

## **MINUTES OF CUSTOMER CHALLENGE GROUP**

### **Meeting/Teleconference held on Thursday 14<sup>th</sup> September at 10:00**

### **Usk Room, Linea**

Attendees: Peter Davies (Chairman); Daniel Davies (Welsh Water); Lee Gonzales (Consumer Council for Water) for items 1-3; Danielle Ingleson (Welsh Water); Louise Jackson (Welsh Water); Ruth Jenkins (Natural Resources Wales); Duncan McCombie (McCombie & Daughters Ltd); Lia Moutselou (Consumer Council for Water); Steve Ormerod (Cardiff University & Chairman of IEAP); Anna Riddick (Welsh Water); Alun Shurmer (Welsh Water); Dimitrios Xenias (Cardiff University); Richard Williams (WEL representative)

By phone: Bill Darbyshire (Environment Agency);

In attendance: Mari Arthur (Cynnal Cymru); Kelly Eddington (Welsh Water); Susan Jenkins (Welsh Government); Paul Metcalfe (Accent); Joanne Murphy (Welsh Water); Andrew Sherlock (Welsh Government); Emma Partridge (Blue Marble); Peter Perry (Welsh Water) for Item 1; Ben Potts (Blue Marble); Rachel Risely (Accent).

Apologies: Mike Davis (Welsh Water); Nigel Draper (Valleys to Coast Housing); Jean Francois Dulong (Welsh Local Government Association); Delyth Jewell (Citizens Advice); Rachel Lewis-Davies (NFU)

#### **1. Performance Update (Peter Perry)**

##### SIM Score

- The SIM score is an Ofwat independent measure of customer satisfaction. In 2016-17 the SIM score dropped down to 5<sup>th</sup> position. In the first wave of 2017-18 DCWW are in 2<sup>nd</sup> position.
- Duncan McCombie asked if knowledge of success is shared with others. Peter Perry explained that this starts at director level and best practice is shared when this is possible within the grounds of competition.

##### Complaints

- A steep increase in complaints was seen in 2015/16. These have reduced drastically and numbers will be well below that for the autumn period last year.

##### Health & Safety

- The organisation was recently awarded the RoSPA Gold Award for health and safety performance over 2016. In response to Duncan McCombie's question about blue card holders and risk management, Peter Perry explained that all blue card holders are inspected/assessed on a monthly basis.

##### Water Services

- Upper quartile performance for all 6 areas reported for the first time.
- Weather conditions can have a significant impact on the company - the early warm spell caused problems for leakage figures, CML and customer acceptability. A huge increase in demand was seen throughout the summer with higher consumption during the night.
- Divers have been working on Caban Coch dam carrying out challenging and complex renewal of valves. This was very high risk and pioneering work and it is the first time work of this kind has been completed in the UK.
- Operational incidents – a few challenging repairs have been conducted recently. There is currently a repair to a 31inch high pressure water main taking place near Nelson. Innovative repair techniques are being used so that the water supply is not disrupted.

Customers are being kept informed of progress via social media and the website. Local AMs and MPs have been informed.

#### Wastewater Services

- The reported results show our best ever performance achieved through improved ways of working.
- Any reported under-performance will be rectified with the exception of customer acceptability. Reclassification will pull this back in line.
- Extreme weather conditions have a significant impact. In July severe rainfall caused sewer flooding in North Wales coastal towns.
- £100m investment in bio-solids (sewage sludge) has been agreed which will bring advanced digestion across North Wales and parts of South Wales.
- Lia Moutselou queried why reclassification had taken place if a good performance is reported. Ruth Jenkins explained that the top 3 are the areas that are reported on.
- Steve Ormerod asked if reclassification is consistent with other regulatory bodies. Ruth Jenkins confirmed there is a consistent approach where applicable.

#### Rainscape

- A group of councillors from Cardiff were taken to Llanelli to see work undertaken as part of the Rainscape project to slow down service water.
- Community Fund has been launched which will benefit 16 community groups and charities.

#### Capital Investment

- £1+million a day is being invested in capital schemes.
- The Maerdy & Porth mains scheme will resolve problems with large diameter cast iron mains in the area.
- Plans to abandon some pumping stations which will reduce costs.

