

## Notes from meeting on Thursday 3<sup>rd</sup> March 2016

9.30am Malmaison, Piccadilly, Manchester

### Attendees:

<p><b>YourVoice members:</b>                  Andrea Cook: Independent Chair                  Bernice Law: Independent Deputy Chair                  Tayo Adebawale: North West Flooding and Coastal Committee                  Allen Creedy: Federation of Small Businesses                  Damian Waters: Confederation of British Industry                  Andrew White: Consumer Council for Water</p> <p><b>Apologies:</b>                  Keith Ashcroft: Environment Agency                  Shelley Hewitson: Citizens Advice Bureau                  Paul Glading: Natural England                  Richard Jarvis: Public Health England                  Robert Light: Consumer Council for Water                  Alistair Maltby: The Rivers Trust                  Alice Richards: National Farmers Union</p>	<p><b>United Utilities:</b>                  Mark Abbott: Regulatory Contracts Manager                  Louise Beardmore; Customer Services Director                  James Bullock: Director of Economic Regulation (part)                  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 &amp; Reporting Manager</p>
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### 1. Opening remarks and comments

Members were welcomed to the March YourVoice panel meeting. The Chair also welcomed Louise Beardmore to her first meeting of the panel and thanked Gary Dixon for his considerable service to the PR14 Customer Challenge Group, the YourVoice panel and to consumers over many years.

### 2. Notes and actions of the last meeting held on 3<sup>rd</sup> December 2016, and matters arising:

The minutes from the previous meeting were noted and accepted as accurate. The list of outstanding actions was reviewed, with updates being provided where items did not appear on the agenda. The actions list would be updated where appropriate.

Matters arising included additional actions:

**Action: Members suggested that the issue of CPI versus RPI should be an agenda item for the next meeting**

KD

**Action: Circulate UU's consultation response on the domestic retail market and other matters from the Ofwat consultation list.**

GK

- Members commented that there is a more general point about being asked to 'react' to consultations because of compressed timescales, and that members may need some extra group sessions to consider and formulate a response to consultations. However Ofwat does consider the role of CCG's successor panels as being important in the process.

### 3. ODI review and update of performance against commitments

The company presented explanatory slides covering details of Year 1 performance and outturn and the view for the subsequent years (NB some measures cover a calendar year and some a financial year).

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## 3.1 Wastewater performance commitments summary

The company gave an update on performance against performance commitments, focusing in particular on areas of underperformance which include sewer flooding, bathing and river water quality and maintaining wastewater treatment works. Members asked if the weather had an impact on performance and were informed that it had. The extreme weather event has severely tested operational capacity.

Members asked what aspects were most worrying the company:

- It was noted that the 'maintaining wastewater treatment works' measure is of concern. The Sandon dock development should reduce some of the risk, whilst Davyhulme will remain a concern.
- The Environment Agency is also looking to introduce enhanced measures at wastewater treatment works which could cause the company some issues.
- Sewer flooding will continue to be an issue due to the vagaries of the weather, and the measure will always be demanding.

Members commented that in future, it would be useful if the company could comment on the customer experience impact of any underperformance, especially with the likelihood of increasingly extreme climactic events. This point was considered to be helpful by company representatives.

## 3.2 Water performance commitments summary

The company next presented an update of performance for the water division, again emphasizing areas of underperformance, which include average minutes lost, reliable service index and water quality events.

- Performance had been impacted adversely by the Sweetlove situation and the flooding situation in Cumbria.
- It had been a difficult year for water quality events even though this measure is a real focus for the company. The sheer scale of the recent weather impacts have been unprecedented and difficult to make provision for. The Bolton Sweetlove incident has also had a big impact on UU's SIM score.

Members asked whether there were any lessons learnt for commissioning new plant and the company advised lessons had led to improvements in operational training and recognising the need to optimise day-to-day performance.

There was discussion about the recent flooding, for example in Cumbria and Lancashire where huge numbers of people have been made homeless. The company replied that operational impact on the organisation had been considerable, with huge efforts being made for recovery and partnership working with the EA. In terms of sewer flooding, some issues with pumping stations had been experienced, and temporary pumping points had been installed. The customer impact, apart from those directly flooded, is that generators will be seen operating in the street and reservoirs may become quite turbid, especially Thirlmere.

