

DRAFT

**PORTSMOUTH WATER Ltd
CUSTOMER CHALLENGE GROUP
WEDNESDAY 15 MAY 2019**

ATTENDANCE: Jon Stuart (Havant & District CAB), Lakh Jemmett (Chairman), Ingrid Strawson (CCWater), John Hall (John Hall Consulting), Douglas Kite (Natural England), Charles Burns (Federation of Small Businesses), Mike Coffin (Non-Exec), Simon Oakley (Chichester District Council), Jon Sellars (Environment Agency), Helen Orton, Steve Morley, Paul Barfoot, Jane Day (Secretary)

APOLOGIES: Doug Hunt (Atkins), Karen Gibbs (CC Water), Raife West (Havant Housing Association), Mike Kirk (PW Chairman), Deborah Urquhart (West Sussex County Council)

ACTIONS

1 CCG Private Session

It was decided there was no requirement for a private session on this occasion.

2. Minutes

2.1 Minutes from the Meeting held 7 November 2018

The minutes from the previous meeting were taken as accurate.

IS questioned whether a detailed timetable of the Business Plan and the Water Resources update would be covered in this meeting.

LJ confirmed that both topics would be covered in this meeting.

3. PR19 Business Plan

3.1 Update – Matters Arising

SM updated the meeting on the Business Plan and stated that the draft determination will be published on 18 July 2019. PW will then have six weeks to review any issues that Ofwat raise. The final determination will be published 11 December 2019. PW will communicate with the CCG after the draft determination has been received.

HMGO stated that we are unsure what the focus will be on, but highlighted that it would be a reactive situation when we receive the draft determination from Ofwat.

SM stated that PW received 50 challenges from Ofwat. PW were not the only water company to receive as much challenges and reiterated that other water companies had similar number of challenges. SM reported that our targets were generally accepted by Ofwat. The main two ODIs that Ofwat challenged were Leakage and PCC. SM stated that PW were not industry leading in this area, although PW have significantly invested in new technology to deliver the leakage figure. The reduction figure is now 20% which will be a challenging target but the Board felt comfortable with this figure. This is a significant reduction.

JH questioned how much it would cost to be in the upper quartile?

SM responded that this would cost roughly 7-9 million and would also have an impact on billing. If PW moved towards 22 this would have no impact on bills, if we went into the 30s it would have a huge impact on bills.

LJ questioned that with the new technology available for leakage what improvements can be expected? LJ requested an update for next CCG meeting.

SM

LJ stated that it would be good to understand why PW are not in the upper quartile? Are there other remedies that can be put in place to put PW in the upper quartile? LJ also questioned whether other water companies' assets are in a better condition than PW or is their leakage technology superior?

BT replied that our renewal assets are the highest in the Industry. PW have a system that works extremely efficiently. Our leakage monitoring is not as strong as other water companies but we are now using district meters which has considerably helped detect leaks. Technology for locating leaks is currently being monitored. PW feel confident that we can reach our targets.

JH questioned whether PW will always be playing catch up? If we do not plan to go into the upper quartile will PW be further behind?

BT responded that it is the Board's intention to be in the upper quartile, but this is a trade off for costs and customer funds.

LJ questioned why are PW building a reservoir if you are not in the upper quartile for leakage?

JS questioned whether leakage would reduce when the reservoir is built?

BT responded that the reservoir is being built to export water to Southern Water, there will not be a major change in leakage.

SM reported that the second ODI that was significantly challenged was on PCC (Per Capita Consumption). The proposed target of 135 l/h/d is not in the upper quartile. The Board have looked into this considerably and have agreed there should be no revision to target. This was based on our ability to meter and the likely meter penetration in 2024/25. SM stressed that this is an extremely challenging target and very difficult to deliver.

SM stated that our ODI rates are low relative to other water companies. PW have reviewed other Company rates and scaled relative to the PRT water bill. PW are still waiting for the bands for rewards and penalties from the draft determination.

HMGO highlighted that they are still likely to be low.

SM stated that with regards to the ODI structures Ofwat are keen to have a 5 year annual programme so all targets have now been moved to an annual assessment.

