

**Yorkshire Forum for Water Customers
Minutes of Meeting
18 September 2019**

Attendees:

Andrea Cook	Chair
James Copeland	National Farmers Union
Dave Merrett (dial in)	Independent Member
Chris Griffin	Independent Member
Tom Keatley	Natural England
Olivia Walton	Yorkshire Water
Paul Carter	Yorkshire Water
Rebecca Dovener	Yorkshire Water
Steve Foers	Citizens Advice

Apologies:

Alistair Maltby	The Rivers Trust
Wendy Kimpton	Yorkshire Water (Head of Regulation)
Janine Shackleton	Consumer Council for Water (CCW)
Roger Martin (on behalf of Melissa Lockwood)	Environment Agency (EA)
Pam Warhurst	Pennine Prospects

Para
No

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) Minutes from the meeting on 20 August 2019 were not reviewed.
- b) Actions were reviewed and updated.

3) Forum members session

- a) Members of the Environment sub-group advised the main Forum that the company had changed the phasing for WINEP. After internal review the company had concluded that it would push performance achieved in the next asset management period (AMP) period. The Chair noted that she was not sufficiently sighted on such issues and that a briefing paper needed to be provided before the meeting with Ofwat.

Action 1: Company to provide the Chair and Forum members with a briefing paper detailing the changes to the WINEP period.

4) Price Review 2019 update (PR19)

- a) The company provided an update on PR19.
- b) The WACC was discussed; the company advised that the drop in the WACC was significant and it is the lowest cost of capital to date. Historically, the cost of capital had been considered to be too high. Politically, the government expected more scrutiny on return.
- c) The company had commissioned a piece of work with Economic Insight jointly with other water companies to look at how the industry has profited/benefitted over the years, setting out the profit levels on an AMP by AMP basis. The findings show that the profit/benefit for water companies is not excessive at an industry level.

Action 2: Company to share Economic Insight paper with Forum members.

- d) The Forum asked if Ofwat requests that companies pay for more, with lower returns for dividends, where will this fit with sustainability? The company advised that it raised issues for borrowing and risk. Moody's would be assessing the financeability of water companies.
- e) When reviewing the graphs of cost movement between Initial Assessment of Plans (IAP) and Draft Determination (DD), it was acknowledged that the company had made efficiencies at the IAP stage and further efficiencies at DD. The Forum highlighted the area of their response to the DD stating that it felt the cost reductions had gone too far and that the company would carry a lot of risk.
- f) When discussing Upper Quartile (UQ) and WINEP the company explained Ofwat's categorisation of base and enhancement, meaning there had been some movement for the company business plan. There are several factual elements that could not be amended, for example business rates. The company believed that retail efficiency was better than Ofwat said.
- g) The Forum asked what the £25m efficiency was in the WINEP programme? They were advised it was reflected in small scale decreases to the programme.

Action 3: Company to share a briefing note on the £25m efficiency in the WINEP programme (see action 1).

- h) Post representation highlights were shared with the Forum. The Forum asked that if the company could now offer a £15 bill reduction, why was this on the bill? They advised that the communications shared with customers on this must be clear. The company told the Forum the £15 relates to the cost of risk and action1the cost of failure.
- i) A Forum member noted that the research undertaken by CCWater seem to contradict the research undertaken by the company. It was noted that there is a higher expectation of what they would get delivered for the cost.

5) Response from CCGs and Ofwat meeting (12 September 2019)

- a) The Chair provided an update.
- b) WACC again was discussed, this was a concern for other CCG about the way it had been calculated and the uncertainty of Brexit.
- c) The CCGs jointly agreed that financeability and achievement of plans were a concern.
- d) Members were advised that the next company and Ofwat meeting is on the 6 October 2019. The Final Determination (FD) is due on the 11 December 2019 (now amended to 16 December 2019).
- e) CCGs felt there is a potential for a communication to come out before December 2019. The next CCG meeting will be held in January 2020.

6) DEFRA consultation on personal water use

- a) The consultation was launched on 19 July and will run until 11 October. It follows on from commitments made in the 25 Year Environment Plan and recommendations from the National Infrastructure Commission on resilience of water supplies in the face of climate change.
- b) The consultation contained 25 questions on: Building regulations – new build & retrofit, water efficiency labelling, behaviour change, leakage, rainwater harvesting, re-use of water and metering.
- c) The company will respond to state that it supports the establishment of a cross-sector PCC target, water efficiency labelling should be the top priority, building regulations should be based on mandatory labelling, large scale behaviour changes are needed and smart metering is a vital tool to help drive behaviour.
- d) Forum asked what percentage of products are external, the company advised they account for less than 1%.
- e) The Forum also asked the impact of water labelling in the UK market? The company told members that this was minimal but Australia had successfully implemented water labelling.

Action 4: Company to circulate the report from the Energy Saving Trust.

Action 5: Company to circulate draft, response and evidence to the Forum

- f) New regional scheme arrangements and abstraction rules were discussed with the Forum.
- g) The Forum was interested in the future reviews for internal customers. A discussion was held on reviewing the structure and building external relationships so that this could be overlaid. Lessons learned needed to be captured.

