

PORTSMOUTH WATER Ltd
CUSTOMER CHALLENGE GROUP (CCG)
MEETING HELD ON TUESDAY 18 OCTOBER 2016

PRESENT: Piers Bateman (Gosport Borough Council), Charles Burns (Federation of Small Businesses), Caroline Brook (Winchester City Council), John Hall (John Hall Consulting), David Howarth (Environment Agency), Lakh Jemmett (Chairman), Douglas Kite (Natural England), Simon Oakley (Chichester District Council), Ingrid Strawson (CCWater), Paul A Barfoot, Tamara Breach, Steve Morley, Helen Orton, and Neville Smith (all Portsmouth Water)

ACTIONS

Apologies:

Karen Gibbs (CCWater), Doug Hunt (WS Atkins), Andrew Lee (South Downs National Park), Jon Stuart (Havant & District CAB), Jerry Way (St Richard's Hospital)

Welcome:

Lakh Jemmett welcomed everyone to the meeting and introduced Councillor Piers Bateman from Gosport Borough Council.

1. Minutes & Actions of Meeting Held on 16 July 2016

LJ reviewed the Actions from the last set of Minutes:

An update on Social Tariffs will be given under AOB

An update on Castle Water will be given under AOB.

LJ advised the CCG that he had written to Ofwat on behalf of the CCG as agreed at the last meeting in relation to penalty regarding the MZC failure. Catherine Ross had replied stating Ofwat would not make any adjustment to the penalty. NS commented that the explanation given by Ofwat was that they could not be seen to give a dispensation as, during the price review process, the target had been reduced from 99.97% to 99.95% to reflect such uncertainties in performance. NS commented that this was a comprehensive reply and the Company will not be taking the matter any further.

JH commented that he still felt a £319k penalty was totally disproportionate. LJ advised that he had recently met with Cathryn Ross and discussed the scale of the penalty to which she said "Ofwat decisions on outcomes, PCs and ODIs at PR14 are final". SO asked if Ofwat will be taking recent comments on board in future reviews? LJ advised that it is something that he can add to the CCG Chair Meeting Agenda. It was noted that Ofwat would be consulting on ODIs in November 2016 and this would likely to be discussed.

NS also commented that DWI are looking at developing a new measure for water quality compliance reflecting the way the Company dealt with the failure and the number of customers impacted upon of any failure. This should be in place for the next price review period.

The Customer Advisory Panel be covered under item 2, customer engagement.

IS requested an amendment to the Minutes.

IS/TB

2. Customer Engagement

2.1 Customer Strategy

HMGO thanked the members for their comments on the draft strategy on the telephone call on 27 September. Specifically the current document had revised the mission statement, included a section on WRMP and revised the date of acceptability testing. There were no further comments on the strategy.

HMGO then introduced the first two pieces of work, the baseline survey and establishing the Customer Advisory Panel.

2.2 Baseline Research

Rob Sheldon from Accent presented to the meeting

SO asked if the membership of the focus groups would cover all social economic groups and what the geographical spread would be over the PRT area. RS advised that the groups would be presentative of the social demographics of the area recognising urban / rural as well as metered and unmetered. SM commented that historically Chichester and Portsmouth have been used as locations to recruit and host the workshops.

PB asked if six focus groups was enough to provide sufficient information and why are more not used? RS said the number of groups is largely based on budget but in his experience six is a minimum which will provide PRT with a good level of confidence that the results reflect the views of the population as a whole.

DH asked how the people are found and then retained? RS commented that the focus groups are a one off, and so members are not retained for subsequent research. Typically people are approached in the street and invited to attend advised that there is an incentive of £30 - £40 paid at the end of the session. Accent keep a constant dialogue with the people interested before the workshop and over recruit to reflect no-shows.

LJ asked how the information will be used for business customers who will be served by Castle for retail services. SM commented that we are interested in understanding their expectations of our wholesale service.

LJ asked that from a CCG perspective if a particular group are unhappy with service from Castle, how this would be captured in the Business Plan. HMGO replied that the Company will not be producing a non-household retail business plan as we will have exited this market. The market allows customers to choose its retailer and as such we had no influence over their service provision. LJ said he agreed to a certain extent but commented that presumably PRT are expecting Castle to provide the same level of service or better, what happens if they don't?

HMGO responded that customers' recourse was through the regulations, and Ofwat in particular. NS and DH acknowledged that the issue could impact on the reputation for PRT and DH commented that if the retailer makes serious errors that PRT will be blamed.

IS asked if PRT had engaged with other water companies in case something was to go wrong between the relationships? HMGO advised that under competition law, once the market opens, we are not allowed to liaise directly with retailers on customer service matters (other than for emergencies which are dealt with in a specific way). It was noted that there was a safety net for customers if their retailer were to exit the market for whatever reason. This is called "supplier of last resort".

SO asked from a customer point of view what research had been carried out on the business side before opening the market on the residential side? IS advised

that he may like to take a look at the Ofwat website where he would find further information about the potential for household competition.

