

Wessex Water Partnership

A review of the Partnership's work
during AMP6

Version 1
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Executive Summary

The independent Customer Challenge Group (CCG) for Wessex Water (WW) is known as the Wessex Water Partnership (the Partnership).

The purpose of this Report is to review the work undertaken by the Partnership during the 2015-2020 Asset Management Period (AMP6) and to identify opportunities to increase its effectiveness in AMP7 and for the next Price Review.

The Partnership was formed in 2016. Its primary roles during the AMP6 were to monitor, challenge and report on WW's performance against the commitments set out in the 2014 Final Determination on behalf of customers, and to advise and challenge the company on its customer engagement, policies and priorities for the 2019 Price Review (PR19).

The Partnership had an independent Chair and diverse membership representing various customer and stakeholder groups throughout the period. The Partnership considers it had adequate and appropriate representation to fulfill its role on behalf of customers. It formed a number of sub-groups to enable deep dives into specific areas of the company's business planning.

While it does not see the need for major change to its constitution, the Partnership has 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 has developed a list of the skills and knowledge that, in an ideal world, a CCG should possess. It suggests 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 agreed meeting processes and protocols with the company including the use of private in-camera sessions before and after each main Partnership meeting. It also interacted with the company's executives and Board, the company's key water and environmental regulators, with Ofwat and with the Chairs of other CCGs.

The meeting processes proved to be effective and enabled the Partnership to carry out its duties, both in performance monitoring and the scrutiny of the business plan, and to maintain its independence. All meetings were documented. The Partnership received full co-operation from the company throughout the process. Access to personnel from the company and its consultants was good and all information requests were met.

A number of minor improvements to meeting protocols and interactions with the company have been identified to further increase the effectiveness of the Partnership's challenge in AMP7. It has 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 is 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 wishes 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.

The Partnership considers that it fulfilled Ofwat's requirements on CCGs for the independent review and challenge of the company's 2020-2025 Business Plan.

Its main areas of focus included the customer engagement undertaken by the company (and the use of the results to inform the Business Plan) and the company's proposed performance commitments and incentives for AMP7.

While it considered its review and challenges were robust and effective, the Partnership wishes to have earlier involvement in the customer engagement plan for PR24.

It would also like to consider the potential for the Partnership to have future direct engagement with customers.

The Partnership wishes to discuss and challenge in more detail the stretch included in the performance targets for AMP7.

The Partnership's work in AMP6 is now complete. Its work continues into AMP7 and will lead to the next Price Review, expected in 2024.

1. Introduction

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

The Partnership continued the work undertaken for PR14 by its predecessor CCG organisation known as Customer Scrutiny Group which was established in 2011 and which functioned until 2015.

The Partnership's primary roles during the 2015-2020 Asset Management Period (AMP6) were to monitor, challenge and report on WW's performance against the commitments set out in the 2014 Final Determination on behalf of customers, and to advise and challenge the company on its customer engagement, policies and priorities for the 2019 Price Review (PR19). The role was defined primarily by requirements on CCGs set out by the industry's economic regulator (Ofwat) for the scrutiny and reporting on PR19 Business Plans.

These activities are now complete, and the Partnership's work continues into AMP7, which commenced in April 2020 and which will lead to the next Price Review expected in 2024.

The Terms of Reference of the Partnership is provided in Appendix 1.

A glossary of terms used in this report is provided in Appendix 2.

The purpose of this Report is to review the work undertaken by the Partnership during the 2015-2020 Asset Management Period (AMP6) and to identify opportunities to increase its effectiveness in AMP7 and for the next Price Review.

2. The Partnership’s membership and expertise

2.1 Membership

The Partnership was established in January 2016 with an independent Chair and diverse membership representing various customer and stakeholder groups. A list of the Partnership members who contributed during AMP6 is given in Appendix 3.

The areas of focus and challenge of each of the Partnership member organisations were as follows:

Organisation	Area of focus and challenge
CCWater (CCW)	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) was a ‘sleeping member’ of the Partnership.

The Chair and the Report Writer were the only paid posts on the Partnership. WW gave a charitable donation to any ‘not for profit’ or charitable organisation represented on the Partnership. In addition, members’ expenses were paid.

The Partnership benefitted significantly from having continuity of membership from its organisations during AMP6. The vast majority of individual members contributed throughout the five years. Where changes were unavoidable, the respective organisations provided replacements of equal experience and caliber.

The Partnership periodically reviewed its membership to ensure it had adequate and appropriate representation to fulfill its role on behalf of customers and to meet Ofwat’s requirements as they evolved. It considered its skill set was appropriate and sufficient during AMP6.

2.2 Sub-Groups

The Partnership established three expert sub-groups to assist its work and inform its opinions.

A Customer Research Sub-Group (CRSG) was formed, led by a Partnership member from the University of Bath with extensive academic and practical knowledge of customer engagement. The CRSG's primary objective was to assist and support the Partnership in its review and challenge of the company's customer engagement activities.

The Partnership also set up two further sub-groups to assist with its work; an Affordability and Vulnerability Sub-Group (AVSG) and a Performance Commitment and Investment Sub-Group (PCISG). Both the AVSG and the PCISG were chaired by Partnership members.

The AVSG reviewed and challenged the company's current and future policies and plans to address the affordability of its services, its social tariffs and the level of assistance to be provided to customers in vulnerable circumstances.

The PCISG reviewed and challenged the detail of the company's proposed PR19 Performance Commitments (PCs), service targets and Outcome Delivery Incentives (ODIs), in particular to confirm that the results from the company's customer engagement have been used in the development of them.

