

Dear David Black and Kay Greenbank

**PR24 and beyond: Reflecting customer preferences in future price reviews – a discussion paper**

South East Water's Customer Challenge Group (CCG) is an independent Group whose overarching aim is the delivery of the best possible experience for South East Water's current and future customers and communities. The CCG provides independent scrutiny, advice and challenge to South East Water regarding a) The quality of its stakeholder engagement and insight b) The extent to which the results of this insight are driving decision making c) How and the extent to which the company is delivering against its promises including those in its business plan.

The Group was in operation for PR14 and PR19 though largely with different membership for the development of these two related business plans. We share our lessons learned as appropriate in this response. We make some general comments before answering the questions requested

- Positive proactive engagement - We welcome Ofwat's proactive engagement with the CCGs on this issue, in particular the workshop held on January 15th 2021 where CCG Chairs discussed with Ofwat the paper and our initial responses.
- Lead in times - It is positive that the regulator recognises the long lead times required for engagement and is developing its thinking in this area alongside the PR24 methodology development. Looking ahead the regulator should set out a longer-term aspiration for engagement so approaches are not 'stop start' linked price controls.
- Broaden the engagement framing - This paper appears to focus on the research needed to inform companies' business plans and the evidence base for Ofwat's final determination. We'd also encourage the regulator to consider how it will enable, support, and incentivise the right company engagement culture and behaviours to deliver the Strategic Goals outlined in its Time to Act Together Strategy – noticeably to drive water companies to meet long-term challenges through increased collaboration and partnerships, and for water companies to serve a wider public purpose, delivering more for customers, society and the environment. As Ofwat alludes in this discussion paper and its Initial Assessment of Plans indicates, most water companies, including South East Water are not yet at an 'engagement maturity level' where they have the skills, expertise and processes across all parts of their organisation to consistently carry out high quality engagement.
- Update the engagement narrative - linked to the above we'd also encourage Ofwat to update its engagement narrative. The opening paragraph of the Executive Summary of the discussion paper Ofwat says "it is vital that water companies understand their customers' needs and preferences and reflect these in their actions". This narrative has been used for two price control cycles. Requiring companies to engage is no longer just about regulation being a proxy for competition in the market and lack of customer choice/responding to customer views. It is key to essential services' efficient operation and the delivery of wider public value. Consumers and businesses are increasingly needed to be part of the solution – whether reducing water use, co-developing catchment management schemes, embracing new technology, or shifting other behaviours. They are critical for the delivery of societal goals such as sustainability, reliability of service, security, and lower costs overall.

Partnership working, including across sectors and at a grassroots level can help address increasingly complex whole system problems such as affordability, adaptation and community resilience more effectively.

- Definitions - In its final engagement approach, it will be important for the regulator to define key terms such as consumer, customer, citizen, public interest to avoid confusion.
- Future role of the CCGs - Perhaps not unsurprisingly, given our position, we believe that well-designed Customer Challenge Groups can be a useful tool in the regulatory toolbox, supporting Ofwat in its ambitions for the water sector and helping to address information asymmetries<sup>1</sup>. They can be a resource and cost-efficient way of influencing company business plans and behaviour. In particular, with improvements, a group which is within a company but at arms-length is uniquely placed to provide an assurance role for regional and individual company-led engagement including delivery in practice on the ground and on bespoke performance commitments; to scrutinise and provide views on key areas that sit outside of existing regulatory reporting frameworks e.g. on engagement strategies, purposeful business approaches, consumer vulnerability and community resilience to help ensure transparency and support 'right first time' approaches; and to provide insights into the company culture e.g. in relation to engagement, innovation, digitalisation and sustainability among other areas. The Groups have a wealth of experience, that alongside CCW, Citizens Advice and wider public interest groups could help to strengthen the consumer voice against powerful business interests.
- PR19 lessons learned - we recognise the lessons learned and the problems identified with the CCG process outlined by Ofwat. However, this work does not acknowledge the potential strengths and opportunities of in-company independent groups. In the interests of transparency, it is important for the regulator to recognise that as far as we are aware, it has not carried out a full impact assessment of the CCGs (as opposed to a 'lessons learned' exercise), nor did it require the CCGs or companies to monitor or capture impact. In addition, Ofwat did not attend the CCGs nor monitor their progress or seek systematic feedback during PR19 or on the reports. The Customer Challenge Logs while mentioned in this paper were never intended to record all impacts (nor do they) and many Groups did not use them for this purpose. By contrast, the RIIO-2 enhanced engagement programme for gas distribution in energy sector<sup>2</sup>, which required companies to submit evidence of in-company groups impact on the business plans, highlights demonstrable value, both in terms of regulatory time saved from better quality plans and plans more aligned with consumer interests; in period timely improvements in service; and culture change including embedding engagement and higher ambition levels. We agree improvements are needed to the CCG process but think that these could be addressed relatively easily if there is will from Ofwat and it accepts the CCGs to be an important addition to its regulatory toolkit.

