

RISING TO THE CHALLENGE



**REPORT OF YOURVOICE CUSTOMER CHALLENGE GROUP TO
OFWAT ON UNITED UTILITIES' 2020-25 BUSINESS PLAN**

31 August 2018

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Foreword

The title of our report sums up the PR19 process from the perspective of the YourVoice CCG - and indeed for United Utilities, which has shown a growing maturity in its efforts to seek and reflect customer views.

My thanks go to the members of the panel for their time and effort and the excellent way in which they have worked together.

Working through three sub-groups, we provided critical insight and challenge to the company in designing, refining, executing and interpreting its customer research, engagement, affordability, vulnerability and environmental work. We challenged the performance, longer term planning and efficiency of the company, as well as looking in detail at proposed ODIs and seeking changes to descriptions and performance targets.

YourVoice has made a significant contribution to United Utilities delivering a transparent and customer-focussed price review, through designing and delivering a varied programme of work using innovative techniques to produce comprehensive and inclusive customer engagement. It is clear that the company has developed a genuine understanding of its customers' priorities and needs, and reflected these in the PR19 business plan. YourVoice considers that United Utilities is now treating customers more as active participants rather than passive recipients of services.



Importantly, we challenged the company to have its triangulation methodology and practice independently reviewed, and jointly appointed ICF to do this. This gave the CCG confidence and assurance that such a large and eclectic amount of customer engagement data was being used correctly and proportionately in the business plan.

We have not agreed on everything and our Challenge Log shows in some detail the wide ranging challenges we made and how the company responded.

We would particularly like to highlight the company's work on affordability and vulnerability which we believe is leading the way, not just in the water industry, but across the utilities sector, as demonstrated by the priority services scheme and the ambition to lift more people out of water poverty.

We welcome the way in which United Utilities has responded to challenges from YourVoice and customers on issues of affordability, and understand that it will submit a business plan which will deliver a 10.5% reduction in the average bill between 2020 and 2025. This is lower in real terms than in 2010 while maintaining or improving service levels - a good result for customers.

I would like to thank the company for being open and responsive throughout the process. My thanks also go to Neil Cumberlidge for his work in preparing this report, which is an excellent reflection of our work over the last two years.

I wholeheartedly recommend our report to Ofwat, and believe that YourVoice has made a positive difference to the price review process for customers in the North West of England.

Bernice Law
Chair, YourVoice CCG

Rising to the Challenge - Executive Summary

i. This report describes the work of the YourVoice Customer Challenge Group (CCG) in scrutinising and challenging United Utilities' (UU) customer engagement and research activities, and provides advice to Ofwat on the quality and impact of that engagement/research and the extent to which it has driven the company's decision-making and development of its PR19 business plan.

ii. The report is in three Parts:

- ❖ Part 1 provides important contextual and background information, including the key features of the region in which UU operates, the role, membership and ways of working of the YourVoice panel and an overview of UU's customer engagement and research programme.
- ❖ Part 2 examines from the perspective of YourVoice the quality and impact of UU's customer engagement and research programme, and the extent to which it has driven the development of the company's PR19 business plan, and seeks to address directly the seven sets of questions presented by Ofwat in its guidance to CCGs.
- ❖ Part 3 provides other relevant information, including YourVoice's environmental work, the views of environmental and statutory regulators and other issues that YourVoice wish to draw to Ofwat's attention.

iii. The main report is supported by three Appendices providing more information about the members of YourVoice, the CCG's Terms of Reference and a detailed Challenge Log recording the views and challenges presented by the YourVoice panel to UU and the way in which the company responded.



Part 1 – Background, Context and Structure

iv. There are a number of features and characteristics of the North West that are important in shaping the way in which UU manages its assets and delivers water and wastewater services to its customers. In particular:

- *High levels of deprivation concentrated in a relatively high number of localities present particular challenges in terms of bill affordability and debt management.*
- *The diverse geography ranging from dense urban conurbations to remote rural areas presents operational and other challenges.*
- *UU is part of and influences the third largest regional economy in the UK, and needs to understand and respond to the economic and housing growth aspirations of the five sub-regions of the North West.*
- *UU is recognised as a key player in conserving the North West's landscape, wildlife and cultural assets, in addressing flood risk and river/bathing water quality and in providing access and recreation opportunities.*

- *UU needs to deal with different governance arrangements in each of the five sub-regions, with varying levels of devolution and availability of funding and strategic powers.*

v. YourVoice was established in 2015 to provide independent advice and challenge to UU across the full range of its customer engagement and research activities, and the membership has been refreshed to ensure a healthy dynamic between customer, business, social, regulatory and environmental interests. Key points to note are:

- *The CCG is led by an independent Chair appointed following an open, transparent and rigorous recruitment process.*
- *The main YourVoice panel is supported by three Sub-Groups looking in more detail at customer engagement, environmental and affordability/vulnerability aspects.*
- *Secretarial and administrative support is provided by UU but YourVoice acts at arms-length from the company, including agreeing meeting agenda, commissioning papers and obtaining specialist external support where needed.*
- *There is senior-level engagement by UU with four Directors attending all meetings, and the YourVoice Chair attends relevant UU Board meetings and has unrestricted access to Board members.*
- *A Challenge Log is maintained to record specific challenges and views provided by YourVoice and its Sub-Groups, and the way in which the company responded.*
- *A key principle underpinning YourVoice's work is securing a 'Golden Thread' whereby the CCG challenges and shapes the type, form and quality of customer engagement and research, looks at the consideration of results and then scrutinises the way in which results feed through into the company's operational activities and business plan.*

vi. UU have undertaken a comprehensive and wide-ranging programme of customer engagement and research, embracing over 90 specific pieces of work and utilising a wide range of techniques to explore and understand customer's views, needs and priorities. YourVoice has been directly involved in the overwhelming majority of these projects through:

- *Critically reviewing the development and commissioning of research projects.*
- *Providing challenge and input in developing and piloting research materials.*
- *Observing and feeding back on research events.*
- *Participating in debriefings by researchers to UU staff.*
- *Reviewing results and considering their implications and next steps.*

Part 2 – Quality and Impact of Customer Engagement

vii. YourVoice considers there to be strong evidence that UU is operating in a customer-centric way, has developed a genuine understanding of its customers' priorities, needs and requirements and is engaging them on the issues that really matter. In particular, we would highlight:

- *The development of a broader and deeper customer research and engagement programme which places less emphasis on traditional valuation techniques and incorporates a number of innovative approaches such as the use of behavioural economics techniques and making better use of day-to-day customer transactional data.*
- *The strong, ongoing dialogue with YourVoice and the rigorous challenge across the entire breadth of UU's research programme.*

- *The company's work to engage key regional stakeholders to understand their priorities and how these relate to UU's plans.*
- *A sound understanding of customers' overall priorities for improving UU services and the use of segmentation techniques to deepen understanding of customer's lifestyles, needs and requirements, to enable research and delivery of services to be better targeted.*
- *The broadening of customer engagement to include non-household customers and to enhance understanding of young people's needs and aspirations.*

viii. YourVoice believes that UU is travelling clearly in the direction of treating customers as active participants rather than passive recipients of services, and is engaging with customers in an open, two-way and dynamic manner. Good progress is being made across all elements of the *Futures-Action-Communities-Experience* customer participation model and we would highlight in particular:

- *The range of research projects to engage customers on longer term issues covering the resilience of water supplies and on the application of innovative approaches such as Systems Thinking.*
- *The use of behavioural insight techniques and tools to explore customer views and approaches in relation to issues such as water efficiency, sewer blockages and debt avoidance.*
- *The piloting of workshops bringing together local communities and key stakeholders to consider and co-create solutions to water catchment challenges, and the development of the WaterTalk online community to explore key issues in depth.*
- *The development of multi-channel options for engaging with customers, including a new web-based customer portal, integrated mobile phone App and interactive customer roadshows.*

ix. YourVoice considers there to be strong evidence that UU has made significant improvements in the way in which it engages with and informs customers about how it is performing against current plans and targets. In particular, we would highlight:

- *The regular quarterly reporting to YourVoice on progress against performance commitments in the current business plan, and the resulting rigorous challenge, leading to new approaches such as the 'lowest bill guarantee' for new metered customers.*
- *The improvements made to the company's Annual Performance Reports, including the opportunity for YourVoice to provide critical comment, together with the production of an accessible 'plain-English' customer summary document and an accompanying YourVoice statement highlighted as best practice by Ofwat.*
- *The injection of a stronger emphasis in both quarterly and annual reporting on comparing UU's performance with other water companies.*
- *Seeking feedback from customers affected by major operational incidents and using that feedback to improve 'in-incident' communications to target the needs of particular customers such as businesses and vulnerable people.*

x. YourVoice considers there is good evidence that UU has made strong efforts to engage with and understand the needs, circumstances and requirements of different customers, particularly those classed as 'vulnerable' and 'hard to reach'. In particular, we would highlight:

- *The establishment of an Independent Affordability and Vulnerability Panel to provide expert challenge on issues relating to vulnerability and affordability, and provide a voice for those customers who have traditionally found it hard to raise concerns due to their circumstances.*
- *The launch of a revitalised Priority Services offer to identify and address the needs of a wider range of customers in vulnerable circumstances, together with the piloting of collaborative*

data-sharing approaches with other utility providers, and the importance of ensuring that quality standards are maintained while greater numbers of customers receive support.

- *The re-packaging and extended reach of financial support schemes for customers in debt or struggling to pay their water bills.*
- *The development of the innovative Town Action Planning approach to engage 'hard to reach' customers living in deprived communities on debt and affordability issues.*
- *UU hosting the first-ever North West Affordability Summit held in January 2018 which brought together experts and stakeholders from across the region and led to agreement on a five-pronged action plan to address key challenges, which is being taken forward by the Independent Affordability and Vulnerability Panel.*

xii. UU has sought to engage customers on a wide range of longer term issues, including the resilience of water systems and services to future events and challenges, and potential impacts on bills and affordability in the longer term. In particular, we would highlight:

- *The research project to explore customers' views on the options for addressing threats posed by the deterioration of the Haweswater Aqueduct to the future resilience of water supplies to the Greater Manchester and Pennines area.*
- *Research has indicated a clear preference by customers for stable, predictable bills over the longer term.*
- *The range and innovative nature of customer research undertaken to inform the approach to future water resource requirements - covering issues such as supply interruptions, flooding, water efficiency, leakage, maintenance of critical water infrastructure/assets, environmental resilience and the cost/benefit impacts of investment across generations.*
- *Strong YourVoice scrutiny and challenge on issues such as leakage reduction, water trading and water efficiency to ensure that the views of customers were represented.*

xiii. There is good evidence that the company has engaged customers on a genuine and realistic range of options in developing its PR19 business plan, including service improvement proposals for 2020-25 and longer-term issues concerning the future resilience of water supplies. In particular, we would highlight:

- *The first round of Acceptability Testing undertaken in Autumn 2017 was structured to enable customers to consider up to four options, with associated bill impacts, for each area of service improvement being considered for the PR19 business plan.*
- *The introduction of innovative new approaches to exploring customer preferences, including the application of behavioural insight techniques and the development of an interactive 'Sliders' tool to allow customers to balance and explore trade-offs between different levels and packages of service improvements and associated bill impacts.*
- *The rigorous challenge by YourVoice to ensure that the second round of Acceptability Testing carried out in June 2018 obtained both uninformed and informed customer views on the proposed service improvements, ODIs and bill impacts in the PR19 business plan. The results showed overall high levels of both uninformed (76%) and informed (82%) acceptability for the most likely variant of the PR19 business plan proposals.*
- *Examples of the use of co-creation and co-delivery approaches to address catchment management challenges and the redesign of customer bills.*

xiv. YourVoice believes that the evidence and information obtained from customers has genuinely driven and informed the development of the company's business plan to benefit current and future customers. In particular, we would highlight:

- *The increased breadth, depth and complexity of UU's customer research programme to support the development of its PR19 business plan made it critically important to ensure that research results were being properly weighted and triangulated, which led to YourVoice and the company jointly commissioning an independent expert assessment of the approach taken.*
- *This external validation exercise undertaken by ICF led to improved transparency and documentation, and concluded that the company had taken a sound and appropriate approach to triangulating research evidence, and that the quality of the business plan evidence was largely attributable to the importance that UU and YourVoice placed on the process of triangulating evidence and assurance.*
- *The extremely rigorous exercise undertaken by YourVoice to scrutinise and challenge all but two of the 44 performance commitments, targets and ODIs (C-Mex and D-Mex were excluded) proposed by UU for its PR19 business plan, aimed at making clear how customer research evidence had been used, considering definitions, coverage and implementation, and assessing the stretch of targets. This led to a wide range of challenges to the company - some of which required substantive changes in the nature of the measure and the targets to be set – which have been addressed in finalising the business plan.*
- *The qualitative research project involving the WaterTalk online customer panel looking at the overall ODI framework, which indicated that customers broadly supported the business plan proposals and that most customers believed that the impact on bills is small and reasonable.*
- *YourVoice has concerns in principle that water companies should not be allowed to receive outperformance payments in cases where they are achieving less than 100% statutory compliance or are failing to avoid incidents such as flooding or pollution which cause significant problems for affected customers. We would like Ofwat to re-examine this issue for the next Price Review.*
- *Scrutiny of the company's draft PR19 business plan has confirmed that the company has listened to, considered and, where necessary, acted upon the many challenges made by YourVoice throughout the PR19 development process.*
- *The company's PR19 business plan is intended to deliver significant bill reductions in real terms for customers over 2020-2025, and provide for bill stability into the next 2025-2030 price review period.*

Part 3 – Other Relevant Information

xiv. The work of YourVoice's Environment Sub-Group to scrutinise the way in which UU's operational delivery and asset management activities impact on the environment is outlined. We would wish to highlight in particular:

- *the 'deep dives' carried out to understand and challenge the company's approaches to leakage reduction and other key issues; and*
- *our active encouragement to extend the use of integrated catchment management approaches, and to develop a specific performance commitment linked to enhancing natural capital for customers.*

xv. The views of the key environmental and statutory regulators – Environment Agency, Drinking Water Inspectorate and Natural England – on key issues relating to the development of the PR19 business plan are provided.

xvi. YourVoice has noted with interest UU's proposals to introduce a formal voluntary benefit sharing mechanism, to be known as '*CommUnity Share*', as part of its PR19 proposals. This will provide a guaranteed minimum funding of £70 million from company sources towards assistance schemes for

financially vulnerable customers and potential additional funding – depending upon gearing and dividend levels – for measures such as discounts on average bills and grants to community schemes. We welcomed the company's intention to consult with customers about the way in which the funds released through this mechanism will be used, and to involve YourVoice in examining this arrangement.

xvii. YourVoice received specific assurance from UU Board members about the company's governance, financial and assurance processes, and on the deliverability and financeability of the PR19 business plan.

xviii. Finally, we highlight YourVoice's interest in the potential of innovation and Systems Thinking approaches to deliver further benefits to customers in the future; and the research project undertaken at our suggestion to explore customer views towards the company investing in Systems Thinking and other types of innovation.

Background, Context and Structure

This introductory section provides key background information for this report, describes the context in which it has been prepared and outlines its structure. It is in four parts:

- An overview of the key geographical, economic, environmental, social and governance features of the North West region of England, and how these impact on United Utilities (UU)'s operational delivery and business planning.
- The role of the 'YourVoice' Customer Challenge Group (CCG), the membership and structure and the way in which the CCG operates to challenge UU's customer research and how it is being taken into account in developing the PR19 business plan.
- An overview of United Utilities' (UU) customer research and engagement programme from a YourVoice and customer perspective.
- An outline of the way in which the rest of the report is structured.

A. North West England – Geography, Economy, People, Environment and Governance

Geography

The North West region of England comprises five sub-regions – based around the shire counties of Cheshire, Cumbria and Lancashire and metropolitan areas of Greater Manchester and Merseyside ('Liverpool City Region') – and is the designated area within which UU delivers water and waste water services to customers. It covers around 14,000 square kilometres, bordered to the west by 1,400 kilometres of Irish Sea coastline and to the east by the Pennines, and extends from the north of the West Midlands region to the Scottish border.



The region has a mixed geography covering a diverse range of urban and rural areas, ranging from the pastoral landscapes of Cheshire, the major urban conurbations centred on Liverpool and Manchester, the lowland plains of western Lancashire, to the upland areas of eastern Lancashire and Cumbria. The region is well-connected and has good transport links, with the West Coast Mainline running the length of the region, a comprehensive motorway network centred on the M6, two major airports at Liverpool and Manchester and a major port at Liverpool which handles 5% of all UK sea freight.

Economy

With an annual revenue of over £1.7 billion and employing over 5,000 people delivering essential services, UU makes a significant contribution to the North West economy. The regional economy delivered a total output of £167 billion in 2016 (9.5% of UK total GVA), the third highest performing region in the UK after London and the South East, and the twelfth largest regional economy in Europe. The region is home to around 530,000 businesses, with a total workforce of some 3.4 million. The regional economy grew by around 8% between 2010 and 2016 and is forecast to continue to grow by 1.7% a year over the next decade, with Manchester and Warrington among the strongest performing local economies in the country. All five sub-regions have strong economic growth aspirations, with significant housing growth planned particularly in Greater Manchester, Cheshire & Warrington and parts of Lancashire.

The North West is the UK's largest manufacturing region and home to many world-leading companies. It has exceptional strengths in energy, employing over half of the UK's civil nuclear workforce, and has strong bio-medical, digital & creative and advanced manufacturing sectors. Tourism is important in many areas, including coastal resorts, Liverpool and the Lake District. The region is part of the Northern Powerhouse area identified by national government for investment in skills, innovation, infrastructure and economic growth, with the aim of repositioning the national economy away from London and the South East.

People

The population of the North West was 7.3 million in 2017, a greater than 5% increase since 2001 and representing 11% of the population of the UK. It is the largest regional population in the UK outside of London and the South East, with more people than Scotland and Wales combined and the second highest population density in the UK. The North West population is projected to increase by 276,000 between 2014 and 2024, the second lowest rate of all the English regions behind the North East.



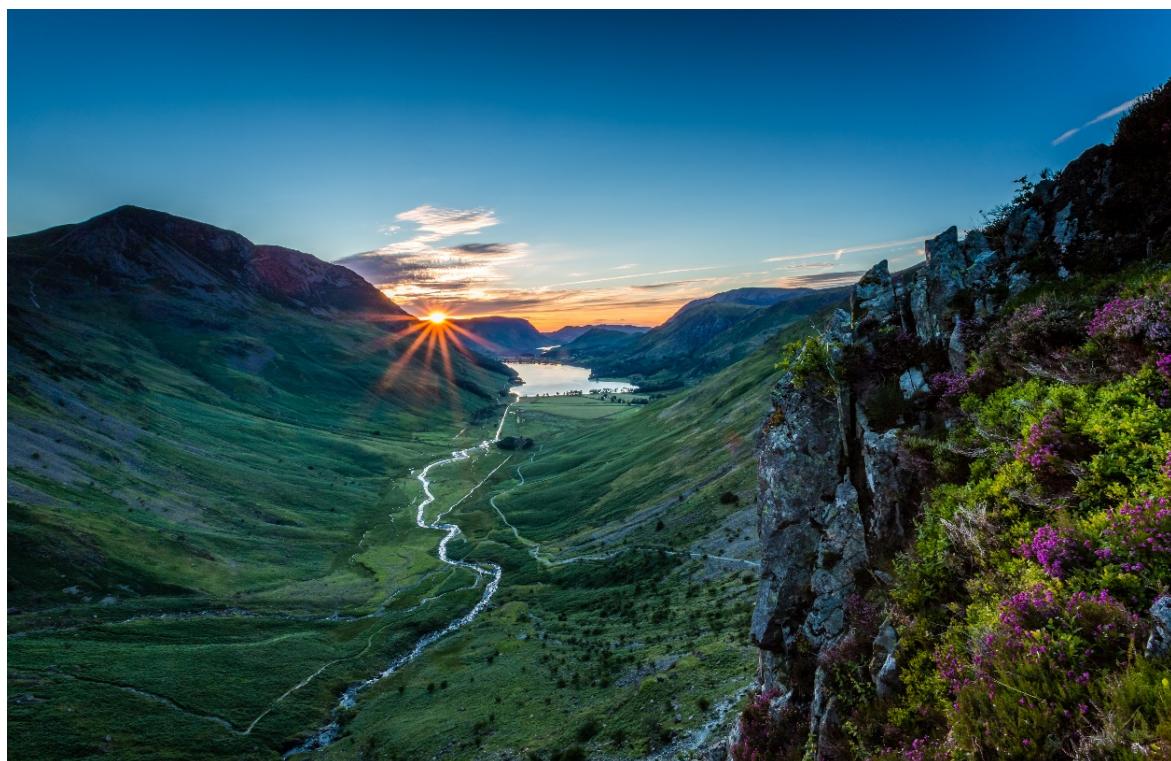
There were just over 3 million households in the North West in 2017. Some 27% of households across the region earn less than £21,000 a year, with up to half a million people classed as 'vulnerable'. The employment rate in the North West was 74.2% in 2017, slightly lower than the UK average of 75.7%, while the unemployment rate of 4% compared with the UK average of 4.2%. Around 18% of North West households are defined as in 'water poverty', which is one-fifth higher than the national average.

The region is home to some of the highest levels of socio-economic deprivation in England, with over 40 of the 100 most deprived 'local super output areas' located in the North West. According to the English Indices of Deprivation 2015, ten of the 20 local authority districts with the highest proportion of their neighbourhoods in the most deprived 10% nationally are located in the North West. Knowsley, Liverpool

and Manchester are among the five local authorities with the largest proportions of highly deprived neighbourhoods in England. Furthermore, Blackpool, Barrow-in Furness and Burnley feature in the list of local authorities with proportionately more neighbourhoods ranked as highly deprived across at least six of the seven domains measured in the Indices of Deprivation.

Environment

Around 30% of the North West is designated as a National Park or Area of Outstanding Natural Beauty (AONB), which is well above the 23% average for England overall. This includes the Lake District National Park, England's largest national park and recently designated by UNESCO as a World Heritage Site, areas of the Yorkshire Dales and Peak District National Parks and three AONBs. The region also has significant wildlife resources, with 32 nature reserves, some 200,000 hectares of Sites of Special Scientific Interest (SSSIs) and a large swathe of internationally designated sites important for birds and other wildlife, particularly on the coastline. In addition to the Lake District, there are two other UNESCO-designated World Heritage Sites - part of Hadrian's Wall and Liverpool Waterfront - as well as a Heritage Coast in Cumbria.



The North West River Basin District comprises 12 management catchments that support a rich diversity of wildlife habitats and many species of national and international importance. Of the 631 water bodies in the region, 22% were assessed as being of 'good' status or higher in 2016. The key issues affecting water body status include physical modifications, pollution from wastewater (particularly phosphates and ammonia) and pollution from the region's towns, cities and rural areas.

The North West has higher than average rainfall patterns, with parts of Cumbria receiving more rainfall than anywhere else in England. This factor, coupled with geographical considerations, means that the region is susceptible to flooding, highlighted by the significant flooding events in 2005, 2009 and 2015 which impacted heavily on people and businesses located in the affected areas. The North West river basin district contains 140 rapid response catchments, one of the highest number in England, where flooding may occur quickly during heavy rainfall due to rapid run-off: a large network of ageing combined sewers contributes to this problem. The NW River Basin District Flood Risk Management Plan 2015-21 identifies around 340,000 people and 44,000 non-residential premises at risk of flooding.

There are 31 designated bathing waters in the region, including the three major resorts of Blackpool, Southport and Morecambe and inland bathing waters in the Lake District. Improvements made in recent years mean that 25 are currently classed as 'good' or 'excellent', with the other 6 classed as 'sufficient'. There are also 13 designated shellfish waters in the North West, stretching between the Solway Firth and Dee Estuary. As with bathing waters, improvements made over the past 20 years, particularly to discharges from sewage treatment works, have improved the quality of all shellfish waters.



Governance

There are 43 local authorities in the North West, half of which are unitary authorities covering all but Cumbria and most of Lancashire which are organised along traditional county/district lines. There are five Local Economic Partnerships (LEPs), which bring together key private and public sector organisations to drive economic growth: one for each of the sub-regions of Cheshire & Warrington, Cumbria, Greater Manchester, Lancashire and Liverpool City Region.

Until the recent advent of Combined Authorities and Elected Mayors, the LEPs were responsible for providing strategic leadership in their sub-regions on economic development, infrastructure, housing growth and skills/employment issues. Following local devolution growth deals, Combined Authorities and Elected Mayors have been established in Greater Manchester and Liverpool City Region with a range of delegated funding and powers, including strategic planning and housing. Both Cheshire & Warrington and Lancashire have aspirations to obtain similar devolution deals but Cumbria has no current plans to go down this route.



What does this mean for United Utilities?

There are a number of features and characteristics of the North West that are important in shaping the way in which UU manages its assets and delivers water and wastewater services to its customers. In particular:

- *High levels of deprivation concentrated in a relatively high number of localities present particular challenges in terms of bill affordability and debt management.*
- *The diverse geography ranging from dense urban conurbations to remote rural areas presents operational and other challenges.*
- *UU is part of and influences the third largest regional economy in the UK, and needs to understand and respond to the economic and housing growth aspirations of the five sub-regions.*
- *UU is recognised as a key player in conserving the North West's landscape, wildlife and cultural assets, in addressing flood risk and river/bathing water quality and in providing access and recreation opportunities.*

- UU needs to deal with different governance arrangements in each of the five sub-regions, with varying levels of devolution and availability of funding and strategic powers.

B. 'YourVoice' Customer Challenge Group

Origins and evolution

In line with Ofwat guidance to water companies on engaging customers in the PR14 process, a Customer Challenge Group (CCG) was established by UU in 2012 to provide independent assurance and advice on the company's customer engagement strategy and research, and its impact on the company's PR14 business planning proposals. In common with other CCGS, the North West group submitted a report to Ofwat on the quality and impact of customer engagement, to accompany the company's 2015-20 business plan submission.

Building on the work and membership of the CCG, a new group of customer and stakeholder representatives, known as the 'YourVoice' panel was formed in 2015. As well as refreshing the original CCG membership, the role, structure and ways of working have been revised to ensure that the CCG is fit for purpose and can maximise impact in providing independent advice and challenge to UU across the full range of its customer engagement work.



Membership

Since 2016, YourVoice has been chaired by Bernice Law, who was previously Deputy Chair. In refreshing the membership, the Chair sought to ensure a healthy dynamic of experienced and new views. A high priority was given to finding the right balance between customer, business, social, regulatory and environmental representatives, which led to the number of organisations representing customer interests (particularly relating to affordability and vulnerability) being increased to widen the range of views considered and improve the balance with members that have a purely statutory remit.

