

## Meeting 2 – 1st March 2016

### Attendees

Charles Howeson	Chair	Sue Evans	Citizens Advice Bureau
Tony Denham	Deputy Chair	Jonathan Archer	Atkins
Jeremy Hawkins	Report Writer	Tom Kiedrowski	Bristol Water
Jeremy Bailey	Environment Agency	Ben Newby	Bristol Water
Mhairi Threlfall	Bristol City Council	Sue Clarke	Bristol Water
Mike Bell	Consumer Council for Water	James Holman	Bristol Water
Michael Barnes	Consumer Council for Water	Sally Birse	Bristol Water
Professor Chad Staddon	University of the West of England		

### Apologies

Nick Wilton	North Somerset Council	Mark Taylor	Natural England
Chris Giles	Avon Wildlife Trust	Dr Danielle Wain	University of Bath

No.	Item	Action
1)	<p><b>Welcome and introduction from the Chair (slide 3)</b></p> <p>The Chair welcomed everyone and asked about the representative for North Somerset Council. Bristol Water confirmed that Nick Wilton had replaced Deborah Yamanaka. The Chair reiterated the importance of continuity of involvement in the panel.</p> <p>There were two actions from the 17 November 2015 meetings</p> <p>1) <i>Cross over with Wessex Water's Customer Challenge Group (CCG)</i> The Consumer Council for Water felt there was cross over since it was a member of both CCGs. The Report Writer confirmed that he had been approached by Wessex Water to be their CCG report writer too and could possibly provide some cross over. The Chair asked Bristol Water to consider a formal arrangement between the two companies' CCGs as PR14.</p> <p><b>Action</b> Bristol Water to discuss with Wessex Water option for CCG cross over</p> <p>2) <i>Later Life Tariff (now called Pension Credit tariff)</i> The Consumer Council for Water confirmed it had discussed the approach to introducing the pension credit tariff at a separate meeting. It had agreed the</p>	BW

## Meeting 2 – 1st March 2016

tariff could be introduced as proposed but once the cross-subsidy got to a threshold not supported by customers, Bristol Water would revisit with a new piece of research.

The Chair also provided feedback from CCG Chairs/Ofwat meetings and a Vulnerability conference facilitated by Ofwat. Key points were:

- *Ofwat's RPI/CPI proposal* - CCG Chairs were concerned about possible negative impact on customer bills of the change in indexation.
- *Timeline* – Who gets consulted when? Ofwat to tweak the PR19 timeline. Also added Ofwat had an unrealistic expectation that CCG Chairs would attend 12 of its meetings a year in addition to the CCG meetings.
- *Vulnerability conference* - Issue of cross subsidies not being revenue neutral.

Bristol Water said the vulnerability report<sup>1</sup> was wider than just social tariffs and covered how companies identified and met the needs of vulnerable customers. The Citizens Advice member confirmed that vulnerability was difficult to define and that the Department of Work and Pensions did not help organisations identify vulnerable customers.

### 2 Update on sub group meeting (slides 4)

The Deputy Chair said that the sub group met on 24 November 2015 and had considered the Later life tariff proposal, the provisional 2016/17 tariffs and the approach to assurance.

The Consumer Council for Water asked the company to confirm the % of customers that are pensioners. Bristol Water said the 10% quoted was an estimate for the Wessex Water area. The Councillor for Bristol City Council said that local government had data and statistics on pensioners.

**Action** Bristol City Council to share available local government information on pensioners BCC

**Action** Bristol Water to calculate % of pensioners in its supply area BW

The Consumer Council for Water asked about the recruitment criteria for online panels as this approach tends to disadvantage views of older people. Bristol Water confirmed that the breakdown of participants in the online surveys would be known and this would be taken into account in using the results in making decisions.

### 3 Update on tariffs for 2016/17 (slides 5-7)

Bristol Water explained that there was a bill reduction this year. The average bill for 2016/17 is £175 in the context of a national average bill of £183. Over the next 3 years there would be a slight increase above inflation of between 0.2-0.5%. There is a 37p cross subsidy for the new pension credit tariff with all the social tariffs offered amounting to an extra 87p on bills. This is within the

<sup>1</sup> Ofwat, Vulnerability Focus Report, February 2016

## Meeting 2 – 1st March 2016

£1.31 customers found acceptable for a subsidy on their water charges in the recent research<sup>2</sup>.

The Deputy Chair said the cross subsidy discussed in the sub group meeting had been 73p. Bristol Water confirmed 87p was the updated figure following all the tariffs being approved. The Deputy Chair also said it was useful to see where Bristol Water fitted in the industry so the Challenge Panel knows which areas to challenge the company to improve.

Bristol Water confirmed that it had done a lot of work to present the new charges clearly and that after 2 weeks of billing that all enquiries had related to moving onto a meter. The Chair asked if customers knew how to complain. Bristol Water explained that this is on the bill. The Consumer Council for Water asked how customers are being informed about the new pension credit tariff. Bristol Water said that this information is on the bill but that they were also doing a mail drop of leaflets with all their partners (eg, Age UK).

