

PORTSMOUTH WATER Ltd
CUSTOMER CHALLENGE GROUP (CCG)
MEETING HELD ON WEDNESDAY 18 MARCH 2015

PRESENT: Paul Barfoot (Portsmouth Water) In Part, Charles Burns (FSB), Amy Gallop (Secretary), Karen Gibbs (Consumer Council for Water), David Guest (Independent Chairman), John Hall, (West Sussex Growers Association), John Havenhand (Consumer Council for Water), David Howarth (Environment Agency), Douglas Hunt (Atkins Independent Reporter), Mike Kirk (Portsmouth Water), Douglas Kite (Natural England), Steve Morley (Portsmouth Water), Simon Oakley (Chichester District Council), Kirk Phillips (Winchester City Council), Gareth Simmonds (Portsmouth Water) In Part, Neville Smith (Portsmouth Water) and Mick White (Portsmouth Water) In Part.

	Action
<p>1. Apologies:</p> <p>Traci Baker (Hampshire Chambers of Commerce), Heather Benjamin (Portsmouth Water), Hugh Caley (Carillion), Daire Casey (West Sussex County Council), David Collins (Havant Borough Council), Cllr Paul Dendle (Arun District Council), Keith Evans (Fareham Borough Council), Richard Harris (West Sussex Hospitals Trust), Derek Kimber (Gosport Borough Council), Chris Manning (South Downs), Milo Purcell (Drinking Water Inspectorate), Ian Rawson (KWS -Defence) Tim Richings, Jon Stuart (Havant & District Citizens Advice Bureau) and Rob Wood (Portsmouth City Council).</p>	
<p>2. Minutes & Actions of Meeting Held on 8 January 2015</p> <p>The actions arising from the minutes were discussed and it was agreed they would be fulfilled during the course of the meeting.</p> <p>An action remains outstanding for Chris Manning who at the meeting held 8 January 2015 suggested involving the Rivers Trust in the Biodiversity Sub Group as they are interested in Catchment Management Schemes. Chris Manning had sent his apologies to this meeting and it was therefore agreed Steve Morley would contact Chris Manning to establish if he had approached the Rivers Trust to gauge their interest.</p> <p>The minutes were taken as a correct record and approved by the CCG.</p>	SM / CM
<p>3. Outcome Delivery Incentives – Measurement and Performance</p> <p>Steve Morley presented to the Members on the Company's ODI's focusing on those that had a financial impact upon Customers.</p> <p>He presented the figures based on the current year's performance, in particular the 9 months to December 2014, and discussed what the impact would be on Customers at the next Price Review if this performance continued over the five year period starting 1 April 2015.</p> <p>David Guest enquired if there was a requirement to Report these figures to Ofwat.</p> <p>Steve Morley reminded the Members that the new ODI's do not apply until 1 April 2015 and therefore the Risk and Compliance Statement published in June 2015 will be reporting the figures as at 31 March 2015. The purpose of this exercise was to give the Members a better understanding of the Company's performance and the new measures that will apply, therefore, there is no obligation for the CCG to Report on these figures to Ofwat.</p> <p>Neville Smith added however that it would be useful as a 'dry run'.</p>	

Gareth Simmonds advised the Members of the definition of a Burst as reported in the ODI's as follows;

- Mains bursts include all physical repair work to mains from which water is lost which is attributable to pipes, joints or joint material failures or movement, or caused or deemed to be caused by conditions or original pipe laying or subsequent changes in ground conditions (such as changes to a road formation, loading, etc where the costs of repair cannot be recovered from a third party).
- Include ferrule failures that are attributable to mains material condition or local ground movements, but not incidents of ferrule failure due to ferrule materials or poor workmanship, or associated with the communication pipe connection

Gareth Simmonds reiterated that in summary a burst is representative of the state of the network not workmanship.

Doug Hunt explained the risks associated with this reporting and reassured the Members the he was satisfied with the checks in place, given his reviews in the past.

David Howarth asked whether there was a distinction between a leak and a burst. Gareth Simmonds explained that both were a failure of the pipe and therefore an identification of the structural condition of the pipe.

Mike Kirk advised the Members that this ODI was to ensure infrastructure is maintained in a stable condition, ensuring that the Company was not burdening future Customers with the condition of the pipes now therefore not giving current Customers savings at the expense of future Customers. Fairness needs to be exercised.