JH questioned in 2024/25 what percentage of households will be metered?

SM responded that 45% of households will be metered,

SM stated that all customers in a vulnerable situation should be on the Priority Services Register. The Ofwat target is 7% by 2024/25 which equates to 9% by 2024/25 – 30,000 customers. PW are currently working with Southern Electric and Southern Water to share customer's details to increase numbers on the register. It was noted that this is a very ambitious target.

HMGO clarified financeability to the CCG group and explained the current cash flow within the business to operate in the long term, adequate credit rating, financial shocks and risk management. HMGO stated that one of the main challenges is the artisan debt. Unfortunately Ofwat does not allow PW to return to cover debt. This is a huge concern to the business until 2032. Ofwat have raised a number of new challenges on financeability.

HGMO stated that the three main areas are:

Comments on specific wording – updated since the board assurance statement on financeability and PW provided a new viability statement

Long Term Resilience (including HTWSR) – Ofwat challenged further evidence supporting long term financial resilience including loss of company specific premium and cancellation/termination of HTWSR. PW have provided further detailed analysis and further support was prepared including an updated Viability Statement and ability to withstand financial ‘shocks’.

HMGO stated that regards to the approach to credit rating there were a number of queries on credit agencies which did not significantly change the outcome. PW provided further support of approach including ability to raise finance. It was reported that investment credit scrutiny will remain tight.

HMGO reported that PW received many questions from Ofwat regarding Havant Thicket. It was clear that some employees at Southern Water did not fully understand how Havant Thicket would work as we received some inconsistencies from their review teams.

It was reported that PW have received reasonable engagement with Ofwat before we submitted our plan. HMGO stated that additional work is required to be carried out with Ofwat before we submit the plan. Ofwat are interested in how PW’s customers would not be affected by the building of Havant Thicket. There were a number of technical questions which PW have replied to robustly.

Ofwat requested clarification on Regulatory Assumptions and PW have set out the key regulatory assumptions underpinning the commercials for Ofwat’s confirmation. HMGO reiterated that conversations will continue with Ofwat.

LJ requested an updated for the next meeting on what the implications on PW customers on regulatory assumptions underpinning.

HMGO

4. **Update on Havant Thicket**

BT updated the CCG on the Havant Thicket Project. He stressed to the CCG that this is a winter storage reservoir. BT reiterated that PW are in a very fortunate position to have surplus water to trade with Southern Water – a quarter of our water supply will be exported. This will ensure PW will be a significant water company in the Industry.

BT presented the slides and explained to the CCG the location of Havant Thicket and also how the reservoir will be supplied. BT stressed that this is a very resilient system and demonstrates great flexibility on how to move water round. There are 22 separate supply sources, 3270 km of pipe network, 18 treatment works linked through a spine main network and 38 service reservoirs giving around double industry standard levels of treated water stores.

LJ questioned whether the new mains would be replaced or is this solely dependent on Havant Thicket?

BT ensured that the new mains would be still be replaced.

BT also reported that Southern Water are currently carrying out network capacity work to ensure they are able to take the volumes of work into their network. Southern Water have requested PW to test their network in June.

BT highlighted that it would be beneficial to invite the CCG members to the Havant Thicket site. This would demonstrate how PW are making use of the contours of the land. It was noted that all the activity will take place within the site boundary as to not disrupt the local residents. BT stated that PW have not got planning permission yet but stakeholders are very supportive. Our promise to the locals is to provide improved conditions in biodiversity by improving the habitat as well as providing a wonderful recreational area to visit.

SO questioned the ratio of the ancient woodland?

DK responded that the relevant planning authority will advise but it is not strictly ancient woodland only marginally.

JS reported to the group that Havant Borough Council are currently producing a video of how the Borough will look in 2030 and was surprised that Havant Thicket was not included in the film. JS felt this was a missed opportunity.

It was agreed that SM to investigate further.¹

SM

JH questioned what is the current position of the Havant Thicket project?

BT responded that PW are currently working alongside Atkins our Principal Designer and work is progressing well.