3. The independent challenge process

3.1 Partnership and Sub-Group meetings

The Partnership met formally 21 times to fulfill its obligations in AMP6. Meetings were typically held quarterly, although additional in camera meetings and conference calls were arranged during critical points during the period, for example around the time of the submission of the Business Plan or to discuss the content of the Partnership's reports.

The Partnership's Sub-Groups met as follows:

- CRSG - nine times between May 2017 and February 2019.
- AVSG - three times between January and May 2018.
- PCISG – ten times between January 2018 to March 2019

A schedule of the formal meetings of the Partnership and its sub-groups including the topics discussed at each is given in Appendix 4.

The Partnership agreed meeting processes and protocols with the company. These included the use of private in-camera sessions before and after each main Partnership meeting at which members were able to discuss issues without the company present.

The Partnership agreed the agendas of each meeting with the company in advance.

Typically, the meetings of the Partnership consisted of presentations given by the company (or its consultants) on AMP6 performance, on its customer engagement and on certain technical aspects of its Business Plan, its planning methodologies and assumptions and on its interpretation of Ofwat's PR19 methodology.

The Chair of the Wessex Water Catchment Panel attended the meetings of the Partnership. This enabled the Partnership to consider the views of the Catchment Panel on environmental outcomes. The Catchment Panel reviewed and challenged the company's bespoke environmental PCs. It also helped develop some of these PCs.

The company was responsible for the provision of meeting venues, the issue of agendas and the production of presentational material.

The company drafted notes and minutes of the meetings of the Partnership, the AVSG and the PCISG for finalisation and approval by the Chairs of these groups.

The CRSG produced the minutes of its meetings independently from the company.

Once approved by the Chair and the membership the minutes of the main Partnership meetings were published on the Partnership's website.

From AMP7 the Partnership will be responsible for the drafting of all meeting notes and minutes.

3.3 Interaction with WW Executives and Board

The Partnership reported its findings to the Wessex Water Board and the Chair of the Partnership and Report Writer attended selected meetings of the Board and its Audit Committee as part of this process.

WW's senior executives and managers attended each meeting of the Partnership and its sub-groups.

WW's Senior Independent Non-Executive Director was the Partnership's liaison point with the WW Board and attended each public session of the Partnership.

3.4 Interaction with regulators

The Partnership did not attend most meetings held between the company and its economic, quality or environmental regulators. The Chair attended one meeting with Ofwat together with the Chair of the company and senior executives, to give the WWP perspective on the company's Draft Business Plan.

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

The Chair, along with directors and the Senior Independent Non-Executive Director of the company, also attended Ofwat's Thought Leadership event in July 2016, organised to support Ofwat's customer engagement policy statement and expectations for PR19

The Partnership looked to its representative from the EA to alert it to any issues associated with the company meeting its current environmental obligations and to confirm the requirements of the statutory environmental elements of the company's Business Plan.

The Drinking Water Inspectorate (DWI) attended one meeting at the Partnership's request and provided an overview of its expectations on the company's drinking water quality proposals for PR19.

The Partnership challenged both DWI and EA on their views and decisions and required both regulators to confirm the statutory justification for their requirements.

3.5 The Challenge Diary

The Partnership established a Challenge Diary in 2016 to document the challenges, key questions and information requests it made to WW and the company's responses to these. The Diary also recorded whether the Partnership's challenges had resulted in a change to the company's policies, plans or information.

Over 200 challenges and key questions were logged during AMP6. Around 17% of these resulted in changes being made by the company.

The scope of the challenges made during AMP6 are illustrated in Appendix 5.

3.6 Reporting

The Partnership produced and published Annual Reports throughout AMP6. These included a review of the Partnership's activities during each year, the challenges it posed to the company and its review and opinion on the company's performance against its PR14 Commitments and its customer engagement associated with the PR19 Business Plan.

The Partnership also reported to Ofwat on the company's PR19 Business Plan, on Ofwat's Initial Assessment of the Plan and on Ofwat's Draft Determination.

All reports were drafted by the Report Writer in consultation with Partnership members. The draft reports and the opinion contained within them were considered and commented on by all members. Content (but not opinion) was reviewed for factual accuracy by the company.

4. AMP6 Performance

4.1 Approach

A key role of the Partnership during AMP6 was the scrutiny and challenge of WW's delivery each year against the nine strategic Outcomes and the 32 associated Performance Commitments set out in the PR14 Final Determination and the resulting impact on customers.

Challenges were made by members through questions posed to WW at the Partnership meetings or in emails and letters sent to the company.

The Partnership also reviewed how the performance achieved each year compared with previous years.

Any performance shortfalls and trends and the reasons for these were questioned. The Partnership also considered the company's intentions and planning to meet its future targets and any associated risks.

Each year the Partnership identified and documented in an 'Areas of Focus' document (and in its Annual Report) the specific performance issues it wished to review in detail during the following 12 months. It reported its findings and opinions on these in its next Annual Report.

Where commitments continued into AMP7, the Partnership considered whether levels of performance could be sustained, particularly whether there were any inherent or emerging risks.

In addition to scrutinising the company's performance, the Partnership reviewed and challenged the company's eligibility for rewards earned or penalties incurred each year under the PR14 incentive regime. It also discussed the company's plans to share any outperformance payment from the AMP6 period with its customers through WW's Community Foundation and how and when this would happen.

The company has a new set of targets for its Performance Commitments and incentives for the next five years as defined by Ofwat in the PR19 Final Determination. The Partnership will be reviewing the company's performance against these.

