



**Meeting of the Water Forum
Severn Trent Centre, Coventry**

1 June 2017

Present:

<i>Chair</i>	Gill Barr
<i>Consumer Council for Water (CCWater)</i>	Bernard Crump, Paul Quinn
<i>Environment Agency</i>	Bill Derbyshire
<i>Natural England</i>	Ian Butterfield
<i>CBI</i>	Richard Butler
<i>Independent Members</i>	Nick Baker, Rish Chandarana, Karen McArthur, Steven Wade

In attendance:

<i>Severn Trent Water (STW)</i>	John Coghlan (Independent Non-Exec Director and Chair of the Audit Committee) Tony Ballance (Director, Strategy and Regulation), Shane Anderson (Head of Economic Regulation), Min Grimshaw (Head of Asset Strategy), Leah Fry (Head of Customer Strategy & Experience), Malcolm Horne (Head of Asset Management) Heather Thompson (Outcomes Manager) Harriet Towler (Head of Compliance) <i>(item 5 only)</i> Bomme Stuber (Market Research Strategy Manager) <i>(item 6 only)</i> Susie Price (Senior Customer Insight Researcher) <i>(item 6 only)</i> Laura Bennett (Credit Services Leader), <i>(item 8 only)</i> Claire Nichols (Consultant)
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~~Apologies for absence:~~

~~Jan Britton (Sandwell Council) and Stuart Young (East Midlands Councils).~~

1. Welcome, introductions, governance and actions

The Chair welcomed attendees to the meeting of the Water Forum.



The Forum reviewed the minutes from its meeting on 24 February 2017 and these were approved.

~~Forum Members were invited to make declarations of interest:~~

- ~~• Nick Baker reported that his company had a contract with Welsh Water (along with the contract with United Utilities, which had previously been reported).~~
- ~~• Karen McArthur reported that she holds shares in a pension pot that includes STW.~~
- ~~• Rish Chandarana reported that as part of his employment he was involved in considering risk around transactions within the water sector. There were currently no conflicts of interest but this would be kept under review.~~
- ~~• Richard Butler reported that STW was a corporate member of CBI West Midlands.~~

~~All of the declarations were noted.~~

~~The action log was reviewed:~~

- ~~21.1: Complete (the action to recruit a Forum member in Wales had been superseded by STW's acquisition of Dee Valley Water).~~
- ~~21.2: While significant progress had been made in terms of forward work plans for the sub-groups, there was work still to be done so the item should remain on the action log.~~
- ~~21.3: STW will provide Forum members with a note on the implications of the NHH split for customer engagement (due date July 2017).~~
- ~~21.4 and 21.5: STW will provide Forum members with a note that sets out how customer feedback through research feeds into investment packages (due date July 2017).~~
- ~~21.6: Complete~~
- ~~21.7: Complete (included within 21.6)~~
- ~~21.8: Forum members to progress this item, in order to enrich and deepen understanding (particularly on the retail side). Nominations should be provided to the Chair ASAP.~~
- ~~21.9: WTP figure for Category 3 pollution incidents will be important at PR19. Forum members will wish to check what comes back on this issue within the WTP results when they are available.~~
- ~~21.10: Complete.~~
- ~~21.11: Complete.~~

~~The Chair noted that one of the points from the last private session was that the pack should be more clearly signposted. STW had taken this on board and the presentation for this meeting was much improved. It was noted that there will still be issues with Sharepoint.~~

~~**22.1 Action:** STW to improve access to Sharepoint and advise members.~~



Item 2: Setting the context for PR19

STW provided an update on its progress in the PR19 programme. ~~The company is currently part way through phase 2 (of 3). Its current focus was currently on understanding the value customers place on different service levels and of the investment necessary to maintain the health of the assets.~~

The Forum away day will be an important opportunity to consider the trade-offs and investment packages that STW will ask customers to consider. STW will need to revisit choices for customers once Ofwat publishes information on the WACC in December.

There will be two separate Water Forums and their roles will differ as they relate to different AMPs:

Severn Trent (England) Water Forum

- AMP6 – covers Severn Trent England and Powys region
- PR19 – covers Severn Trent England (now including Chester)

Dee Valley Wales Water Forum

- AMP6 – covers Dee Valley original territory (Wrexham and Chester)
- PR19 – covers all Welsh territory (Wrexham and Powys), i.e. not Chester

Once the CCG covering Dee Valley Wales has been fully established all of the Severn Trent England sub-groups will include a member from the Dee Valley CCG.

