

**Yorkshire Forum for Water Customers
Minutes of Meeting
20 July 2023
Microsoft Teams Meeting**

Attendees:

Andrea Cook	Chair
Chris Griffin	Independent Member
Dave Merrett	Independent Member
John Walker	Consumer Council for Water
Kursh Siddique	Independent Member
Melissa Lockwood	Environment Agency
Steve Grebby	Consumer Council for Water

Apologies:

Jamie Ashton	Citizens Advice
James Copeland	National Farmers Union
Tom Keatley	Natural England

Guests:

Angie Nock	Yorkshire Water
Donna Hildreth	Yorkshire Water
Oliver Spoor	Yorkshire Water
Richard Hepburn	Yorkshire Water
Kirsty Novis	Arup, on behalf of Yorkshire Water
Paul Chapman	PR24 Forum report writer

1. Minutes

There are outstanding meeting minutes, which have either been reviewed by the Forum Deputy Chair and are awaiting sign-off by the Forum, or they have not yet been completed by The Company.

2. Actions

- a) Actions from last month were reviewed.
- b) All actions from the June 2023 meeting have been completed or are in progress, except for:
 - i. *Action 5: To schedule a slot in the July Forum meeting for the 'look and feel' sample chapter of the PR24 main business plan.* This action has been closed (no action taken) because the Company are sharing content headlines at this meeting, and there is little value in having two similar agenda items.
 - ii. *Action 9: The Company to keep the Forum informed of YWYS, and to bring information back to the Forum once a date for the autumn event date is agreed.* This action will remain open until after the second YWYS event. The Company shared that Ofwat are holding a meeting for companies on 1st August. The meeting is expected to be about their observations around the first phase of YWYS events and whether there will be any changes to their guidance. This action has been updated to including providing feedback from the August Ofwat meeting.
- c) Additional actions captured during the month and will be in the July actions list:
 - i. **Action 1:** To arrange a call between Forum members and the individuals who are responsible for the design of the PR24 document.
 - ii. **Action 2:** To arrange a session on business plan financeability.
 - iii. **Action 3:** To provide the Forum an update on progress of the APR and whether it has Crystal Mark status. The Company updated that this will be shared in the week of 7th August.

3. Customers in Vulnerable Circumstances

- a) The Company shared an update on affordability support. They explained that, due to time limitations, much more detail has been provided in the presentation slides than will be discussed in the meeting. Forum members were provided with the slides in advance of the meeting.

- b) The Company explained that against a year-five target of helping 83,000 customers, they currently believe they will help 125,000 customers this year and will grow this number next year.
- c) The Company explained that they provided their vulnerable customers with a range of support last financial year. Examples given included: providing cost of living payments to customers on a social tariff, the introduction of new schemes provided to customers on the government's Breathing Space scheme.
- d) The Company will continue to provide similar support this financial year, including no increase for social tariff this year.
- e) One of the biggest challenges is finding the customers who need financial assistance. The Company believe around 350,000 customers in the region are income deprived (as defined by ONS/Census categorisation). Of these, they believe around 200,000 customers might be eligible for either the social tariff or WaterSure schemes. The Company expressed the desire to get them the help they might need.
- f) Through their community engagement programme, the Company provided financial assistance to 12,000 customers (in 2022-23 financial year) through collaborative partnerships (e. g., with Housing Associations, Local Councils).
- g) This financial year, they are extending this financial support and aiming to help over 20,000 customers through the community engagement programme.
- h) The Company are introducing a water metre initiative with social housing associations.
- i) The Company provided an update on their vulnerable customer service priorities for the 2023/24 financial year. They reminded the Forum that in April 2023 (the last time this topic was presented to the Forum) they were not performing well against their performance commitment targets for the 2022/23 financial year.
- j) For this financial year, the Company are on-track to meet their performance commitment targets. The commitments are:
 - i. percentage of customers on the priority services register (PSR) reached.
 - ii. percentage of PSR customers being provided with checks that the services provided are right for them.
 - iii. percentage of PSR customers where there have been attempts to contact them.
- k) In response to a Forum member's question, the Company clarified that a customer is only added to the PSR when they are eligible for a priority service. This is aligned with Ofwat's requirement that a priority service must be allocated to a customer, for them to be on the PSR.

