

<b>Anglian Water</b>				<b>Customer Engagement Summary Audit Report</b>		
<b>PR19.CE</b>		<b>PR19.CE.01</b>		<b>Version: 1.0</b>		
Workstream: Customer Engagement and Willingness to Pay				Originator:	Hawkins, Jeremy/EXT	
				Completion date:	12/06/2018	
				Reviewer:	Graham Hindley	
				Review date:	17/06/18	
Key to RAG assessments	No material concerns	Non-material observations(s) on supporting information	Minor concerns	Material concerns	Activity not complete	Not required/not started
	G	B	A	R	W	N/A

Links to Ofwat and Company priorities		
Test	RAG	Comments
GENERAL BACKGROUND	N/A	<p>This review was a follow up to one undertaken January 2018, the objective of which was to assess the adequacy of Anglian Water's interpretation and response to Ofwat's requirements for engaging customers. The Summary Audit Report (SAR) from the review in January (PR19.CE.01 V1.3) is reproduced for reference as an Appendix to this report.</p> <p>This follow up review consisted of:</p> <ul style="list-style-type: none"> <li>• A high-level overview of the company's customer engagement strategy and its willingness to pay (WTP) activities undertaken since January 2018 and the broad findings obtained from these</li> <li>• Further review of specific findings and recommendations identified from the review in January, and</li> <li>• Review of associated data tables and commentaries (App 4, Line 2, App 4, Line 5 and WS18, Line 13).</li> </ul> <p>As for the January 2018 review, the engagement methodologies used by the company were not subject to a detailed technical review. Additionally, the review did not cover the company's use of the engagement results in the preparation of its Business Plan, as this is covered in other reviews.</p> <p>The review included a three-hour interview with the company's Head of Stakeholder Engagement and a member of its societal valuation team and the inspection of relevant documents presented at the time and afterwards. This was sufficient to conduct the high-level overview.</p>

		<p>It was noted that the engagement work, whilst now substantially complete, is ongoing and is following a defined programme for completion in July 2018.</p> <p>The engagement results obtained so far, particularly the results from acceptability testing of the draft Business Plan, have been analysed (including triangulation of willingness to pay (WTP) values) and are about to be used in the finalisation of Business Plan to be submitted to Ofwat in September 2018. Further acceptability testing may take place depending on the outcome of Ofwat's risk-based review of the Business Plan and as a result of its Draft Determination.</p>
Effective engagement with customers about Ofwat's PR19 themes	G	<p>Ofwat's PR19 themes are:</p> <ol style="list-style-type: none"> <li>1. Great customer service</li> <li>2. Affordable bills</li> <li>3. Resilience in the round</li> <li>4. Innovation</li> </ol> <p>As found in the January 2018 review, the themes of customer service, affordability of bills, and operational resilience, whilst not explicitly stated on the company's PR19 Detailed Plan for engagement, had been included the various engagement activities undertaken to date. We confirmed that they continue to be included in the engagement work undertaken since then.</p> <p>In the January 2018 review it was noted that the PR19 Detailed Plan for engagement set out nine success factors for the engagement strategy. Ongoing measurement against these factors has not taken place. It was reported that this would be done after the Draft Business Plan testing has been completed. We suggested that this is done sooner than that to check that the ongoing engagement activities and strategy continue to align with the original objectives and that the success factors remain appropriate.</p> <p>We established that this review was undertaken in February 2018 and that a number of minor amendments were made to the objectives and success factors. This work was presented to the Customer Engagement Forum in March. We were told that no major concerns were raised by the CEF.</p>
Link to development of proposed outcomes	G	No follow up required. Findings as reported in January (see Appendix).
Links to the company's strategy and 10 long-term Outcomes	G	No follow up required. Findings as reported in January (see Appendix).
Addressing longer-term issues such as resilience, security of services and affordability of bills	G	No follow up required. Findings as reported in January (see Appendix).

Techniques and Data		
Test	RAG	Comments
Range of techniques being used to address Ofwat's	G	Since January the company's primary customer engagement activity has been:

Techniques and Data		
principles of good customer engagement		<ul style="list-style-type: none"> <li>Acceptability testing of the Draft Business Plan. This was achieved through focus groups, the inline community, quantitative acceptability research, H2O Let's Go and online game (see below), the Customer Board (see below) and engagement with key stakeholders and retailers (see below).</li> <li>Establishment an operation of the Customer Board (meetings held in February, April and a third scheduled for July). The Board comprises seven members from the online panel.</li> <li>Online game (acceptability testing). Game entitled 'Beat the Boss' has been implemented and results obtained.</li> </ul> <p>As noted in January, an independently produced engagement synthesis report highlights the strengths and weaknesses of the engagement work undertaken. The synthesis report was last updated on 4<sup>th</sup> June.</p> <p>Willingness to Pay research and the triangulation of the results is now complete. The company has had its WTP and triangulation methodologies peer reviewed by an independent academic specialist. The peer review did not highlight any major shortcomings.</p>
Use of data and working with others to share data to drive better outcomes for customers	W	<p>The use of the draft Business Plan acceptability results in the formulation of the final Business Plan is ongoing.</p> <p>The staff responsible for preparing the investment Portfolios have be given instruction or guidance on how to use the engagement synthesis report findings and the WTP results and must reference them in the investment case templates. It was reported that the Business Plan Portfolio preparers will be given High, Central and Low WTP values for each service attribute. These values are used automatically by the Company's C55 business planning optimisation tool.</p> <p><b>As reported in January the robustness of the bridge between the engagement work and the investment Portfolios is critical to the quality of the Business Plan. It is understood this link will form part of the independent technical assurance of the Portfolios undertaken for the company and the CEF.</b></p>
Use of balanced and proportionate evidence base, including customer data, to understand customers' preferences	G	No follow up required. Findings as reported in January (see Appendix).
Comparative information in context	G	No follow up required. Findings as reported in January (see Appendix).
Understanding of needs and requirements of different customers, including customers in circumstances that might make them vulnerable	G	No follow up required. Findings as reported in January (see Appendix).

Customer Engagement Activities		
Test	RAG	Comments
Ongoing service delivery engagement	G	No follow up required. Findings as reported in January (see Appendix).
Business end-customers and wholesale services	G	<p>The company stated that a larger sample of non-domestic customers was consulted for PR19 compared to PR14. A similar number of non-domestics were also used in the WTP studies.</p> <p>Non-domestic customers have been consulted for the ODIs and the draft Business Plan.</p> <p>The company has engaged with five retailers, covering former incumbents, self-suppliers and new entrants. Minutes of meetings with one former incumbent and one new entrant were inspected as part of this review. Retailers were asked about the AW's long-term ambitions, the relative importance of aspects of AW's service, the promotion of water efficiency, the level of AW's support to the retailer, the understandability of AW's tariffs, leakage targets, the use of alternative water sources and support for an ODI on retailer satisfaction. From the two records we inspected we noted the responses varied between the former incumbent and the new entrant with the latter cautious about a retailer-focused ODI.</p>
Use of communication tools	G	No follow up required. Findings as reported in January (see Appendix).
Ongoing and one-off activities	G	No follow up required. Findings as reported in January (see Appendix).
Transparency of dialogue	G	The engagement synthesis report has been continually updated since our review in January as engagement results have been obtained. The report is produced by an independent expert not involved in the day to day engagement work.
Education and information for customers	G	<p>In our review in January we suggested that teenagers (pre-18) or students should be included in the engagement process as they may be a more informed group of 'future' customers, rather than primary school age children. There may be benefits of engaging with these groups, particularly when considering innovation, especially the use of digital technologies to deliver better outcomes for customers.</p> <p>The company reported that it has been unable to accommodate our suggestion within its engagement programme and will be relying on its ongoing education visits to primary schools (with a reported 250,000 children contacted each year) as evidence of engaging with future customers.</p>

Role of Independent Challenge		
Test	RAG	Comments
How effectively the Customer Engagement Forum (CEF) is providing input to customer engagement activities and is kept	G	<p>The company is primarily relying on the CEF to independently challenge the engagement process and results, as this is seen by the company as the CEF's main duty.</p> <p>In January we reported that, whilst it was clear that the CEF is being kept informed of the company's customer engagement activities and results, it was not possible to fully assess the effectiveness of the CEF's</p>

Role of Independent Challenge		
informed of feedback received		<p>challenges on customer engagement from the documentation made available for this review. Further review might be necessary.</p> <p>At this review we were informed that the CEF has now established a formal log in which it is recording its challenges. We didn't inspect this log as part of this review.</p>

