

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

Ramada Hotel, Wrexham

12<sup>th</sup> June 2018

### Members present:

<i>Chair</i>	Clare Evans
<i>CCWater</i>	Angela Davies-Jones
<i>Natural Resources Wales</i>	Moira Reynolds
<i>Independent Member</i>	Paul Roberts
<i>Independent Member</i>	David Oxley
<i>Wrexham County Borough Council</i>	Cllr Marc Jones

### 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) Julie Ellison (DJS Research) Kristinn Mason (Chief Economist)
---------------------------------	---

### Apologies for absence:

Cllr Joy Jones (Powys County Council), Paul Southall (National Trust), Philip Marshall (CCWater), Lia Moutselou (CCWater), Joe Mault (National Farms Union), Chris Radford (Montgomeryshire Wildlife Trust) Rhianne Jones (CLA)

The company: Shane Anderson, Vanessa Mallinson and Louise Moir.

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

The Chair welcomed all attendees and acknowledged the lateness of the agenda and accompanying papers being circulated by ST, but said she had been informed of the delay. She was aware some members had not had sufficient time to read all of the documentation and urged members to ask for clarification on any points.

### Review of previous actions:

The minutes from the previous meeting were reviewed.

The CCG closed member's session to be appended to the minutes.

The focus and purpose of today was shared.

### **Open action review:**

The Chair has contacted the DWI on behalf of the CCG to see if they have any comments on ST's plan and to advise if they are planning to attend a future meeting. No response has yet been received.

### **Item 2: Regulator Updates**

#### **DWI**

The DWI expressed their interest when invited to attend the meetings over two months ago but have not yet attended. The company confirmed that they have not been sent the pack or circulated material as they are not attending.

The Chair shared that she has been in correspondence with Welsh Government but they had nothing that they wished to raise at the meeting. On 18<sup>th</sup> July there is a meeting between Welsh Government and ST to discuss progress with the PR19 plan.

#### **NRW**

There was no new information from the NRW. They were involved with ongoing NEP work.

#### **CCWater**

Lia Moutselou from CCWater was unable to attend the meeting but had sent some comments to Angela and the Chair that morning which they would try and input in to the meeting discussion as appropriate. CCWater requested time until the end of the week to review the acceptability questionnaire so the policy team can assist. They wish their challenges to be logged.

### **Item 3: Customer research update**

It was explained that the social tariff cross subsidy project results came in late on Friday but the report was confusing so they were not circulated over weekend. The full report will be circulated once signed off. The Asset Health and Resilience research report and the PCs and ODIs research report had been circulated to members and DJS had been invited to the meeting to explain the findings to the CCG.

The company explained that the customer compendium has been updated, it is a work in progress and so the version circulated for this meeting shows the current findings, but is not the final version. It was explained that formally the document cannot use the HD name until 1<sup>st</sup> July, but this had not been changed.

DJS presented the results from the social tariff and cross subsidy research first. CCWater had provided some comments before the fieldwork started which had helped shape the stimulus used in the research.

Discussion was held around results from the research and the reasoning behind some of the results which the CCG questioned. DJS again explained that there was more digging to be done and asked the CCG to let the company know of any specific results they wanted to see.

DJS moved onto the Asset Health and Resilience research. The purpose of this was to ask customers about risk, resilience and some investment decisions and to gauge the level they were prepared to tolerate.

### **Item 4: PC and ODIs research**

This project formed part of the extensive piece by DJS. The research found that the core objectives (outcomes) were in line with what customers thought water companies should be doing. The research was designed to test the customer understanding of proposed PCs, highlight company performance in comparison to others, discuss future PC targets, and understand choices on specific investment decisions and the willingness of customers to have a small amount of their bill linked to company performance (ODIs).

Key findings were shared by DJS. A discussion was held between the CCG and the company on the key findings and if they were representative of the population of Powys.

The Chair questioned if the difference was important for the company when building in the targets for Powys and Wrexham. DJS responded that the bill amounts were comparable as they were a similar percentage of the average bill in both areas.

The Chair asked about the actual projects that will make up the business plan itself and that she had expected to see them at the CCG.

The conclusions and recommendations slide was shared. There needs to be an increased awareness of the merger as Wrexham seem to be more aware than Powys. In general, the outcomes were well received but customers wanted more explanation about thriving communities – should the company be involved in this? All PCs were generally seen as positive by household and non-household customers.

The Chair questioned what the company would do if customers want further investment in the cost adjustment areas. It was noted that the majority accept at least the current proposal. Trust in the water company was discussed - in the tracker they ask customers if they trust the company and get high results. DJS responded that there is a high level of trust with water companies which is unusual compared to other businesses and customers assume that thought has been put into the proposals.

#### **Item 5: Acceptability**

The company explained that they circulated the draft questionnaire but there will be a number of versions to suit all customer bills (Wrexham, Powys dual, Powys single served and household / non household). The intention is to get one working version after CCG input and then to create the rest on the basis of the master version. The company explained that they have already incorporated input from CCWater. The showcards mock-up was also shared. It was a similar text to the PC questionnaire but tweaked for improvements and tested on 10 year olds for language understanding. The company have not shared bill profiles yet as these have not been finalised internally, so example bills are used in the circulated versions. CCWater said they would welcome the opportunity to input further but have not had chance to digest this yet.

