



The voice for water consumers  
Llais defnyddwyr dŵr

**CCW's response to  
Ofwat's PR14 Review – Discussion paper  
on findings**

**Date: September 2021**

# **CCW response to Ofwat's PR14 Review Discussion Paper September 2021**

## **Introduction**

1. The Consumer Council for Water (CCW) is the statutory consumer organisation representing household and non-household water and sewerage consumers in England and Wales. We welcome the opportunity to provide further input to Ofwat's review of the 2014 Price Review, to inform the framework for the next price review in 2024.
2. We provided a substantive response to Ofwat's initial consultation so we do not intend to repeat the points we made in our earlier reply. However, we would like to take this opportunity to make the following points regarding the PR14 review.

## **Incentives**

3. CCW has questioned whether Outcome Delivery Incentives (ODIs) are driving company performance in the right way. We also cast doubt on the level of support there is from customers for ODIs.
4. We are pleased to see that the discussion paper has acknowledged that some companies were able to achieve ODI outperformance payments between 2015 and 2020 that are likely to have been above the level at which customers would have been willing to pay. The example given in the discussion paper of Yorkshire Water achieving additional payments of £25m for its sewer flooding performance despite being the worst performer in the sector illustrates the negative impact on customers if ODIs are not set at the right level. Customers are unlikely to accept or understand the point of an incentive regime that rewards failure.
5. We accept that determining the right level for ODI Payments is difficult and we are pleased that Ofwat is taking steps to review its approach in this area and would welcome further engagement with CCW on the design of future ODIs with CCW.

## **Performance Commitments**

6. Clearly ODI payments are closely associated with the level of performance that companies achieve. Ofwat has accepted that some of the performance commitment (PC) targets set at PR14 were not stretching enough given that a quarter were achieved by the end of the first year of the period.

7. For PCs to deliver the right outcomes for customers they need to be set at a level that matches the priority which customers place on the resulting area of service. We welcome the work that Ofwat has undertaken to review the number of PCs that are used at PR24.
8. It is clear that there were too many at PR19. As well as focussing more tightly on those service areas which are of most importance to customers there is a need to consider the language that is used to describe these measures. Changing the descriptions of common PCs to make them more meaningful to customers would help both when engaging customers on the relative priorities of the areas of service but also when monitoring companies' performance against their targets. We welcome the ongoing work by Ofwat's Outcomes Working Group to indent a new set of common PCs that will achieve this aim.
9. Grouping some of the more technical individual PCs (for example those relating to the DWI's Compliance Risk Index (CRI) and the Environment Agency's Treatment Works Compliance measure) alongside similar performance measure under more customer friendly outcomes could also help make these measures more meaningful.

## **Customer Engagement**

10. From PR14 onwards there has been a notable increase in the scale of research and engagement companies have undertaken with their customers. As the independent consumer representative CCW believes it is essential that company plans are informed by customers. The sector should be doing all it can to continuously improve its understanding of consumer priorities, how these might differ between customer groups and how to understand who these different groups are.
11. CCW has published our engagement framework for PR24<sup>1</sup> and the research on "Engaging Customers..."<sup>2</sup> that Blue Marble undertook for us has a number of recommendations about how to improve the way customers are involved in research that the sector should adopt.
12. The introduction of CCGs at PR14 helped to deliver challenge at a company level from a wider set of stakeholders than had been involved in price reviews previously. However, the experiences of the last two price reviews has shown that outputs from these groups has been mixed. PR24 offers the opportunity for a re-evaluation of the best way to deliver effective local challenge. CCW has published a discussion paper<sup>3</sup> outlining our views. We plan to take forward our idea of a Central Oversight Group (COG) to support the work of local challenge groups

## **Enquiries**

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<sup>1</sup> [CCW Framework for water company research November 2020](#)

<sup>2</sup> [CCW Engaging customers for better consumer and business outcomes. May 2020](#)

<sup>3</sup> [CCW Future Consumer Representation Models June 2021](#)

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September 2021