

Yorkshire Forum for Water Customers

Minutes of Meeting

15 February 2018

DoubleTree by Hilton, Granary Wharf, 2 Wharf Approach, Leeds

Attendees:

Andrea Cook	Chair
Alistair Maltby	The River's Trust
Chris Griffin	Citizen's Advice
Dave Darley	Yorkshire Water
Dave Merrett (dialled in)	Independent member
James Copeland	National Farmers Union
Janine Shackleton	Consumer Council for Water (CCW)
John Haley	Yorkshire Water
Nicole Buckingham	Yorkshire Water
Pam Warhurst	Pennine Prospects
Tom Keatley	Natural England
Wendy Kimpton	Yorkshire Water (Head of Regulation)

Apologies:

Angela Collins	Consumer Council for Water (CCW)
Melissa Lockwood	Environment Agency (EA)

Para
No

1) Welcome

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

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2) Minutes/Actions of last meeting

- a) The minutes were currently being reviewed and were therefore not presented to the Forum members for comment. The actions from January were discussed and updates were provided by the company.

Action 1: Ongoing
Action 2: Ongoing
Action 3: Noted
Action 4: Ongoing
Action 5: Noted
Action 6: Complete

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No

3) Refresher - overview of Drinking Water Inspectorate (DWI) submission

- a) The company had submitted a draft drinking water safety submission plan to DWI. There are four key elements which build toward meeting the DWI's expectations. These are:
1. A director's statement regarding the company's water resource management plan (WRMP), confirming it does not infer any risks to water quality (WQ) - completed
 2. A submission of proposed schemes to maintain and enhance water quality (WQ) - completed
 3. A proposed revision to the metaldehyde undertakings to be submitted in March 2018
 4. A long-term strategy covering the journey toward improved in May 2018.

The DWI submission will consider investment plans and activity in the context of a 25-year plan, built from understanding risks, where the company sees long term deterioration in WQ and the potential impact on WQ, which could lead to failures on compliance and customer acceptability. The DWI will measure the company's compliance and the company must demonstrate how it follows the DWI guidance. The company's drinking water safety plan for the long term is:

- Water treatment works (WTW) performance reviews
- Water supply system resilience
- WRMP
- Outcomes development
- Base maintenance
- Customer engagement and participation

- b) The company plans to make an appropriate investment to reduce lead pipework and estimates around half of the water supplies in Yorkshire are lead pipes. The DWI has advised it may take up to a 50-year view, which the company agrees with. Lead removal involves the removal of pipe work between the water main and the property as well as the pipe work within the property. EU consultation and the timescales for compliance was questioned; the European Commission is talking about compliance within 10 years of adoption (12-15 years from now).

The company advised it can prioritise areas by carrying out risk analysis based on samples from customers taps. It also anticipates discussion with public health bodies.

The company discussed the WQ programme and costs. Alongside the lead scheme, it is conducting work regarding other schemes. Workshops have been conducted, reviewing what the best long-term approach is to delivering quality for the future and minimising costs to customers.

- c) The company discussed the proposed revised metaldehyde undertaking. It has a pilot scheme ongoing for slug control, reviewing how it can achieve compliance by 2025 and understand the commitments that Company Directors will sign up to when much of the approach relies on actions by others (with the company's encouragement). There is a scaling up of working with people in catchments (specifically farmers). The company advised it is unsure on what DEFRA ministers are doing on this; until told otherwise the company will continue to create a plan by the end of March 2018 for compliance to be achieved by 2025.
- d) To conclude, the long-term strategy for DWI submission is about demonstrating that the company is taking, and is able to demonstrate to the DWI that it is taking, a long-term view to managing risk, to understanding future investment needs to deliver safe secure resilient supplies. There is a drive for the DWI to accept future risk, and predicted failure. The company has been instrumental in changing this approach so that the DWI only needs to enter into a

debate with the company when a risk becomes material. The DWI now have sight of this whereas it previously did not. This ensures that intervention and expenditure is only made when required and not before.

The Forum requested that the long-term benefits for customers' needs to be highlighted to them, explaining why the company sees spending money on metaldehyde as a requirement, and, why it is a partnership rather than just work the company is carrying out. The company advised that its aim is to protect customers for the minimum cost through partnership working. The company will continue to engage with farmers with a plan to roll out engagement more widely in the future.

