

Wessex Water Customer Challenge Group



ANNUAL REPORT 2021

Contents

Foreword.....	1
Executive summary	2
1. Introduction.....	4
2. The Group's membership and activities during the year.....	5
2.1 Membership.....	5
2.2 Sub-groups.....	5
2.3 Meetings	6
2.4 Challenges	7
2.5 Issues identified last year.....	8
3. The Group's findings.....	9
3.1 Reporting and assurance	9
3.2 PR19 Outcomes and Performance Commitments.....	9
3.2.1 Overview.....	9
3.2.2 Impact of COVID 19	9
3.2.3 PC performance in 2020/21	10
3.3 Customer engagement.....	11
3.3.1 Overview.....	11
3.3.2 Impact of COVID 19	11
3.3.3 The Group's response to Ofwat's proposals for future customer engagement....	12
3.3.4 Findings	12
3.4 Affordability and vulnerability	12
3.4.1 Overview.....	12
3.4.2 Impact of COVID 19	13
3.4.3 Findings	13
3.5 The Group's review of its activities during PR19 and its future role.....	14
4. The Partnership's focus for 2020/21	14
5. Conclusions.....	15
5.1 Performance in 2020/21 against PCs	15
5.2 Customer engagement.....	16
5.3 Affordability and vulnerability	16
5.4 Review of the Group's activities and its future role.....	16
Appendices:	
Appendix 1 Glossary.....	17
Appendix 2 List of Group members.....	18
Appendix 3 Detailed commentaries on Wessex Water's performance in 2020/21 against its PR19 Final Determination Outcomes and associated Performance Commitments	19
Appendix 4 The Group's response to Ofwat's consultation 'Ofwat PR24 and beyond: Reflecting customer preferences in future price reviews'	35

Foreword

On behalf of the Customer Challenge Group, I should like to commend our 2020/21 Annual Report to customers, stakeholders, regulators and all who are interested in the work of Wessex Water.

The year has been a hugely challenging one for everyone as we have all had to face the practical, psychological and financial realities of life in a pandemic. Some have experienced the COVID 19 virus in their own lives or those of their families and perhaps will feel its effects for years to come. As a group, our thoughts have been with Wessex Water customers as we have raised these issues with the company.

The company has also been affected by this, in its ways of working and in needing to be aware of the disruption caused to the lives of customers and communities.

We have praised the company for the schemes it has introduced to help people and staff and for how they kept operations working during the lockdowns.

Other pressures on the company have included periods of both high and low rainfall. These weather changes impacted on the company's ability to meet its performance commitments. We recognise these factors but continue to press the company to meet the high expectations made of it, which were agreed with the regulators and based upon the views of Wessex Water's customers.

I would like to welcome Mike Short of CCW, the Consumer Council for Water, and to thank Sarah Cardy, Matt Vaughan-Wilson and David Heath for their valuable contributions as they move on. As always, I thank our report writer Jeremy Hawkins for his work in compiling and editing our publications.

As our role is likely to change slightly in the coming year, we will seek new members to ensure that we have the cross section of skills and experience needed to carry out our role.

If you have any comments on our work, or suggestions for us, please do get in touch via our website: www.wessexwaterccg.co.uk.

I have been reappointed as independent chair of the Customer Challenge Group, following an externally managed process, and look forward to continuing our work on behalf of customers and stakeholders.

Dan Rogerson
Chair - Wessex Water Customer Challenge Group

Executive summary

The Wessex Water Customer Challenge Group (the Group), previously known as the Wessex Water Partnership, was established in January 2016. It works independently of Wessex Water (WW) to challenge the company on behalf of customers in the delivery of its Performance Commitments (PCs) and in achieving the best results for bill payers, the environment, and the local economy.

This report provides the WW Board and customers with the Group's independent opinion on the company's progress in delivering its service obligations and commitments in the first year of the current Asset Management Period (AMP7). The Report also provides the Group's view of the quality of customer engagement undertaken by WW during the year and the company's efforts in addressing the issues of affordability of its bills and assisting its vulnerable customers.

The Group is pleased to recognise that, as in previous years, its working relationship with the company and its external advisers and auditors has continued to be open transparent and productive. The Group welcomes the efforts of the company in both helping it meet its objectives during the year and in maintaining its independence.

The UK water industry, including WW, experienced several significant external pressures during 2020/21. The most notable of these was the impact of COVID 19 and the restrictions on normal activities it caused. Companies were also affected by long periods of hot, dry weather and by periods of extremely heavy rainfall. The Group gave particular attention to these during the year, both in relation to the impact on the company's performance and the additional measures WW took to assist customers who faced financial difficulty, and who continue to do so as a result of the pandemic.

The Group discussed several issues concerning the company's response to the pandemic and related aspects of its vulnerability and affordability strategies. It was pleased to see payment breaks for customers who have been struggling with their bills, easier ways for customer who traditionally use cash to make their payments, and the assistance measures provided through the Wessex Water Foundation.

Overall, the Group considers that WW met the challenges of the COVID 19 pandemic very well. It adapted its working practices and considered the well-being of its staff and customers in doing so. The company was innovative and flexible in its approach and has gained some positive and beneficial learning which the business will carry forward. The Group particularly notes the £50 rebate to NHS workers which the company was quick to introduce in recognition of

the additional strain on this section of the community.

As the pandemic continues into 2021/22, the Group will continue to monitor the company's ongoing response to it and particularly the impact on customer affordability and vulnerability.

Despite all the external challenges, the company met or exceeded 21 out of its 38 performance commitments and has accrued a total outperformance reward of around £3m million for the year as a result. Customers benefitted from good performance on the key customer service metrics of; C-Mex and D-Mex, water supply interruptions, leakage reduction, water treatment outage, reductions in abstraction under the Abstraction Incentive Mechanism (AIM) and lower-than-target internal sewage flooding. The Group welcomed this.

The pandemic, together with bouts of adverse weather, contributed to the company failing to meet nine other PC targets. This resulted in the company incurring a total underperformance penalty of almost £4m. Restrictions on normal working and face-to-face contact with customers had a particular impact. The Group reviewed these failures, and was satisfied that the company had taken reasonable actions to mitigate the impact of the extraordinary circumstances of the year.

The Group challenged the company's plans to deal with extreme weather given that such events are becoming increasingly common. It was pleased to learn that WW is actively planning to deal with this threat and welcomed the company's continuing focus on improving its resilience and contingency plans.

The Group also noted that the company's pollution incidents reduction plan has yet to deliver the expected benefits. The company accepts that it has more to do to reach its ambition of zero pollutions. The Group welcomed the company's continued focus on its ambition and the use of innovative solutions in its plans to achieve this.

WW also struggled to meet the PC targets associated with its 'Excellent drinking water quality' outcome and aspects associated with increasing the numbers of customers on its Priority Services Register. The Group has discussed and challenged the operational reasons

for these underperformances. The Group is encouraged by the company's intention and planning to meet these targets in future.

During the coming year, the Group will closely monitor progress against the PCs affected by external factors and will compare WW's performance against others in the industry.

As in previous years, the Group had the opportunity to review and challenge the company's information reporting and assurance process. It received assurance from the company's independent Technical Auditor (Mott MacDonald) that the company's performance information for 2020/21 is robust and that the resulting rewards or penalties have been correctly calculated.

The company's customer engagement activities during 2020/21 were mainly 'business as usual'. The restrictions of lockdown had a relatively minor impact as most of its planned research was due to be online in any case. The Group was happy with the engagement work undertaken and did not raise any material concerns with the methods used or the results obtained. WW is planning to commence its customer engagement for PR24 in the coming year.

The Group undertook an assessment of its own performance during PR19 and shared its findings with WW and Ofwat, together with the lessons learned and recommendations for improving the effectiveness of its work going forward.

The Group considered that it had met Ofwat's requirements on CCGs for the independent challenge and assurance of the company's 2020-2025 Business

Plan. It concluded it had adequate and appropriate representation within its membership to fulfil its role effectively on behalf of customers.

As a result of its review, the Group sees no need to alter its constitution but has made several recommendations to improve its effectiveness over the next five years. It has decided to change the name of the Partnership to the Wessex Water Customer Challenge Group to better reflect its duties and independence. The Group also developed new terms of reference which it has agreed with the company.

The Group looks forward to continuing to provide independent challenge to the company and assurance to the WW board to steer the direction of the company, particularly in terms of meeting the needs of customers, and supporting excellence in customer engagement and research.

1. Introduction

The independent Customer Challenge Group (CCG) for Wessex Water (WW) is known as the Wessex Water Customer Challenge Group (the Group). The Group was previously known as the Wessex Water Partnership, which was formed in January 2016.

The Group's roles are to:

- Monitor and report on WW's delivery of all aspects of the final PR19 regulatory settlement from the perspective of its customers, including scrutiny and assessment of delivery against its outcomes and measures of success
- Provide advice and challenge to WW on any proposal to share outperformance with customers over and above the requirements of the regulatory settlement
- Provide advice and challenge to the company policy areas such as customer engagement, customer service, affordability, vulnerability and tariffs
- Provide advice and challenge to the company on its preparation for the next Price Review and its business plan for 2025-2030, particularly to ensure customers' views feed into the business plan and to review and assess the company's approach to affordability and vulnerability

A description of the role of the Group together with its membership, governance, terms of reference, the minutes of its meetings and its previous annual report can be found on its website www.wessexwaterccg.co.uk.

The Group sets the agenda for each of its meetings and prepares and publishes the minutes and notes of each.

A glossary of terms used in this report is provided in Appendix 1.

Information on the economic regulation of the water industry in England and Wales including the setting of prices, is available on the regulator's website www.ofwat.gov.uk.

The purpose of this Report is to provide the WW Board and customers with the Group's opinion of the company's progress in delivering its current Performance Commitments in the first year of the 2020 to 2025 price control period - including the qualification and amounts of any rewards and/or penalties accrued this year as a result of its performance.

