

Yorkshire Forum for Water Customers

Minutes of Meeting 22 March 2019 Livingstone House, 2.1

Attendees:

Andrea Cook	Chair
Chris Griffin	Independent Member
Chris Ryder (on behalf of Alistair Maltby)	The Rivers Trust
Dave Merrett	Independent Member
David Darley	Yorkshire Water
Dean Stewart	Yorkshire Water
Susan Waterson (on behalf of Janine Shackleton)	Consumer Council for Water
James Copeland (dial in)	National Farmers Union
Pam Warhurst	Pennine Prospects
Paul Chapman	Yorkshire Water
Rebecca Dovener	Yorkshire Water
Roger Martin (on behalf of Melissa Lockwood)	Environment Agency (EA)
Tom Keatley	Natural England
Wendy Kimpton	Yorkshire Water (Head of Regulation)

Apologies:

Alistair Maltby	The Rivers Trust
Melissa Lockwood	EA
Janine Shackleton	CCW

Para
No

1) Welcome

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

Para
No

2) Minutes/actions of last meeting

- a) Minutes from the meeting of 5 March 2019 were reviewed and amendments proposed. These related to a discuss on WINEP, updating an action and correcting a typing error.
- b) The Forum requested an update on the Board cycle; the company advised that there had been a full-day workshop where the Board had reviewed the slides which had been shared with the Forum. The Board was satisfied with the approach being adopted. The Board had asked for the views of the Forum; the company shared the Forum's challenge on Ofwat's efficiency assumptions. On 26 March 2019 there would be formal approval of the IAP response by the Board. The company would then work with the Board and Forum to begin scenario planning for the Draft Determination. The Forum asked if the scenario planning timeframe would be adequate; the company advised that there would be an update to the Forum at the meeting in April 2019 that would be comprehensive and asked that the Forum acknowledge the scenarios would be live and subject to continued change. The scenarios would contain various options for discussion.

- c) The Forum stated that it viewed the company as efficient and expressed concerns about what it could comment on in this area given the compressed timescale.
- d) The Forum was advised that the Draft Determination is due on the 18 July 2019, representations have to be made by the 30 August 2019 and the Final Determination is due in December 2019.
- e) The company is hoping that Ofwat will hold a 'lessons learnt' session.
- f) The Forum expects to submit a report setting out observations on the Draft Determination.

Para
No

3) PR19 Re-submission Update

- a) The company provided an update on the PR19 re-submission.
- b) The company set out its recommended approach which is encapsulated in the Forum's submission to Ofwat. The Forum was fully supportive of an approach to complete no or low risk actions and to move on significant issues such as gearing, the sharing of outperformance and the support available to vulnerable customers and to re-evidence costs. Discussion took place on the phasing of the WINEP, with key input from the members of the Environmental sub-group. The likely bill reduction post re-submission and after phasing of WINEP were discussed at length, with support from Forum members.

Action 1: The company stated that it would circulate information about the areas of the WINEP programme which could be deferred until AMP7

- c) Ofwat had indicated that it would be revisiting the WACC using the same methodology at Draft and Final Determination, and it is possible that WACC will reduce. The Forum asked if the WACC tested company resilience and was advised that it did not. The company regards itself as financially resilient although Ofwat has raised concerns with the industry about gearing. The Forum asked about the aspirations of Yorkshire Water after 2021 and the Board's vision for the company and was advised that the company would like an open conversation with Ofwat and the industry about acceptable levels of debt.
- d) The company will re-evidence the frontier shift in efficiency and real price effects. A joint industry paper has been submitted through Water UK and the company has commissioned its own paper. Although raising complex issues and with differing observations and conclusions about efficiency from Ofwat, these will be circulated to Forum members.

Action 2: The company will circulate the economic papers

- e) The Forum asked if there were any planned changes to PC/ODIs. The company advised that the PCs and ODIs were subject to actions required by Ofwat and some changes had been made to the ODIs.
- f) The WINEP scenarios were reviewed; the company will circulate a more comprehensive slide on WINEP.

Action 3: The company to circulate a more comprehensive slide on WINEP

- g) The planned response for asset health is that the company:
 - Is not proposing to amend any service levels for 2020-25, unless it is for a legitimate reporting correction, for example on sewer collapses, alignment to standard reporting and the removal of 'proactive repairs' reduces outperformance target by 28%. The company will still be forecasting to remain behind other companies with the correction.

- Will provide additional evidence to demonstrate that the proposed targets on asset health are appropriate.
 - Will remove the outperformance payments for the relevant asset health PCs, as the company is an outlier in the industry and does not have sufficient customer support to further evidence the approach.
 - Will not include a penalty on unplanned outage as the measure is not mature and creates 'downside risk' for the company.
- h) The Forum asked how the company would deliver against asset health. The company advised that it had a 'basket of measures' in AMP6. Ofwat requires this to change to a smaller number of measures. Burst mains will create an issue because of the drive to reduce leakage; the company is evidencing proactive/reactive repairs of burst mains and the effect this will have on the measure with Ofwat.
- i) The Forum asked if the evidence pack would be circulated. The company advised it is a substantial pack but that certain documents could be shared to assist understanding.

Action 4: The company to circulate evidence documents for asset health and leakage

- j) The company accepts it will still be an outlier but intends to focus on service measures that directly impact on customers.
- k) As a result of the changes, the bill profile has changed, and will be stable less the impact of CPI.