Profiles of the YourVoice members are provided at Appendix 1. In summary, they are:

- *Bernice Law - Chair*
- *Tayo Adebawale - North West Regional Flood and Coastal Committee*
- *Allen Creedy - Federation of Small Businesses*

- *Steve Cullen – Citizens' Advice and Money Advice*
- *Richard Jarvis - Public Health England*
- *Robert Light – Northern Chair, Consumer Council for Water*
- *Alastair Maltby – The Rivers Trust*
- *Keith Ashcroft – Environment Agency*
- *Barry Simons - National Farmers Union*
- *Alan Smith – Allerdale Borough Council (on behalf of North West local authority leaders)*
- *Dave Thompson – Warrington Disability Partnership*
- *Damian Waters – Confederation of British Industry*
- *Andrew White, Consumer Council for Water*
- *Neil Cumberlidge – Independent Member*

Role

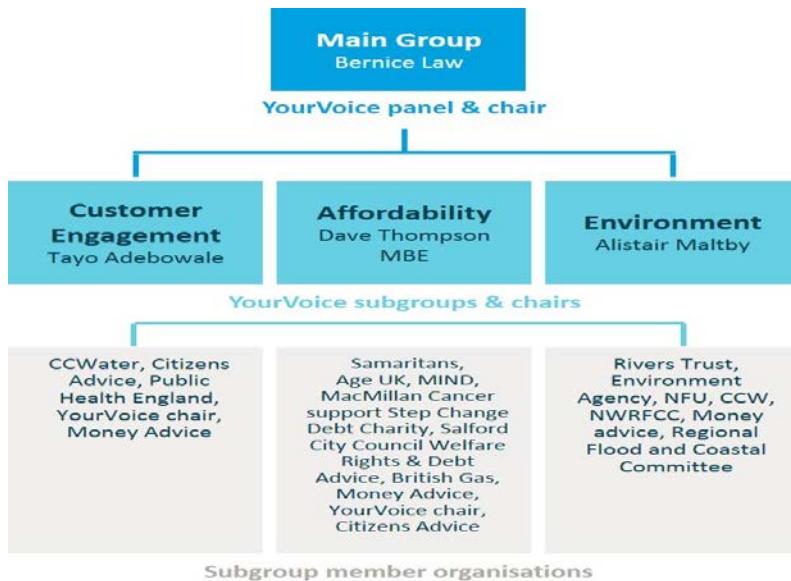
The Terms of Reference for YourVoice are included at Appendix 2. Essentially, the role of YourVoice is to provide independent advice, scrutiny and challenge on UU's annual performance and on the company's customer engagement and research activities. YourVoice's key activities can be grouped under three broad headings:

1. ***To monitor and review progress against the delivery of UU's 2015-2020 business plan commitments, including contractual rewards/penalties, performance relative to other companies and annual reporting of performance to customers and stakeholders.***
2. ***To review and challenge UU's customer engagement and research (both 'business as usual' activities and those specific to the PR19 process), focusing on the quality, clarity and extent of customer engagement and ensuring that it is robust, balanced and proportionate.***
3. ***To provide assurance to customers and Ofwat on the quality and effectiveness of customer engagement, and on the extent to which the results have been reflected in UU's business plan proposals for 2020-2015.***

Structure and way of working

The YourVoice panel normally meets quarterly but meeting frequency increased to monthly in 2018 to reflect the heavy workload arising from the PR19 business planning process. The main panel is supported by three Sub-Groups, which meet more frequently to engage in more detailed and forensic examination of relevant UU activities. Originally, these comprised:

- **Customer Engagement Sub-Group**, chaired by Tayo Adebawale, which focuses on understanding and challenging UU's detailed customer research and engagement programme.
- **Environment Sub-Group**, chaired by Alastair Maltby, which focuses on the environmental implications of UU's asset management and operational delivery of services to customers.



It was agreed in February 2018 that the **Independent Affordability and Vulnerability Panel** established by UU in 2017 should also become a formal Sub-Group of the CCG. The Panel's Chair, Dave Thompson was already a member of YourVoice, and the CCG Chair, Bernice Law attended meetings of the Panel. The YourVoice Chair is a member of all three Sub-Groups, and there are reports from the Sub-Group Chairs at each YourVoice meeting, which ensures consistency and coordination between their work and that of the main panel.

In carrying out its work, YourVoice is guided by relevant Ofwat and CCW advice and reports, in particular:

- *Customer Engagement Policy and Expectations for PR19 (May 2016)*
- *Aide Memoire for Customer Challenge Groups (March 2018)*
- *Final PR19 Methodology (December 2017)*
- *Tapped In: from passive customer to active participant (March 2017)*
- *Defining and applying 'triangulation' in the water sector – report for CCW (July 2017)*
- *CCW Advice Note on Acceptability Testing (March 2018)*

YourVoice engages more deeply and across a wider range of UU activities than its predecessor CCG. For example, through the main panel and three sub-groups, members are engaged in: the critical review of planned research; reviewing research material for surveys/workshops; attending and providing feedback on customer events; participating in research debriefings; reviewing research results; and undertaking 'deep dives' into key issues relating to UU's delivery, planning and performance. This enhanced role could not be undertaken without the enormous commitment shown by members in making available their time, knowledge and expertise.

A key underlying principle for YourVoice in going about our work is establishing a '**Golden Thread**' whereby the panel has been actively engaged and effective in:

- (a) *shaping the type, form and quality of customer engagement and research undertaken;*
- (b) *considering the results of customer engagement and research, and next steps; and*
- (c) *challenging decisions about the way in which the engagement and research results are triangulated and feed through into the company's business plan.*

Independence and transparency

The YourVoice Chair was appointed following an open, transparent and rigorous selection process, and acts independently of UU in determining the approach and work of the panel. Secretariat and administrative

support is provided by UU for YourVoice and its three sub-groups but, in practice, the panel operates at arms-length from the company: for example, the Chairs of the main panel and sub-groups are responsible for agreeing the agenda, commissioning papers and approving the reports of meetings (which are made available on a dedicated area of the UU corporate website).

There is senior level engagement by UU with the YourVoice panel and its sub-groups, with the following senior executive managers attending all or most meetings:

- *Louise Beardmore – Customer Services Director*
- *James Bullock – Strategy and Regulation Director*
- *Jo Harrison – Asset Management Director*
- *Gaynor Kenyon – Corporate Affairs Director*

These senior managers are supported by a wide range of other UU officers who attend meetings to provide advice on specialist areas and issues.

The UU Chief Executive Officer, Steve Mogford attends YourVoice regularly to discuss the company's plans and issues relating to the CCG's role and work. UU non-Executive Board members also attend from time to time, and the YourVoice Chair has ongoing access to the Chief Executive Officer and non-Executive Board members where needed. She attended the UU Board meeting four times in 2018 to report on and discuss YourVoice's views on company performance, customer engagement, business planning and other relevant issues. She also attends the Board Corporate Responsibility Committee each year.



At each meeting, YourVoice members convene in private session to discuss issues without UU officers present, and further private meetings are convened where this is deemed necessary. A Challenge Log is maintained to enable specific challenges and issues raised by YourVoice and its sub-groups to be recorded, along with the action taken by UU in response. This is attached at Appendix 3 and helps to demonstrate the transparency of the YourVoice challenge process and the way in which the company has responded to issues raised.

YourVoice is able to seek external support and advice where needed to supplement the knowledge and skills of members. For example, experts from Sheffield Hallam University were appointed to support the Customer Engagement Sub-Group in informing and evaluating the results of customer research on the Manchester and Pennine Resilience project. YourVoice also sought an external expert assessment of UU's

proposed approach to triangulation in developing its PR19 proposals (both of these examples are discussed further in Part 2).

C. Overview of UU's customer research and engagement

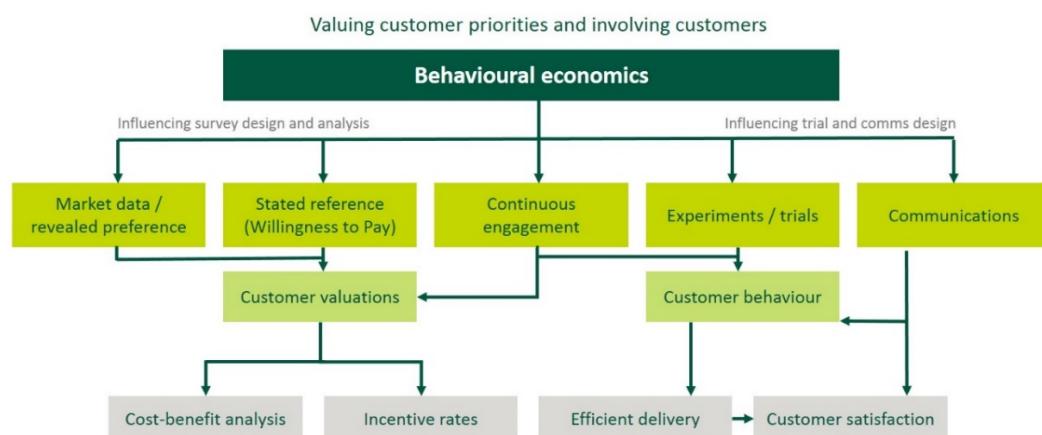
This section provides a high level, factual overview of UU's approach to customer research and engagement, and outlines the customer research programme itself. It also indicates the nature and extent of YourVoice engagement with the programme. There is no consideration of the quality and impact of customer engagement activities at this stage – that is discussed in Part 2 of this report.

Strategic framework

UU's approach to customer engagement and research has developed significantly since PR14. The strategic framework is set out in the document '**Improving Customer Research and Engagement**' presented in February 2016. It recognises the limitations of Willingness to Pay (WTP) surveys used predominantly by the water industry in PR14, and seeks to use a wider range of information and techniques to determine the values placed by customers on service improvements. It also acknowledges the importance of obtaining information on values for different customer groups, for example between different socio-economic groups and between the different sub-regions in the company's area.

The strategic framework is presented in the diagram below and is based on combining various elements of engagement:

- *Customer evaluations should be derived from all the available evidence – including more evidence from observing customer behaviour and from new designs for choice experiments.*
- *Experiments and trials, continuous engagement and improved communication should be used to increase customer involvement in service delivery.*
- *Behavioural economics gives insights on the effects of psychological, social, cognitive and emotional factors influencing economic decisions: these insights can be used in designing customer research, in recognising the limitations of research and in designing effective communication approaches.*



This revised approach recognises that WTP surveys are likely to remain part of the valuation approach for most aspects of service, as there are limits in practice on the extent to which values can be derived from actual customer behaviour. However, final judgement on the value to be attributed to service improvements will depend on the results of other engagement and research. In combining the results from a range of evidence sources, there will inevitably be an element of judgement in determining the value to be used in evaluating service improvement proposals. The importance of involving YourVoice in making these judgements is recognised, as well as the need to subject proposed service improvements and bill impacts to review by testing the overall acceptability of the business plan to consumers.

Customer research and engagement programme

The strategic framework provides the context within which UU has developed its customer research and engagement programme. The programme is comprehensive and broad in scope, covering over 90 separate pieces of research, and utilises a wide range of techniques to understand customers' needs and priorities. The programme is structured using the following broad categories:

- **Tracking** – brand health and customer satisfaction surveys.
- **General/bespoke** – for example, in relation to specific incidents or to address specific issues such as bathing water quality.
- **Customer panel** – using the 'WaterTalk' online customer panel (with over 7,000 members) to obtain views on a wide range of issues such as bill redesign, water quality and leakage.
- **Behavioural economics** – using behavioural science techniques to address specific issues such as social tariffs, sewer blockages and water efficiency.
- **Analysis of customer interactions** – understanding and making better use of customer contact data across a range of issues such as supply interruptions, sewer blockages and water quality.
- **Customer trials and experiments** – covering a wide range of issues such as sewer misuse, water efficiency and vulnerability.

Through the main panel, and particularly through the work of the Customer Engagement Sub-Group, YourVoice engages extensively across the full range of UU's customer research and engagement programme. As noted earlier, this engagement is deeper and wider than its predecessor CCG, and includes providing challenge at the research scoping and preparation stages, attending events and internal debriefing meetings, as well as reviewing research results at YourVoice and sub-group meetings. The views of YourVoice have directly influenced UU decision-making about the key issues on which to focus and develop its research, for example highlighting the need for a stronger emphasis on metering, sewer flooding and leakage.

The CCG has been directly involved in the vast majority of the 90 plus individual projects that make up the UU customer research programme. In practice, YourVoice engagement has taken some or all of the following forms:

- *Scoping – critically reviewing the development and commissioning of research proposals.*
- *Developing – providing challenge and input in developing and piloting research material and events.*
- *Attending – participating in the piloting of research events and attending events as observers.*
- *Reporting – attending post-research debriefings by researchers to UU.*
- *Reviewing – considering research results and next steps at YourVoice and sub-group meetings.*

The diagram on the next page illustrates the extent and breadth of YourVoice involvement across UU's programme.

D. Structure of report

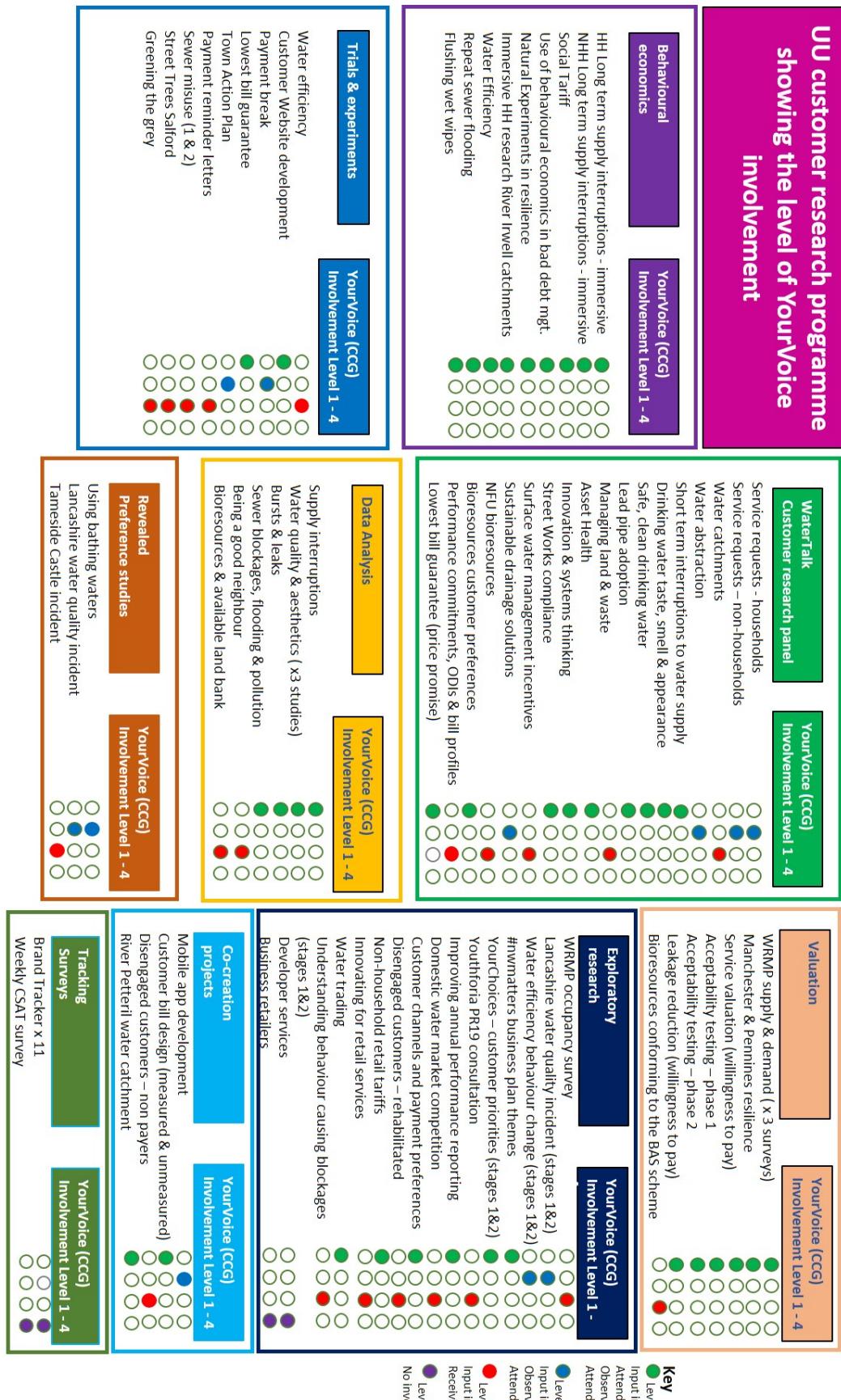
The remainder of this report is organised as follows:

- **Part 2** looks at the quality and impact of UU's customer engagement activities, and seeks to address the seven specific questions presented by Ofwat in its guidance to CCGs.
- **Part 3** addresses outstanding issues not dealt with in Part 2, including the views of statutory regulators and other relevant matters that YourVoice wishes to draw to Ofwat's attention.

There are three Appendices providing more detailed information on various issues dealt with in the report:

- **Appendix 1** – YourVoice Member Profiles
- **Appendix 2** – YourVoice Terms of Reference
- **Appendix 3** – Challenge Log

UU customer research programme showing the level of YourVoice involvement



PART 2

Quality and Impact of Customer Engagement

This Section considers the quality and impact of UU's customer research and engagement activities from the perspective of YourVoice. It addresses directly each of the seven questions asked of CCGs in Ofwat's Customer Engagement Policy and Expectations for PR19, and takes account of the further advice and clarification contained in Ofwat's Aide Memoire to CCGs issued in March 2018. In particular, we have used Ofwat's principles of good customer engagement as our starting point. Consideration is also given to the extent to which the company is moving towards engaging with customers as active participants rather than passive recipients, in line with some of the innovative approaches outlined in the 'Tapped In' report commissioned by Ofwat.

In responding to Ofwat's questions, we have sought to use an evidence-based approach and to highlight the nature and impact of YourVoice's independent scrutiny and challenge, drawing on case studies to illustrate our answers where appropriate. In accordance with Ofwat's advice to CCGs, we have sought to avoid duplicating material in UU's PR19 business plan submission, except where this is necessary to help explain YourVoice's views.

1. Has the company developed a genuine understanding of its customers' priorities, needs and requirements – and where appropriate customer valuations – drawing on a robust, balanced and proportionate evidence base? Has the company engaged with customers on the issues that really matter to them?

Research strategy and programme

As noted in Part 1 of this report, UU's strategic customer research framework has developed significantly since PR14. There is less reliance on Willingness to Pay (WTP) surveys for valuation of service priorities and a broadening of the range and depth of information and methods used to engage customers and determine their expectations, needs and requirements. A number of innovative approaches and techniques have been developed, which are discussed further in this section. We believe that the company has sought to ensure that the use of customer research and insight is integral to the way it operates day-to-day delivery of services, as well as in developing future strategy and plans.



YourVoice has been extensively engaged, through the main panel and particularly the work of its Customer Engagement Sub-Group, in providing independent challenge to UU as it developed the enhanced strategic approach, the research programme itself and individual research projects. We welcomed the explicit recognition of the limitations of stated preference WTP approaches, the development of alternative techniques and tools to complement and validate the results of WTP surveys and efforts to make use of wider supplementary evidence obtained from a variety of sources.

In particular, we have encouraged the company to develop:

- *alternative ways of exploring trade-offs between different aspects of service - for example, using Max Diff techniques, simplifying stated preference valuation approaches, using supply-demand sliders and making better use of internal data;*
- *more use of analysis based on customers' actual experience – for example, revealed preference approaches, post-incident research and analysing customer contact data;*
- *more in-depth research on key issues – for example, immersive research and using the WaterTalk on-line customer panel; and*
- *the use of behavioural economics techniques to gain a more sophisticated understanding and insights into customers' needs, experience and behaviour – see Case Study below.*

Case Study – Behavioural Economics Programme to Better Understand Customers

YourVoice has challenged UU to ensure that its customer research programme makes full use of behavioural economics (BE) approaches to deepen understanding and insight into customer attitudes and behaviours. This led to the development of an innovative BE programme, facilitated by Frontier Economics, which complemented UU's existing customer research activities. The BE programme comprised:

Immersive research – recognising that it can be particularly challenging to carry out customer research on resilience and environmental issues, innovative workshops were held using creative materials to stimulate circumstances that customers would otherwise find difficult to picture, in order to explore attitudes towards supply interruptions, catchment management approaches and ecosystem service improvements. The results indicated that more than half of participants were prepared to pay to reduce the risk of supply interruptions; and that around half of participants chose to buy an ecosystem service improvement.

Petteril research – two co-creation workshops were held to explore customer and stakeholder views on the choice between chemical treatment and catchment management approaches to improving river water quality in small catchments. This revealed strong support for catchment management over chemical solutions, as well as general support for the use of sustainable urban drainage schemes and sustainable disposal of biosolids.

Natural experiments – seeking to unlock the value in existing customer datasets held by UU, this project sought to combine multiple data sources (customer contact, supply interruptions, sewer flooding and area characteristics) to explore customer attitudes towards the severity of supply interruptions and sewer flooding. The results suggest that sewer flooding is regarded as between 170 and 1,700 times worse than supply interruptions; but that large-scale events leading to long term supply interruptions and the use of 'boiled water' notices may be regarded as worse than a typical sewer flooding event.

Repeat sewer flooding – a multiple stage survey was used (including psychological interviews with sewer flooding victims and econometric interpretation of results) to explore customer valuations of repeat sewer flooding. The results indicate that repeat sewer flooding was regarded as worse than the original incident by a factor of 3, but that customers are uncomfortable making a trade-off between preventing one-off and repeat sewer flooding.

Sewer blockages (wet wipes) – expert psychologist 'behavioural interviews' were used to explore people's behaviours and drivers towards the use and disposal of wet wipes. These insights were used to develop innovative trials to test the effectiveness of different messages (domestic cost

(versus environmental cost versus no message) in influencing the flushing of wet wipes, and in influencing habit formation among young children and their parents.

Water efficiency – this project is under development and will use behavioural interviews to better understand how customers respond to the methods used by UU (home audits and water efficiency devices) to encourage improved water efficiency in the home, and identify ways of enhancing their effectiveness.

Bad debt – this project is in its formative stage and seeks to better understand customer behaviours leading to bad debt, and explore ways of preventing debt by influencing customers to take up direct debits.

Social tariffs – this project explored customers' appetite to increase the cross-subsidy for 'help to pay' social tariffs, though the use of surveys using nine variants to test different ways of priming and framing and their impact on choices. The results indicate support for increased cross-subsidy among most of the variants tested, with 60% ready to accept an increase of 15p or more per month.

As explained in Part 1, YourVoice has broadened and deepened its engagement across a wider range of UU activities than its predecessor CCG. Moreover, through our planning of meeting agenda, we have sought to focus on the most important issues where we believe we can have the most impact and add the most value in influencing the company's customer research. For example, through the main panel and its three sub-groups, members seek to provide challenge and input into the scoping of research proposals, the development of research material for surveys/workshops (including encouraging the use of simpler, more customer-friendly language) and the review of research results. Also, as explained later in this report, 'deep dives' have been undertaken into key issues relating to UU's delivery, planning and performance.

It is not possible, without making this a very lengthy report, to cover the full extent and impact of YourVoice's activities but we hope the following examples provide a flavour of the range of our work and the ways in which we have influenced the company's customer research strategy and programme.

YourVoice impact - some highlights:

- *Encouraged the presentation of research materials in ways easier for customers to understand, including a clearer exposition of the effects of inflation on future water bills, the inclusion of comparative water industry information and the development of the 'sliders' approach to test customer preferences for balancing supply and demand.*
- *Challenged the company on the interpretation of research results at internal debrief sessions on the results of research projects.*
- *Supported the development and application of behavioural economics-based research to provide valuation evidence and explore customer attitudes to more challenging service delivery issues (see Case Study above), including ensuring that research projects included non-household as well as household customers and providing independent challenge and feedback on the immersive experience.*
- *Informed the development of the WaterTalk online customer panel, which provides the opportunity for UU to explore issues in greater detail with a more informed group of customers, and provided feedback on the material to be used in specific WaterTalk discussions.*
- *Carried out 'deep dives' into leakage, sewer flooding, supply interruptions and other key topics.*
- *Ensured that lessons were learned on the best ways of engaging customers following large-scale incidents affecting the quality of water supplies, including the need for more targeted communication with smaller non-household and vulnerable household customers.*

- Provided feedback on the development of new formats to provide customers with clearer billing information, highlighting the opportunities to provide advice on action customers can take to improve water efficiency.
- Challenged the company to engage independent experts to provide external assurance on particularly significant and challenging customer research projects.
- Advised the company on its plans to engage customers and stakeholders on emerging PR19 business plan themes in Autumn 2017, including the development of a multi-channel approach to reach a variety of audiences, sub-regional stakeholder events, and revising the public consultation document and online acceptability testing questionnaire.
- Reviewed planned UU customer communications, surveys etc. (written and online) to ensure the use of plain English and avoid the use of water industry jargon.
- Challenged the company to introduce new performance commitments relating to hydraulic flooding to address customer concerns about repeat flooding incidents.

Engagement with regional stakeholders

As highlighted in Part 1 of this report, a sound understanding of the region in which it operates is fundamental to UU's ability to engage with its customers, understand their needs and deliver services to them effectively. We believe UU has a good appreciation of the particular challenges presented by the geography and climate, projected population growth, economic development aspirations, housebuilding plans, levels of deprivation and devolution in the North West of England.



The continuing development of sub-regional governance structures bringing together local authorities, private sector and other partners - initially through Local Enterprise Partnerships (LEPs) and supplemented more recently by Elected Mayors and Combined Authorities - has meant UU having to deepen its understanding and engagement at sub-regional level. It has sought to do this in a number of ways, including:

- Commissioning research on the priorities of key sub-regional stakeholders covering economic, environmental and social interests, to inform direct engagement with key organisations such as LEPs and Combined Authorities on PR19 priorities.
- Analysing existing customer contact data to understand the most important issues and priorities for customers in the five sub-regions.
- Appointing Relationship Managers for each of the five sub-regions, to streamline engagement with key stakeholders and improve understanding of sub-regional issues and challenges.
- Holding two rounds of Stakeholder Events in each of the sub-regions as part of consultation on emerging PR19 proposals.
- Senior UU officers attending meetings of LEPs, Combined Authorities and other key stakeholders to discuss UU's emerging PR19 priorities and their relationship to stakeholder plans and aspirations.

YourVoice:

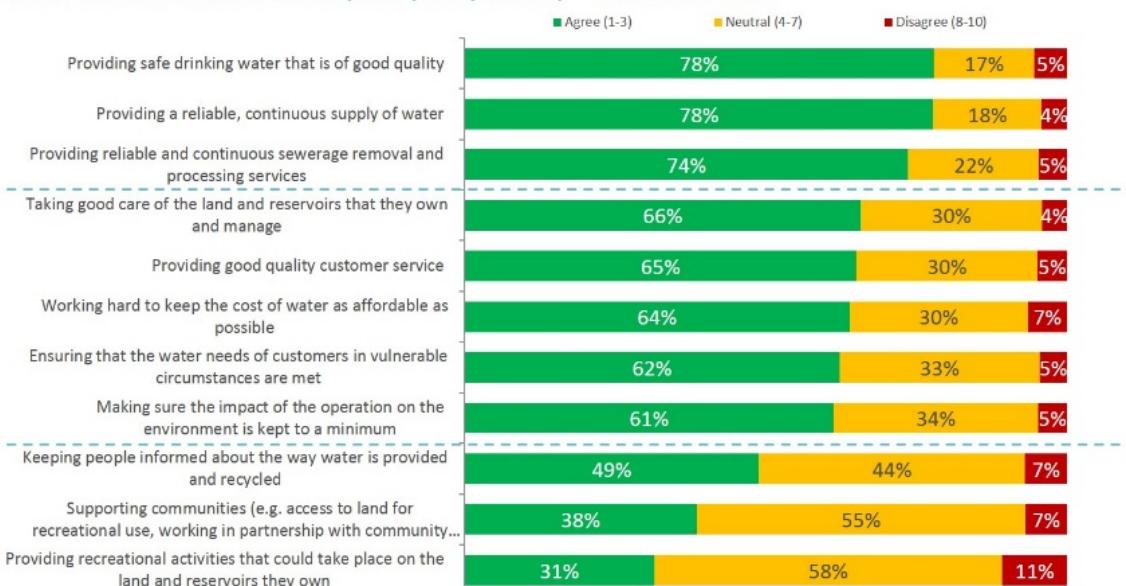
- Challenged UU about the unbalanced attendance at sub-regional stakeholder events and urged the company to make greater efforts to ensure that business and economic interests are better represented, including making better use of the company's sub-regional relationship managers to encourage attendance by key stakeholders.
- Reviewed the results of analysis of customer contact data to identify differences in customer's views and preferences between and within the five sub-regions, and encouraged the company to use this increased understanding in planning the delivery of services in local areas.
- Supported the development of customer financial models based on the use of credit data and understanding of deprivation by geographical area in the region.

Engaging with customers

To inform the preparation of the detailed research programme, UU undertook a research project, *YourChoice* in 2016 to determine overall customer priorities for services provided by UU and to identify the areas they considered should be priorities for improvement. The project involved a sample of household and non-household customers being asked to choose from a prompted list and the results are shown in the diagram below.