The Report also summarises the Group's review of WW's customer engagement activity during 2020/21 and the implementation of its affordability and vulnerability initiatives.

The Group also reviewed its performance during the last Price Review (PR19) and the findings of this are also included in this Report.

The Environment Agency (EA), as a member of the Group, supports the views expressed in this report. However, these views will not necessarily influence any subsequent position the EA takes as part of its ongoing statutory and regulatory duties associated with Wessex Water's environmental obligations.

2. The Group's membership and activities during the year

2.1 Membership

The Group was established, as the Wessex Water Partnership, in January 2016 with an independent chair and diverse membership representing various customer and stakeholder groups. A list of the Group members during 2020/21 is provided in Appendix 2.

The Chair of the Group was reappointed during 2020/21 following a rigorous recruitment process managed by an external agency. The interview panel included the MD of WW and senior representatives

from CCW and Citizens Advice. The reappointment lasts for five years.

The Group periodically reviews its membership to ensure it has adequate and appropriate representation to best fulfil its role on behalf of customers. No changes of membership occurred during the year.

The areas of focus and challenge of each of the current Group member organisations are as follows:

ORGANISATION	AREA OF FOCUS AND CHALLENGE
Consumer Council for Water	Interests of all water customers
Environment Agency	Environmental regulation and compliance
Citizens Advice Wiltshire	Customer service and vulnerability
Age UK South Gloucestershire	Interests of customers in later life
Money Advice Trust	Affordability and vulnerability
AdviceUK	Affordability and vulnerability
Wessex Water Catchment Panel	Environmental priorities and outcomes
University of Bath	Specialist knowledge on customer engagement
University of Bath	Interests of students and future customers

At its request, The Drinking Water Inspectorate (DWI) is a 'sleeping member' of the Group.

WW's Senior Independent Non-Executive Director acts as the liaison point with the WW Board and attended each meeting of the Group.

2.2 Sub-groups

The Group has been given adequate opportunity during 2020/21 to scrutinise and challenge the company's policies and performance as presented to it and the process has been open and transparent.

The Group's Customer Research Sub-Group (CRSG) has assisted and supported it in its review and challenge of WW's customer engagement and in the Group's reporting on this to Ofwat. The CRSG met virtually once this year, in January.

The Group utilised its Affordability and Vulnerability Sub-Group (AVSG), to look at the company's policies and the assistance it provides to customers who have difficulty with the affordability of bills. The AVSG met virtually twice, in October 2020 and in March 2021.

The Group's Performance Commitment and Investment Sub-Group (PCISG) did not meet during 2020/21. The review of company's PR19 Performance Commitments (PCs), service targets and Outcome Delivery Incentives (ODIs) was undertaken by the main Group during the year.

2.3 Meetings

The Group met three times during the year. The topics discussed were as follows:

GROUP MEETING 4 November 2020	GROUP MEETING 9 March 2021	GROUP MEETING 14 June 2021
Customer engagement update	The Group's terms of reference	COVID 19 update
WW's COVID 19 emergency grants	COVID 19 update	Customer engagement update
Mid-year performance update	Revisions to PC definitions	2021/22 PC and ODI performance
Indicative wholesale charges 2021/22	Support for customers in financial difficulty	CCW presentation
Information risks, strengths and weaknesses and Draft Assurance Plan	Customer engagement update	PR24 reform agenda
	Ofwat/CCW complaint handling report	
	West Country water resources	
	Drainage and wastewater management plans	

The meetings were video calls due to the ongoing COVID 19 pandemic.

In camera sessions were held before and after each meeting enabling the Group to discuss issues without the company being present.

Executive and non-executive directors of WW, along with other senior company staff attended the main Group meetings as presenters and/or observers.

The Chair attended meetings with Ofwat and other CCG chairs and informed members of the topics discussed and the outcomes.

The Chair of the WW Catchment Panel is a member of the Group, and this enabled the views of the Catchment Panel on environmental outcomes to be considered.

As in previous years, the Group has not attended meetings held between WW and its economic, water quality or environmental regulators. The EA representative on the Group alerted members of any material issues associated with WW meeting its statutory environmental obligations.

As in previous years the Group is grateful for WW's assistance in facilitating its meetings and in fulfilling its requests for information and access to key staff.

2.4 Challenges

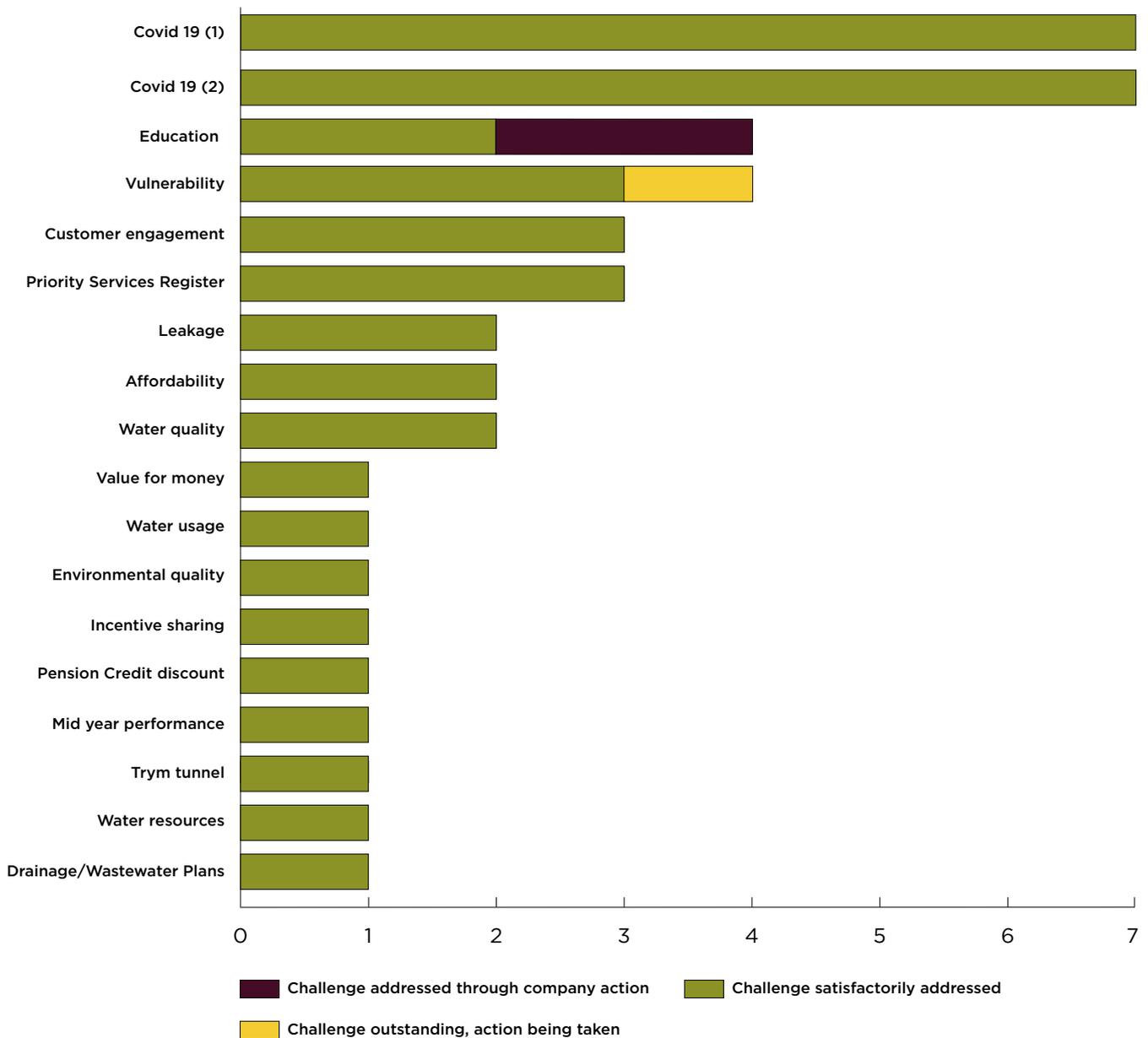
The Group continued to use its Challenge Diary process first established in 2016 to document the challenges, key questions and information requests made to WW and the company's responses. The Group and the company consider the challenge process to have been constructive and effective.

43 challenges and key questions were logged during this first year of AMP7.

The company's responses to the challenges and key questions were considered by the Group. This year

is the first in the new AMP cycle and so most issues concerned the Group seeking clarification on the company's activities and performance rather than challenges to policy. The vast majority of issues were addressed to the Group's satisfaction with only two resulting in the company amending its plans. One minor issue remains outstanding at the end of 2020/21 and the company is expecting to address it during the coming year.

The issues raised during 2020/21 were as follows:



2.5 Issues identified last year

Several areas of focus were identified last year and have been followed up with WW during 2020/21 including performance on:

- WW's ongoing customer engagement activities
 - Monitoring WW's performance against its PR19 commitments
 - The Information Assurance Plan update
 - The impact of COVID 19 on company operations, customer service and customer assistance with bills including the company's ability to meet its PR19 customer affordability/vulnerability promises and commitments
-

The company provided information on these topics which was scrutinised and challenged by the Group. The Group's comments on these topics are given in Section 3 and Appendix 3 of this Report.

The Group also reviewed its performance during PR19 and published its findings during 2020/21 including the lessons learned and recommendations for improving the effectiveness of its work. A summary of its findings is given in Section 3.5 of this Report.

3. The Group's findings

3.1 Reporting and assurance

As in previous years WW presented the Group with updates to its information reporting and assurance processes associated with its annual performance information, The company gave the Group members the opportunity to comment on its updated information Assurance Plan published in April 2021.

