

MINUTES OF CUSTOMER CHALLENGE GROUP

Meeting held on 7 February 2018

10am – 4pm

Usk Room, Linea

Attendees:

Peter Davies (Chair)
Mari Arthur (Secretariat) - Cynnal Cymru
Craig Anderson
Bill Darbyshire – Environment Agency
Lee Gonzalez - Consumer Council for Water (leave at 11.30)
Rachel Lewis-Davies – NFU
Duncan McCombie – Yes Energy Solutions
Lia Moutselou - Consumer Council for Water
Steve Ormerod - Cardiff University & Chair of IEAP
Eifiona Williams – Welsh Government (Observer)
Richard Williams - WEL representative
Geraint Webber - Natural Resources Wales
Dimitrios Xenias - Cardiff University

Dwr Cymru: Chris Jones, Mike Davis, Alun Shurmer, Daniel Davies, Louise Jackson, Menna Richard (Board Member)

Apologies: Nigel Draper - Valleys to Coast Housing, Delyth Jewell - Citizens Advice (looking for a permanent replacement), Jean-Francois Dulong (Welsh Local Government Association), Rachel Lewis – Age Cymru, Russell Todd - WCVA

1. Peter Davies, Welcome & updates

PD welcomed members and Menna Richards, DCWW Board Member and Chris Jones DCWW CEO

- Chris Jones outlined the Company's gratitude for CCG input and recognised the significant demands on CCG time in the lead up to the PR19 submission.
- The final Water 2050 document will be launched on March 14th at the Senedd. The document has been amended following feedback from the CCG and other stakeholders including a greater focus on affordability and customers in vulnerable circumstances.
- Chris stressed the importance of the CCG's challenge to the Company on the measures of success and the targets. The Company values the challenges it's had from CCG to date and hopes to feed future steers into the plan and to test with customers. Areas of disagreement will be recorded and balances will need to be made around challenges and Board's views.
- Menna Richards added that activity in the near future will be intense and the Board is anxious to take into account the views of the CCG. The Board has a number of considerations to incorporate into its work including the influence of the CCG.
- Chris highlighted the Company will be pleased to receive the Institute of Customer Service award today, which will be followed by internal 'Diolch' awards for staff performance.

2. Peter Davies – updates on progress

- A response from Chris Jones to last year's papers from DCWW Board discussions will be circulated post meeting. **Action CCG members to provide comment on the response before next meeting.**
- Trello will be used as a platform to record challenges and actions going forward. It will record points raised that are connected to the strategic framework and will be used by the Company and the CCG.
- Peter thanked Duncan McCombie for attending the ICS Water Service event on behalf of CCG (report to be published on Trello). CJ & AS said no surprises from the conference, digital featured highly for some companies but DCWW's priorities stay around poorly served, social tariffs and vulnerability
- Peter thanked Dimitrios Xenias for attending the CCG Chairs meeting on behalf of CCG in his absence. Papers from the meeting will be placed on Trello.
 - Dimitrios' report on the customer research process will be circulated to CCG post meeting for comment before being submitted to the company. **Action - CCG members to comment in advance of next meeting.**
- Peter will be joining Ofwat meeting with DCWW next week for an overview of the customer engagement process. **Action - Documents prepared for the meeting will be shared with CCG.**

3. Ofwat Final Methodology (Paper 1)

The final Ofwat methodology was published in December, with little significant change especially in relation to the function of the CCG. Daniel Davies & Louise Jackson explained how Ofwat will assess and evaluate the final submission. DD & LJ shared the confidential report prepared for the Board with CCG: 'Key PR19 issues for DCWW' Prepared for DCWW by KPMG (17 January, 2018)

The CCG raised points in respect to

- The importance of the economic and social context that DCWW operate within with high levels of deprivation
- The cost of capital being lower than expected - impact on lower bills and return on value – so important for CCG to understand the impact on future Bills and investment
- The importance of transparency in ensuring customers understand how their bill is constructed
- The need to be focused on the role of the CCG and to avoid drift into areas in the methodology beyond the CCG remit. The final aide memoire from Ofwat on role of CCG is due to be provided by Ofwat – **Action to be circulated to CCG once received**
- **Action – points raised by CCG to be included in follow up letter setting out areas of concern**

4. Measures of Success Update (Paper 2)

Daniel Davies presented the paper which had been discussed with the Board the previous week. The paper builds on the MoS discussion held at the the November CCG meeting, noting some changes have been made from the CCG Challenge and Board input. An updated list of 43 measures is set out in the paper, with 3 categories – Ofwat required measures; Customer priority measures and Measures related to resilience of the business.

