



**The Consumer Council for Water's response
to
Ofwat's draft Shared Vision for the sector
and Emerging Strategy**

August 2019

1 Introduction

- 1.1 CCWater is the independent ‘water watchdog’, championing the interests of water consumers in England and Wales. Our aim is to secure the best outcomes for all water consumers, present and future.
- 1.2 Representing household, business and other non-household water consumers, we use our own research and complaints data to hold the water industry to account, helping to ensure that customers remain at the heart of decision-making.
- 1.3 We welcome the opportunity to comment on Ofwat’s draft shared sector Vision and emerging Strategy. This document sets out CCWater’s response.

2 The key points we want to make on your emerging strategy

- 2.1 Ofwat’s emerging strategy rightly picks up on some of the issues affecting water consumers in England and Wales, such as water resource shortfalls, and the need for affordable water bills.
- 2.2 Overall though, we believe the document is not sufficiently written from a consumer perspective or consumer friendly. There are also some key gaps in the strategy as it does not acknowledge customers’ views on the fairness of their bills, which underpins drivers of other satisfaction measures such as value for money. It also does not adequately consider the need to deliver a resilient sewerage service now and over the long-term. We have outlined our views on these issues more below:
- 2.3 **Customer satisfaction with the fairness of their bills.**
- 2.4 Improving customers’ perception on the issue of the fairness of their bills can create legitimacy of the sector in customers’ eyes. We know that when you drive up customers’ perception of the fairness of bills this drives up satisfaction with service and value for money. Fairness is an important issue to tackle to keep the sector legitimate from the customer perspective.

- 2.5 Customers' satisfaction with the fairness of their water bills has stayed persistently flat and low (at around 63%¹) for almost a decade. Our insight reports² have explored why this is the case, and have found a number of factors affect customers' views, including their wider experiences with the company. We said that companies needed to ensure they were not just a 'silent provider' and should find new ways of engaging with households.
- 2.6 Your strategy touches on some of these issues, but has not brought it together to acknowledge that getting companies to talk and listen to their customers through a number of mediums could impact positively on customers' perception of the fairness of their water bill.
- 2.7 We think that if companies take positive action in three key areas: finance, service and local identity, water companies can boost customer perceptions, both of their organisation and the industry as a whole. This is not necessarily about requiring the companies to deliver on a new strategy, but is about common sense approaches to talking to their customers. Our #Time to Change³ top tips for improving customer perceptions outlines this in more detail.
- 2.8 It is worth noting that Welsh Water / Dŵr Cymru, a company which has a more active consumer campaigning strategy than many companies, has significantly improved in recent years, and customers rate the fairness of their water bill at 71%, significantly above the average of 63%, and a long way above the poorest performer on fairness - South West Water at 38%. We know companies can improve customers' perception of fairness of bills.
- 2.9 Delivering a resilient sewerage service now and over the long-term**
- 2.10 Your emerging strategy gives space to concerns about water resources, climate change and population growth, which are issues consumers want to be sure water companies and Ofwat are taking action to address. As the proportion of customers who are confident in the long-term availability of supplies fell from 78% in 2016 to 73% in 2018⁴, and given both UK Government and Welsh Government's focus, it is right that Ofwat includes water resources over the long-term as part of its

¹ CCWater Water Matters customer research – published June 2019. Link [here](#)

² CCWater Insight report – published June 2019. Link [here](#).

³ CCWater #Time to Change top tips – published July 2019. Link [here](#).

⁴ CCWater Water Matters customer research – published June 2019. Link [here](#)

emerging strategy. As part of that work, we want to engage with the RAPID group to make sure the framework is legitimate, possibly using our Consumer Panel to test the group's ideas.

- 2.11 There is a gap in the emerging strategy on the provision of a resilient sewerage service now and over the long-term. Ofwat's strategy should have ambition to ensure there is a resilient sewerage service that copes with the impacts of heavy rainfall and flooding, now and in the future, as climate change progresses and the population grows.

3. **Responding to the questions**

We have structured this response in line with the questions you pose.

- 3.1 **Based on the draft in our discussion document, what do you think should be included in a shared vision for the sector? What are the collective aspirations it needs to achieve?**

Re page 6's Shared Vision

3.1.1 Delivering everyday excellence

Delivery on this part of the Vision can be judged using our Water Matters indicators on customer satisfaction with overall water and sewerage service.

3.1.2 Stewardship for the Future

This aspect of the Vision is an input rather than an outcome. Language-wise 'stewardship' is not consumer friendly, and it will not be apparent to some customers what this term means.

The explanation around this part of the shared Vision talks about the future, which is good, but could benefit from an emphasis on issues of climate change and population growth (which you do talk about in the body of the document). That will particularly mean there needs to be good quality water resources and sewerage network planning by companies to ensure services are resilient to future challenges.

3.1.3 Value for individuals and for society

The title of this aspect of the Vision is problematic as it seems to exclude business customers. While business customers in England have access to a retail market, which aims to provide value - although we would argue that isn't evident yet - they are still mostly reliant on the wholesale water companies to provide their water and sewerage service, which is a major component of the bill. It is therefore important that the wholesale service provides good value, given the price gets passed through to the retailer, and ultimately the customer.

We agree water bills need to be affordable, given the 1 in 8⁵ customers who find their bills are unaffordable. The shared vision for the sector could go further and aim to eradicate water poverty, especially given Water UK's [Public Interest Commitment](#) to develop a strategy to end water poverty, and to work with organisations 'to support customers in vulnerable circumstances' .

