

**PORTSMOUTH WATER Ltd  
CUSTOMER CHALLENGE GROUP (CCG)  
MEETING HELD ON WEDNESDAY 13 SEPTEMBER 2017**

**PRESENT:** Charles Burns (Federation of Small Businesses), Karen Gibbs (CCWater), John Hall (John Hall Consulting), Doug Hunt (WS Atkins), Lakh Jemmett (Chairman), Paul Barfoot, Tamara Breach, Georgina Caruana, Steve Morley, Rod Porteous and Neville Smith (all Portsmouth Water)

**ACTIONS**

**Apologies:** Caroline Brook (Winchester City Council), David Howarth (Environment Agency), Kathleen Jones (Gosport Borough Council), Douglas Kite (Natural England), Simon Oakley (Chichester District Council), Ingrid Strawson (CCWater), Jon Stuart (Havant & District CAB), Helen Orton,

**2. MINUTES & ACTION LOG**

**2.1 Minutes & Actions from Meeting held 27 June 2017**

The Minutes from the meeting held on 27 June 2017 were approved.

**2.2 Action Log**

KG asked whether No.15 on the Action Log should be clearly marked as an ongoing point. SM agreed.

**SM**

**3. PR19 STRATEGY**

**3.1 Summary of Strategy**

NS presented a summary of the Company PR19 strategy.

He explained Ofwat were expecting four themes to be covered in the Business Plan – Customer Service, Resilience, Affordability and Innovation.

The Company strapline will be “Water 2 Share”. PW plan to build on its current strengths and supply more water to neighbouring water companies who are in supply deficit. Southern Water have requested further Bulk supplies of up to 45MI/d by 2030.

Development of Havant Thicket is likely to happen within the next ten years with the River Itchen source supplying Southern Water in its Hampshire zone and HT water being moved west to substitute for the Itchen water. The approximate capex for the development of Havant Thicket is £70m which is equivalent to half of the Company regulated Company value. PW will re-establish its Havant Thicket Stakeholder Group. All modelling scenarios undertaken by WRSE support the need for Havant Thicket. As part of this strategy the company will look to reduce leakage and PCC, both items are high on Ofwat’s agenda.

Within the strategy it was also discussed the journey PW will make towards becoming more digital. The Company expect to be able to introduce e-billing in 2018 and are not waiting for PR19 before implementing technology that is available.

NS commented that PW are already in the top quartile for many of the proposed performance commitments and will consider this further in light of customer feedback.

Members discussed the strategy. KG commented that she felt there were some good ideas in the strategy and it will be great to see these come to fruition. LJ agreed and noted that he was pleased to see ambition in the strategy. LJ commented that he would like to see the impact of the journey to digital advancement shown across the whole of the business and requested the Company share its broad plan with the CCG. This was agreed.

**PAB**

LJ commented that he felt under “Resilience”, Ofwat were also asking to see evidence of structure and skills within the workplace and would like to understand from leadership downwards the sustainability of the organisation. NS agreed.

LJ also commented that he liked the ambition to build the Havant Thicket Reservoir and he was keen to understand the financing options the Company was considering and any potential customer impacts. NS confirmed the Company are looking at all different financing options including direct procurement where an outside body would finance and receive a revenue stream. The Company would present this issue in more detail at a subsequent CCG.

HMGO

JH commented that it was difficult to reconcile the fact that Portsmouth Water would be exporting water into an area which was of high domestic meter penetration whilst currently 70% of its customers were not metered. NS acknowledged this point and confirmed that the Company would be reviewing and proposing greater metering in its plan for exactly this reason. JH noted that the Company should increase its meter penetration rate as soon as possible, not wait until the next AMP.

Further JH commented on whether there was an opportunity to sell the water to Southern with an increased margin, to benefit the customers of Portsmouth. NS replied that the bulk supply charging rules would not permit this. JH challenged this position, given that Southern do and would have higher retail prices than Portsmouth and in principle would be earning a higher margin on this bulk supply, given it is likely that it is cheaper than Southern’s own sources. The Company offered to review this issue further in due course.

SM

### 3.2 **Consultation Response**

NS then highlighted the key issues the Company had raised in its response to the draft methodology consultation. The Board felt that the overall approach proposed by Ofwat was too prescriptive.

Further he commented on the methodology of setting performance commitments, the role of upper quartile assessments and glide paths.

Finally he highlighted the impact of the Ofwat methodology to the cost of capital given the Company debt structure.

The meaning of Asset Health was discussed. NS confirmed that a bespoke commitment to Asset Health would be put before the Group to discuss.

RCP

## 4. **PR19 METHODOLOGY**

### 4.1 **Role of CCG**

SM explained to the meeting that Ofwat have documented their expectations of the CCG. This was provided as an aide memoir for members.

SM asked the CCG to consider whether any areas have been omitted from the Customer Engagement (CE) plan. SM also advised that PW are more than happy to help provide different ways/modes of communication to support the CCG members to fulfil its role.

