

**Yorkshire Forum for Water Customers**  
**Minutes of Meeting**  
**15 January 2020**  
**Livingstone House, 4.1**

**Attendees:**

Andrea Cook	Chair
Dave Merrett	Independent Member
Chris Griffin	Independent Member
Alistair Maltby (Dial in)	The Rivers Trust
Pam Warhurst (Dial in)	Pennine Prospects
Steve Foers	Citizens Advice
Tom Keatley	Natural England
Melissa Lockwood	EA
Wendy Kimpton	Yorkshire Water
Kirstin Hutchinson	Yorkshire Water
Olivia Walton	Yorkshire Water
Rebecca Dovener	Yorkshire Water

**Apologies:**

Janine Shackleton	Consumer Council for Water (ccw)
James Copeland	National Farmers Union

**1) Welcome**

- a) The Chair welcomed Forum members to the meeting.
- b) Apologies were noted as above.

**2) Minutes and actions of the last meeting**

- a) No minutes reviewed.
- b) Actions were reviewed and updated.

**3) Final Determination**

- a) The company provided an update on the Final Determination.
- b) There is a Board update scheduled for the 27 January 2020; the company must respond to Ofwat on the Final Determination by 16 February 2020.
- c) The company has been working on understanding the 'deliverability' of the Final Determination. It is considering the combined impact of delivering the stretching performance commitments for the allowed costs, taking account of the reduced allowance at FD as compared to the Draft Determination representations.

- d) The company is assessing the financeability assessment, including Totex and ODI penalty position.
- e) There is a positive movement in costs between Ofwat's Draft Determination and the Final Determination and it has allowed additional funding, creating an overall positive movement of c £190m. However, Ofwat has not allowed all the costs in the Draft Determination requested in the representations. There remains a £322m variance for the company between the Draft Determination representations and Final Determination.
- f) The Forum asked what the impact is on the WINEP programme; the company advised that it was awaiting the outcome of the analysis of the Final Determination.
- g) The Forum enquired about Ofwat's challenge on business rates. The company explained that while Ofwat has applied a strong up-front efficiency challenge, a 'true up' mechanism has been included to allow companies to recover 75% of additional business rates costs at the end of the period.
- h) Remaining gaps would have to be closed through identifying even further cost reductions and management mitigation. Ofwat has adjusted some of the penalty levels on key Performance Commitments (PCs) and ODI's between Draft Determination and Final Determination. However, the company still faces challenging performance requirements, particularly in internal sewer flooding and mains repairs.
- i) A graph detailing Ofwat's view of the RoRE (Return on Regulated Equity) range for AMP7 was shown to the Forum. Cross industry summary comparisons were shared. According to Ofwat's analysis, the company has an overall RoRE range of -5.43% to +5.7% around base return of 3.91%. Overall, the industry has a slight 'skew' to the downside.
- j) The average Totex efficiency challenge across the industry is c5%. The company has overall efficiency challenge of 6.4% for wholesale Totex, however, this is focused on WINEP programme – excluding the environmental programme in wastewater enhancement, the efficiency challenge for the company is 4.2% on base expenditure which is below industry average.
- k) Overall performance stretch across industry differs depending on individuals' PCs, Ofwat's analysis shows the overall level of stretch for Yorkshire Water is like that of other companies.
- l) The company has the largest RoRE range for ODI's in the industry and is the only company which has more reward opportunity than penalty risk. Work is underway to provide a Yorkshire Water view on RoRE. The next steps for the company are to:
- understand deliverability of costs and performance, resilience and financeability;
  - work with external advisors to preparing quantification of the potential opportunities and risks.

- m) The Forum asked which economists were working with the company; the company advised these were Economic Insight, Oxera and First Economics. The Forum also asked if economists were aware of the customer issues. The company stated that the building blocks of the Totex interlinks with deliverability of customer expectations i.e. value/service.
- n) The Forum asked what WINEP changes would need to be made. There have been a few changes on detailed lines with EA and companies and minor changes to the detail. The view on the overarching framework for WINEP is that Ofwat has allowed enough expenditure for programme.
- o) The Forum questioned how Ofwat uses rates and if the company builds up from base rates? Ofwat arrives at numbers through the PR19 process by defining efficient costs per unit, however if Ofwat excludes variables that are hugely important to the company i.e. phosphorous, the models don't take account of these. The company spoke to Ofwat after the Draft Determination and Ofwat provided some assurances that modelling wouldn't be an issue for Final Determination.
- p) Did the company see more movement from Draft Determination to Final Determination than expected? There had been more movement from Ofwat than at PR14. The company said it would have expected more movement but acknowledged that Ofwat had made some adjustments.
- q) On RoRE range, the company get a 5.7% return for entire BP (WHAT IS BP??) including WINEP. It shows the range of possibilities for upside and downside – e.g. everything perfect 5.7% extra return on BP, e.g. extreme weather events/economy shock = negative equity returns of 5.43%.
- r) The Forum asked the company how the RoRE range compared with last price review and was advised that the range is wider, although the financeability range is smaller.
- s) It was observed that DEFRA has given the company authority to publish Water Resource Management Plan, but that the company needs to ensure that it aligns the plan with the Final Determination. The company is working on the basis that the final Water Resource Management Plan will be published at the end of February 2020.
- t) The Forum acknowledged that Wastewater delivery is where the pressure is; consideration needs to be given to the timing of the Environment sub-group meeting and Wastewater delivery needs to be added to the agenda.

