

**South Staffordshire Water
Customer Challenge Group (CCG)
5th Full Meeting**

**Minutes
Wednesday, February 13th 2013
Green Lane, Walsall**

Attendees:

Yve Buckland	Independent Chair
John Thompson	Chair of the South Staffs Water Charitable Trust
Tom Marshall	Lichfield District Council
David Wurr	Consumer Council for Water
Gemma Domican	Consumer Council for Water
Greg Marshall	Environment Agency
Adam Lines	Environment Agency
Ralph Tennant	Black Country Federation of Small Businesses
Ian Butterfield	Natural England
Keith Marshall	Supply Director and Acting Managing Director, South Staffs Water
Matthew Lewis	Finance and Regulation Director, South Staffs Water
Rachel Barber	Customer Operations Director, South Staffs Water
Colin Wayper	Network Director, South Staffs Water
Alex Martin	Head of Water Strategy, South Staffs Water
Barbara Julye	Head of Customer Engagement, South Staffs Water
Steve Morley	Cambridge Water
Rebecca Addis	Community Research
Amanda Borrmann	ICS

Apologies:

Liz Swarbrick	Managing Director, South Staffs Water
Graham Blair	Kerry Foods
Andy Baxter	Coors Brewery
Jacky Atkinson	DWI
Colin Greatorex	Deputy Chair and Lichfield District Councillor
Catherine Lund	Spirit Pub Company
Ray White	Walsall Citizens Advice Bureau

1. Keith Marshall gave an update on Liz Swarbrick's absence and confirmed his appointment of Acting Managing Director.
2. **Review of minutes of meeting on December 17th and actions from last meeting.**
The minutes were agreed as a true record.

Matters arising:

Items 1 and 10. Rachel Barber confirmed that a proposal for wider engagement including faith groups, housing associations, help agencies would be presented to the group.

ACTION: Customer Engagement task group to provide a proposal for wider customer engagement.

Items 2 and 5. Matt Lewis confirmed that it is the intention that the Company will produce an internal draft business plan by June. He confirmed that Prof Ken Willis of Newcastle University and Prof Ian Bateman from University of East Anglia will carry out peer reviews on the willingness to pay research. Matt proposed that the CCG appoint the Consultation Institute to undertake an interim assurance report which was agreed by the Group. He also proposed that the Company's reporter be appointed to review and provide his feedback for the engineering aspects of the business plan. The Chair proposed that SSW and Cambridge could exchange their engineering reporters and this was agreed by the Group.

ACTION: SSW and Cambridge to hold discussions with their reporters regarding a review of the engineering elements of the business plan for the business. SSW to liaise with Consultation Institute to undertake an Interim Report on behalf of the CCG and to place in direct contact with the Chair.

Item 7. Matt Lewis confirmed that SSW had met with Severn Trent and that SSW is happy to share its research with Severn Trent as there is a concern that sewerage issues are being overlooked in this area; the two companies may attend each other's CCG meetings. It was also noted that SSW would provide Severn Trent with a customer database should they wish to undertake research in our area and also that in all of SSW research activities we would take the time to inform the customer that we were a water only company and our influence was only the water element of their combined bill.

Item 6. Rachel Barber said that the CCG groups from SSW and Cambridge Water need to schedule a joint meeting.

ACTION: SSW to arrange a joint sub group meeting of both SSW and Cambridge CCG

Item 7. Alex Martin confirmed she had met with Greg Marshall to discuss the NEP schemes and Nethertown Fish Passage. They had reached agreement on all NEP schemes which Greg confirmed. Further investigations are to be carried out re the fish passage which also takes into consideration SSW's concerns about the effect on pumping at Blithfield and therefore, to find out whether the concerns are valid or not.

Item 8. Gemma Domican said following discussions with Alex Martin, the only outstanding concerns were on involving other parties such as the Coal Authority and British Waterways, so as to ensure that it was not just customers paying for NEP schemes. Alex Martin said part of the challenge was in bringing these other parties to the table so that responsibilities can be apportioned correctly; a way forward needed to be agreed with the EA. Adam Lines said the EA needed to take its fair share of responsibility on the issue.