~~A Forum member made the point that it would be important to understand how regulatory bodies would undertake their roles in relation to the two Forums during this AMP and beyond. There were also issues of timing, as the licence changes go through Ofwat's consultation process. It was agreed that STW would report back to the next Forum on this.~~

~~**22.2 Action:** STW to develop a clear process and to work with Bill Darbyshire in doing so.~~

~~Forum members challenged that the name 'Strategic direction statement' was not sufficiently open-ended for what should actually happen – it would be customers who dictate the direction to be taken. It was also stated that the incentives sub-group had not yet been formally launched although a date for this had now been agreed (26 July).~~

Item 3: AMP 6 assurance approach

The Chair of the Audit Committee explained that STW's three lines of defence approach to assurance was extremely comprehensive. The values and ethos of the company, led by its management, also engendered an open and transparent approach. This, combined with the work of Deloitte and Jacobs, helped put STW in a strong position on assurance. This was reflected in STW's classification as self-assured.



~~Bernard Crump noted that he had attended STW's Digital, Innovation and Technology showcase event in March. The material was now available on the STW website.~~

~~**22.3 Action:** Relevant links to be sent to Forum members.~~

Forum Members noted that there were cases where STW was dependent on information from third parties (such as contractors). STW noted that if any issues around third parties were to surface they would be acted on immediately and transparently. STW is interested in continuous improvement and had invested in better metrics (which in itself also leads to new issues surfacing).

~~It was noted that the role of Jacobs was to look at the Outcome Delivery Incentives (ODIs) and performance commitments (PCs) and the processes through which performance is measured and tested against these. STW would appoint a different company to build a risk-based framework around the business plan itself. At PR14 the company undertaking that role had reported to Forum meetings and while STW funded the contract the Forum had been able to direct the company to pay attention to particular schemes.~~

Item 4: AMP 6 performance 2016/17

STW provided an update on its performance in 2016/17. STW will publish a customer friendly version of its Annual Performance Report (APR) towards the end of July, which would include comparative data with other companies. The draft full report would be shared with Water Forum members, for comment. Forum members would be able to be more deeply involved in the customer friendly version.

~~**22.4 Action:** STW to circulate both versions of the APR to Forum members.~~

Last year the Chair had provided some commentary on the APR, and would do so again this year. Members were invited to provide their feedback to the Chair on her proposed draft.

STW noted that this had been an exceptional year for ODIs, as a result of delivering improvements on issues important to customers (in particular sewer flooding and interruptions to supply). ~~Good weather conditions had meant the ODI rewards were substantially higher than they would have been had there been poor weather.~~ The company had aligned its bonus and remuneration around performance on ODIs – in this way employees were participating in the success of the company.

~~A Forum member noted that ODIs were a double edge sword for customers. He challenged STW that some of the granularity around assurance might have been usefully applied to the company's forecasting from half year to full year results. STW noted that weather and incidents can have a significant impact on the performance and caution needs to be applied when providing projections to the market. STW also committed to provide a forecast in December when it comes back to the Forum with a six-month review.~~



~~There was a further challenge that STW still had choices about how much and when STW should take any rewards in the next billing period. STW should think hard about the impact on bills for customers. STW noted that it would need to look at the bill impacts and that it would engage with the Water Forum, CCWater and the STW Board on this. The bills for 2017-18 would not be finalised until December.~~

~~STW was challenged as to why it had not provided information on the detail of the environmental measures (for example, the different environmental targets). STW noted that this would be provided within the APR commentary and the ODI reports the aggregate target level.~~

Item 5: Assurance 2016/17

STW explained the outcome of its assurance for its PCs in 2016/17. Jacobs had looked in detail at the 43 PCs and had given the company a clean bill of health in most areas. STW would continue to refine its assurance processes – this was not something that is considered should stay stable although the standard of the existing processes was such that improvements could be incremental only.

STW outlined its approach in responding to the assurance findings – noting it was not taking a reward for leakage. Forum members made a general challenge to STW on the language in which the company had described its position – noting that it was right not to take a reward for methodology changes and that STW shouldn't view this as a virtue but good practice.

A Forum member asked for a clearer explanation of the impacts of the problem identified in relation to carbon.

22.5 Action: ~~STW to explain its approach to the carbon PC in more detail.~~

On the SIM score, STW was challenged to make clearer what the company was doing to improving service to customers. It noted in response that this paper concerned assurance, not the company's efforts around complaints reduction. Forum members requested that this be provided at the next meeting.