- l) The Company outlined their PR24 financial support and priority services.
- m) To illustrate the scale of the need for financial support and priority services, the Company commissioned an external company to undertake water poverty modelling. This modelling has shown that around 9% of their customers may be within the water poverty definition based on the year five bill value (an industry definition, defined by having a bill of greater than 5% of income after housing costs).
- n) In addition to water poverty, Ofwat require other measures of financial support need to be included in the PR24 plan.
- o) One such measure are customers in economic deprivation (based on the ONS definition), low income / customers on benefits. Around 14% (c32,000) of customers are in this category.
- p) The Company said they are looking to segment all customers to better understand who are (or who will be) the most in need for the next AMP and making sure three are financial support schemes in place for them.
- q) The Company expressed that one of the most difficult challenges is the difficulty in reaching these customers.
- r) A Forum member asked whether the Company measures the other advice given to customers? The Company confirmed that are tracking and reporting such data.
- s) A Forum member asked about identifying customers at risk, and whether the Company uses credit agencies (e.g. Experian) with data sets that may identify customers who are struggling financially.
- t) The Company replied that they have used credit reference agencies in various way in the last few years and are in the process of building a more robust affordability scorecard for this reason. Where their data suggests a customer might have lower income, the Company uses indicators on customer accounts to enable front-line teams to be proactive in having a conversation about their financial support schemes.

4. PR24 Business Plan Development

- a) The Company presented the latest iteration of the PR24 Business Plan ('the Plan'). The presentation shared in advance on of the meeting includes several appendixes that are for the Forum's information and will not be covered in this session. Instead, the purpose of the presentation was to provide an update on the following aspects of the Plan: underpinning assumptions, Totex summary, service summary, ODI summary, and conclusions.
- b) The total size of the Plan has increased since the Forum was last updated. The enhancement expenditure is significantly more than the AMP7 period.

- c) Totex assumptions included in the latest iteration of the Plan are:
- i. The Plan assumes efficiency reinvestment expenditure that the Company needs to achieve in the AMP8 period.
 - ii. The Plan assumes a level of investment will be delivered via Direct Procurement for Customers (DPC). This procurement route addresses Ofwat's encouragement to procure investments in a different way.
 - iii. The Plan assumes the Company will be successful in all cost adjustment claims. The claims include combined sewers, phosphorous Opex and the installation of smart metering.
 - iv. The Plan assumes the Company will be successful in all performance adjustment claims. The claims include internal sewer flooding, storm overflows, and external sewer flooding.
- d) Performance commitment and ODI assumptions included in the latest iteration of the Plan are:
- i. AMP7 Turn Around Plan service levels assumed for AMP8 start point, where applicable. The AMP7 Turn Around Plan is internal to the Company and focuses on improving their performance and efficiency levels. The Company acknowledge that their position relative to other water companies is not as strong as it has been, and they are falling behind (based on Ofwat's assessment). The Company have a large focus on improving their performance and they are assuming they will be successful.
 - ii. Ofwat's latest ODI rates are used in calculations.
 - iii. Ofwat best case assumes AMP7 final Determination Glide Path
 - iv. Ofwat worst case assumes similar upper quartile approach as used for PR19 final determination.
 - v. The Forum Chair asked the PR24 report writer that if there are any photos of internal sewer flooding, storm overflows or external sewer flooding, that would be useful.

Action 4: For the PR24 report, to request photos of internal sewer flooding, storm overflows or external sewer flooding.

- e) The Company provided a further breakdown of the costs Totex summary, grouped into base expenditure, enhancement expenditure, and direct procurement for customers.
- f) The Company said they will provide more details around the enhancement schemes in the August Forum meeting.

Action 5: The Company to provide more details on the enhancement schemes.

- g) The Company said that they had received a letter from the Environment Agency asking them to relook at the Plan, and to consider whether any aspects can be moved from AMP8 into AMP9 and beyond. The Company referred to their Long-Term Delivery Strategy and stated that this request was challenging because there is already a significant investment programme planned for future AMPs (AMPs 9, 10 and 11). The Company are considering how best to respond to the Environment Agency's request.
- h) The Company said that the bill impact is has increased since the last iteration of the Plan. The increase in this iteration is around 20% in today's prices.
- i) In comparison with other water companies, the Company believes this bill increase will move them from one of the lower proposed increases to nearer the middle.
- j) The Forum Chair stated that the Forum would be uncomfortable with that. The Company noted this comment.
- k) The Company acknowledged that they need to do more work around the right bill profile for the AMP8 period. The Company is aware that customers prefer a flat bill profile. However, with a significant investment programme, a flat bill profile would mean an immediate step up in bills at the start of AMP8. It may be that smoothing the bill profile would be more appropriate.
- l) To clarify their understanding, a forum member summarised the following: the Company are moving some expenditure from AMP9 into AMP8; they are trying to keep and retain as much as they can in AMP8 because AMPs 9, 10 and 11 have their own investment expenditure planned; and there is a risk of deferring the expenditure (which the Environment Agency have written and asked whether the Company wanted to do).
- m) The Forum member then asked whether the Company have reviewed the individual initiatives that could be deferred through – for example – through an analysis of cost benefit to customers and risk to customers? Or is it simple that the overall risk is too large? If individual analyses have been undertaken, the Forum member requested to see the outcomes.
- n) The Company asked to take this request away as an action.

