

PORTSMOUTH WATER Ltd
CUSTOMER CHALLENGE GROUP (CCG)
MEETING HELD ON THURSDSAY 10 JANUARY 2013

PRESENT: Jane Day (Secretary), Jim Barker(Environment Agency), John Colley (Investment Manager), Cllr Paul Dendle, Arun District Council, Karen Gibbs (Consumer Council for Water), David Guest (Independent Chair), Richard Harris (West Sussex Hospitals Trust), John Havenhand (Consumer Council for Water), Chris Manning (South Downs), Rod Porteous (Engineering Director), Elinor Cordiner (Drinking Water Inspectorate), Ian Rawson (KWS (Defence), Nick Sheeran (Portsmouth Water), Gareth Simmonds (Portsmouth Water), Neville Smith (Portsmouth Water), Andrew Day (Ofwat Observer), Cllr John Conner (Chichester District Council).

Action

Apologies

Apologies were received from Louise Bardsley (Natural England), Hugh Caley (Carillion), Simon Oakley (Chichester District Council), Cllr Victoria Western (Winchester City Council), Jon Stuart (Havant & District Council Review), Amy Atkins (Portsmouth Water), Cllr Evans (Fareham Borough Council)

1. Minutes & Actions of Meeting Held on 2 October 2012

The minutes were approved and taken as a correct record.

The following actions were reported on:

At the last meeting Gareth Simmonds agreed to include Ofwat's methodology for the incentive mechanism to put on a CCG agenda following its publication in December.

Gareth Simmonds confirmed that the methodology would be published early 2013. It will also be included on the next agenda.

Portsmouth Water confirmed they would discuss how to measure the Company's performance in achieving their outcomes and then share ideas with the CCG to decide the best way forward.

Gareth Simmonds reported that this is ongoing and will be discussed further in Item 4.

It was agreed at the last meeting to circulate the Customer Research design material to the sub group for approval.

Nick Sheeran reported that this is now complete.

It was agreed at the last meeting that Nick Sheeran would send a copy of the design report to David Guest and other CCG chairs ahead of the meeting.

Nick Sheeran reported that this had been completed.

At the last meeting Karen Gibbs requested that CCG be notified of the dates and times of the focus group for any members to attend and observe.

Nick Sheeran reported that this has now been completed.

At the last meeting it was recorded that Milo Purcell suggested getting assistance from the CBI and Chambers of Commerce to contact businesses. Nick Sheeran agreed to discuss this with MVA Consultants.

Nick Sheeran replied that this is an ongoing action.

David Guest requested that all future graphs be enlarged to ensure the information is clearly displayed.

It was agreed that this had been done.

At the last meeting David Guest noted that the lack of new housing development is causing a national crisis in under provision. The Company needs to consider the need and supply of new housing. Gareth Simmonds will raise this with Experian.

Gareth Simmonds reported that he has been in contact with Experian and they had contacted local councils and parish councils and the property forecast took account of this research.

2. Overview of process & draft itinerary

Nick Sheeran informed the meeting of the Overview of Process & Draft Itinerary, highlighting major milestones through to 2014. It ties into each meeting the ideas/requirements that need to be addressed to ensure that the CCG forums are informed of progress and how to challenge us.

Jim Barker stated that it is important that relevant reports are produced and actions are included.

Nick Sheeran commented that Portsmouth Water are currently in the process of appointing an External Reporter to ensure that everyone is completely informed and kept up to date with progress.

It was agreed to review the timetable and reissue it.

NJS

3. Governance Procedures

David Guest presented the meeting with the Governance Procedures and the Governance Procedures were accepted by the group.

It was agreed that the draft outcomes would be published on the website to encourage comments/thoughts from customers that will evolve over time.

NJS

4. Outcome Assurance Statements

Gareth Simmonds presented the Outcome Assurance Statements to the CCG and explained that the reasons for the statements are to allow the CCG to challenge them. Gareth stressed that this is a live document and that it will evolve over time.

Karen Gibbs questioned the content but suggested this be discussed in more detail outside the meeting. Members of the CCG to provide comments on the documents to Portsmouth Water.

All

Several alterations were made to the Outcome Assurance Statements. It was agreed that Gareth Simmonds would update and circulate.

GS

5. Leakage

Rod Porteous updated the CCG on the current leakage situation. Portsmouth Water are currently in discussion with Ofwat after an error in the calculation of our reported leakage figure. We are now reviewing our methodology of leakage and how we calculate leakage. In July 2012 we appointed an Independent Consultant who identified a number of issues. We informed Ofwat early October 2012 of our missed leakage target. Rod Porteous stressed that this was a genuine mistake and Portsmouth Water were open and honest with Ofwat and adhering to the recovery process.