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<sup>1</sup> [Consumer involvement in billion-pound energy and water sector price controls \(sustainabilityfirst.org.uk\)](https://www.sustainabilityfirst.org.uk)

<sup>2</sup> [RIIO-2 Enhanced Stakeholder Engagement Guidance | Ofgem](#)

### **Question 1**

**Do you agree with the goals we have proposed for customer engagement at future price reviews? If not, why not?**

These goals seem sensible for the 'customer evidence' that informs the business plan and build on lessons learned from PR19. They are high level and work will be needed to develop and agree them such that they can be implemented in practice across the industry. Ofwat should consider developing an overarching evaluation framework to promote transparency. In particular, as part of this how it defines high-quality engagement and proportionality.

### **Question 2**

**Are there any other goals which you think we should have for customer engagement at future price reviews?**

While the goals outlined are broadly suitable for the 'customer evidence' they are not suitable for overarching engagement goals for the price review. We propose that the aims should be:

- Strengthen the voice of consumers and the public interest in the price review process.
- Improve the quality and effectiveness of stakeholder evidence that informs business plan decisions including alongside those goals Ofwat proposes: well-targeted research and engagement, proportionate and value for money, collaborative, inclusive and recognised preferences, good quality, including well-designed and delivered, transparent and accountable.
- Improve water companies' business as usual engagement to enable the more efficient delivery of business plans and so that within the five-year business plan period companies adapt and are accountable to changing consumer/community needs.
- Help unlock untapped public value through improved partnership working and information sharing, including across sectors to deliver whole systems societal benefits.
- Improve legitimacy and trust including through improve assurance and accountability.#
- Improve the quality of business plans as noted, this was one of the key aims of Ofgem's RII0-2 enhanced engagement. Given the sums of money involved, and the resource required by the regulator to follow up on poor quality plans this could be especially useful.

### **Question 3**

**Do you agree with the principle that in areas that are of common concern to all customers within a nation, evidence of customers' preferences should be generated in a consistent manner such that results are comparable? If so, why? If not, why not?**

Yes, we agree with the need for centralised research for the reasons outlined. That companies should own the relationship with their consumers and stakeholders goes without saying. Centralised research to inform the business plans does not detract from that. Companies should be carrying out ongoing engagement as business as usual with customers and wider stakeholders outside of the business planning process.

In addition to the benefits mentioned, we highlight the following advantages:

- Good quality deliberative research is expensive and an area of weakness for South East Water during PR19 which we flagged in our report to Ofwat in September 2018<sup>3</sup>. A central approach should deliver cost efficiencies and is a good opportunity to enable better quality deep dive deliberative work to be undertaken to help really get under the skin of some of the more complex issues that are important to customers and citizens. e.g. via citizens assembly type approaches, or mini parliaments at a regional level.
- Ofwat was criticised for not ‘walking the talk’ on engagement during PR19, in particular that its methodology was not informed by robust stakeholder engagement and insight. Ofwat led engagement could help to address these legitimacy concerns and ensure that common priorities and therefore common performance commitments and its overall approach have a robust evidence base.
- The CCG has raised concerns that when customers are currently consulted via willingness to pay and acceptability testing, they are often taking a decision based on costs and options suggested by the company which later are changed by the regulator – arguably raising questions about the value of the engagement in first place. Central engagement with Ofwat involved hopefully means this can be addressed to some extent.
- If well-designed the regulator should have greater confidence in findings of the research. In particular, to identify genuine differences in attitudes and needs including towards solutions, cost, impact and risk. This should result in final business plans that more appropriately reflect the balance of different customer, citizen, regional and wider public benefit interests.