JH questioned whether PW own the land beyond the boundary of the reservoir?

BT replied that PW do not own the land but will hold talks with the Forestry Commission to possibly acquire some additional land for recreational facilities.

BT highlighted that our biggest challenge to date is the reservoir embankments, which require dry conditions restricting construction to the summer period. It was stated that it would take 3 winters to fill the reservoir – the site is hugely influenced by the weather.

BT stated that PW will own and build the reservoir and the shareholders agree with this approach. Southern Water will receive high quality, cost efficient water. The benefits to our customers is that they will be able to enjoy an amazing facility on their doorstep. PW are keeping Ofwat informed of progress. It was stressed that this is a very complex phase we are entering in agreeing the commercial and regulatory agreements.

BT stated that Southern Water have a number of projects they are currently working on but the project is now moving quickly and in the right direction.

5. 2018/19 Performance

5.1. The performance for 2018/2019 was discussed. SM reported that the provisional targets have now been presented to the board. PW have significantly turned the leakage figure around after a significant investment which is extremely pleasing.

SM also reported that Water Quality contacts have significantly improved partly due to the way we operate our network and also how we reviewed our chlorination policy. It was also reported that our SIM Score is likely to be 1st overall which is excellent. The overall score will be published in July 2019.

It was highlighted that that the PCC target is extremely stretching.

The CCG group questioned bursts and whether the inherent pipework is serviceable?

BT reported that the burst figure includes ferrules and pipework. It was reiterated that the pipework is satisfactory but it is the ferrule causing issues.

BT reiterated that this is not a failure of the pipe, it is the fitting, but this is still classified as a burst.

A discussion took place on the PCC and questioned whether after 4 years it is still decreasing? Will PW be able to achieve the new AMP target?

¹ SM has followed up this request and received a positive response from Havant Borough Council. The council had to be seen to be careful not to prejudge a development that planning permission had now been received for. The reservoir will be in all the literature supporting the publication of the Local Plan later this year.

LJ reiterated that this is still a concern. More meters are being installed but unfortunately not at the rate/speed we would like. It was questioned what PW can do to improved this?

HMGO stated that the Exec team are working through their strategy and looking at a range of different options. PW do recognise we need a plan of action with regards to PCC.

It was agreed that HMGO would report back at the next meeting.

SO questioned metering with landlords?

HMGO stressed that landlords/tenants are not keen on having water meters.

CB agreed with this and stated that only a small percentage of landlands have meters.

LJ questioned whether metering is part of discussions being held with regards to Havant Thicket?

BT confirmed that metering is not currently part of any discussions, but there is a meeting with Defra planned where the target for PCC will be discussed.

HMGO

6 Future Customer Engagement Approach

HMGO updated the CCG that PW are already looking towards the next AMP and investigating ways on how we can improve our customer engagement approach.

HMGO asked the CCG group to write their opinions, on a flip chart, on the following three categories; what PW did well, what did not work and what PW could do differently.

Each group then discussed their feedback and how customer engagement could improve and what lessons could be learnt.

HMGO stated that we would look at all the suggestions and use for future reference.

LJ stated that PW are in a much improved position than other water companies so a huge well done for all the hard work.

7 Any Other Business

SM explained the graph entitled River Flow and Groundwater Status Map.

JH stated that several organisations had expressed their concern, for example, farmers and growers, that due to the past dry conditions is there any talk about forthcoming restrictions?

BT stated that PW are in a very fortunate position, due to the chalk aquifer we have surplus water in this area as do South East. The only other water companies that may have issues are Affinity Water and Anglian Water

It was commented that the rate of decline for Chilgrove is a lot steeper than normally – is this likely to go lower?

BT replied that PW have the facility to distribute water around the network so there is no stress put on our borehole. PW have a very resilient supply system.

It was agreed that SM will forward the rainfall report to IS.

SM

Date of Next Meeting

The next CCG meeting (teleconference) will be in June (date to be confirmed) to review the 2018/19 performance meeting. The next CCG meeting will be arranged via Doodle Poll after 18 July to discuss the draft determination.