

Yorkshire Forum for Water Customers

Minutes of Meeting

14th December 2017

Colonsay/Islay room, Doubletree Hilton Hotel, Leeds, LS1 4BR

Attendees:

Andrea Cook	Chair
Dave Merrett	Independent Member
Tom Keatley	Natural England
Wendy Kimpton	Yorkshire Water (Head of Regulation)
Paul Chapman	Yorkshire Water
James Copeland	National Farmers Union
Nicole Buckingham	Yorkshire Water
Rebecca Dovener	Yorkshire Water
Dean Stewart	Yorkshire Water
Charles Forman	The River's Trust
Janine Shackleton	Consumer Council for Water (CCW)
Chris Griffin	Citizen's Advice Bureau

Apologies:

Adrian Kennedy	Yorkshire Water
Georgia Klein	GK Consulting (Reporter)
Angela Collins	Consumer Council for Water (CCW)
Pam Warhurst	Pennine Prospects
Gillian Mason	Yorkshire Water
Alistair Maltby	The River's Trust
Pamela Doherty	Yorkshire Water
Melissa Lockwood	Environment Agency (EA)

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 the 12th October 2017 were reviewed and approved.
- b) Actions from the meeting on 12th October 2017 were reviewed:
 - a. Action 1: Complete
 - b. Action 2: Complete
 - c. Action 3: Ongoing
 - d. Action 4: Ongoing
 - e. Action 5: Ongoing
 - f. Action 6: Ongoing
 - g. Action 7: Ongoing

3) Chair and sub-group updates

- a) The Chair asked the Forum to utilise the concept of the challenge log and raise actions as they considered necessary. It was suggested that it would be beneficial to identify a timeline of actions and to give the action owner an expected date in which an update

should be provided. Alongside this, the idea of an action update in each presentation, displaying the outcomes of actions and the next steps, was proposed.

- b) The Forum discussed prioritisation and outcomes. The idea of having a slide at the end of each presentation showing the next steps was favoured by members.
- c) An update was provided to the Forum from the Environmental sub-group meeting which was held on the 11th December 2017. The Environmental sub-group chair advised the draft Terms of Reference were amended and agreed and these had been sent to the Forum. The sub-group chair advised the Forum that the meeting discussed the Drinking Water Inspectorate submission and presentation and this had highlighted the challenge for the company on the work it must do. The Forum was advised there is a three-month extension for work in addressing Metaldehyde.

Work was discussed regarding current lead issues and the sub-group is looking towards a 30-50-year approach, with the next focus being on schools and other vulnerable locations. The company is proposing various trials to develop a way forward and will aim to capture some questions and answers in its market research.

The cost of schemes was discussed at the sub-group and the requirement for an independent costing process to ensure costs are properly based. Members felt assured of the process. It was noted that most of the technical work has been completed but several other items are still outstanding.

There was a brief update on the Water Industry National Environment Programme (WINEP) and the potential pressure on the programme in relation to customers' bills. It was noted that the company will need to ensure the expenditure committed in this asset management period is the correct amount and takes into consideration likely future expenditure.

The sub-group chair advised the Forum that the draft Water Resource Management plan is to be published in the next month (following approval from DEFRA).

- d) The National Farmers Union advised the Forum of a 45-page summary in a storyboard format for public to view, and how it may be beneficial to have this storyboard presented to the Forum to view before publishing it.
- e) A Vulnerability and Affordability sub-group meeting is to be planned for January 2018.

Action 1: Chair to contact lead of the Alzheimer's Society regarding attendance at the Yorkshire Forum for Water Customers meetings

Action 2: Plans requested for peer review of market research materials

Action 3: Communications sub-group to arrange meeting in January regarding confidence and statistical significance

Action 4: Communications sub-group to present storyboard to the Forum before it is published publicly

Action 5: Environmental sub-group to draft email to Ofwat regarding LORI

Action 6: Environmental sub-group to continue dialogue with the Environment Agency regarding WINEP

4) Company Monitoring Framework Outcome/Key Messages

- a) Ofwat announced the results of the Company Monitoring Framework on 30 November 2017. The company advised the Forum that it has moved from the **prescribed** category to **targeted**, a very welcome development. The company thanked the Forum for its' support and advised how it aims to move forward from targeted to self-assured in the next year. The company informed the Forum that it had exceeded expectations in three areas,

acknowledging that tests from Ofwat were unknown beforehand: assurance plan, data assurance summary and compliance with principles of board leadership, transparency and governance. The company advised that it was the only company to exceed expectations.

