

**PORTSMOUTH WATER Ltd
CUSTOMER CHALLENGE GROUP (CCG)
TELEPHONE CONFERENCE CALL MEETING HELD ON THURSDAY 3 MAY 2018**

ON THE CALL: Charles Burns (Federation of Small Businesses), Karen Gibbs (CCWater), David Howarth (Environment Agency), Doug Hunt (Atkins), Lakh Jemmett (Chairman), Ingrid Strawson (CCWater), Jon Stuart (Havant & District CAB), Heather Benjamin (PW Non-Exec), Paul Barfoot, Tamara Breach (Secretary), Steve Morley, Helen Orton, Neville Smith (all Portsmouth Water)

APOLOGIES: Caroline Brook (Winchester City Council), John Hall (John Hall Consulting), Douglas Kite (Natural England), Andrew Lee (South Downs National Park), Simon Oakley (Chichester District Council), Raife West (Havant Housing Association), Georgina Caruana, Rod Porteous

	ACTIONS
1. MINUTES AND ACTION LOG	
1.1 Minutes from the Meeting held 6 April 2018 The Minutes were agreed.	
1.2 Action Log The action log was discussed, in particular the following points: No. 52 – Leakage – LJ commented he would like to see evidence of the full scale use of the new technology or plans for full scale use before closing this action. NS replied that PW were still in talks with a meeting planned for Friday 4 May but the Company hopes to be in a position to include this information in the business plan. If the new technology does not come to fruition then an expansion to the district metering will be included. LJ asked to defer this point until after an update at the next meeting. No. 48 – Meter Optants – LJ commented this action was closed but would like see evidence of the chosen path on metering. No. 47 – NHH/Retail customer engagement – SM updated the meeting advising a focus group has been held by Community Research which included small business representatives. The focus was mostly on the ODIs and they were mainly supportive. An important point raised was the interruption to supply metric, with the group advising businesses have to close if they lose water supply. 10 individual phone surveys lasting approximately an hour are also being carried out with non-household customers, the outcome of which will be presented at the June meeting.	
2 ODI PERFORMANCE 2017/18 SM provided an overview of the performance for 2017/18 and advised the figures are subject to audit (Atkins currently carrying out the audit). SM commented that the weather has been a very important factor in performance this year. He advised that a financial penalty will be received due to failure at a customer tap, even though this failure was due to back siphonage of a chemical being used by the customer in their garden. CB asked whether the biodiversity will include working with neighbouring land holdings. SM replied this was a good point and that the ODI will be expanded in the next review period to explicitly include this. CB also asked for clarification as to how the penalty is collected. SM explained customer bills would automatically be reduced. HMGO advised this way the penalty is returned to the customer and not the Government.	

3 PROPOSED ODIs for PR19

LJ commented he assumed the meeting had read the papers and requested just the highlights were raised on the following Agenda points:

3.1 Customer Support for Targets

SM updated the members on the issue of whether the targets were deemed stretching by customers. He acknowledged whilst customers generally supported the targets, there was currently no firm evidence to provide to the CCG, but the Company was going to use ICS again to present the 20 performance commitments to customers to ask whether they felt the targets are stretching enough. The customer will be provided with league tables, comparatives and Company history. Even if the customers agree the targets are stretching, the Board can still push for the targets to be different.

LJ thanked SM for the detail included in the papers, especially the historical performance table.

3.2 Research & Triangulation

PAB explained to the meeting how his paper is being used to drive thinking by using customer insight which provides a greater understanding. LJ commented the document clarified the methodology and was a good framework. HMGO commented there was a lot of detail in the paper but it shows how PW look at all the different dynamics.

KG commented it was good to see all the different sources captured. She went on to comment that it looked like everything was aligned and supportive of the general direction for the Company but asked whether there were any areas identified that contradicted this. PAB replied the hard water issue was a good example of a contradiction, it was raised as an issue at the focus groups so the question was asked to customers when Water Quality carried out sampling, but the feedback from the survey proved the customer didn't really want any intervention.

SM also commented that historically customers have been against water metering, with the CAP also demonstrating customers felt they should have a choice, but the feedback from the WRMP showed a different view with three quarters of the respondents supporting compulsory metering. The Board will look at all the evidence and the data will be triangulated before a decision is made.

NS advised the meeting that he had written to the Minister for Water advising PW position that legislation should be amended to enable compulsory metering in our area.

Discussion was held surrounding the challenges of compulsory metering.

D Howarth asked whether there was any intention to line the PR19 outcomes up with the performance commitments. NS advised this will be done. D Howarth also asked if a paper will be provided detailing how the decisions were reached including a summary table showing how the decisions were arrived at. HMGO commented this was a good point and agreed.

LJ commented how he felt the overall process was good and remarked it might be worthwhile to provide a compass as to where the business is, how conclusions are reached and a map of where the Company is heading. HMGO agreed. This is an action

3.3 Targets for PR19

SM explained to the meeting the tables in the papers. LJ invited feedback and questions:

LJ asked why the target for the Compliance Risk Index introduced the idea of a "small" company. SM replied PW is not deemed to be a "small" company. SM & HMGO explained the "small" company in this context is a NAV who typically purchase water from an undertaker and distribute to its customers, this is typically a new housing estate.

