

Customer Challenge Group paper

**Meeting number:** 10

**Meeting Date:** 6<sup>th</sup> June 2018

**Paper No:** 5

**Title:** Company Performance in 2017-18

**Author:** Alison Lee

**Printing:** This document does contain graphs or pictures and therefore does require you to print in colour. If you are unable to print in colour please contact Nikki Blake, who will arrange a colour copy for you.

<b>What is this paper about:</b>	To inform the CCG about the company's performance during Quarter 4 against its Outcome Delivery incentives.
<b>What is the context of this paper:</b>	This is a quarterly paper to highlight our year to date performance.
<b>What is the relevance of this paper:</b>	As above
<b>Action needed from the CCG:</b>	This paper is for information.

## INTRODUCTION

The purpose of this paper is to provide an update to the Customer Panel on the performance for the period April 2017 to March 2018 against the Outcomes agreed in our 5 year business plan.

## 1 PERFORMANCE: APRIL TO SEPTEMBER 2017

The table below shows our performance against our outcomes for Q4 of 2017-18.

**Key for the below table:**

- Green indicates the target is expected to be met
- Red indicates the target is expected to be missed
- Amber indicates that we expect to be within the acceptable deadband range
- White indicates that there is no target for 2017/18, but we are on track for its 2019 or 2020 target or that we do not have a year to date number

Outcome	Financial or reputational	Industry ranking/ average 2016-17	FD Target 2017-18	2017-18 Full year Performance	
Customer satisfaction measures	Financial -reward & penalty (DB)	N/A	See separate table		
Customers consider bills to be value for money and affordable	Reputational	N/A	>80% (19-20)	71%	
Leakage	Financial - reward & penalty (deadbands)	6 <sup>th</sup> (m <sup>3</sup> per km) 6 <sup>th</sup> (l per property)	90.0 MI/d	TBC	
SIM	Financial - reward & penalty	9 <sup>th</sup>	>80*	N/A	
Properties at risk of low pressure	Financial - reward & penalty (deadbands)	Joint 5 <sup>th</sup>	60	47	
Average interruption time – minutes	Financial - reward & penalty (deadbands)	13 <sup>th</sup>	12	>22	
Meeting the water resource deficit	Financial - penalty only (deadband)	N/A	0 MI/d	0 MI/d	
Mean zonal compliance (calendar year)	Financial - penalty only (deadband)	Average 99.96%	100%	99.95%	
Breaches of abstraction licences, discharge consents and environmental permits	Reputational	N/A	0	214	
- <i>Discharge consents</i>				5	
- <i>Annual abstraction licences</i>				0	
- <i>Daily abstraction licences</i>				209	
Pollution incidents (Category 1-2)	Reputational	N/A	0	TBC	
Compliance breaches of legislation of health and safety regulations	Reputational	N/A	0	0	
Number of breaches of National Security obligations	Reputational	N/A	0	0	
Number of compliance breaches with other statutory obligations and licence conditions	Reputational	N/A	0	0	
Discolouration contacts	Financial - reward & penalty (deadbands)	14 <sup>th</sup>	0.58	0.82	
Above ground asset performance	Financial - penalty only	N/A	Stable	Stable	

Outcome	Financial or reputational		FD Target 2017-18	2017-18 Actual Performance	
Number of sites at risk of flooding	Reputational	N/A	0*	7	
Burst mains	Financial - penalty only (deadband)	N/A	2,429	2,747	
KG of carbon emissions per customer per year	Reputational	Joint 14th	37.7kg *	N/A	
We will monitor our abstractions at low flows at environmentally sensitive sites	Reputational	N/A	0	Normalised: Total: -0.25 Kingston: -0.08 Windmill Hill: -2.85	

Customers consider...	Business Plan Baseline	Final Determination Target	2015-16 Actual	2016-17 Actual	Q1 2017-18 Actual	Q2 2017-18 Actual	Q3 2017-18 Actual	Q4 2017-18 Actual	2017-18 YTD Actual	
Appearance of their water to be acceptable	4.6	4.6	4.4	4.5	4.5	4.5	4.6	4.6	4.5	
Taste and odour of their water to be acceptable	4.3	4.3	4.1	4.2	4.2	4.3	4.3	4.3	4.2	
Level of leakage to be acceptable	3.6	4.0	3.4	3.8	3.9	3.9	3.8	3.8	3.8	
Their direct interaction experience to be positive	4.5	4.5	4.2	4.3	4.2	4.4	4.4	4.4	4.3	
Their water supply is of sufficient pressure	4.5	4.5	4.2	4.2	4.2	4.3	4.4	4.4	4.3	
The frequency and duration of supply interruptions is acceptable	4.7	4.7	4.6	4.6	4.6	4.7	4.7	4.7	4.6	
The frequency of water use restrictions to be acceptable	4.1	4.1	4.2	4.4	4.3	4.5	4.3	4.5	4.4	

## 2 KEY UPDATES

### 2.1 SERVICE INCENTIVE MECHANISM (SIM)

We are currently finalising our year end quantitative SIM score but the breakdown of our qualitative score is as follows:

Year	2017/18			2016/17		
	Billing	Clean water	Combined	Billing	Clean water	Combined
Wave 1	4.40	4.31	4.35	4.18	4.15	4.17
Wave 2	4.47	4.13	4.30	4.47	3.94	4.21
Wave 3	4.53	4.34	4.44	4.47	4.31	4.39
Wave 4	4.59	4.25	4.42	4.56	4.55	4.56
Full year	4.50	4.26	4.38	4.42	4.24	4.33
Ranking	12 <sup>th</sup>	11 <sup>th</sup>	12 <sup>th</sup>	12 <sup>th</sup>	10 <sup>th</sup>	11 <sup>th</sup>

### 2.2 SUPPLY INTERRUPTIONS – AVERAGE TIME LOST PER PROPERTY

We are currently finalising our interruption minutes for the year but will have exceeded our target and will receive the maximum penalty. We are expecting the recent freeze/thaw event to contribute approximately 36 minutes to our total and our underlying performance will be in the region of 6.1 minutes.

