

**PORTSMOUTH WATER Ltd  
CUSTOMER CHALLENGE GROUP  
MEETING HELD ON FRIDAY 1 JUNE 2018**

**ON THE CALL:** Charles Burns (Federation of Small Businesses), Karen Gibbs (CCWater), John Hall (John Hall Consulting), Lakh Jemmett (Chairman), Douglas Kite (Natural England), Andrew Lee (South Downs National Park), Simon Oakley (Chichester District Council), Jon Stuart (Havant & District CAB), Heather Benjamin (PW Non-Exec), Paul Barfoot, Tamara Breach (Secretary), Steve Morley, Helen Orton, (all Portsmouth Water)

**APOLOGIES:** Caroline Brook (Winchester City Council), David Howarth (Environment Agency), Doug Hunt (Atkins), Ingrid Strawson (CCWater), Raife West (Havant Housing Association), Georgina Caruana, Rod Porteous, Neville Smith

**ACTIONS**

LJ asked the members of PW whether clarification was required for any points on the CCG's Action Log. HMGO confirmed they were. SM agreed as he felt there were some historic points that had been addressed and required confirmation of their status and for those that remain outstanding, how they can be satisfied further?

LJ advised that the Biodiversity/Catchment Management point remained open. DK commented he was confused about what ODI was coming forward and what onward progress was in place. Need to show progression and improvement.

SM commented that in the WINEP there are 12 schemes that relate to catchment management, all of which have been agreed with the Agency which have enhancements built into them. SM went on to explain the direct actions being taken as well as additional extras that are outside the required remit.

It was agreed that a discussion outside the meeting would be held between David Howarth, Doug Kite and Steve Morley.

HMGO commented that Catchment Management is a new innovative field which means it is difficult to predict the level of uptake, the coming AMP needs to be about input measures which can be tracked and recorded which will then influence the output in the following AMP. Currently there is not enough data to know what "good" looks like. DK advised there are models available that can predict possible uptake.

It was agreed that a sub-group would meet to be clear how this ODI is being measured and monitored. AL also offered to sit on the sub-group.

**SM**

LJ asked for clarification on the current metering not for revenue strategy. PAB confirmed the first 500 meters are on order and will be in the ground shortly. Over the next year work will be carried out how these can be used to reduce the PCC. SM advised that if it was identified that a property was not showing any reduced water usage, or interest in measured bills, the meter can easily be moved to another property.

JH commented he had concerns that PW has the lowest water bill in the country but also the lowest meter installation uptake. With plans for the reservoir to export water to other regions should we not be fixing "home" problems first, reducing leakage and PCC.

The PW unmeasured consumption is 90ml/d and so metering of Portsmouth customers would not solve Southern Water's problems. Customers expect Southern Water to have done all the house-keeping. LJ further commented it was important there was clear evidence provided prior to the reservoir being built that leakage has been reduced significantly.

HMGO commented that although the Company preference might be to introduce higher levels of metering first, this is not consistent with the customer view. When the Company is in a position to compulsory meter it will be executed with the challenge of

trying to balance the conflicting views, but the Company does recognise the benefits of metering. The Company is continuing to recognise the tools to encourage metering, with PABs strategy having several strands. There is still a big challenge ahead for customers as they are still not enthusiastic about metering. We are at the moment in a compromise position balancing the needs and views of different stakeholders.

LJ advised that the CCG did not think the balance was wrong, but this action will remain open until clarity had been given on what it means for customers.

LJ commented that with regard to the Metering not for Revenue (MNR), the CCG needs to know what happens next if a change of behaviour is achieved and if it isn't, what conclusions will be reached.

CB asked if any other water companies do MNR. SM advised Anglian had in the 1990s. DK commented that Bournemouth Water are currently looking at it. HMGO advised Affinity do, with compulsory metering and an "opt-in early" approach, which brings a benefit to the current AMP.

SM commented the objective of this MNR strategy is not to put customers on to a measured charge, the objective is for the customers to understand how they are using water to encourage a change of behaviour.

