



The voice for water consumers
Y corff sy'n rhoi llais i ddefnyddwyr dŵr

CCW's response to the Competition and Markets Authority about Anglian Water's statement of case in its request for a redetermination of its 2019 Ofwat Final Determination

CCW submission to the Competition and Markets Authority (CMA) on Anglian Water's statement of case

1. Introduction

1.1 The Consumer Council for Water (CCW) is the statutory consumer organisation representing household and non-household water and sewerage consumers in England and Wales. We welcome the opportunity to submit our views to the Competition and Markets Authority (CMA) on Anglian Water's appeal against Ofwat's Final Determination (FD).

1.2 CCW draws the evidence on which it bases its views and opinions from a range of sources:

- Daily contact with hundreds of water customers who contact us for advice and support.
- A programme of research, which engages customers so we can understand their views, including longitudinal tracking studies of both household and non-household customers, and recently an online panel of customers.
- Data which water companies are required to share with us relating to their own handling of customer complaints and their own performance on a range of key measures.
- Work we commission on the cost of capital and the financial performance of water companies.
- Regular contact, through our teams and our Board members, with every water company, following structured agendas to understand their work.
- Active membership of the Customer Challenge Groups that each water company is required to maintain as part of the price review process.
- Playing a major role in the sector-wide arrangements for policy and strategy making across England & Wales.

- Being a statutory consultee on many aspects of the work of the sector, particularly those relating directly to the interface with customers including those living in circumstances of heightened vulnerability.

1.3 Our submission draws on evidence of customers' opinions (and our view of the credibility of this evidence) and data to show how well the company has served its customers.

1.4 While we are not equipped to suggest solutions to some of the more technical arguments and modelling, we do offer views on:

- the required outcome for customers;
- both the quality of the customer evidence used to underpin Ofwat's and Anglian Water's arguments, and how well this evidence was taken into account in both parties' decision-making; and
- A view on the appropriate range for the WaCC

2. Executive Summary

2.1 Throughout the 2019 Price Review, CCW has consistently challenged water companies and Ofwat to:

- Ensure that decisions on prices and service delivery reflect credible evidence of consumers' views and expectations; and
- Deliver a package of prices and service improvements that serves the needs of current customers, whilst making progress in improving the resilience of water and wastewater services in the longer term to help serve future customers.

2.2 CCW wants consumers' views to be considered but we also know that customers expect any bill changes to be fully justifiable. Customers opted in favour of Anglian making investments to improve the quality and resilience of services and environmental outcomes, rather than seeing bills fall. Customers would expect Ofwat (and the CMA) to challenge this company hard on efficiency. Customers want

resilient, efficient services now and in the future and the balance of bills between current and future customers must be appropriate.

- 2.3 The overall cost gap between the company's Business Plan and Ofwat's FD is £732 million, which is the largest across the industry. A significant proportion of this relates to areas where the outcome of policy decisions is unclear or projections on forecasts are uncertain; this will become clearer during the AMP. Customers would not want a brake on the pace of resilience or bill uncertainty.
- 2.4 Ofwat has expressed strong concern that Anglian is inefficient¹, particularly in respect of wholesale water expenditure, and issued a letter in July 2019² to intensify its challenge. We would like to see the CMA apply the same high level of challenge in terms of efficiency in fulfilling its duty to protect customers.
- 2.5 Delivering investments efficiently is something consumers expect their company to be doing. It is right for Ofwat to apply a strong efficiency challenge on consumers' behalf. If the CMA concludes that Ofwat's approach to efficiency is sound, and investment in resilience would not be delayed, then customers' views suggest that the Final Determination should not change.
- 2.6 On this basis, the key points from our assessment of the statement of case are as follows:
- Overall, the FD reflects customers' priorities and provides a good service package for customers with high levels of acceptability³.
 - We strongly welcome Ofwat's challenge to all companies on efficiency. Companies should be encouraged to be as efficient as possible, but without compromising their ability to deliver a high-quality service for the benefit of customers.
 - Overall CCW is supportive of Anglian's research. However, we draw attention to individual pieces of customer research where, in its 'CMA redetermination Statement of Case' (SOC), the company has drawn inferences which we believe