7) Customer support in developing a Social Contract

- a) This agenda item was moved to the October meeting.

8) Water Resource Management Plan (WRMP) supply forecast

- a) The company presented the WRMP supply forecast. The company takes the water supply 45% balancing reservoirs, 30% river and 25% ground water sources. There are two water resource zones, grid SWZ and east SWZ. The grid is predominately lowland rivers and the Pennine reservoir, with some ground water sources in the east. The east SWZ is river abstraction and springs in Whitby area.
- b) Deployable output is the maximum demand that can be supplied whilst maintaining levels of service. For WRMP19 this includes 95 year inflows, an annual demand profile and all relevant system constraints. Baseline deployable output is then adjusted for any future losses, such as climate change and sustainability reductions. Deployable output for the grid SWZ is 1392.61MI/d and east SWZ is 14MI/d.
- c) The company forecast includes a small loss in deployable output due to sustainability reductions, the company reductions are low in comparison to those of some water companies due to close liaison with our local Environment Agency.
- d) Supply forecast includes a significant loss in deployable output due to climate change; the effects of climate change have been modelled until 2080. Median climate change used in WRMP gives a forecast loss in deployable output of 100MI/d in the grid SWZ by the year 2044/45. There is no loss of deployable output in the east by 2080. The Forum asked if this related to rivers? The company advised trials for reservoirs are ongoing.

- e) There is a large amount of uncertainty in the modelled deployable output loss due to climate change and these calculations will be reviewed.
- f) Sustainability reductions was discussed. The Environment Agency Framework Directive (WFD) investigations had identified sites of concern where sustainability reductions of 1.5MI/d will take place by 2024. The company continues to work with the EA through their WINEP investigations. The company sustainability reductions are low in comparison to other companies due to the positive working relationship with the local EA.
- g) Supply/demand issues were raised. Water resources north has plenty of water. Regional planning is needed as the average use is 1250MI/d but the water may not be available. The biggest environmental risks are rain and drought.
- h) For climate change the supply forecast includes a significant loss in deployable output. The effects have been modelled until 2080. The median climate change scenario gives a loss of 100MI/d in grid SWX by 2044/45. There is no loss of deployable output in the east SWZ by 2080.

Next meeting

18 October 2019, Livingstone House G.1.

Actions

Summary of actions: 14 June 2018

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

Summary of actions: 13 December 2018

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

Summary of actions: 13 June 2019

1	<p>Company to circulate to Forum the papers sent to Ofwat and the WINEP proposal paper.</p> <p>Post meeting update</p>	Complete
2	<p>Company to share draft with Forum for comment by returning to July meeting of circulating a copy offline for review.</p> <p>Post meeting update Circulated to the Forum with July's papers</p>	Complete

3	<p>Company to arrange a call for draft determination analysis on the 18 July 2019.</p> <p>Post meeting update Call scheduled for the 18 July 2019.</p>	Complete
4	<p>Company to share the pamphlet with Forum members when available.</p> <p>Post meeting update 15 July 2019 company shared with the Forum all finalised documents from the APR</p>	Complete
5	<p>Company to share the Board Assurance Statement with Forum</p> <p>Post meeting update 24/06/2019 Circulated to Forum on the 21 June 2019.</p>	Complete
6	<p>Company to provide a breakdown of serious pollution events to the environment sub-group.</p> <p>Post meeting update Added to the environment sub-group agenda for September 2019</p>	Complete
7	<p>Company to send the newer APR draft document.</p> <p>Post meeting update Circulated to Forum members</p>	Complete
8	<p>Company to circulate to the Forum the details of appointments for GSS.</p> <p>Post meeting update A breakdown of GSS categories were shared with the Forum via email with July's papers.</p>	Complete
9	<p>Company to discuss draft WRMP at environment sub-group.</p> <p>Post meeting update 24/06/2019 Added to the environment sub-group agenda for September 2019.</p>	Complete
10	<p>Forum member to share letter from local community and EA response.</p> <p>Post meeting update Will be presented to Forum in October 2019.</p>	Ongoing
11	<p>Company to return to the Forum in July with an overview on CSO discharges across the region.</p> <p>Post meeting update (22/07/2019) Deferred until October 2019.</p>	Ongoing

Summary of actions: 24 July 2019

1	<p>Company to circulate the bill impact from WINEP.</p> <p>Post meeting update</p>	
2	<p>Company 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.</p> <p>Post meeting update</p>	

3	Company to move the August meeting forward to 15 August 2019. Post meeting update	
4	Company to confirm how the reward for pollution will be used. Post meeting update	
5	Company to circulate the result from the blockages campaign. Post meeting update	
6	Company to confirm with forum engagement plan for tenants on company land. Post meeting update	
7	Company to circulate slides presented at session. Post meeting update	

Summary of actions: 20 August 2019

1	Chair 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.	Complete
2	Company to send PR19 Draft Determination slide pack to Forum members.	Complete
3	Company to send draft executive summary and share updated version with the Chair.	Complete
4	Company will send a communication regarding totex and bill impacts.	Outstanding
5	Company 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.	Complete
6	Company to set up a meeting with several Forum members to discuss initiatives, speed and products of National Trust.	Ongoing

Summary of actions: 18 September 2019

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