

**PORTSMOUTH WATER Ltd  
CUSTOMER CHALLENGE GROUP (CCG)  
MEETING HELD ON TUESDAY 9 MAY 2017**

**PRESENT:** Charles Burns (Federation of Small Businesses), Caroline Brook (Winchester City Council), Karen Gibbs (CCWater), John Hall (John Hall Consulting), David Howarth (Environment Agency), Lakh Jemmett (Chairman), Douglas Kite (Natural England), Simon Oakley (Chichester District Council), Ingrid Strawson (CCWater), Paul Barfoot, Tamara Breach, Steve Morley, Helen Orton, and Neville Smith (all Portsmouth Water)

**ACTIONS**

**Apologies:**

Piers Bateman (Gosport Borough Council), Doug Hunt (WS Atkins), Jon Stuart (Havant & District CAB)

1. The members of the CCG held a closed private session prior to the start of the meeting.

2. **Minutes & Actions of Meeting Held on 18 October 2016**

LJ reviewed the Actions from the last set of Minutes:

SM presented to the meeting a breakdown of customer complaints. He summarised that PWL have a good success rate satisfying the customers at the first attempt. PAB further explained that we phone all customers who have written in to complain prior to the written response. LJ asked how lessons are learnt from the feedback/complaints received. PAB explained that PWL have a complaints panel who review all complaints once a month whereby they analysis process, people and policy for lessons learnt. LJ asked if anything from these review meetings could be shared with the CCG, he would like to see how the Company is learning and evolving from the feedback/complaints. SM offered for this to be explained in more detail at the next meeting of the CCG. LJ advised he would like to see something prior to the next meeting.

**SM**

JH asked how the categories of complaints are broken down. SM advised this breakdown is supplied to CC Water but it would depend how the CCG wish it to be displayed but it is possible to put a paper together for them to view. CBurn said it would be good to analysis whether there is a typical group that goes through to unresolved each time. He also asked what the Company were not learning from the review process as there was a huge jump in the complaints logged. SM reiterated that a new Works Management System has been installed over the last year which took staff away from their day jobs whilst training and that the prior year, 2015/16, was a low comparison year due to the fact the Company did not carry out many mains renewals and therefore interaction with customers was lower. SM offered to provide quarterly data to the CCG.

**SM**

SM and LJ have discussed the tariff setting process 2017/18 at a meeting prior to this CCG where it was explained why different customers' bills moved at different rates. LJ confirmed he would like SM to provide a paper for the meeting to review.

**SM**

HMGO addressed the meeting to highlight what Ofwat and government ministers are currently flagging:

1. Affordability – Low growth in the economy, low salary increases etc. Trying to look to put pressure on other quarters to provide a solution to relieve household expenditure. Johnson Cox and Ministers have indicated that billing levels should be retained at the current level or reduced at the next price review. Vulnerable groups remain high on the agenda.
2. Resilience – Government expectations is that water supply should become more resilient to droughts. SO asked if Southern Water

requesting a higher abstraction will provide a wider challenge? What would PWL role be? SM advised we have the capacity in our resources which other water companies do not.

3. Customer Engagement – Ofwat had challenged the industry to improve its customer engagement to ensure trust is developed

### 3. ODIs 2016/17

SM advised the meeting the PWL ODI figures are currently being audited but he did not foresee any significant amendments being made prior to the figures being presented to the Board.

PWL achieved 11 out of the 13 targets

SO asked if the survey of developers is carried out per developer or per site? SM confirmed per developer and we survey larger developers as well as smaller one property developers. The satisfaction survey covers a wide area including first point of enquiry, pricing and workmanship, SM further commented we have good relationships with all our developers.

JH asked with regard to reducing the capita consumption, do PWL know how they compare to other water companies? SM advised that compared to South East we are slightly higher. Southern Water run a metering program and their consumption has reduced. SM recommended the Discover Water website to compare company performances.

DK stated that PWL are 5% above the UK average and 20% above best practice in Europe regarding consumption. SM advised that typically European consumption is all measured and of course the socio-economic situation is different. NS commented that the PCC has reduced over the last ten years ago when it was approximately 165 l/h/d.