Strong agreement that UU should be focussed on providing safe drinking water and removal of sewerage

Areas that UU should focus on (from prompted list) – Consumer & SME



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This exercise indicated that customers' top three priorities for UU are:

- Providing safe drinking water that is of good quality
- Providing a reliable, continuous supply of water
- Providing reliable and continuous sewage services

YourVoice provided independent challenge to UU in scoping, delivering and considering the results of this research, which provided a useful baseline for developing and targeting the wider customer research programme. In particular, we pressed for the inclusion of a 'maximum difference scaling' analytical exercise (known as 'Max Diff') as a means of ensuring the unbiased ranking of the priorities.

The company has also sought to deepen its understanding of customers' lifestyles, needs and requirements through the use of segmentation to identify three overall categories and eight sub-categories of customer. An example of how this segmentation has been used to develop customer typologies based on financial characteristics is shown below.

Budget-conscious elderly 19%	Technology-dependent young family 17%	Hard-pressed families 14%	Struggling single pensioners 10%	Comfortable mid-life established families 17%	Families getting by 10%	Indebted singles 5%	Financially secure empty nesters 8%
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This approach recognises the need to be more proactive in developing and targeting interventions that take account of the specific needs and circumstances of different customer groups. The results have been used to influence the development of the customer research and engagement programme and in shaping the delivery of services and interaction with customers generally. It also laid the groundwork for future valuation work by the company. The use of segmentation is explored further in response to Question 4 about understanding specific customer needs and engaging with vulnerable and 'hard to reach' customers.

YourVoice specifically challenged UU to 'up its game' to broaden the engagement of non-household customers in its research programme and in individual projects. We were concerned particularly to see smaller and medium-sized businesses (SMEs) given the opportunity to participate and provide their views and insights on the key issues facing the company. In addition, in view of their important land management role, we wished to ensure that the company was making it as easy as possible for the farming community to engage on key activities and projects. The company acted upon these challenges: for example, 12 research projects feature engagement by non-household customer interests, including SMEs.

As part of its 'Business as Usual' activities, UU has school and youth engagement programmes. They include face-to-face engagement by an outreach provider, supported by web-based educational resources, targeted at Key Stage 2 in primary schools. There is an annual target of 12,000 children benefitting from UU educational resources, which was met in 2015/16 but not in 2016/17 (8,671).

The company has sought to improve its understanding of and engagement with young people more generally, through developing a partnership with Youth Focus North West, a charity which works to improve the lives of young people across the region. Youth Focus's activities include hosting the North West Youth Forum, *Youthforia* which brings together young people from 23 of the 43 local authorities in the region to discuss and debate the key issues affecting youth living in the North West. UU attended a number of sub-regional *Youthforia* events in 2017 to debate water issues, with climate change impacts (such as flooding), sewer blockages and affordability identified as the three top priorities. The company also engaged *Youthforia* in the Autumn 2017 public consultation exercise about emerging PR19 service improvement priorities, aimed at encouraging completion of the online survey.

YourVoice:

- Encouraged the company to use the ACORN consumer classification to further segment customers on the basis of lifestyles, social factors, consumer behaviours etc. to enhance the development of customer relationships and targeting of services.
- Challenged the company to improve the way it manages relationships with the farming community, which led to streamlined contact arrangements in each sub-region.
- Supported the development of Town Action Planning, using local knowledge to target 'door to door' affordability visits to improve the take-up of social tariffs amongst 'hard to reach' customers (see Case Study in Question 4).
- Helped organise the first annual North West Affordability Summit held in Liverpool in January 2018, bringing together key players to discuss approaches to affordability and debt, following which the Independent Affordability and Vulnerability Panel took on sponsorship of the five key themes arising from the conference (see Case Study in Question 4).
- Secured the participation of business customers in research projects, including immersive workshops, service valuation, service options, co-creation workshops and acceptability testing.
- Supported the Youthforia programme to encourage co-creation activity with the North West Youth Parliament and insight into youth issues and views.

Proportionality and triangulation

The broadening and deepening of the research programme to draw on a wider and more diverse range of techniques, evidence and insights meant that it was important to: (a) consider the proportionality of each element of customer engagement and how much weight should be attached to the findings; and (b) cross-check or triangulate findings against evidence from other data sources and insight work. These issues were also present during PR14 but the move away from WTP as the primary customer valuation method, and the development and integration of a range of new techniques, means that they have become fundamentally important to the integrity of the PR19 business planning process.

With this in mind, throughout Autumn 2017, YourVoice pressed the company to explain its approach to triangulation. In particular, we wished to understand how the company would ensure that every piece of relevant research was considered and weighted appropriately, and how the results would be used in setting proposed service improvements, performance targets and incentives. Our concern was that, having commissioned and paid for an expensive and wide-ranging customer research programme, it was incumbent on the company to demonstrate – and for YourVoice to be satisfied – that it had considered, weighed and used the results in a robust, defensible and proportionate way.

This was a fundamental issue for YourVoice, and we therefore return to it in responding to Question 7 about the extent to which the results of customer research have driven the development of the company's PR19 business plan.

In summary:

YourVoice considers there to be strong evidence that UU is operating in a customer-centric way, has developed a genuine understanding of its customers' priorities, needs and requirements and is engaging them on the issues that really matter. In particular, we would highlight:

- The development of a broader and deeper customer research and engagement programme which places less emphasis on traditional valuation techniques and incorporates a number of innovative approaches such as the use of behavioural economics techniques and making better use of day-to-day customer transactional data.

- The strong, ongoing dialogue with YourVoice and the rigorous challenge across the entire breadth of UU's research programme.
- The company's work to engage key regional stakeholders to understand their priorities and how these relate to UU's plans.
- A sound understanding of customers' overall priorities for improving UU services and the use of segmentation techniques to deepen understanding of customer's lifestyles, needs and requirements, to enable research and delivery of services to be better targeted.
- The broadening of customer engagement to include non-household customers and to enhance understanding of young people's needs and aspirations.

2. Has customer engagement been an on-going, two-way and transparent process, where companies are informing their customers as well as soliciting feedback from them?

Throughout our work, YourVoice has been keen to encourage the view that customers should be seen as active participants rather than passive recipients in the design and delivery of water services. We have drawn particular inspiration from the **Tapped In** report published by Ofwat in 2017, which promotes:

"the active involvement of customers in the design, production, delivery, consumption, disposal and enjoyment of water, water services and the water environment in the home, at work and in the community."

The specific question asked by Ofwat above focuses on the middle two elements of the Customer Participation Continuum described in **Tapped In** – namely “Listening and Acting” and “Engaging and Involving” – whereas we believe that water companies should be aiming to operate at the “Customer Participation” end of the continuum. As outlined in **Tapped In**, this provides benefits for customers, water companies and wider society.



We have therefore used the report's **Futures – Action – Community – Experience (FACE)** customer participation model to explore and assess the ways in which UU can be seen to be embracing the aspirations and challenges of securing active participation by customers. In particular, we have focused on the extent to which UU is promoting the co-creation and co-delivery of solutions to water challenges and pursuing methods that allow customers greater control and influence over water issues and services.

Taking each element of **FACE** in turn:

Futures

YourVoice is clear that securing active customer participation in co-imagining and co-creating the future of water will benefit both the company and customers: it will provide the opportunity for customers to shape and influence future plans and will build customer support for those plans based on a shared vision of the future of water. We believe that the broader and deeper approach to customer engagement developed by UU since PR14 is enabling the company to develop a deeper and more nuanced understanding of customers. At the same time, it is also enabling customers to develop a more informed understanding of the issues affecting the future resilience of water supplies, and to engage in dialogue with the company about these - some examples are given below. Progress to date is good but, in our view, this is simply the start of the process towards more active means of engaging customers and we are keen to see the company build on the good start made so far.

Examples of customer engagement on Futures highlighted by YourVoice:

- *The Manchester and Pennines Resilience research project engages customers in considering options to maintain the resilience of water supplies to a substantial area of the region.*
- *A number of research projects engage customers on longer term issues concerning the resilience of water supplies, including water efficiency, leakage, supply interruptions, natural capital approaches, sewer flooding, natural capital approaches, asset health and intergenerational equity.*
- *A specific piece of work was undertaken to engage customers about innovation and 'Systems Thinking' approaches, including exploring customer attitudes towards upfront investment funded by current customers to secure improvements that will benefit future customers.*

Action

As noted earlier, YourVoice has been supportive of the development of a substantial programme of projects using behavioural economics-based techniques to enhance UU's overall approach to customer research and engagement. Behavioural insights can be important in developing a deeper and more nuanced understanding of customer preferences, needs and actions that can be used to develop more effective and efficient water services.



YourVoice has been a strong advocate of promoting behavioural change by customers as a primary means by which the company can achieve its strategic and operational goals and targets. Some examples of the ways in which UU is embracing this agenda are given below. YourVoice is genuinely excited by this work: we believe it has the potential to identify and promote action by customers that leads to transformational changes in the way in which water companies deliver their services in future.

Examples of customer engagement on Action highlighted by YourVoice:

- *Developing trials to test the effectiveness of different messaging options in influencing customers not to dispose of wet wipes in toilets, and so reduce sewer blockages.*
- *Exploring the barriers to improving water efficiency in the home, and ways of improving the effectiveness of existing UU methods.*
- *Exploring ways of preventing debt by encouraging customers to take up direct debit payment options and take advantage of payment holidays.*
- *The use of immersive simulation techniques to help customers understand issues which can be difficult to grasp such as catchment management, where they may not have much direct experience.*

Community

We note that UU seeks to engage and work with local communities on action to improve their local water environment, and believe that there is a solid platform from which to develop more initiatives to increase community ownership and participation in the future of water supplies. In making this point, we are taking a wide view of what is meant by 'community' – this can range from local area groups to the voluntary and

community sector and ‘communities of interest’ networks – and consider that water companies should be exploring all avenues to promote active community engagement methods in future.

Examples of customer engagement on Community highlighted by YourVoice:

- *The development of integrated catchment management approaches which enable local communities to become involved in tackling water management issues such as catchment-scale interventions to reduce flooding and improve the quality of waters in rivers and lakes.*
- *Working with local communities, through Town Action Planning, to engage with and support ‘hard to reach’ customers on affordability issues.*
- *The development of the WaterTalk on-line community of over 7,000 customers from across the region to enable more informed discussion and debate about the key issues and challenges facing UU and the options for responding.*

Experience

We are seeing customers gaining increased control over products and services in their homes across many sectors, with new technological developments providing increasing options for enabling customers to actively shape and enhance what they experience. YourVoice believes that water companies must embrace this agenda, and the opportunities and challenges it presents for enhancing the ways in which they interact with customers and enable customers to gain more control over water in their homes.

The starting point must be a sound understanding of what customers want, which UU’s deeper and broader customer research programme is designed to provide, coupled with the definite development of a customer-led culture within the organisation. Alongside the Action element, we see the Experience aspect as the areas in which UU is making the most progress when assessed against the FACE customer participation model.

Examples of customer engagement on Experience highlighted by YourVoice:

- *The development of multi-channel options for engaging with customers, including the development of the new ‘My Account’ web-based customer portal (see example on next page), a new integrated mobile phone App, town-centre ‘pop-up’ interactive events and the use of text messaging to keep customers informed of water supply incidents in their areas.*
- *The use of customer segmentation techniques to develop four different versions of bill payment reminders based on customers’ past payment history.*
- *Seeking feedback on the experience of customers affected by large-scale operational incidents impacting on water supplies, which underlined the importance of providing regular reports of progress in fixing the problem, and the value of text messaging in keeping customers informed.*
- *Online customer communication campaigns including themes such as ‘what not to flush’, ‘Leakline’ and reservoir safety.*
- *The development of personalised annual bill statements to provide advice on reducing water consumption tailored to customers’ circumstances.*



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What do you need to do?



► Private sewer transfer

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Find out how to pay your bill & get information about water meters and charges...



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Spotted a leak?

We'd like to know all about it



Got a question?

Reservoir levels

In summary:

YourVoice believes that UU is travelling clearly in the direction of treating customers as active participants rather than passive recipients of services, and is engaging with customers in an open, two-way and dynamic manner. Good progress is being made across all elements of the *Futures-Action-Communities-Experience* customer participation model and we would highlight in particular:

- The range of research projects to engage customers on longer term issues covering the resilience of water supplies and on the application of innovative approaches such as Systems Thinking.
- The use of behavioural insight techniques and tools to explore customer views and approaches in relation to issues such as water efficiency, sewer blockages and debt avoidance.
- The piloting of workshops bringing together local communities and key stakeholders to consider and co-create solutions to water catchment challenges, and the development of the WaterTalk online community to explore key issues in depth.
- The development of multi-channel options for engaging with customers, including a new web-based customer portal, integrated mobile phone App and interactive customer roadshows.

3. Has the company effectively informed and engaged with customers on its current levels of performance and how does this compare to other companies in a way customers could be expected to understand?

Quarterly reporting

As noted in Part 1, one of YourVoice's primary functions is to monitor and review the company's performance in delivering its 2015-20 business plan commitments. At each of our meetings, we therefore receive a quarterly report from UU showing its current performance against each of 28 key performance commitments covering water, wastewater and domestic retail services. A traffic light system is used to indicate progress, to allow YourVoice to focus its attention on those areas ('reds' and 'ambers') where performance is behind target or is at risk of falling behind target in future. At our request, the company provides an accompanying narrative highlighting the primary causes of any areas of current or potential future underperformance, and the action that is being taken to address the issues identified.

This enables YourVoice to focus on key areas of underperformance at subsequent meetings, to develop an in-depth understanding of why performance is failing and what action is being taken to mitigate or improve the position. It allows us to discuss the key issues with senior UU managers and raise any concerns about the way in which underperformance is being addressed. It also gives us the opportunity to make practical suggestions to UU on additional action they might take to address specific performance challenges. A wide range of issues have been discussed since 2015 including serious pollution incidents, future flood risk, household consumption, sewer flooding, supply interruptions, household retail SIM, wastewater treatment and the reliability and quality of water supplies – some specific examples are given below.

YourVoice:

- *Injected a stronger focus on comparing UU performance against other water companies and, where appropriate, other large companies operating in other sectors.*
- *Required the preparation of more detailed information on 'red' and 'amber' performance areas and the action to be taken to improve the position.*
- *Encouraged the development of the pilot 'lowest bill guarantee' providing customers with the certainty of receiving bills based on whichever is the lowest of metered and unmetered consumption, to arrest a decline in water meter installation.*
- *Challenged the company to give customers as much information as possible about current performance, and how this compares to other water companies, when carrying out research projects.*
- *Challenged the company to consider the ways in which individual service performance measures interact with and influence performance against other measures, for example sewer flooding index and future flood risk.*
- *Asked the company to stop using the phrase 'Reputational Only' in categorising performance commitments, to avoid the impression that such measures are less important than those with financial consequences.*
- *Required the company to provide information every six months about the balance of expected rewards and penalties linked to over and underperformance.*

Annual performance reports

The company has published Annual Performance Reports (APRs) covering 2015-16 and 2016-17, both of which were considered by YourVoice in advance. We made a number of suggestions aimed at improving the clarity of the reports and, in respect of the 2016-17 report, challenged the company for not highlighting key areas of underperformance as well as areas where performance was strong. For example, the wording

about sewer flooding was changed to more accurately reflect the company's actual performance – a change which was welcomed at company Board level.

Case Study – Annual Performance Report 2016-17

YourVoice asked UU to produce a more accessible summary document for customers, to accompany the full APR for 2016-17, to be written in 'plain English'. This 13 page document was awarded a Crystal Mark by the Plain English Campaign and was very well received. We also prepared a separate commentary, *YourVoice Panel's Reflections on UU Performance*, which was published alongside the APR: this was highlighted by Ofwat as an example of best practice in its Company Monitoring Framework 2017 Assessment, which confirmed UU as retaining its 'Self Assurance' status.

The CCG also discussed with UU developing a targeted social media campaign to generate interest in the APR: this led to a two-week campaign in October 2017 that resulted in 10,000 webpage hits compared to the 120 or so typically expected.

Comparisons with other water companies

Wherever possible, YourVoice asks for UU's performance to be compared against other water companies. We believe this is useful in demonstrating to customers how the company is performing relative to other similar companies and in highlighting those areas where UU is performing particularly strongly or poorly compared to the industry average. This is particularly relevant in considering and reviewing agreed performance commitments and associated incentives covering the 2015-20 period. It is also of great importance in considering proposed new performance commitments and associated incentives for 2020-25 – we will return to this later in our report.

We have therefore asked UU to include comparative information when reporting on performance where this is relevant and when consistent and reliable data is available. This applies both to the information provided to YourVoice in quarterly reports and in UU's communications to customers, including Annual Performance Reports. Common performance measures across water companies such as the Service Incentive Mechanism are therefore useful. We also value the efforts made by the water industry, via the Discover Water website (see example below), to bring together and present performance information on key subjects and enable inter-company comparisons where appropriate.



However, the different definitions and measurement methods adopted by water companies for seemingly identical performance measures inhibits the extent to which meaningful and reliable comparisons can be made in practice. We therefore welcome the work led by Water UK, working with UKWIR and supported by Ofwat, to improve convergence between measures. The new common definitions adopted for leakage, supply interruptions and sewer flooding will greatly assist customers in considering the relative performance of their water companies on these important subjects. We hope this convergence work will

be continued and extended to enable more areas of water company performance to be accurately compared across the industry.

Major incidents

Also relevant in considering this Ofwat question is the way in which the company has engaged customers, and the role of YourVoice, in the follow-up to major operational incidents. For example, following suspected contamination of water samples by the cryptosporidium parasite at the Franklaw Water Treatment Works, 'Boil Water' notices were issued to 320,000 properties in the Lancashire area in August-September 2015. YourVoice was engaged in the auditing of customer compensation claims, and raised concerns about the impact of the incident on smaller and medium-sized enterprises (SMEs), particularly tourism businesses, and on more vulnerable customers. This led to the company clarifying the claims process for SMEs, which was considered by the Federation of Small Businesses as representing best practice.

YourVoice also challenged UU about what was being done to ensure that broader lessons were learned from the incident and the way it was handled. This led to a presentation to YourVoice in March 2016 on a customer research study undertaken by the company, which highlighted that the incident had not greatly affected customer opinions on reputation and trust but that there were some lessons to be learned, particularly the need for tailor-made communications to address the concerns of business customers affected by the incident.



The valuable learning gained following the incident will have been useful to UU in helping to reduce the risk of similar incidents happening in future, and to inform action following any incidents. A similar customer research exercise was undertaken following the Buckton Castle contamination incident in early 2017, which affected 17,000 properties in the Greater Manchester area. The feedback here underlined the importance of keeping customers informed of progress in responding to the incident and the impact on water supplies, indicating that a substantial minority of customers (38%) prefer receiving texts to mobile phone calls. Both post-incident research projects contained elements of revealed preference valuations which provided useful 'real life' evidence of customer priorities and the value they attach to them.

In summary:

YourVoice considers there to be strong evidence that UU has made significant improvements in the way in which it engages with and informs customers about how it is performing against current plans and targets. In particular, we would highlight:

- The regular quarterly reporting to YourVoice on progress against performance commitments in the current business plan, and the resulting rigorous challenge leading to new approaches such as the 'lowest bill guarantee' for new metered customers.
- The improvements made to the company's Annual Performance Reports, including the opportunity for YourVoice to provide critical challenge, together with the production of an accessible 'plain-English' customer summary document and an accompanying YourVoice statement highlighted as best practice by Ofwat.
- The injection of a stronger emphasis in both quarterly and annual reporting on comparing UU's performance with other water companies.
- Seeking feedback from customers affected by major operational incidents and using that feedback to improve 'in-incident' communications to target the needs of particular customers such as businesses and vulnerable people.

4. Has the company effectively engaged with and understood the needs and requirements of different customers, including those in circumstances that make them vulnerable? Has the company considered the most effective methods for engaging different customers, including those that are hard to reach?

As explained in answer to Question 1 above, the company is increasingly using segmentation techniques to identify and target activities and interventions that take account of the particular needs and circumstances of different customer groups. This allows and supports the development of a more proactive and sophisticated approach to engaging with customers across the board, and is particularly valuable in developing approaches that take account of the specific needs of vulnerable and 'hard to reach' customers. As outlined in Part 1, the North West of England contains relatively high concentrations of deprived communities: half of UU's customers fall into 'Financially Stretched' (40%) and 'In Debt' (10%) segmentation categories, and between 350,000 and half a million customers are judged to be 'vulnerable'.

Independent Affordability and Vulnerability Panel

The need for a strong focus on financially challenged and other vulnerable customers led to the establishment of an **Independent Affordability and Vulnerability Panel** in 2017, to advise and challenge the company on its approach and discuss key issues. As explained in Part 1, this Panel became a formal Sub-Group of YourVoice in 2018.



The Panel was established as an independent advisory group to provide insight and feedback to UU on how best to engage customers in vulnerable circumstances, including those facing affordability challenges, and provides a voice for those customers who have traditionally found it difficult to raise concerns due to their circumstances. It is made up of representatives from a range of third party advice, consumer debt, charities and other organisations active in this field.

The Panel's work has been wide-ranging and includes:

- *UU's plans to extend its Priority Services scheme*
- *Affordability issues, including promoting wider use of the Direct Debit payment option*
- *Plans to introduce a 'lowest bill guarantee' as part of the free meter scheme*
- *Introduction of an Affordability and Vulnerability Annual Report by UU*
- *Planning and following up the North West Affordability Summit held in January 2018 (see Case Study below)*
- *Developing the concept of 'Metering Advocates' to champion the installation and use of water meters across the North West.*

Priority Services

In 2016, the company launched a revitalised Priority Service offer for customers in vulnerable circumstances. The new scheme sought to address shortcomings identified in the company's earlier Extra Care scheme, including the need for a stronger focus on other forms of vulnerability beyond physical disability, such as mental health, language, financial and those impacted by life events. It also drew on learning from the 2015 Lancashire water quality incident (see Question 3 above), and seeks to recognise the complex, diverse and dynamic nature of vulnerability, including the 'suffering silent' category of customers highlighted by YourVoice.

YourVoice welcomed the implementation of the improved scheme, which adopts elements of best practice within the water industry in addressing the needs of vulnerable customers. We also welcomed plans to extend the approach beyond household customers to include hospitals, care homes, prisons and other places and organisations providing support to those in vulnerable circumstances. The company has provided priority services training to all staff engaged in customer contact work, and who visit customers in their homes, to help them recognise signs of vulnerability and identify potential support options.

Around 50,000 customers are currently registered for Priority Services and this enables the company to identify and plan for meeting their special needs when delivering day-to-day services and in dealing with water supply interruptions and other operational incidents. YourVoice believes that data-sharing between utility companies represents a significant opportunity to identify and improve services to vulnerable customers, and we therefore welcomed pilot work between UU and Electricity North West to explore the possibilities for data-sharing involving consenting customers.

While YourVoice supports the need to extend the coverage of the Priority Service register to ensure that it embraces all customers falling within the various categories of vulnerability, we have expressed concern that this should be not simply be a 'numbers game' of signing people up, and urged the company to ensure that a high quality of service is maintained across existing and new customers. We were also keen to ensure that UU continues to think more widely beyond the Priority Service scheme to focus on how it can design and deliver all its water and wastewater services in future in ways that recognise and meet the needs of all customers, whatever their circumstances. We will return to these issues later in this report when considering the proposed performance commitment relating to priority services for vulnerable customers.

Affordability

Customer research undertaken in 2016 with customers in debt or struggling to pay their water bills indicated that there was a lack of understanding and general confusion about the financial assistance arrangements operated by UU. This led the company, with YourVoice providing independent scrutiny and challenge, to revise and repackaging its financial support schemes so that they could be more easily understood and accessed, and better targeted at meeting the particular needs and circumstances of customers in debt or struggling to pay.

Case Study – Town Action Planning

UU has developed an innovative approach to accessing and engaging with 'hard to reach' customers to address affordability and debt issues. It involves the use of specially trained advisers, armed with iPads, to undertake doorstep visits in targeted areas with high levels of deprivation, to offer tailored payment plans to suit the needs of customers in vulnerable financial circumstance.

Half of visits result in customer engagement, which enables advisers to agree appropriate payment plans there and then. Results to date have been impressive, with around 20,000 customers signing up to a payment arrangement, of which 67% have been maintained.

The ten most deprived local authority districts in the North West have already been subject to Town Action Planning, resulting in around 77,000 doorstep visits.

The scheme has attracted national recognition, winning three prestigious awards relating to dealing with vulnerable customers.

Improved customer segmentation has been used to develop a 'menu' of options which enable tailored solutions to be provided to address the specific needs and circumstances of customers in debt and struggling to pay their water bills. The schemes are:

- For customers on benefits, UU can arrange with the Department of Work and Pensions to have bills paid direct from benefits ('Water Direct'), or a reduced and capped bill can be agreed with the customer ('Back on Track')
- For customers on benefits with water meters, the annual water bill can be capped at an agreed amount regardless of water consumption ('Water Sure')
- For customers on pension credit, a reduced and capped bill can be agreed to suit personal circumstances ('Help to Pay')
- For customers with a lot of debt, UU offers to match payments made towards outstanding water bills on a £1 for £1 basis, increasing to £2 for £1 after six months, and clearing remaining debts if the customer keeps up payments for two years ('Payment Matching')
- For customers in serious financial difficulty, a one-off payment from the UU Trust Fund can be made to help clear debt ('Restart')
- For customers who are 'just about managing, there is the possibility of agreeing payment holidays to help them get back on top of their finances ('Payment Break')

The company has doubled the reach of its financial support schemes from around 45,000 customers in 2015 to over 94,000 in 2018. A new performance commitment based on the number of customers lifted out of water poverty is proposed for 2020-25, and we will provide our views on this later in the report.

Case Study – North West Affordability Summit



On 15 January 2018 (so called 'Blue Monday' when the financial consequences of Christmas festivities take hold), the first ever regional affordability summit was held in Liverpool. Organised by United Utilities, the event was attended by over 100 organisations active in the affordability and debt field across the North West. This included charities, voluntary and community organisations, foodbanks, citizens advice, credit unions and debt agencies, along with the Department of Work and Pensions, housing associations, other utility companies, MPs and UU Board members.

The event was largely interactive, focused on encouraging discussion to identify the key themes and actions required. The outcome was agreement to take forward five work streams:

NW Community Advice Hub – creating a 'one stop shop' digital platform to empower the advice community to access the support and information they need to help their clients quickly and more easily.

Metering Makes a Difference – developing a region-wide campaign to counter the myths associated with, and promote the benefits of, switching to water meters.

Early Intervention – looking at ways of identifying customers in the early stages of financial difficulty and developing effective ways of supporting them.

Just About Managing – aimed at better understanding what 'just about managing' means and developing effective ways of supporting people in this category.

Community Education – looking at the best ways of educating people living in the most deprived communities about budgeting and money management.

Sponsors have been identified for each of the five themes and the Independent Affordability and Vulnerability Panel will be responsible for overseeing and monitoring progress.

YourVoice has welcomed the development of more personalised payment reminders and legal notices for customers. Earlier payment reminders failed to differentiate between the different payment behaviours and risks presented by customers. Four different types of payment reminder are now used based on customers' previous payment history: Excellent, Good, Fair or Poor. It allows information and advice to be provided relevant to customers' likely circumstances. Customer feedback about the new arrangements has been very positive, and there has been a 44% reduction in complaints about payment reminders and a 52% reduction in legal notices.

We have already highlighted in response to Question 1 how the company is using behavioural economics techniques and insights to looks at ways of encouraging the greater use of Direct Debits by customers to pay their water bills – this can be an important means of reducing the numbers of customers getting into arrears with their bills.

YourVoice has highlighted the extension of water metering as an important means of enabling customers to gain more control over the amount of water they use and reducing their bills. Customer research has highlighted the prevalence of misconceptions and 'myths' about water meters, particularly that water bills will automatically increase following the installation of a meter. YourVoice therefore challenged UU to develop a pilot 'lowest bill guarantee' option. This offers customers switching to a water meter absolute certainty that their bills will not increase – they pay whichever is the lowest between metered and unmetered bills – and has helped drive forward the company's water meter installation programme.

