
PR19 – IAP stage - CCG Report

**Supplementary report to Ofwat from the
Affinity Water Customer Challenge Group**

29 March 2019

About this report

This is a report prepared for Ofwat by the Affinity Water Customer Challenge Group (CCG) about Affinity Water Limited's (AWL) response to Ofwat's Initial Assessment of Plans (IAP). The members of the CCG at 1 April 2019 are listed at Annex A. Our Terms of Reference can be found on AWL's website.¹

The IAP is part of Ofwat's process for considering AWL's PR19 Business Plan submission for the period 2020/25. In relation to PR19 Ofwat has asked the CCG to provide:

'independent challenge to the company and independent assurance to Ofwat on the quality of the company's customer engagement for PR19, and the degree to which this is reflected in its business plan'.

The CCG submitted its primary PR19 report to Ofwat on 3 September 2018². That report explains in more detail the CCG's role in the PR19 process and the approach taken to challenging and assuring AWL's customer engagement for PR19.

In relation to the IAP stage in the PR19 process the CCG has been asked to undertake assurance of additional customer engagement AWL is carrying out between 31 January and 1 April 2019 and to provide a report to Ofwat, also by 1 April. In an email to all CCG Chairs³ Ofwat advised that they were asking:

'CCGs to submit by 1 April a short and focussed report covering any aspects of the re-submission [of the business plan] that require comment on the quality and influence of related customer engagement.'

Ofwat added that

'Documents released to companies today make clear which parts of the resubmitted business plans will require assurance from the CCG.'

The CCG's has reviewed and commented on AWLs responses to **16** action points Sections 2 and 3 of this report. Section 2 deals with the 2 action points where Ofwat asked the company to obtain assurance from the CCG. Section 3 covers the 14 action points which we have selected to review because they either a) relate to matters the CCG considered in some depth in its September 2018 report; or b) Ofwat has mentioned the CCG, but without asking that we provide assurance; or c) we are currently involved in advising and challenging AWL, e.g. the revisions to the draft Water Resources Management Plan (rdWRMP) which is completed in May 2019.

¹ <https://stakeholder.affinitywater.co.uk/docs/CCG-terms-of-reference.pdf>

² <https://stakeholder.affinitywater.co.uk/docs/CCG/CCG-Business-Plan-Report-Complete-final%20%20September-11am-Linked-Version.pdf>

³ Ofwat email to CCG Chairs 31 January 2018

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Acronyms and abbreviations

AWL	Affinity Water Limited
BP	Business Plan
dBP-	draft Business Plan
CCG	Customer Challenge Group
CCW	Consumer Council for Water
IAP	Initial Assessment of Plans
KPI	Key Performance Indicator
Ofwat	Office of Water Services
ODI	Output Delivery Incentive
PC	performance commitment
PR19	Price review 2019
PSR	Priority Services Register
WRMP	Water Resources Management Plan
dWRMP	draft Water Resources Management Plan
rdWRMP	revised draft Water Resources Management Plan

1. Summary

- We have reviewed AWLs responses to **16** Ofwat IAP action points.
- We **provide positive confirmatory assurance on the action AWL has taken** on the two action points where Ofwat specifically asked AWL to obtain assurance from the CCG (**AV.A1** and **AV.A2**).
- We **note** that the company now proposes a lower level of charges for clean water (without inflation and sewerage charges). The average water bill is now projected to reduce by 1.6% between 2020 and 2025 (instead of increasing by 2.1%) and will further reduce by 2.0% between 2025 and 2030 (instead of increasing by 3.1%). The details of the proposal are set out in AWLs response to **RRA10**, which we have reviewed. The revised average bill level now proposed by AWL was effectively tested with customers in Spring 2018 as part of 'Phase 2' of AWL's customer engagement programme. We remind Ofwat of the assurance we have previously provided on that research in our September 2018 report.⁴
- We note and **welcome** that AWL has decided to improve and extend its performance commitments (PCs) to customers in several areas:
 - Increasing the level of its performance commitment on leakage reduction so that leakage is reduced by 18.5% by 2025, instead of 15% proposed in its Business Plan;
 - Adopting a new performance commitment to maintain the BSI certification 18477 for Inclusive Services between 2020-25;
 - Increasing its target performance levels for bespoke PCs concerned with satisfaction with services and experience of dealing with AWL amongst customers in vulnerable circumstances to 90%, instead of 82% proposed in September 2018;
 - Accepting the new 'Common Performance Commitment' proposed by Ofwat in relation to its Priority Services Register (PSR), and setting a target to increase the number of customers on the PSR from 2.5% in 2018 to 7.22% of customers by 2025, instead of both the increase to 6.3% of customers proposed by AWL in September 2018, and 7% proposed by Ofwat on 31 January 2018.

⁴<https://stakeholder.affinitywater.co.uk/docs/CCG/CCG-Business-Plan-Report-Complete-final%20%20September-11am-Linked-Version.pdf>

- Retaining its present PC to undertake an annual survey of customer perceptions of 'value for money', with appropriate changes made to the methodology for this survey, seeking advice from the CCG on this;
 - Introducing a new bespoke PC on resilience relating to disruption to customers as a result of unplanned interruptions to IT systems and online services, an area where customers have experienced problems with performance in the past few years.
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- We note that as part of the research AWL has conducted to respond to Ofwat's AV.A1 and AV.A2 action points it asked customers for their views on the acceptability of several new performance commitments that are now included in the Business Plan in response to Ofwat's IAP. These include four aspects relating to AWL's services and support for customers in vulnerable circumstances, IT system and service downtime and strategic water resource development.

1. Method and approach

1.1 Background

On 31 January Ofwat published its Initial Assessment of Plans (IAP) submitted by all water (and sewerage) companies in September 2018. These plans were required as part of Ofwat's periodic review of companies' price limits, a process which ends in December 2019 when Ofwat will have decided the prices water (and sewerage) companies can charge their customers between 2020 and 2025. This periodic review process is called 'PR19'.

Ofwat has given companies detailed assessments and 'action points', most of which require responses by 1 April 2019. Although this process is being called a 'resubmission' of the business plan companies are responding to discrete questions about their proposed plan. This includes requests for more evidence or research to be done, or for changes to be made to elements of their plan such as performance commitments or targets.

AWL has been asked to obtain assurance from the CCG of evidence of engagement with customers about the bills that were proposed by AWL in September 2018. We are asked to provide a report to Ofwat by 1 April.

Ofwat has not set out any specific requirements as to the format of responses or scope and approach that CCG reports should take. Only a few of the 'action points' they have published for companies refer specifically to CCG assurance being required, but most do not make any reference to CCGs. In an email to CCG Chairs on 31 January 2019 Ofwat said:

'We recognise that time is very limited, so expect companies and CCGs to work together constructively, effectively and pragmatically as you and they develop responses to our initial assessment of business plans.'

Below we explain the decisions we have made about the scope of our work on this task, and our approach to providing any 'assurance' requested by the company and Ofwat.

1.2 Agreeing the scope of our report

In February 2019 members of the CCG reviewed and noted Ofwat's assessment of AWL's business plan⁵ and that AWL had been given many Action Points to respond to. Only two of those action points (AV.A1 and AV.A2) require the company to obtain assurance from the CCG.

Mindful that Ofwat has used the word '*pragmatic*' in their request to us, and the limited time for this exercise we considered that beyond addressing the two action

⁵ <https://www.ofwat.gov.uk/regulated-companies/price-review/2019-price-review/initial-assessment-of-plans/>

points where Ofwat has specifically asked the company to obtain assurance from us it is a matter for us to decide what other matters we wished to, and could, review in the time available between 31 January and 1 April 2019.

We initially agreed⁶ to review AWLs responses to **10** of the Ofwat action points, including the two action points (AV.A1 and AV.A2) where Ofwat had required the company to obtain assurance from us. The other action point responses were selected by us because they related to matters the CCG considered in some depth in its September 2018 report, or Ofwat has mentioned the CCG but without asking that we provide assurance, or, as in the case of the revisions to the draft Water Resources Management Plan (rdWRMP) we are currently involved.