#### **Question 4**

**If we make use of collaborative nationwide research in future price reviews: Which aspects of business plans do you think should fall within the scope of this research? Which organisations do you think should be involved in steering this research? When should this research be undertaken? How should this research account for differences between England and Wales?**

Areas to be covered by central research:

- High level priorities– identify differences between segments/regions/between citizens and customers/current needs and future considerations
- Common performance outcomes, measures, incentives and targets
- Minimum protections in case of problems e.g. for accessibility, vulnerability and redress/compensation for poor service
- Cross cutting core price control methodology decisions e.g. attitudes towards incentives and how costs are passed on.
- Co-develop a triangulation framework informed by customer and citizen engagement to support how decisions are made on trade-offs - values/ethics – to support transparent regulatory decision making.
- Willingness to pay/business options testing common approach.
- Acceptability testing common approach
- Horizon scanning and scenario analysis, sustainability metrics, research where there are joint challenges; cross-sector company research to identify resilience inter-dependencies

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<sup>3</sup> [Microsoft Word - 24014 sew report v9 \(customerchallenge.co.uk\)](#)

between water, energy, broadband and transport, housing and planning and importantly to agree the social return on Investment methodology to inform business case development.

- National, regional local baseline of customer sentiment, perceptions and experiences, trade-offs (e.g. current versus future consumer issues, cross subsidies on affordability and resilience), attitudes towards risk and reward, acceptability testing.
- Attitudes towards fairness - who pays debates (tax, bills, companies) for affordability support, climate change adaptation and mitigation and net zero initiatives. Also attitudes towards cost-reflectivity, subsidies given different needs of different regions e.g. in relation to flooding.
- Resilience – understand public attitudes towards trade-offs, risk, speed of investment and cross subsidization. It may be appropriate to do this with the National Infrastructure Commission.

Who should be involved in steering the research:

- Ofwat – this is critical, as the assurance is for the regulator and they need to have confidence in the outputs.
- CCW - as the statutory consumer watchdog
- Independent consumer/public research experts
- Stakeholder engagement specialists
- Water UK as the industry representative who can liaise as needed with companies.
- Public interest voices and wider regulators on particular pieces of research. e.g. Environment Agency on water resources related aspects, Drinking Water Inspectorate on water quality to check the framing, willingness to pay experts on that research.

When should the research be undertaken:

Ofwat needs to start immediately with a gap analysis. It should follow good practice in terms of planning its strategic approach to engagement. Start by clearly defining the engagement questions, then consider who needs to be engaged questions and how best to engage with them, and then build from there. To do anything else would be to put the cart before the horse and not 'walking the talk' on best practice.

Differences between England and Wales:

Differences should be reflected in the same way that regional differences in England in policy (e.g. cities have different goals on economic development, net zero, planning priorities etc), culture, values, and needs are reflected.

Regional research

The WRSE engagement programme has (so far) demonstrated that regionally-based research and engagement programmes are possible to design and deliver for complex multi-faceted strategic issues, such as water and drought management. This model could be extended for other equally complex issues such as bespoke or regionally common performance commitments, ODIs and options testing, where attribute valuations, trade-offs and acceptability thresholds would significantly aid more effective and consistent regional (and national) comparisons and modelling.

Having national consistency of methodology (including sample design, concept framing and question construction) and regional delivery of fieldwork where shared challenges at this level, analysis and reporting, could create an effective evidence base rather than a plethora of different company initiatives.

