

PR24 Collaborative customer research steering group(s) meeting

11 July 2022

ofwat

CCW

The voice for water consumers
Llais defnyddwyr dŵr

Agenda

Welcome and introduction

Actions from last meeting

Update on ODI rates research

Progress on affordability and acceptability testing

Creating tomorrow, together: consulting on our methodology for PR24

Next steps



The background features a large, solid orange shape on the left side, which is partially overlapped by a light blue shape on the right. In the upper right corner, there are two overlapping light blue circles. The overall aesthetic is clean and modern with a limited color palette.

Actions from last meeting

Actions from prior meetings and 13 June 2022

Action	Update
Ofwat will consider whether the approach to generating ODI rates should be i) included in the draft methodology and/or ii) developed in the context of the collaborative customer research steering group.	We have set out our proposed policy approach to setting ODI rates in the PR24 draft methodology, see appendix 8 for further details.
All companies were invited to approach Ofwat/CCW if more specific discussion is needed on key points.	Ongoing
Ofwat to consider when modelling results from the ODI rates fieldwork will be made available to companies.	We are aiming to share a raw survey dataset with companies early in September and modelled estimates when they are ready.
Ofwat to 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.	We are resuming work on mapping now that the survey is live and Draft Methodology has been published. There is further scoping work to do before giving a more substantive update.
Ofwat/CCW to share the final versions of the Second pilot results report and Cognitive testing report, once available.	Ongoing

All other actions from 13 June 2022 meeting are completed.





Update on ODI rates research

Fieldwork

- Household survey now live in England (PAF and online panels)
 - Modelled results from first 100 responses worked well
- Non-household survey
 - Data received from MOSL, retailers and Welsh companies
 - Sample being compiled ready for launch early next week
- Testing of Welsh language survey materials nearly complete

Mapping

- Scoping work continues

Analysis and Modelling

- Preparing ITT for Ofwat to commission

Design and Methodology

- Write up Stage 2 report (Accent/PJM Economics)

Fieldwork

- Non-household survey to go live
- Fieldwork to commence in Wales
- Final version of questionnaire to be issued to companies

Mapping

- More intensive work on mapping

Analysis and Modelling

- Aiming to appoint contract before the next Steering Group meeting



**Progress on affordability
and acceptability testing**

Request for Information: affordability and acceptability testing

Considering approaches to testing customer affordability and acceptability of business plans for PR24

Our ask of members was to provide any:

- examples of affordability/acceptability research considered particularly effective
- ideas to improve testing customer views on affordability/acceptability
- updates on current/recent or forthcoming research (conducted individually or collaboratively with other companies).

Rationale

This information:

- will feed into thinking around the development of a common methodology, for affordability/acceptability testing by members [more on this to follow]; and
- help develop a collaborative approach to designing and implementing customer research for PR24.



Request for Information: affordability and acceptability testing

Next steps

CCW/Ofwat to conduct a high-level analysis to understand:

- how members are approaching (or have approached) the testing of affordability/acceptability with their customers.

The analysis will also help illustrate:

- broad similarities/differences in research approaches
- interesting/innovative research design, data collection, reporting approaches.

How we intend to use information

- Analysis will be shared with experts (see next slide) to help inform the methodology and materials for affordability and acceptability testing
- We will give an overview of findings at a future steering group meeting
- Where appropriate, we aim to share best practice across the industry.



Challenges

In testing affordability/acceptability with customers, we know of issues with:

- a lack of comparability (estimating customers' willingness to pay was challenging due to divergent methods employed)
- difficulty in meaningful engagement (expecting customers to comment on complex, technical matters).

Developing a methodology

Aim: Improve the overall quality, reliability and use of customer evidence for PR24

Objective: Develop ideas for a common approach to testing water consumers' views of the affordability and acceptability of water company business plans.

Focus on research materials development

This work focuses on research materials development:

- Approach to research materials development will be centralised
- Approach to fieldwork will be standardised.

