



## Customer Challenge Group

<b>Purpose of Meeting:</b>	<b>Customer Challenge Group planned meeting Number 9</b>	
<b>Location:</b>	Hub	
<b>Date of Meeting:</b>	18 November 2013	
<b>Present:</b>	Chair Robin Dahlberg	
	Keith Cane, East Kent Housing (by video link)	
	Tim Hutchings	
	Allan Johnson, Harlow Council	
	Mark Kibble, Dacorum Council	
	Lucy Lee, BluePrint for Water	
	Hazel Smith, GlaxoSmithKline	
	Jill Thomas, CCWater	
	Mark Tomkins, Heathrow Airport Ltd	
<b>Observers</b>		<b>Presenters</b> Christopher Offer
<b>Apologies:</b>	Jacky Atkinson DWI	
	Jim Barker, EA	
	Allyson Broadhurst, Charis Grants	
	John Fox, Tendring Council	
	Karen Gibbs, CCWater	
	Damian Williams, Tendring Council	
<b>Distribution:</b>	As above and web site	
<b>Originator:</b>	Liz Allen	

No	Notes of Meeting	Action
1	<p>Introductions and apologies The Chair thanked Lucy Lee for maintaining her role on the CCG representing BluePrint, for water, after changing roles.</p> <p>The minutes were reviewed and an amendment made. The minutes were approved and signed.</p> <p>Three questions were posed in the minutes 4/11/13 and replies provided:</p> <p>1 What does 14% reduction in leakage look like as a % total leakage?</p> <p>If the starting Distribution Input (DI) is 946.51 MI/d in 2014/2015 and our leakage target is 196 MI/d that is 20.7% of DI.</p> <p>If DI is 952.78 MI/d in 2019/2020 and leakage is reduced by 27 MI/d to a target of 170 MI/d that is 17.8% of DI</p> <p>NB – if we calculate against a forecast reduction in DI of 901.35 MI/d at same level of leakage (170 MI/d) this would be 18.9% of DI.</p> <p>Therefore care needs to be taken when comparing % of leakage to DI over time when significant reductions in DI are planned.</p> <p>2 How does a reduction of PCC from a proposed 7% to 2% reflect customer priorities?</p>	

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	<p>The CCG were advised that the figure had been revised. The proposed reduction in PCC is 7%.</p> <p>3 A strong message coming from research is that the standard time of five days to fix a visible leak is too long. Is Affinity Water going to change this standard?</p> <p>This standard is based on working within statutory notice period requirements (before working on highways) enforced by the Highways Authorities (County Councils, London Boroughs and Unitary Authorities). For most jobs we work to a 3 day notice period. Agencies can request a 30 day notice for non-emergency situations.</p> <p>Emergencies are generally restricted to leaks and burst that are 'causing damage' to property. In these situations we aim to fix the leak/burst immediately.</p> <p>We work cooperatively with Local Authorities and do not call all work 'emergencies'. In drought situations we do treat visible leaks as emergencies which the authorities tolerate.</p> <p>If we want to change the standard to 24hours it relies on the cooperation of all the Local Authorities. We have no plans to change the standard, other than in drought situations and recognise customers need more information about operational constraints.</p> <p>The Chair advised that Affinity Water had committed to a bill increase that would be equal to or lower than zero in real terms. The final numbers were being processed for recommendation to the Board on 20 November.</p> <p>Regulator Updates There were no regulator members available to provide an update.</p>	
<p>2</p>	<p><b>Updates on the Business Plan since 4 November 2013, presentation by Chris Offer, Head of Regulation</b></p> <p>Updates were provided on the outcome measurement framework; customer feedback; acceptability testing; projected bill impacts; and comparative average bills to disposable household incomes.</p> <p>The outcome measurement framework was updated to show 7% reduction in demand (PCC) and 5% improvement in Water Available For Use (WAFU).</p> <p>Confirmation was given that Affinity Water has designed a penalty/reward framework that reflects customer priorities. There are two potential reward/penalty measures, four penalty measures and the remainder have non-financial incentives. The two measures with potential rewards/penalties are for SIM (currently under review by Ofwat) and leakage.</p> <p>There will be a lag effect in the application of any rewards. That means that if performance exceeds the target in year one, the reward could not be applied before year 3 and for SIM (under current arrangements) the adjustment is made at the end of five years.</p> <p>The profiling of the final bill level will take account of any potential rewards.</p> <p>Customer feedback had been summarised and validated into a set of 14 themes. A summary table showing how these aligned to customer outcomes was shared.</p> <p>The stage two Bill Acceptability summary report was circulated to members. Headlines were</p>	