In May 2021, WW enabled the Group to review the findings of its external Technical Auditor's (Mott MacDonald) review of its current price control period (PR19) Performance Commitment reporting methodologies and its internal and external assurance processes. The Group's Report Writer met with WW and Mott MacDonald to discuss and challenge reporting processes, performance data and assurance.

The Chair and the Report Writer attended the WW Audit Committee on 28th June 2021 at which

the Technical Auditor presented its findings to the company and to which company provided its management response.

WW's Technical Auditor has confirmed that the company's reporting methodologies are sound, comply with regulators' requirements where appropriate and that actual performance, and incentive amounts, have been calculated on the same basis upon which the FD targets were set or where changes have been agreed with Ofwat.

Following its scrutiny and the assurance received, the Group is satisfied that the company's performance for 2020/21 has been robustly reported and that the resulting rewards or penalties have been correctly calculated.

3.2 PR19 Outcomes and Performance Commitments

3.2.1 Overview

A key role of the Group is the scrutiny and challenge on behalf of customers of WW's delivery each year against the eight strategic Outcomes and the 46 associated Performance Commitments (PCs) set out in the PR19 Final Determination. 2020/21 marked the first year of the new (PR19) price control. 38 of the 46 PCs have performance targets.

The company's Outcomes and associated PCs and incentives are described in detail in Appendix 3.

In addition to reviewing the company's performance in 2020/21, the Group wished to understand and

challenge the company's eligibility for any rewards earned or penalties incurred in the year.

Many of the PR19 PCs are new for the current AMP period. Some are carried over from the last period. The Group also reviewed how the performance achieved this year compared with the previous year where this was possible. The Group considered whether current levels of performance can be sustained, particularly whether there are any inherent or emerging risks, and the company's plans to address any performance shortfalls.

3.2.2 Impact of COVID 19

The restrictions on society caused the by COVID 19 pandemic had a significant impact on WW's ability to undertake its operations normally during 2020/21. Lockdown restrictions prevented it from having face to face contact with its customers and also meant many of WW's in-house working practices went online and were undertaken with staff working from home.

The Group was able to hold all its planned meetings with the company during the year, albeit online.

At each meeting, WW appraised the Group of the impact the pandemic was having on its operational activities, its customers, and its performance. The Group became aware of the challenges the company was facing at an early stage in the year and discussed examples where WW made changes to operational processes, short and long term, to deal with the restrictions caused by the pandemic. These included a rapid transfer of staff, including call centre agents, to home working and the introduction of social distancing measures in order to keep all operational sites running.

The Group was able to assure itself throughout the period that WW was taking reasonable steps mitigate the impact of the restrictions and to provide the best possible customer service in the circumstances.

Despite the company's efforts, performance on six of its PCs were directly impacted by the pandemic and

the associated targets were missed. The company's capital investment programme and its performance on the Water Industry National Environment Programme (WINEP) were also affected. Some of these impacts will continue to influence performance in 2021/22, and possibly beyond.

3.2.3 PC performance in 2020/21

The Group's detailed views on the company's performance in 2020/21 are given in Appendix 3, together with the challenges it made to WW as part of its review.

The Group notes that WW experienced a combination of significant issues during 2020/21 including unusual weather conditions, Brexit and the COVID 19 pandemic. It considers that the some of these issues are likely to be long term and reflect a 'new normal'. The Group has been keen to understand how WW is dealing with these risks and was pleased to learn that the company is monitoring and responding to those that are within its control.

The Group's PC and investment sub-group will be reviewing WW's performance in more detail later in the current year including the company's responses to the risks it is facing.

In 2020/21 WW met or exceeded 21 out of its 38 performance targets and has accrued a total outperformance reward as a result totalling around £3 million for the year.

The Group has recognised the good performance against the key customer service metrics C-Mex and D-Mex, on water supply interruptions, leakage reduction, water treatment outage, reductions in abstraction under the AIM and lower-than-target internal sewage flooding.

The company has explained to the Group the reasons why 17 PC targets were missed in 2020/21. Six were impacted by the pandemic restrictions as follows:

- Successful applications for assistance received by third parties
- Number of children/students engaged
- Per capita consumption (also impacted by the hot weather)
- Volume of water saved through water efficiency management
- Tackling water quality at home and in the workplace
- Lead communication pipes replaced

The following three PCs were affected by adverse weather:

- External sewage flooding
- Sewer flooding risk
- Wastewater pollution incidents

The Group accepts the link between these external factors and the associated PCs .

It challenged the company over its response to the extreme weather events, both wet and dry. It questioned if there is a point at which WW expects such events to happen more frequently (as a result of climate change) and whether the company's underlying assumptions on business as usual should be changed. It was pleased to learn that the company accepts that return periods of extreme weather are getting shorter and that it is responding through different tactical and operational measures and through adopting new asset management assumptions. More strategic issues are also being reviewed. It also accepts that, while the weather and climate change are factors affecting performance, the company is expected to manage such variabilities. WW confirmed to the Group that it is focused on continually improving its resilience and contingency plans to limit their impact.

The Group also challenged the company over the effectiveness of its five-year pollution reduction plan given that the number of pollution incidents exceeded the target. The company acknowledged that it hasn't yet seen the benefits from its pollution reduction plan. It informed the Group that it is looking again at its strategy, including greater use of technology solutions. It expects to see reductions in future. The company accepts it has a lot to do to meet its pollution reduction targets. Its ambition to achieve zero pollutions remains in place. The Group recognises the innovation in the company's pollution reduction plan.

The Group is satisfied that the company took reasonable steps to mitigate the effect of the external pressures it experienced during the year. It will closely monitor progress against the PCs affected and compare WW's performance against others in the industry during the current year.

The company also struggled to meet the PC targets associated with the 'Excellent drinking water quality' outcome and some aspects associated with increasing the numbers of customers on its Priority Services Register.

WW explained the reasons for the underperformances. The Group has discussed and challenged these and is encouraged by the company's intention and planning to meet its future targets.

The company incurred a total penalty of nearly £4m because of its performance shortfalls in 2020/21.

WW is requesting that Ofwat revise the definitions of four of the FD19 PCs due to errors in the original

definitions or changes in circumstance beyond the company's control. It considers the revisions are necessary for it to be able to meet the associated FD performance targets.

The Group reviewed the proposed revisions on behalf of customers. It raised several challenges relating to levels of service, the effectiveness of alternative delivery methods and the boundaries of the company's control. All the challenges were addressed satisfactorily by WW. As a result, the Group was able to support the revisions as being based on fact and/or being in line with the original intentions of the commitments which the Group approved as being reflective of customers' preferences expressed through the research undertaken for PR19.

3.3 Customer engagement

3.3.1 Overview

Ofwat's requirement of Customer Challenge Groups for the PR19 submissions was to provide independent challenge and assurance on the quality of company's customer engagement and the extent to which this drove decision making and was reflected in WW PR19 Business Plan.

The Group reported its findings and opinions to Ofwat on the Business Plan when it was submitted in September 2018.¹ This report is available on the Group's website www.wessexwaterccg.co.uk.

The Group continued its work reviewing WW's customer engagement activities and results during 2020/21. The activities reviewed included:

- The Wessex Water Image Tracking Survey
- Young People's Panel
- Online Have Your Say Panel
- A new customer digital tool - GetWaterFit
- A new feedback journey - using Microsoft Dynamics Customer Voice
- Pension Credit discount research
- The emerging customer engagement strategy for PR24
- The planning for the Strategic Direction research

3.3.2 Impact of COVID 19

WW kept the Group informed throughout 2020/21 of the impacts of the COVID 19 restrictions on its customer engagement activities. The lockdown restrictions meant that the company undertook its

research online. As most of its planned research was due to be online, the pandemic had a relatively minor impact during 2020/21.

¹ Wessex Water Group: Assurance Report on Wessex Water's 2020 - 2025 Business Plan. September 2018.

3.3.3 Findings

The customer engagement undertaken during 2020/21 was mainly 'business as usual' activities. While the Group reviewed and challenged the engagement methodologies and results, it was content with these and did not raise any material issues.

WW's early planning for the engagement for the next Price Review commenced during the year. The company kept the Group informed of this. The Group

will review and challenge this work during the coming year when the details will emerge. At the end of 2020/21 all parties were awaiting the publication of Ofwat's PR24 methodology in May 2021.

The first task will be to review the company's engagement methodology for its new Strategic Direction statement.

3.3.4 The Group's response to Ofwat's proposals for future customer engagement

In late 2020 Ofwat published its discussion paper entitled 'Ofwat PR24 and beyond: Reflecting customer preferences in future price reviews'. In this it set out its proposed goals for customer engagement at future price reviews and the use of national as well as local research to inform companies' future plans.

The Group reviewed the proposals and responded to Ofwat in January 2021. It also discussed the proposals with WW, who shared its response to Ofwat with the Group.

The Group broadly supported Ofwat's proposed goals for customer engagement at future price reviews and the principle to use nationwide research for common areas of water company performance. For reference, its views on specific aspects of Ofwat's discussion points and its detailed responses to Ofwat's questions are given in Appendix 4 to this report.

At the end of 2020/21, the industry was awaiting Ofwat's publication of its PR24 methodology, due in May 2021.

3.4 Affordability and vulnerability

3.4.1 Overview

The Group's Affordability and Vulnerability Sub-Group met in October 2020 and March 2021. As well as its usual focus on the company's various customer assistance schemes, the Sub-Group reviewed and challenged WW's associated response to the financial pressures and hardship to customers caused by the COVID 19 pandemic. The Sub-Group reported its findings to the main Group.

The scope of the Sub-Group's review included:

- WW's 2020/21 customer assistance initiatives and

- revisions to these arising from the pandemic
- Social tariff performance
- Pension Credit discount and the findings from the Pension Credit discount research
- The growth of Priority Services
- Defra consultation on a national social tariff
- Assist - the version for those struggling as a result of COVID 19
- The WW Foundation and Recovery Fund
- The WW Communities Fund

3.4.2 Impact of COVID 19

The company kept the Group and its AVSG informed throughout 2020/21 of the impacts of the COVID 19 restrictions on its customer assistance schemes. The lockdown restrictions meant that the company was unable to interact with its customers face-to-face and so had to move to digital contact.