SO asked if all new properties are compulsory metered. HMGO confirmed they are.

## **2. MINUTES AND ACTION LOG**

### **2.1 Minutes from the Meeting held 3 May 2018**

The Minutes were agreed.

### **2.2 Action Log**

The action log was discussed, in particular the following points:

No. 57 – Customer Research – IS requested information to understand the methodology used. HMGO advised the methodology is quite technical and therefore she would circulate this outside the meeting to interested parties. IS and LJ confirmed they would both like to receive this information.

**SM**

No. 56 – Abstraction – Covered by AIM ODI – SM briefly explained the schemes and abstraction detail and asked if any further information was required. LJ asked the CCG or their views. DK commented he did not fully understand the licence restrictions, remarking the Company could reduce abstraction below the licenced amount to further benefit the streams.

No. 53 – Resilience & Co-Creation – This will be covered during the meeting. PAB commented that it is early on in the MNR programme and therefore unable to comment on behaviour changes at the current time, is any further detail required. LJ confirmed it was not.

No. 50 – ODIs – This will be covered during the meeting.

No. 47 – Non-Infrastructure - This will be covered during the meeting.

No. 45 – Havant Thicket - This will be covered during the meeting.

No. 43 – Risk Register - This will be covered during the meeting.

No. 39 – Biodiversity – Still some work to do.

SM asked if all the PR19 activities had now been covered. LJ commented he was unsure about No. 46 – Asset Health due to the increase in bursts. Would like to see management of assets compared to other companies. SM commented that on the Discover Water website PW are second in the tables showing our infrastructure to be in a good position. Our renewals programme looks over the next 25/50 years and

predicts where issues may arise. The cost of the step change would be very significant with limited benefit to the customer when we have a very flexible network. HMGO reminded the meeting about a paper NS brought to the March meeting that explained the judgement to maintain stable bursts compared to customer interruptions and the costs involved.

SO asked if significant bursts in residential areas were factored in. HMGO replied very much factored in, the area, number of customers etc.

No. 46 – Abstraction Asset Health – Management & Values – LJ confirmed this was closed.

LJ asked whether new licence conditions and changes to regulations for gearing impact on the Havant Thicket project or other investment. HMGO commented there was no operational impact. HMGO went on to explain the challenged faced.

### **3 PR19**

#### **3.1 Business Plan at a glance**

HMGO explained this paper summarised the information received from customers, what the outcomes are, ODIs & targets, additional commitments, Havant Thicket and where we might be on customer billing. HMGO went on to explain how the average bill is set and how different aspects affect the bill. HMGO also commented that the bill has reduced over the past 10 years demonstrating a level of efficiency. HMGO advised the Company wanted to show a transparent way of how the bill is made up to take the final bill out to the customer for acceptability for sign off.

Discussion was held surrounding how the bill is made up and what the difference penalties and rewards can make and the issues around affordability and vulnerability.

KG asked whether PW would be applying for the small company premium. HMGO said PW already have it in our current bills and will seek inclusion for PR19.

KG asked if special cost factors are included. SM explained when these apply in the Ofwat methodology.

#### **3.2 Rewards & Penalties**

SM briefed the meeting about the customer research surrounding the rewards and penalties. In general, customers do not support rewards. The data has been revisited to work out what rewards and penalties could be deduced from the survey. SM also advised that workshops were being held at the end of June for the Board to understand the ODI package.

LJ asked if the Company had spoken to Ofwat about their expectation. HMGO advised Ofwat would not enter in to discussion and other companies are taking the same view as PW.

LJ commented that from a CCG perspective the information received has been consistent, reward implies increase in pricing which is not well supported by the companies. This has been pointed out to Ofwat by CCG chairs who still don't like the mechanism Ofwat propose.

Discussion was held with HMGO advising the need to be careful about what the Reward/Penalty regime means.

LJ asked if there was clear evidence that customers support the scale of rewards and penalties. SM said there was, that the information had come from the 600 surveys carried out. SM went on to explain how the figures had been reached and how the questions had been posed for the customers to reach their decision.

