



The voice for water consumers
Y corff sy'n rhoi llais i ddefnyddwyr dŵr

CCW's response to Ofwat's forward programme 2020-21

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CCW consultation on Ofwat's Forward Programme 2020-21

1 Introduction

The Consumer Council for Water (CCW) is the statutory consumer organisation representing water and sewerage consumers in England and Wales. CCW has four regional committees in England and a committee for Wales.

We welcome the opportunity to comment on Ofwat's forward programme 2020-21. This document sets out CCW's response.

2 Executive Summary

Overall, we are broadly supportive of the intentions set out in Ofwat's ambitions and see merit in us working collaboratively in many areas – particularly around: securing affordable, resilient and sustainable services; understanding and listening to customers; making better use of data; and building partnerships.

However, we do have some concerns about the innovation fund, particularly as there has been no consultation with customers on this matter. We will test the initiative with customers in the coming months on our Research Community – WaterVoice. Whilst we welcome the inclusion of public value in the sectors thinking, we have concerns whether this will lead to actual change in company behaviours. Therefore, it is essential that companies are held to account to move towards embedding public value into the way that they operate.

We would welcome a greater focus on affordability and vulnerability and we intend to continue working with Ofwat on areas such as water poverty, the guaranteed standards scheme and protecting vulnerable customers.

3 Detailed Response

In the sections below, we focus on each of the ambitions listed in the programme:

We are driving improvements in outcomes for consumers and society

We welcome Ofwat's intention to develop a richer understanding of company performance and take swift and targeted action where necessary. The range of Performance Commitments in the Final Determinations for 2020-25 should give Ofwat a wider scope of information about how well companies are performing. We would welcome clear and transparent reporting of this performance data to inform our challenges to the poorer performing companies to do better.

Markets are delivering more

Ofwat's intention for markets to drive further innovation is positive, but must not lose sight of where existing markets may not be delivering customers' expectations. While the non-household retail market has made choice available for business customers in England, the level of business customer complaints to retailers and CCW is higher than before the market opened. The market also has issues with data quality and frictions between wholesalers and retailers that are generating many of these complaints. If markets are to

evolve and deliver innovation, it is important that Ofwat focus on resolving existing problems for customers first.

We note the promise to consult on options for improving the connection charging rules for companies operating wholly or mainly in England. We agree that aspects of this guidance need reviewing. For example, the requirement for companies to calculate their charges up front, as an average based on actual costs, can lead to inappropriate charges if there is a limited database of information. This can be seen most acutely in the area of sewer requisitions, as most companies only carry out a small number of complex cases per year. Charges calculated by this methodology are unlikely to reflect the external market and may be over-priced for the vast majority of work but under-priced for jobs that are the most complicated and costly.

Having said this, companies and their customers have seen a lot of change to the connection charging regime in the last few years. Therefore, we suggest, for this proposed consultation, that Ofwat focuses only on those essential changes that are needed to ensure that the market functions effectively or to prevent companies or customers from suffering significant detriment.

We are evaluating and evolving our regulatory approach

We look forward to seeing the results of Ofwat's evaluation of the 2019 price review, which will inform Ofwat's approach to future regulation. We would like to see companies that consistently perform poorly for customers and the environment receive a 'harder' form of regulation, with a 'lighter touch' only applied for those that consistently perform well and demonstrate ambition and innovation. This could act as an incentive for poorer performing companies to improve.

We are driving innovation

CCW is very interested in the area of innovation. We think it is essential that the industry makes a step change in this area, not just in terms of outputs, but also a change to culture. The industry needs to constantly be looking for new and better ways to think and operate to better meet the expectations of the customers they serve.

We want to see innovation that delivers real change, makes a material positive impact on customers and delivers value for money; for example, in areas such as service, environment improvements, affordability and vulnerability.

Using a competition to fund innovation could stifle collaboration. Ofwat needs to consider making collaboration mandatory for any application that is submitted. All entries, to said competition, should also be made public even if they are unsuccessful in gaining funding. It should be made clear now that innovation and collaboration will be part of the test at the next Price Review.

We think it is important to gain the customer view on innovation and so we will speak to customers on this topic through our Research Community – Water Voice. To make sure that any funding is legitimate in customers eyes.

