

Minutes of Meeting 11 – 25th April 2018

Attendees

Peaches Golding OBE	BWCP Chair	Ian McGuffog	Bristol Water (BW)
Tony Denham	BWCP Deputy Chair	Ben Newby	Bristol Water
Jeremy Hawkins	Report Writer	Michelle Davies	Bristol Water
Dr Mark Taylor	Natural England (NE)	Lucy Farrow	Dialogue by Design
Michael Barnes	Consumer Council for Water (CCW)	James Holman part	Bristol Water
Cllr Terry Napper	Mendip District Council (MDC)	Sue Pennison	DWI
Jeremy Bailey	Environment Agency (EA)		
Cllr Robert Cleland	North Somerset DC (NSC)		
Daniel Woodhead	Step Change		
Dr Tabinda Rashid-Fadel	NHS England		

Apologies

Prof. Chad Staddon	University of the West of England (UWE)
Mike Bell	Consumer Council for Water (CCW)

Minutes

1. In camera session before main meeting	
Minutes are confidential and not published.	
2. Chair update	
The Chair presented her Report January to April 2018. This was summarised on two slides. She mentioned: <ul style="list-style-type: none"> Some of the work the Panel is doing can be regarded as innovative 	

<ul style="list-style-type: none"> • A brief meeting had been held with BW’s CEO and other senior management to confirm the ongoing work of the Panel. • Ofwat’s Aide Memoire to CCGs has now been finalised. It provides guidance on the content of the Panel’s report to Ofwat, what it has to do and what evidence BW has to supply. • CCG Chairs have yet to meet Ofwat’s new Chief Executive. A meeting is scheduled for May. 	
<p>3. Draft Business Plan</p>	
<p>BW provided an overview of its draft Business Plan. A series of slides were presented. The following points were discussed:</p> <ul style="list-style-type: none"> • Customer Summit – DbD said the learning from the summit included the benefit of involving participants who had been involved in previous research and the wide segmentation of participants. There were some logistical drawbacks in using the BW office for the event given the 85 participants who were there. • The Report Writer attended the Summit. He has fed-back his thoughts to BW separately but in summary felt that the ambitious event had been a success and had achieved its broad objectives. He also had noted the logistical issues and the influence some particularly vociferous participants may have had on the others. The outcomes and the use of them in shaping the final plan will be important. • The Deputy Chair noted the level of estimated efficiency in AMP7 and its possible detrimental effect on routine maintenance, catchment management and other activities. At the moment the Panel doesn’t have details of how BW plans to achieve the efficiencies. BW said that it will not be cutting back on its operations. Efficiencies are expected to come from a lower cost of capital, lower energy costs and other from areas. It has undertaken detailed analysis to support its efficiency assumptions and will prepare information for the Panel to explain this. The EA said it would like to understand cost of capital assumptions in particular. • The Chair asked about the Go Social Jam communications initiative. BW said it involves local social media champions who are being asked to come up with ideas for engagement. BW participated in the Bristol Social Media Week. • The Deputy Chair referred to the triangulation exercise (and the resulting range of WTP values for each service attribute) and asked whether the draft Business Plan consultation outcomes will reduce some uncertainties in the ranges. BW said it will in some cases. Results will be processed by week commencing 21st May after 	<p>Action: BW</p>