During March the Chair requested that the CCG could review a further **6** responses, bringing the total number of company action responses we have reviewed to **16**. These are set out below:

Ofwat Assurance requested Action points – (2)

AV.A1	Affordability and acceptability of bill profile 2020/25
AV.A2	Affordability and acceptability of bill profile 2025/30

Action points the CCG has asked to review – (14)

AV.A3	Social tariff cross-subsidy research
AV.A4	Performance Commitment (PC) on achieving the BSI standard
AV.A5	PC on increasing registrants on the Priority Services Register (PSR)
OC:A3	Value for Money survey performance commitment
OC:A11	Leakage reduction target
OC:A27	Water pressure performance commitment level
OC:A32	PC on customer satisfaction with services for customers in vulnerable circumstances
OC:A34	PC on customers in vulnerable circumstances experience of dealing with AWL
OC:A33	Performance level for PC on customers in vulnerable circumstances satisfaction with AWLs service
OC:A35	Performance level for PC on customers in vulnerable circumstances experience of dealing with AWL
OC:A36	Customer evidence for the PC on 'environmental projects'
OC:A46	Mean Zonal Compliance – proposed retention of PC
CMI.A1	Potential strategic supply options and engagement
RR.A10	Steps taken to address CCG concerns

⁶The CCG Chair circulated a proposed course of action and scope to CCG members and AWL on 31 January 2019. At its meeting on 13 March 2019 the CCG confirmed its agreement to the approach to the task and reviewed written responses from AWL to various Ofwat IAP action points.

The CCG's comments on **16** action points are addressed in Sections 2 and 3. Section 2 deals with the 2 action points where Ofwat asked the company to obtain assurance from the CCG. Section 3 covers the other action points which we have selected to review.

1.3 Our approach to assessment and 'assurance'

Our approach to providing any judgement, assurance or comment on the company's responses to Ofwat's action points has been to:

- confirm we have reviewed the company's response in as final form as has been possible in a parallel reporting exercise;
- confirm, if we are able, that AWL has undertaken the action requested by Ofwat in an appropriate way, having regard to their PR19 methodology;
- provide Ofwat with any relevant information or observations we have on the matter, including reference to issues we have raised with the company and relevant issues referred to in our September 2018 report.

We also agreed that if we were expected to provide a judgement about the *quality* of any new customer engagement in the company's responses we would apply and refer to the 'test areas' which we used in our report for Ofwat in September 2018.⁷ These test areas were designed to address the requirements Ofwat had set out for effective customer engagement in its policy statement on customer engagement (May 2016). The role of CCG's is primarily to comment on the effectiveness of customer engagement at this price review not to endorse company plans.

Bearing in mind the scope of the action points we agreed to review the most relevant of our PR19 test areas for this task are 5, 7, 11 and 12, set out below. The full list of all our agreed test areas for PR19 is included in Annex C for reference:

Test Area 5	Has the company presented its customers with realistic options?
Test Area 7	Has the engagement with customers been sufficiently diverse, involving the using of methods appropriate and effective for engaging with a diverse range of customers. Does this include customers in circumstances that make them vulnerable? Has the company considered the most effective methods for engaging different customers, including those that are hard to reach?
Test Area 11	Is the proposed plan affordable for current customers, future customers and those struggling or at risk of struggling to pay? How well does the company

⁷ See Annex C

	understand what affordability looks like for its customers, and do customers support the approach they have taken?
Test Area 12	Vulnerability - Is the company's approach to vulnerability targeted, efficient and effective? CCG view on the quality of planned support for customers in vulnerable circumstances, taking into account Ofwat's February 2016 Vulnerability Focus report.

In view of the discrete and informational nature of AWLs responses to Ofwat's action points we have not sought to provide 'Red', 'Amber' or 'Green' ratings as we did in our September 2018 report. Rather we have used our 'test areas' as guides to judge whether to comment on the company's responses.

1.4 Working process adopted

Our approach to this task has involved the following key stages:

31 January	Initial briefing for members after the publication of Ofwat's IAP
12 February	Outline approach to the task circulated by the Chair following meetings with AWL following up company communication of 9 February
20-22 February	4 members reviewed and commented on/challenged draft survey designs used by AWL to respond to AV1 and AV2
26 February	AWL Board agreement to the scope of the CCG review (i.e. the initial proposal from the Chair for the CCG to review 10 action points)
8 March	Drafts of some AWL responses circulated to CCG members for comment/queries
13 March	CCG meeting to review company responses to 10 action points in our initial agreed scope, queries raised and discussed with the company. AWL tabled updates on its proposed bill profile and other matters it intended to change in its business plan submission. CCG requested sight of 2 further action point responses relating to the performance levels for PCs measuring vulnerable customers' satisfaction with AWL services.
18 March	Draft CCG report circulated to members and AWL for comment by 22 March
20 March	CCG Chair requested sight of 4 additional action point responses likely to relate to matters in the CCG's September 2018 report, or relating to issues raised at the meeting on 13 March (leakage, low pressure, environmental projects and MZC)
21 March	CCG Chair attended AWL board meeting and discussed and received queries and comments on the draft report
28 March	Final versions of some action point responses received by the Chair. Revisions and redrafting

In parallel with the above some members of the CCG have been involved in a sub-group concerned with the revised draft Water Resources Management Plan (rdWRMP) and thus those members have been able to comment on AWL's response to action point CMI.A1 which relates to that task.

1.5 Sources of information

To develop this report, we have referred to the documents and sources which are also listed in Annex B. These include:

- Ofwat's published IAP for AWL
- Ofwat's briefing for CCG Chairs on the IAP process
- Drafts of company responses circulated to CCG members on 8 March and 15 March and 'final' versions circulated to the Chair on 28 March 2019. For some responses we have seen 2 or 3 drafts as well as the final version and comments and queries have been raised at a meeting with AWL and by email.
- CCG report to Ofwat September 2018 and related evidence base, including AWLs September 2018 business plan.
- Drafts of survey designs (for the survey being used to inform AWL's responses to AV.A1 and AV.A2)
- Topline and full report from Verve⁸ presented at CCG meeting on 13 March and circulated on 15 March
- Information presented to the CCG's rdWRMP sub-group meetings.

⁸ Market research contractor for AV.A1 and AV.A2

2. Review of AWL Action Point responses where CCG assurance was required by Ofwat

AV.A1 – Affordability and acceptability to customers of AWL’s proposed bill profile 2020-25

Topic	Reference	Ofwat ‘action point’
Addressing Affordability and Vulnerability	AFW AV.A1	<i>Affinity Water proposed a higher bill than what it tested [sic] with customers and it also proposed a different bill profile for the 2020 to 2025 period. The company should provide sufficient and convincing evidence that it has engaged with its customers on affordability and acceptability of its proposed bill profile for the 2020 to 2025 period. Affinity Water should demonstrate that its customers find its proposed bill profile acceptable and affordable. This should include testing of the combined water and wastewater bill. Affinity Water should confirm that testing will be assured by its CCG and conducted in line with social research best practice.</i>

CCG response to AV.A1

The CCG have reviewed AWL’s response to AV.A1.

We can provide assurance to Ofwat that AWL has undertaken the research with customers described in its response to AV.A1. The research tested customer views on the acceptability and affordability of proposed bills and proposed profile of bill increases between 2020 and 2025. The survey included a ‘base’ proposal for the future average water bill (clean water only) without inflation that is in line with the amounts presented in the Business Plan in September 2018, being £170.90 in 2019/20 and £174.40 in 2024/25.

We also note that the survey tested a variety of proposed bills, and profiles, including with inflation and the expected level of bills for three different wastewater service providers who serve AWLs customers.

We appreciate Ofwat’s conclusion that the bill AWL proposed in its business plan had not been specifically tested with customers for its perceived affordability and acceptability. In our initial PR19 report to Ofwat⁹ we noted the range of different proposed bills that AWL had shared with us and tested with customers in 2018 and noted that the final proposed bill had not actually been tested with customers. In Annex D is an updated table for reference showing the value of bills proposed and tested with customers at different stages since Spring 2018.