SM then went into detail regarding the two failed ODIs:

Leakage: SM presented a graph to the meeting showing a high leakage start at the beginning of the regulatory year on top of recovering from the late winter of 2015/16. This has been driven down quickly and held over the Summer. Because of the increasing trend in early Autumn. PWL provided more resources but did not yet achieve required results. It is believed this relates to a long dry period throughout the Summer and Autumn. The increased ground movements impact on infrastructure. The cold weather period also brought the highest number of bursts in January which compounded the already high result. Other companies have experienced similar issues. NS advised the meeting that this is a similar situation to that in 2005 and is typical of one winter in 5, 2009 being the last high leakage. SO asked whether the cast iron infrastructure is vulnerable? NS commented that it is more to do with the movement in the clay soil. NS went on to comment that the mains renewals are planned around infrastructure that was put in place in the early 1900s. DH commented that the number of visible leaks do not add to the high leakage figure and asked whether the leakage detection is linked to achieving a better SIM score with regard to visible leaks repaired v invisible leaks. NS answered visible leaks are repaired quickly because they are the first to be reported but did not feel this was related to the SIM score, invisible leaks are harder to find and take time to pinpoint.

LJ asked what the long term plan was for the Company. The Company would provide an Action Plan.

JH commented that obviously the infrastructure is getting older each year and therefore the risk greater. SM commented that some of the older infrastructure is actually more robust.

CBurn asked how much closer PWL are to achieving the leakage target. SM noted it is still above target. NS commented that contractors are out identifying

SM

leaks overnight consistently. LJ asked if this is best practice. NS replied that it was.

SM

LJ asked if the CCG could receive a breakdown of leaks detected above/below ground.

SO asked does the Company reduce pressure to manage the scale of loss? SM confirmed we do, but this would never drop below the minimum standard.

**Note: LJ requested the slides used in presentation to be circulated**

SM/TB

SM went on to give details regarding the second ODI that was missed, Water Quality Contacts. He commented that this is mainly due to the figures being used calculated from 2013 when we had a different methodology/system for recording complaints. As discussed at prior meetings, all contacts into the Water Quality Department are now recorded. The industry average for water quality contacts is three times that received at PWL.

LJ asked what actions the Company had in place. SM advised PWL are ensuring Distribution have a better working knowledge, we are talking to other companies and the teams are working hard to drive down the contacts.

HMGO advised the trend is decreasing. We are also managing how we carry out certain works, eg, valving, to ensure not too much air is being put into the network.

LJ requested a set of Actions with a timeline.

SM

#### 4.0 **CUSTOMER ENGAGEMENT PROGRAMME**

##### 4.1 **Customer Engagement Update**

SM presented slides to the meeting reminding the attendees of the strategy discussed at the last CCG. The CAP is now up and running.

LJ commented he would like to understand in more detail what engagement PWL are having with customers, what PWL are learning from the focus groups and how this will be captured in the business plan.

SM

KG commented that she thinks it is important that the CCG understand what PWL are discussing with their customers so that they can provide feedback. This was agreed by the meeting.

KG asked if a more detailed timetable could be produced. SM agreed.

SM

LJ suggested there should be a greater frequency of meetings leading up to the next Business Plan (September 2018).

##### 4.2 **Ofwat Tapped In**

SM updated the meeting advising both himself and NS had recently attended a seminar with Ofwat. It was very clear that Ofwat have high expectations as to what the Company will be able to achieve. They recognised that we have good engagement but could still do more. The key points are as follows:

- From passive customer to active participant
- Working with customers to “co-imagine” and “co-create” the future
- All customers are different and need to be communicated and engaged with in different ways
- Go to where the customer is
- Learn from other sectors
- Learn from experiments
- Insight rather than qualitative data
- Use employees to highlight customer issues

These were then discussed within the group and how PWL can interpret each point.

IS asked if our customer base had been segmented and whether we were engaged with any other discussion groups at other companies? HMGO commented that at present there was no incentive to do this and it would be unhelpful to have an industry standard as each company represents their own customer. LJ commented that Ofwat are expecting common metrics but are not prescriptive about segmentation of customers but do want some measures that are consistent across companies, eg vulnerability separated from willingness to pay.

SM advised that the Company are working hard to identify what customers should be classed as “vulnerable”. HMGO advised the meeting that PWL have recruited a permanent member of staff who proactively visits organisations dealing with vulnerable people.

SM went on to discuss that PWL can learn from other sectors how best to communicate with customers. It is not all about getting data, but about getting into the mindset of customers. PWL have 250 employees that all have interaction with customers as well as being customer themselves.