Para
No

4) IAP Customer research update

- a) The company provided a research update.
- b) Testing was required for three specific areas;
- Demonstrating how the proposed social tariff cross subsidy was determined through customer testing.
 - Demonstrating how the company has tested and gained customer support for multiple bill profiles between 2025 and 2030.
 - Demonstrating customer support for carbon outperformance.
- c) The company also confirmed it had undertaken a further round of customer acceptability testing following the recommendation made by the Forum.
- d) The company confirmed that it had undertaken additional social tariff cross subsidy research and that customers were more supportive of a £2m company contribution and a £1.75 per customer contribution per annum for 5 years. The Forum asked if this was a clear final decision and the company confirmed it was. The total contribution from the company would be £10m between 2020 to 2025; customers would contribute approximately £19m over the same period.
- e) The company confirmed it had completed the long-term bill profiling research. Customers unanimously preferred the scenario displaying a slight bill increase in year 1, with a flat bill profile for the remaining 4 years.
- f) The company further confirmed that a final round of customer affordability and acceptability testing was underway. It presented an interim position (931 interviews completed from a target of 1,000) and provided figures as follows:
- Overall level of acceptability is 88%, an increase of 2% from September 2018.
 - Overall level of affordability of the plan (2020 to 2025) is 86%, an increase of 20%.
 - Overall level of long-term affordability (2026 to 2030) is 72%.

- Affordability of the bill profile (smooth bills from 2020 to 2030) is 79%.
 - Level of support for rewards and penalties is 78%.
 - Level of support for Carbon rewards and penalties is 86%.
- g) The Forum asked if further acceptability could be undertaken following discussions on the potential impact of WINEP. The company confirmed that it would consider this.
- h) The Forum acknowledged that the company was one of only a few companies to test affordability during the original business plan submission in September 2018.
- i) The Forum asked if carbon is a common or company specific PC. The company confirmed it was a common PC.
- j) At the end of the session a discussion was held around the company's overall response to the IAP, and the Forum asked if the movement in some areas had only happened because of Ofwat's response. The company advised that it had listened carefully to Ofwat's feedback and had seen the submissions from other companies. It had made amendments or provided additional evidence where appropriate but a Price Review was always 'work in progress'.

Next meeting

7 May 2019, Livingstone House G:1

Actions

Summary of actions: 7th September 2017

No	Action	Comment
7	The Chair to review all previous minutes and add challenges to the challenge log	Ongoing

Summary of actions: 14th December 2017

No	Action	Comment
5	<p>Company to construct email to Ofwat regarding LORI</p> <p>Post meeting update – (05/04/2018) Company have contacted the relevant department for an update</p> <p>Post meeting update – (01/08/2018, 23/10/2018, 02/11/2018, 26/11/2018) Company have contacted the relevant department for an update, awaiting copy of the email sent to Ofwat in regard to LORI</p>	Ongoing

Summary of actions: 15 February 2018

No	Action	Comment
1	<p>Would the DWI champion a joined-up approach regarding phosphate dosing/lead removal. DWI to respond back to Forum.</p> <p>Post meeting update – (11/06/2018) Company have contacted the DWI on two occasions for an update</p>	Ongoing

Summary of actions: 14 June 2018

No	Action	Comment
4	Company to project the level of investment and timescales to display how discolouration will be reviewed to help the Forum understand the plan and resources.	Ongoing

Summary of actions: 31 October 2018

No	Action	Comment
2	Company to arrange focused lessons learned session, potentially for the February 2019 Forum	Ongoing
9	Company to share their gearing demonstration which was sent to Ofwat with the Forum	Ongoing

Summary of actions: 13 December 2018

No	Action	Comment
1	Company to send dates to the Forum for their potential attendance at the University focus groups	Ongoing
3	Company to consult the Forum on the risk analysis regarding pollution and ISF alongside the EA and CCW (in 3 months' time)	Ongoing
5	Company to provide an update to the Forum in 3 months' time regarding leakage and supply interruptions	Ongoing

Summary of actions: 7 February 2019

No	Action	Comment
1	Company to organise a further sub-group meeting to address vulnerability issues.	Complete
2	Company to organise an additional meeting for the 22 March 2019.	Complete
3	Company to circulate the approach to testing.	Complete
4	Company to add Asset health will feature as a 'deep dive' agenda item on 5 March 2019, including consideration of the impact on bills.	Complete
5	Company to circulate a paper on frontier efficiency for information.	Complete
6	Company to circulate a paper to the Forum if extended permits are required.	Closed
7	Company to circulate a regular update on the water resource position via email.	Complete?
8	Company to circulate a second information paper on metaldehyde.	Complete?
9	The company to ask the appropriate representative to attend the March 2019 meeting to discuss gearing.	Complete
10	The Company to ensure communications on gearing are clear and simplified for customers.	Complete

Summary of actions: 5 March 2019

No	Action	Comment
1	The Forum asked the company to help customers understand the efficiency challenges.	
2	Company to change the name of the document from Assurance Plan.	

Summary of actions: 22 March 2019

No	Action	Comment
1	<u>Company</u> stated that it would circulate information about the areas of the WINEP programme which could be deferred until AMP7	
2	<u>Company</u> will circulate the economic papers	
3	<u>Company</u> to circulate a more comprehensive slide on WINEP	
4	<u>Company</u> to circulate evidence documents for asset health and leakage	