

**PORTSMOUTH WATER Ltd  
CUSTOMER CHALLENGE GROUP (CCG)  
MEETING HELD ON WEDNESDAY 2 JULY 2015**

**PRESENT:** Paul Barfoot (Portsmouth Water), Charles Burns (FSB), Amy Gallop (Secretary), Karen Gibbs (Consumer Council for Water), David Guest (Independent Chairman), John Hall, (West Sussex Growers Association), David Howarth (Environment Agency), Douglas Hunt (Atkins Independent Reporter), Mike Kirk (Portsmouth Water), Douglas Kite (Natural England), Chris Manning (South Downs National Park), Steve Morley (Portsmouth Water), Simon Oakley (Chichester District Council), Kirk Phillips (Winchester City Council), Neville Smith (Portsmouth Water), Ingrid Strawson (Consumer Council for Water) and Jon Stuart (Havant & District Citizens Advice Bureau)

**Action**

**Apologies:**

Richard Harris (West Sussex Hospitals Trust, Heather Benjamin (Portsmouth Water) and Martin Johnson (Portsmouth Water)

**1. Introductions:**

Following John Havenhand's retirement from the Consumer Council for Water Ingrid Strawson introduced herself as our new Local Consumer Advocate.

**2. Minutes & Actions of Meeting Held on 18 March 2015**

An action remained outstanding for Chris Manning who at the meeting held 8 January 2015 suggested involving the Rivers Trust in the Biodiversity Sub Group as they are interested in Catchment Management Schemes. Chris Manning confirmed that following discussions with Tracey Viney, Portsmouth Water's Environmental and Biodiversity Specialist, and the Rivers Trust, the Rivers Trust appreciated the invitation, however decided to decline given their situation and their direct involvement with Portsmouth Water on the National Environment Programme.

Simon Oakley requested a split of the Water Quality Contacts between telephone and written contacts. Steve Morley produced a slide presentation showing this for the previous three years.

The minutes were taken as a correct record and approved by the CCG.

**3. Terms of Reference**

Neville Smith circulated a final version of the Terms of Reference to reflect the Group entering a new phase and role of monitoring the Company's performance against its ODI's. He confirmed that the Terms of Reference was the final version, agreed by the Board, taking into account comments made by Karen Gibbs and David Howarth on behalf of the CCG.

Membership of the Group had been reduced and Neville was very pleased to report that all Stakeholders invited to form the new Group had accepted.

Neville Smith further advised that the Group will meet three times per year. Once in mid-October for the Company to present on progress against the half year. Once in May to provide an initial view of the year and for the CCG to raise any concerns and request further work be carried out by the Company or the Auditor and finally, once in June/July for a final review of performance for the past year compared with the ODI's. The Company will then report to Ofwat in July and publish this on their website. The Company will also require the CCG to prepare a report.

**CCG**

David Guest requested that any final comments on the Terms of Reference be directed to Amy Gallop by Friday 3 July 2015.

Neville Smith advised the Members that David Guest's Term as Chairman of the CCG ended in April 2015 and the Company had decided to extend this for a further 18 months for continuity.

Mike Kirk informed the CCG that the Board had agreed it was appropriate to make the recruitment process for a new Chair open and transparent. He therefore advised that an external head hunter would be appointed to assist with this process and a Nomination Committee be formed, consisting of Mike Kirk, as Chairman of the Board, and two representatives of the CCG.

David Howarth requested clarification on what would be expected of the newly formed Nomination Committee. Mike Kirk confirmed that they would be engaged in the whole process including shortlisting and interviews.

Mike Kirk requested volunteers for this Committee make themselves known to Amy Gallop by 3 July 2015.

CCG

#### 4. Risk and Compliance Statement 2014/15

Steve Morley advised the CCG that a key component of the regulatory regime is the monitoring of Company performance. Ofwat require companies to publish its regulatory accounts annually for the year ending 31 March. In addition companies have been required to report performance on a number of metrics including levels of service to customers. Prior to 2011 this return was called the July / June Return. There was much criticism of the June Return and therefore a "cut down" version of the report was required with Boards required to state that the data was accurate. It is now called the Risk & Compliance Statement and Ofwat were prescriptive as to the data it must contain. Doug Hunt provides assurance to the Board on the appropriateness of the data presented and the methodologies and processes which underpin the report. For 2015/16 Ofwat are proposing a new format of return which will accommodate the change to outcomes and in particular ODIs.