4.2 Assurance

WW presented the Partnership with updates to its information reporting and assurance processes each year, covering both its annual performance information and its PR19 submission. The company also gave members the opportunity to comment on its updated information Assurance Plan published in April each year.

The company provided the opportunity for the Partnership to review the findings of its external Technical Auditor's review of its PR14 Performance Commitment reporting methodologies and its internal and external assurance processes.

The Partnership's Report Writer has experience in providing technical assurance on water company performance and so met with WW and the Technical Auditor each year to discuss and challenge reporting processes, performance and assurance findings. He sought confirmation from the Technical Auditor that the company's reporting methodologies were sound, complied with regulators' requirements where appropriate and that performance had been calculated on the same basis upon which the PR14 targets were set or where changes have been agreed with Ofwat.

In this way the Partnership was satisfied that the company's performance each had been reported accurately and that the resulting rewards or penalties had been calculated correctly.

5. The Business Plan

5.1 Approach

The Partnership independently reviewed and challenged the company's 2020-2025 Business Plan in line with Ofwat's requirements for CCGs. It used its robust and documented challenge process incorporating a strong governance structure and its Challenge Diary as outlined in Section 3 of this report.

The challenge process included the establishment of a number of specialist sub-groups to review aspects in detail, including Customer Engagement, Affordability and Vulnerability, PCs and ODIs.

Challenges were made by members through questions posed to WW at the Partnership and sub-group meetings or in emails and letters sent to the company.

5.2 Customer Engagement and links to the Business Plan

The Partnership reviewed and challenged the key elements of the customer engagement used by the company to develop and inform its Business Plan.

Detailed review and challenge were performed by the Partnership's Customer Research Sub-Group (CRSG). The Partnership also reviewed and challenged the high-level approaches taken and the results obtained.

Members of the Partnership observed two customer focus groups as part of the resilience and leakage research and attended a number of Business Plan acceptability events including engagement on incentives.

The Partnership considered whether the company's plans were based on customer and stakeholder priorities and willingness to pay established through research where at all possible, rather than priorities identified by the company.

The Partnership also looked for areas of its Plan where the company only partially referred to information on customer priorities and needs because of other external requirements.

The Partnership took a close interest in the methodology used to triangulate the various sources of valuation (WTP) information for each service area consulted on as it formed a key part of the target setting process and highlighted the strengths and weaknesses of each valuation approach.

5.3 Affordability and vulnerability

The Partnership maintained a focus on affordability and vulnerability, both at its main meetings and through the meetings of its Affordability & Vulnerability Working Group (AVSG). The Partnership included several representatives from the advice sector.

The Partnership and the AVSG commented on the main acceptability research project before it went into the field and has had the opportunity to question the agency which carried out the test.

The company proposed two PCs in AMP7 relating to affordability. The Partnership reviewed these commitments through its AVSG. The Partnership commented to the company on the PCs as they were developed.

It raised a number of challenges and information requests all of which were addressed by the company.

The Partnership was kept informed during the research and development of the Vulnerability Strategy. Members of the Partnership attended some of the co-creation events. This enabled the Partnership to review and challenge the emerging proposals and to test whether there was adequate and appropriate customer support for them.

The company proposed two PCs in AMP7 relating to vulnerability. The Partnership, through its AVSG, commented to the company on these PCs as they were developed.

5.4 Acceptability

The Partnership reviewed and commented on the stimulus material used for the Business Plan acceptability testing before it was finalised. It raised a number of issues which the company addressed before the testing commenced.

The Partnership also reviewed and challenged the results of the acceptability testing.

5.5 Performance commitments and incentives

The Partnership established a PC and Investment Sub-Group (PCISG) to assist and support the Partnership in its review and challenge of the company's performance commitments and incentives.

The PCISG had three main roles in supporting the Partnership:

- To review and challenge the detail of the company's PR19 PCs, ODIs and investment plan, particularly that the results from the company's customer

engagement have been used appropriately in the development of them and that the company's plans reflect the needs and preferences of customers wherever possible.

- To report its findings and opinions to the Partnership, and
- To receive instruction and direction from the Partnership as necessary.

The Partnership, either directly or through its PCISG, reviewed and challenged the methodologies and results from the company's customer engagement activities.

The Partnership reviewed and challenged the basis and definition of each of the 41 proposed PCs. The Partnership confirmed that the PCs were based on customer and stakeholder priorities where possible, rather than priorities identified wholly by the company.

The Partnership had the opportunity to speak to the company's market research consultants about their findings.

The Partnership, through its PCISG, reviewed and challenged the initial service levels (2019/20), the service targets and the proposed Outcome Delivery Incentives (ODIs) for each of the 41 PCs proposed for the five-year period to 2024/25. The challenge covered the basis upon which the company had set each service level and target and the level of stretch involved with each. It also included evidence of customer or other stakeholder support for the proposed service levels.

The Partnership raised and recorded challenges associated with the various PCs and ODIs. The company responded to these points and in several cases made changes to its PC definitions, performance targets and incentives.

5.6 Assurance

The company informed the Partnership of the third-party assurance it had received on its Business Plan.

The Chair and the Report Writer attended the WW Audit Committee at which the company's Technical Auditor presented his findings.

As with the company's PR14 performance information, the Partnership's Report Writer liaised with WW's Technical Auditor over his confirmation that the company's PR19 table reporting methodologies were sound and complied with regulators' requirements where appropriate.

