

Customer Challenge Group

Purpose of Meeting:	Customer Challenge Group planned meeting Number 4	
Location:	Hub	
Date of Meeting:	13 March 2013	
Present:	Chair Robin Dahlberg	
	Jacky Atkinson DWI Jim Barker, EA Karen Gibbs, CCWater Allan Johnson, Tendring Council Mark Kibble, Dacorum Council Lucy Lee, BluePrint for Water Jill Thomas, CCWater	
Observers	Andy McAlinden, AW (part) Tim Monod, AW (part)	Presenters Mike Pocock AW Chris Offer, AW Liz Allen, AW
Apologies:	Allyson Broadhurst, Charis Grants Keith Cane, East Kent Housing Tim Hutchings Hazel Smith, GlaxoSmithKline Mark Tomkins, Heathrow Airport Ltd	
Distribution:	As above and web site	
Originator:	Liz Allen	

No	Notes of Meeting	Action
	<p>Introductions and apologies</p> <p>Actions arising from the previous meeting were discussed and the minutes from the meeting 23 January 2013 were approved and signed by the Chair. These will be published on the public web site.</p> <p>The attendees introduced themselves for the benefit of new members.</p> <p>The Chair presented his report on key meetings and actions since January including a meeting with other CCG chairs and with Ofwat.</p> <p>At the meeting with Ofwat concerns were raised about the timetable and additional requirements for reporting by the CCG. The CCG Chairs stressed the importance of having fixed dates so that they can plan, with their companies, when reports will be written.</p> <p>The Ofwat Consultation document - Setting Price Controls, identified two further reporting requirements from CCG's during 2014. The CCG noted that the limited time between the response from Ofwat, on the notification of the baseline, and a resubmission would make scoping, delivering and reviewing any additional research difficult.</p> <p>Comments were also raised around the assumptions companies would have to make on costs and the impact that has on investment priorities (and customer support) before Ofwat issued their cost assumptions. The CCG suggested that Affinity Water ensure that the cost assumptions they make are 'reasonable' and consistent with their understanding of Ofwat's expectations.</p> <p>The Chair introduced a draft framework and content list for the CCG report to Ofwat. The Chair plans to progressively construct a report in modules and work to the same timetable as the</p>	

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	<p>Company Business Plan submission to Ofwat. The Chair anticipated that the CCG would approve the final report at the planned meeting in November so that it could be available for the Affinity Water Board the same month. This would still allow for minor changes to be made before final submission in either December 2013 or January 2014.</p> <p>Members suggested some additions to the content list including a section on acceptability of the plan. The Chair made it clear that the report would be comprehensive and would include areas where the CCG felt it did not have the competence to comment – such as on the assumptions of interest rates etc.</p> <p>Monthly review meetings have been arranged between the Chair and AW. These will increase in frequency when needed.</p> <p>Objectives for the meeting</p> <ul style="list-style-type: none"> • Review the timetable and process for the development of the Water Resources Management Plan • To understand and support the development of processes to: <ul style="list-style-type: none"> ○ evaluate and consolidate findings from research ○ develop Outcome Measures • To receive updates and information about: <ul style="list-style-type: none"> ○ the company response to the Ofwat consultation, ○ the progress with the SDS and ○ Challenges raised. 	
1	<p>Receive a report and discuss the progress on the development of the draft Water Resources Management Plan dWRMP,(agenda paper 1) Mike Pocock, Physical Asset Strategy Manager.</p> <p>The presentation and discussion provided an update to the process, a reminder of the reporting requirements and an explanation of how the feedback from the pre-consultation has been reviewed and reflected in the draft Plan.</p> <p>The requirements for reporting and consultation are published in two core documents: the Water Resource Management Plan Regulations and the Water Resource Planning Guidelines. The Planning Guidelines are jointly published by the Environment Agency, Defra and Ofwat. The WRMP is approved by Defra and funding is secured through the Business Plan approved by Ofwat.</p> <p>The extent of consultation undertaken in the pre-consultation phase was more than required in the regulations. Over 1000 stakeholders were personally contacted and invited to comment. The responses were reviewed and 5 themes emerged from the analysis, these are being carried forward into the draft WRMP.</p> <p>The plan will be submitted 31 March. Subject to security and commercial confidentiality checks the plan will be published to the public in May. Supporting technical reports will be available on request.</p> <p>The consultation will be open for 15 weeks and a response, taking account of the feedback, made to the Secretary of State by the end of October.</p> <p>Questions were raised about targets and the approaches to water efficiency and leakage and whether these were stretching enough. Assurances were provided that both issues will be covered in the plan and all responses will be considered.</p> <p>Further suggestions were made about metering and testing for acceptability of sustainability reductions. It was confirmed that these issues are included in the consultation and will be</p>	