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4) Company DWI submission

● with guest - Principal Inspector at DEFRA

- a) The Chair introduced the Principal Inspector to the meeting and the members of the Forum introduced themselves.
- b) DWI provided a summary of the DWI's work and PR19 and the key objectives:
 - Long term planning guidance lays out how the DWI expects to operate for the Price Review. Companies are to take a risk-based approach to issues, from the source to the customers tap. Transparency is needed regarding short and long-term investment, moving from a 5-year period to a longer-term view for maintaining WQ. The DWI expects companies to conduct work with a view to maintaining WQ and to ensuring this is at the core of each companies' submission.
 - Catchment management – proposals from companies need to be resourced and risks need to be understood regarding work with third parties – trying to move companies to utilise upstream solutions to deal with things at source. This is an approach which requires cooperation. The DWI encourages companies to include this in schemes where possible.
 - Water resources – the DWI is asking companies to send signed commitment that the long-term water resources plan meets WQ requirements. It is not acceptable for companies to make plans for moving water without consideration of WQ.
 - Raw water deterioration – the DWI expects to see companies monitoring what is happening as well as investigating the nature of this whilst protecting the public.
 - Pesticides – ongoing issue with metaldehyde - soon receiving review from the Government – submission put to the Government for targeted ban or permanent ban for metaldehyde. The DWI cannot currently predict the outcome, but this should be imminent. Companies may need to re-think their approach. Information will be released as soon as the DWI is informed.
 - Discolouration – The Inspectorate reviewed company data in 2014 and this gave rise to Notices for some companies. Consumer rates were reviewed across zones and for those which were high over many years, the DWI challenged the companies' reporting. Yorkshire Water was on the list but was not issued a Notice as it was able to demonstrate the work that was being done doing to tackle this.
 - Lead – this is still an ongoing issue. Companies need to consider lead, maintain strategies and help the DWI with supply pipe adoption in the future. Companies need to consider if they work on this over a long-term period, how long this will take and the implications for affordability of bills. It was noted that the Welsh government has a policy working towards a lead-free Wales. The DWI is beginning to see work in terms of lining in smaller diameter pipes; there have been mixed reviews from companies regarding this.

- c) The DWI has received proposed programmes from companies, which are currently being assessed to see if they meet the criteria. At the end of May 2018 all reviews are to be sent back to companies. The DWI asked companies to make a statement in regard to the items where they expect to spend the most money over the long term.
- d) The DWI proceeded to present slides to the Forum displaying customer contacts regarding appearance and taste and odour. The graphs displayed did not take into account the size of the companies.
- Customer contacts regarding discoloration for Yorkshire Water (YW) from 2016 were above the England/Wales average. The company advised it expected to see significant improvement for 2017 which can be sustained in the long term at a reasonable cost to customers. The company was audited last year on two zones with high levels of discoloration and figures have since decreased
 - Customer contacts regarding taste and odour from 2016 were again above the average. The company advised that it has a scheme proposed for this Asset Management Period (AMP) agreed with the DWI and that it continues to monitor this
 - The DWI then discussed the Compliance Risk Index (CRI). This index reviews risk for consumers and considers the failure impact and the significance for consumers. The graph displayed the ranking of failures and amount of people impacted and incorporates what the assessing Inspector reviewed companies' reaction to be. The data shows which part of the supply system contributes the most to risk.
- e) Events in 2017 were displayed to the Forum on a table. There were 26 events in 2017, including 15 Category 3 events (significant events). The DWI focused on Sheffield due to five events of discoloration. The company advised this related to a series of main bursts which disturbed sediment in the mains. The company reassured the DWI and the Forum that it is working towards preventing the likelihood of such an event occurring again. An Improvement Notice was discussed; however, the company did not receive one from the DWI and continues to work towards preventing discoloration across the entire network.
- f) The DWI concluded by listing the current issues for PR19:
- Metaldehyde – which is awaiting decision from the Government;
 - Dis-infection by-products at 5 sites;
 - Manganese, cryptosporidium, and taste and odour.

