

MINUTES OF 18th MEETING OF THE WESSEX WATER PARTNERSHIP

**Meeting held at Wessex Water, Claverton Down, Bath
Friday 16 August 2019**

Present	Dan Rogerson – Chair (DR)	Wessex Water (WW)
	Jeremy Hawkins – Independent report writer (JH)	observers:
	Richard Cresswell – Catchment Panel Chair (RC) <i>[by phone]</i>	Sue Lindsay (SL)
	Michael Barnes – CCWater (MB) <i>[by phone]</i>	Phil Wickens (PW)
	Matt Vaughan-Wilson - Money Advice Trust (MVW)	Neil Wilson (NW)
	Martin Green – Age UK South Gloucestershire (MJG)	Matt Wheeldon (MW)
	David Heath – CCWater (DHe)	
	David Hawkes – Advice UK (DHa)	
	Sarah Cardy – Citizens Advice (SC)	
	Ian Walker – Bath University (IW)	

Apologies:

Nicola Morris – Student Representative Bath University (NM)
Kevin Ward – Environment Agency (KW)
Gillian Camm – Non-Executive Director Wessex Water (GC)
Andy Pymer (AP)

Key points and actions from the meeting

- Welcome and minutes and actions from previous meeting**
No changes to previous minutes. Minutes were signed by DR on behalf of the attendees.

NM has decided to stand down from the WWP now that her studies at Bath University have come to an end. Members asked for their thanks to be minuted for Nicola's contribution. It was agreed that a new student rep would be considered for the WWP from April 2020.

The WWP also asked if we could thank Katherine Mining for her secretariat support over the last few years.

There were no declarations of interest to record.

2. PR19 Draft Determination overview

PW gave an update on the Draft Determination (DD) and process for engagement with Ofwat. Members had the following points:

- DR asked how the SIM reward calculation has changed. PW explained how the incentive mechanism worked for PR14 and the change that had been made for the DD. WW is not clear why the calculation has changed particularly as C-MeX is aligned to the PR14 approach. WW will be making representation on this point to Ofwat.
- DR asked about the final position on average bills in the DD. PW confirmed WW would continue to have one of the highest bills but SWW would still have the highest
- SC asked how WW is measuring the impact of the DD on customers. PW confirmed that in all representations to Ofwat, WW is putting why any change is in the interest of customers. There is also a backstop position of a CMA referral. If WW doesn't get funded in the Final Determination then it will need to focus on what's most important to customers.
- DHe stated that the CCWater Board is concerned about specific reductions in investment that don't match customer preferences and asked whether this applied to WW. PW confirmed WW doesn't have large schemes. However, customers want us to cut leakage for example but this hasn't been funded by Ofwat so this is against customers' preferences.
- DHe also stated that CCW feel Ofwat has overestimated the cost of capital although the latest Ofwat figure is within CCWater's range.
- DR queried whether Ofwat is expecting WW to deliver leakage reduction as part of BAU. PW confirmed that Ofwat is expecting WW to achieve the reduction without funding. NW confirmed there is also no additional funding on supply interruptions and pollutions.
- JH asked if this situation was unique to WW. PW confirmed it is not unique to Wessex but that Ofwat has funded 2-3 companies for leakage reduction, the best performers on both ways of measuring leakage. WW does not perform as well when measuring leakage on a per property basis.
- DHa asked if WW is going to make a referral to the CMA. PW confirmed it is under consideration and will depend on the Final Determination.
- JH asked about the substance of representations to Ofwat on the DD. PW confirmed WW would be providing both new evidence where it was available and pointing to evidence already provided.
- MG asked for confirmation of the bill range. PW confirmed the DD proposed £67 compared to £35 in the Business Plan. PW said the difference is much bigger due to the differing views on costs and how Ofwat has done its financial modelling and cut revenues which the company disagrees with.

- MG asked about the impact on BW customers. PW confirmed 16% bill cut so similar position.
- RC suggested that the WWP should make representation on partnership working where around £2.5m had been cut out of the DD and is putting three PCs in jeopardy that the Catchment Panel had been working on with the company. He confirmed the Catchment Panel is likely to be making representations along with catchment partnerships, so it is of great concern. Also the EA and Natural England are also looking to make representation. NW confirmed that any independent supporting letters would be helpful as partnerships are crucial to what WW does. If WW can't support partnerships then it would need to resort to more costly capital solutions.
- DR asked what would happen if WW's credit rating was to fall. PW confirmed that interest costs would go up which could add 10% on bills each year.

3. **PR19 Draft Determination Performance Commitments**

NW presented the performance commitments. There were no additional comments.

4. **Southern Water**

MW presented on the recent situation at Southern Water and the independent review undertaken by Wessex Water.

- DHe thanked the company for their comprehensive briefing note on this topic.
- DR asked about the independent review. MW confirmed it was carried out by the independent compliance team who are separate from samplers/labs and operators. The WWP was comfortable with the approach but suggested WW make it clear this was an internal audit team rather than an external auditor. MW welcomed the suggestion and pointed out that the Environment Agency had also done a recent independent audit which was why the company chose to use an internal team.
- DHe confirmed that a number of companies had been quite complacent about this issue which is a concern for CCWater.
- DR suggested that the WWP could take on a greater scrutiny role in this area moving forward.

5. **WWP in AMP7**

SL presented WW's thoughts on the WWP into AMP7 including appointment of the independent chair. Members had the following points:

- DR suggested WW revisit representation from business customers.

- DR pointed out that views on environmental issues expressed by the EA tended to dominate discussion. This should be considered in the wider membership where more environmental interest groups could be included.
- NW pointed out that the Motts technical auditor would also need to be retendered
- DHe suggested the WWP needed to have a balance between having technical knowledge and capture by the company. There should also be a mix of expertise around the table which is as important as the badge of the organisation that they represent. He emphasised the importance of a proper handover including lessons learned.
- SC questioned the need for a new chair to be appointed and whether this would be detrimental in terms of knowledge lost.

SL agreed to take all of these comments on board in the set up of the WWP for AMP7. SL would feed back to members as set out in the timetable. SL

6. Private session

DR provided feedback on the private session. He confirmed that the Catchment Panel would be better placed to write to Ofwat about partnerships. The WWP would be writing a more general letter asking Ofwat how they has taken customers' views into account.

DR also commented that the WWP members had queried whether it was appropriate to recruit a new Chair for the WWP as continuity would be lost. Members suggested WW look at examples of Chairs in other similar roles and their length of tenure. DHa suggested WW could look at the charity commission as an example. SL

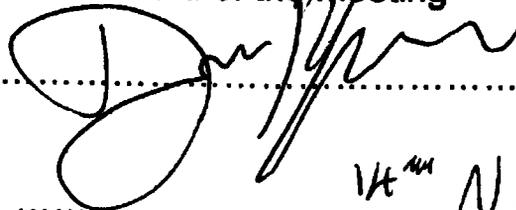
7. AOB

DR agreed to clarify if the meeting on 29th August was needed. DR

Signed as a true record of the meeting

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Chair

Date



14th November 2014