

## Consultation on the Outcomes Framework for PR19

I would like to make a short and informal response to the consultation from my position as Chair of the Dwr Cymru Welsh Water CCG. The consultation is beyond the remit of the CCG so I do not feel it is appropriate for a formal CCG response. However I hope the following points are helpful, based on my experience as CCG chair, in your consideration of the next steps.

My key point is that I think it important that we do not introduce scope for short term volatility in bills, as confidence in financial planning is really important for customers. This is particularly important for the DCWW customer base, which has lower income levels generally with a third of children in families below the poverty line. Certainty in financial planning is critical for a large number of families living in precarious financial circumstances.

As CCG chair I am concerned that the top down approach suggested by this consultation is at odds with the customer led model that is at the heart of the CCG's work and central to the ethos of that OFWAT promotes. Surely customer views need to be at the heart of these proposals.

I am also concerned that we create properly constructed benchmarks which allow for fair comparison. The Discover Water process is making good progress and we can build on this to give customers comparative performance information. I know from experience that public and transparent benchmarking can drive corporate behaviour, but only if there is broad acceptance of the common standards as being fair and relevant. There is significant variation in the operating context of the different water companies that needs to be fully recognised.

I fully agree with the importance of comparative data "Beyond Water" with a basket of service focused industries on customer service performance. Our CCG has benefited greatly from the participation of Legal and General who have shared their approach to customer service in the insurance industry.

I fully support OFWAT's efforts to build on the ODI process from PR14. Evidence suggests customers are clear that there should be penalties for poor performance against their expectations of a quality service. Equally incentives to reward excellence should clearly reflect the customer priorities based on the particular context of the company's operations. The incentives should reflect performance well beyond customer expectations and which would be recognised as such by customers.

I would stress above all the ODI process needs to reflect customer views, be transparent and understood by customers. This means that it needs to be part of the customer involvement process for PR19, which means timing is critical. I am wary of the danger of unintended consequences of significantly increasing their role through a top down process of implementation.

Finally I would also point out that there is a specific dimension in Wales related to company performance in contributing to meeting the goals and indicators in the Wellbeing of Future Generations Act. I would argue that this should be a factor in any reward model for a company providing a public service in Wales.

I hope these points are helpful.

Peter Davies

Chair Dwr Cymru Welsh Water Customer Challenge Group      30/12/16