
18 SEPTEMBER 2017

THE GREAT NORTHERN HOTEL, PETERBOROUGH

MEETING NOTES

PRESENT:

Acting Chair: Melanie Laws
For Customer Council for Water (CCW): Robert Light and Bernard Crump
For Environment Agency: John Giles (part) and Melissa Lockwood (part)
For National Farmers Union (NFU): James Copeland
For the Customer theme: Colin Wilkinson (CCW) and Graham Dale (CCW)
For the Environment theme: Richard Powell (Chief Executive of the History of Advertising Trust)
For the Communities theme: Jo Curry (Changing Lives) and Lesley Crisp (Citizens Advice)
For Economic Impact theme: Steve Grebby (CCW), Sarah Glendinning (Confederation of British Industry) and Iain Dunnett (New Anglia Enterprise Partnership)

Water Forums Independent Author: Sarah Young

For the company: Heidi Mottram, John Devall, Ceri Jones, Louise Hunter, Richard Warneford, Nigel Watson, Jim Strange (part) and Carol Cairns (part).

PhD Student: Fiona Calder

Ros Shedden (Water Forum Secretary)

NOTES AND ACTIONS

Members met with the Chair and the Water Forum Secretary without the Company

1. Welcome and apologies

Melanie Laws (MJL), Acting Chair, welcomed everyone to the meeting; she said Jim Dixon (JD), Chair, was taking a break from work after the death of his wife. JD was planning to return later in the year. Members asked MJL to extend their warmest regards to JD.

MJL said Natural England's Stephanie Bird-Halton and John Torlesse, along with five independent members, Mary Coyle (Independent Member), Anna Martin (GroundWork), Chris Barnard (Ouseburn Trust), Joseph Surtees (StepChange), Professor Mark Reed (Newcastle University) and Caroline Taylor (Essex Community Foundation), and the Company's Claire Sharp had given their apologies.

MJL said she and JD would be meeting the NWG Board on 17 October 2017. They were aiming to continue with the Forums' constructive relationship. MJL asked that members come back to her with any specific items they wished to raise.

2. Notes and actions of the last meeting (14 June 2017)

Members approved the notes of the last meeting of the Forums. Notes on the actions are held in the action log in the Appendix.

3. Papers review

Members had received the following papers for information:

- 3.1 Update from the Chair
- 3.2 NWG CEO company update
- 3.3 Members' updates
- 3.4 Regulatory update
- 3.5 Customer engagement update
- 3.6 Comparative performance (2016 – 17)

MJL asked members to identify any topics they wished to raise with the Company; the debate on these topics is summarised in items below, i.e. Question time (Item 6) and Members update (Item 7). In addition, all Forum members' challenges have been captured in the Forums Challenge Log in SharePoint, and meeting actions are recorded in the Action Log in Appendix 2 of this paper.

4. Water Forums communication

Sarah Young (SY), Forums Author, had supplied her plan and programme for the production of the Water Forums Report to Ofwat (see Paper 4). SY said she hoped this would give members a flavour of one of the things the Forums would be creating; she had used the guidance that Ofwat had published, it could change depending on what Ofwat provided in its Aide Memoire later in September. SY said the approach was open for discussion.

Members said this was a good structure, also the framework is really good, and it would become easier to follow when material was placed in it.

Members noted:

- Look and feel of the document:
 - independence - at PR14, some companies' CCG Reports were so similar to their Business Plans they did not 'feel' independent – this should be avoided;
 - customers' version – members noted that it would be best practice to create an easy-read version of sections 5 and 6 for customers; and
 - to manage the large amount of information within, the document should be structured around a summary with background information linked electronically.
- Ofwat
 - members considered how Ofwat would read so many reports in such a short space of time – they wanted to create the best chance that Ofwat would take notice of their Report; they asked the Company to find out how Ofwat was planning to handle the reports – Action Company to ask Ofwat.
- Content:
 - members noted that their report should not repeat the Company's Business Plan content – only reference it; and
 - business and retail – members were not sure of the business and retail elements; they notes these could be bigger than they were expecting; members asked the Company and their Acting Chair to find more guidance. Action - Company to ask Ofwat and Acting Chair to raise this at Chairs meeting.
 - media – members noted that this should be carefully planned.
 - managing the report process – members considered the need for a sub-group; they noted that a balance needed to be struck. The need for individuals to work in their own areas of expertise

versus the risk of others feeling disengaged. This was set aside to be considered when the Report writing was underway.