HMGO

JS asked if it was known what Southern Water would do. Would they take the same view? SM replied this was unknown. PW are happy to be included within the 18 as the upper quartile.

D Hunt commented that Ofwat have not yet confirmed what the upper quartile is.

LJ asked why the proposed target for leakage was not in the upper quartile. NS explained about the cost of driving leakage down further and to be in the upper quartile would require a lot of money and the Company was unsure this would be wise at this time. NS went in to explain that Ofwat set a base line for cost and something else would have to give. LJ commented he would agree with this if there was evidence to support that view. NS remarked the difficulty is that at present there is great uncertainty about new technologies, the consequence of failure would be high. The Company is not far enough ahead with the innovations at present, but can see this moving in 3 to 4 years. The feedback from the WRMP is positive with the achievement at 15% and with the customer supporting this level that the Company is not convinced it should take the risk of a higher target

IS asked if the penalty can be capped? NS replied no.

KG observed that the Company should be thinking about the longer term position if proposing compulsory metering, it would look better if the Company was at the forefront on leakage. NS agreed the need to think about the ambition beyond 2020 and this was an important point for when the WRSMP was revised.

LJ asked why the PCC was not in the upper quartile. SM also commented that the target was ambitious without compulsory metering.

LJ asked if all targets had been stress tested with customers. SM confirmed this would happen.

LJ asked why Contacts/Appearance were set high and not average. SM gave a thorough explanation and clarified the information in the papers.

Discussion was held around the orange/brown/black water target and how if the target was set at zero, which is what PW aim to achieve, just one failure would result in a penalty.

KG suggested adding a narrative explaining how the targets have been reached.

JS commented that he felt the content under "Affordability" belonged under "Vulnerability". PAB explained in the first draft these two points are together and the PW aim was to make the bill affordable for "everyone". HMGO also commented we have the lowest bill in the industry.

D Howarth commented how he felt the WINEP ODI was only made up of one water resource project whereas there are 18 listed in the WINEP. Discussion was held and it was explained how this ODI was reached. The Company would reflect further on this.

4. CAPITAL PROGRAMME FOR PR19

4.1 Overview of Capital Programme

NS explained to the meeting how the proposals for Capex reflected the customer's preference and focused on long term resilience and asset health. NS went through the papers explaining how the plan had been arrived at and how the provisional £68m capital programme had been reached and then invited questions:

KG asked how £68m compared to last time. NS confirmed it was £62m previously in 2012/13 prices, so comparable.

KG commented that everything seemed to be focused and aligned with customer preferences.

LJ commented he assumed the Board were confident the capital plan was enough to ensure the Company would deliver. NS confirmed.

On a related issue, LJ noted Johnson Cox, Ofwat, wrote to Michael Gove regarding ring fencing and the long term finances of water companies. Do any of his plans conflict with PW expectation. NS stated that PW gearing is currently around 68%, Ofwat suggest this to be lower at approximately 60%.

LJ asked if PW were comfortable with the proposals. HMGO advised that in reality it proposed a challenge for the whole of the industry and in economic terms, the next price review will be tough. HMGO provided an explanation of the Ofwat consultation.

Discussion was held around what the ring fencing meant to PW.

4.2 Metering Strategy

PAB gave an overview of the paper provided prior to the meeting and invited questions.

The change of occupier compulsory metering was discussed and how cost effective this was.

KG asked if when mains renewals are programmed whether the opportunity is used to install boundary boxes. PAB confirmed this had been done since 1990. KG commented she felt it was important to be able to explain to customers why some customers will be subject to this form of compulsory metering and some would not. This was duly noted.

D Howarth commented that a strategy needs to be in place to deal with any response to the change of occupier metering. PAB advised they hoped to learn lessons as to how best to communicate with the customer while undertaking it at a low level. D Howarth further asked if PW had spoken with other companies. PAB confirmed this.

KG commented that it would be a good idea to brief local estate agents. PAB agreed.

4.3 Havant Thicket

NS gave a summary to the meeting about the current status of the HTWSR project. He advised the programme team is established and planning discussions were taking place with a view to outline planning being submitted next year. Discussions are due to be held with the Forestry Commission, Local Authorities and County Council. Discussions are being held with Southern Water regarding how it will be funded. Common detail has been broadly agreed but there is still a lot more detail to go through.

NS also advised there is a meeting scheduled for the 15 May with Ofwat to outline the plans and discuss how it should be included in the business plan.

A presentation will be given at the next meeting of the CCG.

NS

5. ANY OTHER BUSINESS

SM commented that the next CAP was being held on 12 May 2018 and papers had been sent to the four members of the sub-group. SM asked if these members could advise if they would be available on the Tuesday or Wednesday to talk through the draft agenda.

**SM/
SUB-GROUP**

6. DATE OF NEXT MEETING

Friday 1 June 2018 at Head Office.