Steve Morley reminded the Members that the ODI's are measured on average over 5 years with the exception of Water Quality which is measured by Mean Zonal Compliance, the average of the compliance rates (at a zonal level) for the 39 parameters tested to demonstrate compliance in one calendar year.

He further explained the difficulties of ensuring compliance at the Customers tap as water quality can be effected by the Customers internal plumbing and/or appliances.

Neville Smith reassured the Members that the Company is working on raising awareness with both Plumbers and Customers to reduce the number of water quality failures that are out of the Company's control. An improved website that better communicates this to Customers is one approach.

Gareth Simmonds added that the Company will be raising the issue at WRAS (the Water Regulation Advisory Scheme) to make the fitting of non-return valves on Washing Machines an Industry Standard reducing the number of water quality taste complaints.

John Hall asked if the Water Quality reporting process was audited like Bursts by an Independent Reporter and Doug Hunt explained that the DWI heavily monitor the process and this year he will also be looking at as part of his Independent Report.

John Havenhand expressed concern that the Company's target will be challenging as it's outside of their control and no matter how much communication is improved the Company cannot make Customers take the necessary action.

Simon Oakley requested a split of the Water Quality Contacts between telephone and written contacts which Steve Morley agreed to provide.

Steve Morley next discussed the Leakage figures for the current year which is the sum of distribution losses and underground supply pipe leakage.

David Howarth expressed the Environment Agency's concern that as there is a financial incentive and therefore a decision could be made to interpret the data more favourably.

Neville Smith reassured the Members that an Independent Review of the data would be completed to satisfy the CCG.

Mike Kirk added that not only can the CCG take comfort in the external assurance but also the ethos of the Company to 'do the right thing'.

John Havenhand asked if severe weather would have a significant impact on the figures.

Gareth Simmonds advised that it's the Company's responsibility to be prepared for severe weather and if there was a sudden rise in leakage it would require day to day management and prioritising resources to ensure the Company's target is still met.

Steve Morley next explained how Interruptions to Supply were defined and measured, as follows;

- Number of hours lost per property served in the year with supply interruption greater than three hours (irrespective of whether it was planned, unplanned or caused by a third party).
- Per property served is the number of connected properties (domestic and non-domestic) for water supply.
- A group of properties supplied by a single connection should be counted as multiple properties. They should only be treated as a single property if a single bill covers all properties in the group.

Steve Morley further explained that a new 'no dig' method of replacing water mains although has other benefits currently increases the time Customers experience an interruption to their supply.

John Havenhand expressed that sometimes then doing the right thing might actually be the wrong thing for some Customers.

Mike Kirk explained that it was the Company's job to manage and look at the ODI's as a whole and decide upon the right thing for Customers as a whole.

Neville Smith added that the 'no dig' method potentially saves 10% of the cost of replacing water mains.

Gareth Simmonds reassured the Members that the Company were actively looking at ways to reduce the interruption to supply experienced by Customers during no dig work to ensure the target is still met.

Simon Oakley asked if this 'no dig' method reduced the disruption to the highway and Gareth Simmonds confirmed that this method only requires one stage reinstatement so only results in one disruption to the highway as opposed to digging up the road which involves three stages of reinstatement and therefore three highway disruptions.

Steve Morley informed the Members that the SIM (Service Incentive Mechanism) judges the performance of the retail business and the Survey will

therefore be very important going forward. He outlined the likely changes in the next review period as follows;

- Survey is currently 50% of the measure, with quantitative data (written complaints) being 50% likely to change to 75% : 25%
- And Apply to household sector only
- Unsure also on reward / penalty
- Current regime has
 - + 0.5% uplift to bills for upper quartile
 - 1.0% reduction to bills for lowest quartile relative to average household bill of £98

Steve Morley finally summarised the other ODI's of which the Company will keep the CCG regularly informed two of which will be covered later in the meeting. Those with a Financial incentive: - Biodiversity, Water Framework Directive and Per Capita Consumption and those with a Reputational Incentive: - Carbon, Health and Safety and Developers Survey.

Gareth Simmonds of Portsmouth Water left the meeting

Mick White and Paul Barfoot of Portsmouth Water joined the meeting

4. Update on Developers Survey

Mick White presented to the CCG on the Open Water Market Reform that will impact the Wholesale aspect of the Business from 2017. He explained to the Members that this will result in competition in the Industry meaning Developers have a choice in their Retail Water Supplier.

He informed the Members that the Government published a set of Utility Service Standards called 'Better Connected', pleasingly the Company already work to those standards, however, have started a process to improve Developer Services.

