

**PORTSMOUTH WATER Ltd
CUSTOMER CHALLENGE GROUP (CCG)
MEETING HELD ON FRIDAY 2 FEBRUARY 2018**

PRESENT: Charles Burns (Federation of Small Businesses), Caroline Brook (Winchester City Council), David Howarth (Environment Agency), Doug Hunt (WS Atkins), Lakh Jemmett (Chairman), Simon Oakley (Chichester District Council), Ingrid Strawson (CCWater), Jon Stuart (Havant & District CAB), Raife West (Havant Housing Association), Heather Benjamin (PW Non-Exec), Tamara Breach (Secretary), Georgina Caruana, Steve Morley, Helen Orton, Neville Smith (all Portsmouth Water)

ON TELEPHONE: Karen Gibbs (CCWater),

IN ATTENDANCE: Paul Treagust

ACTIONS

Apologies: Paul Barfoot, John Hall (John Hall Consulting), Douglas Kite (Natural England), Andrew Lee (South Downs National Park), Rod Porteous

2. CCG Feedback on Progress

LJ advised that the Members had been working alongside a Challenge Log to which includes the following points:

- how the bespoke ODIs had been chosen, why the two asset health and the bio-diversity were chosen over others.
- How stretch targets will be set
- The need for more comparative data
- Havant Thicket – what are customer views surrounding finance and risk
- Leakage – proof that innovation is being considered, perception of performance, how is the Company going to demonstrate efficiencies. Will the Company be looking at innovations to achieve the 15% required rather than taking spend from other areas?
- Metering – would like PW to demonstrate why change of occupier compulsory metering is not a reasonable approach, as many other companies do this. HMGO commented it would be helpful for the Members to understand why our customers are not in favour of this from the customer research and for the CCG to further reflect on their view. LJ commented that they would specifically like to know why the Company chooses shadowing over change of ownership/tenant. Is this because of operational or economic reasons? It would appear this is a unique opportunity the Company could use and they would like to understand why PW do not use this. NS advised we will be putting this to the customer again and this would be taken forward if the body of customers show that it is accepted and supported.
- Reducing Abstraction – This is seen as a high priority by customers therefore why it is not reflected in the Plan. NS suggested that this will be reflected through water efficiency and leakage and pointed out that the Company had reduced its abstraction licences in the last few year. HMGO commented this is covered under the AIM.
- CCG Engagement Process – Input and sign off of the performance commitments required.
- Vulnerability – Now the studies have been carried out, clarification what lessons have been learnt.
- Willingness of current customers to pay for future generations – not reported on to date.
- Reward/Penalties – Research has shown the customer does not support the reward system. How will the Company propose rewards given if its customers do not support them? When will the Company feel it has carried out sufficient research to show customer support?
- Asset Health – Demonstrate through the Business Plan, that the Company can reasonably show it is resilient.

DHunt advised a copy of the Challenge Log will be forwarded to the Company with more feedback.

DHunt

KG asked whether the Company felt they had addressed innovation with customers. DHowarth commented that the Company needs to convince the CCG members that innovation is being embraced with regard to the customer.

SM also commented that there will not be a specific chapter on innovation in the business plan. It will be across all of the plan including the ODIs.

RW asked how the Company targets groups that are less likely to have access to the internet. SM advised our Customer Engagements Officer is planning to spend a few mornings in a CAB. LJ commented that evidence of how the Company is reaching out to these other groups needs to be demonstrated.

3. MINUTES & ACTION LOG

3.1 Minutes & Actions from Meeting held 7 December 2017

The Minutes were agreed.

Outstanding Action – NS advised that he did not feel the data the Company currently held on leakage comparatives was robust enough to bring to the meeting even though it was positive for the Company and felt it would be misleading to share this information. HMGO suggested Jamie Jones and DHunt present to the next meeting how leakage is being tackled across the industry. This was agreed. HMGO also suggested Mark Richardson presented on the technology approach.

DHunt/JJ
MR

3.2 Action Log

HMGO circulated an updated Action Log at the meeting and explained the minor amends made to aid transparency. CBurn suggested that the Log be put into reverse order for ease. This was agreed.

HMGO

4. PR19 CUSTOMER ENGAGEMENT

4.1 Update on Customer Engagement Work Streams

HMGO advised the meeting the original plan had been re-visited looking at the outcomes and updating future research and activity. The further areas of work requiring completion was explained and how these would be approached to obtain the right support and evidence for the plan.