Approach

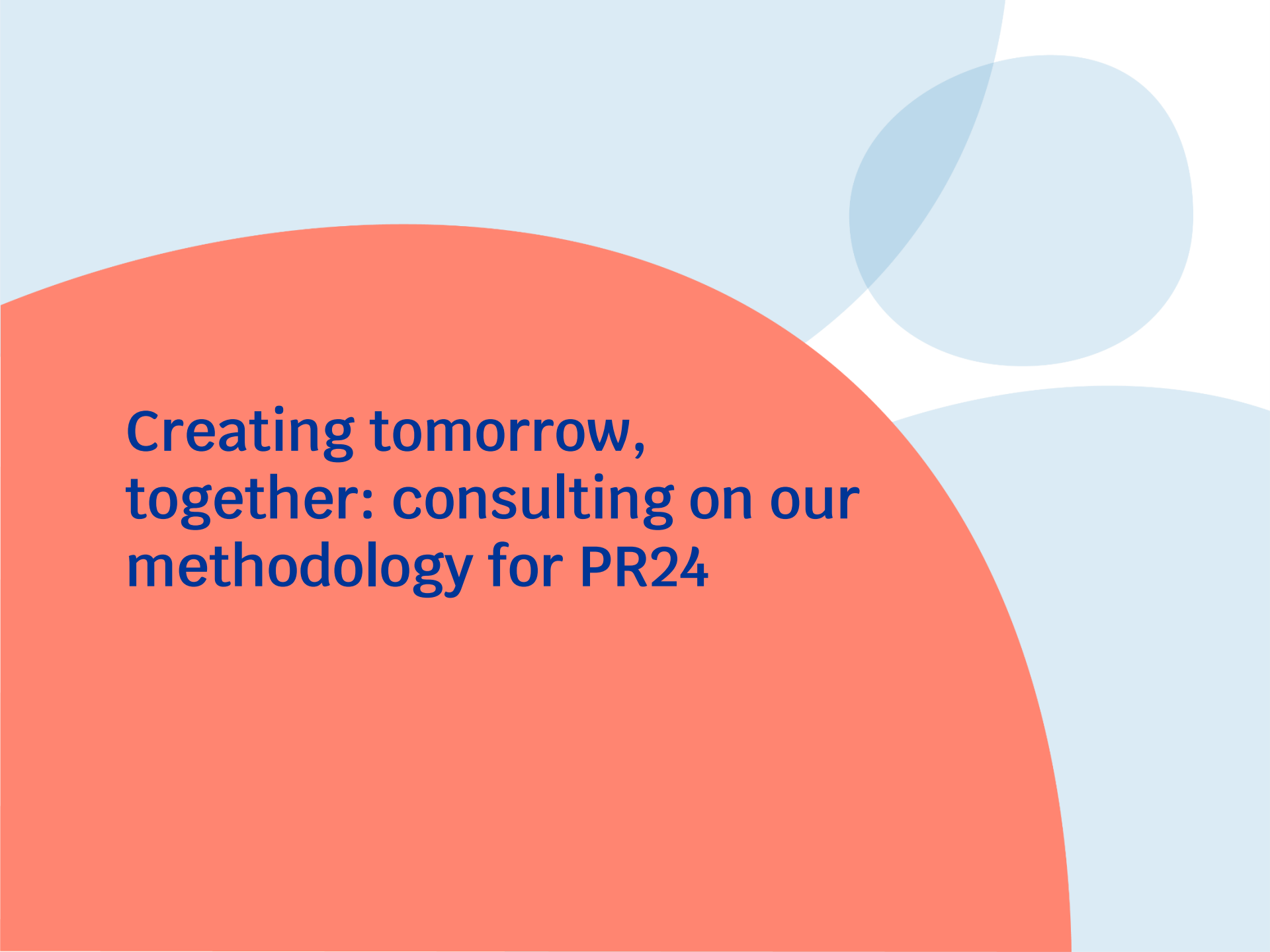
- CCW/Ofwat will commission external experts to help develop a common, robust methodology. They will include:
 - Communications expert
 - Quantitative research expert
 - Qualitative research expert
 - Economist
- Experts will engage with CCW/Ofwat, a rapid, focussed, creative way, through a series of 'sprint' workshops
- Companies/stakeholders involved via the steering group.