The DWI advised the Forum it has run internal workshops twice a month which address technical issues and companies can help assist with this process. The DWI values the work and discussions and is reasonably satisfied it has the information in the submissions regarding work, why companies are required to carry out investment and how much it costs.

The Forum was then given the opportunity to ask questions.

Q: To what extent does the DWI acknowledge that investment needs to be driven by customer preferences and priorities. Ofwat recognises customer research informs some decisions, does the DWI also think this way?

A: The DWI has a statutory requirement to ensure standards are met and where a company is at risk of failing it tackle issues whether through Notice or a PR19 scheme.

Q: The ultimate goal is zero lead in water. As part of this the company has investigated stopping phosphate dosing as it is expensive, not sustainable and can be an issue for environment. Phosphate dosing cannot be stopped until lead is removed. Work would be needed collaboratively with the DWI and other companies regarding this matter. Would the DWI "champion" this joined-up approach?

A: The DWI advised that it will need to come back to the Forum regarding this.

Q: Can the DWI give an opinion on how it believes the Yorkshire Water is performing?

A: The company is not currently ringing any "alarm bells"; it is not at the bottom of the DWI risk list nor is it at the top. The company is rated as fair, but with room for improvement.

The Forum concluded by advising the DWI that on the basis of the discussion the Forum is keen to hear from the DWI in regard to the company's submission in December 2018 and any guidance for the submission in May 2018. The Forum queried if there is anything it should be challenging the company on. The Forum's view is that the company wants to be a leader and not a follower and that there is an appetite for this within the company.

Action 1: The DWI is asked to respond to the challenge on a joined up approach regarding phosphate dosing/lead removal.

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**5) Overview of Board engagement and governance
– long term strategy and PR19**

- a) The company's presentation began with a discussion regarding its view of the three elements that broadly make a water company; corporate body, public sector and voluntary (opening land for recreation with schemes to assist customers). The company advised water companies are an amalgamation of these. Data is used to understand customer risk, such as a customer going into arrears (corporate). The company advised that to be the best type of company it needs to embody all three.
- b) The company proceeded to discuss its long-term strategy which views Yorkshire in terms of now and in the future. (People, environment, economy and societal characteristics). For the company to review itself and its impact on Yorkshire and on Yorkshire in the future it will use the six capitals approach:
 - 1. Manufacturing
 - 2. Societal
 - 3. Environmental
 - 4. Human
 - 5. Intellectual
 - 6. Financial

The six capitals will be used to measure the impact on Yorkshire, both positive and negative. There is a need to change long term how the company operates within the Yorkshire and Humberside region. To do this the company has five goals:

- 1. Customers
- 2. Water
- 3. Waste
- 4. Openness & transparency
- 5. Bills

Under each goal there are a series of aims to meet. The company gave an example of its' water goal; serving Yorkshire without using more water. The first aim is to reduce waste through leakage by 40% by 2025.

- c) The company advised that the Board is evolving and reviewing what is being focused upon within the company. It is doing this via the six capitals;
1. Manufacturing – this is through the Board Investment Committee.
 2. Societal – moving from the Corporate Responsibility Committee to the Social Value Committee – more focus on societal contributions.
 3. Environmental – Safety, Health & Environment Committee – increased focus on Environmental matters. The Board Investment Committee also focuses on this.
 4. Human – from the Remuneration Committee to looking at gender, racial and age diversity, skills, resilience and an approach to a fair culture.
 5. Intellectual – A new body to oversee innovation and change.
 6. Financial – Primarily via the Audit Committee.

To conclude, the Board is evolving and is altering how the company understands its impact as part of its long-term strategy.

The Forum asked the company how it plans to reduce waste. The company advised that it wants to recycle all waste water and to do this it will eradicate pollution and sewer flooding by 2050 by:

1. Disconnection of 40 hectares of impermeable surfaces.
2. Reducing the amount of rain water that goes into sewers.

Action 2: Company to review and consult with the Forum about how it is evidencing Board engagement

6) Progress update on development of performance commitments – preparation for March meeting

Action 3: Call to be held a week before the March Forum to discuss this.