HMGO commented the Company had used reputable research organisation and consulted with a sub-group of members from the CCG.

#### **3.3 Customer Support for Stretching Targets**

SM explained to the meeting the information from the papers. He highlighted that 30 people will be removed from sample due to their answers being mainly “don’t know”. SM advised the survey would run until 5 June, but so far there was confidence that the customer felt the targets were stretching. More information will be available at the next meeting.

#### **3.4 Customer Research on Resilience**

SM explained to the meeting what customer research has been carried out with customers on resilience focusing on long term supply, safe secure reliable water, and the environment.

#### **3.5 NHH Customer Research**

SM presented the paper to the meeting reporting on the feedback received from the telephone calls and focus groups carried out by Community Research.

HB commented she felt, as a Board member, this had been a useful exercise and proved all customers were being covered.

#### **3.6 Customer Bill Survey**

PAB explained to the meeting that this had been a targeted piece of work sent to customers who had a debt going to a third party collection agency. SM noted that bill acceptability and affordability are not the same.

PAB commented that all customers were subsequently contacted and advised how we could help them further, but not one customer accepted the help given, so far.

#### **3.7 Risk Register**

HMGO explained what significant movements have been on the risk register.

#### **3.8 Havant Thicket**

HMGO updated the meeting on the progress of HT project. HMGO advised the project is gaining momentum. PW are working with three consultants:  
Agilia – Management Team who have worked on the Thames Tunnel project and very experienced with big infrastructure projects and have good links with Ofwat.  
Atkins – providing engineering work support for the early planning.  
PA Consulting – Economic Consultants – Supporting DPC direct procurement for customers.

Discussion was held.

AL asked if the project was part of the National Infrastructure Planning Process. HMGO advised it was being dealt with via local planning. SM asked what would make it come under the National Infrastructure Planning Process. AL advised the fact it bordered a National Park would need to be factored carefully. HMGO will bring this to the attention of Agilia.

LJ asked if management stretch had been looked at. HMGO advised Havant Thicket has a separate risk register and why a number of consultants have been employed so as to ensure momentum in the project is maintained.

KG asked when the price review would be revisited. HMGO advised it would be approximately 2 years into the AMP. SM advised this will be when more confidence with construction costs are known.

### **4. ODI PERFORMANCE 2017/18**

#### **4.1 ODI Report**

SM briefed the meeting that the report will be published 15 July and was included in the papers.

#### **4.2 CCG Statement on 2017/18 ODIs**

SM explained the comparative data was from 2016/17, he advised he had drafted a statement that is required from the CCG and it was important this was signed off. LJ advised he will make comment and sign off this week.

HMGO

LJ

SM briefly went over the 13 ODIs to ensure the meeting had an understanding of them all.

LJ asked how leakage was going to be reconciled. HMGO advised the target is a 5 year average. SM commented the 5 year target is 29.9, the last 2 years need to be 29.0

LJ asked if there was a trend to reducing the PCC – SM commented this had been generally reducing, but has picked up over the last couple of years.

LJ asked what the action plan is for the increasing PCC – HMGO advised the Company is looking at refreshing the comms plan to provide a more water efficient message.

JH asked if the PCC figures include leakage. SM the figures are for water delivered to the tap, so no.

## **5. Any other Business**

### **5.1 CAP 5**

SM shared a paper prior to the meeting and asked for any questions.

No questions received.

### **5.2 DWI Long Term Planning**

SM advised the meeting that a paper had been submitted to the DWI regarding long term planning. SM will circulate a copy after the meeting. He went on to discuss the points from the report including the nitrate and lead standards regulation changes expected. In due course, the DWI would like to talk to the CCG.

### **5.3 Ofwat Consultation on PRT Licence**

HMGO advised the meeting that Ofwat are seeking to revise company licences. Because PW has had a change of ownership, Ofwat will be reviewing and consulting on the licence.

## **6. DATE OF NEXT MEETING**

Friday 6 July 2018 – Telephone Conference.

**TB**