Steve Morley advised that 2015/16 Draft Performance Statement will be presented to the CCG at their meeting in May 2016 for the Group to raise any concerns or request clarification. The final version will then be presented at the June / July meeting.

Steve Morley circulated the 2014/15 Risk and Compliance Statement which although doesn't include the ODI's set out in the Plan from 2015/16 it would give the CCG a good steer on the Company's performance and the levels of service monitored.

Steve Morley presented on the Company's Performance in 2014/15 against the explicit KPI's Ofwat require the Company to report against. In particular he commented upon the following;

##### Service Incentive Mechanism (SIM)

A new qualitative approach for 2014/15 with surveys based on all contacts as opposed to resolved contacts. PRT ranked first in 2014/15  
Our telephony performance has improved in the year  
Our written complaints have increased in the year

##### Interruptions to supply

The impact on customers of planned interruptions has worsened  
Our performance on unplanned interruptions remains similar to last year

Steve Morley explained that the Company had made a conscious decision to change its method of undertaking its mains renewals to a 'no dig' method. This

results in less disruption to the highway and the overall impact on the local area during mains renewals, however, it leaves individual customers without water for a slightly longer period. This has driven the increase in the KPI.

Neville Smith added that we have a new contractor and the Company has built into contract performance against ODI's to bring the performance back to the previous levels of service achieved. He also emphasised that even though the impact on customers of planned interruptions has declined the Company are still in the top four in the Industry. Steve Morley advised that in 2013/14 the Company was the second best performing in the Industry.

Ingrid Strawson enquired how the target of 6 minutes is calculated as it doesn't mean much to the Customer. Steve Morley explained that it was the total number of hours lost divided by properties served.

#### Leakage

The Company beat its leakage target

#### Serviceability and Environmental KPIs

All performances are good and either meet or exceed expectations

John Hall raised that Green House Gas Emissions are notoriously difficult to measure and asked if the Company had an external audit on figures.

Steve Morley explained that UKWIR wrote the methodology which is revised every two years and Defra refresh the conversion factors every year as the carbon intensity of a unit of energy changes each year. He further explained that this approved methodology is in a spreadsheet which is updated and monitored internally.

Douglas Kite requested the Company's performance against different drivers. Steve Morley agreed to share this information with CCG at its next meeting.

**SM**

David Howarth asked for clarification on the basis of the target.

Steve Morley explained that the target was set at last the last Periodic Review in 2009 and is an estimate provided by the Company of carbon over the 5 year period, increasing in line with water demand.

David Howarth commented that the Company's abstraction though was falling. Steve Morley agreed that this was currently the case but at the time of the last Periodic Review the expectation for demand was increasing.

Neville Smith added that the number of new properties is also lower than expected, the demand expected in the last Business Plan did not materialise.

Neville Smith further explained that previously the Company's drive on electricity was financial, pumping at times when electricity costs were cheaper. He advised that the Company will continue with the strategy but also address consumption, reducing the amount of carbon used per litre of water supplied. He added that the Company vehicles have been limited to 60mph and this would contribute to a lower carbon footprint.

Doug Hunt informed the CCG that this methodology is consistent across industry.

#### Return on capital

Less than that assumed at PR09 predominantly because revenue was less than expected

Steve Morley explained that there was an expectation for significant housing which did not materialise and impacted upon revenue and therefore profit.

Neville Smith added that the Company also assumed a higher per capita consumption (PCC) anticipating that Customers would consume more than they did.

David Guest asked for the reason Customer used less water than expected.

Neville Smith advised that when the forecasts were made, Portsmouth Water had a small number of metered customers on which to base its estimates. The PCC on optants after this date was much lower than these estimates.

Doug Hunt offered one reason for the overestimate. There has been an increase in occupancy rate in recent years, which was unexpected. This has resulted in lower per capita consumption.

Neville Smith informed the CCG that this overestimate did not impact upon the Company's service performance and precautions have been taken to ensure it does not happen again.

John Hall raised the subject of Green House Gas Emissions again commenting that they could be impacted upon by external influences.

Steve Morley agreed that when reporting it needs to be clear what Management have done to impact this or what has happened because of external factors.

