

**PORTSMOUTH WATER Ltd
CUSTOMER CHALLENGE GROUP
MONDAY 17 MAY 2021**

ATTENDANCE: Lakh Jemmett (Chairman), Karen Gibbs (CCW), John Hall (West Sussex Growers Assoc.), Jon Stuart (Havant & District Citizens Advice), Charles Burns (Federation of Small Businesses), Deborah Urquart (West Sussex County Council), Raife West (Havant Housing Partnership), Simon Oakley (Chichester District Council), Lyn Hook (Gosport Borough Council), and Graham Hindley (Jacobs)

Bob Taylor, Helen Orton, Mike Coffin (Non Exec Director) and Steve Morley (all Portsmouth Water)

APOLOGIES: Jeremy Burgess (South Downs National Park), Aldous Rees (Natural England), Jon Sellars (EA), Caroline Brooks (Winchester District Council), Sarah Thomas (CCW), and Jim Barker (PW),

		ACTIONS
1	<p>Feedback from Members Session</p> <p>A private session was held to discuss the future of the CCG prior to the meeting starting in full</p> <p>Lakh Jemmett updated the meeting with regards to private session previous held, highlighting the main issues which face the company from a customer and stakeholder point of view. These include the general concerns are around water resource abstraction, the impact of farming community, new housing development and, of course, Havant Thicket. He stated that the CCG were keen to help the Company take these issues forward. The CCG provides the Company with the opportunity a large number of influential organisations and is a provides an opportunity for the Company to receive direct feedback from stakeholders.</p> <p>Steve Morley asked how Lakh envisage the CCG going forward recognizing that Ofwat will have strong views in relation to the price review and regulatory issues in general.</p> <p>Lakh Jemmett stated that it would be very interested to see the Ofwat report when this is published and the trms of reference should reflect any explicit requirements Ofwat expected of eth CCG..</p> <p>Bob Taylor commented that Ofwat are currently in an unusual position with an acting CEO and a new chairman coming into post in October. The companies are hoping this will mean a review of the approach to the Price Review. Bob stated that in our opinion, there is a strong case for change and in this context felt that the relationship with regulators in general is probably the strongest it has ever been.</p> <p>Helen Orton stated that Ofwat are proposing to undertake national Customer Engagement on topics such as ODIs. We welcome this initiative. Lakh Jemmett replied that such national and collaborative research should not be a the expense of ongoing local research which wold reflect local issues. Helen agreed and staed this would not be the case.</p> <p>It conclusion, Steve Morley noted that as art of its governance review the Board would need to consider the role of the CCG going forwards, but the he believed there would remain a strong case for its continuation in some form or other.</p>	
2.	<p>Minutes of the Previous Meeting</p> <p>The minutes of the previous meeting were approved.</p>	

3.

Update on Havant Thicket – Bob Taylor

Bob Taylor welcomed everyone to the CCG and updated the meeting on the progress with the development of the Havant Thicket Reservoir. He stated that it has been a very busy time with a number of significant milestones achieved for the project. The progress of the project has not been impacted by Covid.

Bob Taylor reported that the Planning Application was submitted in October 2020 and in May 2021 we launched the procurement process, engaging with the market and preparing tender documents. The Bulk Supply Agreement was signed with Southern Water in January 2021. A Joint Project Assurance Group, JPAG, has now been established which is a formal forum to monitor progress. In May 2021 we also shortlisted contractors for the next stage of the procurement.

Bob Taylor reiterated that although we were later in signing the Bulk Supply Agreement we believe we can “win back time” in the programme and ensure it remains efficient. Licence changes for both companies have taken place.

Lakh Jemmett questioned whether there are any financial implications to the Portsmouth Water customers? Bob Taylor replied confirming that there was no impact to our customers, and that we already had all of the necessary financial arrangements put in place.

Simon Oakley questioned whether over the course of development, if Southern Water cannot keep up with financial arrangements, have contractual arrangements been put in place to ensure Portsmouth Water is no worse off? Bob Taylor confirmed that the Bulk Supply Agreement is extremely comprehensive and includes a special administration regime if this situation were to arise.

Bob Taylor highlighted that there are three key elements to the Havant Thicket Project

1. Main Reservoir Works+ which includes the Reservoir, Bedhampton Pumps, Treatment (DAF), process at Farlington WTW, Network Enhancement and optional within MRW+ (Visitors Centre)
2. Main Pipeline Works (MPW) which includes pipeline (Bedhampton to HTR)
3. Pipeline Framework – (Farlington to Nelson) – It was stated that the majority of infrastructure will use existing pipelines, there will be a combination of existing and new pipelines.

Bob Taylor also updated the CCG on the Embankment Design. The embankment design is 3 km long and approximately 20 m high. This is a very key part of the project, and how the clay is transferred has to be done with recognition of the temperature and moisture. Finally there needs to be an access tunnel and shaft for inlet/out pipework through the embankment.

