



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

21 July 2017

Present:

<i>Chair</i>	Gill Barr
<i>Consumer Council for Water (CCWater)</i>	Gemma Domican
<i>Natural England</i>	Ian Butterfield
<i>CBI</i>	Richard Butler
<i>East Midlands Councils</i>	Stuart Young
<i>Independent Members</i>	Nick Baker, Rish Chandarana, Karen McArthur, Steven Wade

In attendance:

<i>Severn Trent Water (STW)</i>	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) Katherine Bird (PR19 PMO Lead) Neerja Upadhyay (Business Planning Controller – Infrastructure) Heather Thompson (Outcomes Manager) Bomme Stuber (Strategic Insight Lead) Susie Price (Senior Customer Insight Researcher) Vanessa Mallinson (Government Affairs) Andrew Milton (Brand and Marketing) Claire Nichols (Consultant)
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Apologies for absence:

~~Bernard Crump (CCWater), Paul Quinn (CCWater), Bill Darbyshire (Environment Agency) and Jan Britton (Sandwell Council)~~

1. Welcome, introductions and governance

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

The Forum reviewed the minutes from its meeting on 1 June 2017 and these were approved.

The Chair welcomed Gemma Domican who was representing CCWater at this meeting.

~~The Chair asked for any changes to the previous declarations of interest and there were none.~~

~~The action log was reviewed.:~~

- ~~• Action 22.4: The draft APR had been circulated to members. The customer friendly version would shortly be published and would include comparative data.~~
- ~~• There had been no nominations for new members. It was agreed that Karen McArthur and Stuart Young would discuss potential members outside of the meeting from the debt advisory sector and STW would review representation from the developers sector. Action: Karen McArthur and Stuart Young to review and bring proposals for new members from debt advisory sector. Action: STW to review its own property surveyor contacts and bring forward proposals~~

Item 2: PR19 programme update

Ofwat's draft methodology had been published on 11 July. The Water Report had published a useful summary that may be helpful for members. Action: ~~STW to circulate Water Report.~~

STW explained the staff changes and additions it had made to support its PR19 planning.

Item 3: APR statement and 2016/17 comparative performance

The customer friendly version of the APR report would be no more than 6 pages and would show the company's position relative to others in key areas. STW had provided a draft commentary from the Chair. Action: ~~Chair to review and amend with input from Ian Butterfield. [This has now taken place and, following a challenge from the Chair, revised wording for the APR has been agreed — action closed.]~~

CCWater had published its quarterly performance report. In many areas performance across the sector was improving and some companies had very strong results. STW noted that its performance on water quality and leakage.

Ofwat is encouraging companies to develop greater understanding of the health of their assets although there are difficulties in monitoring performance, particularly for underground assets. Members expressed concern that there was evidence of failures below ground.

Ofwat is moving towards measurement based on consistent metrics and targets would be based on the company's historical performance. STW is carrying out work in this area through its asset deterioration models.

~~A member noted that while STW's leakage had 'improved' the percentage improvement of 0.5% was small. The company does not necessarily have a clear understanding of the amount of leakage of wastewater. STW noted that it would need to do more work in this area given the requirement for asset health metrics in the methodology.~~

~~STW noted that it had moved from an overall environmental performance assessment of four stars to three this year. This related to pollutions performance and the company is working to address this. A member **challenged** STW to be more open in its proposed commentary for the APR report, by stating that it needed to make improvements around its pollution performance. [As noted above this challenge has been addressed by the company in the revised commentary.]~~

Item 4: Ofwat methodology

STW provided an overview of the draft methodology, highlighting key points of relevance to the Forum. In addition to the Water Report it was noted that there had been other summaries, for example from KPMG, that were available for review if required.

It was agreed that to direct the Forum's efforts and challenge STW should produce a checklist for each of the subgroups relating to the methodology, setting out where CCG input is required, where challenge is required and how the company proposed to work with the Forum to meet that requirement. Action: ~~STW to come back to the Chair with proposals for all sub groups.~~

~~Customer engagement features heavily in the draft methodology. A member asked whether the company was likely to push back to Ofwat concerning some of the areas around which it was seeking customer engagement, such as RORE. STW responded that it would welcome input from the Forum on that, and that at PR14 it had sometimes been difficult to engage customers in these areas, for example on the PAYG rate. The company was **challenged** by a member that in fact what Ofwat is seeking is for the company to ask customers if they feel they are getting a fair return on the profits that the company makes.~~

~~STW noted that it supports the overall push for companies to engage more fully with customers. It would give more thought as to how to have conversations with customers about how much they feel it is acceptable for the company to make.~~

