

## Minutes of Meeting 4 – 21<sup>st</sup> September 2016

### Attendees

Peaches Golding OBE	Chair	Cllr Robert Cleland	North Somerset Council (NSC)
Tony Denham	Deputy Chair	Ben Newby	Bristol Water (BW)
Jeremy Hawkins	Report Writer	Keith Hutton	Bristol Water
Dr Mark Taylor	Natural England (NE)	Sue Clarke	Bristol Water
Paul Crockett	Environment Agency (EA)	James Holman	Bristol Water
Sue Evans	Citizens Advice (CA)	Patric Bulmer	Bristol Water
Alison Sleightholm	Western Power Distribution (WPD)	Dani Emerson	Bristol Water
Professor Chad Staddon	University of West of England (UWE)	Chris Curling	Bristol Water Non Executive Director (CC)

### Apologies

Luke Hassel	The Story Group	Cllr Mhairi Threlfall	Bristol City Council
Chris Giles	Avon Wildlife Trust	Michael Barnes	Consumer Council for Water
Mike Bell	Consumer Council for Water	Dr Danielle Wain	University of Bath
Karl Belizaire	Social Enterprise Works	Dr Tabinda Rashid-Fadel	University of the West of England (UWE)

### Minutes

<b>1. In camera session before main meeting</b>	
Minutes are confidential and not published.	
<b>2. Welcome and Introduction from the Chair</b>	
Bristol Water attendees joined the meeting. The Chair welcomed new members of the Panel and passed on apologies from those members who weren't able to attend. The Panel's skills and knowledge has been broadened through the recent recruitment of several new members. Further recruitment is planned to further widen the skill base.	

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<p>The Chair and Deputy Chair have completed Panel’s Annual Report for 2015 and the Chair thanked members for their help and support with its production. The Report will be published shortly. The Chair will present the Panel’s Annual Report to the BW Board in October.</p>	
<p>The Chair reported that she has participated in several events and workshops since the last meeting, some facilitated by Ofwat and some associated with organisational behaviour and good customer engagement. She has also attended a number of public engagements where she has been able to raise awareness of the Panel and the company.</p>	
<p>The Deputy Chair reported progress with the Panel’s Challenge Log that he is maintaining. Some 65 challenges are on the Log and have been grouped with the help of BW into three categories: closed, expected to be closed at today’s meeting, and on-going. He is assuming Panel is happy with this categorisation (no objections were raised at the meeting). The Deputy Chair will update the Log on a monthly basis and will circulate to members the list of any outstanding challenges. The complete log will be available on the Panel’s File Transfer System. It was confirmed that all members have access to this System.</p>	<p>Action: Dep Chair</p>
<p><b>3. Customer Satisfaction Update</b></p>	
<p>BW presented its latest SIM results. The latest score is 86.1, placing BW fifth in the industry ranking (achieving BW’s internal target). This score differs from the provisional view given to the Panel in June 2015 and some concern was expressed by the Panel over the changes. BW will look at the timing of SIM performance reporting to the Panel to avoid problems in future.</p> <p><b>The Chair challenged BW to explain how improvements in SIM had been achieved. BW said it had been focusing particularly on live complaints and had been refining the customer journey. It has been using text messaging in order to be more proactive. It also holds daily ‘huddles’ each morning to focus on complaints and other current customer-related issues.</b></p> <p>The first quarter results for 16/17 give a SIM score 4.49 out of 5, ranking BW fourth in the industry (the best WOC). However this score excludes qualitative data which is added at the end of the year.</p> <p>BW reports a 25% reduction in complaints set against a general industry background of increasing complaints.</p> <p><b>The Report Writer challenged BW over the extent of its external benchmarking to customer service systems and processes it is undertaking in order to identify innovations that would further benefit its customer service performance. BW replied that it is looking at other industry sectors including WPD (a visit is upcoming) and Marks and Spencer. New technology such as consolidated billing and the use of Apps is under consideration. BW also notes that South East Water (SEW) is performing well with regard to minimising complaints associated with metering and it intends to contact SEW</b></p>	<p>Action: BW</p>

