

**PORTSMOUTH WATER Ltd
CUSTOMER CHALLENGE GROUP (CCG)
TELEPHONE CONFERENCE CALL MEETING HELD ON FRIDAY 6 JULY 2018**

ON THE CALL: Charles Burns (Federation of Small Businesses), Caroline Brook (Winchester City Council), Karen Gibbs (CCWater), David Howarth (Environment Agency), Doug Hunt (Atkins), Lakh Jemmett (Chairman), Douglas Kite (Natural England), Ingrid Strawson (CCWater), Jon Stuart (Havant & District CAB), Mike Kirk (PW Non-Exec Chairman), Tamara Breach (Secretary), Steve Morley, Helen Orton, Neville Smith (all Portsmouth Water)

APOLOGIES: John Hall (John Hall Consulting), Andrew Lee (South Downs National Park), Simon Oakley (Chichester District Council), Raife West (Havant Housing Association), Paul Barfoot, Georgina Caruana, Rod Porteous, Heather Benjamin

		ACTIONS
1.	CCG PRIVATE SESSION	
1.1	Closed Session	
1.2	DWI Letter to CCG The CCG noted the letter from the DWI on the Company's enhancement programme.	
1.3	Feedback to Company including CCG Issues Log The Challenge Log was discussed and the following points remain outstanding: WR4 & CE8A – Final definition of the AIM PC. Waiting for sites to be finalised. CE8 – Awaiting full ICS report. CE8 – Requested update on the customer preferences triangulation table. CE9 – Need outcomes of focus groups on Special Cost Factor claims (incl. company specific premium). This will be issued after the focus group in July is held) CE10 – Need to see the proposed business plan acceptability testing before "line of sight" can be confirmed between ODI testing and the Business Plan. AM1 – Company to demonstrate that the increasing trend in bursts is not reflective of a deteriorating mains network. AM2 – Looking for confidence that operational targets for PCs do not contain mistakes/misunderstandings as happened in PR14. AT1 – Acceptability testing – will informed views (eg CAP) be sought alongside the online survey.	SM TO PROGRESS WITH EA AUGUST MEETING AUGUST MEETING AUGUST MEETING TO BE CONSIDERED
2	MINUTES & ACTION LOG	
2.1	Minutes of Meeting held 1 June 2018 KG commented that 3.8 Havant Thicket should be updated to show that confirmation was given that there would be no impact on PRT bills.	TB
2.2	PRT Issues Log The Company Action List was taken as read.	
3	PR19	
3.1	ODI Targets SM advised he would take the paper as read and invited questions. LJ commented he would like to better understand the issue of bursts referred to in the paper. SM advised the first challenge was to demonstrate the current level is stable given recent performance. Analysis has been carried out and we can demonstrate the bursts on mains are stable and this has been provided along with a cost benefit analysis (CBA) of the target to David Walton. A point to note is that Ofwat intend to exclude "ferrules" from the definition, 113 of our 347 in 2017/18 related to "ferrules". D Howarth asked if the percentages in the table could be explained. SM explained that the percentages reflected the recent customer research which asked what customers thought about each target – was it stretching?	

D Howarth asked whether the Company think the targets are challenging enough. NS commented that a lot of thought must go into whether it is cost effective to raise the targets further. For example, reducing the bursts target by any significant amount would not be cost beneficial. HMGO reminded the meeting how Ofwat expect the targets to be set and what elements are used to set the targets, not just based on customer engagement and that all the targets are open to challenge at Board level.

IS asked if Ofwat had the power to stretch the targets further. HMGO confirmed they do.

IS commented that the Company is setting quite ambitious targets, are they therefore confident they will meet them. NS replied that the Board felt there were stretching targets and that leakage, PCC and CRI hold the biggest risks.

D Howarth commented the targets should not be easy to meet. NS agreed but the Company has to be able to deliver against the targets.

MK commented that the Board has deliberated about the targets and they have to think about where the top quartile will be in 2025, not where it is now.

3.2 Leakage Strategy

NS summarised the papers in the Meeting Pack, he advised how the Company foresee achieving the 15% reduction target. NS went on to comment that the trials, to date, are seeing some good results. He also advised the Company expect to raise the target by 5% in each subsequent AMP, from 2025 to 2040.

