

PORTSMOUTH WATER Ltd

CUSTOMER FORUM

MEETING HELD ON FRIDAY 25 MAY 2012

PRESENT: Amy Atkins (Secretary), Jim Barker (Environment Agency), Rachel Crabbe (Natural England), Cllr Paul Dendle (Arun District Council), Karen Gibbs (Consumer Council for Water), David Guest (Independent Chair), Mark Hann (Consultant), Simon Oakley (Chichester District Council), R Porteous (Portsmouth Water), Milo Purcel (Drinking Water Inspectorate), Nick Sheeran (Portsmouth Water), G Simmonds (Portsmouth Water), Neville Smith (Portsmouth Water), Jon Stuart (Havant & District Citizens Advice Bureau), Cllr Victoria Weston (Winchester City Council), Stuart Wedgbury (East Hampshire District Council & Havant Borough Council), David Fisher (East Hampshire District Council & Havant Borough Council)

APOLOGIES: Stuart Wedgbury (East Hampshire District Council & Havant Borough Council) In Part
Cllr Stephen Philpott (Gosport Borough Council)
Traci Baker (Hampshire Chamber of Commerce)

1. Welcome and Introductions

David Guest informed the Members that Ofwat's Customer Engagement Policy requires the formation of Customer Challenge Groups as a Regulatory Forum. He advised that the Forum will be expected to scrutinise Portsmouth Water's 5-year Business Plan prior to its submission and to be satisfied that the Company has effectively engaged with its customers. They will be considering the following:

- Customer concerns
- Business planning and benchmarking
- Security of Supply – safeguarding continuity
- Quality and quantity of supply
- Cost certainty
- Value for money
- Asset risk management and mitigation planning
- Measure of success

The Forum will prepare and submit a Report on their findings and recommendations to Ofwat and include a review of the Company's evidence based assessment of key issues and outcomes.

David Guest confirmed that he envisaged the Forum meeting at least three times a year with the addition of periodic Sub-Group meetings.

Action

2. Setting the Scene

Neville Smith, Managing Director of Portsmouth Water, gave the Forum an Introduction to Portsmouth Water, providing them with a background to the Company and the Business Strategy.

3. Purpose of the Forum

Mark Hann, an Independent Consultant, gave an overview of Ofwats expectations of the Forum and outlined the process and timetable of the price review. Mark Hann advised the Forum to read Ofwats 'Future Price Limits – Statement of Principles'. It was agreed that the Secretary would email this document to the Members of the Forum.

AA

David Guest suggested Members of the Forum should attend regular Ofwat Workshops to have an 'Experience Exchange' learning what other Companies are doing in the Forum Process.

4. Governance of the Forum

Neville Smith advised the Forum that he hoped to have the Customer Research completed this year with the results prepared ready for discussion at the Forum in October. Taking into account the Market Research a Strategy document will need to be produced by the Company in early 2013. The Company will also need to produce its Water Resources Management Plan which will inform the Strategy.

Neville Smith suggested setting up working panels of volunteers within the Forum to discuss issues as they arise and report back to the Forum. The members agreed to this in principal.

David Guest recommended that the Forum needed better Representation from Portsmouth Water's 'large user' customers e.g. Hospitals and the Naval Base. Neville Smith suggested we contact Kelda to represent the Naval Base. Other recommendations from the Forum included representations for;

- Horticulture and Agriculture e.g. West Sussex Growers Association
- Vulnerable Customers – Age Concern
- Portsmouth City Council
- Single Issue Groups
- Individual representatives from Industry
- Federation of Small Businesses
- Southern Water
- South Downs National Park

David Guest requested a list of all those initially invited to join the Forum and he will write again enforcing the need for them to be represented. It was agreed that the Secretary would provide this list.

AA/DG

David Guest informed the Members that he will ask a Havant Borough Council Environmental Portfolio Holder to attend.

DG

Neville Smith commented that as part of the evidence we need to demonstrate that Portsmouth Water tried to obtain the best representation.

Cllr Victoria Weston, of Winchester City Council, recommended that there be a two tier Forum. The first tier being those that need to be represented at the Forums meetings, and the second tier of those we need to engage with and should be included in all correspondence for them to be able to respond / contribute should they wish.

David Guest commented on the Ofwat Workshop he attended with the other Customer Forum Chairs. He was impressed with how well informed Anna Bradley, the Chair of the Southern Water's Customer Forum was and how it would be beneficial for all the Chair's to meet. It was agreed that the Secretary and Chair would try and arrange this. David Guest provided the Secretary with a list of the Chairs that attended the Ofwat Workshop as a starting point.

AA/DG

4. Governance of the Forum Cont'd

Nick Sheeran, Finance and Regulation Director of Portsmouth Water, suggested submitting an Interim Report to Ofwat to ensure we have understood their guidance ahead of the final submission. Mark Hann commented that Ofwat did not want to specifically be involved in the Customer Challenge Groups. Neville Smith recommended that Ofwat be invited to all future Customer Forum meetings, in particular the one which will discuss Strategy to allow them to monitor the Forums progress and to avoid surprises. It was agreed that Ofwat should be invited in the hope they may attend one or two. The Secretary is to ensure they are included.

