

## Minutes of Meeting 15 – 12<sup>th</sup> December 2018

### Attendees

Peaches Golding OBE	BWCP Chair	Iain McGuffog	Bristol Water (BW)
Tony Denham	BWCP Deputy Chair	Chloe Donnelly	Bristol Water
Jeremy Hawkins	Report Writer	Sue Clarke (items 5 and 6)	Bristol Water
		Chris Thomas (item 5)	Bristol Water
Michael Barnes	Consumer Council for Water (CCW)	Ben Newby	Bristol Water
Cllr Robert Cleland	North Somerset DC (NSC)	James Holman (item 4)	Bristol Water
Jeremy Bailey	Environment Agency (EA)	Alex Smethurst (items 6 and 7)	Bristol Water
Dr Mark Taylor	Natural England (NE)		
Cllr Terry Napper	Mendip District Council (MDC)		

### Apologies

Mike Bell	Consumer Council for Water (CCW)
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### Minutes

<b>1. In camera session before main meeting</b>	
Minutes are confidential and not published.	
<b>2. Chair update</b>	
The Chair presented her report, the main points of which were included in an accompanying slide pack.  The Chair thanked Panel members and the company for their work and help in ensuring the Panel's report on the Business Plan was completed in time to meet Ofwat's requirements.	

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<p>The Chair reported the main points arising from the joint meeting with the company and Ofwat at which the company’s Business Plan was discussed.</p> <p>There had been some initial confusion from Ofwat over the role of BW’s Customer Forum and the BWCP but this had been resolved. Ofwat expressed particular interest in the company’s community Investment programme, the participation of the BW Board and in the ownership of the company.</p> <p>BW reported that a number of new Non-Executive Directors have been recruited to its Board; Paul Francis (the new Chair of the Audit Committee), Jeremy Bending (who has extensive asset management experience) and Jim McAuliffe (former CFO of Bristol Airport). It is anticipated Jim will be the point of contact with the BWCP.</p> <p>The EA reported that it is working closely with Ofwat on the industry’s Business Plans.</p> <p>The EA commended the Chair on her excellent leadership of the Panel, which had ensured the Business Plan challenge had been both strong and independent.</p> <p>BW said it was now working on its ‘Social Contract’ and that this included considerations on the future role of the BWCP. It will share its thinking on this with the Panel in the new year.</p> <p>The next step in the PR19 process is Ofwat’s initial feedback on companies’ business plans at the end of January 2019. BW will issue a briefing note to the Panel on this soon afterwards. The feedback will be discussed at the March Panel meeting.</p> <p>There was discussion initiated by the Deputy Chair on whether Ofwat’s 15% leakage reduction target had over-ruled customers’ wishes and whether the Panel had challenged sufficiently on this. BW responded that its water resources plans were heavily predicated on this level of leakage reduction and that customers had been consulted on the 15% reduction both for the Business Plan and the WRMP.</p> <p>MDC wondered whether charges should be increased in order to influence consumption. The Chair said that customers have different motivations to use and save water. The challenge for BW is to communicate with customers to understand and drive behaviour.</p> <p>A list of BWCP meeting dates for 2019 was provided. It was agreed that that there will need to be an agenda setting session for the March meeting.</p> <p>BW provided a list of its forthcoming customer engagement events. Panel members were invited to attend and BW will send out invites including details of dates, times and venues. CCW stated that it always attends BW’s debt advice workshops.</p>	<p><b>Action: BW</b></p> <p><b>Action: BW</b></p> <p><b>Action: BW</b></p> <p><b>Action: BW</b></p>
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<p><b>3. Challenge Log and outstanding actions</b></p>	
<p>The Deputy Chair presented a report on the current status of challenges and outstanding meeting actions.</p> <p>Of the 14 challenges that remained after submission of the Business Plan, 10 have now been cleared which leaves four to be processed over the coming months. These relate to asset management strategy, profit, retailers and Board/corporate responsibility.</p> <p>The Deputy Chair explained that the challenge identification process in future would involve assessing BW’s response to actions raised at Panel and sub-group meetings (as well as identifying clear challenges posed at each meeting). It was hoped this would make the challenge reporting and resolution process more manageable.</p>	
<p><b>4. 2019/20 tariffs</b></p>	
<p>BW presented a series of slides outlining its proposed tariffs for 2019/20.</p> <p>Most changes to existing tariffs are driven by inflation, the with the publication of the updated inflation index scheduled for 19<sup>th</sup> December.</p> <p>With regard to the company’s New Applicant and Variation (NAV) tariff, EA enquired if NAV’s are responsible for leakage and pipe repairs. BW confirmed they are.</p> <p>It was noted that Wessex Water already has the Money Back Guarantee that BW will be implementing.</p> <p>CCW said that it had met with BW to discuss the proposed tariffs and that it was happy with the company’s proposals.</p> <p>MDC raised two issues with BW:</p> <ul style="list-style-type: none"> <li>• It appears that BW may be in denial that some leaks are caused by its water. A recent example in Glastonbury was cited where, after independent investigation the company now accepts that leakage is potable water. Is something being missed, should quicker action be taken and is BW diagnosing and dealing with leaks quickly enough? BW responded by saying that it is aware of issues and that, as a personal priority of its CEO, its leakage activities have been refocused with the number of inspectors increased, more in-sourcing of activities and improved diagnosis. It is now just ahead of its leakage reduction target.</li> <li>• There have been examples of poor workmanship by one of BW’s contractors (Kier) and BW should look into this. BW said that it is aware that the work of some of its contractors was not up to standard. Its PR19 tendering framework has just been issued. More work will be brought in house and there will be less control given to</li> </ul>	

