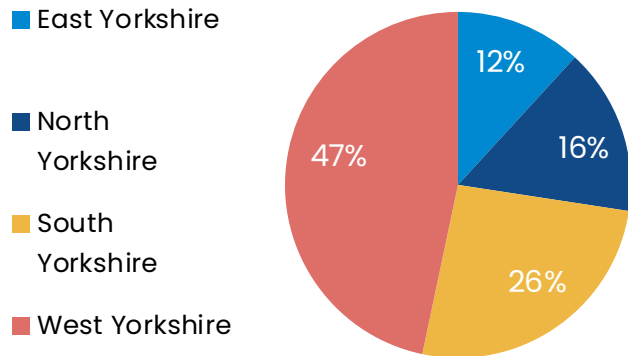
Gender



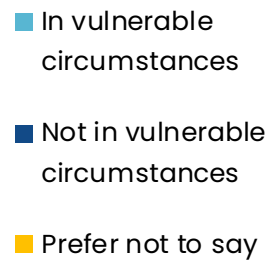
Age



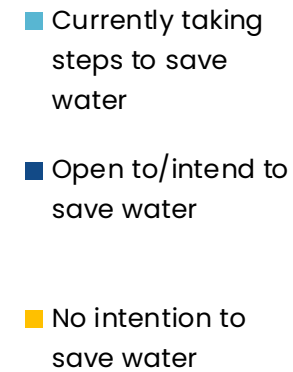
Annual bill amount



Region



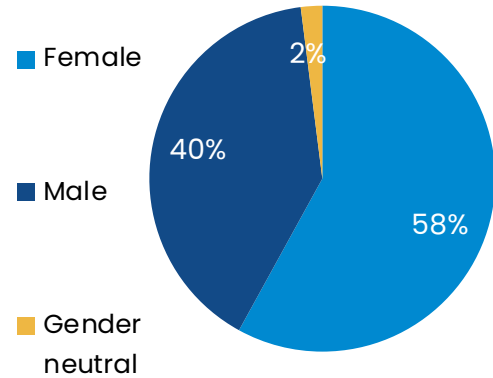
Vulnerability



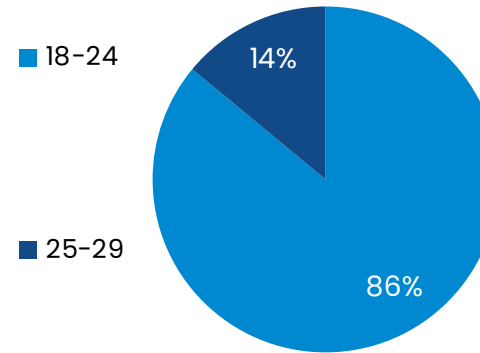
Water usage



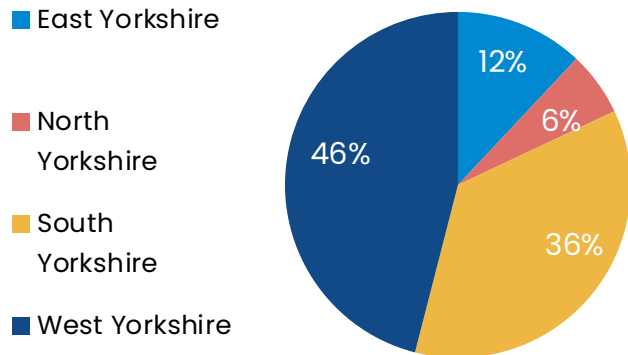
Future Bill Payer Sample Profile (n=50)



