

Customer Challenge Group

Purpose of Meeting:	Customer Challenge Group planned meeting Number 3	
Location:	Hub	
Date of Meeting:	23 January 2013	
Present:	Chair Robin Dahlberg	
	Jacky Atkinson, DWI Jim Barker, EA Allyson Broadhurst, Charis Grants Keith Cane, East Kent Housing Karen Gibbs, CCWater Tim Hutchings Allan Johnson, Tendring Council Hazel Smith, GlaxoSmithKline Jill Thomas, CCWater Mark Tomkins, Heathrow Airport Ltd	
Observers		Presenters Chris Offer, AW Arnaud David, AW Mike Pocock, AW Liz Allen, AW
Apologies:	Mark Kibble, Dacorum Council Lucy Lee, BluePrint for Water	
Distribution:	As above and web site	
Originator:	Liz Allen	

No	Notes of Meeting	Action
	<p>Introductions and apologies</p> <p>Actions and discussion items from the previous meeting were discussed and the minutes from the meeting on 21 November 2012 were approved and signed by the Chair. These will be published on the public web site.</p> <p>The Chair welcomed two new members to the CCG (Keith Cane and Lucy Lee) stating that their additional experience and specialist knowledge would complement the group. Induction sessions to be arranged.</p> <p>The Chair presented his report on key meetings and actions since November including a meeting with other CCG Chairs and Ofwat. Ofwat had asked that the CCG Chairs treat the material provided as confidential until Ofwat had released their methodology for consultation. The Chair said that, of course, he would respect Ofwat's request for confidentiality. The Chair added that he felt it was fair to note that Ofwat clearly expect companies and their CCG's to respond to local conditions and to make assumptions as necessary, in the absence of direction from Ofwat. The Chair reiterated that while Ofwat are not providing direction on the content and the format of reports, the CCG Chairs (in the south east) are sharing ideas and best practice.</p> <p>Objectives for the meeting.</p> <ul style="list-style-type: none"> To discuss the responses from the consultation and focus groups and to gain support from the CCG that the process used to evaluate the outcomes is robust and appropriate. To explain and inform the CCG about the planned approach for developing material 	LA 02/13

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	<p>and selecting expert support to carry out willingness to pay research and to define how the CCG can be involved.</p> <ul style="list-style-type: none"> To advise and inform the CCG about the learning from a specific focus group about the use of an emerging approach to test how communities can begin to make choices about their services. <p>Reports, presentations and papers were circulated in advance.</p>	
<p>1</p>	<p>Receive reports on consultation</p> <p>Receive reports and facilitate discussion on findings from SDS consultation;</p> <ul style="list-style-type: none"> agenda paper 1 Initial review of findings from consultation on SDS including focus groups and written responses: agenda paper 2 Affinity Water – Investing in your community, Qualitative Research – Key Findings, Dialogue by Design: and agenda paper 3 Affinity Water Environmental Workshop, Dialogue by Design. <p>Presented by Chris Offer, Head of Regulation.</p> <p>The purpose of the seven week consultation was to gather information from customers about the issues they considered to be important. The following approaches were taken:</p> <ul style="list-style-type: none"> A consultation document was widely advertised, hard copies circulated and promoted on-line with a structured response sheet. A series of targeted focus group sessions were planned by AW and facilitated by an independent expert organisation. A range of open drop-in events were advertised. <p>Affinity Water (AW) received more than 200 written responses to the consultation, and consider this to be a very successful outcome.</p> <p>The focus groups successfully elicited information on a range of subjects from a diverse sample of the community.</p> <p>The drop-in events were not successful either in attracting the general public or as a means of gaining feedback on the consultation document.</p> <p>A review of findings and activities will be included in the evaluation, and the learning will be used to help shape future consultations.</p> <p>CCG members attended 5 of the 10 focus group sessions and attended a validation workshop.</p> <p>CCG members shared their experiences and made the following comments about the process.</p> <ul style="list-style-type: none"> Facilitation - good Venues – OK for focus groups, not all were suitable for drop in events Structure of discussions - good, the facilitators did not lead the attendees and encouraged debate and discussion across a wide range of issues Audience – provided a good cross section sample of communities Key findings by the facilitators – supported by the CCG members <p>The information generated from the focus groups and from the written responses has been reviewed. There was a lot of consistency in the views expressed by attendees, and these views will be subject to a further evaluation.</p>	

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The findings related to the consultation on the draft Strategic Direction Statement were discussed and included the output from the four main questions – summarised below. The output will be used to inform the final SDS.

- Support for the expectations?

These were strongly supported and were considered by most participants to represent the minimum service attributes customers expected from their water service provider.

The majority agreed with expectations but some respondents, in particular those with an environmental interest, felt there should be some explicit mention of protecting the environment and operating in a sustainable manner.

- Should water companies be responsible for supply pipes between meters and homes?

These responses were less clear. This issue will be revisited and further work will need to be carried out.

(Ofwat have asked companies to re-think their approach to leakage and options for ownership of supply pipes is an element; however, there would need to be a change to existing legislation to make this happen.)

