

**MINUTES OF
 CUSTOMER ENGAGEMENT PLANNING FORUM MEETING
 HELD ON TUESDAY 24th September 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
 Peter Bridgewater (SBW) – PB
 David Harrison (SBW) –DH
 Lindsay Cass (Christchurch & East Dorset BC)
 Jacky Atkinson (Drinking Water Inspectorate)-JA
 Gillian Mayhew (Consumer Council Water)-GM
 Ed Vidler (Consumer Council Water)-EV
 Alan Burrows (Environment Agency)-AB
 Alastair Elder (Jacobs) - AE
 Mike Holmes (Borough of Bournemouth) MH
 Douglas Kite (Natural England)-DK
 Caroline Coleman (CCW)-CC

APOLOGIES Jonathan Holyhead (Dorset Blind Association)-JH

	Action
<p>1:Welcome and Apologies</p> <p>Apologies from Jonathan Holyhead; CH advised that Jonathan had read the draft business plan and commented that he had no issues or concerns.</p> <p>CH welcomed the members and advised that after the meeting the research subcommittee of the group would be meeting immediately post meeting to deal with a serious challenge to the acceptability testing process (to be minuted separately)</p> <p>CH advised that following a meeting with Ofwat he believed there were 5 areas that companies must satisfy to achieve “enhanced” status;</p> <ul style="list-style-type: none"> • Excellent governance • Excellent performance • Excellent business plan • Sensitive to reflecting PR09 gains from lower cost of capital in PR14 prices • Customer bills to be at or below inflation. 	

<p>PW believed that including inflation in the plan is misleading for customers; this however is an Ofwat instruction and CH confirmed such discussions were outside the jurisdiction of the CEPF</p> <p>PB advised that although some costs will increase by more than inflation eg power, the ~3% inflation forecast was an integral part of the process.</p> <p>PW asked what effect efficiencies in power consumption would have over the 5 years; PB advised 8-10% approx. RH further advised that power consumption per unit of water delivered had been gradually falling throughout PR09.</p> <p>CH asked the 4 regulators (CCWater, Environment Agency, Drinking Water Inspectorate and Natural England) if they were aware of any issues from their own areas of activity which may have a significant effect on SBW going forward. All replied in the negative.</p> <p>CH asked Roger when a full version of the business plan would be available to the members; RH advised that he needed to assess position and reply within the next few days</p>	
<p>2: Minutes of last meeting</p> <p>These were AGREED with no matters arising and will now be published on the SBW web site.</p>	SBW
<p>3: Discussion of draft business plan.</p> <p>This had been circulated previously and questions were invited from the members.</p> <p>PW : what weighted average cost of capital was being used; RH replied 4.5% was the estimate currently being assumed in the Company's modelling. This 1% reduction is in line with base case assumptions being used by Moodys</p> <p>PW: asked about cost of debt; PB advised that SBW had an Artesian loan over 25 years and explained the position regarding covenants and overall debt levels; SBW had investigated re-structuring of debt but it was not cost effective to do so.</p> <p>EV asked if the small company premium was included in cost of debt and PB confirmed it was.</p> <p>GM asked about the changes to RCV depreciation; PB advised that during AMP5 RCV depreciation was higher than capital spend so RCV has been falling; SBW are currently an outlier in industry and to correct this we would need to defer returns until later, maintaining a level RCV.</p> <p>GM also asked why SBW was applying the reduction to bills in year 1 as a consequence of the changes to RCV depreciation as opposed to spreading the adjustment over the 5 years.</p>	

RH said that it was better and more transparent to make the adjustment in year 1.

PW asked if our level of debt was acceptable to Ofwat; RH replied we are currently in the middle of Ofwat's range for this.

EV asked about the gain share aspect of our business plan, should it be spread over the 5 years or given in year 5; RH replied that is more transparent to do at year 5.

AB asked if there was any difference between the WRMP and what customer research had uncovered. RH replied customers WTP for 5% reduction in leakage which needs to be reflected in WRMP.

LC asked why there was no mention of community involvement in the plan. RH responded that it was a very difficult subject to portray in writing. CH suggested that the best generic term for this was "Doing the right thing"

DK asked how staff benefit from the measures of success? RH replied by describing the existing staff performance benchmarks and advised that these would be re-visited in the light of the business plan.

MH pointed out that there should be a summary version of the business plan written in customer friendly language.

EV queried the term "incentives"; RH confirmed they were one sided "incentives" (an Ofwat term) and only penalties were applied.

RH advised the members of a fundamental uncertainty for the next AMP period, that of competition. To open up the market will involve significant set up costs and to date Ofwat do not know how these will be funded. RH further stated that it was hoped that Ofwat would provide an indication of these costs for water companies by mid October

GM asked if Ofwat were allowing for this in business plans. RH replied no.

CH invited the members to conclude this discussion and asked if there were any areas of significant concern; no members had any significant concerns so the meeting agreed that if the detail of the full plan reflected the spirit of this high level version then support would be forthcoming from the members.

4:Updated measures of Success

TKL went through this paper for the members and answered questions. The following minor changes are to be made after suggestions by the members.

- Taste and appearance: amend performance wording to read "average of last 5 years"

<ul style="list-style-type: none"> • Penalty on reducing risks of interruptions to 12000 customers' needs to be re-worked • SIM trigger for incentive change to 89 • Leakage repairs trigger:- check if 7 days means 7 <i>working</i> days; also SBW to check if power costs are included in SELL • Healthy natural water environment : review score • Excellent Corporate Citizen: consider whether excellent corporate governance and working safely are suitable barometers for MOS. • EV asked what had happened to 'Value for money' as a measure of success. TKL said that she felt it was incorporated under the Outcome of 'Fair customer bills' but would check and confirm this to the CEPF. 	
<p>5:Acceptance Testing Interim Report.</p> <p>DH distributed a short initial summary following the focus groups held last week which indicated a good level of acceptance for the overall business plan. The full report of both the focus groups and the "hall test" work, along with the independent peer review of the willingness to pay research will be presented to the CEPF on the 22nd of October. An emergency meeting of the research subcommittee was held immediately after the meeting to deal with a serious challenge from CCWater over the structure of the Hall Test questionnaire and stimulus material. Details of this emergency meeting will be reported separately.</p>	
<p>6:CEPF involvement between now and submission day 2nd December.</p> <p>Members reminded of two remaining meetings before submission date of the 22nd of October and 12th of November. Also the members need to arrange without the administrative involvement of SBW the production of their report to OFWAT</p>	
<p>7: Date of next meeting.</p> <p>22nd of October</p> <p>Meeting closed at 12.40pm</p> <p>.</p>	