



the
water
forums

NORTHUMBRIAN WATER AND ESSEX & SUFFOLK WATER
WATER FORUMS REPORT

Executive Summary

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In the water industry's price-setting process for 2020 to 2025, Ofwat raised the bar in two very important areas: the amount and quality of customer engagement in the process; and the degree of independent challenge from their Customer Challenge Groups (CCGs), to make sure that the pricing proposals reflect customers' views and priorities.

Known as the Water Forums, we are the CCGs for Northumbrian Water Limited (NWL) and cover its two operating areas, Northumbrian Water (NW) and Essex & Suffolk Water (ESW). We are a balanced blend of industry regulators, subject experts and independent members who have wholeheartedly risen to the job at hand. Our challenges are always from the starting point that we want the company to deliver for its customers.

Over the past two and a half years we have challenged the company to create a business plan that is as grounded as much as possible in excellent customer engagement, provides stretch in its targets, is affordable for customers, and helps those who are struggling to pay their bills. In this time, our members have been involved in 24 workshops, 11 meetings, 33 engagements with the Board and other NWL team members, as well as site visits and numerous other conversations.

The company has shown visible leadership throughout the process, through its attendance at our meetings and at customer engagement events – the people developing the business plan and those approving it have played an active role in both.

NWL has sought to engage with us at every opportunity and has taken many of our challenges on board. We applaud the significant efforts they have made to make sure that we had the access to whatever information, facility or company director, manager or employee that we wanted, so that we could fulfil our role effectively.

We believe that our report delivers a constructive and thorough analysis of the issues we have been tasked to examine.

When looking in the round at the business plan and its development, our views are that:

- **The engagement programme** undertaken gave a more reliable basis for developing a customer-focused business plan than ever before.
- **NWL** has fully embraced our role as its independent CCG and has used many, but not all, of our challenges to iteratively shape its engagement and its business plan.
- **The business plan** has taken account of the views, needs and aspirations of customers, and this led to the very high levels of acceptability achieved.



1.1 Customer engagement in PR19

The company sought to exceed expectations by looking beyond the water industry for examples of good practice – we formed our views about how effective its customer engagement was by looking at the six questions that Ofwat posed:

“Does NWL have a genuine understanding of its customers’ priorities, needs and requirements?”

Ofwat

Our view is that NWL certainly understands its customers’ priorities; and understands their needs to a significant extent. Early in the process the company developed a comprehensive customer engagement strategy to steer its approach, which helped it make large strides forward compared to PR14. Importantly, we feel that it struck the right balance between the level of detail gathered and the cost of doing research and engagement activity. Triangulating all of the data proved a tricky process, but the company genuinely took our challenges and expert support on board and responded well.

“Has NWL engaged with its customers on a genuine and realistic range of options?”

Ofwat

The company was able to present meaningful options to customers in its Service Valuation research, because its approach started with Defining the Conversation engagement – understanding about what and how customers wanted to engage with the company. A broad suite of proposed Performance Commitments (PCs) demonstrates that NWL responded to what customers told them. Our view is that the high levels of acceptability of the business plan resulted from presenting a genuine and realistic range of options to customers.

“Has NWL’s customer engagement been an on-going, two-way and transparent process?”

Ofwat

NWL is a company that constantly engages with its customers; and it doesn’t just do it when developing a business plan. At the 41 research events we attended, we saw managers and team members who were keen to listen and learn; and to inform or educate customers about the subject matter too. They often faced the challenge of low awareness levels, so we are pleased that in some of the research activity they used an ‘uninformed view then informed view’ approach to understand the difference that made to the results. The company’s closure of the PR19 participation loop – by inviting customers who participated at the original Defining the Conversation events to attend the acceptability qualitative events – was an interesting approach to being transparent about the whole PR19 process.

“Does NWL understand the needs of different groups of customers?”

Ofwat

Overall, the company has made good attempts to reach and get engagement with different types of customers, including those in remote communities, future customers, and those who are vulnerable from a bill affordability point of view. Using more sophisticated engagement, we believe that it now has a better understanding of more types of customers across a wider range of situations, locations and needs.

“Has NWL effectively engaged with its customers on longer-term issues?”

Ofwat

Customers have had positive opportunities to shape the longer-term issues, including through the innovative Service Valuation tool, where they were given the chance to see the effect, on their own bill, of their choices about proposed long-term investments and enhancements.

There is much evidence of co-creation and co-delivery of solutions to longer-term challenges – two notable examples are the Inclusivity Strategy, which changed direction due to what customers said; and the well-received Improving the Water Environment scheme, which combined customer-focused ideas generated from the Wastewater Sprints and stakeholder Thinking Ahead Workshops with our challenges for the company to be more far-reaching and confident in its ambitions.

“Has NWL engaged with customers on current performance, using industry comparison?”

Ofwat

We endorse NWL’s approach to be very transparent (via its website) about its comparative performance, and to reach outside the water industry to find benchmarks and examples that customers readily relate to, including them in the critically important Service Valuation and Acceptability pieces of research. We encourage them to go yet further, finding ways to get increasing numbers of customers to access and use the information, as part of its efforts and targets to increase active participation.

1.2 The business plan and our challenges

A fundamental feature of the PR19 process is Ofwat's requirement that evidence from customer engagement genuinely informed the business plan. We provided independent challenge throughout the process – both in how engagement was carried out, and in how it was used.