- Implementation of social tariff?

No clear response. This issue is to be revisited and further work will need to be carried out. Members of the CCG reiterated that AW should consider a range of interconnected issues and the company's strategies, such as compulsory metering and the potential impact on specific segments of the community.

- Investment for future generations?

The principle was strongly supported as the responsible thing to do. Further work is needed to test the level of investment that is acceptable to customers. This initiated a conversation about customers' awareness of the constraints of the current regulatory investment model.

The feedback from the consultation, both the written responses and the focus group feedback, will be evaluated following a structured process and used to inform the final Strategic Direction Statement for AW to be published in March 2013.

AW will define the customer expectation within the Ofwat reporting framework to deliver defined 'Outcome Measure for Customers'. This process will include the identification of tangible measures against 7 defined criteria using an industry accepted methodology published by UK Water Industry Research (UKWIR).

The CCG concluded that AW should also determine a timeframe for reporting against targets, as part of the CCG's role will be to comment on AW's performance against Ofwat's price determination.

After the presentation and discussion the CCG:

- Had become familiar with the consultation process used
- Understood the high level feedback from customers and accepted the process for gathering and distilling the issues was robust and appropriate
- Understood that AW would use a structured process to further evaluate the findings in

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	<p>which will be used to inform the SDS</p> <ul style="list-style-type: none"> • Understood and accepted the concept of the 'Outcome Measures Framework' and how this will be used to demonstrate the achievements to AW customers. <p>The discussion ended by agreeing how CCG members can be involved in reviewing material between scheduled meetings. Members agreed to use the web portal to record comments on any documents electronically. This means all members will be able to view colleagues' comments and that there will be an auditable chain of comments to demonstrate involvement and challenge by CCG.</p> <p>ACTION Notification of documents for comments will be emailed to members. This notification will include information about purpose of document and direction as to how members can contribute and the deadline for responses. Members will access the web portal and record their comments.</p>	<p>LA as needed</p>
<p>2</p>	<p>Willingness to pay</p> <p>Receive a paper and lead a discussion to increase understanding of the process to determine Willingness to Pay (agenda paper 4). Presented by Chris Offer, Head of Regulation.</p> <p>Willingness to Pay is a term commonly used to cover a range of activities. For AW this refers to:</p> <ul style="list-style-type: none"> • Stated preference research to assign a monetised value to a service or impact etc (used in cost benefit analysis and derived from choice experiments and contingent valuation research) • Willingness to pay (used to test bill level and investment options etc.) <p>The stated preference work will seek to place a value on things not commonly given a monetised value. This will ensure that a wider range of costs and benefits can be considered when optimising investment. The methodology used by AW is consistent with published work commissioned from UKWIR.</p> <p>During discussions, the CCG asked AW whether they benchmarked their cost benefit outcomes against those of other water companies. AW advised that there not been any recent benchmarking of values as some companies were seeking to use their CBA as a competitive differentiator.</p> <p>AW will be using a dedicated optimisation package to help prioritise investment choices. The more robust the data used in CBA the greater the confidence AW will have in the output.</p> <p>Further explanations of the methodology used in developing choice experiments and contingent valuation were discussed.</p> <p>The CCG noted how difficult it was to establish a series of choice experiments to make sure that they provide objective and robust results, but they also understood its importance. They wanted assurance that commercial customers would be included in the process. The discussion resulted in the CCG agreeing to issue a Challenge Record on the subject.</p> <p>ACTION RD to draft a Challenge Record to AW on investment options. The response to include how AW will ensure that the 'values' are validated, how the methodology is applied to commercial and domestic customers and that the options considered are realistic.</p> <p>The CCG expressed an interest in being involved in the process to design and review the</p>	<p>RD 03/13</p>

