

Ofwat methodology consultation

August 2017

The Northumbrian and Essex and Suffolk Water Forums welcome the publication for consultation of Ofwat's methodology for the upcoming Price Review: PR19. Given the complexity and length of the publication, and the tight timetable, we focus our consultation response on key points.

We note that the document builds on a range of policies that have emerged over recent months and years and sets out Ofwat's expectations of CCGs, namely:

- Confirmation that CCGs will provide independent challenge to companies and independent assurance to Ofwat on, for example, the quality of a company's customer engagement, and how much its business plan reflects this (ie the role described in its '*Customer Engagement Policy Statement and Expectations for PR19*'); and
- Ofwat's commitment to the CCG process – the main document and some appendices (eg Affordability) reference its expectations of CCGs; and Ofwat commits to listening to CCGs when measuring companies' business plans.

In its communication with CCG Chairs on the Methodology, we note that Ofwat: underscored that CCGs' independent assurance reports will provide important evidence on the company's approach to affordability; requires companies to engage with their customers and CCGs to then propose a performance commitment for addressing vulnerability; and asks CCGs to report on how they assess performance commitment levels, and to describe the areas of challenge and disagreement, and how the companies responded.

Ofwat will meet each company between January and March 2018 to understand customer engagement and we welcome the fact that CCG Chairs are to be invited to those meetings. We would welcome any Ofwat feedback from these meetings that is pertinent to all companies and their CCGs as they prepare their PR19 plans.

The role of CCGs is clearly very important to the PR19 process and there are four things that Ofwat should usefully do to **enhance the transparency of the CCG role, and to support CCGs** in navigating an increasingly complex and potentially diffuse set of obligations. These are:

- **Visibility of CCGs and acknowledgement of their important role:** Reference should be made to the CCG role in the Executive Summary;
- **Improving transparency and support to CCGs:** CCGs comprise a wide range of individuals and organisations that participate and contribute on a voluntary basis, and for many the Water Industry is not 'the day job'. There is, however, strong and clear commitment from our CCG – the Water Forums – to perform the ascribed role in the most effective way

possible. Many of our members are already giving up considerable amounts of time and resource to support the process. Given the length and complexity of the methodology, it would be enormously helpful for Ofwat to add any new CCG information/obligations to its '*Customer Engagement Policy Statement and Expectations for PR19*', to create a 'one stop shop' for CCGs;

- **Checklist:** It would be helpful for Ofwat to produce a CCG report 'checklist'. This would enable us to ensure we cover key points without constraining each CCG, which is likely to want to report in its own way (each company is different, as are their challenges and opportunities). Also useful would be a comprehensive table on the performance commitments that Ofwat is asking companies to produce, highlighting those where it would particularly value CCG scrutiny (and where easy access to comparative data can be found). This would build on the current table in the PR19 methodology, which is an incomplete list of all possible performance commitments. We are not in favour of a 'one size fits all' approach, but it seems sensible for CCGs to be aware of the expectations of us in a clear and accessible way;
- **Clarity of role:** CCGs are not the voice of the consumers and should not be an alternative to companies conducting a customer research programme. We would like Ofwat to ensure this is clear throughout the PR19 process and beyond.

We hope this is helpful and look forward to a continuing dialogue with Ofwat as the PR19 process moves forward.

Northumbrian and Essex and Suffolk Water Forums

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Please direct any questions to Melanie Laws, Northumbrian and Essex and Suffolk Water Forums Acting Chair.