Bristol Water also updated the panel on the change of occupier metering policy. This was a key business plan commitment and was due to begin in October 2016. Bristol Water recognised that this would not be popular with customers and was working on a customer service strategy and engaging with the Consumer Council for Water to determine approach.

The Chair asked Bristol Water to confirm the number of customers already metered. Bristol Water said the number for domestic customers was 50%. The Chair also asked if there was an opt out arrangement. Bristol Water replied that customers had 2 years to revert back to RV charges for those choosing to opt for a meter but that this wouldn't apply to change of occupier metering.

The Deputy Chair asked if Bristol Water had underspent its allowance on metering so far in AMP6. Bristol Water said it had not been fully funded for the metering programme but as this performance measure had a financial incentive associated with it, the company would receive a penalty for not meeting the annual target in 2015/16.

#### **4 Water2020 (slides 9-13)**

Bristol Water showed Ofwat's timeline for the next business planning process (PR19). In terms of the role of Customer Challenge Groups (CCGs) in PR19, Ofwat's view included the CCGs challenging companies on the development and execution of their engagement strategies. The terms of reference for the Bristol Water Challenge Panel had been updated to reflect this.

In its Water2020 consultation, Ofwat identified areas to improve the work of the CCGs. These included the appointment of unaffiliated Chairs, early publication of key financial parameters by Ofwat and companies to publish minutes and other information provided to the CCGs.

---

<sup>2</sup> Blue Marble, Pension Credit Social Tariff research results, 4<sup>th</sup> November 2015

## Meeting 2 – 1st March 2016

The Chair agreed that in the interests of transparency it is good if possible to publish all information but recognised that this was not always appropriate. The Chair reiterated the importance of the Challenge Panel having auditable research as Ofwat’s view may differ from the views of Bristol Water’s customers.

Bristol Water also outlined Ofwat’s expectations on what constitutes good customer engagement. The Challenge Panel will have to inform Ofwat on how well Bristol Water has met these when it submits its report to Ofwat in August 2018. The Deputy Chair noted the change to use less stated preference surveys (“Willingness to Pay” research).

Ofwat had also confirmed it will retain an Outcomes framework for PR19; Outcomes reflect customer priorities and are delivered through performance measures with associated targets and incentives (Outcome Delivery Incentives or “ODIs”). Ofwat is looking in particular at how to alter incentives for PR19 to encourage companies to improve their performance. The Deputy Chair raised the point that in-period payment of rewards and penalties could make household bills volatile when research shows that customers prefer a flat bill profile.

The Environment Agency asked about ODIs performance for AMP6. The Deputy Chair said the AMP6 ODIs should be covered at the June meeting when Bristol Water reports on its 2015/16 performance. The Chair agreed that the members would be interested in both backwards and forwards looking ODIs and wondered if the Environment Agency could be the Challenge Panel’s lead on this. The Environment Agency was happy to feed into the panel on the environmental ODIs but was not happy to be the expert on others.

Bristol Water also outlined other areas Ofwat was looking to develop for PR19. These were separate price limits for water resources and water network plus (the current wholesale plan), changing the inflation index, requiring companies to directly procure enhancement schemes and developing new models to determine efficient wholesale costs.

The Deputy Chair said that Bristol Water had confirmed in its Water2020 consultation response to Ofwat that it would update its 25 year plan or Strategic Direction Statement (SDS). This had been a very useful document in the PR14 process.

**Action** Bristol Water to factor input needed from members on the SDS into the Challenge Panel’s timeline.

BW

**Action** Consumer Council for Water to confirm what comparative information it will provide CCGs as stated in its Water2020 consultation response.

CCW

### 5 **Draft assurance plan (slides 14-18)**

The Chair explained that the panel was required to note but not endorse the draft assurance plan.

## Meeting 2 – 1st March 2016

Bristol Water said a previous iteration of the draft assurance plan was taken to the sub group meeting on 24 November 2015. Since then a statement on the risks, strengths and weaknesses of information had been published for consultation. Bristol Water had also sought feedback from customers through an online survey. 4 responses were received. In addition, the Report Writer in a separate capacity for the company had facilitated discussions with Ofwat, Drinking Water Inspectorate, Environment Agency, Natural England and Atkins (Bristol Water’s technical assurers). No material concerns were raised regarding Bristol Water’s annual data. Ofwat’s concerns related to the quality of wholesale cost data in the PR14 business plan and asked Bristol Water to provide proposals for improving confidence in this area as part of the final assurance plan.

The result of the customer and stakeholder engagement had resulted in the draft assurance plan currently under consultation. The proposed approach to assurance involved both internal and external scrutiny. The performance data to be reported to the Challenge Panel in June will have been assured by this process.

**Action** Members to provide any further comments on draft assurance plan by 16/3/16. All

**Action** Report Writer to assist with the Panel’s scrutiny of Bristol Water’s performance and Atkin’s assurance findings. RW

The Chair noted the approach but stated the panel was not providing a rubber stamp for the governance committee of Bristol Water’s Board. The Deputy Chair raised the issue of the expectation on p4 of the draft assurance plan that the Challenge Panel would provide an opinion on the approach. The Chair agreed that the Challenge Panel was not competent to do this.

