

Notes from meeting on Thursday 3rd December 2015

Attendees:

YourVoice members:

Andrea Cook: Independent Chair
Tayo Adebawale: North West Flooding and Coastal Committee
Keith Ashcroft: Environment Agency
Allen Creedy: Federation of Small Businesses
Richard Jarvis: Public Health England
Robert Light: Consumer Council for Water
Alistair Maltby: The Rivers Trust
Alice Richards: National Farmers Union
Damian Waters: Confederation of British Industry
Andrew White: Consumer Council for Water

Apologies:

Bernice Law: Independent Deputy Chair
Shelley Hewitson: Citizens Advice Bureau
Paul Glading: Natural England

United Utilities:

Mark Abbott: Regulatory Contracts Manager
James Bullock: Director of Economic Regulation
Jose Davila: Commercial Director – Business Retail
Gary Dixon: Domestic Retail Director
Jo Harrison: Asset Management Director
Gaynor Kenyon: Corporate Affairs Director
Ken Dillon: Secretariat, Customer Research & Reporting Manager

1. Opening remarks and comments

Members were welcomed to the December YourVoice panel meeting. Apologies were noted from Paul Glading, Shelley Hewitson and Bernice Law.

2. Notes and actions of the last meeting held on 30th September 2015, and matters arising:

Outstanding actions from the last meeting were reviewed and recorded in the action log.

Action M1/001: Members were advised that Andy White, Alistair Maltby and Andrea Cook had volunteered to be members of the subgroup to look at performance measurement, and that Allen Creedy had agreed to contribute by commenting on papers. An initial meeting will be organised and the observations will be reported back at the next main meeting.

Members were asked to consider and advise the Chair of other potential subgroup requirements.

Action M1/004: An agenda item relating to customer satisfaction measures is scheduled for the February/March meeting and will be presented by Gary Dixon from the company.

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Action M1/006: Robert Light will continue to work on proposals as to how best to engage with appropriate local authority representatives. Gaynor Kenyon recommended that the Regional Leaders Forum may be a useful sounding board in terms of proposals for representation.

Members requested a paper to indicate how the group should move forward on PR19 in view of market reform, including how customer engagement will change throughout the process, and what the relationship between retail and wholesale engagement will be. It was agreed that this would be produced for the next meeting. Members from CCW volunteered to contribute.

Action – Produce a paper to overview customer engagement for PR19

Andrea Cook

Members suggested a further agenda item focusing on issues around customer vulnerability (low income and affordability), and how companies can be more imaginative about how they deal with this and identify what is best practise in the sector. Gary Dixon stated that he and Louise Beardmore were attending a working group on industry best practise and will report back to the panel.

Action – Feedback on ‘Best Practise’ treatment of vulnerable customers. **Gary Dixon/Louise Beardmore**

Members asked the company to share its situation regarding bad debt from business customers (via email).

Action – Produce an overview of bad debt status for business customers.

Jose Davila

An update on the Franklaw incident was provided. Members were reminded that the DWI investigation is ongoing, and that the company is working closely with this. All household customer compensation was paid out by 21st September, with 30k cheques being sent per day. Business customers had received a letter informing them about the claims process and, to date, 488 claims have been received; 167 had been settled and 14 had been declined, with 255 awaiting further information. The company is being very proactive in its management on the outstanding claims.

Members asked which businesses had been disproportionately affected. The company advised that restaurants, cafes and hotels (tourism sector generally) had accounted for a high proportion of compensation claims paid.

The FSB reported that it had received many letters offering thanks to the company for the response to requests to clarify the claims process and that it intends to raise a note to Ofwat to advise that the company’s response has represented best practise. Members echoed this and commented that the implementation of the claims process was a credit to the organisation.

Members agreed that the company was right to challenge claims from any companies which weren’t evidence-based, and that it is only fair to other customers that such challenge takes place.

The company noted it had received 1,464 complaints about the incident and 75% of these were from before the compensation was paid, which could be taken as a reassurance about the appropriateness of the claims process.

CCW reported that they had received very few (40) complaints to date, and most were not about compensation.

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Members challenged as to whether there were any broader lessons to be learnt from the incident. The company concluded that much will come out of the ongoing DWI investigation and the findings of an internal review under Mark Clare, senior independent non-executive director, on behalf of the board. Mark Clare will publish his report in January 2016.

Members agreed that Chair would draft a note to Steve Mogford, UU CEO, to update him of the panel's positive experience in the engagement around the Franklaw incident and the compensation audit process.