WW's response to the pandemic has included:

- Providing payment breaks, implementing, additional flexible payment plans and a £50 rebate to around 14,500 NHS frontline workers
- Promoting alternative ways to pay bills without leaving home
- Stopping all new court claims and encouraging financially vulnerable customers to contact the company for help
- Excluding those who may be in vulnerable circumstances and those who have contacted the company to explain their current situation and are now seeking additional support from court claims on pre-COVID debt
- Working with key stakeholders on a recovery strategy and establishing a Recovery Fund via the Wessex Water Foundation from October 2020 to benefit people hit hardest by COVID
- Anticipating and planning for an uplift in customers needing temporary support through flexible plans or lower value payment plans, for example those made redundant, furloughed on reduced income, self-employed with loss of earnings
- Offering the Assist tariff for a temporary period with slightly relaxed rules
- Partnering with Age UK and BANES to provide and deliver 6,500 hot lunches to vulnerable elderly people self-isolating in and around Bath.
- Supporting WW staff to volunteer in their communities during the lockdown period.
- Providing funding to local emergency appeals within the four community foundations to support local groups responding to the COVID crisis

3.4.3 Findings

The Group welcomed the measures introduced by the company to help customers during the pandemic. It was pleased to see the introduction of payment breaks for customers who have been struggling with their bills, easier ways for customer who traditionally use cash to make their payments, and the assistance measures provided through the Wessex Water Foundation. It particularly welcomed the provision of refunds for NHS staff to cover their additional usage.

The Group debated several issues with WW concerning the pandemic, the company's response to it and other aspects of its vulnerability and affordability strategies. These included:

- The importance of looking ahead as the Group believes the impact of the pandemic, particularly that debt advice will be required well into 2021/22. The future economic outlook is uncertain and this, combined with the end of the furlough scheme and forbearance by financial institutions, may be difficult for many people.
- The consideration of customers that are not being reached during the pandemic and to consider the impact of the shift from face to face to digital contact, how to reach people who are not computer literate and to have 'authorised' conversations with them.
- The slow growth in the company's Pension Credit Discount and possible ways to increase take up.
- The prospect and appropriateness of a social tariff system at national level.
- The reasons for the relatively slow take up of the COVID version of WW's Assist tariff including awareness, qualification barriers and difficulties in identifying those customers who had been impacted by the pandemic
- The progress of data sharing with other utilities to help increase numbers on the Priority Services Register
- The monitoring of success of the initiatives in the vulnerability strategy
- The possibility to extend the iLearn facility used for staff training to WW's partners.

The Group was pleased to learn that the company was aware of these issues and that it was taking active steps to address them. It will monitor progress during the coming year.

3.5 The Group's review of its activities during PR19 and its future role

In September 2020 the Group, then known as the Wessex Water Partnership (the Partnership), reviewed the work it undertook during the 2015-2020 Asset Management Period (AMP6) in order to identify opportunities to increase its effectiveness in AMP7 and for the next Price Review.

It reported its findings to the company and to Ofwat at that time. The headline points and recommendations arising from the review were:

- The Partnership considered that it fulfilled Ofwat's requirements on CCGs for the independent review and challenge of the company's 2020-2025 Business Plan.
- The Partnership concluded it had adequate and appropriate representation to fulfil its role on behalf of customers.
- While it does not see the need for major change to its constitution, the Partnership identified the need for an additional sub-group to focus on the detail of the company's performance in AMP7 to allow it to concentrate on more strategic issues.
- The Partnership developed a list of the skills and knowledge that, in an ideal world, a CCG should possess. It suggested that an audit is undertaken of the current membership's skills to identify where its strengths lie, where gaps exist and how these might be filled. It has also recommended some modifications to the tenure of its members.
- The Partnership's meeting processes proved to be effective and enabled it to carry out its duties, both in performance monitoring and the scrutiny of the business plan, and to maintain its independence.
- A number of minor improvements to meeting protocols and interactions with the company were identified to further increase the effectiveness of the Partnership's challenge in AMP7.
- It also suggested an annual meeting be held with the company's non-executive directors to facilitate more proactive engagement with the Partnership.
- A review of the Partnership's interaction with

the WW Catchment Panel was recommended to strengthen the link between the company's environmental protection and improvement plans and obligations and its customers' views on these.

- The Partnership also wished to clarify its role in the implementation of the company's Community Foundation, particularly in the review and challenge of the financial support provided by it.
- While it considered its review and challenges were robust and effective, the Partnership wishes to have earlier involvement in the company's customer engagement plan for PR24.
- The Partnership would also like to consider the potential for it to have future direct engagement with customers.
- The Partnership wishes to discuss and challenge in more detail the stretch included in the company's performance targets for AMP7.

One early change arising from the review was to change the name of the Partnership to the Wessex Water Customer Challenge Group to better reflect its duties and independence.

The Group also developed new terms of reference which it has agreed with the company.

At the time of publication of this report, Ofwat has signalled that it does not require the work of CCGs to assist it at the next Price Review. It is looking to companies to obtain independent assurance of its local customer engagement activities. Ofwat is currently consulting on these issues.

In the light of Ofwat's proposals, the Group has commenced discussions with WW on how it can continue to provide independent assurance to the WW board to steer the direction of the company, particularly in terms of meeting the needs of customers, and supporting excellence in customer engagement and research.

4. The Group's focus for 2021/22

The Group's general areas of focus and challenge for 2020/21 will include:

- WW's ongoing customer engagement activities
- Monitoring WW's performance against its PR19 commitments, particularly those where targets were missed this year
- The Information Assurance Plan update
- The ongoing impact of COVID 19 on company operations, customer service and customer

assistance with bills. This will also include the ability of WW to meet its PR19 and customer affordability/vulnerability promises and commitments.

The Group will also aim to implement the findings of its review of its effectiveness and will be discussing with WW how it can further improve the value it delivers through its independent challenge on behalf of customers.

5. Conclusions

5.1 Performance in 2020/21 against PCs

The Group had the opportunity to review and challenge the company's information reporting and assurance regime. It received assurance from the company's independent Technical Auditor that the company's performance information for 2020/21 is robust and that the resulting rewards or penalties have been correctly calculated.

The Group has reviewed and challenged WW's performance against its Commitments for 2020/21, the first year of the new price control period (AMP7).

2020/21 posed several external challenges for the water sector. These included the COVID 19 pandemic, dealing with the impact of Brexit and occasional adverse weather.

For WW the effect of Brexit was felt mainly on its procurement activities and its capital investment programme (including the WINEP).

The COVID 19 pandemic significantly impacted both customers and the company's performance against some of its PCs. The weather conditions also affected some others. The Group has focused on these two impacts in its review and challenge.

In 2020/21 WW met or exceeded 21 out of its 38 performance targets and has accrued a total outperformance reward as a result totalling around £3m million for the year.

The Group was pleased to see the good performance against the Ofwat-reported key customer service metrics C-Mex and D-Mex, on water supply interruption duration, leakage reduction, water treatment outage, reductions in abstraction under the AIM and lower-than-target internal sewage flooding.

The company has explained to the Group the reasons why 17 PC targets were missed in 2020/21.

Six were impacted by the pandemic restrictions, mainly those associated with face-to-face contact with

customers. The weather conditions affected three PCs concerned with sewer flooding and pollution incidents.

The Group accepts the link between these external factors and the associated PCs, and it is satisfied that the company took reasonable steps to mitigate the effect of them.

It challenged the company's plans to deal with extreme weather given that such events are becoming increasingly common. It was pleased to learn that WW is actively planning to deal with this threat through adopting different tactical and operational measures and new asset management assumptions. The Group welcomes the company's continuing focus on improving its resilience and contingency plans.

The Group noted that the company's pollution incidents reduction plan has yet to deliver the expected benefits. The company accepts that it has more to do to reach its ambition of zero pollutions. The Group welcomed the use of innovation solutions in its plans to achieve this and will monitor progress during the coming year.

The company also struggled to meet the PC targets associated with the 'Excellent drinking water quality' outcome and aspects associated with increasing the numbers of customers on its Priority Services Register. WW explained the reasons for these underperformances. The Group has discussed and challenged these. It understands them and is encouraged by the company's intention and planning to meet its future targets. The Group will continue monitor WW's progress during the coming year.

The company incurred a total penalty of nearly £4m because of its performance shortfalls in 2020/21.

WW is requesting that Ofwat revise the definitions of four of the FD19 PCs due to errors in the original definitions or changes in circumstance beyond the company's control. The Group has reviewed and challenged the proposed revisions on behalf of customers and has supported them on this basis.

5.2 Customer engagement

The Group continued its work from previous years reviewing WW's customer engagement activities and results during 2020/21.

The customer engagement undertaken by the company during 2020/21 was mainly 'business as usual' activity. The lockdown restrictions meant that the company undertook its research online. The pandemic had a relatively minor impact as most of its planned research was due to be online.

The Group was content with the engagement work undertaken and did not raise any material issues.

WW's early planning for the engagement for the next Price Review commenced during the year. The company kept the Group informed of this. The Group will review and challenge this work during the coming year when the details will emerge.

The Group responded to Ofwat's proposals for customer engagement in PR24. It broadly supported Ofwat's proposed goals for such engagement at future price reviews and the principle to use nationwide research for common areas of water company performance.

5.3 Affordability and vulnerability

The company kept the Group informed throughout 2020/21 of the impacts of the COVID 19 pandemic on its customer assistance schemes and its responses to the financial pressures and hardship suffered by its customers. The lockdown restrictions meant that the company was unable to interact with its customers face-to-face and so had to move to digital contact.