IS asked if a structured questionnaire is used? HMGO advised that our water quality samplers that visit customers everyday do now have a structured questionnaire regarding hard water due to this issue being raised by the recent CAP. Although hardness was flagged as quite a big issue, when asked if PWL should soften the water, over 90% said no.

HMGO advised that we have an open view about using employees to garner feedback. IS commented that she thought this was a great idea to receive feedback direct from customers and it would be good if the results could be presented to the CCG

SM

NS noted that Ofwat want a culture of engagement with customers and if this cannot be demonstrated then the industry will have to change. We need to know what drives the customer and they will be expecting a plan to be based on engagement.

## 4.2 CUSTOMER ADVISORY PANEL

SM reminded the meeting why the CAP had been set up and that they panel were made up of metered/unmetered, rural/urban, different affordability demographics etc. He advised that to date two sessions had been held with a third due at the end of June.

The first meeting was almost a blank sheet scenario whereby the panel were asked what they thought of the service provided by PWL. There were not really any surprises in the results, answers included they appreciated the reliability and would like softer water. Leakage was not perceived to be an issue. Regarding levels of service, they were reasonably satisfied. It was mentioned that PWL could use webchats and online billing as per other sectors. The issue of hard water was raised.

SM went out to give a presentation outlining further discussion topics including they were happier to receive a fixed bill unmeasured rather than an uncertain bill that had been measured, even if that meant the fixed bill was slightly higher. We need to establish how we can remove the uncertainty of bill variability to encourage more customers to switch to a meter

During the second session hard water was explored in more detail to understand what the issues customers are experiencing with hard water.

KG asked why the Company went with hard water to focus on in the second session. SM commented that this was the issue that was most vocalised and was also reinforced from the Accent survey although we typically do not receive contacts regarding hard water.

KG asked if the CCG members had been invited to observe the CAP groups? HMGO commented that it was deliberate that the CCG were not invited to observe. The idea is to keep as many outsiders away as possible to ensure the panel feel they can talk freely about any issues they raise.

SO asked of the issue about water hardness was raised spontaneously or planted after the Accent survey results? SM confirmed this was spontaneous.

SM also advised that a blind tasting experiment was conducted using controlled samples that had all been stored in the same conditions to compare hard water and soft water. The first part of the experiment was the blind taste testing, the results of which showed that only 4 out of 20 preferred the taste of the soft water. This was followed by an explanation from a retired Water Quality Manager detailing what would need to be done to the water supply to soften it and how much this would cost (£15 per annum on each bill). There was a strong challenge from the panel straight away about the change to the raw nature of the water, not about the cost which they thought was reasonable.

CBrook asked if "a little bit" of the hardness could be removed? SM commented that PWL would have to investigate further whether this was possible and would still probably equate to more abstraction from the River Itchen.

IS commented that £15 was cheaper than installing an individual water softener hence why they probably did not object to the price. IS asked what issues were raised with regard to the hardness levels – cleaning shower screens? SM confirmed that yes they raised this but were not unduly concerned by it.

HMGO commented that the results coming out of the focus groups and survey are very interesting. If the Company has to put a business case forward for water softening, it does not triangulate with complaints and contacts received. To tackle water hardness would require a lot of work and a large amount of investment but agreed that maybe more work could be carried out by the Engineering Department to investigate whether the water could be softened.

KG commented that uninformed customers will have a different view to informed customers and therefore PWL should use this research to ensure our customers are better informed.

LJ added his agreement and that he was surprised that the results showed our customers did not have an awareness about our environmental projects which would help our brand if they knew. HMGO commented that the challenge is how to put this information to the customer, we already know that a newsletter with the bills does not work.

CBrook commented that she thought the Discover Water Festival held at Staunton was great success and suggested more of the same plus blind tasting tests.

SM advised the meeting that the next CAP meeting due to be held in June will explore resilience and maybe leakage.

KG asked who determines the agenda for the CAP meetings. SM advised the information comes from the Community Research. NS commented that future agendas can be shared with the CCG. The group agreed they would like to be kept informed and have an input into the Agenda as at the moment they felt passive. This was agreed. HMGO further commented that PWL are very happy to share the results of the CAP meetings with the CCG but required time to put the results in to context.

## **5. Water Resources Management Plan**

SM presented the meeting with the key points were of the WRMP. A main consideration being whether we have enough water for ourselves for the next 25 years and a bulk supply to Southern Water in the Hampshire area.

