



the
water
forums

NORTHUMBRIAN WATER AND ESSEX & SUFFOLK WATER
WATER FORUMS REPORT

A Report to Ofwat regarding NWL's business plan 2020-2025

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Executive Summary

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.[\[2\]](#)



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 [\[3\]](#), 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. [\[4\]](#) 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 [\[5\]](#) 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. [\[6\]](#)

Affordable and inclusive services: Customers fed back [\[7\]](#) 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' [\[8\]](#) 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 [\[9\]](#) and we welcome the high levels of customer support [\[10\]](#) 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 [\[11\]](#) 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 [p.21](#). 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.



Foreword from our Chair



Jim Dixon

As I write this foreword, the nation is facing an unusually long dry and warm period, with huge stresses on our environment, landscape and some people's lives. The driest summer on record, with unusually low rainfall and high demand for water focuses our minds on something we usually take for granted – the supply of sufficient, clean and safe drinking water and the safe removal of wastewater. These are some of the essentials of life and so the greater national consciousness of a service usually taken for granted is a reminder of the importance of the water services supplied to 2.7 million people in the Northumbrian area and 1.8 million people in Essex and Suffolk. This is a very diverse population to serve, with very large rural areas and large conurbations; water-stressed areas and areas with generally abundant water resources; areas of fast economic growth and areas in economic stress or decline. So too, the customers of Northumbrian Water (NWL) are diverse in their situations and in the services required of this company.

Alongside the near-term challenges of a drought, the water industry is under increasing political scrutiny. As a monopoly provider of a vital resource, a water utility has a special obligation to take customer views into account in all that it does. Moreover, NWL has a duty that requires it to consider water as a component of environmental and social good as much as its requirements to secure an economic return from its activities.

Every decision about investment, how to use new technology and how best to balance reward and risk for investors and owners of the company should be made in the full knowledge of the views and needs of customers. The job of the Water Forums is to help the company and its customers by convening people with expertise, perspective and experience of all aspects of life that the company impacts on.

By doing so, it can bring independent challenge and critique to the decisions the company makes, ensuring that they consider customer interests uppermost.

The Northumbrian and Essex & Suffolk Water Forums are the independent CCGs for NWL's two operating areas. We represent a wide range of people, organisations and sectors: from consumers to business, and from communities to industry regulators.

Our work provides assurance to Ofwat, the industry regulator, that the company is taking its responsibilities to customers seriously: listening, understanding and acting accordingly. Our biggest role is to challenge the company as it develops its business plan every five years.

The business plan for the period 2020-25 is really important for customers – it determines how NWL spends its money and what water bills will be over that time. It forms the heart of how the company will deliver its vision, aspirations and ambitions. We are required to write a report, explaining our independent views on the quality of NWL's customer engagement and highlighting how effective it has been in reflecting and delivering on customer expectations and priorities in its business plan.

The Water Forums has been closely involved in the preparation of this plan. Over the past three years we have dedicated a great deal of our time to developing a deeper understanding of how NWL plans and operates its business. We have spent time with many members of NWL's team, including its Board of Directors – in regular meetings, workshops and discussions on all aspects of its business, emerging long-term strategy, and customer engagement.

The 112 events and activities we've been involved in range from active participation at the 2017 and 2018 Innovation Festivals, to observation of customer participation and co-creation in action.



Our independence, however, has been paramount and we were clear from the outset about our expectations for how NWL engaged with us.

This has allowed us to challenge them at all times, openly and robustly. We set up a 'challenge log' to keep track of our work. I am both astounded and encouraged, by the degree of impact our challenges have had. Our challenges feature throughout this report, showing the evidence we have gathered, and the responses and actions of the Company – including its Board, with whom we have regularly engaged.

We are really pleased at the genuine desire of the company to ensure our independence – for example, the agenda of our meetings, and the issues we have deep-dived into, have very much been driven by us rather than by NWL.

Overall, we think the business plan is very good, reflecting the company's high-performance culture, high degree of research and consultation with customers and the advice and input from the Water Forums' members. The company has used good and generally reliable techniques to understand stakeholder and customer feedback, in the round and in relation to specific propositions. It has been innovative and undertaken a good range of techniques. Recognising the scale of NWL's customer base, the analysis undertaken is necessarily limited in the accuracy and depth of penetration of all insights – despite these challenges, we have observed that the company has listened well and is seeking to continuously improve its customer engagement.

The company has made some bold moves in its plans, which we are supportive of and which reflect customer views, especially in relation to abolishing water poverty by 2030. Going full-circle to where I started in this Foreword, this longer-term ambition will help to take the stresses out of the lives of those customers whose circumstances make them more vulnerable than others – and the rain that will inevitably have fallen in abundance by the time this report is published will have removed the stresses caused by the long, hot summer of 2018.

A handwritten signature in black ink, which appears to read "Jim Dixon". The signature is written in a cursive, slightly stylized font.

Jim Dixon

Chair of the Water Forums, NWL's Customer Challenge Groups



NWL's Customer Challenge Groups: the Water Forums

We are confident that the broad, representative and constructive nature of our Customer Challenge Groups (CCGs) has enabled us to add significant value to the business plan development and review process. This confidence is based on us having achieved the outcomes against our success criteria, which we developed and monitored in collaboration with the company (**section 3.1.1** has more details about this).

We named the CCGs 'Water Forums', a name chosen back in PR14 to be more representative of our role as advisor as well as challenger. There are several features of our Water Forums and our approach that we believe are worthy of highlighting here. They reflect learnings from PR14 – both our own and those highlighted by Ofwat – as well our continuous improvement ethos during the PR19 process.

Chair: We have a single, independent chair – Jim Dixon – who oversees the work of the two Forums. Based on our experience at PR14, we took an early decision for the two Forums to meet together for our formal meetings and this has worked well, creating a more time-efficient and joined-up approach.

Broad membership: We have a broad membership, with expertise in four key areas of the company's business plan, vulnerability, and the PR19 process; and representation from the two, very different, geographic areas that NWL serves, **Table 1**. The latter point has been really important, because the company has a dominant presence and focus in the North-East.

We would like to acknowledge the valuable contribution made by former members too, including Colin Wilkinson (CCWater), who played a very active role in challenging and shaping the customer engagement; and Ammer Malik (Stepchange) and Robert Leng (Essex Chamber of Commerce) who were involved early-on in establishing our new ways of working. Both the EA and Natural England (NE) provided strong continuous membership, and earlier members included Charlie Beardall and Fiona Morris (EA) and Karen Purves, Gareth DalGLISH and Steph Bird-Halton (NE).

Table 1: Water Forums' members, grouped by area of expertise/business plan theme

Theme	Expert members: statutory and non-statutory
Customer	Professor Bernard Crump, Graham Dale, Robert Light and Bhupendra Mistry (CCWater), Mark McElvanney (StepChange), Melanie Laws (Independent)
Environment	James Copeland National Farmers Union (NFU), John Giles Environment Agency (EA), John Torlesse (Natural England), Richard Powell OBE (History of Advertising Trust), Professor Mark Reed (Newcastle University), Anna Martin (Groundwork), Chris Barnard (Ouseburn Trust), Melissa Lockwood (EA), Hannah Campbell (Natural England)
Communities	Mary Coyle MBE (independent), Jo Curry (Changing Lives) and Lesley Crisp (Citizens Advice), Caroline Taylor (Essex Community Foundation)
Economic Impact	Steve Grebby (CCWater), Sarah Glendinning (CBI) and Iain Dunnett (New Anglia Enterprise Partnership)
Vulnerability	Steve Grebby, Mary Coyle MBE, Jo Curry, Joseph Surtees, Professor Bernard Crump and Melanie Laws
PR Process	Triangulation and ODIs: Professor Bernard Crump Enhancements, Triangulation and ODIs: Melanie Laws Assurance: Melissa Lockwood, Richard Powell OBE, Steve Grebby, Melanie Laws

Independence and freedom. We have carried out our role independently; this has included having time to meet together at the start, without the Executive Leadership Team (ELT) present, and can freely (and if necessary confidentially) deliberate for 60 minutes and agree our areas of challenge, based on the papers submitted in advance, prior to the ELT joining. We also meet 'in camera' for 30 minutes after each meeting, with no people from NWL present, to review the effectiveness and agree any lessons learned, including telling the company of anything we would like to do differently in future meetings. We have done the latter many times, and include examples in **section 3.1**.

We have been given the freedom to ask for specific areas to be covered, rather than the company determining the agenda at our meetings. Examples include at our Mar-17 meeting where we asked for more information about NWL's long-term resilience planning; and at our Nov-17 meeting where we asked for a future presentation about the work the company is doing with developers to mitigate flood risks and leakage.

Continuous improvement: We have never stopped trying to improve our processes, the quality of the time we spend together, and the quality of the challenge we are able to make – we have included more detail in **section 3.1**.

Governance and transparency: We have strong, robust and transparent governance processes and are transparent about the funding we receive to carry out our role.

Ofwat talks about several governance processes in its Customer Engagement Policy Statement, and we believe that we are strong in every one of them:

✓ **Chair's appointment:** Our Chair was selected by our Nominations Committee, using a full, open and fair recruitment process: we advertised in the local and national press and received 25 applications – these were reviewed and scored by the Committee who shortlisted and formally interviewed five candidates, who then also had an informal meeting with NWL's CEO and Customer Director. The Committee selected Jim Dixon from this very strong shortlist.

✓ **Members' appointment and expertise:** Our Chair appointed members into the theme-based framework described above. He started by talking to existing members, asking them where they would like to focus, based on their expertise. He sought ideas for other potential members and, because of his own profile, he was contacted by people within his network. The key was balance: to appoint members to reflect the two geographies and the four themes, which we believe we successfully achieved (**Table 1**).

✓ **Remuneration:** Our Nominations Committee agreed that remunerating the Chair was essential, given the time needed to chair two Forums, attend CCG Chairs' meetings and actively recruit and manage members. Having benchmarked against other water companies, the committee agreed £20k remuneration p.a for a two day/month commitment. We felt that having independent members was essential to keeping the Forums broad, and that these members did not always have the resources (time and money) to back their membership. We therefore worked with the company to find a solution – the company established what other CCGs did and recommended to our Nominations Committee that independent members get £2k p.a. for about ten days of work per year, e.g. for induction, four main meetings and four days of other activity.

The Committee accepted and implemented this recommendation.

✓ **Support and other resources:** NWL arranged bespoke inductions for those of us without knowledge of the industry, the company itself and the issues that its two regions face. They arranged for visits that enabled us to get first-hand experience of their operations, including to the reed beds at Hanningfield (Sep-16), the Regional Control Centre at Washington (Sep-16) and a wastewater day at Howdon Sewage Treatment Works in Dec-17. This support has certainly enabled us to give more informed challenges and to perform our role effectively. Another area of support that the company has provided us with is an independent author, who has worked with us in a business-as-usual way in supporting all aspects of our communications – our web presence, our public responses to Ofwat and company publications, as well as this report.

✓ **Access to NWL's non-executive Board members:** Independent non-Executive Directors INEDs participated at all of our Water Forums meetings in 2018, after the company developed an engagement plan that gave us access to them, and them to us. More details of this plan are included in **section 3.2**, which resulted in full and frank involvement in our discussions.

✓ **Respecting potential conflicts of interest:** We have respected the fact that, although we have two members from the Environment Agency (EA), they are also members of the environmental regulator and so Forums comments cannot conflict with their requirements for NWL to be compliant. We have highlighted these in this report.

“Taking our learning from the last Periodic Review, the Board has again maintained a broad involvement across all areas of the business planning process this time around, and has also engaged more deeply in the key areas of customer participation and resilience. I and my fellow INeDs have had the privilege of being able to join customer co-creation sessions to hear directly from our customers about the things that they care about most. We have also benefited greatly from our attendance at the Water Forum meetings, where we have been able to hear the views of our customers being discussed, in detail, on a huge range of issues from affordability to enhancing biodiversity. This has enabled us to keep what matters to our customers most at the heart of our decision making in formulating our PR19 business plan.”

*Margaret Fay,
NWL Non-Executive Director*

Company access: We have had excellent access to the company and its people, both through their attendance at our formal meetings, and at other meetings, workshops and visits. When members are unable to attend a meeting that they have a specific interest in, the company offers follow-up meetings as necessary to keep us involved. We very much welcome this additional effort. A great example is vulnerability – Jo, Mark and James were unable to attend the Water Forums’ meeting, but met separately with company experts, giving them opportunity to challenge.

NWL’s Board members were fully engaged in our discussions. Heidi Mottram (CEO) and senior members of her team attend all of our quarterly meetings, and openly share information and respond to our questions and challenges.

Terms of Reference: We are very clear about different strands of our role, as defined in our Terms of Reference (**Appendix 8.5**), and which mode we are operating in at any given time. This report does not include or refer to any of our work relating to scrutiny of current performance against outcomes, commitments and incentives. Equally, we are clear that we are neither a second line of regulation nor a higher authority that mediates between regulator and company that comments on the adequacy of the company’s plan to meet its regulatory requirements; it is to ask ‘was the customer voice heard when the decisions were made?’ rather than ‘was the decision the right one?’

Reach: Our concept of ‘expert networks’ means that our reach goes far beyond our members. This has benefits in both the price review process and in other areas of NWL’s business.

A great example of this is: At the Jun-18 environment sub-group meeting the company got support for their proposals for a scheme linked to a ‘km improved’ PC – Melissa Lockwood (EA) put them in touch with her colleague Jill Credland, who leads on environment programme funding in the EA to share knowledge and look for opportunities.

Resilience: We have been proven to be resilient – when our Chair was temporarily unable to attend meetings due to family circumstances, we were able to continue our activity because we had a ‘Plan B’. Our Vice-Chair stepped up into the Chair’s role and provided seamless continuity activities with Ofwat, other CCG Chairs and our own WF meetings.

3.1 A continuously improving customer challenge group

Our evolution since PR14 has put us in a strong position to provide effective challenge and scrutiny for PR19. We used a formal review process post-PR14 to capture lessons learned and improve the way that the Water Forums operated for PR19. And we did not stop there – after each of our formal, quarterly meetings we reviewed our effectiveness and made improvements, including by asking the company to do some things differently. These and other challenges tell the story of our evolution and are captured in **Table 2**, along with the company’s response, which was always to listen and find an appropriate way to take our recommendations on board.

“For PR19, we’ve had two Water Forums (CCGs) reflecting the company’s geography, but have worked as one, with a single Chair. This new approach has, I believe, worked well. The expertise among our members new and old, combined with the open and engaging approach taken, meant we could offer constructive challenge, insight and experience from the outset. The company supported this approach by providing information in a transparent way and, of course, respecting our independent discussions, views and input. We trust that the result is a strong final report, which reflects the breadth and depth of our work.”

*Melanie Laws,
Independent member for PR14 and PR19*

We also embraced CCWater’s experience of good practices from other CCGs to improve our own – e.g. file sharing, challenge logging, programming of activity and an agreed process for developing our required position reports and consultation responses.

Table 2: Continuous improvement of our effectiveness

#	Our challenge	Company's response
1	To keep two Forums but form a Nominations Committee to appoint one Chair for consistency; and create more diverse, expert Forums around the four themes of Customers, Communities, Environment and Economic Impact (Jun-15).	Strong support: NWL's Louise Hunter supported the members of the Nominations Committee, and worked with us to appoint a Chair – Jim Dixon (Feb-16). NWL worked with us to identify potential members with broad, professional networks; and aligned a member of the Executive Leadership Team (ELT) to each of the four key themes – this allowed us to challenge them directly outside our main, quarterly meetings.
2	To give us more time for discussion and challenge, we asked the company to reduce the amount of presentations they gave, sharing information papers in advance instead, so that we could choose what we wanted to discuss (Jul-16).	Accepted: The company provided more detail in papers that we received in advance of each meeting, and gave fewer, shorter presentations. Where presentations were given, it was on subjects that we had asked the company to 'deep dive' into, e.g. leakage (Mar-18). The effect was more focused challenges, more time for the company to hear the Forums' voice, and more value from the time we spent together.
3	We sought more clarity about the programme of work we'd be involved in, and asked that the company consider who would support us in report writing (Oct-16).	Action: The programme was refined; and the company found an independent author to work alongside us throughout the process from (Mar-17).
4	For the Board to be more active in the Water Forums' process and activities, so that we get more value from our interactions with them than during PR14 (Nov-17).	Strong support: The company created, got approval for and implemented a programme of engagement (Jan-18), which has included Independent Non-Executive Directors attending several of our meetings as well as informal discussions – full details are in section 3.2.

3.1.1 Our success criteria

We developed a suite of ten success criteria (**Figure 1**) to monitor our success, based on Ofwat guidance, our learning from PR14, and the vision of the Nominations Committee. For each of these criteria, we defined what 'good' and 'excellent' looked like.

Figure 1: Our 10 success criteria



At our Measures of Success review in Jul-18, we felt that we were well on our way to achieving what we set out to do, and saw areas where we could achieve even more:

Continuous process: We have maintained activities which are in Periodic Review and those which are 'business as usual'. This has been difficult as there is a lot of work to cover. The challenge going forward will be to maintain members' interest when the PR19 work reduces.

Regulator engagement: The engagement with EA, NE and CCWater has been excellent, each of them taking part in cross-disciplinary sessions. For DWI however, there has been much less engagement and we hope it will be able to do more with us in future.

Independent: Members have looked and felt independent, and the Forums have always acted independently from the company.

Transparent: All steps have been, or are being, taken to maintain transparency.

Expert and broad: The structure and way of working has maintained expert and broad Forums. Two initiatives going forward would broaden them further; increased membership and activity in the ESW area, and engagement with Local Authorities.

Active and engaging: Working together, we have made more than 280 attendances at 112 events since 2016.

Provide challenge: Because members are expert, focused, and active and engaging – they have given significant advice and challenge across many areas. The content of this report is testament to this.

Appropriate focus: We have maintained focus throughout PR19; we carried out a gap analysis against Ofwat's Aide Memoire in 2018 and found the vast majority of areas had been covered and put a plan in place for the rest.

Independent assurance to customers, Company and Ofwat: We have provided assurance in all the correct areas, including customer service (annual reporting), customer participation and engagement; NWL's work in communities and the environment and sustainability.

Board relationship: The Forums have developed an excellent Board relationship.

We include the success measures for each criterion in **Appendix 8.4**; and the detail behind the headlines above is readily available on our website in the **How We Work** section.

Transparency

As part of our endeavours to be transparent about what we do, we update our own section of the NWL website with information about the Water Forums and its activities (www.nwl.co.uk/your-home/water-forums.aspx), which we have done since early 2017. It has four sections:

Why are we here? – A description of our role.

Who are we? – Information about the individual members, with short biographies about our individual experience, background and what we bring to the Water Forums' discussions.

What's going on? – Our quarterly journal, giving a flavour of the group's ongoing development and the focus of our activities.

How we work – Various downloadable documents giving more detail about our work, including our Terms of Reference, notes and papers from our meetings.



3.2 Active Board engagement with the Water Forums

The Board of NWL has actively engaged with us since back in Feb-16, when our Chair, Jim Dixon, started his induction process by meeting with the CEO, Heidi Mottram.

He then forged the early engagement with the Board:

- Once his induction was complete, he and Professor Bernard Crump met with the INeDs (May-16)
- A meeting with Heidi Mottram once all members had been appointed (Dec-16)
- A meeting with the INeDs to describe the way the WFs would work and share their programme of activity (May-17).

In June and September 2017, many of our Members took part in two workshops that INeD Dr Simon Lyster chaired, giving them the opportunity to engage in their chosen area of expertise with the Board.

We then asked for a step-up in engagement levels as the PR19 process gained momentum, so in Sep-17 Melanie Laws worked with Margaret Fay (who had been appointed as the Customer INeD) to start the process of developing some Board engagement principles. These were agreed with the company in Jan-18. Importantly, they were designed to work both ways.

Firstly, the type and degree of engagement was to provide assurance to us, the Water Forums, that the Board was:

- ✓ Aware of Water Forums activities.
- ✓ Listening and responding to Water Forums challenges, and open to change;
- ✓ Available to be consulted if the need arose.

"I've been encouraged by the proactive and impartial engagement of independent members of NWL's Board and the value they have added. We've had at least one INeD at each of our joint Forums meetings in 2018; and all four of them have been to at least one. The Board has invited the Forums Chair and Vice-Chair to a number of their Board meetings and Audit Committee meetings."

Mary Coyle, Independent member

Secondly, it was also to provide assurance to the Board that we, the Water Forums, were:

- ✓ Independent and operating at arm's length from the Company.
- ✓ Comprised of members with the required expertise.
- ✓ Providing strong challenge to the Company.
- ✓ Fully engaged with the Company.
- ✓ Clear about our role, and demonstrating that we were focused on it.

With these principles in mind, we planned and undertook a programme of engagement activity (**Appendix 8.2**), which we believe strengthened the Board's understanding and appreciation of the role of the Water Forums and the challenges we made, and ultimately strengthened NWL's business plan itself.

3.3 Providing independent challenge: evidence of how we've done this

Ofwat requirement 8:

✓ CCG comment ✓ CCG challenge ✓ Customer evidence

As mentioned earlier in this report, NWL has very much welcomed our input throughout the entire PR19 process. Peppered throughout this report are the key challenges that Water Forums' members made – for ease of reading, we have included them in tables within the relevant section of the report. Our challenges have helped shape:

- ✓ Many elements of the customer research and engagement activity for PR19.
- ✓ The direction of some of the company's strategies that underpin PR19 plans.
- ✓ The assurance process that ensured customer research and engagement drove the business plan.
- ✓ The content of the PR19 business plan.
- ✓ Our own development as NWL's customer challenge group.

As well as these key challenges, we have asked numerous questions and probed into all aspects of the business and its operations – and the company has encouraged us to do so.

Two important factors have facilitated our role of giving independent challenge: meeting papers are circulated in advance, giving us time to read, digest and critique them; and having time at the start and end of each meeting to discuss matters without members of the management team present. We believe that the combination of these elements can assure Ofwat that we have diligently and thoroughly fulfilled our role throughout the business planning process.

NWL and its customers: a brief overview

NWL operates in the north east of England, where it trades as Northumbrian Water, and in the south east of England, including parts of Greater London, where it trades as Essex & Suffolk Water. Its team of 3,000 employees serve more than 4.5 million customers and operate:

55 water treatment works.

303 water pumping stations.

326 water service reservoirs.

25,678.3 km water mains.

413 sewage treatment works.

29,923.1 km sewers (including 13,510 km of transferred network).

Every day it supplies 1,104 megalitres (1.1 billion litres) of water – drawn from reservoirs, where it is collected and stored, rivers and groundwater sources. In the north east, the company also provides sewerage services, collecting wastewater from properties via the sewerage network and treating it before returning it to the environment as either clean water or sludge, which can be recycled as fertiliser or used to generate energy.

North east: Northumbrian Water (NW) provides water and sewerage services to 2.7 million people in the north east of England. The major population centres are Tyneside, Wearside and Teesside, but they also serve large rural areas in Northumberland and County Durham (an exception is Hartlepool, where they supply sewerage services only, not water).

South east: Essex & Suffolk Water (ESW) provides water services to two separate supply areas:

- Essex, which has a population of 1.5 million, is part rural and part urban with the main areas of population being in Chelmsford, Southend and the London Boroughs of Barking and Dagenham, Havering and Redbridge
- Suffolk, serving a population of 0.3 million in a mainly rural area, with the biggest towns being Great Yarmouth and Lowestoft.

These are in the driest part of the country and classed as water stressed, so the resilience and sustainability of water supply is absolutely critical, which provides more focus on issues such as leakage.