	<p>development of the choice experiment, as part of the stated preference work.</p> <p>ACTION A timetable for WTP work to be finalised and shared with CCG indicating times and activities where they can be invited to comment.</p> <p>Willingness to pay research will seek to gain an understanding of acceptability of overall bill levels. It was accepted that some elements of the investment plan would be determined by figures provided by Ofwat, and that these would not be available for some time. The CCG advised that AW should be making their own assumptions and not waiting for Ofwat. This was recognised by AW; however, they pointed out that some of the key factors determined by Ofwat will have a significant impact on total bills, and these factors will be as important as anything driven by company choices. A number of scenarios will be reviewed, and the CCG will be invited to comment on the range of assumptions.</p> <p>The CCG were concerned that the range of potential impacts on customer bills were appropriately tested as part of the willingness to pay work and will be raising a Challenge Record on the subject.</p> <p>ACTION RD to draft a Challenge Record to AW on total bill levels and customer willingness to pay in order to assess whether the bill level is justified. The response should provide information on how factors such as debt, avoided cost, efficiencies (especially as a result of the unification) and the 'break point' for acceptability is tested across representative demographic and income groups. AW should also report on the assurance of the process and outcomes and how it has been applied to both domestic and commercial customers.</p> <p>After the presentation and discussion the CCG:</p> <ul style="list-style-type: none"> • Gained an understanding of the difference between willingness to pay in terms of bill level acceptability versus a technique to value non-market benefits of investments that can be used as a key input to cost benefit analysis • Understood the overall timetable for research and that they will be invited to contribute at defined stages. 	<p>CO 03/13</p> <p>RD 03/13</p>
<p>3</p>	<p>Challenge updates</p> <p>A tracking system for all challenges will be shared at the next meeting so that CCG members can make decisions about the status of all challenges.</p> <p>Summary: Challenge ref 0001 raised 13/09/12, subject Debt. Response accepted by Chair 16/11/12. Discussed at meeting 21/11/12 with action to re-visit 13/03/13</p> <p>ACTION – CCG to confirm any specific requirements to be covered in March 2013</p> <p>Challenge ref AW000A raised by AW 21/11/12, subject Collaborative Research. Response given verbally at meeting 21/11/12. Updated response tabled 23/01/13</p> <p>ACTION – CCG to accept or request further information</p> <p>Challenge ref 0002 raised 19/12/12 subject, Leakage. Verbal update provided 23/01/13. Written response on progress for 13/03/13</p>	<p>LA 03/13</p> <p>RD 02/13</p> <p>RD 02/13</p>

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	<p>ACTION – AW to provide response for March CCG</p> <p>Challenge ref 0003 discussed 23/01/13, subject Investment Options. To be presented. Challenge ref 0004 discussed 23/01/13, subject Willingness to pay. To be presented.</p>	<p>MP 03/13</p>
<p>4</p>	<p>Service Delivery Map</p> <p>Discussion and presentation on Service Delivery Map highlighting lessons from focus group meeting (agenda item 6). Presented by Arnaud David, Intervention Manager.</p> <p>The concept of the Service Delivery Map was presented at the induction of the CCG in August 2012. It is both an operational concept, to help AW be more efficient, and a service delivery model to help determine investment for the community.</p> <p>The approach was tested with a local group of customers to understand how their perception of investment options changed when provided with information about relative costs.</p> <p>This first testing of the concept was successful and further testing – to understand perceptions of ‘community’ will be planned in different size geographical areas.</p> <p>After the presentation and discussion the CCG</p> <ul style="list-style-type: none"> • Recognised that the concept was a useful approach to begin to understand community needs • Understand that further consultation will take place that will contribute to and challenge our plans 	
<p>5</p>	<p>On-line Panel</p> <p>Receive a paper and discuss the On-Line Panel, focusing on how the panel will be used to support other engagement activity (agenda paper 5). Presented by Liz Allen, Stakeholder Engagement Manager.</p> <p>An on-line panel of customers has been recruited to provide quantitative feedback to complement the qualitative research. A panel provider has recruited a panel which is made up from a population which broadly reflects the social-economic mix of AW’s customer base.</p> <p>The responses from the panel will be analysed to identify the statistical significance of the responses. A confidence level of 95% has been chosen.</p> <p>After the presentation and discussion the CCG:</p> <ul style="list-style-type: none"> • Understood how the on-line panel will operate and the value and purpose of quantitative surveys • Supported the confidence levels for analysed data 	
<p>6</p>	<p>Evaluation Process</p> <p>Receive a paper and discuss The Evaluation Process (agenda paper 7) to provide assurance that a robust process will be used to evaluate all engagement activity. Presented by Liz Allen, Stakeholder Engagement Manager.</p> <p>There are different stands to the engagement work carried out. This includes regular and on-going feedback from customers about day to day activities as well as targeted pieces of research.</p> <p>A consistent approach to evaluation has been deployed in order to allow different data sets to</p>	

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	<p>be compared making allowance for factors such as representativeness and bias.</p> <p>The outputs from the process will help determine where messages from customers are consistent and need to be reflected in investment and whether further action is needed to test or provide further evidence to clarify other issues.</p> <p>After the presentation and discussion the CCG:</p> <ul style="list-style-type: none"> • Recognised and supported the process for evaluating data from different sources. 	
7	<p>Information and updates</p> <ul style="list-style-type: none"> • DWI joint Statement with EA and Natural England on A Catchment Approach was circulated for information. • Forward plan. Updates to the forward plan for CCG meetings were discussed. Additions to the agenda included: <ul style="list-style-type: none"> ○ Discussion on the implications and response to Ofwat consultation on Setting Price Control 2014 (consultation released 28 Jan 2013) to be added to agenda for 13 March ○ Drinking Water Quality proposals and other regulatory driven outputs to be discussed following review with business to be added to agenda for July/September depending on progress ○ WTP timetable and opportunities for CCG involvement. 	
8	<p>Next meeting 13 March 2013</p> <p>Agenda items to include: Progress on consultation on Draft Water Resources Plan The provision of independent assurance to CCG</p> <p>The meeting closed at 15:00hrs</p>	

Minutes of 3rd CCG meeting held on 23 January 2013

Approved by _____



Date _____

13 March 2013