Future prevention is about working with others to manage impacts.

- All parties need to look at catchments as a whole.
- Upland catchment management is very important and the long-term benefits of proper management need to be demonstrated.
- Managing reservoirs should be in a dynamic way to provide more flood storage, balancing risks against availability of drinking water supply.

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Members commented that a large piece of work is being carried out by Water Minister Rory Stewart, convened as a Task and Finish group, with businesses and communities which need to become more resilient to extreme weather events. The group will meet by the end of April. The aspects being looked at include:

- Immediate response.
- Embedding resilience in day-to-day experience; for example insurance.
- How can homeowners and businesses access information on resilience.
- Identifying what certification framework will make buildings more resilient.

A pilot scheme will be trialled, with funding put in to eight properties that will be made more resilient to extreme weather using practical on-the-ground measures. The properties will be monitored over time to observe any differences in performance against weather events.

### 3.3 Household Retail performance commitment summary:

The household retail areas of underperformance were summarised which include Service Incentive Measure (SIM) scores, and the number of Free Meters installed

SIM – the score has been heavily impacted by Franklaw and the flooding in Cumbria this year and is probably not now recoverable at the level the company had anticipated. The company now predicts that the upper quartile performance is a risk and that second quartile performance is more likely, with the focus on doing the right thing for customers. Underlying performance and stage two performance is good and on track.

Free Meter options – Performance on this measure has picked up after main billing but is still not on target. The company is targeting people on very high Rateable Values with the promotion of free-meter installation, but has had very low take-up.

Members asked why customers do not want to go on a meter, and the various reasons were discussed. Members also asked about industry performance on meter installation, and it was acknowledged that similar trends have been seen by Northumbrian Water and Yorkshire Water.

During discussion, members commented on a billing leaflet about ways to save money that was received, but which was difficult to read, with the link to the website link being particularly small. Members also commented that there is a good emphasis in the leaflet on what can be done to save money. The company noted this and mentioned that it is actively working on communications in this area and recognised that improvement was needed.

### 4.0 Franklaw update

The company presented an update on the Franklaw incident, focusing on the status of compensation claims, and the feedback from the customer research study on the impact of the event.

An update on compensation claims was given by Gary Dixon:

- Number of claims for additional compensation: 353 settled, 42 pending consideration, 84 denied, 271 awaiting further information, and 10 abandoned.
- The profile of the claims where the company is awaiting further information are quite old, and it is continuing to be proactive in prompting customers to provide this information and offering the help of accountants where appropriate.

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- A total of 269,000 domestic customer cheques had been cashed, with around 13,000 remaining uncashed – and, again, UU has been active in trying to resolve this, with multiple attempts to prompt these customers to cash their cheques
- Around 7,000 customers have been contacted by customer service staff, resulting in just over 1,000 cheques being cashed.
- UU is now considering donating any residual funds allocated as compensation, and left unclaimed, to a charity or a community project. Following a discussion with members UU agreed to put any remaining uncashed monies into a community fund. However, if contact was subsequently received from any customer who had not cashed their compensation cheque, it would be honoured.

A sum of £1 million plus the value of any uncashed cheques was discussed and members suggested that an appropriate course of action would be to donate this to the Lancashire Community Foundation.

It was noted that it is important to understand customer views of the event and the company had commissioned research in order to do this. The feedback from the customer research was then presented. The key message is that customer opinions on reputation and trust have not been greatly affected. However there are some lessons to be learnt, particularly for business customers, where it can be seen that tailor-made communications are required in order to address their concerns.

## 4.1 Customer satisfaction

The company presented the ways in which customer satisfaction is measured, for example brand tracking survey, monthly customer satisfaction survey, and 'Rant n Rave' comments received from customers who had an interaction with this. If customers score the experience either one or two (meaning poor service), they are contacted to find out what could have been improved.

It was noted that the company uses a variety of measures for customer satisfaction and has made considerable progress in improving the customer experience. The Brand Tracker "Love Ladder" and retail competitor ranking were seen as particularly useful.

## 4.2 Priority customers

The company presented on how services are being tailored to deal with the needs of customers in vulnerable circumstances. This had been a key message from a recent Ofwat seminar where there can be an impact on people at various stages in their life cycle which can make them vulnerable – ill-health, unemployment, bereavement for example – and which make come to an end. The company is planning to roll out new Priority Service arrangements (replacing the current ExtraCare service) to customers across its operations from May this year.