The cost of bills: in the north east, water and sewerage bills for an average householder are £1

per day; and in Essex and Suffolk the water bill for an average householder is 62 pence per day.

The water-only bill for ESW customers is currently the highest in the country, and although average incomes in the area may be high, there are significant areas of social and economic deprivation that make affordability of the high water bills a serious challenge for customers.

Demographic insights: The key insights that are pertinent to this report, which we have considered throughout our involvement in the PR19 process are:

- 42% of people in the regions live in households with an income below £20k.
- The dominant social grade is C1 and the most over-represented is E.
- Lone parent households are more prevalent than the national average.
- There is a higher proportion of unemployed people than the national average.
- 26% of households are socially rented.



The PR19 business plan themes and supporting strategies

We feel that it is crucial that the company's business plan is rooted in a longer-term ambition to deliver improvements for customers, communities and the environment. At our meeting in Jul-16, we therefore offered a fundamental challenge to NWL – to articulate and share its longer-term ambition in a way that would be meaningful to customers and would guide the PR19 business plan. It did just this at our Jan-18 meeting, before publishing it in May-18.

'Shaping Our Future', as the long-term strategy is called, is a very welcome development and a positive response to our challenge to articulate NWL's longer-term ambitions. It is pitched as a direction of travel for the next 20-25 years; and adopts the same six themes of the business plan (four of which are the Ofwat themes for this Price Review, namely customer service, resilience, affordability and innovation).

We are pleased that the long-term strategy reflects the customer priorities and concerns that emerged in the company's Defining the Conversation research, discussed later in this report (**section 6.1**):

- Unrivalled customer experience.
- Reliable and resilient services.
- Affordable and inclusive services.
- Improving the environment.
- Leading in innovation.
- Building successful economies in our regions.

We feel that these six themes combine well to deliver a regional sustainable approach. Indeed, some of the statements are very important nationally, the most notable being the ambition of Zero Water Poverty by 2030, which the company launched on 22 May 2018 in the Houses of Parliament.

"I am in the unusual position of feeling excited about water".

"It is a really good challenge for the industry".

"It is very exciting... a massive opportunity to do something".

WF members' comments about the goal of ending water poverty by 2030.

Our key challenges during NWL's development of Shaping Our Future, and the company's response, are included in **Table 3**.



Table 3: Water Forums' challenges to the company's long-term strategy

#	Our challenge	Company's response
5	To ensure that the business plan was clearly linked to a discrete 25-year plan – this was to avoid having 'unclear' corporate responsibility mixed in the five-year plan, as we had seen in the first draft business plan overview (Nov-17). We challenged that the next iteration needed a long-term plan highlighting its strategic issues, then a crisp business plan.	Accepted: The company took this challenge on board and clearly articulated and linked the two items. When the next iteration was presented to us (Jan-18), both were much clearer.
6	To be more ambitious within the environmental theme (Jan-18) – we felt this was disappointing given how ambitious the company is more broadly. Also, to strengthen the integration between themes, e.g. showing climate change impact.	Action: Our environment expert members were invited to work with the company to consider how this could be achieved – they made a solid contribution to the discussions that resulted in the hard commitments made in its Improving the Water Environment scheme. The company has told us that we gave them the confidence to go for a step-change in its ambition.
7	With the document: to make more time-bound commitments; use case studies to bring the ambition to life; and use more ESW-area case studies to bring balance. Also to quantify the outcomes in case studies, especially when proposing to roll them out further. Being 'award-winning' is excellent, but does not quantify the effects (e.g. how Water Rangers have helped deal with pollutions and fly tipping quicker; and therefore how this success extrapolates to helping achieve PCs in this business plan).	Accepted: The final version took all these challenges into account. Note that as the business plan is implemented we would like to see NWL put a real focus on quantification of outcomes for its initiatives, projects and pilot activities.
8	We felt there were two important areas missing from the first draft: bioresources and investment in new infrastructure for the future.	Accepted: Both areas now feature in the long-term strategy.
9	Where an ambition had a longer-term timescale, we wanted to see what would be achieved in the PR19 period 2020-2025.	Accepted: The business plan includes both the ambitions and what will be achieved by 2025.
10	We felt that in the customer-facing Shaping the Future document, NWL had the opportunity to apply more findings from its outcomes language research, such as avoiding words such as touchpoint and stakeholder, and avoiding language that could be seen as being 'boastful'.	Accepted: The long-term goals were tweaked because of our feedback; and we are pleased that the company then went back out to customers to get their feedback too.

In developing its strategies and approaches under these six business plan themes, the company has involved customers and stakeholders effectively; it has also welcomed our input and challenge. The rest of this section includes highlights of this work and provides context for our comments in the remainder of this report, as well as giving an overview of our views about the final content of each theme within the business plan.

We would like to note that we were given several opportunities to comment on the way that information was communicated in the business plan as it went through its various iterations between January and July 2018. We have not included all the detail in this report, but are very pleased that NWL responded positively to the many and detailed comments we made about matters such as: wording suggestions and reducing corporate jargon, to make content more accessible; the order of content; readability of graphs and figures; and adding facts and figures alongside statements of ambition, to make them more meaningful for customers.

5.1 Customer service

The company's 'Unrivalled Customer Experience' strategy was co-created – with 82 customers, 220 employees and 25 supply partners – in 2015, published in 2016 and implemented on an ongoing basis since then.

Its aim is to help the company be recognised as a leader in customer service, beyond the water industry towards the likes of Apple, John Lewis, Premier Inn and Amazon – companies that customers look to as being the best at customer service.

Within the 'Shaping our Future' long-term strategy, the elements that focus on unrivalled customer experience are to:

- Give customers more control in decision-making, through active participation.
- Use technology and data to help develop deeper relationships.
- Work with other businesses to provide wide-ranging services.
- Raise awareness and understanding.

We are particularly supportive of more active customer participation and raising awareness and understanding, because they reflect Ofwat's Tapped In report, as well as the findings of NWL's 'Defining the Conversation' research, done in 2016, where customers said they wanted the company to talk with them about the service they receive and about the value of water.

Unrivalled customer experience' (business plan section 3.1) – our views

We reviewed the Unrivalled Customer Experience part of the business plan for the extent to which customer views had helped shape it. We are left in no doubt that the customer voice comes through loud and clear in the proposals – evidenced by the quality and quantity of customer research, and the range of engagement and research methods used, to reach different customer groups.

The Defining the Conversation research gave the company a clear steer on what to talk to customers about, and the participation PC will ensure that ever-increasing numbers of customers will have their say on the things that are important to them.

We acknowledge the ongoing relationship and trust that NWL is building with its customers and stakeholders; and we encourage the company to enrich it further by communicating the outcomes of the engagement, taking a 'you said, we did' approach.

5.2 Resilience

The company shared its resilience framework with the Water Forums at our Jan-18 meeting. NWL devised the framework to demonstrate how all the different aspects of its business and future plans combine to deliver resilience in the round.

We felt that the draft framework was a strong start, and our key challenges to improve it further were to include: incident management – how they are planned for and managed, and what support is planned for customers; and links with others, outside company boundaries – including trades, transfers and collaboration in resilience networks.

Our assessment of NWL's customer engagement in resilience planning is covered in **section 6.4.5**. We also requested a deep-dive into two key aspects of resilience that research has shown are of great interest and/or impact to customers – leakage and enhancements. We cover these, including our challenges, in **sections 6.4.3.5** and **6.4.5** respectively.

One element of resilience that we would like to note is the opportunity, which the company recognises in its business plan, for NWL to take a lead in the 21st Century Partnership. With an industry-leading partnership ethos and track record, and impressive case studies in drainage and catchment management, the company could really help other water companies make progress, to the benefit of customers everywhere.

'Reliable and Resilient Services' (business plan section 3.5) – our views

We reviewed the Reliable and resilient services part of the business plan for the extent to which customer views had helped shape it. The company certainly had an open dialogue with customers about reliability and future resilience of services. [\[13\]](#)

In terms of normal water/wastewater services, customers expect NWL to 'just do it' and deal with any issues so that they maintain services and do not negatively impact on customers' lives. This finding was very clear and gave the company a strong steer to seek customer support for what it knows is needed; it also demonstrates a level of trust that customers have in the organisation.

NWL has engaged with customers on the specifics of its proposed resilience investment – infrastructure improvements to reduce risk, service improvements, cyber resilience and to deal with future issues such as climate change and population growth. There is strong, positive customer support and they recognise the need to invest now for the future.

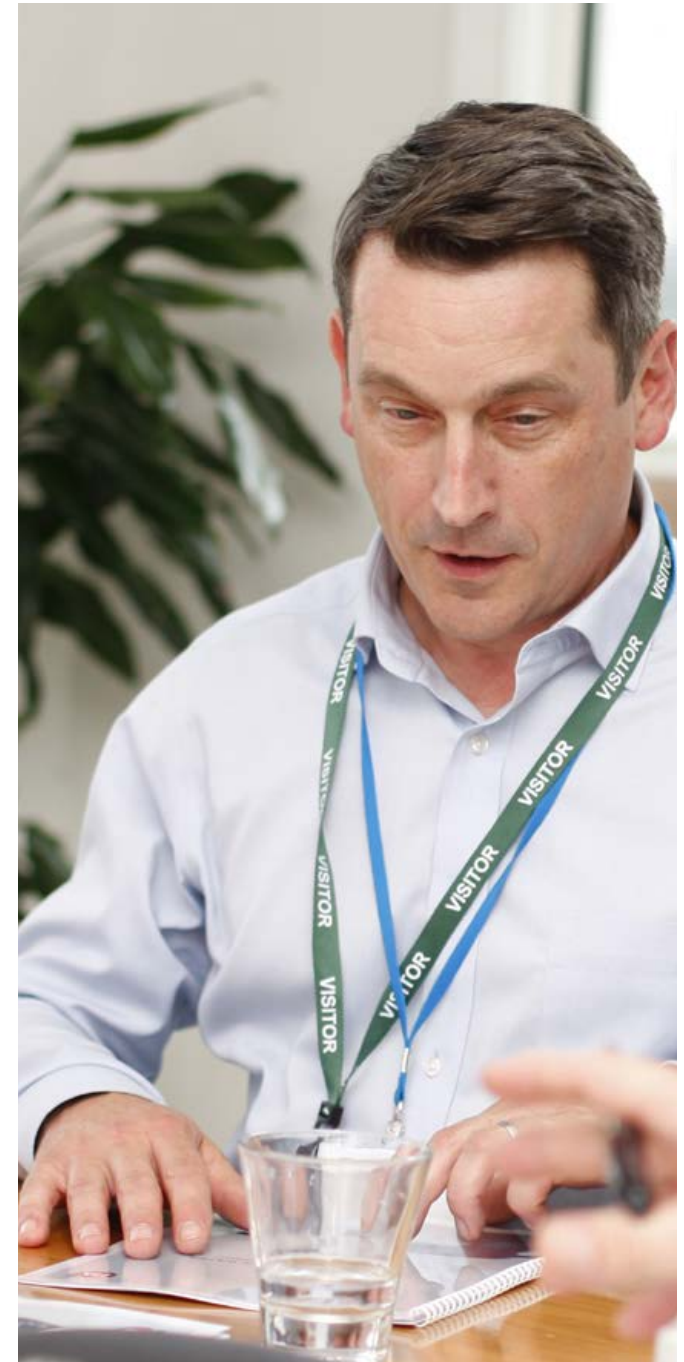
Customers expect the company to be prepared for and have the capacity to manage incidents and communicate relevant information to them – the business plan reflects this, with customers supporting NWL's plans to increase connections between networks to be able to improve the response when incidents arise.

We are pleased that the company has proposed some stretching PCs that are specifically aligned to customer priorities for the following: visible leaks, repeat sewer flooding, and leakage in ESW. As the Water Forums, we understand why the main leakage focus is on ESW – we note, however that

level of leakage in NW, even with 15% reduction, is unsustainable in the much longer term.

Customers are very clear about reliability – they want clean, clear, great tasting water with an uninterrupted supply. The business plan strongly reflects this, and the company's understanding that it needs to improve water quality in some areas to drive down its score against the new Compliance Risk Index (CRI) to zero.

The ambitious goal for consumption (118 litres/day per capita by 2040) is laudable, but given the fact that consumption is not a customer priority, it will be important for the company provide greater clarity about how it will achieve the goal – especially in the NW area where it is less important to customers than in the water-stressed south. On the positive side, although consumption is not a priority, customers have said they would like the company to help them use water more wisely. [\[14\]](#)



5.3 Affordability and Inclusivity

Ofwat requirement 4 and 5:

✓ CCG comment ✓ CCG challenge ✓ Customer evidence

Another important contextual piece is the company's Inclusivity Strategy – how it intends to deliver a fully inclusive service for customers; specifically, those who find themselves in vulnerable circumstances, temporarily or permanently.

In the 'Conversations with Vulnerable Customers' research carried out in 2016, customers fed back that the term 'vulnerable' can bring a stigma to them. We are pleased that the company acted on this feedback, so that what started as a Vulnerability Strategy evolved into an Inclusivity Strategy, building on the principles of its Unrivalled Customer Experience Strategy (described in **section 5.1**).

Several of our Members have expertise in this area, and we were given the opportunity to give input to and challenge the Inclusivity Strategy during its development in 2017-18. We very much support the direction it has taken and the multi-faceted approach.



Our specific interactions on the subject of vulnerability included:

- A vulnerability and communities workshop (Jan-17), which involved independent experts Mary Coyle, Caroline Taylor, Joseph Surtees, Jo Curry as well as three CCWater members, Professor Bernard Crump, Steve Grebby and Colin Wilkinson.
- A review and challenge of the social tariffs research results (Feb-17), by our CCWater members.
- The company's Vulnerable Customer Strategy Day (May-17), where Joseph Surtees worked with NWL to further develop its practices.
- An agenda item at our Jan-18 Water Forums meeting, where we could see the impact of our earlier challenges on how the strategy had developed.

"It is a really good, eye-catching piece of work."

"I like that NWL are taking a multi-faceted approach, it is very good approaching it from lots of different angles."

WF members' comments, about the Inclusivity Strategy

Details of our challenges and important considerations for the company's future implementation of the strategy are included in (**section 6.4.2**).

Affordable and Inclusive services' (business plan section 3.2) – our views

We reviewed the Affordable and Inclusive Services part of the business plan for the extent to which customer views had helped shape it.

The ambition to end water poverty is excellent – it demonstrates a strong link between customer views and the proposals in the business plan, and we are pleased to note that NWL has included specific goals for the 2020-2025 period in response to our challenge.

We commend the company that when developing its services and plans, 25% of the customers involved have been, and will continue to be in the future, those who need extra help.

There was strong customer support for the introduction of a social tariff [\[15\]](#), which led to the development of the Inclusivity Strategy covered above. We applaud the company for recognising that this subject is not just about those who cannot pay their bill; with 'Pay your own way' it has listened to customers who said that they can pay bills but need more flexibility about how and when.

Customers also said they want to be better informed about the support available to them, which is reflected in the bespoke 'awareness' PC that NWL has proposed in its plan. Reassurance of consistent and fair application of social tariffs will be really important here, so the company needs to focus on this as it promotes and publicises its offer.

Customers also want the company to promote the support available via other organisations, thereby extending the reach of its activity. This will need to include wastewater suppliers in the ESW

region, which could be challenging that they are competitors, so we encourage NWL to lead by example as it does in many aspects of its business, using its partnership ethos for customers' best interests.

5.4 Innovation

The company sees innovation as underpinning everything that it delivers in the other five themes of its business plan. It has four elements to its approach:

- **Culture:** It is everyone's job, not that of a specific department.
- **Innovation ecosystem:** Establishing and using partnerships with other organisations.
- **Digital:** Using technology to become the most digital water company in the world.
- **Operating model:** Using design thinking to speed up the process of turning ideas into value.

Many of our members, and indeed some of NWL's customers, experienced first-hand how all these elements combine into the interactive and exciting annual Innovation Festival events, started in July 2017. We believe that this industry-leading approach to innovation reflects customer feedback very 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 relish the opportunities to co-create solutions with the company. [\[16\]](#) We welcome this approach and encourage the company to provide many more opportunities in the coming months and years.



'Leading in innovation' (business plan section 3.4) – our views

We reviewed the Leading in innovation part of the business plan for the extent to which customer views had helped shape it. Customers expect continuous improvement in the quality of service they get from NWL [\[17\]](#), but in the most part their views have not directly shaped this part of the plan. This is, however, to be expected, as what the bill payer sees and wants is operational effectiveness and efficiency from the company that provides their water and wastewater services.

Research with younger customers [\[18\]](#) showed that they want the company to innovate and adopt more modern technology. The company has responded to this in its plan.

NWL is well connected with stakeholders, innovative businesses and the industry, and it is these expert groups that have shaped the innovation proposals in the business plan. We believe this approach has led to the inclusion of proposals that will deliver the continuous improvements that customers seek.

5.5 Environment

The two environmental outcomes in the business plan are:

- (1) We take care to protect and improve the environment in everything we do, leading by example.
- (2) We help to improve the quality of rivers and coastal waters for the benefit of people, the environment and wildlife.

In its Defining the Conversation research, the environment was one of the areas where

customers said they expect NWL to 'talk to someone else' about how to deliver these outcomes, i.e. specialist organisations that can use their expertise to shape environmental solutions on customers' behalf. To this end, the Water Forums formed an environmental sub-group (more in **section 7.2**) and we are pleased to have been able to give the company confidence to take a step change in its ambitions for the environment.

"A key driver from customer feedback in the environments sub-groups objectives was to deliver a 'joined up partnership' approach to the environment. Furthermore, it wanted to deliver catchment planned integration of environmental and community objectives whilst integrating the wider business needs for climate change carbon reduction impact on the bottom line and biodiversity. The company through a catchment planning model and an integrated working method linked these key sectors to produce a much enhanced environmental plan which is stronger and gives the company more influence and standing for broader engagement with partners. It will be great to see the outcomes of this delivered over the coming years."

The Water Forums Environment Sub-Group

The key challenges that we offered during this process, which helped shape the final approach and the way the company engaged with customers during PR19, were:

- To make it a business priority to be an environmental champion, using NWL's unique position of having significant insight into future issues, river flows, planning and housing.
- To build stronger local engagement with existing partnerships, communities and landmanagers to deliver improvements that have common benefit.

- To continue taking a catchment-based approach, strengthening the partnerships involved.
- When talking to customers about the environment, not to constrain their views by the bill – customers should be given choice and are likely to support investment if NWL is clear about why it is needed.
- To think ahead when doing pilots –the company tends to look at existing problems but it would be very useful to think about the risks and resilience challenges further down the line.

Within Shaping the Future, NWL has articulated three long-term environmental goals, which we very much support:

- Be leading in the sustainable use of natural resources; have zero avoidable waste by 2025 and be carbon neutral by 2027.
- Have zero pollutions as a result of our assets or operations, helping us achieve the best quality rivers and beaches in the country.
- Have a per capita water consumption of 118l/day in our regions by 2045.

In our early conversations about the business plan and its environmental theme, we felt that NWL could further elaborate on what it was proposing in terms of catchment management, biodiversity and natural capital. It has done this successfully, and we note in particular the positive response to our natural capital challenge by developing the Improving the Water Environment scheme.

‘Improving the environment’ (business plan section 3.5) – our views

We reviewed the Improving the Environment part of the business plan for the extent to which customer views had helped shape it.

There was strong support for the company’s proposals from an acceptability point of view, and strong assurance from NWL that customers have engaged throughout the plan’s development.

Customers say they want the environment to be better ^[19] but struggle to qualify or quantify how; and expect the company to work this out with expert partners. We therefore conclude that the proposals in the business plan reflect customers’ overarching views, because collectively they will improve the environment compared to today – they go beyond delivering all the statutory commitments (including the whole of the Water Industry National Environment Programme (WINEP)), to including additional proposals such as the Improving the Water Environment scheme.

Regarding this scheme, we are keen to see how its governance and terms of reference will ensure that the funding matches customers’ expectations that improvements should deliver a benefit to them. We have seen evidence that the company has taken customer views into account in the whole package of PCs and ODIs. ^[20]

On the permit compliance levels ODI, the company proposes a penalty only 99% compliance target with a ‘deadband’ before penalty at performance below 97%. The EA considers this is not ambitious, as 100% permit compliance should be achieved every year and must be planned for and funded. Less than 100% permit compliance is a breach in the law.

5.6 Local communities and economies

We are impressed by the work that the company does within and with its local communities, and partnership is clearly of tremendous importance to the business. We are pleased that the theme of Building Successful economies in our regions 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:

- In NWL’s tracking research, customers consistently score 8.9 out of 10 for NWL being an important part of the community.
- When asking customers to describe what makes excellent customer service, they fed back that NWL should promote its local work, such as school engagement, environment projects and charity work.
- During the 2018 draft Assurance Plan consultation, 94% of customers said it was important to them that NWL spends money with local suppliers.

We had the opportunity (May-18) to review the two long-term goals for this theme:

- To have 60% of spend with suppliers in their regions.
- To recruit 1,000 water rangers to participate in the ‘live well locally’ initiative.

We challenged NWL that, although welcome, these goals seemed narrow in their aim. This is a water company that is very aware of its social impact and responsibility, and we have urged the company to think about ‘what next, what else?’.

Furthermore, we have sought to ensure equal focus on the two operating regions – NW and ESW – and question whether the long-term goals will have as big an impact in ESW as it undoubtedly will in NW.

‘Building successful economies in our regions’ (business plan section 3.6) – our views

We reviewed the Building successful economies part of the business plan for the extent to which customer views had helped shape it.

The company does much good work in the communities it serves and customers recognise this – its business plan builds on its successes to date. The main way that the business plan proposals will support local economies is via the commitment to spend 60 pence in the pound with local suppliers – this reflects the views of 94% of customers who say that this is important. ^[21]

Achieving this PC will depend on understanding the barriers that local suppliers face, for example Small and Medium Enterprises (SME’s) having the required in-house expertise and understanding of procurement rules. The company is incredibly well connected into the business community in many ways, but lacks the type of structured intelligence about business views that it has about household customers – getting under the skin of the barriers will therefore be vital. It has recently made a start on doing this, using its engagement vehicle, Flo, but it is still early days and much more will need to be done to make this theme the success it deserves to be. Looking at this theme from a different angle, as the Water Forums we are unsure about whether NWL yet really understands whether businesses believe the plan will deliver more successful local economies. We believe that this would be a useful angle for the company to explore.

Customer engagement – our view on its quality and use of its results

We are asked by Ofwat to assess the overall quality of NWL's customer engagement and the degree to which the results have been reflected in the company's proposed plan'. This section builds on what we have included in the previous one – as well as an overview of the key elements of the company's approach to engagement (**section 6.1**), and how we were involved (**section 6.2**), this section lays out our views on two critical subjects: quality of engagement, in **section 6.3**; and using the results, in **section 6.4**.

"The way NWL has empowered customers by educating them during the business plan engagement activities is really positive, and the company should not underestimate how important this is."


Water Forums' members

6.1 NWL's customer engagement and our points of influence

Ofwat requirement 2:

✓ CCG comment ✓ CCG challenge ✓ Customer evidence

NWL has carried out a comprehensive customer engagement programme to inform its PR19 proposals. Whilst the full details are included in its business plan submission, we include some of the highlights in **Table 4**.

An icon () indicates that we, the Water Forums, either had the opportunity to shape the activity before the company undertook it, or attended engagement events and gave feedback to the company that was used to improve subsequent events. Our challenges are included in **section 6.2**.

One of the very positive features of the process that we would like to highlight is the number of company people who attended engagement events to hear directly from customers about subjects pertinent to their role – we believe this will have benefits beyond the PR19 process, and it enabled NWL to educate customers too. Indeed, we observed occasions where customers stayed behind after an event to continue discussions with company members; in our experience this is rare, and showed good engagement levels.



