
Engagement in the 2019 price review

Foreword

Our 2019 price review aims to deliver more of what matters for customers: great customer service, bills affordable for all, and long-term resilience in the round, underpinned by innovation.

We will do this through our decisions on the five-year price, service, investment and incentive package that water companies will deliver between 2020 and 2025. These packages will be based on the plans companies have created together with their customers to deliver what customers want.

In making our decisions, we must consider the interests of current and future customers and the need to make sure that efficient companies can finance the delivery of water and sewerage services. We also need to make sure companies are able to meet their statutory and legal obligations.

To do this effectively, we must engage with companies and the wider sector to ensure that we have the right information to make our decisions. The way in which we engage with water companies and the wider sector needs to be consistent and transparent, to help ensure that all parties, including customers, can have confidence in both the decisions we make and the way in which we make them.

This is why we are setting out our overall approach to engagement during the price review with both companies and wider stakeholders in the water sector.

For the delivery of the price review, we have adopted a shared leadership model. David Black, Senior Director Water2020, will lead on the policy and the overall programme delivery, while John Russell, Senior Director Strategy and Planning, will be leading on engagement with stakeholders including all companies and managing our delivery partner. This will allow us to focus on delivering the right outcome for customers, while ensuring all stakeholders have clear lines of communication during the price review process.

This document represents initial guidance, and the possibility remains that we may need to flex our approach should circumstances require.

David Black, Senior Director Water2020

John Russell, Senior Director Strategy and Planning

1. Engagement between Ofwat and water companies

1.1 Engagement with companies to date

In developing our final PR19 methodology, we have valued the extensive input and involvement from water companies and other stakeholders. When we published the final methodology in December 2017 we emphasised that the way in which we engaged with stakeholders from then until final determination would need to change. The purpose of this change was to ensure all stakeholders have access to the same information as companies finalise their business plans for submission in September 2018, and further refine their proposals and evidence into 2019. We have already implemented some changes, for example:

- Ensuring each company has one contact at Ofwat to raise issues related to the price review.
- Favouring one-to-many contact over one-to-one contact with water companies, to ensure we are communicating in a consistent manner with each water company.
- Establishing a queries channel in order to help us deal consistently and fairly with clarifications and queries arising from our Final Methodology. The channel closed on 31 March having received over 500 queries.

We said we would publish more details on our engagement approach for PR19, building on the approach adopted at the last [price review](#), where the openness and consistency it promoted was welcomed by water companies and other stakeholders.

1.2 Company leads

To provide all companies with equal opportunity to communicate with us we are assigning specific points of contact for each company, including a senior member of Ofwat staff to act as their company lead. Consistent with the approach adopted at the last price review, companies will be expected to channel all day-to-day contact on price review issues through this individual up to the final determination in December 2019. This approach will give water companies certainty about who to contact in the event they need to reach us, and means we can ensure that we are being fair in the opportunity we give for companies to engage with us. The approach will also ensure that water companies and others can have confidence that we are acting in a transparent manner. As explained in the foreword, John Russell, a member of Ofwat's Executive Team and Board will oversee our engagement with companies, which will be led by our Director of Company Engagement for PR19, Stephen St Pier.

Engagement between water companies and Ofwat about other areas of our work will continue unaffected.

1.3 Engagement following submission of plans and data

All water companies have been invited to present their business plans to members of the Ofwat Board and senior staff working on PR19. These presentations will be held in late September and early October, and provide an opportunity for representatives of each company's board to set out their approach and vision. The meetings will consist of a presentation and question and answer session. To support the meeting, we are asking companies to fill in a [pro-forma](#) outlining specific aspects of their plan.

Consistent with previous price reviews, we will run a query process following the submission of business plans and associated data tables. We expect companies to respond to any queries within two working days, and to provide us with specific points of contact. We anticipate this process will last around three weeks. There may be a small number of queries raised after this stage but we will endeavour to keep these to a minimum. Following the query process there will be a restricted period of communication with companies until we publish the results of our initial assessment of plans in January 2019.

1.4 Engagement following initial assessment of plans and determinations

We intend to publish the results of our initial assessment of business plans on 31 January 2019. We will publish early draft determinations for companies whose plans are categorised as "exceptional" and "fast track". Companies that are categorised as "slow track" or "significant scrutiny" may be required to revise their plans and submit new data. Our decisions on company categorisation resulting from our initial assessment of plans is an intermediate stage in our process, and we will not be seeking responses or representations on these decisions. We will provide feedback to each company on their plans. Our engagement with companies following our initial assessment of business plans may differ depending on the company's categorisation. We will provide more detail on our approach to engagement in or before January 2019 when we publish the results of the initial assessment of plans.