Action – Prepare a letter to Steve Mogford. **Andrea Cook**

3. ODI review and update of performance against commitments

The company presented explanatory slides covering details of the outcomes, delivery incentives and business commitments contained in its business plan. Members were reminded that under the company's five customer promises are eleven outcomes representing customer priorities.

These are supported by twenty seven measures of success and four key performance measures. Twenty one of the measures have financial outcome incentive incentives (either penalty/reward or penalty only) associated with them.

Members asked how the penalty or reward manifested itself in company finances, and if they had an impact on customers' bills. The company advised that they were calculated annually and applied at the end of the AMP. Penalty resulted in reduction of financial allowance by Ofwat in future price reviews and reward is applied to the regulatory capital value (RCV).

The company also presented an update on current performance covering the last 9 months (in some cases a full 12 months to December 2015). Outcomes performance was indicated with a red/amber/green status, with red indicating underperformance against target and green indicating good performance.

Members requested the company focus attention of any item that was showing red or amber, or may turn red or amber in the near future and to explain the chief causes of the underperformance. It was noted that this should not imply that the group was not recognising the many items 'on track' but that it has greater responsibility to have dialogue about things that are not going according to plan.

Wastewater performance highlighted includes:

Sewer flooding – Targeting upper quartile performance. Network performance has been good but excessive rainfall has hampered progress. A long process of investigation and validation at customer premises may help, but there is some concern over increases in the last couple of months.

Maintaining wastewater treatment works – a very tough target has been set nationally by the EA. There are issues with the phasing of impacts relating to when new treatment works come online vs tighter standards already being put in place. The EA recognises the concerns, and is working closely with the company to help mitigate these.

Members challenged how the company is managing serious pollution incidents which are shown as green, but have already reached target. The company responded that in this case all measures are in place and working well. There isn't a real and present risk of failure and there is still some debate to be had about the categorisation on incidents that will continue to take place.

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Members commented that future flood risk performance could have an impact on bathing water and river quality. The company responded that the risk measure is derived from modelled data and the models are being improved continually. The company is also doing a lot of work to protect property and its strategy is moving away from high intensity engineering solutions to 'softer' environmentally supportive alternatives.

Members commented and endorsed the view that the company should be very proud of the improvement on bathing waters around the region, which is largely due to UU. Blackpool is now in the excellent category. Cleveleys and Allenby still need attention, but there is an investment "Blue Flag" for Blackpool.

Water performance highlighted includes:

On some aspects of the water service, the company is already in a position where it knows it won't achieve target.

Reliable water service index – this has been impacted by the Sweetloves incident. The measure is a combined 'basket' of measures including bursts, interruptions, low pressure and customer contacts, which is the predominant weighting. The Sweetloves incident meant a significant number of customers were without water for a period of time. This measure will stay red in the longer term.

Members asked what the performance excluding Sweetloves would have been and were advised it would have been green.

Water Quality Service Index – a basket of measures which has been impacted by the number of incidents the company has had.

Water Quality DWI category 3 or above – the target is 12 and the company has had 24 such incidents, which compound each other. These concern problems with colour, taste, discolouration and odour of drinking water, and reflect issues at water treatment works.

Members asked how 24 incidents compares against previous periods, and were advised that it still represents a big improvement and that 24 does not indicate performance is getting worse, just not getting better as quickly as hoped.

Number of Free Meters installed – the rate of request for installation has declined. Feedback from other sources suggests this is in common with peer companies across the Northern region. A lot is being done to understand this, as well as pitching new ways of promoting installation. The plan is for 49% of the customer base to be metered by 2020, with 89% of these being automatic meter read (AMR).

Members asked if there is a profile of the 'perfect person' to target for installation. The company indicated that the segments of the customer base who are on high rateable values, low occupancy, vulnerable (e.g. low income), are most likely to benefit from a meter installation. However customers are cautious about meters and welcome certainty about their bills.

Members noted the stretching targets and asked the company whether anything in particular was disappointing. The company responded that no-one was happy post Franklaw and that a 'root and branch' review of procedures would be carried out. A new Director of Water, Martin Padley is in place and it is hoped he will implement key changes.

Members noted that targets are likely to get tougher during the remainder of the AMP, particularly the upper quartile challenges in year 3.

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Members commented that partnership working was important in achieving performance targets (an example given included farmers being trained about the impact of pesticides) and that such ways of working help to reduce the 'blame culture' across stakeholders and promote real behavioural change.

