

## Bristol Water Challenge Panel

### Terms of Reference for 2020-2025

#### 1. Role

- 1.1. The Bristol Water Challenge Panel (BWCP) is the independent Customer Challenge Group (CCG) set up in accordance with Ofwat's methodology for its Price Review 2019 (PR19). Ofwat defines the role of CCGs to "provide independent challenge to companies and provide independent assurance to us on the quality of a company's customer engagement; and the degree to which this is reflected in its business plan".
- 1.2. The role of the BWCP is to act in the interests of Bristol Water's customers and independently scrutinise and challenge the company's engagement strategy and how this drives decision making in its business planning, and on the delivery of its service commitments. The BWCP reports to Ofwat, the company's Board, and to its customers.
- 1.3. In carrying out its role, the BWCP will compare the performance and plans of Bristol Water with those of the other regulated water companies in England and Wales and other utility providers, and challenge the company by using local, regional, national and international benchmarks in service delivery and customer engagement.

#### 2. Purpose

- 2.1. The primary purpose of the BWCP is to act as an independent body to ensure that the voice of Bristol Water's customers remains core to the company's decision making, both in the business planning process and in monitoring business as normal activity such as research, assurance, performance and serving customers in vulnerable circumstances. It will scrutinise and challenge the company's customer impacting activities from the point of concept to delivery, through the frameworks in place, including the triangulation of customer research and customer representation in developing strategy.
- 2.2. The BWCP will report to Ofwat, the Bristol Water Board and the public on the performance of Bristol Water in delivering its service commitments against its 2020-2025 Business Plans.
- 2.3. The BWCP will challenge, comment and advise Bristol Water on its plans to educate, inform and consult with its customers on its long term planning and on the development of its 2025-2030 Business Plan, its wider strategy and on the delivery of its current Performance Commitments. This will help ensure that the outcomes and service levels customers expect from Bristol Water are met, are reflected in the company's plans and that appropriate incentives are in place to safeguard customers should those expectations be exceeded.
- 2.4. The primary role of the BWCP regarding business plans and challenging business performance, customer engagement and transparency of Bristol Water will be influenced by Ofwat's requirements of CCGs, which are likely to change over time. Bristol Water and the BWCP recognise that there is also value in this scrutiny irrespective of Ofwat's requirements, and this is also part of the BWCP purpose.
- 2.5. Key points from all sub-groups and main work areas will always be discussed at the next BWCP meeting, including any recommendations for further discussion or action and possible inclusion in the annual report. Decision making authority remains with the BWCP.

#### 3. Activities

The work of the BWCP falls into several main areas:

- 3.1. Delivery of Bristol Water's 2020-2025 Business Plan
  - Monitor and challenge Bristol Water's delivery of its performance commitments (and any associated penalties and rewards that may apply) as set out in the business plan.
  - Compare Bristol Water's performance with the wider water industry.

- Scrutinise the company's annual charging proposals including the recovery of any underperformance and the use of any 'out performance' revenue from such mechanisms as incentives, outcome return on regulatory equity, etc.
  - Review data assurance processes to ensure a proportionate and transparent approach.
  - Challenge monitor and input into how Bristol Water communicates with its customers on performance, how it interprets responses from customers, and how this is reflected in its long-term strategy.
  - Provide an independent annual report to Ofwat, the Board of Bristol Water and the public on how Bristol Water has delivered against its performance commitments for the benefit of its customers.
- 3.2. Development of the 2025-2030 Bristol Water Business Plan (PR24)
- Subject to any direction from Ofwat - review, challenge and comment on the development of 2025-30 Business Plan in terms of representing the interests of both customers and the environment.
  - Monitor, challenge and input into Bristol Water's development of its customer policies, and its ongoing research/engagement programme with customers to ensure it provides a robust, balanced and proportionate evidence base across its diverse customer base.
  - Advise and challenge on the phasing of delivery of outcomes to maximise the affordability and acceptability of the overall business plan.
  - Engage and challenge longer-term views around risk and resilience.
  - Challenge regulatory compliance regarding the environment from a customer perspective.
  - Challenge Bristol Water to work with other water companies in areas of overlap for the wider interest of customers, the environment and water resources in the Bristol Water area.
  - Consider the trade-off between different levels of service and bill profiles regarding delivery of specific major schemes to improve service and ensure the views of Bristol Water's customers are reflected in the business plan.
  - Incorporate the range of objectives as set out in future Ofwat customer engagement policy statements and expectations for PR24.
  - Provide an independent annual report to Ofwat, the Board of Bristol Water and the public on how Bristol Water has developed its 2025-2030 Business Plan for the benefit of its customers.
- 3.3. Customer Related Regulatory Change
- Review and comment on any proposals for regulatory change that may impact on customers, including the possible extension of the retail market to include household customers.
  - Review the company's communication about regulatory changes with customers.
  - Respond to Ofwat (and other) consultations as appropriate.
  - Monitor Bristol Water's risk assessment programme where it affects customer priorities and preferences.
- 3.4. Social Contract (as set in slide 12 of the brief for the 21 November 2019 Social Contract Subgroup)
- Contribute to and challenge the ongoing development of the Social Contract framework ahead of April 2020 and beyond in the form of continuous improvement.
  - Oversee and challenge the delivery of the Social Contract programme on behalf of customers.
  - Challenge transparency of reporting in relation to the Social Contract.
  - Challenge the application of the sharing mechanism.
  - Challenge the risk to delivery of the overall Social Contract programme and its components.
  - Contribute to and challenge the development on the following year's programme of activities to ensure that viewpoints are sought, fairly represented and considered.
- 3.5. Helping Customers in Vulnerable Circumstances
- Review, challenge and comment on performance against the Vulnerability Action Plan.
  - Affordable bills and value for money for all.
  - Customers who are struggling or at risk of struggling to pay.
  - Customers in circumstances that make them vulnerable or at risk of being vulnerable.