The Company has put in place a recovery plan we are working to the cost of which is not borne by our customers but funded by reduced dividends for shareholders, there was no deterioration in their level of service.

Neville Smith commented that this was a serious error. Portsmouth Water are now on target for delivering their leakage action plan and reaching our goals. There is a requirement to spend more money on leakage to rectify the situation.

John Havenhand questioned whether this level of leakage is historic?

Rod Porteous replied that under reporting dates back to a number of years, but Portsmouth Water are currently challenging leakage internally.

6. Customer Research: Results & Update

Nick Sheeran presented to the meeting an overview of the Draft Engagement Strategy highlighting the main points from the qualitative research carried out by MVA consultants, which was presented to the Customer Research Sub Group on 18 December 2012.

It was agreed that Nick Sheeran would update the Draft Engagement Strategy with timelines and reports to reflect the input of work Portsmouth Water are carrying out to the Water Resources Management Plan.

It was agreed that Nick Sheeran would redraft and reissue.

A discussion took place on whether Portsmouth Water's approach to customer research was innovative enough and should additional approaches be considered. The group discussed the importance of maintaining the balance between the approach to research and impact on customer bills.

Nick Sheeran stated that we are now at the quantitative stage and this is very critical. Early feedback from the Customer Research Sub-group is essential.

Nick Sheeran stated that Phase 3 of the research would provide an opportunity to carry out further research.

Karen Gibbs said that Portsmouth Water needed to do more to raise awareness of who we are and what we do (and to distinguish ourselves from Southern Water). Paul Dendle said that we should do more to communicate with and read out to younger people i.e. via Social Media.

Karen Gibbs questioned whether Portsmouth Water could contact other companies, schools, local parties of the Water Resources Management Plan for additional feedback.

Nick Sheeran talked through the next steps of the customer research and stressed that Portsmouth Water are on an extremely tight schedule over the next few months. MVA Consultants are concerned about the tight timescale.

7. Water Resources Management Plan

Gareth Simmonds presented the progress of the Water Resources Management Plan. It was highlighted that Portsmouth Water is forecasting a surplus over the planning period. However Portsmouth Water has the potential to offer bulk supplies to neighbouring Companies as a result of the WRSE work.

Jim Barker noted the engagement the Company has undertaken and welcomed the sharing of the work on plan with the EA. WRMP shareholder group should seek to engage a wider group.

It was also noted that the per capita consumption forecast was falling over the planning period and this met the aspiration set out on the Government Water White Paper.

The group discussed the implications of Portsmouth Water providing a bulk supply and how this may impact customers.

It was commented that Portsmouth Water needed to ensure that all the WRMP Stakeholders gave their views before the document went to consultation. We may have to 'coerce' them.

8. External Reporter

Nick Sheeran reported to the meeting that the Company is currently in the process of tendering for an External Reporter. When appointed, the Auditor will also, independently, assist the Customer Challenge Group in their analysis of information provided by Portsmouth Water in its preparation of a Business Plan.

This should be in place by the end of February 2013.

9. Base Level of Operating Expenditure (OPEX) & Impact on Bills

Nick Sheeran presented the Company's base level of Operating Expenditure and the impact on bills.

John Connor noted that the figures consistently fall under the final determination, could Ofwat reduce the final determination?

Neville Smith agreed that this is a possibility but Ofwat normally base it on operating numbers.

David Guest questioned when was the last time Portsmouth Water had an increase?

Neville Smith replied that it has been some years since there has been an increase, prices are reducing each year. It is important to note that bills won't be stable.

Paul Dendle questioned whether it is because of lower economic activity that bills have not increased.

Nick Sheeran reported that businesses are more focused on water efficiency

David Guest replied that this is a product of marketing – to save water and waste less.

David Guest stated that on the subject of "Financeability" that the CCG should refer to this in their final report to show that it had been considered and discussed.

10. Portsmouth Water's Relative Efficiency

Neville Smith presented the CCG with a report on Portsmouth Water's Relative Efficiency. He explained that Ofwat set water companies an efficiency challenge for both Operating and Capital Expenditure. Incentives to improve are agreed by the CCG.

Neville Smith indicated that Portsmouth Water were at the high end of the league table. Portsmouth Water has to provide evidence that this is still the case.

11. Presentation from the Angling Trust

Mark Owen was invited to present on the Angling Trust – Blueprint for Water.

Action

12. Any Other Business

Nothing to report.

13. Date of Next Meeting

Tuesday 26 March 2013.