

Meeting 3 – 9th of June 2016

Attendees

Peaches Golding	Chair	Dr Danielle Wain	University of Bath
Tony Denham	Deputy Chair	Michael Barnes	Consumer Council for Water
Jeremy Hawkins	Report Writer	Ben Newby	Bristol Water
Mark Taylor	Natural England	Sue Clarke	Bristol Water
Paul Crockett	Environment Agency	James Holman	Bristol Water
Sue Evans	Citizens Advice Bureau	Sally Birse	Bristol Water
Jonathan Archer	Atkins		

Apologies

Nick Wilton	North Somerset Council	Mhairi Threlfall	Bristol City Council
Chris Giles	Avon Wildlife Trust	Professor Chad Staddon	University of West of England
Mike Bell	Consumer Council for Water		

Item

1) In camera session

2) Welcome and introduction from Chair

The Chair reviewed the actions from the second meeting on 1st of March 2016. In future these would be tracked through the Challenge Log.

Action: Meeting actions with responses to be documented in the Challenge Log

% of pensioners in supply area

Bristol Water had not yet received data from Bristol City Council in order to calculate the % of pensioners in its supply area. The members noted that input from other Councils would be needed for this to be determined accurately for the whole supply area. The member from CAB also noted that Bristol City had a relatively young demographic so could skew the result. Bristol Water would also consider if this information was available from its affordability tool.

Action: Bristol Water to calculate % of pensioners in its whole supply area

Change of occupier metering

Change of occupier metering is still on track to commence on 1 October 2016. There will be exclusions for flats although these customers can still opt for a meter.

Action: Bristol Water to confirm the proportion of flats that have opted for a meter over the last 3 years

Input of CCG on the Strategic Direction Statement (SDS)

The long term strategy had just been agreed by the Bristol Water Board. The company was likely to publish this early in 2017 for consultation.

Action: Bristol Water to map out workload to March 2017 for panel to include input to SDS

Sub group meeting on non-household retail review

This meeting did not take place due to when Ofwat published its final guidance on the non-household retail review. It is a regulatory compliance change and will result in Bristol Water offering less default tariffs but no change in the end user tariffs businesses pay.

The Chair then outlined the series of meetings she had attended since being appointed as the independent Chair of the Challenge Panel. These included:

- CCG Chairs
- Cathryn Ross, CEO of Ofwat
- WaterUK workshop on customer engagement
- David Heath, Consumer Council for Water South West Regional Chair
- Challenge Panel Away Day

The Chair was also due to attend two upcoming meetings at Ofwat (14/6, 13/7).

The Chair felt these meetings had given her a good perspective on Ofwat's requirements for the Customer Challenge Groups (CCGs) and also best practice methods in customer engagement (for example, use of complaints data, social media and real time testing of customers' views)

Natural England (NE) provided an update of a bilateral meeting with the company on the biodiversity index. This approach is novel and needs more development around assurance but is ongoing work ongoing with NE and the Avon Wildlife Trust.

The Environment Agency (EA) also provided an update of its meeting with the company on the process for it to produce the next Water Resources Management Plan. Bristol Water confirmed that a new Water Resources Manager had been recruited and that this role reported to Patric Bulmer, Head of Water Resources and Environment.

The Consumer Council for Water had had its regular quarterly meeting with the company on customer service performance.

3) Bristol Water ongoing performance

The Deputy Chair had produced a paper on how Bristol Water's performance compared to other water companies. He highlighted the water charges for Bristol Water customers compared to the surrounding companies (Bournemouth, Wessex and South West Water).

The Consumer Council for Water (CCWater) had provided a paper about the WaterUK industry dashboard. This will provide comparative performance data from July 2016.

Bristol Water also provided a paper on the PR14 business plan Outcomes, Performance Measures

and targets and how these related to the PR14 customer research on priorities and acceptability.

Bristol Water then provided an update on its performance for 2015/16. The company reminded the members that this information is confidential and subject to change until the 15/7 when the annual report is published.

Highly reliable

Bristol Water had underperformed on unplanned interruptions resulting in a maximum penalty for year 1 of AMP6. This would be applied as a revenue adjustment in 2020-2025. 75% of the poor performance on this measure resulted from 5 incidents. Atkins confirmed that the performance had been dominated by a few incidents.