22.6 Action: ~~STW to report back to the Forum on complaints reduction activities (July meeting).~~

STW was challenged to think about the role customer engagement could have in its assurance process. The company noted that it had undertaken research with customers on data last year as part of the engagement around the APR. In general customers expected the company to get the information right; what they had more concerns about however was how it was presented. Subject to the comments noted above the Forum approved STW's approach to the adjustments to be made as a result of the assurance process.



Item 6: Customer research

~~The Chair of the customer research sub-group introduced the session and explained that the An update was provided covering core WTP had been through pilots and was now in the field research. The results will be presented to the Forum at the July meeting. There had been 23 challenges to date including on the sampling methodology. STW had developed additional research to provide context and insight and feed into the triangulation. This included a 'budget game' that would allow customers to make live choices.~~

~~Conversations with STW around segmentation were on-going, and a remaining challenge for the sub-group was how it could drive the agenda more on the deliberative work.~~

~~The Chair challenged STW that the research programme did not include behavioural economics or more innovative ways to explore revealed preference could use different approaches particularly in relation to customer views on resilience. The company responded that it was still not included on the research plan because it was still considering its approach to this kind of research. The Forum expressed concern that this sort of research takes a long time, which risked compromising the company's ability to conduct research that would be adequate to support decisions on the business plan.~~

~~There had been discussion at one point about approaching a group of customers and trying to sign them up to different service packages (as proposed by one market research agency). It was agreed that this was difficult and raised potential legal issues. STW noted that research was about to start with a subsection of customers who had experienced service failures to better contextualise views.~~

~~STW introduced its proposals on immersive research, which it was currently scoping out. The key topics would be environment, resilience, flooding and drought.~~

~~Forum members made the following comments:~~

- ~~• The choice of agency and the quality of their work is critical here, particularly in segmenting, recruiting and incentivising participants (including appropriate incentives for those who are on benefits).~~
- ~~• A citizens' jury approach would usually come later in the process as it focuses on a narrow set of questions (and would need to be supported by subject experts).~~
- ~~• It would be important to make sure that vulnerable customers are included.~~

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It would also be important to provide information beforehand so that customers had a level of understanding.

All materials should be suitable to the specific audience (there are good examples of this in the public domain).

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STW presented its initial proposals for engaging with future customers. Following a challenge from the sub-group STW was already including young adults in the core WTP research. The company also wanted to include research with 'new water bill payers' as well as some innovative research into the views of younger customers (in groups from age 10 up to adult). Forum members agreed that the company was asking the right age groups although questioned whether some of the work was more engagement/education than research. STW responded that it was both of those things, and that this should not be a one off exercise.

A Forum member challenged that although this was true it would be important to provide evidence to Ofwat that this was a valid piece of research that would feed into the business plan process. The member also noted that it would be important to take into account generational shifts in attitude. There was existing data on this in the public domain.

Key to all of this would be to demonstrate to the Forum how the company would use the results of what it is trying to find out to then inform their business planning.

A Forum member suggested that there was interesting work to be done in finding out in what ways young people changed their minds when they were introduced to information as part of a structured step-by-step session. Similarly it would be interesting to run some young people through a version of the budget game. It was noted that the mini MD sessions sounded like engagement rather than research, although a member also commented that in a similar event that their organisation had held the creative ideas put forward by young people had been outstanding.

Closing this item the Chair asked STW to confirm that it had sufficient resources available for what was a very ambitious research programme. Much of the work was sensitive to quality. The company responded that it was currently reviewing its resources in this area.

Item 7: Wholesale plan update

The sub-group chair provided an overview of the group's activity regarding activity since the last meeting and its challenges to STW. Nine key challenges had been raised, all of which were accepted by STW and were to be actioned. For example, the sub-group had challenged the company to provide more insight into its future resilience plans, as well as on the scope for choice in relation to statutory requirements (in terms of both the scale and pace of those requirements and the outcomes that are delivered).



~~The sub-group had spent some time had been spent looking at STW's investment planning model. It had challenged the company to ensure that the sub-group had access to the outputs from the assurance process (which are a key input into the model). It was raised that it would also be important to consider how customer research informs the inputs to model and how the outputs from the model are presented to customers in a way they understand.~~

~~A Forum member warned that late changes in the inputs, including Ofwat's assumptions on efficiency, could create difficulties (because of the time it takes to run the model given the very large number of variables and scenarios). It would be very important to get all of the assumptions nailed down at an early stage.~~

STW introduced its work to define the key emerging challenges facing the company. A Forum member challenged STW to include a clear definition of what it means by resilience. All of the elements of resilience have costs associated with them and customers would expect this to be covered in the plan. It was noted that resilience is not a word that means a great deal to customers, and that definitions around resilience should tie into the work that STW was doing on customer research.

