

## **Note of PR24 collaborative customer research steering group meeting**

**11 April 2022**

### **1. Actions from last meeting**

The steering group(s)' action log was shared prior to the meeting, and ongoing actions discussed at the meeting.

### **2. Update on vulnerable customers in the ODI rates research**

Ofwat thanked companies for sharing information and related comments about the handling of vulnerability variables within the ODI rates research methodology. He outlined Ofwat/CCW's latest thinking on the derivation of analytical variables and how this information will be used to understand variations/similarities in views across national and local populations. Companies with the larger fieldwork sample may also be able to understand variations in views within their own customer base.

Steering group members posed questions and made suggestions about handling of some forms of vulnerability both in terms of data handling and regarding individual's ability to participate in the research (for example related to digital literacy, learning disabilities, children under five, brain injury). Ofwat/CCW will consider all issues raised within the next phase of work.

**Action:** Companies/stakeholders are invited to submit comments on the proposal to Ofwat by the end of this week.

### **3. Mapping task and finish group**

Ofwat explained the background to the work needed to establish the mapping between service measures included in the ODI rates research and performance commitments for PR24. Ofwat proposed the format of a task and finish group to manage the work needed.

Steering group members commented and raised questions in the following areas:

- Alignment with Ofwat's outcomes working group
- The need for different stakeholders to be involved in different aspects of the work, and for different company representatives to be involved based on their specialist knowledge
- Analysis needing to take account of the differing needs of different types of NHH customers
- The need for early clarity of what input is required from all stakeholders, including on any data requests from companies/others.
- Consideration of aggregate workloads given other requirements on companies e.g., WRMP, regional plans and annual performance reports
- The value of water changing along its supply chain
- The practicality of having one task and finish group
- Examples of where service measures could be mapped to specific performance commitments
- Common performance commitment definitions for PR24 are not yet determined.

Ofwat provided responses to each of these points where possible during the meeting and committed to reflecting further as plans for the Mapping task and finish group are developed.

**Action:** Ofwat will continue to develop the proposal for the Mapping task and finish group and may consult with a subset of companies to explore issues raised in this discussion.

#### **4. Progress of ODI rates research and forward look to upcoming key milestones**

Ofwat presented an overall update on progress on the ODI rates research, followed by an outline of the key steps and timing for the next stage of this research project (slides 22-24 of the meeting presentation).

Steering group members commented on the need to recognise that the Easter holidays will mean absences from work and the majority of NHH customers in Wales not being eligible for the retail market.

[PJM Economics left the meeting at this point]

Ofwat then described a proposal for handling a question from potential bidders for the ODI rates research fieldwork contract about the payment profile included in the ITT.

To address bidders' concerns Ofwat has explained that 'if bidders are unable to work within the payment profile provided, we could consider invoicing on a calendar month basis, subject to delivery of the agreed milestones'. Ofwat invited comments from companies by the end of this week. No comments were made at the meeting.

**Action:** Companies to respond to Ofwat by the end of this week with any objections to the proposal.

#### **5. Discussion on the purpose and nature of acceptability and affordability testing**

CCW introduced a discussion about the purpose and nature of acceptability and affordability testing for PR24.

Thames Water and Affinity Water then talked through a presentation that explored the major challenges and PR19 and these could be overcome, or the research evolve for PR24, concluding with a series of questions for wider consideration.

Steering group members reflected on the presentation and raised further questions/points including:

- Should affordability be measured objectively or subjectively?
- How water companies' environmental/access/educational/community commitments are demonstrated as part of acceptability testing
- How climate and nature emergencies are presented in customer research on affordability and acceptability
- Customers' understanding of inflation
- How direct procurement costs are included
- How acceptability testing should handle the potential introduction of the Single Social Tariff
- Whether multi-AMP profiles are more appropriate for testing (rather than a 5-year period)
- Presentation of 'multi abstractor benefits, environmental and social benefits'
- Comparability between companies is hard to achieve and would require a standardised approach to the timing of the research too

- Opportunity to learn from approaches used for PR19
- Opportunity to learn from research approaches used in RIIO-2
- The need for companies to be able to change research parameters at short notice and have a methodology that allows that
- The need for clarity on use and timing of acceptability/affordability research
- How ODIs are represented in acceptability testing.

Ofwat shared some high-level reflections on approaches used at PR19, the use of forecast plans within acceptability testing, the potential for the information used within acceptability testing to influence the results of the testing. One company commented that data about current performance was used to show the reality of the current situation, with Ofwat agreeing that it is important that metrics included in research should be a fair reflection of current performance rather than being selective.

Ofwat/CCW will consider the questions/points further ahead of the next meeting.

**Action:** Acceptability and affordability testing will be on the agenda for the next steering group meeting.

## 6. Next steps

CCW explained the key next steps for the collaborative customer research.

The next steering group meeting will be on 9 May 2022.

**Action:** Ofwat to arrange steering group meetings from June 2022 onwards (Completed).