¹ [Ofwat: Reference of the PR19 final determinations - cross cutting issues Table A1.3](#)

² <https://www.ofwat.gov.uk/wp-content/uploads/2019/07/20190703-letter-to-Peter-Simpson-Anglian-Water.pdf>

³ Based on our DD acceptability research; inference made due to the limited change to both service and package between Draft and Final Determinations.

cannot be justified on statistical or methodological grounds. We would therefore like the CMA to take note of our comments on research, and the alternative perspectives shown in our own evidence of customer views.

- We ask the CMA to very critically assess whether the uplift to both base costs and overall Totex - which the company argues for in its SOC - is necessary, in view of the company's relative inefficiency and historic performance.
- Our evidence points to a significantly lower Weighted Average Cost of Capital (WaCC) than that suggested by the company. Ofwat's WaCC is roughly at the midpoint of the range Economic Consulting Associates (ECA) recommended in the report we commissioned in 2017 and the update in 2018⁴. We believe our evidence supported a lower WaCC than Ofwat concluded. In particular, we think that there was scope for a lower equity beta.
- We would argue that any changes proposed to caps, collars or Outcome Delivery Incentive design should be for the benefit of customers and not a protection mechanism for companies against penalties where they perform poorly.
- Customers have clearly shown they want investment for the future in Anglian's research, so they would not want any reduction in maintenance activity. We call on the CMA to show in its redetermination (if it confirms the efficiency challenges applied in Ofwat's FD) that resources are nonetheless sufficient to deliver customers' expectations.

2.7 We note that the regulatory system contains significant protections for companies. In terms of the current coronavirus pandemic, we expect Ofwat to deal with this consistently for all companies once the full effects can be determined. Therefore, we do not think the current pandemic should have a bearing on the CMA's redetermination.

⁴ ECA update report for CCW - link [here](#)

Our response

3. Current performance

- 3.1 In CCW's Water Mark⁵ assessment, which shows how well water companies are performing in the areas that matter most to their customers, Anglian Water is ranked fifth of 11 Water and Sewerage Companies' (WaSCs). It has achieved high operational performance across the last few AMPs and is industry leading in a number of areas. There are exceptions to this generally strong track record, for example pollution incidents and permit compliance. This strong performance is highlighted in Ofwat's latest Service Delivery report⁶, where Anglian is ranked first out of 17 WaSCs and Water Only Companies (WOCs).
- 3.2 This delivery, however, does not always translate into customer perception. For example, in our recent Water Matters report, (2018/19)⁷, which tracks customer perception, Anglian is in the lower half of performance for the majority of measures, including key ones. Our report 'Under Pressure'⁸ highlights the need for companies to deliver strong operational performance, and to take measures that will strengthen the extent to which they are viewed by their customers; for example the extent to which they are trusted.
- 3.3 We also note that Ofwat's analysis shows that Anglian is relatively inefficient compared to other water and sewerage companies. It is vital that the package of service levels and investment in the CMA's redetermination reflects evidence of customers' expectations, as this may help improve customers' perceptions of the company in the years ahead.

⁵ <https://www.ccwater.org.uk/households/company-performance/>

⁶ <https://www.ofwat.gov.uk/wp-content/uploads/2019/10/Service-delivery-report-2019.pdf> page 5

⁷ <https://www.ccwater.org.uk/research/water-matters-householdcustomers-views-of-their-water-and-sewerage-services-2018/>

⁸ <https://www.ccwater.org.uk/wp-content/uploads/2019/06/Under-pressure-the-gap-between-performance-and-perceptions.pdf>