5. Company members joined the meeting

MJL welcomed company members to the meeting and asked Heidi Mottram (HM) if she had any news to share.

HM said Water UK's convergence on measurement using common standards had begun shadow publishing on Compare Water - the new measurement would start officially from 2020. HM said some caution was needed as this was a first try, and companies were at very different stages in how far they had gone; there would be variations depending on the technology companies had and also there was a need for some horizontal auditing. HM said the news was really welcome and companies would be in a much better place in 2018. In the meantime, however, the Company was ready to talk about both sets of numbers.

Members asked if there were any aspects of this that could encourage the Company to lower its aspirations or change the way it works. HM said no, it was just the way information was managed and reported.

6. Question time

Members brought several areas of discussion to the table, including:

- Essex & Suffolk leakage target missed - CCW members said they had engaged in previous discussions with the Company; they found the Company was keen to address this – it had issues with geology which would affect future years. HM said the Company's future aim was to be upper quartile or leading.
- Pollution – the Company had reported a 35% reduction in Category 3 incidents in 2016, which is good. However, its Category 1 and 2 events showed deterioration. Ceri Jones said that often Category 1 and 2 events could be where response to incidents, which were initially Category 3, was not good enough. The Company had put a dedicated team in place with a proactive branch and a reactive branch. It expected to be in a better place for 2017 and 2018.
- Taste and odour – members noted that the Company's performance was the best in the sector but Company is still in penalty. CJ said yes, this had been noted to Ofwat. Members asked how the Company arrived at this measure. CJ said the Company had not submitted this measure - Ofwat had looked at the Company performance and determined it.
- Lost time accidents and injuries – members noted that improvement in the accident levels were surprisingly high. HM said the Company felt that its performance has been flat. Previous work had removed hazards; it had started trying to do things to influence the culture; one thing which seemed to be paying off was the practice of sharing health and safety moments.
- Drinking Water Quality new index (CRI) – members were concerned that customers would not understand this index. Members asked how the new risk index affected the Company. CJ said the Company was very supportive. However, the Company currently did not look good, but this would be volatile, one turbidity failure can give a disproportionate effect. Members noted that a Drinking Water Quality item was being brought to the next meeting and asked for a simple guide to how the new risk index is calculated to be included in this. Action – Company to provide a simple guide to CRI. Members also noted that they were hampered by not having a DWI member – the Company agreed to ask DWI for its CCG engagement plans.
- Defining the conversation research – members noted that younger customers seemed to be asking for engagement on more issues – they challenged the Company on what it takes from this. CJ said he would take this question away. Author's note – the Company later provided the following

response “we are continuously reviewing the channels that we use to engage with all of our customers so that we can make it easy for them to talk with us. When carrying out any research and engagement ‘projects’, we always make sure that we include future customers, who tend to be younger people, and where appropriate and possible we tailor our engagement methods to them. An example of this would be the Future Customers day that we held at Howdon STW where we explored views on waste water services with college students.”

7. Members’ update

Members had attended several Company briefings and workshops – these were noted in Paper 3.3. Members’ views on these activities are summarised below.

Some members had attended the Company’s innovation sessions, feedback on this is below in Item 8.

A Forums’ Sub-Group had met with the Company and its PR19 assurance partner (PA Consulting) in London, feedback on this is included below in Item 11.

Members had attended the Company’s customer engagement workshop on 1 September. Members were impressed with the principles of the Company’s valuation approach, but would need to see how the material behind the model was used. They were always cautious of the ‘back box’ approach.