Completion of PR19 Data Tables and Commentaries		
Test	RAG	Comments
Scope	N/A	<p>The review covered the following PR19 data and commentaries:</p> <p><b>Appendix 4, Line 2</b> – number (%) of customers finding the bill affordable</p> <p><b>Appendix 4, Line 5</b> - number (%) of customers finding the bill affordable</p> <p><b>WS18, Line 13</b> – number of residential retail customers engaged with the Business Plan</p>
Process, procedures and methodology	W	<p>Data and commentaries for these lines are being produced by the company's Head of Stakeholder Engagement. Ofwat's current PR19 reporting requirements is the main reference document.</p> <p>Draft commentaries and draft were inspected on this review.</p> <p><b>Governance process – sign off of final data tables and commentaries to be reviewed when available.</b></p>
Underlying assumptions	G	<p>The key assumptions used for each line are:</p> <p><b>Appendix 4, Line 2 (affordability)</b> – data are taken from acceptability research carried out at PR14 and PR19, by McCallum Layton (in 2013-14) and Accent (in 2018-19). The affordability data for 2013-14 is the average of results for acceptability research into value of money and overall level of bills. Data for 2014-15 and 2015-16 doesn't exist so the data for 2013-14 has been used as a surrogate.</p> <p><b>Appendix 4, Line 5 (acceptability)</b> – data are taken from acceptability research carried out at PR14 and PR19, by McCallum Layton (in October 2013) and Accent (in May 2018). Data for 2014-15 and 2015-16 doesn't exist so the data for 2013-14 has been used as a surrogate.</p> <p><b>WS18, Line 13 (customers engaged)</b> - the reported number covers engagements that have helped drive the development of the plan (this is defined clearly the accompanying table commentary) . All customer types including household, non-household and retailers have been included. <u>Engagements</u> rather than unique customers engaged with have been reported as in many cases the company cannot track whether the same customer participated in more than one engagement channel .</p> <p>All the above assumptions are clearly stated in the accompanying table commentaries and are considered to be appropriate.</p>

Completion of PR19 Data Tables and Commentaries		
Accuracy and completeness of data	G	<p>The numbers reported for the three lines are:</p> <p><b>Appendix 4, Line 2</b> – number of customers finding the bill affordable = <b>65.5% (2015-16 to 2019-20) and 87% (2019-20 to 2024-25)</b></p> <p><b>Appendix 4, Line 5</b> - number of customers finding the bill affordable = <b>93% (2015-16 to 2019-20) and 94% (2019-20 to 2024-25)</b></p> <p><b>WS18, Line 13</b> – number of residential retail customers engaged with the Business Plan = <b>501,591</b></p> <p>Data confidence grades are not required to be reported for the three data lines reviewed.</p> <p>However, it was possible to trace the reported data to the company’s customer engagement records for PR14 and PR19 and/or presentations given to the CEF.</p> <p>We found the reported data to be in line with a reasonable interpretation of Ofwat’s PR19 reporting requirements and the Company’s assumptions set out in its commentaries (see above).</p> <p>We consider the accuracy and completeness of data to be reasonable on this basis.</p>
Adequacy of commentaries	B	<p>We found the commentaries to be detailed and clear enough to explain the assumptions used by the company to derive the data for the three lines.</p> <p>Whilst not strictly part of the terms of reference for this review we also reviewed the draft Customer Engagement narrative the company is intending to include in its Business Plan.</p> <p>We made the following suggestions to improve the clarity of the narrative:</p> <ul style="list-style-type: none"> <li>• Appendix 1 - Include an additional table that illustrates the distribution of the total 501,591 engagements across the engagement depth categories 2 to 5. This was done following the review.</li> <li>• Illustrate which engagement types are business as usual and operational data and which are bespoke for PR19 (targeted and valuation). This was done following the review.</li> <li>• Extend the definition of ‘engagements’ to say consumers rather than bill payers</li> </ul>

## SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

Observations	
RAG	Comments
W	As reported in January the robustness of the bridge between the engagement work and the investment Portfolios is critical to the quality of the Business Plan. It is understood this link will form part of the independent technical assurance of the Portfolios undertaken for the company

	and the CEF. A check should be made to confirm that this is included adequately in the scope of other technical assurance reviews.
W	Governance process – sign off of final data tables and commentaries to be reviewed when available.
B	<p>We made the following suggestions to improve the clarity of the proposed Business Plan narrative on Customer Engagement:</p> <ul style="list-style-type: none"> <li>• Appendix 1 - Include an additional table that illustrates the distribution of the total 501,591 engagements across the engagement depth categories 2 to 5. This was done following the review.</li> <li>• Illustrate which engagement types are business as usual and operational data and which are bespoke for PR19 (targeted and valuation). This was done following the review.</li> <li>• Extend the definition of ‘engagements’ to say consumers rather than bill payers</li> </ul>
<b>Recommendations (Longer Term Improvements)</b>	
None.	
<b>Documentation reviewed</b>	
<p>PR19_CE_02 AR ToR Customer Engagement</p> <p>Anglian Water Customer Research &amp; Engagement Synthesis Report 4<sup>th</sup> June 2018 v12</p> <p>Customer Engagement narrative v4.docx, rec’d on 11 June by email</p> <p>Data table commentary.docx, rec’d on 11 June by email</p> <p>Data tables.xlsx, rec’d on 11 June by email</p> <p>Be the boss analytics.pdf, rec’d on 11 June by email</p> <p>Valuation Completion – Report slides April 2018, ICS Consulting &amp; eftec</p> <p>Customer Engagement Strategy – Update – slides presented to the CEF on 5 June 2018</p> <p>Notes of meeting between AWS and The Water Retail Company on 30th May 2018</p> <p>Notes of meeting between AWS and Wave (retail company) on 19th April 2018</p> <p>Valuation Completion Report, June 2018 Final Stage – eftec and ICS Consulting</p> <p>Stated Preference Research – Overview, Application and Peer Review, February 2018 - eftec and ICS Consulting</p>	
<b>Version control notes</b>	
Version 1.0 – First draft	
<b>Audit identification</b>	
Workstream	Customer Engagement and Willingness to Pay
Date of audit	11/06/2018
Auditees	Carolyn Cooksey; Sophia Ronketti