The Group reviewed and challenged WW's responses to the pandemic and the resulting benefits to customers. It welcomed the assistance measures introduced by the company. It was pleased to see payment breaks for customers who have been struggling with their bills, easier ways for customer who traditionally use

cash to make their payments, the provision of refunds for NHS staff to cover their additional usage and the assistance measures provided through the Wessex Water Foundation.

The Group debated several issues with WW concerning the pandemic, the company's response to it and other aspects of its vulnerability and affordability strategies. It was pleased to learn that the company was already aware and working on many of them.

The pandemic continues into 2021/22 and the Group will monitor the company's response to it and the impact on affordability and vulnerability accordingly.

5.4 Review of the Group's activities and its future role

The Group undertook a review of its performance during PR19 and shared its findings, together with the lessons learned and recommendations for improving the effectiveness of its work, with WW and Ofwat.

The Group considered that it fulfilled Ofwat's requirements on CCGs for the independent review and challenge of the company's 2020-2025 Business Plan. It also concluded it had adequate and appropriate representation to fulfil its role on behalf of customers. It does not see the need to alter its constitution.

Several recommendations have been made associated with the Group's skill base, the increased use of sub-groups, minor improvements to meeting protocols and interactions, more direct contact with the company's non-executive directors the potential for the Group to have future direct engagement with customers.

One early change arising from the review was to change the name of the Partnership to the Wessex Water Customer Challenge Group to better reflect its duties and independence. The Group also developed new terms of reference which it has agreed with the company.

At the time of publication of this report, Ofwat's has signalled that it does not require the assistance of CCGs in its work for the next Price Review. It is consulting stakeholders on this.

The Group has commenced discussions with WW on how it can continue to provide independent assurance to the WW board to steer the direction of the company, particularly in terms of meeting the needs of customers, and supporting excellence in customer engagement and research.

Appendices

Appendix 1: Glossary

AIM	Abstraction Incentive Mechanism
AMP6 and AMP7	Asset Management Plan periods 6 (2015 – 2020) and 7 (2020 – 2025)
BANES	Bath and North East Somerset Council
BAP	Biodiversity Action Plan
Caps and Collars	Upper and lower limits of performance beyond which no financial incentive applies
CCG	Customer Challenge Group
CCW	The Consumer Council for Water
CSO	Combined Sewer Overflow
Deadband	A range either side of the performance target within which no financial incentive applies
DWI	Drinking Water Inspectorate
EA	The Environment Agency
FD19	Final Determination (Ofwat December 2019)
kgCO2e/tonne	Kilogrammes of carbon dioxide equivalent per tonne
MI/a	Megalitres per annum
MI/d	Megalitres per day
OBR	Office of Budget Responsibility
ONS	Office of National Statistics
ODI	Outcome Delivery Incentive. Delivery of each Performance Commitment was assigned a financial or reputational incentive by Ofwat in the Final Determination
Ofwat	Water Services Regulation Authority - The economic regulator of the water sector in England and Wales
Outcome	Nine strategic outcomes for customers, derived from WW's customer engagement, and defined in its Strategic Direction Statement (SDS) published in 2012
Performance Commitment	Performance measures supporting the Outcomes. The levels of performance (targets) were set by Ofwat in the PR19 Final Determination
PR14	Price Review 2014
PR19	Price Review 2019
PSR	Priority Services Register
WaSC	Water and Sewerage Company
WINEP	Water Industry National Environment Plan
WRMP	Water Resources Management Plan
WW	Wessex Water

For information on the economic regulation of the water industry in England and Wales including the setting of prices, the reader is directed to the regulator's website www.ofwat.gov.uk.

Appendix 2: Group members 2020/21

Dan Rogerson	Chair
Richard Cresswell	Chair of WW Catchment Panel
Michael Barnes	CCW
Mike Short	CCW
Kevin Ward	Environment Agency
Ian Walker	University of Bath
Martin Green	Age UK South Gloucestershire
David Hawkes	AdviceUK
Matthew Vaughan Wilson	The Money Advice Trust
Sarah Cardy	Citizens Advice
Jeremy Hawkins (Report Writer)	Creoda Consulting

Appendix 3: Detailed commentaries on Wessex Water’s performance in 2020/21 against its PR19 Final Determination Outcomes and associated Performance Commitments

Background

One of the key roles of the Group is to scrutinise and challenge WW’s delivery each year against the strategic Outcomes and associated Performance Commitments (PCs) set out in the 2019 Final Determination and the resulting impact on customers. The Outcomes were defined by the company in 2017 from its customer engagement and are:

- Affordable bills
- Excellent service for customers
- Better relationships with customers and communities
- Efficient use of water
- Excellent drinking water quality
- Minimise sewer flooding
- Resilient services
- Protecting and enhancing the environment

There are one or more PCs for each Outcome. Some Outcomes are common across the industry and other are bespoke to WW. Ofwat’s Final Determination includes targets for most PCs for each of the five years between 2020/21 and 2024/25 in the Price Control period. The performance against each Commitment is measured and reported each year by the company. Delivery of each PC was assigned a financial or reputational incentive in the Final Determination. These are known as Outcome Delivery Incentives (ODIs). The financial incentives may be rewards or penalties or penalty only. In many cases limits on rewards and penalties (caps and collars) and neutral zones (deadbands) were also set in the Final Determination.

Commentaries on WW’s achievements in 2020/21 against its PR19 Performance Commitments

Outcome: Affordable bills

A1 – BILL REDUCTION TO CUSTOMERS ON SOCIAL TARIFFS (£ total per year)		
TARGET 20/21 61,767	ACTUAL 20/21 56,562	PREVIOUS YEAR N/A

This is a PC bespoke to WW.

WW fell short of the target of a total bill reduction £61,767 to customers on social tariffs of by some £5,000. The incentive is financial and WW’s performance in the year resulted in a penalty of £68,000. The target for 2024/25 is a bill reduction of £87,229 for that year.

WW informed the Group that it is unable to deliver the original level of bill reduction because the Final Determination created a lower starting base. It has requested that Ofwat make change to the PC definition in the light of this. WW considers it would have met the target against the revised definition.

The Group has discussed the change of definition with the company. While it agreed with the change in

principle it wanted to be sure customers would see the same level of service. WW provided this assurance as its original affordability and vulnerability strategy would still apply.

The Group accepted the proposed change to the PC definition as it aligns with the original intentions of the commitment which the Group approved as being reflective of customers’ preferences expressed through the research undertaken for PR19.

The Group notes that, even with the proposed change of definition, the company has a stretching target to meet for this PC. It will monitor the company’s progress during the coming year.

A2 – SUCCESSFUL APPLICATIONS FOR FINANCIAL ASSISTANCE (nr per year)

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
2,300	1,614	N/A

This is a PC bespoke to WW.

WW missed the target of 2,300 successful applications for financial assistance by some 700 (around 30%).

The incentive is reputational. The target for 2024/25 remains at 2,300 per year.

The company cites pandemic-related factors as having a major influence on its performance against this PC in 2020/21. These include the closure of debt advice

agencies' face to face support and customers being offered wider support mechanisms such as mortgage repayment holidays.

WW's Technical Assurer informed the Group that the reporting methodology associated with this PC, while cumbersome, produces reliable and accurate data. Proposed IT system changes should result in a more efficient data reporting process in future.

A3 – VOID SITES (% of households)

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
2.00	1.83	N/A

This PC is bespoke to WW.

WW performed well against this PC in 2020/21, with 1.83% of households classed as void against a target of 2%. The incentive is financial, and WW's performance earned it an out-performance payment of £328,000. The target in 2024/25 remains at 2 sites.

The Group notes the company's additional operational practices, better use of data searches and data sharing with Bournemouth Water to identify reduce void sites.

The most recent version covers 2018/19 and was published in July 2019. Performance in 2020 is yet to be published by CCW. WW compares favourably with the other water and sewerage companies and its value for money rankings for both water and sewerage services are above average.

The Partnership welcomes the company's improved performance against this indicator in 2019/20 particularly as value for money will also be a Performance Commitment in the next AMP period.

A4 – GAP SITES (nr)

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
112	113	N/A

This is a PC bespoke to WW.

WW outperformed this commitment on 2020/21 by one site. The incentive is financial, and WW's

performance resulted in an out-performance payment of £145. The target in 2024/25 remains at 112 sites.

Outcome: Excellent service for customers

X1 – C-MEX CUSTOMER SATISFACTION

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
0	86.09	N/A

This PC is common across the industry.

WW achieved an overall C-Mex customer satisfaction score of 86.09 (score out of 100) for C-Mex for 2020/21.

This is composite of performance from external surveys of:

- three components of customer service; billing (86.79%), water (87.39%) and wastewater (86.10%), and
- customer experience (85.41%).

Ofwat will confirm WW's comparative industry performance in due course, but WW is confident this score will rank them first out of the water and sewerage companies and second against all companies.

While it is not possible to directly compare this year's C-Mex score with last year's (from the company's shadow reporting of the measure), the Group welcomes the company's performance against this key customer service metric and its high industry ranking.

X2 – D-MEX DEVELOPER EXPERIENCE SCORE

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
0	89.47	N/A

This is a common PC across the industry.

WW's score for D-Mex in 2020/21 is 89.47 (out of 100) which places it in the industry upper quartile.

As with C-Mex, it is not possible to directly compare

this year's D-Mex score with last year's (from the company's shadow reporting of the measure). However, the Group notes WW's efforts to maximise its D-Mex score and welcomes its probable upper quartile performance.

X3 – CUSTOMERS RATING WW AS GOOD VALUE FOR MONEY (%)

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
77	78	74

This PC is bespoke to WW.

78% of WW's customers rated WW's services to be good value for money in 2020/21 against a target of 77%. The incentive is reputational. The target in 2024/25 is 84%.