4. Customer Support

- 4.1 CCW carried out its own research of Ofwat's DD to understand what customers thought about the price and service levels that they would deliver. **Our DD research⁹ found that 87% of Anglian customers surveyed think that the DD proposals are either “acceptable” or “very acceptable” on an ‘uninformed’ basis.** This reduced slightly to 86% on an ‘informed’ basis, when more details about the proposed service improvements were presented. **As the change between the Draft and the Final Determinations in terms of bills and service improvements have been minor, we would expect similar high levels of acceptability for the FD.**
- 4.2 Anglian Water's customer engagement was recognised by Ofwat as sector leading by being awarded the only 'A' in its business plan assessment.
- 4.3 **CCW was also supportive of Anglian Water's customer research.** The company's attitude to research was commendable, embedding outputs into day-to-day business as well as the business planning process. It took a clear systematic approach to the planning, which was broad in terms of scope and depth and contained some innovative customer engagement strategies. We feel that customer priorities were used to build the Business Plan and are reflected in the FD. The company adhered to our triangulation principles and the subsequent synthesis report was independently produced and clearly summarised multiple pieces of research across different themes. This report helped to demonstrate to the Customer Engagement Forum (CEF)¹⁰ how customer views had shaped the plan.
- 4.4 **However CCW does have concerns about the use of Anglian's research in some areas:**
- Firstly, Anglian has made links in the 'CMA redetermination Statement of Case', regarding research which should not be looked at in isolation. An example of this is on page 41 of their submission where they specifically refer to the Norwich Water

⁹ <https://www.ccwater.org.uk/wp-content/uploads/2019/10/CCWDDAnglian-Water.pdf>

¹⁰ The Customer Challenge Group for Anglian Water

Festival and customer enthusiasm for smart meters (72% say they want one) but on page 138 of their own customer synthesis (October 2019) the writer concludes that this is '*not robust quantitative evidence*'. A more rounded view, in this example, would be that evidence from all sources, taken together, seems to suggest mixed evidence of support for smart metering, but growing enthusiasm across some customer segments.

- Secondly, although Anglian has completed a large volume of research, it has not always communicated this well in the Business Plan document. Through being involved in the CEF, we know that the company has used its research to shape the plan but has not always evidenced the thread between research and decisions well in external documentation.

4.5 CCW has some concerns over Anglian's customer acceptability research. We feel that the survey was complex, leading us to question the extent to which customers would have been able to reach meaningful decisions across every measure that was presented. We base these reservations on our experience of simpler examples, which more closely reflect the reaction of the average bill-payer who will have very little, if any, detailed knowledge of water and waste services. Customers during this research were not presented with the option of the same level of future investment and bills falling, which is what Ofwat is proposing in their FD. In the acceptability research, Anglian's customers were supportive of the company's plans, with 88% of uninformed customers rating the plan as acceptable or very acceptable.

4.6 Based on CCW's comparative analysis of good practice, CCW feels that Anglian's post Draft Determination (DD) research, which compared Anglian's plan with Ofwat's DD, was leading and we therefore advise that you place limited emphasis on these findings. Unusually, perhaps because of the urgency of the exercise, there was limited engagement of the CEF subgroup on customer engagement in the design of this survey. In this research two thirds of customers preferred Anglian's plan. CCW would also like to highlight that, when the plans and bill levels were presented to customers in isolation, both plans received low levels of acceptability, with only 33% rating Ofwat's plan as "acceptable" or "very acceptable" and only 36% for Anglian's. This is out of line with other research that has been conducted.

5. Performance Commitments (PCs) and Outcome Delivery Incentives (ODIs)

Performance Commitments (PCs)

5.1 **CCW does not think that changes to PCs are necessary, as the overall PC package in the FD was a good outcome for customers.** The PCs were stretching, reflected customer priorities and were developed based on extensive evidence of customer views, which were collected during the development of the Business Plan.

