

## **YourVoice Customer Panel**

### **Notes from a meeting on Wednesday 30th September 2015**

#### Panel Attendees:

Andrea Cook: Independent Chair

Bernice Law: Independent Deputy Chair

Tao Adebawale North West Floods & 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

Andrew White: Consumer Council for Water

#### **Apologies:**

Paul Glading: Natural England

Shelley Hewitson: Citizens Advice Bureau

Damian Waters: Confederation of British Industry

#### **United Utilities attendees:**

Mark Abbott: Regulatory Contract Manager

Gary Dixon: Domestic Retail Director

Jo Harrison: Asset Management Director

Gaynor Kenyon: Corporate Affairs Director

Ken Dillon: Secretariat, Customer Research & Reporting Manager

#### **Welcome & Purpose of the YourVoice Customer Panel – Andrea Cook**

Members were welcomed to the meeting, new members thanked for attending, and the purpose of the meeting was explained. The aim was to create an environment where people would feel comfortable to share information, including declaring any lack of knowledge, and challenge each other, with confidence that they could say what they needed to say without criticism or ridicule.

Members gave a short introduction to each other, along with an indication of individual areas of interest / expertise. The panel concluded that there was a good mix of representatives, both established members and some 'new blood' as well.

#### **Terms of Reference – Andrea Cook**

The panel noted that they were in a transition from the PR14 Customer Challenge Group, which was robust, focused and highly influential in the last Price Review process. The new group will face different requirements focused on making sure the business plan

commitments for customers are delivered. Members agreed that they would want to maintain the same degree of rigour on the journey through delivery against commitments.

It was emphasised that in respect of new members, the panel had looked to bolster the business representation, and was mindful that although large business users should have a voice, smaller businesses (such as hairdressers, small hotels and restaurants) need a stronger presence.

Members were referred to the slide containing the draft Terms of Reference and asked to advise of anything else that should be added.

The panel asked whether any invitees had turned down membership and were advised that Age UK had been asked to provide a representative but had not been able to field anyone with regional responsibilities. The Association of British Credit Unions was invited but had declined, and a Local Government representative was still being pursued. The Federation of Small Businesses and the National Farmers Union were new additions.

The panel thought that the Terms of Reference as drafted were mainly about the transition role and that they would need to be developed to incorporate the requirements of the next price review process, pending guidance from Ofwat as to what they might require from companies and the customer scrutiny process for PR19.

Members queried whether they could share other new CCG terms of reference to identify any gaps and the Chair advised of a meeting planned for all Customer Challenge Group Chairs on 19th of October and agreed to raise this.

Members debated how they would assess how effective they are in their role in challenging the company. There was agreement that a subgroup should be formed to consider the question of how to assess the panel's performance, along with deciding what the most appropriate key performance indicators are.

Action: It was agreed that a Performance /KPI subgroup would be established - Andrea Cook to consult with members and progress

In closing the discussion, the panel agreed that it should continue to revisit the Terms of Reference to ensure they are fit for purpose on a six-monthly basis.

### **Franklaw Incident Update – Gary Dixon**

Gary Dixon (GD) gave a comprehensive account of the events leading upto, and during, the recent water quality incident at the Franklaw Water Treatment Works, where traces of the cryptosporidium parasite were found in water samples. This led to 'Boil Water' advice being given to 320,000 customers during the period between 6th August and 6th September.

GD emphasised that even though ex-gratia compensation had been paid to all customers impacted, there would be no impact on customers' bills as a consequence.

Members asked GD to comment on the process of independent auditing of compensation claims. He advised that customers will be required to provide evidence of any extra loss they have suffered (over and above the 'standard' compensation payments of between £50 and £60). A random sample of cases will be assessed by a small taskforce comprising Andrea Cook, Bernice Law and Damian Waters, and they will provide their observations and learning points to United Utilities. The audit will take place on the basis of around 15% random sampling.

If customers are still unsatisfied, they can still apply for a formal review by the Consumer Council for Water (CCW) linked to Alternative Dispute Resolution (ADR). GD remarked that 200 claims were currently being considered from business customers, and all would be looked at carefully.