#### Summary

- CC Water want to see improvements in sewer flooding which is forecast to be on target at year end. The biggest problem is blockages and communicating this to customers is key.
- External flooding is a priority. The company has set its own target and an improvement from last year has already been reported.
- The company is leading on sustainable drainage. Scottish Water are visiting to see the work being carried out.

Received, for information, the summary of scorecard measures that goes to Board on a monthly basis.

## **2. Updates (Peter Davies)**

#### Secretariat

- Cynnal Cymru will provide secretariat support to the Group at future meetings
- Kelly Eddington was welcomed as Alun's new PA. Noted that Jo Murphy's role had changed and she would now support the Company Secretary and the Board only.

#### Challenge Log

- The draft strategic challenge framework has been circulated and CGG asked to comment. The framework can be developed further and made available for the November meeting.

#### Maerdy/Porth Project

- The project is a broader approach to community engagement and will be developed as a pilot for demonstrating how such investment programmes can be a platform for DCWWW to enable improvements in community resilience. The project outline is still being finalised but productive meetings have been held to date.
- Dimitrios Xenias is undertaking an independent assurance process around the research approach.
- Additional information can be provided at the November meeting of the CCG.

#### Board Feedback

- Peter Davies attended the September meeting of the Board and had a positive discussion on the role of the CCG and the triangulation report.
- Jo Kenrick, Non-Executive Director, will attend the November meeting of the CCG.

- Hard copies of the papers recently presented to the Board were made available to the Group. Noted the papers are confidential and not for wider circulation.

#### Summer Consultation/Online Community

- Over 18,000 responses have been received to the summer consultation.
- Almost 400 customers have signed up to the online community.
- A discussion on the online community to be included on the agenda for a future meeting of the Group.

### 3. **Implications of Ofwat Methodology (Daniel Davies)**

#### Outline

- The Ofwat methodology consultation was discussed at the recent Board meeting. There is a clear approach to PR19 and a business plan will be devised in the interest of customers first and foremost. The plan has to be presented to Ofwat in a required format.

#### Customer Engagement

- The methodology has not been changed and is still a valid document. Ofwat have reiterated some points.
- Noted the 7 principles of effective customer engagement.

#### Affordability

- The price review includes trade-offs and will consider bills for today and tomorrow, service levels and costs.
- Noted the three aspects of affordability – today's customers; future customers; customers who struggle to pay.

#### Vulnerable Customers

- Ofwat are giving this area more prominence than has been done previously.
- Noted the three tests for how well companies address vulnerability. CCG's views will be taken into account.

#### Measures of Success/Performance Commitments

- There are 14 common performance commitments plus company-specific commitments in other areas e.g. vulnerability.
- There is a special focus on leakage for which an additional benchmark has been added that all companies are expected to reach.
- Duncan McCombie asked if there are expectations for customers to be more resilient. In response, Alun Shurmer explained that the satisfaction of customers who have made contact is measured. This is supplemented with another survey to customers who haven't made any contact.
- Lia Moutselou queried if there was scope for comparable surveys on customer satisfaction. In response, Daniel Davies explained that there are stretching targets and the company should not have differing performance levels. All targets should be in the upper quartile (some are in a very good position). The company needs to challenge itself on customer views and consider what is historical and comparable.

#### Outcome Delivery Incentives (ODIs)

- ODIs were introduced in PR14 and there is a lot of detail on how these are being used.
- The incentives are devised for shareholder companies so the not-for-profit model doesn't fit well with this. Reward and penalties will, however, be incorporated into the plan.
- Research with customers to obtain their views on ODIs will also be undertaken.
- The plan is to be submitted to Ofwat in September 2018 and will be considered beforehand by the Board and the CCG in the spring.

#### Ofwat Assessment of Business Plans

- Some changes have been made to the assessment process but it is similar to that used in PR14.
- DCWW are working closely with Welsh Government to ensure Ofwat take into account the different legislative agenda and policies for Wales.
- Peter Davies noted the NRW response to the Ofwat methodology is a useful document and should be circulated to the group for information.
- Lia Moutselou agreed to circulate the CCWater response to Ofwat to the group.

#### 4. Results of Research

- Alun Shurmer explained there are three major pieces of work report back on – WW2050; WTP; Performance Targets.
- The Chairman, members of the Exec Team and Peter Davies all attended customer focus groups.

