

# Yorkshire Forum for Water Customers

## Minutes of Meeting 12th October 2017 G1, Livingstone House, Leeds

### Attendees:

Andrea Cook	Chair
Alistair Maltby	The Rivers Trust
Angela Collins	Consumer Council for Water (CCW)
Daniel Chubb	Yorkshire Water
Dave Merrett	Independent Member
James Copeland	National Farmers Union
Melissa Lockwood	Environment Agency (EA)
Pam Warhurst	Pennine Prospects
Paul Chapman	Yorkshire Water
Tom Keatley	Natural England
Wendy Kimpton	Yorkshire Water (Head of Regulation)

### Apologies:

Adrian Kennedy	Yorkshire Water
Janine Shackleton	Consumer Council for Water (CCW)
Joanne Volpe	Alzheimer's Society
Nicole Buckingham	Yorkshire Water (Regulatory Project Manager)

## 1) Welcome

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

## 2) Review and Agree Minutes/Actions of the Last Meeting

- a) Minutes from the meeting held on Thursday 7 September 2017 were reviewed and approved. The Forum requested actions noted in section four and 11 to be added to the action log.
- b) A recommendation was made to move all complete actions to a separate action log.

**ACTION 1: Secretary to move all complete actions from the action log at the back of the minutes to a separate excel spreadsheet.**

Actions from the 7 September were reviewed;

- c) Action 1, complete
- d) Action 2, complete
- e) Action 3, outstanding; the company will circulate the internal challenge log before the meeting in December 2017
- f) Action 4, outstanding; the company will circulate the Willingness to Pay slides before the meeting in December 2017
- g) Action 5, complete
- h) Action 6, ongoing
- i) Action 7, complete
- j) Action 1 from the 7 April 2016; the company will arrange dates for visits to the companies control room and call centre and circulate to members

- k) Action 1 from the 16 February 2017; the wording has been amended as requested and this is complete
- l) Action 18 from 15 June 2017; an update on natural capital and five capital works was presented to the forum on 12 October 2017. complete.

### **3) Chair Updates / Forum Membership & Sub-Groups**

- a) At the Social Vulnerability & Affordability Sub-Group Meeting a discussion was held on meeting agendas and how to progress with the sub group. Following the meeting bi-monthly meeting dates have been agreed. The company circulated a high-level strategy document. The Yorkshire Forum for Water Customers will be early consultees in developing the strategy.

### **4) DMF Introduction and building the Investment Plan for PR19**

- a) Development of the PR19 Investment Programme is built on four stages; understanding our future service risks; understanding intervention options; identifying optimal set of interventions to meet targets/constraints; and report investment and service over time based on chosen interventions.

The decision-making framework approach will bring together asset management practices across the business. It will be developed to meet the company's vision as an 'enhanced ability to make forward-looking risk based expenditure decisions, based on their impact on the Business Plan, programme of work or business area'.

- b) A change in expenditure decision making is due to factors including; a changing regulatory environment, industry best practice, changing IT strategy and opportunity to make better decisions.
- c) Key decision-making framework deliverables for PR19 are; enhanced asset models, industry leading service and valuation framework, a new end-to-end system and programme optimisation and visualisation. The Forum asked how confident the company was with the data being fed into the model as data will be critical. The company advised that confidence analysis will be built in to the model. DMF is an internal product. The Forum asked if there was an option to externalise the information as it would be good to share with partners; the company will consider the benefits of this. The Forum was keen to understand more about the partners that the company is already engaging with.
- d) The PR19 data collection and optimisation process was shown. The Forum asked if customer feedback was included in the business data, they were advised that it was. The portfolio model collaborates information at plan level and prioritises at programme level. The Forum asked where the customer is factored in to the process and was advised that this was in goals and constraints and benefits and solutions for the customer.
- e) Understanding risks and benefits was discussed. The service measure asks the core reasons for investment, for example water supply interruptions or bursts. The impact categories consider the ranges of impacts if the company does not invest and it separates out the risks. The Forum asked if the service measures were part of Ofwat's methodology. The company advised that it is and its own methodology is meant to respond to the Ofwat methodology.
- f) An infrastructure model example was shown and the company notified the forum that all information fed in to the model will be audited and a confidence grade assigned.
- g) Benefits valuation has traditionally focused on service delivered for sewer flooding, drinking water quality and river water quality etc. There now exists the opportunity to value six

different types of capital where society get goods and services to improve lives; manufactured, financial, natural, social, human and intellectual.

- h) Net benefit analysis and optimisation was shown.
- i) Programme refinement was discussed.

The Forum asked how the system copes with overrides from drivers that are not cost beneficial. The company advised that the system can be overridden as necessary.