The panel were asked to note a number of concerns from some constituents of the Federation of Small Businesses (FSB). A file was passed over containing a full summary of these to GD at the close of the meeting, in the spirit of enabling the company to learn from this event. General observations included :

- The FSB has more than 2.5k members who believe the incident has had a negative impact.
- Better guidance on what constitutes a 'good' claim should be provided.
- Bookings for some small hotels in and around Blackpool had to be cancelled – claims should allow for this loss of revenue.
- The incident raised the question of where the consumer goes to for help in a crisis situation following market reform.
- The definition of vulnerable customers should contain reference to some small businesses.
- CCW's statutory responsibility to agree compensation should include the need to consult with small businesses.

The company responded that they understood any frustration, but they were fully committed to allowing reasonable claims. There was no obligation to pay compensation under the GSS regulations but it considered that it had been the right thing to do.

CCW commented that they had been consulted on the process, and that there had been discussion on how to deal effectively with small businesses. They were very conscious of the potential impact on this category of consumer.

Members observed that the discussion could very easily have been about flooding and that it was interesting to hear about how the organisation had responded. Trust and the source of that trust is a key concern in terms of rebuilding customer confidence – there is always

the need to balance the risk of over-optimism vs realistic expectations of how the incident may play out. The panel said that it would be interested to understand the cost impact of the ultra-violet treatment and the full costs of the incident to the company.

Action: Provide summary of the full cost impact of the Franklaw incident – Gary Dixon

Members reflected that the definition of vulnerable customers can be very broad. If small businesses were included there would need to be a clear distinction about how different categories of vulnerable customers can be affected. Also, consumers take the water they get for granted. Panel members raised the question of how the industry can communicate to customers that what they receive for the money they pay is actually very good value for money.

GD commented that vulnerable customers in this case were, for example, people who were physically unable to boil water. Although the company had a list of customers on the ExtraCare register, it also spoke to multiple agencies (such as Local Authorities, Emergency Services etc.) to improve its knowledge during the incident, and was also investing in additional customer data to improve ongoing understanding of customers' views.

It was commented that it was ironic that the company had to pull out of the Livestock Fence proposals in Cumbria at the same time that the Franklaw incident was ongoing. Gaynor Kenyon (GK) responded that the company had looked at the costs of building a new water treatment works, which would be the long term alternative (with the attendant disruption and cost), but this was not viable. The company had received 133 objections to the Fence and has to find a solution, but this did not need to be a priority. The current prime objective is to build the new pipeline.

Members reflected that what had happened is a civil contingency, and the issues need to be dealt with in strict priority order. The panel was conscious that such issues can happen but it is important that lessons are learned. Members agreed that the company needed to ensure that it didn't end up in a position where financial drivers forced it to manage such incidents less than optimally.

### **Price Review outcome – Our plans 2015-20 – Mark Abbott**

Mark Abbott (MA) presented an update to explain what the impact of the Final Determination and follow-up discussions with Ofwat had had on the company's plans. Outcomes are challenging, particularly in wastewater, but Ofwat had accepted the case for higher levels of domestic retail costs based on the higher levels of deprivation in the region. The PR14 group had been fully supportive of this and had lent weight to the argument.

Household customer bills in 2019-20 at £379 will be 2% lower than current average bill levels of £388.

## **Performance Commitments & Outcome Delivery Incentives – Jo Harrison**

Jo Harrison (JH) presented an update to explain the company's outcome commitments and delivery incentives at a strategic level, highlighting the key challenges in the water and wastewater outcome delivery plans:

Key wastewater challenges by 2020:

- Reduction in wastewater treatment works failing or operating at risk
- Reduction in wastewater pollution incidents with no category 1 or 2 incidents
- 13% reduction in the number of sewer blockages
- Upper quartile industry performance on sewer flooding
- 100% of the capital programme delivered on time

Key water challenges by 2020

- DWI water quality category 3 and above incidents reduced to 7
- Average minutes lost per property down to 12 minutes per year
- Achievement of leakage targets
- Significant reduction in customer contacts relating to water quality
- 100% of the capital programme delivered on time

Members asked whether the company will use other insights to test customer satisfaction with value for money along with the Brand Tracker. GD reiterated to the panel that the contractual measure for customer satisfaction will be from the Brand Tracker survey.

