

CONSUMER COUNCIL FOR



CYNGOR DEFNYDDWYR



Consultation on Dŵr Cymru Welsh Water's statement of Risks, Strengths and Weaknesses

1 Introduction

- 1.1 The Consumer Council for Water (CCWater) is the statutory consumer organisation representing water and sewerage consumers in England and Wales. CCWater has a committee for Wales and four regional committees in England. We have represented consumers' interests on Dŵr Cymru Welsh Water's Customer Challenge Group (CCG) during the Price Review 2014 process. We welcome the opportunity to respond to the company's preliminary consultation on its statement of risks, strengths and weaknesses.

2 Summary

- 2.1 The overall Dŵr Cymru assurance approach seems sensible, for example it is a positive step that the company has used a tried and tested risk based assurance methodology developed by Ofgem, but we would welcome further engagement and discussion on assurance in the coming months.
- 2.2 Both CCWater and the CCG should have been involved in the development of the assurance process more actively. We would therefore ask for further consultation on Dŵr Cymru's assurance plan and annual monitoring report with all appropriate parties, from CCWater, CCG and wider stakeholder base, as well as that the company convenes a CCG meeting.
- 2.3 We welcome the company's commitment to submitting quarterly data to CCWater (in a previously agreed format). We will be using these to inform our view on the company's performance on a quarterly basis and at our biannual meeting in public. This will also allow CCWater to continue to undertake robust and meaningful industry wide comparisons on the company's performance.
- 2.4 We also recommend regular updates on the company's performance rather than just on an annual basis particularly on measures identified as high risk or of previous concern with customers, CCWater and CCG members.
- 2.5 We would like to see more detail on how Dŵr Cymru will plan to provide additional assurances on any measures identified as Critical or High risk, for example the asset resilience measure, when and how this will be done and who they plan to provide these to (e.g. CCWater, CCG, Ofwat).
- 2.6 In forthcoming discussions we would like to understand:
 - The rationale and outcome of your risk assessment, which identified the six critical and high risk measures and how this has been peer reviewed.
 - How the company arrived at the score descriptions presented in Table 2.1, page five of the document explaining the company's five stage assessment process.
 - When the company intends to publish its annual monitoring report.
- 2.7 Finally, the assurance plan statement should highlight the key customer priorities as identified during the PR14 customer engagement process, as well as the areas of company underperformance in the last prices review, for example, water supply interruptions and customer contacts on water quality, whilst explaining what the impact has been on customers. For the sake of transparency we suggest the company commits to providing an explanation of what its performance could mean for its customers in a manner that could be easily understood and related to the services they receive.

3 Consultation questions

Q1 Do you have any comments on our overall approach to this Risk Assessment?

- 3.1 The overall Dŵr Cymru approach seems sensible but we would welcome further discussion on assurance in the coming months.
- 3.2 It is a positive step that the company has used a tried and tested risk based assurance approach and methodology developed by Ofgem. We hope this will help deliver assurance on good quality data that will allow the company to further reduce risks, improving its current assurance categorisation from 'targeted' to 'self-assured'.
- 3.3 We are pleased to see a set date for the publication of the final assurance plan in February 2016, which allows for additional consultation in November 2015. The publication date of the annual monitoring report could also be specified to allow proactive engagement with CCWater, other stakeholders and the CCG. We recommend regular updates on the company's performance rather than just on an annual basis particularly on measures identified as high risk or of previous concern with customers or CCG members.
- 3.4 In addition to an assurance plan and the company annual monitoring report we welcome the company's commitment to submitting quarterly data to CCWater (in a previously agreed format). We will be using this to inform our view on the company's performance on a quarterly basis and at our biannual meeting in public. This will also allow CCWater to continue to undertake robust and meaningful industry wide comparisons on the company's performance.
- 3.5 The consultation document states Dŵr Cymru has consulted CCWater and other stakeholders in its preparation. We welcome your private discussion with CCWater's Wales Committee chair (also acting as Customer Challenge Group chair) at the end of August when the assurance statement was complete. However, the company did not seek to discuss the development of the assurance process with CCWater's CCG representative and the CCG (through convening a meeting). We believe that both CCWater and the CCG should have been more actively involved at an earlier stage. We would therefore ask for further consultation on Dŵr Cymru's assurance plan and annual monitoring report with all appropriate parties, from CCWater, CCG and wider stakeholder base as well as that the company convenes a CCG meeting.
- 3.6 Whilst CCWater has sought assurances, the current position on Dŵr Cymru's CCG remains unknown - the group has not convened since February 2015 despite reassurances that it would be involved in the development of a monitoring framework. It is unclear to CCWater what formal consultation there has been with the CCG membership.

Q2 Do you agree with our assessment of Risks, Strengths and Weaknesses as highlighted in this statement?

- 3.7 It seems there has been good use of matrix analysis on impact and probability for each proposed performance measure. We also welcome the proposed control framework to manage risk (on each measure) which we hope will help the company improve on its category of assurance within the current price review cycle.
- 3.8 Quite importantly we would like to see more detail on how Dŵr Cymru will plan to provide additional assurances on any measures identified as Critical or High risk. For example on

the asset resilience measure, it would be good to know what additional assurances, how and who these will be provided to (i.e. CCWater, the CCG and Ofwat). It is important that such high risk measures, as well as measures which reflect the key customer priorities and ones which refer to company performance previously below the industry upper quartile, are monitored and regularly reported on. This will help assure us the company is adopting the right approach to improve the quality of its performance and reporting.

- 3.9 In forthcoming discussions we would like to understand more about the rationale and the resulting outcome of your risk assessment which identified the six critical and high risk measures (page 7, consultation document) and how this has been peer reviewed. For example, the water supply interruptions measure has been identified as medium risk but we know no interruptions to water supply is a key customer priority, we are aware of previous issues on data recording and the company demonstrated bad performance on the metric in the previous Asset Management Plan (AMP 5) period. We would also like to understand a bit more about why leakage scores as a high risk measure in your assessment.
- 3.10 It would also be useful to understand more about how the company arrived in the score descriptions presented in Table 2.1 (page five of the document explaining the company's five stage assessment process). We can see no reference to customer priorities or confidence in assessing impact or risk in this table.
- 3.11 Finally, we would like to see more detail about how the company will be transparent about its control framework and the regular assessment of risks on a regular basis.

Q3 Which particular performance measure is of greatest importance of you?

- 3.12 An assurance plan statement should highlight the key customer priorities as identified during the PR14 customer engagement process, as well as the areas of company underperformance in the last prices review for example, water supply interruptions and customer contacts on water quality, whilst explaining the impact experienced by customers. Performance measures that can help report transparently on these priorities and problematic performance areas should be highlighted as of great importance.
- 3.13 It is on such measures that we would welcome regular discussion and reporting from the company. In doing this and for the sake of transparency we suggest the company provides an explanation of what its performance could mean for its customers in a manner that could be easily understood and related to the services they receive.

4 Enquiries

Any enquiries to this consultation response should be directed to:

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