<p>third parties. All work systems will be BW's and more training will be given in BW's culture and values.</p> <p>MSC also mentioned that the Panel membership attendance at today's meeting was less broad than usual, particularly in terms of challenge on customers' ability to pay. The Chair replied that Step Change had replaced Citizens' Advice on the Panel and had contributed much to the challenge of the Business Plan.</p>	
<p><b>5. Innovation update</b></p>	
<p>BW provided a handout outlining its Innovation Framework.</p> <p>The Framework is designed to ensure innovation occurs across the business, from the top down, bottom up and with central oversight.</p> <p>An explanation of the Lean Competency System was provided. BW said it is the first water company globally to adopt this process improvement qualification.</p> <p>It also explained its employee suggestion system called Brainwaves.</p> <p>BW now performs a regular Innovation Health Check survey where it measures; scale of ambition, the current status of innovations, the strategic spread of innovations and the numbers of innovations by Directorate.</p> <p>It also has established partnerships with academia, other knowledge sharing partnerships and some commercial research relationships.</p> <p>MDC enquired about the zebra mussel issues, the control of which BW gave as an example of innovation. BW said these are a full size, non-native mussel species.</p> <p>NE asked about the 11 environmental sustainability initiatives that were mentioned in the presentation and whether BW could share more details on these in due course. BW said it would. Examples include the biodiversity Index and protecting eel species. Both NE and EA wondered whether these are genuine innovations and not just meeting regulatory requirements using standard techniques.</p> <p>The Deputy Chair asked how BW's Innovation Manager defines success. BW responded that the Innovation Health Check is the main measurement tool. Qualitative measurement of innovation success was possible for current customers, and qualitative approaches for future customers.</p> <p>The Deputy Chair asked if BW will be able to link its Business Plan promises (and its transformation programme) to innovation and whether there were any related targets. BW replied that most of its promises are associated with continuous improvement plus lean activities. Innovation is mainly around the social space, behaviour, Brainwaves, culture and contractual arrangements.</p>	<p><b>Action: BW</b></p>