Ofwat has now asked the company to show that **‘its proposed bill profile’** presented in the Business Plan is considered acceptable and affordable by its customers. Our understanding is that AWLs **‘proposed bill profile’** is that presented as ‘Profile 1’ in the latest survey (by Verve), the key findings from which

⁹ <https://stakeholder.affinitywater.co.uk/docs/CCG/CCG-Business-Plan-Report-Complete-final%20%20September-11am-Linked-Version.pdf>

are summarised in AWL's response to AV.A1. The final report of that research with customers indicates¹⁰ **bill Profile 1 was considered acceptable by 81% of customers and affordable by 76% of customers taking part in this survey** (when the responses to the proposed bills for clean water only and without inflation are considered). We note that levels of acceptability and affordability decline when inflation and the expected level of sewerage charges are added.

We note that AWL also commissioned research to test customer views on an alternative bill profile which did not feature in its Business Plan. This is referred to as 'Profile 2' in the research and would see the clean water only, without inflation, bill rise from £170.90 to £179.60 between 2020 and 2025. There does not appear to us to be any material difference in customer views on the acceptability of bill Profile 2, although it seems to be considered marginally less affordable by customers.

The sample size used by AWL for this additional research appears sufficient and appropriate for the size of their customer base and we note that their chosen research supplier (Verve) has provided professional comment in their final report to the effect that the sample size is sufficient. Verve have also highlighted where different responses to questions between sub-groups are and are not statistically significant. We note that the research design did not ask customers to indicate preferences *between* Bill Profile 1 and Profile 2. Instead each was tested independently with half of the sample of customers, and the results were compared.

We have considered carefully whether the research methods used by AWL in their response to AV.A1 (and AV.A2) meets Test area 7 in our PR19 test areas. Test area 7 requires us to consider whether the research methods used are appropriate to include customers in circumstances that make them vulnerable. In this case the research was conducted entirely using online methods.

Overall, taking all the considerations set out below into account we consider the use of an online only research method was sufficient on this occasion for this purpose. Below we explain the factors we have considered to arrive at this view.

First, we note the discussion of this issue in the final research report (see Verve final report, page 3). This highlights that online methods can be more inclusive for some vulnerable customers, and the present relatively high extent of digital inclusion such that an online research method might not prevent the sample from being representative.

Second, we note the analysis in the Verve final report of demographic and other social/economic characteristics, which shows that whilst the affordability of bill Profile 1 is consistent across most demographics the results suggest that the bill is

'considered significantly less affordable for customers who receive benefits; 63% agreed it was a fairly or very affordable proposal, compared with 76% overall' (see Verve Final report page 8)

¹⁰ Final report, Verve, listed as document 14 in Annex B

This would indicate there are enough numbers of customers who rely on income from welfare benefits to form a sub-set for comparative purposes, and that the sample has captured customers in receipt of benefits which the CMA has recently highlighted is a strong indicator of low income, and vulnerability.¹¹

Third, the timescale within which AWL was asked to respond to Ofwat's action point was a very short one in which to test the acceptability and affordability of its proposed PR19 business plan bill profile with a representative sample of customers. We do not see how AWL could have realistically used a face to face in home method of research.

Fourth, we note from their response to AV.A1 that AWL is intending to undertake further research with customers in April and May to prove the acceptability and affordability of the bill profiles it has submitted in its revised BP (see below) once it has the final waste-water bills from sewerage service providers, and that this will include the use of face to face methods.

Finally, and most significantly, AWL has decided to change its proposal for the level of customer bills. Their proposal is now for their average bill (in real terms) to be £170.50 in 2019/20 reducing to £167.80 in 2024/25. This is less than most of the proposals the company has consulted its customers about since Spring 2018 (see Annex D). The company is now proposing a level and profile of bills that is in line with a proposal tested with customers as 'Plan L' in Phase 2 of the customer engagement programme in Spring 2018. We comment further on this in relation to RR:A10 below. As the bill level associated with 'Plan L' is lower than that submitted by AWL in its BP in September 2018 it might be reasonable to expect the objective levels of customer acceptability and perceived affordability to improve.

AV.A2 – Affordability and acceptability to customers of AWLs proposed bill profile 2025-30

Topic	Reference	Ofwat 'action point'
<i>Addressing Affordability and Vulnerability</i>	<i>AFW AV.A2</i>	<i>Affinity Water has provided insufficient evidence that it has engaged with customers on bills beyond 2025. For example, although it has provided a long-term view of its forecast bills for the next three asset management plan (AMP) periods to 2040, there is insufficient evidence of engagement with its customers on these long-term bill profiles after the 2020 to 2025 period. Furthermore, there is insufficient evidence of how acceptable customers find the long-term bill profile. The company should undertake customer engagement on long-term bill profiles for the 2025-30 period and provide sufficient evidence to outline customer support for each of the profiles tested. Affinity Water should confirm that testing will be</i>

¹¹ **Consumer Vulnerability : challenges and potential solutions, CMA, 28 February 2019** . . The Competition and Markets Authority found a strong correlation between customer vulnerability and characteristics of low income, disability or aged over 65, (all of which are factors associated with receipt of income from welfare benefits).

	<i>assured by its CCG and conducted in line with social research best practice.</i>
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CCG response to AV.A2

The CCG have reviewed AWL's response to AV.A2.

We can provide assurance to Ofwat that AWL has undertaken the research with customers described in its response relating to AV.A2.

We have engaged with this action in common with our engagement on AV.A1 and these comments should be read in conjunction with our response to AV.A1 above.

We note Ofwat has simply asked the company to '*provide sufficient evidence to outline customer support for each of the profiles tested*'. This is a slightly different requirement to that Ofwat posed for AV.A1.

The company is submitting a full copy of the research report with its response which should provide sufficient evidence. The research tested customer views on the acceptability and affordability of proposed bills and the proposed profile of bill increases between 2025 and 2030. The company's response summarises the levels of customer 'support' in terms of acceptability for each of two bill profiles tested for clean water bills with and without inflation.

Our understanding is that AWLs **proposed** bill profile from its September 2018 business plan is that used as 'Profile 1' in the survey. Profile 1 was considered acceptable by 74% of customers surveyed and affordable by 73% of those surveyed. We note that Profile 2 was considered acceptable by 81% and affordable by 78% of customers surveyed. Levels of acceptability and affordability declined for both Profile 1 and Profile 2 when inflation was added.

We refer Ofwat to our response on AV.A1 for further comment relating to the use of an online survey method and the extent to which the evidence base for this research is likely to include customers who are vulnerable as a result of using the online method.

Also, as noted in our response on AV.A1 the company is now proposing a lower level of bills in the period to 2025 and beyond. This is also considered under RRA.10 below.

The various documents provided to us are listed in Annex B and the Final Report from Verve forms part of the company's response to the IAP action points.

3. Review of AWL Action Point responses which the CCG decided to review

This section comments on 14 AWL action points which the CCG decided to review. These action points were selected either because the matters concerned issues the September 2018 CCG report had examined in some depth and/or Ofwat's action referred to the CCG report in some way, without asking us to undertake assurance. Some action points were selected when it became clear that AWL was proposing some new performance commitments which had not featured in their September 2018 BP.

AV.A3 – Social tariff cross-subsidy research

Topic	Reference	Ofwat 'action point'
<i>Addressing Affordability and Vulnerability</i>	<i>AFW AV.A3</i>	<i>Affinity Water has provided insufficient evidence on social tariff cross-subsidy research – little evidence has been provided on what customers were asked, the different levels of cross-subsidy they were presented with, and the levels of support these gathered. The company should undertake customer engagement on different levels of social tariff cross-subsidies and provide sufficient evidence to outline customer support for the same.</i>

CCG response to AV.A3

The CCG have reviewed AWL's response to AV.A3.

We support the company's statement that the evidence required by Ofwat was submitted within its September 2018 Business Plan. We do not consider the company needs to undertake further customer engagement. It has already provided sufficient evidence, in our view, to outline customer support for its proposals, which is repeated in its response to AV.A3.

