

**PORTSMOUTH WATER Ltd  
CUSTOMER CHALLENGE GROUP  
THURSDAY 17 OCTOBER 2019**

**ATTENDANCE:** Lakh Jemmett (Chairman), Ingrid Strawson (CCWater) by phone, John Hall (John Hall Consulting), Simon Oakley (Chichester District Council), Jon Sellars (Environment Agency), Raife West (Havant Housing Association), Caroline Brookes, (Winchester City Council) Helen Orton, Mike Coffin (Non-Exec), and Steve Morley.

**APOLOGIES:** Karen Gibbs (CC Water), Deborah Urquhart (West Sussex County Council), Jon Stuart (Havant & District Citizens Advice), Douglas Kite (Natural England), Charles Burns (Federation of Small Businesses), Bob Taylor and Jane Day (Secretary).

**1 CCG Private Session**

It was agreed there was no requirement for a private session.

**2. Minutes from the Meeting held 15 May 2019**

The minutes from the previous meeting were taken as accurate.

It was agreed that all of the actions had either been undertaken or would be addressed at this meeting.

LJ asked that, under item 6, the text be revised accordingly as "LJ noted that in preparing its PR19 plan, he felt PW were much better **prepared** than **some** water companies.

**3. PR14 Business Plan**

**ODIs 2019/20 H1 performance**

SM updated the meeting on the Company Performance in the first six months of 2019/20, which is the last year of the AMP6 period.

He highlighted the significant improvement in leakage, as a consequence of the additional resource made available by the Company and the continued improvement in the number of contacts from customers relating to water quality.

It was disappointing to report that as a result of two water quality failures before the end of April, the 2019 calendar year target for Mean Zonal Compliance of 99.95% could not again be achieved.

Finally there was discussion around the bursts performance. LJ asked the Company to demonstrate how its performance on bursts compared to the industry and further to show how its renewal rate compared to others. This would be prepared and sent to LJ well in advance of the next meeting.

**4. PR19 Business Plan**

HMGO updated members on the Company response to the Ofwat Draft Determination (published 17 July 2019) and its meeting with executives of Ofwat on 10 October 2019.

**Havant Thicket**

HMGO reported that there had been significant movement and progress into Ofwats proposed approach to regulating Havant Thicket. The key Company concerns were the allowed cost of capital and that there would be no re-opening of costs in the 10 price review year period. Discussions are on-going and she highlighted an Ofwat consultation on revisions to the Company Licence, which was published on 15 October 2019. This can be found at

**ACTIONS**

**SM**

<https://www.ofwat.gov.uk/consultation/consultation-under-section-13-of-the-water-industry-act-1991-on-proposed-modifications-to-condition-b-and-condition-e-of-the-licence-of-portsmouth-water-limited/>

### **Financeability**

HMGO highlighted the Ofwat challenges on financeability. She explained the concept is to look at the cash flow within the business in the long term, ensuring we can maintain an adequate credit rating and absorb any unforeseen financial shocks.

HMGO stated that one of the main challenges is the cost of the loan taken out in early 2000s. Unfortunately, Ofwat does not allow PW fully to recover this cost as interest rates are now much lower than those in the loan. This remains a significant issue in the Draft Determination, with a risk Ofwat will reduce the cost of capital further in the Final Determination.

### **Per Capita Consumption**

HMGO noted that Ofwat have imposed a tighter target of 6.3% reduction in PCC compared to 5% proposed by the Company. We consider this to be stretching, particularly given our (in) ability to meter customers.

### **Water Quality Contacts**

Ofwat had noted the Company comments on the appropriateness of the WQC penalty of £1.9m but would not re-open decisions at PR14.

### **WRFIM Adjustment**

Ofwat had noted the Company comments on the appropriateness of the WRFIM adjustment of £2.7m but would not re-open decisions at PR14. The Company stated it would be preparing a letter to Ofwat on this issue.

### **Next Steps**

Ofwat will publish its Final Determination on 11 December 2019. The Company will arrange a conference call for members prior to Christmas to provide our initial view on the determination. The call is likely to be Friday 13 December and the Company will arrange this accordingly.

## **5. a) Update on Havant Thicket**

Simon Hughes updated the CCG on the Havant Thicket Project.

Specifically he noted the level of engagement with Ofwat in particular over the last few months.

He highlighted that ground investigation works would be starting w/b 28 October and explained the communications with local customers and stakeholders which was being actioned in advance.

He also explained engagement with Havant Borough Council and East Hampshire District Council in advance of the planning application being submitted by end September 2020.

### **b) Per Capita Consumption**

Jim Barker updated the CCG on the Company's plans to achieve the PCC target.

He highlighted 4 different PCC strategies, which were based on further metering and water audits, and how he was keen to develop relationships with Portsmouth City and Chichester District Councils in particular.

RW highlighted the link (between water consumption) and the wastewater bill. JB acknowledged this issue and stated we are and would be working with Southern Water on this issue. We would also (re) consider joint billing.

The CCG asked for an update on plans early in the new calendar year.

JB

### **c) Leakage**

Jim Barker also updated the CCG on the Company's plans to achieve the leakage target.

These are more developed than the PCC plans and based on our recent investment in the issue.

HMGO noted that both PCC and leakage were high cost activities, not recognised by Ofwat in its Draft Determination and the Board would need to consider the achievement of the targets in the context of a very tight financial budget.

### **d) Water Resources in the South East**

SM described the development in water resource planning and the desire / requirement to consider planning at the regional level.

This will see regional planning more widely in the industry and build on the approach already applied in the South East. It will also look more widely than public water supply and include agriculture and power generator demands for example.

It is likely the CCGs in the South East will also need to be involved in this process.

## **6 Company Pledge**

Sam Dawson, Guy Lale and Kane Leslie, all members of the Young Persons Board, presented a draft of the Company Pledge, a document they had been working on over the summer. This will be presented to the Board next week.

They introduced "Our Pledge on a Page" and described how this would be communicated to employees, stakeholders, customers and the community. Members of the CCG were invited to comment on the content and presentation. The CCG asked if an update could be provided at its next meeting.

## **7 Any Other Business**

None

## **8 Date of Next Meeting**

The next CCG meeting (teleconference) will be after the Final Determination in December. The call is likely to be Friday 13 December and the Company will arrange this accordingly.

JD