Water quality

Mean Zonal Compliance is the same as 2013  
One failure in the year at a service reservoir, three at customer taps

Health & Safety

2 reportable accidents to HSE

Neville Smith commented that the target for Health and Safety always has to be nil. He added that the Company has received a Gold RoSPA Award for 10 consecutive years resulting in a President's Award this year.

David Guest asked how the Company monitor comparisons for Health and Safety.

Steve Morley advised that it is difficult to monitor comparisons across the industry as depends upon split between office and operational staff as some have greater risks. The best comparison to measure is company performance over time.

Mike Kirk commented that the Company needs to balance meeting customers increasing requirements with safety and ensuring employees work safely.

Steve Morley added that all incidents are investigated to assess how they could have been avoided, even near misses are reviewed.

Simon Oakley revisited the issue of Water Supply Interruptions increasing and asked how long before alternative supplies are put in place.

Paul Barfoot advised that during planned interruptions vulnerable customers are contacted if have a need for water. He added that Night Test Operatives carry bottled water in case of an emergency.

Neville Smith confirmed the Company holds a list of vulnerable Customers.

Simon Oakley raised concern that during spells of prolonged hot weather there could be Customers suffering in silence.

Neville Smith advised that these interruptions are very unlikely to be more than a few hours. He added that unless the Customer contacts the Company to advise that they are a Vulnerable Customer the Company would not know, however, if the interruption was planned they would be notified and could contact the Company or in the event of an unplanned interruption they would see the presence of the Company outside to enquire.

Doug Hunt commented that there are no guarantees but it is quite possible that neighbours or family will know of their condition and let the operatives know in the case of an emergency interruption.

Chris Manning welcomed that whilst there was not a specific KPI for Abstraction, the Company has included it within the detail of the Risk and Compliance Statement.

Steve Morley confirmed that it is not a prescribed measure by Ofwat but the Company felt it was important to include in the detail of report to show it is complying with its Abstraction Licences.

Kirk Phillips raised the issue of Fracking and asked if the Company felt at risk.

Neville Smith advised that Portsmouth Water could not judge the merits of Fracking. The Environment Agency has responsibility for ensuring that Fracking does not affect water supplies. Although it is not a statutory consultee on planning matters, Portsmouth Water would work with the Environment Agency and the "Fracking" industry to ensure this was the case. The legislation is likely to change allowing water companies to become statutory consultees in the future.

## **5. Outcome Delivery Incentives 2014/15 and 2015/16 Year to Date**

Steve Morley presented to the CCG on the 2014/15 performance levels for those items that will be ODI's from 2015/16. He also presented the likely penalties and rewards at 2020 if those numbers were maintained.

- Bursts
- Water Quality Standards
- Water Quality Contacts
- Leakage
- Interruptions to Supply
- Service Incentive Mechanism
- Per Capita Consumption
- Other ODI's – Financial and Operational

Kirk Phillips commented on the SIM Scores detailed in the Risk and Compliance Statement concerned with over 8,000 abandoned calls.

Paul Barfoot advised that this was during an extreme incident and that as a result of that incident the Company increased the number of lines.

Kirk Phillips asked if those Customers that could not get through got called back.

Paul Barfoot explained that there are only a certain number of lines into the business, when they are all busy the Customer will receive the engaged tone, and therefore the Company do not have the details to call back.

John Hall raised concern that this was not best for the Customer, he felt they should receive a recorded message, not an engaged tone.

Paul Barfoot explained that the average answer time is 30 seconds and Customers receiving the engaged tone in most years is zero. He emphasised

that this large number of abandoned calls is only in cases of an extreme incident with thousands of calls. He added that this information can be shared with the CCG.

Kirk Phillips commented that those figures made the Company look like they had poor service and an explanation around the reason for the abandoned calls should be included.

Karen Gibbs suggested showing the abandoned calls relative to number of calls.

Mike Kirk advised that during the Customer Research Customers did not show a willingness to pay for an improved customer service. The Board therefore have to ensure that the appropriate level of service is received by Customers.

Charles Burns added that Customers should be aware they are calling a local call centre with local operatives.

Steve Morley advised that the Service Incentive Mechanism is being changed in the next review period. Currently the survey is 50% of the measure, with quantitative data (written complaints) being 50%. This will change to 75%: 25% for 2015/16 with only written complaints and unwanted calls from households in quantitative assessment.

