

10 OCTOBER 2016

THE BULL HOTEL, PETERBOROUGH

MEETING NOTES

PRESENT:

Independent Chair: Jim Dixon
For Environment Agency (EA): Melissa Lockwood
For Natural England (NE): Gareth Dalglish, Karen Purvis
For the Customer theme: Colin Wilkinson (CCW), Melanie Laws (Independent member)
For the Environment theme: Richard Powell (CCW), Chris Barnard (Ouseburn River Trust)
For the Communities theme: Mary Coyle (Independent member), Carolyn Taylor (Essex Community Foundation), Jo Curry (Changing Lives)
For Economic Impact theme: Steve Grebby (CCW), Iain Dunnett (New Anglia Local Enterprise), Sarah Glendinning (Confederation of British Industry)

For the company: Heidi Mottram, Claire Sharp, John Devall, Ceri Jones, Louise Hunter, Jim Strange, Elaine Erskine

Ros Shedden (Secretary)

NOTES AND ACTIONS

Members met with the Chair and the Secretary without the company

1. Welcome and apologies

Jim Dixon (JD) welcomed everyone to the meeting and introduced two new members, who were attending for the first time, Chris Barnard (Ouseburn Rivers Trust) and Jo Curry (Changing Lives).

Six independent members, Bernard Crump (CCW), Robert Light (CCW), Ammer Malik (StepChange), Mark Reed (Newcastle University), Lesley Crisp (Citizens Advice), and James Copeland (NFU) had given their apologies.

JD also noted that Melissa Lockwood was covering both areas for the EA, and Steve Grebby was covering both areas for CCW.

2. Notes and actions of the last meeting (7 July 2016)

Actions from last meeting were reviewed. Notes on the actions are held in the action log in Appendix 1. Members approved the notes of the last meeting of the Forums.

3. Papers review

Members had received the following papers for information:

- 3.1 Update from the Chair
- 3.2 Network expert leads' update
- 3.3 Heidi Mottram's company update
- 3.4 Customer engagement update

Members reviewed the papers. They noted that the content was appropriately focussed and the quality was good and agreed that this was a good way of providing information to members. It allowed more time for knowledgeable face to face engagement with the company.

Members noted that the intention is for most Forum work to take place outside of the main meetings.

Jim Dixon (JD) asked members to identify the topics they wished to raise with the company. Members' three main areas were:

- customer research – members needed assurance of validity and coverage of research;
- Periodic Review 2019 – members said they needed a clearer roadmap showing what members are going to do and what their networks will do; and
- practicalities – members said they would like to know what support they would get from the company.

The debate on these topics is summarised in Question Time (item 8).

4. Priorities for communication with Ofwat

Members who experienced the process for Periodic Review 2014 said it was important that Ofwat does not do what it did last time, it must not largely ignore the Customer Challenge Groups – **members' challenge to Ofwat.**

Jim Dixon (JD) said that improvements were evident in the Periodic Review 2019 process, Ofwat had provided guidance for Customer Challenge Groups (Ofwat's customer engagement policy statement and expectations for PR19 – 25 May 2016). However, in conversations, Ofwat had challenged the independence and competence of Customer Challenge Groups, as well as their validity in their coverage of different types of customer.

With regard to championing on behalf of customers and stakeholders, JD said that the type of members chosen by the company ensured independence. Members were chosen specifically because they would challenge, the company had not chosen an easy ride. Also, the Water Forums were already demonstrating high competence. For example the Forums' communities, business, and debt management representatives had a high level of understanding of the issues. With regard to coverage, he said this was bigger challenge and the company was looking to members using their networks to open up wider and deeper stakeholder understanding.

Members agreed that the challenges need to be addressed, and that communication to Ofwat would demonstrate independence, competence and will therefore be highly important.

Company members joined the meeting

5. Comparative performance and Strategic Dashboard (see also paper 5.0)

Members had received a summary paper on the company performance in the previous meeting (7 July 2016). In preparation for this meeting they had been supplied with a scorecard showing the company performance against the industry (in paper 5.0).

Heidi Mottram (HM) gave a general overview of measurement of 'Outcome performance'. She said the company considered it would be national leader when it was in first place on SIM, and had more first places and above average on everything.

(HM) then summarised the company's 2015-16 performance compared to other companies. HM said the company was not top at SIM, she said its customer service challenges were typically around sewer network issues. It had invested heavily, and this should be recognised in its SIM performance in the near future.

Members were interested in how SIM is calculated, and HM gave more detail on the mechanism. She said that, with regard to SIM, the Company is in the top three, with Wessex and Anglian.