Outcome Delivery Incentives (ODIs)

5.2 CCW understands the regulatory rationale for incentives within the water industry, to drive innovation and reward leading performance. However, customer research often shows that many customers do not support their use, especially in areas where companies are perceived to be being rewarded for “the day job”, or for meeting targets for reductions in the numbers of incidents which customer believe should be avoided altogether. For example, avoiding sewer flooding or pollution incidents. **If ODIs are to remain, CCW would not want to see rewards increased.**

5.3 In CCW’s own research¹¹, based on the Ofwat DD, customer acceptability reduced from 86% to 77% when customers were presented with the potential impact of Anglian’s ODIs on their bills over the period. This shows that there remains a risk that a significant number of customers do not support the potential impact of ODI outperformance payments on bills, once this is fully realised. This is in line with Anglian’s own research, which showed 77% of customers supported the principle of ODIs.

5.4 CCW had some concerns with Anglian’s Business Plan ODI package, specifically the company’s use of caps, collars and deadbands and the balance between rewards and penalties. We recognise that during the PR19 process Ofwat has made a number of

¹¹ <https://www.ccwater.org.uk/wp-content/uploads/2019/10/CCWDDAnglian-Water.pdf>

interventions regarding PC targets, ODI incentive rates and Anglian's proposed use of caps, collars and deadbands for ODIs. CCW supports Ofwat's change, the result of which has been a shift in the balance between potential rewards and penalties with a greater emphasis on penalties. We would not want these changes reversed.

5.5 Any changes to caps, collars or ODI design should be for the benefit of customers and not a protection mechanism for underperforming companies against penalties.

5.6 Lastly, whilst we understand the priority which customers afford to the avoidance of internal sewer flooding, and the importance of reducing Per Capita Consumption (PCC), CCW has a concern with the ODI rate for these two measures in the FD. If customers have to pay for performance, they expect it to be for highly stretching performance¹². **The CMA should take into account the rate of reward relative to stretch and reassess if this is appropriately balanced.**

5.7 The stretch for the two PCs, average PCC and internal flooding, have comparatively low stretch compared to the level of reward that is attached. These two account for 80% of the overall 'common' reward package available, placing an undue emphasis on these areas of already comparatively strong performance, especially in the case of internal flooding.

6. Totex

6.1 We are not in a position to make a judgement on the difference in views of costs and deliverability between Ofwat and the company. Although we do note that Ofwat views Anglian as inefficient, customers clearly supported investment in resilience and we want customers' long-term interests to be adequately protected. However, it is not in consumers' interests for funds to be spent unnecessarily. **Therefore, the CMA's**

¹² Anglian's 2019-20 target performance for internal flooding (of 1.7 incidents per 10,000 connections) sees the company among the leading 'performers' in the sector for this PC, so the level of stretch required to reach Ofwat's 2024-25 target of 1.34 incidents per 10,000 connections is less than for several other companies. PCC reward opportunity for this PC is significantly higher compared to all other companies with under a 6% improvement.

redetermination should demonstrate a robust efficiency challenge and a totex allowance that is sufficient to deliver customers' expectations.

6.2 Ofwat's PR19 methodology shows how its benchmarks of service performance and cost efficiency enable it to set PC targets that address past poor performance, whilst driving companies to become more efficient. Ofwat's initial submission to the CMA says that *"Overall this demonstrates that it is possible for a company to have both upper quartile outcome performance and upper quartile cost efficiency at the same time"*. **We agree with Ofwat that customers should not pay for inefficiency. Nor should PCs be easy to outperform. We would like the CMA to recognise this in its redetermination.**

6.3 **We ask the CMA to consider if Anglian's proposed uplift to both base costs and overall Totex is appropriate, in view of the company's historic performance and relative inefficiency in some areas.** Our evidence suggests that in the first four years of the 2015-20 price control period, Anglian has significantly underspent (c10%; £400m) its totex allowance.

6.4 Anglian has significant statutory requirements for AMP7, which is one of the main drivers of their expenditure. However, we question whether the 10% uplift in base costs in the Ofwat FD is justified in the context of the 10% underspend in 2015-20.