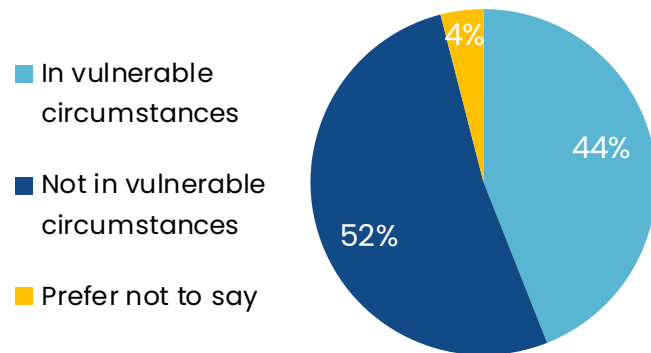
Gender



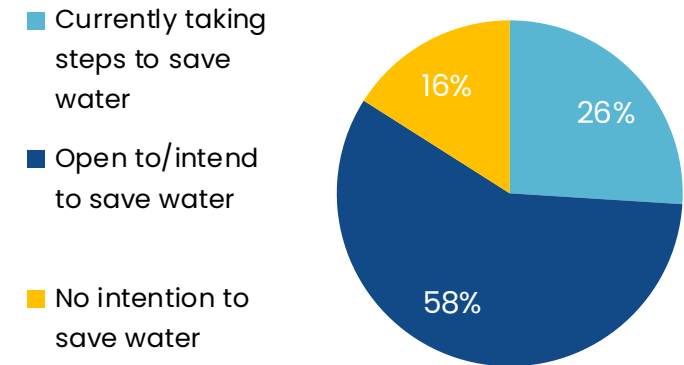
Age



Region

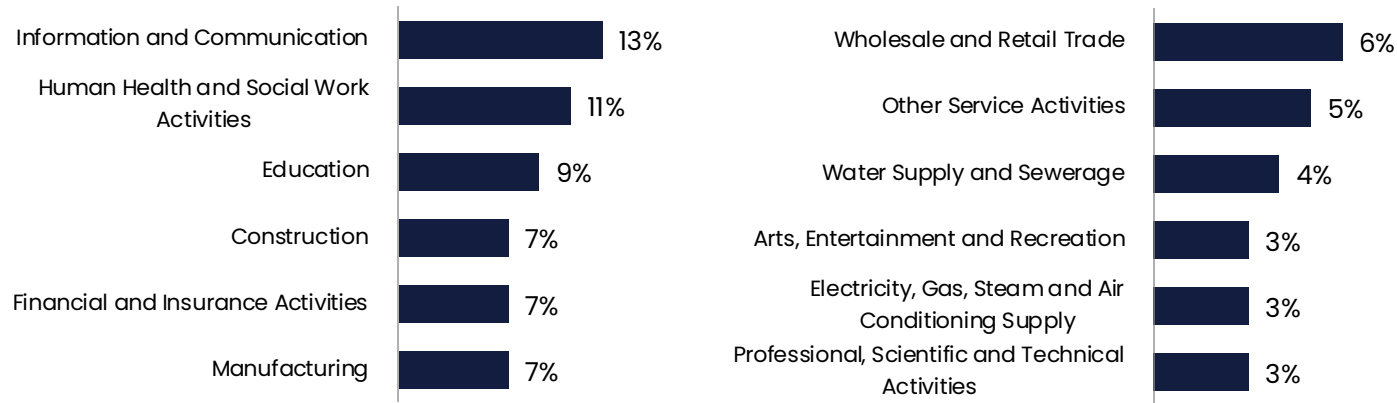


Vulnerability

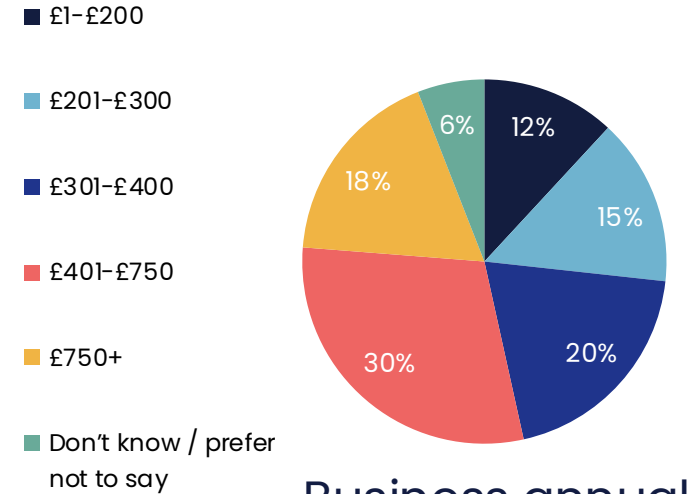


Water usage

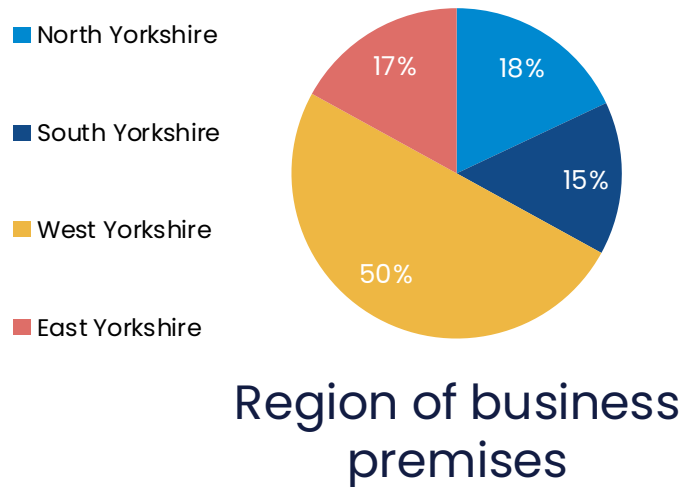