<p>The Deputy Chair asked if innovation could be used to increase the number of engaged customers. BW said it is always looking for new ways of engaging with customers and referred to its Social Contract including more customer education plus involvement with organisations such as Resource West.</p> <p>The Chair said the Panel will be interested to know about the efficiency and embeddedness of innovation and what difference innovation has made to (eg customer attitudes, operational issues, customer benefits). BW will need a suite or framework of measures to monitor this. BW agreed and said that the benefits of innovation are being measured.</p>	<p><b>Action: BW</b></p>
<p><b>6. Mid-year performance (including summary assurance findings)</b></p>	
<p>BW presented a series of slides illustrating its mid-year 2018/19 performance against its PR14 ODIs. In summary:</p> <ul style="list-style-type: none"> <li>• BW is meeting or exceeding ten of its PR14 ODI commitments</li> <li>• BW is failing eleven PR14 ODIs mainly due to the long and hot summer of 2018</li> <li>• the performance data have been externally assured and found to be accurate</li> </ul> <p>EA questioned whether the company’s plans to address resilience are still appropriate given the summer conditions experienced this year. BW replied that its Business Plan proposals and assumptions included dealing with dry summers such as 2018. It expects such weather patterns to be repeated. EA said BW needs to build public trust in its resilience plans and shouldn’t mention such weather conditions in future performance reports . In addition EA can’t immediately see resilience covered in the company’s innovation initiatives. Whilst it accepted EA’s challenges in principle, BW said it is not possible to predict exactly which assets will be impacted by the weather. The Chair added that she considers there are two aspects to resilience; communication with customers and asset (technical) solutions. BW said they have improved its winter weather communication processes in the light of the freeze thaw in early 2018.</p> <p>NE questioned whether the PR14 ODIs provide a meaningful picture of environmental performance. The ODIs seem to be mainly focused on water supply. For example, what was the environmental effect of the dry summer. This perhaps could be expressed through the reporting of reservoir levels. BW agreed to consider environmental reporting beyond the PR14 ODIs in its year-end report.</p> <p>BW reported that its Q3 SIM score had improved and that it now has extra resources in place to more closely monitor and manage bursts performance.</p> <p>MDC asked if BW had any plans to install smart water meters. BW said it plans to enable such meters from 2020. Costs have been a barrier to their implementation in the water industry and there is also the issue of whether customers want them.</p>	<p><b>Action: BW</b></p>

<p>BW reported that one customer plumbing issue had caused the Man Zonal compliance ODI failure.</p> <p>BW also said it has plans in place to improve waste disposal compliance.</p> <p>It was noted that three reporting methodologies have an ‘amber’ assurance status arising from the 2017/18 end-of year external audit and BW briefly explained the reasons for these and the actions being taken. These had been reviewed in detail at the Panel’s Customer Engagement Sub-Group meeting held on 27<sup>th</sup> November. The Panel will review the status again at year end.</p> <p>The Report Writer asked when BW would receive Ofwat’s updated Company Monitoring Framework. BW replied that it is expected at the end of January 2019 when the initial feedback on the Business Plan is received.</p>	<p><b>Action: Panel</b></p>
<p><b>7. PR19 update</b></p>	
<p>BW presented a number of slides providing a brief update on the PR19 process. These included some comparative data on average water bills in 2025, business plan acceptability, water wholesale totex, outcome incentive rates, PAYG rates, supply interruption, leakage and pcc forecasts.</p> <p>It was noted that BW’s plans will put it at the industry frontier for supply interruptions in 2025. The Report Writer asked if this had come as a surprise to BW. BW said it had been slightly surprised.</p> <p>EA noted that the totex in the next five years will be less than in the last period but the PAYG rate will be higher. BW said this was due to there being more maintenance expenditure than in the past.</p> <p>BW said it had received a small number of queries on its plan from Ofwat.</p> <p>The company had also received some recognition from Ofwat for its social contract and that BW has been talking about this to Ofwat for the last 18 months.</p>	
<p><b>8. WRMP and DP updates</b></p>	
<p>BW presented two slides providing an update on its Water Resources Management Plan and its Drought Plan.</p> <p>The Deputy Chair asked if there was anything contained in the responses to both Plans that would cause any issues. BW replied that all the feedback received had been incorporated in the Business Plan submission.</p>	

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<p>NE asked how BW can ensure water supply is managed in a way that is environmentally resilient (eg reducing the risk of reservoirs being drawn down to the detriment of the environment) and how this could be monitored. BW replied the investigations in WINEP should help avoid this.</p> <p>The Deputy Chair asked if it was BW’s intention to treat its Drought Plan as a company-wide issue in future. BW replied that it intends to make the document more used and widely published. EA suggested that BW could put some communications around it.</p> <p>The Deputy Chair suggested the next Drought Plan shouldn’t be left until the last minute and be discussed with the Panel as it develops. BW agreed that it has to become a more useful document. EA noted that legislation is being reviewed because of Brexit and that it may become secondary legislation rather than primary so it can be more flexible.</p> <p>NSC asked about the West Country Water Group. BW said it includes Portsmouth Water and Southern Water as well as Wessex Water, Bristol Water and South West Water. EA suggested that companies have to get their own resource positions in order before sending water to the South East. BW agreed.</p>	
<p><b>9. In camera session after main meeting</b></p>	
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