The Group welcomes the company's improved performance against this PC from the previous year.

Outcome: Better relationships with customers and communities

C1 - % CUSTOMERS ON THE PRIORITY SERVICES REGISTER

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
2.8	2.5	N/A

This PC is common across the industry.

WW fell short of its target for 2020/21 by 0.3%. The incentive is reputational. The target for 2024/24 is 7%.

The company kept the Group informed of its progress against this PC during the year. It highlighted the

ongoing delay to the national data share and the resulting impact this was having on its performance. The Challenge Group noted that WW doubled the numbers of customers on its PSR during 2020/21. It will monitor the company's performance during the coming year.

C1 - % OF PSR ATTEMPTED CONTACT IN 2 YEARS

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
45	49.4	N/A

This is a common PC across the industry. The incentive is reputational. The target for 2024/24 is 90%.

WW exceeded its target for attempted PSR contacts in the last two years by some 10%.

C1 - % OF PSR MADE CONTACT WITHIN 2 YEARS

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
17.5	35.7	N/A

This PC is common across the industry. The incentive is reputational.

The well exceeded its target for 2020/21 for actual PSR contacts in the last two years. The target for 2024/24 is 35%.

C2 - COMPLIANCE WITH BS18477 INCLUSIVE SERVICES

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
Maintain	Maintained	Maintained

This is a PC bespoke to WW. The incentive is reputational.

The Group is pleased to note that WW maintained its compliance with BS18477. The target for the rest of the AMP period is to maintain compliance.

C3 - EDUCATION SERVICE PUPILS ENGAGED (nr)

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
24,370	1,344	N/A

This PC is bespoke to WW.

The restrictions caused by the COVID pandemic, particularly the closure of schools and limits on face-to-face contact, meant that WW fell significantly short of its target for 2020/21. The incentive is financial and the company incurred a penalty of £92,000 as a result of its performance. The target in 2024/25 remains at 24,370 pupils engaged per annum

Change of definition being sought by WW.

The Group notes that WW is proposing to Ofwat that the definition of this PC should be extended to include online delivery of educational material and increased size of groups engaged. The company believes that online delivery offers an equal or better service offering and should continue after the COVID pandemic.

The Group has discussed the change of definition with the company. It raised questions over how engaged people will be through online content in larger classes

and how engagement can be measured. Active engagement will be needed rather than just online broadcasts. It also suggested the revised definition should state that the online delivery will be aimed mainly at primary schools.

The company provided assurance that it been talking to schools to ensure pupils can be engaged effectively and that it obtains feedback from teachers on this. WW informed the Group that it has done considerably more work on online delivery than it would have done without the pandemic and that its time and resources assigned to education have been the same as originally envisaged.

The Group members agreed that, subject to the inclusion of the additional words on school-based delivery, the revised definition is in line with the original intentions of the PC which the Group approved as being reflective of customers' preferences expressed through the research undertaken for PR19.

Outcome: Efficient use of water

W1 - LEAKAGE (% reduction on baseline)

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
1.6	5.2	N/A

This PC is common across the industry.

WW significantly outperformed its leakage target in 2020/21 by achieving a 5.2 % reduction in baseline leakage against a target of 1.6%. The incentive is financial, and WW earned an outperformance payment of £572,000 as a result of its achievement in 2020/21. The target for 2024/25 is a 12.8% reduction from the baseline.

WW's increasing acoustic logger programme, leakage detection resources, pressure reduction and asset optimisation contributed to the good performance. The weather during the year also had a benefit.

The Group notes that the company's increased leakage reduction activity has meant that the number of reported mains repairs (a separate PC) has increased, resulting in a financial penalty being incurred.

W2 – PER CAPITA CONSUMPTION (% drop on baseline)

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
0.1	-3.8	N/A

This is a common PC across the industry.

Per capita consumption in WW's supply area increased by 3.8% in 2021/21. The target for the year was a decrease of 0.1%. The incentive is financial, and the company incurred a penalty of £702,000 as a result of its performance in the year. The target for 2024/25 is a 0.9% reduction in consumption from the FD baseline.

The Group notes the impacts of the pandemic and the hot summer of 2020 on per capita consumption and is aware of similar impacts on other companies' figures. It also notes a corresponding decrease in non-household consumption. The prospect of more permanent hybrid working arrangements is real and the Group sees merit in having an overall performance measure relating to water use.

W3 – CUSTOMER REPORTED LEAKS FIXED IN A DAY (%)

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
90	92	N/A

This is a PC bespoke to WW.

WW fixed 92% of customer reported leaks in a day in 2020/21 against a target of 90%. The incentive is financial and the company earned an out-performance payment of £126,000 as a result of its good performance. The target in 2024/25 remains at 90%.

The Group notes that WW seeking a change of definition to this PC from Ofwat. The company considers the current target to be unachievable without the reintroduction of exclusions used at PR14 such as severity of leaks, significant road closures, inaccessible locations, land entry agreements, etc.

The Group agrees such exceptions are outside the company's control and can have a material difference on performance. It questioned whether their inclusion is in the best interests of customers given that the resulting any annual penalty incurred by WW would ultimately go back to customers. However, it agrees that, if the definition doesn't change, WW has no incentive to fix leaks or attempt to achieve the target.

The Group agreed that the revised definition is in line with the original intentions of the PC which the Group approved as being reflective of customers' preferences expressed through the research undertaken for PR19.

W4 – WATER SAVED BY WATER EFFICIENCY (MI/d)

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
1.0	0.7	N/A

This is a PC bespoke to WW.

The water saved through water efficiency measures in 2020/21 was 0.7 MI/d against a target of 1 MI/d. The incentive is reputational. The target for 2024/25 is 5 MI/d.

The Group notes that WW was unable to deliver its planned home water efficiency audit programme due

to the COVID restrictions. Its lead pipe replacement plans were similarly affected.

WW has informed the Group that it has reprofiled its programmes and is planning enhanced water efficiency promotional activities in order to catch up performance in the future. The Group will monitor the progress of these.

Outcome: Excellent drinking water quality

Q1 – WATER QUALITY COMPLIANCE SCORE (CRI)

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
0.00	1.61	N/A

This PC is common across the industry.

WW achieved a CRI score of 1.61 which meant it did not meet the target of zero. While the incentive is financial, the performance achieved fell within the incentive deadband so no penalty was incurred. The target for 2024/25 remains at zero.

WW attributes the performance shortfall to failures at some water treatment centres. The company told the Group considers such failures reflect normal variability in performance rather than an increasing trend, and that it has a continuous improvement programme to minimise the risk of such failures. The Group accepted this explanation.

Q2- WATER QUALITY CUSTOMER CONTACTS (nr/1000 pop)*

TARGET 2020	ACTUAL 2020	PREVIOUS YEAR
1.31	1.44	N/A

This is a PC bespoke to WW.

Water quality customer contacts in 2020 were 1.44 per thousand population, exceeding the target of 1.31. The associated incentive is financial, and WW incurred a penalty of £78,000 because of its performance. The target for 2024 is 0.93 per thousand population.

The Group notes that the number of contacts in 2020/21 was around 10% less than the year before.

It accepts that the performance against this PC can suffer significant volatility between one year and another. WW is in discussions with DWI over a cost-effective discoloration strategy and other programmes to improve performance against this PC. The company informed the Group that changes to some water treatment operational practices and some asset configurations made in 2020/21 appear to be having a beneficial impact.

Q3 – TACKLING WATER QUALITY IN HOMES/WORKPLACES *

TARGET 2020	ACTUAL 2020	PREVIOUS YEAR
18,297	9,739	N/A

This Performance Commitment is bespoke to WW.

Performance against this PC has been impacted by the COVID restrictions preventing water quality audits inside properties. WW was able to make 9,739 visits in 2020 against a target of 18,297. The incentive is financial, and the company incurred a penalty of £111,000 because of its performance. The target for 2024 remains at 18,297.

The company informed the Group that at the time of this report, water quality sampling in homes had only recently gone back to normal levels. As a result, the company will find meeting this year's target even more challenging.

Q4 - LEAD SERVICE PIPES REPLACED (nr/year)*

TARGET 2020	ACTUAL 2020	PREVIOUS YEAR
1,160	944	N/A

This is a PC bespoke to WW.

WW replaced 944 lead service pipes in 2020 against a target of 1,160. The incentive is financial and a penalty of £130,000 was incurred as a result. The target for 2024 is 2,210 replacements.

COVID restrictions during 2020/21 prevented the company from replacing as many lead service pipes as planned. WW informed the Group that it intends to make up the shortfall by the end of 2021/22. The Group will monitor the company's progress during the year.

Q5 - EVENT RISK INDEX SCORE (ERI)*

TARGET 2020	ACTUAL 2020	PREVIOUS YEAR
12.800	16.766	N/A

This Performance Commitment is bespoke to WW.

WW's Event Risk Index score for 2020 was 16.766, against a target of 12.800. The incentive is reputational. The ERI target for 2024 remains at 12.800.

The Group notes that, while the company secured a good ERI score compared to 2019/20, the score for 2020/21 was impacted significantly by the duration of a near miss event at one site. There were also other minor events elsewhere on the supply network.

Outcome: Minimise sewer flooding

F1 - SEWER FLOODING INCIDENTS INTERNAL (nr/10,000 sewer connections)

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
1.68	1.41	N/A

This is a common PC across the industry.

1.41 internal sewer flooding incidents per 10,000 sewer connections were recorded in 2020/21 against a target of 1.68. The incentive is financial, and WW earned an out-performance payment of £1.536m as a result. The target for 2024/25 is 1.34.

The company has explained to Group the weather events in 2020/21 that impacted sewer flooding. These

included heavy rainfall in early 2020 causing ground saturation at the start of the performance period, followed by further intense rainstorms later in the reporting year. Despite these events, performance against this internal flooding PC was better than target.