Water Forum programming – this had been a satisfactory day - members will now get notice of activities. Output of this day is in Item 9. The Forums’ Secretary will collate the key things members must achieve at each meeting and add these to the plan (Action Secretary).

MJL said a number of things coming together, e.g. the Dashboard, the Forums Report. One approach could be members leading for a topic area.

Ofwat's aide memoire - MJL had received an apology from Ofwat for lack of aide-memoire on 15 September. Members said they needed this as soon as possible - there could be need for challenge in some areas as they perceived Ofwat's expectations of CCGs seemed to be ramped up.

Members observed that the more expectations Ofwat placed on CCGs, the more the pressure for CCGs to not be made up of voluntary members; this should be taken into account and acknowledged. Members asked for the Board’s view of this. Action for MJL to raise this with the Board.

8. Innovation Update (see also Paper 8)

The Company had provided a paper outlining its recent Innovation Festival.

Nigel Watson (NW) said the Company was continuously on the lookout for ideas. The 2017 Innovation Festival was an experiment – they had a list of problems to solve and had created environments where people could work together in different ways, they carry out the equivalent of six months of investigations in a week. They hadn’t known how it would turn out.

For some things they had used a ‘sprints approach’. Previously, the Company had found that the best results were achieved when these are done off-site and included external people who have different perspectives, e.g. from big companies and small companies. One successful example was working on leakage with someone from the gas industry.

NW said they had set up some data hacks, e.g. one was on the Company asset data – asking participants to look at the data and “tell us something we don’t know” and looking at sewage pumping station data and asking them to “give us information on when individual pumps would fail”.

NW said the Innovation Festival was very successful, and it was planning to do this again – the tentative dates were 9 to 13 July 2018. The Company was developing a list of sprint candidates, these would be made available to members.

Members made the following observations:

- Some members had attended and taken part – they hadn't know what to expect, they had found:
 - the culture was good;
 - the sprints were great in a group where people shared similar interests;
 - the Customer sprint had a really wide range of people who would not normally meet; and
 - it was really engaging and would have liked to attend on more days next time – they thought the people who took part were inspired.
- Members who attended on the Friday found it less engaging – NW said yes, the Company needed to do Friday differently next time.
- They did not leave with a clear view of what would come out of the process - communication and progression of the 34 ideas would be critical; also managing expectations on the ideas that didn't make it would be important.
- Innovation festivals are a good way of changing the behaviour of people – it is a dual action process – members offered to give the Company information on others that they had participated in.
- There have been refreshing changes to university funding – they need to show the impact of their work, they were now listening to LEPs, and other organisations which will be funded for innovation – this should improve research investment over future years and there is a chance to develop some really good relationships.
- Flo needs water, the Company needs a strategy for this.

Members made the following challenges:

- Was there any Essex & Suffolk engagement? NW said the participating organisations were national and international; the Company had also seen a spike in followers. Challenge - company to provide statistics. How will Essex & Suffolk customers benefit out of this? HM said this was a good challenge – the Company did well in engaging its workforce; the leakage sprint is predominantly benefiting Essex & Suffolk - the Company needs to think about this. Challenge – to better involve Essex & Suffolk in the 2018 Innovation Festival.
- With regard to Ofwat's drive for customers' participation and innovative customer partnerships:
 - Did the Company involve customers? NW said that it had involved 28 customers; also it had used Flo to go out to capture more customers; it intended to increase customer participation in 2018.
 - How would this enable the step change in participation? NW said there were some really good ideas coming through on this, Flood Rangers – to help the Company provide further support and better education for customers in areas where sewer flooding is a known problem.
- With regard to the time customers would need to participate - having a crèche, this would help parents with young children.

9. PR19 Business Plan update (see also Paper)

Carol Cairns (CC) updated members on the Company's PR19 progress.

CC said the Company was in a good place with its planning it had recently held a PR19 Executive Leadership Team workshop responding to Forum Challenge for long-term aims and was aiming to come to future meetings with exceptional goals.

Members noted that climate change had the potential to create chaos – which potentially made long-term planning nearly as big as the Abberton project.

CC shared the Company plan with members and presented the programme for release of the plan to the Forums.