Item 9. Ian Butterfield said the challenge is how the environment is taken into account and how the issue is presented in documentation as SSW seems to have a relaxed view of its effect on the environment.

ACTION: Meeting to be set up with Ian Butterfield and members of SSW

3. Business update: structural changes at SSW and merger with Cambridge Water

Keith Marshall said he and Sarah Collins (Head of HR, SSW) had met at Cambridge Water to discuss the TUPE transfer of staff to SSW, with effect from April 1st (depending upon the implications of the licence). Keith will be Acting Managing Director of the combined business from April 1st, with Steve Morley, Tim Orange, Matt Lewis, Colin Wayper and Rachel Barber also Directors. Dr Mike Turrell (SSW Director of Water Quality), will report to Steve Morley with immediate effect, to work on water quality improvement across the combined business. Integration of the two businesses will begin on April 1st, depending on Ofwat's consultation.

Matt Lewis said for clarification, one business plan will be submitted to Ofwat in 2014, but there will be two water resources plans due to the different geography of the two areas. Matt Lewis confirmed that there would be separate interim assurance reports but one assurance report once the Company has submitted the business plan. He said he thought the two CCG groups would need to be merged, and the two groups would have to think about how that might work.

Tom Marshall asked about the differences between SSW and Cambridge Water, Steve Morley said that SSW has about four times as many customers as Cambridge Water, but bill levels and customer services were similar in both companies.

The Chair said that it was recognised that there are differences in the customer base between the two companies. But there were opportunities to share good practice, for example SSW has a good track record on dealing with debt, while Cambridge Water has a good track record on the environment.

4. Ofwat price methodology

Matt Lewis said Ofwat had now issued a consultation on the methodology for the price review. An extract of the document was circulated to the group outlining the CCG responsibilities. He confirmed that Ofwat wants to see high involvement with customers through research and the CCG and instead of "outputs", Ofwat wants to see companies suggesting "outcomes." Ofwat is also suggesting that the work of CCGs should continue beyond the draft determination stage.

Greg Marshall said that the EA will be giving its own feedback on the methodology and Adam Lines asked if there was an opportunity to invite Ofwat to attend a CCG meeting to feedback, rather than just doing so through the Chair. The Chair suggested that she could also ask Ofwat for their data.

In answer to a question from David Wurr about the role of capex, totex and opex in the methodology, Matt Lewis said there was no mention of key factors of water quality, asset serviceability, pension costs and power costs.

Ralph Tennant asked if there would be a default tariff with minimum customer service levels for business customers. Matt Lewis responded that it was the company's understanding that it could use its existing tariff, but it could offer a different tariff to commercial customers. No non-domestic customers have separate agreements at the moment, but SSW may want to look at that, but it would be a company decision and not one by Ofwat. Ralph Tennant said he would like to see contracts, as it would mean businesses would understand what they were negotiating for. Steve Morley said that Cambridge Water business customers want to see high quality service retained; the Government has said there will be retail competition, but it was for the water industry to implement that and there is a lot of work to be done on it. The Chair said that companies like Tesco are keen on high service levels and competition, but for small businesses it may be a different matter.

ACTION: The chair to write to Ofwat to ask what data is available and to be invited to address the CCG.

5. Timeline

Barbara Julye said the timeline gives the anticipated activities and time requirements for the PR14 process, including inputs from Ofwat and other stakeholders that will feed into the engagement process. The timeline has been populated with CCG meetings and proposed agendas.

Gemma Domican expressed concerns over whether the group has enough time to discuss everything needed and more meetings should be held. David Wurr agreed, saying Severn Trent Water is ahead of SSW's CCG in terms of reviewing "outcomes" and he wondered if four months was long enough to catch up in. He suggested longer meetings than two hours needed to be held – he had recently been with Severn Trent for two 5-hour meetings. Adam Lines agreed with the CCW representatives and said that the EA could offer help; the EA has been working with outcomes for some years and could help with that area. The Chair agreed more meetings should be held.

