

Yorkshire Forum for Water Customers

Minutes of Meeting

5 March 2019

Livingstone House, 4.1

Attendees:

Andrea Cook	Chair
Chris Griffin	Independent Member
Dave Merrett	Independent Member
David Darley	Yorkshire Water
James Copeland	National Farmers Union
Janine Shackleton	Consumer Council for Water (CCW)
Roger Martin (behalf of Melissa Lockwood)	Environment Agency (EA)
Paul Chapman	Yorkshire Water
Dean Stewart	Yorkshire Water
Pam Warhurst	Pennine Prospects
Rebecca Dovener	Yorkshire Water
Wendy Kimpton	Yorkshire Water (Head of Regulation)

Apologies:

Alistair Maltby	The Rivers Trust
Rachel Daley	Citizen's Advice
Tom Keatley	Natural England

Para
No

1) Welcome

- a) The Chair welcomed Forum members to the meeting.
- b) The Chair welcomed Chris Griffin as an Independent Member.
- c) Apologies were noted as above.

Para
No

2) Minutes/actions of last meeting

- a) Minutes from December 2018 and January 2019 had amendments pending for the Chair to review.
- b) The Chair asked if members had any amendments for the February 2019 meeting. One member did and would feed these back to the Chair.
- c) Actions were reviewed and updated.

Para
No

3) PR19 Re-submission Update

- a) The company provided an update on the PR19 re-submission.
- b) The Forum was reminded of the key figures and headlines within the PR19 plan and provided an overview of the company's approach to IAP.

- c) The company had spoken to the affordability and vulnerability subgroup and developed a proposed response around affordability. The company is going to increase its contribution from £0.5m to £2m per year for the social tariff (£10m over the five-year period) which will help to prevent customers getting into debt. The company will also provide further evidence in areas of the original plan. CCWater is supportive of the company's approach. The Forum asked how the company's contribution to affordability compared to other water companies. Yorkshire Water is one of only four companies that contributes as all companies have social tariffs but not all receive company contributions
- d) The company stated that it would provide an update on gearing later in the meeting, and was exploring the possibility of reducing gearing to 70%, subject to Board approval.
- e) Regarding efficiency, the Forum was told that there were a number of areas that interact and need to be reviewed holistically and a number of the elements will require discussions during and after the submission of the IAP response. As the company firmed up on these areas it wanted to be able to move to a position of a stable or falling bill, whilst keeping the ambitious promises made for its customers and remaining a resilient, financeable company.
- f) The company will propose a 200% increase in the direct support offered to customers by 2025 in response to the IAP challenge.
- g) The efficiency challenge means Ofwat's wholesale baseline is £4,085m, £900m less than the plan submitted. The company circulated a paper on the shift in frontier efficiency and 'real' price effects.

Action 1: The Forum asked the company to help customers understand the efficiency challenges

- h) The company provided an update on the research programme, the focus is on carbon, long-term affordability and asset health.
- i) The planned response regarding performance commitments by the company is:
 - Not proposing to amend any service levels for 2020-25, unless it's for a legitimate reporting correction.
 - Provide additional evidence to demonstrate targets on Asset Health.
 - Remove the outperformance payments for the relevant Asset Health Performance Commitments (PCs), as the company is an outlier in industry and does not have sufficient customer support to further evidence this approach; and
 - Not include a penalty on unplanned outage as the measure is not 'mature'
- j) The company has decided to provide additional evidence for some of the IAP actions relating to PCs and ODIs. Information will be circulated to the Forum before the next meeting.

Para
No

4) Leakage Update

- a) The company provided an update on leakage targets.
- b) 276ml/d was the company upper quartile (UQ) target for 2018/19. The regulatory target is 292ml/d.
- c) Extra resources have been applied throughout the year and various initiatives are underway.

- d) The recent cold snap saw leakage increase to 335ml/d; the leakage rate has since reduced to 294ml/d post cold weather.
- e) The company is confident the outturn position for leakage will be better than 2017/18 and that leakage will 'land' within the dead band. There is still to achieve the regulatory target.
- f) The year-end reconciliation process is underway and will finalise the assumptions the company has made throughout the year. 2018/19 has been an atypical year for weather; customer and commercial consumption has increased, there have been changes in patterns of behaviour and the amount of water in supply has increased.
- g) At the end of April 2019, the company will realise the outturn position for leakage for 2018/19.

The Forum asked the company what the worst-case scenario was. The company advised outturn above the regulatory target would attract a penalty of £50,000 per 1ml/d and the reputation risk associated with missing the regulatory target would be damaging.

Leakage would be an area of targeted assurance when confirming the outturn position for 2018/19.

The Forum asked if performance on leakage was directly linked to the resilience of assets, and this was confirmed. The weather has an impact on various measures, but the company is positive that the underlying performance is strong.

- h) The Forum will be updated on the issues related to leakage at the meeting in April 2019.

Para
No

5) Gearing

- a) Gearing is currently at 76% and was due to remain unchanged until the end of Asset Management Period 7 (AMP). 78% was forecast to be the AMP8 average.
- b) The company is comfortable there is enough headroom. It has run various scenarios and built this in to the headroom. The company is stable and rating agencies are well engaged.
- c) Within the IAP results there has been a desire from Ofwat for the company to lower its gearing to 70%, this is being reviewed and a range of options have been developed. The scale of the reduction is to be agreed and the options will be presented to the company Board.
- d) The Forum asked if this would have an impact on bills. The company advised that the effect would be longer term. The Forum asked the company if it would address the issues around credit ratings within the IAP and advised that it would provide clarification.

6) Final Assurance Plan and Customer feedback

- a) The company presented the Final Assurance Plan and customer feedback on this.
- b) The first draft of the plan was shared with the Forum on 31 October 2018. Between 16 November 2018 and 30 January 2019 there were various methods of consultation on the plan via the websites, online community and customer focus groups.
- c) Key findings from the consultation were shared with the Forum. It was advised that a significant proportion of the customers consulted regarded the company as excellent. Opportunities identified for future development of the Plan were:

- Being clear about what assurance is and who the document is aimed at.
 - Reducing the content.
 - Greater use of diagrams, charts and colour to aid understanding and engagement; and
 - A summary for customers.
- d) Box Clever had asked all participants to sum-up their view of the draft Assurance Plan in a few words and the responses were shared with the Forum, examples included 'plenty of detail' versus 'longwinded'; and 'easier to understand than you'd expect' versus 'too full of business speak'.
- e) 130 customers reviewed the Draft Assurance Plan and completed the online questionnaires, 29 customers attended focus groups, 12 students attended focus groups and three customer provided feedback independently via the website.
- f) 131 issues were raised of which 76 had been resolved, 42 were work in progress, 6 required no further review and 7 no action. Examples of each were shared with the Forum. The Forum asked if it was an Ofwat requirement to call the document Assurance Plan, it was observed throughout the research that customers struggle with the word assurance. The company agreed to look for an alternative to this terminology.

Action 2: Company to change the name of the document from Assurance Plan.

- g) In the main the company has focused on section four 'our assurance approach' and section five 'where we have focused our assurance'. The company advised that it was making amendments to make these more consistent with the rest of the document.
- h) The company has taken on the views of over 160 customers who have provided some excellent feedback. It has also laid the foundations for further work with Bradford University. It has been an extremely positive and useful experience and the company thanked the Forum for its input. The Forum asked if the company had 'sense tested' the new document, and was advised that it had.

Next meeting date

Thursday 11 April 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.	