IS asked if Smart metering had been considered? SM advised this is within the meter strategy as part of the not for revenue programme.

D Howarth asked if the fixed network option is in addition to DMAs and over the whole area of supply. How many were going to be used. NS replied there will be 59 areas with fixed networks, in areas that are currently less well covered. NS went on to comment it makes sense to target smaller areas to give better coverage. NS offered to send D Howarth a detailed paper regarding this.

NS

3.3 Metering Strategy

SM advised the meeting that the papers in the meeting pack clarified the proposals and gave a brief summary.

LJ asked if the change of occupier metering had received support. NS commented the only support had been received from feedback on the draft WRMP, which was not a representative survey. The CAP showed there is not support for change of occupancy metering, even though the customers understand metering as a whole is a fairer option. The Company intends to discuss further with Government to allow in compulsory metering.

3.4 NHH Research

SM explained the focus of the paper. This paper closed the challenge.

3.5 Capital Programme Delivery

NS summarised this paper advising where the risks are and what mitigation costs would be. The paper was taken as read and questions invited.

3.6 Havant Thicket – Resilience

NS advised this paper addressed the challenge about the bulk supply to Southern Water and the impact on the resilience to our customers. The resilience study identifies whether there are any issues and what can be done. We believe the current proposal addresses any issues and there will not be any impact on our resilience to our customers. In fact, by 2029, when this is expected to be delivered, resilience to our customers may be enhanced.

3.7 Innovation

HMGO summarised the slide deck within the meeting pack on innovation. She explained that with the correct culture, you can naturally drive innovation. Ofwat are looking at what we do, what we have done historically and what we plan to do.

HMGO went on to comment that the culture at PW is one of a flat structure, with managers not being removed from the people on the ground. Encouragement is given for employees to be open within their own teams and across other department teams. PW encourages learning from failure as a way to foster innovation.

HMGO also advised the meeting that there is a team in place, Business Innovation Group (BIG), which is a formal structure that encourages people to put forward problems and solutions. The team looks at what projects would give the business the most benefit on a CBA basis.

LJ asked the meeting if they had any comments.

KG asked if a brief could be given on the AMP7 innovation. SM commented that working with Albion, we would like to provide an ambitious solution to reduce the PCC. This includes encouraging new housing developments to be water efficient. E.g. at a local development at Welbourne there is a proposal to use a four pipe system, meaning the waste water from showers is drained to an onsite treatment works and used to flush toilets. This reduces PCC from 125 l/h/d per day to 90 l/h/d. CBrook asked if she could pick this up with SM outside of the meeting in her role as Head of Planning at WCC.

SM

HMGO commented the Company would like to engage more actively with local councils to encourage water efficient developments and that our Catchment Management team has developed good relationships, especially in priority protection zones.

3.8 Bill Level Indication

HMGO summarised this paper advising we are well advanced with financial modelling. HMGO noted the bill is still the lowest in the country, even when combined with waste and is below the Government water poverty line of 3% of disposable income. HMGO went on to explain the key elements which make up the proposed bill. HMGO confirmed the Board are comfortable the proposal meets Ofwats requirements and our commitments to customers. It is just left to receive customer acceptance.

3.9 Customer Engagement on Financial Issues

HMGO gave a verbal update on the research into financial issues recently carried out and noted that the sub-group had already discussed this, and members were invited to attend the focus Groups in Portsmouth and Chichester.

3.10 Acceptability Testing

SM advised the meeting that the CCG sub-group will be working on acceptability testing due to go out to the customer late July for two weeks consultation.

4. Any other Business

4.1 Annual Reporting for 2017/18

SM advised the Annual Report would be distributed when published.

4.2 Ofwat Publication

SM advised the meeting that Ofwat have published their findings following the "Beast of the East" weather incident in March 2018. Ofwat had concluded that the Business had performed well, but there were some lessons to learn.

4.3 New CCG Member

SM advised the meeting that Deborah Urquhart from WSCC will be joining the CCG from September.

5.0 Date of Next Meeting

Friday 3 August 2018 at Head Office.