The company will train agents how to identify 'the suffering silent customers' who may have unvoiced needs to understand whether these could be helped in a similar way.

- There are increasing numbers of asylum seekers in the north-west, and language will be a particular challenge.
- Each of the five local authorities have dedicated departments to deal with third sector, which is considered an example of best practise.
- It is important to understand that customers own their own vulnerability, so recognising that people will have changing and dynamic needs is necessary.

Members commented that the new changes were hugely positive and very consistent with the way in which Ofwat is looking at customer engagement. It was noted that future Ofwat SIM surveys may include

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aspects about customer vulnerability in the question set and members asked whether which data sharing opportunities could be pursued to enhance the customer experience.

Members asked how success would be measured and were advised that hard measures such as the number of people registered could be used, and service satisfaction would be separately measured for Priority customers so that the company can isolate these customer responses.

## 4.3 Customer segmentation

The company provided a presentation on customer segmentation. The key points were:

- The organisation is moving rapidly beyond simple cash account management.
- It is aiming to be more proactive, for example in offering paperless billing and moving to a 'the next best action' approach as part of the customer experience program to target appropriate services at the right intervention.

A video of case study examples was shown and members asked the company to review its procedures to ensure practice matches expectation. It was also noted that aligning language used with other utilities might be helpful. The company noted this and stated that it needs to ensure that it doesn't stereotype customers.

## 5.0 Subgroup reports – non-household retail price reopener

The chair of the subgroup introduced an update from February's meeting and indicated to the panel that quantitative customer research is the next step in customer engagement.

The company noted that the members of the subgroup had been involved in formulating the questionnaire material and were welcome to take part in the pilot testing that was due to take place in the next few weeks.

The subgroup had been requested to provide a report on engagement and that this needed to coincide with the business case submission to Ofwat in July. It was expected that the first draft of the report would be presented at the next main meeting in late May/early June.

Members asked whether the proposed joint-venture company of UU and Severn Trent would need to accept the research done on behalf of United Utilities Business Retail. After discussion, considering Ofwat deadlines, potential CMA decision timescales and other factors, members concluded that the panel will have to ignore the joint-venture activity and proceed as it was before.

## 5.1 Subgroup reports - customer communication & reporting.

The chair of the subgroup highlighted that the subgroup had met to look at regulatory reporting and governance arrangements for the YourVoice panel. It was suggested that the panel might use a company such as Populus to reinforce independent assurance of the panel's performance.

Members asked whether there was a collective idea of what it would see as success. Reference was made to the terms of reference, and that how much time the panel spent in discussing and challenging the company could be ways of demonstrating success.

Members noted that the forum is a two way method of hearing about and influencing future plans. It will look at issues that are raised by the constituent groups and consider the degree of influence it is asserting.

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The chair asked that members look at the board appraisal process and critique how well it fits the purpose of measuring how the panel is performing.

**Action:** Company to create a challenge log recording panel challenges and what the company has done with those challenges. KD

**Action:** Company to circulate the templates of board assurance papers. KD

## 6.0 Market reform

The company presented a short update on market reform for the non-household customer market, and explained how United Utilities was addressing the challenge of preparing for market reform. The company stated the need to change the way it operates to introduce a degree of separation between retail and wholesale services for business customers.

Members noted the presentation made by Mark Abbott and commented that the information was very clear and succinct. They also commented that noting the confidentiality issues, they would like to know more about the preparation, for example any press release information is helpful and more regular feedback between meetings would be welcomed so that members can think through the issues.

The company noted this was a sensible approach and would aim to comply.

## 7.0 Any other business

The company requested that two items go on the agenda for the next meeting; the first one is the Abstraction Incentive Mechanism (AIM); the second is a discussion on the company's Drought Plan.

The date of next meeting to be targeted around Tuesday or Wednesday the 24th or 25th of May. An additional meeting to also be planned for the summer period to help deal with the number of issue that will need to be addressed. This will be arranged for July, potentially targeting dates around the 5<sup>th</sup>–7<sup>th</sup> or the 19<sup>th</sup> – 21<sup>st</sup>.