

Date: 15 February 2021

Dear Bart,

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

I am writing to you to provide our views on your discussion paper which considers how customer preferences might inform future price reviews. Our approach in responding has been to ask whether the Price Review enables the Environment Agency to achieve our objectives for the environment with the current model, and to ask whether we can achieve more.

Our response sets the Environment Agency's position on the role of customer engagement and reflects questions 1, 3, 4, 5, 7 and 11, which are particularly relevant to us. These questions encompass issues around: collaborative nationwide research to inform common areas of business plans; the question on the need for less prescriptive guidance at future price reviews; and how to better capture and reflect customers' views in price reviews.

We are in agreement with the proposed goals around customer engagement at future price reviews (Q.1). We are also supportive of a national standardised approach to customer research on common aspects of business plans (Q.2). The scope of any research would need to be clear and outputs would be needed at national, regional and company scales. This would allow companies to use consistent information at a local scale based on the issues relevant to that particular company/geography. In order to make better use of the limited expertise available across the industry, more complex research should also be done on a once-only basis, and at a national scale.

We would still have a requirement for local research, based on broader environment issues, such as improvements in river catchments, water supply, drought and flood resilience, and companies should seek the views of communities at the catchment level to better drive integrated outcomes. We do not believe there should be research into customer views on issues relating to compliance with legal obligations (i.e. permit compliance and pollution). We would expect that you would make it clear to companies that this is a base requirement and is fully funded. We are anticipating that we would continue to work closely with you in developing penalty only performance commitments and ODIs relating to these aspects.

Water companies with common issues should be actively encouraged to work together to develop engagement methodologies. Our understanding from water companies is that they were not encouraged to share customer engagement methods and intelligence during the planning of PR19. The consultation appears to be promoting collaboration between 'stakeholders' without explicitly stating that it is encouraging collaboration between companies. It would be helpful for Ofwat to clearly promote collaboration between 'stakeholders' and between companies.

Q.5 asked whether Ofwat should provide guidance on customer engagement and assurance at future price reviews if they made – or did not make – use of collaborative nationwide engagement. Our response is that clear company specific guidance would still be required. We consider assurance at a company scale would still be appropriate and beneficial to the business planning process. We would consider it appropriate for some form of Customer challenge groups (CCG) at this scale, with a very clear remit and based on a best practice model.

Ofwat raised the question of how to shape customer engagement at future price review (Q. 11). We would encourage Ofwat to take a more pro-active role in CCGs to better understand their working e.g. annual attendance at CCG meetings. Involvement in chair recruitment may accommodate greater transparency. We see our role as both an environmental advisor to the CCGs at a company scale but also a key player in influencing at a national scale. We need to work closely with Ofwat on much of this and would see ourselves as a key stakeholder along with Consumer Council for Water (CCW) and Water UK.

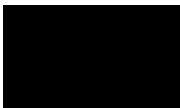
More generally, we see continued value in CCGs. However, there are some issues raised by Ofwat which we recognise, particularly around their independence. A clearer remit and suitable guidance is essential for CCGs to operate effectively.

Further, if there is support for a more nationally consistent approach, as outlined on p. 31 of the document, I would encourage you to consider with us how the Environment Agency can to be involved in any potential body or steering group formed to help manage research. The environmental opportunities and benefits of a nationally operating customer engagement/customer preference collaborative panel will only be realised if all interested parties, including the Environment Agency, are able to work together. In this way, we will be able to more effectively address the goals set out on p. 6: to broaden value; increase proportionality; and foster collaboration.

In broadening value we would agree that companies should 'consider not only their customers' direct needs, but also the wider public value they can deliver' (p.7). In relation to increasing proportionality, we agree that price controls are complex. However, it is clear that customers are aware of, and understand, these concepts and principles; the environment ranks consistently high across all customer engagement.

Thanks you for the chance to comment on the discussion paper and I look forward to continuing to work with you to ensure PR24 delivers an excellent outcome for customers and the environment.

Yours sincerely,

A solid black rectangular box used to redact the signature of Anne Dacey.

Anne Dacey
Deputy Director, Water Planning, Environment Agency