We also direct Ofwat to our report submitted to them on 3 September 2018 which set out clearly the work the CCG had done to advise and challenge the company on its proposed policies for supporting customers having trouble paying their bills, including through provision of a social tariff funded by higher bills for other customers (cross-subsidy). On page 42 and 43 of our September 2018 report we said:

- *'AWL has undertaken three waves of quantitative research with representative samples of customers to establish customer support for the maintenance and potential expansion of the current social tariff as proposed in the BP¹². The first survey in January 2018 established that 75% of customers supported the company providing support and assistance to customers in financial difficulty,*

¹² Ipsos MORI, January 2018, 500 Customers; Ipsos MORI May 2018 825 customers and Ipsos MORI July 2018

with 65% in favour of paying more, through their water bills, to enable the company to continue to offer a social tariff. The second survey asked a range of questions about support for customers in debt and specifically asked a question of extending the coverage of the social tariff scheme. AWL's customers were asked if they supported adding £1.50 or £3 a year to bills to enable either 25,000 or 48,000 more customers to be assisted by the scheme. These options each only secured a minority of support, which together suggested that support for an additional £1.50 added to bills might only be 47%. Notably 39% of customers in this survey did not support an increase in bills to increase the coverage of the social tariff. The third survey, in August 2018 made it clear that bills already include £3 to cover the cost of the social tariff scheme under which 51,000 customers have capped water bills if they are on a low income. Customers were asked specifically if they supported an increase to their bill of an additional £1.50 so that AWL could assist an additional 25,000 customers by 2025, 60% of customers surveyed supported this and 6% said they did not mind.'

More generally in the introduction to our September 2018 report to Ofwat we stated:

*'In relation to AWL's support for customers who are vulnerable or have difficulty paying their bills the company has undertaken good analysis of need and planning for the proposed services and activities in its BP. **The company has established that customers and stakeholders support the approach they propose to take and have demonstrated effective engagement with relevant expert stakeholders and customers to design their services.** AWL's Inclusive Services Strategy, which underpins the proposed bespoke performance commitments in the BP, will be a significant business change for AWL'*

Our report in September 2018 also outlined in full the process we had undertaken to arrive at those opinions and referred to all the documents we had reviewed, including the full results of all the research on social tariff issues the company undertook in 2018.¹³

AV.A4 – Performance Commitment on achieving the BSI standard

Topic	Reference	Ofwat 'action point'
Addressing Affordability and Vulnerability	AFW AV.A4	<i>Affinity Water has stated that it will achieve the British Standards Institution (BSI) standard for inclusive services by 2020 but has not provided a Performance Commitment or plan on how it will do so. The company should propose a Performance Commitment on achieving the BSI standard for fair, flexible and inclusive services for all and maintaining it throughout the 2020 to 2025 period</i>

¹³<https://stakeholder.affinitywater.co.uk/docs/CCG/CCG-Business-Plan-Report-Complete-final%20%20September-11am-Linked-Version.pdf>

CCG response to AV.A4

The CCG have reviewed AWL's response to AV.A4.

We note that the company has agreed to introduce a performance commitment that it will maintain the BSI accreditation 18477 for inclusive services, which it says in its response to AV.A4 was substantially achieved in February 2019.

We note Ofwat comments that the company has not provided a plan on how it would achieve the BSI standard. We direct Ofwat to our September 2018 report, which set out the work the CCG had done to advise and challenge the company on its proposed policies for supporting customers in vulnerable circumstances. That included reviewing the plan the company had developed for achieving the BSI standard. We specifically considered whether the company's approach to vulnerability was targeted, efficient and effective and what the CCG's view of the quality of planned support for customers in vulnerable circumstances was, taking into account Ofwat's February 2016 Vulnerability Focus report. We assessed the company's business plan as meeting those expectations.

Our review of the company's plan for improving its service to vulnerable customers enabled us to take the view that its proposed performance commitments to improve customer satisfaction amongst vulnerable customers involved significant business change and therefore were stretching. Ofwat's methodology indicated that a significant business change might amount to a stretching commitment and we set out our reasoning on this in our report.

Relevant extracts from our September 2018 report for Ofwat are below:

*'In relation to AWL's support for customers **who are vulnerable** or have difficulty paying their bills the company has undertaken good analysis of need and **planning** for the proposed services and activities in its BP. The company has established that customers and stakeholders support the approach they propose to take and have demonstrated effective engagement with relevant expert stakeholders and customers to design their services. **AWL's Inclusive Services Strategy, which underpins the proposed bespoke performance commitments in the BP, will be a significant business change for AWL.**¹⁴*

and

*'The company has developed and provided the CCG with adequate opportunities to challenge proposals for an **'Inclusive services strategy'** described in Chapter 7 of the BP submission. This covers support services the company will deliver for customers in vulnerable circumstances. The strategy also covers proposed support for customers who have difficulty affording their water bills, including the provision of a 'social tariff' scheme*

¹⁴ <https://stakeholder.affinitywater.co.uk/docs/CCG/CCG-Business-Plan-Report-Complete-final%20September-11am-Linked-Version.pdf>

which provides a significant reduction in bills for customers who have difficulty paying their bills and meet certain criteria. (see also Test area 11 above)

The Business Plan includes a proposed bespoke performance commitment based on customer satisfaction with the services provided by the Priority Services Register (PSR).

The company has made a commitment to significant business change, before 2020, by seeking and achieving independent accreditation from BSI (18477) that it meets the requirements of that standard for Inclusive Service provision.'

AV.A5 – Performance commitment on increasing registrants on the Priority Services Register (PSR)

Topic	Reference	Ofwat 'action point'
<i>Addressing Affordability and Vulnerability</i>	<i>AFW AV.A5</i>	<i>Affinity Water has not proposed a performance commitment on Priority Services Register (PSR) growth. It is proposing to increase its PSR reach from 2.5% in 2019/20 to 6.3% of households in 2024/25. We consider this to be an insufficiently ambitious target. In addition, the company has checked no PSR data over the past two years. We propose to introduce a Common Performance Commitment on the Priority Services Register (PSR): The company should include a Performance Commitment which involves increasing its PSR reach to at least 7% of its customer base (measured by households) by 2024/25 and committing to check at least 90% of its PSR data every two years. For further information on the performance commitment definition, and reporting guidelines, please refer to 'Common performance commitment outline for the Priority Service Register ("PSR")', published on the initial assessment of plans webpage.</i>

CCG response to AV.A5

The CCG have reviewed AWL's response to AV.A5.

We note that Ofwat has decided to introduce a common performance commitment and level of expectation in terms of proportion of customers registered across all water companies in England and Wales.

We note the company has agreed to make a specific performance commitment in this area and is proposing to achieve 7.22% of its customers registering on its PSR by 2024/25.

We commented in our September 2018 report that the company was planning to significantly increase the number of customers registered on its PSR as part of a range of initiatives aimed at improving its services for vulnerable customers. At that

time Ofwat had not indicated that it expected all water companies in England and Wales to make a performance commitment to increase the number of customers registering on PSRs, or that companies should achieve at least 7% of their customers registered by 2024/25.

We specifically noted in our September 2018 report several aspects of how AWL had arrived at its business plan proposals in this area, our intention being to provide assurance that the proposal was based on analysis and consultation with customers and stakeholders:

*'AWL undertook comprehensive analysis of a range of external data (from Acorn, RNIB, Experian and government data on indices of deprivation and health inequalities) to identify the gap between the number of customers in its supply areas that might potentially benefit from its priority services, and the priority services register. They have used this analysis to set a target to significantly increase to 'circa 92,000' the number of customers on their PSR by 2025, from 25,000 in 2018¹⁵ and set out a plan of action designed to achieve that. **Achieving that level of take up represents a stretching goal, though take up is not a business plan Performance Commitment the plan commits to this goal and supporting actions.'***

We also noted that:

'AWL have been working collaboratively with other utilities, including UK Power Networks locally and the water and energy industry trade body led projects to identify how to bring about improved data sharing between utilities to maximise take up and use of individual company's PSRs

AWL consulted widely with a comprehensive range of charity and other stakeholder organisations in its area during this review. It approached discussion with those stakeholders in a very open way (we remotely observed a meeting with stakeholders at first hand as if it was a market research focus group, and it was independently facilitated).'

¹⁵ P120 V4 BP – the company had advised us in June 2018 their goal was an increase to 100,000 as shown in document 70 – Appendix 5. The figure could therefore change again in the final BP.

OC.A3 – Value for Money survey performance commitment

Topic	Reference	Ofwat 'action point'
Delivering Outcomes for Customers	AFW OC.A3	<i>The company should provide justification for discontinuing its PR14 Value for Money PC (R-A2: Value for money survey). If sufficient justification for discontinuing the PC cannot be provided, the company should continue its PR14 Value for Money PC.</i>

CCG response to OC.A3

The CCG have reviewed AWL's response to OC.A3.