~~A member **challenged** the company to take the opportunity to be proactive and to start this dialogue with customers now.~~

~~It was noted that the methodology did not include a great deal about customer segmentation although it was covered by the requirement for companies to understand the needs and requirements of different customers. It was noted that how and where STW apply this should be clearer.~~

~~STW noted that it would be using multiple sources of insight to triangulate views on preferences. CCWater would shortly publish a report on triangulation.~~

~~A member **challenged** the company to confirm whether it would undertake separate WTP research for its proposed ODIs. STW responded that it would undertake a separate piece of research on ODIs but that this would not be a WTP exercise. The member noted that people may have felt differently about the ODIs if they had understood that the PCs they agreed at PR14 could lead to additional increases on their bills. For this reason, they felt strongly that separate research should be undertaken on the ODIs. The Chair of the research subgroup said he understood the point and would consider how best to progress this discussion with the company. **Action:** Nick Baker to take forward with STW the approach to research relating to ODIs and bill impact.~~

STW noted that it had already adopted many of the proposals in the methodology, including in-period ODIs. That said, the company's view is that the methodology is challenging – particularly the move to upper quartile performance while at the same time having to reduce costs.

Item 5: Retail

The subgroup chair noted that the company had responded to concerns raised at the last Forum meeting and there was now greater structure and more resources for this workstream. ~~There was some debate about whether the subgroup should be split, to consider vulnerability and affordability separately. **Action:** Karen McArthur to consider further and discuss with STW.~~

The chair has provided STW with a wide range of information but the company had settled on its five-box model. ~~Members **challenged** whether there was evidence to tie the model to customers, and that the methodology was looking for innovative approaches.~~

STW responded the model was being used to build up the research scope and the research itself would test the categorisation used in the model. In commenting on the slide on 'scope for support for customers in vulnerable circumstances' (slide 16) a member **challenged** that the segments are not mutually exclusive (indeed a customer could be in all five 'boxes' at any one time, or could move from one to the other). The model's working required more thought. STW stated that one of the analysts had done other work in this area, which it would be happy to share. ~~**Action:** STW to share with Karen McArthur.~~

The retail subgroup chair stated her concerns that there was a great deal of work that needed to be done at the same time. Members were looking for reassurance that this was going to be deliverable, and that there would be sufficient time for members to comment.

The company outlined its five workstreams and stressed that it was important not to focus on customers in vulnerable circumstances alone, but to look at the service offering across the whole piece.

A member **challenged** the company to start a mapping exercise to look at the current situation, and some of the overlaps. This would help identify any gaps.

~~The Chair asked STW if it was comfortable that it had the resources in place to deliver the research programme in the time available and it responded that it had given its commitment to the Forum to resource the workstream appropriately.~~

~~A further **challenge** came to ensure that the people who were working on the workstream had the right 'challenge mindset'. The company gave reassurances that this was the case. Senior level engagement had also been put in place. STW has started to look at the broader questions, recognising that there is a gap, such as what is meant by frontier and what is meant by upper quartile.~~

Regarding slide 23 on vulnerability a member noted that there was a possibility that customers would choose position 4 (in comparative performance terms). The research subgroup chair suggested that this would be an area for possible research and that STW to consider this as part of their research programme and discuss at the sub group.

STW went on to outline its customer needs research programme. ~~Members commented that it felt as though the company was reproducing work that took place last year. A member commented that it did not make sense to redo the work that the company had done last year. The company stated in response that the research last time had been around customers' general needs, and that the connection was not made with what the company provides. The member **challenged** the company to make that clear.~~

STW went on to clarify that there had been some gaps when the company had looked at strategic priorities. The focus this time round would be to plug those gaps and to access wider customer needs including for example faith groups, Welsh customers and future customers. This is an overall piece of work, within which STW would focus on customers in vulnerable circumstances. STW responded that it would talk to different types of people with different types of vulnerabilities – the company wants to recognise the diverse types of needs and make sure it understands them.

