



South Staffs Water

# Customer Challenge Group

## Listening to you

Find out how and why  
you should get involved in  
shaping our future plans  
and investment





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*“South Staffs Water is committed to listening to its customers and acting on their views. I want to make sure that we take everyone’s views into account in developing our future plans, so that we can be sure we are continuing to provide a service that meets all our customers’ needs. I am really looking forward to taking part in these discussions, which cover issues vital to our communities and environment.”*

**Dr Liz Swarbrick, Managing Director, South Staffs Water**

## **What is the Customer Challenge Group?**

In the water industry in England and Wales, price limits are set for five-year periods by our economic regulator, Ofwat. In reaching their decisions, Ofwat rely on business plans put together by the water companies, which outline the investment required to meet statutory quality standards and customer service expectations.

For our next business plan, which will cover the period 2015-2020, South Staffs Water wants to ensure that we are taking full account of customers’ views. We will therefore be setting up a Customer Challenge Group and involving this group in full and frank discussions about our plans.

The group will include specialists and experts from our other regulators, the Environment Agency (EA), Drinking Water Inspectorate (DWI) and Natural England (NE) and will be chaired by the National Chair of the Consumer Council for Water (CCW).

The group will be independent and will feed back its own views of our plans to Ofwat. The group will run initially from April 2012 through to the setting of new price limits in late 2014.

## **Why is the group needed?**

Water is essential for life. We all use water every day and cannot sustain our families, businesses and communities without it. The water industry has improved the quality of its water and services significantly since the industry was privatised in 1989, but prices have had to rise to ensure this investment can be made. Despite these improvements, there are new challenges ahead, which mean that the industry must continue to invest and we need to strike the right balance between investment and price rises.

The Customer Challenge Group will have an important input to the development of our future plans, representing the needs and expectations of various stakeholders and their sometimes competing priorities. It is vital, therefore that voices from across our communities have the opportunity to be heard.



## The Customer Challenge Group will help South Staffs Water to:

- Shape our investment priorities and identify what customers are willing to pay for
- Tailor our services to customers' needs and expectations
- Ensure we improve the transparency of bills, so that customers understand what they pay for and where their money goes
- Identify an acceptable balance of risks and costs
- Develop new ways of working rather than relying on the traditional engineering-focused approach
- Decide what type of customer research to undertake

## Why should I get involved?

We serve a community with different needs and expectations – rural and urban, businesses and households. We want to make sure that we take all views into account in making our investment decisions, so it is vital that all sections of our community are represented on the Customer Challenge Group.

This is your opportunity to shape the future of water services for our region, to protect the environment, support your communities and make sure that we continue to have a water service that we can all be proud of, a service that is doing the right things for you and your community.

*“I am delighted to have been asked to act as independent chair for this new Customer Challenge Group. As members of the group, we will be representing customers' views and making sure that South Staffs listens to all of its stakeholders and puts together a business plan that delivers what customers need while striking the right balance between investment and bill levels. I hope that you will get involved in these important discussions.”*

**Dame Yve Buckland, National Chair, Consumer Council for Water  
and Independent Chair of South Staffs Water Customer Challenge Group**



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## **The water industry – challenges for the future**

All water companies are facing challenges for the future. Many parts of the country are facing water restrictions this summer, because of the extremely low levels of rainfall we have seen over the last two winters – the time when our water sources generally refill. Bills have been rising since 1989, to fund a multi-billion pound investment programme that has improved the quality of our water services, but there is still more to be done.

Much of the infrastructure used to supply water to customers is ageing; the average age of our pipework is 60 years old. Replacing ageing mains and pipes to reduce leakage and maintain supplies, updating treatment works and protecting water sources is a vital component of our investment programme and we need to continue working in this area.

All water companies have become far more efficient in delivering their services, but there is still more to be done to control costs and carbon emissions. Our business plans contain tough efficiency targets, but we cannot fund our investment programme through cost-savings alone, which is why we have needed to raise bills over the last 20 years.

While water charges are still value for money, in the current economic climate it is becoming increasingly difficult for many customers to afford them. We are acutely aware of this and that is a key reason why we need to take account of the views of all types of customer in our business planning process.

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## How are price limits set?