We note that the company has decided to maintain its performance commitment to measure customer perception of the value for money of the service they receive from Affinity Water, in addition to the customer surveys required for the new CMEX measure. The company has undertaken in its response to work with the CCG in developing a new survey design to measure customer views of value for money in future which is fit for purpose.

Our understanding is that the company had proposed ending this performance commitment on the basis that if it maintained the **current** rolling survey of customer views, which it commissioned initially in 2015 to fulfil the performance commitment it gave in its current (AMP6) business plan, this would duplicate with elements of the new survey data being commissioned in relation to the new CMEX performance commitment monitoring arrangements Ofwat is developing for use from 2020. The CCG would only wish the company to continue with its original 'value for money' survey alongside the monitoring for CMEX if the data gathered is used and useable by the company. We would also be unhappy about expenditure on research which duplicated as this would not be good value for customers' money. We have previously commented to the company in our Annual Reportsⁱ that we had concerns about and had challenged the company on the usability of the chosen methodology for the value for money survey, in its present form. The value for money index is built up using customer views on a range of matters outside AWL's responsibilities which the company is not capable of influencing, e.g. energy bills. We have also queried whether the value for money index has been used by and is capable of being used to drive the business due to the chosen methodology. For example, in our Annual report for 2017/18 (page 3) we said:

'We can provide assurance that the value for money survey is undertaken by the company. However, we have not seen evidence to show that the survey is used by the company as originally intended to help it make decisions about improving delivery and service to customers.'

We have challenged the company to show how it was using the insight from this survey to develop its PR19 business plan. We are satisfied that the company has referred to the evidence from this survey, although at a relatively late stage in the development of their evidence base.'

As the company is now maintaining this performance commitment, we will challenge the company to ensure that the design of the research in future will result in a tool which is useable and used by AWL and does not duplicate with CMEX.

OC.A11 – Leakage reduction target .

Topic	Reference	Ofwat 'action point'
<i>Delivering Outcomes for Customers</i>	<i>AFW O.:A11</i>	<i>Leakage: The company should reconsider its proposed service levels and ensure that they are stretching and meet the upper quartile values or provide compelling evidence to demonstrate why this level cannot be achieved. Based on the forecast data provided by companies in the September 2018 business plan submission the upper quartile values are 75 litres/property/day and 5.42 m3/km of mains/day. The company should clearly set out the evidence and rationale for the revised targets.</i>

CCG response to OC.A11

We note that AWL has reconsidered its proposed service levels on leakage reduction and is now targeting an 18.5% reduction (in absolute terms) over AMP7 from 162.2 MI/d in 2019-20 to 132.2 MI/d in 2024-45, instead of its initial BP proposal of a 15% reduction target.

Throughout the customer engagement programme AWL carried out in 2017/18 on both its business plan and its dWRMP it received strong feedback from customers and stakeholders that they wished to see more action on the part of the company to reduce leakage.

We noted in our September 2018 report that notwithstanding its 14% reduction target in AMP6 Affinity Water had a fairly high level of leakage in 2017/18 in terms of litres of water per property per day (that leaks). Whilst leakage in AWL's supply area of 115 litres per property per day was below the overall industry average, it was the 5th highest, amongst 18 companies in England and Wales, and many other companies have lower levels of leakage. AWL's September BP commitment to reduce leakage by 15% over 5 years was in-line with a challenge posed by Ofwat (that companies should propose to reduce leakage by *at least* 15%). However, we observed that if all other companies made similar or greater reductions in future AWL could remain the 5th highest company for leakage even with a 15% reduction. Achieving an 18.5% reduction in leakage by 2025 could therefore improve AWL's comparative performance, depending of course on the reduction targets of other companies.

OC.A27 – Low Pressure

Topic	Reference	Ofwat 'action point'
Delivering Outcomes for Customers	AFW O.A27	<i>Properties experiencing longer or repeated instances of low pressure: The company should either use the original DG2 and long list definition or provide further evidence to support its view that the updated definition is a better and more appropriate measure for the company, for wider stakeholders and for customers. In particular the company should refer to trend analysis which may be potentially more difficult and the poor current levels of performance in this</i>

CCG response to OC.A27

The CCG have reviewed AWLs response to OC.A27. We understand that the company has now decided to propose an additional bespoke performance commitment for low pressure using the existing definition/measure called 'DG2' (and that proposed PC has a financial ODI). The bespoke performance commitment for low pressure (non DG2) which was included in the Company's Business Plan from September 2018 is retained but now has a non-financial ODI. The company's account of this decision appears in their response to OC.A3, but we have not reviewed that response.

Our September 2018 report for Ofwat commented on the original proposal for performance commitment on low pressure. AWLs proposal was to reduce the average hours of low pressure per property per annum from 12 hours to 8.7 hours. This was prima facie a service level improvement. We had also seen evidence from analysis of operational data that the problem of low pressure was a significant feature of customer complaints, it was therefore right for AWL to make a commitment to improve its performance.

However, it was not easy for us to see how stretching or difficult the proposed performance improvement would be to achieve, in the absence any comparative information on this measure. The company showed us data that in terms of the number of properties per 10,000 properties which are below a reference level of water pressure (DG2) AWL has 'the worst' performance amongst the water companies in England and Wales and is an outlier. **Together with the customer complaint data this supported the case for a performance commitment to improve service to customers.** As part of the Business Planning process AWL also agreed to consider a KPI for this area which would enable it, and us, to see how many customers are affected by low pressure problems because an overall average 'hours per annum' can disguise extreme problems experienced by a few customers.

We have noted Ofwat's concerns that the proposed new bespoke measure relating to properties experiencing low water pressure (instead of using the established measure called 'DG2') makes the PC less transparent to stakeholders and

customers, as well as making trend analysis difficult for the company and wider stakeholders. The company seems to have responded to this concern by adopting the DG2 method of definition for one of its PCs, which may also address the request the CCG had made for a KPI for the number of properties experiencing low pressure.

OC.A32 Performance Commitment on customer satisfaction with services for customers in vulnerable circumstances

Topic	Reference	Ofwat 'action point'
<i>Delivering Outcomes for Customers</i>	<i>AFW OC.A32</i>	<i>Customers in vulnerable circumstances satisfied with our service PC: The company should split this PC into 2 PCs, one for financial and one for non-financial support scheme support. This would support more transparent measurement and reporting than the current PC proposes. In addition, the company should provide additional evidence on the sample size used in the monthly survey to determine the PC target and provide external assurance that the survey will be conducted in line with social research best practice.</i>

CCG response to OC.A32

The CCG have reviewed AWL's response to OC.A32. We have raised several queries with the company with the aim of clarifying their response.

We note that the company has agreed to split this PC into two PCs as requested by Ofwat.

We note too that the company has made an additional commitment to go beyond simply surveying PSR customers who are in contact with them by introducing a periodic proactive satisfaction survey for both groups of customers in vulnerable circumstances who have not contacted AWL within 12 months. We welcome this initiative as it will increase the quantity of feedback from customers, improve the representativeness of the survey and enable the company to identify any customers who may need assistance who have not been in contact with them recently.

OC.A34 Performance Commitment on customers in vulnerable circumstances' experience of dealing with AWL

Topic	Reference	Ofwat 'action point'
Delivering Outcomes for Customers	AFW OC.A34	<i>Customers in vulnerable circumstances who found us easy to deal with PC: The company should split this PC into 2 PCs, one for financial and one for non-financial support scheme support. This would support more transparent measurement and reporting than the current PC proposes. In addition, the company should provide additional evidence on the sample size used in the monthly survey to determine the PC target for and provide external assurance that the survey will be conducted in line with social research best practice.</i>

CCG Response to OC.A34

The CCG have reviewed AWL's response to OC.A34. We have raised several queries with the company with the aim of clarifying their response.

We note that the company has agreed to split this PC into two PCs as requested by Ofwat.

We note too that as with OC.A32 the company has made an additional commitment to go beyond simply surveying customers in vulnerable circumstances who are in contact with them by introducing a periodic proactive satisfaction survey for both groups of customers in vulnerable circumstances who have not contacted AWL within 12 months. We welcome this initiative as it will not only improve the representativeness of the survey but enable the company to identify any customers who may need assistance who have not contacted them recently.