Business Sample Profile (n=101)



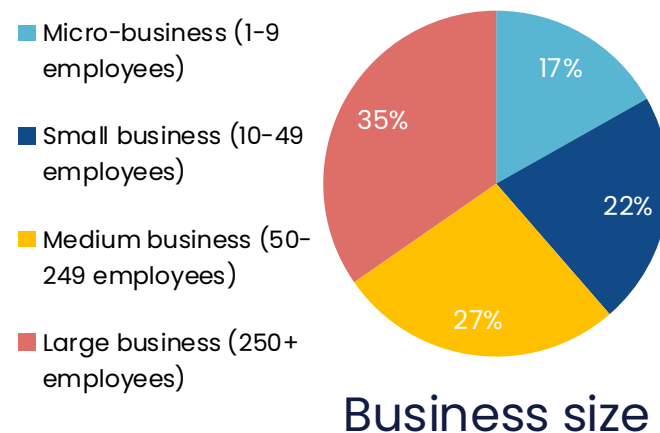
Industry (top 12)



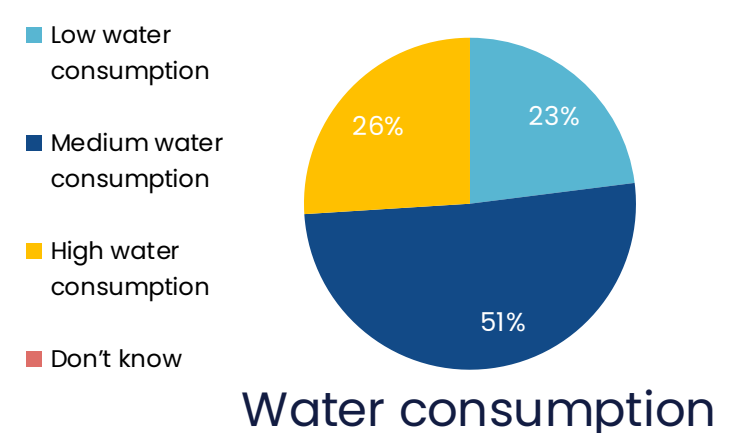
Business annual bill amount



Region of business premises



Business size



Water consumption