

Customer View

Draft Terms of Reference

Introduction

Customer View is an independent review body created to provide active challenge and dialogue regarding Bournemouth Water's (the company) performance and delivery of commitments and outcomes, its proposals for future activities, and its communications with customers and other stakeholders.

These activities build on the work of the Customer Engagement Planning Forum (CEPF), which represented customers' interests during the regulatory price review to determine the company's revenues over the period 2015-2020¹. During this process, the CEPF communicated its views on the company's business plan to Ofwat, the economic regulator of the water industry. Having completed its objectives, the CEPF was disbanded in early 2015.

Customer View comprises a core group and, to address specific issues, a sub-group convened by the core group.

Purpose

Through its activities, Customer View holds the company to account, providing assurance to stakeholders that the company is 'doing the right thing' for its customers.

Customer View takes forward and builds on the customer and stakeholder engagement achieved through the work of the CEPF.

Its objectives are to:

- Review, and where appropriate, challenge the company's financial performance against the expectations laid down in Ofwat's 2014 Final Determination of Prices
- Review, and where appropriate, challenge the company's operational performance against its performance commitments set out in Ofwat's 2014 Final Determination of Prices
- Assist the company to understand and validate its interpretation of customers' views
- Advise on and challenge the company's proposals for certain activities and its longer-term strategy
- Review and challenge the company's proposals for gainsharing with customers any financial windfalls that may arise.

¹ Known as PR14, this process commenced in 2012 and ended in December 2014 when Ofwat published its Final Determination of Prices for 2015-2020.

Roles and responsibilities

The core group will hold the company to account and will:

- Review actual performance against PR14 expectations in respect of financial performance
- Review actual operational performance against PR14 targets in respect of outcomes and performance commitments
- Recommend to the company's Board what gain, if any, should be shared with customers, as well as when and how
- Provide input into future trends in customer bills
- Review other significant performance commitments, including other material internal performance measures
- Form and oversee a customer forum sub-group to address specific issues.

The customer forum sub-group will:

- Will seek to represent customer views as a whole;
- Complete specific projects as a Task and Finish group – topics might include, for example, the implementation of social tariffs or metering
- Provide feedback on, for example, a new bill design, the effectiveness of a particular communication channel or campaign, or on proposals for customer service activities.

The company will:

- Ensure that performance data and information is presented in a transparent and timely manner
- Ensure access to relevant independent auditors and technical specialists (Reporters) to provide feedback on performance
- Perform the secretarial function for Customer View.

Constitution

Customer View is an independent body, comprising members with a wide range of expertise who represent the views and interests of customers and other stakeholders.

The Chair (and Deputy Chair) will be required to speak authoritatively to regulators and other stakeholders on behalf of the group.

Customer View has a direct line of communication to an independent, non-executive director on the company's Board.

The core group will comprise the following:

- Independent Chair
- Independent Deputy Chair
- Members with a statutory remit and key interest in the water sector:
 - CCWater
 - Environment Agency
 - Natural England
- Independent customer representatives from each of the following groups:
 - Local Authorities
 - Local vulnerable customer groups
 - Local businesses
 - Household customers.

This constitution is flexible to allow the Chair to recruit new members if, for example, an existing member is unable to continue to serve on the group.

In addition, the group may wish to involve experts to advise and inform on matters about which the core group does not have expertise. In this case the group may invite a temporary member to participate.

The Drinking Water Inspectorate will be invited to attend at least one meeting per year.

Length of service

Unless otherwise agreed with the Chair, members of the group will serve for three years after which they may put themselves forward to serve another term.

The decision to renew their membership will be made by the Chair.

In the case of the Chair, the appointment is for a term of three years after which the Chair, together with the company, will review the chairmanship prior to a decision being made whether to renew the appointment.

All decisions will partially be based on the need to refresh membership to maintain independent thinking.

Governance

The Chair and Deputy Chair will receive a modest honorarium and expenses to recognise the level of required commitment to Customer View. Both will act independently and objectively.

