

Minutes of the meeting of the Dee Valley/STW Customer Challenge Group (CCG)

Ramada Hotel, Wrexham

12th April 2018

Members present:

<i>Chair</i>	Clare Evans
<i>CCWater</i>	Philip Marshall
<i>Natural Resources Wales</i>	Moira Reynolds
<i>Independent Member</i>	Paul Roberts
<i>Independent Member</i>	David Oxley

In attendance:

<i>Severn Trent Water (STW)</i>	Heather Thompson (Outcomes Manager) Kay Orsi (PR19 Wales Programme Manager) Ed Eaton (Wales PMO lead) Katherine Harris (PR19 Administrative Assistant) Malcom Horne (Head of Asset Management) Alex McCluckie (DJS Research)
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Apologies for absence:

Cllr Joy Jones (Powys County Council), Cllr Marc Jones (Wrexham County Borough Council), Paul Southall (National Trust), Angela Davies-Jones (CCWater), Lia Moutselou (CCWater), Joe Mault (National Farms Union), Chris Radford (Montgomeryshire Wildlife Trust)

DVW: Shane Anderson, Vanessa Mallinson and Louise Moir.

Item 1: Welcome and review of minutes from the previous meeting:

The Chair welcomed all attendees and all attendees introduced themselves. The CCG members welcomed the packs being sent earlier so there was time for review before the meeting.

Non-disclosure agreements were circulated to CCG members.

The CCG reviewed the minutes of the last meeting held on 13th March 2018.

Review of previous actions:

A review of previous actions took place with amendments, updates and closed actions being taken away by the company.

It was commented that the term 'Included in Pack for Review' was useful for the CCG to be able to direct their comments in order to try and close these actions within the current meeting.

The company explained that the focus of the CCG for the day would be on the wholesale waste water plan and the performance commitment definitions and cost exclusions to be included in the

3rd May 2018 submission to Ofwat. The Performance Commitments which are mandated by Ofwat will not be discussed today.

Item 2: Regulator Updates

DWI

The company fed back to the CCG as there were no updates directly from the DWI. The company attended the DWI meeting whereby the company took the DWI through the details of both the Severn Trent (England plan) and the Welsh plan, which was well received by the DWI. It included ambitions surrounding lead, water quality and was a broad encompassing pack which the Chair had received a copy of.

The meeting between DWI and the company enabled the company to confirm they were taking the steps to complete items which the DWI were not aware were finished and to also make the DWI aware of steps which are not yet complete but are in the plan to ensure do happen.

NRW

No new information from the NRW due to the frequency of CCG meetings.

CCWater

CCWater held a bi-lateral meeting and the Chair of the CCG attended. The Chair commented that this was useful. It was again emphasised how CCWater wants the company to demonstrate the benefit to customers, whether that is in relation to investments or cost adjustments, so even if they are driven by regulation, the customer perspective is really important. The company's long term vision was also discussed and how that is developing. CCWater commented that they had wanted to discuss billing facts and views in relation to customer research with PCs and ODIs at the meeting and were interested to hear the company's thoughts in this CCG meeting on the same themes. CCWater **challenged** the company to explain where external sewer flooding fits in with the Performance Commitments.

Item 3: Waste Wholesale Plan.

The two PCs for focus were highlighted. These are new from the CCG's point of view as there was no waste business previously for Dee Valley. The discussion focused on the context and reasoning behind the PCs.

Item 4: Overview of Performance Commitments.

The key was explained as:

- Green (common) – Ofwat specified
- Blue (bespoke) – Mandatory but Ofwat do not specify how
- Black (company specific) – Discretionary.

It was explained that the purpose of this session is to explain why the company have chosen the discretionary PCs. The company pointed out that all of the PC definitions which would be submitted were in draft at the end of the pack. The document for early data submission (within the annex) was shared with the CCG to show the format which Ofwat are expecting the company to use for submission, but only for bespoke commitments.

The CCG are relying on the NRW to raise any concerns regarding the company's response to the environmental obligations.

The company explained that on page 7 of 22 in the annex it clearly shows that the company will be locked into delivering improvement and that penalties will be occurred if they fail. Also, innovation teams are now challenging what water companies were able to achieve ten years ago and to discover new processes.

The company explained that they had brought a draft pack of cost adjustment claims to the meeting and one is about the NEP which shows the dialogue process where data is shared and challenged with the NRW. This is to ensure the company achieve the maximum environmental impact possible.

A member agreed that the NRW are working well with the company and it is an effective way to see what is needed in the next five years.

Biodiversity was introduced with the company explaining an interesting conversation which had occurred at the stakeholder workshop on Tuesday in regards to feedback on how other companies are measuring biodiversity and whether it can be tied into national indicators or not.

The Chair **challenged** the company to explain why the hectares of land managed by biodiversity should be a cost adjustment for the next AMP as improving biodiversity is not just a five year project. The company responded that it is the start of the journey. The company also explained that the reason it is being discussed as a cost adjustment is due to the Ofwat modelling approach. This is the only thing in the company's waste plan which has any characteristics of being new / different or lumpy. A member acknowledged that this is a very encouraging initiative.

A member asked who would be assuring this project. The company confirmed that they are currently seeking NRW help to find a suitable independent assessor outside of the company. The company explained their three lines of defence policy for assurance and explained that the third line is always independent.

A member **challenged** the company to explain if the amount of SSSI land which is being managed is being asked for as a cost adjustment and extra money if it cannot be measured. The company responded that they are not asking for more money but the company do not think that Ofwat's model will not be enough.

