

MINUTES OF 13th MEETING OF THE WESSEX WATER PARTNERSHIP

Meeting held at Wessex Water, Claverton Down, Bath
Monday 18 June 2018

Present Dan Rogerson – Chair (DR)
Jeremy Hawkins – Independent report writer (JH)
Michael Barnes – CCWater (MB)
Jeremy Bailey – Environment Agency (JB)
Richard Cresswell – Catchment Panel Chair (RC)
David Hawkes – Advice UK (DHa)
Sarah Cardy – Citizens Advice (SC)
Martin Green – Age UK South Gloucestershire (MJG)

Wessex Water observers:
Sue Lindsay (SL)
Phil Wickens (PW)
Katherine Mining (KM)
Andy Pymmer (AP)
Neil Wilson (NW)
Matt Greenfield (MGr)

Apologies:

Matt Vaughan-Wilson - Money Advice Trust (MVW)
Ian Walker – Bath University (IW)
David Heath – CCWater (DHe)
Nicola Morris – Student Representative Bath
University (NM)
Gillian Camm – Non-Executive Director Wessex
Water (GC)

Guests:

Gary Muncaster – Populus (GM) *[item 6]*
Andy Barker – Populus (AB) *[item 6]*

Key points and actions from the meeting

1. Welcome

No notes.

2. Private session

Private session, no minutes taken.

3. Feedback from private session

In the designed-up version of the WWP annual review report, the WWP would prefer some of the pictures to be changed to pictures of the environment or general water scenes as opposed to WW staff – JH agreed to pass this and any other changes to SL to pass on to the appropriate team. JH/SL

The WWP have requested a call with IW to find out if he had any outstanding queries on the customer engagement – KM to arrange ASAP. SL asked KM

whether the rest of the group was happy with what we've provided to explain the journey from the engagement to the business plan. DR said that the WWP were generally happy they had what they needed but just wanted to confirm with IW as he wasn't present at the meeting today.

4. Minutes and actions from previous meeting

No changes to minutes. Minutes were signed by DR on behalf of the attendees.

The following updates to actions from the previous meeting were provided:

- “SC suggested trying to better demonstrate the difference our schemes are making e.g. by showing how debt profiles and company debt are affected by our work – SL noted that there are already a number of metrics in the business plan but agreed to provide further examples.” – SL said she would circulate the strategy document to the AAG, with the changes so far (e.g. from her own team, the WWP, and Pelican), then update according to AAG feedback and re-circulate to the WWP, with track changes shown, and if possible colour coding sources of feedback. SL
- “DR to encourage other CCGs to push back against Ofwat with the same stance as us re rewards and pollutions.” – DR has mentioned this at CCG gatherings, but cannot disclose other companies' approaches. Action closed.
- “NW to provide further details on ODIs e.g. levels of rewards.” – WW noted that one more final draft of the dossier is expected before the July audit committee. NW
- “RC noted that inflation is shown in the graph on slide 3 (agenda item 8) but not in the equivalent graph in the draft business plan, and commented that this was a bit misleading. PW said that we did this to avoid misleading the other way as the inflation isn't certain. PW agreed to show comparison against a bill that increased by 2% inflation only.” – AP said that we've adopted this approach in today's slides, and PW asked to keep the action open as a reminder to make sure we do this elsewhere in the plan. PW
- “PW offered to present the bill as a percentage of the average disposable income figure as a median (ref slide 3, agenda item 8).” – PW asked to keep the action open as a reminder. PW
- “DR to let SL know whether further meetings need to be booked for the Affordability & Vulnerability sub-group.” – No more meetings are needed, any further updates will be by email, action closed.

JH asked SL to send him the notes from the A&V sub-group meetings. SL

Re action 10.1 (“SL to provide an estimate from the tracker segmentation of the proportion of our customer base (both in terms of volume supplied and population) that is consumer/citizen/vulnerable.”), when asked by DHa, SL confirmed that we will continue to track attitudes and feed into the segmentation.

Martin Green noted that he could be referred to as MJG in the minutes to avoid confusion with Matt Greenfield.

No other actions discussed.

There were no declarations of interest to record.

5. **Update on the business plan**

PW presented slides.

Re slide 5, MJG asked if the orange bars represent bills compared to today's costs i.e. ignoring inflation, and PW said yes. MJG asked what the rationale was for the bill cut at the beginning of the next AMP. PW explained that one reason for this is recognition that we've become more efficient and so are returning revenue to customers; also we're accepting Ofwat's proposal for reducing allowed return to investors. AP noted that the grey line indicates what the bill would look like with inflation-only rises.

JB asked whether we need to make a bill cut and then increase to provide the revenue we need i.e. could we do it the other way around? PW said we can do it different ways, but the bigger our investment plan, the bigger our interest cost. Our interest cost will be considered at the end of the period, and it's not favourable for the closing bill level at 2025 to be too low compared with our interest cost. JB said we should ensure we articulate the rationale behind our bill profile.

PW

SC/MJG commented that a bill cut followed by an increase is not necessarily good for customers. MJG asked if there was a good reason. PW said we've tried to keep the increase as gentle as possible, balancing how the credit ratings agency look at us. MGr noted that the increase looks big on the graph on slide 5 because it uses a small scale – the actual increase is only a few pounds per year.

DR noted that a number of companies have been affected by Moody's recalibration of financial ratio guidance, and asked what determines whether or not a company was affected. AP explained that 7 of the 10 WaSCs are now on negative outlook. The exceptions are Welsh Water (which is a different model), South West (which has no credit rating) and UU (which has a different level of gearing). All the companies that could be affected now have been – it's an issue for the sector as a whole.