Steve Morley informed the CCG that the first SIM Survey for 2015/16 ranked the Company first for operational and second for billing, first overall.

Steve Morley circulated a paper on the progress of the Biodiversity Action Plan and an update on the River Restoration Schemes for the CCG's information.

Douglas Kite asked if the Biodiversity ODI was based on completed work. He also commented that the CCG need to know what stakeholders recommend as well as what company propose in respect of Biodiversity.

Steve Morley advised that the Plan should be prepared by the end of summer and will be discussed within the Stakeholder Group and presented at the October CCG.

Douglas Kite reemphasised that these discussions need to be transparent to the CCG.

Steve Morley finally informed the CCG that Water UK will be publishing company performance on 29 July on Developer Services. The Company will establish a survey like the SIM to understand the performance we provide.

## **6. Assurance Process**

Steve Morley informed the CCG that there is a further review of reporting required in 2015/16. The objective is for the Company to have greater ownership of the information collected and provided to customers and stakeholders with assurance that the data can be trusted.

He advised that the Company is required to engage with stakeholders and customers to understand what issues need to be addressed. The CCG will be an integral part of this process.

Steve Morley informed the CCG that at the October meeting the Company will present a proposal on where it proposes to focus assurance based upon comments made by the CCG at this and previous meetings and issues the Group feel the Company should be addressing.

John Hall asked if this Assurance Proposal will require a resolution at October meeting.

Steve Morley confirmed that this Assurance Plan Proposal will just be the start of the Consultation and engagement with Stakeholders.

## **7. Tariffs 2016/17**

Steve Morley informed the CCG that a key assurance requirement is that there is engagement with Customers and stakeholders with respect to Company tariff proposal. He advised that the Company's next proposal will introduce the Social Tariff and a Prompt Payment Tariff for small non-household Customers following the commitment made by the Company in its Business Plan. He added that the Company will also continue the development of its Wholesale and Retail Tariffs and it is envisaged that the CCG will be part of this process in the autumn.

Paul Barfoot confirmed that the Social Tariff will mirror the scheme offered by Southern Water and that it still requires Customer support. He advised that CCW have provided names of Customer Research Companies used by other water companies and that the Company is currently in discussions with Accent to complete work in September. He further added that the Company hopes to create a Sub-Group to manage this process.

Karen Gibbs advised that CCW's input into the Group is separate to the Company's Statutory requirement to consult with CCW.

Steve Morley advised that the Sub-Group would ensure the Customer Research is appropriate and expressed the Company would value the CAB's involvement.

Mike Kirk raised the issue that much of the research concluded that customers do not support this Social Tariff.

Neville Smith advised that by introducing a Social Tariff you are effectively asking the majority of Customers to subsidise others.

Jon Stuart commented that Customers in general will already think there are safety nets out there for people in debt or low income households and therefore not likely to support a social tariff.

Kirk Phillips expressed concern that the Company will never be able to get it right, this area is full of conflict. He added that Councils constantly struggle in this area with benefits.

Neville Smith advised that pressure is increasing for companies to identify and do more for vulnerable customers, assisting people in hardship. He confirmed that the Company were already contributing to the Money Advice Service via Water UK.

Karen Gibbs commented that the Company needs to identify what benefit the Company can do in addition to what it already does, already has low tariffs and WaterSure Scheme. The idea behind a Social Tariff is to get Customers back into a payment habit. She added that there is already an element that other Customers subsidise for as a result of debt. The Company needs to identify the issue and propose a Tariff within the whole package of measures to assist Customers.

Simon Oakley expressed concern that the Company would be burdening themselves getting into a welfare system. He was interested to know what discount would be applied to a Social Tariff and where the external pressure is coming from?

Paul Barfoot advised that it would mirror the Southern Water Scheme and be available for Customers whose combined water and sewerage bill is greater than 5% of the household's income. The higher this percentage, the greater the discounts.

Neville Smith advised that the Treasury is keen for Industry's to support vulnerable Customers. He added that he felt debt and affordability are big issues and Energy Companies are doing this too.

Mike Kirk commented that Water Companies have no power to disconnect so it is hard to distinguish between those who cannot pay and those who choose not to pay.

John Hall asked who the Money Advice Service was that the Company was already contributing to via Water UK. Jon Stuart confirmed they were a government organisation.

**8. Date of Next Meeting**

28 October 2015.