A member **challenged** the fact that there could be a reduction in customer's bills, albeit a small one, if the company did nothing and therefore **challenged** the principle of asking customers to forego an increase for a "good idea" for which measurable outputs are not being presented. The company explained that almost all of the money is about Vyrnwy but they are also looking at partnership schemes elsewhere, which do not cost much money but take a long time to set up. The company explained that ODIs are really helpful for translating what customers want to the person on the ground as it can be hard to link the day to day job to the impact on the environment and customers.

The Chair **challenged** that the company would need to go back and carry out separate ODI research to understand the values and priorities for customers for an enhanced plan.

The company responded that going beyond targets is included in the discussion around performance commitments. The Chair questioned what customers are being asked during the biodiversity research specifically. The company responded that it was specifically about the table on slide 41 which was being discussed in workshops.

The Chair commented that there was there was little awareness that customers will not pay more for better service. There was a discussion led by the Chair that any ODI benefit is a “gamble” depending on whether targets are beaten. CCWater pointed out that this is an outcome of Ofwat’s process and not a company choice and that the methodology drives this. Ofwat would argue that within totex companies can decide where to spend money in relation to customer’s priorities. CCWater supported the **challenge** made by the Chair to be clear with customers if a ‘do more’ option will be refunded through ODIs or through the plan. The company responded that in the investment choices part of the research they are talking about options for the base plan.

There was a discussion around the definition of current performance. The company responded that they mean different things depending upon the measure (e.g. some might be a three year average). The Chair was happy that the company have not chosen the best year to calculate future targets but have looked at a number of previous years. The company also explained that Ofwat will probably not allow any company to have rewards unless they are beyond the upper quartile. CCWater supported this by commenting that every company is improving so you have to guess how well other companies are doing / will do. The company explained that blockages is the only one which is sensibly in the upper quartile but there is no point targeting this as there are so few converting into sewer flooding which is what customers care about. The company would rather focus on getting sewer flooding down.

The company explained that as part of the May Submission they have to give Ofwat an indication of the type of ODI. The company explained each PC and why the possible incentive type has been chosen. In particular, the ‘hectares of land’ PC as it is likely to be penalty and reward, especially if it becomes mandatory in the next NEP. There is merit in the company progressing now if they find things that need improving straight away as it can be included within that cap. Sludge disposal is included as there has to be a sludge measure in every price control even though no sludge is treated in Wales. The treatment works compliance is a penalty only as it is an obligation.

Item 5: May Submission Update

The process for Ofwat’s May submission was explained and the company’s assurance process was outlined. The Chair questioned if the assurance process for the PCs was separate for England and Wales. The company responded that it was separate and that Black and Veatch would be undertaking the third line assurance for the bespoke PCs only as the common ones are mandatory from Ofwat.

CCWater responded to the information on slide 36 by questioning how big an issue low pressure is for the company. The company stated that research shows 10-20% of people had experienced low pressure in the past year but the numbers on the register are much lower. The company added that to go on the register pressure must be below a reference level and maybe customers now expect more. CCWater added that it also depends on individual situations, like London tower blocks having low pressure.

The company are committing to more monitoring to get a better look at what is happening.

The Chair **challenged** the company to explain what the outcome is for the customer education PC, rather than just focusing on input measures.

On the NHH customer satisfaction PC the company explained that they are working closely with Welsh Water. If possible, the company will use the same measure as Welsh Water and consider a

joint survey approach. The company are being mindful of not over surveying customers in their region.

On the Affordability PC, the company acknowledged that they are aware that the CCG are not happy as it is counting customers assisted and not the effectiveness of the assistance. They are considering a second PC on the effectiveness of the support. The CCG were impressed with the company's ambition and response to the challenge.

Item 6: Cost Adjustments

The company signalled five cost adjustments for the May submission as Ofwat's models do not reflect the size and scale of the company.

Discussion was held around the cost adjustments, with detail being given around the rationale for the cost adjustments.

The Chair asked the company if Ofwat will want CCG comments as following the CCG chairs meeting there seemed to be no expectation for anything to be put together. Also, the CCG are waiting for the outputs of the customer research so they can't comment effectively yet. The company asked the CCG if they would be able to comment if they thought the company were on the right path given that the company have shared with the CCG what they have left to complete. The Chair responded that there were outstanding ODI queries which the CCG need to understand.

CCWater suggested that the CCG could outline the role it has played and the discussions so far in terms of what involvement and awareness the CCG has had if Ofwat need a comment. The Chair also suggested that a review of actions could be submitted in the comments box as a way of reporting back.

Item 7: Customer Research Update.

It was explained that in February 2018 the company did a wave of the tracker research which Dee Valley had done previously but this time it included Powys. CCwater joined the company on the phone for the debrief from the research agency. The company pointed out that the tracker is quite a messy questionnaire but it had made minimal changes compared to that started by Dee Valley so that historic comparisons can be made. Feedback was that overall the customers in Powys seemed quite satisfied and have quite high value for money ratings compared to the customers in England. Overall, the Chester customers seem less happy.

The company introduced Alex McCluckie from DJS Research and the CCG introduced themselves to Alex and explained their role in the CCG.

DJS explained that there were three strands which they were working on with the company:

1. Asset Health and resilience research
2. PCs, ODIs and investment choices research
3. Social Tariffs cross subsidy research

Discussion was held by the CCG around the research taking place, how it was being ran and several changes were recommended by the CCG to improve the research taking place which were taken on board by the research company.

AOB.

Packs from the workshop held in Welshpool on lead and catchments were made available for CCG members.

CCG members closed session held.