##### WW2050 (Blue Marble)

- Customer in-depth qualitative research has been carried out in planning preparation for WW2050.
- Customers are not concerned about risks but there was an expectation that DCWW would be anticipating and planning for these challenges as part of running the business.
- Customer accepted the information about the company. Those previously unaware of the not for profit status were pleasantly surprised. Customers were made aware that bills are higher than in other parts of the country and explanations for this were given but some found this difficult to understand.
- Customers were introduced to the 14 strategic responses via A1 posters on display. A post-it note exercise to identify top and bottom importance was carried out. Public health and customer expectations was the least easy to understand for customers.
- In terms of acceptability, there were very few cases of no additional investment. Large numbers of customers were prepared to increase their bill by £10 to support strategies but the majority felt a £20 increase was acceptable.
- Customers did, however, challenge the plan in 3 areas: innovation; operational & corporate efficiency; and meeting needs of the vulnerable.

Noted, in discussion:

- A caveat to show the numbers of customers who participated in the survey should be included (in red) across the report. Dimitrios Xenias explained here have been calls for more transparency in other sectors so caveats need to be considered carefully.
- The report contains powerful information which reveals the extent that people understand the work of a water company.

##### Summer Consultation (Blue Marble)

- Over 18,000 people have completed the consultation to date via online, social media and chatbot.
- Questions were answered in a randomised order to ensure customers did not lose interest in the same questions as they worked through the survey.
- 37% of customers voted for increasing bills to be more prepared for future challenges.
- 1 in 4 customers preferred the option to reduce bills.

Noted, in discussion:

- There was no dramatic difference in responses seen by age/gender.
- The survey did not include a question asking if the respondent was a bill payer which could skew results.

##### Willingness To Pay (Accent)

- Research was conducted via interviews. The focus was on service issues so the questions were slightly easier to answer than at previous interviews.
- Across all water service issues, long term interruption (up to 7 days) was found to have the highest impact on households and non-households.
- Across wastewater services issues, major sewer flooding inside property was found to have the highest impact on dual service households, waste water only households and non-households.
- Core value for dual households is £50.37 compared to £16.05 in PR14.
- Core value for dual non-households is £87.02 compared to £43.78 in PR14.

Noted, in discussion:

- Consistent message across other research is that customers who have been affected by sewer flooding do not want increased bills.

- The importance of knowing where judgements have been made and to understand the reasoning to have assurances.

#### Water Resources – Quantitative Research Findings (Accent)

- Research was conducted via focus groups and interviews.
- Noted the SP1 water resource plan options and SP2 TUB/NEUB plan options.
- An additional resilience contingent valuation question was included. The majority would pay an additional 4% on their current water bill for an increased level of water supply security.
- A hosepipe ban would have no impact on approx. 40% of customers a big impact on 4% of household customers and 9% of non-household customers.
- Household customers want DCWW to reopen unused reservoirs, reduce leakage and offer water saving measures. They least want compulsory metering. More context for this will be provided in the full report.
- Non-household customers want to see leakage reduced and water saving measures introduced. They are keener on compulsory metering than household customers.

#### Measures of Success Performance Testing Research (Accent)

- The research is intended to provide an insight to help DCWW decide the performance targets for the PR19 Measures of Success.
- Large scale workshops lasting over 4 hours were conducted on weekends in Cardiff, Haverfordwest, Colwyn Bay and Hereford. Non-households were also representative of the area.
- Customers worked in groups and a cohort spokesperson presented on individual measures for discussion.
- From the 16 measures explored at the events there is some appetite for further improvements for some measures.
- A strong positive response was received to helping disadvantaged customers with 6 in 10 participants willing to see a 33pm increase in annual bill to help with this.
- From the options presented to customers a package costing £11.19 per household per year was chosen on average.
- Issues rated as very important by most included bills collected, customer service, and the two asset health measures. Educational and recreational facilities were rated as least important by most.
- Extremely positive feedback was received from participants following the events.

#### 5. **Remaining Research Plan (Alun Shurmer)**

- Noted the timeframe for the remaining research plan.
- Any questions submitted by members of the group for response by the research companies will be addressed ahead of the next meeting.
- Agreed that, at future meetings, sufficient time for discussion and challenge from members will be built into the agenda. A balance of presentations and time for questions is essential.

#### 6. **Date of Future Meetings**

Noted the schedule of future meetings (venues to be confirmed).