6. Assessment and conclusions

The Partnership has undertaken a review of its effectiveness during AMP6. It has also consulted the company on its work. Its assessment and conclusions are provided in the following sections and the recommendations arising from them are in Section 7.

6.1 Membership and governance

The Partnership considers that its independence is fundamental to its ability to provide effective review and challenge. Members considered that this independence was achieved fully during AMP6 through their contributions to the challenge process and the actions of the Chair and Report Writer.

The Partnership felt that the balance of representation and expertise of members was broadly appropriate to fulfill its objectives.

Business representation would have been desirable but difficulties in recruiting from this sector were experienced.

Members felt able to contribute and were given the chance to chair sub-groups.

The sub-groups were considered very useful but could have started earlier in the business planning process.

Papers for the sub-groups from the company sometimes arrived quite late, which made it harder for members to come to meetings prepared for discussion.

The Partnership believes that its future make-up should ideally include expertise in each aspect of its work.

Members also considered that possessing the relevant skills to challenge the company effectively on behalf of customers is more important than having a range of stakeholder organisations represented in the group.

To this end the Partnership developed a list of the skills and knowledge that, in an ideal world, a customer challenge group should possess, and these are listed in Appendix 6. The Partnership suggests 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.

However, the Partnership recognises that, unless it is to have a huge membership, it would be unlikely to secure all this expertise. Therefore, it might consider a method of calling on other experts from time to time, to ensure it cover all the required skills and knowledge.

The Partnership has also considered the tenure of membership and the need to continue to be able to demonstrate independence from the company at all times. Membership should also strike a balance between continuity and fresh insight in order to maintain familiarity with the issues facing Wessex Water and its customers but avoid the risk of capture.

One suggestion was for a three-year membership term with one third of the members ending their current term of office each year. Members could be eligible for re-election, but this sort of arrangement would create opportunities for 'new blood' each year at the same time as ensuring good continuity.

The Partnership recognises that there are both advantages and disadvantages with fixed terms and the rotation of members, and that the suggestion of a three-year term may not be practical. Additionally, while new members can bring a fresh perspective and enthusiasm this could be at the loss of the experience built up from the serving member.

There may be some members, including the Chair, where longer term appointments (say covering more than one price review) are important for continuity. It may also be that for some stakeholder groups rotation is difficult due to manpower and job responsibilities. There might a degree of natural wastage/renewal which may meet this need.

The Partnership also considered the importance of the company providing an induction for members new to the industry to give them some general background.

Finally, there was a general view from the Partnership that the use of the word 'Partnership' in its title may not be appropriate in portraying its role in challenging on behalf of customers and whether it might hinder its ability to demonstrate its independence from the company. The Partnership notes that other CCGs' names include terms such as 'Customer', 'Challenge', 'Scrutiny', 'Panel' and 'Forum' and feel a title incorporating such words may be more appropriate.

6.2. The review and challenge process

The Partnership received full co-operation from the company throughout the process. Access to personnel from the company and its consultants was good and all information requests were met.

The Partnership was grateful for the company's assistance in organising and facilitating its meetings and in fulfilling its requests for information and access to key staff.

Generally, members felt that the Partnership functioned well and independently of the company, that members were included in discussion and that the relationship with the company was appropriate.

The company understood and accommodated the role and objectives of the Partnership. It also respected the Partnership's independence and was responsive to the Partnership's information requests and challenges. It was also proactive in anticipating the Partnership's areas of focus.

The Partnership considers it was given sufficient opportunity to robustly challenge the company on its customer engagement activities, performance, policies and plans both in the meetings and through email correspondence. The process was open and transparent.

The level of access to documentation and personnel (both from the company and its consultant) given to the Partnership was sufficient for it to carry out its work.

While the Partnership remained independent throughout the process, it was able to work constructively and collaboratively with the company in order to achieve both parties' objectives.

The company noted that some members engaged more than others and the level and nature of challenge varied across the organisations represented on the Partnership.

The Partnership and the company considered the challenge process to be both constructive and effective in providing robust evidence of the Partnership's independence, the strength of its scrutiny and of how customer and other stakeholder views were explored and reflected in the development of the company's Business Plan.

There may be challenges in the future from the Partnership, customers or regulators which the company rejects. To aid more effective identification of such challenges, the Partnership will consider documenting them as 'agree to disagree' where it becomes aware of them and considers they are relevant to its work.

The use and maintenance of the Challenge Diary and 'Area of Focus' documents were considered to be essential evidence of the Partnership's challenge and opinion and the influence it had on the company's engagement methodologies and the use of the results in its business plan. However, it was felt by both the company and the Partnership that the Area of Focus document became unwieldy as time went on and that in future the Challenge Diary alone would fulfil the objective.

Understandably, company staff cared about the published view of the Partnership and sometimes reacted strongly to perceived criticism of its approach. The Partnership felt that on occasion the company 'led discussion' and adopted a 'Decide, Announce, Defend' approach. However, members were always comfortable that its published opinions reflected the outcome of its scrutiny and the consensus view across its membership.

The Partnership welcomed and valued the attendance of WW's executives and its Senior Independent Non-Executive Director at its meetings. As a result, and through its attendance at the WW Audit committee each year and at selected Board meetings, the Partnership was able to hear the Board's view of the company's performance, its customer engagement results and the emerging business plan. It also enabled the Partnership to see that its opinions were being fed back to the Board.

However, it was felt that in future the non-executives could be more proactive in their engagement with the Partnership and, to this end, an annual meeting between the Partnership and the company's non-executive directors should be considered.