IS asked how financial resilience would be tested against the customer. HMGO advised this would be through the focus groups, as how water companies are funded is very individual and complex and they already had an understanding.

SO asked if the scope of works included the resilience to absorb unexpected cost shocks. HMGO advised that is comes under Board Assurance not Customer Engagement and went on to explain how this would be approached.

SO further asked what the impact on willingness to pay was. HMGO commented that the overall Business Plan would test this.

HMGO asked that an email/telephone correspondence sub group be set up to develop thoughts around Vulnerability and Affordability.

PAB

HMGO asked the Members to consider any gaps the Company has within “Co-Creation” and suggested areas where customers might help develop (co-create) the communication strategy and managing domestic consumption.

CCG MEMBERS

Metering not for Revenue – HMGO advised the Company is field testing automatic meter reading but this is costly and explained a wide area network is to be trialled. PAB will provide an update at the March meeting.

PAB

Affordability – HMGO advised an update will be provided at the March meeting.

PAB

A more generally effective way to engage with the wider community is required and Ian Limb will be re-focusing the subjects that go out to community events. A timeline needs to be agreed for feedback.

HMGO/IL

Environmental Groups – HMGO advised she is in discussion with Chris Manning, the Catchment Management Manager about what an enhanced biodiversity plan should look like. A paper is expected to be circulated by the end of February. The Company wants to create a measurement that takes biodiversity beyond its own sites but out to landowners which will also be included in the Catchment Management papers.

HMGO

CBrook asked if the Company interacts with school children. HMGO advised that PW sponsor the Staunton Water education programme and also are currently involved in a wide piece of engagement with several local secondary schools after a pilot scheme which was held in the Autumn.

LJ asked whether part of our education programme goes out to local farmers. HMGO advised this is part of a wider piece in conjunction with Alistair Stewart, the Water Quality and Harbour Project Manager.

SM commented that within the WINEP the relationship with landowners is also covered.

DHowarth commented that the proposed enhanced catchment management is welcomed.

HMGO advised that overall acceptance of the Business Plan would be tested in at the April meeting at the earliest.

NS asked KG whether the CCW would be making a statement about reasonable acceptability, as they did last time. KG advised no public statement was planned at this stage of the process.

4.2 **Updates on Rewards & Penalties**

SM gave an update on the Reward and Penalties including advising how the quantitative survey has been launched. He advised the survey results currently were from a limited sample and explained that the customer was asked to rank the importance of 15 ODIs. Discussion was held surrounding how this was put to the customer. SM provided a handout to the meeting showing the early findings from the soft launch. SM thanked the sub-group for their help. SM also advised the survey will not end until 500 results had been received. This research will be further developed and presented at the March meeting.

SM

Discussion was held surrounding how much background information the customer was provided with prior to answering the survey and how representative the groups were.

RW asked why 500 had been chosen as the result required, being this was a tiny number compared to proportion of customers. SM advised 500 is significantly statistically and provides confidence in the results.

KG noted that Scott Reid had suggested the use of assisted surveys. SM agreed this had been discussed and would only be used if there had been limited responses from any specific group.

HB commented she felt it would be worthwhile having some surveys carried out away from the focus groups. SM agreed.

4.3 **Developer Services Workshop**

HMGO updated the meeting about the Developer Services Workshop that was held at PW on 13 December 2017. The direct feedback received regarding levels of service were that our pricing was keen and competitive and provide good levels of service. It was reported that they have good relationships with our team which they find valuable compared to when they work with other water

companies. The changes to the charging structure to provide greater transparency (to support competition) was discussed which was thought to be a positive move to allow developers to build their own quote.

HMGO also noted that the new ODI measure, DMex that is being developed, is similar to our current ODI relating to satisfaction.

DHowarth asked if the developer is incentivised to put in water saving devices. HMGO advised that the developer is offered a discount on Infrastructure Charges if they do, but developers are not that inclined to undertake this activity.

SM commented that some planners are putting frameworks together to encourage water efficient homes. NS also commented that PUSH have put in certain targets.

4.4 Plan for WRMP/Resilience/Havant Thicket

NS advised the meeting he would take the paper as read and asked for any questions:

LJ asked how the PW mains renewal programme compared to other water companies. NS advised the PW programme was relatively high to the rest of the industry.

LJ asked if there was any comparative data regarding bursts. HMGO advised this would be addressed in the ODI paper.