Greg Marshall suggested that subgroups could be used; SSW had to show that its business plan is fully tested and the wider group would have to trust subgroups. Barbara Julye said that the subgroup had been given delegated responsibility.

Keith Marshall said the group needed to think about what the urgency is behind some of the problems. David Wurr responded that the group has been asked to look at a willingness to pay presentation during the meeting, but had not seen it in advance, and while he thought SSW good at getting papers out in advance, it would save time in meetings if presentations could be sent out in advance. Barbara Julye said that regarding the willingness to pay meeting held on February 8th, there was no pressure to make a decision, but with hindsight more time to debate the subject should have been given and she took on board the comments.

Ian Butterfield said the issue of outcomes is critical. He said Natural England had spent a huge amount of time talking to the other companies about what they will be held responsible for; the idea that it could be covered in one meeting is naive.

The Chair said that the CCG was not a rubber stamping group, but it did need to be assured by its subgroups. Greg Marshall suggested that the subgroups would be the same people as the main CCG, but with fewer company representatives, and therefore the time pressures would be just the same.

ACTION: Documents to be printed off and posted to CCG members instead of emailed if requested. Other meeting venues and video conferencing to be looked at. Dates for extra meetings to be decided. An outcomes subgroup to be set up comprising representatives from EA, CCW, Tom Marshall and Ralph Tennant. Tom Marshall agreed to chair. Invites to this new task group would also be issued to customers not attending this full meeting.

6. Customer engagement update

6.1 Draft Water Resource Management Plan customer focus groups, held January 26th. Claire Walker from the EX and Colin Greatrex were in attendance on the day.

Rebecca Addis of Community Research gave a presentation and said that the focus group had looked at five key areas: leakage; meters; water restrictions; water efficiency; the environment. At the start of the day, the top three priorities were: 1 Leakage; 2 high water quality; 3 affordability. At the end of the day these had changed to: 1 Meters; 2 affordability; 3 encouraging water efficiency.

Recommendations that came out of the focus groups were:

- a) Customers believed there was the potential to increase meter penetration through education and communication.
- b) SSW should set more ambitious leakage reduction targets than the SELL figure.
- c) The company should maintain its current level of customer restrictions (one in 40 years).
- d) No broad support to pay more to support environmental improvements beyond those specified by the EA
- e) There should be an increase in communications on water efficiency.

Tom Marshall said he found the change in attitude over the day through education interesting. Since becoming involved with SSW he had come to understand how important water meters are, and that their being imposed on customers is not for the good of the company. Although there were only 27 people in the focus groups, he believed that the results would have been similar had there been ten times that. He also said he considered leakage a minor problem, particularly as there is an abundance of water at the moment. Adam Lines confirmed that this was not the case.

The Chair said that the issue of leakage is interesting; it is an iconic issue in the water industry, which was partly due to the media. Customers feel they should not be expected to save water when companies had leaks.

Ralph Tennant said he thought a lot of people believed their bills would be higher on a meter compared to rateable value. Matt Lewis said 95% of business customers are metered, as the company does this compulsorily. Usually, those businesses not on meters are because it has not been possible to fit a meter, but the company would look at a business again if a meter was requested.

The Chair said that metering needed to go hand in hand with affordability and Alex Martin replied that one woman at the focus group had picked up that idea herself and it was refreshing to see how quickly she had realised this. Steve Morley said that in a focus group in Cambridge, one woman had said that although she had a meter and was careful about water use, she did not see why she should be charged according to the meter and therefore there was an issue of choice.

Turning to the online research panel, Rebecca Addis said an existing online panel was being used, with SSW customers ring-fenced. Up to 1,000 people will be asked to take part, starting from February 14th, with respondents paid about 50p for taking part. In response to a question from David Wurr on whether online panels were really representative of people in the area, Rebecca Addis said Community Research ensures respondents are representative in terms of age and demographics and the information they provide is tracked over a period of time to ensure it is reliable and to see trends; online surveys, while having their limitations, are just one tool among other research techniques.