AA

Milo Purcel, the Deputy Chief Inspector of the Drinking Water Inspectorate, advised that an Independent Engineering Auditor may be beneficial to invite when technical issues arise and the Forum needs an independent view. Neville Smith recommended an Engineering auditor that had previously been used by the Company.

NS

Milo Purcel raised concern that ultimately the Competition Commission may require a copy of the Forums final Report to Ofwat and therefore the report will need to be well evidenced. If that was the case by having an Independent Auditor the Forum could demonstrate that it had taken the best advice and the Auditor would also be able to give evidence if required at any subsequent hearing.

Stuart Wedgbury, Environmental Health Joint Service Manager of East Hampshire District Council & Havant Borough Council left The Meeting

5. Outcomes

Gareth Simmonds, Regulation Manager of Portsmouth Water, presented on the Company's suggested outcomes for their Business Plan which the Forum will ultimately have to agree.

GS

The presentation covered the influences on the outcomes, the strategy to achieve the outcomes and the outputs that need to be achieved in order to deliver the outcomes.

The Forum is required to agree the outcomes and then decide how they are to be monitored and delivered. Gareth Simmonds advised that the Forum will need to appoint Team Leaders to form Sub Groups owning each of the outcomes.

The draft outcomes were discussed by the Forum with the following initial suggestions:

Dr Rachel Crabbe, Senior Adviser at Natural England, commented that the Environmental outcome is worded more like a strategy and suggested words like; high quality environment that supports biodiversity, public amenities and recreation;

Cllr Victoria Weston advised that the outcome 'Safe secure and reliable supply of drinking water' should include the wording 'Over the longer term' to reassure customers during population growth;

Milo Purcel noted that there should be an outcome demonstrating the Company's role within the Community, support of future growth, development and intergeneration;

Karen Gibbs of the Consumer Council for Water, requested the outcome 'delighted customers' be expanded upon e.g. 'Customers delighted with the service, quality and value for money';

David Fisher, of East Hampshire District Council & Havant Borough Council, envisaged energy costs being a big factor for Portsmouth Water and a key output should be to drive energy costs down to achieve the businesses outcomes. Neville Smith agreed and commented that the Company has a Carbon Reduction Strategy.

5. Outcomes Cont'd

Gareth Simmonds asked if there were any influences to the outcomes that had been missed and the following suggestions were made:

Simon Oakley of Chichester District Council commented on the supply demands of surrounding water companies and it was agreed that Water Resources in the South East (WRSE) should be included as an influence;

Milo Purcel suggested Climate Change and reduced rainfall could impact largely on the Company's outcomes. David Guest noted that this would be included in a Risk Register to be agreed by the Forum;

David Guest suggested the Company provide more detail on their outcomes, taking into account the comments raised and circulate ahead of the next meeting.

GS/AA

6. Customer Research

Nick Sheeran presented to the Forum on the objectives of the Customer Research and how it will be conducted. He informed the Forum that MVA Consultancy was the Company's preferred supplier to conduct the Customer Research. However, MVA would not be appointed until the Forum was satisfied with their approach. The Research would be completed using both online surveys and face to face methods.

Milo Purcel asked if the Company's previous Customer Research could be used as part of the process. Nick Sheeran considered the information may be out of date as there have been a number of factors that could influence the customers answers; e.g. recession and drought.

Milo Purcel commented that he was disappointed with the lack of innovation on the part of the consultants. He was expecting them to suggest research methods using Twitter, social media, utilising the visitors we have to our site and school children. The Customer Research needs to be more in depth than in previous price reviews, better evidence is needed that the Company has engaged customers. Neville Smith noted this and confirmed the Company would consider his suggestions although has slight reservations about the Company using social media due to the way the Company has to deal with customer contacts / complaints.

Karen Gibbs was concerned that an online survey would rule out a large number of customers. Nick Sheeran noted concern and confirmed that supplementary surveys would be carried out to cover this concern.

Victoria Weston raised the issue that sampling only 500 customers would not be sufficient. Gareth Simmonds reassured the Forum that in previous price reviews Ofwat only required a sample of 250 and that 500 would be statistically significant.

Nick Sheeran asked for volunteers to form the Sub Group to deal with the Customer Research. It was agreed that an email would be sent to all Members of the Forum with a list of each of the Sub Groups for Members to volunteer for the Group where their expertises will be best utilised.

NJS/AA

Karen Gibbs volunteered for the Customer Research Sub Group commenting that the Forum needs to ask the right questions to get quality results. Paul Dendle also volunteered to be part of this sub group.

7. Any Other Business

David Fisher advised that the Customer Research should include geographic information which could prove useful.

Jim Barker, Water Planning Manager at the Environment Agency, commented that the Water Resources Management Plan includes a lot of Risk issues that should be discussed at the Forum and put on their Risk Register.

Milo Purcel raised the issue of confidentiality when discussing Company sensitive

information. It was agreed that Neville Smith would decide how he would want the Company's information managed, include it on the Terms of Reference and circulate ahead of the next meeting to be adopted.

Action

NS/AA

8. Date of Next Meeting

3 July 2012 9.30 am To Be Held at Portsmouth Water's Head Office, Havant

9. Date of Future Meeting

25 October 2012

NS