Members, other than the Chair and Deputy Chair, will receive reimbursement of their expenses where agreed by the Chair or Deputy Chair.

For transparency, all payments, to include honorarium and expenses paid, will be placed on record in the public domain.

Once they have been agreed with the Customer View group, minutes of meetings will be made publicly available on the company's website.

Recruitment process

Chair

If a new Chair is required he or she will be recruited by the company via a transparent recruitment process.

Other members of the group

The Chair and the company will work together to recruit new members of Customer View. Both parties must agree to the engagement of any new member.

Principles

The core group will operate under the following principles:

- Involve a range of customers and stakeholders
- Oversee customer forum sub-groups where specific issues are to be addressed with a mixture of ongoing and new members with specific skills and interests appropriate to the topic
- Have a direct line of communication to an independent, non-executive director on the company's Board
- Understand customers' evolving priorities – to work towards a 'no surprises' philosophy for future revenue control periods
- Any gainshare proposals will relate to unexpected, one-off 'windfalls' that are unrelated to regulatory totex and outcome delivery incentive reward and penalty mechanisms
- Any recommendations for action by the company will be mindful of Ofwat's 'PR14 rulebook'² and not expose the company to the risk of double jeopardy by way of penalties imposed by the regulatory incentive mechanism and the cost of actions required by Customer View.

Independence of Customer View

To provide assurance to other stakeholders that Customer View is independent, the group will, once a year, confirm and record that it is has continued to operate independently of the company and its management.

It will also provide this confirmation upon request from other stakeholders.

The Terms of Reference will be reviewed annually by Customer View and the Company and confirmed or modified.

² The PR14 reconciliation rulebook will explain how Ofwat will take performance over 2015-20 into account at the 2019 price review (PR19) and how it will make consequential revenue and Regulatory Capital Value adjustments. The regulator will publish the rulebook in July 2015.

Frequency of meetings

Following an initial introductory meeting, the core group will meet at least twice a year to review interim and final annual performance results. In addition, extraordinary meetings may be required during the year.

Dates and locations will be agreed in advance.

The frequency of meetings of the customer forum sub-groups will depend on the nature and timescale of the various projects. Core group members may choose to attend customer forum sub-groups and, subject to the facilitator's agreement, customer research sessions.

Presence of a quorum

The expectation is that all members will endeavour to attend the initial introductory meeting, as well as the two key meetings to review interim and final annual performance.

In the event that an extraordinary meeting is called, a sufficient and representative number of members must be present to ensure that the business of the day can be carried out effectively. This will depend on the agenda on the day.

For the avoidance of any doubt, at any meeting of Customer View, the members in attendance will record their satisfaction (or otherwise) that sufficient members are present to effectively conduct the business of the day.

Reporting

The company will keep the group up to date by distributing their internal monthly directors' report by post or e-mail as preferred. In addition the company will periodically distribute other updates specific to the objectives outlined under 'Purpose'.

After every meeting of the core group, a summary report will be produced and passed to the company's Board via the independent, non-executive director assigned to liaise with Customer View. The design and structure of such report will be developed in consultation with the members once further guidance has been issued by Ofwat.

On an annual basis the group will review that the level of reporting is appropriate.

Customer forum sub-groups

Customer forum sub-groups will be convened to address specific issues. The frequency of meetings will be dictated by the issue or issues under discussion.

Membership will be broader and variable, determined by specific skills and interests appropriate to the topic to be addressed. Sub-groups will include representatives of both household and non-household customers from across all customer types and demographics, as well as a member of the core group to ensure continuity.

New members will be recruited by the company in discussion with core group members. Length of service will be dependent upon the issue under discussion and service will normally terminate on completion of the specific project.

A member or members of the core group may be required to attend a customer forum sub-group meeting to either contribute their specific knowledge and/or provide feedback to the core group, depending on the topic being addressed.