~~**22.7 Action:** STW to provide a clear definition of what is meant by resilience. This may be informed by Ofwat's methodology.~~

STW explained the key challenges facing the company regarding water resources. ~~On water resources, the WRMP is the most complex to date and the company currently faces a potential gap between supply and demand.~~ It had been working closely with the Environment Agency to find solutions. It would also be important to make sure that what goes into the Water Industry National Environment Programme (WINEP) is categorised correctly. ~~It would be important to push demand management as hard as possible. STW was also looking at wide ranging solutions such as bulk transfers and lowering leakage.~~

~~A Forum member challenged whether or not the company had agreed with the Environment Agency all those areas where more evidence was required in relation to WINEP and the Water Framework Directive. It was noted that there was a three stage process on the WINEP and the first draft list was currently under discussion. It was a very difficult challenge to get all water bodies to 'good' state, and there could be significant impacts on bills. Customer priorities will be factored into investment packages.~~

It was noted that CCWater had commissioned research on triangulation. This is one of the most difficult things – to take all of the outputs and to synthesise this into sensible decisions.

~~The incentive sub-group was meeting on 26 June and would discuss triangulation.~~

~~**22.8 Action:** Triangulation to be added to the next Water Forum agenda.~~

Item 8: The retail plan

The sub-group chair noted that there had been onea research workshop ~~to look at vulnerable customers but that the focus had been on the detail rather than strategic issues. The sub-group had not identified 'what good looks like' and it was also difficult to know what the world~~



~~would look like in 2 or 5 years' time. STW had developed an option for segmenting vulnerable customers. P (the four boxes) but the sub-group had made a number of challenges in relation to the model. In particular it was felt that this was a somewhat simplified approach and it would benefit from more detail around each of the box entries. The sub-group had developed proposals for an alternative approach and were keen to gain an understanding from STW as to what it wants to achieve in this area for each of the groups.~~

STW noted that while it had undertaken a lot of work it was still in the process of gathering information as to how effective its existing schemes are and why. ~~for example, relatively few people were on the priority services register.~~

The Chair challenged as to whether there was a PR19 plan for vulnerable customers and, if so, where STW felt it was on the plan. The Chair asked if there were sufficient resources to move this forward more quickly. STW acknowledged this challenge. It was agreed that ahead of research among customers it would be important to have a clear view on the company's strategic thinking and ambition in this area. ~~A Forum member noted that much of the information was already available (for example in relation to how many customers are in financial difficulty) or could be gathered quickly.~~

~~Another consideration would be how much people are prepared to pay to support vulnerable customers. STW is already spending what customers have previously said they are prepared to pay so if it were to expand its Big Difference scheme, for example, this would need additional support from customers.~~

~~One Forum member challenged STW to add to the segmentation issue those whose vulnerability is specific to the water industry. Another noted that the company should not focus not on the financials aspects but on the range of vulnerability.~~

~~**22.9 Action:** STW to engage with the sub-group in the next 2 weeks (ie by mid June) and then to provide a framework and to cover the plan at the July Water Forum meeting.~~

STW introduced the section on bad debt. It was noted that there were opportunities here to pilot different approaches. ~~and to undertake revealed preference research (for example measuring the response as a result of changes in tone of letters to customers in debt). Nick Baker had some experience in this field, which he would share with STW.~~

Item 9: Forward agenda

Forum members discussed proposals for future agendas, ~~including the off-site meeting in October. It was noted that the agenda for July would need to be updated to reflect today's meeting. It was agreed that it would be helpful if the Environment Agency and Natural England updates were combined, and included information on Water Industry Strategic Environmental Requirements (WISER). It was also agreed that it would be useful to invite the DWI to a future meeting. The location for October's meeting would be agreed off line.~~



[22.10 Action: Chair to invite Milo Purcell, DWI \[now awaiting confirmation\].](#)

Item 10: Water Forum communications

The Chair introduced the creative presentation that had been produced by the chosen brand agency. It was noted that in any social media it would be important to be clear about the Water Forum's role (it would not, for example, handle complaints from customers) and should signpost accordingly. It would be helpful to start to consider the report itself and to set out a process for drafting and approval.

[22.11 Action: Timeline to be provided to next meeting.](#)

The Chair thanked members and STW representatives for their contributions to the meeting.

DRAFT