

## **SOUTH STAFFORDSHIRE AND CAMBRIDGE WATER CUSTOMER PANEL**

### **CUSTOMER REPRESENTATION IN PR24 AND AFTER**

#### **Purpose of this paper**

Ofwat invited response to its discussion paper 'PR24 and Beyond – creating tomorrow, together', published on 27 May 2021. CCW invited response to its proposals on Future Consumer Representation Models, published on 1 June 2021. The South Staffordshire and Cambridge Water Customer Panel is one of the Consumer Challenge Groups (CCGs) set up by every water company as a requirement of Ofwat. Ofwat has clearly decided not to require companies to have Customer Challenge Groups in future. They question the need for local representation of customers and expect water companies to decide what arrangements they want to make for challenge and assurance of the kind previously provided by their CCG. CCW's paper sets out options for local representation of consumers and stakeholders. In the resulting debate involving regulators, companies and stakeholders, the Panel feels that its views and experience may be of value. The purpose of this paper is to share these with CCW, Ofwat, our water company and other interested parties, if any.

#### **Collaborative research**

In our past reports to Ofwat, we have expressed concern about the cost to customers of every water company being required to carry out the same research, about the need for proportionality in the regulator's requirements on small companies, and about the benefit in the case of complex research of using a wider regional or national customer base to support detailed data analysis. The Panel therefore agrees with Ofwat's proposal that there should be collaborative research in PR24 and after. But we believe the benefits of collaboration are not limited to national research, and should also be considered at regional level and between neighbouring companies.

#### **National representation**

Ofwat argues that national collaboration weakens the need for local representation. However our Panel agrees with CCW that customer representation at local level is essential. We agree that such representation could be more effective if supported by national and regional data so that the local company's policies and performance can be compared with experience elsewhere. The Panel is therefore attracted by CCW's preferred model of local groups supported by a Central Oversight Group (COG). We believe it will enhance the ability of local groups to influence their company if the local groups are represented on the central body. CCW appears to us to be the natural facilitator for the COG, and should continue their valuable participation in local groups.

#### **Local representation**

CCW proposes that local representation be divided between a customer group and a stakeholder group. To a greater or lesser extent, our Panel has taken on both roles, in which we were following Ofwat's original guidance. However our membership is not necessarily representative of consumers and, had it been so, would not have equipped us with the breadth of experience and expertise necessary for effective challenge to the Company. The Company has set up its own online customer community (H2Online) and more recently, for the purposes of WRMP research, has established Online Forums for customers in its two operating areas. These models can be built on; there is no reason why

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companies should not be left by Ofwat to develop whatever mechanism suits them for use as a local customer group or groups.

#### **Role of the local stakeholder group**

The local stakeholder group should carry out the following functions:

- Challenging the company's draft business plan at price reviews
- Between price reviews providing continuous independent challenge to hold the company to account for its promises to customers
- Monitoring company performance against its Performance Commitments as part of Business as Usual
- Reviewing and quality checking customer engagement and research, from programme strategy through to the implementation of service improvements
- Exploiting its unusual status as 'outside insiders' to help the company communicate effectively with customers and stakeholders outside the business or the sector.

#### **Assurance**

Ofwat required CCGs to give assurance about the quality of customer research and engagement. Our Panel did its best to fulfil this role but the task sat uncomfortably with a group of unpaid volunteers who are not necessarily professionals in due diligence or assurance. It was also difficult to reconcile the role of assurance with our close involvement in reviewing and challenging the research and insight activity on which assurance was requested. Assurance on customer engagement should be carried out as part of each company's Assurance Framework, by internal audit or by outsourcing to independent professionals.

#### **Independence**

CCGs were set up as independent of their water company. Our Panel was unique in reinforcing its independence by forming a Company Limited by Guarantee to own and operate the Panel. Ofwat has always suspected CCGs of being captured by their company, and yet objected when we exercised our independence by challenging them as regulator. Independence will only be fully achieved if there is central funding for local representation. With or without that, but there is no reason why model constitutions or recommended Terms of Reference cannot be developed which protect their objectivity.

#### **Regulatory coherence**

In our reports to Ofwat, the Panel welcomed the attempt in PR19 to synchronise the schedules for Water Resources Management Plans and five-year Business Plans, and we called for greater collaboration and more coherence between the regulators. It would help customers and stakeholders if their local and national representative bodies were given formal recognition by all regulators.

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