**Action 1: Company to update the Environment sub-group agenda.**

#### **4) C-MEX Draft Consultation Response**

- a) The company provided an update on the C-MEX draft consultation response.
- b) Two surveys will be conducted, one a random sample and the second a follow-on from contact with the company. Customers will be asked how happy they were with the service they received and if they would recommend the company to others.
- c) Ofwat has made the below policy decisions already during PR19 and these are final:
  - Key components of measures
  - Calculation of score and financial incentives
  - Higher performance 'payment gates'
  - Inclusion and weighting of services
  - Annual scoring
  - Treatment of net promoter scores
  - Communication channels adjustment
  - No socio-demographic adjustments
  - Inclusion of face to face interviews
  - Age band quotas
  - Assurance requirements
- d) The consultation points are around how the scheme is going to work, including:
  - Sampling dates and collation
  - Exclusion and 'do not contacts'
  - Email addresses for digital contracts
  - 'Check and challenge' process
  - Quotas and weights
  - Online correction factor
  - Frequency of data sharing and reporting
- e) It is weighted 50% on each survey and the score will be adjusted if there are insufficient service channels (3 points out of 100 deducted if fewer than 5 communication channels are offered).
- f) Higher performance applies to companies that meet the following criteria:
  - one of top three performers
  - above the cross sector upper-quartile UKCSI and
  - lower than industry average on complaints
- g) The reward and penalty calculations were shown to the Forum. There is a potential big fluctuation for reward and penalty and the latest shadow survey results were shown.

- h) The consultation needs to be responded to by 24 January 2020. Below are the proposed responses of the company on each point:
- Sampling dates – company has no issues/ will accept.
  - Exclusions – this applies to customers who do not want to be contacted with surveys, including those who have opted out. The company questioned whether it was necessary to contact these customers when they have specifically opted out. This was discussed with the Forum who agreed that customers who have opted out should not be contacted. The Forum advised that the company should show the 'opt out numbers' in response to the consultation.

**Action 2: Company to include number of customers who have opted out of being surveyed in the consultation response.**

- Email addresses for digital contacts – the company believes that it is inappropriate to provide email addresses as this would affect the customer experience for several customers.

**Action 3: Company to liaise with customer research team to see if there is any research that could be used to support the company's view.**

- Check and challenge process – company has no issues/ will accept.
- Quotas and weights – company has no issues/ will accept. The Forum asked about the use of census data, which is 9 years out of date, and questioned whether it is the most appropriate statistical base or if there is anything else that could be used. The company will build this into the response.

**Action 4: Company to propose the use of an alternative data source to census data.**

- Online correction factor – company has no issues/ will accept.
- Data sharing – company has no issues/ will accept.

- i) The company asked the Forum for its' input into the consultation response; the response will be circulated to Forum members.

**Action 5: Company to circulate the consultation response to the Forum.**

**5) EPA consultation update**

- a) The Environment Agency has released a consultation on changes to water company performance reporting and the Environmental Performance Assessment (EPA). The EPA has been published by the Environment Agency since 2014. The consultation proposes to introduce reporting for water only companies, provide all companies with more detailed company specific reports, and expand the reporting to cover progress against pollution incident reduction plans and reservoir safety. The consultation also proposes a new star rating (different metrics are weighted), some slight amendments to reporting divisions and a strengthening of Board approval of the data. The Forum supported strengthened governance on key performance information and noted that this was a move in the right direction.

- b) At a recent CCG meeting, it was noted that not many CCGs were planning a response to the EPA's. The deadline for the response is 28 February 2020. A response will be drafted from the Environment sub-group and approved by the Chair.

**Action 6: Company to add pollution reduction plan to the sub-group meeting agenda.**

- c) The Forum was advised that the report is a benchmark, reviews sector overall performance and sets expectations. The DEFRA Environment Minister is particularly interested in the reports. The EPA has previously been used as a political tool and gets reputational attention via the media. Two Performance Commitments are reflected in the EPA report.

**Action 7: Company to circulate a follow-up paper for the EPA consultation and add it to a future agenda.**

**6) AOB**

- a) The Ofwat forward programme includes refreshment of the Company Monitoring Framework. The company advised that at this stage it was unsure whether it would be a consultation or a framework.

