

## Customer Scrutiny Group

<b>Purpose of Meeting</b>	<b>Customer Scrutiny Group – Meeting 10</b>	
<b>Location</b>	Affinity Water, Tamblin Way, Hatfield	
<b>Date of Meeting</b>	22 <sup>nd</sup> June 2016	
<b>Present</b>	Robin Dahlberg Teresa Perchard Caroline Warner Keith Cane Gill Taylor John Rumble David Cheek Karen Gibbs Johnathan Sellars	Outgoing Chair Incoming Chair CCWater Local Consumer Advocate Town and Country Housing Group Groundwork Environment, Herts County Council Friends of the Mimram Consumer Council for Water Environment Agency
<b>Presenters</b>	Chris Offer Adam Warner Nigel Beaven Ilias Karapanos Julian Foster Mike Pocock Emma Grigson Naomi Kent	Director of Regulation Community Stakeholder Manager Head of External Communications Senior Asset Scientist Community Delivery Director Physical Asset Strategy Manager Head of Corporate Affairs Blue Marble
<b>Apologies</b>	Damian Williams John Fox Hazel Smith Jill Thomas Yolanda Rugg	Tendring Council Tendring Council GlaxoSmithKline CCWater – Stepped down Herts Chamber of Commerce
<b>Distribution:</b>	As above	
<b>Originator:</b>	Adam Warner	

No	Notes of Meeting	Action
1	<p><b><u>Value For Money Survey – Chris Offer and Naomi Kent</u></b></p> <p>CO introduced the survey, providing history and context.</p> <p>The survey was included as part of the <i>providing a value for money service</i> commitment in AWL's business plan. This commitment was used to balance 3 operational commitments around water availability, water quality and disruption.</p> <p>The survey was designed to understand how customers perceive value for money and what elements influence these perceptions.</p> <p>CO stressed that this is an evolutionary process and developing an indicator of customer perception of value for money was a new initiative for the water industry which would need refining over time. He asked the CSG to review this critically as to whether it is a sensible metric and asked for views on the way forward for it.</p>	

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NK presented the VFM methodology, results and highlights from the first full year of data.

### *Key points on the methodology*

- The 15-16 data will become the new baseline due to a change on the metering question and taking into account seasonal variation
- The data can be analysed at a community level
- The model accounts for 30% of variance on value for money. This is seen as good as experience of this work in other industries suggests the maximum we could expect would be 50%.
- The methodology for 2014 to 2016 takes into account 8 key drivers for value for money. The proposal is to remodel this to have 10 drivers to make the model more reflective of VFM drivers.

### *Key outcomes*

- Very little variation over time, by community, by sector, by sewerage provider etc
- Measures that we should have influence over do not seem to be driving changes in value for money
- Customers have a generally low awareness of how much they pay for water

### *TP posed three questions to the CSG*

- 1) Is this the right approach to measuring VFM?
  - DC raised concerns around having only influence over 30% of the variation
  - JR saw the single measure as unhelpful as trends take a long time to build.
  - KC and CW agreed that the single measure was not helpful
  - All members agreed that the most important issue was what was actually done with the information coming out of the research – ie what management action was taken in response.
  - TP and RD offered a view that the index score was useful internally in quickly presenting results to internal stakeholders.
  - TP questioned whether the index was taken up by too many factors that the company has no control over.
- 2) Proposed changes to the methodology
  - The group discussed the breaking down of the measure into two scores, one showing overall value for money and one showing the elements that Affinity had influence over. NK noted that this would be problematic as it would reduce the explanatory power.
  - CO suggested that a subset of indices might be better for capturing wider perceptions
  - TP wanted more components in the measure that the company has the ability to control following concerns that by including comparisons to other services in the metric, it reduces the amount of impact the company can have.
- 3) Aspects of the work that the CSG would like to track.
  - DC asked for the survey to be bolstered in areas where the WSP is taking place.

