



Forward Programme Consultation Team
Ofwat
Centre City Tower
7 Hill Street
Birmingham
B5 4UA

Sent by email

21 February 2019

Dear Sir,

CCWater's response to Ofwat's forward programme 2019-20

Thank you for the opportunity to comment on Ofwat's Forward Programme 2019-20. Overall, we feel that this covers the right topics and sets out a clear direction and timescale for Ofwat's activities. We are pleased that Ofwat has recognised that value for money and fairness of bills are the areas where customers are most dissatisfied with their company, and picked up on our investigation into what was driving dissatisfaction in our [Water Matters Highlights](#) report. In addition to this report, we intend to publish tips that companies can use to increase customer satisfaction in these areas. In turn, this should also help to improve legitimacy in the sector.

There is a statement that Ofwat will "continue to consider how water resource planning can be optimised to more closely reflect how companies would be likely to interact in a competitive market." However, there is a risk that this approach may be contradictory to the call for companies to start to plan on a regional, more joined up basis. Further information on this point would be welcomed.

We look forward to working with Ofwat whilst it creates a new Vision for the sector. We would like to further understand how Ofwat intends to engage with consumers in developing the Vision to ensure that the strategy is based on customer views on how Ofwat should deliver its consumer protection role.

In terms of collaboration with others, we were surprised that there was no mention of your work with us to deliver your objectives (e.g. your State of the Market report and our sharing of information regarding complaints and company performance), or your membership of BEIS' Consumer Forum. Additionally, we think it would be useful to set out how you intend to contribute to the

recommendations from BEIS Green paper and the NAO report into 'Vulnerable consumers in regulated industries'.

Strategic outcome 1: Customers receive a great service (encompassing customer service and the reliable delivery of safe drinking water and waste water services)

We support Ofwat's intention to make price determinations that will lead to ongoing improvements for customers across a range of service measures. However, Ofwat needs to ensure that the use of incentives is acceptable to customers. There is a risk that Outcome Delivery Incentives could lead to a negative customer reaction if outperformance payments increase bills and customers do not recognise or accept what they may be getting in return.

While the C-MeX incentive includes a welcome measure of customer experience (for both contacts and non-contacts), we remain concerned that the incentive to reduce complaints is weaker, or companies could get access to the financial rewards on offer without first achieving significant improvements in complaint handling. We would welcome Ofwat addressing these concerns in the final design of the C-MeX incentive. We consider that C-MeX will only deliver excellent customer service if it is designed effectively and that the appropriate financial incentives are placed on it, to drive a positive change. We will continue to work with Ofwat on the development of C-MeX.

CCWater supports Ofwat's work in improving water company's Board governance, particularly in ensuring companies are focused on meeting customers' expectations. We would like Ofwat to show how it will assess company Boards to ensure they are complying with these principles and what Ofwat would consider as success in this area.

When looking at the NHH retail market, measures like complaints and customer perception (though research, including CCWater's) show that some customers do not feel they are receiving a great service, in particular, smaller customers. We welcome the opportunity to continue to work with Ofwat on driving service improvements. We think that it will help service providers and customers to know specific what measures Ofwat is looking at and what are the thresholds for enforcement action. Ofwat should also ensure it uses its powers to address ongoing issues in the NHH retail market, particularly problems with inconsistent or poor data and issues with some retailer/wholesaler interactions.

Strategic outcome 2: And value for money, meeting the affordability challenges and needs of different customer groups

We consider that vulnerability and making services accessible to all should be given a higher priority within the programme. One of the key issues for customers who were affected by the freeze thaw in February/March 2018, was when a customer temporarily found themselves in a vulnerable situation and were unable to access services. Although some companies have made efforts to address this issue in the action plans that they submitted to Ofwat, we do not feel that enough

is being done within the industry to ensure that a situation like this does not arise again.

A further point on vulnerability is that although companies are currently continuing to increase the support provided to customers, we estimate that the WaterSure and social tariff schemes currently in place have potential to help only around a quarter of those who are struggling to pay their bills. As such it is vital that consideration is given to the long term approach to the funding of social tariffs now, and feel it would be useful to work in collaboration with Ofwat on this issue.

We also feel that it would be beneficial to add further details of how Ofwat intend build the evidence base in terms of the effectiveness of company interventions. Specifically, Ofwat's analysis of the Family Resources Survey data (which indicates what proportion of customers are spending 3% and 5% of income on water) is now over five years old. It would be good to see a commitment from Ofwat to refresh this work and report the latest position.

We welcome Ofwat's intention to assess business plans to ensure companies are addressing customer vulnerability and affordability. We would like to see the 'best practice' proposed by some companies in their plans applied more widely across companies in the draft and final determinations.

As the NHH retail market is still in its infancy, and given the ongoing problems with market data and the complaints performance of some retailers, it is important that Ofwat continues to regulate price and service levels in the market. It may be some time before evidence shows that the market has matured enough to justify a pullback of market regulation.

We will be responding to Ofwat retail exit code consultation. In our view, price protections remain crucial, especially to those customers who do not know they can switch or have decided not to.

Strategic outcome 3: Through companies being resilient in the round and protecting the sustainability of the ecosystem on which the sector is built, so that the needs of future consumers as well as today's can be met

We support the focus on improving resilience in the round, but Ofwat should also ensure that improvements in resilience are delivered with a pace of delivery and bill impact that is shown by evidence to be acceptable to customers.

We welcome Ofwat's challenge to the industry to reduce leakage by 15% and we have pressed companies to be even more ambitious in their long term strategy for reducing leakage. We consider that companies should be praised where they have set more ambitious targets.

One of the major benefits of the NHH market was that it was meant to deliver water efficiency. However, in years one and two of the market, few retailers appear to have responded to any measurable degree to Ofwat's promotion of greater water efficiency. It may be necessary to look at incentives for retailers to

better engage with customers on water saving and how wholesalers should be contributing to this.

Strategic outcome 4: Companies and investors are committed for the long term and display corporate behaviours which match what is expected from essential public service providers

We agree that this is important for the industry; progress and transparency in this area will go a long way to help raise consumer's perceptions of fairness and VFM. These are the two issues that we have identified where customers are most dissatisfied with their company.

If you have any questions or queries about our response, please do not hesitate to contact me on 0121 345 1058 or at hannah.bradley@ccwater.org.uk.

Yours sincerely

**Hannah Bradley
Senior Policy Manager (Market Intelligence)**