



13 February 2014

Cathryn Ross
Chief Executive
Ofwat
Centre City Tower
7 Hill Street
Birmingham
B5 4UA

Dear Cathryn

Ofwat Forward Work Programme 2014-15 – draft for consultation

Thank you for the opportunity to comment on Ofwat's draft Forward Work Programme (FWP) for 2014-15. We are pleased to see within it a continuation of placing customers at the heart of the water industry, an objective which we share. We look forward to working with you to achieve this objective.

Price Review

Ofwat's work over the next 12 months will be dominated by its assessment of companies' business plans and the determinations that follow. It is wholly appropriate for you to assess and challenge companies' investment, price and financing proposals to ensure customers receive a good and sustainable service at a fair price.

While the Service Incentive Mechanism (SIM) has helped drive most companies to improve contact and complaints management, it has not done so for all. We hope you will therefore use the SIM to its current full potential to penalise those companies who have been consistent poor performers. Our response to your recent consultation asks that you make the SIM more customer-centric. We have made a number of suggestions which we think would build upon your own calls for the companies to engage more fully with their customers, be seen by customers to be more responsive on complaints and earn the rewards that would flow from exceeding customers' expectations.

It would be useful if you could clarify if there is to be a change in process post Draft Determinations. In the draft FWP, you have set out that you will consult on Draft Determinations, while in past reviews you have received representations.

We support your plan to review lessons learnt from the price review process and, as you know, we are undertaking a mid-point review of how the Customer Challenge Groups have worked. It would be helpful if, later in the year, we discussed how our findings could feed into your review.

Choice and trading arrangements

We support your work in this area, but consider that you could make it clearer in the FWP the importance of ensuring that any changes brought by competition for business customers should not be of detriment to those customers that are not able to choose their supplier (i.e. household customers and business customers in Wales).

Board Leadership, Transparency and Governance

We have recently called upon companies to demonstrate that their tax arrangements and corporate structures do not disadvantage customers in any way. As such, we welcome Ofwat's project on improving Board leadership, transparency and governance. We would be interested to see the review of company codes against Ofwat's principles, and wonder if this will be made publicly available.

Licence Review

We support the Licence review and look forward to engaging with you on any Licence conditions which have or might have a customer facing element.

Thames Tideway

We are pleased to read that you will ensure that the costs of the Thames Tideway are efficient and continue to represent value to Thames Water customers. This mirrors our own objectives in this area.

Casework

We will continue to work with Ofwat on the arrangements for an alternative dispute resolution system. We will look to ensure that any new process that is set up delivers added value without making it more difficult for customers to use. We are keen to fulfill our part, highlighted as part of the Gray Review, in helping Ofwat improve its own complaint handling for customers.

Special administration arrangements

We note your work in this area and look forward to the opportunity to contribute through the consultation.

New Strategy

We are aware that you will be consulting on your new strategy early in the year. We hope the new strategy will continue to place emphasis on companies putting customers at the heart of their business, and develops the more collaborative approach to regulation of the sector seen in recent months.

Financing

As we mentioned at our meeting last week, we and customers will be concerned by your increase in costs. We think that it will be important that you demonstrate that it will deliver significant value for customers.

We do, however, consider it prudent for Ofwat to make provision for potential references to the Competition and Markets Authority.

Other areas for consideration

In your response to our draft FWP you mentioned that Ofwat will be developing policy thinking in relation to vulnerable customers during the coming year. We would support any commitment that you would make in this area and would be happy to contribute to Ofwat's wider discussions as this policy develops.

We consider that it would be appropriate for you to mention in the FWP your proposed work in relation to the information which companies will be expected to publish and make available for customers. We are engaged already in this project.

CCWater is reviewing the information that we collect from companies with a view to making it available to customers, and have kept Barbara Hughes and Sheila Miller informed of this work. We understand that you are also reviewing the information that companies provide to you. We should ensure that our approaches are consistent, to avoid duplication of effort, particularly when companies start to report on their delivery of outcomes.

If you would like to discuss any of our comments in further detail, please do not hesitate to contact me. At a staff level, our contact point is Hannah Williams on 0121 345 1058.

Yours Sincerely

A handwritten signature in black ink that reads "Tony Smith." The signature is written in a cursive style with a period at the end.

Tony Smith
Chief Executive