Research benefits

- Techniques for capturing customer views are constantly evolving – using leading experts will help us incorporate the latest thinking around research design and data collection.
- A common methodology will promote transparency assurance about how companies have worked with customers to develop their business plans.

Timing

- Development between July and September 2022
- Methodology / research materials available for use in October 2022.



**Creating tomorrow,
together: consulting on our
methodology for PR24**

Key challenges and our ambitions for PR24

Reflecting an understanding of customers and communities

Hearing directly from customers and stakeholders

Open challenge sessions

A collaborative approach in Wales

Consultation questions



Key challenges and our ambitions for PR24:

The challenges before us are clear and urgent:

- combatting **climate change** as well protecting and enhancing our **environment**, including the sustainable management of **natural resources**;
- rising **customer expectations** about what companies need to deliver for their customers and communities, including protecting and enhancing the environment; and
- the need for **affordable bills**.

To address the challenges facing the sector, we have identified four inter-related ambitions for PR24:

- increasing **focus on the long term**;
- delivering **greater environmental and social value**;
- reflecting a **clearer understanding of customers and communities**; and
- driving improvements through **efficiency and innovation**.



Reflecting an understanding of customers and communities

We expect price review submissions to recognise and address the needs and priorities of **current and future customers** and ensure that there is support for those who struggle to pay their water bills.

- It is vital that the **diversity of customers' and communities' needs, priorities and concerns** are understood
- Engagement with customers and wider stakeholders should focus on aspects of plans where customer views can have a **meaningful influence** and make sure that customers can be involved in a **meaningful way**
- We are **implementing a collaborative approach to some customer research for PR24**.
- Separately, we expect each company to undertake further engagement as necessary. This should ensure that the manner of fulfilling statutory requirements and **locally important priorities and the phasing of delivery of targeted outcomes are informed by customers', community and environmental stakeholders' views**.
- Companies should be able to demonstrate they have met **standards**
- We are proposing **open challenge sessions**, to which customers and other stakeholders are invited so that they have opportunities to challenge companies on their plans directly in an open forum
- **In Wales, we are implementing a collaborative approach** to identify the high-level outcomes to be achieved in PR24 and the phasing of these outcomes across the long-term delivery strategies for Welsh companies.



Hearing directly from customers and stakeholders

We want our price review decisions to be **better informed by the views of customers and communities** so that we understand:

- the key issues that companies should be taking into account as they develop their price review submissions, including affordability concerns; and
- whether the final business plan addresses customers' concerns and environmental priorities.

We are proposing **open challenge sessions**, which customers and other stakeholders can attend so that they have opportunities to challenge companies on their plans directly in an open forum.

