

PORTSMOUTH WATER Ltd

CUSTOMER FORUM

MEETING HELD ON TUESDAY 3 JULY 2012

PRESENT: Amy Atkins (Secretary), Louise Bardsley (Natural England), Jim Barker (Environment Agency), Hugh Caley (Carillion Plc), Cllr Paul Dendle (Arun District Council), Karen Gibbs (Consumer Council for Water) In Part, David Guest (Independent Chair), Richard Harris (NHS), John Havenhand (Consumer Council for Water), Simon Oakley (Chichester District Council), R Porteous (Portsmouth Water), Milo Purcell (Drinking Water Inspectorate), Ian Rawson (KWS Defence), Nick Sheeran (Portsmouth Water), G Simmonds (Portsmouth Water), Neville Smith (Portsmouth Water), Jon Stuart (Havant & District Citizens Advice Bureau) In Part, Cllr Victoria Weston (Winchester City Council)

Action

1. Apologies

Apologies were received from David Bland (Consumer Council for Water), David Collins (Havant Borough Council), Rachel Crabbe (Natural England), Andrew Day (Ofwat), Mark Hann (Consultant), Cllr Stephen Philpott (Gosport Borough Council), Stuart Wedgbury (East Hampshire District Council & Havant Borough Council)

2. Minutes & Actions of Meeting Held on 25 May 2012

The minutes were approved.

Gareth Simmonds advised that new members had been invited and subsequently joined the Group following an action from last times meeting as follows;

- Hugh Caley (Carillion)
- Richard Harris (West Sussex Hospitals)
- Ian Rawson (KW Defence)

These Members represent the Company's Large Commercial Customers, Hospitals and the Naval Base.

Jon Stuart confirmed that as well as representing the CAB he could also represent Charities and Vulnerable Customers.

Louise Bardsley requested the National Farmworkers Union be invited to the Forum and Neville Smith confirmed we could find a contact from our work on Catchment Management.

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Gareth Simmonds confirmed that other Groups had been contacted and we are waiting for a response.

3. Outcomes

Gareth Simmonds outlined the updated proposed Outcomes to reflect the suggestions made by Members of the Customer Forum at their meeting held on 25 May 2012.

The revised outcomes are set out below;

- A safe secure and reliable supply of drinking water over the long term.
- Customers that are delighted with service, water quality and value for money they receive from Portsmouth Water.
- To provide value for money by continuing to strive for efficiencies, a goal being to deliver a stable bill profile.

- To promote a high quality environment that supports biodiversity, public amenities and recreation.
- Portsmouth water will support the community they serve by taking opportunities to support growth and development.
- Portsmouth Water will continue to be attractive to investors and provide a long term financially sustainable business.
- To promote a culture of health and safety through all our activities.

Gareth Simmonds confirmed that these would not be the final outcomes as they would be influenced by the Customer Research.

The Forum discussed the Outcomes and proposed that the first outcome should include a sustainable supply of water.

4. Customer Research

Nick Sheeran updated the Members on the progress of the Customer Research.

Portsmouth Water had requested volunteers from the Forum to join a Market Research Sub-Group and Nick Sheeran confirmed the Members as follows;

- Amy Atkins (Secretary)
- Rachel Crabbe (Natural England)
- Cllr Paul Dendle (Arun District Council)
- Karen Gibbs (Consumer Council for Water)
- John Havenhand (Consumer Council for Water)
- Nick Sheeran (Portsmouth Water)
- Victoria Weston (Winchester City Council)

The Market Research Sub-Group held their first meeting on 27 June 2012 and discussed the following;

- Objectives of the Research
- Discussion on MVA's Proposal
- Consideration of Previous Research
- Innovation in the Research

Portsmouth Water held a meeting with MVA on 29 June 2012 regarding their proposal and discussed the points raised at the meeting of the Sub-Group.

MVA are preparing a revised proposal by 6 July 2012 for the Company to consider. Once this has been received another meeting of the Sub-Group will be arranged.

Jon Stuart of the Citizens Advice Bureau also expressed that he would like to join the Sub-Group to represent Vulnerable Customers.

Nick Sheeran agreed to the two new Members and confirmed that the invitation remains open to anyone who would still like to join.