The Deputy Chair asked what the company was doing to improve. Bristol Water confirmed that it had increased the number of staff called out per incident and was also looking at ways to improve its rezoning capabilities. Investment such as the Southern Resilience Scheme helped to address this.

The Report Writer asked the impact of the benign weather on the reported performance. Bristol Water confirmed that this was reflected in the stable performance for asset reliability where bursts were 23% lower than expected.

Construction of the Southern Resilience Scheme is due to commence in September 2016 with the deadline for completion end of March 2018. Bristol Water may seek an extension to delivery from Ofwat due to the delay in commencing the scheme as a result of the Competition and Markets Authority redetermination last year.

The EA felt that the 1 in 15 year target for hosepipe ban frequency looked high. The company agreed it was more risky than they would like but that the PR14 customer research had not supported a higher level of service in this area.

Excellent quality

Bristol Water had underperformed on water quality compliance resulting in a maximum penalty for year 1 of AMP6. This would be applied as a revenue adjustment in 2020-2025. The failures had been caused by Nickel at customers' taps as well as 1 failure for coliforms and 2 failures for bacteria. The Drinking Water Inspectorate (DWI) had not taken any enforcement action against the company as these were considered to be isolated rather than systematic failures. Atkins confirmed that assurance around DWI measures was very tight.

Environmentally sustainable

Although Bristol Water had outperformed on leakage this was not sufficient to gain a reward. Bristol Water was below target on metering as a result of less than anticipated optants for 2015/16 as well as a delay in starting the change of occupier metering programme. The penalty is cost reflective so will return to customers the cost of the number of under-installed meters.

Bristol Water explained that it was looking at how to improve the literature and communications on meter optants. There has also been some problems this year with delays in installing meters that had put some customers off. The process is expected to take 60 days.

Action: Bristol Water to confirm average time for optant meter installation in 2015/16

The Deputy Chair asked how customers would be informed about the new change of occupier metering policy. Bristol Water confirmed that it was on the annual bill, on Wessex searches, on charges literature, in the customer magazine Watertalk and on the 'If you're moving home' FAQ on the website.

The Report Writer asked if the annual report would tell customers how we were targeting improvements in performance for 2016/17. The Chair agreed that understanding the trends in performance would help the members.

Action: Bristol Water to include trend data when reporting performance

Natural England raised the point that the target for the biodiversity index was not challenging. The Chair agreed that this would be looked at in more detail in an Environment sub group.

Action: Bristol Water to facilitate an Environment sub group to review the raw water quality and biodiversity index performance measures

Responsive to customers

Bristol Water was not yet in a position to confirm the performance on % of customers in water poverty. The model data was coming out with <1%. The Chair highlighted that the online survey result had shown affordability was a high issue for customers. There was clearly a disjoint between perception and the technical calculation (disposable income >2% spent on water).

Action: Bristol Water to facilitate a Vulnerable customer sub group to review the % of customers in water poverty performance measure

General satisfaction was below target at 83%. 10% of respondents had answered the survey question as neither good nor poor and 4% don't know so the company needed to do more work to reduce customers responding in this way.

On ease of contact, Bristol Water scored 94.6%, which was 2% below the target. The issue was with customers phoning the wrong number initially.

Assurance

Atkins, the third party independent assurer provided a paper on their approach to audit and findings. Atkins summarised the results of their work for the 2015/16 performance data. Atkins said that the methodologies for calculating the performance measures were evolving but confirmed the robustness of the reported data, including testing the sensitivities around actual performance.

As a result of Atkin's review of Bristol Water's performance, the Chair felt there was merit in exploring some aspects in further detail.

Action: Bristol Water to facilitate an Assurance sub group to review the 2016/17 assurance plan, how this reflects Atkin's management letter recommendations and to understand the internal assurance processes at Bristol Water.

The Deputy Chair would Chair the sub groups on Environment and Vulnerable customers while the Chair would Chair the Assurance sub group.

4) Water2020

Ofwat has published a policy statement on customer engagement and its expectations for PR19. This is a key document for the Challenge Panel and hard copies were provided. Ofwat outlined six principles for good customer engagement.

- Using a robust, balanced and proportionate evidence base
- Engaging customers as a continual and ongoing process
- Ensuring a two-way and transparent dialogue
- Engaging on longer-term issues, including resilience
- Involving customers in service delivery
- Understanding the needs and requirements of different customers

Ofwat had also published the next Water2020 document setting out its approach to aspects of the next price review (PR19). It has confirmed the Outcomes framework for PR19. Further consultations were expected in November 2016 on comparative information for performance measures and in July 2017 on incentives.