DK asked how the topic guides are to be reached for the research – who decides what is in and what is out? RS advised that they will cover current different areas. SM advised that there are seven outcomes in the current business plan and these will form the framework for the topic guides.

2.3 Customer Advisory Panel

Kate Waller from Community Research presented to the meeting.

PB asked what geographical areas would be recruited from and would rural locations be included? KW confirmed that membership would again represent the mix of customers PRT had. PB asked if those taking part would need to be a customer of PRT? HMGO advised that everyone using the service is a customer of PRT not just the bill payer and therefore everyone would be included in the cross section.

LJ asked if it was planned to use customers that had already contacted PRT as this may save time and may be a more receptive audience. The Company would consider this issue further.

IL

PB asked if 20 recruits is enough given a possible fall out rate, especially over the timescale of a year. KW advised they aim for the groups to not fall below 15 and that 20 has worked in the past, they may up-recruit in certain areas e.g. the younger age bracket to be sure of a consistent number but they do not generally have a problem with fall out.

SM commented that from his personal experience of focus groups there is a high level of engagement from the participants and is confident this initiative will be no different.

SO asked with such a small number how do you set the topics, recognising some were bill payers and others would not be. HMGO asked for clarification from SO as she wanted to understand if he meant that there should be a difference made between a bill payer and non-bill payer, reiterating the point that all consumers are customers of PRT whether they pay the bill or not, and that the discussion about willingness to pay is later down the line. SO clarified that he was concerned that a small bias could cause a shift in the results. It was acknowledged that whilst this is a risk, it is not a new issue in research.

DH & LJ both raised the question whether the opinion of a bill payer is equal to the opinion of non-bill payer? HMGO advised that this is not about informing about cost, it is about understanding consumers' expectations of PRT.

LJ asked that the CCG have the opportunity to review the issues to be discussed by the CAP. SM confirmed that the research carried out in November on the baseline survey will set the framework for the CAP and that in the early part of the new year PRT will share the results with the CCG and propose the topics chosen for discussion at the first CAP.

Finally, JH pointed out that a large part of the population do live in the rural communities and to please ensure these people are taken into account when recruiting for the focus group. HMGO agreed that reasonable travel expenses should be paid to encourage attendance.

Rob Sheldon and Kate Waller left the meeting.

2.4 Customer Contacts

Paul Barfoot (PAB) made a short presentation on the customer contacts we receive on a daily basis, which provide us with an understanding of the day to day issues customers have with our service.

DK commented that he was concerned that the most common customer contact was that they didn't have any water. PAB explained this would be due to unplanned interruptions; one burst can easily generate 100 contacts.

SO asked if there was any areas of difference in contacts comparing winter to summer? PAB advised that 75% of billing enquiries will happen in the summer/autumn time as this is when bills are sent out.

LJ commented as there was no "like for like" it was difficult to judge whether these contacts were good, bad or indifferent and that it was hard to determine how this information was used. HMGO advised that the information was not being provided to members to judge service more to illustrate other sources of customer feedback we have to help us establish our plans. That said, there is a close correlation between the nature of customer contacts and many of the ODIs; hence the company uses ODIs as the business wide measure of customer contacts.

PAB advised that putting it into context, the SIM results which are the outcome of a survey, written complaints and unwanted contacts, show that that PRT were the best performer in the industry for 2015/16.

3. Biodiversity Action Plan

Tracey Viney updated the CCG on progress with the PRT Biodiversity Action Plan. The CCG members complimented Tracey on the work that has already been carried out and noted that communicating this to the customer and local stakeholders including schools could be beneficial. TV advised there was information available on our website and press releases are issued. HMGO also commented that PRT sponsor the education suite at Staunton Country Park.

PB asked if all the land owned by PRT was essential to the operation of the Company? TV advised that 6 to 10 sites are abandoned, though could be brought back into service if required.

PB queried whether it was the CCG's place to approve the plan being that they are a Challenge Group and not a stakeholder. SM responded that, in this case, Ofwat made it very clear in the Final Determination that the plan had to be approved by stakeholders including the CCG.

IS asked if the Company are able to tap into external funding? TV advised that Portsmouth Water is treated as a public company and therefore not able to apply for any grant funding.

JH asked if internal costs, e.g. salaries, come out the budget that was approved by the CCG? The cost of Tracey in particular is not included in the budget however, if additional staff are directly employed to deliver on the project it would come out of the budget.

DK advised the meeting that if it gave the CCG comfort to be able to make an informed decision to approve the plan, he had visited and audited the sites and was happy that PRT are meeting his expectations.

DH commented that the CCG have already agreed the budget and this point is to now approve the plan and was happy to be guided by DK experience as to whether the plan should be approved.

LJ advised he was comfortable the Company had engaged with relevant stakeholders and asked the meeting if the plan was to be approved.