## Appendix

### SAR PR19 CE 01 v1.3

<b>Anglian Water</b>				<b>Customer Engagement Summary Audit Report</b>		
<b>PR19.CE</b>		<b>PR19.CE.01</b>		<b>Version: 1.3</b>		
Workstream: Customer Engagement and Willingness to Pay				Originator:	Hawkins, Jeremy/EXT	
				Completion date:	13/01/2018	
				Reviewer:	Alexander, Zac/UKS	
				Review date:	15/01/2018	
Key to RAG assessments	No material concerns	Non-material observations(s) on supporting information	Minor concerns	Material concerns	Activity not complete	Not required/not started
	G	B	A	R	W	N/A

Links to Ofwat and Company priorities		
Test	RAG	Comments
GENERAL BACKGROUND	N/A	<p>The objective of the review was to assess the adequacy of Anglian Water's interpretation and response to Ofwat's requirements for engaging customers.</p> <p>Ofwat's customer engagement principles are:</p> <ol style="list-style-type: none"> <li>1. Water companies should deliver outcomes that customers and society value, at a price they are willing to pay.</li> <li>2. Customer engagement is essential to achieve the right outcomes at the right time and at the right price.</li> <li>3. Engagement should not simply take place at price reviews. Engagement means understanding what customers want and responding to that in plans and ongoing delivery.</li> <li>4. It is the companies' responsibility to engage with customers and to demonstrate that they have done it well.</li> <li>5. Customers and their representatives must be able to challenge the companies throughout the process. The engagement process should ensure this challenge happens. If this is not done effectively, Ofwat must be able to challenge on customers' behalf. In doing so it will fulfil its duty to protect customers.</li> <li>6. Engagement is not a 'one-size-fits-all' process, but should reflect the particular circumstances of each company and its various household and non-household customers.</li> </ol>



		<p>7. The final decision on price limits is entrusted to Ofwat. It will use a risk-based approach to challenge company plans if this is necessary to protect customers' interests</p> <p>The review consisted of a high-level overview of the company's <b>ongoing</b> customer engagement strategy and its willingness to pay (WTP) activities, the associated governance arrangements, progress to date and the broad findings obtained so far. The engagement methodologies used by the company were not subject to a detailed technical review. Additionally, the review did not cover the company's use of the engagement results in the preparation of its Business Plan, as this is covered in other reviews.</p> <p>The review included a five-hour interview with the company's Head of Stakeholder Engagement and Head of societal valuation, and the inspection of relevant documents presented at the time and afterwards. This was sufficient to conduct the high-level overview.</p> <p>It was noted that the engagement work is ongoing and is following a defined programme. The engagement results obtained so far are being analysed (including triangulation) and will be used in the development of a Draft Business Plan to be published for consultation and testing with customers in April 2018. This testing period will last two months and the results will be used to finalise the Plan for publication in September 2018. Further engagement activities over the period April to July might result from the testing of the Draft Plan or the triangulation of engagement results that is currently being undertaken, in order to plug any identified gaps or address any anomalies.</p>
Effective engagement with customers about Ofwat's PR19 themes	B	<p>Ofwat's PR19 themes are:</p> <ol style="list-style-type: none"> <li>5. Great customer service</li> <li>6. Affordable bills</li> <li>7. Resilience in the round</li> <li>8. Innovation</li> </ol> <p>The company's PR19 Detailed Plan for Engagement (first produced in May 2017) refers to Ofwat's expectations for customer engagement at PR19 as set out in Ofwat's document published in 2015. The themes of customer service, affordability of bills, and operational resilience, whilst not explicitly stated on the company's PR19 Detailed Plan for engagement, have been included the various engagement activities that have been undertaken to date.</p> <p><b>It was noted that the PR19 Detailed Plan for engagement set out nine success factors for the engagement strategy. Ongoing measurement against these factors has not taken place. It was reported that this will be done after the Draft Business Plan testing has been completed. We suggest that this is done sooner than that to check that the ongoing engagement activities and strategy continue to align with the original objectives and that the success factors remain appropriate.</b></p> <p>A number of new engagement techniques have been employed compared to those used by the company at PR14, some of which are innovative for the water sector. It is notable that the company involved 35 customers and some 200 employees in the development of its engagement strategy and that the company's Customer Challenge Group (the Customer Engagement Forum, the CEF) has challenged the strategy and has expressed no material concerns to date. Additionally, through consultation on the Strategic Direction Statement (SDS) customers are challenging the company to be innovative in service delivery and to incorporate innovation (particularly use of data and digital technologies) in its long-term planning.</p>