**Next meeting**

13 February 2020, Livingstone house

**Actions**

**Summary of actions: 14 June 2018**

No	Action	Comment
4	<p><a href="#">Company</a> to project the level of investment and timescales to display how discolouration will be reviewed to help the Forum understand the plan and resources.</p> <p><b><u>Post meeting update 06/06/2019:</u></b> To be reviewed when received Final Determination (FD).</p>	Ongoing

**Summary of actions: 13 December 2018**

No	Action	Comment
3	<p><a href="#">Company</a> to consult the Forum on the risk analysis regarding pollution and ISF alongside the EA and CCW (in 3 months' time).</p> <p><b><u>Post meeting update</u></b></p>	Ongoing

### Summary of actions: 24 July 2019

1	<a href="#">Company</a> to circulate the bill impact from WINEP. <b>Post meeting update</b>	
2	<a href="#">Company</a> to share with the environment sub-group detailed environmental papers and schedule a call, if necessary, ahead of the sub-group meeting in September 2019.	<b>Closed</b>
3	<a href="#">Company</a> to move the August meeting forward to 15 August 2019. <b>Post meeting update</b>	<b>Complete</b>
4	<a href="#">Company</a> to confirm how the reward for pollution will be used. <b>Post meeting update</b>	<b>Complete</b>
5	<a href="#">Company</a> to circulate the result from the blockages campaign. <b>Post meeting update</b>	
6	<a href="#">Company</a> to confirm with forum engagement plan for tenants on company land. <b>Post meeting update</b>	<b>Complete</b>
7	<a href="#">Company</a> to circulate slides presented at session. <b>Post meeting update</b>	<b>Complete</b>

### Summary of actions: 20 August 2019

1	<a href="#">Chair</a> to send through amendments for minutes and actions from 13 June and 24 July to the company and to clarify which papers should be circulated prior to the Forum meetings.	<b>Complete</b>
2	<a href="#">Company</a> to send PR19 Draft Determination slide pack to Forum members.	<b>Complete</b>
3	<a href="#">Company</a> to send draft executive summary and share updated version with the Chair.	<b>Complete</b>
4	<a href="#">Company</a> will send a communication regarding totex and bill impacts.	
5	<a href="#">Company</a> to present a short explanation and presentation on the key building blocks of the WRMP and how water available is determined alongside the usage profiles with leakage and PCC interventions for AMP7 and beyond.	<b>Complete</b>
6	<a href="#">Company</a> to set up a meeting with several Forum members to discuss initiatives, speed and products of National Trust.	<b>Ongoing</b>

### Summary of actions: 18 September 2019

1	<b>Company</b> to provide the Chair and Forum members with a briefing paper detailing the changes to the WINEP period.	<b>Complete</b>
2	<b>Company</b> to share Economic Insight paper with Forum members	
3	<b>Company</b> to share a briefing note on the £25m efficiency in the WINEP programme.	<b>Complete</b>
4	<b>Company</b> to circulate the report from the energy trust.	<b>Complete</b>
5	<b>Company</b> to circulate draft, response and evidence to the Forum	<b>Complete</b>

### Summary of actions: 18 October 2019

1	<b>Company</b> to review the Yorkshire Forum section of the website to ensure the documentation is up to date and that the links work correctly.	<b>Complete</b>
2	<b>Company</b> and Chair will draft a holding response for all future queries.	
3	<b>Chair</b> to draft a response to the outstanding query.	<b>Complete</b>
4	<b>Company</b> to re-circulate the risk, strength and weakness statement	<b>Complete</b>
5	<b>Company</b> to circulate documentation to the Forum.	<b>Complete</b>
6	<b>Forum</b> to send questions to company.	<b>Complete</b>
7	<b>Company</b> to present the vision and value work to return to a future Forum meeting.	<b>Complete</b>

### Summary of actions: 13 November 2019

1	<b>Company</b> to add Land Strategy to a future agenda to have a thorough review.	<b>Noted</b>
2	<b>Company</b> to schedule a call for Final Determination.	<b>Complete</b>
3	<b>Company</b> to add Final Determination to the January 2020 agenda.	<b>Complete</b>
4	<b>Company</b> to consider making text bigger on one-page summary and publish the document on the website.	<b>Noted</b>
5	<b>Company</b> to add Quarterly reporting to a future agenda to discuss Forum engagement.	<b>Noted</b>
6	<b>Forum</b> member to work with the Company to review and update webpage as discussed.	<b>Ongoing</b>

### Summary of actions: 13 December 2019

1	<a href="#">Forum</a> members to review and update their personal profiles for the website.	<b>Ongoing</b>
2	<a href="#">Company</a> circulate the NP11 Manifesto of the North.	<b>Complete</b>
3	<a href="#">Company</a> to provide regular update to the Forum on the Land Strategy	<b>Noted</b>
4	<a href="#">Company</a> to add Land Strategy to the agenda for the Environment subgroup meeting on the 6 February 2020.	<b>Complete</b>
5	<a href="#">Forum</a> to respond to the CCWater query.	<b>Complete</b>

### Summary of actions: 15 January 2020

1	<a href="#">Company</a> to update the Environment sub-group agenda.	
2	<a href="#">Company</a> to include number of customers who have opted out of surveying in the consultation response.	
3	<a href="#">Company</a> to liaise with customer research team to see if there is any research that could be used to support the company view.	
4	<a href="#">Company</a> to consider using an alternative data source to census data.	
5	<a href="#">Company</a> to circulate the consultation response to the Forum.	
6	<a href="#">Company</a> to add pollution reduction plan to the sub-group meeting.	
7	<a href="#">Company</a> to circulate a follow-on paper for the EPA consultation and add it to a future agenda.	