The company met expectations on all remaining areas except for Financial Monitoring where minor concerns were raised. The next company Monitoring Framework results will be announced in January 2019 and will be considered with the company's business plan categorisations.

A draft assurance plan will be published at the end of March. This will show where the company has met expectations and provide an overall review of what has been learnt from other companies.

5) PR19 methodology publication

- a) The final Ofwat methodology was published on 14 December 2017. The company advised that this did not contain anything that materially changed the direction of planning for PR19. There were minor movements regarding performance commitments and companies need to achieve the forecast upper quartile performance level for each year of the price control period, rather than applying 2024-25 upper quartile performance from 2020-21 onwards. The leakage expectation has not changed; this needs to be upper quartile and once it is upper quartile the company needs to continually improve. The company advised there had been a press release the previous evening confirming Yorkshire Water's aspirations on leakage, with a 40% reduction over the next 7 years.
- b) The company informed the Forum that the weighted average cost of capital (WACC) has decreased from 3.74% to 2.4% and that Ofwat expects to see a reduction in customer bills as a result.
- c) The company highlighted some of the other headline changes;
 - Retail control remains at 5 years in line with other price control periods.
 - Waste Water Networks plus are required to show how long-term drainage and wastewater planning is being implemented.
 - Driving cost efficiency and reduction in the cost of capitals should lower bills on average by c£15-25.
 - Revised list of common metrics for affordability and vulnerability confirmed following a workshop. Confirmation that a performance commitment on affordability or vulnerability will not be proposed.
 - Companies can propose bespoke performance commitments on affordability that reflect their specific challenges. Yorkshire Water advised the Forum that it plans to do this and that plans are already in place for the areas Ofwat has requested.
- d) There have been no major changes between consultation and the final methodology as referenced by the Customer Challenge Groups (CCGs). The confirmation Aide Memoire is to be finalised for CCG's in early 2018, with ongoing meetings every two months to provide on-going support. The Yorkshire Forum for Water Customers Chair will attend the company's meeting with Ofwat to discuss approaches to customer engagement/participation.
- e) There are no real changes regarding the timeline of key milestones. The company advised it is still working to the submission date of 3 September 2018.
- f) Ofwat specifically mentioned small businesses being at risk of vulnerability, this is a key area for the affordability and vulnerability sub-group. The sub-group will hold a meeting in January 2018 to review the methodology and its relevance to affordability and vulnerability.

- g) Natural England advised the Forum about some information regarding the environment which will be of interest. Action for this to be circulated to the Forum.

Action 7: Natural England to circulate information regarding the environment to the Forum

6) Retail Household Approach and Research

- a) The company began this agenda item with a high-level summary of what Retail involves; reading meters, sending bills, collecting revenue and preventing debt. It advised that debt and the cost of providing a service are the main areas of focus.
- b) The company advised the Forum that it is fundamental to have a strategy for a retail plan. A slide was presented displaying a cycle of elements which are considered when thinking of business changes. The company advised the Forum that though a plan may reduce cost, it will also improve the level of service to customers.
- c) The company has a Service Incentive Mechanism (SIM) score of 4.91 for billing which is currently the best in the industry (UKCSI top performing company in a survey in the water industry). The company currently uses Customer Voice which sends SMS messages to customers, with feedback showing that customers are satisfied with the service.

The company was asked how the feedback from the SMS works. The company advised it works on two levels, score and comments. The SMS service accounts for 30% of customers. The company reassured the Forum that landline customers are captured through other means and that they continually look for other channels of communication.

