

Responses to Ofwat 2020 Consultation

Bournemouth water Customer View Group

Preamble

These responses reflect debate and discussion by Bournemouth Water Customer View. (BWCV) set up in Feb 2015, to monitor and challenge the Company on delivery of its PR14 targets, and feed into any debate with the company over gain/share. The group has the potential to morph into a CCG type group for input into PR19.

The subject was discussed on BWCV meet January 28 2016, and by unanimous approval the following responses were ratified.

It is presented as an addition to the Company response,(separately from Company) there are no fundamental differences between the Company and CV response but the latter gives (hopefully) examples and some extra detail that Ofwat might find useful.

CHAPTER 7

Question 46

What does good Customer Engagement look like? what are your views on the principles outlined above? How could companies draw on good practice from within and outside the sector? How can the companies make use of revealed preference techniques and information obtained in their day to day interactions with the customers to develop a richer set of evidence of customer's needs and requirements?

There must be open, regular two way dialogue between the Company and it's customers/stakeholders. The establishing of a Customer View group has provided the Company with a representative group but it does not replace the need for the Company to explain directly to customers the complexities of its business and the choices that customers can make, with the price impact of those choices. In having a diverse group of members the CV group is well placed to help the Company to interpret the information and choices emanating from customers.

The complexity of the business and the workload on members is considerable and it is not reasonable to expect lay people to do this without some form of modest honorarium. This workload can only increase as we move to PR19.

Such modest honorarium payments do not pose any risk of " member capture". The company support this approach and have implemented it for all members of CV. Members, who do not feel able to accept honoraria are donating it to local charities e.g. District Councils to "Mayors Charity"

The current frequency of 4 meetings p.a. for CV may not be enough. Their frequency will be reviewed regularly.

The greater use of IT, and Social Media is vital to achieving a wider exchange of views. CV would like to see a regular interchange on all issues with an electronically connected group of at least 100 customers with a longer term target of 500. CV have already challenged the Company to develop this and report back as part of its Challenge Diary (agreed concept). Such an exchange would help to build a much wider group of well informed customers.

The independent chair, and vice chair will have ongoing liaison with other local businesses in the regulated sector, e.g. Gas, Electric, Telecoms etc.. to consider wider practice of Customer Engagement. There are lessons to be learnt from the opening up of markets in other utility sectors not least the still ongoing debacle re meter reading, billing and related issues! This is a good chance for such problems to be not repeated as the water sector opens up to competition.

The Independent Chair has wider experience of such Customer engagement in the local Trust Port, where there are many thousands of stakeholders, and it is managed through focus groups, cumulating in an Annual Open Evening where c 300 stakeholders attend voluntarily!

Ofwat will need to provide information in a format that enables Customer Groups to Benchmark Companies. This will be a key tool.

There will be an ongoing need for CV members to be involved in Company Research. Much of the PR14 Customer Research was based on a Quantative approach using Stated Preference techniques. The use of more Qualitative Research should be considered as the outcomes have sometimes yielded different requirements or views than the more prescriptive approach of Quantative Research.

Note response to Q47,(above) key points for good customer engagement look like a diverse CV membership, which has been set up, all of whom can lead wider Customer/Stakeholder focus groups, e.g.

- CAB re affordability and vulnerable customers
- Chair of Poole Tourism
- Local hoteliers
- Extended focus groups might expand to Rural Customers, Farmers/landowners through NFU/CLA, local Environmental groups through Wildlife Trusts
- Local Town Councils
- Smaller District Councils that cover only parts of the BW supply area.

The Company has contact with customers every day and the systems for capturing information could be extended and enhanced. Such information could provide the basis of informing responses from the Company, thus increasing customer contact. This might also provide a basis for establishing membership of the wider electronic customer group mentioned above. Such a forum should aim to be 2 way so that members can for example report bursts to the Company etc..

Open days at treatment works are useful to show customers what is involved in the business of potable water. All CV members as part of their Induction programme have been on site visits.

Question 47

What are your views in relation to our proposals on future CCG remit, scope, timetable, governance arrangements, and membership? In relation to the quality of a company's customer engagement, do you agree the above list of issues should be covered by the CCG report? what are your views on the division of responsibilities between CCG and Ofwat?

We agree the list of future CCG proposals, issues, remit and scope is sound, but feel that the objectives cannot be totally predetermined and therefore proposals should not be too prescriptive. We note that Ofwat are calling for a report in 2018, we feel that an interim report should be made annually.

