



9 February 2015

Cathryn Ross
Chief Executive
Ofwat
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Dear Cathryn

OFWAT FORWARD WORK PROGRAMME 2015-16

Thank you for the opportunity to comment on Ofwat's draft Forward Work Programme 2015-16. 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. Our response is structured around your key themes.

PRIORITIES

Trust and confidence is hard won but easily lost, as has been all too apparent in the energy sector. We, therefore, support your initiative to build trust and confidence in the water industry. It accords with our own work with the companies on embedding 'right first time' in their policies and processes, improving their engagement with customers, and sharing the benefits of unexpected outperformance with customers.

Looking to the future, we believe companies will need to: deliver high levels of performance, including delivering on their commitments; be responsive to customers' reasonable demands; demonstrate value for money; be open and transparent about their corporate structure and profitability; share outperformance with customers; and build on the good customer engagement evident at PR14 with challenge groups that have sound governance and are legitimate in the eyes of customers.

STRATEGY AND PLANNING

We have welcomed early engagement on the development of the **industry dashboard**, and are committed to working with Ofwat and other stakeholders on its successful delivery.

In a similar vein, we are looking at how we are going to **monitor companies' delivery of AMP6 commitments** and would welcome early engagement with Ofwat on the range of information that each party will collect and use. In doing so, it should be possible to uncover cross-overs, avoid duplication of effort and limit the data burden on companies.

We will continue to provide Ofwat with our insights gathered from complaints and customer research to feed into the **horizon scanning** work that is being developed.

We note that Ofwat has established a stakeholder group, chaired by Jacob Tompkins of Waterwise, to advise Ofwat of the issues surrounding **resilience**. We will provide our thoughts to that group and respond in due course to Ofwat's consultation paper on how it may deliver its resilience duty.

In due course, we would welcome an indication of what Ofwat may be doing to encourage companies to develop **innovative solutions** to long-standing surface water and sewer flooding problems, including an increase in the roll-out of SuDS.

We would welcome an early meeting Ofwat to discuss the scope and direction of your work in the area of **customer vulnerability** so that our respective work streams are complementary and do not duplicate or contradict one another.

WATER 2020

As a key stakeholder, we look forward to participating in Ofwat's **review of PR14**. We have already shared the findings of our mid-term review of the CCGs and are about to research what customer engagement processes at the price review would have legitimacy in the eyes of customers, and give them confidence that their local water company's 'answer' [the business plan] reflected their views. The research will also explore with customers what principles should govern the set up and function of new customer groups that companies may choose to set up (replacement for CCGs).

CCWater will continue to engage in discussions around the design of the **new competitive market** so that it delivers for eligible customers but does not disadvantage those customers who cannot switch or choose not to switch.

With regard to your work on **charges**, we urge you to proceed with caution to ensure that tariff rebalancing does not lead to significant incidence effects for different sizes or segments of non-household customers. Otherwise it could undermine the case for competition in the water sector.

As mentioned above, we wish to work with Ofwat, other regulators and companies on identifying how best to monitor delivery of **PR14 outcomes** and to provide this information in an accessible way for customers.

We would welcome early engagement with Ofwat as it considers the issues and options surrounding **upstream competition**. In particular, we would like to explore whether, and at what point, it would be helpful to research customers' views on this subject.

THAMES TIDEWAY

We would like to see the **Infrastructure Provider** come up with a proposal that is not solely based on building a tunnel. We consider there may be solutions, even at the margin, that could reduce the overall cost of the scheme for customers.

We remain concerned that the direct customers of not only Thames Water but those of neighbouring water-only companies have not been told in sufficient detail about the **impact on bills** from 2017. We consider a co-ordinated messaging campaign need to be undertaken, and would like to discuss this with all relevant parties.

Under current proposals some **complaints** about the Thames Tideway Tunnel will, in the first instance, be handled by the Infrastructure Provider rather than Thames Water and if unresolved will be referred to an "Independent Complaints Commissioner" rather than CWater. This clearly raises a number of concerns about the management and reporting of complaints, and raises questions over the ultimate accountability for complaint resolution. We would welcome your support for procedures that enable all unresolved complaints to come to CWater at the third stage, thereby aligning existing statutory complaint handling arrangements and ensuring that all complainants potentially have access to the new Alternative Dispute Resolution service.

CASEWORK

The new **Alternative Dispute Resolution** scheme will go live on 1 April 2015. We will ensure a seamless process for consumers with on-time transfers of complaints to the ADR provider. We, too, intend to monitor outcomes of ADR cases to press water companies to improve their complaint handling, and to address the underlying cause of the complaint.

We welcome the production of **quarterly bulletins** to provide all stakeholders with an understanding of the nature of the cases being assessed, their implications for the sector, and how Ofwat is performing against its targets.

We look forward to receiving further detail on which **non-strategic cases** may be transferred to a third party for adjudication.

FINANCE AND GOVERNANCE

CCWater has supported Ofwat's initiatives on improving **Board leadership, transparency and governance**, and we therefore welcome publication of your assessment of companies' progress in meeting key principles.

However, companies' **tax arrangements** remain an issue for customers, politicians and the media. Our analysis shows very few companies provide a good explanation. We would, therefore, welcome Ofwat extending its principles to include transparency around tax.

Would welcome early engagement with Ofwat on the subject of **mergers and acquisitions**, specifically about how we might work together on delivering the best deal for customers.

We welcome Ofwat's intention to review the **special administration** regime, and will provide comment at the appropriate point.

We note your proposal to undertake a **review of companies' Licences**. We would wish to be closely involved in discussions around those Licence Conditions that have a customer focus.

BUDGETS

Welcome the reduction in Ofwat's budget in line with the commitment given last year.

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 Deryck Hall on 0121 345 1030.

Yours sincerely



Tony Smith
Chief Executive