Minutes of Meeting 11 – 25th April 2018

<p>which BW will be in a position to firm up its service targets and incentives. The Deputy Chair said the Panel will need a session with BW to understand why specific targets have been chosen. EA noted that the company’s incentives are unlikely to be finalised by the end of May as work will go on after this. BW agreed but said the incentives will be determined in material respects in May/June.</p> <ul style="list-style-type: none"> • NE said it is difficult to comment on the draft Plan without knowing what the ODIs are. EA agreed and that comment at this stage is limited to the Performance Commitments and their definitions. BW replied that that the draft Plan does include the company’s ambition regarding its future service levels. Final testing of the Plan will take place in July. There is probably a need for more than one meeting with the Panel in May and June. BW will arrange this (see Section 4 below) The Deputy Chair agreed there is a lot of work to do. Some members will be more interested in ODIs than others. BW said one-to-one conversations could be offered if necessary. • The Chair noted there will be a need to understand industry frontiers to be able to comment on BW’s ambition. 	
<p>4. CCG Aide Memoire</p>	
<p>BW presented a number of slides summarising Ofwat’s Aide Memoire to CCGs. BW’s proposals for mapping its customer evidence to the subject areas in the Aide Memoire, the engagement with the Panel to date and the proposed future engagement were also presented. A resulting gap analysis had been derived at a meeting with the Report Writer earlier in the week.</p> <p>The Chair said that sensitivities around triangulation was a key area of focus for the Panel and the need for clarity around the ranges of results was important. The Panel should have the opportunity to examine the triangulation.</p> <p>The Report Writer said that more detail was needed on the company’s Affordability and Vulnerability strategies. In connection with this, MDC expressed concern the level of customer debt and the risk that this could get worse. BW said there will be much detail and explanation of affordability and vulnerability in its Plan.</p> <p>The Deputy Chair noted that it was not always possible to identify innovation in BW’s plans. The Panel needs further information from BW on where it considers innovation to be, not just in the business planning work undertaken to date, but also in its future plans. The Panel would like to include case studies in its report to Ofwat. BW agreed to provide such information and cited its Beat the Bill campaign and its customer segmentation as examples of innovation.</p> <p>The Deputy Chair also said that the Panel would like to include case studies illustrating where its challenges to the company had resulted in changes to policies or plans. Whilst</p>	<p>Action: BW</p>

<p>the Challenge Log identifies such challenges, the level of resulting change is not always clear.</p> <p>BW suggested that there would be a need for additional meetings with the Panel to address any gaps in evidence and to ensure both parties were comfortable that the Aide Memoire requirements had been covered. BW proposed that an additional meeting in mid May and another towards the end of May/early June would be needed. The Chair said that all Panel members should be invited (and the opportunity be given for participation by telephone) but to ensure that the key members with the appropriate knowledge and specialisms are available.</p> <p>BW agreed to work with the Report Writer to identify dates and send out invitations.</p>	<p>Action: BW</p>
<p>5. ODI early submission</p>	
<p>BW outlined its proposed submission to Ofwat on 3rd May of its bespoke performance commitment definitions.</p> <p>The Chair said it would helpful to the Panel to see how the customer priorities identified from research have informed the three Outcome areas (Safe and Reliable Supply of Water, Excellent Customer Service and Local Community Resilience). BW explained this link at the meeting.</p> <p>The Deputy Chair asked if any of the proposed 26 performance commitments do not link to BW’s customer research. BW said the ‘Void Properties’ PC doesn’t (this PC is a recent Ofwat requirement). Also, ‘Local Community Satisfaction’ includes aspects not included in C-Mex. The Deputy Chair asked for a document that explains these. BW agreed to produce such a document.</p> <p>EA said it would not be happy if the incentive associated WTW Waste Disposal Compliance PC was reputational only. Such compliance is a statutory requirement and should be penalty only. BW replied that Ofwat had indicated that the incentive should be reputation-based but it appreciates EA’s position. It will look at again at this PC.</p> <p>MDC mentioned BW’s recent prosecution regarding traffic disruption in Somerset. BW replied it is not proposing a specific commitment associated with traffic disruption but there may be scope for including it in local community satisfaction.</p> <p>The Chair confirmed that she will be writing to BW on behalf of the Panel supporting the company’s forthcoming PC definition submission to Ofwat.</p> <p>BW reported that Ofwat have accepted all seven of the proposed changes to its PR14 performance commitments. BW said it will explain this in its forthcoming Annual Report. The Deputy Chair said that the Panel will do the same in its report.</p>	<p>Action: BW</p> <p>Action: Include in Challenge Log</p> <p>Action: Include in Challenge Log</p> <p>Action: Chair</p> <p>Action: BW and BWCP</p>