Affordability and vulnerability, lifestyle, culture and religion are areas the company is focusing on to understand the customers' 'world', enabling the company to tailor the services it provides to various customer groups. The company shared research showing that customers are prepared to pay more to support vulnerable customers.

- d) The company is currently the leading performer in managing bad debt, with low costs of management of debt compared to other water companies. In looking at performance outside of the water industry, comparison shows that there is room for further improvement. The company was asked if there is any indication of where the company want to be in terms of levels of debt. It advised that it will test willingness to pay with customers, using a 'bottom-up' build from where it wants to be. There is a need to overlay work on vulnerability and affordability on the cost of debt. The company advised there is potential to improve and work is ongoing with customers regarding this.

The company discussed the use of full credit reference agencies and being the first in the industry using this. When asked further by Citizens Advice about the data collected, the company informed there is an ability to forecast debt using data from credit rating agencies, enabling it to quickly support customers who might get into difficulty.

- e) Yorkshire Water was asked about the 'lowest price promise' which is currently in place with other companies where if a meter is fitted and provides lower bills, then this is what the customer pays. The company advised it is considering this.

Action 8: Company to provide an update if it will adopt a lowest price promise for customers

7) Customer Engagement Update including Customer Valuation overview

- a) The company provided an overview of key customer insights from the recent customer valuation activity. The customer valuation activity involved undertaking six work streams under three broad approaches; stated preference, revealed preference and experimental/behavioural technique.
- b) The company advised the Forum of a number of innovative approaches to its customer valuation activity. The results from each of the six approaches are currently being validated and peer reviewed. The company will present the overall valuations to the Forum in January 2018, including options for the triangulation of data.
- c) The company highlighted the different approaches it is taking in presenting information and content to customers. The company confirmed that both validation and cognitive testing had been undertaken with customers with regard to the stimulus material and the results had been extremely positive.
- d) Forum members asked to see the final stimulus material from the stated preference survey. If possible, the company will provide the Forum with access to the online survey.
- e) The company highlighted a few areas when differences have been observed since PR14. There have been roughly 15,000 customer inputs into the multiple workstreams, whereas in PR14 the scope was solely stated preference, with no triangulation of data. Now the company has three programme elements as discussed previously; stated preference, revealed preference and experimental/behavioural techniques.

The Forum asked if work is being carried out with the company's non-household retailers. Yorkshire Water advised a separate programme of work is being conducted to engage retailers to better understand their current and future expectations/needs.

Action 9: Company to circulate stimulus from stated preference survey to Forum members

8) Performance Improvement Plan

- a) This item to be moved to January meeting.

9) AOB

- a) January meeting to have focus on the regulatory 'building blocks' and how the process Works.
- b) Forum discussed a potential site visit to the company offices in Bradford; the February Forum date was favoured.

9) Date of Next Meetings

Tuesday 30 January 2018

Venue: Livingstone House Room G:1 and G:2

Thursday 15 February 2018

Venue: Livingstone House, Room G:1

The meeting closed at 12:35

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: 15th June 2017

No	Action	Comment
12	<p>High Level Overview: Company 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>Post Meeting Update: Company 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>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
5	The Forum requested that the company must clearly demonstrate a better service at no additional cost option/view.	Noted
6	Challenge Log : Company to re-circulate the PR14 challenge log	Ongoing
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.	Ongoing
4	Company to provide the Forum with an overview report for each area of Capital and explain the impact on the Price Review Submission.	Ongoing
5	Company to present to Forum the challenges received from Route2.	Ongoing
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.	Ongoing
7	<p>Company to invite DWI to discuss company approach.</p> <p><u>Post meeting update (15/12/2017)</u></p> <p>Company to contact DWI regarding invite if no response is received by the second week of January 2018</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
2	Plans required for peer reviews	Ongoing
3	Company to arrange meeting in January regarding confidence and statistical significance	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
7	Natural England to circulate information regarding the environment to the Forum.	Ongoing
8	Company to provide a timescale regarding the lowest price promise	Ongoing
9	Company to send Choice cards to the forum to test	Ongoing