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By email to: PR24@ofwat.gov.uk

Wednesday, 14th April 2021

PR24 and beyond – Reflecting customer preferences in future price reviews – a discussion paper

Dear Mr Black,

The Anglian Water Customer Engagement Forum (CEF) was established to provide independent scrutiny of Anglian Water's engagement with its customers, and to report on the degree to which that engagement has driven the company's business plans.

As a Customer Challenge Group (CCG), the CEF welcomes Ofwat's discussion paper and consultation on the future of customer engagement during PR24 and beyond.

Mr Jeff Halliwell stood down in his role as Chair of the CEF in autumn 2020 but, as you will recall, I attended a meeting of CCG Chairs on 15 January, which was called to discuss this paper. I did so in my capacity as a member of the CEF, and as Chair of the Sustainability and Resilience Panel and noted that the CEF would not have an opportunity to discuss the paper until our next meeting in late March. I am grateful to you for your indication that you would remain interested in our views, even at this late stage.

First and foremost, the CEF believes that it is vital that the role of Customer Challenge Groups continues during PR24 and beyond to challenge companies on customer and stakeholder interests.

The 14 members of the CEF and 35 members of the four stakeholder subpanels supporting it during PR19 came from a wide range of backgrounds (subpanels included: a Sustainability and Resilience Panel; an Affordability and Vulnerability Panel; an Economics and Valuation Sub-Group; and a Hartlepool Independent Advisory Panel). Each of the panel chairs sat on the CEF, which has included members from CCWater, the Environment Agency and Natural England as well as Citizens Advice, Blueprint for Water, CBI East of England and Huntingdonshire District Council.

In all, it is estimated that CEF members and subpanel members spent more than 2,100 person hours in CEF meetings, panel meetings, working groups, consultation exercises and consultation groups. CEF members also attended external events, including focus groups and external customer engagement and stakeholder groups, and participated in site visits.

As well as taking on three members with expertise in regulatory economics, the CEF also engaged additional independent technical assurance from Jacobs (formerly Halcrow) to help scrutinise the technical and financial proposals behind the company plans.

During PR19, the CEF and its subpanels challenged Anglian Water to come forward with plans that genuinely had customer engagement at its heart. Members of the CEF and its subpanels were robust in their challenges and the company was constructive in its response, leading to a business plan that reflected Anglian Water customers' views and preferences.

The CEF noted in its 3 September 2018 submission that it was impressed by the length, breadth, depth and innovative nature of Anglian Water's customer engagement for PR19, which gathered the views of more than 500,000 customers from across the Anglian Water region. The company informed its thinking by consulting customers across the region in considerable depth to help shape its 25-year Strategic Direction Statement, which fed into the company's Business Plan for 2020-25.

The CEF noted that Ofwat had recognised the high quality of Anglian Water's customer engagement by awarding the company's work in this area an A rating in the initial assessment of Anglian Water's Business Plan. CEF members also noted the company had drawn strongly on customer and stakeholder feedback to help shape the company's suite of performance commitments and outcome delivery incentives (ODIs).

In its reports, the CEF noted that it has seen a clear message from customers that they wanted to see a balance between bill profiles and service improvements. Customers expressed a clear view that they preferred to see investments in services and infrastructure now to help tackle climate change and other challenges – and that they were willing to pay slightly more for those enhancements through their bills, as long as affordability, and other challenges faced by customers in vulnerable circumstances, were being met.

Drawing on the expertise of its members, the CEF was confident that customer views helped to shape Anglian Water's Business Plan in a region that faces specific challenges, particularly in terms of climate change and population growth.

However, it is fair to say that the CEF was disappointed in subsequent determinations from Ofwat and the Competition and Market Authority (CMA) that customer engagement did not appear to be given the weight suggested in the guidelines set out by Ofwat in its [Aide Memoire](#), which the CEF drew heavily on for guidance as we carried out our work and drafted our report.

On considering the need for prescriptive guidance from Ofwat on customer engagement:

We suggest there should be absolute clarity in future price reviews to set out the role and remit of CCGs from the outset and the weight given to customer engagement in informing company business plans.

As Ofwat acknowledges in *PR24 and beyond – Reflecting customer preferences in future price reviews*, it is vital that water companies understand their customers' needs and preferences and reflect these in their actions. **We want to make sure that customers' views are incorporated into future business planning (and longer term strategic direction statements) and we believe that customers' views should be central to water companies' Business as Usual (BAU) operations – not just during the cycle of price reviews.**

On collaborative nationwide research to inform common areas of business plans, separately addressing England and Wales

CEF members agree that it would be useful to have national comparators as part of the price review process in future to see benchmarks for the sector when it comes to customer engagement. However, while we would welcome a national framework, we would want to balance this with

regional research at a company level that takes into consideration local and regional differences, which are key to informing water companies' business plans.

On better capturing and reflecting customers' preferences

The CEF would welcome any developments that would help to better capture and reflect customers' preferences over coming price reviews. We note Ofwat's work with CCWater in this regard and we are broadly supportive of CCWater's approach. We believe it is important to bring customers on a journey and not to shy away from sharing technical details through forums such as online customer panels or citizens' assemblies. We also note that it is important to make sure that all customers' views are heard – including vulnerable customers and those who may not have English as a first language.

Finally, we would caution against any evolution of CCGs that breaks the link between the clear role that CCGs have in challenging and scrutinising individual companies over the longer term. In our experience, the role that the CEF played in shaping Anglian Water's thinking while it was developing its Strategic Direction Statement in 2017 was just as important as the scrutiny around the business plan for PR19, with the latter flowing directly from the former. It is unlikely that the CEF would have played such a proactive role in shaping the company's thinking had its remit been to consider the plans of several companies across the same region.

We hope that these comments are useful, and taken in the constructive spirit intended, towards achieving the best possible outcome for Anglian Water's customers in future. We would be happy to engage in any further dialogue, if that would be useful.

Yours faithfully,

A black rectangular redaction box covering the signature of Craig Bennett.

Craig Bennett
Chair of the Sustainability and Resilience Panel

On behalf of the Anglian Water Customer Engagement Forum