

Note of PR24 collaborative customer research steering group meeting

14 November 2022

1. Welcome and introductions

CCW welcomed everyone to the meeting. CCW introduced Thea Hutchinson, who is the Director responsible for PR24 customer engagement in Ofwat. Thea Hutchinson said she had joined Ofwat in February and was looking forward to working in this area. Thea is interested in customer engagement and has a background in statistical analysis and econometrics.

2. Actions from last meeting

CCW ran through the actions from the previous meeting, where all actions were completed apart from:

- two that were ongoing; and
- one on ODI rate fieldwork would be addressed in the meeting.

3. ODI rates research: modelling and mapping

Ofwat and consultants provided an update on the ODI rates research

3.1 Survey updates

Accent/PJM Economics provided an update on the results of their fieldwork to survey households and non-households, which had been completed successfully. The samples were big enough and had gathered information about a broad enough range of households and non-households for it to be used as the basis for ODI rates.

The raw data from households had already been circulated to contributing companies.

Information about response rates and sample characteristics for non-households were presented in the meeting. The raw data were due to be circulated to contributing companies by the end of the week.

Action: PJM Economics provide more information about the main segment "other".

[Post meeting note: Accent are backcoding 'other' responses. The dataset will now be ready for sharing with companies in the week commencing 21st November.]

In response to a request by the Challenge Co-ordination Group chair, Ofwat reminded attendees of the purpose of this fieldwork. Its goal is to provide a customer voice through data about their valuations and preferences, which could be used to financially incentivise companies.

Water companies then made a series of requests of the consultants to help them better understand the fieldwork and how it would be used.

Action: Accent to provide information about how long the fieldwork had taken and response rates for different amounts of follow up i.e. first contact, then first and second reminders.

Action: Final report of the ODI Rates Research fieldwork to be circulated by mid-December.

Action: PJM Economics to provide further information about how the outputs will be converted into preferences for the final modelling methodology.

Action: companies to email Julian Hollo-Tas on Julian.hollo-tas@accent-mr.com, including a mobile number for login authentication, to gain access to the raw data i.e. anonymised and unweighted (if different to the details provided to access the household data set on the portal).

Action: PJM Economics and Accent to provide the slides they presented at the meeting.

3.2 Econometric modelling

PJM Economics gave an update on their econometric modelling to convert the survey data into incident valuations. They were half-way through their process: they had organised the data and carried out initial analysis. They provided some information about how this analysis has been carried out initially. It needs to be finalised ahead of being mapped to performance commitments.

Action: Ofwat to provide a definition of the relevant performance commitments, including spillages (and whether they related to the number or duration).

In response to a question about the definition of nearby, PJM Economics clarified that "nearby" was defined as within a 5-mile radius while "elsewhere" is within a 30-50 miles radius.

In response to a question about storm overflows, PJM Economics confirmed that it would be testing whether customers preferences depended on geographical area.

One of the advantages of testing 26 "incidents" was that it allowed for sub-valuations. In particular, the sub-populations could be used for extra analysis and would not need to be run on all companies in all cases. PJM Economics would try to be as transparent as possible about how they would be doing this. And the role of the peer reviewer was to make sure they were doing it correctly. Ofwat confirmed that the analysis would be testing the variations between the companies and that this would inform decisions about whether ODI rates are to be standardised; this was one of the goals of this research.

3.3 Mapping

Ofwat gave an update on the mapping component of the work, which "maps" the incident valuations into PR24 common performance commitments.

The methodology for this mapping had been completed for the first "batch" of performance commitments, which were shown on the slide. The second batch was due to be completed by the end of the December 2022.

To support this work, it was necessary for Ofwat to ask companies for data on interruptions and water resources. This data request would be issued week commencing 14 November with a four-week turnaround for companies.

Action: Ofwat to consider whether it can provide more information about the mapping, especially for the second batch of performance commitments, which might take the form of detailed annexes giving the underlying equations.

4. Affordability and acceptability testing

CCW and Ofwat gave an update of the guidance it would be issuing to companies about how it should test the affordability and acceptability of its business plans.

Ofwat confirmed that the guidance will require companies to use company data and forecast bill amounts.

Companies flagged the challenges of testing bills for another water company operating in its area. Bristol Water gave the example of having to test Wessex Water's business plans. Companies asked whether a cooperative approach or joint testing might be appropriate if a major water only water company operated in its area.

Action: Ofwat agreed to come back with a matrix that would give an approach to each company for their situation. Queries were raised about:

- Water and sewage companies with a large water only company in its area
- Northumbrian Water and Essex and Sussex Water
- Bristol Water
- Hafren Dyfrdwy, Dŵr Cymru Welsh Water and Wrexham Water.

Some companies highlighted that they might not be able to put forward a business plan other than least cost due to the high bill increases they expected from statutory requirements. For example, they expected from the water industry national environment programme to lead a massive increase in bills. They anticipated that statutory requirements might be unaffordable for a significant number of customers. However, other companies did highlight that testing of their water resources management plans and drainage and wastewater management plans with customers found they did support best value over least cost business plans.

In response to a question from Ofwat, Wessex Water clarified that in addition to the least cost plan, they were trying to explore how they could meet the outcomes required by law but relaxing the mechanism of how they might be achieved i.e. sustainable abstraction rates instead of leakage. Companies know they must do what is required but it is not always clear what is compulsory and what is not.

5. Next steps

Due to running out of time in the meeting, it was not possible to answer all the questions in the Team Chat, some which have been answered in Annex A to this note.

Draft guidance on affordability and acceptability guidance was due to be released by Friday 18 November 2022, with the goal of issuing final guidance by mid-December 2022

Members were reminded that the publication of the PR24 final methodology is 13 December 2022.

The next steering group meeting will be on 12 December 2022. Meetings will continue monthly until March 2023 and then reduce to quarterly.

Annex A: Teams chat: questions and answers

Question: is it possible to discuss NHH sample in further detail?

Answer: Yes, this is being followed up with Phill Mills. A detailed description of the NHH sampling approach, utilising MOSL and retailer data, will be included in Accent/PJM Economics' fieldwork report.

Question: can CCW give us an idea on what they expect a timetable might look like for affordability and acceptability testing that can accommodate adequate time for:

- research briefings;
- materials' prep;
- ICG consultations;
- in field qual and quant analysis; and
- reports?

It seems very tight meaningfully inform draft BP submission timetables.

Answer: It is difficult for CCW/Ofwat to put a timescale on this because each company will have its own internal sign-off processes at different levels that affect how long they need.

CCW would plan to complete the qualitative phase in around eight weeks, based on the internal sign-off timescales we would need and with a supplier already in place. We would pull the source materials together before briefing starts i.e. before the eight weeks starts, and be developing the briefing from this in advance. Consultation with stakeholders would be ongoing – we would allow at least three days for stakeholders to review materials before giving feedback but that is an absolute minimum.

For PR19, CCW conducted an acceptability survey of all the water companies to deliver findings in time to inform our feedback to Ofwat's Draft Determination consultation. This was done within the six-week consultation period. This was only possible because we started planning months earlier, knowing the timescales we had to work to and considering the resources and input that would be required at every point in the process.

Water companies have previously indicated to us that their business plan testing will start in early 2023 and can start working towards this from now.

There were also a series of questions on the affordability and acceptability guidance that are either answered directly in the draft that has been issued, with any further clarification done through the consultation sessions that are being run.