In summary:

YourVoice considers there to be good evidence that UU has made strong efforts to engage with and understand the needs, circumstances and requirements of different customers, particularly those classed as 'vulnerable' and 'hard to reach'. In particular, we would highlight:

- The establishment of an Independent Affordability and Vulnerability Panel to provide expert challenge on issues relating to vulnerability and affordability, and provide a voice for those customers who have traditionally found it hard to raise concerns due to their circumstances.
- The launch of a revitalised Priority Services offer to identify and address the needs of a wider range of customers in vulnerable circumstances, together with the piloting of collaborative data-sharing approaches with other utility providers, and the importance of ensuring that quality standards are maintained while greater numbers of customers receive support.
- The re-packaging and extended reach of financial support schemes for customers in debt or struggling to pay their water bills.
- The development of the innovative Town Action Planning approach to engage 'hard to reach' customers living in deprived communities on debt and affordability issues.
- UU hosting the first-ever North West Affordability Summit held in January 2018 which brought together experts and stakeholders and led to agreement on a five-pronged action plan to address key challenges, which is being taken forward by the Independent Affordability and Vulnerability Panel.

5. Has the company effectively engaged with its customers on longer term issues, including resilience, impacts on future bills and longer-term affordability? Does the business plan adequately consider and appropriately reflect the potential needs and requirements of future customers? Wherever appropriate, has the company engaged with its customers on the long-term resilience of its systems and services to customers?

Resilience research and strategy

As explained in response to Question 1, customer research has identified the provision of clean, reliable and safe drinking water supplies, and safe and continuous wastewater services, as the top priorities for customers in the North West. Customers in this region attach a high importance to maintaining water supplies, even in extreme conditions, and see protection from flooding as a high priority. Taking this into account, alongside Ofwat's focus on resilience and affordability as two of the four key themes in its PR19 Methodology, YourVoice has been keen to ensure that UU has a robust approach to engaging customers on longer term issues and challenges relating to the resilience and affordability of future water supplies.

Key to this is a sound understanding of the company's overall approach to the resilience of water and wastewater services. We therefore received a briefing at our February 2018 meeting about UU's resilience strategy in delivering services for current and future customers. This includes the use of risk assessment to identify and evaluate potential future risks, and using the '*Four Rs of Resilience*' approach (Resistance, Redundancy, Response/Recovery and Reliability) to manage and mitigate risks. It also includes a structured approach to identifying asset and service risks associated with a range of hazards such as power failure, flooding, malicious damage, fire and cyber failure. This approach led to the potential failure of the Haweswater Aqueduct, which supplies water to over one-third of UU's customers, being identified as the single largest resilience risk. This issue, and YourVoice's involvement in related customer engagement, is explored further in the case study below.

Case Study – Manchester and Pennine Resilience

YourVoice was first informed of the need to carry out customer research on issues relating to the resilience of the Haweswater Aqueduct in June 2017.

We were initially presented with information about the nature and extent of the problem, the resulting risks to water supplies and the five potential solutions identified by United Utilities with associated costs and risks. We were given the opportunity to discuss and challenge the information provided, and were satisfied that the deterioration of the aqueduct presents serious risks to the safety, quality and reliability of water supplies to a substantial area of the region, and that action is needed to manage and mitigate these risks.

We agreed that a specific customer research project should be developed to obtain customers' views on the way forward, and provided independent advice and challenge to the company in designing, delivering and reviewing the planned research programme, including:

- ensuring the right balance between qualitative and quantitative elements, and between household and non-household customers;
- reviewing the material produced for the customer focus groups, and the format of the events – YourVoice members attended two of the three pilot events, following which changes were made to the format and presentation materials to reflect our challenges and feedback;
- the online quantitative survey – YourVoice members piloted the test version and their feedback was taken into account in finalising the live model. We also suggested splitting the household

customer sample into four sub-samples to allow the sensitivity of the preferences for each of the five options to be tested.

In view of the scale, significance and complexity of the project, YourVoice sought an independent expert assessment of the customer research programme, which was undertaken by the Centre for Regional Economic and Social Research at Sheffield Hallam University (SHU). This included providing feedback to improve the design of the research project, as well as SHU observing pilot events and proposing changes to improve the operation and effectiveness of the full programme. SHU's final assurance report concluded that the research had been conducted in a rigorous manner and the findings were robust.

Key points made by SHU includes:

- triangulation of the qualitative and quantitative findings provided confidence in the results;
- customers indicated stronger preferences for any given option when they were provided with a description of each proposed scheme;
- the innovative research design allowed a sensitivity analysis of the variation in responses for sub-groups of customers, including low income households;
- both household and business customers had a strong preference to act upon the present situation;
- Options D (rebuilding tunnel sections of the aqueduct) and E (rebuilding tunnel sections and developing alternative water resources) were the preferred options over the status quo for both household and business customers, with the majority of household and business customers selecting these options in their top two choices.

We discussed SHU's findings with UU and issued further challenges, following which additional work was undertaken to re-weight the business sample to ensure that it was representative of the size of businesses across the region. Clarification was also provided on the inclusion of a small number of face-to-face interviews with members of the BAME community - to understand the potential impacts on certain religious and ethnic communities who use water in different ways such as for religious festivals or prayer.

The company subsequently advised YourVoice that it had decided to proceed with Option D, the less costly of two approaches.

Customer engagement on longer term affordability

YourVoice has challenged the company to ensure that it engages with its customers not just about the shorter term bill impacts and affordability of service delivery and improvement proposals, but also developing a sound understanding of customers' views on longer term issues relating to bills, affordability and inter-generational equity. This research indicated that customers value stable, predictable bills, with a clear majority (86%) expressing a preference for bills with smaller year-on-year changes compared with bills that may be smaller in the short term but present greater volatility over the longer term. This insight was reinforced by work with customers behind on their water bills which showed that stable bills help customers with household budgeting and avoiding arrears.

Research on customer attitudes to innovation and Systems Thinking approaches described in Part 3 of this report looked at issues relating to inter-generational equity. The findings indicate that customers are willing to pay for investment now to secure benefits for customers in future but that support is conditional on the size of the project, levels of UU profits and the transparency of communication with customers.

Customer engagement on draft Water Resources Management Plan (WRMP)

YourVoice took a strong interest in the development of the draft WRMP as a key document addressing key longer term resilience challenges such as leakage, drought, maintenance of critical infrastructure/assets and water demand/consumption that would inform and feed into the company's PR19 business plan.

Preparation of the draft WRMP was informed by a wide range of resilience-related customer research, including on future options to maintain water supplies to specific areas, supply interruptions, sewer flooding, water efficiency, leakage, environmental resilience and bill affordability. This research revealed that customers have varying levels of tolerance to service disruption. For example, supply interruptions of around two hours are considered acceptable but disruptions lasting nine hours or more are deemed unacceptable. There is less acceptance of other situations such as drought but only a limited willingness to pay for improvements to make future supplies more resilient. Research was also undertaken to explore the timing of investment across generations, indicating that the majority of customers favour a phased approach to investment to allow the costs to be spread across current and future bill payers.

YourVoice welcomed UU's intention to seek earlier and more extensive engagement with customers and stakeholders in developing the new WRMP compared with previous plans. This included a pre-consultation phase in 2016 in which over 450 stakeholders and consultees, including statutory consultees, environmental groups, local authorities and business interests, were invited to comment on the anticipated plans and the approach to developing the plan. A number of issues were raised, ranging from doing more to address leakage, enhancing the natural environment and concerns about water trading, that were considered by the company in taking forward preparation of the draft WRMP. The company also established a technical stakeholder group to inform and contribute to plan development.



In line with its overall customer engagement strategy, the company also sought to incorporate a wider range of techniques and tools going beyond the traditional 'willingness to pay' survey methods. The customer research programme to support development of the WRMP included the following:

- *qualitative and quantitative surveys about customer priorities for water services generally and in relation to the WRMP specifically;*
- *WaterTalk online customer panel discussions about leakage reduction and costs;*
- *a behavioural insights study seeking to better understand customer motivations and barriers to metering and water efficiency;*
- *immersive workshops to explore customer attitudes and behaviours towards long-term supply interruptions using innovative and creative materials and approaches;*
- *an interactive online tool to allow customers to 'build their own plan' and see the impact on bills of adjusting the priority given to particular service issues such as encouraging customer metering, promoting water efficiency, reducing leakage and more frequent hosepipe bans during dry periods.*

YourVoice was involved, primarily through its Customer Engagement and Environment Sub-Groups, throughout the development of the draft WRMP. Activities included providing independent challenge in scoping research, commenting on research material for surveys/workshops, attending and providing feedback on customer events, reviewing research results and undertaking 'deep dives' into key issues such as leakage, water efficiency and water trading. The case study on the Manchester and Pennines Resilience

provided earlier is an excellent illustration of the extent and impact of YourVoice's involvement and influence.

YourVoice:

- Asked the company to improve the way it presents risks of service failures to customers to ensure increased clarity and understanding.
- Challenged UU throughout the WRMP development process to increase ambitions to reduce leakage and introduce more stretching targets.
- Supported the development of innovative, behavioural economics-based approaches to exploring customer attitudes and developing new ways of tackling water efficiency in homes.
- Emphasised the need for water trading to work to the benefit of customers in the North West, leading to the water companies concerned commissioning a joint research project to explore household and non-household customer attitudes towards water trading.
- Provided challenge on the way in which the consultation questions were framed for the public consultation document on the draft WRMP, which was taken into account in developing stakeholder events.
- Urged the company to explore the potential for leakage reduction in areas where the Abstraction Incentive Mechanism applies, to limit levels of abstraction and reduce impact on environmentally sensitive areas.
- Supported the potential of Systems Thinking approaches to identify innovations that will improve water services and reduce customer bills in the longer term, and encouraged UU to develop a research project to explore customer attitudes towards innovation and Systems Thinking.
- Challenged the company over the relatively poor attendance at regional stakeholder events to consider the draft WRMP held in April 2018, and urged that more be done to encourage attendance at future events of this nature and/or explore alternative ways of securing stakeholder views on plan proposals.

YourVoice views on the draft WRMP

We submitted a formal response to Defra and the company, framed around the nine question areas identified in the draft WRMP. Our key points were:

- We welcomed the approach to incorporating new planning processes, tools and techniques in developing the draft plan, particularly the engaging of customers and stakeholders earlier and more extensively in the process, as well as the strong focus given to the future resilience of water supplies to 'shocks', managing water demand and reducing leakage, all of which have been identified as priorities by customers in the North West;
- We wanted the company to go further to reduce leakage than proposed in the draft WRMP, by adopting the more challenging 15% Ofwat target for the 2020-25 period.
- We accepted the company's view that further investment to improve drought resilience going beyond the demand management plan would not be justified, and recognised that the proposed improved service levels for drought permits and orders would be delivered through planned leakage reductions so will not carry additional costs to customers.
- Whilst we were content to see UU continue to work with other interested water companies to explore the potential of water trading, we were concerned to ensure that any future scheme works to the benefit of UU's customers and contains sufficient safeguards to ensure that their interests are not adversely affected.
- We noted the strong priority being given to promoting increased water efficiency in homes and businesses as a key element of UU's demand management plans, as consistent with

customer views - in particular, initiatives to promote uptake of meters and using behavioural economics techniques to better understand how customers can improve water efficiency in the home.

- We accepted the need for action to address the risks identified for the resilience of water supplies to customers in the Greater Manchester and Pennine areas, were heavily engaged in the research project to obtain customer views on the mitigation options and supported taking forward either Option D (rebuild all tunnel sections) or Option E (rebuild all tunnel sections and provide additional water resources) as consistent with customer's views.
- We welcomed the use of a wider range of customer insight techniques and tools going beyond the traditional 'willingness to pay' survey method in developing the draft WRMP, highlighting the use of behavioural economics techniques, more in-depth panel discussions on key issues and the development of an interactive online tool to allow customers to 'build their own plan' and see the impact on bills of adjusting the priority given to particular service issues.

Revision of WRMP

The company presented the results of the consultation exercise on the draft WRMP at the July 2018 meeting of the YourVoice Environmental Sub-Group (ESG). This indicated that overall feedback on the draft WRMP was positive, highlighting comments from Ofwat and the Environment Agency in particular. The two key issues requiring further consideration were:

- Leakage reduction, where UU confirmed its intention to adopt a more challenging 15% target for 2025, and also to increase its longer term commitment to reduce leakage by 40% by 2045 rather than the 30% initially proposed.
- Water trading, where there is a need to work with other interested water companies to ensure a more consistent and clear approach to developing this potential option, and to ensure that UU customers are protected through any trading arrangements eventually adopted.

The ESG noted the company's proposals to amend the WRMP to reflect the more ambitious leakage reduction targets. It also noted that water trading was unlikely to commence before 2030 at the earliest but that preparatory work will continue with other water companies over the next AMP period, in parallel with work to improve water efficiency, reduce leakage and investigate potential alternative supplies.

In summary:

UU has sought to engage customers on a wide range of longer term issues, including the resilience of water systems and services to future events and challenges and the potential impacts on bills and affordability in the longer term. In particular, we would highlight:

- The research project to explore customers' views on the options for addressing threats posed by the deterioration of the Haweswater Aqueduct to the future resilience of water supplies to the Greater Manchester and Pennines area.
- Research has indicated a clear preference by customers for stable, predictable bills over the longer term.
- The range and innovative nature of customer research undertaken to inform the approach to future water resource requirements - covering issues such as supply interruptions, flooding, water efficiency, leakage, maintenance of critical water infrastructure/assets, environmental resilience and the cost/benefit impacts of investment across generations.
- YourVoice scrutiny and challenge on issues such as leakage reduction, water trading and water efficiency to ensure that the views of customers were represented.

6. Where appropriate, has the company 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. Where appropriate, has the company considered how customers could help co-create and co-deliver solutions to underlying challenges?

As noted in the response to Question 1, UU undertook a research project, *YourChoice* in 2016 to determine overall customer priorities for services provided by UU and to identify the areas they considered should be priorities for improvement. The project involved a sample of household and business customers being asked to choose from a prompted list of 11 service improvements, and the results indicated that providing safe, good quality and reliable drinking water supplies, along with reliable and continuous sewerage services, were the top priorities. In addition, as explained in response to the last Question, the company has sought customer views on a wide range of longer-term issues concerning the future resilience of water systems and services, including reducing leakage, reducing demand, improving water efficiency and the potential of water trading.



Acceptability Testing

In the first round of Acceptability Testing of UU's emerging priorities for the PR19 business plan, which was carried out in Autumn 2017, YourVoice was concerned to ensure that customers were able to consider both the acceptability of the overall package of proposed service improvement but also the relative priority to be given to the different elements within the package. The research material was therefore structured so that customers were given information about current performance levels for each priority area, and then invited to consider up to four options for improved performance with associated bill impacts. For example, on leakage reduction, customers were informed that currently 448 million litres of water is lost every day, and were then invited to consider four options for reducing leakage over the 2020-25 period: the (then) proposed target of 7% (+£1); a reduction of 10% (+£2); a reduction of 15% (+£3); and a reduction of 40% (+£13).

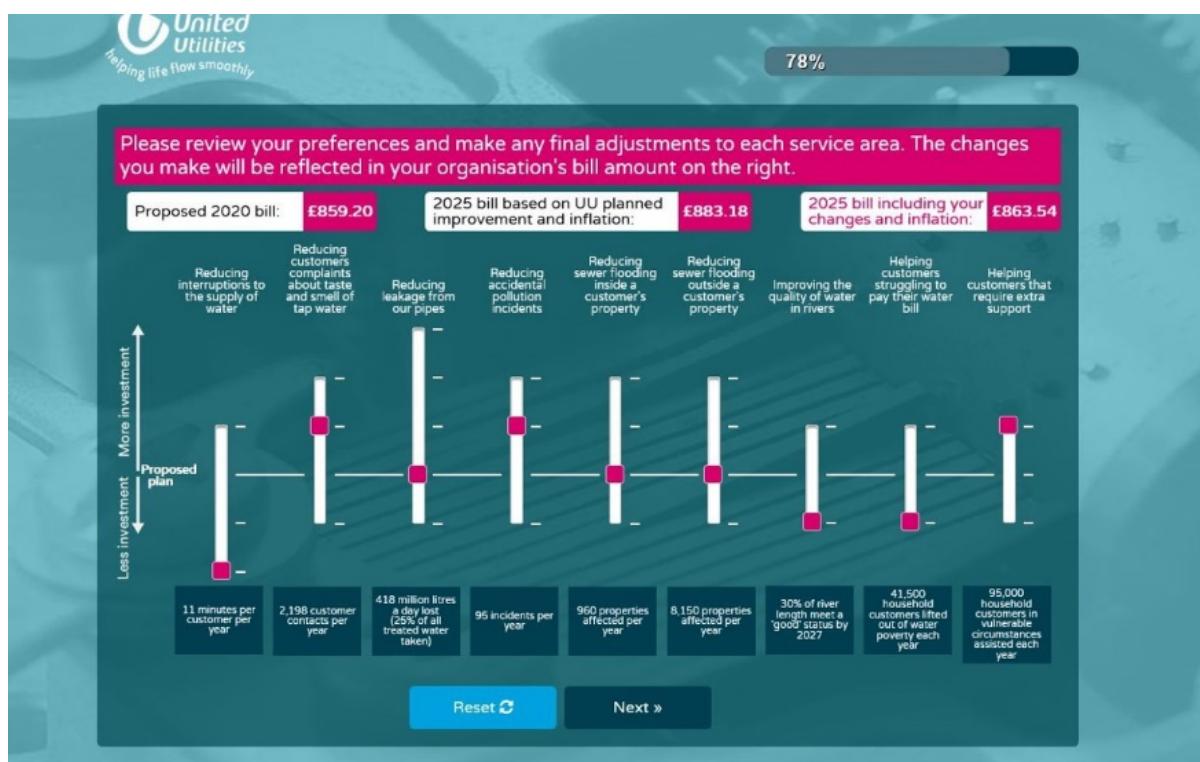
The results indicated that 75% of customers accepted UU's overall priorities for PR19, with 81% finding the proposed improvements acceptable and 64% finding the bill impacts acceptable. However, when it came to the individual service elements, customers expressed clear preferences for:

- lower levels of improvements than proposed in relation to supply interruptions, internal sewer flooding and help for struggling bill payers; and
- higher levels of improvements than proposed for leakage reduction, accidental pollution and supporting vulnerable customers.

YourVoice:

- Secured changes to the research material to improve the presentation of five-year bill impacts by showing (i) reductions resulting from efficiency savings, (ii) the impact on bills of improvement proposals, and (iii) the impact of inflation on both elements.
- Challenged UU to provide clear explanations of proposed service improvements while seeking the removal of material which could potentially frame or lead customer responses.
- Asked the company to consider the provision of comparative company information, where appropriate, in the final round of Acceptability Testing planned in mid-2018.
- Secured the removal of the neutral ('neither acceptance nor non-acceptable') response in future rounds of Acceptability Testing, as a means of making customer choices more explicit.

YourVoice has supported the development of new techniques and tools to allow the exploration of customer preferences and enable a deeper understanding of what drives customer choices and behaviours. The Case Study provided in response to Question 1 outlines the ways in which Behavioural Economics approaches are being applied across UU's customer research programme. In addition, as described in response to the previous Question, the company has developed an innovative, interactive 'Sliders' tool to test customer preferences for balancing relative priorities while seeing the impact on water bills.



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This tool was incorporated into Acceptability Testing materials and enabled customers to 'build their own plan' by adjusting the priority given to particular service improvement issues - including opting for lower or higher targets than proposed - such as leakage reduction, sewer flooding and pollution incidents. It provided an innovative means of allowing customers to explore trade-offs between different priorities and see the bill impacts of altering the balance between potential service improvements.

The technique was also used in developing the draft Water Resources Management Plan to enable customers to see the impact on bills of adjusting the priority given to longer term water supply service issues such as encouraging customer metering, promoting water efficiency, reducing leakage and more frequent hosepipe bans during dry periods.

For the second round of Acceptability Testing, carried out in June 2018, the company decided to test two variants of the business plan proposals, in order to allow results to be triangulated in the event of any late variations in the business plan from the plan tested. YourVoice used the checklist in the **CCW Advice Note on Acceptability Testing** (March 2018) to inform our comments to UU on the proposed approach, methods and materials, and this resulted in a number of rigorous challenges being presented to the company. These challenges, and the way in which UU responded, are outlined in the case study below:

Case Study – Acceptability Testing Second Round

YourVoice made the following challenges:

- **Samples** – we asked for the sizes and composition of the two split samples to be reviewed to ensure that results provide the required levels of confidence.
- **Uninformed bill impact** – we asked that the surveys should initially ask customers about the acceptability of the final bill impacts before going into detail about proposed service improvements. We explained that starting off the research by testing uninformed acceptability would ensure that the views of the average bill payer are properly represented and understood. This would enable proposed bill impacts which have been developed by and tested on informed customers to be validated by measuring how acceptable they are to the generally uninformed customer base.
- **ODI impacts** – we requested that, in addition to asking about baseline bill impacts in the context of service improvements, the acceptability of the range of bill impacts which could accrue due to ODIs should also be tested. Although we were aware of UU's plans to test the impacts of ODIs through a separate piece of research involving the WaterTalk online customer panel, we considered that including ODI impacts within the Acceptability Testing project would ensure that a more rounded and accurate picture of acceptability is developed.
- **Inflation impacts** – we suggested that the proposed wording around this needed developing, in particular to make clear where the stated bill impact does not take account of inflation; and that, where it does, it is based on a forecast of the future impact of inflation.

The company made the following changes to address these challenges:

- **Samples** – the total sample volume was reviewed, accounting for the proposed 'split sample' into two cells, to achieve the appropriate confidence thresholds for the eventual results. This included reviewing the need to bolster the sub-group of young bill payers, as per CCW recommendation.
- **Uninformed acceptability** - the survey format was changed to allow for the uninformed acceptability question to be posed following the presentation of basic introductory information (about the company, the area it operates in, its customers and the services provided) before participants were told what changes to service are planned.
- **Inflation** – the calculation of the bill impact included an appropriate estimate of inflation, linked to the customer's actual bill rather than average bills.

- **Informed acceptability** – a schedule was added containing the proposed service changes and associated bill impacts, together with a follow-up question about acceptability. Cross-industry metrics were included alongside descriptions of targeted service areas, where appropriate.
- **ODI impacts** – an explanation was provided on how ODI out/underperformance payments may affect bills each year over the period in question. This enabled the testing of the acceptability of a realistic assessment of the impact of ODIs (plus inflation) on customer bills – with changes modelled on actual customer bills where available rather than by reference to average bills.

The results of the second round of Acceptability Testing were presented to the YourVoice Customer Engagement Sub-Group (CESG) in July 2018. The key points noted by the CESG were:

- Without seeing the detail of the business plan proposals, 76% of customers found Plan A acceptable, whilst only 58% found the more expensive Plan B acceptable.
- Having considered the business plan proposals, 82% of customers found Plan A acceptable overall while 76% accepted Plan B
- 86% of customers found the Plan A improvements acceptable, with 83% finding Plan B acceptable
- Acceptability of the overall bill impact was lower for both plans, at 77% and 68% respectively.
- Acceptability of the potential variation in the total ODI package was the same for both plans, at 63%.
- Acceptability was highest for the Customer Support ODI under both plans (71% and 70%), next highest for Sewer Flooding (65% and 63%) and Environmental (64% and 62%) and lowest for Water Supply (60% and 59%).
- Acceptability was significantly lower amongst customers financially at risk, with only 50% finding the overall bill impact acceptable and 63% finding the plan as a whole acceptable.

The overall results suggests that Plan A represents better value and is seen as more affordable by customers, and that there are reasonable levels of acceptability for the potential ODI variability tested.

Water trading

We consider the key issues around water trading in responding to Question 5.

Co-creation

YourVoice is fully supportive of the emphasis placed by Ofwat on water companies being genuinely open to involving customers in considering, designing and delivering solutions to service delivery issues and challenges. We see our role as a CCG as primarily about challenging the company and holding it to account on the way in which customer research and insight is used to inform the development and delivery of business plans: as such, we do not see getting directly involved in co-creation and co-delivery activities as a formal part of our independent scrutiny function.

We are, however, keen to see UU making full use of the potential of co-creation and co-delivery in addressing key service delivery issues, drawing on good practice from other sectors. We therefore asked the company to demonstrate the ways in which it was applying co-creation and were given a number of examples, including the deliberative workshops held with customers and farmers to explore issues and opportunities around partnership working in the Petteril catchment in north Cumbria and the engagement of the WaterTalk online customer panel in co-designing revised customer bills (see Case Study on next page).

Case Study – Customer Bill Redesign

YourVoice welcomed the company's intention to take a fundamental look at the way it presents its water bills to customers. The sending out of water bills is perhaps the only time when UU engages with each and every one of its customers, on an issue that affects them all - so it is even more important than usual to make sure that the information is presented in a way that is accessible, jargon-free and helpful, and takes account of their individual circumstances and needs.

The project engaged the WaterTalk customer panel to explore potential changes to the format and presentation of bills. The work was carried out in two stages: the first looked at bills for customers with unmeasured water supplies, the second considered bills for customers with water meters. In each case, panel members were invited to consider the designed bill compared with the current version.

Insights and feedback from the first stage were taken into account in rolling out the second stage looking at metered bills. The feedback from customers was very positive, in relation to both unmeasured and measured bills, and included the following key points:

- Overall, the changes result in a bill that is clearer, more convenient, visually appealing and easier to navigate, and which is seen as a vast improvement on the old bill.
- The payment summary improves clarity and is universally appreciated, while the detailed sections are seen as an improvement on the old bill but with suggestions made on how to improve further.

The changes help demonstrate that UU is transparent, trustworthy and cares about its customers.

In summary:

There is good evidence that the company has engaged customers on a genuine and realistic range of options in developing its PR19 business plan proposals, including service improvement proposals for 2020-25 and longer-term issues concerning the future resilience of water supplies.
In particular, we would highlight:

- The first round of Acceptability Testing undertaken in Autumn 2017 was structured to enable customers to consider up to four options, with associated bill impacts, for each area of service improvement being considered for the PR19 business plan.
- The introduction of innovative new approaches to exploring customer preferences, including the application of behavioural insight techniques and the development of an interactive 'Sliders' tool to allow customers to balance and explore trade-offs between different levels and packages of service improvements and their bill impacts.
- The rigorous challenge by YourVoice to ensure that the second round of Acceptability Testing carried out in June 2018 obtained both uninformed and informed customer views on the proposed service improvements, ODIs and bill impacts in the PR19 business plan. The results showed overall high levels of both uninformed (76%) and informed (82%) acceptability for the most likely variant of the PR19 business plan proposals.
- Examples of the use of co-creation and co-delivery approaches to address catchment management challenges and the redesign of customer bills.

7. Has the evidence and information obtained from customers (including through the company's day-to-day contacts with customers) genuinely driven and informed the development of the business plan to benefit current and future customers? What trade-offs (for example between different customers) have been identified and how has the company proposed to deal with these?

Proportionality and triangulation

As noted in response to Question 1, the broadening and deepening of the research programme to draw on a wider and more diverse range of techniques, evidence and insights means that it will be important to: (a) consider the proportionality of each element of customer engagement and how much weight should be attached to the findings; and (b) cross-check or triangulate findings against evidence from other data sources and insight work.

YourVoice therefore pressed the company to explain its approach to triangulation. In particular, we wished to understand how the company would ensure that every piece of relevant research is considered and weighted appropriately, and how the results would be used in determining proposed service improvements, performance targets and incentives. UU explained that an assessment matrix had been developed to review the results of the different elements of research for each aspect of service, based on balancing the following considerations:

- *Is the research based on responses to questions or observed behaviour?*
- *Are customer responses based on actual experience or hypothetical situations?*
- *Are all aspects of benefits included?*
- *How much information has been provided to customers on the relevant aspect of service, and how much time is given to consider information?*
- *Is the research carried out in the context of overall potential choices and impact on bills?*
- *Is the research representative e.g. size of sample, structured, random or self-selected?*

YourVoice considered that, given the extent and diversity of the customer research and engagement that had been undertaken by the company, it could be difficult to balance and interpret the results correctly. This might result in some of the research value being lost and, at worst, a lack of confidence that the company had considered the results in a rigorous, transparent and reasonable way. In particular, we wanted to see a 'golden thread' from customer engagement and research through to the business plan proposals, including performance targets and incentive rates.