6.3 AMP6 performance monitoring

The Partnership considered that its approach to the review and challenge of the company's performance against its PC14 PCs was effective.

The company's annual reporting cycle was tight at times, but the use of teleconferences ensured that members discussed and commented on the company's performance and were able to contribute to the Partnership's Annual Reports.

The Partnership relied upon the Report Writer's detailed review of the company's performance against its customer and regulatory commitments. It believes that a sub-group for the Annual Performance Review should be considered in future in order to review and challenge the detail as this would enable the Partnership to take a more strategic view and challenge of performance at its meetings.

The Partnership also considered that the effectiveness of its interaction with the WW Catchment Panel should be reviewed to ensure there is as strong link as possible between the company's environmental protection and improvement plans and obligations and its customers' views on these.

The Partnership has discussed the need 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. For example, it would be relevant to review how grants provided reflect the priorities of vulnerable customers.

6.4 PR19 Business Plan

The Partnership considers that it fulfilled Ofwat's requirements on CCGs for the review and challenge of the company's 2020-2025 Business Plan.

It welcomed the feedback the Chair provided from his attendance at the Ofwat/CCG Chairs' meetings during the business planning process as this gave assurance that

the level and focus of its scrutiny was in line with Ofwat's expectations and consistent with the broad approaches being taken by other CCGs.

Members were happy with the Partnership's published report on the company's draft business plan.

The Partnership looks forward to hearing Ofwat's views on the effectiveness of the CCG process if and when it undertakes a post-PR19 review.

While it felt that it fulfilled its overall objectives, the Partnership considered the following points would have improved the effectiveness of the challenge process.

Customer engagement

The Partnership members considered there could have been more scene setting of the customer engagement plan by the company. An initial company view on objectives and timeline for the customer research would have been helpful as this would have created an opportunity for the Partnership to have commented on the overall engagement plan rather than just on individual pieces of engagement. Members questioned in hindsight whether the extent of the Partnership's influence on the shape of the customer engagement (as opposed to just commenting on company-determined work) could have been greater.

The Partnership believes that earlier involvement in the customer engagement plan for customer engagement would be beneficial for future price reviews.

Members considered that the Partnership could have undertaken some direct engagement with customers, but it agrees with the company that the scope and logistics of this would have needed careful thought and planning. A list of the company's stakeholders would have been helpful and has been requested by the Partnership as a first step towards considering the potential for future direct engagement with customers.

Performance targets

Members wondered whether more could have been done to discuss and challenge the stretch included in the AMP7 performance targets.

7. Recommendations

The following recommendations for increasing the effectiveness of the Partnership's future activities have arisen from the assessment of its work in AMP6.

The Partnership should:

- Undertake an audit of the current membership's skills to identify where its strengths lie, where gaps exist and how these might be filled. The future make-up of the Partnership should ideally include expertise in each aspect of its work.
- Call upon other experts from time to time if all the required skills and knowledge cannot be achieved from Partnership members.
- Consider a three-year membership term with one third of the members ending their current term of office each year. Members could be eligible for re-election, but this sort of arrangement would create opportunities for 'new blood' each year at the same time as ensuring good continuity.
- Request the company provides an induction for members new to the industry to provide them with relevant background knowledge on its operations, customer services and its regulation.
- Consider renaming the Partnership to better reflect its role in the independent challenge of the company's plans and performance on behalf of customers.
- Request that company papers and other presentational material for all meetings to be provided in good time to allow members to read them.
- Commence the sub-groups earlier in the business planning process.
- Establish a sub-group for the Annual Performance Review to enable the Partnership to take a more strategic view and challenge of performance.
- Use the Challenge Diary as the sole source of evidence of independent challenge.
- Record relevant challenges from the Partnership, customers or regulators which the company has rejected as 'agree to disagree'.
- Consider holding an annual meeting between the Partnership and the company's non-executive directors in order to facilitate more proactive engagement with the Partnership.
- Review the effectiveness of the Partnership's interaction with the WW Catchment Panel to ensure there is a strong link as possible between the company's environmental protection and improvement plans and obligations and its customers' views on these.
- Clarify with the company the Partnership's role in the implementation of the company's Community Foundation, particularly in the review and challenge of the financial support provided by it.
- Have earlier involvement in the customer engagement plan for PR24.
- Consider the potential for future direct engagement with customers.
- Discuss and challenge in more detail the stretch included in future performance targets.

Appendices

Appendix 1

The Wessex Water Partnership

Terms of Reference

Context

1. Wessex Water engages extensively with customers and stakeholders, both in its day-to-day business and for specific programmes of work, such as preparation of its five-yearly business plan as part of a regulated price review.
2. For the last regulated price review, known as PR14 and covering the five years from April 2015 to March 2020, Wessex Water consulted over 24,000 customers and 90 stakeholders, including customer representatives such as the Consumer Council for Water, Citizens Advice and Which?. At the centre of this engagement was the Customer Scrutiny Group, which brought together a range of stakeholders to scrutinise Wessex Water's 2015-20 business plan proposals and to ensure the plan truly reflected our customers' aspirations for service improvements and ability to pay. The Customer Scrutiny Group was supported by four Liaison Panels: Customers & Community, Environment, Business Customers, Services & Planning.
3. Wessex Water is implementing a new format for its stakeholder liaison for 2015-2020 and in preparation for the 2019 price review.
4. The Wessex Water Partnership will be the successor body to the Customer Scrutiny Group. This will be supported by a new independently chaired Catchment Panel and a new Futures Panel. We will also continue local engagement with annual stakeholder forums including local councillors.