- j) Ofwat has released an Aide Memoire for Customer Challenge Group Chairs. The Chair expressed an interest in knowing the company's thoughts on the Aide Memoire, which will be finalised in January 2018. The Chair asked that all immediate observations are flagged before 8 November 2017 and all other comments are sent directly to the Chair by end of December 2017 via email.

***Action 2: Company to circulate Aide Memoire any initial observations must be feedback to the Chair by the 8 November 2017, all other comments must be sent to the Chair by the end of December 2017.***

## **5) An update on the developing approach to Total Impact and Value Assessment**

- a) Introductions were carried out around the table.
- b) Traditional financial reporting generally looks at Inputs and Outputs. At the last Price Review, the industry moved to embrace Outcomes. Yorkshire Water is looking to go even further by focusing on impact and value of impacts.
- c) TIVA was explained to the forum.
- d) Included is financial capital, manufactured capital, human capital, natural capital, social capital and intellectual capital. The Forum highlighted the importance of engaging with others for intellectual capital to feedback to other customers and stakeholders.
- e) A Natural and Social Capital Assessment of future options for the Burnby Lane landfill site was recently completed. The company is now currently finalising an assessment of recreation options for the Little Don area– creating a new tool to inform land strategy. It is also just finalising the first Human Capital and Intellectual Capital Assessment.
- f) As the company completes these assessments and its first overarching Total Impact and Value Assessment (TIVA), it is now focusing on publishing work to date, and engaging externally. Focus is also turning to practical implementation of learning, deploying the DMF Capitals optimisation 'engine' to shape the whole PR19 plan, shaping the resilience framework, and informing the company's land strategy.
- g) Future potential is to continue to mature and embed this approach in the monitoring, reporting and decision making and lead national progress eg the company has started discussions about the potential to develop a Natural Capital Guide for the UK Water Sector.
- h) The publication for the first TIVA was discussed. The TIVA will break down into three sections; summary which is a high level and visual summary for any interested reader, a findings report which will include a chapter on each Capital with key findings and case studies for more informed stakeholder groups and a methodology report which will include the detail of the company's data and approach provided for specialists.
- i) The Forum advised the company that it would like the opportunity to comment on the draft summary document.

***Action 3: Company to provide a draft summary document for comment from Forum Members.***

The Forum is interested in seeing the parts of the report providing the overview of each Capital, and in particular to understand the impact of the findings on the price review submission.

***Action 4: Company to provide the Forum with an overview report for each area of Capital and explain the impact on the Price Review Submission.***

The Forum would also like to understand the challenges the company received from Route2; the Forum can then produce a statement to support the company's intentions with this work and the publication.

***Action 5: Company to present to Forum the challenges received from Route2.***

- j) The Forum would like to be confident that these are the right areas for the company to be focusing and to ensure issues around affordability and vulnerability are incorporated. The Forum suggested creating 'mini case studies' that relate back to Ofwat's four areas.

***Action 6: The company to create mini case studies that relate to Ofwat's four areas to provide the Forum with confidence that the company are focusing on the right areas.***

**6) Strategic Direction**

- a) The company presented a strategic direction update and research and the process to date was discussed. The company highlighted there was no specific reference to the Forum's role, however the company would like the Forum to challenge and provide input.
- b) The Head of Regulation will republish the first draft strategy and circulate the 2013 strategy to members for reference. The aim is to have a first draft to review at December 2017 meeting.

**7) PR19 Outcomes and ODI Development**

- a) An introduction was provided detailing the changes to Performance Commitments since PR14.
- b) Customers' expectations of the company performance are; transparency, engagement and being ethical, efficient, 'green' and socially responsible.
- c) Customers' priorities from the research conducted in February showed that customers' top priorities are still a safe and continuous supply of water and the removal of sewage. Performance improvements include; preventing homes from flooding, preventing accidental pollution and preventing leaks, along with dealing with flood events, prevention of interruptions and providing a good constant water pressure. Beyond priorities customers want the company to respond to the future challenges of servicing a growing population, coping with climate change and focusing on flood management and defences.
- d) Feedback received on existing performance commitments has identified that customers often have difficulty relating PC targets to the real world without more contextualised information. Customers would like to see information presented as a percentage of the total e.g. leakage as a percentage of total water produced or transported.
- e) More stretching performance commitments with greater levels of improvement are expected immediately from 2020. There will be 14 common performance commitments with standardised industry definitions, four set with reference to industry upper quartile,

plus a 15% improvement in leakage. These are sharp targets with no dead bands, aggregated indices, yearly average performance commitments, or exclusions