The top five challenges that we made, which have ultimately ensured customer views are more embedded in the business plan, were:

- **Triangulation:** Providing challenge and expert input that re-shaped NWL's approach, making it more robust and representative of customer views.
- **Affordability:** We challenged the company to put more focus on increasing take-up of support schemes and social tariffs, because awareness levels were low.
- **Metering:** We challenged the company to present metering in a neutral way, to make sure that the potential dis-benefits for some customers were not ignored.
- **Performance Commitments (PCs):** When NWL shared its early thinking about PCs with us, we saw that in some areas customer research showed a clear priority yet there was no PC to reflect that priority. We therefore challenged the company to include a bespoke measure – for example response time to visible leaks and repeat sewer flooding. Later in the process, we saw the complete set of 35 proposed PCs. We challenged NWL to introduce some more 'stretch' in three areas where felt there was more they could achieve for customers.

- **Outcome Delivery Incentives (ODIs):** We challenged the company to align its ODIs with customer expectations. In the case of pollution performance, there is a tension – customers support rewards for improving pollution performance, as does Ofwat; however, the Environment Agency (EA) does not – this is a matter for the two regulators to discuss outside of the CCG process.

These, along with all the other challenges that we made, are included in detail throughout this report – each one is within the section of the report that it relates to, to best give it the context it needs. Most of our challenges were accepted, others were not – we have included all of them.

We are pleased to see that the company has reflected customer feedback in its selection of themes for its business plan – alongside the four Ofwat themes are two more, an environmental and a local economy one. We explore each in detail in this report, but in summary:

Unrivalled customer experience: We are particularly supportive of the goals for more active customer participation and raising awareness and understanding – not only do they reflect Ofwat's Tapped In report, but also research findings, where customers said they wanted the company to talk with them about the service they receive and about the value of water.

Affordable and inclusive services: Customers fed back that the term 'vulnerable' can attach a stigma to them. We are pleased that the company acted on this, so that what started as a Vulnerability Strategy evolved into an Inclusivity Strategy. Having offered challenge during its development, we very much support the multi-faceted approach and the ambition to end water poverty.

Leading in innovation: The industry-leading approach to innovation through annual Innovation Festivals, reflects customer feedback well – they expect the company to continually improve, to use new ideas and to invest in new technology. Although they do not have strong views about specific ways of doing this, they expect NWL to 'move with the times' and, from what has been achieved to date, they relish the opportunities to co-create solutions with the company. We encourage the company to provide many more opportunities in the coming months and years.

Reliable and resilient services: There was a good, 3-stage customer engagement on this subject and we welcome the high levels of customer support for the discretionary resilience enhancements proposed in the business plan. We like NWL's resilience framework as a way of demonstrating how the different aspects of its business and plans combine to deliver resilience in the round.

Improving the environment: Customer research revealed the environment to be an area where customers expect NWL to 'talk to someone else' about how to deliver positive outcomes, i.e. specialist organisations who engage on customers' behalf. Our expert members formed an environmental sub-group and provided challenge.

We are delighted to have been able to give the company confidence to take a step change in its ambitions for the environment, as shared in its Improving the Water Environment scheme, launched at the 2018 Innovation Festival.

Building successful economies in our regions:

We are impressed by the work that the company does within and with its local communities and to support its local economies, and are pleased that this theme features in the business plan. Although it is not one of the four Ofwat PR19 themes, customers deem this work an important part of water company life, as their feedback demonstrates. The company is well respected for its work and over the years has shown a genuine commitment and leadership to the regions it operates in.

1.3 Next steps in customer participation

There are many examples, included in this report, of great customer participation initiatives, but we would like to highlight two outstanding examples here. Firstly, NWL's Water Rangers initiative, which the company is planning to extend as part of its business plan. Customers volunteer to keep their eyes open along their local water courses for any signs of pollution, so that potential problems can be dealt with quickly. Secondly, the annual Innovation Festival, which ran for the first time in 2017 – the company is to be commended for bringing together customers, stakeholders and other organisations to put their minds to work about how to tackle some of the big, tricky problems facing the industry – such as 'What do we know about leakage from water pipes and how can we fix it?'

NWL is rightly proud of its many achievements, innovations and industry-leading approaches in customer engagement, participation and co-creation, as well as its partnership ethos. We encourage the company to use the respect that it has earned among customers and stakeholders to do even more to protect and enhance the environment. Two examples will demonstrate our point. The first is the problem with poor quality taps, containing nickel, copper and zinc, on sale in

respected retail outlets – customers are unaware of what they should buy to avoid problems, so we feel there's a real opportunity to influence change for the better. The second is to deliver educational campaigns that build on the current public interest in plastic and its environmental impact.

1.4 In conclusion

In the early stages of the PR19 process, we challenged NWL to develop a long-term strategy, so that its business plan was part of a bigger picture of improving things for customers and the natural environment in which it operates, and of creating a resilient service for the customers of today and future generations.

Some of the ambitions in the strategy will be truly transformative if realised – the most prominent example being to eradicate water poverty by 2030. The detail of how it will achieve this ambition is still to be developed, and we would encourage the company to use its learnings and strengths to do this: firstly, by using what it has learned from customer participation during the PR19 process, as well as looking outside the sector for further inspiration; and secondly to build yet further on its partnership approach, which is proving successful in many different aspects of the business.

As the business plan moves from its development into its implementation phase, we are keen to see all parties involved working as closely as possible to achieve the best outcomes for customers; and to have clear frameworks for reviewing and assessing how well this is done.