<p><b>to understand how this is being achieved.</b></p> <p>The Deputy Chair asked if the SIM reward is payable at the end of the five years. BW confirmed this and that it has to maintain the performance over the five years, not just in one year, to earn any reward.</p> <p><b>The Chair challenged BW on the extent of its segmented customer information, eg by postcode, information on garden ownership, numbers of bathrooms, numbers on social tariffs, etc. BW responded that it intends to use its PR19 customer engagement to gather more behavioural information on customers’ use of water, their preferences in terms of future innovations they would like to see, etc. There will always be natural transience of the customer across segments (eg students, vulnerable customers, changes in domestic and personal circumstances) and BW will want to avoid the risk of overly pigeonholing customers.</b></p>	<p>Action: BW</p>
<p><b>4. Approach to PR19</b></p>	
<p>BW reported that it is finalising its PR19 planning process and will present its plan to the BW Board for approval in three weeks’ time. It will be important to understand role of Panel in the PR19 process. BW would like to build on the work of the LEF at PR14 but the environment has changed as Ofwat have clarified the role of CCGs since PR14. The focus is now very much on customer engagement. The use of The Panel’s Challenge Log will be key to demonstrating to Ofwat the engagement between BW and the Panel. The Chair thanked BW for having the Panel so central to its PR19 process.</p> <p>BW said that at the CMA Ofwat’s view was that BW was a risk-averse organisation. BW’s view is that it failed to prove it wasn’t. It intends to demonstrate its risk cost balance more effectively at PR19. Over the next five months It will develop a first view Business Plan and this will be shared with the Panel. The Plan will then be refined in terms of risk and cost over the following year. By March 2018 there will be a clear view of the Plan and this will then give six months to go through approval and sign off. The Final Business Plan is submitted in Sept 2018. Ofwat haven’t confirmed the PR process yet but it’s likely there will be a single submission with less chance to resubmit. The process may become clearer towards the end of next year.</p> <p>Sue Clarke will be leading the customer engagement process and will become the Panel’s main point of contact. BW will be appointing a strategic advisor to assist with its Plan with the objectives of utilising innovation and moving BW to customer engagement as business as usual. <b>The Report Writer asked what sort of organisation the strategic advisor would be. BW replied that it was likely to be a company that has expertise in customer engagement rather than economics or regulation.</b></p> <p><b>WPD requested that the Panel have early sight of the stakeholder engagement plan. BW said it should be available in Jan/Feb next year.</b></p> <p>The Chair considered that the Panel would need a sub-group to look at the engagement plan in detail. BW said that it is for the Panel, not a sub-group, to opine on the plan and that it will be important to get appropriate terms of reference in place for any such sub-</p>	<p>Action: BW</p>