The FSB is working with EA on a communications strategy around hazardous waste – it was suggested there may be some lessons learnt on how they dispose of contaminants which are worthy of exploring. A copy of the report will be sent to JH and KA.

Household Retail performance highlighted includes:

SIM performance – underlying performance is good but the Franklaw incident has had an impact. The company expects that this will be a short term issue and will be resolved over time.

All other measures are on track.

Members were asked whether for future meetings they felt the content and level of detail around performance was pitched at the right level. Members were generally satisfied, but feedback included a request to look strategically at how the various aspects are interlinked. . Along with this, a 'root cause' analysis would help to set out the things that are outside the control of the organisation as well as 'trending' information to show which measures are worsening or improving.

The company agreed this could be provided.

Action – build in strategic overview of performance, including 'root cause' and 'trending' information into future updates.

Jo Harrison/Gary Dixon

4. Assurance Status

The company gave a presentation on new requirements for reporting and assurance, noting that Ofwat is now being less prescriptive and that it is important that reporting is as transparent, clear and accurate as possible.

Members will need to be integrated into this new requirement and a paper will be circulated to members providing more detail. Internally the company assures its reporting and identifies high profile issues to provide confidence on its actions to resolve these.

Members questioned who the reporting is for. If it's for Ofwat it will be different than if it's for customers. They felt that the UU report would need to reference work done by the panel, but that the panel also needs to be able to demonstrate its independence by producing a report that is separate to the company's.

The company advised that it is reappraising the customer communications process across a number of fronts. Increasingly the website / online is the right channel, and the company is looking at the different layers of requirements to help customers to more easily navigate information. The company will present its proposals at the next meeting.

Action – Present proposals for an effective customer communications process.

Gaynor Kenyon

Members commented that for some customers (e.g. the elderly) the company needs to find a way to ensure they are still included if the emphasis is on website communications, especially as according to Age UK these customers are least likely to be web literate. This was acknowledged by the company.

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Members were asked what their own aspirations were in terms of reporting to the customers that they represent. The aim should be to provide information that is clear and relevant and that customers are interested in reading.

Members agreed that information should be pitched at the level of the average consumer or stakeholder organisation, rather than at the technical expert. It was recommended that two or three members from the subgroup should be involved in the development of this work. Inviting other people to comment from a technical perspective as necessary.

Members noted it would be helpful to have a fuller understanding of how UU sees its customers and market, who they are and what their needs are. The company commented that customer segmentation is now used to help 'gear up' its service offering to make sure it is targeted at the right demographic. A view of current customer segmentation will be built into the customer presentation in the Feb/Mar meeting.

Action – Present a view of UU customer segmentation.

Gary Dixon

5. Recent Reporting

The company presented a summary of two recent reports – the Dow Jones Sustainability Index, and the City Announcement – Half Year Results.

Members noted the contents of these reports and thanked the company for the insight shown in these.

6. Subgroup update – Non-household retail Default Tariff reopener

As the Chair of the subgroup was absent, a brief update was provided by subgroup member Andy White, supported by Jose Davila on behalf of the company.

Members were updated that the company needs to provide a submission to Ofwat for new default tariffs for business and non-household customers by July 2016, and that work was underway to ensure the right level of customer and stakeholder engagement was planned to facilitate an effective submission process and proposals.

The subgroup had contributed to a recent customer research project, aimed at getting customer views of aspects under consideration such as, for example, concepts of fairness in price setting, whether cross-charging was acceptable to customers, and what level of potential saving would make switching suppliers more compelling.

The subgroup reported that the engagement had been high quality and the conclusions, whilst showing a wide range and mix of views, did properly reflect the conversations during the focus groups and interviews. Members noted that the research company, Populus Research, made a good job of feeding back, especially as the subject of 'fairness' is very subjective.

Members asked whether the survey was representative of the non-household customer base. The company responded that a lot of emphasis had been put on getting a broad spread of customers, and that because of the qualitative nature of the research, further analysis in terms of 'slicing and dicing' the results are limited. Further, the research has shown that it is very difficult to obtain quantitative data for the concepts involved.

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The company advised that it will now carry out a 'root and branch' review in terms of continuing to develop its proposals as well as the continuing process of engagement. The chair of the subgroup has agreed to act as a liaison and 'sounding board' for the company in terms of future engagement requirements, and she will bring in other members and feedback to the main group as appropriate.

The company will report back to the next meeting to provide a further update on its position.

Action – provide a status update for the Non-household retail default tariff **Jose Davila**

7. Any other business

There being no further business, the Chair thanked members for their attendance and closed the meeting.