We therefore asked that consideration be given to seeking expert external validation and assurance of UU's intended approach from a suitably qualified third party. This led to the company and YourVoice agreeing that an independent expert review of UU's proposed approach to weighing and triangulating research evidence should be jointly commissioned – this was undertaken by ICF, who had produced an influential report on Triangulation for the Consumer Council for Water in 2017. In recognition of YourVoice's role as an independent stakeholder, the Chair was involved at key stages throughout the scoping and delivery of the project and was able to input directly where necessary as the work progressed. YourVoice was given access to the consultants without the company being present, and was therefore able to shape the work and discuss progress directly with ICF. The emerging findings (see next page) were discussed by the Customer Engagement Sub-Group in May 2018 and presented to the main YourVoice panel in June 2018.

We believe we are the first CCG to seek and obtain independent assurance of the way in which a water company is weighing and triangulating customer research evidence in developing its business plan. The process has shone a searchlight on the complex way in which customer research evidence is evaluated and used by water companies, and was beneficial in not only improving transparency but enabling UU to improve the quality and robustness of its approach to triangulation. We consider there are lessons here for other water companies and their CCGs - and for Ofwat - which may be relevant to future price reviews.

Triangulation Assurance Report – ICF

ICF were asked to provide independent assurance of:

- UU's approach to triangulating different forms of customer research/data (Step 1)
- UU's proposed performance commitments and ODI incentive rates (Step 2)

The aim was to review the way in which customer research evidence was used by UU to determine its PR19 proposals, not the underlying evidence base itself. The approach taken was an iterative one, with UU invited to respond to issues raised by ICF following initial assurance reviews. Step 1 focused on ten measures agreed by YourVoice and UU as particularly important for customers, with five looked at in greater depth. Step 2 looked at five measures agreed by YourVoice and UU.

The key findings were:

- The initial assurance review revealed a mixed picture, with some inconsistencies and shortcomings, mainly relating to the need to improve write-ups/explanations rather than the underlying calculations.
- Subsequent reviews showed considerable improvements in UU documentation and assurance ratings: better descriptions and methodology; clearer links between the evidence base and use of evidence; changes to calculations to improve their validity and logic; and adding further relevant evidence found in the underlying evidence base.

The following conclusions were highlighted by ICF for YourVoice:

- UU has a strong and varied evidence base from which to draw its customer valuations, reducing the reliance on any single source.
- Business plan evidence constituted a well-evidenced and clear approach to triangulation, which generally follows ICF's guidance to CCW.
- This indicated that UU had taken a sound and appropriate approach to triangulation.
- Proposed ODI incentive rates reflected the underlying evidence and links were explained clearly.
- UU and YourVoice may be setting a benchmark for the sector in applying good practice for triangulating different sources of customer evidence.
- The quality of the business plan evidence was largely attributable to the importance that UU and YourVoice had placed on the process of triangulating evidence and assurance.
- UU should emphasise this to Ofwat by explaining clearly within its business plan the thorough and iterative process it had followed to assure and improve its triangulation approach.

Performance commitments, targets and Outcome Delivery Incentives

Discussions with UU about its emerging ideas for performance commitments (PCs) and targets for PR19 started in Summer 2017. The company explained its approach to developing performance commitments, targets and Outcome Delivery Incentives (ODIs) at the September 2017 YourVoice meeting, with more detailed discussion and challenge of emerging proposals taking place in the Customer Engagement and Environment Sub-Groups over the Autumn and Winter period (including suggestions for specific ODI such as natural capital/catchment approaches and challenges about the level of ambition in areas such as leakage reduction). As described in the previous section, challenging the company's approach to triangulation was a fundamental part of YourVoice's strategy for ensuring that PR19 proposals were reasonable, proportionate and supported by customer research evidence.



Beginning in February 2018, and ending in June 2018, the Customer Engagement and Environment Sub-Groups looked in depth at every one of UU's proposals for performance commitments, targets and ODIs to provide independent scrutiny and challenge. At the outset, we asked for changes to the common template developed by UU to present its proposals to:

- *Make clear how customer research evidence has been used to inform the selection and development of proposed ODIs.*
- *Ensure the inclusion of comparative water company information, where available.*
- *Provide a clear explanation of current performance and baseline information.*
- *Allow consideration of the options available in relation to potential low and high performance levels.*

We provided challenge and feedback on the initial list of ODIs and definitions sent to Ofwat in May 2018.

In undertaking what was a rigorous scrutiny and challenge process, YourVoice was guided by the list of specific issues identified by Ofwat for CCGs to explicitly comment on/challenge set out in sections 6 and 7 of Annex 1 to the Aide Memoire. In particular, we focussed on:

- How well the proposed PCs reflect customers' views, and how stretching they are.
- How multiple data sources have been triangulated in setting PC levels.
- Forecast performance levels for 2019-20 and how these have influenced proposed PC levels.
- The selection of sites to be covered by the Abstraction Incentive Mechanism PC, the four new common PCs on asset health, proposed bespoke PCs, the leakage reduction PC and scheme-specific PCs.
- How well proposed ODI outperformance and underperformance payment rates reflect a suitably wide range of customer evidence.
- Ensuring that customer views were sought on the overall range of possible bill impacts arising from performance against ODIs.
- The proposed ODIs covering resilience challenges and asset health, and any enhanced ODIs for the common PC measures.

The Challenge Log at **Appendix 3** contains an Annex detailing the YourVoice challenges made in considering 42 of the 44 PCs and ODIs proposed by UU (we have not covered the new C-Mex and D-Mex measures still under development by Ofwat and water companies). It summarises the challenges made, together with an explanation of how UU took account of our views in developing its business plan. The Annex to the Challenge Log illustrates the breadth and depth of the forensic examination undertaken by the Customer Engagement and Environment Sub-Groups between February and May 2018. Some highlights are included on the next page.

YourVoice:

- Challenged UU to explain why the proposed target for reducing customer contacts concerning taste and smell is stretching, and the impact that softness/hardness of local water sources will have in achieving this target.
- Questioned the links between increased awareness and changes in behaviour in relation to the ODI on helping customers look after water in their home.
- Noted that there is no strong push from customers to reduce the current target of 12 minutes for reducing supply interruptions.
- Challenged the grouping together of Category 1, 2 and 3 incidents in the pollution incidents common measure.
- Challenged the company to justify why the proposed targets for mains repairs are challenging, and to clarify the linkage with the leakage reduction measures.
- Sought confirmation that the cost to customers of meeting the higher 15% target for leakage will be no higher than that associated with the original 7% target proposed.
- Sought clarification on the relationship between the per capita consumption measure and that relating to helping customers look after water in the home.
- Challenged the robustness of the proposed incentive rate for the unplanned outage measure, and secured a reduction.
- Asked UU to ensure that any outperformance payments for the enhancing natural capital for customers measure are reinvested in developing new integrated catchment schemes.
- Emphasised the importance of addressing odour nuisance through the recycling biosolids measure.
- Challenged the way in which the improving street works measure will be audited and measured, and whether the target is challenging.
- Pressed for the introduction of an independently-audited quality standard for the priority services for vulnerable customers measure, secured a reduction in the planned incentive rate and agreed that any outperformance payments should be reinvested in this area.
- Asked the company to make clear that the customers lifted out of water poverty measure is intended to ensure no more than cost recovery.
- Sought clarification on why the proposed incentive rate for the raising customer awareness to reduce flooding measure is higher than that for the awareness raising measure relating to customers looking after water in the home
- Challenged whether the proposed target for the risk of flooding in a storm measure is stretching enough, and why the target is reputational only.

In addition to the issues raised in relation to specific ODIs, a number of general, cross-cutting issues and themes were explored with the company.

- We looked closely at potential overlaps between proposed measures to understand how they are intended to work together and to ensure that there is no double-counting in relation to rewards/penalties. This included challenging the company to clarify the linkage between the common ODI concerning Per Capita Consumption and the new bespoke measure 'Helping customers to look after the water in their home' relating to water efficiency, including ensuring that there could be no element of 'double reward'.
- We expressed concerns about the way in which the seven ODIs covering aspects of sewer flooding would work together – for example, if a sewer blockage causes an internal flooding incident there would be a penalty in relation to both the blockage and the incident. In response, the company

took us through their methodology which used customer research valuations and historical performance data to ensure that deductions were made to take account of overlaps in setting proposed incentive rates. We also noted that the calculations value repeat flooding incidents at three times that for first-time incidents, which is in line with customer research findings.

Another important issue for YourVoice was understanding how the whole ODI package will work in terms of the range of potential rewards and penalties overall. In particular, we wanted to understand how much might be added to customer bills if the company outperforms against targets across the board and, conversely, by how much customer bills might be reduced if there is significant underperformance. We therefore looked at this in detail at our June 2018 meeting. The company explained their approach to calculating potential upsides and downsides for each ODI, and that adding them up gives a total range of +£416m to -£387m over the 2020-25 period, which equates to a total bill impact of +£21 to -£19. These figures were revised in the final business plan presented in August 2018 to +£416m to -£410m, equating to a bill impact of +£20 to -£20 at 2017/18 prices.

As explained in response to Question 6, YourVoice pressed for the second round of Acceptability Testing undertaken in June 2018 to include customer views on the potential bill impacts of ODI under and outperformance payments. This revealed an acceptability level of 63% for the overall variation range arising from ODIs, with highest to lowest levels of acceptability for customer support, sewer flooding, environmental and water supply ODIs in that order.

These results were supplemented by a separate qualitative research project looking at the overall ODI framework and involving the WaterTalk online customer panel in July 2018. The project was designed to explore customer understanding of ODIs and suggested targets for PR19, and their potential bill impacts. The results indicated that:

- *Customers broadly supported the proposed ODI framework, which they believe could lead to better performance.*
- *Customers had initial concerns about how targets are set and measured but support for ODIs increased with greater understanding of their role by customers, highlighting the need to educate and communicate better with customers.*
- *Overall, most customers believed that the potential impact on bills is small and reasonable but some questioned whether it is right to decrease bills if performance measures are missed and some questioned the logic behind bill variations.*
- *Customers preferred bill stability across the longer term, and considered that spreading investment across different generations of bill payers was the fairest option.*

An issue of concern for YourVoice, which we know is shared by other CCGs, is that the water pricing framework enables water companies to be rewarded in cases where they are achieving less than full statutory compliance, or are failing to avoid incidents which cause significant problems for the customers affected. To give three examples:

- *the treatment works compliance common measure allows water companies to receive an outperformance payment when there is less than 100% compliance with statutory permit conditions;*
- *the pollution incidents common measure enables water companies to receive an outperformance payment while still allowing incidents to occur that customers would reasonably expect to be avoided completely.*
- *similar considerations apply to the internal and external flooding common measures – we cannot see how it is possible to justify to customers whose homes have been flooded that the water company concerned is being rewarded for its performance in this area.*

We would therefore ask Ofwat to re-examine for the next Price Review the principle of enabling water companies to be rewarded in these types of situations, which we believe does little for the reputation of the industry.

The Business Plan

As we hope this report makes clear, YourVoice engagement with UU on the shaping and development of the various elements of its PR19 business plan proposals started more than two years ago and levels of scrutiny and challenge have been ramped up as we moved through the process. The Your Choice exercise in 2016 to identify customer priorities for future service improvements, together with our ongoing scrutiny of performance and reporting of existing performance commitments, provided a strong platform for considering UU's emerging proposals in relation to PR19.

We believe that YourVoice's relationship with UU has matured so that we are now playing a more proactive and effective role in challenging and influencing the way in which the company obtains and takes account of customer insight and research than our predecessor CCG in PR14. This is demonstrated by the openness and transparency of the company in sharing ideas and proposals with YourVoice at an early stage, and then being willing to consider and act upon the challenges and suggestions we make in taking these ideas and proposals forward. A good example of this is the Manchester and Pennines Resilience project, where the Case Study in Question 5 illustrates how early engagement with YourVoice on a major challenge facing the company has added value and impact – it demonstrates the 'Golden Thread' principle underpinning our work whereby YourVoice seeks to shape the form and quality of customer research, discuss the results and then influence decisions about the way in which findings are used to inform the development of business plan proposals.

This process of rigorous and ongoing challenge by YourVoice, and UU's willingness to consider and act upon the challenges made, is important in considering the Question posed by Ofwat – has the evidence and information obtained from customers genuinely driven and informed the development of the business plan to benefit current and future customers? Another major consideration is our early challenge to the company about how it was going to ensure that the results of customer research were properly triangulated and weighted in developing its specific service improvement priorities, performance commitments and targets for 2020-25. The independent validation and assurance exercise undertaken by ICF, jointly on behalf of YourVoice and UU, provided us with a good degree of confidence that the process used by the company to triangulate and weigh the multitude of different pieces of customer research and insight was robust and transparent.

YourVoice pressed the company for early sight of the draft PR19 business plan to allow us to determine the extent to which our challenges and customer research findings have been carried through into the proposals to be submitted to Ofwat. This led to the YourVoice Chair being given the opportunity to comment on relevant sections of the draft business plan in early July, and then the full draft business plan being shared on a confidential basis with all YourVoice members in early August. Generally, YourVoice is pleased to see that the company has reflected and acted upon the numerous and varied challenges we have made throughout the PR19 development process and has taken account of the results of customer research in a robust and proportionate manner. We noted in particular:

- *The company's proposals will result in significant bill reductions in real terms for customers over 2020-2025, and will provide for bill stability into the next 2025-2030 price review period.*
- *The integral role of real-time information, customer engagement and research underpinning the service improvements, performance commitments and targets set out in the plan.*
- *The commitment to developing operational resilience, including the Manchester and Pennines project.*
- *The proposals for transparent benefit sharing arrangements with customers.*
- *The confidence and assurance processes underpinning the plan, including the role of YourVoice and the independent triangulation work carried out by ICF.*
- *The strong focus on affordability and vulnerability, including reducing numbers of customers in fuel poverty and extending support for those in vulnerable circumstances.*
- *The reflection of YourVoice challenges in finalising proposals for performance commitments, targets and ODI .*

- *The strong emphasis on innovation, including promoting the Systems Thinking approach.*
- *The use of inclusive and innovative engagement methods and co-created solutions.*

There are no outstanding areas of disagreement between YourVoice and the company.

In summary:

YourVoice believes that the evidence and information obtained from customers has genuinely driven and informed the development of the company's business plan to benefit current and future customers. In particular we would highlight:

- The increased breadth, depth and complexity of UU's customer research programme to support the development of its PR19 business plan made it critically important to ensure that research results were being properly weighted and triangulated, which led to YourVoice and the company jointly commissioning an independent expert assessment of the approach taken.
- This external validation exercise undertaken by ICF led to improved transparency and documentation, and concluded that the company had taken a sound and appropriate approach to triangulating research evidence, and that the quality of the business plan evidence is largely attributable to the importance that UU and YourVoice placed on the process of triangulating evidence and assurance.
- The extremely rigorous exercise undertaken by YourVoice to scrutinise and challenge all but two of the 44 performance commitments, targets and ODIs being proposed by UU for its PR19 business plan, aimed at making clear how customer research evidence had been used, considering definitions, coverage and implementation and assessing the stretch of targets. This led to a wide range of challenges to the company - some of which required substantive changes in the nature of the measure and the targets to be set - and all of which have been addressed in finalising the business plan.
- The qualitative research project involving the WaterTalk online customer panel looking at the overall ODI framework, which indicated that customers broadly supported the business plan proposals and that most customers believed that the impact on bills is small and reasonable.
- YourVoice has concerns in principle that water companies should not be allowed to receive outperformance payments in cases where they are achieving less than 100% statutory compliance or are failing to avoid incidents such as flooding or pollution which cause significant problems for affected customers. We would like Ofwat to re-examine this issue for the next Price Review.
- Scrutiny of the company's draft PR19 business plan has confirmed that the company has listened to, considered and, where necessary, acted upon the many challenges made by YourVoice throughout the PR19 development process.
- The company's PR19 business plan is intended to deliver significant bill reductions in real terms for customers over 2020-2025, and provide for bill stability into the next 2025-2030 price review period.

PART 3

Other Relevant Information

In this Part, we address issues and information not covered in Parts 1 and 2 and which YourVoice considers should be drawn to the attention of Ofwat. It is in four sections:

- A. Environment
- B. Matters raised by environmental and statutory regulators
- C. Outstanding issues that Ofwat have asked CCGs to address not dealt with in Part 2
- D. Other matters that the CCG wishes to draw to Ofwat's attention

A. Environment

As explained in Part 1, the main YourVoice panel is supported by three sub-groups looking at customer engagement, affordability/vulnerability and environmental aspects in more detail. In answering Ofwat's specific questions in Part 2, we have focused largely on the work of the main panel and the sub-groups looking at customer engagement and affordability/vulnerability, with less frequent mention made of the work of the Environment Sub-Group (ESG). However, the ESG has carried out an important role in enabling YourVoice to examine in detail the way in which the operational service delivery and asset management activities of UU affect the environment - in particular the need to avoid or mitigate adverse environmental impacts and deliver positive environmental outcomes wherever possible. The ESG also considers relevant customer research and seeks to ensure that customers' views are reflected.

This section therefore outlines the work of the ESG in challenging UU in developing its PR19 business plan, and highlights some key issues that we wish to draw to Ofwat's attention. It is important to note that, in many cases, the same subjects are covered by more than one YourVoice sub-group in order to ensure that different aspects and issues are addressed. In going about its work, the ESG has used the priorities set out in Wildlife and Countryside Link's *Blueprint for Water* document as a helpful reference on achieving positive environmental outcomes from the sustainable management of water resources.



The ESG meets quarterly (although meeting frequency increased to monthly from February 2018 onwards to deal with extra work arising from the company's PR19 proposals) and focuses on the areas of UU's business which impact most heavily – whether positively or negatively - on the environment. Since the Summer of 2017, in the lead up to PR19, the ESG has adopted a 'deep dive' approach as a means of scrutinising in detail those areas of the company's business which impact significantly on the environment. This approach involved a detailed presentation by the company, followed by discussion and challenge from ESG members, leading to the identification of key issues for UU to address in developing its PR19 plans. Deep dives have been carried out in relation to leakage reduction, sewer flooding, bathing/shellfish waters, water trading and bioresources. The ESG also received regular progress reports on and discussed the development of the WISER/WINEP and the draft Water Resources Management Plan.

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Case Study – A Deep Dive into Leakage

In December 2017, UU provided the ESG with a detailed explanation of its work to reduce leakage and its approach to leakage reduction targets. This included historical performance data, in which it was noted that although leakage had fallen to its lowest ever level in 2016/17 there had been no substantial reductions since the early 2000s.

The ESG made the following challenges to UU:

- provide more context around the leakage calculation and the factors considered, including understanding the SELL analysis, potential bill impacts and risks to customers;
- water lost through leakage amounted to one-quarter of water consumption across the region, so remained a serious water management issue on which customer education needed to be improved;
- justify why the proposed 7% leakage reduction target was stretching and in the best interests of customers, particularly given strong customer support for reducing leakage and Ofwat's expectation that water companies will adopt at least a 15% reduction;
- the need to understand what other water companies would be proposing as leakage reduction targets;
- around 4% of leakage had been shown to be from customers' pipes – what was UU doing to tackle this e.g. through free pipe repairs and replacement?

It was agreed to continue the Deep Dive at the next ESG meeting in February 2018. The company indicated at this meeting that, in the light of customer feedback, YourVoice challenge and other considerations, it was now reflecting on moving towards a 15% target for PR19. The ESG welcomed this movement but made the following further challenges:

- the need to understand the company's current and proposed future leakage performance in relation to what other water companies were proposing in PR19;
- while customer research showed strong support for leakage reduction, it also suggested that there are limits to how much customers are prepared to pay for reduction beyond economic levels;
- adopting a more stretching target should not therefore automatically equate to increased costs for customers – the company needed to explore using new technology and innovation to drive leakage reduction and strike the right balance between increased bills and more efficient and effective ways of working.

During a similar deep dive into bioresources, the ESG challenged UU about its communication to customers about wastewater. Customers were arguably being encouraged to see wastewater treatment as a 'silent service', one for which they did not have any interest or responsibility - for example, UU's message to customers was "Your wastewater is removed and treated without you ever noticing". The ESG challenged UU that this did not encourage customers to take an interest in wastewater treatment, and hence it would be harder to get customers to understand the important role they can play in relation to issues such as sewer blockages due to flushing of wet wipes. This challenge resulted in UU's message to customers being changed to "We collect and recycle your wastewater".

The ESG has challenged UU to develop and expand the use of Integrated Catchment Management (ICM) approaches as a means of addressing environmental challenges and delivering positive gains for the

environment. The company pioneered the SCAMP approach in the early 2000s and has subsequently extended ICM to embrace more catchments, a wider range of partnerships and greater levels of ambition in respect of the range and extent of environmental benefits provided. ESG challenges have led to a shared understanding of the costs, risks, benefits and lessons learned from UU's existing range of ICM schemes. Links were made to the emerging natural capital agenda and the ESG encouraged the company to develop an ODI for PR19 which supports the expansion of the ICM approach to more catchments and across a broader area of the company's business. The Sub-Group also challenged UU and the Environment Agency to work together to explore the potential of ICM options in developing the WINEP.

The ESG was keen to see customer attitudes towards ICM and natural capital accounting explored through UU's customer research and insight programme. It therefore supported (and attended) an immersive workshop using Behavioural Economics techniques to bring together customers and land-based stakeholders to consider the benefits of ICM approaches versus more conventional approaches to nutrient removal/reduction in the Petteril catchment in Cumbria. This revealed strong customer and stakeholder support for developing catchment rather than chemical-based solutions.



The Group encouraged the company to bring forward the proposed 'Enhancing Natural Capital for Customers' ODI and made a number of challenges and suggestions to improve its definition and intended way of working. It sees the development of natural capital approaches as providing an alternative to traditional 'end of pipe' solutions, and envisages this pilot, if successful, being extended to other UU business areas so that it becomes the standard way of working. The ESG also highlighted the importance of linking UU's intended approach to the development of natural capital

accounting at national level, in order to be able to demonstrate robustly the full range of added value and societal benefits arising from this approach. The Group recognised that there are challenges for the company in going down the ICM route, not least in aligning UU's priorities with those of wider partners and stakeholders and leveraging in additional resources from those partners. It will also be important to ensure that potential customer bill impacts are appropriate to the level of risk/reward being proposed, and that statutory requirements will continue to be met.

B. Matters raised by environmental and statutory regulators

As requested by Ofwat, we have engaged the key statutory regulators in YourVoice's deliberations so that we are able to reflect any concerns raised about the ability of the proposed PR19 Business Plan to meet statutory obligations. The Environment Agency (EA) is a member of YourVoice, and is represented on the Environmental Sub-Group (ESG), so has played an integral role in the CCG's work and has been well placed to articulate any particular issues and concerns with the emerging business plan. The Drinking Water Inspectorate (DWI) and Natural England (NE) were members of the earlier CCG which considered the PR14 proposals but both declined to remain on YourVoice and other water company CCGs following the completion of PR14 due to resource constraints. We have, however, invited and welcomed both organisations to attend YourVoice and relevant sub-group meetings to present their views on the emerging PR19 proposals, and asked them to let us have any specific points that they wish to see addressed in our report. The comments below were provided directly by the regulators concerned.

Environment Agency

"UU's PR19 programme builds on the work carried out in previous Asset Management Plans. As part of this the Environment Agency (EA) have set an ambitious programme of work in the Water Industry National Environment

Programme (WINEP) for the 2020-2025 period. The UU WINEP comprises of over 1000 environmental schemes covering aspects of water quality, water resources and fisheries, biodiversity and geomorphology including:

- *Water Framework Directive (WFD) improvements including: better treatment at Kendal Waste Water Treatment Works (WwTW); sewerage infrastructure schemes in the Ribble catchment at Blackburn, Burnley and Hyndburn; and an increase in storm storage at Runcorn WwTW.*
- *Integrated catchment solutions for the Petteril, Ellen, Crossens and Cheshire catchments.*
- *A catchment-wide permit plan for the River Irwell to reduce phosphorus loads with schemes at Bolton, Bury, Rochdale and Rossendale WwTWs that are integrated with phosphorus recovery at Davyhulme.*
- *Improvements in land management in areas such as Bowland Fells and South Pennine Moors. These may be complemented by Natural Flood Management projects that the EA is promoting.*
- *More sustainable and resilient water supplies for West Cumbria, including the completion of the Thirlmere pipeline. This will allow the cessation of abstraction from a number of lakes and rivers further improving the environment and supply resilience.*
- *Bathing Water investigations, in partnership with the “Turning Tides” programme on the Wirral, Sefton, Fylde and Morecambe coasts to identify measures that, if included in the next price review, would further improve bathing water quality.*
- *Improvements at Carlisle WwTW that will lead to better shellfish water quality.*

Through the WINEP and updated Water Resource Management Plan, we believe that UU is proposing to address their statutory obligations as outlined in WISER. The EA supports UU in exploring innovative partnership-based solutions that promote catchment delivery as an alternative to traditional “end of pipe” solutions. The EA, UU and Natural England acknowledge that further work is needed to optimise and integrate the wastewater, drinking water and flooding programmes in AMP7, which could provide better outcomes for catchments and communities.

The EA welcomes UU’s continuing support for a pilot to manage water levels in a Rochdale reservoir and the ongoing seasonal reduction in levels at Thirlmere to provide flood risk benefits. This is a complex area as there are competing needs between water supply, flood risk management, environment, businesses and communities. UU and the EA will continue to work in partnership with stakeholders to understand the potential of these innovative approaches.

In developing the Performance Commitments (PCs) for AMP 7, UU has actively sought and acted on advice from the YourVoice CCG. The EA concurs with UU that Natural Capital, AMP Scheme Delivery, Pollution Incidents, Treatment Works Compliance, Flooding and Leakage should be major areas of environmental focus in AMP7. The EA welcomes the ambition set around Natural Capital and have worked with UU in further developing the detail behind this PC with a view to strengthening this approach and getting the best outcomes for people and the environment.

The EA is pleased that UU have accepted a large number of recommendations to improve their draft PCs from YourVoice. As a consequence, we have greater confidence that the company is adopting stretching targets that will allow it to meet regulatory obligations. Some specific aspects that EA would like to see addressed before the plan is finalised include:

- *The EA welcomes that UU’s targets with respect to leakage have been revised in line with Ofwat’s expectations. UU have stated that the target for their leakage PC is to achieve at least a 15% reduction by end of AMP7.*
- *The Pollution Incident PC groups Category 1, 2 and 3 incidents together and allows reward when we think that such a measure should be penalty only. The EA believes that water companies should be aiming for zero serious pollution incidents.*
- *The EA does not support the WwTW Compliance PC target of 99% compliance. Although achievement of this would lead to an improved environment, based on UU’s current performance, discharge permit compliance is a legal requirement and there should be 100% numeric compliance throughout AMP7.*
- *There are some PC’s where the EA is concerned that UU could potentially be rewarded while customers and/or the environment continue to be impacted (e.g. flooding).*

- *The EA welcomes the holistic nature of the flooding strategy proposed by UU, including the move to dynamic network management, surface water removal and customer behaviour change. However, whilst the EA accepts that public campaigns on “what not to flush” can play a part in reducing blockages locally, we are concerned that such campaigns may not provide a long term solution. The EA expects UU to continue to invest effectively to drive a reducing trend in the root causes of sewer flooding in line with their customer’s preferences.*
- *Sustainable Urban Drainage approaches and surface water separation are essential in any future drainage strategies. UU had originally proposed a PC for surface water removal using Sustainable Drainage Systems, but it is disappointing that this has now been removed. However, we recognise that this still forms a key part of their flooding strategy and is reflected in the Natural Capital PC.*
- *UU have included a PC for Systems Thinking and we would support the company becoming as efficient and effective as possible. Whether this is funded through a PC or the company itself is an Ofwat consideration.”*

Drinking Water Inspectorate

The Drinking Water Inspectorate (DWI) attended the April 2018 meeting of YourVoice and made a presentation on the company’s progress in improving compliance with drinking water quality requirements. This highlighted the continued collaborative working on a comprehensive water quality transformation programme, and DWI’s satisfaction with the company’s performance in drinking water quality improvement. The DWI subsequently provided the following statement.