Having sufficient scale is important enable disaggregation of data and insights to company and locality level. An effective balance of national, regional and company customer, citizen and stakeholder research could and should be developed by a working party of industry and technical experts and would dovetail effectively into an overarching strategic framework and evaluation.

#### **Question 5**

**To what extent do you think it would be necessary for us to provide guidance on customer engagement, assurance and other issues at future price reviews if we made – or did not make – use of collaborative nationwide engagement?**

#### **Question 6**

**To the extent that you consider further guidance is necessary, what areas should this cover?**

The precise guidance needed will depend on the model adopted. The guidance should cover funding, definitions of any goals, evaluation framework, role, scope and operation of any group, timetable, management and governance, reporting, assurance including those areas outlined below.

#### **Assurance Guidance**

Assurance Guidance will be critical to avoid historic problems and further embed an engagement culture.

#### **Centrally led activity:**

For centrally led research, independent engagement experts/subject matter experts will need to observe the quality of the delivery in practice of engagement – both the cognitive testing for quantitative pieces of research and the delivery in practice of deliberative research. In our experience there can be a substantial disconnect between the engagement provider sales pitch and what happens in practice on the ground. It is arguably not in any research providers interests (nor the company once they have paid for it and if they are time poor and ‘need to get it done’) to acknowledge when engagement does not achieve the intended aims, recruitment of participants is not representative, materials are not fit for purpose, the delivery is not appropriately paced etc.

This would also allow for early feedback on the approach and immediate improvements to be made. We use Engagement Observation sheets for this purpose as part of our scrutiny activity. These are structured and straightforward documents (1-2 pages) for each engagement observer which provides some consistency of approach and enables feedback to the company and their contractors so that immediate changes and improvements can be made. We are happy to share these with Ofwat.

#### **Company led activity:**

Ofwat has muted that it may be proportionate for the regulator to not require assurance for company led research if there is centrally led research. We disagree. This approaches the issue

through a lens of ‘what’s important to the regulator’ not what is important to South East Water’s consumers and communities, nor longer term trust, legitimacy of effectiveness.

As Ofwat notes, and Ofwat’s IAP indicates, most water companies are not yet at an engagement maturity level such that assurance is not required.

Significant amounts of engagement will still need to be undertaken by the company and much of this is important for trust and confidence in the company, and impacts consumers ‘lived experience’ of water. For example, South East Water will need to carry out its own research to develop:

- Bespoke commitments e.g. to reflect areas of difference identified by central research; where poor performance needs to be addressed – i.e. in the case of South East Water it may want to consider a particular focus on areas that repeatedly have suffered interruptions; different approaches to customer service i.e. South East Water has an intention to go beyond ‘hygiene factor’ customer service, to deliver services that ‘delights’ and would want to build on its values based segmentation.
- To ‘co-develop and in some instances co-deliver approaches: in particular the company has committed to continue to co-develop its consumer vulnerability strategy; has substantial further work to do to deliver its resilient customer strategy; will need to have a stronger focus on partnership working to address pollution e.g. catchment management schemes and to prevent over abstraction; will require engagement for its responsible business strategy. These are all high-profile areas important for trust and legitimacy and that matter to stakeholders.
- Water resources regionally led engagement.
- Behaviour change campaigns and business as usual engagement with customers and communities – critical for the efficient running of the business and to meet longer term resilience goals.

#### Company-led engagement assurance:

Ofwat should outline what assurance it wants in guidance. Leaving companies to adopt their own assurance approaches will result in a patchwork of inconsistent approaches which will yet again fail to provide appropriate consistency and comparability of assurance as to the quality of engagement undertaken.