6. **Debrief of acceptability testing**

SL noted that due to the changes in bills related to the Moody's guidance, we have mobilised Populus for additional acceptability testing. DR asked what methods we are using. SL said the methods include hall tests, online surveys and engaging with vulnerable audiences. When asked by DR, SL explained that we are not using new questions. SL confirmed that we're not asking

about leakage options and so have amended the stimulus accordingly.

RC said that he understood the most cost beneficial leakage reduction to be 13% but we've chosen 15%. PW said that he sent a note on how we reached 15% leakage reduction, which DR circulated. When asked by DR, PW confirmed that the cost benefit changed by taking out the adjustment applied for the in depth qualitative work, as this has been superseded by the results of the acceptability testing. RC said that where we're not doing precisely what customers want or CBA suggests, we need to provide an explanation. NW said that he and MGr are responsible for writing these explanations in the dossier before the next iteration, and noted that Ofwat acknowledges 6 different ways to come to a figure, and it's expected that we'll use a mixture. SC suggested including an explanation of what the implications are for customers to increase leakage reduction from 13% to 15%, e.g. saying it isn't a significant impact on bills. NW

GM and AB presented slides on the acceptability testing.

Re slide 5, DR asked what sort of levels of acceptability Populus would expect, in their experience. GM said that the positive response can be explained by:

- the underlying positivity towards Wessex
- the stimulus including comparative information, which tells a very positive story for Wessex (although is completely objective)
- the stimulus then saying that the bill will rise by less than inflation.

GM noted that acceptability testing for other companies has not generated such a positive response.

Re slide 6, DHa said it was interesting that some negativity towards the plan was due to reluctance to subsidise other customers who cannot afford their water bill. He said that a report produced by the Joseph Rowntree Foundation entitled 'Talking about poverty in the UK' has shown that different representation of information about poverty influences attitudes – and recommended SL to read this piece of research. SL

MJG asked if we were able to identify whether people who said they would struggle with a bill increase were on a social tariff. AB reported that they found that awareness of schemes was relatively low. i.e. they were interviewing people who would benefit but weren't aware. MJG asked if this was picked up in recommendations – GM said he believed they had. SL commented that the vulnerability strategy sets out a number of initiatives to increase awareness and uptake. SC noted that the fact that this is an opt in scheme makes it more of an issue. DR asked if people said that the vulnerable should be getting help but not from us – GM said he wouldn't go into this in detail as it was a minor point but reiterated that most people thought it was good to help others.

JB asked which stakeholders were involved in the research – AB said there were a range interviewed, including those with environmental interests, customer vulnerability interests, local authorities, developers and retailers. JB

asked Populus to make it explicit that the stakeholders were not members of the WWP. SL

Regarding Populus's technique looking at reaction times, JB noted that he personally would hold back on saying something negative. GM responded that Populus use this technique a lot and participants *are* certain about negative things. SC noted that people may still be reluctant. But GM said it's implicit, and MGr said that the tests were done individually so there wasn't any 'group pressure'. GM said they normalised for different reaction times e.g. between older and younger participants. DR asked for a sense of scale of reaction times – GM said milliseconds.

RC asked how acceptability might vary if you showed WW's bills compared to others. PW confirmed that bill levels were included within the comparative information in the study.

Re slides 28-35 of the Turquoise research (showing customer views on outperformance/underperformance payments), RC said that where we have deviated from the customer view we need to have a clear explanatory statement, both for the WWP and for Ofwat. MGr commented that this research was about how stretching our PCs were and participants' views on payments. The section where customers placed measures into categories may have been given more weight in the report than it was really due – it actually represents 10 groups of people who have stuck things on a board. So it's meant to be a good indication of what customers think about when asked to assign measures to different categories but no more than that. DR noted that the Turquoise research came out of an exchange between CCW and Ofwat about these payments, and asked if it has provided enough information. MGr said yes, at the high level. i.e. the overall message that customers are broadly accepting of payment by results and that our performance commitments appear stretching and customers are not concerned unduly about the impact on bills.

7. **Timeline and actions for submission of business plan to audit committee**

NW presented a timetable. When asked by JH, NW said that the submission on 9th July should be a draft of the full report.

PW/NW agreed to send the full main narrative, and appropriate supporting documents (i.e. related to engagement, affordability and outcomes) on the 29th June. NW noted that JH should be able to start writing the report ahead of receiving these. RC requested additional paragraphs (e.g. explanations for choosing particular figures) – these will be sent earlier, by the 25th June. PW/ NW

JB commented that the primary audience for the WWP report is Ofwat, and noted that the WWP is totally entitled to make changes up until submission. NW acknowledged that there *will* be changes and we have time to make them, but we just want as complete a picture as possible from them. PW noted that Ofwat requirements can also change between now and submission.

JH to circulate a suggestion to the WWP members of how they can work to meet the 9th July deadline. DR suggested aiming to finalise the majority of the work by the end of July. JH

JH asked if WW and the WWP would find it useful to have a session to work through the 30 key questions in the aide memoire. It was agreed for JH to liaise with MGr/NW at a working level e.g. showing where particular evidence lies. JH noted that he is not planning to set his report out as a Q&A for the 30 questions, but intends to include an appendix for Ofwat, listing where each question is addressed. JH

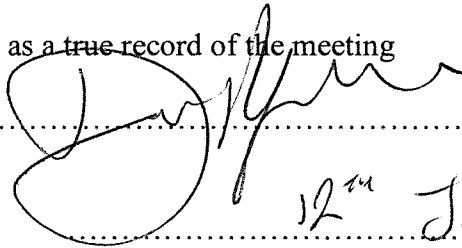
8. **AOB**

KM to notify DR of attendance for the 12th July WWP meeting that was recently booked. KM

Signed as a true record of the meeting

Chair

Date



12th July 2018