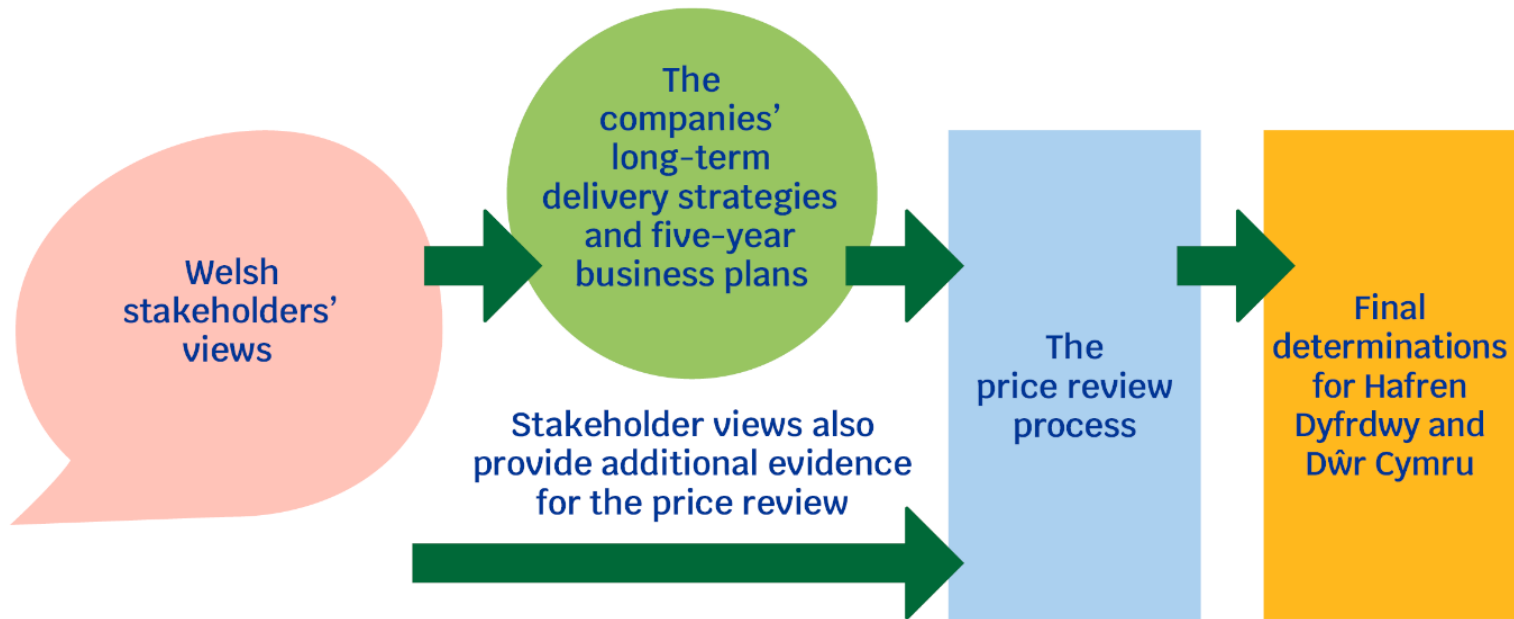


Open challenge sessions

- One session should be conducted **during the development of the business plan** depending on the timing of business plan development for each company.
- One session **after the final business plans is submitted**, so that we can take account of views expressed as we undertake our assessment of PR24 submissions
- **Invitations would be open**, but we would encourage involvement of people representing customers' and local environmental concerns including but not limited to representatives of each company's customer challenge arrangements and members of CCW's 'challenge co-ordination group'
- The **company would be required to give a brief presentation** of their (draft or submitted) business plan. We may prescribe the nature or content of these presentations
- **Customers and stakeholders would be encouraged to ask questions of, or challenge, the company** on any aspect of their business plan
- Representatives of **Ofwat and CCW** would attend each open session
- **Ofwat, CCW or an independent organisation would chair** each open challenge session.