Milo Purcell advised that stated preference techniques are extremely valuable and should be included. The Forum also needs assurance that;

- there is sufficient expertise in the Sub-Group to carry out the Qualitative Research;
- that there will be language testing in the Quantitative Research;
- and that the Willingness to Pay work being carried out is technically sound, this may require the expertise of an Independent Reviewer

David Guest asked when would be the appropriate time to involve an Independent Reviewer.

Milo Purcell felt that the Forum needed to flesh out the details of the willingness to

pay before involving an Independent Reviewer.

John Havenhand agreed it would be beneficial to have guidance on reliability of technical issues, presumed questions and interviewer bias by an Independent Reviewer.

John Havenhand also commented that willingness and preference are two different things and can produce different results.

Ian Rawson suggested the qualitative research tease out customer issues and which are then dealt with in the quantitative research.

Paul Dendle raised concern over the introduction of Social Tariffs within the Willingness to Pay work and whether the majority of customers will want to subsidise the undeserving poor.

Milo Purcell recommended MVA be asked to analyse and present a comparison of customers priorities in qualitative work to be included in the quantitative work.

Nick Sheeran confirmed that this research is critical to the Business Plan and the points raised will be discussed at the next Sub-Group meeting and put to MVA.

5. Updated Terms of Reference

Neville Smith circulated an updated Terms of Reference prior to the meeting to include wording on confidentiality. Neville Smith asked the Forum that by agreeing to the minutes they will also be agreeing to the confidentiality and Terms of Reference.

Neville Smith also advised that since the circulation of the revised Terms of Reference Ofwat had confirmed that they would like to be removed from the Membership within the Terms of Reference and that a final revision will be sent with the minutes.

NS/AA

6. Water Resources Management Plan

Gareth Simmonds gave an overview of the Water Resources Management Plan outlining key issues of the statutory process and the progress made to date in preparing the next Plan. A copy of the presentation is attached to these minutes.

Simon Oakley questioned how Portsmouth Water were forecasting the population and housing growth and Gareth Simmonds advised that a joint project between all the water companies in the South East is being conducted to develop a consistent property population forecast. This is being undertaken by Experian and will be inline with the best practice guidance published by the Environment Agency.

Gareth Simmonds confirmed that through the Water Resources in the South East Project Portsmouth Water are exploring options to share supplies with neighboring companies.

There was a discussion on the current environmental studies being undertaken to determine the impact of Portsmouth Waters abstraction on the environment.

Gareth Simmonds noted that there was a Stakeholder Group for Water Resources Management Planning and it was agreed that this Group would continue running parallel to the Customer Forum with outcomes of the Group being brought and discussed at the Customer Forum.

As Water Resources Management Planning will be a key issue for Portsmouth Water this will be a standing agenda item.

7. Capital Maintenance Planning

Rod Porteous presented an overview of how Portsmouth Water manage their

assets and decide when replacement is appropriate.

Rod Porteous noted that the Company is proposing to engage a Consulting Engineer to provide an independent view on the detailed technical aspects of Capital Maintenance Planning. It is hoped that this report can give confidence to the Forum on the appropriateness of Portsmouth Waters approach.

The Company highlighted the challenges it faced in justifying an appropriate level of expenditure to maintain assets in a stable condition. The challenges included the cyclical nature of capital maintenance expenditure and limited historical asset performance data.

Milo Purcell noted that with water supply assets, failure must be prevented and it was the responsibility of the Board to decide how risk averse it needs to be to achieve this.

Milo Purcell again noted Ofwat place a lot emphasis on providing evidence to support Business Plans. The Forum will need to come to a view if the Company's approach to risk is appropriate. It is important that the Company uses the Strategic Direction Statement to illustrate the long term view of managing the Company's assets, so the 5 year plan can be seen in this context.

Louise Bardsley noted that the Customer Research should seek to clarify the cost risk balance Customers are willing to accept.

Paul Dendle raised a concern that Portsmouth Water were trying to satisfy Ofwat rather than the Customer.

Neville Smith noted that Ofwat have a duty to protect the customer ensuring that the Company maintained a good service but at a price that is not more than it needs to be. To achieve this they need evidence, but agreed the Company should seek to establish and deliver what customers wanted.

The Forum discussed the potential impact on bills of changing levels of investments and the benefits and practicalities of smoothing bills in the longer term.

Rod Porteous gave a summary of the planned studies the Company's undertaking to determine the required capital maintenance.

A copy of the presentation is attached to these minutes.

8. Any Other Business

9. Date of Next Meeting

Tuesday 2 October 2012 at 10.00 am