The Chair made the comment that the questionnaire included grading people as urban, rural and semi-rural. DJS explained that they would normally target high footfall areas but if the CCG wish to pin point specific places then this could be taken into account. CCG to feedback any other suggestions of locations to target.

The Chair questioned if it may be relevant to get an idea as to whether respondents may have internet connection/use the internet or not. The company explained that they took the question out but it could be added back in. This question was previously included in the WTP research.

### **Internal sewer flooding**

A member questioned the Powys Showcard for internal sewer flooding and it was noted that all targets need checking before fieldwork. DJS commented that in the research some customers believe that pollution is not within company control, however the company reassured the CCG this is not their view or approach.

A member **challenged** the company of the proposed target. The company explained that to get to this number the company needs to do something on repeats for misuse so targeted cleaning and education is needed from year one.

The Chair **challenged** the company to explain how it is possible to gauge acceptability when customers were only presented with one option.

The CCG challenged the company as to why their proposed performance on bursts/interruptions was being maintained, and not improved given that it was such a high priority for customers in research undertaken to date. The company that they are not asking for extra in order to do this.

There was a discussion about weighting research results. DJS confirmed that they applied weighting based on the overall demographics for area using for example Census 2011 data. This is a standard research approach.

### **Item 6: Performance commitment targets**

The PC target setting document which was circulated was discussed as being helpful for the CCG. The company recognised that it contained only 4 PCs, so not all 28, but they had started with the more difficult ones. The aim of the document is to set out how Ofwat see the world, company position, customer research results (the company still need to input the most recent findings) and what is the current basis of the company target.

The company need to add into the table in the document what Ofwat want UQ on and what customers thought was important. This would show how performance for customers mirrors the company response to Ofwat's demands.

The Chair questioned how would the company link how an ODI would be triggered after a baseline target to show whole story. The company should include in the document the rationale for target and then the rationale for incentive rates and design. If customers were not consulted (e.g. on deadbands, caps and collars) this should be clearly stated.

### **Pollution**

NRW **challenged** the company that the proposed target for pollution would be holding actual performance flat and NRW expect to see a lower number. The company questioned how they balance the risk as the numbers are low and there are no clear hotspots.

Discussion was held around why on some measures the company is not targeting UQ as the CCG do not believe this is clear.

The company need to justify where they are not going to UQ in the PC document and need to show that they have considered UQ and the journey to get there but that their plan goes beyond 5 years. The company would rather have a considered plan which is deliverable.

Information to be included in the PC rationale document.

### **Item 7: ODIs.**

The clear rules for how the incentives are applied were shared with the CCG.

It was explained that the company has to be very careful when making use of deadbands and that these are not to be used on a regular basis. There is the Ofwat risk that even if the company and the CCG agree then Ofwat may not agree anyway, if they feel that a company has misunderstood the rules or it's not in customers' interest then Ofwat will overrule it and the company would have no choice. The Chair **challenged** that deadbands were not so wide that they enable the company to continue to perform at the current level and not achieve the % improvement that the target implies.

The Chair commented that the Performance Commitment document was very detailed and gives a good level of information for the CCG. The CCG seemed to think that asymmetrical deadbands may be appropriate in some areas which the company are looking at. It was acknowledged that a range of rewards/penalties are being considered and the company now needs to come back to the CCG to justify why certain incentives types have been chosen.

The company responded that they had been targeted in their approach to the research on ODIs and followed regulatory guidance where relevant. The PC document which was circulated includes a logical response to where the company has not followed the rules in the regulation guidance and overall rationale sections but there will be more work done on this. The CCG suggested the trigger point for ODIs should represent a 'material improvement' for the customer above the stretch target e.g. increasing the kms of river improved by '1' would not be seen as material enough to trigger a reward even though it would reflect an outperformance by the company. **Challenge:** the trigger point for ODIs needs to be a meaningful improvement against the stretch target.

A member asked to see the interface between affordability challenges and high levels of debt. The company responded that there is not enough data to prove the relationship. The company need to be smarter about how to target the customers who won't pay.

The CCG expressed some disappointment that it had not seen the company's proposals for PCs in relation to Vulnerability, Affordability, CMEX and non-household Customer Satisfaction and **challenged** this company on this. KO explained that she was working on this and intended to bring them to the next CCG meeting in July, but that some of these will be set by Ofwat (e.g. CMEX).

### **Item 8: Non-household customers.**

The company has looked at Welsh Water, as well as companies in the retail market, and is currently trying to extract the little comparative information there is to be able to compare between companies.

We are discussing joint research with non-household customers with DCWW. The proposed survey will be circulated as soon as we get it from DCWW. The company are still considering how to set a target. When setting the target the company needs to be aware there is not much historic information to baseline it on.

Ofwat are currently piloting the customer experience PC (CMEX) and the results are due soon.

### **AOB.**

Action: Send an invite for the Monday morning conference call to all CCG members.

Ofwat circulated an extra Board proforma to be submitted. The deadline is 3<sup>rd</sup> September which is same deadline as the CCG report and the company plan. Part of the CCG report needs to go into the proforma.

NDAs have been updated following discussions from previous meeting.

**CCG members closed session held.**