



**The Consumer Council for Water's response
to
Citizen's Advice's consultation on its draft
consumer work plan 2018-19**

February 2018

1 Introduction

- 1.1 The Consumer Council for Water (CCWater) is the statutory consumer organisation representing water and sewerage consumers in England and Wales. CCWater has four regional committees in England and a committee for Wales.
- 1.2 We welcome the opportunity to comment on Citizens' Advice (CA) draft Work Plan for 2018-2019 in England and Wales. This document sets out CCWater's response.
- 1.3 Overall we are supportive of your draft Work Plan, and we have commented on a number of cross cutting issues where our working together could increase the insights necessary to make changes to benefit consumers.

2 Detailed Response

- 2.1 There are a number of cross cutting issues outlined in the draft Work Plan where we believe that there would be value in us working together. Overall, our response focusses on these areas and outlines where we already have evidence which may be of use when considering your future work. We will be happy to discuss any of these areas with you in further detail.

2.2 Helping vulnerable customers

- 2.2.1 There are a number of areas in your work plan that focus on protecting vulnerable customers, which is a key area of our work. We believe it makes sense for us to work together on some of these issues, so we can deliver improved results for consumers by sharing good practice and encouraging service innovation. Big Energy Saving Network is a good example of where advice on water efficiency and affordability support for water consumers could also be shared.
- 2.2.2 Your plan [at 1.8] to consider flexible payment arrangements for consumers with insecure incomes is an area for collaborative working, as this affects water consumers as well as energy consumers. The water sector has tariffs and assistance schemes to help those struggling to pay, but working together on this topic could allow us to improve approaches in both sectors.
- 2.2.3 You outline your plans to give energy consumers a voice during price control discussions [at 2.1]. We have extensive experience of this within the water sector, and will be very pleased to share with you the actions that have made a difference and have given consumers that voice. You also mention counterbalancing the pressure from the industry on the regulator during price setting. We have done this for many years for water consumers and therefore welcome this advocacy work on behalf of energy consumers.

2.3 Ensure consumers have access to redress, resolution and automatic compensation

- 2.3.1 We agree that consumers who are entitled to compensation should receive it with the minimum of hassle and we support your work to improve consumer rights and automate

payments. Access to redress schemes should be a given and industries should evidence compliance with the EU ADR Directive where it is applicable.

2.3.2 We report complaints to the water companies in England and Wales annually¹. It generates a lot of interest from stakeholders and the media. The report has a reputational impact on companies and financial as written complaints and unwanted contacts form part of Ofwat's service incentive mechanism. We welcome the possibility to compare the water industry with other sectors to see what lessons can be learned and improve customer service across industries.

2.4 Make sure consumers get value for money from other monopoly services

2.4.1 We agree with your observations on how regulatory decisions have been shown (in hindsight) to be more in favour of water companies and their shareholders than in consumers' interests. We provided evidence and analysis for the NAO's study of water companies' financial performance in 2010-15 that revealed Ofwat's over generosity at the 2009 price review. Indeed, since privatisation, evidence shows that water companies have consistently raised finance and achieved returns that have significantly outperformed the allowances in Ofwat's price determinations. We welcome CA's intention to help address this.

2.4.2 We also agree that changes to how the sector is regulated can act as a remedy to protect consumers from paying charges that lead to windfalls for water companies. Most recently, we have pressed Ofwat to set a lower assumed cost of capital financing for the 2020-25 period to ensure companies are financed efficiently and avoid customers paying excessively. Our independent consultant's recommendations can be found in [this report](#). In December 2017, Ofwat announced it was setting a cost of capital assumption in line with our recommendations, but there is still much to do to improve the legitimacy of the sector in consumers' eyes.

2.4.3 Additionally, we analyse companies' annual financial performance with a view to identifying where companies are outperforming their regulatory allowances. We use this evidence to (a) press Ofwat to set improve cost assumptions at price reviews, and (b) to press companies to share their success with customers. A report we commissioned that looks at 2016-17 financial performance will be published shortly. We will provide you with a copy when available as this will be useful for your objective in pressing for greater value for money from monopoly services.

2.4.4 We are continuing to work with Ofwat and the water companies to improve the transparency of companies' financial structures and performance, and improving company governance. The ongoing 2019 price review is also an opportunity to ensure that, along with a lower cost of capital, Ofwat set price determinations that deliver customers' expectations of water and wastewater services, but at a price that reflects efficient costs and financing.

2.4.5 We support CA's work in sharing regulatory best practice as it will help achieve good outcomes for consumers. As we share these objectives, we would welcome collaborative working with CA to help achieve both a good outcome from the price review, but also

¹ <https://www.ccwater.org.uk/households/company-performance/waterindustrycomplaintsreport/>

more effective regulation that protects customers from the over generosity seen in the past.

2.5 Markets that do not exploit consumer behaviour

- 2.5.1 The water market opened to retail competition to non-households in April 2017. CCWater is looking at similar issues that CA is in energy. We will use evidence that we collect from customer complaints (to us and to retailers) and from our research to inform the action we take, be it pressing poor performing retailers to improve or suggesting changes to retail water market codes. There may be opportunities for CCWater to point CA to our market evidence or tailor future research to ask comparative questions.
- 2.5.2 Our research and complaints will establish what price and service benefits customers who've switched and have not switched have been offered (though not determining a specific figure). This insight may be of use to help you establish the costs of the loyalty penalty.
- 2.5.3 We will also be focussing on the experiences of customers who don't find it easy to find, compare or switch to other water retailers, which again, may provide additional insight in your work around helping consumers to switch energy suppliers.

3 Summary

- 3.1 In conclusion, we have insights we can share with CA, and believe that by close working we can reduce detriment to consumers across the sectors. We welcome the sharing of good practice to realise the practical benefits of cross-sector working in the interest of customers.

Please direct any queries to:

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