SM went on to remind that the CCG are required to produce an independent report to Ofwat and the paper provided to the meeting covered the questions they are expected to answer.

He went on to explain that the members need to consider what the form of the report and content will be, the timings, who is going to write it and what governance processes will be used. LJ confirmed that the CCG would ask Doug Hunt at Atkins to help prepare the report.

LJ went on to request a CE plan so that the CCG members could verify what has happened so far and the ongoing strategy. It was agreed that sub-committees will focus on specific issues, such as customer engagement.

SM also commented that it would be a good idea for David Howarth from the EA to provide an explanation of WINEP II at the October meeting, to help understand regulator thinking behind their proposals. SM also highlighted the issue of protection of eels at its River Itchen site. It was agreed a member of the EA be invited to present this issue as well in October.

DH

KG asked that with regard to Assurance from the Board to remember the timings to enable the CCG to have input prior to items being presented to the Board. SM agreed. NS agreed that dates need to be agreed for the Chairman (LJ) to meet on a regular basis.

SM

KG also commented that other CCGs have a non-executive member of the Board attend the CCG meetings who have a particular customer focus. SM noted that this has happened in the past when a non-executive director formed part of the CCG committee and that. NS would raise this issue at the next Board meeting on 28 September 2017.

NS

#### 4.2 **CCG Activities based on PR19 Consultation**

SM discussed this with the Group who confirmed that the OFWAT checklist included in the papers should help with the matters that need to be addressed by the CCG

KG also commented more generally that she found the papers very helpful to focus the attention of the CCG members on what needed to be achieved.

#### 4.3 **Development of CCG Challenge Log**

LJ requested that the current action log differentiate between PR14 and PR19 activities. SM agreed to undertake this

SM

### 5. **PR19 OUTCOMES & PERFORMANCE COMMITMENTS**

#### 5.1 **Proposed Outcomes & Performance Commitments**

PAB presented the proposed outcomes and performance commitments to the meeting and requested agreement from the CCG. PAB also explained that the outcomes did not change significantly, just a different focus and different language used. They have been revised but not re-written. He used information from paper 5.2 to support his discussion.

As discussed earlier, many of the performance commitments are effectively not chosen by PW but by Ofwat, which will allow comparison across the industry. Targets need to be stretching, with an expectation that performance will be equivalent to current upper quartile often by year one of the AMP period.

#### 5.2 **Support for Outcomes**

PAB presented the proposed PR19 Outcomes to the meeting and discussion was held surrounding the wording of the outcomes. PAB advised that feedback from customers had fed into what language was used. Some minor suggestions were made by members, which the Company accepted and would revise accordingly.

PAB

#### 5.3 **Proposed approach to Customer Engagement on Performance Commitments.**

PAB explained that, given Ofwat's somewhat prescriptive approach to setting performance commitments, the Company would not start with a blank piece of paper when discussing this with customers, but a firm proposal on the level of service. CCG members thought this was sensible.

**6.0 PR19 Customer Engagement**

**6.2 Customer Engagement Action Plan**

PAB presented the Customer Engagement Action Plan. After discussion LJ asked for a summary of what is expected from the CCG moving forward and the associated timings to inform the scheduling of calls/meetings etc. PAB replied PW would expect continued challenge and support and the possibility of sub-groups of CCG members to look at material that would be going out to customers. SM welcomed volunteers for the sub-committees.

All

JH commented that the discussion had not explicitly covered how the Company will engage with non-household customers to understand their expectations of the wholesale service. PAB replied that this was recognised in our plan as indeed engagement with retailers is.

**6.1 Water Resources Management Plan**

SM updated the CCG on the development of the WRMP and the proposed consultation early in 2018.

**7. PR19 Timetable**

**7.1 Timetable**

The timetable was discussed. KG asked what other information formed part of the triangulations and recommended the use of CCW recently published reports as well as other sources that could be referred to. This was acknowledged by PAB.

**8. PR14 ODI Performance**

**8.1 Leakage Update**

RCP presented a report from the August Board which included leakage recovery to the meeting. He commented that detection has improved but repair is behind because the focus is on improving efficiencies prior to the winter period.

RCP further commented that to be in the upper quartile at least 18 months of work would be required and believes this would inhibit innovation and not be cost effective.

Ofwat have challenged the industry to have a zero glide path within the first year.

RCP also confirmed that PW are continually looking at new technologies. LJ commented that he would like a better understanding of what innovations are available within the water industry and it was agreed that RCP and LJ would meet outside of the meeting.

RCP/LJ

KG commented that she hopes this would remain an item on the agenda, which was agreed.

**9. Any other Business**

Future meeting dates were discussed:

Thursday 19 October 2017 was confirmed and agreed.

A doodle poll will be sent out with dates for an early December meeting.

TB

Doodle polls will also be sent out for the usual April/May and June 2018 dates.

TB

It was agreed that in 2018 the CCG will need to meet monthly, be that in person or via conference call. Dates to be agreed via Doodle poll early 2018.

TB