**Action** Bristol Water to amend wording on p4 of draft assurance plan for final assurance plan. BW

### 6 Ongoing customer engagement (slide 20)

Bristol Water outlined customer engagement that is currently underway.

- *Annual stakeholder survey* - Bristol Water has just appointed Future Focus to conduct 30 in-depth interviews with stakeholders and supplement these with 500 online surveys. A question had been added on general reputation, which the company may consider adopting as a performance measure for PR19 instead of the current one on CSR.
- *Annual satisfaction survey* – A random sample of customers are asked to rate Bristol Water’s customer service. The results will be ready for the June meeting.
- *Monthly surveys* – A sample of customers who have contacted Bristol Water are asked to rate Bristol Water’s customer service.
- *Feedback cards* – These are provided to the customer to complete at the end of a job.

## Meeting 2 – 1st March 2016

Bristol Water also outlined customer engagement that is coming soon.

- *Online panels* – First online panel to cover customer priorities and satisfaction. Another online panel in May so Bristol Water can provide feedback on both surveys at the June meeting.
- *Roadshows* – Bristol Water attended the Blue Monday event. Currently finalising an ipad questionnaire to be used at future events.
- *Real time feedback* – This will be done at the end of a customer journey when a job is completed.

The Deputy Chair asked Bristol Water its timescale for customer research. Bristol Water replied that this was yet to be confirmed.

**Action:** Bristol Water to share its customer research timeline when available.

### 7 **Southern Resilience Scheme (slides 21-22)**

Bristol Water informed the panel that work on the Southern Resilience Scheme (the largest AMP6 scheme at £27m) has commenced. The scheme will remove 280,000 people off a single supply and consists of 30km of new main and a new service reservoir at Hutton. Currently a full environmental impact assessment is being undertaken in support of the planning application. The most affected Councils are Mendip and North Somerset.

The Consumer Council for Water asked if the relevant Ward Councillors, Town and Parish Councils were being kept informed. Bristol Water confirmed that the company was extensively communicating with everyone affected.

### 8 **Recruitment process for new Chair**

The Chair confirmed that he had been the company watchdog since 2005 and had stayed in post for continuity through the Competition and Market Authority determination. Now an advert had been posted for his successor. The Environment Agency and Citizens Advice Bureau members of the panel along with the Consumer Council Water regional Chair would interview the shortlist of candidates. The new Chair may look to extend the membership of the panel.

Bristol Water took the opportunity to thank the Chair for his professionalism throughout the last 12 years during difficult times for the company. The Chair said he had always relied heavily on the views of Bristol Water's customers in his work.

### 9 **'PR16' non-household retail review**

Bristol Water explained that there had been a lot of work done in advance of market opening for non-household customers in April 2017. The review this year would consider the default wholesale tariffs Bristol Water offers and it was important to get customer views on their structure.

Owat was yet to publish its guidance for the review but it may suggest that all companies have the same set of default tariffs. The Chair confirmed he had spoken to Ofwat about this issue and they were wary of consumers having too

## Meeting 2 – 1st March 2016

	<p>much choice. Bristol Water was considering covering this in detail at the June meeting but the Deputy Chair suggested the timing lends itself to a sub group meeting. <b>Action</b> Bristol Water to consider facilitating a sub group in April/May on the non-household retail review. All members to be invited.</p>	BW
<b>10</b>	<p><b>Household retail review</b> Bristol Water informed the panel of the recent Government announcement to consider the costs and benefits of introducing competition in water to household customers. Ofwat is doing the impact assessment and will provide evidence to Government this Summer (2016). Any work to facilitate market opening is expected to commence in 2020.</p> <p>Bristol Water outlined the possible scenarios Ofwat is considering to introduce competition; these included ones where only new customers would be eligible. Other issues to consider included how vulnerable customers were protected and cross subsidies of different tariff options.</p> <p>In the company’s response, Bristol Water had highlighted that its customers wanted choice. However, the caveats to this were people not switching providers in other sectors and Bristol Water being ranked higher on customer service than other utilities already subjected to competition.</p> <p>The Consumer Council for Water was carrying out research with customers on the issue and due to report the research results on 6 May 2016. <b>Action</b> Consumer Council for Water to share research results on household competition when available.</p> <p>The University of the West of England said there were examples of domestic water competition in the USA. <b>Action</b> University of West of England to share examples of USA domestic water competition with Bristol Water.</p> <p>The Deputy Chair noted that this had the potential to have the biggest impact on Bristol Water customers of all current proposals.</p>	CCW  UWE
<b>11</b>	<p><b>Next steps and AOB</b> The Chair raised the point that paperwork for meetings needed to be provided sufficiently in advance and that minutes be provided by an agreed date. He also asked the members their preference for meeting timings. The Panel agree 10am until 1pm with lunch at 12.30pm. <b>Action</b> Bristol Water to ensure timely provision of meeting papers and minutes.</p> <p>The Chair also raised the need to document by email updates of any meetings he has attended as Chair of the panel both with the company and externally. <b>Action</b> Chair to provide documented updates of all meetings attended.</p>	BW  Chair