Overall Duties

5. The Wessex Water Partnership has three key roles:
 - i. monitor and report on Wessex Water's delivery of all aspects of the final regulatory settlement from the perspective of its customers, including scrutinising and assessing its delivery against its outcomes and measures of success
 - ii. provide advice and challenge Wessex Water on any proposal to share outperformance with customers over and above the requirements of the regulatory settlement
 - iii. provide advice and challenge the company on policy areas such as customer engagement, customer service, affordability, tariffs and the company's preparation for the next price review.

6. The Partnership will also assess the impact of any substantial fortuitous financial effects during the period, and assess and challenge any claim made by the company under the IDoK process.

Specific tasks

7. The Partnership will scrutinise and assess Wessex Water's delivery against all outcomes and associated performance commitments set out in the business plan 2015-20, namely:
 - affordable bills
 - excellent service for customers
 - reduced leakage
 - highest quality drinking water
 - improved bathing waters
 - rivers, lakes and estuaries protected
 - sewage flooding minimised
 - resilient services
 - reduced carbon footprint.
8. The Partnership will also assess the company's overall eligibility for rewards or penalties according to the final regulatory settlement having taken into account the views of the Catchment Panel on environmental outcomes.
9. The Partnership will advise and challenge the company with regard to:
 - day-to-day service provided to customers and the company's customer offering; policy matters and standards of service; accessibility to services; measures to improve affordability and assist low income households; public health; pricing and billing; and the company's community initiatives
 - its annual tariff proposals including any changes in social tariffs
 - its engagement and research plans for the business plan 2020-25
 - its interpretation of customers' views and how they are reflected in its longer-term strategy and business plans
 - on an annual basis, whether the company has benefitted from a substantial favourable effect that may constitute a reason for an adjustment to price limits under the relevant licence condition
 - any proposal by the company to reopen price limits within the period under the IDOK provisions of the licence
 - any proposal by the company to share outperformance with customers over and above the requirements of the regulatory settlement.
10. The Partnership will publish its advice to the company Board on whether performance commitments are being met and whether any financial rewards or penalties are due.
11. The previous Customer Scrutiny Group had full access to the company's Reporter, from an independent engineering consultancy firm. In addition, it had a member

with a similar technical background responsible for report writing recruited by the Chair. We would expect similar arrangements to be in place for the Partnership and will provide suitable funding for this, but will in addition bolster this access to independent expertise on regulatory and corporate finance when reviewing items which may require the reopening of price limits.

Governance

12. As the lead body in Wessex Water's new engagement model, the Partnership will report to the Wessex Water Board. This may require the Chair of the Partnership to attend Board meetings or the Board's Performance Committee once a year or as required.
13. The Chair will also report to a designated non-executive director of Wessex Water on day to day matters, progress of the Partnership and any other matters that may arise.
14. All panel members will agree to a code of conduct and will be required to attend meetings.
15. The Chair will be the only paid post with a remuneration of up to £20,000 per annum. Other members will not be paid but instead a charitable donation will be given to any 'not for profit' or charitable organisation represented on the Partnership of around £5,000 per annum where relevant. In addition, members' expenses will be paid.
16. An annual report will be published by the Partnership outlining its discussion topics, major conclusions and its assessment of Wessex Water's progress in delivering its performance commitments.
17. Minutes of Partnership meetings will be published on the company's website.

Format

18. The Partnership will comprise no more than sixteen core members who have a key interest and in some cases a statutory remit, in the water sector and/or customer issues.
19. Members will represent the interests of domestic customers and include regulators, consumer groups, advisory bodies and charities representing specific customer groups. They may have a local or national focus.
20. Although the exact list of members is open to agreement, we expect it to include representatives of the Consumer Council for Water, the Drinking Water Inspectorate, the Environment Agency, consumer bodies such as Citizens Advice, the Money Advice Trust, StepChange, Age UK, Advice UK, Which?, Institute of Customer Service, USwitch, etc, as well as other more specialist interest groups such as the RNIB, Action on Hearing Loss and Mind. It will also include business

customer representatives such as Chambers of Commerce or Federation of Small Businesses. Some of the organisations represented will be some of those represented on our previous Customer Scrutiny Group and Liaison Panels.

21. The members themselves will be nominated by these organisations.
22. The Partnership will also contain the chair of the Catchment Panel to help it form a holistic view of the company's performance on environmental issues.
23. Members are appointed for five years, unless membership is terminated earlier.
24. The Partnership will meet around three times a year, likely to be March, June and October, although this might become more frequent at key points in the price control life cycle.
25. Executive and non-executive directors of Wessex Water, along with other Wessex Water staff may attend Partnership meetings as observers, but will not be members of the Partnership.
26. All secretariat duties will be undertaken by Wessex Water who will also provide appropriate meeting facilities.

The company's updated plan contains detailed calculations for each of the performance commitments. As these are necessarily technical calculations the company would also provide the Partnership with independent technical resources to support their assessment of the company's performance.