Link to development of proposed outcomes	G	The company's ten strategic outcomes are set out on its Strategic Direction Statement (SDS). The company published its draft SDS for consultation in April 2017 and customer feedback obtained through discussions with both domestic and non-domestic customers both face to face and online was used to further develop and revise the Statement, which was finalised and published in November 2017. The final SDS mentions areas where customer views have shaped and revised the company's outcomes.
Links to the company's strategy and 10 long-term Outcomes	G	See text above on the use of customer engagement in the development of the SDS.  The timing of discretionary investment has been explored with customers in a number of areas: <ul style="list-style-type: none"> <li>• The intensity of asset maintenance work (i.e. phased or intense activity) through consideration of the impact on service, traffic and other disruption.</li> <li>• The WRMP contains scenarios on the speed and impact of climate change and the level and rate of leakage reduction</li> <li>• With regard to asset maintenance the WTP research has asked customers if they would be willing to accept a deterioration in current service levels as well as maintaining or improving existing levels.</li> </ul>
Addressing longer-term issues such as resilience, security of services and affordability of bills	G	A number of longer-term issues have been explored in the engagement research activities and willingness to pay studies to date as follows: <ul style="list-style-type: none"> <li>• Operational resilience.</li> <li>• Cyber security.</li> <li>• Security of water supply (through the WRMP).</li> </ul> Engagement on financial resilience (financing costs, PAYG, RCV, profit levels, etc.) is planned for the near future.

Techniques and Data		
Test	RAG	Comments
Range of techniques being used to address Ofwat's principles of good customer engagement	G	The company's PR19 engagement strategy includes the following components, some of which are more extensive than PR14 or are new approaches: <ul style="list-style-type: none"> <li>• Focus Groups – more groups than used at PR14.</li> <li>• Co-Creation (customer involvement) used in strategy development (new for PR19 and possibly new in the water sector).</li> <li>• Customer segmentation – new for PR19.</li> <li>• Customer Board – new for PR19 (about to start).</li> <li>• Online community (500 customers). This was tried at PR14 but little engagement resulted. There is more incentivisation to participate this time.</li> <li>• In depth ethnographic interviews with 40 customers using two different suppliers with different approaches. Much more extensive than at PR14.</li> <li>• Acceptability research at five stages – SDS (quantitative using 1000 domestic customers, 500 non-domestic). ODIs (about to start). Draft Plan (April this year) and two future stages (to be decided).</li> </ul>

Techniques and Data		
		<ul style="list-style-type: none"> <li>• Valuations (WTP) – using stated preference surveys, Wellbeing research (new for PR19), revealed preference, non-domestic economic impact analysis.</li> <li>• Bus – new for PR19. Used over five weeks at various locations, with 5,000 people engaged.</li> <li>• H20MG event in Norwich. New for PR19. 33,000 participants, not all of which might necessarily been customers.</li> <li>• Community Champions – new for PR19. 50 staff ambassadors trained to give talks and research views.</li> <li>• Social Media - new for PR19. Focused on brand engagement. 350,000 interactions. Includes ‘questions of the day’, ‘poll of the week’ (started in December), 500 – 1000 participants. Consultation on the draft plan and analysis of social media content is planned.</li> <li>• Expert interviews – used at PR14 but not started yet for PR19. Picks up future customers to an extent but recommend that teenagers (pre-18) and students are used (see later in this report).</li> <li>• Specific research into customer vulnerability and the needs of these customers.</li> <li>• Online game (acceptability testing) – used at PR14 but will be more interactive for PR19. Not developed yet.</li> </ul> <p>An independently produced engagement synthesis report highlights the strengths and weaknesses of the engagement work undertaken to date.</p> <p>Willingness to Pay research is substantially complete and has covered the following service attributes in the main survey:</p> <ul style="list-style-type: none"> <li>• Supply interruptions</li> <li>• Discolouration</li> <li>• Severe water bans</li> <li>• Leakage</li> <li>• Internal sewer flooding</li> <li>• External sewer flooding</li> <li>• Odour nuisance</li> <li>• Pollution incidents</li> <li>• River water quality</li> <li>• Bathing water quality</li> <li>• Repeated customer contacts</li> </ul> <p>The company’s PR14 WTP data and publicly available historic WTP data from other companies is also being referenced.</p> <p>Triangulation of WTP data is ongoing. Data robustness and relevance (H/M/L) are also being assessed.</p>
Use of data and working with others to share data to drive better outcomes for customers	W	<p>The use of the engagement results in the formulation of the draft Business Plan is ongoing.</p> <p>It was reported that staff responsible for preparing the investment Portfolios have or will be given instruction or guidance on how to use the engagement synthesis report findings and must reference them in the investment case templates. Also, the synthesis report is continually updated as new engagement results come in. It is also the intention to provide the Portfolio preparers with High, Central and Low WTP values for each service attribute.</p>