Panel members asked how the company promotes the environmental initiatives around beaches, commenting that often people don't value these because they don't understand them.

Also, the multiplier effects of investment in the locality of beaches have been understated and the company could have justified a higher level of investment.

The outcome that states "your wastewater is removed without you ever noticing" could be better supported by communications to customers to remind people what is actually involved.

## **Performance Reporting – Mark Abbott**

MA presented a briefing on the company's requirements and plans around performance reporting, as well as on the assurance regime assigned by Ofwat (slides refer). He advised that the company intends to provide a regular performance update at future YourVoice

meetings and publish a summary of performance online. The company is also seeking YourVoice feedback on its consultation and assurance plans.

Members asked when the company would be ready to start to share performance data, as this is a key focus of the panel. JH responded that the company expects to start to discuss performance at the next meeting due to be held in January 2016. The panel requested that the timeline be brought forward if possible, so that a December meeting could look at the first 6 months of outturn performance, and the company agreed to look at this.

Members asked the company to consider a formal report to update what data is to be included, when this will be available, how the panel is expected to review this etc.

Action: Briefing paper on the approach to performance reviews to be prepared by Gaynor Kenyon

The panel members questioned who the key audience for the reports would be as this would influence the format, content and style. If this was meant for customers, it would need to be made as accessible as possible. MA responded that YourVoice members could influence the style and format of the report.

Members agreed to consider whether the requirement to examine communication and reporting issues could be combined with the previously suggested subgroup on effectiveness.

Action: Subgroup to consider customer reporting requirements – Andrea Cook

Members commented that they were keen to understand how the company takes into account major emerging requirements into its plans and targets. MA responded that the company needs to take decisions and trade-offs along the way. The panel commented that quarterly reviews will allow the panel to monitor, review and log such decisions so there are no surprises on the journey.

Members asked MA to describe the process the company would adopt if an agreed target becomes inappropriate. MA responded that if the company judged that a target is no longer appropriate, on balance, it could choose to under- or out-perform the target, if this was cost effective and if such action was in the best interests of customers.

Members noted the Responsible, Accountable, Consulted and Informed (RACI) approach to stakeholder management and that it would be consulted in respect of performance delivery.

Members highlighted that in the energy sector the issue of who owns smart meters became a key issue which saw the emergence of third party intermediaries. It was predicted that a similar emergence is likely in the water sector and the panel would have to reflect on such issues and any potential conflicts of interest.

The panel asked if they could have sight of the key headlines for the company's response to Ofwat's Water 2020 paper. GD commented that United Utilities had produced a wide ranging response which was published on the website. MA said it would be useful for members to have sight of this and to comment on some of the concepts contained within the consultation.

The panel asked whether risk assessments were carried out associated with geographical areas or business sectors, for example for parts of the region subject to flooding risk. JH assured members that the environmental risk assessment approach was very comprehensive. She said that resilience is 'top of the agenda' in terms of 'business as usual' and she is leading a review of resilience of water and wastewater assets to 'reinvigorate' what the company does.

The panel members were asked whether they were generally clear about what the baseline is, and where the panel was starting from, and confirmed this.

Members were keen to understand the way customer satisfaction is measured and GD said he would be happy to take the panel through the approach at the next meeting. (Now proposed for early 2016)

Action: Presentation of a summary on customer satisfaction measures – Gary Dixon

The panel asked how the Franklaw incident had impacted on the 2015-20 programme. JH commented that there was very little impact as the water supply had not been lost. In some ways the incident at Sweetloves in Bolton had resulted in greater impact. The review of resilience should highlight areas where further investment might be needed to provide the correct balance.

The company was asked how long before it expected the impact of the incident in Lancashire to show in customer satisfaction results. GD replied that it was already showing. The Service Incentive Measure (SIM) survey data on water quality was taken right in the middle of the incident occurring and the results had been reflected in a deteriorating score.