Table 4: Key elements of NWL's customer engagement and where the Water Forums were involved in shaping them


















Research done	Detail / scope
Strategy development (late-2015 to mid-2016)	 Various activities to develop a strategy that pushed the boundaries of customer engagement in the PR19 process.
'Defining the Conversation' in Aug-16 and Jul-17, with Explain Market Research)	 A back to basics programme of research activity to understand what customers wanted to engage with the company on, what mattered most to them, what they trust the company to talk to others about and what they expect the company to just deliver well.
Bathing Water research, in 2015 by QA Research	To find out perceptions of usage, and attitudes towards managing and improving the quality of bathing waters in NE England. Done face-to-face and online.
River Water Quality with QA Research, 2016	 To understand customers' perceptions, expectations and aspirations about managing and improving river water quality.
Resilience research , with Explain in Jul-16	 To help the company understand customers' understanding of resilience itself and of their expectations for their water services.
Customers in Vulnerable Circumstances research report, published Jul-16	Various activities to understand how the company could provide an unrivalled customer experience to these customers – including best practice review, listening to contact centre calls, discussion groups with vulnerable customers and interviews with organisations that help them.
Discolouration research report , published Jul-16	To identify improvements to our approach to discolouration, to inform the potential speeds of improvements that could then be tested in Service Valuation.
Lead Supply Pipes research , with Emotional Logic, Nov-16 to Feb-17	To identify customers' views about improvements that can be made to our approaches to lead in drinking water.
The Future of CSOs research , by Explain, Nov-16	 To identify customers' expectations of the performance and operation of Combined Sewer Overflows (CSOs); as well as their own behaviour and views on the cost vs. aspiration of zero spills.
Sewer Ownership and Flooding Response with Explain in Nov-16	To understand customers' expectations when NWL is working in their community, and their valuation of the secondary benefits from work undertaken to reduce flood risk.
Taste and Odour research in 2015 and 2016	 To understand customers' experience of unacceptable drinking water, taste and odour and expectations of service.
Social Tariffs research , by DJS Research in Jan-17	 To quantify household customers' support for a social tariff: include willingness to contribute to one and willingness to receive one.
Future Customers research in Sep-16	To explore the views of future customers about wastewater services.
Outcomes Review research in May-17	 To get customers to review the PR14 language of the outcomes and help refine them to make them more meaningful.
Service Perceptions and Measures research with QA Research in Jun-17, both NW and ESW regions	 To get under the skin of customers' views about NWL' performance, preferences for Measures of Success (including the role of service measures vs. customer perception measures) and priorities for improvement.
Communicating Risk research , in conjunction with QA Research in Jun-17	 To find the best way to communicate risk (probability and consequence) in future engagement work, particularly for Service Valuation to allow customers to make informed choices.

Table 4: Key elements of NWL's customer engagement and where the Water Forums were involved in shaping them (continued)

Trust and Value research , by Explain in Jun-17	 Done to identify what forms and drives customer perceptions of trust and value for money; and what these terms mean to customers.
Metering research in Jun-17, by DJS Research	 Done in both areas to help with meter-related aspects of PR19; and in ESW specifically to help with the Water Resource Management Plan.
Resilience, Asset Health and Long-Term Affordability research (Oct-17) by DJS	 To explore tolerable levels of risk, how customers expect NWL to manage its assets and what they might pay to avoid service failures – within the context of inter-generational fairness. Findings used in the draft service package for PR19 acceptability research.
Tariff Structures research in Jan-17 was done by Explain Research	 Done to explore customer views and attitudes about the concept of rebalancing tariffs.
Behaviour Change and Funds research (Dec-17) in partnership with Boxclever Research	To explore customer attitudes, including those of vulnerable customers, towards giving them incentives/penalties for positive behaviour change. Done via workshops and interviews.
Bespoke measures research , done in two phases in Jun-17 and Jan-18, by QA Research	 Phase two tested 15 draft Bespoke Measures; results were triangulated with other research as input to the business plan. Covered understanding, level of agreement/support, and anything missing/ unnecessary.
Service valuation research (in late 2017, with two follow-up waves in early-2018), with Frontier Economics and Explain Market Research	 To measure the relative values that customers place on potential service improvements and their appetites for ODIs. Fieldwork was done face-to-face with household customers as well as via email. Non-household customers participated via interviews. Outputs were fed into the Cost Benefit Analysis to help determine PCs and any associated ODIs.
Innovative Tariffs co-creation workshops, run by Dr Jo North (Feb-18)	To co-create and develop new ideas for tariffs (excluding social tariffs).
Acceptability research in Jun-18, with Frontier and Explain	 Done in two phases: (1) to focus on discretionary enhancements (mainly resilience schemes); (2) on full acceptability of the business plan.

6.1.1 Assurance of customer engagement

Ofwat requirement 8:

✓ CCG comment ✓ CCG challenge ✓ Customer evidence

The company worked with PA Consulting to establish a quality and assurance framework, which it used throughout the period of business plan development, to ensure that the plan would deliver against its objectives, that each component of the business was covered and that there was appropriate evidential support, from customers, for the PR19 proposals. This approach gave us confidence that the company applied customer participation and engagement consistently throughout the plan.

After NWL briefed us on their approach at our Jun-17 meeting, we were invited to participate in the development of the framework; Melissa Lockwood (EA), Steve Grebby (CCWater), Melanie Laws and Richard Powell (independents) enthusiastically took the company up on this offer.

At the workshop in Aug-17, the company took us through the detail of its assurance approach, and the questions it would ask itself. We made 12 key recommendations, providing the challenge that we needed to satisfy ourselves that customer engagement was being continuously and thoroughly checked and incorporated by the company. Our challenges and recommendations (Table 5) were all accepted.

"I'm confident that my comments and opinions were reflected in the assurance process."

Melissa Lockwood, EA

Table 5: Water Forums' challenges and recommendations during assurance framework development

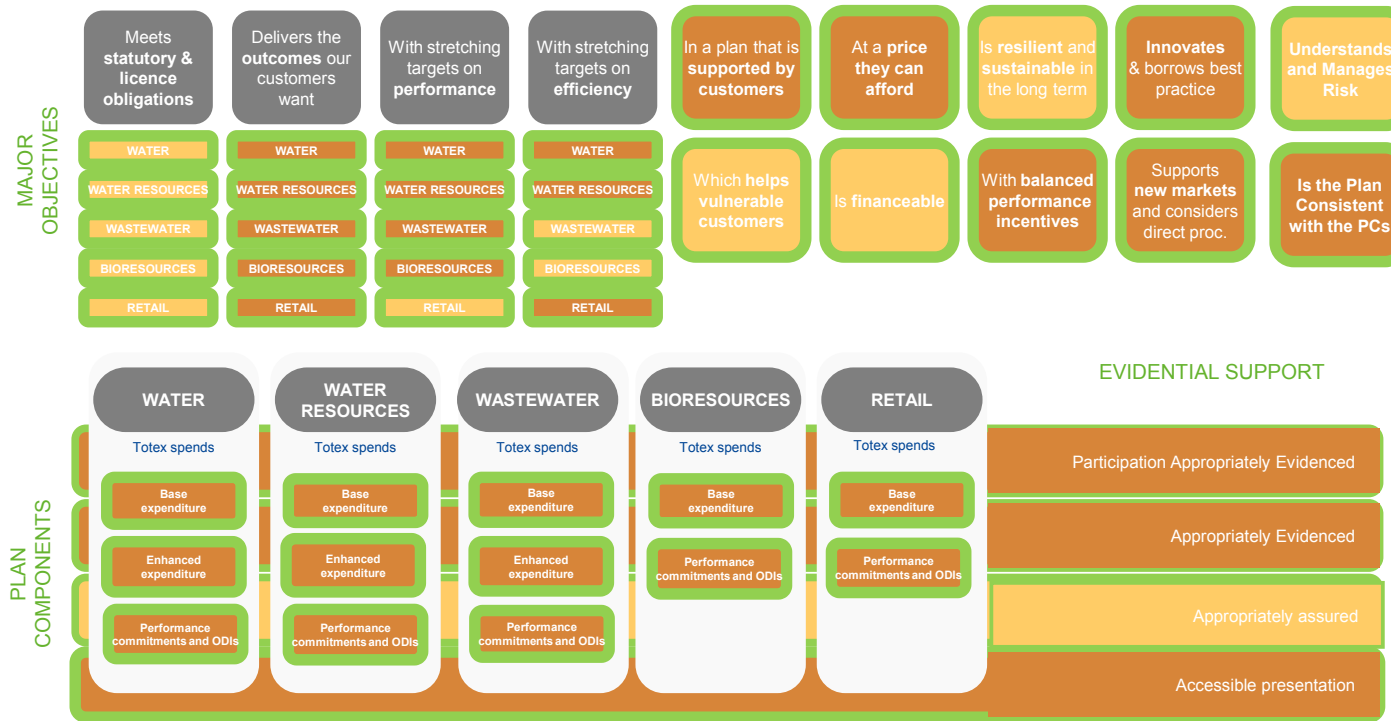
#	Our challenge / recommendation
11	To reflect Ofwat's key themes in the major objectives, whilst at the same time not being constrained by the industry PR19 process, e.g. include climate change, environment and sustainability – all of which are important to customers.
12	To assure that the plan considers current external environmental guidance, e.g. WISER (the Water Industry Strategic Environmental Requirements guidance).
13	NWL had signalled that its business plan would be 'local', which we welcomed, but the assurance approach didn't contain any 'local' criteria questions.
14	The assessment about whether NWL had produced 'a plan supported by customers' needed to require that the overall financial impact of the plan on customers also had their support.
15	Initially, the proposal was to assure that customers in vulnerable circumstances would be supported, and we sought to extend that to 'identified and supported' – the identification being the key to unlocking NWL's ability to provide support.
16	There was no specific reference to climate change or population growth in the questions about resilience and sustainability – they may be implied, but should be specifically referenced.
17	The assessment of 'at a price customers can afford' needed to include a question about the level of support for the proposed tariffs.
18	In the section about balanced performance incentives, it was implied that the Service Valuation research would be used for both plan development and ODI justification. We asked that the questions be reworked to show that specific individual research had been conducted to justify customer support for the ODIs.
19	Also regarding balanced performance incentives, we felt it would be helpful to include a specific question to ensure that current AMP performance gains are built in as the base line for the future AMP to work from.
20	The framework included a question about the extent that examples of adopting best practice from other sectors had been explained in the business plan – we felt that 'lessons learned' was a key component to include in this area too.
21	In the question about whether there had been strong engagement with environmental regulators, we felt it important to also understand 'are there any conflicts between Ofwat and the other regulators; and if so, how have they been addressed?'
22	In assuring stretch targets on efficiency, we felt that financial metrics at a company level should also be included i.e. total savings p.a. from efficiency activities in the current AMP, and total savings p.a. from efficiencies in the business plan for the next AMP.

The assurance dashboard that results from NWL's formal business plan assurance process and questions (see Figure 2) was a key tool for us as Water Forums, as it included assurance that customer views and priorities were being used and reflected by the company. It was a standard agenda item at our Water Forums' meetings, so that we could track progress – as a result, we requested some 'deep dives' into areas where we wanted more information. These included leakage, resilience, the long-term plan and wastewater.

The company gave us open access to all the detail sitting behind this dashboard, so that we could interrogate it as we wished to.



Figure 2: A snapshot in time of the company's assurance dashboard, which the WFs contributed to developing.



6.2 Involvement of the Water Forums in customer engagement

We very much welcomed the early opportunity that the company gave us (Sep-16) to express how and when we would like to be involved in the customer engagement process. We believe that this early, collaborative approach allowed us to perform our role effectively and independently, allowing us to get involved proactively rather than just reactively.

The company has been very receptive to both our involvement and challenge, giving us many, varied opportunities to observe, challenge and help shape the way it engaged with its customers during PR19.

The key opportunities we had to input included are described in this section, and we include comments from our expert members from CCWater about each one.

Customer research and engagement strategy:

We gave early input into this, with a focus on PR19 activities (Sep-16); then sat on the interview panel for the company's PR19 customer research partners (Nov-16). In Sep-17 we had a full and productive workshop on customer engagement, including sessions with the selected research partners. In Aug-17, Professor Mark Reed published A theory of participation: what makes stakeholder and public engagement in environmental management work? – a paper

about the various types of participation that are theoretically possible and how, therefore, to increase participation. The company accepted his offer of discussing this outside the main meeting, with a view to further evolving its approach.

"The company developed a strategy for research and engagement which has several notable strengths. Firstly, it created a strong framework, with each decision about individual programmes of research taken in relation to the framework. Secondly, it placed engagement on a long-term footing, rather than as an exercise to support the Price Review process. Thirdly, it benchmarked the company's approach to leading organisations beyond the water and utilities sector"

Professor Bernard Crump, CCWater

Social tariffs research: We were involved throughout this work, via meetings and a teleconference – from advising and challenging on their initial research approach (Oct-16), then the proposed materials (Nov-16), and finally the company’s analysis of the research results (Feb-17).

“The research design itself drew upon several different sources, to adopt best practice and improve on the previous research in this area. The final analysis also reflected the slightly different views of customers in the two areas the company serves. The company recognised from an early stage that a piece of social tariff research alone would not address all affordability issues, so it did additional research with groups that are sometimes hard to reach. The company overcame this by visiting established community groups and carrying out focus groups at the end of their meetings. We were pleased to see the company’s thinking has developed over time into a wider inclusivity strategy.”

Steve Grebby, CCWater

Metering: We discussed, with the company, its early thoughts on its future metering customer research project (Jan-17).

“The company serves two distinct areas in terms of pressures on water resources. The research presented these in a balanced way, while informing customers of the current supply-demand situation in each area. This is particularly important in Essex and Suffolk, located in a water-stressed area that has invested heavily in water resource planning. The outputs of the research reflected the different views in both areas.”

Steve Grebby, CCWater

Triangulation: We were involved throughout the development of the company’s triangulation approach – after early conversations (in Jun-16 and Feb-17), eight of us attended a workshop to challenge the company’s proposed approach in Jun-17 and one of our members attended CCWater’s triangulation event in Jul-17 to raise our understanding of best practice. NWL presented its refined approach to us at our Sep-17 meeting, which was completely revised because of our input.

“NWL has used a wide range of information sources and channels, and a programme of extensive qualitative and quantitative market research. The company then adopted CCWater’s triangulation framework to review the robustness and relevance of the insights gained, which was reviewed with the Water Forums.”

Graham Dale, CCWater

Relative priorities and service valuation: In Sep-17 we met the company and its research partners (Frontier Economics and Explain Market Research) to hear about the proposed approach for both service valuation and relative priorities. This was an engaging workshop, where we felt the company genuinely welcomes our input challenges. Then in Nov-17, many of us joined customers in testing the usability of the online service valuation tool and gave feedback to refine it before wider launch.

“The company and its research partners rose to the challenge of creating tools to surface the views of customers on relative priorities and valuation that were engaging and yet had an acceptable cognitive load. Establishing meaningful and reliable data from these exercises will always be a challenge, but the approach taken, combined with synthesis and judgement through the triangulation process, led to some actionable results.”

Professor Bernard Crump, CCWater

Acceptability research: In May-18, our CCWater members asked for the opportunity to review and scrutinise the detailed questions that were to be asked in this final research phase and we are pleased that their feedback was accepted and acted on.

“The final research material reflected the challenges made at an early stage particularly regarding the presentation of average bills and the likely impact of inflation. Having attended the focus groups, it was clear that participants understood the materials and continued to be engaged in the discussions over the course of the two-and-a-half-hour session. It should also be noted that the research was carried out after significant media coverage around directors’ salaries and nationalisation. While these were not items covered in the materials the company did not shy away from addressing these to keep the participants focused on the question being asked.”

Steve Grebby, CCWater

Throughout these interactions, we raised many challenges and suggestions, and include the key ones below, along with how the company responded to them (**Table 6**):

Table 6: The Water Forums' challenges to shape the nature of customer engagement activity

#	Our challenge	Company's response
23	Research partners: We recommended that more than one research partner should be used, so that the company could gather a more reliable base of customer views than ever before.	Accepted: The company invited us to participate on the selection panel for its research partners, and chose a blend of companies that brought complementary approaches and expertise.
24	Customer research & engagement strategy: We wanted to ensure that we could scrutinise engagement overall, not just for PR19, and that this needed to be planned so it minimised demands on members' time; came early during proposal development not when results were in; and didn't delay engagement activity itself.	Accepted: NWL involved us in honing its customer engagement strategy, from very early in development; and in checking the quality of both their market research and independent assurance providers. We were enabled to observe sample customer engagement events (described above) and engagement in customer contact centres. NWL also provided an online portal so we could access plans, materials, outcomes, and independent assurance reports.
25	Research approach: More credibility could be gained by using multi-criteria evaluation; and cutting edge research demonstrates that an extra step (ie uninformed, informed and then after deliberation) gives more credible, repeatable results.	Accepted: NWL said it was reassured by the information that Professor Mark Reed shared as part of this challenge. It designed uninformed/ informed/ deliberation steps in some of its research, a good example being the River Water Quality research.
26	<p>Social tariffs research: Of the many challenges we made to improve and refine the PR19 approach and materials, the key ones centered on making:</p> <ul style="list-style-type: none"> The research experience more accessible, e.g. use of language, not relying solely on online research, and developing more pen portraits. The results more meaningful, e.g. avoiding the passive acceptance implied by 'don't mind / no opinion' answers; using scaled preference rather than scenario-based acceptability; and using 50p increments instead of £1. Asking the acceptability question after everything about the scheme had been revealed and customers had said how much they'd be willing to contribute. <p>We also suggested the company meet with an expert at CCWater to give additional guidance on specific areas.</p>	<p>Revised approach: The company took challenges on board, including:</p> <ul style="list-style-type: none"> Using face-to-face methods as well as online (it also considered the use of Flo, although this wasn't practical at the time). Excluding a maximum household income criteria from the materials, replacing with 'low income'. Meeting with CCWater's research expert, Andy White. Not using the words 'social tariff' – the company merely referred to 'scheme' so it was more customer-friendly language. Developing pen portraits to include those on minimum wage, minimum state pension and the unemployed.
27	<p>Metering research: Through our CCWater members we challenged that:</p> <ul style="list-style-type: none"> Customer-side leakage results at Southern Water revealed the issue to be less than estimated. The company seek alternatives to metering for measuring per capita consumption (PCC). Our research should avoid including benefits that, from a customer perspective, aren't benefits (e.g. metering enables customers to take control of consumption'); and should include asking customers their perceptions about the disadvantages too. The company seek to promote optant metering more. 	<p>Revised approach:</p> <ul style="list-style-type: none"> The company placed less emphasis, in its research, on customer-side leakage. Whilst the company agreed that there are more customer-friendly ways to reduce consumption, it thinks that meters are valuable monitors that will play an important role by making savings measureable and visible to customers. It is, however, looking at innovative ways to estimate PCC without compulsory metering, e.g. whole area metering, and at allowing customers to stay on unmetered tariffs whilst having a meter and showing them what the metered saving would be, then allowing them to opt-in.

	<ul style="list-style-type: none"> Meters should not be referred to as 'free', given the installation cost is included in bills. 	<ul style="list-style-type: none"> The company asked customers to talk about both the advantages and disadvantages of metering. The company asked customers what it should do on promoting metering, and got some useful insights that it can use. The video that was used to inform customers during the research made it clear that there's an annual cost for meter installation.
28	<p>Triangulation: Our main challenges were all centered on making sure that the research approach took account of issues such as validity, sample sizes and how representative each piece was of the customer base. We sought their assurance on all these.</p>	<p>Revised approach: The company addressed all our challenges as it refined its approach, and welcomed the input we gave them in this tricky area, using and accepting CCWater's expertise well. There's more detail later in this report section about how triangulation was used in setting the PCs (section 6.4.3.2)</p>
29	<p>Relative priorities: Our main challenges were:</p> <ul style="list-style-type: none"> Focus is a digital tool, but need to involve non-digital and rural customers. Allow customers to see the result of all their choices so they can adjust preferences. Find a way to use personal bill data so it's meaningful – and annual not monthly figures. Include a lower bill (and therefore lower performance) option, not just a flat bill. To present results to us as distributions not just averages. 	<p>Accepted: The company welcomed our challenges and undertook to review them all. The result was:</p> <ul style="list-style-type: none"> They supplemented the engagement using Flo. A summary screen was provided and customers were allowed to change their choices. Personal bill data was used. A full range of results was presented.
30	<p>Service valuation tool: Our main challenges were:</p> <p>a: Ensure approach means customers can answer questions with an understanding of the issues.</p> <p>b: Could customers have a say in which PCs will have an ODI attached.</p> <p>c: Have a way of capturing other useful insights that arise during the process.</p> <p>d: Review Essex locations to ensure more representative coverage.</p> <p>e: Approach only captures bill-payer, but should include others, e.g. housing associations, tenants, future and vulnerable customers.</p> <p>f: Assure the model, in terms of realism and the trade-offs customers are asked to make.</p> <p>g: Use language of 'tool' rather than 'game' to avoid trivialisation; and use 'bonus and fine' not 'reward and penalty', to improve engagement.</p>	<p>Accepted: The company welcomed our challenges and reviewed them all. The result was an innovative yet accessible approach that gave significantly more meaningful results than in previous price reviews. Specifically:</p> <p>a: The materials were tested with children for understandability.</p> <p>b: Customers were allowed a choice.</p> <p>c: Feedback was captured.</p> <p>d: Supplemented with Flo to cover more areas.</p> <p>e: They used average bills for these customers; and involved vulnerable customers in the research.</p> <p>f: The process was fully assured.</p> <p>g: They used 'tool' but decided not to use 'bonus and fine' as they felt this would be pre-determined language.</p>

6.3 Quality of customer engagement

Ofwat challenged the industry to deliver a step-change in the quality and quantity of customer engagement research for PR19. **Our view is that NWL has certainly risen to this challenge. It has struck a good balance, in its engagement programme, between the level of detail and the cost of undertaking the activities involved.**

It has done a sufficient quantity to get genuine and useful insights into what is important to its customers, but both us and the company recognise that there are limits to the reliability of findings as a result. It has also used a wide variety of ways to reach and involve customers, which was very good as it increased the chances of getting representative feedback.

This conclusion is based on the following features of the company's approach:

- **The basics:** It asked customers what matters most about the services they get from NWL (under the three themes of Home, Community and Environment), which areas of the PR19 business plan they would most like influence on, and how they would like the company to engage with them – this 'Defining the Conversation' activity was then used to design future research, both the content and style of research; as well as designing future engagement activity (such as 'Our Finances Explained').
- **Inform and educate:** It has taken the opportunity to inform/educate customers during the research activity, rather than simply ask for opinions.

For example:

It designed some of its research to start with capturing customers' uninformed views,

followed by a presentation and questions – then understanding whether views had changed as a result.

- At the River Water Quality research workshops, employees and reps from the Environment Agency and Rivers Trusts were available for discussions and to answer technical questions.
- **New approaches:** It tried new research techniques that are available, for example psychological techniques like neuro-linguistic programming (NLP) and Time Line Therapy with traditional market research. We commend this approach as it allowed them to deliver deeper insights into what really drives customers' behaviours.
- **Segmentation:** The company clearly wanted to understand the range of views its customers held, and to listen to specific groups of customers – research and engagement activity involved vulnerable customers, non-household customers, stakeholders as appropriate.
- **Inform business as usual:** It used the opportunity of engaging with customers about their expectations for different aspects of PR19, to inform business as usual improvement and communication activity. For example, when undertaking the sewer ownership and flooding response research, one of the objectives was to help them decide whether an awareness campaign was appropriate.
- **Test before launch:** It has tested new engagement approaches with customers before 'launching' them more widely, giving customers the opportunity to give feedback and refine.