7. Weighted Average Cost of Capital (WACC) and financeability

7.1 **We do not support Anglian Water's WaCC in its SoC.** We disagree that the company requires such a significant increase above Ofwat's WaCC to achieve financeability when:

- We do not believe that customers should pay for an increased cost of financing due to financing decisions a company made in the past. Companies – not customers – should carry the risk associated with such financing decisions.
- We agree with Ofwat that it is inappropriate, in principle, to use a company's actual cost of debt financing as a starting point for estimating its efficient cost of financing.

- While rating agencies have reviewed companies' credit metrics in the light of the FD, all companies remain investment grade.
- 13 of the 17 regulated water companies in England and Wales have accepted the Ofwat WaCC as part of their FD 'package'.

7.2 **Our evidence¹³¹⁴ points to a significantly lower WaCC than that suggested by the company.** Our consultants - Economic Consulting Associates (ECA) - recommended a WaCC in the range 2.65%-3.31% (real CPIH; appointee). Ofwat set its WaCC at 2.96% (real CPIH; appointee) in its FD, roughly at the midpoint of the ECA range.

7.3 While we welcomed Ofwat's WaCC, as it was within ECA's recommended range, we believe evidence supported a lower WaCC than Ofwat concluded. In particular, we think that there was scope for a lower equity beta as Ofwat's estimate is higher than we would expect for a monopoly industry. We are also mindful that Ofwat has repeatedly overestimated financing costs at successive price reviews, which has led to outperformance of regulatory assumptions. This has been noted in our research on water company financial performance and by the Public Accounts Committee¹⁵ and National Audit Office¹⁶.

7.4 We understand and support Ofwat's financeability assessment based on notional capital structure. It is not for Ofwat to use financeability levers to support the credit metrics of companies' actual capital structures, particularly for those companies adopting significantly higher gearing than Ofwat's notional capital structure. As Ofwat indicates, it is companies and their investors rather than customers that should bear the risk of a company's choice of its actual capital structure to the extent that it departs from Ofwat's notional capital structure.

7.5 The use of the notional efficient firm to assess financeability is also supported by Economic Insights in its report for four water companies¹⁷. It concludes that "*it is*

¹³ ECA report for CCW - link [here](#)

¹⁴ ECA update report for CCW – link [here](#)

¹⁵ <https://publications.parliament.uk/pa/cm201516/cmselect/cmpublic/505/505.pdf>

¹⁶ <https://www.nao.org.uk/report/the-economic-regulation-of-the-water-sector/>

¹⁷ Financeability of the notionally efficient firm: top-down analysis - A PR19 representations report for Anglian Water, Northumbrian Water, Welsh Water and Yorkshire Water. Link [here](#)

appropriate to assess financeability with respect to the notional firm and, relatedly, it is for the regulator to determine or identify what the notional firm is able to achieve with respect to efficiency (both costs and outcomes)”.

- 7.6 We agree that Ofwat’s financeability assessment should reflect no out/under performance. As Ofwat suggests, companies and their investors should bear the consequences of inefficiency and underperformance in delivery of their obligations and commitments to customers.
- 7.7 Of the 17 companies in the sector, Ofwat used financeability levers for 12 of them. We recognise that Ofwat’s use of the ‘pay as you go’ cost recovery and RCV run-off ratio is similar to approaches that other regulators use. CCW has previously advised Ofwat that the PAYG ratio should reflect the balance of long and short-term cost recovery, relative to a company’s balance of operational activity and longer-term capital investment.
- 7.8 We recognise that Ofwat’s intervention, in the case of Anglian Water, will advance £80m of revenue from future customers, which should enable Anglian to finance the future investment customers’ support. From a consumer perspective, it is important that advancing revenue in this way is NPV neutral. We would be concerned if customers effectively paid twice in the current and subsequent price control periods.
- 7.9 In view of the company’s RCV growth, we are also supportive of Ofwat’s approach to reduce dividends for companies whose RCV-growth over the 2020-25 period exceeds 10%. We believe that it is right that equity plays its part. The effect of Ofwat’s intervention on dividend means the company will retain £210m over the 2020-25 period, as opposed to paying it out as dividends.
- 7.10 **We support Ofwat’s gearing benefit sharing mechanism.** We think a consistently applied mandatory gain share mechanism where companies’ level of gearing is higher than Ofwat’s nominal gearing assumption is appropriate. This would see 50% of the gearing benefit shared with customers. We note that of the six companies whose gearing was higher than 70% in 2018-19, four have accepted Ofwat’s FD.