Ofwat also reiterated its intention to set separate price limits for water resources, water network plus and household retail. The Deputy Chair asked how many business plans Bristol Water would submit in September 2018. Bristol Water said there would be three. There would not be a non-household retail plan this time as the market opened in April 2017. The EA raised the potential issue of how the separate price limits for water resources and water network plus would interact with the Water Resources Management Plan (WRMP). He also highlighted that the WRMP is likely to still be under consultation when the business plan(s) are submitted.

Ofwat confirmed its intention to change how RCV (regulatory capital value) is indexed from 2020. This will move from RPI to 50% RPI/50% CPI or CPI/H. The Chair said that the impact of this on customer bills was being raised by the CCG Chairs with Ofwat as there would be an increase in the short term before a long term decrease.

For enhancement projects >£100m, Ofwat will require these to be independently procured. Bristol Water said its largest enhancement scheme in AMP6 was the Southern Resilience Scheme at £27m.

5) Ongoing customer engagement

Bristol Water provided papers on the online survey and annual customer satisfaction survey results.

Online survey

1600 responses had been received for the first online survey in April 2016. The main finding was that roadworks was the major issue for customers. The survey had also asked customers their preference on interruptions and whether customers would want supply restored even if the water was discoloured. Feedback on this was unclear with a roughly 50/50 split in views.

The Chair asked about whether the views of customers that had specifically been affected by incidents had been sought on the two options. Bristol Water confirmed that text messaging or twitter could be possibilities in future to test this. University of Bath made the point about understanding the demographics of respondents using these techniques. Bristol Water acknowledged that this would be supplemented with other approaches that captured that were representative of the company's customer base.

Citizens Advice Bureau (CAB) asked how customers signed up for the online panel. Bristol Water said that it has used ebilling addresses, and had advertised it on both the website and in Watertalk.

The Deputy Chair asked why the environment priority previously tested hadn't been asked. Bristol

Water said that this had been an unintentional oversight. The 15 priorities tested mirrored those tested in 2012 so that the company could track customer views. The Deputy Chair wanted to ensure that the 2012 priorities did not become enshrined and that the company was trying to understand changes in customer priorities and emerging issues.

The members also discussed the graphic provided to the survey respondents about Bristol Water. The Chair felt that this would benefit from information about a typical household's usage and bill. NE felt that an image on the environmental impact was needed. CAB asked about information provided to customers when they switch to meters. The EA highlighted the importance of the hot water cost saving and that water efficiency messaging needed to tie in with energy efficiency.

Action: Bristol Water to consider new messaging on its online survey graphic

The next online survey would consider roadworks in more detail, customer views on the Watertalk magazine and a question on Homeserve (do customers want Bristol Water to recommend third party providers of services?).

Customer satisfaction survey

The main finding was that customers considered affordability a high priority but that this was an area that Bristol Water needed to improve. CAB had been working with Bristol Water on promoting the affordable water charges schemes for customers struggling to pay and was unsure of the reason for the poor up-take. CAB suggested case studies on the website would help increase up-take.

Action: Bristol Water to consider ways to improve promotion of its vulnerable customer tariffs

The Chair noted that a couple of areas – helps protect the environment, and resolves enquiries promptly - were on the cusp of being considered importance and needed improving.

Action: Bristol Water to make sure that customer views on these areas are tested in the company's engagement strategy.

6) Household retail competition

CCWater had provided a paper on its research into customer views on retail household competition. CCWater summarised the research findings.

- Two thirds of customers were open to the idea
- When customers understood that the expected savings were between £4 and £8 then the support dropped to a third

CCWater has fed the findings into Ofwat's report to Government. Ofwat will be providing it draft view on the costs and benefits of the four retail options to government in July. The Deputy Chair said that this may be something the Challenge Panel would want to comment on. This would need to be done by email due to the timing.

Action: BWCP members to consider whether to comment on Ofwat's draft report to Government on retail household competition.

7) In camera session

8) Next steps

- Environmental sub group - TBC
- Vulnerable customers sub group - TBC
- Assurance sub group – TBC (October)
- Challenge Panel meeting – 21/9



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