Bob Taylor reported that there had a huge amount of site investigations with regards to the new main (Bedhampton to Havant Thicket). This is a very tricky design which has been changed several times following detailed investigations into the route.

Activities will start to ramp on the site with the appointment of our main contractors in early 2022. The Planning Application is going to Havant Planners this Thursday, 20 May.

Bob Taylor highlighted that this afternoon he is attending the opening of the Memory Park, which is a special place on site, where members of the public can contemplate family and friends they have lost.

Bob Taylor reiterated that we have achieved an important partnership between two water companies. The project will provide a green hub locally and provide much needed water to Southern Water.

Further It is becoming more recognised that green areas are important for mental health. As time goes on the value of what we have provided will be welcomed by the

local communities. We are very proud that we are trusted to deliver this amazing project.

In this context Lakh Jemmett questioned whether there was a formal Social Contract? Bob Taylor responded that we have not published our Social Contract yet, but one has been prepared. It will be published in due course.

4. **Update on River Ems – Bob Taylor**

Bob Taylor updated the CCG on the issues associated with the River Ems. He reported that last Friday, 14 May 2021, he had attended a meeting with a local MP, Gillian Keegan and also with some members of the Friends of the River Ems. It was a very positive meeting. We have published a booklet on the issues being addressed. Bob stressed that we have already spent a great deal of time and money to trying to ensure there is sufficient flow of the river in the summer months.

Bob Taylor stated that last summer we had a particularly dry and hot period and the River Ems dried out earlier than normal causing some fish getting stranded. At the request of the EA augmentation began at the beginning of August. Unfortunately our Pumping Station failed and flows in the river were not augmented as planned.

Bob Taylor commented that we are having an open dialog with Friends of the River Ems. More generally as environmental standards get tighter other options will need to be considered. Bob highlighted that Southern Water are already considering the use of desalination and treated sewage – both of which have significant costs and challenges.

Simon Oakley stated that this is a high profile issue in Chichester, hence the involvement of the local MP. He asked to what degree of studies for the River Ems is being affected by climate change and specifically changes in the rainfall patterns? What would be the financial implications for Portsmouth Water and its customers?

Bob Taylor replied that the impacts of climate change are increasing and we now have to plan towards a 1 in 500 year drought event. The WRMP and Business Plan process will investigate all the different options and look at the most efficient. This will then be reflected on our customers' bills in 2025 onwards.

Simon Oakley questioned whether Portsmouth Water saw this as an increasing issue? Bob Taylor responded that this is already a massive issue. Not only was there pressure to reduce abstraction on chalk streams we also need to manage the quality dimension as well. We are working with farmers to use less nitrates but unfortunately this does not always have an immediate impact.

John Hall stated that he was amazed that desalination plants are still being considered when we have a huge quantity of water available at winter time from, for example, the Lavant and Test rivers where water runs into the sea in enormous quantities. The building of Havant Thicket is an excellent way of capturing water in winter time when we have a surplus. John has first-hand experience of working with farmers and growers are also constructing reservoirs on their sites. We should be using this method time and time again.

Bob Taylor stated that Havant Thicket Reservoir is the most advanced public water supply reservoir project. It is recognised that it is very difficult to find suitable sites for large reservoirs.

John Hall also reported that there is a letter from a Defra Minister planning to reintroduce grant aid for reservoirs this Autumn by 40%. This will make a huge difference to farmers and growers who are prepared to give up land and buildings.

Bob Taylor concluded by welcoming this news.

Bob Taylor left the meeting.

5.

2020/21 Performance

Steve Morley updated the CCG on the 2020/21 performance and reported that our levels of service are good, especially in light of the need to run the business remotely as a result of Covid-19. Over 100 staff are working from home and Covid restrictions not allowing two people in a van have complicated matters.

He stated we had passed 20 out of the 26 ODI's and discussion focused on those which failed. The six ODI's we failed are as follows:

Mains Repairs – Steve Morley explained that the Company had experienced a significant increase in the number of repairs required to its network in January 2021. This was a direct result of a long cold weather pattern. We missed our target by a very small percentage.

Graham Hindley added that the failure of PVC mains over the winter months are extremely difficult to fix.

Simon Oakley questioned whether this impacted highways? He also questioned how much of a concern is PVC failures – are these highlighted as a burst material issue? Steve Morley would come back to Simon on his question.

SM

Lyn Hook questioned where there had been any difficulties in receiving materials due to Covid Restrictions? Steve Morley stated that as an industry we are continually monitoring stock materials. We always plan for a worst winter to cover any eventualities. We are in a very fortunately position on stock levels.

Helen Orton added that in preparation for Brexit, as a business and industry wide we do have a robust system. We are consistently in touch with the Government.

Graham Hindley also added as a backstop there is a mutual aid system whereby you can apply to a neighbouring water company can help with any materials in an emergency situation.