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<ul style="list-style-type: none"> <li>- JS asked for regular reporting on questions focused on metering and water usage</li> <li>- The group requested that AWL demonstrate how this research is being tied in with other continuous feedback mechanisms.</li> </ul>	
<p>Action: TP asked for AWL to circulate a quarterly report of actions stemming from the survey</p>	<b>EG</b>
<p>Action: KG offered to present the CCWater VFM work to the Group in September</p>	<b>KG</b>
<p>Action: Feedback in September on the individual measures chosen by AWL to regularly feedback on and the way forward for VFM.</p>	<b>EG</b>

<p><b>2</b></p>	<p><b><u>Introductions</u></b></p> <p>RD noted apologies for absence and welcomed those present.</p> <p><b>Chairs Report</b></p> <p>RD thanked all members from CCG and CSG for their participation over the past years.</p> <p>RD noted the volume of TP's involvement with Ofwat since April and the difference between PR14 and PR19 in terms of how the regulator is approaching the role of the CCG's, including them in policy debates and organising regular meetings of CCG Chairs.</p> <p><b>Terms of Reference</b></p> <p>TP explained that the terms of reference required redrafting due to new Ofwat policy and feedback from RD. She asked the CSG for comments and feedback on the revised terms of reference for the group.</p> <p>TP highlighted that the name will be changed back to the Customer Challenge Group.</p> <p>DC raised a question over business user representation. TP responded that recruitment is going to be done and businesses along with citizens advice groups will be represented.</p> <p>DC asked for customer engagement to be more defined.</p> <p>CW asked whether the CSG are defining customer engagement or if the company is. TP responded that judgements of quality are to be made by the CSG. This includes what the company does with the feedback from customers.</p> <p>KG asked for more opportunity to challenge the engagement strategy of the company</p> <p>GT asked for AWL's responsibilities to the group to be captured.</p> <p>Action: TP asked for any further specific comments from members by the end of June to</p>	
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	<p>enable the revised TORs to be approved by the AWL Board in July. She would also rework the ways of working document and circulate to the Group.</p> <p>December 2018 was a key milestone for the work of the Group as at that time a report on the company's business plan needed to be submitted to Ofwat. .</p> <p>Minutes from the previous meeting were agreed and signed.</p> <p>Action: AWL to review minutes against actions log to ensure all activities are covered</p> <p><b>Regulators update</b></p> <p><b>Environment Agency</b></p> <p>JS gave an update on the Environment Agency including changes in regions and organisational executive changes which included the new CEO, James Bevan, and interim chairman, Emma Howard Boyd.</p> <p>JS also noted that the Water Framework Directive grant money has now been announced totalling £5.5 million. The Thames region received £700,000 while Herts and North London have £170,000.</p> <p>On top of this, catchment partner hosting money has been announced and agreed for the next 12 months.</p> <p>Finally he stated that DEFRA is to set out 25 year strategy for the environment out on the first of July.</p> <p>Action: JS to send revised areas now covered</p> <p><b>CCWater</b></p> <p>CCWater are offering training to new CCG chairs and members.</p> <p>Action: KG to send details of this to TP</p>	<p>AW</p> <p>JS</p> <p>KG</p>
<p>3</p>	<p><b><u>AWL 2015-2016 performance update – Chris Offer</u></b></p> <p>CO updated the CSG on AWL's final performance for 2015-16.</p> <p>He noted that the targets for both <i>interruptions over 12 hours</i> and <i>interruptions to supply caused by planned works</i> had been missed and therefore incur an Outcome Delivery Incentive penalty.</p> <p>The target for SIM has also been missed and CO noted that there is work to be done on this, but at present the SIM ODI has not yet been determined by Ofwat.</p>	

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	<p>The rest of the ODI targets have been met or exceeded.</p> <p>Action: The customer version of the annual report, 'Customer Performance Report,' is to be shared with the CSG in draft form for comment before it is published.</p> <p>Action: CSG to be added to distribution list for wash up reports following events.</p>	<p>CO</p> <p>AW</p>
4	<p><b><u>Communications update – Nigel Beaven</u></b></p> <p><b>Customer bills</b> NB presented the latest iterations of customer bills.</p> <p>TP questioned whether consumer advice agencies had been involved in the development of bills. NB noted that this had not been done so far</p> <p>DC stated that the new iteration was an improvement on previous iterations but requested that the words credit and debit are substituted for something more customer friendly</p> <p>RD noted that white text on a coloured background was difficult to read.</p> <p>CW and RD recommended that more work is done to test what should be included in customer bills.</p> <p>KG noted that the first correspondence with new customers asks for money ie. payment in advance which did not seem very customer friendly. NB and CO to review this with the business</p> <p>TP asked what success factors would be used to measure the impact of the new bill formats..</p> <p>Action: NB to address these comments in September meeting and further development.</p>	<p>NB</p>
5	<p><b><u>Leakage and Abstraction Incentive Mechanism - Julian Foster, Mike Pocock and Ilias Karapanos</u></b></p> <p><b>Leakage update – Julian Foster</b> JF presented to the group the work being done on leakage in order to meet future targets. He explained that the company had begun to use new, innovative techniques to find high leakage areas, including the use of satellites.</p> <p>The company are currently focusing on 145 DMA's out of 820. Those selected are experiencing greater than 5m<sup>3</sup> leakage.</p> <p>TP questioned whether we were using customer feedback effectively in order to find leaks. JF responded that customer feedback impacted job prioritisation.</p> <p><b>Abstraction Incentive Mechanism – Mike Pocock and Ilias Karapanos</b> MP explained what AIM is and the potential benefits for the industry in increasing transparency around reducing abstractions from environmentally sensitive sources.</p>	