WW's Technical Assurer has confirmed that the reported flooding data is reliable and can be linked to the rain events.

F2 – SEWER FLOODING INCIDENTS EXTERNAL (nr/10,000 sewer connections)

TARGET 19/20 17.07	ACTUAL 19/20 19.35	PREVIOUS YEAR N/A
-------------------------------------	-------------------------------------	------------------------------------

This PC is bespoke to WW.

WW recorded 19.35 external sewer flooding incidents per 10,000 sewer connections in 2020/21 against a target of 17.07. The incentive is financial, and WW incurred a penalty of £1.824m as a result of its performance. The target for 2024/25 is 15.68.

The company attributes the higher than target incidence of external flooding to various periods of high rainfall during the year.

WW's Technical Assurer has confirmed that the reported flooding data is reliable and can be linked to the rain events.

F3 – SEWER FLOODING RISK (index score)

TARGET 20/21 50,651	ACTUAL 20/21 55,015	PREVIOUS YEAR N/A
--------------------------------------	--------------------------------------	------------------------------------

This PC is bespoke to WW.

This measure is based on the company's sewer flooding risk register which utilises a grid assessment of likelihood against risk. The risk score associated with this Commitment also includes the assessment of properties that have flooded. The associated incentive is financial.

WW under-performed the target for 2020/21, but performance was within the incentive deadband and so no penalty was incurred.

As mentioned above, the heavy rainfall events in 2020/21 had an adverse impact on performance.

F4 – DELIVER NORTH BRISTOL SEWER (months)

TARGET 20/21 0	ACTUAL 20/21 0	PREVIOUS YEAR N/A
---------------------------------	---------------------------------	------------------------------------

This is a Performance Commitment bespoke to WW.

The North Bristol Trym sewer scheme continues but there were no regulatory outputs due in 2020/21. The scheme is due for completion in March 2023.

WW has proposed a modification to the definition of the Trym Tunnel PC because of a change of scope to the project. The original scope included six intermediate sewerage connections to the tunnel including one for an extension to the Cribbs Causeway shopping centre. The PC definition included completion of the six connections. The retail extension is no longer going ahead, and planning has been granted for an alternative use for the site which doesn't require a separate sewerage connection. This revision will result

in a cost saving to the project. The incentives will be kept at the original value and customers will stand to get more money back than originally defined.

The Group reviewed and accepted the proposed revised definition for this PC noting that will result in a cost saving to the project. The incentives will be kept at the original value and customers will stand to receive more money back than originally defined.

WW has highlighted that the COVID pandemic has affected progress on the scheme. The company assured the Group that the scheme is currently on track to be completed by March 2023, although some of the original time contingency has been used up.

Outcome: Resilient services

R1 – WATER SUPPLY INTERRUPTIONS (mins:secs/prop/year)

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
06:30	04:34	N/A

This is a common PC across the industry.

WW significantly outperformed the target for this commitment in 2020/21. The Group agrees with the company that this was an excellent outcome given the pressures from the pandemic faced during the year. The incentive is financial, and WW earned an out-performance payment of £271,000 because of

its achievement. The target for 2024/25 is 05:00 mins:secs/property/year.

The Group commends the company on its performance against this PC in 2020/21 and notes that it suggests its network and operational practices provide good resilience against large unplanned supply interruptions.

R2 – POP AT RISK OF RESTRICTIONS IN A DROUGHT (%)

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
0	0	N/A

This is a common PC across the industry.

None of the population in WW's supply area was at risk of water restrictions in a drought during 2020/21 and

so the target for this commitment was met. The target remains at zero throughout the AMP period.

R3 – POP AT RISK OF SEWER FLOODING IN A STORM (%)

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
12.93	11.82	N/A

This Performance Commitment is common across the industry.

WW outperformed the target for this commitment in 2020/21. The percentage of its population at risk of sewer flooding in a storm was 11.82% for the year,

compared to the target of 12.93%. The incentive is reputational. The target for 2024/25 is 8.37%.

The Group notes that the industry reviewing the definition and calculation associated with this PC and that WW is actively involved with this review.

R4 – BURST MAIN REPAIRS (nr/1,000 km of mains)

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
161.4	177.7	N/A

This is a common PC across the industry.

WW carried out 177.7 burst main repairs per thousand km of mains in 2020/21 compared to the target of 161.4. The incentive is financial, and the company incurred a penalty of £750,000 because this performance. The target for 2024/25 is 152.4 repairs per thousand km of mains.

The company attributes the higher number of repairs to its increased leakage reduction programme. The Group understands the linkage between the two areas of activity.

R5 – UNPLANNED OUTAGE (%)

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
2.34	0.57	N/A

This PC is common across the industry.

WW achieved an unplanned outage score of 0.57% in 2020/21 which was well within the target of 2.34%. The incentive associated with this PC is financial but penalty only. The target remains at 2.34 each year during the AMP period.

The Group commends the company on its performance against this measure and notes the significant improvement in water treatment centre resilience achieved over recent years.

R6 – SEWER COLLAPSES (nr/1000km sewer)

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
6.33	6.12	N/A

This is a common PC across the industry.

The number of sewer collapses per thousand km of sewer was 6.12 for 2020/21 against a target of 6.33. The incentive associated with this PC is financial, but

penalty only. The target remains constant throughout the AMP period.

R7 – RESTRICTIONS ON WATER USE (nr events)

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
0	0	N/A

This PC is bespoke to WW.

There were no events during 2020/21 that placed restrictions on water use. The incentive associated with

this PC is financial, but penalty only, and the target remains at zero throughout the AMP period.

R8 – SECURITY NON-SEMD OUTPUTS DELIVERED (nr)

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
0	0	N/A

This is a Performance Commitment bespoke to WW.

associated with this commitment. The target for 2024/25 is for seven outputs to be delivered.

No security (non-SEMD) outputs were due in 2020/21 and none were delivered. There is no incentive

DWMP – DRAINAGE & WASTEWATER MGT PLANS (%)

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
0	0	N/A

This PC is bespoke to WW.

The incentive associated with this commitment is reputational. The target for 2024/25 is for 100 plans to be delivered and the company assured the Group that it on track to meet this.

No drainage and wastewater management plan outputs were due in 2020/21 and none were delivered.

Outcome: Protecting and enhancing the environment

E1 – TREATMENT WORKS COMPLIANCE (%) *

TARGET 2020	ACTUAL 2020	PREVIOUS YEAR
100.00	99.08	N/A

This PC is common across the industry.

The Group notes there were single failures at three treatment works during 2020. The company told the Group that, while it aims for 100% compliance, the failure rate in 2020 was similar to its performance in recent years.

WW's sewage treatment works compliance rate in 2020 was 99.08% and so fell short of the 100% target for the year. The associated incentive is financial but, as the performance achieved fell within the incentive deadband, no penalty was incurred. The target remains at 100% throughout the AMP period.

E2 - POLLUTION INCIDENTS (nr/10,000km sewer) *

TARGET 2020	ACTUAL 2020	PREVIOUS YEAR
24.51	25.18	N/A

This is a common PC across the industry.

The number of wastewater pollution incidents per 10,000 km of sewer in 2020 was 25.18, compared with the target of 24.51. The associated incentive is financial and the level of performance achieved resulted in a penalty of £181,000 being incurred. The target in 2024 is 19.50 incidents per 10,000 km of sewer.

The company attributes its performance against this PC to the wet weather events experienced during 2020. The company's Technical Assurer has confirmed that the reported pollution incident data are reliable and can be linked to the rain events.

The Group challenged the company over the effectiveness of its five-year pollution reduction plan given that the number of pollution incidents exceeded the target. The company acknowledged that it hasn't yet seen the benefits from its pollution reduction plan. It informed the Group that it is looking again at its strategy, including greater use of technology solutions, and expects to see reductions in future.

The Group continues to encourage the company to do all it can to minimise pollution incidents and will monitor progress during 2021.

E3 - AIM: MERE (MI/year)

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
-100	-299	N/A

This is a PC bespoke to WW.

WW reduced its abstraction at Mere in 2020/21 by 299 MI. The target reduction was 100 MI. The incentive is

financial and the company earned an out-performance payment of £5,000 as a result. The target reduction in abstraction by 2024/25 remains at 100MI/year.

E4 - REVIEW/IMPROVE SSSI SITES (% reviewed/improved)

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
20	22	N/A

This PC is bespoke to WW.

The percentage of SSSI sites reviewed and improved during 2020/21 was 22. The target was 20%. The

incentive is financial, and the company earned an out-performance payment of £200 because of its work in 2020/21. The target reduction in abstraction by 2024/25 remains at 100MI/year.

E5 - GREENHOUSE GAS EMISSIONS (ktCO2e/year)

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
111	109	117

This is a PC bespoke to WW.

The company met its 2020/21 greenhouse gas emission target. There was a decrease in emissions over 2018/19. The Group notes that WW has met its target for this measure over the last five years.

The associated incentive is financial. The performance achieved was within the incentive deadband, so no outperformance payment was earned. The target for 2024/25 is 101 ktCO2e/year.

The Group welcomes the continued reduction in greenhouse gasses in recent years.

E6 - WORKING WITH COMMUNITIES TO IMPROVE BATHING WATER EXPERIENCE (nr beaches)

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
20	20	N/A

This PC is bespoke to WW.

WW met its target for this commitment during 2020/21 by working with communities to improve the bathing water experience at 20 sites.

The incentive associated with this PC is financial, but penalty only. The target is to improve the experience at 47 beaches by the end of the AMP period.

E7 - WORKING WITH CATCHMENT PARTNERS TO IMPROVE NATURAL CAPITAL (nr schemes)

TARGET 20/21	ACTUAL 20/21	PREVIOUS YEAR
29	33	N/A

This is a PC bespoke to WW.