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	<p>considered as part of the wider engagement.</p> <p>After the presentation and discussion the CCG:</p> <ul style="list-style-type: none"> • Understood the sequence of events that are being followed • Supported the approach being taken • Were assured that information and feedback from the pre-consultation was being used to inform the draft plan. 	
<p>2</p>	<p>Change to order of the agenda: item 3 was taken next Workshop on the development of the framework to define outcome measures, Chris Offer, Head of Regulation.</p> <p>The CCG were invited to challenge and comment on the framework and initial suggestions for outcomes and measures of success.</p> <p>The approach adopted by Affinity Water to develop outcome measures is consistent with the best practice principles issued by UKWIR and Frontier Economics. Reference was made to the definitions from Ofwat stating that outcomes are 'the higher level objectives that company actions, activities and achievements are intended to help deliver. They represent what customers and society really value'.</p> <p>The process Ofwat is establishing is to develop a series of incentives and penalties for performance aligned to the customer outcomes. In summary the stages are:</p> <ul style="list-style-type: none"> • Agree customer outcomes with customers • Develop a framework of outcome measures • Set and commit to defined levels of performance • Establish incentives or penalties – based on performance with Ofwat. <p>The CCG were taken through a simple assessment matrix which aimed to evaluate the measures against six criteria. This workshop is one of a number being held across the company to develop the thinking and the approach to developing robust measures of success which will be used to help assess the effectiveness of the Business Plan.</p> <p>Following the session and discussions the CCG:</p> <ul style="list-style-type: none"> • Understood the process and criteria being developed to challenge the appropriateness of different indicators • Offered their comments, provided feedback and identified gaps • Were aware of the difference between outputs and outcomes and the complexity of identifying representative measures. <p>A commitment was made to share further iterations of the outcome measures of success with the CCG.</p>	
<p>3</p>	<p>Agenda item 2 (paper item 2) receive a paper and lead a discussion of the process of evaluating findings from engagement activity and how that will be used to inform the scope and subjects of future research, Liz Allen, Stakeholder Engagement Manager.</p> <p>The presentation and discussion provided an update of findings from the first phase of the engagement programme showing how they were being reviewed in order to provide a consolidated list of issues. The structured approach takes account of findings from targeted research and on-going customer contact. Consideration is given to the level of representation, of the findings, across the whole customer population.</p> <p>The CCG requested a paper at the next meeting showing how the process for consolidation had been applied along with the supporting evaluation that determined the type of action that is</p>	<p>LA 5/13</p>

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	<p>to be taken for each issue. The CCG want to be assured about the approach and to have the opportunity to identify any gaps or areas of weakness.</p> <p>Following the presentation and discussion the CCG:</p> <ul style="list-style-type: none"> • Understood and supported the process being followed to evaluate and consolidate the findings from the research • Was assured that the process was appropriate for this stage of the engagement programme • Identified further information they wished to see. 	
<p>4</p>	<p>Updates and information Agenda item 4 (paper item 4) receive a paper and lead a discussion on the response to the Ofwat consultation on future price control, Chris Offer, Head of Regulation</p> <p>The presentation provided an overview of the key components of the methodology consultation and highlighted the areas where Affinity Water is in agreement with Ofwat and where there are concerns. The role of the CCG is not directly affected by the consultation, other than the proposed additional reporting in 2014.</p> <p>The formal response from Affinity Water will be broadly supportive of the consultation and will raise some concerns over the need to have more clarity around some of the key financial changes including Ofwat's approach to 'totex', baseline setting, efficiency assessment and associated measures.</p> <p>Following the discussion the CCG:</p> <ul style="list-style-type: none"> • Was aware of the scope of the consultation and the key issues for Affinity Water 	
<p>5</p>	<p>Information and update Strategic Direction Statement (SDS)</p> <p>The consultation on the draft SDS showed that most of the respondents were supportive of the four outcomes as they were presented. There was some feedback, including from special interest groups, questioning whether 'environmental issues' had enough prominence.</p> <p>A question was raised as to whether there had been any specific consultation on broader environmental drivers as part of the activity to date. It was reported that the scope of the consultation so far had been to gather information about all issues that customers felt were important and the responses received indicated that broader environmental issues did not appear to be a priority for them. This issue can be re-visited as part of further research.</p> <p>Much of the feedback, received in written responses, was directly related to levels of abstraction in specific chalk stream habitats.</p> <p>The regulatory framework, under which the company operates, ensures that significant environmental impacts are considered as part of the day to day management of the business. The debate is whether this needs to be made more obvious, by having an additional outcome or whether assurances can be provided by showing how environmental impacts, including management of the water environment can be reflected within the outcome measures.</p> <p>The CCG were advised that the preference for Affinity Water was for four outcome measures with a clear commitment to carry out more work to ensure the wider environmental issues were appropriately reflected.</p> <p>Further work is taking place to clarify this so that clear statements can be included in the SDS.</p> <p>BluePrint for Water will shortly be holding a review of their involvement and finding of the</p>	<p>LL 5/13</p>

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	CCG's. The outcomes will be shared.	
6	<p>Information and update Assurance and the role of the Reporter</p> <p>The CCG were advised that Affinity Water is using an independent Reporter to review and challenge their Water Resource Management Plan and Business Plan. Copies of the Reporters reports to the Affinity Water Board will be made available to the CCG and they will have access to the Reporter as needed.</p>	
7	<p>Updates to Challenges Debt</p> <p>An update to the Debt Challenge was tabled. This provided an update on company awareness of some significant issues facing customers and the business. Affinity Water is still developing its policy on social tariffs and debt and will keep the CCG informed.</p>	
8	<p>Updates to Challenges Leakage</p> <p>A formal update to the challenge on leakage, discussed at the last meeting was not available. Affinity Water apologised and explained resources had been focused on the draft Water Resources Management Plan and an update would be presented at the next meeting.</p>	
9	<p>AOB</p> <p>The Chair extended an invitation to the non-executive Directors of Affinity Water to attend a CCG meeting to discuss:</p> <ul style="list-style-type: none"> • Board level engagement and support of the programme of activity • Non-executives' views on the investment strategy <p>In addition the CCG would like to receive a paper from Affinity Water about the governance of the Business Planning process and the role of the different groups.</p>	LA 5/13

Minutes of 4th CCG meeting held on 13 March 2013

Approved by



Date

22 May 2013

