

Wessex Water Partnership

c/o Wessex Water Services

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Claverton Down

Bath

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PR19 draft methodology

Water 2020

Ofwat

Centre City Tower

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Birmingham

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30 August 2017

Dear Sirs

Response to the Consultation on the methodology for the 2019 price review

The Wessex Water Partnership (WWP) is the Customer Challenge Group (CCG) for Wessex Water. The WWP welcomes the opportunity to respond to Ofwat's draft PR19 methodology, published for consultation on 11 July this year.

The draft methodology is extensive and members of the WWP have considered the elements which are relevant to their work in challenging Wessex Water's plans and performance on behalf of customers.

Ofwat's requirements and expectations on CCG's assurance role for PR19 remain broadly defined. The WWP would welcome more clarity and detail from Ofwat, particularly expectations around customer vulnerability and on the degree of challenge and assessment of business plans and on reporting. Some examples of best practice would be very useful. The WWP welcomes Ofwat's proposals for more collaboration between CCGs as the sharing of knowledge and practice will be invaluable.

The WWP welcomes Ofwat's proposals to tighten performance incentives and to only reward performance that delivers genuinely better service and value for money for customers. Customers must be confident that their water company understands and is accommodating their needs and is acting in their best interests within the the commercial

but monopolistic market in which the sector operates. Customer satisfaction with the sector is generally good. We understand Ofwat has to regulate by mimicking a surrogate marketplace for domestic water services but we consider an appropriate balance has to be struck between penalising poor performance and maintaining public trust and confidence. We believe there is a risk that the proposed tighter incentive proposals may result in more failure than success. The proposal to place companies in the bottom category of four before moving them up as business plans are assessed, could signal a lack of trust which is unmerited. This may damage customers' perception of the sector unnecessarily which would not appear to be in Ofwat's or the companies' interests.

We agree that regulatory performance commitments should be a mix of national and local measures. We provided our thoughts on the proposed outcomes framework for PR19 in our letter to Ofwat of 31 January 2017. Common industry performance commitments can assist CCGs and customers in their assessment of their company's relative performance across the sector whilst bespoke local commitments, if properly designed, can reflect the particular needs of a company's customers and its operating environment. We believe it is fair to assume that there are some factors which can be fairly measured across all regions, but that it is important to check the evidence base before setting these. Targets and the incentive regime for all performance commitments should focus on the long term to encourage innovation and best value for customers. Has Ofwat sought to question customers across the country with standard questions to seek appropriate benchmarking information?

We support Ofwat's proposals for common commitments for PR19 in principle. We accept that customer satisfaction should be a nationally-defined measure and we consider the proposed C-Mex and D-Mex measures to be sensible. However we recognise that companies are in different positions because of their historic investment, particularly in water quality and environmental improvement, which has been driven by specific geographical and other environmental challenges. We would not want to see companies driven by nationally-set targets that are not in the best interests of their local customers. Some aspects of service that impact on the environment are more local and the WWP would not welcome nationally-set targets that encourage short term solutions and stifle innovation. Being too prescriptive on outcomes will drive companies back to end of pipe environmental solutions that are more expensive than catchment approaches. Companies need to have scope to take risks and be innovative to work with others. Performance commitments shouldn't bind companies to act in a way they or their customers don't wish to. The effectiveness of companies' engagement with their customers in these areas will be key and this is an aspect the WWP will scrutinise.

Affordability of bills for vulnerable customers is a particular issue in south west England and the WWP has welcomed Wessex Water's initiatives in these areas in the past, especially as

its charges are high relative to other WaSCs. We agree with Ofwat's proposals for a common performance commitment to reflect customer vulnerability.

We are pleased that Ofwat has added an environmental dimension to the definition of resilience and support companies being assessed on their work in this area. We also support the inclusion of financial and corporate resilience, but unlike water resource planning, for example, feel that it may be harder to get as much input from customers on this strand. We therefore think that Ofwat could provide more support and context for CCGs in considering financial and corporate resilience.

Finally, we would welcome Ofwat's assurances that the changed methodology is based upon problems or deficiencies that were identified in previous price review processes.

Yours faithfully,

Dan Rogerson
Chair of and on behalf of Wessex Water Partnership