“The Drinking Water Inspectorate (DWI) is the independent regulator of drinking water quality in England and Wales. We protect public health and maintain confidence in public water supplies by ensuring water companies supply safe clean drinking water that is wholesome, and that they meet all related statutory requirements. Where standards or other requirements are not met, we have statutory powers to require water supply arrangements to be improved. We publish information about drinking water quality and provide technical advice to the Secretary of State for the Environment, Food & Rural Affairs, and to Welsh Ministers.

For PR19, water companies are expected to ensure that their business plans make provision to meet all their statutory obligations, including the need for public water supplies to be safe, clean and wholesome, and that provision is made for a sustainable level of asset maintenance to maintain public confidence in drinking water quality in the long-term. Ministers summarised these requirements in “The government’s strategic priorities and objectives for Ofwat1 (Sept 2017)”. In addition, the Inspectorate’s “Guidance Note: Long term planning for the quality of drinking water supplies (September 2017)” includes guidance to companies on the regulatory framework for drinking water quality, statutory requirements, the Inspectorate’s role in the Price Review process and our requirements for companies seeking technical support.

It is worth noting the particular emphasis that Ministers placed in their Guidance on the resilience of supply systems, and that the Inspectorate placed on existing duties to manage the introduction of new sources and to plan supply arrangements to protect consumers and ensure no deterioration in the quality of their supplies. The Inspectorate have supported the Company’s CCG process throughout the PR19 process, being available to discuss any matters relating to drinking water quality.

As with previous periodic reviews, water companies seeking technical support from the Inspectorate must demonstrate the need for each proposal. The case for justification must be accompanied by evidence of the company’s options appraisal process to identify the most robust, sustainable and cost-effective solution, with evidence that the preferred solution will adequately address the risk and deliver the required outcome within an appropriate timescale.

United Utilities Water Limited submitted 8 formal proposals for drinking water quality to the Inspectorate. The Company submitted its proposals to the Inspectorate by the published deadline of 31 December 2017. Some further follow up information was requested from the Company and responses received as required.

The Inspectorate has formally supported 5 of the Company's proposals and we will put legal instruments in place to make the proposals legally binding programmes of work. All remaining proposals have been commended to Ofwat for support. Our final decision letter was sent to the Company on 30 May 2018.

The first of the Company's proposals relates to facilitating compliance with the lead standard. The Inspectorate expects that the Company will have a strategy in place for managing lead in drinking water that should form part of a risk-based programme of work that includes a range of measures to address lead in identified high risk areas, and target high risk properties and vulnerable consumers. In AMP7 the Company proposes to continue to implement their lead strategy along with a trial to improve the identification of lead pipes and another relating to the adoption of pipes currently owned by customers in 2 zones.

The Company proposes work to improve taste and odour at 4 sites including continued catchment management along with the installation of granular activated carbon treatment (GAC).

Additionally, the Inspectorate commends 3 schemes to Ofwat for support: the targeted refurbishment of the Haweswater aqueduct to safeguard supplies across the area, catchment management to improve resilience in the Thirlmere catchment and a programme of working with customers about water fittings and plumbing arrangements.

Additionally with regard to metaldehyde, we are currently awaiting Ministerial guidance about future use restriction for metaldehyde and will look to revise the existing undertakings once this guidance has been received.

It should be noted that these improvement schemes will make only a small contribution to enabling the Company to meet its legal obligations in respect of drinking water quality. These obligations are met overwhelmingly by the Company making sufficient provision for operational and maintenance requirements in its business plan, and by its use of those resources. These are matters for the Company to determine and deliver. For its part, the Inspectorate will continue to keep under review, and report on, the performance of the Company in meeting its legal obligations.

The summary of improvement schemes above reflects the position at the time of writing this note. Further discussions are needed with the Company to finalise details. We will advise the YourVoice Panel of any material changes."

Natural England

Natural England (NE) made a presentation to the July 2018 meeting of the ESG on its engagement with UU as part of PR19. This focused on collaboration with UU and other partners in developing the WINEP programme, particularly on protected sites and biodiversity. It subsequently provided the following statement:

"The WINEP drivers that NE is leading on are as follows:

- Habitats Directive (internationally designated sites including SAC, SPA and Ramsar)
- Sites of Special Scientific Interest
- NERC Biodiversity Priority
- Marine Conservation Zones

Additional drivers in which NE is interested due to impact on protected sites, land management and nature conservation include Invasive Non-Native Species, Water Safeguard Zones, Water Framework Directive and Urban Waste Water. Overall, there are around 30 WINEP measures where NE has had a significant input. There are no measures for Marine Conservation Zones in PR19 because most sites in the North West are in the early stages of designation.

Below are examples of schemes that have been co-created between NE and UU to give a flavour of the breadth of collaboration:

- **West Pennine Moors SSSI** - An extensive programme of land management improvements for the newly designated SSSI which will maintain and enhance SSSI condition whilst providing multiple benefits such as improved drinking water quality (Rivington, Ogden) and resilience (carbon storage, natural flood management, wildfire prevention)
- **Thirlmere catchment** – An integrated catchment scheme combining resilience measures, drinking water quality improvement and nature conservation
- **Leigh Treatment works** - An innovative biodiversity scheme contributing to a network of wetland sites in Greater Manchester and bringing customers closer to nature on UU land. The project will also advance thinking on ‘net gain’ and ‘habitat banking’ for the Greater Manchester Spatial Framework and National Development Planning Policy
- **Tatton Mere** – A solution for a long standing water quality issue affecting an internationally designated Ramsar site.

Through partnership with UU, NE has also engaged with the development of integrated catchment solutions, progressed the application of ‘net gain’ for the capital investment programme and supported the Natural Capital ODI. If managed well, these initiatives will encourage natural solutions with multiple benefits for people and nature.

It is therefore very important for UU to continue to collaborate with NE on the development of;

- **The Natural Capital ODI** - To ensure accounting methods are robust and align with other Natural Capital tools (e.g. Defra eco-metrics) and to check that it is underpinned by habitat creation and management (biodiversity) to ensure sustainability of benefits in the longer term.
- **Upland drinking water catchment land schemes** - With changes in policy around EU Exit (CAP) and current wildfire impacts, there will need to be a strong partnership to review the long term strategy for land management of UU-owned land to deliver a greater range of outcomes and resilience.
- **Leigh Treatment Works** – Ongoing development is required for this flagship scheme in an urban setting as it is UU’s only WINEP measure that is solely driven by the biodiversity (NERC) driver. Ongoing engagement on this and other measures such as Rhodes Farm will also support net gain and habitat banking.
- **Catchment System Operation** – Aligning farm advice, natural flood management and habitat banking with UU’s innovative natural solutions for waste water treatment.

We are pleased with the approach UU have taken to engage with NE at a strategic and project-level as part of PR19. This has resulted in a strong WINEP programme that we can support. It has also allowed us to identify wider opportunities for joint working that will benefit the environment we all rely on.”

C. Outstanding issues that Ofwat have asked CCGs to address not dealt with in Part 2

We have structured this report so that it focuses on the seven Questions identified by Ofwat for CCGs. However, we have also used the checklist provided by Ofwat at Annex 1 of its Aide Memoire to ensure that we have addressed each of the specific issues on which explicit comment from CCGs is expected and that, where appropriate, we also comment on the issues identified for CCGs to challenge. We believe we have covered all the relevant issues in Annex 1 but would be happy to provide further information to Ofwat on any particular matters if required.

Benefit sharing and CommUnity Share

YourVoice has noted with interest Ofwat's '*Putting the sector back into balance*' consultation and subsequent decisions. As Ofwat has recognised, the short timescale between the completion of this exercise and the submission of water company business plans by 3 September 2018 means that it has not been possible to carry out meaningful customer engagement on the issues involved. YourVoice did, however, receive a presentation from UU at our July 2018 meeting about the company's proposed approach to benefit sharing in the next AMP period.

The company explained that it had undertaken voluntary benefit sharing arrangements in both AMP5 and AMP6 which had led to £250 million of outperformance payments being reinvested in each period. It now intended to propose an upfront guarantee of a minimum level of benefit sharing, together with a new mechanism – to be named CommUnity Share – for deciding how and where this money should be reinvested.

YourVoice noted the company's intention to provide a base guaranteed funding of £70 million from company sources to support customer affordability schemes, and that this will be in addition to the standard regulatory mechanism for benefit sharing and reinvestment within the company. UU explained that it would contribute additional amounts to the scheme in the event that dividends or gearing were significantly higher than the assumptions made in its business plan (which would be over and above any voluntary sharing through reinvestment that the company might deliver, as in previous AMP periods). The company has committed to consulting with customers about how to use any funds provided for CommUnity Share as a result of these mechanisms, under the supervision of YourVoice. The funds could potentially be used to provide a discount on average bills, targeted financial support or grants to community schemes. We welcomed UU's intention to consult with customers about the way in which additional funds released through this mechanism are used, and to involve YourVoice in examining this engagement.

Board Assurance

At its August 2018 meeting, YourVoice welcomed Steve Mogford, CEO and UU Board member and Sarah Weller, a non-executive Board member, who informed us about the Board's stringent governance, assurance and scrutiny processes. They outlined the company's strong financial and governance structures, and provided assurance about the delivery and financeability of the PR19 business plan.

D. Other matters that YourVoice wishes to draw to Ofwat's attention

Innovation and Systems Thinking

Innovation is one of Ofwat's four overarching themes in the PR19 Methodology, which makes clear that water companies' plans will be assessed on the extent to which innovation is at the heart of the way they do business. Ofwat's guidance does not identify innovation explicitly as an issue for CCGs to address in their PR19 reports and, indeed, CCGs probably lack the expertise and knowledge to provide meaningful views on this subject.

That said, YourVoice has always taken a strong interest in innovation as a means of delivering real benefits to customers, whether improved levels of service, more resilient water supplies or lower bills through greater cost efficiency. Throughout our work, we have been given lots of examples of UU developing and using innovative approaches across the full range of services, ranging from new behavioural economics-based approaches to customer insight, to novel leakage detection techniques, to exploring integrated catchment approaches as an alternative to traditional chemical treatment methods. We therefore invited

the company to make a presentation to our April 2018 meeting on the ways in which innovation is being embedded across the business. We were given examples of what is being done to:

- *inspire an innovation culture throughout the company;*
- *develop an Innovation Lab to embed innovation in supply chain processes;*
- *use integrated catchment approaches to meet statutory obligations in a different way;*
- *enable rapid adoption of new technologies such as 3D modelling;*
- *develop longer term collaborative ventures such as Nerada; and*
- *embed innovation into business as usual activities.*

Your Voice is particularly interested in the potential of the Systems Thinking approach as a means of delivering benefits for customers in the longer term. We were given examples of service improvements and cost savings resulting from the piloting of the Systems Thinking approach in two catchment areas, and are in favour of the approach being extended more widely across UU's activities through developing System Thinking capabilities and skills.

In our view, Systems Thinking need not necessarily be expensive and is capable of delivering significant benefits to customers. However, the company has explained that extending the use of the Systems Thinking approach across the business will require upfront investment, paid for by today's customers, in order to deliver longer term benefits to customers in the future. YourVoice therefore challenged the company to consider a specific research project to assess customer understanding and acceptance of the importance of innovation per se and focusing specifically on the concept of Systems Thinking. We subsequently provided feedback to UU in developing a two day 'pop-up' community involving the WaterTalk online customer research panel. The findings suggested that:

- *customers can see the potential benefits and risks from innovation and recognise the need for UU to innovate;*
- *Systems Thinking is appealing as a forward-looking, holistic approach and, on balance, customers were willing to pay for investment now to secure benefits in future;*
- *that support is, however, conditional on the size of the project, levels of UU profits and the transparency of communication to customers.*

We will be exploring with the company how these findings can be addressed moving forward, particularly the issue about communicating transparently with customers. In the meantime, as explained in Part 2, YourVoice has supported the development of an ODI to support investment to improve UU's Systems Thinking capabilities benchmarked against non-water companies.

Appendix 1

YourVoice Member Profiles

Bernice Law - Independent Member

Position: Independent Chair of YourVoice panel



Bernice Law has worked in public service in the North West, mainly in Local Authorities for almost forty years, working latterly as the Chief Operating Officer and Deputy Chief Executive at the North West Development Agency. She was Chief Operating Officer for the Liverpool Capital of Culture in 2008. Her most recent role was Operations Director at Liverpool Vision, the Mayor of Liverpool's economic Development Company.

Bernice has held a number of non-executive positions at Merseytravel, Marketing Cheshire and the Liverpool and Merseyside Theatres Trust. Bernice is very active in the community, and is a school governor and has been a member of the Cheshire Advisory Committee which appointed Magistrates to the Cheshire bench.

Andrew White - Consumer Council for Water

Position: Economic & Social Representative



Andrew White is Senior Policy Manager for the Consumer Council for Water (CCWater), the statutory body which represents the interests of Water and Sewerage customers in England and Wales.

He has more than 20 years' experience of regulation and consumer representation within the UK Water Industry. During that time he has held positions with Ofwat, WaterVoice and CCWater and worked closely with United Utilities and other water companies to help secure significant service and performance improvements for customers. He has also led the work to represent the interest of the region's customers at the last three price reviews.

Andrew has led CCWater's national work on Fair Charging and Affordability since 2006. In that role he has helped gain recognition for the need for water affordability to be addressed and influenced the policy response. His recent work on the implementation of the Government's guidance on social tariffs has led to the introduction of schemes of offer reduced bills to low income customers across England and Wales. Andrew now heads up CCWater's social policy team which has responsibility for consumer protection, charges and tariffs, affordability, debt, customer vulnerability and business customers.

Dr. Richard Jarvis -Public Health England

Position: Health Sector Representative



Dr Jarvis's role is Consultant in Communicable Disease Control at Public Health England. As such, he prepares for and responds to incidents affecting the health of the public caused by infectious diseases and environmental hazards including chemicals, radiation and some physical hazards such as flooding, heatwaves and cold snaps.

Richard's geographical patch is Cheshire and Merseyside and he has particular interests in waterborne illness, environmental hazards, and the health effects of climate change and the health benefits of sustainable development.

His other roles have included: Head of the North West School of Public Health where he is responsible for the delivery of higher specialist training to 50 professionals wishing to become consultants in public health and he has previously held office as Chairman of the Public Health Medicine Committee of the British Medical Association, with both medical professional and

trade union functions. Richard is also Honorary Clinical Lecturer at Liverpool University, including teaching and examining on their Masters in Public Health course.

Damian Waters - Confederation of British Industry

Position: Economic & Social Representative



Damian Waters was appointed Regional Director of the CBI North West in January 2003 – prior to that Damian was Assistant Director for the CBI North West and North Wales.

He studied Business and Finance at the North East Wales Institute of Higher Education and Lancashire Polytechnic between 1988 and 1991, obtaining first an HND and then a BA (Hons). He has worked as an accountant for an oil refining company and a production director for a manufacturing business in North Wales.

Damian is a member of the Nuclear Network North, the Centre for Global Eco-Innovation Advisory Board and a member of the Court of Governors of Lancaster University and The University of Manchester. For ten years he was Chair of Governors of Britain's largest primary school. Damian is a Director of The Wild Media Foundation and a Trustee of The Cheshire Wildlife Trust and the People's History Museum.

Alistair Maltby - The Rivers Trust

Position: Environmental Representative



Alistair Maltby is Director for the North of England of The Rivers Trust, the national umbrella body for the rivers trust movement, and has been working on community-led river restoration for 18 years. A Chartered Environmentalist and Fellow of the Institute of Fisheries Management, Alistair has played a leading role in a number of innovative community-led approaches to river catchment management in the West country, London and Cumbria, and was a founding trustee of the Association of Rivers Trusts, which went on to become The Rivers Trust itself.

Alistair works closely with Defra Water and Fisheries directorates on integrated approaches to water and catchment management. This includes development and implementation of the new policy framework on Catchment-based Approach, and the EU LIFE Integrated Project for delivery of the NW River Basin Management Plan.

Alistair was awarded a Churchill Fellowship in 2007 to study climate change resilience in river catchments.

Dr Tayo Adebawale - North West Regional Flood and Coastal Committee

Position: Environmental Representative



Dr Adebawale is a Chartered Environmentalist, and Chartered Water and Environmental Manager, with over 30 years of experience. She provides independent advice to a wide range of clients under the trading name of Cirkadia. She is the Environment Agency Appointed Member for Sustainability, on the North West Regional Flood and Coastal Committee.

Tayo has over 9 years' experience as a Non-Executive Director within the public sector (Natural England, and the Forestry Commission), assisting in shaping environmental policy and strategy and chairing the FC's GB Research and Strategy Management Board. She is also a member of the Design Council's CABE 'Built Environment Expert (BEE)' Panel.

Her portfolio includes environmental projects relating to strategy, policy, sustainable development and sustainable business management / green economy (including energy and resource efficiency), wastewater treatment, water quality and management, land management and regeneration, environmental impact assessments, academia, stakeholder dialogue and partnership building, and environmental auditing.

Allen Creedy - Federation of Small Businesses

Position: Economic & Social Representative



Allen is the Chairman of Water, Energy, Environment and Policy Unit for the Federation of Small Businesses, the UK's largest business member organisation with more than 200,000 business members.

Allen has more than 30 years' experience of working at a senior level in local authorities, the European Commission and now as a consultant to the Water and Energy sectors.

Allen is a practicing chartered town planner and environmentalist. He represented the FSB members' interests at the last price review and is involved in designing the codes of practice and framework for 2017 water market liberalisation and ensuring that the views of small businesses are taken into account by regulators and water companies.

Councillor Robert Light - Consumer Council for Water

Position: Economic Social Representative



Robert took on the role of Northern Chair & Board Member for the Consumer Council for Water in July 2015 the statutory consumer body for water & sewerage customers in England & Wales. This followed three years as Deputy Chairman of Environment Agency and six years on the board in total. During this time Robert led for the Agency Board on sustainability, water, business regulation, biodiversity and waste.

Robert has also served as a non-executive Director on the Boards of the Audit Commission and Firebuy Ltd as well as the Leadership and Executive Board of the Local Government Association.

Robert has 24 years' experience in Local Government serving as a Kirklees Metropolitan Councillor during which time he has held numerous roles including Council Leader, Chair of the Leeds City Region, Chair of Cabinet and Chair of the Kirklees Strategic Partnership. He was also the Chairman of West Yorkshire Fire & Rescue Service. Robert presently chairs the West Yorkshire Combined Authority Scrutiny Committee.

Keith Ashcroft - Environment Agency

Position: Environmental Representative



Keith Ashcroft is a Deputy Director with the Environment Agency and their Area Manager for Cumbria and Lancashire. He is an experienced senior environmental leader - leading a multi-disciplinary team of 400 environmental professionals delivering wide ranging environmental protection, regulation and improvement in North West England. He has provided strategic leadership of major incident response and recovery including Cumbria and Lancashire floods in 2009 and 2015 as well as sponsorship of major flood risk infrastructure development including Cockermouth, Warrington and the £86m Lancashire Coastal Protection programme.

He has extensive experience of environmental issues from environmental monitoring and planning to regulation of major industry including chemical, waste, onshore oil and gas and nuclear sectors.

He currently contributes to national leadership in issues including waste regulation, improving fisheries, biodiversity, land and water quality, nuclear new build and onshore oil and gas. He has a strong record of effective partnership development at senior level including chairing NW River Basin Liaison Panel, strategic overview of environmental risk and opportunity in major regeneration and growth programmes including Media City and Cumbria and Lancashire Local Enterprise Partnerships.

His international experience includes supporting governance and capacity development including work in South Africa, Nigeria and Madagascar as well as nuclear regulation in France and Belgium. Spare time is filled with walking, tennis, golf, cycling and (knees permitting) volleyball which he once played at National League and County level.

Councillor Alan Smith (Labour) – Leader, Allerdale Borough Council (representing NW Local Authority Leaders)

Position: Economic and Social Representative



Councillor Alan Smith was first elected to Allerdale Borough Council in 1995 and has represented the Cockermouth All Saints Ward ever since. As Council Leader, his portfolio includes strategic external partnerships, nuclear issues and corporate responsibility, as well as overseeing the Council's policy and performance.

Born and bred in Cockermouth, Cllr Smith is passionate about West Cumbria. He worked in the steel industry for 36 years, first in the works office as a weighman and stock taker, and later on the factory floor in the sleeper mill and rail bank. Cllr Smith was also an active trade union representative. Married to Christine, Cllr Smith has two children, four grandchildren and a Border terrier called Bruno. He follows the fortunes of all the local sports clubs, especially football and rugby, and is also a keen supporter of Liverpool FC.

Cllr Smith is also an elected member of Cockermouth Town Council and also sits on the committee of Highfield Residents Association

Dave Thompson MBE - Warrington Disability Partnership

Position: Economic and Social representative



Dave has been a member of United Utilities YourVoice Group since early 2017, and he is also the chair of UU's Independent Vulnerability and Affordability Customer Advisory Panel.

He is the founder and Chief Executive of the Warrington Disability Partnership, an internationally recognised user led organisation, employing nearly 50 staff and over 200 volunteers. The organisation provides 27 independent living services including two Independent Living Centres, Direct Payments Scheme, Shopmobility, Inclusive Sports, a number of Employment and Educational contracts, and an international aid project supplying recycled mobility and independent living equipment. For the past 27 years Dave and his team have organised the world's largest voluntary led pan disability event, Disability Awareness Day, that is now celebrated worldwide.

Until April 2015 Dave worked as a senior manager in the NHS for 20 years, starting his career as a Disability Advisor and finishing as the Assistant Director of Inclusion. Dave's responsibility was to lead on issues of equality & diversity, patient & public involvement and social inclusion.

In 2001 Dave received an MBE in recognition for his contributions to improving services for disabled people. In 2006 he was commissioned as a Deputy Lieutenant for Cheshire. Dave has a Master's Degree in Business Administration from Chester University, and in 2013 received the 'Entrepreneur of Excellence in Disability' from the National Diversity Awards for his drive in developing Warrington Disability Partnership and its trading arm. Dave has been a full-time wheelchair user since 1989, which was as a result of a spinal cord injury and a survivor of cancer since 1999.

Steve Cullen - Warrington CAB

Position: Economic and Social representative



Steve has worked in the voluntary sector for over twenty years and is currently the CEO of Warrington District CAB. In addition he has many years' experience as a Trustee/Director of various Charities and local Companies. He was nominated to sit on the Warrington Partnership (currently Vice-Chair) and the Health and Wellbeing Board. He is also a member of the Central Neighbourhood board. He also attends a number of other strategic partnership boards to provide evidence based intelligence on behalf of the many thousands of CAB service users. His field of work is information and advice at all levels, and he has a particular interest in social inclusion and tackling health inequalities.

Steve has been an active member of a number of governance bodies with CAB; the Third Sector Policy Group, The Commissioning Sub Group, The Compact sub group, and the Assembly Planning Group which meet regularly with elected members and senior public sector officers.

Steve has always endeavored to represent the wider third sector in our efforts to positively influence policy, practices and procedures and is always available to offer advice and support to individual Charities and Community organisations at operational and governance levels.

As Chairman, he regularly liaises and meets with Warrington Borough Councils Third Sector Team and reports back monthly to the CAB Network Hub.

Barry Simons - NFU Environment & Land Use Adviser in the North West

Position: Economic and Social representative



Barry brings over 15 years' experience working in the environmental field to the YourVoice panel. As the Environment and Land Use Adviser Barry covers a wide range of topics that impact on farming businesses across the North West. These include issues such as planning, Nitrate Vulnerable Zones issues, access, flooding and climate change adaptation, water quality, agri-environment schemes, energy and renewables.

Barry's role is to ensure the farmers of the North West are represented and considered when working with organizations such as the Environment Agency, Natural England, National Grid and local authorities including in the national parks. Barry is responsible for promoting the good work that farmers are already delivering in the region and advocating best practice.

Prior to joining the NFU Barry worked for four unitary local authorities, Charlotte Mason College in Ambleside and for the YHA in Cumbria. Barry has a particular interest in climate change adaptation. He also conceived and authored original planning policy on sustainable design and adaptation, and led a Scottish Government research project looking at the economics of climate risks. He is a qualified Advanced EMS auditor and BREEAM Communities master planning assessor.

Neil Cumberlidge - Independent Member

Position: Economic and Social representative



Neil is Managing Director of business consultancy, Neil Cumberlidge Associates, providing a range of services to public, private and voluntary sector organisations throughout the NW. Services include supporting strategic business planning, policy development, partnership working, high-level relationship management, report writing, as well as project management.

Prior to establishing his own business, Neil held the position of Director of Strategy, Planning & Partnerships with the Northwest Regional Development Agency, responsible for leading the development of high level strategy for the region, the Agency's role in planning, transport and housing matters, as well as relations with sub-regional partnerships. Before this he was Deputy Regional Director: Environment with Government Office for the North West, leading on Defra policy across the region.

Neil was Chair of the Board of Groundwork Cheshire, from 2013-2016, steering the organisation through a successful merger with a neighbouring Groundwork Trust to form Groundwork Cheshire, Lancashire and Merseyside. He was a Trustee of Deafness Support Network, and of its social enterprise, Positive Hearing, from 2012 to 2017. In 2015, Neil was appointed by the Secretary of State to the Lake District National Park Authority, in recognition of his environmental and business skills and experience.

Neil has been asked by the YourVoice chair, Bernice Law, to act as report writer for the panel, preparing its report to Ofwat on United Utilities PR19 business plan submission.

YourVoice Terms of Reference

1. Requirement and Role

- 1.1. United Utilities remains committed to delivering its promises to customers over the five years from 2015 to 2020, and to be as transparent as possible in the way it goes about this. In September 2015 the company established a new panel of representatives, succeeding its Customer Challenge Group (CCG), YourVoice, which continues to challenge its ongoing activities.
- 1.2. There is some continuity with the previous membership of the CCG through customer, environmental and regulatory representatives, however a broader range of interest groups is involved to ensure a wider range of customers' views can be taken into account.
- 1.3. The YourVoice panel will review and challenge United Utilities' business plan delivery as well as reviewing and assuring its customer reporting. It will also consider, review and challenge the Company's customer engagement on its PR19 submission to Ofwat.
- 1.4. The role of the panel is to be a 'critical friend' to United Utilities, understanding the challenges, commenting on plans and expressing views about the issues and priorities. The panel will consider business plan issues and wider issues faced by the company and customers, such as tariffs, service levels, use of new technology, and innovative approaches.
- 1.5. The panel will be exposed to detailed information about how United Utilities operates and its proposed investment plans, but members are not expected to be experts in water, engineering, or business issues such as finance and economics.

2. Terms of Reference

2015-20 Business Plan Delivery (PR 14 – AMP6)

- 2.1. To review progress against United Utilities 2015-2020 business plan performance commitments, including contractual rewards and penalties, and to challenge the company to continue to deliver its plan.
- 2.2. To review with customers how the company's performance compares with others.
- 2.3. To advise and challenge United Utilities on how to deal with the financial impact of over- or under-performance against outcome commitments.
- 2.4. To review the company's annual assessment of risks, strengths and weaknesses in its reporting against each measure of success.
- 2.5. To advise on the timing and sharing of cost with customers, of new obligations arising outside the 2015-20 business plan.
- 2.6. To review and challenge the company's on-going engagement activities, helping to develop and monitor customer research and education, providing constructive feedback of business-as-usual activities.
- 2.7. To consider how the company reports its progress and advise on improvements to the clarity of information provided to customers and stakeholders.
- 2.8. To contribute to the design and presentation of new performance reports (content and format), to be used to inform customers of progress against outcome commitments, during AMP6.
- 2.9. To review annual communication to customers, which is included with customer's bills.
- 2.10. To provide a forum for engagement concerning plans for business transformation, such as the preparation for market reform of Non-household retail services, changes to price control structures and the introduction of domestic competition, for example.