- **Innovative:** It has challenged itself to be innovative in its customer engagement, and the best example of this is the Service Valuation Tool, which was used instead of a formal stated preference Willingness to Pay exercise. The company worked with its partner, Frontier Economics, to create a tool that uses customers' real bill data to test their valuations. We see this as a positive advancement, making the process more accessible and meaningful to customers.
- **Comparative data:** It used comparisons with other companies, for example in the acceptability research, to give transparency and make numbers more meaningful to customers.
- **Deeper understanding:** After getting research results, it has sought to understand arising issues more deeply when required. For example, following the tariff structures research, the company organised two extra workshops to explore the differences in views of large and small households.

"In terms of how the company engaged with customers, we would like to note that the nested design of the river water quality research, including deliberative events, was in line with best practice, was excellent in terms of balance and gave rich insights and nuance as a result."

Water Forums' Environment sub-group

The limitations of the research methodology meant that findings were not always reliable, and the company was very open with us about this. For example, the early Combined Sewer Overflow (CSO) research was flawed because the approach got customers talking about major pollution incidents, so the company couldn't use those early results to get insights into customer views on CSOs.

We challenged them to include both the positive and negative in its business plan, because we believe there is a strong story to tell about how NWL learned lessons and adapted to improve future engagement activity. For example:

- At one of the 'Our Finances Explained' workshop we observed, there was lots of discussion among customers based on misconceptions that the moderator didn't correct. We fed this back and NWL took it on board immediately, making changes for subsequent workshops.
- We challenged the company to ask customer participants what they think about a session and what they believe would be best practice. The company undertook to include this on feedback forms.

In the following sections (6.3.1 to 6.3.6) we delve deeper into the elements of customer engagement that Ofwat asks us to comment on (source: Aide Memoire, Box 1). Our comments draw on our existing experience as well as the first-hand experience we got by attending several of NWL's customer engagement events (a complete list is included in **Appendix 8.1**).

"It was clear that customers were engaged well – ESW started out as 'a water company' in their minds, but by the end of the event customers described ESW as 'our water company'."

Richard Powell, talking about a Defining the Conversation event, Apr-17

6.3.1 Understanding customers' priorities, needs and requirements

Ofwat asked us to examine whether, for PR19, NWL has developed a genuine understanding of its customers' priorities, needs requirements and valuations; whether it has drawn on a robust, balanced and proportionate evidence base; and whether it has engaged with customers on the issues that really matter to them.

Based on our first-hand experience of 41 customer engagement events and activities, plus presentations and conversations during meetings, we believe that NWL has developed a greater understanding of its customers' priorities, needs and requirements. It has certainly made large strides in this area compared to PR14, with deeper, more sophisticated engagement, of more customers across a wider range of types, situations, locations and needs.

It took time to understand what issues customers wanted to engage with them on, by undertaking its Defining the Conversation research. This gave them a very clear steer about which outcomes customers wanted the company to 'talk to me', which they expected the company to 'talk to someone else' and which they just expected the company to get on and deliver. The findings from this research were then used to guide lots of

research, engagement and participation activity as well as the business plan. We have seen evidence of NWL using this and other research data and insight in its day-to-day activities as well as its PR19 planning.

We challenged the company early-on to go beyond just doing its own research, but to look at relevant external research and other internal sources such as its customer sentiment data. Given the very rich and varied programme of engagement and range of data that resulted, the triangulation process was a challenge; but once again the company took our advice and challenge on board and responded well (**section 6.4.3.2**).

We are happy that the proportion of ESW customers involved in the PR19 research reflects the proportion of NWL's total customer base.

NWL understood customers' priorities for PR19 through its Service Valuation tool, which allowed customers to express their relative priorities within the bill. It also provided customers the opportunity to tell the company what they value. We had the opportunity to shape the tool that customers used, providing several challenges that the company accepted and acted on (**Table 4** in **section 6**).

6.3.2 Understanding the needs of different customers

Ofwat asked us to examine whether NWL has effectively engaged with and understood the needs and requirements of different customers, including those in circumstances that make them vulnerable; and whether it considered the most effective methods for engaging different customers, including those that are hard to reach.

Our view is that NWL made a very good start to understanding its very complex customer base, by engaging with and understanding the needs of key groups – including those in remote communities, future customers, and those who are vulnerable from a bill affordability point of view.

Looking at vulnerability more broadly, NWL has done better than before – and indeed, better than industry expectations – at understanding the issues, by drawing on best practice in the utilities sector and beyond. One example is by engaging with carers of customers with dementia. That said, it is not yet a complete and fully accurate picture – there is more work for them to do here in the future and we encourage them to continue to understand the complexities yet further, by building on the style of participatory engagement they have delivered during PR19.

We would like the company to extend its reach to even more groups of customers – it responded well to our challenge (#32, Table 7), just prior to the acceptability research, to include ESW customers in East London. In its ongoing engagement activity, the company should focus on these and other customers who were less-involved in the PR19 process.

To demonstrate why we have drawn these conclusions, we cover the key customer groups that are relevant to this water company and this business plan. For each one, we include examples of what we considered good or innovative practice.

6.3.2.1 Vulnerable customers

Having had time to review, understand and challenge the company's Inclusivity Strategy (section 5.3) we believe that NWL has a genuine desire to understand and support these customers, and to provide them with an inclusive service.

In preparation for PR19, it has sought to understand their needs in increasing detail, and incorporate research insights into content for its Unrivalled Customer Experience Strategy (section 5.1).

We asked for detailed information about the degree to which the company was succeeding in involving and engaging with vulnerable customers.

We found the 'Customers in vulnerable circumstances' research report (2016) to be excellent. The one key challenge, however, was that all the research was conducted in the North and none was done in the ESW area. The company responded well to this challenge (see Table 7).

In its behaviour change research in Dec-17, the company recognised the need for engaging sensitively with these customers, so did separate, home-based interviews rather than risk exposing their vulnerability at the workshops.

Table 7: Challenges about engaging vulnerable customers

#	Our challenge	Company's response
31	The Customers in Vulnerable Circumstances research report was excellent but north-focused. We challenged the company to do more to engage with its customers in the south.	Accepted: NWL engaged with customers in London boroughs for Service Improvements engagement, Social Tariffs research, and in-depth research with customers in vulnerable circumstances relating to metering, tariff structures and resilience. To ensure geographical representation, the team kept a record of areas visited during its engagement.
32	We commented that it was important to include the London Boroughs in our research because of the different customer demographic compared to other parts of Essex and Suffolk (Mar-18).	Accepted: NWL responded to this challenge straight away, by visiting Barking when carrying out its acceptability research.



6.3.2.2 Balance between customers of NW and ESW

At a meeting in Oct-16 we underscored the importance of recognising the difference between the customers in the two, very different regions. On several occasions during the PR19 process, we reiterated this point – for example, we challenged the company to get more ESW involvement in the 2018 Innovation Festival; and (when we saw an early draft of the business plan) to include ‘pen portraits’ for ESW customers, as it only featured NW ones.

The company has worked hard to try not to be north-east centric but we have had to maintain our challenge throughout and feel this is an area of customer engagement and participation that they still need to pay particular attention to, so that northern bias is avoided.

6.3.2.3 Remote communities and non-digitals

In Oct-16 the company launched ‘Flo’, its customer engagement vehicle to reach out to customers in more remote communities. Whilst not a revolutionary idea, we were impressed by this positive, industry-leading step forward – it acknowledges the importance of face-to-face activity and conversation rather than relying on online channels alone to reach these populations. Being on customers’ home turf is good, as is having NWL employees on-board who leave Flo to engage with customers who are reticent to go into the vehicle itself.

6.3.2.4 Future customers

We noted from the Defining the Conversation research that younger customers are asking for engagement on more issues, so we challenged the company to think about how they could best use this insight. The company has made some strides forward in this regard – for example, the Future

Customers day at Howdon Treatment Works in Nov-16, where they explored views on wastewater services with college students. This was a positive example of engagement with this group, and the sort of thing we would encourage more of – there is still a long way to go to fully engage with and understand this group, and there may be lessons that can be learned from outside the industry, such as the concept of Youth Parliaments adopted by some local authorities.

6.3.2.5 Business retailers

Ofwat requirement 3:

- CCG comment
- CCG challenge
- ✓ Customer evidence

The company has 17 retailers and four companies known as ‘new appointees and variations’ (NAVs) and contacted all of them as part of its research for PR19 as well as during its broader, ongoing stakeholder engagement activities. This gave them insights into business customers’ views.

As well as understanding the views of business customers by speaking to retailers, the company engaged directly with some of its business customers during the PR19 process.

For example:

- NWL carried out in-depth interviews with SMEs as part of Defining the Conversation – Phase 2.
- 144 non-household customers took part in the Service Valuation research.
- Businesses were involved in the Resilience, Discolouration and River Water Quality research.

We are satisfied that business customers were included during the acceptability research (Jun-18), albeit not as a specific segment because the company sees them as customers in the same way as household customers. Our key challenge was one of extending the reach to business customers yet further (**Table 8**).

Table 8: WF challenge and company response to engagement with retailers and business customers

#	Our challenge	Company’s response
33	With the large body of evidence gathered during customer engagement, we were largely comfortable with the Company’s approach. However, to complete the evidence and give assurance of cover across the business sector, the Company could carry out a business survey. WF member Sarah Glendinning offered the CBI as a conduit to contacting its members in the Company’s two operating areas (Jun-18).	Accepted: NWL accepted this challenge and also investigated the opportunity of expanding it to Chamber of Commerce members too, which it then did.

6.3.3 Customer co-creation and co-delivery of solutions

Ofwat asked us to examine (where appropriate) whether NWL engaged with its customers on a genuine and realistic range of options [for example, in relation to a need to rebalance supply and demand, this might include increasing its own capacity, purchasing water from another company or demand management options]; and whether it has considered how customers could help co-create and co-deliver solutions to underlying challenges.

Genuine and realistic range of options: In terms engagement around a range of genuine and realistic options, our view is that taking an approach that started with the Defining the Conversation research, naturally led the company to present realistic, genuine options to customers. A broad suite of proposed Performance Commitments demonstrates that NWL has responded to what customers told them.

In presenting options to customers, it is very important to do so in meaningful language, which the company makes huge efforts to do. We experienced first-hand some of the engagement methods that the company used – and feel the Service Valuation Tool was a good example of making the subject matter meaningful and accessible to customers.

Customer co-creation and co-delivery of solutions: Ofwat delivered its 'Tapped In' report in Mar-17, providing some challenge and a structured framework for customer participation. We were pleased to note that NWL had already moved a good way along the journey, and

continues to do so, with many examples of involving customers in co-creating and co-delivering solutions to the underlying challenges faced by the company, its customers, society, stakeholders and the industry as a whole (**Table 9**).

"I've seen Flo in action – the vehicle is innovative, accessible and an effective customer engagement and education tool."

Anna Martin, Groundwork

In terms of co-creation of solutions, two notable examples are the Inclusivity Strategy, which changed direction as a result of what customers said; and the Wastewater Sprints which resulted in customers proposing the idea of a green fund for the business plan – this then evolved further into the recently-launched Improving the Water Environment scheme.

Another very positive example, which some of our members participated in, is NWL's 2017 Innovation Festival – an event that was so successful, they organised another one in Jul-18 – NWL got about 1,000 people doing design sprints and data hacks to co-create innovative solutions to issues including:

- What do we know about leakage from water pipes and how can we fix it?
- How do we upgrade our infrastructure for the 21st Century effectively and affordably?
- What will living and working look like in 2030?
- What can businesses do to improve the environment in the North East?

- How can we reduce flooding?
- How can we optimise a mobile workforce for a complex network business? Led by BT

In terms of co-delivery of solutions, we would like to draw particular attention to the Water Rangers initiative – it is inspiring and fully deserves the accolades it gets. There are broader lessons for the UK, as the initiative delivers environmental as well as wider benefits, making it cost-effective. We are pleased that the company has set a long-term ambition to build on the success of this initiative by recruiting 1,000 Water Rangers.



Table 9: Examples of customer co-creation and co-delivery of solutions

	Customer participation
Futures	<ul style="list-style-type: none"> • Innovation Festival 2017 • Innovative tariffs workshops (2018) • 'Flo'. 'Conversations with vulnerable customers' research
Action	<ul style="list-style-type: none"> • 33 Defining the Conversation research (2017) • Every Drop Counts • Love Your Drain
Community	<ul style="list-style-type: none"> • Water Rangers scheme • 'Rainwise' surface water management
Experience	<ul style="list-style-type: none"> • Unrivalled Customer Experience Strategy (2015) • Future Customers Sewerage Day (Dec-16) • Bill-design (2016) • Our Finances Explained (2017) • Tariff innovation (2018)



6.3.3.1 Thoughts for the future

In the spirit of continuous improvement that is a feature of the company's ethos, we have given NWL some suggestions for the post-PR19 customer participation that it undertakes. We will continue to challenge in areas such as those shown in **Table 10**.

Table 10: Our challenges about post-PR19 customer participation

#	Our challenge
40	To measure the benefits of participation and behaviour change to customers themselves rather than just the company. They do the latter well, for example when working with customers in areas suffering from severe sewer blockages caused by flushing wipes they have measured up to a 25% reduction in issues. We would like to see whether they could quantify the benefits of participation, e.g. personal wellbeing, in initiatives such as Water Rangers (Nov-17).
41	To consider that active participation requires there to be a win-win between company and customer. This challenge is summarised nicely by the experience in an Our Finances Explained meeting where one of our members heard customer comments such as "I'm on Direct Debit so I don't get involved" (Jun-17).
42	To use the opportunity of big projects to both engage with customers (Jun-17), and to let local residents know about the really good work the company is doing, for example, the wastewater scheme at Killingworth and Longbenton is having a positive impact on flooding risk and the environment, but customers are unaware (Jun-18).
43	To further develop its plans for customers who do not want to engage (Sep-16).
44	To consider the best approach to engaging with customers on where responsibilities lie, both for customer and company, then sharing any insights with other parties (Feb-17).
45	To keep improving by looking beyond the water industry for effective solutions to reaching and understanding the customer groups that it understands less well (Jun-18).

6.3.4 Ongoing, two-way, transparent conversations with customers

Ofwat asked us to examine whether NWL's customer engagement has been an on-going, two-way and transparent process, where it informs its customers as well as soliciting feedback from them.

"Attending the Our Finance Workshop allowed me to see how the company explain a very technical and complex issue to its customers and their reactions. Whilst the information was presented in a simple format, customers struggled to understand the need to keep borrowing money and increasing debt. Customers also struggled to see the relevance to them when discussion talked about million or billions of pounds 'its crazy numbers'. They liked how the company are constantly planning ahead to reduce the risk of future shock and uncertainty so that their water bill remain steady!"

James Copeland, NFU

It has been clear from the research events that we've attended that the company is keen to listen and learn; and to seek opportunities to inform or educate customers about the subject matter. The biggest challenge they face is the often-low awareness levels, so we are pleased that in some of the research activity they used an 'uninformed view then informed view' to see the difference that made to the results.

The company has closed the participation loop, by inviting customers who were at the Defining the Conversation events to attend the Acceptability qualitative events – an interesting approach to being transparent about the whole PR19 process, allowing customers to experience and understand

the link between their early input and the final business plan.

Another positive example we would draw attention to is the Our Finances Explained work, which was co-created with customers at face-to-face workshops. Having looked at customers' feedback on the workshops, it was clear that they had learned a lot and that their trust in the company was very high because of the honest, informative style.

We were pleasantly surprised at the extent to which those customers involved in research events signed up to receive more information – a good indicator of the level of engagement achieved.

6.3.5 Customer engagement on longer-term issues

Ofwat asked us to examine whether NWL engaged effectively with its customers on longer-term issues, including resilience, impacts on future bills and longer-term affordability. Also, whether the business plan adequately considers and appropriately reflects the potential needs and requirements of future customers; and whether it engaged with customers on the long-term resilience of its systems and services to customers.

Taking each of these in turn:

Longer-term issues: We are pleased that the company rose to our early challenge about the need for a long-term strategy, and has put much focus on involving and listening to customers too.

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

A business plan for future customers: We note that customers agree as a principle that some investment now is for the benefit of future generations and that one of NWL's roles is to be a good custodian of the environment and water and wastewater assets. [\[22\]](#)

There are many examples where the protecting, preserving and enhancing the environment have featured strongly in customer priorities; and they feature strongly in the business plan too.

Long-term resilience of systems and services

The company's Resilience research, done in 2016, provided a good foundation of understanding what resilience means to customers.

We are assured that the level of acceptability that NWL's discretionary enhancement schemes, which it tested by qualitatively and quantitatively with customers, demonstrates effective customer engagement about long-term resilience.

6.3.6 Customer engagement on current performance

Ofwat asked us to examine how effectively NWL informed and engaged with customers on its current levels of performance and how it compares to other companies in a way customers could be expected to understand.

Our view is that the company has in many ways led the industry in this area, both in sharing performance information and in using it when engaging with customers.

We thoroughly endorse NWL's approach to be very transparent about its comparative performance, which it has done in several impactful ways:

- Via its website, where it takes information from the industry's Discover Water site and presents it in a customer-friendly way that includes commentary about some of the differences, challenges and action plans to improve performance.
- In its Service Measures engagement (2017) – researchers started by sharing NWL's outcomes and measures of success; then current performance levels, before finally showing them Discover Water and how NWL's performance compared to other companies.
- Reaching outside the water industry to find benchmarks and examples that customers readily relate to, and to include these in its research – including the important service valuation and acceptability research for PR19.

The company has certainly made significant strides in transparency and we commend what it has done.

We encourage them to go even further, finding ways to get more and more customers to access and use the information, as part of its efforts to grow active participation. This will lead the whole industry forward in a positive direction.

6.4 Using the results of customer engagement in the PR19 business plan

To build on the comments already made about how customers' views shaped the six themes of the business plan (section 5), we include this section in response to Ofwat's requirement for honest commentary about the strength of the link between the findings of customer engagement and all elements of NWL's business plan.

We include our challenges and evidence-based views on these areas, which Ofwat has explicitly asked us to comment on:

- Outcomes (**section 6.4.1**).
- Affordability and vulnerability (**section 6.4.2**).
- Performance Commitments (PCs) (**section 6.4.3**).
- Outcome Delivery Incentives (ODIs) (**section 6.4.4**).
- Resilience planning and customer engagement (**section 6.4.5**).
- Securing cost-efficiency: cost adjustment claims (**section 6.4.6**).
- Corporate and financial structures (**section 6.4.7**).
- Financeability, profiling of bills over time and accounting for past delivery (**section 6.4.8**).

As well as including comments, where explicitly asked to do so by Ofwat, we include:

- Areas we challenged and/or disagreed with NWL.

- How the company responded to these.
- Any relevant trade-offs and how they were explored and reflected in the business plan.

It is worth noting that in the context of the starting point of Service Valuation being a lower bill, customers did not have to be asked to make the same degree of trade-offs as they would have done in a scenario where the bill was increasing. At our meeting in Jul-18, we discussed the Board Assurance of the business plan with INeD Paul Rew, who chaired the Board's PR19 sub-group. The process of assuring a complex plan, in terms of both ambition and deliverability, was multi-faceted and thorough, in line with what we would have expected.

6.4.1 Outcomes

We had the opportunity to challenge and shape NWL's proposed PR19 Outcomes in Nov-17, when we heard from NWL about the Outcomes language research findings and when the company presented its first draft business plan overview to us.

When presented with the draft business plan overview, we challenged the language of several of the Outcomes, with the aim of making them more meaningful to customers and more measurable by the company. Later in the business plan development process (Jul-18), when we saw more complete drafting, we challenged the link between some of Outcomes and the PCs that drive them. The detail of both is in **Table 11**.

Table 11: Our challenges about the PR19 Outcomes

#	Our challenge	Company's response
46	<p>To make the language of the Outcomes in the business plan reflect the Outcomes Language research findings (Nov-17), e.g.</p> <ul style="list-style-type: none"> • 'Compensating customers in the way they would like' would be unrealistic, as would 'giving them complete choice in how they pay'. • We felt that 'change customers' lives for the better' would be difficult to measure and customers would wonder why. <p>The use of the word 'pleasant' in 'make your local environment as pleasant as possible' was vague.</p> <ul style="list-style-type: none"> • 'Make sure your river is the best in the country' was not stretching enough – many customers' rivers already are the best. 	<p>Accepted: NWL refined its business plan Outcomes based on our feedback, and we believe they are improved as a result.</p>
47	<p>Theme 3- Reliable and Resilient Services (Jul-18)</p> <ul style="list-style-type: none"> • The ambitious goal of '9/10 people choose tap water over bottled water' needed some clarity, as the PCs that will drive this Outcome (discoloured water and taste/ odour) appeared less ambitious. • The Outcome 'Resilient & clean drinking water and effective sewerage services' contained many actions and projects to deliver it; however, we felt that it would be useful to include a clear measure of progress towards being 'resilient in the round', e.g. based on 'Safe & SuRe'. • We sought clarity about some of the numbers that were either missing or unclear in this section. • The ambition of 118litres/day of Per Capita Consumption (PCC) is excellent, but we wanted to get more confidence in the plan to achieve that goal. 	<p>Part-addressed:</p> <ul style="list-style-type: none"> • A little more information is now provided in the business plan on the 'preference for tap water' in the section introduction, but our view is that it lacks clarity on the measure. • Resilience – there are many measures for different aspects of resilience and a commitment to develop the overall measure. • The numbers point has been addressed in the final business plan. • The Every Drop Counts case study does still not include numbers demonstrating its success.

6.4.2 Affordability and vulnerability

Ofwat requirement 4 and 5:

✓CCG comment ✓CCG challenge ✓Customer evidence

Affordability: Ofwat requires NWL to provide robust evidence in its business plan on how it will deliver affordability for customers – current, future, those struggling to pay (or at risk of struggling) – including evidence on the customer engagement they have carried out, how well it understands what affordability looks like for its customers, and the customer support for the approach it has taken.

Vulnerability: Ofwat encouraged us to use its Vulnerability Focus Report (Feb-16) as a basis for challenging NWL and its business plan approach to addressing vulnerability, to ensure it is targeted, efficient and effective.

As described in **section 5.3**, the company includes both Affordability and Vulnerability within its Inclusivity Strategy, which we have been very much involved in shaping. Evidence of NWL's customer engagement and support for its approach are included in its PR19 submission, which we have had the opportunity to scrutinise.

The areas where we challenged the company when developing its strategy and approach are described in **Table 12**, alongside how it responded.