6. Special Cost Factor early submission	
<p>BW presented an overview of its forthcoming Special Factor Claim to Ofwat. The claims had been reviewed and agreed by the BW Board the previous Monday.</p> <p>MDC asked for clarification on the materiality assessment for traffic congestion in Bristol. BW replied that the ‘Amber’ classification means the value of the claim is close to the materiality threshold set by Ofwat.</p> <p>NSC asked about traffic congestion in other towns. BW said congestion in other towns is near the national average so does not warrant a claim.</p> <p>MDC asked if BW can negotiate with the Canals and River Trust over abstraction charges. BW replied that it does this regularly.</p>	
7. Drinking Water Quality	
<p>DWI presentation a series of slides outlining BW’s customer contacts over water quality, its compliance and the Compliance Risk Index (CRI), water quality events and the Event Risk Index (ERI), legal instruments relating to water quality and issues for PR19 and beyond.</p> <p>The main points discussed included:</p> <ul style="list-style-type: none"> • BW’s discolouration contacts are higher than national average but not as bad as some other companies. There is no legally binding obligation to improve this situation. MDC noted the discolouration hot spot in Frome. BW agreed to send further information to MDC on this. • The Chair asked if BW had identified schemes to address taste and odour issues. BW replied that such issues are caused by switching water sources and there is little scope to invest in works to improve the situation. It is looking into providing better information to customers in advance of such source switching. In response to a request from MDC, BW agreed to produce a breakdown of the taste and odour issues in Street and Glastonbury. • BW’s CRI target is zero (which is more achievable than MZC). DWI mentioned challenges from other CCGs on how to communicate CRI to customers. • The Deputy Chair asked if the national picture on CRI is skewed by the two significantly poor-performing companies. DWI said that BW would still be below average if these two companies’ results were removed from the average calculation of industry average performance. 	<p>Action: BW</p> <p>Action: BW</p>

Minutes of Meeting 11 – 25th April 2018

<ul style="list-style-type: none"> • NE asked why water quality was so high when algal blooms are an issue. BW replied that such blooms are more a resilience risk rather than water quality. • The Chair asked if the Event Risk Index (ERI) is based on a quantitative assessment or judgment. DWI said it is based on judgment by experts but within a set framework and procedures. • The DWI mentioned a possible government ban on metaldehyde but this is not confirmed yet. The Deputy Chair asked where metaldehyde affects BW. BW replied that catchments above Purton are affected but that water transfers or blending with other sources are not options because of the regulatory requirement for no deterioration in water quality. • NSC asked how long customers have to wait when contacting BW on water quality issues. BW replied that this isn't a major issue as it monitors call pick up rates as well as abandon rates. 	
8. Challenge Log/Actions (including voids) and AoB	
<p>The Deputy Chair provided an update on the Panel's challenges. There hasn't been much change between March to April, 38 challenges remain outstanding. Around six challenges don't have to be cleared before the Panel's report to Ofwat is submitted. About 25% of all challenges have resulted in changes to BW's processes. BW said it will agree to a delivery date for the remaining challenges and the situation will be reviewed again with the Panel in mid-May.</p> <p>The Deputy Chair said that he had now found the company's information on Voids on the FTS and that the associated challenge had been completed. However, he asked if BW places information on the FTS it should tell the Panel where it is and its title. BW agreed to do this in future.</p> <p>DWI asked if a letter to the Panel setting its views on BW's water quality plans would be helpful. The Chair said such a letter would be very welcome.</p> <p>NE asked for clarification on the proposed additional meetings to discuss ODIs. BW suggested a mid-May meeting to discuss target service levels of target, supported by an evidence file, followed by an end of May/early June meeting on incentives. Invitations would be sent out as soon as possible. See action in Section 4 above.</p> <p>The Deputy Chair expressed concern that there hadn't been time to review the status of the actions arising from the last full meeting of the Panel and its last customer sub-group. The Report Writer said that BW had provided a written update to some actions (which had closed them). The outstanding actions carried over are;</p>	<p>Action: BW</p> <p>Action: BW</p> <p>Action: DWI</p>

Minutes of Meeting 11 – 25th April 2018

<ul style="list-style-type: none"> • A decision by the BW Board on presence of non-executive directors at Panel meetings will be taken at its February board meeting. • AMP6 penalties and rewards. The Panel needs to understand the rolling net position each year and the forecast to the end of the period. <i>Response: We won't present the end of year presentation until early July (the APR will be published 13th July)</i> • The [engagement] sub-group has agreed a way forward with the Company over publication of its Triangulation Report for Panel members (see Report Writer's email to Sue Clarke 17th Jan). BW will now action this. <i>Feb 2018 update from BW: The recent research has helped to test the triangulation methodology and we are waiting for the results to discuss with the panel.</i> • BW will present its PR19 strategy for vulnerable customers at the next Panel meeting • CCW asked what the three levels of assurance really mean because it is unclear why some high-risk building blocks have only moderate assurance, the same assurance level assigned to moderate-risk building blocks. BW replied that the definitions behind the levels of assurance are not on the slide presented. The Report Writer suggested a specific worked example would be helpful. <i>BW said that work is still in progress and agreed some worked examples will be essential to aid understanding when the work is complete.</i> <p>Progress against these actions will be reported by BW at the next meeting.</p>	<p>Action: BW</p>
<p>9. In camera session after main meeting</p>	
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