PR19 Price Review process (2020 – 2025, AMP7)

- 2.11. To provide challenge to UU on the quality, clarity and extent of the company's customer engagement, ensuring it is a robust, balanced and proportionate evidence base.
- 2.12. To ensure the company has engaged with different types of existing customers whilst considering the impact on future customers.
- 2.13. To ensure the company provides a range of genuine, understandable and realistic options to customers on business plan proposals.
- 2.14. To consider whether evidence from customers exists to influence a business plan proposal.
- 2.15. To work with statutory regulators (such as Drinking water Inspectorate (DWI) and Environment Agency (EA)), so that they can contribute to the YourVoice process in the most effective way.
- 2.16. To provide customers and Ofwat with an assessment of the quality and extent of customer engagement and the degree to which this has been reflected in the plan.

3. Governance

- 3.1. The group meets quarterly. Agenda and meeting minutes will be available on the United Utilities corporate website.
- 3.2. YourVoice will be quorate if either the Chair or Deputy Chair is present, plus at least 4 other members.
- 3.3. The Chair will be invited to attend United Utilities Board Meeting annually to report on inter alia the YourVoice groups' view of company performance, customer engagement and progress.
- 3.4. Meeting papers are to be circulated to members at least 7 days in advance of quarterly meetings.
- 3.5. Members will meet in private session at each quarterly meeting to discuss and debate issues where the panel deems this necessary.
- 3.6. Subgroups will be convened and will meet more frequently than the main group where detailed issues are required to be investigated. The minutes of these groups will be reviewed at the quarterly YourVoice meetings.
- 3.7. Appropriate training to be provided where necessary and detailed briefing made available for any new policy introductions, consultations or changes.

Appendix 3

YourVoice Challenge/Issues Log – March 2017 to July 2018

Challenge/Issue	Group - Date	Outcome and Impact
A. YourVoice engagement and ways of working		
Establishment of <u>Independent Affordability and Vulnerability Panel</u> – Chair of new Panel should also be a member of the Your Voice CCG.	YourVoice -March 2017	Panel Chair joined YourVoice in June 2017 and the Panel became a formal YourVoice Sub-Group in early 2018. This will ensure consistency and coordination between the two panels.
CESG members should be able to attend <u>UU debrief sessions</u> on completed research projects.	Customer Engagement Sub-Group - June 2017	UU agreed to invite CESG members to attend all customer research project de-brief sessions in future. Will enable CESG to be better informed and engaged in reviewing research results.
CESG members should be invited to attend <u>customer research fieldwork events</u> , such as focus groups and workshops.	Customer Engagement Sub-Group - June 2017	UU agreed to invite CESG members to attend appropriate customer research fieldwork events in future, starting with Immersion events in July. Will allow CESG members to see the ways in which customers are engaged and experience direct customer feedback.
B. Triangulation and weighting of research evidence		
Clarification sought on the <u>aspects/criteria to be used in deciding which research evidence</u> should be used to inform the development of UU's 2020-25 Business Plan.	Customer Engagement Sub-Group - June 2017	Presentation to main YourVoice group in December 2017 about UU's approach to using research evidence and the way in which results will be triangulated for the PR19 business plan – see below.
Understanding the way in which UU <u>triangulates and weights the various research elements</u> is critical to the role of YV in fulfilling its remit from Ofwat for PR19. External assurance should therefore be obtained from a suitably qualified and experienced third party that UU's interpretation and triangulation of research results is proportionate, fair and reasonable. A key issue for YV will be understanding how UU will ensure that every piece of research is considered and weighted appropriately and results fed into the evidential process for business plan preparation.	YourVoice - December 2017	YV included as an independent stakeholder for an external assurance report commissioned by UU on its triangulation of research evidence. YV inputted directly into the specification for the work agreed with the appointed external contractor, ICF. YV given the opportunity to provide feedback on the emerging findings and received the final assessment results directly from ICF so that they can be discussed at YV meeting.
Urged that YV be included as a key stakeholder for proposed <u>external assurance of UU's approach to triangulation</u> in developing PR19 proposals. Also, the company undertaking the external assurance should possess expert data analysis skills as well as knowledge of customer research techniques.	Customer Engagement Sub-Group - December 2017	See above.
C. Customer billing		
Need to understand how proposals to trial a <u>Meter Fixed Price Guarantee Scheme</u> will work.	Customer Engagement Sub-Group - June 2017	CESG briefed at October 2017 meeting about the 'Lowest Bill Guarantee' trials to encourage meter installation.
Suggestions made in respect of UU <u>Customer Bill Redesign</u> to improve terminology, assist clarity and provide links to further help/support on UU website.	Customer Engagement Sub-Group - September 2017	CESG suggestions taken into account in finalising material for customer billing redesign trials. Further research to be undertaken in 2018, following current trials for unmetered customer versions.

What can UU do to incentivise customers to adopt <u>sustainable drainage solutions</u> , for example through bill discounts?	Environmental Sub-Group - October 2017	A 90% discount on infrastructure charge for developers diverting surface water from the sewer has been introduced by UU.
Concerns expressed about 'icebreaker' used for WaterTalk online panel discussion about proposed revisions to <u>new customer bill statements</u> .	Customer Engagement Sub-Group - March 2018	The icebreaker was subsequently removed from the discussion guide.
D. Annual/quarterly performance reporting		
UU should consider the ways in which key messages on performance will be included in <u>customer communications relating to 2016/17 APR</u> . Should not gloss over areas where company is underperforming. Should consider 'Plain English' customer summary document to accompany APR report.	Customer Engagement Sub-Group - July 2017	<p>Changes were made to the UU website to emphasise the areas where performance required particular improvement e.g. sewer flooding, and a separate YourVoice commentary was added.</p> <p>A summary document aimed at customers was developed and secured a Plain English 'Crystal' award. A social media campaign to promote the APR and supporting the PR19 business plan themes was delivered in November 2017.</p>
Changes to <u>quarterly reporting format</u> requested to enable better understanding of: <ul style="list-style-type: none"> • Reasons for underperformance or potential underperformance ('reds' and 'ambers') • Relative importance of measures to customers and Ofwat. • Where UU stands in relation to rewards and penalties ('balanced scorecard'). 	YourVoice – April 2018	<p>A revised format addressing these changes was introduced at the June 2018 YourVoice meeting.</p> <p>Agreed that six-monthly update will be provided on where UU stands on rewards and penalties overall.</p>
Detailed suggestions made to improve <u>2017/18 APR customer summary document</u> , including <ul style="list-style-type: none"> • remove jargon and provide explanation to customers of terms such as ODIs, with which they will be unfamiliar • look again at annex on AMP 6 reconciliation as too complex for customers • figures need to be used consistently – reference to £250m additional investment needs clarifying. 	Customer Engagement Sub-Group - June 2018	<p>Changes were made to the text to reduce the elements of jargon and to explain technical terms such as outcome delivery incentives, and to explain how these work.</p> <p>Appendix 3 on anticipated performance for the remainder of AMP6 was re-worked to reduce complexity</p> <p>The text involving the explanation of the additional £250 million investment in resilience measures was re-worked to improved clarity</p>
E. Innovation and new approaches		
YourVoice wishes to better understand the potential for applying <u>Systems Thinking</u> approaches across UU's activities.	Customer Engagement Sub-Group - July 2017	<p>Presentation made to April 2018 YourVoice meeting on the ways in which UU is seeking to embed Systems Thinking across its business activities.</p> <p>CESG Chair attended Systems Thinking conference in May 2018.</p>
UU urged to think about its approach to <u>waste management</u> through the lens of a circular economy, and to land management from a natural capital point of view.	Customer Engagement Sub-Group - August 2017	The company approach to natural capital was explained to YourVoice in ESG discussions concerning the bespoke natural capital performance commitment and bioresources in May & June 2018. These build on the long term vision of establishing a resilient operational approach to catchment planning and establishing a baseline natural capital account for our operational area, which will include land and waste management.

		UU's waste strategy target is to divert 95% of waste to beneficial use by 2020, which has been approved by its Corporate Responsibility Committee. In the financial year 2016/17, it produced 514,295 tonnes of total wet waste and diverted 487,237 tonnes of total wet waste from landfill which is a recovery rate of 94.7%. This demonstrates that it is continuing to drive for improved waste performance and the sustainable management of waste.
Wish to understand more fully the ways in which the company is using <u>co-creation</u> approaches to identify ways in which to do things differently.	Customer Engagement Sub-Group - August 2017	Presentation made at October 2017 CESG summarising co-creation activity, including Customer Bill Redesign research and the River Petteril catchment management project.
Important for the company to communicate <u>the use of innovative techniques</u> (for example, using non-invasive slip lining to replace lead pipes on customers' properties) to enhance the potential for positive customer responses and behavioural change.	Customer Engagement Sub-Group - April 2018	Future customer communications plans will take account of this feedback and will aim to amplify examples of areas where UU is already leading on innovation.
Customer research with WaterTalk panel exploring <u>Innovation and Systems Thinking</u> (ST). Proposals welcomed and suggestions made: <ul style="list-style-type: none"> • More explanation needed about the types and benefits of innovation. • Need to explain and define ST as an approach to innovation rather than Innovation per se. • Water companies <u>must</u> be innovative so this should not be presented as a choice for customers. Focus should be on exploring attitudes to costs and benefits of ST (i.e. short term investment for potential longer term rewards in form of cost savings). • Stimulus material too wordy and over-complicated - should be simplified and illustrative images used. 	Customer Engagement Sub-Group - April 2018	CESG comments were taken into account when finalising the customer-facing material for the research addressing Innovation and System Thinking. <ul style="list-style-type: none"> • Bespoke stimulus material was developed to explain what is meant by the term Systems Thinking, and to give contextual examples as to how UU has already applied Systems Thinking to its operation • Customers were asked whether they expected UU to be innovative: it was not presented as a choice, but it was thought to be important to get customers unprompted opinions in this regard • The stimulus material was revised to reduce any unnecessary complexity. <p>The research debrief was eventually presented to the CESG and was well received.</p>
F. Public consultation/stakeholder events/acceptability testing		
UU's immersive behavioural economics customer research should look at opportunities to <u>involve non-household customers</u> in activity designed to investigate deeper levels of customer behaviour.	YourVoice – June 2017	Additional, bespoke immersive behavioural economics research sessions for non-household customers were carried out in October 2017, which will be used in developing PR19 business plan proposals.
In the proposed <u>public consultation on emerging PR19 business plan priorities</u> , UU was urged to consider non-targeted methods as well as targeted digital and physical channels to reach as wide an audience as possible	Customer Engagement Sub-Group - September 2017	UU utilised a wide range of methods to engage customers about the PR19 consultation proposals in November 2017, including (a) a programme of events at key shopping locations around the region, and (b) specific activities aimed at political, youth and business audiences.
Comments provided on <u>UU draft document for public consultation on PR19 business plan themes and priorities</u> , aimed at improving presentation, terminology and consistency, particularly in relation to explaining service improvement priorities and their bill impacts.	Customer Engagement Sub-Group - September 2017	All CESG comments were considered and taken into consideration in preparing the revised document issued in November 2017, including better defining and distinguishing between priorities (internal/external sewer flooding and short/long term supply interruptions) and better

		presentation of options and bill impacts to customers.
<p>Recommendations made in relation to the <u>proposed performance targets and bill impacts to be tested in the public consultation, and acceptability testing</u>, on PR19 themes and priorities:</p> <ul style="list-style-type: none"> • UU to clarify the presentation of five-year bill impacts by showing: (i) reductions resulting from efficiency savings; (ii) bill impacts of service improvement proposals; and (iii) the application of inflation to both positions; • the icon used to denote vulnerable customers should be changed, and the use of the term 'you' to personalise the document reviewed; • UU should demonstrate the correlation between service valuation (WtP) research results and the values to be used for bill impacts. 	Customer Engagement Sub-Group - October 2017	<p>First two points were addressed in preparing the PR19 public consultation document issued in November 2017, in particular the presentation of bill impacts was improved.</p> <p>Third point about demonstrating the correlation between service valuation (WtP) research results and the values to be used for bill impacts was addressed in the presentation given to the YourVoice meeting in December 2017 about the triangulation of research evidence (see B above).</p>
<p>Comments provided on customer research material for <u>acceptability testing of proposed PR19 service improvements/bill impacts</u>:</p> <ul style="list-style-type: none"> • more clarity is needed in asking customers about the quality of drinking water • question about water scarcity could frame future responses and is potentially misleading • need to provide 'maintain current UU performance' option for customers in all cases • 'lifting out of poverty' terminology not appropriate • too many demographic questions in survey • various clarifications needed to language and definitions used in service descriptions and bill impacts/sliders tables • Manchester resilience project impacts not included? 	Customer Engagement Sub-Group - October 2017	CESG points were taken into account in finalising the acceptability testing material before public release. A detailed response was provided on each issue raised and explanations of changes made to research material as a result. Clarification was provided separately on the way in which Manchester and Pennines resilience project impacts are being dealt with.
<p>Requested that UU <u>considers the inclusion of comparative water sector information</u> for the final round of acceptability testing of proposed PR19 service improvements/bill impacts in Spring 2018.</p>	Customer Engagement Sub-Group - November 2017	The final round of acceptability testing in June/July 2018 included comparative data demonstrating industry rankings of targeted service aspects where available, as well as company specific historical performance records to allow customers to make choices with these contexts in mind.
<p>CESG provided feedback on the proposed public consultation questions relating to the <u>draft Water Resources Management Plan</u>. Comments included:</p> <ul style="list-style-type: none"> • Executive Summary says too much about process before getting on to substantive issues. • Concerns about framing of Leakage issue and options. 	Customer Engagement Sub-Group - December 2017	<p>CESG feedback is being used to help prepare material for WRMP consultation events.</p> <p>The feedback unfortunately cannot be used to update the draft WRMP document, which was submitted to Defra on 1st December 2017. However, it will be used to help write the revised draft WRMP due to be submitted to Defra later in 2018.</p>

<ul style="list-style-type: none"> Suggestions aimed at improving the clarity and focus of the consultation questions. 		
<p>To improve the reach and effectiveness of any further <u>PR19 sub-regional stakeholder events</u>:</p> <ul style="list-style-type: none"> An overview of the price review process should be provided to ensure attendees are generally aware. Better use should be made of UU area stakeholder managers' networks to boost attendance, particularly from economic/business interests. 	Customer Engagement Sub-Group - December 2017	UU will take CESG feedback into consideration when planning future stakeholder events, in order to ensure better representation of key stakeholders.
<p>Future rounds of acceptability testing should <u>reduce the six-point customer response scale</u> to remove the neutral ('neither acceptable nor unacceptable') option, as a means of making customer preferences more apparent.</p>	YourVoice - February 2018	The final round of acceptability testing in June/July 2018 included revised scoring categories based on a five point scale, removing the 'neither acceptable nor unacceptable' category
<p>Challenges made in relation to second round of acceptability testing:</p> <ul style="list-style-type: none"> <u>Samples</u> – the sizes and composition of the two split samples should be reviewed to ensure that results will provide the required levels of confidence. <u>Uninformed bill impact</u> – surveys should initially ask customers about the acceptability of the final bill impacts before going into detail about proposed service improvements. <u>ODI impacts</u> – in addition to asking about baseline bill impacts in the context of service improvements, the acceptability of the range of bill impacts which could accrue due to ODIs should also be tested. <u>Inflation impacts</u> – the proposed wording needs to make clear if and how the stated bill impact takes account of inflation. 	Customer Engagement Sub-Group - May 2018	<p><u>Samples</u> – the total sample volume was reviewed, accounting for the proposed 'split sample' into two cells, to achieve the appropriate confidence thresholds for the eventual results.</p> <p><u>Uninformed acceptability</u> - the survey format was changed to allow for the uninformed acceptability question to be posed following the presentation of basic introductory information (about the company, the area it operates in, its customers and the services provided) before participants are told what changes to service are planned.</p> <p><u>Inflation</u> – the calculations of the bill impact would include an appropriate estimate of Inflation, and link this to the customer's actual bill rather than average bills'</p> <p><u>Informed acceptability</u> – a schedule would be included containing the proposed service area changes and associated bill impacts, together with a follow-up question about acceptability. Cross-industry metrics would be included alongside descriptions of targeted service areas where appropriate.</p> <p><u>ODI impacts</u> – an explanation would be provided on how ODI over/under performance payments may affect bills each year over the period in question. This would allow the testing of the acceptability of a realistic assessment of the impact of ODIs (plus inflation) on customer bills.</p>
<p>Consideration needs to be given to how best to encourage better attendance of stakeholders at <u>regional consultation events</u>, and whether there are more effective ways of engaging key stakeholders e.g. through webcasts</p>	Customer Engagement Sub-Group - June 2018	CESG feedback will be taken into consideration in planning future regional consultation exercises. Specific consultation events happen relatively infrequently as targeted stakeholder engagement is preferred.
G. Resilience		
<p>For proposed customer research on <u>Manchester and Pennines resilience options</u>, CESG made suggestions on focus group/workshop material and programme to improve clarity and focus. In particular:</p>	Customer Engagement Sub-Group - September 2017	CESG points taken into account in finalising material and programme for customer events. CESG members observed pilot events and provided further feedback to help fine-tune process.

<ul style="list-style-type: none"> ensuring that use of case studies and videos does not frame customer responses including information on costs of solutions need to provide clearer or amended information in case studies and topic guides consider whether timetable balance is right the need to define what is meant by resilience. <p>In addition, in view of the significance and scale of the project, CESG discussed with UU whether <u>independent external experts</u> might be appointed to assure and validate the process and results and assist YV in its work.</p>		All points raised by CESG were discussed with the Sheffield Hallam University team appointed to assist CESG, and their views taken into account by UU in finalising the focus group material and programme.
Concerns raised on proposed online survey material for the quantitative phase of the <u>Manchester and Pennines resilience research</u> project, relating to functionality and the way key questions about option choices were phrased.	Customer Engagement Sub-Group - November 2017	<p>CESG suggestions taken into account in finalising the online surveys:</p> <ul style="list-style-type: none"> Gabor Granger experiment was reviewed to ensure the frequency of questions was optimal and there is clear distinction between impact scenarios. Changed wording on grading scale from good idea/bad idea to worth considering/not worth considering, and made further changes to avoid impression of there being just two options.
Clarification sought on whether the correct conclusion was being drawn from the <u>Manchester and Pennines resilience research</u> project that the majority of customers supported Options D or E.	YourVoice - February 2018	Independent consultants (Sheffield Hallam University) appointed to review the research advised that "Options D and E were the preferred options over the status quo for both household and business customers, with the majority of household and business customers selecting these options in their top two choices."
In considering environmental impact assessment work relating to the <u>Manchester & Pennine resilience options</u> , the sub-group was keen to see identified environmental issues considered as part of project design and delivery, and to ensure that lessons learned from the West Cumbria pipeline project were applied.	Environment Sub-Group - March 2018	<p>The M&PR project team carried out a broad ranging lessons learned exercise with the west Cumbria pipeline team during 2017, and in July 2018 a combined site visit took place in Cumbria, where the current site works and environmental measures were viewed.</p> <p>Future updates on progress and considerations for the projects, including environmental issues and lessons learnt from other major infrastructure projects will be presented at a future YourVoice meeting.</p>
Suggestions made to improve clarity, language, explanation/context and choices offered in proposed 3 day online community research project to explore customer views on <u>asset</u> health maintenance.	Customer Engagement Sub-Group - June 2018	The comments and suggestions were taken into account, and changes made to accommodate in the survey material
<p>H. Performance commitments, targets and outcome delivery incentives (this covers general comments - see the accompanying Annex to Appendix 3 for challenges relating to individual ODI proposals)</p>		
Clarification sought on the <u>approach and definitions</u> to be used in developing PR19 performance commitments, measures of	Customer Engagement Sub-Group - June 2017	Presentations at August 2017 CESG and September 2017 YourVoice meetings on UU's emerging approach to developing performance commitments, targets and outcome delivery

success and outcome delivery incentives proposals.		incentives in light of Ofwat consultation on PR19 methodology – see below.
Consideration should be given to including a performance commitment related to catchment management solutions in PR19.	Environment Sub-Group - June 2017	The “Improving the Water Environment” ODI will include all of the elements that ultimately end up in the final version of the WINEP due at the end of March 2018. The WINEP encompasses a wide range of interventions and will include interventions in relation to water safeguard zones. The water safeguard zones that UU has will all be delivered through catchment solutions, thus the existing performance commitment does already include many catchment management solutions.
Following a presentation about the Ofwat PR19 methodology consultation, Your Voice raised: <ul style="list-style-type: none"> • The need for the CESG to examine <u>UU performance against the proposed common performance indicators</u> and emerging measures and targets. • The importance of also examining the concept of <u>vulnerability from the point of view of business customers</u>. 	YourVoice - September 2017	CESG received presentations covering these issues, and provided feedback to UU on ongoing work at September and October 2017 meetings
In relation to developing PR19 performance commitments, measures and targets. CESG: <ul style="list-style-type: none"> • challenged the level of ambition around <u>leakage targets</u> and the need for customers to understand the full context of leakage proposals when being asked to prioritise service actions; • raised the need for planned PR19 <u>sub-regional stakeholder workshops</u> to debate leakage issues and the proposed reduction targets; • indicated the need for the narrative to emphasise ways in which UU can <u>use innovation to improve services</u> (e.g. SUDS and sewer flooding). 	Customer Engagement Sub-Group – September 2017	PR19 public consultation document issued in November 2017 explains the extent and impact of current leakage levels and invited customer views on options to reduce leakage ranging from 7 to 40%. PR19 sub-regional stakeholder workshops held in November 2017 invited views on the leakage reduction options described above. PR19 public consultation document issued in November 2017 suggested ways in which innovation can be used to improve services, for example, working with housebuilders/local authorities to encourage sustainable solutions to slow down the rate at which surface water enters sewers.
Requested the opportunity to review the full set of proposed performance commitments, targets and measures, including <u>how customer research evidence has been weighted and triangulated in each case</u> .	Customer Engagement Sub-Group - December 2017	Full package of proposed performance commitments, targets and ODIs were considered in detail across several CESG and ESG meetings from February 2018 onwards.
Need to understand, and explore with UU in greater detail, the whole system cost of <u>leakage</u> and the feasibility of the reduction options put forward in the PR19 consultation document. Can a 7% reduction be justified as sufficiently stretching, particularly given the Ofwat expectations of at least 15%? Should UU adopt the same approach as they currently do in a drought situation as the norm in order to reduce leakage?	Environment Sub-Group – December 2017	‘Deep dive’ on leakage took place at February 2018 ESG meeting, in the course of which UU explained intention to move to a higher 15% leakage reduction target in its PR19 proposals.
While UU’s decision to propose a more ambitious <u>leakage</u> target of 15% was welcomed, clarification is needed on the extent to which this will be funded via increased customer bills versus use of innovative approaches to detect and repair leaks. Also need to understand how increased	Environment Sub-Group – February 2018	This issue is being pursued via the WRMP consultation process and further customer research being undertaken as part of PR19 business plan development. UU will be seeking views from customers and stakeholders on proposals and options in the plan, including the enhanced leakage figure and bill impacts.

target is supported by the same customer research used to justify the earlier 7% proposal?		
Want to be clear on <u>how customer research and other evidence has been used to inform the selection and development of proposed outcome delivery incentives and targets</u> ; and in cases where customer research is not available or does not support a particular level of performance, UU must demonstrate why its proposals are justified.	Environment Sub-Group – February 2018	The template developed by UU for presenting Performance Commitment/ODI proposals takes account of feedback from the two YourVoice sub-groups and contains a section highlighting relevant customer research and other key supporting evidence and justification.
<u>Wastewater Network + performance proposals</u> need to be supported by enhanced partnership working between UU, EA, local authorities and developers to promote and implement sustainable drainage solutions. In considering proposed ODIs: <ul style="list-style-type: none"> • Comparative industry information should be included where available. • Current/baseline performance should be made clear. • Concerns expressed about emerging Ofwat convergence solution concerning sewer collapses. • Concerns expressed about pollution incidents ODI not distinguishing between major and minor events. • More justification is needed for proposed ODI covering customer awareness of 'what not to flush'. 	Environment Sub-Group – March 2018	Following the deliberations on the detail of the performance commitments, the company agreed to adapt the long versions of the documents to reflect the resolutions to the challenges <ul style="list-style-type: none"> • Comparative information where available is included • The discrepancies and potential collaborative/industry resolutions to the issue of sewer collapse data are also put forward in the long documents • Pollution concerns – the company is confident that other EA mechanisms of environmental control will address this issue • The ODI for awareness of what not to flush was re-presented at a subsequent meeting
Consideration of <u>proposed package of 44 performance commitments to be submitted to Ofwat in May 2018</u> . YourVoice made a number of suggestions to clarify definitions and the way in which measures will work.	YourVoice – April 2018	YourVoice suggestions were taken into account and adaptations made to the long versions of the performance commitments documents, which are available for further scrutiny.
Proposals for <u>WaterTalk online customer research panel 'pop-up community' project</u> looking at proposed PCs/ODIs. YourVoice made the following comments: <ul style="list-style-type: none"> • Simplify language to avoid jargon • Add comparative information on key areas where it exists • More clarity needed on how to interpret the ODI tables • Customers need to be asked how realistic they think the performance targets are for UU to achieve. • Clarify in cross subsidy questions how much the customer would need to pay overall • Make stimulus tables clearer, and maximum out-/under-performance payments 	Customer Engagement Sub-Group - June 2018	A number of changes were made to address YV comments, including <ul style="list-style-type: none"> • Adding comparative information on key areas where it exists, in a similar way to that used in Acceptability Testing • Tables to have 'worked example' of how to interpret the columns/rows to make clearer • Customers will be asked how realistic they think the performance targets are for UU to achieve, will be able to compare targets to the current performance and will be asked whether the ODIs look fair and reasonable. • Maximum out-/under-performance payments – we will add a bar to the chart to bring this out.
Proposal for WaterTalk online customer panel research project on <u>Streetworks compliance</u> . Points raised: <ul style="list-style-type: none"> • Provide more clarity on the definitions provided for street works and roadworks 	Customer Engagement Sub-Group - July 2018	<ul style="list-style-type: none"> • Preparation of survey material to reflect the proposals for research on Streetworks compliance have been produced, taking into account comments from YourVoice members. • The survey material was recirculated to CESG members for review and

<ul style="list-style-type: none"> Provide costings, not only for achieving greater than the statutory 90%, but also costs for reinstalling works Clarify whether legal requirement for utilities to coordinate street works Provide information on costs of gearing up coordination 		further comment prior to commencing fieldwork
UU encouraged to include narrative in the PR19 business to explain the <u>triangulation</u> journey from early findings to positive conclusions in the final ICF report.	YourVoice – July 2018	<ul style="list-style-type: none"> Text has been included in the PR19 Business Plan, which has been reviewed by the YourVoice Panel illustrating the work that was done on triangulation, and the assurance that ICF have undertaken. In addition the full ICF report on the journey from early findings to positive conclusions will be a document in the submission package to Ofwat
I. Environmental issues		
Clarification sought on the inclusion of <u>natural capital accounting</u> in UU's customer insight research.	Environment Sub-Group - April 2017	Briefing provided on customer research projects relating to natural capital accounting and environmental priorities more generally, including immersive research on valuing ecosystem services and catchment management approaches.
Sub-group wished to see UU and EA working together to explore the opportunities for <u>integrated catchment management options</u> in moving from the WISER into the WINEP.	Environment Sub-Group - April 2017	A number of integrated catchment management schemes are expected to be included in the WINEP: Petteril, Hodder (Chipping Brook), Burscough (Martin Mere) and Rhodes Farm.
UU should look at <u>broader environmental issues</u> such as water stewardship and business interaction with the environment, and bring forward proposals to deal with these issues.	YourVoice – June 2017	This suggestion was noted by UU and taken into consideration in developing PR19 business plan proposals.
UU's strategic approach to <u>bio-resources</u> should consider opportunities to share innovation and pool expertise, partnering with the business community on ways to achieve value from recycling waste products.	YourVoice – June 2017	This suggestion was noted by UU and taken into consideration in developing PR19 business plan proposals.
UU customers should not be paying clean-up costs of <u>pollution incidents</u> caused by large companies taking shortcuts to cut costs, for example in managing trade effluents	Environment Sub-Group - June 2017	Cost recovery is part of the prosecution process, and UU has experience of costs being recovered in respect of concrete being poured into sewers and fats, oils and grease
UU need to look wider than cost-benefit analysis results in reviewing the benefits/impact of projects to <u>improve/protect shellfish beds</u> (e.g. impacts on the local economy from deterioration of shellfish beds). Contact IFCA to discuss further.	Environment Sub-Group - June 2017	For AMP7 all shellfish drivers are no deterioration so are statutory drivers and not subject to CBA
Further consideration should be given to ways in which the <u>natural capital approach</u> can be used to develop catchment management and wider UU work relating to the environment.	Customer Engagement Sub-Group - December 2017	UU proposing a specific ODI relating to enhancing natural capital for customers.
Can the volume of leakage be reduced in areas where the <u>Abstraction Incentive Mechanism</u> applies, to limit the level of abstraction and impact on these environmentally sensitive areas?	Environment Sub-Group - February 2018	During AMP7, the Abstraction Incentive Mechanism will apply at two sites: Old Water and Ennerdale. Leakage targets vary across the region and take into account the overall supply/demand balance including available abstraction. In West Cumbria, the supply/demand balance is more challenging and leakage targets already reflect abstraction limitations.