Following draft determinations, companies and other stakeholders will have the opportunity to make representations to us and we will set out clearly how that will happen. We will consider the representations we receive before we make our final determinations in December 2019.

Where companies submit data or information to us at any point in the price review process we may then contact them with queries or to clarify anything they have submitted. We will set out clearly any timescales we expect companies to follow in advance.

2. Engagement between Ofwat and other key stakeholders in the sector

2.1 Stakeholder leads

Other key stakeholders, including those who have regulatory powers over water companies, will also be assigned senior members of Ofwat staff as dedicated stakeholder leads. This is similar to the approach we adopted at the last price review, which was generally welcomed by stakeholders and should ensure we work with these organisations in a consistent, effective and efficient way. The organisations that will be assigned leads include:

- CC Water
- The Environment Agency
- Natural Resources Wales
- The Drinking Water Inspectorate
- Natural England
- Customer Challenge Groups (CCGs)

Ensuring our key stakeholders know who to contact regarding the price control means we can consider any issues they raise in a timely manner, while acknowledging the different obligations and level of engagement we are likely to have with each. Engagement between these stakeholders and Ofwat about other areas of our work will continue unaffected.

In addition to the organisations mentioned above, during the PR19 process we will have numerous contacts with the UK Government, including the Department for Environment, Food, and Rural Affairs, and Welsh Government on a range of issues. While we will seek to coordinate these contacts, it is not practical to route all such contacts through a single named individual.

2.2 Compliance with future statutory obligations

Customer challenge groups (CCGs) are key to our 2019 price review. They provide independent challenge to companies and independent assurance to us on the quality of a company's customer engagement, and the extent to which this is reflected in business plans. The CCGs will submit their independent reports to us at the same time as companies submit their plans.

As we stated in our [customer engagement policy statement and expectations for PR19 \(2016\)](#), environmental and quality regulators should play a significant role in

informing CCG discussions and CCG reports should highlight any concerns raised by these regulators about the ability of the proposed plan to meet statutory obligations. Water companies are responsible for meeting their environmental and drinking water quality statutory obligations. However, we would like regulators to make a judgement, based on the available evidence, as to whether companies are at risk of breaching their future statutory obligations. Where there are concerns we anticipate that these have been, or will be, made clear to companies and CCGs. This will give companies the opportunity to address such concerns and should reduce the likelihood of us having to intervene, resulting in greater company ownership of plans.

It is for the relevant CCGs and regulators to determine whether any concerns raised should be highlighted in the main body of the CCG report, as an annexe, or both. While we are not seeking any other specific submissions of evidence from any other stakeholders for our initial assessment of plans, there may be instances during the initial assessment of plans where we need to liaise directly with regulators. For example, we may need to ask additional questions if the environmental and drinking water quality regulators have raised concerns through the CCG process about future compliance with statutory obligations. We may also need to better understand particularly complex issues emerging in plans or verify information received from companies as part of our assurance process.

We have been engaging with the CCGs through our regular meetings of CCG chairs and have found these discussions very helpful. Our last meeting with the CCG chairs ahead of the business plan submissions is in July 2018. We are not proposing to meet with the CCG chairs during the Initial Assessment of Plans when we will be assessing companies' business plans helped by the information contained in the CCG reports. We next plan to engage with the CCGs in February 2019, to discuss next steps after the publication of the IAP results. A likely outcome from the IAP is that a number of companies will need to make changes to their plan. This could involve further customer engagement which will mean the CCGs will have a role in providing independent challenge to companies and providing independent assurance to us on the quality of the company's customer engagement and the degree to which this is reflected in any changes to its business plan.

2.3 Material changes between submission of business plans and the initial assessment of plans decisions

Water companies will submit their business plans and CCG reports to us by 3 September 2018 and we expect to publish the results of our initial assessment of plans on 31 January 2019. Consistent with the approach taken at [PR14](#), we will invite the environmental and drinking water quality regulators to write to us by 12 December 2018 to let us know whether there are any unresolved issues, for any company, which are:

- material and which could affect their compliance with statutory obligations;
and
- which have come to light since business plans were submitted (meaning they could not have been raised in the CCG forum).