

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

Hafren Dyfrdwy response

**RHAGOROL O'R TAP**  
**WONDERFUL ON TAP**



severn dee

## Our response

PR19 was a transitional period for Hafren Dyfrdwy as a new company creating our first business plan, and it provided us with an opportunity to create a strong foundation for our future customer insight. Our CCG played an important role in challenging the development of our research and helped us to take an effective approach, including consistently emphasising the importance of us tailoring what we do to local needs and circumstances. An important principle that we embraced in this relationship was that we should ultimately be accountable for appropriately engaging our customers and building a relationship with them.

At PR24 we want to build on this strong foundation, and on the whole are supportive of Ofwat's goals. There are three points in the consultation in particular, that we want to focus on:

**Proportionality.** We see being a smaller company as an opportunity to build a better understanding of our customers, both using more 'traditional' research methods, but also more community focused approaches. At times though, we've been concerned that more focus is given by the industry to the quantum of research undertaken as a measure of the effectiveness of engagement and companies' commitment to understanding their customers. Taking the approach used by larger companies as a blueprint for smaller companies is not always appropriate (for example, the method may reasonably need to be different and there are cost challenges that mean we need to squeeze the most value possible out of every piece of research we do). Rather than viewing smaller company approaches as potentially a smaller scale, or compromise on what larger companies do, we should be building approaches that are bespoke to our size. We have commissioned some independent research on what best practice customer engagement looks like for smaller companies. We would be happy to share this with you and talk you through the main points when the project completes in March.

**Collaboration.** We are very supportive of greater collaboration and insight sharing – it's one of the ways that we can get more value out of insight. We look forward to exploring opportunities to work with Dŵr Cymru in particular in Wales, but also the industry more widely. This collaboration could take a range of forms, from insight sharing, commissioning research where there are shared interests and adopting agreed methodologies.

Where Ofwat is considering the potential for centrally undertaken research, we understand the rationale for doing this where comparability of results is a priority, but we have some concerns that we believe warrant further discussion:

- Loss of accountability for the quality of the research by companies. We consider steps would be needed to ensure all companies are involved and their views taken account of so that they can be sufficiently assured of the quality to use in their plans. This feels like a bigger risk for small companies whose perspectives could get missed in the industry discussion on central research if it covered both Wales and England. It would be less of a risk for us if the central research was organised for Wales, where there are two main companies and our customers' voices would be heard.
- Allowing for different companies' circumstances. There are valid reasons why companies may take different approaches when undertaking research to reflect their and their customers' circumstances. For example, we typically use more telephone interviews than larger companies because there are not enough online panels with sufficient coverage in our

part of Wales. Also, in areas including willingness to pay, the service increments we ask customers about might be very different to those for a larger company. Standardisation would compromise being able to take account of customers' particular circumstances for each company.

- Practical considerations, including about budgets and how costs are shared.

In Wales there are particular opportunities for collaborating with other stakeholders more widely through groups such as the Wales Water Forum and the Public Service Boards. We would like Ofwat's PR24 approach to customer engagement to take these into account for companies in Wales.

**Assurance and the future role of CCGs.** Ofwat has historically asked CCGs to provide independent assurance as to the quality of companies' customer engagement, but has questioned if this remains appropriate. We believe that we should pursue a model where companies are accountable for the quality of their engagement. The logical flow from this would be that company Boards, as they do with other areas of business planning, should provide a statement about the quality of customer engagement (based on risk-based assurance processes).

How companies can continue to attract constructive challenge on their customer engagement is a slightly different matter. Some may wish to continue with CCGs in their current form, but we do not believe that Ofwat should mandate this. Instead, companies should have the flexibility to design challenge mechanisms in a way that best works for our circumstances and the nature of engagement that we undertake.

In our case, while we have gained real value from our CCG, it has been a significant time commitment for our members and administratively, very resource intensive for us as a smaller company – the latter being a burden that we believe we could reduce (and dedicate the resources saved to customer engagement itself). There was also duplication between the discussions at, and membership of, our CCG with other forums in Wales, particularly the Wales Water Forum and to an extent the Public Service Boards.

As we have informed you, we are disbanding our CCG by the end of March. We will use the results of the independent research on what best practice customer engagement looks like for smaller companies to inform our suggestion for what could best provide assurance and challenge to our customer engagement. We will share our thoughts with you once the project has completed in March. We are also exploring how we can attract high quality challenge from a range of stakeholders and experts in a way that better takes into account existing opportunities and forums in Wales (avoiding duplication) and is less resource intensive for all involved.