Table 12: The Water Forums' challenges regarding NWL's PR19 approach for vulnerable customers

#	Our challenge	Company's response
48	Collaboration: Companies should collaborate on their approach to vulnerable customers, not compete; and ensure customers don't have to apply for help twice (Jan-17).	Shared examples: Working closely with water and sewerage companies that share its operating area in expanding the cross-subsidised social tariff – Thames, Anglian and Hartlepool Water. Having discussions with British Gas and housing associations to share approaches to vulnerability, explore data sharing opportunities and promote NWL's offer. Working with the wider Water & Energy Data Sharing project led by United Utilities and Water UK and supported by Ofgem, Ofwat and CCWater, with the aim of sharing data between water and energy companies by 2020. Engagement with NHS England, Northern Powergrid and Northern Gas Networks at an event to raise awareness of the service offering with Emergency Services.
49	Promotion: Priority services and SupportPLUS services are difficult to find and not clearly explained on company website (Jan-17).	Action: They are now on the nwl.co.uk website landing page, where links take customers to information about priority services, financial support and 'Recite' (to change font size, colour contrast and language to make information more accessible).
50	Measures of Success: go beyond number of customers on the tariffs, e.g. awareness levels of support options (Jan-17).	Accepted: Proposed a wide range of performance indicators as part of the inclusivity strategy, including awareness levels.
51	Social tariff: Despite increasing customer support for one, our CCWater members stated that at 60% it was borderline; NWL therefore needed to cut the data by income group and understand who the 'don't know' groups were. We said that NWL could not interpret the 71% acceptability as support for a £2 cross-subsidy (presented as the max. cost when describing the proposed scheme to customers); nor use the mean (£1.39).	Changed approach: NWL accepted our recommendation to use, as the cross-subsidy, the amount at which around 55% or more of customers were willing to contribute. Based on the report, this fell between 50p and £1, so the company took our start point of 75p as a company-wide average.
52	Social tariff: Refine the approach by analysing why and at what stage people drop out of the application process or leave the scheme.	Changed approach: This was done and revealed an area for action, which the company took: customer feedback showed the need to stop challenging third party income and expenditure submitted – this has increased acceptance onto the scheme. NWL has also created new actions on the customer contact system so that it can collect more data in this area and gain a clearer picture of why people leave the scheme.

53	Social tariff: What is NWL's proposed approach where customers are served by more than one company?	Provided response: NWL can passport customers across to receive the social tariff from both providers. This however does not work for everyone, e.g. Hartlepool Water only expects 300 customers for this tariff and has a 50p cross-subsidy. For these NWL's solution is to passport them all onto its scheme and expect 60-70% to meet their criteria.
54	Social tariffs (interpretation of results): We made several clarifications and challenges, to ensure effective interpretation.	Changed approach: NWL accepted our challenges and views, e.g. including 'don't know' answers, which are validly interpreted as passive acceptance; including the extreme values; and splitting results by the company's three operating areas.
55	Universal credit: With the anticipated issues of its rollout, engage with financial inclusion partnerships, and to offer a solution to customers stuck with a large gap between benefit payments.	Action: Spoke to the Department for Work and Pensions (DWP) and other financial inclusion experts about how to anticipate this and identify those at risk. As a result, during direct contact perspective with customers, the company has empowered its teams to offer payment holidays if there's a delay in benefit payment. Also, as part of its new customer billing system, it reviewed the wording and timings for reminder notices to encourage customers to get in touch earlier if there's a problem. The inclusivity strategy includes working with financial inclusion partnerships and NWL is exploring opportunities with them for staff financial training and awareness sessions.
56	Strategy: Segment customers by vulnerability type* and prioritise and engage with each segment, considering permanent and multiple vulnerabilities. Understand local vulnerability hotspots, the scale of the problem and how it might grow/change. Once scale is understood, set targets and grow engagement networks and referral systems.	Changed and fast-tracked approach: The segmentation we proposed was adopted as an approach. NWL drilled down into potential hotspots using ACORN data. It used this to target its SupportPLUS marketing campaign; and used the data insights to set its vision and targets in the Inclusivity Strategy. It also started working with Northern Gas Networks (NGN) and UK Power Networks (UKPN), that cover NWL's areas of supply, to understand changes in Priority Services Register (PSR) and focus areas. With UKPN it is implementing the sharing of PSR registrations in 2018, ahead of the universal project with water companies due to launch in 2020.
57	Benchmarking: The company could benchmark against other providers with regards to their services and customers' awareness of them.	Confirmed approach: To compare the services and scope opportunities, NWL has been benchmarking its services against NGN and UKPN; and visited British Gas and United Utilities to understand their services. It is building what it learned into an overall review of services and long-term approach, as well as into some quick wins. They have informed us that they plan to complete a wider benchmark process too.

** We suggested the following vulnerability type priorities for action:*

- 1: Permanent, water service specific vulnerabilities – for this group,*
- 2: Permanent, generic vulnerabilities,*
- 3: Transient, water service specific vulnerabilities,*
- 4: Transient, generic vulnerabilities.*

There were several issues that required discussion about trade-offs and balance particularly around social tariffs and metering in housing blocks. There are some important, specific areas of the strategy

that we would like to draw attention to. They are not areas of disagreement, but areas that we have expressed to the company that will need careful future consideration by the company as

it implements its inclusivity strategy. We have included the challenges we made for both, in **Table 13**.

Table 13: Trade-offs and future considerations for NWL's approach to inclusivity

#	Trade-offs: how they've been explored and reflected in business plan
58	Social tariffs: 50% discounts are less attractive than the 80% ones that some other companies offer. However, the company's preferred approach is to support the maximum number of customers while still making a substantial impact. Raising the discount level would mean fewer customers get the help they need. In addition, the company has ascertained that 50% aligns most closely with companies that share its operating areas, so was the percentage that they tested with customers in the acceptance for social tariffs research. In the business plan, NWL has set out its ambition to eradicate water poverty by 2030, so will be looking to develop its tariffs and charging approach to maximise the number of customers it can support.
59	Social tariffs: The application of the Social Tariff in the ESW Region, where the company is a water only company, will need to be harmonized with the wastewater company which serves these customers, principally Anglian Water and Thames Water. This will require both strategic dialogue, to ensure that the correct levels of subsidy are being delivered, and operational co-operation, to avoid confusion and duplication of effort for customers in applying for access to the scheme.
60	Meters in housing blocks: We challenged on behalf of customers who live in housing blocks where metering isn't possible – could the company be more proactive by offering an assessed charge early in the conversation. The company feels this is a delicate balance to strike, as offering too early and in the wrong way can create an alternative expectation.
#	Areas outstanding, for future consideration
61	The Zero Water Poverty goal is potentially a game-changer, and of national importance; but it is wider than just the water industry, as water is only one portion of a customer's bills they must pay. We are not yet clear where the money will come from and whether customers will be willing to pay for this. CCWater notes that the scale of the ambition goes way beyond subsidy is very keen to be involved in the ongoing discussions and development of the approach, especially on the company's tariff research.
62	To successfully move the strategy forward, NWL will need to give careful thought to plans for taking its customers on the journey with it. The use of 'vulnerability ambassadors' has strong potential for engaging with diverse communities, but would need strong emotional capacity and some technical understanding of the materials. We would like to closely examine their remit before implementation.
63	Success will not just be in hard numbers, it will also be engagement levels, the sense of wellbeing it gives to people, and the positive reputational impact for the company.
64	We believe it is important that the company seeks ever-broader networks so that it can improve take-up of support, using the referral criteria of other organisations (for example, people cannot self-refer to food banks). The Trussell Trust is a good contact. Our reason is that using separate criteria could be a burden to vulnerable people, as they have told their story once and they don't want to keep telling it.
65	Regarding the priority 1 customer segment* (permanent, water specific vulnerabilities), we would like to see the company conduct some research around incidents and their impact on these people, to help them identify what new priority services the company could offer.
66	Regarding the benefits of Experian: the company reports customer payment history to Experian and we challenged them that although it could help the company recover more debt it may cause some issues – customers may see it as a threat as this information affects customers' credit rating. The company agreed to discuss this with CCWater outside of the meeting, which it did. When NWL had follow-up conversations with Experian, it asked Experian to consider a notification to customers when our credit files go live explaining the water account is being added. These discussions were postponed, for consider at a later date as part of the go live planning for NWL's new billing system in in 2018.

In conclusion, our view is that the approach to affordability and vulnerability strongly reflects the evidence arising from NWL's customer engagement activity.

Examples of how we have reached this conclusion include:

- Research revealed that awareness levels of support are low, and the company has introduced a bespoke PC to drive improvements in this area (more in **section 6.4.2.1**).
- The Money Advice Trust training given to customer-facing teams in 2017 – this reflected the research findings ^[23] that customers who need extra support are often reluctant to disclose their vulnerability and need to be handled sensitively.

One aspect of the company's work on exclusivity that could merit greater focus would be the registration of customers with the Watersure scheme, in a way that avoids the issues seen in other water companies where using broad eligibility criteria has meant that customers often drop off tariffs. We support NWL's StepChange process because it is more holistic, given that customers get broader financial and debt advice help once they are engaged.

6.4.2.1 NWL's bespoke 'Vulnerability Performance Commitments'

Ofwat requirement 5b:

✓ CCG comment ✓ CCG challenge ✓ Customer evidence

The company is required by Ofwat to include in its business plan at least one bespoke PC for addressing vulnerability, based on the findings of its customer engagement and challenges from us. In fact it has proposed three.

In overview, the vulnerability-related measures and associated PCs it selected are:

- Customer Satisfaction of the service vulnerable customers receive – with a measure of success as 'achieving equal satisfaction to the rest of our customers' – i.e. 8.8 out of 10 by 2025.
- Customer awareness of the support available to vulnerable customers – rising from 44% to 65% by 2025.
- Water poverty: customer bills are no more than 3% of annual income – with a proposed PC of reducing it from 21.2% of customers today to 7.2% by 2025.

The company presented its draft PCs, including for vulnerability, at a workshop in Feb-18; and revised proposals in Apr-18. Having reviewed the draft proposals, we challenged NWL to think about including a measure of awareness of support available, i.e. 'I know where to go if I need it' and to be more specific about the customer service provided, i.e. 'Did we do what you needed when you needed it?'

We are really pleased that NWL listened and reflected this challenge in adding the bespoke measure and PC of vulnerable customers' awareness of the additional support that NWL provides (either financial or non-financial).

We are particularly struck by and commend the ambition of NWL's bespoke water poverty measure, i.e. the percentage of customers in water poverty (where water bills are no more than 3% of household income), which is breaking new ground for the industry and goes beyond this price control period with an aspiration to eradicate water poverty by 2030.

Our view is that the proposed vulnerability PCs strongly reflect the evidence arising from NWL's customer engagement activity, in particular because:

- Awareness of additional support available to customers in vulnerable circumstances is low. ^[24]
- There is strong evidence that a stable and affordable bill is very important to customers. ^[25]

6.4.3 Performance Commitments

Having been kept informed, by the company, of its progress and emerging thinking during the second half of 2017 and early 2018, it was then at a workshop with the company in Apr-18 that our members explored, in detail, the proposed PCs for both the common and bespoke measures.

We were generally very supportive of the package of measures and PCs, and the degree to which they reflect customer priorities. We were particularly impressed by the level of ambition on some of them – including water poverty, carbon emissions, shorter interruptions to supply, and the PCs for vulnerable customers.

We support the company's ambition to be an industry leader in the areas where it benefits customers to do so. It is in this context that we challenged the company on how ambitious its PCs were in two key scenarios: firstly where NWL is already the frontier performer in the industry; and secondly, where performance has been improving rapidly in the last few years.

The company reconsidered its PCs in response to some of our challenges, but not all. The result is that there are instances where company PCs for 2025 would deliver a lower performance than has been achieved at some point in the current price control period.

The Aide Memoire for CCGs from Ofwat included ten PC-related areas for us to explore and to comment on and/or challenge. The rest of this section addresses these requirements:

- General approach to setting PCs, stretching PCs and initial service levels (6.4.3.1).
- Triangulation of multiple data sources in setting PCs (6.4.3.2).
- Common, bespoke and scheme-specific PCs (6.4.3.3).
- Abstraction incentive mechanism (AIM) (6.4.3.4).
- Leakage PCs (6.4.3.5).
- Transparency of PCs (6.4.3.6).

The detail of the all the proposed PR19 Performance Commitments and their rationale are in the company's business plan.

6.4.3.1 The general approach to setting PCs, stretching PCs and initial service levels

Ofwat requirement 6a, 6b:

✓CCG comment ✓CCG challenge ✓Customer evidence

Ofwat requirement 6d:

• CCG comment ✓CCG challenge ✓Customer evidence

We were closely involved in the PC setting process and felt that our input and challenge was welcomed by the company.

We believe that in areas that customers deem high priority or unacceptable, such as pollution and internal and external sewer flooding [\[26\]](#), the company should have stretching targets that will deliver a visible performance improvement to its customers over the five-year Price Control period.

Our expectation is reinforced by the company's often-discussed ambition to be an industry leader – it is in this context, and that of the statements of ambition in its 'Shaping the Future' long-term strategy that we expect a plan that can deliver high performance for customers across the board.

The company's approach to setting PCs was an integrated part of its overall approach to developing its PR19 business plan, and our view is that it was appropriate and robust, with a clear link between customer engagement, the proposed measures and PCs.

There were, naturally, limitations to the amount of research and engagement that could be done, so the evidence gathered by the company had to be interpreted with 'literacy' – we were pleased to see a confidence rating applied to each piece of research as part of the methodology.

At a workshop in Feb-18, NWL presented us with the detailed outputs of its data with the detailed outputs of its data triangulation process and the emerging proposals for PCs. The detailed 'Measures of Success' document that was shared with us was thorough and well presented. There were some areas that we felt needed more rigorous examination, which we did at a follow-up workshop in Apr-18. At this workshop, the material that NWL shared included the following, all of which was used to inform the wider discussion on PC levels.

- Current performance.
- Current performance commitment.
- Forecast performance for remainder of AMP6.
- Proposed AMP7 performance commitment.

We saw a large stretch in some of the PC levels, a clear example being water poverty, where there's a clear link between the ambition and the PC in the PR19 business plan. In fact, we were very supportive of 31 out of the 34 PCs as they were presented to us at that time – we also challenged the company to examine the possibility of stretching itself further in two areas, and noted that another did not compare well with industry upper quartile. These challenges are described in detail in (section 6.4.3.3); and Table 14, below, describes our challenges to the process of setting PCs, rather than the PCs themselves. Ofwat required the company to forecast appropriate initial service levels for each of its proposed PCs – this aspect was included in these discussions and we had no challenges to make.

Table 14: The Water Forums' challenges regarding NWL's general approach to setting PCs

#	Our challenge	Company's response
67	In Sep-17, we were asked for our views on the company setting PCs and ODIs on a regional basis, i.e. separate ones for NW and ESW. We urged the company to keep it as simple as possible for customers – albeit bills are already very different in the north and south, and customers are not interested in the company's performance in 'the other region'. Splitting down PCs and ODIs would have become incredibly complex, could increase bill volatility and complexity of tariffs, confuse customers and increase the risk that something could go wrong.	Accepted: The company agreed to keep its approach simple, give more visible granularity in its reporting and only separate when it was necessary. Pleasingly, the company designed its research to keep its options open in this regard.
68	Following a WF sub-group meeting in Jun-18, we challenged NWL that we had not had clear, customer-evidenced sight of the changes to the PCs that had been made since the first workshop in Feb-18. An example was bathing water quality.	Accepted: The final set was shared in the company's 'Silver Book' in Jul-18, giving us time and opportunity to comment before plans were finalised.
69	We would like to make the observation that the priorities described in the Measures of Success are a mixture of customer- and company-driven – for example, the 15% leakage reduction is a Secretary of State aspiration.	Accepted: The company deemed this a fair comment, stating "we take account of the priorities of our customers AND wider stakeholders when setting targets".

6.4.3.2 Triangulation of multiple data sources in setting PCs

Ofwat requirement 6c:
 ✓CCG comment ✓CCG challenge ✓Customer evidence

Triangulation was a complex process, because of the quantity of research and operational data involved – in shaping its Measures of Success and setting its PCs, NWL used multiple different data sources and insights.

To help navigate this complexity, the company made very good use of our members' expertise, keenly accepting the challenges and support that we could offer in shaping the approach to triangulation. We had several opportunities, between Oct-16 and Nov-17 to get involved (as described in **section 6.2**) in ensuring that the approach would lead to representative and balanced insights being drawn – our challenges and the company's response are in **Table 15**.

In Feb-18 we had the first sight of the results of that triangulation activity, in terms of the proposed PCs and how they were driven by customer research. Overall, our view is that the triangulation of data was done effectively and that the resulting PCs are a fair reflection of customer views, needs and priorities.

"The company prepared really well for the synthesis of evidence to support triangulation. They were very responsive to suggestions from the Water Forum as to how the process could be refined, leading to a balanced series of outputs that command the confidence of participants in the process."
Professor Bernard Crump, CCWater



6.4.3.3 Common, bespoke and scheme-specific PCs

Ofwat requirement 6e, 6j:

- CCG comment ✓CCG challenge ✓Customer evidence

Ofwat requirement 6f:

- CCG comment • CCG challenge ✓Customer evidence

All water companies have been tasked with setting PC levels for four areas of asset health: mains bursts, unplanned outages, sewer collapses and treatment works compliance.

Ofwat gave all water companies the opportunity to propose bespoke PCs too, based on their customer engagement activity. Although we were not specifically required by Ofwat to challenge and explicitly comment on these in this report, NWL was keen to use our experience and customer focus, so we discussed all proposed PCs – common and bespoke – at a dedicated workshop in Apr-18. This was followed, at our Jul-18 WF meeting, by a discussion about scheme-specific PCs.

To ensure that NWL's PCs reflected customer priorities, we made several challenges and these are included in **Table 16**. Overall, our view is that NWL's proposed PCs reflect the findings of its customer engagement activity, and we are satisfied that it responded positively to our challenges.

We would like to note that we are pleased that the company has not proposed a reward for treatment works compliance, as it is a statutory requirement.

Table 15: The Water Forums' challenges regarding NWL's triangulation of data when setting PCs

#	Our challenge	Company's response
70	We expressed our need to see assurance of the validity and coverage of the customer research so that it was genuinely representative of customers' views; and where small sample sizes were involved, that the company should be explicit about this and not waste money on research that would yield inappropriate interpretation (Oct-16 and Nov-17).	Changed approach: The company held a workshop with a sub-group of our members on 5 Jun-17, enabling us to shape the proposed triangulation approach – significant changes were made because of our input, including being explicit about sample sizes.
71	We cautioned NWL against informing engaging too strongly just on the topics stipulated by Ofwat, to ensure that it got a rich picture of customer views, opinions and ideas (Jun-17).	Explained: The company's Defining the Conversation research addressed this concern, as it asked customers what topics they wanted to engage with.
72	The company proposed its revised triangulation approach (Sep-17), which built in our Jun-17 feedback. The challenges we made were: (a) to ensure transparency of the 'red, amber, green' RAG status; (b) to give us the opportunity to input in Step 5; (c) that the peer reviewers and data specialists present a joint report directly to us in step 6, to make the process more efficient; and (d) to get access to the independent reviewer, for clarifications.	Part accepted: The company's approach to triangulation was new and therefore evolved over time. They involved us in a number of workshops, and in Feb-18 presented us with a booklet that collated all the customer evidence they had, grouped by measure of success. This gave complete transparency over how they had applied a RAG status to each aspect. The main output of triangulation was a set of PCs that were (peer) reviewed as part of the company's wider approach to assurance involving KPMG, PA Consulting and Frontier Economics. We were not presented with a report, but we were provided with the wider assurance reports such as the Assurance Dashboard updates (section 6.1.1).

Table 16: The Water Forums' challenges regarding NWL's common and bespoke PCs

#	Our challenge	Company's response
73	For the common interruptions to supply > 3 hours measure, we felt that although the proposed PC level was more stringent than upper quartile, given the company's historic good performance it did not look sufficiently stretching by comparison.	Accepted: NWL changed its proposals thanks to our challenge: it has tightened its PC for Interruptions to supply > 3 hours, now aiming to achieve in 2020 what it had originally planned to achieve by 2025 PC. This PC therefore has a flat profile across the period.
74	For the common treatment works compliance PC we were happy with the proposed level of 99%, although some of our members commented that 100% might effectively be the same PC, as a single failure would drop NWL below 99%.	Checked: After our challenge, NWL checked the details and established that, in fact, it requires two failures for its treatment works compliance performance to drop below 99%, so they kept our PC at 99%.
75	For the common pollution measure, we commented that NWL's performance in 2017 was already very close to PC proposed for 2025. We acknowledge the variation in 2016 and 2017 pollution performance, and therefore NWL's reticence to have a more challenging target. However, we challenged the company to find a solution that gives them a more challenging target.	Tightened PC: The company tightened its proposed PC by 2024/25 to 43 incidents (reduced from the initial proposal of 54). We are very pleased with this response.
76	We shared our concerns that because the new common measure includes repeats, there was no proposed bespoke PC for repeat incidences of sewer flooding, which have a much greater impact on a household than a single incident, and erodes trust and confidence in the water company (Nov-17).	New PC added: The company included a bespoke PC of repeat sewer flooding because of our challenge.
77	At an environmental sub-group meeting (May-18), we challenged the bathing water quality target, as it was lower than the one we had seen in our Apr-18 meeting, and at a level that has already been achieved in the past. This seemed at odds with NWL's stated aim to 'have the best rivers and beaches in the country' (business plan section 5.5).	Tightened PC: The company accepted the challenge we made and tightened the PC back to the original level we had seen in Apr-18. We are really pleased that they have listened and responded in this way, as it will have a direct positive benefit to customers.
78	For the response time to visible leaks measure, we had a healthy discussion about when the 'clock stopped'. The company had proposed a stringent option, where the clock stops when the leak is repaired; a less challenging option would be to stop the clock upon responding to the customer and informing them of the plan for resolution. We advised the company to consider the potentially very long 'tail' caused by those leaks that take a long time to resolve, and suggested that it might help to present the measure slightly differently, in terms of % of leaks dealt with within 24 hours.	Explored: Having explored the options, the decision was taken to stick with the original proposal, which we support as it is the most customer-focused approach. Similarly, NWL is not proposing to change the presentation to % resolved within 24 hours, as this provided no incentive to expedite leak repairs which have already exceeded the 24-hour threshold
79	For the external flooding measure, despite the proposed PC level representing a significant improvement over current performance, there was still a stark gap between what was proposed and industry upper quartile, so we challenged the company to challenge itself further.	Not accepted: The company decided not to do this, because it felt that it was already committing to a significant (25%) improvement, and that there was a risk, in trying to achieve even more, of diverting focus from tackling internal flooding.
80	Following discussions, the company changed its customer complaints PC, from focusing on volume of complaints to response time to complaints. Volumes will be measured anyway, in relation to getting rewards on the C-Mex measure; and focusing on response times will allow the company to focus on improving this.	Amended PC: We welcomed this change in direction by the company.

We challenged the bioresources PC being set at 98% given that NWL has achieved 100% for the last five years.

Explained: The company explained that there was no financial ODI attached to this measure, so there is no danger of receiving a reward for performance between 98 and 100%. It also explained that 98% compares very favourably to the current upper quartile of 63%.

6.4.3.4 Abstraction incentive mechanism (AIM)

Ofwat requirement 6g:

✓CCG comment ✓CCG challenge ✓Customer evidence

NWL proposes a single PR19 AIM scheme, at Ormesby Broad in Norfolk, which it has done after engaging with us – initially at our Nov-17 Water Forums' main meeting then circulating a paper in Apr-18 with details of its proposals once it had completed its engagement with the EA.

Overall, our view is that the company engaged well with its local stakeholders, and we recognise that they adapted the Ormesby scheme because of the challenges made by the Trinity Broads Technical Group.

This approach to customer engagement on the AIM reflects the results of the Defining the Conversation research (2017), which revealed that customers expect NWL to be speaking to and working with the EA and other environmental organisations on environmental issues.

We were satisfied with the company's approach and didn't have any challenges on this aspect of PCs.



6.4.3.5 Leakage PCs

Ofwat requirement 6h:

- CCG comment ✓ CCG challenge ✓ Customer evidence

NWL is proposing a 15% reduction in leakage in NW and 17.5% for ESW. Leakage is important to customers and the company has a plan to respond – especially in the South-East, which is a water-stressed area.