SM

KG asked how PW were going to approach further research. HMGO advised they are intending to extend the CAP for two more sessions. KG asked whether the Company was comfortable with the Group representation. SM said it was. HMGO noted the Company was happy to receive suggestions for other approaches. KG went on to comment as to whether the Group should be refreshed. SM agreed this had been highlighted but felt the current understanding to details was more important and felt there was still value to be had from the same Group.

KG asked whether this was the right representation for co-creation on metering and water saving. SM advised the group was 70/30, reflecting our non-metered/metered customers. HMGO commented the Company would not necessarily use the CAP for co-creation. KG commented that it might be a good idea for a sub-group to receive more details about what will be covered. HMGO agreed.

HMGO

LJ commented he was concerned about the sourcing of water, with more abstraction from the River Itchen. NS replied the Company will use more of its licence. Southern Water have to reduce their abstraction by a significant amount, which is why the bulk supply is needed. It should be noted that the PW abstraction causes less impact on the river because it is closer to the harbour.

5 PR19 - OTHER

5.1 Havant Thicket Approach to Tariffs

SM briefed the meeting that the bulk supply would be funded by Southern Water and would not impact PW customers, but should enhance resilience of its supply. PW is currently in the process of working out the tariffs. HMGO noted that Ofwat support this approach in principle.

KG asked if Ofwat were happy not to go down the direct procurement route. SM advised PW still need to present a case, but discussions had been held with Ofwat and they did not particularly have any concerns. SM explained to the meeting briefly why it was felt the Company would not use direct procurement.

HB asked if Ofwat had the final decision. NS commented that if Southern Water and PW could not agree terms to finance the build, then Ofwat would arbitrate.

SO asked what degree of the costs would be visible to the customer in the survey process. NS advised all costs would be borne by Southern Water water customers not their waste customers.

LJ asked how the tariff would work and if Southern Water did not need the whole amount, would this have an impact. SM advised there would be a fixed reservation charge which would cover all of the build costs and operating costs with a variable charge which covered the running costs. NS commented the contract will effectively guarantee recovery of the costs.

The volumetric tariff would recover the variable costs, so the Company would not see any negative impact from this.

Caroline Brook left the meeting

DHowarth commented that Havant Thicket can supply over above what Southern Water require, can this charge be passed on to the PW customer. SM advised it would be very rare that PW would need to use Havant Thicket for supply, but the greater spectrum of how water is collected builds resilience. DHowarth asked for what drought period was it planned. SM advised 1 in 20.

Due to the meeting running behind schedule it was agreed to take questions only on the following Agenda items:

5.2 Risk Register RAG Report

No questions.

5.3 Company Specific Premium

LJ commented he felt 0.3% was low. SM advised this equated to less than £1 on customer bills.

No further questions

5.4 Board Governance Process

No questions.

6 2018 Meetings

HMGO proposed the meeting schedule should alternate between telephone conference and meeting. With the July and August being in person meetings. This was agreed and therefore the March meeting will be held by telephone conference.

Paul Treagust joined the meeting.

7. COMPANY PERFORMANCE

7.1 Leakage

A leakage paper was circulated prior to the meeting and taken as read.

DHowarth made an observation that the graph in the paper demonstrated that leakage on the "not on district" had increased in the last few months and asked what proportion of properties were on the NOD. PJT advised that 4% of properties were on the 20% of the mains length.

PJT advised the Company had changed its focus in December and had realigned its strategy. NS commented that district metering areas are being increased in the next AMP, although more innovative ways were being looked at.

SO asked if there was any link between the mains renewals and trends in leakage. PJT advised mains renewals is considered a very expensive way of leakage control.

LJ commented that the volume measurements were difficult to understand and hard to compare. PJT advised that a measurement of time to repair mains and stopcocks can be provided.

PJT

KG commented that it might be helpful for the Ofwat Service Delivery Report to be circulated to members for basic comparative details. This was agreed.

TB

DHunt advised the meeting that comparative data can have key problems as there are too many variables. Some companies go all out to fix smaller leaks whilst some would concentrate on larger leaks. There is also the added issue that some data is confidential and cannot be shared.

NS suggested that Primayer, a major supplier on leakage equipment, are invited to present to the CCG to show where the industry is heading with regard to leakage detection. This was agreed.

PJT

8. Any other business

None

Date of Next Meeting

Friday 2 March 2018 – Telephone Conference