A collaborative approach in Wales



Key documents

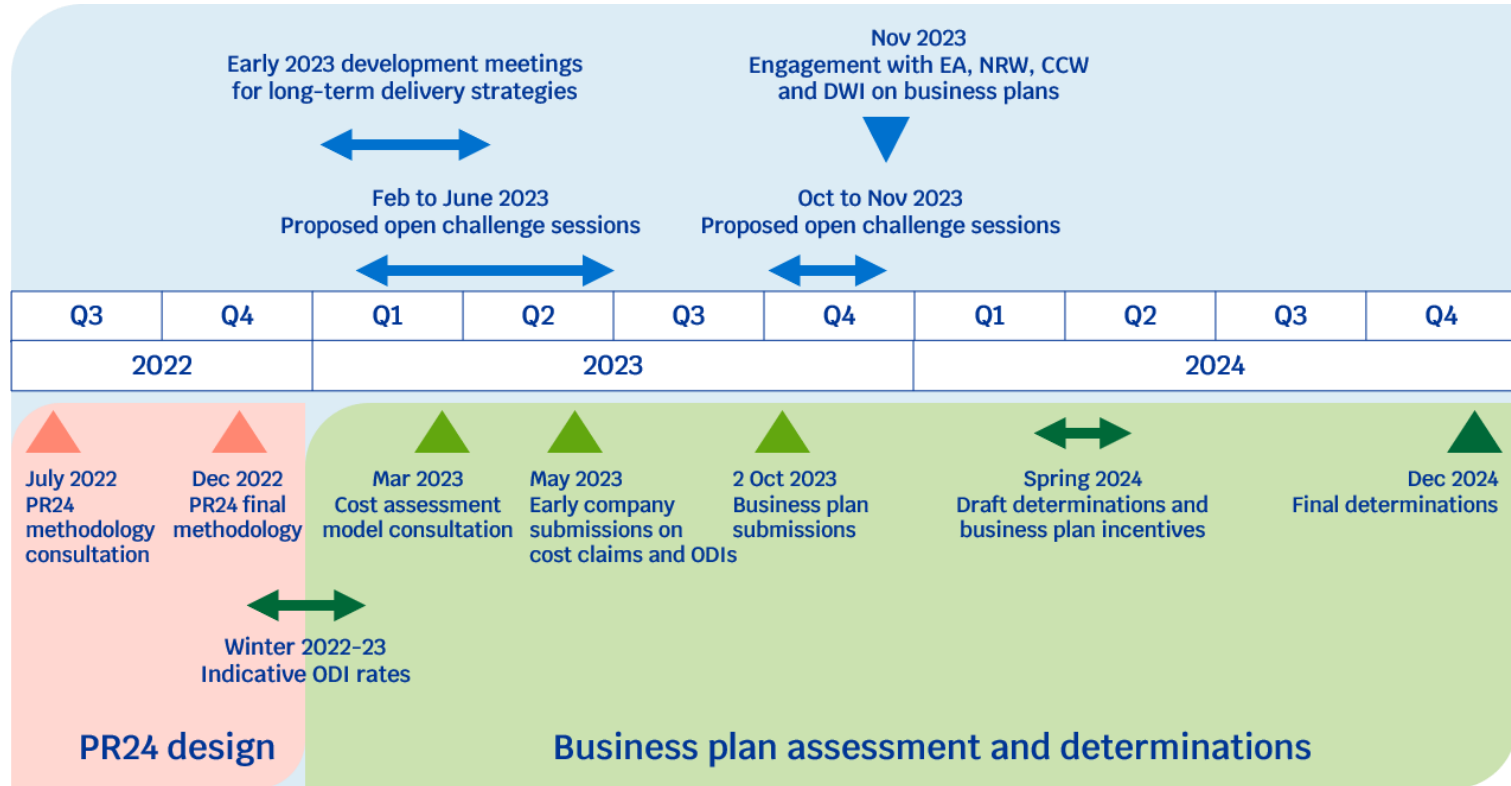
We've produced an [overview of the draft methodology](#) ([Welsh version](#)) alongside the [full suite of documents](#).

Some key parts of the suite of documents:

- The Executive summary of the [main document](#) ([Welsh version](#)), through to chapter 4, which talks about Reflecting an understanding of customers and communities
- Chapters 6, 7, 10 and 11 (and their accompanying appendices) which, in parts – and not exclusively – explain our proposals for the need for evidence of customer views, and board assurance, and how these will be used in our assessments of company submissions.
- [Affordability appendix](#) which explains our approach to affordability at PR24.



Timeline



Consultation questions

Q4.1	Do you agree with our approach to making sure that companies' price review submissions and our determinations reflect an understanding of customers', communities' and environmental concerns?
Q4.2	Do you agree with our proposal to conduct open challenge sessions?
Q4.3	Do you have views on open challenge sessions can align with the collaborative approach in Wales?
Q4.4	Do you have views on how the outcome of collaborative customer research can contribute in the context of the collaborative approach in Wales?

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Next steps

Next steps

Appoint experts/consultants to support affordability/acceptability research development: July

Appoint analysis and modelling contractor (ODI rates research) – before next steering group

Consultation on PR24 draft methodology closes 7 September

ODI rates research Phase 2 report (date TBD)