~~A member **challenged** that there was a problem with the order in which things were being progressed. Unless the groups had been defined, it would be difficult to know which ones to talk to. For some groups, there would be existing knowledge. Members commented that the work needed to progress quickly and that the first step would be to complete a mapping exercise to identify how many people need help. Members would want to see that as soon as possible.~~

~~Members **challenged** STW to include customers who may be eligible for a social tariff but who do not know it exists. That would be part of the picture on how effective the current tariff is.~~

Item 6: Customer insight

The research subgroup chair explained that the results of the WTP research had recently come in. The group is starting to try to understand the implications of the research. ~~First impressions seem to be that there is some comparability with PR14, which is good.~~

~~The subgroup had been involved in STW's discussions with Frontier Economics about the approach to triangulation. There needs to be a clear plan for this and a rationale where judgement is being used.~~

In relation to the research plan, and as had already been agreed (Item 5) it is essential to for the sequencing to be right. There were potential capacity and timing issues. Members would like to see the research briefs. Key would be the appropriateness of the methodology being used. Action: ~~STW to send research briefs to research subgroup chair.~~

STW went on to explain its approach to WTP and triangulation. Members noted that it would be helpful to see the full WTP report in order to be able to digest it before providing feedback. Action: ~~STW to circulate the full WTP report.~~

It was noted that the customer centric research plan needed to be updated to fit the hierarchy of needs. Action: ~~STW to update the hierarchy of needs so that it reflects the agreed hierarchy of needs.~~

~~Due to an adjustment to the agenda, the approach to triangulation will be added to the October agenda.~~

Members **challenged** STW how it knew that there wasn't a group with a particular need that was not represented on the slides. STW clarified that the customer needs research this time round concerned the customers' relationship with the company — this had not been the focus for the previous research.

STW acknowledged that it had more work to do on the audience and that knowing more about the types of customers would help the company define the methodology, how it undertakes the research and how that research gets played back into the organisation. Finally, it was agreed that STW would try to earmark some dates so that senior individuals in the company and members could do some co-creation although at this stage the topic for discussion are not clear because the plan is not clear.

Members discussed the phrasing of the question on standpipes within the WTP research had been posed. One member felt that saying 'once in every 100 years or once in every 200 years' would have a different impact for customers than asking 'do you want to halve the chance of having no water?' Another member commented that putting it in that way could be seen to be scaremongering. It was agreed that there was a **challenge** around the language around questions could make a difference. STW noted that it was planning to carry out

research specifically on drought, where it would be possible to convey the risk of drought in different ways.

It was noted by another member that in fact the issue was more about asking people to think about things they would never consider normally. The question was more around how we break these issues down in a way that makes sense to customers. Each way of asking the question would lead to different answers. Similarly, some people liked percentages, some like betting associations (ie one in ten). The member commented that the average reading age is very low and that many people would not understand the surveys — so it was a mistake to rely on them overly, which is why triangulation and immersive research are so important. When it comes to acceptability the Forum had already directed STW to go back to customers and ask 'is this what you really meant?'

A member asked which projects are most suitable to customer participation. STW noted that it had not yet considered this although it had been included in the original plan. Another member noted that there is a formula for the type of project it will work best with but that it had not yet worked itself into the brief. It was noted that social tariff research would work well for co-creation, not only with customers but also with debt agencies.

STW outlined its stakeholder engagement plans, including for co-creation with customers. The Chair challenged that she had not yet seen examples of behavioural economics, experimentation and pilots coming through. STW noted that some of this was in the brief, some of it was around research into the future customer. It was agreed that the company would review the work that was already taking place and bring that back to the Forum.

It was noted by another member that there were many aspects of innovation that could be demonstrated and that it was not simply in demand management, for example working with retail establishments in order to change behaviour. This activity should be focused on areas with the biggest environmental impact.

Item 7: Investment

The subgroup chair reported that the group had been focussing on making sure that it was covering everything in terms of its scope, now that the draft methodology has been published. The group was planning to have an off-line conversation on this with the two environmental representatives on the Forum.

Another subgroup member reported that he had had a useful meeting with the company's Water Resources team, looking at drought and climate change. He noted his view that the approach being adopted was robust. He noted that there was one observation/challenge which was that the company had made a small allowance within its planning for the impact of climate change on the demand for water. It was noted that as a group approaches across the industry should be reviewed to see what other adjustments have been made for demand.