<p>group. It was suggested the next Panel meeting should be moved to the end of January 2017 and that a good picture of the engagement plan would be needed by the end of this year. BW will check its timetable and will consider the timings of future Panel or sub-group meetings to ensure the challenge process can be effective.</p> <p>BW noted that its March 2017 Business Plan will be very much a first view. There will be no details on schemes at this time. However it will enable discussions on range of outcomes to facilitate customer engagement.</p> <p>BW wants the Panel to really challenge the company to help with innovation, process and to push the boundaries on customer engagement. The Chair welcomed this and mentioned a methodology called ‘OBAMA’ (Objectives, Behaviour, Audience, Motivation, Action) as a tool for understanding strategic objectives and helping link customer behaviour to them.</p>	
<p><b>5. Resources Management and Drought Planning</b></p>	
<p>BW outlined its process and timeframe for its Water Resources Management Plan (WRMP) and Drought Plan (DP). The DP is primarily the company’s operational response to drought and is completed before the WRMP. There are important and strategic changes in drought planning compared to last time.</p> <p>The WRMP is essentially a structured review of supply versus demand under a range of drought scenarios and includes consideration of outage risk and climate change. Future demand from customers requires informed assumptions on population growth and consumption and levels of service. Spare capacity (headroom) has to be factored in. The planning methodology is standard across the industry. Customers will be consulted on a draft of the WRMP, particularly over levels of service and preference for paying for them. The underlying principle is that all BW’s customers face the same risk of current supply issues but future customers pay for investment decisions taken now.</p> <p>BW is seeking the Panel’s help in how best to engage with customers and to challenge the company. BW is currently in a pre-consultation process and will submit its Drought Plan to Defra on 1 Jan 2017. If Defra considers the DP to be appropriate from a security viewpoint, BW will publish the DP for consultation in mid February. The DP will not contain information on the costs of drought measures or water resource planning scenarios. The WRMP will be published for consultation later in 2017.</p> <p>BW presented an UK Water Industry Research (UKWIR) map of England and Wales indicating its supply area is at risk of supply deficit (along with some other companies) based upon the WRMPs submitted at PR14. <b>EA challenged the map, not by disputing the supply risk in BW’s area, but highlighting that there are variations in resource planning methodologies across companies and that it is not possible to compare companies directly. BW accepted this.</b></p> <p>BW said its risk of supply deficit comes in winter if rainfall in November and December is low following a previous dry year. In such circumstances, if extra water cannot be obtained from other sources, customer demand for water would have to be managed</p>	

<p>through the implementation of water saving measures.</p> <p><b>The Report Writer asked if the DP and WRMP will have gone through external technical assurance, perhaps by EA, before going to customers for consultation. The EA said its role is to provide guidance to Defra on content and the planning process, not to approve the Plans. EA will contribute as part of the consultation process. It will inform BW if they've strayed from the accepted methodology but notes that the methodology is broad.</b></p> <p>NE will be able to comment formally as part of the consultation process but it will have had early sight of the general content of the Plans.</p> <p><b>The Chair challenged BW over its confidence in the regulatory requirements for the DP and WRP and how it intends to engage with customers. BW replied it had high confidence in the former but that it would be looking for the Panel's help with engagement.</b></p> <p><b>The Chair said it will be important to get feedback from customers on their willingness to save water when drought is threatened, what assurances the company can give them and how to test this. There is a need to start to pull information together soon. BW accepted this.</b></p> <p>UWE said there will be a need to educate customers on drought. NSC added that this education should include pre-drought scenarios.</p> <p>UWE has access to information on customer engagement on drought from other cities around the world (including customer memory and experience of drought and perception of drought likelihood) and offered to pull this together for the Panel and BW. UWE will discuss this data with the Deputy Chair.</p> <p>The Chair also raised the issue of meter penetration in relation to resource planning.</p> <p>The Chair hopes that the Panel will be able to raise the profile of the consultation on water resource planning and she will look for opportunities to do so.</p>	<p><b>Action: UWE</b></p> <p><b>Action: Chair</b></p>
<p><b>6. Customer Charges and Assurance</b></p>	
<p>BW reminded the Panel that the non household market begins shadow operations on 1 October. All wholesale companies have to publish indicative charges by the end of this month. The BW Board has to provide an assurance statement to Ofwat to accompany the indicative charges. Companies are required to consult with relevant stakeholders and BW is using the Panel for this and presented initial figures at the meeting. The Nov RPI inflation figures are published in December and will amend the current figures. Final wholesale charges are published on 13 January 2017 and final 'end user' charges on 1 February.</p> <p><b>The Chair challenged BW over the need to maintain and retain the relationship with the</b></p>	

**end user of water. Is there anything that could be learned from the energy sector? WPD added that the relationship needs to be with the end user rather than the bill payer. Customers may struggle to understand the water chain under the new market and are likely to contact BW even after they've been transferred. BW agreed this will be a challenge and there will be a need to keep customer data up to date.**

WPD said there is a master data registration system in place in the electricity sector but that this is not always accurate and up to date. Supplier data varies in quality. Network operators build their own databases.