Ofwat's expectation is that the company explains how its PC and long-term projections for leakage take customer views into account. It has done this in its submission.

At our main Water Forums meeting in Jan-18, we considered the following issues:

- Customers are rightly concerned about any level of leakage, especially as it contradicts the messages they receive about not wasting water.
- EA regards leakage as environmentally harmful because extracting, transporting and treating water for it to be leaked away is poor resource management.
- Ofwat is taking a special interest in the subject as part of PR19.
- Making step changes in the amount of leakage may be very costly, indeed not cost-efficient, so the company has to strike a fair balance, given that customers don't want higher bills.

Table 17: The Water Forums' challenges regarding NWL's leakage PCs

#	Our challenge	Company's response
82	We pressed for a bespoke PC for time to fix visible leaks, given that this is the area of greatest frustration to customers.	New PC added: The company added a bespoke PC – the annual average time (in days) taken to fix a visible leak.
83	With one of the mitigations against new leakage being water pressure, we were concerned about a negative impact on customer experience.	Explained: The Company is monitoring customer contact/complaint data to ensure the issue does not emerge; and is reducing smart pressure smartly, e.g. by doing it at night time
84	The improvement actions are all on the distribution side of things; based on customer data, we challenged the company to consider how it could do more to ensure customers could be informed/involved/incentivised to reduce leakage on 'their side' – potentially in a very targeted way using advanced data analytics.	Explained: The company explained what it was doing on the customer-side as part of its water efficiency strategy; and that its level of ambition has been influenced by general industry challenge from Ofwat and the EA. Based on research findings, it is focusing a campaign on leaking toilets specifically and has significant plans for AMP7. The smart metering element of the business plan will help on the customer side too.

Given the importance of the subject, we requested a 'deep dive' into leakage – we did this with the company in Mar-18, we challenged the extent to which NWL had taken customer views into account in its thinking about leakage; these are described in **Table 17**. An interesting insight from the customer research is the high level of people (c.80%) who are unaware of their responsibility for pipes (and therefore leakage) on their property. [27]

We observed that the customer research findings were all broadly reflective of what customers of other water companies say.

Our view is that NWL is proposing some innovative ways of controlling leakage, through data, systems and people – for example, stent methods for pipe repairs, leakage detection techniques from the oil industry, bolstering resources and data analytics (which emerged as a potentially strong approach during the 2017 Innovation Festival).

It is keeping its eye on emerging technologies and techniques and adopting those that prove worthwhile in sustainable leakage reduction. This seems to us to be a prudent approach.

When considering the long term, NWL's 20- to 25-year leakage targets reflect customer aspirations and expectations [28]. We would like to have seen higher reduction targets in the PR19 business plan but recognise that there's a balance between improvement and the impact on customers' bills.



6.4.3.6 Transparency of PCs

Ofwat requirement 6j:

- CCG comment ✓CCG challenge ✓Customer evidence

The company's submission includes how it will share its performance, against PCs, in the 2020-2025 period – to customers, us (**the Water Forums**) and other stakeholders.

We reviewed and challenged the company's plans, to assure ourselves that they would be transparent and meet customer requirements and aspirations – our challenges are summarised in **Table 18**.

The most important challenge we have consistently made, and will continue to make in communication terms, is to make sure that the language and concepts used are readily understandable – bringing complex ideas such as the Compliance Risk Index (CRI) to life in a meaningful way will build trust and confidence, and help to overcome some of the negative perceptions of the industry.



Table 18: The Water Forums' challenges regarding NWL's transparency of PCs

#	Our challenge	Company's response
85	Acknowledging Defra's requirements to use 'return periods' for risk of severe restrictions' we challenged the company to make drought restriction PCs more meaningful in its communications – if a 1 in 20-year restriction happens two years in a row, it gets confusing and can erode trust and confidence (Nov-17).	Explained: The company explained that this is a common measure across the water industry – so it has no choice on the definition, but will challenge where it can.
86	In communicating with customers about performance, we challenged the company to use language and concepts that are meaningful and easy to understand. This is especially important for CRI because of its non-intuitive nature (Sep-17).	Accepted: The company states that it is striving to use simple language, and has taken many specific suggestions from us on board.

The company has some positive examples of its own to build on, and we encourage a continuation of the thinking behind these approaches:

- In its Our Finances Explained work, it took on our challenge of using simple descriptions and analogies to explain concepts such as borrowing capital.
- The company's own Discover Water area on its website, which draws on and elaborates the industry version, gives clear, comparative data and explanations for differences.

6.4.4 Outcome Delivery Incentives (ODIs)

We formed a sub-group to explore and challenge the company's proposals for incentivising some of its PCs through a penalty/reward framework. At a meeting with the company in Apr-18, it clearly presented how it had determined the most appropriate type of ODI to attach to each PC, using the Service Valuation research done with customers.

Ofwat has asked us to challenge, and include commentary in this report, on 7 areas within the subject of ODIs. Each of them is included in this section:

- Consulting customers on ODIs (see **6.4.4.1**).
- Setting ODI rates, and enhanced rates, in-period ODIs (see **6.4.4.2**).
- The overall size of the ODI package (the RoRE range) (see **6.4.4.3**).

The detail of NWL's proposed PR19 ODIs themselves are in Section 6.0 of the company's business plan.

6.4.4.1 Consulting customers on ODIs

Ofwat requirement 7a:

✓CCG comment ✓CCG challenge ✓Customer evidence

The company's Service Valuation tool that was used with customers to inform the establishment of incentive rates was thorough and well-delivered. As described in **section 6.2**, the company gave us several opportunities to help shape its approach, including participating in the selection panel for its research partners and testing the valuation tool. We very much welcomed this involvement, and the refinements that the company made because of our challenges.

Overall, our view is that the company has done an innovative and successful job of engaging and consulting with customers on ODIs and using customers' views to determine incentive rates. We particularly welcome the follow-up waves of research that were done in early-2018, as these gave a more robust, refined insight into customers' priorities – NWL tested whether customers would allocate more than 10% of their bill to rewards; and gained customer valuations of the bespoke measures that hadn't yet been developed when the first phase of Service Valuation research was underway.

We are assured that the data that NWL gathered about customer preferences is reflected in its proposed out/under-performance payment rates.

NWL has proposed reputational ODIs for 10 of its PCs – three common PCs and seven bespoke ones. We saw no evidence from customer engagement that would counter the appropriateness of this approach.

6.4.4.2 Setting ODI rates and enhanced payments/penalties for common PCs

Ofwat requirement 7b, 7c, 7f, 7g:

• CCG comment ✓CCG challenge ✓Customer evidence

Ofwat requirement 7e:

• CCG comment ✓CCG challenge ✓Customer evidence

When setting rates for under/over-performance, we were given the opportunity to understand, question and challenge what the company proposed. We primarily did this at a meeting in Apr-18, with representatives of the company, CCWater and EA present, as well as the research partners who had been involved in the research. The company did a great job of presenting complex information in a readily digestible way.

The meeting included the opportunity to challenge the company on how its proposed asset health metrics will protect current and future customers and the environment; and how the associated ODIs relate to past performance and future challenges.

This meeting was followed-up in more detail at a meeting between the company and Professor Bernard Crump, CCWater, in Jun-18.

Our challenges and their impact on the company's final proposals/approach are described in **Table 19**. Note that NWL has not proposed any ODIs that are not in-period, so we have not had cause to challenge in this area.



Table 19: The Water Forums' challenges regarding NWL's consultation with customers on ODIs

#	Our challenge	Company's response
87	We sought assurance on the maths used in the ODI rate calculations, particularly in the cases of asymmetric penalty and reward. We were more supportive of a lower multiplier for enhanced penalties and rewards than the company was proposing (potentially x2 as opposed to x5). We were aware that other companies had taken different approaches and so wanted to compare more fully by seeing more detailed graphs indicating where enhanced incentives would apply on each measure in relation to the PC. We also asked for an understanding of when the enhanced incentives would kick-in.	Accepted: The company provided further details that enabled us to assure this.
88	We noted that the proposed ODI rate for internal sewer flooding was low in comparison with other water companies and sought assurance that the triangulation process had produced an accurate reflection of customer views – we wanted to look into it further in the context of the overall package and in terms of the asymmetry.	Checked: After this challenge was made, NWL checked industry comparisons and found its valuation for this measure to be within the inter-quartile range.
89	We very much welcome NWL's proposed repeat sewer flooding performance commitment, and challenged the company to see whether affected customers could get a direct benefit of the penalty, as opposed to all customers benefitting.	Explained: The regulatory mechanism for incentives means that they are applied equally across all bill payers. However, GSS payments are used to directly compensate those affected.
90	For pollution, we challenged the target figure as being high, and also whether customers support rewards for improving pollution performance (as opposed to just penalties, which is the EA's standpoint).	Accepted: The company shared research showing customer support for reward. It also tightened its PC, as described in <i>Challenge #74</i> in <i>Table 16</i> .
91	Although Ofwat has made per capita consumption (PCC) a common performance commitment, we felt that an ODI with reward attached was inappropriate because effectively customers' bills would go up if they save water (Nov-17).	Further Discussion: When the company presented and discussed the PCs in the round in Apr-18, we were happy with the proposed penalty and reward rates for PCC.
92	We broadly support the rationale that the company used to decide whether ODIs should be reward and penalty, penalty-only or reputational. The only question mark was about the water poverty ODI being reputational only – we applaud the proposal, but urged NWL to make a clear explanation of its rationale in the business plan submission so that its corporate ethics are clear and the ODI doesn't become a financial one.	Accepted: The company considered and reflected this challenge in its Plan.

Our view is that NWL's proposed ODI rates largely reflect the findings of its customer engagement activity.

However, the EA representatives felt that as customers looked at the whole package of rewards and penalties together they would not

have been aware that rewarding performance that includes pollution incidents is rewarding illegal behaviours. We would like to note our EA members' stance that pollution incidents should be penalty-only rather than penalty and reward; but also that the Ofwat methodology for PR19 is clear and has been followed by the company – it

is our view that the policy is a matter for ongoing debate between Ofwat and the EA rather than the Water Forums compliance breaches and pollution incidents and NWL. We also note that the EA will prosecute compliance breaches and pollution incidents regardless of ODI targets.

We would also like to underscore the importance of avoiding the perverse potential situation of NWL being penalised for not meeting stretching targets in areas where they are already industry-leading.

We question the regulatory concept of Enhanced Incentives where one company's customers pay for improvements that other companies' customers get. We recognise that this is a matter for discussion with, and policy-making by, Ofwat. We therefore encourage future (beyond the PR19 process) customer research into this new area of enhanced incentive rates.

6.4.4.3 The overall size of the ODI package

Ofwat requirement 7d:

- CCG comment ✓CCG challenge ✓Customer evidence

Ofwat expected all water companies to obtain customer support, via engagement activity, for the overall range of possible bill impacts from ODIs. To meet Ofwat guidance, the company has also proposed approaches to protecting customers in case their ODI payments turn out to be much higher than their expected range for ODIs.

We are supportive of the overall financial range associated with the ODIs – it is both consistent with Ofwat expectations and within a range that was acceptable to customers. We made just one challenge in this regard (Table 20).

6.4.5 Resilience planning and customer engagement

Ofwat requirement 9:

- CCG comment ✓CCG challenge ✓Customer evidence

Ofwat's resilience planning principle number 3 is customer engagement: 'Assessments of resilience should be informed by engagement with customers, to help companies understand their customers' expectations on levels of service. This will also help companies understand their customers' appetite for risk and how customer behaviour, in matters such as water efficiency, might influence approaches to resilience.'

6.4.5.1 Progress to date

Research revealed that in terms of being prepared for the future, customers expect NWL to help educate customers on water efficiency and saving water; and work with customers and stakeholders to develop its future resilience strategy. [29]

We note that the company already clearly understands this, and the positive impact on resilience that it can achieve by working with customers to influence behaviour change.

Table 20: The Water Forums' challenges regarding the overall size of NWL's ODI package

#	Our challenge	Company's response
93	On the subject of ODIs and enhancements, the company had done its customer research for these two components separately, and we challenged them about whether they had pulled all elements together for customers, so that they might have the opportunity to inform themselves in the round – essentially, if all the enhancements went ahead AND the company had exceptional performance, could bills actually go up?	Clarified: We were assured in two ways about this matter: the company combined the two in its acceptability testing; and it has produced a plan whereby bills at the end of the AMP will be lower (excluding inflation) than they were in 2014/15.



There are excellent examples of work already done or underway, which include:

- Every Drop Counts – a water efficiency campaign involving current and future bill payers, and linked to the company’s Water Resource Management Plan (WRMP). It takes a ‘whole community’ approach to behaviour change, giving customers different ways to participate.
- Love Your Drain – a campaign, featuring the character Dwaine Pipe, to educate customers about the causes of blockages and what can and cannot put down the toilet and sink.
- Taste and odour – after improving its control of chlorine, NWL found that problems were then more often solved via customer conversations, as their behaviour had more influence over taste and odour issues than the company.

We encourage more of this type of work and are pleased that the company recognises the need to do so if it to deliver its PR19 business plan, for example sewer blockages and sewer flooding – it explained to us that customer behaviour is the biggest challenge in preventing the latter.

At our Annual Performance Review meeting with the company in Jun-18, we reviewed the Company’s performance trends and its response to Ofwat’s consultation on the Beast from the East – this gave us the baseline on the company’s current resilience. We would like to highlight how positively the company handled ‘the Beast’ – it comfortably performed against its PC and the event is a very good example of good resilience planning leading to positive customer outcomes.

6.4.5.2 Resilience in PR19

NWL’s customer engagement during PR19 covered all of the areas mentioned in the planning principle, with research including:

- Resilience, trust, customer expectations on future challenges and appetite to risk (2016).
- Resilience, asset health and long-term affordability (2017). Having developed draft plans based on the 2016 research, this was to test the company’s proposals with customers.
- Behaviour Change and Funds (2017), from which it got customer support for an environmental improvement scheme.

- Discretionary resilience schemes and willingness to invest (2018), the research for which we fundamentally helped to shape (Table 21).

Table 21: WF’s challenge on resilience schemes acceptability research

#	Our challenge	Company’s response
94	In discussing the customer research about resilience, we suggested to the company that it should share the specifics of each enhancement/resilience scheme with customers to get their feedback.	Accepted: This was done as stage 3, and despite the company’s reservations that this would be too detailed for customers, they were very receptive and interested in the specific details of the schemes. The company acknowledges that the success of this approach is reflected in the very high levels of support it subsequently received for its plans. It has also decided to adopt the same approach in the future engagement exercises.
95	In the triangulation workshop (Feb-18) we challenged that the impact of discretionary enhancements on the company’s PCs needs to be demonstrable.	Responded: The company responded by explaining that the resilience benefit of these should be reflected in AMP8 rather than AMP7. This is because most of the investment is about improving system resilience against risk and reducing impact to service and therefore not possible to demonstrate in the PCs. The example shared was the Tees mains pipe – it presents risks of loss of supply and discolouration, but there has not been an issue recently so current PCs (which are used to set future PCs) reflect current system performance and resilience. Once replaced, the main’s risk reduces but the impact on performance is almost impossible to demonstrate.

To understand the extent to which customer engagement had informed and shaped the company's understanding of and approach to resilience in PR19, we covered the topic at our Water Forums meeting in Jan-18. The company presented its resilience framework (**section 5.2**) and customer research findings.

With this context clearly articulated, we then undertook a deep-dive into enhancements, including those to deliver resilience, in Apr-18. At this session, we covered the water and wastewater schemes proposed – the company used the same materials with us as it had used during the deliberative acceptability events with customers. This was a very useful approach, and gave us confidence in the engagement process that had been undertaken with customers.

Our view is that NWL's customer engagement in matters relating to resilience, and using the outputs to inform its approach has been excellent. We are confident that its approach reflects customers' three priorities for resilience – that NWL provides clean, clear drinking water that tastes good; a reliable and sufficient supply of water; and a sewerage service that deals effectively with sewage and heavy rainfall. [\[30\]](#) We are assured that the enhanced resilience schemes, described below, meet customers' expectations and priorities and reflect their appetite for risk. We are also assured that these plans are well supported, as demonstrated in the Mar-18 and Apr-18 Discretionary Enhancement Acceptability Research results.

6.4.5.3 The individual resilience enhancement schemes

Ofwat requirement 9b:

- CCG comment
- CCG challenge
- ✓ Customer evidence

We had the opportunity to review and challenge each of the enhancement schemes included in NWL's PR19 submission. Our discussions centered primarily on the proposed discretionary enhancement schemes, rather than the statutory ones such as the Water Industry National Environment Programme (WINEP).

Overall, because NWL's proposed investment in incrementally increasing operational resilience is focused on addressing the three priority resilience Outcomes that customer research identified (clean, clear drinking water that tastes good; a reliable and sufficient supply of water; and a sewerage service that deals effectively with sewage and heavy rainfall), we have a high degree of confidence that the investment will deliver for customers.

Customers support the package of schemes that will bring greater operational resilience too, as evidenced by the Acceptability research.

We noted that the differences in acceptability were generally on the wastewater projects – and where there were differences, acceptance seemed to be related to cost. We were not surprised at the high levels of acceptance for the water schemes,

because they are very specific, with definite benefits, making them clearer than the wastewater ones.

The company took us through the same process as 78 customers had experienced during the focus groups, and it was clear that they had put a great deal of effort into ensuring the research was as effective as possible – the explanations that they gave customers were clear, understood and a very important element to gaining acceptability.

Whilst numbers involved – 50 customers in NW and 28 customers in ESW through ten deliberative events – weren't sufficiently representative to draw final conclusions about acceptability, we were assured by the fact that a fully representative sample of customers was included in the Jun-18 Acceptability research.

For completeness, we also reviewed the statutory enhancement aspects, especially the high spend on environment resilience (WINEP). We understood that the EA had worked very closely with the company to produce the WINEP programme; and that our EA members were

satisfied with the result and that NWL would address most of its obligations between 2020 and 2027, therefore leaving no future customer legacy. The message that WINEP was statutory and not discretionary was also important to us.

A summary of our challenges to specific enhancement schemes, and the impact of these challenges on the business plan is included in **Table 22**.

Table 22: The Water Forums' challenges regarding NWL's scheme-specific PCs

#	Our challenge	Company's response
96	We wanted more information in relation to the Howdon Sewage Treatment Works proposal. Given that customer support was slightly lower at 55%, we felt it important to untangle the issues/drivers for this scheme. We challenged the company to consider whether it should weight the evidence, with more weight being given to those customers who would benefit from the scheme.	Changed proposal: Because of our challenge, the company refined its proposal for Howdon so that it focused on tackling the growth challenge in the area and therefore this scheme became a statutory rather than discretionary enhancement.
97	Our view was that the multi-agency response to flooding proposal was, with a value of just £210k, too small. We challenged the company about whether it ought to be included here, or just be a business as usual (BAU) activity.	Changed approach: Our challenge meant that the company did not include, in its business plan, proposals for either the Multi-Agency Flood Response, or Development Sites (another low value scheme). We are pleased that the company still intends to progress with these activities outside of this process.
98	<p>Whilst we did not agree a definitive threshold for support in percentage terms, we felt that anything over about 60% (in favour) would be acceptable. A small number of the proposed enhancement schemes received lower support from customers, partly due to a high percentage of "unsures". We suggested that the company explore this further, to see if a more decisive yes or no result could be obtained.</p> <p>For example, with the smart metering scheme, we felt that research showed a reasonable level of customer support (62/64%), but felt that NWL needs to be clearer about the benefits for customers, because there was a high proportion of 'unsures'.</p>	Accepted: Our challenge led the company to think more broadly about the areas where there were a high proportion of 'unsures' and the one proposal that hadn't been tested with customers. Before testing acceptability of the plan with customers, they did some extra customer research on the discretionary enhancement proposals for Lead, Smart Meters and Smart Wastewater Networks. For the latter, the company explained the concept more effectively, which resulted in increased levels of support, from 59% to 80%.
99	For the proposal in relation to lead, we supported the proposals but noted that they had not yet been tested with customers and urged the company to do so.	Accepted: As above
100	The company proposed a scheme for a new member of staff – a multi-agency coordinator whose work would result in communities having a plan to respond to flooding and being better protected. We felt that this was the right thing to do and was innovative. However, we challenged that the company ought to be implementing this role anyway as part of its business as usual activity.	Changed approach: Because of our challenge, the company changed its approach from enhancement to BAU.
101	We were unconvinced that cyber resilience qualified as a discretionary enhancement, rather that it was something that NWL should be doing anyway.	Not accepted: Having considered this challenge, the company decided to still include it in its enhancements package – they believe it is a valid enhancement in response to significantly increasing risk in this area, along with customers' desire to protect their data. They did, however, agree that they needed to better articulate the level of protection that will be delivered by the scheme. This is an area that we did not reach agreement on.

6.4.6 Securing cost efficiency: Cost Adjustment Claims

Ofwat requirement 10:

✓CCG comment ✓CCG challenge ✓Customer evidence

The Company is not proposing any cost adjustment claims within the PR19 business plan, so there has been no need for us to discuss and challenge this subject with the company.

6.4.7 Corporate and financial structures

Ofwat requirement 8b:

• CCG comment • CCG challenge ✓Customer evidence

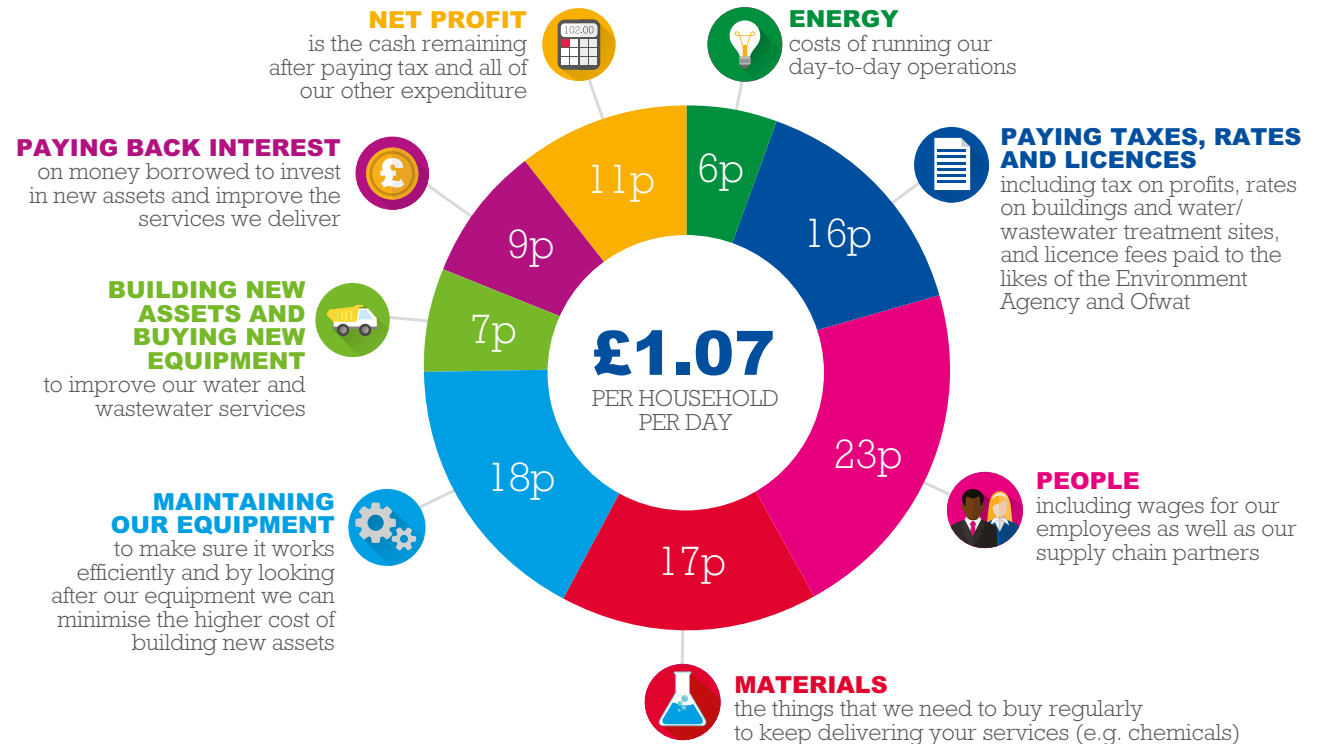
For PR19, Ofwat has introduced a new Initial Assessment of Business Plans (IAP) test to require assurance from company Boards that their business plan will enable customers' trust and confidence through high levels of transparency and engagement with customers on issues such as its corporate and financial structures.