Appendix 2

Glossary

AMP6 and AMP7	Asset Management Plan periods 6 and 7
CCG	Customer Challenge Group
CCW	The Consumer Council for Water
dWRMP	Draft Water Resources Management Plan
DWI	Drinking Water Inspectorate
EA	The Environment Agency
FD	Final Determination (Ofwat December 2014)
IAP	Ofwat's initial assessment of the PR19 Business Plan
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
Performance Commitment	Performance measures supporting the Outcomes. The levels of performance (targets) were set by Ofwat in the PR14 Final Determination
PR14	Price Review 2014
PR19	Price Review 2019
SDS	Strategic Direction Statement
WW	Wessex Water
WWP	The Wessex Water Partnership

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

Appendix 3

Partnership members during AMP6

Dan Rogerson	Chair
Richard Cresswell	Chair of WW Catchment Panel
David Heath	CCW
Michael Barnes	CCW
Jeremy Bailey (to January 2019)	Environment Agency
Kevin Ward (from January 2019)	Environment Agency
Ian Walker	University of Bath
Nicola Morris (to autumn 2019)	University of Bath
Martin Green	Age UK South Gloucestershire
David Hawkes	AdviceUK
Matthew Vaughan Wilson	The Money Advice Trust
Sarah Cardy	Citizens Advice Wiltshire
Jeremy Hawkins (Report Writer)	Creoda Consulting

Appendix 4

Wessex Water Partnership and Sub-Group meetings and agendas in AMP6

Wessex Water Partnership

Date	Agenda
28 January 2016	Review of PR14 Ofwat's Water 2020 programme Engagement with the WW Board WWP Terms of Reference WWP membership Forward work programme Customer and stakeholder information and assurance process
23 March 2016	Reporting for the Partnership Assurance Plan Non-household retail price controls Customer and stakeholder engagement programme SDS and SDS research proposal
29 June 2016	Year-end performance WWP report Debrief of industry wide CCG events Update on PR19 submission Water 2020 update Debrief of SDS research New member inductions
6 October 2016	Debrief from industry wide CCG events WW's mid-year performance Customer and stakeholder information assurance process Charges 2017-18 Customer engagement updates including research on SDS
26 January 2017	WWP Trust Fund update and code of conduct Customer engagement update Information assurance Strategic Direction Statement
22 March 2017	Areas of focus 2016/17 Environmental programme for PR19 Customer engagement update Future timetable
22 June 2017	Biodiversity update Resilience research debrief Feedback from Customer Sub-Group Feedback from Blueprint for Water PR19 launch event Year-end performance
18 October 2017	Information Assurance Plan Charges 2018/19 PR19 Performance Commitments Water Resources Management Plan Debrief of leakage research
5 December 2017	Sub-group progress updates Areas of Focus 2017/18 progress update Water Resources Management Plan PR19 Performance Commitments and investment overview
6 February 2018	Initial Business Plan Testing acceptability and affordability of the Business Plan Update from DWI
22 March 2018	Submission of PC definitions Special cost factors Customer effort PC Update on acceptability testing and other research Freeze and thaw event
15 May 2018	Annual review Customer engagement update including acceptability testing Business Plan update
18 June 2018	Business Plan update Acceptability testing debrief
12 July 2018	WWP report status Business Plan update

25 October 2018	Comparisons of the industry's business plans WW interim results Charges 2019/20 Information assurance update
21 February 2019	Delivering the Business Plan Ofwat's IAP WW performance update
17 June 2019	WW's Annual Report (including 18/19 performance) Charging strategy Lead into AMP7 and customer engagement update
16 August 2019	PR19 Draft Determination WW review following Southern Water's information misreporting WWP in AMP7
14 November 2019	PR19 update Charges for 2020/21
6 March 2020	PR19 Final Determination Business update C-MeX and D-MeX WW Catchment Panel's views on EPA and River Basin Management consultations Recruitment of WWP Chair for AMP7 Customer engagement update
11 June 2020	Covid-19 impact on WW and customers WW performance in 2019/20 and AMP6 Look ahead to AMP7 and 2020/21 Sharing AMP6 outperformance Customer engagement update Update on WWP Chair recruitment

Customer Research Sub-Group

Date	Agenda
9 May 2017	Terms of reference for the sub-group Status of customer research and forward programme Future workload of the sub group and timing
13 June 2017	Customer valuation research
3 October 2017	Leakage research Young People's Panel Online game Customer valuation research Revealed preference activities
22 November 2017	Young People's Panel Online game Customer valuation research Revealed preference activities Image Tracker Acceptability testing
18 January 2018	Ofwat's CCG Aide Memoire Leakage research Acceptability testing
7 March 2018	Triangulation Acceptability testing Customer research projects update
1 May 2018	Bill profiles and associated research Financial governance research Customer research projects update Customer engagement and Performance Commitments Co-creation and co-delivery Ofwat Aide Memoire review
4 June 2018	Feedback from ODI research Business plan acceptability testing WWP challenges
27 June 2018	Review of PR19 customer engagement methods and outcomes
21 February 2018	Ofwat's IAP view on engagement Bills post 2025 Proposed ODI research ERI research CCW research

