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Darparu craffu, herio a chyngor annibynnol

PR19 MEETING AND CUSTOMER CHALLENGE GROUP

Meeting held on Friday 9th March at 10:00am
Caernarfon Suite, Welsh Government Offices, Cathays

Attendees: Paul Harrison (Welsh Government), Mike Davis (Welsh Water), Dan Davies (Welsh Water), Tim Williams (Welsh Water), Eifiona Williams (Welsh Government), Cat Osborne (Welsh Government), Phil Marshall (Consumer Council for Water), Frank White (Drinking Water Inspectorate), Mari Arthur (Cynnal Cymru), Peter Davies (Chairman), Neville Rookes (Welsh Local Government Association), Milo Purcell (Drinking Water Inspectorate), Mark Squire (National Resources Wales)

Secretariat: Bethan Harvey (Cynnal Cymru)

Apologies: Craig Anderson, Nigel Draper, Jean Francois Dulong, Lee Gonzales, Rachel Lewis, Rachel Lewis-Davies, Duncan McCombie, Steve Ormerod, Geraint Weber, Matthew Williams, Richard Garner-Williams, Dimitrios Xenias, Lia Moutselo, Liz Withers

To note: CCG want it noted that, due to severe weather and ensuing problems for the Company, Monday 5th March CCG meeting was postponed. This, along with the delay in the Board decision, has also had an impact on the CCG's ability to contribute to the shape of the acceptability testing for the Bill options.

Following the re-arranged meeting the Company have shared the presentation, excluding the bill slide. It is suggested that we start the workshop on 21st with this slide.

The Company thanked everybody for their attendance at such short notice.

The meeting

The Company presented **The PR19 Business Plan Update** to Welsh Government and the CCG.

1. What are customers willing to pay and what do they expect = trade off.
2. What level of support do we give those unable to pay?
3. How much extra are customers willing to pay to help those in vulnerable circumstances?

Trade-offs will be presented in package which is next stage and that will be reviewed. The CCG will need to see clear linkages between the measures/targets and the evidence of customer priorities from the research and triangulation exercise. Trade-offs will be presented in package which is next stage and that will be reviewed, CCG need to ensure that the research/evidence base is central to the measures and targets narrative.

Research

Triangulation of the research was discussed and where the weighting is put will be discussed in more detail at the meeting on March 21st. CCG is currently reviewing stage 1 & 2 of research and results and will report back to the Company on our perspective shortly.

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ODI research is complete, Rewards & Penalties are difficult areas to speak to customers about, as you need to explain the business plan to have context. This will be one of the areas for which The Company will seek input from the CCG as informed representatives of customers during March 22nd meeting.

CCG raised Ofwats recent announcement on the need for clear support from customers before anything is implemented. This has been raised at CCG Chair meetings. Despite the fact that The Company are not going to be putting huge rewards forward – we need clarity.

Customers in Vulnerable Circumstances

CCG understand the need for measurable targets but the Company still need to include customer's priorities, it was felt that some MoS around vulnerable customers have not been included. The Company stated that they have included customer perspectives through use of the Trust measure and they are committing to hard outputs. A paper has gone to the board on strategy of customers in vulnerable circumstances and the CCG need to have sight of this.

One area to be discussed in more detail: Water supply interruptions. The Company has more mains per customer as well as a high proportion of cast iron mains which are more susceptible to bursting in cold weather. There is CCG concern around differences in measurement between The Company and Ofwat. The company responded that they have to put forward what they think are the right targets for their customers and what they think is deliverable. To be explored in more detail.

Blockages and Sewer Flooding. Ofwat don't seem to think that that more needs to be done on this but The Company are including this as a Measure. CCG asked how this can be taken forward and what the level of the challenge to The Company is.

A note on **Pollution** target which is yet to be updated but The Company are ahead of PR14 targets. to be.

Worse-served Customers

Hugely expensive and customers are not willing to pay. Company and Board think EVERY customer should be entitled to basic service. Ofwat will challenge The Company's business plan on this and The Company will need support in pushing back to Ofwat. The proposal includes reducing the number of worse-served customers by implementing proper solutions and that those customers do not pay a sewerage bill until their problem is fixed.

Affordability

It was very helpful to see the proposed breakdown of the makeup of the bill. As the CCG has previously discussed, the transparency to customers will be important, as will an understanding of progress towards 2050 objectives, and the degree to which we are setting off costs for future generations.