### 2.3 BREACHES OF ABSTRACTION LICENCES, DISCHARGE CONSENTS AND ENVIRONMENTAL PERMITS

**Discharge consents:**

In the last reporting year of 1st April 2017 to 31st March 2018, the EA carried out 54 WQ sample tests, 5 of which failed and were reported to us by the EA. One of the breaches was reported by a member of the public to the EA who then informed us. It was dealt with by the Regional Process Manager who liaised with the EA officer to resolve the issue.

We have five discharge consent breaches in 2017/18 (compared to four in 2016/17):

- 1 and 2 - Barcombe WTW (07/07/2017 and 17/01/2018) Lack of sampling site provision

The Environment Agency notified us in a letter on the 24<sup>th</sup> April 2018 of these two failures in July and January with a backdated note. After a telephone conversation with the Environment Agency Officer that signed the letter, we were advised by him that this matter was not taken any further last year due to their busy schedule and other priorities. This delay to notify us has in turn led to a delay in our investigation and associated actions.

The issue was, that at the time of the visit, no sample point was available to take a representative sample of the effluent discharging from the permitted discharge outlet. This was termed a breach of condition 3.3.3 of permit P7147. So this was not a WQ discharge failure as such, but an issue with a lack of sampling site provision. As SEW were not informed of the issue by the EA Officer at the time, we were not given the opportunity to rectify the problem and find a resolution within the reporting year.

However, since receipt of the letter, our production manager has met with the Environment Agency on site on Friday 4<sup>th</sup> May to confirm the point of sampling and discuss a possible solution. We have a meeting planned with the landowner to discuss putting in an access route and a sampling point as per the condition of the permit.

- 3 - Tonbridge PS (23/08/2017) Failure of WQ Iron parameter  
A discharge failure was reported on the Tonbridge Compensation Borehole. This borehole has been switched off as a precaution, and is under review.
- 4 - Holywell WTW (14/11/2017) Failure of WQ Iron parameter  
Our Operations East manager liaised directly with the Environment Agency and advised that at the time there was work being carried out on the lagoons to clean out and get rid of sludge which could have disturbed the iron content. After the lagoons settled, the sample ranges went back down to below limits.
- 5 - Bray WTW (17/01/2018) Failure of WQ Suspended Solid parameter  
Investigations found that our own operational water quality samples of the discharges from Bray WTW both before and after the failure were found to be satisfactory and within limits. The site managers were then asked if they could provide a reason for failure on that date and they advised that a high level alarm was being installed to a bulk tank and the only other intervention was for a shutdown – just a reset and restart. The Productions Manager concluded that these

reasons could not have caused the failure as indicated in the EA letter. We therefore concluded this was a false positive or incorrectly collected sample.

***Daily abstraction licences:*** During the 2017/18 regulatory year there have been no breaches of annual abstraction licences but 209 breaches of daily abstraction licences.

Due to the high level of breaches during the year we will be increasing the risk for this performance commitment within our company monitoring framework which we issue in October 2018. We will provide an assurance plan to help us to mitigate the risks identified.

Site	Number of daily abstraction breaches
West Ham	1
Boxalls Lane Greensand	1
The Park (Wallers Haven)	133
Ryarsh & Paddlesworth (Trosley)	27
Godmersham	5
Saints Hill Site B	38
Finchcocks (Goudhurst)	4
<b>Total</b>	<b>209</b>

For each of these breaches an investigation was carried out and corrective measures implemented to improve and maintain control. These are each detailed in our submission to the Environment Agency and discussed with our regional contacts.

For the breach at The Park a dedicated investigation and improvement report was produced and discussed with the Environment Agency – who have issued us a warning letter but following discussion at their internal enforcement review meeting have decided not to take the matter further given the mitigating reasons for the event, our good track record of compliance and the agreed actions we will take in order to address this situation in future.

## 2.4 DISCOLOURATION CONTACTS

Our discolouration contacts outcome is reported on a calendar year basis. Our year end result is 0.82 contacts per 1000 population, which compares to our current target of 0.58. We have incurred a penalty of £358k.

Six water supply zones (WSZ) have had a contact rate over 2/1000 compared with nine in 2016. For the first time on record, no WSZ had a contact rate over 4/1000. Burwash water supply zone has had an annual rate of over 4/1000 contacts for the past 10 years, we are very pleased that this is no longer the case.

Our flushing programme increased from 500 miles to over 900 miles being flushed by December, this level of flushing will continue throughout the remaining years of this business plan period.

SeaQuest installations in December 2016 are beginning to show improvements in the areas supplied. Our last SeaQuest installation is due to be complete by the end of January 2018 and we are hopeful that the benefits will continue to be seen in 2018.

The “in your area” of our website has been updated to show discolouration incidents as customers have told us that they would like this. We have also provided additional information on discolouration on our new website. We are still planning to train staff members to our ‘live chats’ on discolouration when required as many customers prefer this.