Action 6: The Company to provide information around why investments are required in AMP8 rather than deferred to future AMPs.

- o) A Forum member stated that the Environment Agency was directed to send the letter about phasing (the WINEP and the water resourcing management plan) by the Secretary of State, following conversations with water companies about the size of AMP8 that are statutory. The Environment Agency sent the letter to see what could be phased across AMP periods. The deadline was yesterday, for

all companies to put forward proposals where phasing would be advantageous.

- p) A Forum member mentioned the type of measures – that is, starting in an earlier AMP may mean more ‘green’ based solutions as opposed to ‘grey’ or ‘blue’ solutions. The Company agreed and said that sometimes early requirements can lead to a ‘grey’ solution, whereas if there is longer, then over time there may be a better blue/green solution which would be in customers best interests. Another Forum member agreed.
- q) The Company presented a service summary of the performance commitments for AMP8. These are estimates of where the Company expect to be in AMP8. The performance commitments were outlined (e.g., external sewer flooding), how they are measured (e.g., incidents per 10,000 connections), and the performance expected in year 1 (the APM8 ‘starting point’ as set by the AMP7 turnaround plan), and the performance expected at year 5.
- r) The Company acknowledged that, to drive improvement throughout their business, they need to do things differently. To that end, they shared examples of innovation and productivity included in the performance commitment forecasts.
- s) The Company shared their ODI summary. These show what the Company believes they can achieve against each performance commitment, based on their expected performance levels. They noted that clean water PCs are challenging and are forecast to be in penalty position, and the waste water programme is open to largest regulatory risks.
- t) A summary of water PCs was shown. These PCs were shown to ‘fail’ against whether they are forecast to achieve their FY25 targets.
- u) A Forum member for the Company’s view on why the water PCs were expected to fail. The Company replied that they have further information on PC an ODI performance in the APR (which was published last week) and their performance action plan, which can be found on the Company’s website.
- v) A Forum Member has more follow-up questions. The Forum Chair agreed that after the meeting, Forum member should email the Company directly with their questions on the content of the Business Plan presentation, copying other Forum members into any emails to ensure all members are aware of what is being discussed.

Action 7: The Company to share a link to their APR and Performance Action Plan.

Action 8: Forum member to email the Company with any questions on the content of the Business Plan presentation, copying in the other Forum members.

- w) The Company summarised by saying that their projected performance improvement across AMP8 is significant and ambitious. Out of their 23 PCs, they are predicting:
- i. Top quartile performance for 10 common PCs
 - ii. Median quartile performance for 7 common PCs
 - iii. Low quartile performance for 3 common PCs
 - iv. 3 PCs are yet to be determined
- x) The Forum Chair commented that this is a significant projected performance improvement, but it comes at a cost to customers. The Company agreed on both points.
- y) The Forum Chair said what the Forum would need to know is that customers are happy to pay for it.
- z) A Forum Member reflected on how poor the Company's AMP7 performance has been in many areas and that the Company are trying to improve in AMP8. The Forum member acknowledged that this was a very large task, and suggested that this raised questions about the credibility of the ambitions in the rest of the Business Plan.
- aa) A Forum member noted the absence of reference to the customer research evidence in the Plan, and wondered how well it was considered.

5. Customer Research Update

- a) The Company shared a presentation on the latest customer research. The presentation included Ofwat ODI incentive rates, affordability and acceptability testing progress, and other research projects.
- b) Ofwat have provided final ODI values for each PC using a 'top-down' approach. The Company are generally satisfied with the rates provided and have no plans to challenge Ofwat or propose their own values.
- c) Stage 2 of the affordability and acceptability testing is underway.
- d) Stage 2 includes the optional schemes that were presented to customers in Stage 1. They have been included because most customers supported them.
- e) In the Stage 2 testing:
- i. the Company is testing six performance commitments and six enhancement schemes (the maximum permitted to test by Ofwat).
 - ii. Test the worst-case scenario (for customers) bill.
- f) The timeline for questionnaire development was outlined, alongside fieldwork and analysis. The final report expected in the week of 11th September 2023.

Action 9: The Company to share the affordability and acceptability testing questionnaire with the Forum for review and comment.

g) The Company listed other research coming up. They are: affordability and vulnerability research, WaterSupport enhancement research, LTDS research, and a standalone study examining the affordability and acceptability of the Company's entire Plan.