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	<p>drawn out comparing stage one and two. This showed a high acceptability for the proposed plan reflecting customer priorities. This provided reassurance that the plan being put forward is acceptable to a large percentage of customers.</p> <p>The changes in performance, for a range of the services, were accepted. This gives assurances that customer support the planned activity.</p> <p>It was repeated that the investment plans, and associated changes in service, had been finalised and the scale and scope of the investment programme agreed.</p> <p>The last stage is to make recommendations to the Board that will take account of the overall financeability of the plan.</p> <p>It was confirmed that the cost of capital being applied was lower than the assumed figure set out in the draft business plan consultation.</p> <p>A summary showing average household bills, mapped against real disposable household income was shared. This used an indicative bill level (equal to or less than zero). The trend shows a decline in water bills relative to an increase in household disposable income based on OBR forecasts for the period from 2010 to 2020.</p> <p>The CCG raised some questions.  <b>Q</b> What notified items were Affinity water including in the business plan?  <b>A:</b> We have not finalised our position and are considering this in the broader context of future uncertainty and how we balance risks across the full range of regulatory mechanisms available. [Post meeting comment. The Business Plan submission referenced the use of a change protocol that could be used should Affinity Water need to seek financial recognition for changes which may arise for example from: new statutory obligations or actions required by regulators. Items could include:</p> <ul style="list-style-type: none"> <li>• Further sustainability reductions notified by the Environment Agency under the Water Framework Management Directive and River Basin Management Plans and</li> <li>• Obligations arising from major infrastructure developments (where costs are not recoverable from the promoter/developer such as HS2 Railway proposal)</li> </ul> <p>Revised guidance issued by Ofwat, to prequalifying companies, requires the adoption 'of a consistent suite of relatively few standard industry uncertainty mechanisms'. Affinity Water confirms that it accepts Ofwat guidance on uncertainty mechanisms. This means that these cost risks will be borne by the shareholder up to the point where one of Ofwats mechanisms (eg IDok) would be applicable (this equivalent to approximately 10% of turnover).]</p> <p><b>Q</b> Is Affinity Water considering using a performance measure associated with "fair profit"? Where company gains were shared with customers?  <b>A:</b> The current debate and the decisions to share gains are pertinent to the financeability of the plan. No explicit performance measure is being considered. The annual customer survey, to test the outcome 'providing a value for money service' is being developed and there is an opportunity to cover this issue. The CCG resolved to keep this action under review.</p>	
3	<p>CCG report</p> <p>The CCG Chair provided the minutes for this section.</p> <p>Affinity Water employees were asked to excuse themselves from the room while the CCG reviewed their draft report.</p> <p>The Chair asked colleagues whether they were broadly content with the report or whether they wished to raise any major concern. No major concerns were raised, so the CCG reviewed the</p>	

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	<p>amendments that each member suggested. The amendments were mainly to the Foreword and chapters 1 and 2. The representatives from CCW and WWF committed to providing new text to cover issues they raised. The CCG asked the Chair to speak to Jim Barker to confirm that the EA were still content with the wording of 1.21. The Chair promised to amend the report and circulate the new version by the end of the week.</p>	
<p>4</p>	<p><b>AOB</b></p> <p>The Chair and the CCG offered their congratulations to Fiona Woolf (Independent AWL Director who attended CCG meeting in September) on her appointment as Lord Mayor of London.</p> <p>The Chair expressed his thanks to the CCG for their commitment and involvement in challenging the business on its delivery and use of customer and stakeholder engagement over the last 18 months.</p> <p>The CCG expressed their thanks to the Executives and staff from Affinity Water for their accessibility and willingness to provide information and share experience.</p>	

Minutes of 9<sup>th</sup> CCG meeting held on 18 November 2013

Approved by Robin Laidler

Date 21 May 2014

**Notes:**

25 November. Minutes circulated to CCG. Not formally approved as next meeting is after submission date.

19 March 2014. Minutes amended at meeting. Recirculated 27 March.