Techniques and Data		
		<p><b>The robustness of the bridge between the engagement work and the investment Portfolios is critical to the quality of the Business Plan. It is understood this link will form part of the independent technical assurance of the Portfolios undertaken for the company and the CEF. A check should be made to confirm that this is included adequately in the scope of other technical assurance reviews.</b></p> <p>It was reported that as part of the WTP studies and forthcoming triangulation of results exercise, ICS has gathered public domain WTP data for other water companies.</p> <p>It is the company's intention to explore the sharing of customer vulnerability data on the priority service register with other agencies and it is hoped that the sharing of data will be two-way, although data protection and confidentiality constraints might be a challenge.</p>
Use of balanced and proportionate evidence base, including customer data, to understand customers' preferences	G	<p>The company reported that the design specifications for the various research studies set out the size and nature of the survey samples to ensure appropriate customer base across all identified segments was used, and that balanced and proportionate evidence was obtained.</p> <p>The customer segmentation work resulted in the definition of six segments as follows:</p> <ul style="list-style-type: none"> <li>• Tech-savvies (28% of total domestic customer base)</li> <li>• Comfortable/caring (26%)</li> <li>• Eco-economisers (approx. 12-14%)</li> <li>• Family first (12-14%)</li> <li>• Only focused on bill (12-14%)</li> <li>• Protective provincials (9%)</li> </ul> <p>The research specifications and results were not inspected in detail on this review. It was reported that the design sample sizes have been achieved all cases.</p> <p>The company considers its particular circumstances include:</p> <ul style="list-style-type: none"> <li>• Two distinct locations (East Anglia and Hartlepool). Research has been undertaken in both.</li> <li>• Water resource position – much engagement has focused on this.</li> <li>• Leakage/metering – the company considers itself to be industry leading. It continues to engage with customers on these particularly the use of SMART meters (on-going trial in Newmarket).</li> <li>• Environmental issues including lots of SSSIs, raw water quality (phosphates) and pollutions (WTP research has included this)</li> <li>• Economic growth – deferral from PR14.</li> <li>• Innovation – co-creation of strategy and use of the online community are seen by the company as innovative.</li> </ul>
Comparative information in context	G	<p>It was reported that some comparative information had been provided to customers during the research as the company was keen to avoid the risk of information overload. Most comparative data was used for the WTP research. In addition it was reported that the CEF had often requested comparative performance to assist with its challenges.</p> <p>It was stated that other-sector data in the form of a nationally developed data set had been made use of as part of the analysis in the wellbeing research.</p>

Techniques and Data		
		The company has satisfied itself that there has been appropriate use of comparative data in its engagement activities. The extent of comparative data was not evidenced in detail during this review and so the RAG assessment is based upon the company's responses to our questions.
Understanding of needs and requirements of different customers, including customers in circumstances that might make them vulnerable	G	See commentary above on the customer segmentation work undertaken and its incorporation into the research studies.  Specific research has been undertaken into the needs to vulnerable customers and the results of this work will be incorporated into the Business Plan.

Customer Engagement Activities		
Test	RAG	Comments
Ongoing service delivery engagement	G	The company analyses data from its day to interactions with customers mainly through social media, telephone and written contacts and complaints. These 'Natural Connections' from a key component of the engagement activities for PR19  Focus groups exploring customers' views covering service delivery have also been used.
Business end-customers and wholesale services	G	The company stated that a larger sample of non-domestic customers have or will be consulted for PR19 compared to PR19. A similar number of non-domestics will be used in the WTP studies.  Business customers are segmented by consumption (tariff).  It was reported that the CEF has been challenging the company to engage with non-domestic customers.  Non-domestic customers have been or will be consulted for the SDS, ODIs and the draft Business Plan.  It was reported that the 14 retailers operating in the company's area are considered as stakeholders rather than customers.
Use of communication tools	G	See list above of engagement activities and communication tools employed.
Ongoing and one-off activities	G	There was a hiatus of around 12 months between the end of PR14 engagement and the development of the PR19 engagement strategy. PR19 engagement started in earnest in early 2017.  It is the company's intention (it was reported that Board support has been obtained) to include customer engagement in business-as-usual activities post PR19 and to have no significant hiatus between Price Reviews in future. The new online community is contracted for at least another 18 months from now and the intention is continue with the Customer Board, community ambassadors and possibly more acceptability research into service and prices.  It was noted that the new CMex will include ongoing independent survey, but the details are unknown at present.
Transparency of dialogue	G	The company has set up secure website on which all its engagement strategy documentation, research reports, and the synthesis report is