We were encouraged that the company engaged with customers to research how best to pitch its 'Our Finances Explained' materials, rather than simply produce them. Also that the research involved customers in vulnerable circumstances, including unemployment, low income, long-term illness, physical disability and carer responsibility.

Feedback was that most of the information was interesting, if unnecessary for them to know; but the transparency and explanations certainly built more trust and positive perceptions. The area which customers were most interested in was information on where the money from customer's water and sewerage bill goes (**Figure 3**). They stated that they expect this information to be provided proactively by NWL, accompanying the bill when it's sent to customers.

Customers fed back that other information shared at the workshops, such as financing, ownership and shareholder returns, should be openly available for those customers who are interested.

Figure 3: 'Average household bill' example used in customer research



6.4.8 Financeability, profiling of bills over time and accounting for past delivery

Ofwat requirement 11-13:

- CCG comment
- CCG challenge
- ✓ Customer evidence

These are three areas where we are not asked either to comment explicitly, or to provide challenge. We are simply asked to assure that NWL has used customer evidence in its decision-making. We had the chance to do this at our Jun-17 and Jun-18 Water Forums meetings, as well as a follow-up conversation between the company and our CCWater members. We are satisfied that customer evidence has been appropriately used.

Given the increased political focus on, and media and public awareness of, corporate finance matters, we envisage that they will be more on the Water Forums' agenda in future. We encourage NWL to build customers' trust in this area, adding content to its website – making it easy to find, using plain language and being totally transparent, e.g. we should have paid £xm in tax and we paid it; we got £xm as a reward for good performance and we are using this to do...'. .

6.4.8.1 Financeability

We have had no need to assure in this area, as NWL has not made any changes to customer bills to address financeability constraints. Its financial ratios remain within investment grade limits, even after applying the stress tests set out by Ofwat.

6.4.8.2 Bill profile over time

At the Jun-17 meeting, the company described the differing pressures on bills, and stated that the overall effect in PR19 should be downward, which should result in less than inflation increases. They felt that in this climate the company would be able to propose some long-term resilience measures; and that there would be a choice of bills going down early in the price control period and then back up, or to offer steady bills across both periods. We welcomed this honesty and kept a watching brief over the ensuing 12 months.

Evidence from customer research [\[31\]](#) revealed that they overwhelmingly prefer predictable bills over volatile ones. We are therefore pleased that the company has listened to its customers and intends to make a significant real-terms price reduction in year one of the five-year period, with smoothed bills from years two to five.

We also welcome the significant reductions in year one, as this represents returning the efficiencies that the company has achieved between 2015-2020.

6.4.8.3 Accounting for past delivery

We reviewed NWL's additional ODI research results (Mar-18), which confirmed that customers, on average, support a 50:50 sharing mechanism for gains and losses – this matches the Ofwat methodology and confirms customer support for the company's approach.





Commentary on wider regulatory and governmental expectations and regulatory

Ofwat requirement 8:

✓CCG comment ✓CCG challenge ✓Customer evidence

Beyond Ofwat, the Environment Agency, Natural England and the UK Government have set out wider expectations of water companies, including NWL.

Ofwat expects NWL to have taken these broader expectations into account when developing its business plans and Outcomes; and to implement them when they are in customers' interests and have customer support.

It is not within our remit to comment on the extent to which these expectations have been considered, but as with all other aspects of the PR19 business plan, we have provided challenge to ensure customer evidence has been used.

We have included environment, water and wastewater-related challenges throughout this report, including those that we have made during broader discussions about the company's plans and about:

The Water Industry Strategic Environmental Requirements (WISER) – a joint EA/NE strategic steer on the environment, resilience and flood risk for business planning purposes. We note that in due course the EA will provide feedback to Ofwat on the company's response to WISER.

Water Industry National Environment Programme (WINEP) – the actions that water companies have to complete to meet their environmental obligations

Water Resources Management Plan (WRMP)

The Defra 25-year Environment Plan

The company's Drainage Wastewater Management Plan (DWMP).

7.1 Regulatory involvement in our Water Forums

In terms of involvement levels, we note the fact that the EA and Natural England have played an active and engaging role in our Water Forums' activities for PR19, with attendance at all meetings - their comments, challenges and contributions are included in this report. On the other hand, we had representation from the DWI at just one meeting. This has limited its ability to engage in and make an impact on the CCG process for PR19.

The DWI was given the opportunity to share with us their view on the water quality aspects of the business plan. However, we note that the DWI has declined to offer a view.

It has, however, provided a statement about the elements of NWL's business plan that requires DWI's technical support.

The letter from the Drinking Water Inspectorate, covering the company's formal drinking water proposals that require the DWI's technical support is included in **Appendix 8.6**.

7.2 Our Environment sub-group and customer engagement

Our environmental sub-group has been very active during the PR19 process, and is poised to continue its work into the price control period itself – we will play a key governance role in the environmental partnership arrangements that emerge from its strategy (described in **section 5.5**). We have immersed ourselves in both customer engagement about the environment, and the company's work in the environment. This has enabled us to make recommendations and challenges throughout the process, which the company has been very open to. Those that we made but which do not feature elsewhere in this report are detailed in **(Table 23)**.

We had chance to explore the findings of NWL's research into customers' views on environmental matters including river water quality (2016), bathing water quality (2015), The Future of CSOs (2016) and Sewer Ownership and Flooding Response (2016).

Table 23: Environment-related challenges which do not feature elsewhere in our report

#	Our challenge	Company's response
102	To share the results of the river water quality and bathing water quality with others, including the EA and local authorities, to support the work that these organisations are doing (Feb-17).	<p>Explained: The company explained to us how it has already shared the BWQ research, with Local Authorities, the EA and at external meetings and workshops. In 2018, at a joint EA/ NWL regional bathing water workshop in 2018 it included how it had used the research to inform future plans.</p> <p>For RWQ: it explained had already shared the research at an event with the EA and catchment partners in 2016; then it used the research in meetings with catchment partners and at the Regional Thinking Ahead workshops.</p>
103	Ahead of the launch of NWL's Improving the Water Environment scheme at the Jul-18 Innovation Festival, we offered challenges to make the scheme more holistic (e.g. including wetlands in the definition of water environment) and for NWL to communicate the scheme's details in a more customer-friendly way that doesn't undersell its value (Jun-18).	Accepted: The company modified the wording in readiness for the launch. This included wetlands and natural capital in the definition.
104	We challenged the original wording of the wider environmental ambition.	Accepted: The company took our comments into consideration.
105	We are supportive of the company's ambitious environmental goals, but challenged NWL to set out how it planned to achieve them, i.e. using more detail and evidence.	Accepted: The plan now goes into some detail about how they expect to achieve these goals, including how it will achieve net gain for biodiversity, how it will work with catchment partners and how it will manage its own sites to achieve a positive environmental impact. We are pleased with the ambition in the 'working with others' measure that was launched at the 2018 Innovation Festival.
106	We made a number of challenges to the detail of rewards relating to the Improving the Water Environment Scheme (IWES), e.g. hour stretching and achievable a 300km improvement is; and how best to make it attractive to partners.	Work in progress: These conversations and working through the detail are ongoing between the Water Forums' Environmental sub-group and the company. We are pleased at their open and constructive nature. The Water Forums have also expressed interest in supporting the governance arrangements for the scheme which was welcomed by the company.

A key area that emerged from the environment research, which we have seen reflected in both the business plan and the work that the company is already undertaking is that customers believe that prevention is better than cure – NWL's catchment management approach (exemplified in the Don Integrated Catchment Project) and partnership working ethos are very positive ways of meeting these customer expectations.

7.3 Our Water Quality sub-group and customer engagement

After the DWI attended our WF meeting in Mar-18, we requested a more in-depth look at the company's short, medium and long-term plans for water quality, which the company provided for discussions at our May-18 meeting.

Following this, we worked with the company to establish a sub-group of the Water Forums, in July 2018, to focus on issues of water quality (WQ), including customer engagement. This will be an ongoing activity for the Forums, and we welcome the company's proactive engagement with us on this crucial area of its business.

The company engaged with customers on all aspects of water quality, as described in **section 6.1**, including discolouration, lead, taste and odour; and used the findings of this research in setting its PCs.

The water quality-related challenges that the sub-group and the broader Water Forums made during the PR19 process, but which don't feature elsewhere in this report are in **Table 24**.

Table 24: Water quality-related challenges which do not feature elsewhere in our report

#	Our challenge	Company's response
107	Regarding heating oil issues, we suggested the company engage with heating oil suppliers – possibly including the provision of a guidance leaflet. (May-18).	Accepted: NWL is now planning to communicate with heating oil suppliers to ensure property owners appreciate the risk from land contamination. It has ascertained that going through the supplier route will target customers who receive oil deliveries as opposed to second guessing the locations of properties through incomplete data sets – this should give much better, more targeted coverage.
108	We challenged the lack of catchment material in NWL's paper to our May-18 meeting, and challenged whether the water quality long-term plan was consistent with the company's catchment management objectives; and whether some of the ground-breaking work being done in ESW should be acknowledged.	Explained: At our Jul-18 sub-group meeting, the company explained how catchment was at heart of the long-term drinking water quality plan. We were reassured that, in actual fact, catchment was properly positioned.
109	We noted that we were unable to gauge the risk of some of the issues to be addressed in the Company's long-term water quality plan – and therefore did not know whether we should call for any of them to be brought forward to prevent this building a legacy for future customers (May-18).	Action: NWL proposed that we set up a group to look at this in detail. This led to the creation of the Water Quality (WQ) sub-group.
110	Regarding support to CCGs, DWI had said it was not taking part in the CCG process. We said that we would still like to meet with DWI periodically, and if it was not possible for DWI to attend CCG meetings, we could go to the DWI by accompanying the company to one of its routine DWI meetings (Jul-18).	Consideration: NWL is considering how this can be done.
111	We provided a number of challenges in our formal response to Ofwat about NWL's draft Water Resources Management Plan (WRMP).	Discussion: At our WQ sub-group meeting in Jul-18, we discussed the company's response to the challenges made by EA, Ofwat and the Water Forums to its draft WRMP and concluded that we were happy with what had been done.
112	In the acceptability research we noted the use of potential for water supply restrictions as 1 in 200 year event. This could have been clearer that it referred to things like pressure reduction, whereas restrictions for none essentials use such as hosepipe bans is predicted as 1 in 20 years. Potentially without clarification this was slightly misleading for customers.	Investigated. NWL looking into this, and compared what they tested with customers against Ofwat's wording of the common measures. They agreed that with hindsight they could have included the word 'severe' to make the type of restriction clearer. However, in looking again at the results its research partners (Explain) did not report on restrictions being a key theme or material factor in whether or not participants chose to accept or reject the plan. We are pleased that they took this challenge seriously and agree with their conclusion that given the high level of acceptability this issue would have impacted on the results – rather it is a learning for next time.



7.4 Drainage Wastewater Management Plan (DWMP) and PR19

For PR19, water companies have been left to determine their own level of ambition for the introduction of DWMPs, which Ofwat expects to be fully delivered and applied for PR24. NWL shared its thinking with us in Jun-18, when it clearly articulated how its approach is a mixture of business as usual activities and new activities that the company will start in the period 2020-2025.

We support NWL's plans and believe that its integrated drainage and catchment-based partnership approach will prove successful. Indeed, it could use its experience of working in partnership to set best practice models for DWMP.

"It seems that the company is ahead of the rest in terms of partnership working. I urge them to lead in this area and share their learning for the benefit of all customers affected by flooding."

Steve Grebby, CCWater.

One area it could focus on to is to do more to explain how Sustainable Drainage Systems (SuDS) work for and benefit the local community.

Appendices

8.1 Water Forums' activities – in chronological order

The activities listed in this Appendix do not include our formal Water Forums meetings with the company, the minutes and attendees for which are available on our section of the company's websites:

NW – <https://www.nwl.co.uk/your-home/water-forums.aspx> | ESW – <https://www.eswater.co.uk/your-home/water-forums.aspx>

Date	Event	Members
04/04/16	Customer research and engagement proposal and Water Forums update: reviewed company's proposals for customer research and engagement; and proposals for the Water Forums strategy.	Mary Coyle
07/04/16	Customer research and engagement proposal and Water Forums update: reviewed company's proposals for customer research and engagement; and proposals for the Water Forums strategy.	Steve Grebby
10/05/16	Defining the Conversation event in South Shields.	Mary Coyle
11/05/16	Defining the Conversation event in Newcastle.	Steve Grebby, Robert Light
17/05/16	Defining the Conversation event in Diss, Suffolk.	Richard Powell
23/05/16	Vulnerability, with a focus on young people in Newcastle.	Steve Grebby
25/05/16	Resilience in Middlesbrough.	Colin Wilkinson, Steve Grebby
25/05/16	Vulnerability, with a focus on dementia, in Thornaby.	Colin Wilkinson
11/06/16	River Water Quality in Newcastle.	Robert Light
16/05/16	Board engagement: met with the Board INeDs and Heidi Mottram (<i>CEO</i>) in Durham.	Jim Dixon, Professor Bernard Crump
18/06/16	River Water Quality in Bishop Auckland.	Steve Grebby, Colin Wilkinson
21/06/16	Resilience in Great Yarmouth.	Richard Powell
23/06/16	Triangulation, first steps: CCWater challenged and advised the company on its proposals for first steps in triangulation of multi-sources of customer preference information.	Professor Bernard Crump
07/07/16	Outcomes workshop: familiarisation with 'outcomes' before members and the company started to define theme scope and stakeholder strategies.	Full meeting

06/09/16	Claire Sharp (Customer Director), introduced 'Unrivalled Customer Experience Strategy' and explained Customer Research and Engagement Strategy. We also visited the reed beds.	Jim Dixon, Iain Dunnnett, Caroline Taylor, Ammer Malik, John Giles
19/09/16	Claire Sharp introduced 'Unrivalled Customer Experience Strategy' and explained Customer Research and Engagement Strategy. We also visited Regional Control Centre.	Jim Dixon, Fiona Morris, Mary Coyle, Robert Light, Melanie Laws, Colin Wilkinson, Steve Grebby
26/09/16	Non-household retail charges: (PR19) discussion with Chris Johns (Finance Director) and NWL Business (NWL B) team: Katy Spackman (Regulations and Compliance Manager), Helen Laverick (Tariff Manager) and Lucy Darch (Managing Director).	Professor Bernard Crump, Steve Grebby, Colin Wilkinson
26/09/16	Customer Research and Engagement Strategy: meeting with NWL's Jim Strange (Asset Strategy Manager) and Elaine Erskine (Strategic Research and Assurance Manager) to work on the next steps, particularly around PR19 activities.	Professor Bernard Crump, Steve Grebby, Colin Wilkinson, Richard Powell
11/10/16	Social tariffs: Elaine Erskine and Clare Galland (Asset Strategy Customer Research Manager) shared their first thoughts on this future research project.	Steve Grebby
17/10/16	Regulatory finance: Met the company's Crawford Winton (Economic Regulation Manager) to discuss.	Sarah Glendinning, Steve Grebby
07/11/16	Social tariffs research: Met Elaine Erskine and Clare Galland to advise and challenge on proposed research materials; Andrew White (CCWater) joined by phone.	Steve Grebby, Colin Wilkinson
08/11/16	PR19 customer research: Sat on the interview panel for the company's partners.	Steve Grebby
09/11/16	Flooding: Attended a flooding customer engagement event in Killingworth.	Steve Grebby
11/11/16	PR19 customer research: Sat on the interview panel for the company's partners.	Steve Grebby
09/12/16	Water Forums' strategy meeting in York.	Jim Dixon, James Copeland
19/12/16	Forums' strategy: met with NWL's Heidi Mottram, Chris Watson (Head of Strategic Planning and Economic Regulation) and Jim Strange.	Jim Dixon
19/12/16	Assurance: meeting to talk about how we would use the company assurance methodology to 'assure' customer engagement processes for Ofwat. Forums process: Robert, Steve and Melanie gave insights to company about how the company was progressing with the Forums process and wider PR19 process.	Jim Dixon, Robert Light, Steve Grebby, Colin Wilkinson, Melanie Laws
22/12/16	Ofwat engagement: Telecon with Ofwat's Jon Ashley about Ofwat's outcomes consultation.	Jim Dixon
11/01/17	Ofwat engagement: Attended the CCG Chairs' meeting at Ofwat in Birmingham.	Jim Dixon
19/01/17	Metering: met with Elaine Erskine and Lois Gill (Technical Policy Advisor) who shared the company's first thoughts on their future metering customer research project.	Steve Grebby
25/01/17	Environment: met NWL's Richard Warneford (Wastewater Director) and Chris Jones (Research and Development Manager) in Newcastle.	Jim Dixon, Professor Mark Reed, Chris Barnard

30/01/17	Vulnerability and communities; participated in a workshop in Peterborough.	Mary Coyle, Caroline Taylor, Jo Curry, Joseph Surtees, Professor Bernard Crump, Steve Grebby, Colin Wilkinson
09/02/17	Environment sub-group meeting with River Trust managers in Durham.	Professor Mark Reed, Chris Barnard, Melanie Laws, Steve Grebby
09/02/17	Met with Elaine Erskine to discuss feedback on the company's customer consultation on strengths, risks and weaknesses and draft assurance plan.	Melanie Laws, Steve Grebby
13/02/17	Social tariffs: telecon with Claire Sharp, Mark Wilkinson (Customer Collection Manager), Elaine Erskine and Clare Galland to advise and challenge on analysis of research results.	Professor Bernard Crump, Robert Light, Steve Grebby, Andrew White
23/02/17	Telecon with Jim Strange and Elaine Erskine to discuss the company's PR19 research and engagement programme, triangulation of research, and other customer insights/evidence.	Professor Bernard Crump
21/03/17	Met Sarah Salter (Group HR Director), to examine NWL's diversity strategy and arrangements and to start to consider the Forums approach. Session was facilitated by Jon Prashar (Places for People) and his guide dog, Mr T.	Joseph Surtees, Lesley Crisp, Mary Coyle, Melanie Laws, Steve Grebby, Robert Light
05/04/17	Attended a dissemination event led by Richard Warneford at Pity Me.	Robert Light, Steve Grebby, Colin Wilkinson
05/04/17	Met with Elaine Erskine and Ros Shedden to discuss future customer engagement.	Steve Grebby, Colin Wilkinson
06/04/17	Attended an Our Finances Explained co-creation workshop in Newcastle.	James Copeland
10/04/17	Attended Defining the Conversation hall tests in Southend.	Graham Dale
12/04/17	Attended an Outcomes Research deliberative event in Whickham.	Steve Grebby
18/04/17	Attended Defining the Conversation hall tests in North Shields.	Mary Coyle
20/04/17	Attended a Metering deliberative event in Basildon.	Graham Dale
25/04/17	Attended a Metering deliberative event in Newcastle.	Steve Grebby
04/05/17	Worked with Carol Cairns (Programme Support Manager), Elaine Erskine and Lucy Denham (Asset Strategy Customer Research Manager), to create an improved Forums programme and a draft reporting process.	Colin Wilkinson, Jo Curry, Sarah Young
04/05/17	Attended a Service perceptions, measures and priorities deliberative event in Crook.	Steve Grebby
04/05/17	Attended a Service perceptions, measures and priorities deliberative event in Rayleigh.	Graham Dale
09/05/17	Attended a Service perceptions, measures and priorities deliberative event in Whitley Bay.	Jo Curry
16/05/17	Board engagement: meeting with Board INEDs and Louise Hunter (Corporate Communications Director) to update them on programme and progress.	Jim Dixon

24/05/17	Participated in NWL's Vulnerable Customer Strategy day, working with them to further develop its practices.	Joseph Surtees
31/05/17	Attended a Trust and Value deliberative event in Darlington.	James Copeland, Colin Wilkinson
01/06/17	Attended a Trust and Value deliberative event in Gateshead.	Steve Grebby
05/06/17	Met with Elaine Erskine, Lucy Denham and Ben Wisniewski (Regulation Manager – Economics) to work together on the company's triangulation proposals.	Melanie Laws, Professor Bernard Crump, Mary Coyle, Melissa Lockwood, Colin Wilkinson, Steve Grebby, Chris Barnard, Sarah Young
05/06/17	Met with Ceri Jones (Assets & Assurance Director), Claire Sharp, John Devall (formerly Water Director) to review the Company's 2016/17 performance and to draft the Forums' position statement.	Melanie Laws, Professor Bernard Crump, Mary Coyle, Melissa Lockwood, Colin Wilkinson, Steve Grebby, Chris Barnard, Sarah Young, Steph Bird-Halton
06/06/17	Participated in ESW's National Environment Programme workshop.	Anna Martin, John Giles
03/07/17	Attended part of the company's Wastewater PR19 business planning Sprint, then the subsequent sense-checking workshop held at the Innovation Festival.	Steve Grebby
10/07/17	Attended the first day of the Sewer Flooding Sprint at the Innovation Festival; James presented, and set the scene from the land manager / owner point of view.	James Copeland, Steve Grebby
10/07/17	Attended the Ordnance Survey Sprint at the Innovation Festival.	Chris Barnard
11/07/17	Attended the Innovation Festival.	Colin Wilkinson
13/07/17	Attended CCWater's Triangulation event where it shared its report on 'Triangulation of research/ information sources that companies use in production of their PR19 business plans'	Mary Coyle
14/07/17	Participated as an Invest Quest Dragon at the company's Invest Quest event at the Innovation Festival.	Robert Light
18/07/17	Attended part of the company's Customer PR19 business planning Sprint.	Steve Grebby
25/07/17	Met with Sarah Pinkerton (Head of External Communications) and Miranda Cooper (Conservation and Land Manager) and PWC's Ollie Willmott to discuss PWC's scoping study on the measurement of impact on natural and other capitals.	Professor Mark Reed
25/07/17	Met with Louise Hunter and Forums' Secretary Ros Shedden to plan to broaden the Forums' engagement.	Melanie Laws, Mary Coyle
01/08/17	Forums Assurance sub-group members met with company and its PR19 assurance partners (PA Consulting).	Melanie Laws, Richard Powell, Steve Grebby, Melissa Lockwood
09/08/17	Attended Ofwat's CCG Chairs meeting, where main discussion topic was the recent Ofwat methodology consultation. When Chairs met in camera, the main topic was 'challenge logging'.	Richard Powell
01/09/17	Customer Engagement Workshop with the company for all Forum members.	Full meeting
25/09/17	Customer participation: met with Claire Sharp and Louise Hunter to discuss the various types of participation that are theoretically possible and how to increase participation.	Professor Mark Reed

