

30 August 2017

Dear Sir/Madam

Consultation on the Methodology for the 2019 Price Review

Thank you for inviting the Yorkshire Forum for Water Customers (the Forum) to comment on the Consultation on the Methodology for the 2019 Price Review (PR19) which was published on 11 July 2017. We hope that Ofwat will take into consideration the observations and recommendations of consultees in shaping the delivery of the methodology.

The Forum is aware of the response to the consultation from Yorkshire Water and is supportive of this. It notes that Yorkshire Water is generally positive about the proposed methodology. The Forum does not intend to comment on the company's submission, other than to say that the company's intention to deliver a "high quality, ambitious and innovative plan for PR19" is consistent with the approach it is adopting to customer engagement and to liaison with the Forum. The company is committed to having a high level of customer support for its proposals/business plan.

The Forum welcomes the approach taken by Ofwat in inviting the independent assurance report from the Forum to comment on issues related to affordability; and to provide a bespoke performance commitment on addressing issues for customers in vulnerable circumstances. Ofwat's recognition that people move in and out of vulnerable circumstances at different times in their life cycles is a more 'flexible' approach and its recognition that this is an important area for prioritisation by the industry is very much welcomed. The Forum notes that Ofwat's affordability assessment for PR19 has three elements: affordability for all customers today; affordability for all customers in the long term; and affordability for those struggling to pay.

This is an area in which the Forum would expect Yorkshire Water to excel. Historically it has developed an innovative, sensitive and customer-friendly approach to issues related to both affordability and helping those in vulnerable circumstances through a range of payment options and supplementing the investment in social tariffs provided by the wider customer base. This is an area where it is a Frontier company and the Forum is already actively involved in engagement with Yorkshire Water through the main group and a specialist sub-group led by the representative from the Alzheimer's Society. The Chair of the Forum has extensive experience in addressing issues of affordability and vulnerability in the energy and water industry and the company's approach in this area will be a key focal point for constructive challenge.

It should be noted that there have been concerns expressed by Customer Challenge Groups (CCGs) about the common affordability metrics and that it is important that they do not incentivise negative behaviour. The focus should be on measuring the impact in this area, and not just outputs. The Forum notes that Ofwat believes there is scope for a balance between lower bills and improved/more resilient services, however this should be determined as a result of customer engagement and therefore evidence-based.

The Forum welcomes the involvement of the CCGs in the proposed meetings on customer engagement in early 2018 and sees this as a step change in acknowledging the

contribution that they can make to customer engagement. CCG Representatives have sought to make a distinction such that the CCGs are seen appropriately to challenge companies to ensure that they have engaged effectively with customers and that this is reflected in their business plans. The Forum welcomes Ofwat's willingness to provide an "aide memoire" of what it is expecting from CCGs at PR19 based firmly on the Customer Engagement Policy Statement, but adding any additional requirements as necessary and assisting with prioritisation. Timing is such that this is not available before the end of the consultation on the methodology.

Finally, the Forum would ask Ofwat to note that it is important that the methodology does not have unintended consequences regarding immediate upper quartile targets by not having an appropriate length of time to find the most optimal approach and that there is appropriate recognition of customer views on the levels of service they support and wish to pay for.

Yours sincerely

Andrea Cook OBE, Chair of the Yorkshire Forum for Water Customers