- 3.6. Ofwat  
Contribute to Ofwat's regulatory function by commenting on consultations as they are issued, particularly:
- PR24 Business Plan Methodology
  - Bristol Water business plan submissions
  - Draft Determination responses
  - Respond to Ofwat (and other) consultations as appropriate
- 3.7. Competition and Markets Authority (CMA)  
To review, comment and challenge on Bristol Water submissions to the CMA, using the same BWCP methodology as it would for a Business Plan submission. This could include overview and review of any further customer research needed during the process.

#### 4. Membership

- 4.1. The BWCP will have an independent Chair recruited by Bristol Water and a Deputy Chair appointed to the group following a selection process. The Chair and Deputy Chair will each receive a stipend.
- 4.2. Ofwat requires that CCG membership should reflect local circumstances and challenges and include a representative from the Consumer Council for Water (CCW). Chairs should not represent organisations or any particular groups of customers. The environmental and drinking water quality regulators should play a significant role informing CCG discussions and CCG reports should highlight any concerns raised about the ability of the proposed plan to meet statutory obligations.
- 4.3. The BWCP will represent Bristol Water's domestic and business customers, it will seek to include members invited from:
- Consumer Council for Water (CCW)
  - Local Authorities elected representatives
  - Natural England (NE)
  - Agencies dealing with the local environment.
  - Debt Advice Agencies.
  - Environment Agency (EA)
  - Drinking Water Inspectorate (DWI)
  - Other local customer representatives as appropriate

Topic specialists may be invited to attend meetings at the discretion of the Chair to aid the members in their understanding of that topic.

Independent members and charity organisations will receive a day rate for attendance at meetings and will be reimbursed for reasonable expenses incurred in relation to their membership of the BWCP.

The EA's membership of the BWCP will not affect its function as the statutory regulator and enforcing authority in respect of Bristol Water and it will continue to take all regulatory measures, as appropriate, under any circumstances, in accordance with its statutory role.

- 4.4. The BWCP will ensure that Bristol Water consults all segments of its customer base, including minority Ethnic groups, the vulnerable and those hard to reach.
- 4.5. BWCP Members are expected to fully participate in delivering its work. Members are expected to attend all the main BWCP meetings or send an appropriate substitute or to provide input in advance if unable to attend. Members may attend through telephone conference if necessary. All members are welcome to attend any sub-group meeting.

#### 5. Meetings

- 5.1. Frequency
- The BWCP will meet at least twice a regulatory year. Additional meetings will be arranged as appropriate depending upon the workload.

- Private sessions of the BWCP members without Bristol Water will be held at the beginning and end of each regular meeting. Additional private meetings will be arranged as required.
- Between meetings, the BWCP will be provided with information updates and/or asked for input by email.
- Bristol Water will provide telephone conference facilities for the use by members between the routine meetings if required.
- Independent non-executive members of the Bristol Water Board are welcome to attend any meeting of the BWCP or its sub-groups.