8. Key issues/ Investment Schemes

Maintenance investment

- 8.1 We have concerns over comments which have been made by Anglian in its CMA Redetermination Statement of Case: *“The FD prioritises short term bill reductions which will force Anglian to cut back on asset maintenance activity, undertake short term fixes, and delay service, resilience and environmental improvements.”* We feel that any reduction in maintenance activity should not be hidden across AMP7, as performance could take time to manifest in PCs.
- 8.2 **We look to the CMA’s determination to assess whether Anglian can efficiently maintain its assets and deliver its commitments albeit with challenging PC targets.** Any reduction in asset maintenance not only places risk on the delivery of customer supported PCs, but could lead to additional costs increasing customers’ bills at a later stage.
- 8.3 Anglian’s research shows that customers want intergenerational fairness and therefore do not want to see Anglian reducing maintenance activity or investment, as this will put future services at risk.

Interconnector – Elsham

- 8.4 **CCW sees the interconnector as a valuable investment in terms of resilience. Based on customer evidence, we therefore agree with Ofwat’s decision to allow the Elsham interconnector scheme in the FD and would like it to remain at redetermination.** Anglian tested its Business Plan and investment strategy with its customers, across a number of pieces of research. CCW agreed with the conclusion, that customers favoured a balance between bill reduction and resilience and, in particular, they did not want to delay investment.
- 8.5 Based on the evidence presented by Anglian, Ofwat felt that it could be successfully delivered at a lower cost. **CCW supports this challenge on efficiency.** Ofwat also

advised that this scheme should be completed via Direct Procurement for Customers (DPC). If the DPC process does not attract developers to deliver the scheme at the assumed cost, it would be important that the scheme is not subject to delay. **We would like the CMA to consider if Ofwat's proposals will allow customers to benefit from the resilience, without undue delay.**

Growth

- 8.6 Actual population growth does not always reflect the forecast used when prices are set. The gap in funding for growth between Ofwat's FD and Anglian's BP is £318 million. Notwithstanding this, companies are better placed than customers to bear the uncertain costs associated with growth. Ofwat's reconciliation framework enables companies to readjust the difference between the cost allowance for new connections and developer services and actual costs incurred. **Therefore, we think the CMA should view the company's growth claim in the light of the regulatory protections that are in place. Customers should not pay more than is necessary, especially when there is uncertainty over costs.**

Water Industry National Environment Programme (WINEP)

- 8.7 **CCW would like the CMA's redetermination to assess whether Ofwat's assumption of efficient costs to deliver is sufficient, and that the solutions reflect the circumstances in the Anglian region.**
- 8.8 In Anglian's research, customers rate the natural environment as being a high priority. However, it is still important that investment to deliver Anglian's statutory Environment programme (the largest driver of enhancement costs in its plan) is efficient and based on robust evidence. Delivery of Anglian's statutory environment programme is the largest driver of enhancement costs in its business plan with a total enhancement funding gap of £161 million.

Natural capital solutions for removal of Phosphate (large driver in the WINEP)

8.9 Anglian's plan proposed to use 34 natural treatment wetlands (along with a combination of technology and chemical dosing) to remove phosphorous from treated water before it is returned to the environment.

