



The voice for water consumers
Llais defnyddwyr dŵr

CCW's response to:

**Ofwat's Protecting customer interests on
performance related executive pay:
Proposed guidance consultation**

1. Introduction

- 1.1 CCW is the statutory consumer organisation representing water and sewerage consumers in England and Wales.
- 1.2 We welcome the opportunity to respond to Ofwat's guidance document concerning the scope and application of the performance related executive pay (PRP) recovery mechanism Ofwat intends to apply, as outlined in the PR24 final methodology.

2. Our response

- 1.3 We support Ofwat's intention to introduce a PRP recovery mechanism for the years 2022/25 and 2025/30. Customers should not fund PRP rewards where companies do not deliver on their promises and meet customers' or Ofwat's expectations. It is paramount that companies' PRP policies do not reward poor performance in respect of commitments to issues customers care about, to communities and to the environment. It is also important that companies are transparent and open about their PRP, both in terms of how the PRP systems work and in terms of the amount of any reward. Our view of what good looks like is that companies should be clear on their websites, creating a web page focused on this issue, and not having the information buried in annual accounts.
- 1.4 The consultation rightly outlines the importance of aligning incentives and outcomes in sustaining the trust of and accountability to customers (and regulators and wider society). Our annual Water Matters survey for 2022¹ shows that trust in the sector is significantly lower than in 2021 and is now at its lowest point since Water Matters began. It is clear that the sector needs to do more. We see incentivising greater transparency, and more explicit linkage between PRP and delivery for customers, communities and society, as a step in the right direction to rebuilding and sustaining trust.
- 1.5 We agree with the factors that Ofwat proposes to consider when considering companies' PRP i.e. alignment to delivery for customers and the environment, stretching targets and overall performance. We agree that financial measures that are solely for the benefit of investors cannot be considered to relate to delivery for customers. With regard to an assessment of overall performance, the consultation refers to Ofwat's Water company performance report (or equivalent publication). We would welcome explicit reference to our [WaterMark](#)² assessment in this regard. We would also welcome Ofwat seeking our views on how well companies are performing for customers before decisions are made on PRP recovery.

¹ [Water Matters](#) tracks the views of household customers on the services they receive from water companies in England and Wales.

² WaterMark is our assessment of how well water companies are performing in the areas that matter most to their customers.

Enquiries

Enquiries about this consultation should be addressed to:

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