Key points raised by the CCG :

- The challenge of managing effectively 43 measures of success
- The need to be very aware of potential for overlap and duplication in the measures
- The importance of ensuring that each measure was fully understandable for customers and could be communicated effectively
- The issue of prioritising across the 43 measures – not all can have equal value – and the need to ensure that there was a simple process by which customers understood progress against their priority measures
- The importance of looking across the sector and beyond the sector in identifying effective measures of success
- Specific point was raised in respect of impact of terrorism on security of supply measures
- The inclusion of measures related to the use of the Welsh Language was welcomed
- The CCG highlighted the degree to which high level measures of success gave an indication of impact and the importance of the CCG understanding the deeper assessment of impact that needs to underpin high level measures eg in relation to numbers of people going through the education programme
- The CCG specifically highlighted the need to map the measures of success against the indicators of wellbeing included in the Wellbeing of Future Generations Act. The Water 2050 long term plan has been developed in the context of these goals so the 5 year plan also needs to be assessed against its contribution.
- The nature of the environmental measures of success were highlighted in relation to contribution to tackling climate change and in environmental improvements. The work of WWF was referenced by the CCG

5. Measures of Success Target Setting (Paper 3)

The measures of success discussion then considered the target setting process in light of Ofwat guidance that “CCGs will challenge companies on their approaches to setting performance commitments including how well they reflect customers’ views and how stretching they are.”

This will be a key focus for the CCG and the follow up to the meeting. The initial discussion at CCG emphasised:

- Recognition that there was need to focus on key measures and targets that reflected customer priorities
- However it was also stressed that customer trust as also dependent on transparency as to how the company operated as a business e.g. as an employer, purchaser of services as failure against customer expectations in these areas undermined trust
- The nature of the balance on the scale of investment needed to support worse served customers and the wider customer view on the validity of such investment
- The importance of the strategy for supporting customers in vulnerable circumstances. This strategy will be considered at the next DCWW Board and then to CCG for comment
- The question of how the company is aiming for exceptional performance and the importance of stretching targets in areas which are a priority for customers

Eifiona Williams (Welsh Government) provided an overview of their perspective on the process, stressing that the Environment Minister wanted alignment with the WFG and Environment Acts. The Welsh Govt's expectations are set out in their strategic guidance provided to Ofwat.

Actions for items (4) and (5)

- **Dedicated day session on MoS and targets to be fixed (March 21st)**
- **CCG led engagement with wider stakeholders on the vulnerable customer strategy presented to Board, measures and targets regarding customers in vulnerable circumstances .**
- **CCG to work with Independent Environmental Advisory Group on environment measures and targets**
- **CCG Non household customer focus group to be set up with FSB,**
- **Future customer engagement with youth board**
- **PD to write to company on points raised in the discussion**

6. Research and future meetings

Alun Shurmer updated on status of phase 2 and plans for phase 3 of the research programme

- Social tariffs & feedback (qual & quant c 600 people) being undertaken by Accent with report to board in May focused on the level of support for cross subsidy. Draft framework will be provided to CCG chair for comment - timescales will require a very short turnaround **Action – social tariff research to be circulated for CCG comment**

Phase 3 in the customer engagement plan will be the testing of the overall acceptability of business plan. A key question is whether the company offers options for customers in the business plan. This is being considered by the Board and important for CCG views to be considered.

The CCG agreed that the key issue was the credibility of offering options which provided a meaningful choice. The process needed to provide credible and meaningful options.

Action- CCG to be engaged in decision making process on process for testing final plan

7. Water Resources Management Plan 2019 Ian Brown

The Plan aims to ensure we have enough water resource to deal with driest times over next 30 years and the investment needed to balance water resource needed. Ian presented the key elements of the plan including options to address specific areas of potential deficit zones.

Key points raised by the CCG

- Importance of catchment management approaches and nature based solutions
- The need to effectively engage with land managers and reward contribution to improving water management
- Engagement with planning authorities on future development plans
- Critical role of demand management solutions both in general but also in relation to the areas in deficit

- Strategic role of smart meters and cost effectiveness
- the approach to dealing with customer side leaks and role of the company in supporting customers in reducing in house leakage through taps/cisterns etc.
- the importance of engaging with plumbers
- Water as a key national natural asset in respect of any future water trading
- Strategic importance of the plan as stewardship of a national asset

Private session

Actions arising:-

- a calendar of future events, workshops, deadlines to be produced
- summary of research schedule and constituent elements to be circulated
- request summary of triangulation process to be circulated
- CCG focus group sessions as agreed to be established
- CCG to respond to Dimitrios report and also to DCWW response to CCG Board papers
- CCG to provide scrutiny on progress of Rhondda Fach and Brecon Beacons Catchment programmes as demonstration projects for new ways of working
- Rachel to circulate NFU Cymru paper on water quality and look at potential areas for challenge to DCWW
- Duncan to circulate the report back from the Customer conference
- Secretariat to provide contact details for all CCG members and ensure all members are invited to use Trello as means of tracking progress
- CCW to circulate updates from bilateral meeting with DCWW to CCG
- PD to write to DCWW following meeting with a summary of the Challenge points raised in the meeting