27/09/17	Attended Regional Thinking Ahead workshop chaired by Dr Sima Lyster and Richard Warneford.	Jim Dixon, Melissa Lockwood
28/09/17	Board engagement: met with Margaret Fey (INeD) to brief her on Water Forums' progress.	Melanie Laws
17/10/17	Board engagement: attended full Board meeting.	Jim Dixon, Melanie Laws
07/11/17	Attended Have Your Say customer engagement session in North Shields.	Mary Coyle
08/11/17	Attended the CCG Chairs' meeting at Ofwat in London.	Melanie Laws
30/11/17	Customer engagement on resilience, asset health and long term strategy at Jesmond.	Steve Grebby, Robert Light
05/12/17	Customer engagement on resilience, asset health and long term strategy at Great Yarmouth.	Richard Powell
06/12/17	Attended Wastewater Day to find out more on the subject.	Jim Dixon, Melanie Laws, Mary Coyle, Melissa Lockwood, Steve Grebby, Hannah Campbell, James Copeland, Chris Barnard
07/12/17	Customer engagement on resilience, asset health and long term strategy at Brentwood.	Graham Dale
11/12/17	Partnerships: meeting with John Devall and Will Robinson (Water Resources Manager)	Richard Powell, James Copeland, John Torlesse, Graham Dale, John Giles
14/12/17	Met with Author and Company to plan CCG report.	Jim Dixon, Melanie Laws
09/01/18	Customer engagement on tariff structures in Barking.	Graham Dale
09/01/18	Customer engagement on bespoke measures of success in Hexham.	Steve Grebby
10/01/18	Customer engagement on tariff structures in Lowestoft.	Richard Powell
16/01/18	Attended the CCG Chairs' meeting at Ofwat in London.	Jim Dixon
18/01/18	Customer engagement on tariff structures in Cramlington.	Steve Grebby
19/01/18	Attended Ofwat customer engagement meeting with Company – London.	Jim Dixon, Melanie Laws
07/02/18	Attended visit by John Russell, Ofwat Senior Policy Director.	Melanie Laws
13/02/18	Triangulation: meeting of Water Forums members.	Full meeting
13/02/18	Environment: meeting with Clare Deasy (Water Framework Directive Catchment Co-ordinator) to discuss company's approach to the wider environment and how to take this forward in its business plan.	Professor Mark Reed
01/03/18	Customer engagement on innovative tariffs in Middlesborough.	Mark McElvanney, Steve Grebby
14/03/18	Attended the CCG Chairs' meeting at Ofwat in London.	Jim Dixon
04/04/18	Customer engagement on discretionary enhancements in Southwold, with Dr Simon Lyster INeD attending too.	Anna Martin, Richard Powell
05/04/18	Customer engagement on discretionary enhancements in Framlington.	Joseph Surtees
16/04/18	Attended 2018 Water Quality Liaison Day.	Melanie Laws

17/04/18	Enhancements sub-group meeting.	Jim Dixon, Melanie Laws, Leslie Crisp, Mary Coyle, John Giles, Graham Dale, Bhupendra Mistry
20/04/18	Triangulation sub-group meeting.	Professor Bernard Crump, Chris Barnard, Graham Dale, Melissa Lockwood, Jo Curry
20/04/18	Bespoke ODI hall tests in Great Yarmouth.	Richard Powell
26/04/18	Incentives and measures of success sub-group meeting.	Jim Dixon, Professor Bernard Crump, Melanie Laws, John Giles, Graham Dale, Melissa Lockwood, Steve Grebby, Robert Light
11/05/18	Environment sub-group meeting with Graham Southall (Group Commercial Director).	Richard Powell, Jim Dixon, Melissa Lockwood, John Giles, John Torlesse, Hannah Campbell, Anna Martin, Steve Grebby, Graham Dale, Robert Light, James Copeland
14/05/18	Chair and vice-Chair met with PR19 Board sub-group to update them on progress with the Forums Report.	Jim Dixon, Melanie Laws
22/05/18	Inclusivity: attended launch event at House of Lords.	Jim Dixon, Steve Grebby, James Copeland, Melissa Lockwood, John Giles, Bhupendra Mistry
06/06/18	Acceptability engagement workshops in Newcastle.	Mark McElvanney, Steve Grebby
09/06/18	Annual Performance Report sub-group meeting.	Jim Dixon, Mark McElvanney, Graham Dale, John Giles, Bhupendra Mistry, Chris Barnard, Jo Curry, Mary Coyle, Melanie Laws, Robert Light, Steve Grebby, Sarah Glendinning
11/06/18	Acceptability engagement workshops in Hexham.	Steve Grebby
13/06/18	Water Forums Report sub-group meeting.	Melissa Lockwood, Jim Dixon, Jo Curry, Melanie Laws, Steve Grebby
14/06/18	Acceptability engagement workshops in Middlesbrough.	Robert Light, Melanie Laws
21/06/18	Acceptability engagement workshops in Chelmsford.	Graham Dale, Iain Dunnett
21/06/18	Skype call with Jim Strange to review in detail the PCs where enhances rewards/penalties proposed.	Professor Bernard Crump
26/06/18	Fact finding on engagement with business retailers.	Melanie Laws, Sarah Glendinning
28/06/18	Environment sub-group meeting.	Anna Martin, Anne Ramsay (for Natural England), Graham Dale, Hannah Campbell, John Giles, Steve Grebby
28/06/18	Water Quality sub-group meeting.	Graham Dale, Steve Grebby, John Giles
9-13/07/18	Innovation Festival.	
18/07/18	Full Board meeting in London.	Jim Dixon, Melanie Laws, Professor Bernard Crump
27/07/18	Stakeholder event – Newcastle.	Jo Curry
31/07/18	Stakeholder event – Hanningfield Water Treatment Works.	Iain Dunnett

8.2 Board engagement activity with the Water Forums

Date	Event / Activity	Key purpose
08/01/18	WF Chair, Vice-chair, ELT and Margaret Fay (INeD) met in teleconference.	To prepare for Ofwat's Customer engagement meeting on 19-Jan-18.
09/01/18	Tariff Structures customer research event in Barking. Dr Simon Lyster (INeD) and Graham Dale (WF) attended.	Get insight into customer research.
11/01/18	WF Chair, Vice-chair and member met INeDs.	To update INeds on our progress and set Board engagement in place.
19/01/18	WF Chair, Vice Chair, company and Margaret Fay met Ofwat.	To demonstrate the relationship between Water Forums and the Board.
23/01/18	Board Meeting: WF programme of engagement on agenda.	Agreement of engagement principles and timetable.
26/01/18	Margaret Fay attended WF meeting.	To see WFs in action as we challenged and advised on NWL's Inclusivity Strategy, Long-term Strategy and customer engagement.
Mar/April 2018	Acceptability customer engagement events – co- attendance.	Final round of PR19 engagement with customers.
Mar/April 2018	Wider stakeholder engagement events – co-attendance.	Stakeholder engagement – aiming for broadening, and closing the loop with those currently involved.
19/03/18	Margaret Fay and Dr Simon Lyster attended WF meeting.	To see WFs in action as we challenged and advised on the emerging business plan and our deep-dive into the subject of leakage.
17/04/18	WF Chair attended Board PR19 sub-group meeting.	Share emerging views and on the quality of Company's customer engagement and the extent to which the Plan reflects the results.
16/05/18	Margaret Fay and Dr Simon Lyster attended WF meeting.	To see WFs in action as we challenged and advised on water quality strategy, long-term aspirations, and Exec Summary and customer engagement sections of the business plan.
18/06/16	WF Chair attended Board Meeting: WF Report in Board papers.	To get Board comments about our Report.
27/07/18	Paul Rew attended WF meeting.	To hear WF deliberations on the Silver Book and our Report.

8.4 Performance against our 10 success criteria

1. Continuous process: The Water Forums operate continuously – they have business as usual as well as Periodic Review activity

Ofwat's guidance: n/a

Measure of 'Good'	Measure of 'Excellent'	Status
<p>#1. Scope acknowledges a continuous process; outputs regularly published & updated on WF pages.</p> <p>#2. Members divide and conquer and work outside of main meetings on many subjects:</p> <p>#2.1. Regular programme of members activities in published meeting notes which are published on WF pages;</p> <p>#2.2. Consistent engagement demonstrated, with a total of more than 5 engagements per quarter.</p> <p>#3. Meeting survey Q7 (NW/ESW is genuinely committed to the Forums process) score ≥ 4.0</p>	<p>Engagement outside meetings (e.g. at 'important' workshops and events):</p> <p>#2.3. Consistent engagement demonstrated, and >8 engagements per quarter</p> <p>#3. Meeting survey Q7 (NW/ESW is genuinely committed to the Forums process) score ≥ 4.5</p> <p>#4. Publish Journal on WF pages quarterly from Sep-17</p> <p>#5. Social media comms from Dec-17</p> <p>#6. Live challenge log updates from Feb-18</p>	<p>#1. GOOD: scope continuously published since Jul-17</p> <p>#2. EXCELLENT: activities referenced in meeting notes and held in SharePoint</p> <p>#3. EXCELLENT: only two occasions where score was less than 4.0 (18 Sep-17 - 3.3 and 16 May-17 - 3.7) one was good (19 March 2018) and all others achieved</p> <p>#4. EXCELLENT: Journal published quarterly since Sept 2017</p> <p>#5. Tweets published sporadically since Nov-17; difficult to maintain, which needs to be considered in the future</p> <p>#6. Not achieved – to be considered in future</p>

2. Regulator engagement: Water industry regulators fulfil their CCG role, and members are continuously aware of the Company's regulatory obligations

Ofwat's guidance: Each CCG must have a CCWater representative; Environmental regulators and DWI should play a significant role

Measure of 'Good'	Measure of 'Excellent'	Status
<p>#1. Regulatory update given at least quarterly</p> <p>#2. Regulators take part at main meetings:</p> <p>#2.1. CCWater are members and attend 100% of meetings</p> <p>#2.2. EA and NE are members and attend 75% of meetings between them</p> <p>#2.3. DWI – one meeting during PR</p>	<p>Engagement outside meetings (e.g. workshops, events and fact finding days):</p> <p>#1. Regulatory update after important specific changes</p> <p>#2.1. CCWater – engagement 80%</p> <p>#2.2. EA and/or NE engagement – 50%</p> <p>#2.3. DWI – one engagement (eg members attending WQ Annual Awareness session alongside DWI), and one joint ELT and WF Chair meeting with DWI.</p>	<p>#1. EXCELLENT: Regulatory update papers into meetings continuously achieved from Jul-17; and important specific changes, e.g. WINEP update paper.</p> <p>#2.1. EXCELLENT: CCWater 100% meetings attendance continuously achieved from Jul-17, and 100% attendance in events and fact-finding days achieved continuously.</p> <p>#2.2 EXCELLENT: EA and/or NE 100% meetings attendance continuously achieved from Jul-17 ; and 50% attendance in events and fact-finding days achieved continuously.</p> <p>#2.3 EXCELLENT: DWI attendance at Mar-18 meeting and Vice-Chair attended Water Quality Liaison meeting in Durham on 16 Apr-18</p>

3. Independent: Water Forums are seen [by customers wider stakeholders and regulators and Ofwat] to be independent

Ofwat's guidance: n/a

Measure of 'Good'	Measure of 'Excellent'	Status
#1. Chair does not represent any particular organisation	#5. Meeting survey Q3 (Members feel able to exercise their independence) score >4	#1. GOOD: continuously achieved from Feb-16
#2. Chair's contracted to work appropriate number of days	#6. Chair and members meet with their independent author and Secretary to deliberate before their meeting from Oct-16, and in camera after meetings from Jul-16	#2. GOOD: continuously achieved from Feb-16 (with Vice-Chair cover for bereavement leave)
#3. Meeting survey Q1 (Members consider the Chair to be confident and effective) score > 4	#7. Meeting survey Q2 (Members consider their meeting materials to be of high quality) score >4	#3. GOOD: scores > 4 except for period of Chair's return after bereavement (Mar-18 and May-18). Support put in place and score for Jun-18 increased to 4.9.
#4. Exercise independence: Chair and members attend CCWater, Ofwat and other relevant events/ workshops	#8. Water Forums own and use their brand	#4. GOOD: continuously achieved from Jul-16
	#9. The Forums' independent Author takes responsibility for publications	#5. EXCELLENT: scores - consistently achieved
		#6. EXCELLENT: continuously achieved from Oct-16
		#7. EXCELLENT: only two meeting scores <4 (Jan and May-18), all others > 4
		#8. EXCELLENT: used brand continuously from Jul-16
		#9. EXCELLENT: 100% reviewed by author to date

4. Transparent: The Water Forums are seen [by customers, wider stakeholders and Ofwat] as totally transparent

Ofwat's guidance: n/a

Measure of 'Good'	Measure of 'Excellent'	Status
#1. Publication of:	#2. Publication of:	#1.1 GOOD: Continuously achieved from Jun-17, including updates
#1.1 Chair and members' biographies and WF aims published on WF web pages by Jun-17	#2.1 Members Journal, which demonstrates members leading their own process and meetings	#1.2 GOOD: Continuously achieved from Oct-16
#1.2 Terms of reference and meeting notes	#2.2 Chairs' appointment information	#2.1 EXCELLENT: Journal published quarterly from Sep-17 on WF's website
	#2.3 Chair and members remuneration and expenses policy	#2.2 to #2.3 Continuously achieved from Aug-18
	#2.4 Water Forums hospitality policy	

5. Expert and broad: The Water Forums are expert and broad in their membership

Ofwat's guidance: The report relates to an area of expertise for the CCG and/or when the CCG includes expert members, e.g. the views of a debt charity on the company's approach to affordability

Our interpretation of the guidance is that our WF: #1 Has a wide range of expertise, appropriate with regard to the company and its operations; #2 Can advise NWL, e.g. debt, approach to affordability; #3 Develops a great understanding of the water industry and its issues; and #4 is diverse.

Measure of 'Good'	Measure of 'Excellent'	Status
<p>#1. Members and their networks reflect:</p> <p>#1.1 Customers, communities, environment and economic impact</p> <p>#1.2 Operating areas: geography, rural/urban, education, local circumstances (politics and other), operational (resources, sewer flooding and other),</p> <p>#2. Debt and affordability expert members</p> <p>#3. Induction is focused and timely</p> <p>#4. Diversity awareness</p>	<p>#1. Balance across geography, themes and expertise</p> <p>#2. Expert members are involved, challenge and advise on vulnerability, debt, affordability</p> <p>#3. Induction is bespoke and engaging</p> <p>#4. Diverse membership</p>	<p>#1.1 GOOD: continuously achieved from Oct-16; membership reflects customers' community, environment and economic impact. To be excellent, balance should be improved – economic impact requires more support.</p> <p>#1.2 GOOD: Continuously achieved from Oct-16, membership reflects operating areas: geography, rural/urban, local circumstances (politics and other), operational (resources, sewer flooding and other). To be excellent the balance could be improved: Forums still north-centric, and Newcastle/Sunderland bias in NW.</p> <p>#2. EXCELLENT: continuously achieved, with expert members in debt and affordability, who have challenged and advised on vulnerability, debt and affordability</p> <p>#3. EXCELLENT: continuously achieved; induction focused and timely (e.g. outcomes (Jul-16), customer engagement (Feb-17), triangulation (throughout), wastewater day (Dec-17), leakage workshop (Feb-18))</p> <p>#4. GOOD: We continuously demonstrated diversity awareness, some working in diverse communities (eg StepChange and Changing Lives). To be excellent, we should be more diverse, e.g. a Young Forums 'wing' and representation from diverse communities to be considered with other membership needs.</p>

6. Active and engaging: Water Forums are active and engaging, and the Company is listening

Ofwat's guidance: n/a

Measure of 'Good'	Measure of 'Excellent'	Status
<p>#1. Attendance at quarterly meetings:</p> <p>#1.1 Full cover for N and E&S and themes.</p> <p>#1.2 Meeting Summary Survey - Q3, 4, 7, 8 - average score equal to or greater than 4.0</p> <p>#1.3 Activity outside of meetings - in total more than 20 engagements pa.</p>	<p>#1.2 Members' voice is prioritised at meetings, so Meeting Survey Q3, 4, 7, 8 to score - average score \geq 4.5</p> <p>#1.3 Activity outside of meetings >40 engagements p.a.</p>	<p>#1.1. Achieved continuously since Oct-16; attendance at quarterly meetings had full cover for NW, ESW and themes.</p> <p>#1.2. GOOD: Our voice has been continuously prioritised from Jun-17 and average score for Meeting Survey Qs was 4.3 for 2017/8</p> <p>#1.3. EXCELLENT: 31 in 2018, 53 engagements in 2017 and 28 in 2016</p>

7. Provides challenge: Water Forums are seen [by customers, wider stakeholders and Ofwat] to provide customer evidence-based challenge

Ofwat's guidance: CCG provides strong evidence for its challenges to a company, eg clearly supporting with research evidence on customers' priorities

Measure of 'Good'	Measure of 'Excellent'	Status
<p>#1. Water Forums are given the opportunity to challenge</p> <p>#2. Water Forums challenge is evidence based.</p>	<p>#3. Publication of the challenge log in an engaging way.</p>	<p>#1. GOOD: we have had opportunity to challenge, and they are recorded and published in Water Forums notes and held in SharePoint Challenge Log.</p> <p>#2. GOOD: challenges have enabled our author to evidence our work; the Author confirms that challenges are focused and evidence based.</p> <p>#3. EXCELLENT: our challenges are placed in the relevant areas of the Report; they are given context and weight, as an engaging way of publishing challenges</p>

8. Provision of independent assurance to customers, Company and Ofwat: The Water Forums provide clear statements of their independent assurance of the quality of NWLs customer engagement and the extent to which the results of this engagement are reflected in its operations and planning

Ofwat's guidance: CCG report provides clear statements of its independent assurance of quality of customer engagement and the extent to which the results are reflected in the company's plan

Measure of 'Good'	Measure of 'Excellent'	Status
<p>#1. Position statements are published as planned.</p> <p>#2. WF Report is developed and published to plan</p>	<p>#1.1. Notes and Journal, Challenge Log and communications demonstrate work in progress</p> <p>#1.2. Ofwat sees quality and comments in private or in public</p>	<p>#1. GOOD: position statements have all been published on time. Journal continues to be published; EXCELLENT: Ofwat noted our statement on the Company's 2017 Assurance Plan</p> <p>#2. GOOD</p>

9. Appropriate focus: Water Forums are focused on what they should be doing.

Ofwat's guidance: CCG focuses on questions we asked CCGs to look at and it is clear from the report that it understands its role and limits.

Measure of 'Good'	Measure of 'Excellent'	Status
#1. Water Forums published scope demonstrates they are focussing in the right areas - see Aide Memoire.	#1. Notes, Journal, Challenge Log and communications out demonstrate focus on these areas.	#1. EXCELLENT: continuously achieved from Jul-16; we publish our scope, demonstrating we focus in the right areas. Forums notes, Journal, Challenge Log and communications out demonstrate our keen focus.

10. Board relationship: Water Forums have excellent Board engagement.

Ofwat's guidance: there is evidence that the Board was fully engaged with the CCG and responded to the challenges of the CCG members

Measure of 'Good'	Measure of 'Excellent'	Status
<p>#1. Board Engagement timetable</p> <p>#1.2 Board INeD attendance at 50% of quarterly WF meetings from Jan 2018</p> <p>#1.3 Water Forums Chair's attendance at one Board and/or Board Sub-group meetings pa</p>	<p>#1.2 Board INeD attendance at 75% of quarterly WF meetings from Jan-18</p> <p>#1.3 WF Chair's attendance at 2 Board and Board Sub-group meetings</p> <p>#1.4 Board engagement highlighted in Journal</p>	<p>#1. GOOD: achieved, with Board engagement timetable developed in Forward Plan from Nov-17.</p> <p>#1.2 EXCELLENT: achieved, with Board INeDs attending 100% of our quarterly meetings from Jan-18;</p> <p>#1.3 EXCELLENT: WF Chair attended a Board and/or Board Sub-group meetings p.a. Chair and vice-chair met 3x with the Board in 2017 and 2018 programme executed</p> <p>#1.4 EXCELLENT: Board engagement highlighted in Journal continuously from Oc-17.</p>

8.5 Key links to online material

Forum membership: <https://www.nwl.co.uk/your-home/who-are-we.aspx>

Forum Terms of Reference: https://www.nwl.co.uk/assets/documents/Water_Forum_Terms_of_Reference_-_2018_review_-_post_AM.pdf

Agendas and meeting notes: <https://www.nwl.co.uk/your-home/meetings.aspx>

Our quarterly journal: https://www.nwl.co.uk/assets/documents/Our_Quarterly_Journal_-_Water_Forum_JUN18.pdf

NW – <https://www.nwl.co.uk/your-home/water-forums.aspx> | ESW – <https://www.eswater.co.uk/your-home/water-forums.aspx>

References

For those viewing online, to return to the section the reference first appears, please click on the number.

- [\[1\]](#) This is a provisional Water Forums report: due to Ofwat's requirement to submit it in parallel to the company submitting its business plan, it is based on having seen a draft version that may change. We therefore reserve the right to submit further supplementary comments once we have had sight of the final version.
- [\[2\]](#) Acceptability Research (2018)
- [\[3\]](#) Service valuation research (2018)
- [\[4\]](#) A consolidated version of our challenges is available in a single document upon request, or on our website (see Appendix 8.5 for the link)
- [\[5\]](#) Long term strategy research (2018)
- [\[6\]](#) Defining the Conversation (2016)
- [\[7\]](#) Conversations with Vulnerable Customers research (2016)
- [\[8\]](#) Outcomes review (2017)
- [\[9\]](#) Resilience (2016) Resilience, asset health & long-term affordability (2017) Willingness to invest (2018)
- [\[10\]](#) Acceptability research (2018)
- [\[11\]](#) Defining the conversation (2016)
- [\[12\]](#) Long term strategy research (2018)
- [\[13\]](#) Including: Resilience (2016); Resilience, Asset Health & Long-term Affordability (2017)
- [\[14\]](#) Metering and WRMP research (2018)
- [\[15\]](#) Social Tariffs research (2016)
- [\[16\]](#) Resilience, asset health and long-term affordability (2017)
- [\[17\]](#) Future Customer Priorities Research (2018)
- [\[18\]](#) Service Valuation, 2017
- [\[19\]](#) The Water Forums are tasked with checking the link between customer views and the business plan, and this statement is valid. The Environment Agency wishes to be very clear on its own views here: "We do not believe that our performance payments are suitable or acceptable for any PC associated with a law-breaking activity. These PCs should be penalty only. We have told all water and sewerage companies this."
- [\[20\]](#) Consultation on Draft Assurance Plan (2018)
- [\[21\]](#) Resilience, asset health and long-term affordability (2017); and Acceptability research (2018)
- [\[22\]](#) A conversation with vulnerable customers (2016)
- [\[23\]](#) A conversation with vulnerable customers (2016)
- [\[24\]](#) Customer preferences for bill profiles (2014); Resilience, asset health and long-term affordability (2017)
- [\[25\]](#) Service improvements (2014); Wastewater research (2014)
- [\[26\]](#) Consumer Council for Water – Water Matters (2015)
- [\[27\]](#) Service measures (2017); Service improvements (2014)
- [\[28\]](#) Resilience, trust, customer expectations on future challenges and appetite to risk (2016)
- [\[29\]](#) Resilience, trust, customer expectations on future challenges and appetite to risk (2016)
- [\[30\]](#) Including: Resilience, Asset Health & Affordability (2017); Metering, Supply and Demand (2017); Living with Water Poverty (2014); PAYG (2014)
- [\[31\]](#) Members of the group are: Professor Mark Reed, Chris Barnard, Melissa Lockwood, Richard Powell, Anna Martin, Steve Grebby, Melanie Laws, Hannah Campbell, Anne Ramsay