SO asked what level of increased capacity are PWL capable of regarding development. SM advised that we are using data from January 2017 and therefore confident the most up to date information was provided.

SO commented further that not all councils had local plans therefore there could be uplift in development. SM replied that our figures are based on 2,500 new connections per year but aware this could uplift to 3,500 a year. PWL are very aware that uplift can happen and test accordingly.

LJ asked if Southern Water have a growth forecast planned? SM replied they do the same plan at the same time.

NS advised the meeting that all six companies in the South East all carry out modelling and know what their supply and deficit is.

SO commented that customers would need reassurance that any bulk supply would not be at a cost to them.

NS advised we would consult customers to ensure they were prepared to take a higher risk to provide bulk supply but which could lead to a reduction in their bill.

CBurn commented that although PWL do not need Havant Thicket, Southern Water do, so would PWL have to fund the project if it went ahead. NS advised PWL would not fund it alone.

### **5.1 Water Industry National Environment Programme**

SM advised the meeting that all current available supplies will not be reduced for environmental reasons in the medium term. If there is a sign of an increase to meet bulk supply to Southern Water PWL would need to demonstrate there is no impact on deterioration of the environment.

### **5.2 Metering Policy**

The current metering policy was discussed. SM advised the meeting that although PWL would like to introduce metering we are unable to do so as we do not meet the criteria of water stressed.

NS advised the meeting that PWL proposed to Ofwat that the South East Region be declared to have water scarcity and therefore compulsory metering could be adopted, although Ofwat were receptive, Defra have advised that it would not be possible to achieve in the time frame.

PWL are now looking at different methods to encourage metering including metering whole streets, use of technology alongside a meter to demonstrate if there is continuous water consumption or a leak. PWL have also considered metering at point of change of occupier but feel this may generate complaints as we already receive complaints when a family moves into a property that has a meter from an unmetered property.

## **6. Government Strategic Policy Statement to Ofwat**

NS presented the guidance from Defra to Ofwat to the meeting. The guidance is very clear regarding resilience and protecting the customer.

NS also advised that Household Retail had been deferred until the next parliament, which at the time of the statement was anticipated to be in 2020 but is now unknown due to the dissolution of parliament.

NS advised the meeting that Blueprint for Water have produced a document which sets out what the expectation of water companies is and the CCG are being requested to comment. If members of the CCG have not received a copy direct a copy will be given out at the end of the meeting.

SO asked who Blueprint for Water were. NS advised they are a group of charitable and environmental organisations.

DH addressed the meeting regarding the Defra Statement of Obligations. He advised that Defra are not now producing this and therefore the EA along with Natural England have produced expectations regarding WISER. It was agreed that DH would do a short presentation at the next meeting.

DH

## **7. NHH Retail Market**

PAB reminded the meeting the background to the NHH retail market. He confirmed that when the market opened on 1 April 2017 5% of customers are eligible and now have a different retailer. 114 customers have so far switched from Castle to an alternative retailer.

DH asked if there is a GSS failure who pays. PAB confirmed the retailer pays their customer and then claims it back from us (the wholesaler) unless they themselves are at fault.

CBurns commented that he felt the system did not recognise domestic users on business premises not using the supply for business purposes. PAB explained if a property is classed as business use then they would have been switched to a retailer. It went further to explain that the water use was irrelevant, this was legislation put in place by the Government and not the water companies. HMGO advised that PWL as a supply only company were able to work with Southern Water to compare data as a double check that only qualifying business premises were transferred. There may be opportunities for a mixed use dwelling to return to be a domestic customer.

SO asked who would adjudicate on any financial dispute between retailers and wholesalers? PAB advised that all bad debt risk is held by the retailer. The retailer has to pay the wholesaler regardless of whether they have received payment from their customer.

SO further asked what degree have costs been increased by retailers? PAB commented that the market was justified on the premise that customer would have lower bills.

PAB further advised that unless customers chose a different tariff they would be placed on the default tariff that was set using the monopoly companies tariff.

## **8. Any other Business**

HMGO to present cost of debt at next meeting to cover bad debt and the levels and management of bad debt.

HMGO

## **9. Date of Next Meeting – Tuesday 27 June 2017**

LJ requested a telephone conference to discuss key milestones prior to the next meeting.

TB