ACTION: Copy of the presentation to be circulated to the CCG

6.2 Willingness to pay research overview and customer online panel progress.

Amanda Borrmann of ICS Consulting gave an update saying the project began in January and will continue until May. The research is looking at four particular areas: asset planning; the MVA research on customer information; compliance status; other drivers such as the environment.

Initial testing of the survey has shown issues coming out, including: water quality – along with discolouration and hardness; affordability; leakage; metering.

Barbara Julye said following the February 8th meeting, some attributes have been removed and there is more focus on the environment with the inclusion of a new question regarding low flows.

6.3 Customer Panels

Amanda Borrmann said one idea for the customer panels to look at is catchment type schemes that could be less certain than treatment – customers could be asked if they are happy with uncertain catchment solutions. Ian Butterfield said he felt the challenge is that people do not understand the risk and he felt it was very difficult to get that over in the willingness to pay debate. Keith Marshall said there is a current situation with metaldehyde, which does not present a danger to humans, but it was difficult to know where to put that in terms of treatment.

7 Discussion and presentation on affordability

John Thompson gave a presentation looking at the background, current and future issues and help available from SSW and other companies.

David Wurr said that the SSW Charitable Trust does a fantastic job, but there is a tremendous opportunity to do more; after adjusting for scale, Severn Trent's Trust has about three times the money available that SSW CT does, so while he was not criticising SSW, he said there was a problem and a rethink was needed.

Matt Lewis said there is work to be done, but there were no immediate plans to introduce a social tariff within SSW as the company has the third lowest bills in the country. For example, he said, if the company directed money at the elderly, there are some wealthy pensioners and the company does not have the data to find out which are. In answer to a question from David Wurr on whether further social research was to be done by the company to make finding out such information more feasible, Rachel Barber said the company does intend to and CCW would be involved.

Steve Morley said that Cambridge Water customers have not said in research that social tariffs is something the company should be doing and Rachel Barber added that SSW does not intend to move away from its strategy of having good value bills.

John Thompson said over a period of time the Charitable Trust had moved from the point of taking the vast majority of applications from debt advice agencies to 80% now coming direct from customers. What the Trust has to look at is how well customers do their applications and see if there is anything that can be done to improve them. David Wurr said Severn Trent has put money in to the Citizens Advice Bureau, but even the CAB has found it difficult to make contact with those most in need and is going through third party agencies.

It was acknowledged by the CCG that the £0.5m savings, as a result of the merger, was a real opportunity to do more on affordability if invested here, this would be supported by the CCG. The Chair agreed but noted the views in Cambridge were also relevant.

Action: To look at best practice that is being done by other water companies and to consider what other agencies SSW might work with to find customers most in need of financial help.

8 Overview and presentation on Natural England

Ian Butterfield gave a presentation on the role of Natural England, particularly in relation to PR14. Following the presentation, he said SSW is in the lucky position of having licences to abstract more water than it needs, but customers have spoken about leakage as a concern in the research, and leakage is about the environment. He said the company needed to think about biodiversity and was rather blasé about the environment.

Keith Marshall said there are counter arguments and he found it frustrating to hear such comments when the company is involved in work that aids the environment. For example, the company is involved in environmental work at Chelmarsh, but then some local residents complain they want the area to look tidy rather than offer habitats to attract wildlife.

Ian Butterfield said the environment does not come across well from SSW. Through the Black Country Nature Improvement Area scheme, the company has the opportunity to show not just its impact on the environment, but how much it benefits it – there is an opportunity for the company to think about whether it has a coherent plan, and putting in environmental measures does not have to be too expensive. He added that because of SSW's licence, it appears the company does not feel it has an impact on the environment, but if he were a customer he would be saying that as SSW can abstract more water than it needs it should sell water to areas where more water is needed and therefore reduce bills for SSW customers.

The Chair said the challenge to CCG was to look at the issues around affordability and the environment.

9 Closed item

SSW staff members then left the room for the remainder of the meeting.

The meeting closed at 1.00pm.

Next meeting, April 11th at 3pm. Venue to be confirmed.