Ofwat needs to carefully consider and clarify in any engagement guidance the assurance process:

- Why they want the assurance – this needs to be transparent.
- Precisely what they want assured - which aspects of engagement or other parts of the business plan and why. In addition to provide this clarity early. The requirement for the CCGs to scrutinize the performance commitments in the Aide Memoir for example came late in the day during PR19.
- How they will use those views – for PR19 Ofwat clearly stated in its engagement principles that it ultimately owned the decision and that consumers views were but one input, but this wasn’t generally communicated to stakeholders by the companies – hence there was a risk of disappointing stakeholders if co-developed proposals were rejected in the final determination. Greater clarity is needed here. There may be some areas e.g. consumer vulnerability and affordability, community resilience, environmental adaptation and mitigation, where beyond the centrally agreed minimum standards and common

performance commitments Ofwat should give companies more flexibility and control over their bespoke proposals – recognizing that the company is better placed to know what its communities need and want and that ultimately it is about community stakeholders being confident in the company’s approach. This will only be possible if Ofwat has appropriate confidence in the assurance process.

- The acceptance criteria – preferably this would be co-created with relevant stakeholders/experts to ensure legitimacy and transparency. A key lesson learned from PR19 was that while Ofwat published engagement ‘principles’ there was no common minimum understanding as to what good quality engagement actually looked like<sup>4</sup>. Consequently, across Ofwat, CCW and the CCGs different benchmarks and assessment approaches were used with different conclusions reached. Ofwat should co-develop (perhaps with the central advisory or steering group) what good quality engagement actually is including what it means by proportionality. This could form the basis for an assurance framework and would inform any steering group’s approach. In addition, given the lack of agreed understanding between CCW and Ofwat, it should co-develop a triangulation framework.
- The level of assurance that would give them confidence – what’s proportionate given its importance to consumers (which could be areas of relatively low monetary value), the sums of money involved, and its impact on legitimacy and trust for example. We’d strongly encourage a focus not just on the process on paper, but on the delivery in practice. It was clear from the findings of our lessons learned exercise of PR19 that there were significant differences between the groups in terms of the breadth and depth of scrutiny undertaken as part of the assurance activity, what the different groups had scrutinised and how we all interpreted and undertook our role – with one CCG seemingly an armchair auditor at the end of the process and others co-creating approaches with the company. All that needs clarifying. We’d suggest a simple assurance framework which is consistent for all CCGs where the role, scope, and activity is clarified.
- How results will be moderated/made comparable. We’d recommend CCGs come together to share views and moderate assurance gradings as school examiners do for student grades. It’s important that this moderation involves all water companies and external benchmarks. In the South East for example South East Water is surrounded by seemingly low performing water companies – regional benchmarking would not help to sufficiently raise the bar.
- What is considered sufficient and appropriate evidence e.g. Challenge Logs, engagement observation sheets, question sheets, minutes, feedback reports, company research reports. We use all of these but some may be more useful to the regulator than others. Again, we can provide examples of these to give Ofwat an idea.
- The skills and expertise assurers will need to perform the role. This is another key lesson learned from PR19. Ofwat did not specify the skills or expertise required. This meant some CCGs lacked research methodology, willingness to pay/validation experts or economists

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<sup>4</sup> [Sustainability First - Final 24.06.2020.pdf \(citizensadvice.org.uk\)](#)



needed to fully interpret and understand key quantitative research. Ofwat should define the assurance scope and then define what skills and expertise are needed to perform the role. This will involve groups updating membership.

- How it will ensure assurers are seen as independent and legitimate. This involves considering not just the governance processes but also recruitment processes.
- Clarity on the assurance output wanted at the end e.g. report, verbal feedback etc. We have yet to receive any feedback on how Ofwat used our CCG assurance report. We'd encourage the regulator to review the reports, and those produced by the energy customer engagement groups and consider what it would find useful/not useful. Crucially, regulators need to consider if they just want a view on the end output (i.e. if the engagement is great or terrible) or if they want the research to be fit for purpose by the end of the process. If the latter (which is more in consumers interests) there needs to be early and periodic scrutiny to provide feedback to the company as they go along so they can improve.