#### 5.2. Sub Groups

- The BWCP may hold periodic subgroup meetings for individual topic areas that require specific focus as agreed with Bristol Water. There are established quarterly meetings for subgroups covering Customer Engagement and the Social Contract.
- The BWCP may establish ad hoc sub-groups or task and finish groups to consider specific topics where this is considered beneficial to fulfilling the purpose of the panel.
- Each sub-group will be chaired by the Chair or Deputy Chair, its terms of reference will be set by the main BWCP and meeting dates agreed with the Chair.
- Sub-groups will provide feedback to the next BWCP meeting, including any recommendations for further discussion or action. Decision making authority remains with the BWCP.

#### 5.3. Support and Administration

- Bristol Water will provide administrative services to the BWCP and its subgroups.
- The agenda and papers (including the written results of actions from the previous meeting) will be made available to members at least five working days before each meeting. Members of the group will be provided with access to a website file share station administered by Bristol Water. Provided papers are available in advance members will be expected to have read all papers before each meeting.
- Minutes of the meeting will be taken by the Report Writer and a draft checked by the Chair before being distributed no later than two weeks after each meeting.
- Confidential items will be duly marked in the Minutes and members are expected not to disclose these outside of the BWCP or Bristol Water.
- Bristol Water will provide a regular update on matters concerning the BWCP.

#### 5.4. Agendas

The Chair, in consultation with Bristol Water, will determine meeting agendas. Standard items will normally include:

- Private sessions
- Minutes and matters arising from previous meetings
- Review of the Challenge Log outstanding items
- Quarterly update on the delivery of performance commitments
- Update of ongoing customer research and engagement
- Feedback from sub-groups

#### 5.5. Meeting Evaluation

In its presentations to the BWCP, the members should expect Bristol Water to report against the following five criteria:

- How it is customer led
- Impact on customers
- How it relates to Best Practice and Innovation within the industry
- Ethical Issues, eg differing 'willingness to pay' methods, intergenerational concerns, etc
- How impactful are the challenges; what is our ability/opportunities to challenge.

Assessment of Bristol Water's presentations and its own performance will be carried out by the BWCP during the private session at the end of each meeting.

## 6. Governance

6.1. Ofwat states that “To build trust and legitimacy we would like to see an increased focus – by companies and the CCGs themselves – on CCG governance and funding process transparency.”

### 6.2. Chair and Deputy Chair

- The Chair and Deputy Chair are appointed following an open interview process.
- The role of the Chair and Deputy Chair is to encourage full, frank and inclusive debate, identify areas of consensus, summarise differences and distil possible solutions emerging or needing further investigation.
- The roles will be sufficiently independent from Bristol Water to ensure they can challenge effectively, and to give proportionate assurance to both Ofwat and Bristol Water customers.
- The Chair or Deputy Chair will attend meetings of the CCG Chairs meetings organised by Ofwat as required.
- The Chair or Deputy Chair may attend workshops, seminars and conferences organised by Ofwat or other water sector representative bodies where topics of interest to the customer may be discussed.
- The Chair and Deputy Chair should ensure that they act independently of any affiliations with other bodies, such as parent organisations, and oversee the group in an objective manner.
- The Chair will have regular meetings with an independent non-executive member of the Bristol Water Board to provide feedback and assurance, thus ensuring both parties – Board and Challenge Panel – understand their respective complimentary perspectives on issues of importance to customers.
- Bristol Water have identified an independent non-executive Board member whose remit specifically includes engagement with the BWCP and to reflect BWCP discussions within the Bristol Water Board.

### 6.3. Members

- Members will be required to formally approve the BWCP Terms of Reference.
- A work programme and protocol will be agreed with members of the group.

## 7. BWCP Reports

7.1. The principal published output will be the BWCP’s Independent report to Ofwat and the public which will accompany Bristol Water’s 2024 Business Plan, in accordance with Ofwat’s published timetable.

7.2. Other published outputs of the BWCP will be:

- Minutes of all main meetings.
- Annual report on the delivery of Bristol Water’s performance commitments to its customers.
- Annual report on the operation of the BWCP during the year.
- The BWCP will submit subsequent independent reports as required by Ofwat.

## 8. Review of Terms of Reference

The Terms of Reference for the BWCP will be reviewed and agreed by the membership from time to time, but not less than once every three years or as required by any material change in Ofwat’s methodology or requirements for CCGs.