Following feedback from face to face interviews with Developers the Company produced a Developers Promise Booklet and streamlined internal processes to improve the service Developers received.

Mick White explained the next step would be to draft a Developers Survey which the Company would like the CCG's input to develop.

Simon Oakley asked as Portsmouth Water are not Statutory Consultees in Planning Applications does that affect the development process.

Mick White explained that on some developments the Company has been able to raise issues in an informal way and sometimes Consultants are involved at an early stage to establish the viability before it goes as far as Planning.

Simon Oakley asked then if the Company are relying on the Environment Agency to voice on the Company's behalf and Mick White agreed.

Mick White of Portsmouth Water left the meeting

5. Update on Biodiversity Action Plan

Steve Morley updated the CCG on the Company's Biodiversity Action Plan – the Company's commitment to increase activity in agreement with relevant Stakeholders.

He advised that a Workshop had been held on 28 January with relevant Stakeholders which was very well received. He further confirmed that an initial Action Plan had been prepared and circulated to the CCG and a Steering Group including Natural England and South Downs National Park had been set up.

Steve Morley informed the Members that the work would be split into three areas:-

- Surveys (to establish a baseline and scope)
- Specific site actions
- Actions following more investigation (incl. surveys)

Douglas Kite added that he was impressed with the swift progress the Company had made in preparing the Action Plan and commented that a lot of the Projects would not be identified in year one but would develop out of other Projects over time. He advised that the CCG need to be satisfied that the Projects are legitimate and in line with the Company's ODI's and ensure an audit mechanism is put in place.

Steve Morley summarised that the Company wanted to achieve the following;

- Engage with other (new) stakeholders – local interest groups
- Work with other providers of funding
- Greater awareness within the Company itself
- Understand where we are now
- Projects which are measureable
- An agreed Plan, at least for years one and two for the June CCG

Steve Morley was pleased with the response so far, good engagement and good feedback. The Group will work on an Indicative Plan to present to the Board and the CCG in June 2015.

David Guest suggested drafting a Programme to tie in with CCG Meeting dates.

Steve Morley advised that as Douglas Kite sat on both Groups he would be able to help articulate this.

Simon Oakley expressed concern that Projects covered by the Biodiversity Sub Group may later be a part of Havant Thicket Reservoir which would be a Capital Project and a different budget.

Steve Morley reassured the CCG that if the construction of a Reservoir at Havant Thicket did proceed the Biodiversity Sub Group would be reimbursed by the Capital Investment Programme. He further added that the Company's Supply Manager had been involved in drafting the Biodiversity Action Plan to ensure the agreed projects did not conflict with the Company's core business activities.

6. Other Customer Service Performance

Paul Barfoot reminded the Members that the Service Incentive Mechanism was the principal ODI for Retail Household. He outlined the changes in the next review period as follows;

- 25% of Score from Written Complaint statistics and proportion of Wanted vs Unwanted calls
- 75% of score from Independent Customer Surveys
- 2014/15 Trial Year
- 4 Surveys – each 100 Billing and 100 Operational

It was noted that in this trial year, 2014/15 the Company were ranked 1st overall in both Billing and Operational.

Paul Barfoot further updated the Members on Meter Options advising that there was Customer support for promotion to those likely to save money. The Company's target is to achieve 5,500 options per annum over the 5 year period. The Company averaged 4,000 per annum over the last 5 years. To achieve this shortfall the Company proposes to promote to those moving house, improve the current website and run Water Efficiency Road Shows.

Paul Barfoot finally updated the Members on the Plan for Social Tariffs 2015/16 namely, to complete initial Customer Research to ascertain Customer support, configure billing system with Southern Water and initiate a Trial with the intention of going live in 2016/17.

John Havenhand asked if the Customer Research established whether the Customer would like a Social Tariff or if they would like to subsidise for a Social Tariff.

Paul Barfoot advised that the Research had not yet been agreed and the Company would be working with CCWater to develop Research that asks the right questions. Karen Gibbs added that a good piece of Research would cover all angles.

7. Terms of Reference for the CCG

Neville Smith circulated a draft Terms of Reference for the CCG.

Following discussion it was agreed that a Sub Group would be set up with Karen Gibbs and David Howarth to further develop the Terms of Reference ahead of the next meeting.

8. 2015 Meeting Dates

18 June 2015

28 October 2015

9. Any Other Business

John Havenhand announced that he would be retiring from CCWater.