With regard to some performance parameters, HM said that companies do not always measure everything the same way. She said the industry had acknowledged this and was working on a convergence project. She believed that this will be in place for the period 2020-2025.

Claire Sharp (CS) demonstrated the Strategic Dashboard which has been developed to give customers trust and confidence. CS said the development had been led by WaterUK in collaboration with the water industry and its regulators. Importantly it had been co-created with customers. It had been given a soft launch in July 2016; the next phase will allow customers to drill down to compare companies, this will be a bigger launch.

Members said they liked the look of the Dashboard, found it engaging and thought it would improve transparency. They asked if the project managers were able to track its use, and if there was a mechanism for customers to ask questions; CS confirmed both were in place. Members said they would look at the Dashboard when the ability to drill down is in place.

6. Assurance Plan (see also paper 6.0)

Jim Strange (JS) described Ofwat's Assurance Plan process.

JS described Ofwat's categorisation of 'self-assured', 'targeted' and 'prescribed'. JS said Ofwat had made the categorisations on the evidence of the quality of companies' Periodic Review 2014 Business Plans. He said Northumbrian Water Ltd was categorised as targeted. Only two companies were designated as self-assured (these were companies Ofwat said had enhanced plans, i.e. South West Water and Affinity) and one company was designated as prescribed (Bristol).

Members asked if reasons had been given for companies' designations. JS said yes, each targeted and prescribed company had been given a list of issues which it was to consider and resolve. Northumbrian Water Ltd's issues were associated with its Business Plan submission. These had been resolved later in the business planning process. However, Ofwat's process was still evolving and companies were unsure how redesignation would be carried out.

JS then described the 2017 Assurance Plan consultation process. The company will publish its draft plan and consultation in November; it will notify customers and other stakeholders (including Forums members at this time). The consultation will be open until 6 January 2017. The company will then review consultation responses and address them in its 2017 Final Assurance Plan; this will be published in March 2017.

7. Non household retail charges (see also paper 7.0)

Two main areas of Non household retail were covered in this item, the background to the market opening and Periodic Review 2016 (PR16). Household retail was also discussed.

7.1 Background

Heidi Mottram (HM) said Non Household Retail completion was opening in April 2017 and the company is now in shadow operation.

- Ofwat had carried out a targeted review of the readiness on five companies, all were classified as Amber.
- The company was putting a lot of effort into communication with Non Household Retail customers. This would probably have to continue for some time, the Small and Medium Enterprise businesses were proving to be the most challenging in this regard.

- The company was developing a new billing system for the Non Household Retail business. This was going well, which bodes well for when the household system is to be implemented. Members noted that the provision of this system is a company 2014 Final Determination obligation.

Members asked how the company tariffs compared against other retailers. HM said this would not be known until the markets opened.

Forum challenge to Ofwat - members noted that, with regard to Non household retail, the role of Customer Challenge Groups' is not yet understood.

HM informed members that the company had an issue with its Non household retail price control process and was in discussion with Ofwat. She asked Ceri Jones to give members more detail.

7.2 Periodic Review 2016

Ceri Jones (CJ) gave background on Non household retail price control:

- Prices had been set in the 2014 Periodic Review process; this essentially had given the company its bottom line. However for Non household retail, there had been a mini review in 2016, Periodic Review 2016 (PR16). For PR16 Ofwat amended the charging methodology to allow for market opening.
- The company's PR16 submission had not been accepted by Ofwat. There had been some misinterpretation/misunderstanding between Ofwat and the company. However, the primary reason for this was that the company had made a data transcription error.
- Ofwat had proposed its draft determination, an industry 'average' price control. As this was very similar to company's actual requirements it intended to accept it.

With regards to the data error, CJ said it was related to a small change in a small component of customers' bills. However, the company was looking at its processes; this issue is acknowledged in the company draft assurance plan.

Members **challenged the company**:

- They accepted the assurance that the impact of the error was small. However, they noted that a data error, is a data error and regulators react strongly to these.
- They asked the company to consider if businesses would need to know that they have been affected.

The company accepted this challenge and agreed it will need to quantify the impact, and also get its assurances processes right.

7.3 Household retail competition

The company and members debated the recent Ofwat paper. In its paper Ofwat states that customers may benefit by up to £8 per year. Ofwat said it is interested to look at how this might affect different customers differently, for example customers who find it difficult to pay may potentially be badly affected by this. It has set up a forum on line using money saving expert, the company encouraged members to look at this.

Members noted that:

- CCWater has concerns on how figure is reached.

- Research shows Customers seem to support competition. CCW awaiting Ofwat plans.
- This separation could be costly.

Claire Sharp (CS) said the company customer focus is for unrivalled customer service, for all customers. It is doing this anyway, notwithstanding competition.