OC.A33 Performance level for PC on customers in vulnerable circumstances satisfied with our service

Topic	Reference	Ofwat 'action point'
Outcomes for Customers	AFW OC.A33	<i>Customers in vulnerable circumstances satisfied with our service PC. The company should revise its performance level for this PC to at least meet current satisfaction levels.</i>

CCG Response to OC.A33

The CCG have reviewed AWL's response to OC.A33 and our comments are included with our comments on OC.A35 below.

OC.A35 Performance level for PC on customers in vulnerable circumstances experience of dealing with AWL

Topic	Reference	Ofwat 'action point'
Outcomes for Customers	AFW OC.A35	<i>Customers in vulnerable circumstances who found us easy to deal with PC. The company should revise its performance level for this PC so that it is more stretching and provide justification for the level of stretch as well.</i>

The CCG have reviewed AWL's responses to OC.A33 and OC.A35. Although Ofwat's action points are slightly different, and the proposed performance commitments and performance levels are concerned with slightly different questions, the substance of the AWL's responses is common to both matters.

We note that AWL is now proposing to set a higher target performance level for both these new bespoke performance commitments of 90% customer satisfaction/found us easy to deal with. **The CCG welcomes the company's proposal to improve the performance commitment level.** Below we discuss our consideration of whether the revised proposal(s) address Ofwat's expectations that the performance level at least meets current satisfaction levels/is more stretching.

AWL originally proposed target levels of 82% satisfaction/found us easy to deal with.

In its responses to OC.A33 and OC.A35 AWL has set out how it considers its revised proposal, for a performance level of 90%, is at least meeting current satisfaction levels (for OC.A33) and is more stretching (for O.A35).

We commented on the performance commitment relating to satisfaction with PSR services (OC.A33) in our September 2018 report . We observed we had seen .data which suggested the proposed performance commitment level of 82% might not have been in line with, and could even have been lower than, performance being achieved in 2018.¹⁶ This had tended to suggest to us that the proposed forward target of 82% customer satisfaction was not stretching.

However, we also noted that:

*'This is a new bespoke performance commitment measure **so there is no baseline of data available to judge if the proposed performance commitment level of 82% is stretching.**'*

We commented that the data we had seen was arguably not comparable and the company was also planning to significantly increase the population of customers who are on its PSR, who would form a significant proportion of the customers represented in this survey.

¹⁶ An AWL paper circulated to the CCG on 5 June 2018 suggested 82% was the performance the company was achieving on its 'Rant and Rave' customer feedback/survey for 2017/18

We note from the company's responses to OC.A33 and OC.A35 that after undertaking further analysis it now considers that its current performance on this measure/these measures would be higher than 82%, as proposed in September.

The company's comments explain how the current data it has points to a range in satisfaction ratings from customers, according to the channel used to collect feedback, ranging from 68% to 91% and 92%. We recognise that the current results may not be comparable with what AWL might expect to see when the proposed performance commitments are in place due to expected changes in the size of the group of customers surveyed, the expansion of methods used to capture customer feedback (beyond simply SMS surveys) to include letters and emails. Those changes will improve inclusivity of the company's approach to gathering customer feedback and they now commit to including pro-active contact with vulnerable customers who have infrequent contact with the company.

In selecting to adopt 90% as the performance level for both OC.A33 and OC.A35 the company has adopted a figure at the upper end of the range of its current performance measured with all customers via the one channel which is currently generating the most positive feedback. This appears to us to be a realistic approach which the company has explained in its response.

We note that AWL has also decided to change its approach to gathering customer feedback so that in future it uses a 0-10 band rating system (where 10 is good) instead of a 1-5 band system. This appears to be a simpler approach than presented in September 2018.

OC.A36 – Performance commitment on environmental projects - evidence

Topic	Reference	Ofwat 'action point'
<i>Delivering Outcomes for Customers</i>	<i>AFW OC.A36</i>	<i>Environmental innovation - delivery of community projects PC: The company should provide further evidence of customer support for this PC. In particular, the company should provide evidence that customers were presented with choice and context related to the design of the currently proposed PC.</i>

CCG response to OC.A36

The CCG have reviewed AWL's response to OC.A36.

We recognise the company's account that the proposal for a bespoke PC to deliver a number of local environmental projects was developed following advice and challenge from members of the CCG, several whom have significant experience as practitioners in community engagement with environmental issues in AWL's supply area, including representatives from the Environment Agency.

In September 2017 the CCG agreed to AWLs request that we form a sub working group on “Resilience and Environment”, with a purpose to challenge and advise on the development of relevant PCs to help the company with developing its business plan proposals. The group considered proposals for several PCs, one of which was for AWL to undertake a number of environmental pilot projects which could be aimed at finding innovative ways to promote a reduction in water use, promote customer education on the link between water and the environment and improve the environment. The CCG suggested that pilot projects undertaken in each of AWLs 8 community areas, which relate to water resource zones, could involve partnering with other organisations such as councils or local river groups, who could help to co-create and deliver as well as support and promote the initiatives. That approach would also fit with the company’s commitment to be the leading community focussed water company¹⁷

In its response the company has set out the evidence it has of customer support for the proposed PC on environmental innovation, including how the proposal was presented to customers. The CCG have already commented on this in our September 2018 report. We:

- confirmed that this proposed performance commitment was one of 7 specifically set out to customers – in the ‘Phase 2’ Acceptability survey.
- explained that customers were asked for their views on three alternative plans with different levels of service for 7 performance commitments and price.¹⁸ Customers were asked about acceptability, affordability and to indicate preferences between the three plans.¹⁹
- noted a ‘second’ acceptability survey conducted with customers in July/August 2018 which presented a proposal for ‘investing in eight new environmental pilots to test new innovations’.
- said we considered the company had obtained appropriate quantitative evidence from two representative acceptability surveys which shows customer support for some of its proposed performance commitments (including that for environmental projects/innovation).

¹⁷ At page 34 of our September 2018 report to Ofwat we said ‘*The business plan also proposes that the company invests in 8 local environmental projects which are also ‘innovative’ working with local partners and organisations as part of the implementation. The CCG has not been involved in the identification of these projects – only the development of the proposal to have a performance commitment framed in this way, which a subgroup of the CCG met with the company to discuss in 2017/18.*’

¹⁸ See p50 CCG September 2018 report to Ofwat

¹⁹ In the ‘Phase 2’ research for the customer engagement programme customers were asked for their views on different levels of expenditure on local environmental projects being ‘£2 million’ or ‘£6 million’ depending on the plan option presented.

OC.A46 – Mean Zonal Compliance (MZC)

Topic	Reference	Ofwat 'action point'
<i>Delivering Outcomes for Customers</i>	<i>AFW OC:A46</i>	<i>Mean Zonal Compliance (MZC): The company should remove MZC. If the company doesn't do this it should provide further evidence that customers support the provision of two very similar measures. Also see action AFW.OC.A1 as we expect the company to select the two PCs from the asset health long list that measure water quality contacts as also are reported on the Discover Water website</i>

CCG response to OC.A46

The CCG have reviewed AWLs response to OC.A46. We note the company has withdrawn the proposal for a **performance commitment** based on MZC but intends to retain the use of MZC as a 'KPI'.

We support the decision by AWL to retain MZC as a KPI. We have seen no evidence that the new DWI measure of water quality, 'CRI', has been tested with customers to demonstrate that it is understood and is capable of being understood easily by significant numbers of customers. We raised this issue with the DWI when they met with the CCG in 2018 and understood they had done no testing with customers to find out whether and how it is understood, or which measure customers would prefer (between CRI and MZC). Given the importance of water quality to AWLs customers as the most important outcome they expect the company to deliver it is important that performance can be reported in a way that makes sense to customers and is readily understandable. MZC is in our view far simpler and more accessible than CRI for use in general communications with customers.

CMI.A1 – Potential strategic supply options and engagement

Topic	Reference	Ofwat 'action point'
<i>Targeted controls markets and innovation</i>	<i>AFW CMI.A1</i>	<i>The company should ensure that the business plan sets out the potential strategic supply options that it has assessed and explain how it will engage with interested parties and other stakeholders to progress these options. We also expect the business plan to align with the revised water resources management plan.</i>

CCG response to CMI.A1

The CCG have reviewed AWL's response to CMI.A1.