Members noted:

- **Timescales** - they had a lot of work do in a short period of time.
- **Induction** - they had spent time judiciously, combining challenge with getting to know the water industry business, the Company and its people.
- **Customer engagement** – they had challenged and advised as they observed and participated in the Company’s customer engagement activities; they were poised to continue with Phase 2 focusing on customers’ relative priorities, service valuations and appetite for Outcome Delivery Incentives (ODIs), before a process of formal triangulation of all insights gathered to date will take place in early 2018.
- **Role of CCGs** – they understood their role as a CCG (notwithstanding Ofwat’s awaited Aide Memoir).
- **Report to Ofwat** - they had their Report structure and plan.
- **Business plan to the Forums** – the Company was ready to start to bring its plan to the 1 November meeting.

Members asked the Company to provide the key elements with papers which give clear expectations of what members were required to do, i.e. how this material and the discussion at the meeting would feed in to their Report to Ofwat;

Members noted that the two Forums had generally been meeting together, they considered whether they should continue or whether they should split and cover over north and south issues separately. They decided they should continue as joint Forums, especially to examine the big items, e.g. customer engagement, and the Company’s approach to long-term sustainability. Also, they had found that working together had given them maximum flexibility.

With regard to the programme, the environment time line should be added; the Company agreed.

10. PR19 outcome delivery incentives (see also presentation slides)

Jim Strange (JS) presented a high level overview of Outcomes Performance Commitments and Incentives. He described how they work, the rules the Company had to follow and suggested the following discussion points:

- the Company was considering setting Performance Commitments and ODIs on a regional basis, i.e. separately on Northumbrian and Essex & Suffolk, was the Forums’ view on this;
- if it was to do this, which measures could be best suited; and
- how far it should apply the regional concept.

Members asked for key financial changes in this price review:

- With regard to Ofwat’s PR19 methodology and Allowance for Returns to Shareholders, Ceri Jones (CJ) said had Ofwat had proposed a move away from the use of long-term data (i.e. a weighted average cost of capital) to a spot rate. CJ said this was more volatile than the current method and could be quite low and Ofwat was currently indicating low returns which was a surprise to investors. Members noted that there was some evidence that previous returns may have been too high. Members and the Company agreed that Ofwat would decide.
- With regard to Outcome Delivery Incentives (ODIs), the Company currently had no incentive to be taken in-period; all were taken by adjustment of the Regulatory Capital Value (RCV) at the end of the period. The new measures would have to be taken in period and in revenue - so that customers have seen the effects of good or bad performance.

Members noted:

- the water bill was already very different north and south; and
- customers in Essex & Suffolk were not interested in how the Company performs in the north.

However members challenged because splitting down ODIs:

- would become incredibly complex – the numbers of ODIs is going up;
- could increase bill volatility;
- could confuse customers;
- tariffs are really complex anyway; and
- it increases the risk that something would go wrong.

Before giving their views on separation, members said they would like to see what comes in from customers on valuation and acceptability. Maybe the operating areas would have different views. Essex customers may feel like a minority - this could support, at the very least, that measures would be monitored separately - especially where the areas could be different - e.g. vulnerability, leakage. Also, members said they would like to see how performance varies across the whole of the Company geography.

The Company agreed to keep its approach as simple as possible, and agreed to more visible granularity in its reporting. It said it would only separate when it is really needed, and its research would be done keeping options open.

11. PR19 Assurance Dashboard (see also Paper)

The Company had supplied members with two papers:

- Notes from PR19 Assurance Workshop with PA Consulting in London; and
- PR19 Assurance Dashboard update.

Members noted that their approach to the Dashboard needed more deliberation and said they wished to take these into their in-camera discussions.

12. Next steps

The next Forums meeting will be held on 1 November 2017. In the interim, customer engagement is ongoing; the Company will notify and invite members as events are set up.

Following the meeting, members broke the meeting to resume in camera. Members held their meeting review in this session. Melanie Laws (MJL) prepared a summary of this review, this is in Appendix 1.