Customer Engagement Activities		
		<p>placed. Access to this site has been granted to internal stakeholders, the CEF and the company's external assurers.</p> <p>The engagement synthesis report is continually updated as engagement results are obtained. The report is being produced by an independent expert not involved in the day to day engagement work.</p>
Education and information for customers	B	<p>The company has engaged with customers on its SDS. It also publishes an Annual Performance Report.</p> <p>With regard to educating and engaging with future customers there is ongoing education visits to primary schools with a reported 250,000 children contacted each year.</p> <p><b>It is suggested that teenagers (pre-18) or students should be included in the engagement process as they are likely to be a more informed group of 'future' customers, rather than primary school age children. Other companies have seen the benefits of engaging with these groups, particularly when considering innovation, especially the use of digital technologies to deliver better outcomes for customers.</b></p>

Role of Independent Challenge		
Test	RAG	Comments
How effectively the Customer Engagement Forum (CEF) is providing input to customer engagement activities and is kept informed of feedback received	W	<p>The company is primarily relying on the CEF to independently challenge the engagement process and results, as this is seen by the company as the CEF's main duty. The company explained the key role of the CCWater representatives on the CEF in challenging specifically on customer engagement and feeding back their findings to the Forum.</p> <p>Examples of the CEF meeting minutes were inspected to evidence the nature and extent of the challenge made to date.</p> <p>The CEF's challenges on the company's customer engagement activities commenced in earnest in Q4 2017 and are ongoing. It is understood that a formal record of the CEF's challenges is planned but hasn't been compiled yet.</p> <p>Recent questions from the CEF have focused on:</p> <ul style="list-style-type: none"> <li>The incorporation of business-as-usual contacts into the engagement</li> <li>The importance of presenting options appropriately to customers to assist them in making informed choices on trade-offs.</li> </ul> <p>Any documentation of in camera discussions of the CEF or of the detailed work of the CCWater representatives were not available for review.</p> <p><b>Whilst it was clear that the CEF is being kept informed of the company's customer engagement activities and results, it was not possible to fully assess the effectiveness of the CEF's challenges on customer engagement from the documentation made available for this review. Further review might be necessary.</b></p>

<b>SUMMARY</b>		
<b>Interpretation and response to Ofwat’s requirements for engaging customers</b>		
<b>(Findings based on high-level overview of engagement work completed to date)</b>		
<b>Test</b>	<b>RAG</b>	<b>Comments</b>
<b>Water companies should deliver outcomes that customers and society value at a price they are willing to pay</b>	<b>G</b>	<p>The company’s ten strategic outcomes are set out on its Strategic Direction Statement (SDS). The company published its draft SDS for consultation in April 2017 and customer feedback obtained through discussions with both domestic and non-domestic customers both face to face and online was used to further develop and revise the Statement which was finalised and published in November 2017. The final SDS mentions areas where customer views have shaped and revised the company’s outcomes.</p> <p>Willingness to Pay research is substantially complete and in the main survey has covered the 12 service attributes listed elsewhere in this report.</p> <p>The company’s PR14 WTP data and publicly available historic WTP data from other companies is also being referenced.</p> <p>Triangulation of WTP data is ongoing. Data robustness and relevance (H/M/L) is also so being assessed. It is the intention to provide the Portfolio preparers with High, Central and Low WTP values for each attribute.</p>
<b>Customer engagement is essential to achieve the right outcomes at the right time and at the right price</b>	<b>G</b>	<p>See response above regarding outcomes and willingness to pay. The timing of discretionary investment has been explored with customers, as described elsewhere in this report.</p>
<b>Engagement should not simply take place at price reviews.</b>  <b>Engagement means understanding what customers want and responding to that in plans and ongoing delivery</b>	<b>G</b>	<p>There was a hiatus of around 12 months between the end of PR14 engagement and the development of the PR19 engagement strategy. PR19 engagement started in earnest in early 2017.</p> <p>It is the company’s intention to include customer engagement in business-as-usual activities post PR19. The new online community is contracted for at least another 18 months from now and the intention is continue with the Customer Board, community ambassadors and possibly more acceptability research into service and prices.</p>
<b>It is the companies’ responsibility to engage with customers and to demonstrate that they have done it well</b>	<b>G</b>	<p>The company’s PR19 engagement strategy includes many components as described elsewhere in this report, some of which are more extensive than PR14 or are new approaches.</p> <p>An independently produced engagement synthesis report highlights the strengths and weaknesses of the engagement work undertaken to date.</p>