WW outperformed its target for this commitment during 2020/21 by working with catchment partners to improve natural capital at 20 sites.

There incentive associated with this performance commitment is financial and WW earned an outperformance payment of £13,000 as a result of its performance. The target is to complete 37 such schemes by the end of the AMP period.

E8 - SATISFACTORY SLUDGE DISPOSAL COMPLIANCE (%)

TARGET 200	ACTUAL 200	PREVIOUS YEAR
100.00	99.54	N/A

This Performance Commitment is bespoke to WW.

WW fell marginally short of target on this commitment. 99.84% of sludge disposal was assessed to be satisfactory against a target of 100%. The incentive is financial, and the company incurred a penalty of £45,000 as a result of its performance in 2020/21. The target remains at 100% throughout the AMP period.

WW explained to the Group that heavy rain had caused slumping of a sludge stockpile, and this led to the disposal compliance failure. The company has responded by constructing three sludge storage barns at one site and one barn at another to prevent a similar occurrence in future. The Group welcomed the company's response.

E9 – REDUCE FREQUENT SPILLING OVERFLOWS (non WINEP) (nr)

TARGET 20/21 0	ACTUAL 20/21 0	PREVIOUS YEAR N/A
---------------------------------	---------------------------------	------------------------------------

This is a PC bespoke to WW.

delivered. There is no incentive associated with this commitment. The target for 2024/25 is also zero.

No schemes to reduce frequent spilling sewer overflows outside the WINEP were due in 2020/21 and none were

NEP01 – DELIVERY OF WINEP

TARGET 20/21 Met	ACTUAL 20/21 Met	PREVIOUS YEAR N/A
-----------------------------------	-----------------------------------	------------------------------------

This PC is bespoke to WW.

The incentive associated with this commitment is reputational. The company is statutorily obliged to deliver its WINEP obligations each year during the AMP period.

WW met its WINEP delivery obligations in 2020/21.

E10 – KM OF RIVER WITH IMPROVED WATER QUALITY (WINEP)

TARGET 20/21 0	ACTUAL 20/21 0	PREVIOUS YEAR N/A
---------------------------------	---------------------------------	------------------------------------

This is a Performance Commitment bespoke to WW.

2024/25 is for 399.9km of river to have improved quality under the WINEP.

There were no outputs due against this commitment in 2020/21 and none were delivered. The target in

E11 – LENGTH OF RIVER IMPROVED (non-WINEP) (km)

TARGET 20/21 0	ACTUAL 20/21 23	PREVIOUS YEAR N/A
---------------------------------	----------------------------------	------------------------------------

This Performance Commitment is bespoke to WW.

the company earned an out-performance payment of £230,000 because of completing the schemes in 2020/21. The target for 2024/25 is zero.

WW improved 23km of river during 2020/21 through schemes outside the WINEP. There were no regulatory outputs due in 2020/21. The incentive is financial, and

E12 - AIM: STUBHAMPTON (MI/year)

TARGET 20/21 -45	ACTUAL 20/21 -157	PREVIOUS YEAR N/A
-----------------------------------	------------------------------------	------------------------------------

This is a Performance Commitment bespoke to WW.

WW reduced its abstraction at Stubhampton in 2020/21 by 157MI. The target reduction was 45MI. The incentive is

financial, and the company earned an out-performance payment of £2,000 as a result. The target reduction in abstraction by 2024/25 remains at 45MI/year.

E13 - AVONMOUTH STW WINEP REQUIREMENTS

TARGET 20/21 0	ACTUAL 20/21 0	PREVIOUS YEAR N/A
---------------------------------	---------------------------------	------------------------------------

This Performance Commitment is bespoke to WW.

No WINEP outputs at Avonmouth STW were due in 2020/21 and none were delivered.

Appendix 4: The Group's response to Ofwat's consultation 'Ofwat PR24 and beyond: Reflecting customer preferences in future price reviews'

Q1: Do you agree with the goals we have proposed for customer engagement at future price reviews? If not, why not?

The Group considers the proposed goals to be strategic and sensible. It would welcome clarity as to how the outline approach to customer engagement will meet these goals.

Q2: Are there any other goals which you think we should have for customer engagement at future price reviews?

The Group would like to see goals that include helping customers understand the range and scope of services that they might expect from their company, albeit at the most cost-effective price.

For example, with the majority of local authorities declaring climate and ecological emergencies, and with so many international companies taking out prime TV advertising about what they are doing to protect the planet, how and where do water companies ask their customers whether they want their water company to play their part in protecting the environment and to what extent? The water companies are monopolies, but increasingly competitive industries increasingly realise that enhanced environmental performance is key to market share.

Q3: Do you agree with the principle that in areas that are of common concern to all customers within a nation, evidence of customers' preferences should be generated in a consistent manner such that results are comparable? If so, why? If not, why not?

The Group considers the principle would be helpful. However, its scope should aspire to the highest common denominator not the lowest. The context cannot just be about price and must include scope and quality of service.

We question how checking would be undertaken on whether there are issues of common concern across the nation and what they may be before listing them in further research. Testing these in substantive research may prompt customers to adopt them as important.

Additionally, customer preferences must be honed to what the customer actually needs and understands, and it may help if Ofwat undertook some work to identify this.

We also see potential value in national data for estimating future demographic shifts (for example, if there is going to be a shift of jobs and labour from the South East to the north of England, the potential impact on customer profiles from the influx of Thames Water customers to new regions could be estimated).

Q4: If we make use of collaborative nationwide research in future price reviews:

- Which aspects of business plans do you think should fall within the scope of this research?
- Which organisations do you think should be involved in steering this research?
- When should this research be undertaken?
- How should this research account for differences between England and Wales?

The Group considers that the following areas of performance would be suitable to be included in the nationwide research:

- Customer service
- Environmental performance
- Leakage
- Affordability

The organisations which should be involved in steering the research should be Ofwat, EA/NRW, Natural England, DWI, CCW, WaterUK, Citizens Advice and other utility consumer groups.

The national research should be conducted as soon as possible, as this would provide baseline information to help companies shape their research. The sooner it is undertaken the more robust PR24 policy will be and provide companies with sufficient time to meet the requirements.

If companies are being encouraged to increasingly use catchment-based solutions rather than hard engineered solutions in the future, then inclusion of the Catchment Based Approach (CaBA) as an organisation to help steer the research would help. This would be particularly relevant to environmental performance and outcomes. It would also balance the more price-focussed approaches.

We have no view on the research accounting for differences between England and Wales.

Q5: To what extent do you think it would be necessary for us to provide guidance on customer engagement, assurance and other issues at future price reviews if we made – or did not make – use of collaborative nationwide engagement?

Ofwat's guidance must be centrally driven, where possible, in order to provide a level playing field for all water consumers. However, it must also be recognised that there will be customer issues bespoke to certain water companies. Ofwat should not discount the findings from company research.

It is important that Ofwat provides guidance that clearly sets out its expectations of companies in undertaking engagement. This will help ensure that Ofwat has confidence in the outcomes of research and how these have been used to inform development of companies' Business Plans and give companies greater reassurance that their research will not be discounted by Ofwat in its assessment of their plans.

Opportunities should be sought for wider community-led programmes such as "upstream thinking", green issues, understanding the value of water etc.

Q6: To the extent that you consider further guidance is necessary, what areas should this cover?

The Group would find it helpful to be pointed towards examples of engagement which Ofwat considers to be good, innovative and significant.

Triangulation of engagement results was and remains an important issue. Companies were expected to come up with their own methods at PR19. The Group would benefit from having insight from Ofwat on its expectations for triangulation.

More advice on triangulation is needed, if Ofwat have a view as to what is required. While Ofwat outlined the importance of triangulation in PR19 submissions, there was little guidance for CCGs or companies as to what was to be considered good practice.

Q7: Are there other models which you think we should consider for providing assurance at future price reviews? If so, what are the benefits of these alternative approaches?

The Group provided an independent voice at PR19 and can do so again in future, with the time to interrogate and challenge the whole programme across the price review process. This is grounded in an understanding of the current performance of the company.

With company-specific CCGs, it can sometimes be difficult to judge issues due to a lack of comparative data about other companies. Some elements of common customer research may help this, but issues will still remain.

Ofwat may wish to consider commissioning a study into how other utility Regulatory Authorities conduct work on consumer assurance – not only in the UK, but also globally.

Q8: To what extent do you think that the research techniques which have previously been used in the water sector are suitable to enable companies' business plans and our final determinations to reflect customer views? Do you think any particular approaches should be revisited?

We note the large variability in Willingness to Pay (WtP) scores across water companies' research. We suspect this reflects a weakness at the heart of the method, perhaps in that the WtP approach reflects how economists view the world much better than how the public view it, hence the unreliability of measurements obtained this way.

We suggest an expert review of the WtP methodology led by Ofwat, or at least Ofwat guidelines about how and where it should be employed.

Q9: Do you think that there are alternative approaches that we might usefully adopt in water, including those used in other sectors and potentially outside the area of economic regulation? If so, which techniques and why? If not, why not?

We have no response to this question.

Q10: Are there any areas of the price review where the scope to solicit informed opinions from customers is intrinsically limited?

The scope to solicit informed opinions from customers is greatest for broad areas of policy and deciding between “being the best company” and keeping costs down. There is less scope in testing specific performance commitments and delivery incentives.

Getting the consumer interested in their water company is an area that needs to be addressed. From this, if successful, greater informed debate on what the consumer wants out of the industry could be achieved.

Q11: Do you think there are other ideas we should be considering for shaping customer engagement at future price reviews? If so, how would these ideas help deliver on the goals proposed in this paper?

The Group considers that, developing the CCG resource, by supporting them in their role through training and clear guidance, would have significant benefits in the independent assurance of companies' customer engagement approaches and results.

We also believe that, through Ofwat working more closely with the other regulators in shaping customer engagement, potential contradictory drivers could be avoided.