All agreed the Biodiversity Plan should be approved. SM noted PRT thanks to DK for visiting and auditing the sites.

4. **ODI Performance H1 2016/17**

SM presented to the meeting the Company performance for six months to the end of September 2016.

There is only one issue with the thirteen ODIs, relating to water quality contacts. The highlight is once again the SIM survey, where the Company is currently second in the quantitative survey.

At the request of the Chairman PAB discussed the written complaints for 2016/17 to date. Operational complaints had increased but it is possible that the figures for 2015/16 were rather flattering as activity was low due. NS also advised the meeting that 25km of mains renewal work had been carried out this year compared to 14km last year.

PB asked if it was possible to see what complaints were resolved/unresolved. SM replied that the majority of the complaints were resolved first time and that very few were escalated higher. He advised that he could provide a more detailed breakdown if required

SM

PAB commented that our first response for any complaint is a telephone call to the customer to discuss, followed by a letter confirming the outcome of the telephone conversation.

NS confirmed that any form of dissatisfaction is classed as a complaint and requires a substantive answer within 10 working days. Second stage complaints need to be signed off by a member of the Executive Team. After second stage the customer can refer their complaint to CCWater who decide whether to investigate and the final step would be the complaint being taken to WATRS (Water Redress Scheme).

C Burn asked if all customer contacts were automatically treated as complaint? NS confirmed a complaint had to be received in writing.

C Brook asked if complaints about staff were included? NS confirmed they are as long as received in writing. PAB advised there were some minor exclusions, the complaint has to be about the core activities of the business.

5. **Comparative Performance**

SM advised that although we are not meeting our own expectation in some ODIs we remain the best performing company in the industry for many.

Annual targets for leakage have been passed. The industry comparison scales for either properties connected or length of mains. DH commented that in his view reporting leakage per property would give a much better comparator.

Finally SM highlighted the "Discover Water" website which was an informative site developed by the industry that provided all the stats.

<http://www.water.org.uk/about-water-uk/discover-water>

6. **Monitoring Plans**

SM gave an update on the Monitoring Plan that customers and stakeholders were asked to provide feedback on a year ago. A similar process would be undertaken for 2016/17. We are still waiting on feedback from Ofwat on last year's approach. The CCG will have the opportunity to comment on data being presented as individual stakeholders or as the CCG as a whole when the monitoring plan is published in November 2016.

7. Tariffs 2017/18

PRT have established draft tariffs for 2017/18 which result in a 2% increase for households, assuming RPI inflation of 2.1%... The incidence effect on 30 different groups of customers are reviewed and no group will see an increase of more than 2.5%.

LJ asked why different customers' bills moved at different rates. SM offered to provide a paper that gives more detail.

8.1 Mean Zonal Compliance

This was discussed under item 1.

8.2 Social Tariffs

PAB advised the meeting that PRT have over 1,200 customers on the social tariff and data continues to be shared with Southern Water. At the start of the programme almost 800 customers were transferred directly from Southern Water. PRT are on target to achieve 1000 customers from its own efforts by the end of the year.

PB asked if an application form is available on our website? PAB confirmed it is and the form can be downloaded and manually filled out and returned or completed and submitted online.

8.3 Non-Household Retail

PAB gave a brief statement that the relationship with Castle was satisfactory and audits continued to programme as per the information provided at the last CCG. Other than a couple of minor administration errors, complaints have been low.

LJ asked if an audit programme had been put in place for once the market opens? HMGO stated that once the market place had opened, we would not continue to audit. PAB added that the responsibility lies with Castle and the market protects the customer. It is not PRT role to enforce, our responsibility for the retail element ceases totally at that stage, assuming our exit from the market is confirmed by the Secretary of State.

LJ asked what happens when one of those customers complain about bad taste or odour? PAB advised that in an emergency about water quality the customer can contact us direct, anything else has to come via the retailer and is managed by the retailer. The customer has been advised on billing and billing literature who they should contact in the first instance and there are strict market rules in place.

NS commented that if there is a wholesale problem, then the retailer should inform the wholesaler immediately. LJ asked who was managing retailers? PAB confirmed the Regulator - Ofwat, anyone who wants to be a retailer has to apply for a licence. NS also confirmed that a simulated exercise is going to be carried out to ensure correct procedures are in place for drinking water quality issues.

8.4 Cost of Debt

HMGO requested that this item be rescheduled for next meeting due to the meeting over running.

8.5 Training for new CCG members

IS advised the meeting that the training session for CCG Committee members in London on 3 November 2016 is now full.

There is another training session on 7 November 2016 in Birmingham.

9. Dates of Next Meetings

w/c 8 May 2017

w/c 26 June 2017

IS asked if there will be a telephone conference booked due to the next meeting not scheduled until May. It was agreed that a telephone conference will be carried out towards the end of January to give the results of the baseline research and discuss the topics for the first CAP.

TB to send out "Doodle" requests with suggested dates.

SM/TB