The Deputy Chair referred to the current and well established Guaranteed Standards of Service (GSS) system and to its effective automatic customer compensation payment arrangements. Complaint levels may rise if GSS doesn't continue and there may be time lags as billing related complaints received by BW will have to be forwarded to the retailers for action.

BW outlined the assurance processes around its non-household charges. It stated that CCWater has been consulted and will be consulted again later. Technical assurance has been provided by Frontier Economics who have confirmed the process and the outcomes meet regulatory requirements. PwC will audit the final calculations and will report to the BW Board.

**The Deputy Chair requested that BW should alert the Panel to any adverse financial impact of new charges on customers. BW agreed to do this if and when it occurred. The Deputy Chair would also welcome the executive summaries of the Frontier Economics and PwC reports be made available to assure himself that there is no adverse affect on customers.**

**The Chair reminded BW that the Panel is not proving assurance on BW's charges. However it welcomes the opportunity to discuss them and to provide feedback.**

**With regard to the proposed charges for 17/18, the Deputy Chair noted the biggest increases are driven by inflation and revenue recovery. These were not mentioned in CMA outcome. How is the company going to explain this to customers next March and still maintain trust? BW agreed it's not an easy message but that it's not in charge of the price setting methodology.**

**The Deputy Chair referred to the meter penetration target being missed in 2015/16 and asked if this would improve as a result of the proposed bill increase next year. BW replied that the majority of meter changes are not driven by optants but on change of occupier. BW hasn't decided on its meter policy for PR19 yet but will have formed a view on this by January next year.**

**BW noted that the proposed bill increase next year results in bills similar to those in place in 2005 (excluding inflation). The Chair suggested BW promote this as a positive message to customers. BW replied it would rather not draw attention to the level of bills in this way.**

**Action:  
BW**

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<p>With regard to non-household retail charges review by Ofwat following companies providing the regulator with updated costs and margin allocations, BW confirmed it will not be challenging Ofwat’s Draft Determination.</p> <p><b>WPD asked if customer location affects the charges they pay. BW replied that all customers pay the same regardless of where they live. BW could choose to charge according to location but does not wish to (along with nearly all companies) as it considers it is not warranted and potentially very controversial. It would have to consult customers on this. Thames is a company that has a degree of charge differentiation according to location.</b></p> <p><b>NSC asked if BW faced challenges communicating with ethnic minority customers. BW replied that it does have the facility to communicate in several languages, particularly on bills. It does note some cultural differences surrounding payment of bills but accommodates this where it can.</b></p> <p>BW reported that, with regard to information assurance, it is implementing Atkins’ information assurance recommendations following the external audit this summer. Reporting methodologies and process maps are being updated and will be completed by March 2017. BW will be undergoing Atkins’ audits on its 2016/17 mid year performance data. The findings will be reported to the Panel in November.</p> <p><b>The Report Writer asked when the company’s Assurance Plan will be updated and whether information risk assessments and stakeholder consultation be undertaken again. BW confirmed all these activities will be carried out in time to re-publish the Assurance Plan in March 2017. BW do not expect Ofwat to reconsider the company’s ‘Prescribed’ assurance status until 2018.</b></p>	
<p>In summing up the meeting the Chair thanked BW’s Non Executive Director (CC) for attending the meeting. CC replied that he was very happy to attend and hear stakeholder’s view on BW and its performance.</p> <p>Dates would be set for the Panel’s sub-groups on Environment (date already set for 2 November), Assurance, the Drought Plan and customer engagement and the next full Panel meeting. The Chair subsequently asked the Report Writer to agree dates with BW and to let members know.</p> <p>BW attendees left the meeting.</p>	<p><b>Action: Report Writer &amp; BW</b></p>
<p><b>7. In camera session after main meeting</b></p>	
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