

Independent Challenge Group – Report to DCWW Board June 8th

Company Boards should be accountable for having in place a mechanism for, and listening to, customer challenge' and being 'able to demonstrate how business plans and wider decision-making take account of matters that are important to customers, including those highlighted through the customer challenge process' Ofwat guidance PR24 and beyond.

This Board update provides a summary of the work of the Independent Challenge Group (ICG) in ensuring that the customer views are reflected in the PR24 business planning and wider decision making.

The ICG submission to the November Board highlighted the challenges of maintaining customer trust, delivering on the nature and climate crisis during a cost-of-living crisis. This significant change in context for a price review process with a spotlight on the role of water companies and the public desire to see a shift in the scale of investment which must be funded through an increase in customer bills. Striking the right balance to deliver on these challenges and securing customer support requires collaboration.

The ICG has contributed to the Wales PR24 Forum, ensuring that the customer insight is represented in the strategic steers that the Forum has submitted to the Board. The Chair has also met regularly with other ICG Chairs as part of the Challenge Coordination Group coordinated through the Consumer Council for Water to share experiences across the other water companies.

The company report to the Board on customer insights represents an accurate summary of the evidence base from the three phases of research, longitudinal study and Your Water Your Say event. The ICG has worked with the commissioned agencies as part of the enhanced assurance process for this research and as previously reported very much welcomes this strengthened assurance model. The ICG confirms that the qualitative acceptability and affordability research adhered to the detailed Ofwat/CCW guidance. The Board will receive a full assurance report in September.

The ICG would want the Board to note from the **Customer Insight** report:

- The customer performance priorities - leakage, sewer flooding, river water quality - and the expectation that the company sets and meets stretching targets against these priorities. The recent leakage reporting issue further reinforces this priority as essential to maintaining customer trust.
- Customers have high expectations of the company's contribution as a not for profit to the wider economic, social and environmental wellbeing objectives.
- The qualitative phase 3 research and longitudinal study on the proposed plan showed positive acceptability results, but with a significant minority expressing affordability

concerns. This was the outcome of in-depth processes to inform customers, and the planned quantitative study may provide more challenging results.

- This support of informed customers is very much contingent on maintaining and extending support for customers in vulnerable circumstances. The ICG stresses the importance of ongoing coordinated action on comprehensive and effective affordability support measures, including ensuring there is a clear rationale to underpin the cross subsidy required for social tariff investment.
- The clear commitment to intergenerational fairness recognising the importance of not delaying investment. The ICG has asked for greater clarity on the long term “glide path” to meeting 2050 objectives.
- The ICG and the IEAP fully supports the company’s approach to focusing on CSOs that cause most harm. This is also the view of informed customers, but research shows this may not be representative of the wider public view, with the numerical count model being proposed by Ofwat in England being seen to be more measurable and accountable. The communication of the “most harm” message, support of stakeholders and especially Ministers will be critical.

The **Your Water Your Say** event was an additional element to the customer challenge process in PR24 which the ICG felt proved valuable as another opportunity for accountability. The ICG provided positive feedback on the event while recognising there are lessons that can be applied for the next event including a bilingual balance, promotion, timing, etc drawing on experience from others.

The ICG has collated a list of key customer challenges emerging from this event, along with other customer engagement (current list is attached). The ICG proposes that the company response to these challenges is made available through the ICG website and that this should form part of an ongoing customer challenge response log.

“Customers expect their company to learn lessons from incidents and implement best practice when responding to future incidents, including seeking customer feedback.” (CCW research on licence conditions)

The ICG was asked by Peter Perry to contribute to a review of the **company response to December’s freeze – thaw event**. [This review](#) was submitted in March following consultation with community members impacted by the event, with 16 recommendations that have now been incorporated into the company action plan. This action plan was reviewed at ICGs May meeting.

While the ICG is still very much focused on ensuring the customer view is reflected in the PR24 business plan we are also **looking forward** through :

- a joint working group with the Independent Environmental Advisory Group (IEAP) chaired by Chris Mills (IEAP chair) to identify how the Periodic Review process might be improved to ensure that the environment is best protected and improved. This draws on the Afallen report for Welsh Government on PR19 as a starting point. This group will provide a report to the Board later this year
- a planning workshop in July to review the future ICG work programme. This workshop will take into account the lessons from the [review of ICGs](#) commissioned by CCW. Board members would be very welcome to join this workshop.

The Board is reminded the term of office of the current ICG chair will come to an end with completion of the PR24 process. It is recommended that plans for recruitment are put in place to allow for a transition period.

Peter Davies

Chair Dwr Cymru Independent Challenge Group

May 2023