We can provide assurance that we recognise the account the company has given of its engagement with stakeholders and customers concerning its revised draft Water Resources Management Plan (rdWRMP).

The company launched a consultation with customers and stakeholders about the rdWRMP on 1 March 2019 and closes the consultation on 26 April. The revised plan is due to be submitted to the Secretary of State for the Environment, Food and Rural Affairs on 31 May 2019.

As the company response to CMI.A1 indicates the CCG has formed a sub-group of members to advise and challenge the company on the consultation about the rdWRMP. The sub-group has provided advice and comment on the consultation and engagement programme, including reviewing text of collateral and engagement material and survey questions. The sub-group has also been asked to '*evaluate how customer insight is incorporated into the Plan*' and to provide a report giving its opinion to the company, so that the Board has this when it signs off the revised dWRMP in 'late May'.

Meetings of the CCG sub-group were held on 6th December and 11th February and an additional session was held prior to the CCG meeting on 19 December. In addition, a significant quantity of draft survey questions, collateral/communication material and topic guides for focus groups have been circulated to CCG members of the sub-group between meetings and members have also observed most of the customer focus group sessions held Autumn/Spring 2019, which were independently facilitated by Ipsos Mori.

AWL has taken on board advice and challenge provided by the CCG concerning the design of its customer and stakeholder engagement process by:

- Commissioning a quantitative survey with a representative sample of customers in addition to focus group sessions with customers in Autumn and Spring 2019;
- approaching the consultation and engagement materials in a way that is designed to attract attention to the key issue of water resource challenges and stimulate responses – i.e. by setting out very clearly a 'call to action' or burning platform around water resources and adopting a consistent approach to presentation of the engagement materials across different channels;
- setting targets/performance indicators for the consultation and engagement exercise designed to achieve a greater number of responses than for the first dWRMP in 2017/18;
- using email to approach customers directly to tell them about the plans and the opportunity to get involved

A further meeting of the CCG sub-group will be held in May 2019 to review the findings and feedback of AWL's consultation and engagement with customers and consider formulation of the CCG's report for the AWL board

AFW. RR.A10 – Steps taken to address CCG concerns

Topic	Reference	Ofwat 'action point'
<i>Aligning Risk and Return</i>	<i>AFW RR.A10</i>	<i>The company should set out the steps taken to address the concerns raised by the Customer Challenge Group in relation to the late addition of the final bill profile to the business plan, providing evidence that the annual bill profile set out in the business plan is consistent with customer preferences</i>

CCG response to RR.A10

The CCG have reviewed AWL's response to RR.A10.

The company has acknowledged that late changes to its AMP7 bill profile did not allow the CCG to have early sight of the final bill profile included in its September Plan. AWL has described how it has sought to improve arrangements for its revised business plan, albeit the timescale for this work has been very limited.

AWL has carried out the actions required from Ofwat (AV.A1 and AV.A2) to test the bill profile it proposed in its Business Plan with customers and the results are provided in the company responses to AV.A1 and AV.A2. The company's responses to AV.A1 and AV.A2, and our comments on those responses above, relate to the bill level, and profile, proposed in September 2018.

We understand that the company now proposes a lower level of bill for clean water (without inflation and sewerage charges) such that it will reduce by 1.6% between 2020 and 2025 and will further reduce by 2.0% between 2025 and 2030. The details of that proposal are set out in the response to RRA10.

The revised bill level now proposed by AWL is very close to a proposal which was tested with customers in Spring 2018 as part of 'Phase 2' of AWL's customer engagement programme. Details of a draft Business Plan were published for public consultation, focus group discussions were held moderated by independent market research firm Ipsos Mori and quantitative research was conducted by them with 825 customers interviewed face to face. As we noted in our September 2018 report to Ofwat:

'The Phase 2 customer acceptability survey²⁰ in particular asked customers for their views on the proposed business plan outcomes and proposals for

²⁰ dBP phase 2 customer acceptability survey (825 customers, face to face, Ipsos MORI/Arup)

three alternative business plans²¹ and average bill levels and was supported by a series of independently facilitated focus group discussions involving 70 customers in different socio-economic profile groups. The in-home face to face research methods used for the quantitative survey meant that it was able to include those of AWL's customers who are digitally excluded and would not be represented in on-line market research panels.'

In that research a proposal called 'Plan L' was presented to customers with information about key business plan components. Plan L was the only plan, of 3 presented, which included a 15% reduction in leakage together with a reduction in abstractions of 39 million litres per day and a target for personal consumption, per head, of 124 litres per day. As such it is also closest to the performance commitments given in the Business plan AWL submitted in September 2018. Customers were told that under Plan L their yearly bill would be £168 in 2019/20 and reduce to £167 in 2024/25.²² Plan L was considered acceptable by 74% of those customers surveyed.

²¹ In the public consultation document the plans were called A, B and C. In the market research and focus groups the plans were called J, K and L. The average bills presented to customers in focus groups were personalised for the relevant AWL charging zone that the customers lived in.

²² The proposals in the Phase 2 research were expressed as an average bill across all AWL's charging areas – of which there are three, were in real terms, without inflation and without including future sewerage charges.

Annex A

CCG Members at 31 March 2019

Independent members

Tina Barnard, Watford Community Housing Trust

David Cheek, Friends of the Mimram

Essex Richard Haynes, Up on the Downs

James Jenkins, University of Hertfordshire

John Ludlow, Public affairs and government relations professional

Teresa Perchard, Chair

John Rumble, Hertfordshire County Council

Gill Taylor, Groundwork East

The following members represent statutory organisations:

Karen Gibbs, Consumer Council for Water (CC Water)

Caroline Warner, CC Water – Local Consumer Advocate

Rachel Nelson, Environment Agency

Jonathan Sellars, Environment Agency (continues to be involved with the rdWRMP working group until May 2019)

Annex B**AWL CCG – Supplementary Report to Ofwat – Annex B****Documentation received by the CCG to help it prepare its Supplementary report**

	Items	Author	Status	Date circulated	Discussion forum	Record
1	Proposed CCG assured action items	AWL	final	18/02/2019	e-mail AWL approach to customer engagement	comments via e-mail
2	PR19 research brief	AWL	final	18/02/2019	e-mail - bills - additional customer engagement	comments via e-mail
3	BP survey bills presented	AWL	final			
4	Proposed CCG assured action items	AWL	final			
5	AWL draft quantitative survey	Verve	draft	20/02/2019	e-mail for review	comments via e-mail
6	Draft Test Evidence Response CMI.A1	AWL	draft	08/03/2019	Quarterly meeting 13 March 19	Minutes of meeting
7	Draft Test Evidence Response AV3-5	AWL	draft			
8	Draft Test Evidence Response OC 3	AWL	draft			
9	Draft Test Evidence Response OC 32-35	AWL	draft			
10	Test Area Evidence Addressing Affordability and Vulnerability Template v0.1 - CCG AV1-2	AWL	draft	08/03/2019	Quarterly meeting 13 March 19	Minutes of meeting
11	Quantitative survey for AV.A1 and AV.A2 draft findings	Verve	draft			
12	CMI.A1 evidence report	AWL	draft	12/03/2019	tabled at quarterly meeting 13 March 19	Minutes of meeting
13	Affinity Water_PR19 Bill profile testing	Verve	final	13/03/2019	e-mail for noting & comment	comments via e-mail

	report_110319_C final					
14	Bill Survey Results Summary	AWL	draft	14/03/2019	e-mail following quarterly meeting	comments via e-mail
15	AWL Final Bill Profile 15 March 2019 RRA10	AWL	draft	15/03/2019	e-mail to TP for review and CCG report	comments through e-mail and CCG report
16	Test area evidence addressing affordability and vulnerability AV A1-5	AWL	draft			
17	Test Area evidence delivering outcomes for customers template OC3 32-35	AWL	draft			
18	Test area evidence targeted controls and innovation CMI.A1	AWL	draft			
19	RR.A10 draft response	AWL	draft	17/03/2019	e-mail to TP for review and CCG report	comments through e-mail and CCG report
20	RR.A10 draft response	AWL	draft	18/03/2019		
21	AWL Delivering outcomes for customers - response OC32,35	AWL	draft	18/03/2019		
22	AWL Delivering Outcomes for customers OC32-35 18th March	AWL	draft	19/03/2019	e-mail to members for review against CCG report	comments through e-mail and CCG report
23	RR.A10 final bill profile draft response 18th March	AWL	draft			
24	Test area evidence addressing affordability and vulnerability AV A1-5	AWL	draft			