The position of the CV group in relation to PR 19 should be perhaps clarified as there will not be a neat split between the tasks of monitoring Company performance re PR14 and the development of requirements for PR 19, which are evolving now. Inevitably if a new PR19 group is formed it will start from a position partly determined by its predecessors. While there is logic in saying that the CV group should have refreshed membership the idea of changing completely from a CV group to a CCG group part way through the next 5 years seems unlikely to yield best results.

We agree the Company should own its Customer Engagement process and it should be able to demonstrate to Ofwat, the quality and depth of such engagement. We feel that this can be best achieved through CV giving assurance to Ofwat through CV's challenges to the Company. We do not feel Ofwat should insert itself between BW and its customers that is not a role that sits within the current statutory duties of Ofwat.

We agree that membership of CCG's should be representative of the Company's demographics, and broadly agree with the suggestion as to membership, though we feel we may add to CV if needs dictate. We feel strongly that CCW should be members of the CV group given its statutory responsibilities, although it (CCW) does need to determine how it reconciles local views on certain issues with its national position. It is essential to have representatives (CAB) for debt counselling, vulnerable customers, social tariff etc. indeed in the CV there are two managers from CAB, from Christchurch and Bournemouth. All members are encouraged to engage fully in all aspects and perhaps in due course lead stakeholder focus groups for specific task and finish topics (e.g. the Chair of CV proposes to bring one of the CAB members to the Ofwat conference Feb 18 2016, on Affordability and vulnerable customers, they will then "own" this topic for CV going forward. We are slightly concerned that attendance at this conference might be limited due to space, such restrictions are to be avoided in the interest of full engagement

We feel it right to have members representing statutory regulators e.g. Environment. Agency, Natural England, and though we invited DWI, they declined (nationally) to be members. However it is important that we maintain regular contact in addition to a more structured annual meeting. Perhaps the facilitating role Ofwat propose of quarterly meetings with CCG chairs could be in part utilised for such liaison.

We do not feel the other regulators role is compromised by being members of CV

The makeup of CV currently consists of:

2 Domestic Customers

2 Business Customers (one of whom is Chair of the Bournemouth and District Hoteliers Association, clearly a locally key industry for tourism, albeit of a fragmented membership from large hotels to simple B&B)

Member from Bournemouth University, who is also Chair of Poole Tourism

Member (Officer) from New Forest District Council, covering a substantial part of BW supply area, but also a domestic customer

Member(Officer) from Bournemouth Borough Council who cover the remainder of the BW supply area, but also a domestic customer

2 Members from CCW, the local Consumer Advocate and another, a member of the CCW regional secretariat

Member from Environment Agency

Member from Natural England

Independent Vice Chairman, who lives out of BW area

Independent Chairman, who lives only 2 miles from BW head office but is not a customer of BW, but knows the area and the immediately adjacent Wasc as a customer so can make comparisons!

A Independent Non-Exec member of BW main board, who sits as an observer and link to BW board as necessary

Only 3 of these members were previously members of the Company CEPF (CCG) equivalent. We agree that the need to refresh CV members over time should be considered

CV meets 4 times p.a., has its own constitution and will vote annually that it remains appropriately independent of the Company. CV has its own confidential part of the Company website and its own email address. The Chair and Vice chair have provided their personal phone numbers and email addresses. The chair meets CV members regularly between formal meetings to ensure continuity. Regular meetings with the Company are also held outside the formal CV meetings.

The Company provides a secretariat service to CV, and regular Company attenders at the formal CV meets include, Managing Director, the Finance Director, the Regulation and Business Managers. All are there to respond to questions but not take part in the meeting per se.

CV have direct access to both the Company's independent Financial Auditor, and the Technical Auditor, the latter has already presented to CV on the quality of the Data that the Company uses

One of the major problems in the PR14 process was clarity around how the CV group should be involved in costs. In practice its involvement was limited by knowledge of members and not having any significant independent budget. Most responsibility re costs therefore fell to Ofwat. The size of some Companies may require a different approach but in this Company's case this position is likely to continue.

Question 48

What are your views on our proposals to facilitate more collaboration between CCG's? what are your views on our aspiration to publish information on the WACC and outcome RoRE ranges early? Without inserting ourselves between companies and their customers, what else could we do to incentivise and encourage good quality customer engagement?

CV welcome Ofwat's involvement to facilitate more collaboration between CCG, via its proposed quarterly meeting, as does the regular meeting of Independent chairs provide a useful sounding forum. As has been already said regular open two way dialogue is essential. Such dialogue will lead to additional Benchmarking, over and above that provided via the information that Ofwat produces.

As regards early information on WACC and RoRE, we give a guarded maybe! But note our response to Q46, this is a complex area of regulation and will need a simplistic presentation to lay members.

Richard DJ Lacey

Chairman Customer View