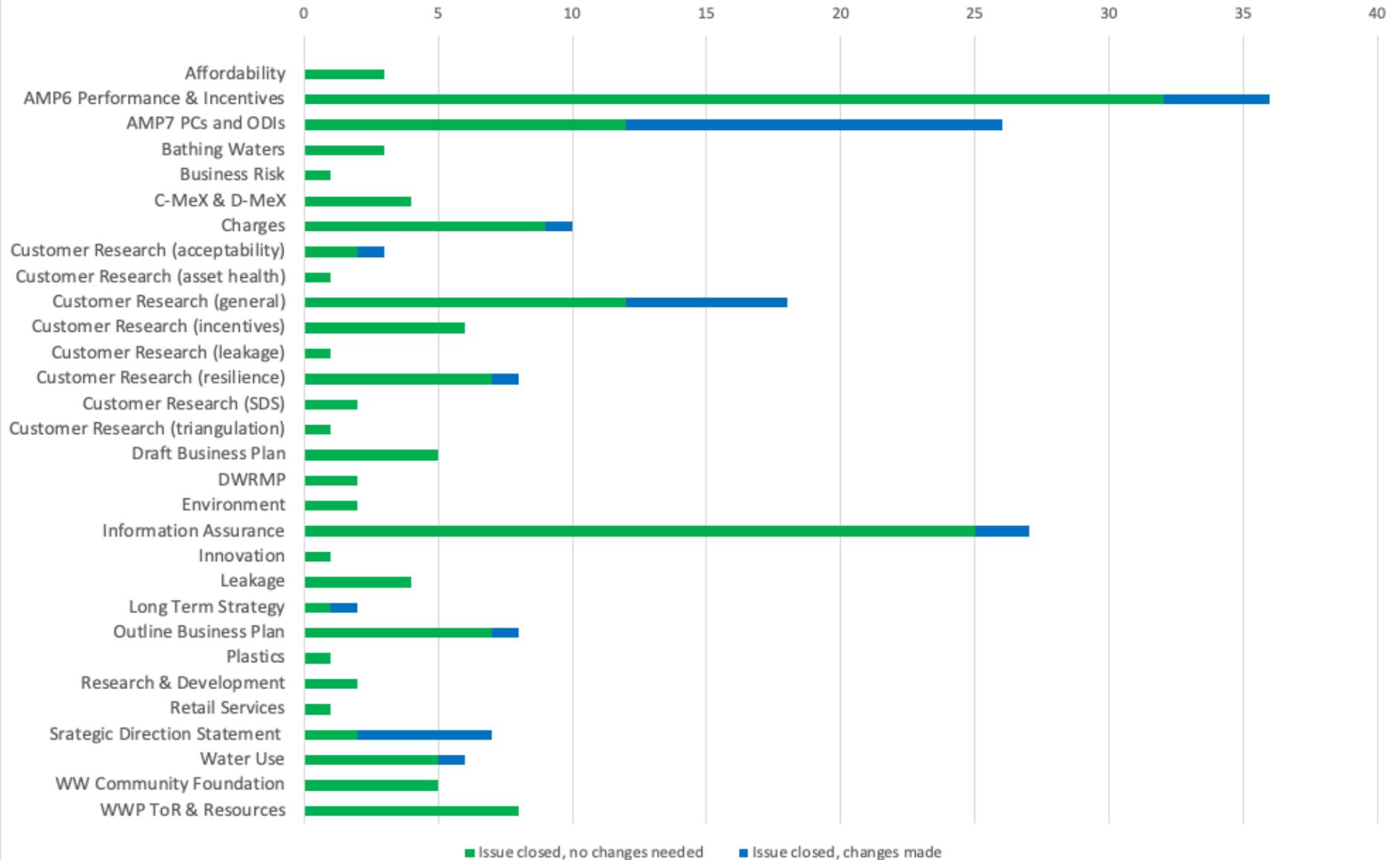
Affordability & Vulnerability Sub-Group

Date	Agenda
19 January 2018	Terms of reference Ofwat's expectations of CCGs WW's approach to customer care Performance commitments Reporting against common metrics
9 March 2018	Customer engagement Common metrics Meeting Ofwat's assessment criteria
15 May 2018	Customer engagement – qualitative research Vulnerability strategy Acceptability testing A&V Performance Commitments

Performance Commitment & Investment Sub-Group

Date	Agenda
3 January 2018	Purpose of the PCISG Performance Commitments
23 January 2018	The Business Plan Investment Supply interruptions Pollution incidents Sewer flooding Water quality Customer experience Leakage and efficient use of water
19 February 2018	Outcomes Customer research PR14 Performance Commitments Asset health metrics Proposed PR19 Performance Commitments Incentives WINEP
28 February 2018	Review of updated PR19 Performance Commitments
30 April 2018	WINEP update Submission of PC definitions Submission of cost adjustment claims Introduction to ODIs Triangulation update
14 May 2018	PC and ODI assurance Cost benefit analysis Incentive rates Bill impacts PR19 investment plan
30 May 2018 (Sub-Group members only)	Review of draft PCs and ODIs
15 June 2018 (Teleconference - Sub-Group members only)	Review of draft PCs and ODIs
18 June 2018	PR19 assurance WINEP delivery DWI support WWP feedback
12 March 2019	Review of Ofwat's IAP (PCs and ODIs) WW's proposed IAP response

Appendix 5 - Challenge categories and numbers



Appendix 6

Suggested ideal skill set and knowledge base for a Customer Challenge Group

- The ability to question and challenge the company, scrutinise and evaluate information and evidence and to influence outcomes
- Business planning techniques
- Customer research and engagement methodologies and the processing and interpretation of the results
- Customer service provision, both in the water industry and other sectors
- The needs of different customer segments (eg, domestic, commercial, urban, rural, income level, age, etc)
- Social and community considerations including health, mental health, disability, equal opportunity and diversity
- Customers in vulnerable circumstances and strategies for identifying and helping them
- Regulation of the water industry and other utilities
- Technical and operational aspects of water and wastewater services including infrastructure planning and maintenance and the management of operations
- Water quality and environmental issues including planning, regulation, performance and compliance
- Climate change and sustainability
- Customer understanding and perceptions about the company's role in environmental protection and improvement.
- Performance measurement and monitoring
- Information reporting and assurance
- Risk assessment (in the context of customer service)
- The work and contribution of the voluntary sector to the utility sector
- Report writing and other written communication to the company and Ofwat