25	Test area evidence targeted controls and innovation CMI.A1	AWL	draft			
26	OC.A46 25.03.19 - response on MZC	AWL	draft	25/03/2019	e-mail to TP for review and CCG report	comments through e-mail and CCG report
27	AWL final response on Addressing Affordability and Vulnerability v 3.1 AV A1-5	AWL	final	27/03/2019	e-mail to TP for review and CCG report	comments through e-mail and CCG report
28	AWL final response to CMI .A1 v3					
29	AWL final response to OC.A32-36					
30	AWL final response to OC.A2 and OC.A3					
31	AWL final response to OC.A11					
32	AWL final response to OC.A46 - MZC					
33	AWL final response to RR.A10					

Documentation Shared with CCG relating to the revised dWRMP

Ref	Items	Author	Status	Date circulated	Discussion forum	Record
1	Draft Water Resources Management Plan 2019 - Statement of Response	AWL	final	15/10/2018	Quarterly meeting Oct 18	minutes of meeting
2	Revised dWRMP – approach to further consultation	AWL	final			
3	rdWRMP 2018_Pre Consultation Method Statement_V4	Ipsos Mori	draft	14/11/2018	sub group meeting 20th Nov 18	minutes of meeting and rdWRMP table of collated comments
4	rdWRMP consultation paper v final	AWL	final			
5	rdWRMP sub group meeting schedule	AWL	draft			

						and responses
6	revised rdWRMP Awareness campaign plan 4 Dec 18 v2	AWL	draft	05/12/2018	sub group meeting 6th Dec 18	minutes of meeting
7	rdWRMP non tech summary v30.11.18	AWL	draft	05/12/2018		
8	rdWRMP timeline Dec 18	AWL	draft	05/12/2018		
9	Revised draft ToR CCG WRMP working group	AWL	draft	15/01/2019	e-mail for review	comments via e-mail
10	rdWRMP Consultation and Timeline Summary Jan 19	AWL	draft	15/01/2019	e-mail for review - updates following Board meeting	comments via e-mail
11	rdWRMP technical plan(board item 2.1)	AWL	final			
12	rdWRMP consultation video storyboard 01	AWL/Campaign Works	draft	25/01/2019	sub group e-mail for review	rdWRMP table of collated comments and responses
13	rdWRMP - Method statement for the on-line customer survey	Ipsos Mori	final	29/01/2019	sub group e-mail for review	rdWRMP table of collated comments and responses
14	1. rdWRMP WG minutes 6-12-18 v final	AWL	final	06/02/2019	sub group meeting 11th Feb 19	minutes of sub group meeting & rdWRMP table of collated comments and responses
15	2. CCG WG ToR Jan 19 tracked changes 2	AWL	draft			
16	4. WRMP Timeline_Jan 2019	AWL	final			
17	5i. Stakeholder engagement	AWL	draft			
18	5ii. rdWRMP pre consultation customer focus Groups 2 - Report	Ipsos Mori	final			
19	5iii. 2019-02-05 rdWRMP Triangulation report	Arup	final			
20	6i. rdWRMP Further consultation campaign 6 Feb 2019	AWL	draft			

21	6ii. Video Storyboard	AWL/Campaign Works	draft			
22	6iii. rdWRMP consultation leaflet A5	AWL	draft			
23	6iv. Non Tech summary content version draft 3	AWL	draft			
24	6vi. Further consultation questions v8	AWL	draft			
25	6v. draft customer survey	Ipsos Mori	draft	08/02/2019	sub group meeting 11th Feb 19	minutes of sub group meeting & rdWRMP table of collated comments and responses
26	Further consultation questions v13	AWL	draft	15/02/2019	e-mail to sub group for review	rdWRMP table of collated comments and responses
27	rdWRMP customer on line survey_V13	Ipsos Mori	draft	25/02/2019	e-mail to sub group for review	rdWRMP table of collated comments and responses
28	rdWRMP further consultation Stakeholder Engagement timetable	AWL	final	06/03/2019	e-mail to sub group to note	comments via e-mail
29	WRMP update (for all members)	AWL		08/03/2019	Quarterly meeting 13 March 19	minutes of meeting

Annex C

Overview of AWL CCG PR19 Test areas

1.	Has AWL developed a genuine understanding of customers priorities, needs and requirements, drawing on a robust, balanced and proportionate evidence base
2.	Has AWL engaged with customers on the issues that matter to them?
3.	Has evidence from customers genuinely driven and informed the development of the business plan?
4.	Has the company used multiple data sources and triangulated those effectively to develop its proposals, and carry out customer engagement?
5.	Has the company presented its customers with realistic options?
	Has the customer engagement process been ongoing two way and transparent with the company informing customers as well as soliciting feedback from them?
7.	Has the engagement with customers been sufficiently diverse, involving the using of methods appropriate and effective for engaging with a diverse range of customers. Does this include customers in circumstances that make them vulnerable? Has the company considered the most effective methods for engaging different customers, including those that are hard to reach?
8.	Has the company engaged effectively with customers on future and long-term issues, including trade-offs and risks, in a way customers could be expected to understand?
9.	Where appropriate, has the company considered how customers could help co-create and co-deliver solutions to underlying challenges?
10.	Has the company effectively informed and engaged customers about its current performance and how this compares with other companies in a way customers could be expected to understand?
11.	Is the proposed plan affordable for current customers, future customers and those struggling or at risk of struggling to pay? How well does the company understand what affordability looks like for its customers, and do customers support the approach they have taken?
12.	Vulnerability - Is the company's approach to vulnerability targeted, efficient and effective? CCG view on the quality of planned support for customers in vulnerable circumstances, taking into account Ofwat's February 2016 Vulnerability Focus report.
13.	Performance commitment framework – including Outcomes and ODIs – how have we reviewed and challenged
14.	Opinion on proposed outcomes, performance commitments – both common and bespoke - and outcome delivery incentive in terms of level of stretch, customer engagement and support
15.	AIM – has Affinity engaged with local stakeholders to propose its AIM incentives? Has it identified suitable sites in liaison with the Environment Agency? (Aim is also a PC see Q14 above)
16.	Leakage – has Affinity taken customer views into account in its proposed five year PC levels? (see also response to Q14 above Green
17.	Transparency – are company plans for reporting on performance 2020 – 25 suitable
18.	Resilience – has the company's assessment of resilience been informed by engagement with customers so as to understand their expectations on levels of service, their appetite for risk and how customer behaviour might influence resilience
19.	Cost efficiency – if there are cost adjustment claims is there evidence that customers support the project? Does the proposal deliver outcomes that reflect customers' priorities identified from customer engagement? Has the company taken account of customers' views and is there evidence that the proposed solution represents best value for customers in the long term, including evidence from customer engagement

Annex D**Reference table showing the values of bills AWL has proposed and those tested with customers Spring 2018 to September 2018**

Document	2019/20 average bill	2024/25 average bill
Our Future Plans April 2018 (and Phase 2 Acceptability Survey - Mori)	£165 (on page 5) £170 (on pp 17/18/19) £168 (p11 Mori final rpt)	Plan A/J - £158 Plan B/K - £161 Plan C/L - £168
18 July 2018 briefing for the CCG (slides tabled at meeting).	£170	Various numbers quoted according to what changes to the plan were proposed. Main proposals were: £172.40 inc CRI at 2.8 and abstractions at 33 M/d And £175.90 inc 'additional resilience' various costs
Phase 3 Acceptability Survey – Ipsos MORI/Arup	£168.77 (fig 3.1 report)	£172.40 (fig 3.1 report)
Phase 3 Additional Resilience Investment – Blue Marble	£175 (draft of Q9 circulated to CCG – no year for this bill level stated)	Seems to have been expressed as £1-£2 extra per annum Or £3-£5 extra per annum Presumably on the '£175' in Q9.
V4 BP	£172.40	£175.90
Email 1/9/2018	£170.90	£174.41
BP submission 3/9/2018	£170.90	£174.44
IAP response – RRA10	£170.50	£167.80