Voids – Unfortunately the Company has not managed to reach the 2% target this year. For 3-4 months we stopped sending Inspectors out as to properties as this was not seen to be an essential service during the Covid 19 lockdown.

Lyn Hook questioned what protections there were for vulnerabl customers with high metered usage? Steve Morley replied that we have a Water Sure tariff, where if a customer needs to use water for essential purposes, for example, medical reasons, or more than 3 children under 18 their measured water bill can be capped. Further, households are also entitled to go on the Social Tariff if their income in below the minimal threshold of £16,000.

Karen Gibbs stated that the CCW has strongly supported companies going forward with compulsory metering but there needs to be protection in place for certain groups.. She noted that CCW are publishing recommendations later this month on this issue.

It was agreed that Karen Gibbs would provide a link when the recommendations become available.

KG

Simon Oakley questioned if the number of customers on social tariffs increased would this have an impact on customer bills?

The answer is yes however Steve Morley reassured the CCG that we have adequate customer support for the number of customers on social tariff.

Per Capita Consumption – It was noted that there is clear evidence to suggest that the volume of water delivered to households has seen a step change from last year as a results of the restrictions in place to manage the Covid 19 pandemic. Ofwat has recognised that there is an issue with this ODI and propose it will become an end of AMP period ODI, as opposed to an annual ODI.

Lyn Hook stated that with hotels, hairdressers shut the general public are questioning why hasn't this offset what is happening in households? Steve Morley replied that we have seen a reduction in NHH demand with restaurants and hairdressers closed, but these are relatively small users. The Hospitals and Dock yards are still open which use larger amounts of water. Cllr Hook encouraged the Company to get this information out to the public.

Steve Morley noted that the weather also has an impact demand. Helen Orton stated that due to the warm weather the increase magnified especially at weekends and also in the week with more children at home using paddling pools, Jacuzzis etc.

Simon Oakley questioned with the increase level of PCC were there any water pressure issues complaints? Steve Morley stated that that we did initially have some contact in the early period but overall we did not receive a huge amount of complaints regarding low pressure.

Graham Hindley added that low pressure was looked as part of his audit, and there was a period of abnormal demand from the end of July and August. We have never seen such a demand in the past. There were some incidents of low pressure that this was due to a period of abnormal demand not due to the network itself.

Biodiversity – We are disappointed we did not achieve this ODI. Much of this programme relies on operational staff to maintain sites in accordance with our grass cutting regime. Maintenance of the sites unfortunately dropped down on the priority list. We have now employed two new members of staff who are dedicated to maintaining sites.

Carbon – Disappointed did not reach target – there was a step change in demand from 170MI/d to 180 MI/d and outage at some key sites meant we needed to use less efficient sites. Helen Orton stated that the Company are investing in solar cells in 10 of our sites and progressing with this rapidly.

Vulnerability Survey – The Company missed the target by 1%. Our survey showed that all organisations were satisfied or very satisfied with the support we provide customers who find themselves vulnerable in one way or another.

Karen Gibbs asked if we use these surveys to improved our service? Steve Morely confirmed this was the case and indeed our website had been changed in response to some specific feedback.

Simon Oakley questioned whether there will be an impact on Portsmouth Water customers when supply Southern Water with greater volumes of bulk water? Will this restrict Portsmouth Water customers because we have signed the Bulk Supply Agreement?

Steve Morley reiterated that our customers would not see any restrictions when water is supplied to Southern Water.

Lakh Jammatt stated that the CCG would like more details on actions and timescales regarding biodiversity and carbon.

Steve Morley reported that overall Portsmouth water have outformed very well this year and are in a good position with regards to the ODIs. We quantify a potential net rewards of £0.700m.

SM

6. Drought Plan

It was reported that we have a statutory requirement as a water company to prepare and maintain a Drought Plan. We are currently in the process in preparing a Drought Plan due to be published 7 June 2021.

Next step there will be a two month consultation period where we are required to produce and publish a statement of response to the feedback received following the consultation. We will be working closing with Southern Water during this consultation period to ensure efficiency of communications with our joint customers. The final Drought Plan will be published end of September this year.

SM

It was noted that when the Drought Plan is published Steve Morley will circulate a copy so the CCG can respond accordingly. It is also circulated as a press release and also on our website,

Karen Gibbs highlighted that she had recently joined the Stakeholder workshop around the Drought Planning. It is a very good way of working and a lot of strength with companies aligning their approaches to a more consistent approach. CCW will be responding to the Drought Plan.

7.

Any Other Business

Lakh Jemmett requested any comments on the draft CCG report for the year should be sent to him this week.

SM

Steve Morley updated the CCG on the CMA outline and stated that there were many regulatory issues reviewed and addressed by the CMA

Lakh Jemmett questioned will there be an impact on PR24? Steve Morley responded that it will have an impact. At this stage Ofwat need to understand the judgements CMA have made.