7) Cost adjustment claims overview and proposed approach

- a) The company began by setting out what the cost adjustment process is, the engagement with the Forum and customers, and its approach to using these as part of the PR19 business plan submission.

The company's aim is to provide well evidenced claims, supported by customers and needed to deliver the services agreed as part of the wider business plan engagement.

- b) As part of the price review determination, Ofwat will set out an efficient level of investment allowance for the AMP. The company advised there is a need for a mechanism to adjust the investment allowance through the cost adjustment claims process based on a statement from Ofwat;

"Our basic cost assessment approach relies on benchmarking models to set an efficient cost for each company. However, statistical models are not perfect and cannot take into account all relevant factors that affect costs. There may be instances where an adjustment is required to correct these imperfections." – Ofwat final methodology for PR19

- c) Cost adjustments are an increase or decrease to a company's investment allowance set using the cost assessment process. Companies will put forward claims for additional costs that they do not believe are covered within the allowance. There is a minimum size of claim assessed by a percentage of total expenditure by price control which equates to circa £20m per claim.

This is a doubling of the threshold from PR14 to protect customers. Ofwat characterised the claims as:

- a. Atypically large investment
- b. Material new costs
- c. Regional operating circumstances
- d. Other (specify)

The company discussed evidence requirements and that it will seek the challenge and support of Forum and customers through wider engagement. The evidence requirements are:

- Need for cost adjustment
 - Management control
 - Need for investment
 - Best option for customers
 - Robustness and efficiency costs
 - Customer protection
 - Affordability
 - Board assurance
- e) The company discussed regulatory expectations, to consider cost adjustment claims 'in the round', the evidential bar has been set higher than at PR14 and customers should be protected from the adjustment process. The company will work within these expectations, ensuring they are considered within their business plan. It will consult the Forum and protect customers from additional costs that are not required.
- f) The company has a process for the draft submission in May 2018. It advised the Forum that Ofwat is not expecting companies to provide full assurance at this stage; companies are to provide an early insight into their cost adjustment claims submission in September as part of the wider business plan.

The company then highlighted its key milestones to the Forum up to the draft submission in May 2018.

8) AOB

N/A

9) Dates of next meetings

Thursday 8 March 2018

Venue: TBC

Thursday 12 April 2018

Venue: Livingstone House, Room G1, Chadwick Street, Leeds LS10 1LJ

The meeting closed at 14.30pm

Actions:**Summary of actions: 16th February 2017**

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

Summary of actions: 21st July 2017

No	Action	Comment
3	<p>Chair Update/Forum Membership: Forum members to make enquires about vacant positions for representatives from the Small Business and Healthcare sectors</p> <p>Post Meeting Update (07/09/2017& 12/10/2017): 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
7	<p>The Chair to review all previous minutes and add challenges to the challenge log</p>	Ongoing

Summary of actions: 12th October 2017

No	Action	Comment
3	<p>Company to provide a draft summary document for comment from Forum Members.</p>	Ongoing
7	<p>Company to invite DWI to discuss company approach.</p> <p>Post meeting update (15/12/2017)</p> <p>DWI attending in February</p>	Ongoing

Summary of actions: 14th December 2017

No	Action	Comment
1	Chair to contact lead of the Alzheimer's Society regarding attendance at the Yorkshire Forum for Water Customers meetings	Ongoing
4	Company to present storyboard to the Forum before it is published publicly	Ongoing
5	Company to construct email to Ofwat regarding LORI	Ongoing
6	Company to look at EU directive regarding customers' bills	Ongoing

Summary of actions: 30th January 2018

No	Action	Comment
1	Company to share the issues paper produced at the end of PR14	Ongoing
2	Company to share the approach it is taking to the campaigns with the Communications sub-group	Ongoing
4	Company to link the Bradford Moor project and how this pilot was successful which creates a customer appetite	Ongoing

Summary of actions: 15 February 2018

No	Action	Comment
1	Would the DWI champion a joined-up approach regarding phosphate dosing/lead removal. DWI to respond back to Forum.	Ongoing
2	Unclear how the forum is evidenced throughout Board engagement and governance. Company to review and consult back with the forum.	Ongoing
3	Call to be held a week before the March with Forum to discuss this.	Complete