

Minutes of the meeting of the Hafren Dyfrdwy Customer Challenge Group (CCG)

Welshpool

10th July 2018

Members present:

<i>Chair</i>	Clare Evans
<i>CCWater</i>	Angela Davies-Jones
<i>Independent Member</i>	David Oxley
<i>Independent Member</i>	Paul Roberts

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) Heather Richardson (Head of Compliance) Lou Moir (Wales Business Plan Lead) Tony Balance (Director, Strategy and regulation) Kristinn Mason (Chief Economist)
---------------------------------	---

Apologies for absence:

Cllr Joy Jones (Powys County Council), Paul Southall (National Trust), Joe Mault (National Farmers Union), Moira Reynolds (Natural Resources Wales) Chris Radford (Montgomeryshire Wildlife Trust) Lia Moutselou (CCWater) Cllr Marc Jones (Wrexham County Borough Council)

ST: Shane Anderson and Vanessa Mallinson.

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

The Chair welcomed everyone and there were round the table introductions. Apologies were shared. There was no NRW update.

The Chair was kept informed of the delay in circulating the pre-read pack. It was shared that a number of items were expected as a pre read but the Chair appreciated being kept in the loop of progress on these.

Review of previous actions:

A review of the previous minutes took place.

Action Review:

Open actions were reviewed and closed or next steps put in place as required. The purpose and focus for the day was shared.

Item 2: Regulator Updates

DWI

The company included in this meeting's pack the DWI submission letter to confirm that they had no formal qualifying enhancement schemes and the DWI response which was emailed back to thank the company for their letter.

The CCG questioned how the company will be reporting MZC for DVW and HD. The company responded that it would keep reporting until the end of AMP6 split north Wales/ Chester and Powys.

There is a PR19 Forum meeting coming up (18 July). There was no Welsh Government update to share.

CCWater

An update was shared. CCWater received audited data from the company and are aware that the company is issuing an annual performance report this Friday 13th July. There is no industry comparative view at the moment. An company overview was given by CCWater.

The CCG challenged the company to provide an update (via CCWater if necessary but circulated to the wider CCG) to account for the increase in water billing complaints and other issues that had seen the company's relative performance deteriorate significantly.

With regards to the freeze thaw, CCWater are working with the company and Welsh Water to discuss plans to respond to Ofwat. As part of lessons learnt both companies have been asked to respond by September detailing the improvements which consumers can expect in the future.

NRW

No update provided.

Item 3: 2017/18 Performance.

Discussion held around current performance helping to set the scene for PC target setting.

Post meeting note: Following circulation by email this is the comment that was included in the customer facing version of the 17/18 APR.

The CCG were reassured by the additional rigour and assurance that has been carried out to ensure the performance is reported accurately and transparently. They reviewed performance and found both the trend and comparison to the committed levels encouraging, including the way in which the company were able to respond to the UK-wide freeze thaw event in March 2018. The CCG were disappointed with the deterioration in mean zonal compliance but were encouraged to see a marked improvement in the Compliance Risk Index. They recognised that achieving zero failures in 2017 reflected the activity and investment that has taken place, and noted the need for this to be sustained to continue performing at this high level. The CCG also challenged the latest customer service scores (SIM) and whilst the overall score is broadly comparable to the previous year, they have sought more detail and reassurance that an action plan is in place to ensure that service improvements will be made.

Item 4: Draft bill profile for 2020-25.

The company showed the draft bill impact excluding inflation.

The CCG questioned if Powys and Wrexham were shown their own bill profiles in the research. It was confirmed that Wrexham were shown the water one and for Powys it depended on whether the customer was a single or dual bill payer. The Chair expressed concern over outliers (in terms of bills) and the worst served customers. The company explained that the research agency had not been able to create a dynamic survey based on individual bills so they had bill profiles and percentages so if customers did know their own bill then the interviewer could help customers to work out their own bill for a more accurate picture. The CCG wanted to see the bill profiles for the range of people. The company explained that it is not possible to see the impact on individual bills until tariffs are set through the tariff model. This does not happen at this stage in the PR19 process.

The CCG commented that the bill profiles were higher than expected and that they were disappointed by this.

The CCG asked the company to remember that there are a percentage of customers who struggle to pay and who have affordability issues and want to make sure company are recognising this. The CCG **challenged** the company to explain what effect the inability of some struggling to pay customers might have on other customers.

Challenge: The CCG were very surprised and concerned that the draft bill profiles were indicating a relatively significant increase in customer bills when the indications up to that point was that they would be decreasing. The CCG challenged the company to demonstrate to the CCG the breakdown of the bill, in particular the percentage of the bill which relate to the cost adjustment claims. The CCG asked for clear assurance that the Company's statement that customers would not be worse off as a result of the licence change was being maintained as they could not see how this was possible given the draft bill profiles that had been provided. The potential additional cost of ODIs was even more concerning as they would be on top of a much increased bill.

Item 5: Assurance

It was explained to the CCG that the three lines of assurance approach is fully embedded across all regulatory reporting. Black and Veatch will be presenting their findings on the 17/18 annual performance reporting (APR) to the HD Board on Thursday.

The CCG commented that they feel reassured that the company are acting on errors and are hoping the company moves out of the 'prescribed' assurance category.

Item 6: Customer Engagement

The Chair responded that the CCG had received no results yet from the acceptability testing (to be brought to the August meeting) and that they need this before they can comment.

The conference call which was held on Monday 18th June was summarised on slide 34. There were 6 different surveys to target customers in Powys and Wrexham (dual served, water only, waste only, NHH Powys and NHH Wrexham). The research also added in comparative information on the PC showcards. CCWater questioned the wording of the ODI questions following the conference call and asked for the company to circulate the questionnaire. It was noted that CCWater wanted the

company to present everything including inflation but Ofwat wanted it without inflation and so the questionnaire does both.