- f) The conformation of the 14 PC's is due in December 2017. All companies will forecast the upper quartile for 2024/25 but must be achieving them by 2020.
- g) The 14 common performance commitments split in to four areas are; comparative, resilience, asset health and customer.
- h) Comparative PC's relate to reward and penalty, upper quartile and include; supply interruptions, water quality, internal sewer flooding, pollution incidents, leakage and PCC.
- i) An assessment on the company's current position has been undertaken and the results were shared with the Forum.
- j) The company revealed the impact of the methodology on PR19. A larger number of PC's are pre-defined by the regulatory framework, so there will be more PC's than PR14. The company has identified that comparative performance does not meet customers' or regulatory expectations so the company will be setting stretching targets to improve. Bespoke PC's will provide an opportunity to enhance service provision and demonstrate innovative investments. There will be more PC's with financial incentives, distributing penalties and rewards across comparative and bespoke PC's. Mindful of affordability the implications of incentives will need to be smooth and transparent.
- k) The timeline showing the next steps was provided.

## **8) Water Resource Management Plan and DWI Submission**

- a) The Water Resource Management Plan (WRMP) needs submitting to DEFRA on 1 December 2017. The WRPM will be presented to the Board Audit Committee on the 15 November 2017, where the Board will receive a report from the company auditors Halcrow. High level notes will be shared with the Forum's sub group; there is no expectation of detailed commentary from the Forum as the document is technical.
- b) The DWI Submission is due by 31 December 2017. A discussion took place about inviting the DWI to a meeting with the Forum in 2018 to take them through the company approach.

***Action 7: The Forum to invite the DWI to discuss the company's approach to drinking water quality***

## **9) CMF Update**

- a) The company has addressed concerns that were raised by Ofwat about themselves and other water companies. The company believes that it has done everything it can to move up to the target category at the next review in November 2017. The Forum asked the company how it will communicate the CMF status to customers. This will be via the website and social media.

## **10) AOB**

- a) The representative from the Environment Agency (EA) informed members that there was a strategic review of abstraction charges ongoing, which will mean fundamental changes for the EA as Water Companies have lot of permits. The EA will keep the Forum updated.

- b) The Urban Waste Water Regulation was highlighted; there is a potential for DEFRA to designate rivers in Yorkshire and the financial implications are to be confirmed.

## 11) Date of Next Meetings

### Thursday, 14<sup>th</sup> December 2017

Venue: Colonsay Room Doubletree Hotel Granary Wharf Leeds LS1 4BR

### Tuesday 30<sup>th</sup> January 2018

Venue: Livingstone House G:1 and G:2

**The meeting closed at 14:45**

#### **Actions:**

#### **Summary of Actions: 16<sup>th</sup> February 2017**

No	Action	Comment
4	<p><b>Forum Sub-Groups: Company</b> to amend timetable to show the Sub-Group meeting dates aligning with current specific deadlines</p> <p><b>Post Meeting Update (30/03/17):</b> Company confirmed it required confirmation of the meeting dates to align accordingly. <b>Forum</b> to inform company when known.</p>	Ongoing
7	<p><b>PR19 Plan: Company</b> to provide further guidance on key dates for the Social Vulnerability &amp; Affordability sub-group and Communications sub-group</p>	Ongoing

#### **Summary of Actions: 15<sup>th</sup> June 2017**

No	Action	Comment
12	<p><b>High Level Overview: Company</b> to inform Ofwat that, although there had been a step change in its use of Plain English for published documentation, the company realise there is still more to do in this regard</p> <p><b>Post Meeting Update: Company</b> will have a discussion with Ofwat around separating out the data tables into a supporting document.</p>	Ongoing

#### **Summary of Actions: 21st July 2017**

No	Action	Comment
3	<p><b>Chair Update/Forum Membership:</b> Forum members to make enquires about vacant positions for representatives from the Small Business and Healthcare sectors</p> <p><b>Post Meeting Update (07/09/2017&amp; 12/10/2017):</b> The forum members have been unsuccessful in finding representatives for the small business federation and healthcare, the action is ongoing.</p>	Ongoing

### Summary of Actions: 7th September 2017

No	Action	Comment
5	<a href="#">The Forum</a> requested that the company must clearly demonstrate a better service at no additional cost option/view.	
6	<a href="#">Challenge Log</a> : Company to re-circulate the PR14 challenge log	<b>ONGOING</b>
7	The Chair to review all previous minutes and add challenges to the challenge log	

### Summary of Actions: 12th October 2017

No	Action	Comment
3	Company to provide a draft summary document for comment from Forum Members.	
4	Company to provide the Forum with an overview report for each area of Capital and explain the impact on the Price Review Submission.	
5	Company to present to Forum the challenges received from Route2.	
6	The company to create mini case studies that relate to Ofwat's four areas to provide the Forum with confidence that the company are focusing on the right areas.	
7	Company to invite DWI to discuss company approach.	