We agree with the need to deliver value for customers, but the shared vision currently does not acknowledge the need for water bills to be perceived by customers as fair. Our Water Matters data shows customers' views on fairness of charges has remained static for years at a low c63%, which we have discussed more in [section 2](#) of our response.

3.2 **Should water companies be encouraged or incentivised to consider wider public value in what they do? What does this phrase mean to you, and should Ofwat take a role in making that change happen?**

3.2.1 Water companies should be encouraged to consider value for money and fairness of charges, which will drive customers' view of the legitimacy of the sector.

3.2.2 However, there is a question about whether encouragement or incentivisation to consider wider public value should be financial. We ask if customers would find that concept acceptable. Delivering public value should be part of the 'day job'. The examples described on page 30, under 'rationale' are things many water companies are doing already. Given the current political conversation about the water sector, how public value is delivered is an issue water companies already realise they must acknowledge.

⁵ CCWater Water Matters customer research – published June 2019. Link [here](#)

3.2.3 We know from our research that a way to improve customers' perception would be for companies to develop how they talk to their customers about the 'public value' things they already do, such as contributing to public health by investing in services, and working with the community. We believe this would particularly improve customers' perception of the fairness of their water bills. We talk about this more in section 2.2 about creating a fair deal for water consumers and invite you to review our ideas in our [#Time to Change](#) top tips for improving customer perceptions.

3.3 Do you think long-term aspirations and targets will be effective in driving the sector forwards? What should they cover and how should they work in practice

3.3.1 We believe long-term aspirations and targets are effective in driving the water and sewerage sector to achieve more. Our current thinking on key targets is outlined below.

The sector should share a vision to:

- Significantly increase customer perception of fairness and value for money (CCWater's Water Matters)
- Deliver a significant reduction in billing complaints, particularly high metered bills, which undermines customers' view of fairness of bills
- Eradicate water poverty.
- Deliver zero internal sewer flooding by 2040
- Deliver a significant reduction in non-household complaints to levels pre-April 2017

3.4 Do you think we're focusing on the right areas in which to drive transformational change, as we've set out on pages 26-29? E.g. innovation, the natural environment, customer relationships.

3.4.1 We have identified in 2.2 and 2.7 where we think there are gaps in your strategy, and where change needs to happen.

In terms of the issues you have identified on pages 26-29, our views are below:

3.4.2 Innovation

We agree with the need for innovation, although we are not convinced it is Ofwat's role to financially incentivise the adoption of new tools and techniques. Companies and retailers should be well aware of the need to innovate in order to stay efficient and ahead of others. It is not clear why customers' bills should not increase to pay

specifically for innovation, when this should be part of a well-functioning company/retailer.

3.4.3 Customer Relationships

This aspect of the Strategy should read ‘consumer’ relationships to embrace the full breath of consumers you have a duty to protect.

As you would expect, as the consumer representative in the water sector in England and Wales, we have views on how the consumer voice could be used in company decision making. We think there is an opportunity for joint work between CCWater and Ofwat to consider how to build on the progress made at successive price reviews to involve consumers in decision making.

Company and regulator decisions on prices, investment and service performance requirements need to reflect convincing evidence of consumers’ views and expectations, which can change over time. As a result, consumer engagement should be an ongoing process that, which, if delivered using best practice and interpreted correctly, can ensure that the needs of different consumer groups are better understood and accounted for in decision making.

There is a role during price reviews however, where a more focused input is required to ensure companies have built plans based on consumer priorities and decisions that have come out of on-going engagement. CCWater has a key role in providing an expert voice for consumers during price reviews, especially at the local level where our scrutiny and challenges to companies has seen us influence business plans’ focus on delivering for consumers.

We agree that given our expertise on consumers in vulnerable circumstances, Ofwat should look to CCWater for input and advice on this aspect as it develops its strategy and plans.

3.5 **How do you think we could evolve our approach to price controls, building on the conversation on page 36?**

3.5.1 Customer Engagement

We think there is merit in a national willingness to pay (WTP) survey in terms of delivering overarching data to influence common ODI rates, and to help other

regulators, such as the Environment Agency (EA) who have also said (at our Customer Matters workshop) that a national WTP survey would assist their work.

There are a few issues that Ofwat may want to consider as it develops its thinking, and we are happy to discuss these in more detail with you.

- **Timing:** If it is a one-off, then when to do the survey and what weight to give the findings would need some consideration.
- **Triangulation:** The outputs should be triangulated in order to not lose the insight gained during PR19 from this approach.
- **Innovation:** There is a risk that a national WTP survey would be an online survey, which is less engaging for customers than some of the developments we have seen in consumer engagement at PR19.

Given our experience in consumer research and our position that is independent of both companies and regulators, we are well placed to facilitate this work. We would like to explore further with Ofwat how this could be taken forward.

3.5.2 Process Rewards and Streamlining

Ofwat should consider customers' views on fairness and value for money, and how customers relate to that as they evolve their approaches and strategy. Ofwat is well aware of the concerns that water consumers have about ODIs and the rewards and penalties approach to improving levels of service and company performance. This includes that customers are paying rewards for companies to do the 'day job', and that rewards create bill shocks that customers do not like. During the PR19 process, several companies found their customers had a low level of support for both the concept of paying incentives (especially rewards) for outperformance and how they have been applied. Any incentives need to work for customers so they view them as acceptable or they will impact customers' view of fairness of bill and therefore the legitimacy of the sector.

We do agree that a company's track record should be used during the fast track process. Ofwat should use our data on customer satisfaction with service; value for money and fairness of bill in a 'track record' analysis to ensure the customer perspective is captured over and above regulatory achievement of targets.

Queries about this response should be made to:

Jennifer Suggate [REDACTED] or

Mike Keil [REDACTED]