The 26th July is the proposed finish date for the fieldwork. The 23-26th July is the Royal Welsh Show and the company could consider if attendance here could be useful for acceptability testing. The company said that experience at the Welsh Show last year was that all customers spoken to were Welsh Water customers.

Item 7: PC and ODIs

The company explained that they had added in the rationale for the ODI types and acknowledged some gaps in the PC target setting document as it's an ongoing process. It needs to be made clear where customers were not consulted on their views regarding targets and how the ODI would be applied. The deadbands etc. will be added in once these have been decided on by the company and any full justification for this decision is to be made clear in the document. The customer research compendium will now be updated to reflect changes. By 9th August the CCG will have received all 28 PCs in the rationale document.

Sewer flooding

There was a discussion around sewer flooding. The last 5 years' worth of performance was shared as being between 4 and 8. The company have estimated upper quartile and determined the target. The CCG challenges this in terms of repeats and the company have reassessed the target. There was a discussion about the misuse being difficult to target the customer who caused the blockage. The company can adapt what they learnt through the FOG (fats, oils and greases) programme. A member questioned what would happen if the company could not access one of the properties. There was a discussion about access rights. A member expressed that for every repeat there is the opportunity for learning to avoid future repetition. This target supports that challenge as there is no room for error. The member is content with the target but wants the education point noted.

Lead

The Chair questioned the target relating to 'lead pipes' in the presentation and it was confirmed that the target is based on the number of pipes not the length.

CMEX, DMEX and NHH

No companies will have a target for CMEX and DMEX but the company accept the challenge that a company will only get a reward if they are in the top three companies. The company is taking part in the pilot CMEX survey. The focus is on customer perception of the company as a whole rather than just those who have contacted the company. The company are discussing with Ofwat how to ensure the sample size is big enough without contacting the same customers repeatedly. The next meeting of the Ofwat working group is the 30th July.

CCWater asked about the plans for surveying non-household customers in conjunction with Welsh Water. The company explained that they are considering a combined project with standard questions however there is a need to work through the details in terms of cost sharing. The company will look to map across the CMEX target for non-household customers.

Affordability and vulnerability.

The research has determined what contribution to the social tariff customers find acceptable.

The Chair questioned whether this is applied as a percentage or as a flat amount for each customer. The company confirmed that it is applied as essentially a flat rate.

The company shared the proposed target. There is also an agreement to passport customers who receive their waste from Welsh Water onto their scheme and vice versa.

A member questioned how the company will find all of these customers. The company responded that there is a lot of customer engagement work happening. The new billing system enables the company to use analytics to help them target comms. The company has good relationships with 3rd parties who are important to find customers who need help. The integration process has provided a great opportunity to publicise support offerings. There is now a dedicated team in Wrexham to support customers.

The Priority Services Register now captures different types of vulnerability as mentioned in previous CCG meetings. The Watersure scheme also identifies medical conditions which need attention during supply interruptions and this works closely with improving help for people on the Register.

The Chair questioned how does the company know when the numbers on the PSR are high enough. CCWater supported the cleanse and leaflets for PSR being distributed to customers. The CCG agreed with the approach and just wanted the company to choose a measure which it can be judged against.

Welsh Language.

Welsh language is no longer a cost adjustment claim because costs are lower than first estimated and it now fails Ofwat's materiality trigger. It is now embedded into the main plan.

Supply interruptions

The company acknowledge that they have a long term plan to achieve UQ and explained the basis of the target and the activity and outline costs that will be incurred by making efficiency savings in the base plan.

Leakage

CCWater had information that is not in the public domain that suggests all other companies are going for at least the 15% target. Companies could potentially have a target imposed by Ofwat if they are not happy with what the company proposes. There will be a further review of numbers.

Challenge: Whilst the CCG acknowledged there had been a mixed response to leakage between Wrexham and Powys, and it welcomed the work ST had done on quantifying the challenge for reducing leakage in the HD area, it challenged the company to provide a full justification for its leakage reduction target using customer research data and costs where possible.

Item 8: Cost adjustment update

The company confirmed the cost adjustments that will be put forward.

The company shared a chart to show how the two retired cost adjustments will be incorporated into the plan

Supply resilience

The key drivers were questioned by chair. The company explained that they were 1) necessary to be compliant with Water Supply (Water Quality) Regulations and to a lesser degree the Reservoirs Act and 2) a response to observed underlying trends which suggest increase risk of failure.

The company has based this upon a robust data and engineering review and then forecasting the potential impact different investment levels could have on the new CRI measure. Alongside this there is clear customer support to 'do more'. The CCG suggested that the company provides evidence of the different options/models that had been considered by the company when deciding on its course of action.

Lead

The company are reviewing results of a Severn Trent trial of relining pipes to understand the applicability of both costs and benefits to the Wales region. They are also pursuing partnership options with local councils.

The company are also considering innovative ways of increasing the sample data, by issuing sample kits for customers to take their own lead samples. This was done for discolouration so it could be applied for lead. Although accreditation issues need to be considered.

The CCG questioned how will the company deal with the uncertainty within performance commitments. The CCG questioned how will the company build in protection measures in the ODI to ensure that money is returned to the customer if not used i.e. if the number of schools forecasted to take up the replacement pipes do not do so. This will be discussed in the ODI agenda item on the 15th August.

Biodiversity and well-being

There will be more in next pack on this measure and the company are trying to see what can do in sites in the North Wales area.

Item 9: AOB

August's agenda was discussed.

The CCG asked the company to circulate acceptability results as soon as possible before the meeting.

Chair to have phone call with the company to decide what messages the CCG can close down in private meeting without the company so that August's meeting can be focused on anything to close down.

CCG members closed session held.