<b>SUMMARY</b>		
<b>Interpretation and response to Ofwat’s requirements for engaging customers</b>		
<b>(Findings based on high-level overview of engagement work completed to date)</b>		
<b>Customers and their representatives must be able to challenge the companies throughout the process. The engagement process should ensure this challenge happens. If this is not done effectively, we must be able to challenge on customers’ behalf. In doing so we will fulfil our duty to protect customers.</b>	<b>W</b>	<p>The company is primarily relying on the CEF to provide independent challenge to the engagement process and results as this is seen by the company as the CEF’s main duty. The CEF’s work is ongoing.</p> <p>Evidence of the CEF’s challenge was sought from samples of minutes from the CEF meetings.</p> <p><b>Whilst it was clear that the CEF is being kept informed of the company’s customer engagement activities and results, it was not possible to fully assess the effectiveness of the CEF’s challenges on customer engagement from the documentation made available for this review. Further review may be necessary.</b></p>
<b>Engagement is not a ‘one-size-fits-all’ process, but should reflect the particular circumstances of each company and its various household and non-household customers</b>	<b>G</b>	<p>The company considers its particular circumstances include:</p> <ul style="list-style-type: none"> <li>• Two distinct locations (East Anglia and Hartlepool). Research has been undertaken in both.</li> <li>• Water resource position – much engagement has focused on this.</li> <li>• Leakage/metering – AW considers itself to be industry leading. It continues to engage with customers on these particularly the use of SMART meters (on-going trial in Newmarket).</li> <li>• Environmental issues including many SSSIs, raw water quality (phosphates) and pollutions (WTP research has included this)</li> <li>• Economic growth – deferral from PR14.</li> <li>• Innovation – co-creation of strategy and use of the online community are seen by AW as innovative.</li> </ul>
<b>The final decision on price limits is entrusted to Ofwat. We will use a risk-based approach to challenge company plans if this is necessary to protect customers’ interests.</b>	<b>G</b>	<p>The company recognises and accepts this. Its engagement strategy was formulated on a ‘risk’ basis in that it was based on consideration of costs and benefits, the importance of issues to customers (views obtained at PR14, at the SDS and throughout the PR19 process) and the extent of existing knowledge.</p>

<b>Observations</b>	
<b>RAG</b>	<b>Comments</b>
<b>B</b>	It was noted that the PR19 Detailed Plan for engagement set out nine success factors for the engagement strategy. Ongoing measurement against these factors has not taken place. It was



	reported that this will be done after the Draft Business Plan testing has been completed. It is suggested that this is done sooner than that to check that the ongoing engagement activities and strategy continue to align with the original objectives and that the success factors remain appropriate.
W	The robustness of the bridge between the engagement work and the investment Portfolios is critical to the quality of the Business Plan. It is understood this link will form part of the independent technical assurance of the Portfolios undertaken for the company and the CEF. A check should be made to confirm that this is included adequately in the scope of other technical assurance reviews.
B	It is suggested that teenagers (pre-18) or students should be included in the engagement process as they are likely to be a more informed group of ‘future’ customers, rather than primary school age children. Other companies have seen the benefits of engaging with these groups, particularly when considering innovation, especially the use of digital technologies to deliver better outcomes for customers.
W	Whilst it was clear that the CEF is being kept informed of the company’s customer engagement activities and results, it was not possible to fully assess the effectiveness of the CEF’s challenges on customer engagement from the documentation made available for this review. Further review may be necessary.

#### Recommendations (Longer Term Improvements)

It is recommended that another review of the company’s customer PR19 engagement activities and the use of the results is undertaken after the draft Business Plan acceptability testing is completed, but before the final Plan is produced.

#### Documentation reviewed

PR19\_CE\_01 AR ToR Customer Engagement  
Detailed Plan Customer Engagement v2.docx  
Anglian Water Customer Engagement Report 22-12-17 v8.pdf  
Anglian Water Type of Engagement timetable (hardcopy)  
Anglian Water Activities timetable (hardcopy)  
Customers in Vulnerable Circumstances Community Research Report May 5.pdf  
Vulnerability research presentation (3072pre01\_v3.ppx)  
Joint report v2 vulnerability.docx  
CEF Minutes 5.10.17 final.pdf  
CEF Minutes 8.12.17 Final.pdf  
CEF Minutes 17.05.17.docx

#### Version control notes

Version 1.0 – First draft  
Version 1.1 – First draft to client  
Version 1.2 – Client comments  
Version 1.3 - Final

#### Audit identification

Workstream	Customer Engagement and Willingness to Pay
Date of audit	09/01/2018
Auditees	Carolyn Cooksey; Helen Dunn