Drinking Water Inspectorate raised important points in respect to balance of spend against customer priorities on clean water. CCG/ Milo Purcell (MP): 20% for maintenance of drinking water seems low. CCG to examine investment in water quality and review their priorities and choices. The Company responded: they need to make sure that they can maintain existing service with no

increase in risk. They are confident that they can maintain for these sums. They are not cutting back on maintenance spend and are making investments and looking to improve their position. They are investing £120m so degree of affordability is an issue. In addition, other programs like zonal studies will be contributing to water quality and that 40% of the water spend is on maintenance. The Company acknowledged that there was a need to set up a meeting between Ian Christy and MP.

Direct procurement: CCG felt that external groups have no understanding of future operational model, design, build, finance and operation, we should be talking about operating as it is new ground and that third parties in public services need to be debated. The Company said they don't want to give up operations, can finance cheaper than a third party and currently design and build anyway.

Social Tariffs Issue for the Company around number of households eligible for Social Tariffs as opposed to other Companies (reference made to Wales's levels of deprivations). There is a need to work out how to target those in most need and take more control over who signs up. CCG mentioned need to integrate fuel poverty/ other utilities as well as the Digital Economy Act as a tool for supporting this work by sharing information between utility companies and the Department of Work and Pensions. Wider partnerships will be key and of particular interest to CCG. CCG suggested more research into this and feedback from vulnerable groups and other Companies on what they do when having to go back out to customers on the issue of social tariffs. Questions about strategy were raised in terms of how the company operates its social tariff against the backdrop of evidence of eligibility of 400,000 customers is an important priority for the CCG, so we look forward to receiving the draft strategy that has been considered by the Board. PD to follow up with Consumer Council for Water to ensure that the CCG understands the points raised in respect to vulnerability measures, so we can also include this in our review of the strategy for customers in vulnerable circumstances.

Leakage is a key priority with customers. WtoP is inconsistent with customer aspirations, never the less the Company are looking at a huge reduction in leakages. The Company plan on going beyond what they need to do and what Customers have said they want in this area and worse served customers.

Welsh Government asked for a clarification that customer awareness has a focus internally and stated that the diagram released by DCWW came as a shock to customers.

MoS

We need to be careful of how the presentation of the measures in three sections (Ofwat, Customers and Business Resilience) is interpreted – as all three sections include measures which are important to maintaining customer trust. So, it is important, not just to view the customer measures as being only those which are important for customers, but also, as was raised in the meeting, that the listing gives an impression that they are in order of customer priority, which you indicated was not the case.

The previous CCG meeting raised the issue of the number of measures and the question of whether they can all be priorities. I think we need to consider greater clarity on priority outcomes that meet customer expectations alongside those measures that are essential for maintaining customer trust.

We have now scheduled an important full day workshop on March 21st for the review of the targets and measures of success. The CCG will be able to go into more detail in order to produce a comprehensive response.

The Company wanted to raise the following areas of uncertainty for CCG discussion:

- NEP uncertainty, Social Tariffs, Input price pressure, what can be achieved on efficiencies, Ofwat consistency in performance reporting, ODI rewards and penalties
- The Company are more advanced this time than they were with PR14 but the price review is far more complicated
- Wales-wide issues may not be important to Ofwat (eg. Social tariffs and lead). The Company need Welsh stake holders to voice this and take it to Ofwat
- EW confirmed that Welsh Government will supply supportive context on this
- PD stated that the wider stakeholder body can also do this
- PM confirmed that CCWater will also supplement additional submissions if it's not been covered by the CCG report.
- Options & acceptability testing only just clarified by Board. Summary approach has been shared.

Stage 1 consists of options testing in March/April. Results will feed into Business plan. Deadline for comment 12 March.

Stage 2 will go back to customers May/June with final package and ask for acceptability of full package.

CCG highlighted that The Company will be conducting research on the back of recent weather-related problems.

Actions

- The Company to share Vulnerable Customer Strategy document
- The Company to set up a meeting between Ian Christy and his team and MP
- Wider stakeholder group to voice importance of Welsh issues to Ofwat by supplying supportive context
- The Company to send out ODI reports
- The Company to confirm date of May meeting

Dates of Future Meetings

- March 21st workshop is a KEY day to find out whether targets reflect customer views and if they are cost beneficial. The Company need to prepare and prioritise for that.
- March 22nd to focus on ODIs research (alongside WaterSource Conference). A short teaching on the main issues and the short-comings of dealing with customers on this were suggested and getting a feeling from CCG on their willingness to represent customers on this issue. ODI reports need to be sent to CCG.

- May 16th to discuss vulnerable customers and social tariffs. CCG will need to be comfortable that draft plan reflects what they have seen to date. Potential meeting clash so CCG date may need to be changed.