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	<p>AWL have put forward 23 ground water sources for abstraction reduction where these could be replaced by water from other sources and where this would deliver a perceived environmental benefit. It will enable the company to show where more can be done to reduce the impact of abstractions on the environment.</p> <p>MP stressed the importance of AIM for the next AMP as it is likely to become a Performance Commitment with financial incentives .</p> <p>JR asked whether the company was doing anything to measure the environmental impacts of reducing abstraction. MP responded that AWL already monitors the environment meaning many of the benefits will be captured but this mechanism is about action to reduce abstraction, based on EA evidence</p> <p>CO noted that the reason for AIM is to incentivise companies to avoid over abstraction from sensitive areas that could occur due to improved incentives for water trading</p> <p>TP questioned whether the company was intending to communicate this to customers. MP stated that this has not yet been considered</p> <p>TP questioned whether AIM would impact the overall security of supply for the future. MP noted that this is covered in the WRMP for which the process will start in Autumn. CO added that AWL's Sarah Clark is working on the business plan for PR19 which will build on the WRMP.</p> <p>TP reiterated an earlier request from KG that the CSG must be involved and engaged on the customer engagement for WRMP and SEA as well as the Business Plan for PR19</p> <p>Action: Leakage update in September</p> <p>Action: Briefing notes for all papers to be distributed earlier prior to CSG session</p> <p>Action: MP to come back in September to present the first 6 months of practical experience of AIM to the group. TP requested that the presentation includes a clear ask of the CSG.</p>	<p>JF</p> <p>AW</p> <p>MP</p>
<p><b>6</b></p>	<p><b><u>Community engagement and Regulation update – Emma Grigson and Chris Offer</u></b></p> <p><b>Community engagement plans- Emma Grigson</b> EG agreed with the CSG that the September meeting would be best to present the progress on the community engagement undertaken to date.</p> <p>DC asked that this update specifically include how AWL are proactively telling people about how performance.</p> <p><b>PR19 – Chris Offer</b> CO explained that the company has begun work on an updated Strategic Direction Statement for PR19. This is being done with the view to understanding whether customer expectations of service are still the same and whether the four customer outcomes are still relevant.</p> <p>CO was asked by the CSG about Ofwat's price setting methodology. He explained that Ofwat are intending to have to separate price controls for the whole business and two revenue caps. One for household retail and one for non household retail. Ofwat will publish their methodology by Spring 2017. CO also noted that prior to the shadow market opening in October 16, the non</p>	

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	<p>household business needs to be segregated from the rest of the business.</p> <p><b>LIFT</b> CO gave an update on the LIFT tariff.</p> <p>Currently there are 39,000 customers on the tariff and AWL have introduced a trial to make customers reapply to see whether this brings the numbers down. CO noted that no firm decisions have been made around introducing a lower income threshold.</p> <p>The CSG suggested that if AWL are going to reduce the household income threshold, they should do it soon to ensure that customers to not become too accustomed to paying a lower rate.</p> <p>Action: CO to decide whether lift should be included as an agenda item in September. If this is the case TP asked for a clear direction for the CSG on what is expected of them.</p>	CO
8	<p><b><u>Any Other Business</u></b></p> <p>N/A</p>	
9	<p><b><u>Next meeting</u></b></p>	

Minutes of CSG 22 June 2016

Approved by: \_\_\_\_\_



Date: \_\_\_\_\_

14/09/2016