



**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) Bomme Stuber (Market Research Strategy Manager) Susie Price (Senior Customer Insight Researcher) Laura Bennett (Credit Services Leader), Claire Nichols (Consultant)
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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.

Item 2: Setting the context for PR19

STW provided an update on its progress in the PR19 programme.

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.

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.

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).

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.

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). The company had aligned its bonus and remuneration around performance on ODIs – in this way employees were participating in the success of the company.

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.

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.

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

An update was provided covering core WTP 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. Conversations with STW around segmentation were on-going.

The Chair challenged STW that the research programme could use different approaches particularly in relation to customer views on resilience. The company responded that 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 presented its initial proposals for engaging with future customers. 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.

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.

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

An update was given regarding activity since the last meeting and challenges to STW.

Time had been spent looking at STW's investment planning 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.

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.

STW explained the key challenges facing the company regarding water resources. 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 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.

Item 8: The retail plan

The sub-group chair noted that there had been a research workshop. STW had developed an option for segmenting vulnerable customers. Proposals for an alternative approach and were keen to gain an understanding from STW as to what it wants to achieve in this area .

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.

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.

STW introduced the section on bad debt. It was noted that there were opportunities here to pilot different approaches.

Item 9: Forward agenda

Forum members discussed proposals for future agendas.

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.

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