### Membership

We do not think that any steering group or assurance panel can be truly representative of the different stakeholder groups (given there are potentially hundreds for each water company) and that any attempt to do this as part of an assurance process (as opposed to an engagement process where all impacted and interested groups should be engaged), risks leaving many voices outside of the tent. Any assurance body should therefore have a membership with not just the appropriate skills and experience for the role, but a diversity of perspectives e.g. domestic consumers, business customers, charities, local councils, government, regulatory alongside a diversity of backgrounds with appropriate skills.

### Recruitment

Regulators should either appoint or vet the independent in-company Chair and reject any candidates that are too close to the company or do not meet minimum requirements. This is key and was an approach adopted by Ofgem for RIIO-2. Recruitment of Chair and members via open competition (CCW or Ofwat to sit on Chair recruitment panel though we acknowledge the resource considerations) should be required. Ofwat or CCW could approve/review the membership, to ensure Groups have the expertise, and diversity of skills, backgrounds and perspectives needed to perform the role. Companies should be required to give a reason when they dismiss a Chair. Companies may be more likely to fire/phase out challenging Chairs/groups. Member/chair tenures to be time limited to help avoid capture and get the right balance between continuity of expertise and fresh independent perspectives.

### Ofwat's engagement

Regulators meet the Chairs of the CCGs regularly and build an open and trusted relationship from the start. Groups should share feedback on company progress. Ofwat could attend one or two meetings over the course of the process. This would be proportionate given the benefits of better understanding the process and support Ofwat in its own engagement goals. Ofwat should share insight on the companies and provide wider benchmarking information. This could be done in small groups of CCG chairs to minimize the regulatory resource required.

### Mandate the assurers

This is essential. In particular with the CCGs to support the Groups' independence and to give them teeth. Depending on the maturity level of the water company, without this the Groups risk becoming rubber stamping bodies or being side-lined if they disagree too much with the company.

### Good practice governance

Requiring all the best practice governance outlined by Ofwat and CCW to be in place and asking companies/CCGs to self-report that is the case .

### Question 7

**Are there other models which you think we should consider for providing assurance at future price reviews? If so, what are the benefits of these alternative approaches?**

Partnerships model. E.g. The Thriving Communities Partnership used by Yarra Valley Water in Australia. The Sustainability First case study outlines the benefits<sup>5</sup>.

The Ofgem customer engagement groups set up for RIIO-2 which learned the lessons from PR19 to create an arguably improved process. It has resulted in better quality business plans, immediate in-period service improvements, supported culture change in the gas distribution companies and provided assurance to the regulator on the quality of engagement which appears to be heavily relied upon in making its regulatory decision.

### Question 8

**To what extent do you think that the research techniques which have previously been used in the water sector are suitable to enable companies' business plans and our final determinations to reflect customer views? Do you think any particular approaches should be revisited?**

This is premature without knowing the engagement aims, and what questions need to be answered. That said:

- The Group has mixed views on the effectiveness of quantitative tools e.g. business options testing and willingness to pay in particular and how values are used and interpreted. There is scope for greater consistency and co-development of more effective methodologies here.
- The regulator needs to co-develop a triangulation approach as there is no agreed view on what good practice looks like.
- There has never been a clear understanding of what is an appropriate 'acceptability' level of a business plan.
- Covid-19 has made face to face fieldwork much more difficult and expensive. Online focus groups are not as effective a substitute but have been shown to be workable, and research practitioners have innovated to ensure effective engagement given the restrictions.
- As flagged in our CCG report to Ofwat in September 2018, women can be under-represented in current quantitative research that weights data based on the census head of household category. This needs to be addressed as women have different attitudes on issues such as the environment and should not be under-represented.

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<sup>5</sup> [Microsoft Word - SF The Thriving Communities Partnership Case Study 26.3.19 FINAL.docx \(sustainabilityfirst.org.uk\)](#)

- There are questions around the self-selecting nature of research participants and in general the representativeness and quality of deliberative research.