STW outlined its 'strategic challenges', which are the issues that are likely to require significant investment outside of the base plan or provide opportunities for partnerships. ~~The subgroup was producing a checklist, which it would use to assess the business plan against the methodology. The group would look at that in detail around November. The group planned to undertake a deep dive on resilience and to hold a separate session on leakage/supply/demand management. An aspect of this group's work would be to ensure that innovation is not just about what the company is doing now, but about how that is embedded.~~

Looking at the approach to the strategic challenges, STW outlined that it would be seeking to establish how strong is the need, what the choices are, and the views of customers and other stakeholders. ~~It then provided a recap on its approach for key challenges, in particular the supply and demand balance, the Water Framework Directive (WFD), flood resilience and flooding. The company noted that it was looking for a level of challenge from the Forum as it progressed its responses to these challenges.~~

It explained that in September there would be a firmer view of need and that it would then present options to customers and external experts. From February 2018 it would be looking at best options and will start to construct PCs. The investment team is looking at ~~opportunities for co-creation and behavioural change.~~

~~An iteration of the investment plan would be released in November and from then on there would be a lot of activity in a relatively short space of time. While the detail may not be ready by the Water Forum meeting in October there will be opportunities for conference calls to allow the Forum subgroup (and others if they want to be involved) to challenge the company. There may also need to be a call in December.~~

A member **challenged** the company as to whether it had reviewed its modelling at PR14 to see how accurate or otherwise that was in terms of what had happened during this AMP. This would help identify how good the plan was last time and whether the models had been modified as a result. The company confirmed that the models did allow comparisons between the budget allowed and the actual costs.

Resilience is a key part of the methodology and Ofwat's principles are very far reaching. Two of the common PCs relate to resilience and this is an important area because investment to increase resilience can be significant. It was noted that some of the choices would need to be explored through more deliberative work.

~~STW outlined the key elements of its approach to cost modelling wholesale costs (slide 28). It was noted that the draft methodology looked to companies to cover the clear majority of their investment within the costs models, rather than putting forward numerous business cases. There will be an aggregate amount of money for the sector so if one company has a positive additional sum, others will have this deducted. It was noted that for some projects~~

~~there would be uncertainty and that companies would take that risk. As a result, there was pressure on companies not to put forward large investment programmes.~~

STW outlined the approach at PR19. The methodology included information about where Ofwat would be looking for CCG challenge. ~~It would be helpful to check that there were no gaps at the October meeting.~~

Item 8: Stakeholder engagement

STW outlined its approach to stakeholder engagement and the principles that were being followed. The Forum agreed that they were sensible. ~~The company explained that its engagement was not solely around PR19 — STW undertakes a great deal of ongoing engagement. The initiative around PR19 had already had good traction with a high level of interaction with customers through social media.~~

STW outlined its plans for political engagement. The member representing local government in the East Midlands offered to help STW with getting its messages across if required. ~~STW noted that they should contact Stuart Young for this support.~~

~~It was agreed that it would be helpful if the Forum's communications reflected the company's engagement. **Action:** STW and Claire Nichols to liaise.~~

~~Members would also like to be kept informed about when the Stakeholder Jury's are taking place. **Action:** STW to advise.~~

~~A member commented that it would be very important to target the right people for these events — so at a strategic or policy level rather than tactical or operational levels.~~

STW noted that it was trying to achieve broad engagement with customers around PR19 and that the initiatives discussed in this item were not part of the research programme. ~~It was more about trying to engage with many people on the process.~~

~~A member asked how STW was engaging with customers in vulnerable circumstances. STW noted that it would welcome input from the Forum on this, as it could be difficult to do. The member suggested that it was often helpful to engage via third parties, such as debt agencies.~~

~~A member made the point that customers don't always do what they say they will do or are told to do, so it was interesting to see how the company was going to ensure that its customer engagement work made a difference. The member suggested that he could put STW in touch with a contact who is an expert in customer-led immersion.~~

~~The member also asked what other companies were doing around engagement. STW responded that some companies were doing interesting initiatives and that STW does take note. Members suggested that the budget game would be good for the engagement work.~~

~~Another member reminded the company that not everybody accesses engagement through social media. Members asked to be kept updated on the company's future engagement.~~

Item 9: Forward agenda

~~The following were noted as firm dates: 27 October, 25 January 2018 and 3 May 2018. There was a request for diary invitations to be sent out. **Action:** STW to issue diary invites.~~

~~The Chair emphasised that the October meeting was key and that it was important to use the time very well. Part of making sure this happens is to provide the material ahead of time. The venue was still to be confirmed but a more central location would be preferred. **Action:** STW to confirm venue.~~

Item 10: Communications

Members agreed with the proposed approach, which was to use the hierarchy of needs as the report's starting point. They also agreed with the layering approach being proposed, and with the proposals for gathering evidence, ~~(through half day sessions with the subgroup chairs).~~

~~STW asked how the hierarchy approach would fit within the company's own strategic framework. A member noted that this might be covered by the concept of a fair exchange of value.~~

~~Another member suggested STW might wish to look at simplified videos that tell a story and are very engaging. [Link has now been shared]~~

The Chair closed the meeting and thanked Forum members and company representatives for attending.