We are working with others to improve the environment

Through research and engagement conducted during the Price Review consumers have called for more to be done to protect and improve the environment, and particularly where companies have in the past performed poorly. We would welcome and support measures to encourage and deliver greater environmental gain from investments and for

our more sensitive water sources, like the Chalk Streams, to be given greater protection. Collectively, the sector needs to do more to raise awareness to the pressures on the water environment and to explain why it is important to protect and where possible improve it.

We are securing affordable, resilient and sustainable future water and waste services

The long-term resilience of our water and wastewater services is essential. We welcome the establishment of RAPID which should ensure that, where appropriate, strategic water resources schemes are progressed in a timely and effective way that delivers best value and most sustainable outcome for water customers. We look forward to working closely with Ofwat and RAPID as plans develop and proposals become clearer so that we can be assured that any potential customer issues and concerns have been fully addressed.

We are improving long term-asset resilience

Consumers will expect their water and wastewater companies (and Regulators) to be doing everything they can to manage the risks to the water and wastewater networks from climate change. It is important that all companies produce climate adaptation plans so that they can be used to compare and contrast company approaches, share good practice and, provide reassurance to consumers that the risks are being managed appropriately.

We are embedding public value in the water companies

We broadly support and welcome the increased focus on public value within the sector. But there should be consequences for companies that do not deliver benefits to the community and positive outcomes for their consumers.

The principles supported by public values build on many of the policies and principles that we have adopted over the years. This is particularly true for elements of our social policy work such as social tariffs, charitable trust funds, re-investment of profits, priority services and Dementia Friends. However, examples can also be found in our environmental work such as water fountains/water bars, what not to flush campaigns, water quality and water efficiency. And also in our regulatory work around fairness accountability and openness.

The real test will be whether they bring about a change within the in sector. There is a risk that good practice has just been rebranded and will not change the way that companies operate. They may just try to fit their business as usual activities under the banner of public value. Therefore, it is essential that companies are held to account to move towards embedding public value into the way that they operate. If applied and implemented correctly by the sector then this has the potential to bring positive outcomes for consumers. This in turn should improve perceptions.

Further thought needs to be given to how Ofwat will monitor how far the industry has gone in terms of delivering public value for consumers. We note that this is included under Ofwat's 'developing new regulatory tools' ambition.

We understand and are listening more to consumers

We welcome Ofwat's move to understand the needs of consumers and the development of a new research function. Consumer views underpin all of the work that CCW does and so, we believe that this is a key area where we can effectively work together to bring benefits to consumers. We are keen to open further dialogue with Ofwat on potential

research to ensure that our research plans are aligned. We would also offer our substantial experience in this area.

We are developing new regulatory tools

As outlined above, the success of companies efforts to deliver public value is dependent on successful monitoring and challenging ambitions.

There are many models for defining public value. . What is important is that the chosen model delivers for customers in a way that is visible and can be monitored. Consumers' perceptions on areas such as fairness of bills, value for money, trust and care are better at reflecting how consumers view their water company and the contribution they make to society. These are all areas where we collect data, and therefore are measurable.

While we support Ofwat developing improved assessments of companies contribution to society and the environment, this should be in the context of both the immediate short term and how well companies are contributing to the longer term resilience, legitimacy and security of the sector for customers.

We are making better use of data

Similarly, we intend to develop our own data strategy to make better use of the data that we hold. We would welcome to opportunity to work with Ofwat on this, to ensure that processes are aligned in a way that would encourage better data share between us.

We have stronger partnerships and are more outward looking

We believe that collaborative working is essential to effective decision making. Different stakeholders have their own areas of expertise, and an understanding of these could lead to overarching policy decisions that encompass the needs and views of customers, as well as the environment.

General comments

We would to continue working with Ofwat to help end water poverty. In particular, we would welcome Ofwat's backing in closing the gap between what can be delivered under current arrangements and the full scale of the problem, and in moving towards ending the postcode lottery which exists in terms of the support on offer to customers.

We believe Ofwat should undertake a full review of the Guaranteed Standards Scheme, building on the positive, but limited, recommendations it made following the freeze/thaw incident in 2018. In addition to reviewing existing commitments and payment levels we believe the review should consider whether additional standards should be added based on the service issues which matter most to customers.

We also hope to continue working together to improve outcomes for consumers in vulnerable circumstances. Protecting consumers is a key Defra SPS objective and we are surprised that there is no mention of vulnerability focus in this forward programme.

Within this plan, there are many areas where we can continue to work collaboratively with Ofwat and build on our collective strengths. We are pleased to see a greater focus on data share and working together on projects that deliver for consumers.

Enquiries

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