Price limits are set every five years by the economic regulator, Ofwat. To do this, they take account of a number of factors, including:

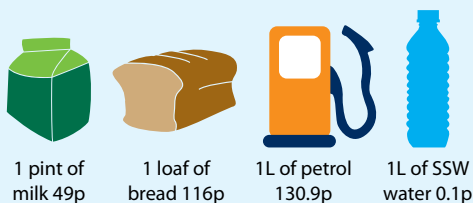
- Guidance from Government and other Regulators, including the EA and DWI about priorities and investment required to meet legal requirements
- Statutory requirements – what investment is needed to meet legal requirements regarding water quality, largely set by the EU
- Financial issues – what return on investment do investors require to ensure that they continue to lend money to the sector to fund the investment programme
- Company specific information on issues including water resource issues, population growth, maintenance requirements, efficiency targets, customer service improvements and metering programmes – these are set out in a company business plan
- Customer and other stakeholder views, demonstrated through market research around willingness to pay for specific improvements and, for the next price review, the feedback of the Customer Challenge Groups

Ofwat considers all of these issues and sets prices and performance targets for the water companies. They aim to strike the right balance between ensuring companies can finance their functions and making sure that companies are challenged to reduce costs and innovate to deliver the investment programme.

## Delivering value for money

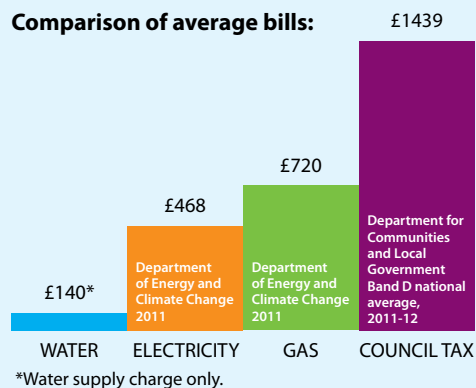
South Staffs Water customers pay one of the lowest average bills in England and Wales. Based on our average water supply charge and the average amount of water used by every household, our high-quality water costs around **0.1p a litre**.

### Comparison price of 1 litre of water with:



Petrol based on Bham average, January 2012.  
Other prices obtained from a leading supermarket chain during January 2012.

### Comparison of average bills:







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## The Customer Challenge Group

The group will be made up of core members – our regulators, CCWater and Natural England and non-core members – representatives from across our region.

We hope that our non-core members will be truly representative of our region and will include household and business customers, representatives from different interest groups such as environmental groups, consumer groups, faith groups and community groups. We are also asking Local Authorities to be involved in the group.

The role of the group is to be a 'critical friend' to South Staffs Water, understanding the challenges, commenting on our investment plans and expressing their views about the issues and priorities.

The group will have access to detailed information about how South Staffs Water operates and its proposed investment plans, but non-core members are not expected to be experts in water, engineering, or business issues such as finance or economics.

Non-core members will receive a detailed induction to the water industry and South Staffs Water and the group will work to ensure that presentations and information is presented in a clear, jargon-free way.

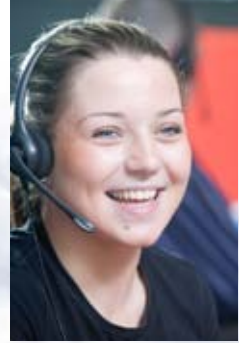
It is envisaged that the group will meet around four times a year and sub-groups may be formed for further work in specific areas.

Meetings will take half a day and will generally be held at South Staffs Water's office in Walsall.

Expenses will be paid, but being a member of the Customer Challenge Group is a voluntary commitment.

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## Who are the core members?



**Consumer Council for Water** - The Consumer Council for Water (CCWater) represents water and sewerage consumers in England and Wales. It makes sure that the consumers' collective voice is heard in national water debate and that consumers remain at the heart of the water industry.

CCWater also takes up consumers' complaints if they have tried and failed to resolve issues with their water companies.



**Drinking Water Inspectorate** - The Drinking Water Inspectorate (DWI) provides independent reassurance that water supplies in England and Wales are safe and drinking water quality is acceptable to consumers. It provides independent scrutiny of water company activities for companies supplying drinking water to consumers in England and Wales and works with other stakeholders for the improvement of drinking water quality and to secure drinking water safety.



**Environment Agency** - The Environment Agency (EA) is an Executive Non-departmental Public Body responsible to the Secretary of State for Environment, Food and Rural Affairs and a Welsh Government Sponsored Body responsible to the Minister for Environment and Sustainable Development. Its principal aims are to protect and improve the environment, and to promote sustainable development. The EA plays a central role in delivering the environmental priorities of central government and the Welsh Government through its functions and roles. It has responsibilities for the quality of our rivers.



**Natural England** - Natural England is an Executive Non-departmental Public Body responsible to the Secretary of State for Environment, Food and Rural Affairs. Its purpose is to protect and improve England's natural environment and encourage people to enjoy and get involved in their surroundings. For water, this involves promoting biodiversity and working with stakeholders on catchment management issues.