### **Subgroup report – non-household retail re-opener - Bernice Law**

The panel was informed that a subgroup had been convened to help consider a resubmission for non-household retails tariff arrangement during 2016, with a greater emphasis on stakeholder engagement in this area. Customer research is planned and the subgroup had been briefed on this. The group would be consulted on the survey questionnaire and materials over the next few weeks. It was agreed that this would be facilitated via email and potentially conference calls to minimise the need to meet as a group.

More generally, the panel discussed the reasons why subgroups had been used in the past, including that they allowed for an in-depth investigation of complex subjects, by members

with appropriate skills and experience, who then reported back to the main group. The panel was advised that members were free to volunteer and to help determine how many subgroups would be needed and for what purposes.

Action: Circulate a note to canvas subgroup suggestions and membership – Andrea Cook

### **Panel Membership and Induction – Bernice Law**

The panel was asked whether members felt there was any remaining gap in membership. Members mentioned that there was no representative from the third sector / charities, and were reminded that normally the Citizens Advice Bureau would be present. It was suggested that housing associations might be a candidate for the future, particularly around PR19.

The discussion then turned to local authorities and the difficulties associated with acquiring someone who could provide a voice for the sector rather than for an individual local community.

Actions: Follow-up local authority contacts and report back – Robert Light

The panel was asked whether it had any links with academics. There were two elements to this; firstly, for technical advice; and secondly, for improved knowledge about public policy. Members agreed that the panel needs to make sure those channels aren't neglected. The members agreed that the panel needs to be able to consult or to commission expertise where necessary.

Members agreed that it is important that the panel considers what the communication strategy around their work should be.

### **Inductions – Andrea Cook**

The panel was advised that inductions can be arranged for any members who think they may benefit and especially any new members who may need to understand more about the company or the water industry. One of the aspects that worked well for PR14 was site visits. It is possible to organise similar visits if members would like to attend. Members agreed it would be helpful to get an idea from each member what they might value by way of induction activities.

Individual members stated that would like to get a clearer idea of how the business worked, including to get the direction of travel in terms of market reform. It was accepted that although the area of market reform is of interest, with the provision for additional services to businesses, including water efficiency, business separation does raise issues around potential competitive advantage and there is a need for clear lines of separation in terms of what can be discussed at future meetings. Panel members were asked how they could take messages back to their own organisations and make sure there is an appropriate level of interaction. Members asked whether every water company has a legal duty to be

sustainable and that the strategy behind the plan needs to consider sustainability. The company said the key aim is to drive behaviour change so that sustainability is embedded in the way the company works.

### **Future Meetings – Andrea Cook**

Members were advised that the plan is to structure meetings around key events (e.g. performance reviews, communications and events). A chart setting out the suggested agenda items for future meetings was included in the presentation pack.

Action: Agendas for future meetings to be confirmed by Ken Dillon

Members requested whether the next meeting could be brought forward from Jan 2016 to late 2015 and contain an earlier review of performance delivery. A suggestion was made that this could be done sooner if it were delegated to a subgroup but members agreed they were reluctant to delegate monitoring of ODIs because it is crucial to the purpose and understanding of the whole panel. However any drilling down into specific aspects of performance could be delegated.

It was agreed to target the next meeting for the end of November / beginning of December, and then to move each successive meeting forward by a month;

- January moves to Late November/early December
- April 2016 moves to February/March
- July 2016 moves to May/June
- October stays as is for the time being

The panel was advised that a draft of a non-disclosure agreement between the company and the panel members would be given out at the end of the meeting. Members were asked to consider the wording to make sure they were happy to sign this. At the same time the company was asked to get its legal team to look at the wording again, especially in relation to the potential separation of the retail business, to make sure it is all fully compliant.

### **AOB – Andrea Cook**

GD advised the panel that he intends to retire at the end of the current financial year and announced that an internal candidate, Louise Beardsmore (LB), who is currently Head of Organisational Development and Business Change, has been appointed Interim Customer Services Director. Louise will be working with GD from now with a view to taking over this area of the business fully in due course.

GD will continue to attend the YourVoice sessions until LB is fully on board. GD was thanked for his very valued service to United Utilities and to customers and members wished him well for the future.

The Chair then thanked members for their attendance and closed the meeting.