

**MINUTES OF
CUSTOMER ENGAGEMENT PLANNING FORUM MEETING
HELD ON TUESDAY 12th November 2013
AT 10.00 A.M. AT LONGHAM LAKES.**

PRESENT: Charles Howeson (Chair) – CH
Philip Warr (Deputy Chair) - PW
Roger Harrington (SBW) – RH
Tracey Legg (SBW) –TKL
David Harrison (SBW) –DH
Lindsay Cass (Christchurch & East Dorset BC)
Gillian Mayhew (Consumer Council Water)-GM
Ed Vidler (Consumer Council Water)-EV
Stephen Russell (Environment Agency) SR
Alastair Elder (Jacobs) - AE
Mike Holmes (Borough of Bournemouth) MH
Caroline Coleman (CCWater)-CC
Jonathan Holyhead (Dorset Blind Association)-JH
Douglas Kite (Natural England)-DK

APOLOGIES: Jacky Atkinson (Drinking Water Inspectorate)-JA

	Action
<p>1:Welcome and Apologies</p> <p>Apologies received from Jacky Atkinson(DWI) CH advised the members that JA had already written her contribution on the Business Plan so her absence would not impact on the process.</p> <p>CH explained that this meeting should be regarded as the closure meeting although it was acknowledged that further communications between members would be required to complete the process. All members have seen the full draft SBW business plan but had not read it in depth yet.</p> <p>The meeting would allow a discussion and questions from the members about the plan, and then the process of writing the final report to send to Ofwat would be agreed.</p> <p>PW asked if SBW could address the issue of corporate social responsibility and SBW's approach to social tariffs.</p> <p>RH responded on behalf of SBW: there is no change to the spirit of the plan but there are a few last minute changes forced upon all water cos following last minute guidance from Ofwat. All water cos had received a</p>	

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letter from Ofwat encouraging them to be aware of the sensitivity of socio economic conditions.

As a result of this SBW, with the approval of the board proposed to freeze prices for 2014/15, provided Ofwat agreed to waive the need for a formal annual price review (known as The Principal Statement) and that the freeze was bringing forward part of the 2015/16 price reduction not additional to it. This would then allow a price profile of a -4.4 k in year one followed by four years of -0.5 k

CH asked if this would affect SBW's credit rating; PB replied that Moody's had already advised that this would not be viewed as a credit negative for any but the highest geared big companies.

Discussion took place about the pros and cons of such a pricing strategy and SBW agreed to produce a short paper on this subject for the members which will be circulated post meeting.

PW observed that water was becoming political and asked how SBW would respond to forensic questioning of bills and was this an admission that customers had been over charged in the past. PB replied that it would be explained as bringing a price cut back from the future rather than forward from the past.

EV pointed out that the proposed payment profile reflected customers views for a smoothed profile.

GM said SBW should be encouraged to promote this payment profile to their customers.

All members were advised that any requests from the media should be referred to CH or PW.

PW raised the subject of debt collection and social tariffs.

MH raised the subject of competition

CH invited RH to comment on behalf of SBW.

Debt collection and social tariffs

RH explained that in SBW £4.35 is effectively added to each bill to cover bad debt and collection costs; PW asked for a breakdown of this into actual debt and collection costs. SBW to provide by group e-mail after the meeting.

SBW

Recent research had provided conflicting customer opinions about social tariffs, with 29% of those interviewed stating they would not be prepared to pay anything for a social tariff. However SBW acknowledged that this research was not conclusive and more detailed research would be carried out in 2014. Customer support was imperative but the recent customer engagement shows it is not there at the yet.

GM pointed out that research should be with HH customers alone as NHH customers should not be asked to cross subsidise HH customers where most of the bad debt is and who cannot be disconnected.