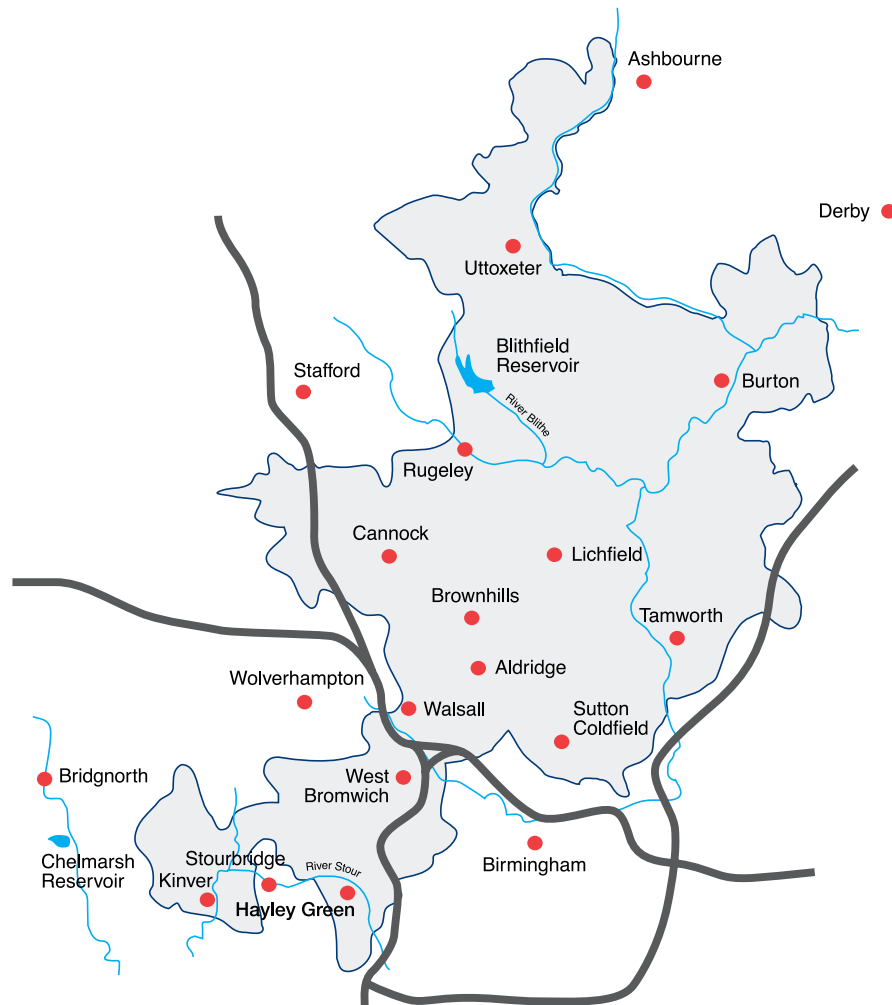


**Ofwat** - Ofwat is the economic regulator for the water industry in England and Wales. It will not be a full member of the Customer Challenge Group, but may send a representative to meetings as an observer.

## South Staffs Water – Key facts

South Staffordshire Waterworks Company was formed in 1853 and has been supplying water services to the region ever since. In 2012, we are supplying water to 1.2 million people across our region, through a network of 6,000km of mains. Almost half of the water we supply comes from underground boreholes and the rest from two major treatment works, one of which takes water from the River Severn and one which is fed by Blithfield Reservoir.

Our area of supply incorporates the Black Country conurbation and stretches up to Uttoxeter and Burton. We do not provide sewerage services.



### What we do:

- Supply 330 million litres of water every day
- Have an average water supply bill that is one of the lowest in the industry and, in 2012, is 25% below the national average
- Achieve a water quality performance of 99.99%
- Continually meet Ofwat's leakage targets
- We are one of the leading companies for operating cost efficiency
- During the current investment period (2010/15) we are spending £140m on investment to meet quality requirements and improve or maintain customer service
- Install around 10,000 new meters each year – 30% for new properties and 70% on customer request
- Replace around 60km of mains each year, equivalent to approximately 1% of the asset stock
- Deal with around 1,300 bursts on our network of water mains each year

## Contact information

### South Staffs Water

Green Lane, Walsall, WS2 7PD

**Account Enquiries:** 0845 60 70 456

**Supply Problems and Emergencies:** 0800 389 10 11