8.10 **CCW would like the CMA's redetermination to assess if:**

- **the programme can be delivered efficiently within the costs allowance given; and**
- **Ofwat's FD allows the company to deliver the most efficient and sustainable solutions**

8.11 Customers clearly supported the company's approach of natural capital solutions and we would want to see customers' views being given due weight. Anglian's customer research on this topic showed clear support for the use of natural capital solutions, (even if they were at a higher cost) over the use of more traditional, but quicker, engineering solutions. CCW thought this research was of high quality.

Leakage

8.12 **CCW questions why Anglian requires a cost adjustment for leakage because:**

- **It is already a high performer in this area (compared to the rest of the industry);**
- **It has heavily invested in its networks and technology (and has received recompense for this investment through its leakage ODI in AMP6); and**
- **It has the incentive of an enhanced reward if it is able to go beyond its target.**

8.13 CCW recognises the very high priority afforded to the issue of leakage by customers, in both the company's and our own research. This is especially true in areas which are dry and where water supply demand balance is a challenge. However, CCW does not feel that any company should be funded to achieve ODIs, as this could result in customers paying twice.

8.14 **We also approve of the decision, made by Ofwat, regarding Anglian's leakage ODI.** Anglian has been given an enhancement allowance for leakage, funding it to continue pushing the frontier. If Anglian fails to achieve these improvements, customers should gain recompense. The proposed first tier ODI underperformance interval gives adequate customer protection with the ability to claw back these funds if the company does not meet the promises it has made to its customers.

8.15 Lastly, Ofwat has aligned the PC for leakage with that in Anglian's Water Resource management Plan (WRMP), which Anglian has also challenged as part of its case. CCW approves of Ofwat's approach; it makes sense that all targets regarding leakage are the same.

Smart metering

8.16 Anglian plans to install AMI (Advance Meter Infrastructure) in the belief that this is integral to both water saving and leakage and is therefore an important component in water resource management.

8.17 **CCW feels that Ofwat's determination in this area is appropriate.** Installation of meters and early replacement of existing meters, are both areas we would expect to be included in base costs and therefore within management control. Anglian still has an opportunity to look for new innovative smart meters at a cheaper cost; which could then fund replacement of existing meters. The company could fund this itself and gain the rewards associated with a reduction in leakage and customer consumption.

Lead

8.18 Anglian's proposals for the replacement of lead pipes go beyond what some other companies have committed to, and replace customers' own supply pipes on a risk-based approach. **CCW recognises that a large scale wholesale pipe replacement programme would require significant investment and we agree that a risk-based approach is appropriate.**

8.19 We look to the CMA's redetermination to challenge the company to deliver its lead pipe replacement commitments efficiently, whilst ensuring that the company's customers will receive the improvements and support they expect.

8.20 The company has carried out some customer research into lead pipe replacement, which demonstrates that customers are concerned about lead in drinking water, that there is some support for pipe replacement but also some recognition that this is a large and expensive task. This research is limited as it was not a representative sample of the population. However, other, more reliable, research conducted by Anglian, looking at the plan as a whole, shows that the provision of safe, clean drinking water is the top priority for Anglian water customers.

9. Conclusion

9.1 CCW feels that the Anglian FD is a good package for customers because:

- The package of Performance Commitments and investment reflect customer priorities and are based on sound evidence from customer research. .
- Based on the limited changes between Draft and Final Determinations, and the high level of customer acceptability of the Draft Determinations the vast majority of customers would be supportive of the Final Determination.
- It challenges the company hard on efficiency.

9.2 We now turn to the CMA to see if the Ofwat approach to efficiency is right, without hidden customer detriments and allows Anglian to deliver its promised customer priorities.

9.3 If the CMA concludes that Ofwat's approach to efficiency is sound, and investment in resilience would not be delayed, then we feel that the Final Determination should not change.

Enquiries

Enquiries about this consultation should be addressed to:

[REDACTED]
[REDACTED]
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[REDACTED]
[REDACTED]

Date 11th May 2020