

Response to Ofwat Publication - *PR24 and Beyond: Creating Tomorrow, Together*

Customer Challenge Group for Dŵr Cymru Welsh Water

In summary, the Customer Challenge Group welcomes the Ofwat guidance as a significant step forward from the PR19 process and supports the framework being proposed.

The CCG would make the following general comments in respect of the implementation the “PR24 and beyond” framework in Wales:

- The regulatory process in Wales must apply the principles of the Wellbeing of the Future Generations (Wales) Act both in ways of working and in relating outcomes to our National Wellbeing Goals (including recognition of our four pillars of sustainability).
- Ofwat will need to consider the operating conditions in Wales, such as the 1680-mile coastline, the location and topography, the levels of underlying deprivation in the population served, the cultural/political factors, when considering the company response to the long-term challenges.
- The scale of the long-term challenge needs to be fully recognised. We must avoid the unintended consequences of artificially keeping prices 'affordable', thus making them devastatingly 'costly' in the future.
- The focus on best value as opposed to least cost is critical. This needs to be applied across the supply chain and incorporate social and environmental factors, including net zero commitments.
- Wales is well placed to trial innovations in the regulatory model. There is an opportunity to apply new thinking in the regulatory process in Wales, based on the potential of the collaborative approach referred to in the document. We continue to make the case for adopting Ethical Business Regulation models.
- The PR19 process left stakeholders feeling that their views and the evidence from customer engagement were not trusted. Collaboration does not mean capture by the company.
- There is a point where the continual search for efficiencies drives resilience out of systems.
- Ofwat will need to reconsider the management of risk to support more innovation and nature-based solutions.
- There are major and increasing customer concerns over failures to comply with environmental regulations. The ability to meet these legal requirements must be a baseline for company operations.
- A collaborative approach, including the regulators, will be needed to address problems at source through upstream catchment management where possible, to avoid costs being applied to customer bills.

We have previously set out our views on how customer preferences are reflected in Price Reviews (CCG submission January 21). The guidance now confirms the Ofwat position that companies will not be required to operate Customer Challenge Groups.

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The DCWW Board has subsequently agreed the continued role of the Dŵr Cymru CCG to bring independent focus to ensuring that the needs of current and future customers and communities are at the heart of the way Dŵr Cymru Welsh Water operates. This function will be fulfilled through applying the principles of independence, co-production, and challenge to the role of the group.

The independence of the CCG brings the perspective required to enable innovation and to challenge one-dimensional thinking. Coproduction represents a joint commitment to a shared journey with agreed outcomes. Challenge is necessary to ensure that the journey stays on course and that shared outcomes are achieved.

The Wellbeing of Future Generations (Wales) Act will provide the strategic framework for the CCG to:

- Ensure plans and wellbeing commitments are based on evidence from engagement and research with customers, citizens and communities and meet the needs of future generations.
- Identify priority areas for coproduction of solutions with associated focus groups.
- Provide independent commentary and challenge of performance against agreed commitments in an annual public progress report.

Our response to the consultation on identifying customer preferences stressed the need to distinguish between customer research and customer engagement, each of which have important but differing roles. The CCG focus will be on the engagement with customers as part of day-to-day business as opposed to the focus on the assurance of customer research. The evidence from excellent customer engagement, overseen by the independent group should form a core part of the business case for PR24.

We would hope that this CCG role is fully acknowledged by Ofwat in the PR24 process. Finally, we would like to welcome the difference being made by having a Head of Ofwat Wales and hope that this function can be further developed through the PR24 and Beyond process.

Peter Davies
Chair, and on behalf of Dŵr Cymru's CCG