### **Question 9**

**Do you think that there are alternative approaches that we might usefully adopt in water, including those used in other sectors and potentially outside the area of economic regulation? If so, which techniques and why? If not, why not?**

It would be useful to see greater use of more participatory and deliberative engagement to inform Ofwat's methodology, the company's bespoke approaches, the values and trade-offs between current and future consumers, individuals and societal benefits, and different interests that the regulator and companies apply to their discretionary decisions. e.g. Nesta<sup>6</sup> or Involve's Citizens Assembly mentioned.

### **Question 10**

**Are there any areas of the price review where the scope to solicit informed opinions from customers is intrinsically limited?**

Customers have shown that they are willing to and to a certain extent seemingly capable of tackling complex issues. However, there are clearly some areas where it is more difficult to engage and a small number where customers may not be best placed to answer e.g. technical performance commitments (they would know what outcome they want but may not be best placed to agree the measure, target and caps and collars around it), cost of capital decisions. However, the customer and public lens is still valuable to consider as an input in terms of overall acceptability e.g. consumer engagement on incentives generally.

### **Question 11**

**Do you think there are other ideas we should be considering for shaping customer engagement at future price reviews? If so, how would these ideas help deliver on the goals proposed in this paper?**

Yes. In the PR24 methodology Ofwat should:

1. Incentivize high-quality engagement in the price control methodology in both the design and delivery - In PR19 for water Ofwat said companies would not be fast-tracked if they did not carry out high-quality engagement. In RII0-2 for energy, companies were expected to deliver high-quality engagement else they risked a penalty. These regulatory signals sent a clear message that engagement was important and were powerful in encouraging the right company behaviour. Ofwat should include a similar or a stronger signal. This should focus on both the quality of business plan engagement and the quality of ongoing in-period engagement. This is fundamental component. In addition, as noted, we support greater transparency for the regulator in terms of how it considers stakeholder insight.
2. Require companies to develop BAU stakeholder engagement strategies - CCW's paper, 'How can engagement be improved for future business plans' recommends "More focus on

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<sup>6</sup> [https://media.nesta.org.uk/documents/Our\\_futures\\_by\\_the\\_people\\_for\\_the\\_people\\_WEB\\_v5.pdf](https://media.nesta.org.uk/documents/Our_futures_by_the_people_for_the_people_WEB_v5.pdf)

business as usual engagement with business planning less of a trigger, especially for those in vulnerable circumstances... not just around performance commitment monitoring, but as a wider programme of meaningful engagement to improve services and understand needs outside of business planning.” As part of R110-2 Ofgem has required companies to develop engagement strategies for the price control period and the Customer Engagement Groups provided views on the quality of those to Ofgem. This was a positive move though would benefit from some follow-up benchmarking and monitoring.

Many companies do not have a strategic stakeholder engagement strategy. Such an approach would encourage water companies to think more strategically about their engagement. In particular, what their aims are, who they need to partner with and engage with, how they will do it, and critically how engagement can support the delivery of their business plan commitments and wider purpose. It helps to embed a culture of ongoing engagement, rather than a stop start approach just for the business plan. The CCGs can play a useful role in holding the company to account on progress on the engagement strategy, providing views to the regulator periodically, and act as a critical friend, to help companies get it ‘right first time’.

3. Identify, enable and ‘recognise’ business plan proposals that involve cross-sector delivery where they can deliver additional public value -There is significant potential public value from companies working across sectors. This is especially important in relation to ensuring resilience, delivering environmental goals and affordability. Such approaches can be more complex and time consuming and there may not be sufficient commercial incentive for companies to undertake them otherwise. Water regulators should ensure they remove barriers to companies collaborating and consider enabling utilities to get credit in some way for complex joint working that delivers demonstrable value beyond industry good practice and their own activities. For example, on resilience: cross sector companies, government and regulators need to work together to better understand the resilience interdependences and the risks. And all essential services companies should co-develop a resilient customer and community strategy with relevant local partners.

We are happy to answer any questions on this response.

Yours sincerely

Zoe McLeod

**Chair of South East Water’s independent Customer Challenge Group**

[www.customerchallenge.co.uk](http://www.customerchallenge.co.uk)