J. Water trading		
Need to understand more fully the balance between <u>risks and benefits, and bill impacts, for NW water customers</u> arising from any future water trading arrangements. NW customers would be expected to fund the design and development work to allow water trading to take place – but should they be paying in the first place, and how will they be protected?	Environment Sub-Group - December 2017	Water trading is on the agenda for main YourVoice meeting in April so will be discussed in more detail then. UU meeting with Ofwat at the end of March to discuss water trading issues further, based on the draft WRMPs from other water companies.
Suggested changes to joint water company <u>customer research project on water trading</u> to clarify: <ul style="list-style-type: none"> • distinction between the wholesale/retail split for NHH customers; • making clear that water resource challenges relate to the country not UU; • explain link with WRMP better and focus on WT versus other water supply options. 	Customer Engagement Sub-Group - April 2018	Comments addressed in finalising the research material.
K. Other Issues		
Presentation on <u>wholesale strategy covering management of water resources, sewer flooding and odour nuisance</u> . Points raised: <ul style="list-style-type: none"> • The importance of UU publicising replanting of vegetation on its' own land ('slow the flow'), in the same manner as other water companies. • The need for UU to look at the green space it controls and communicates the public benefits provided. • UU should factor the current strong but misplaced anti-EU rhetoric about environmental regulation when commissioning research on environmental activities. 	YourVoice – March 2017	The first two suggestions have been noted and will be taken into consideration in developing future publicity/communications material. On last point, UU's policy approach is to avoid reference to the EU when referring to environmental regulation in customer research activities.
Support available to farmers from multi-agency resources is disjointed. Is there an opportunity for UU to review its <u>agricultural partnerships</u> and bring all these resources together under a single order?	Environment Sub-Group - October 2017 ESG	Presentation to December ESG about UU's engagement with the agricultural sector, covering water resources, wastewater network, bioresources and customer research activities.
Concerns expressed about leading nature of proposed <u>asset health questionnaire</u> for WaterTalk online panel, including: <ul style="list-style-type: none"> • proposed £30,000 cost of asset replacement; • the lack of a 'Don't Know' option for answering questions; and • the confusing approach to testing customer preferences concerning rewards and penalties linked to asset health • the need for more clarification and better information about asset health issues to inform responses. 	Customer Engagement Sub-Group - March 2018	Changes made to address all points raised, especially Q6 –Q11.

<p>Concerns raised about proposed WaterTalk panel discussion about the possibility of UU taking over <u>ownership of lead pipes on customers' properties</u>:</p> <ul style="list-style-type: none"> • the need for better presentation of the health risks associated with lead pipes to avoid alarming participants; • the possibility of installing water meters at the same time as lead pipe removal being seen as a 'Trojan horse'. 	Customer Engagement Sub-Group - March 2018	<p>Research guidance amended to provide more context about health impacts and make less alarming, plus link provided to relevant section of UU website.</p> <p>Intention is to explore customer attitudes to meters being installed at same time as lead pipes replaced, so important not to alarm them too much. However, more information is provided about why meter installation is proposed and the potential benefits to customers.</p>
<p>Water industry needs to develop a strategy around the use of <u>smart meters</u> to encourage water efficiency in homes.</p>	YourVoice - February 2018	UU organising a water industry meeting to consider smart meter strategy. CCW to be invited and papers provided to YourVoice.
<p>Suggestions made on proposed <u>wholesale customer segmentation research</u> project to:</p> <ul style="list-style-type: none"> • improve clarity and provide more explanation and context on some question. • allow multiple responses to some Qs • allow more time for completion given number of Qs. 	Customer Engagement Sub-Group - June 2018	<ul style="list-style-type: none"> • The suggestions were taken into account in developing the research material and it was agreed that the CESG would remain involved in the project to completion. • This would include workshops to create testable hypotheses as the potential future customer segmentation categories and CRM approaches
<p>Concerns expressed about the value of undertaking research looking at <u>customer attitudes towards issues like water demand/efficiency and leakage</u> at a time when public emotions are high due to proposed drought restrictions.</p>	Customer Engagement Sub-Group - July 2018	<ul style="list-style-type: none"> • The company aims to continually collect research on customer opinions, attitudes and priorities, and is particularly interested if there is an unfortunate circumstance of a service event or failure • The recent dry weather and announcement of a potential hose-pipe ban presents a situation that could impact on customer trust and confidence and on views relating to leakage in particular • The company aspires to 'benchmark' any reaction (including as a result of media attention) and proposes to undertake this research which would help this aim.

Annex to Appendix 3

YourVoice Challenge Log - Proposed PR19 Performance Commitments, Targets and Outcome Delivery Incentives

Measure + Type	Description	ODI type	YourVoice Comments and Challenges	UU Response/Action
1. Water quality compliance - Common	New measure developed by DWI and WCs to replace MZC and based on a new 'compliance risk index (CRI)'	Underperformance penalties only	<ul style="list-style-type: none"> -Research studies confirm that the provision of safe drinking water is customers' number one priority. -Need to clarify how ODI rate has been calculated, and how it compares with current AMP6 measure. 	<p>The ODI rate was based on the willingness to pay valuation. We translated the WTP valuation rate of a 0.01% change in compliance into the new measure by a 3-year comparison of compliance % scores and CRI scores.</p> <p>The calculation is set out in the triangulation report which is available for YourVoice to view. It has been reviewed by ICF.</p>
2. Reducing the number of properties at risk from lead - Bespoke	Measures the number of properties where the risk from lead is reduced by removal of lead in supply pipes	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> -Research with WaterTalk panel revealed strong support for UU replacing lead pipes. -Emphasise that this is a trial during AMP7. -Make clear that UU will recover costs for funding next stage, and that legal issues around adoption will need to be resolved before trial can start. 	We have addressed these points in the document we will be submitting with the business plan. This will be available for YourVoice to view.
3. Reducing customer contacts about taste & smell - Bespoke	Measures the number of customer contacts received which concern issues with taste and smell of drinking water	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> -Research studies confirm the high importance customers attach to drinking water quality, and a willingness to pay for improved taste and smell. - Want to encourage UU to be proactive in engaging with customers affected by changes in water quality. - Need to explain in narrative why proposed target is stretching, that new investment will be required to achieve a reduction in the number of contacts, and the impact that the softness/hardness of local water sources will have on this measure. 	We have addressed these points in the document we will be submitting with the business plan. This will be available for YourVoice to view.

4. Helping customers look after water in their home - Bespoke	Will support a targeted communication campaign by measuring the proportion of customers aware of water quality and efficiency measures	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> - Need to recognise that increased awareness does not necessarily lead to changes in behaviour, so important to be clear how success will be measured. - Explain how this measure will link to wider UU communication campaigns to ensure joined-up approach. - Need to get baseline right and ensure that the ODI penalties for underperformance are greater than not spending the money. 	<p>Success will be measured in terms of awareness but the incentive rate allows for the fact that behaviour does not always change.</p> <p>These issues are addressed in the document which we will be submitting with the business plan. This will be available for YourVoice to view.</p>
5. Reducing discolouration from Vyrnwy treated water aqueduct - Bespoke	Records the length of aqueduct cleaned or relined if required by the DWI to meet target for reduced water discolouration.	Outperformance payments only	<ul style="list-style-type: none"> - Need to demonstrate that costs will be met in an efficient way. - Explain that this measure is intended to ensure full cost recovery of any work required. 	This is set out in the document which we will be submitting with the business plan. This will be available for YourVoice to view.
6. Reducing supply interruptions - Bespoke	Measures performance in reducing the number of water supply interruptions which impact on customers.	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> - Explain why the proposed target is stretching – and that it may need to be reassessed in light of 2017/18 APR data. - Note that there is no strong push from customers to reduce the current target of 12 minutes, so need to justify why priority is being given to this measure. 	<p>This is set out in the document which we will be submitting with the business plan. This will be available for YourVoice to view.</p> <p>We have adopted the upper quartile target, as required by Ofwat, but explained that we do not expect to meet it.</p>
7. Keeping reservoirs resilient - Bespoke	Measures the numbers of people benefiting from improvements at dams which reduce the risk of failure to an acceptable level.	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> -Explain that there is no target in years 1 and 2 due to no transitional investment being allowed in the water price control, and therefore a lead-in time is needed for delivery. - Clarify that UU is carrying out ongoing work with EA on the future use of reservoirs for flood storage. - Clarify the way in which the reward will incentivise early delivery. 	The incentive calculation is set out in the document we will be submitting with the business plan. This will be available for YourVoice to view.
8. Mains repairs - Common	Measures the number of water mains repairs per 1000km of water mains.	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> - Need to justify why proposed targets are challenging. - Need to clarify linkage with proposed leakage measure. - Explain deterioration in performance at the end of current AMP. 	The target and the impact of additional leakage control work on mains repairs is set out in the document we will be submitting with the business plan. This will be available for YourVoice to view.

9. Leakage – Common	Measures the amount of water lost to leakage using a new Ofwat common definition.	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> - UU should consider using more upbeat language in explaining the measure and target, drawing on Severn Trent example in its draft WRMP. - Need to ensure that UU only gets reward payments for reductions over 15%. Explanation of under/overpayments needs to be made clearer for customers. - Clarify that the cost to customers for meeting the 15% target will be no higher than that associated with the original 7% target. 	<p>We will take account of this point in drafting any material on the leakage measure.</p> <p>Outperformance payments will be available for exceeding the target in any year of the period. The target reduction rises to 15% by the end of the period.</p> <p>We have not increased our assumed total water expenditure from that included in the Acceptability Testing.</p>
10. Reducing areas of low water pressure – Bespoke	Measures the number of customers per 10,000 properties receiving pressure below the guaranteed standard.	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> - Make clear that the target is a flat line as this measure is intended to deal with the impact of new properties. - The number of properties affected is very small so the proposed target does not seem meaningful and needs better justification in terms of the incentive rate and links to asset health measures. 	<p>This is set out in the document we will be submitting with the business plan. This will be available for YourVoice to view.</p> <p>The measure has been set in line with Ofwat's definition but we have set out what this means in terms of numbers of properties in the document submitted with the business plan.</p>
11. Per capita consumption – Common	Measures the average volume of water used per person in a household per day.	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> - Needs clearer explanation of the way the incentive rate has been derived, including the relationship between the percentages and numbers used. - Clarify the linkage to the proposed 'Helping customers to look after water in homes' measure (see 4). - Important to understand the proportion of NW households unlikely to ask for a water meter. 	<p>The incentive calculation is set out in the document we will be submitting with the business plan. This will be available for YourVoice to view.</p> <p>The value is equivalent to about 25p per cubic metre of water saved. It takes account of the interaction with the 'look after water in the home' measure to avoid double-counting.</p>
12. Drought risk resilience – Common	Measures the proportion of customers at risk of experiencing severe restrictions in a 1-in-200 year drought.	Reputational	No comments.	
13. Water service resilience – Bespoke	Intended to measure the number of customer service days lost due to long-term interruptions to water supply.	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> - Make clear the timescale over which this measure would operate, as customers attach higher value to avoiding longer versus short duration supply interruptions. - Clarify and explain any overlap with other water supply measures, to avoid double-counting. 	<p>This is set out in the document we will be submitting with the business plan. This will be available for YourVoice to view.</p> <p>There is no significant overlap with other measures, as this is about reducing risk of infrequent long-duration events.</p>

14. National water transfer – Bespoke	Intended to protect UU customers from costs associated with the design and planning of a NW-SE water transfer should this option be taken forward,	Underperformance penalties only	- NW customers should not be paying the development costs for a measure intended to benefit water customers living in the SE.	ODI to be withdrawn
15. Manchester and Pennine resilience – Bespoke	Intended to protect customers if scheme is not delivered, delivered late or benefits changed	Underperformance penalties only	- Make clear the difference between this ODI and the related one on Direct Procurement for Customers (see 32): this ODI relates to the conception and definition phase of the project (which is within UU's control) while the DPC measure will cover the delivery of the project after it is handed over to the contractor.	This is set out in the document we will be submitting with the business plan. This will be available for YourVoice to view.
16. Unplanned outage – Common	Measures quantity of water lost through unforeseen events that affect maximum sustainable production capacity for 24 hours +	Underperformance penalties + Outperformance payments	- Make clear how the target and incentive rate has been developed and its robustness, as no direct experience to draw on. - Add 'water treatment works' to description to assist clarity. - Have concerns about the robustness of this new common measure.	This measure is required by Ofwat. It records water treatment works capacity not being available, so is a measure of the health of assets at our treatment works. There are issues about comparability of data between companies. However, we have three years' data on our own performance, which we use for production capacity planning. We consider that this is sufficient to understand our performance and develop a robust, stretching target. Our customer research supports an incentive to drive investment for outperformance.
17. Abstraction Incentive Mechanism - Compulsory	Measures the deviation in water flow relative to baseline usage when river flow is low at two sensitive sites.	Underperformance penalties + Outperformance payments	No comments.	

18. Enhancing natural capital for customers – Bespoke	Measures the added natural capital value of integrated catchment schemes compared with more conventional approaches.	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> - Support the development of natural capital approaches as an alternative to 'end of pipe' solutions, and see this pilot if successful being extended to other UU business areas so that it becomes the standard way of working. - Will be important to demonstrate the full range of added value and societal benefits arising from this approach, as well as enabling the leveraging of other partners' resources and risk sharing. - Need to explain how the baseline aligns to the current WINEP, and whether the potential bill impacts are appropriate to the level of risk/reward being proposed. Make clear that statutory requirements will still be met through this new, more sustainable approach. - Would like to see any rewards reinvested in developing new integrated catchment schemes. 	<p>The potential bill impacts are a small proportion of the total value of the benefits to be achieved.</p> <p>Any reinvestment of outperformance payments will be considered in the light of overall performance.</p>
19. Improving the water environment – Bespoke	Measures the successful delivery of water resource schemes in the WINEP	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> - Clarify what is meant by late/early delivery of schemes. - Need to articulate evidence of a direct correlation between early delivery and benefits to customers and the environment. 	<p>This is set out in the document we will be submitting with the business plan. This will be available for YourVoice to view.</p> <p>If a scheme has benefits for the environment, then each day it is delivered early delivers one day additional benefit.</p>
20. Improving river water quality – Bespoke	Measures the successful delivery of WFD river water quality enhancement schemes in the WINEP	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> - Clarify what is meant by late/early delivery of schemes. - Need to articulate evidence of a direct correlation between early delivery and benefits to customers and the environment. 	<p>This is set out in the document we will be submitting with the business plan. This will be available for YourVoice to view.</p> <p>If a scheme has benefits for the environment, then each day it is delivered early delivers one day additional benefit.</p>
21. Cost adjustment mechanism: quality enhancement programme - Bespoke	Intended to allow the funding of any new requirements added to the WINEP	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> - Understand that Ofwat requires water companies to have this sort of mechanism. - Need to understand what comparison work has been undertaken to ensure UU's costs are reasonable and will be covered by the cost adjustment mechanism. 	<p>This is set out in the document we will be submitting with the business plan. This will be available for YourVoice to view.</p>

22. Protecting the environment from growth and new development – Bespoke	Measures the additional capacity provided at wastewater treatment works to accommodate new customers.	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> - Need to clarify how low performance may arise, and how schemes will be adapted to meet lower or higher than predicted population growth. - Need to make the incentive rates clearer. 	This is set out in the document we will be submitting with the business plan. This will be available for YourVoice to view.
23. Treatment works compliance – Common	Measures the performance of water and wastewater treatment works in complying with permit conditions.	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> - Would expect target to be 100% not 99% compliance. - Recognise that the proposed measure reflects Ofwat common methodology but cannot support rewarding what would be less than 100% compliance. 	We fully understand that environmental stakeholders will be looking for us to set a target of zero failing works. Our ambition is aligned to this and we are aiming for zero. However we have set a target at 99% which would be a significant improvement on current performance and matches the green status on the EA's Environmental Performance Assessment. The incentive mechanism will support a drive towards 100%. Our customer research supports an incentive to drive investment for outperformance.
24. Pollution incidents – Common	Measures the number of category 1-3 pollution incidents resulting from unconsented discharges.	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> - Recognise that this a common Ofwat measure but do not support water companies receiving reward payments for something that the public expects them to avoid – should be penalty only. - Do not agree with combining categories 1-3 in a single measure – need to distinguish between minor and serious incidents. 	<p>The common measure definition combines all three pollution categories into one measure, so they all carry the same weighting for this measure. However, the pollution category will be used by the Environment Agency when considering enforcement action and will affect potential penalties. Therefore, there are significantly greater financial implications from category 1 and 2 incidents.</p> <p>Outperformance payments for this measure support a drive for further investment to push towards a zero pollution ambition. Our customer research supports an incentive to drive investment for outperformance.</p>
25. Recycling biosolids – Bespoke	Measures the use and disposal of treated material containing sewage sludge in accordance with national standards.	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> - Make clear that 100% compliance will need to be achieved for 3 consecutive years from the start of AMP7 to secure a reward, and that this will include third party contractors. - Important that potential odour nuisance is minimised through this measure (see 26). 	The incentive calculation is set out in the document we will be submitting with the business plan. This will be available for YourVoice to view.

26. Better air quality - Bespoke	Measures the quantity of NOX emissions resulting from energy generated from bio-resources.	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> - This is only one of many UU activities that will contribute to improving air quality, and UU need to meet regulatory requirements as a given. - Public perception of air quality associated with UU activities would focus more on odour nuisance. Recognise, however, that UU manages odour nuisance as a business-as-usual activity, and that the Recycling Biosolids ODI (see 25) captures odour minimisation as part of the Biosolids Assurance Scheme. 	<p>The target ensures that we meet regulatory requirement.</p> <p>Addressing air pollution is a national priority.</p>
27. Customer Experience – Common	Based on new Ofwat customer measure of experience (C-MeX).	Underperformance penalties + Outperformance payments	Not considered – measure still under development by Ofwat.	
28. Developer Experience – Common	Based on new Ofwat developer measure of experience (D-MeX).	Underperformance penalties + Outperformance payments	Not considered – measure still under development by Ofwat.	
29. Improving street works performance - Bespoke	Measures the successful and safe delivery of works on public highways in accordance with codes of practice.	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> - Need more clarity on how this will be measured and audited. Add explanation of Highways Agency feedback on acceptable performance thresholds. - As a principle, YV believes that water companies should not be rewarded for achieving less than 100% compliance. - Explain why target is stretching, and what innovative approaches will UU implement to support this measure. 	<p>We do not regard outperformance payments as rewards. The availability of outperformance payments provides finance for further improvement, beyond committed levels. They increase the likelihood that compliance will be improved.</p> <p>We need to have an appropriate balance between outperformance payments and underperformance penalties. The customer research has supported the incentive rates we are using and a balance between outperformance and underperformance payments.</p>

30. Priority services for vulnerable customers – Bespoke	Measures the number of customers registered for Priority Services, based on BS ‘inclusive service’ certification scheme	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> - Concern about method of measurement being a blunt instrument as it will be an average across different type of service and need. - Need to be consistent in measuring total number of customers, not per 1000. - Is account being taken of ‘cost to serve’ savings, and potential double counting? Need to explain how the company will deal with data sharing arrangements with other utility companies resulting in a cash surplus from over-performance after cost-recovery against this ODI. - YV supports UU’s intention to reinvest any reward payments, and to agree with YV the priorities for reinvestment. 	Our approach to customers in vulnerable circumstances is set out in our business plan. This measure is only a part of the overall strategy.
31. Systems thinking capability - Bespoke	Measures improvement in UU’s systems thinking maturity against eight capabilities benchmarked against non-water sector companies	Outperformance payments only	<ul style="list-style-type: none"> - Explain that this is a long-term approach which plays into Ofwat thinking about water companies developing innovation and longer term approaches. - Clarify why target profile is flat and how any outperformance will be used to support further embedding of ST approach. - Explain that this measure will enable UU to fund upfront investment in ST, and how this will benefit customers and works with the regulatory framework. 	This is set out in the document which we will be submitting with the business plan. This will be available for YourVoice to view.
32. Direct procurement for customers - Bespoke	Will measure the achievement of Ofwat design principles for direct procurement of Manchester and Pennines Resilience project.	Outperformance payments only	<ul style="list-style-type: none"> - See 15 for explanation of how this measure will work alongside the Manchester and Pennine Resilience one. - Need to justify why the proposed target is stretching, explain the risks involved and how it compares similar projects by other water companies. 	This is set out in the document which we will be submitting with the business plan. This will be available for YourVoice to view.
33. Customers lifted out of water poverty – Bespoke	Measures the number of customers lifted out of water poverty due to UU intervention.	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> - This measure will help the ‘silent suffering’ as well as those in debt. - Make clear that this measure is intended to ensure cost-recovery, and that any reward will be reinvested in support of this objective. - Explain in narrative the reassessment policy for customers and the retention/recovery rates for customers moving into and out of various schemes and normal tariffs. - Explain the company’s approach for engaging with ‘hard to reach’ customers (e.g. ethnic groups, mental health etc.) 	This is set out in the document which we will be submitting with the business plan. This will be available for YourVoice to view.

34. Household occupancy verification – Bespoke	Measures the proportion of domestic household property base verified as either occupied/unoccupied.	Underperformance penalties + Outperformance payments	- Need to add baseline performance comparison information for the current ODI in AMP6.	Included in business plan.
35. Non-household vacancy incentive scheme – Bespoke	Measures the number of vacancy incentive payments made to non-household retailers	Outperformance payments only	- A better explanation is needed on how this ODI is intended to work, and the ways in which the scheme will impact on customers' bills.	This is set out in the document which we will be submitting with the business plan. This will be available for YourVoice to view.
36. Gap sites (wholesale) – Bespoke	Measures the number of incentive payments made to non-household retailers who identify unregistered premises	Outperformance payments only	- Why this target is stretching for UU is not coming through in the explanation. Need to clarify just what UU will be doing differently to justify the ODI.	<p>This is a new mechanism, which is designed to incentivise retailers, and the mechanism is intended to recover our costs. We will be making payments to retailers and administer the scheme.</p> <p>The target is set at zero, and no costs are included in the plan. We could have made an estimate and included costs but this approach ensures that customers only pay when gap sites are identified.</p>
37. Gap sites (retail) - Bespoke	Measures the number of household properties not being billed by UU that are added to the billing system	Outperformance payments only	- Need to add baseline performance comparison information for the current ODI in AMP6, and better explain the performance commitment for AMP7.	This is set out in the document which we will be submitting with the business plan. This will be available for YourVoice to view.
38. Sewer collapses – Common	Measures structural failures in sewers having an impact on services to customers and the environment	Underperformance penalties + Outperformance payments	- Clarification sought and obtained on how all the sewer flooding measures 'add up', and how the incentive rates will interact with each other to avoid double counting	This was presented to the June sub-group meetings and is included in the triangulation report, which ICF have reviewed.
39. Sewer blockages – Bespoke	Measures the number of sewer blockages reported and cleared	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> - Recognise that delivering improved performance will be difficult, and will require behavioural change around the use/disposal of wet wipes and fats, oils and greases. YV wants to be involved in developing future communications to make sure messages and timing are right. - More clarity required on how the monetary value associated with sewer blockage incentives has been developed. 	The incentive calculation is set out in the document we will be submitting with the business plan. This will be available for YourVoice to view.

40. Internal flooding – Common	Measures the number of internal flooding incidents each year due to severe weather events	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> - Support Ofwat's approach to require water companies to set upper quartile targets, while recognising that this will be very challenging for UU. 	<p>We are stating in the business plan that we have adopted the target but do not expect to achieve it. We will continue to strive to move towards our ambition for no flooding incidents. The inclusion of outperformance payments, although very unlikely to be achieved in AMP7, provides for future investment to improve performance, and is supported by customer research.</p>
41. External flooding – Common	Measures the number of external flooding incidents each year due to severe weather events	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> - Need to explain what is included in this new common measure, as aware that UU still measure other types of externally flooded areas such as parks and roads. - Do not agree with the new common Ofwat definition as it excludes key public spaces and adds severe weather events. - Check accompanying graph that upper quartile performance is correctly represented. 	<p>Ofwat has set out a methodology for this measure, which we are following. Work comparing companies' approaches proposed that for comparative purposes the definition of external flooding should not include public spaces. We recognise that public spaces are of value to customers. We will continue to collect data on these areas and will use this to support our investment programmes.</p> <p>The Ofwat definition for this measure requires severe weather to be included. We know that this is an issue in the North West. We will continue to monitor the data both with and without severe weather, so that we understand the impact whilst remaining within the measure guidance.</p> <p>Our comparative performance in this area has historically been good. The incentive supports the drive for further improvement, enabling further investment. Customer research supports an incentive to drive investment for outperformance.</p>
42. Raising customer awareness to reduce flooding – Bespoke	Measures change in customer awareness of items not to be flushed down toilets and other behaviours to reduce flooding	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> - Need to clarify why the proposed incentive rate is higher than the equivalent water efficiency measure (see 4) when water quality is the highest priority for customers: explain that the water efficiency measure combines both water quality and water efficiency which when taken together give a lower rate than sewer flooding. 	<p>The incentive rate is based on the valuation of sewer flooding, the link between blockages and flooding incidents, and the forecast impact of awareness on customer behaviour.</p> <p>The calculation is set out in the document which we will be submitting with the business plan. This will be available for YourVoice to view.</p>

43. Risk of flooding in a storm – Common	Measures the proportion of the population at risk of hydraulic sewer flooding in a 1-in-50 year storm	Reputational	<ul style="list-style-type: none"> - Need to explain better why proposed target is stretching, and what the percentage change means in terms of actual properties. - Will be interesting to see how other water companies approach this new common measure. - Need to clarify why this ODI is reputational and has no financial incentives. - Emphasised importance of working in partnership with stakeholders to deliver this measure. 	This is a new measure for which there is currently only limited data available. Ofwat has stated in their methodology that this measure can be reputational in AMP7, while the measure becomes more widely understood and data is gathered to understand performance. In AMP7 we have therefore adopted the reputational approach. This will be reviewed at PR24 to determine whether sufficient information is available by then to move towards a financial incentive.
44. Hydraulic internal flood risk resilience – Bespoke	Measures the reduction in flood risk to customers from internal hydraulic flooding	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> - This measure will be aimed at properties suffering repeat flooding incidents, which customer research indicates is regarded as worse than single incidents. - Need to be clearer in narrative about what the target figure units relate to. - See 38 for explanation of how this measure relates to other sewer flooding measures. 	We have aimed to be clear in the document we will be submitting with the business plan. This will be available for YourVoice to view.
45. Hydraulic external flood risk resilience - Bespoke	Measures the reduction in flood risk to customers from external hydraulic flooding	Underperformance penalties + Outperformance payments	<ul style="list-style-type: none"> - This measure will be aimed at places suffering repeat flooding incidents, which customer research indicates is regarded as worse than single incidents. - See 38 for explanation of how this measure relates to other sewer flooding measures. 	We have aimed to be clear in the document we will be submitting with the business plan. This will be available for YourVoice to view.