6. Customer focused licence condition

- a) The Company shared information about the Ofwat consultation on introducing a customer-focused condition into the licences of all water companies in England and Wales.
- b) The licence condition will include high-level principles about protecting the interest of customers. The principles will be backed up with guidance documents that the Company will work towards.
- c) There are three proposed outcomes:
 - i. Customers are well-informed.
 - ii. When something goes wrong, affected customers have confidence that their company will put it right.
 - iii. The full diversity of customers needs are identified, understood and met by companies in the services and extra help they provide.
- d) The Forum Chair asked whether Companies were consulted about the content. The Company replied that they were not formally consulted but Ofwat held several workshops that companies were invited to attend.
- e) The consultation timetable to implementation in 2024 was shared. Implementation is expected in early 2024.
- f) The Forum Chair asked what the next steps are. The Company advised that the consultation is now closed but comments from stakeholders are still being accepted through Ofwat's website.

7. Critical path update

- a) The Company provided a critical path update.
- b) Following a Board Sub-Committee review in July, the Company have largely agreed their Totex programme, performance levels, and forecast ODI exposure.
- c) The Company are now entering the latter phase of the programme, where the focus is on the narrative, data tables and assurance activities.
- d) For many reasons, the back end of the programme has been compressed and the Company are managing the associated risks.
- e) The Forum has requested to be sent the narrative as and when chapters are completed.

Action 10: The Company to share the PR24 Chapters, as they become completed.

Next meeting

17 August 2023 via Microsoft Teams

Actions

July 2023

Ref.	Action	Status
1	To arrange a call between the Forum (Andrea, Steve, Kursh) and whoever is responsible for PR24 document design	Complete
2	Richard H to focus on business plan financeability at the July Forum meeting	Closed, superseded
3	YW to update on where we are at with the APR and whether it has the Crystal Mark.	In progress
4	For the PR24 report, request photos of internal sewer flooding, storm overflows or external sewer flooding.	Open
5	More details on the enhancement schemes to be provided to the Forum	In progress
6	To provide information around why investments are required in AMP8 rather than deferred to future AMPs.	In progress
7	YW to share a link to their APR and Performance Action Plan.	Complete
8	Forum members to email Richard H with any questions on the content of the Business Plan presentation, copying in the other Forum members.	Open
9	Donna H to share the affordability and acceptability testing questionnaire/s with the Forum for review and comment.	Complete
10	The Company to share the PR24 Chapters, as they become completed.	Open

June 2023

Ref.	Action	Status
1	The Company to circulate details of the auditor's assurance to Forum members.	Complete

Ref.	Action	Status
2	The Company to circulate the revised APR presentation slides and the updated affordability and acceptability presentation slides.	Complete
3	The Forum project manager to add the report writer to the Forum email circulation list.	Complete
4	Additional Forum meeting to be scheduled to cover bill impact.	Complete
5	To schedule a slot in the July Forum meeting for the 'look and feel' sample chapter of the PR24 main business plan.	Closed
6	To schedule a slot for the PR24 Exec Summary to be presented in the August Forum meeting.	In progress
7	The Company to invite Forum members to the qualitative debriefing meeting.	Complete
8	Forum members to consider whether the qualitative research should present the least cost plan or the proposed plan.	Complete
9	The Company to keep the Forum informed of YWYS, and to bring information back to the Forum once a date for the autumn event date is agreed. <i>Updated June 2023:</i> The Company to provide feedback from the Ofwat meeting on 1 st August.	Open

May 2023

All actions completed.

April 2023

Ref.	Action	Status
1	May meeting to be rescheduled.	Complete
2	Forum to provide feedback on minutes.	Complete
3	The Company to prepare and send outstanding draft minutes plus recordings (if still available).	In progress
4	The Forum to provide feedback on the Company's Business Plan Tracker.	Complete
5	Forum to provide feedback on WINEP paper	Complete

Ref.	Action	Status
6	Clarity requested on how confident we are on what Ilkley will deliver.	Open
7	Meeting to be arranged with the new Forum PM and the Forum Chair and Deputy Chair.	Complete
8	The Company to provide critical path update via email.	Complete
9	Forum to consider raising in report - understand impact of statutory enhancement expenditure crowding out choices expenditure/impact on customers.	In progress
10	Forum to consider raising in report - concerned about Ilkley being a precedent and that there is transparency to customers around cost.	In progress
11	Move meetings to 13.30 rather than 13.00 start	Complete

March 2023

Ref.	Action	Status
5	Statutory submissions to be circulated to members	Open

February 2023

Ref.	Action	Status
3	Future agenda items requested - Bill Impacts, WINEP, "flexibility to factor sub-group issues into critical path", WACC, implications of DWMP and WRMP - e.g., cost efficiency, cost implications, DWI submission/implications, Bespoke PCs, plan review	Open
6	LTDS - further engagement with forum in April/May with consideration of an additional meeting on LTDS scenarios <i>Updated (July 2023): LTDS paper provided in July. LTDS to be presented in August.</i>	In progress
10	Forum terms of reference - consideration of flexibility around implementation of 9-year terms including issue with statutory members	Open