Competition

RH explained that the cost of setting up a competitive market was still under discussion at Ofwat, under the Open Water program. SBW's view is that competition will not be mainly based around price but more around service. The company's strategy is therefore to ensure excellent service

<p>SBW are actively increasing communication with NHH including inviting customers to seminars. Market opens from 2017.</p> <p>Small NHH customers are treated with the same levels of service as HH.</p> <p>PB further advised that being innovative to keep costs down was a key element in a competitive market; SBW were currently involved in in ground breaking partnerships with software engineers to improve power consumption and reduce the maintenance program, the forecast savings from which are included in the Business Plan efficiencies.</p> <p>Large nationals such as supermarket chains would be difficult to retain if they wished a single national water retail supply company.</p>	
<p>2: Minutes of last meeting and matters arising</p> <p>These were AGREED with no matters arising. They will now be published on the SBW web site.</p>	SBW
<p>3. The Business Plan</p> <p>CH asked EV to lead discussion;</p> <p>EV advised that he felt the plan was very well written.</p> <p>EV asked the groups role in assessing SBW`s costs. CH felt that it was important that we confirmed to Ofwat that the CEPF have questioned the issue of SBW costs in relation to the plan. Several of the challenges have been cost related. MH and PW pointed out that SBW had always been completely open and transparent about costs and this fact should be reflected in the CEPF report.</p> <p>EV questioned the energy costs in the Business Plan costs PW asked about SBW`s future energy buying plans.</p> <p>PB replied that SBW had followed Ofwat guidance on forecast energy prices and this was built into the costs in the plan; he further advised that SBW`s approach to energy costs focussed more on value and stability rather than trying to beat the wholesale trading market in the short term.</p> <p>EV asked what degree of certainty that the energy costs built into the plan are correct.</p> <p>PB replied that by following Ofwat`s guidance and PWC`s advice, we have modelled to see whether a change in the forecast would be an catastrophic issue for SBW and shown not to be.</p> <p>RH further advised that over the past 10 years SBW have been through a range of procurements, including the use of a trader which had worked well but SBW had moved away from such an approach because of risk</p> <p>EV asked if there was any scope to reduce costs by reducing the amount of production losses.</p> <p>RH advised that production losses were reported to management every month and currently ran around 4.5%, used for backwash and sand filter cleaning. Recycling this water is not cost effective. Production losses are</p>	

<p>reported to the EA annually.</p> <p>EV queried whether all the narrative in the business plan was always within the spirit of the willingness to pay research.</p> <p>TKL advised that the Cost Benefit Analysis work done by the company used monetary values not utility values. Our approach to CBA has been reviewed by Halcrow and their report can be circulated to the CEPF. This clarified the matter and allayed the concerns although all members were asked to contact the company if they had any concerns or queries in this area. SBW to forward Halcrow's e-mail to GM</p> <p>CH invited all members to offer their opinions on the plan.</p> <p>LC had found drafting minor points which needed looking at and he will e-mail DH with these.</p> <p>SR felt that the final version would be improved if slightly reduced in size as there is a lot of repetition.</p>	<p>SBW</p> <p>LC</p>
<p>4: CEPF Report to Ofwat.</p> <p>AE advised the meeting that the report was almost ready; he wanted tables W1, W2 and W2a to complete report; SBW to provide by 19/11/13.</p> <p>EV, GM and CC to discuss final details of report post meeting.</p> <p>CH noted that SBW had always been very open in all areas, be it long term strategy or cost detail and had made changes where appropriate. This had meant that the CEPF process had been very successful and this should be recorded in the report.</p> <p>AE then to post to DH at SBW on 13/11/13 in order for SBW to check for technical accuracy. SBW to then circulate to all members on 15/11/13. All members to read and approve by 18/11/13.</p> <p>AE to prepare a separate one page summary to complement SBW's published version.</p>	<p>SBW</p> <p>ALL</p> <p>AE</p>
<p>7: Date of next meeting.</p> <p>CH advised that this could not be confirmed as this was dependant on Ofwat's categorisation of the Business Plan. A meeting is scheduled for 18th March 2014 but may change.</p> <p>Meeting closed at 12.20 pm</p>	