



The voice for water consumers
Llais defnyddwyr dŵr

CCW's response to Ofwat's monitoring and reporting approach for new appointees

Date: 23 April 2021

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1. Introduction

Thank you for the opportunity to comment on this consultation. In general, CCW supports the direction of the proposals but we are disappointed that the document's main focus seems to be on supporting the NAV market, rather than ensuring that the end customers are protected and continue to receive consistent and resilient supplies of water.

We have already discussed some of these issues with Ofwat and would like to continue to work with Ofwat to ensure that the NAV framework works for customers as well as the market players.

2. Response to questions

2.1. Question 1: Do you agree with the purpose and objectives that we have set out? Should we consider other factors when developing our monitoring and reporting approach?

In general, we agree with all of the proposed objectives but we are disappointed that these do not specifically refer to protecting customers, as this should be the primary concern of any framework for the NAV market, as customers themselves have no choice in whether they are supplied by an incumbent or a NAV operator.

As the NAV customer base grows and the market becomes more competitive, NAV companies may decide to make efficiencies or save costs by reducing benefits to customers, such as reducing compensation or standards of service to customers. We would like Ofwat to consider developing an additional objective of ensuring that NAVs provide resilient and consistent services to customers. This would send a clear signal to NAV companies.

2.2. Question 2: To support our purpose and objectives, do you agree with the principle of strengthening reporting requirements for all new appointees that are distinct from those for incumbents?

We agree with this. The NAV market has been operating for many years and there are now over 200 appointments. As the market grows, it will become more important to monitor the market to ensure that customers are benefitting from these arrangements.

2.3. Question 3: Do you agree with the principle of introducing proportionate reporting requirements that are based on a 'tiered' approach? What should be the basis of these tiers?

We agree with this principle and Ofwat's proposal to base the tiers on turnover.

2.4. Question 4: Do you have any comments on how we should approach the information we collect from new appointees?

We understand this to be a question about how Ofwat should both collect information and then use it. Our view is that information needs to be assured, (see also our response to Question 10) and collected in a proportionate way that takes into account the size of the NAV companies. It is important that NAV companies submit credible and accurate information.

2.5. Question 5: What are your views on how the quality and transparency of financial information in small company returns could be improved? How could this vary by tier?

We agree with the proposals to require companies to provide and publish financial information. This will enable stakeholders to better understand new appointees' financial positions, and could be achieved through standardising reporting requirements to improve quality, consistency and comparability of new appointee information. We agree that, as a minimum, new appointees should provide balance sheet, cashflow and net debt position.

2.6 Question 6: Do you agree with our proposal to introduce an annual narrative requirement for new appointees subject to a company based assessment? Should further information be included in the small company return?

We agree with this proposal, which will improve transparency.

2.7 Question 7: Do you agree with the principle of a consolidated annual performance report that is accessible to all relevant stakeholders? For some measures, may another format be more appropriate?

We agree with that this suggested format. The provision of consistent and comparable performance data will increase accountability and help stakeholders to understand how NAVs are performing.

2.8 Question 8: What should the annual performance report include as a minimum and which existing performance measures may be relevant to include?

We agree with the service areas that Ofwat has suggested, including customer service, affordability and vulnerability. It would be most useful to prescribe specific measures since this would mean that there could be consistency in cross-company comparisons. We agree with those suggested in the consultation, such as total customer service complaints, water interruptions and sewer flooding incidents.

In addition, it would be useful if there could be some way to track how many NAV customers are on WaterSure and how many have registered for Priority Services. This would help stakeholders to understand how NAVs are performing in relation to vulnerable customers.

2.9 Question 9: How may reporting requirements differ between new appointees and at what level should performance information be reported?

We think Ofwat should ask for performance information according to the size of sites. The consultation reflects the fact that there are a large number of sites with a relatively small number of customers per site, often several hundred. Roughly a tenth of the sites have more than a thousand customers. For this reason, it might not be useful or meaningful for the NAV companies to report on their performance measures on a site-specific basis. Instead, we suggest that Ofwat asks for aggregate data by incumbent region. NAVs could be asked to provide commentary for sites of more than a thousand customers if any site-specific issues arise.

2.10 Question 10: What should our approach be for ensuring there is sufficient assurance relating to the information provided by new appointees in their annual returns?

We agree that there must be some assurance from NAVs that they have a suitable governance structure and that their financial information and performance data is accurate. However, this must be proportionate and not overly burdensome for companies. Third party assurance may be disproportionate for smaller NAVs but could be required of the larger NAVs that qualify as 'tier 2'.

2.11 Question 11: What should our approach be in terms of the board leadership, transparency and governance of new appointees?

We agree that greater transparency is needed, and the light touch approach that Ofwat outlines in the consultation seems appropriate, and should be the minimum requirement.

2.12 Question 12: Do you have views on how and when changes to reporting requirements for new appointees should be implemented?

We feel that these requirements should be implemented as soon as is feasible.

Enquiries

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