8. Question time

Members' brought three important areas of discussion to the table - customer research, periodic review and the practicalities.

8.1 Customer research

Members challenged the company on its customer research. They said they would need to see assurance of the validity and coverage of research, on the following aspects:

- The company covers wide operating areas with different pressures, businesses and communities. Its research will need to recognise the differences, i.e. including between northern and southern areas, and between rural and urban areas. It will need to demonstrate how it assures it has balanced these in its business plan.
- The company plans to use several different types and campaigns of research – some research is drawn from high numbers of customers, some from low numbers, some research will be new, some historical. It plans to triangulate this research outcome in novel ways. It will need to provide assurance that the individual pieces of research are appropriate for purpose, and properly carried out. Also, the company will need to provide assurance that the research is coherently brought together, that it is overall statistically robust and representative

Heidi Mottram (HM) said the company understands this challenge. This will be an important role of the Forum. The company will demonstrate its understanding of the differences, and its customer research process will ensure balance in its business plan. It was currently designing its assurance process, and will engage independent expert research and, in addition, independent assurance providers. Forum members will have access to these experts and will see their reports. After consideration of these, if members needed more, the company would provide this.

HM said the company was gearing up, starting to talk to customers about the service they get and how they would like it to change.

Members made observations on customer and stakeholder research and engagement, including:

- Richard Powell (RP) had attended an event in Diss and used this as an example to **challenge the company on localised feedback**; he asked if the company could ensure the feedback could include items specific to Diss?
- At the Diss event, RP observed that the company started out as just a water company, and afterwards participants saw it as "our water company".
- Members had observed company Call Centres where customers received service at the personal level. They **challenged the company** to get this concept into customer engagement.
- If feedback and business planning does achieve this 'local' aspect, **members challenged the company** to show customers which bit is theirs.

The company agreed that preserving the local nature of the feedback will be really important and thought the idea of personal customer engagement was a great concept.

8.2 Periodic review

Members have set and understand their high level Terms of Reference; they have also seen Ofwat's 'Customer engagement policy statement'¹. Members understood that the Forums and the company would meet business stakeholders on their own turf, where possible use existing organisations. However, they noted that their Periodic Review work is about to commence in earnest and realise they need more specific guidance. Members asked the company to supply:

- A clear roadmap showing what is going to happen in the process and when;
- an engagement plan scheduling what members would be expected to do and how their networks will be involved; and
- help where engagement was really difficult, e.g. business engagement.

Louise Hunter (LH) said the company planned to start to address some of these aspects in the afternoon workshop of this meeting (10 October 2016).

8.3 Practicalities

Members said they would like to know what support they would get from the company.

Louise Hunter (LH) said each member would potentially need different support. Therefore, the company would work with them over the coming weeks to help them plan their stakeholder engagement plans and identify their needs. This work would start in the afternoon session.

9. Next steps

The next Forums meeting will be held in March. The company said it would be organising engagement and induction events in the interim period.

10. Periodic Review planning workshop

The company had prepared a Periodic Review 2019 (PR19) activity programme which overlaid Forum activities on to the regulatory time line. Members were able to see:

- Key deadlines, including CCG Report timelines
- Main Forum meetings, with draft agendas
- Induction activities
- PR19 customer and stakeholder engagement activities allocated to network themes
- Other non-PR19 activities allocated to themes

The company said it would meet with individual members to agree their scope, then prepare a stakeholder management plan.

Members noted that the programme had helped them start to understand the work that they would be doing, and they made the following recommendations:

- For the programme:
 - Provide information on scope of members influence and lay out what cannot be changed, e.g. National Environment Programme
 - Clarify the works areas, adding more detailed scope and an indication of the time that each item will take
 - Remove acronyms, provide a commentary in plain English - like the 'dashboard' (see item 5), and provide a glossary of terms

¹ Ofwat's customer engagement policy statement and expectations for PR19 (25 May 2016)

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- Acknowledge the synergies between the themes, e.g. Customer and Communities networks would work on Social Tariffs
 - Indicate the additional activities which run in to the Report deadline
 - Indicate appropriate joint meetings with Anglian, Hartlepool and Thames CCGs
 - For the Report:
 - Set out what the report is supposed to consider, propose draft headlines and structure.
 - Identify who writes the report; last time an independent observer was used.
 - For large stakeholder events:
 - A large event could be an opportunity to raise the profile of the Forums
 - 2017 was too early in the process for a Forums Summit
 - A Summit could be too ambitious
 - Members would consider how best to make a successful event

Following the workshop, members broke the meeting to resume in camera. Members held their meeting review in this session. Jim Dixon prepared a summary of this review, this is in Appendix 2.