



CUSTOMER ENGAGEMENT FORUM

Date: 6 March 2018
Time: 10.00 – 14.30
Location: Lancaster House, Ermine Business Park, Huntingdon, PE29 6XU

Present:

- . Jeff Halliwell – Independent Chair (M)
- . Craig Bennett – Chair, Sustainability & Resilience Panel (M)
- . Beth Corbould – Economist, Civil Aviation Authority (M)
- . Bernard Crump – CCWater (M) – by phone
- . John Giles – Environment Agency (M)
- . Joanne Lancaster – MD, Huntingdonshire District Council (M)
- . Martin Lord – Northampton CAB, Chair, Vulnerability & Affordability Panel (M)
- . Paul Metcalfe – MD, PJM Economics (M)
- . Peter Olsen – Chair, Hartlepool Panel (M)
- . Nathan Richardson – RSPB/Blueprint for Water (M)
- . Daniel Storey – Director, High Point Economics (M)
- . John Torlesse – Natural England (M)
- . Peter Simpson – Anglian Water (O) (afternoon only)
- . Zac Alexander – ch2m (for Graham Hindley)
- . Carolyn Cooksey – Anglian Water (O)
- . Helen Dunn – Anglian Water
- . Natalie Jones – Anglian Water (O)
- . Sue Pennison – DWI (Visitor)
- . Alex Plant – Anglian Water (O)
- . Darren Rice – Anglian Water (O)
- . Andrew Snelson – Anglian Water (O)
- . Jane Taylor – Anglian Water (O)
- . Vicky Anning – CEF Report Author (O)

Apologies:

- . Cat Carlon – Anglian Water (O)
- . Cllr Colin Davie – Lincolnshire County Council
- . Kevin Ensell – Anglian Water (O)
- . Gill Holmes – CCWater (M)
- . Richard Tunnicliffe – CBI (M)

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Item	Action
Section A: The national and regional picture	
1.	<p>Chair's report: Jeff Halliwell</p> <p>a. Jeff reported that the final Aide Memoire had now been received from Ofwat and circulated to CEF members. The company have kindly agreed to annotate the Aide Memoire to provide guidance for CEF and subpanels. This analysis would also be circulated to CEF members.</p> <p>b. Jeff reported that he would circulate minutes from two CCG meetings with Ofwat to CEF members.</p> <p>c. First meeting of CEF economic valuation sub-panel had met that morning. Minutes to be circulated to CEF.</p> <p>d. Minutes for 16 January CEF meeting and CEF only session were approved (CEF only minutes have been redacted to remove individual names of members).</p>
2.	<p>Roundtable update</p> <p>e. Alex Plant talked about the challenges facing water companies in the light of recent publicity surrounding governance, compounded by adverse weather conditions in recent weeks. He had attended a meeting with Michael Gove and Chair of Ofwat the previous week that was widely reported in the press. Companies had been invited to respond to Johnson Cox by the end of that week about how they could improve legitimacy of water sector. Alex reported that AW is in the process of removing company links to the Cayman Isles, confirming that the current structure does not confer any tax advantage to the company or issue any debt.</p> <p>f. Bernard Crump dialled in for the first part of the CEF meeting. He had a question around engaging customers on ODIs and wanted reassurance that customers would be engaged on the principles behind ODIs.</p> <p>g. Craig Bennett reported that the Sustainability and Resilience Panel had given input into the company's SDS and were pleased that the company had adjusted its fourth objective to take the panel's recommendations into account. The next panel meeting was set for 27 March and would look at flooding and outputs pertinent to the business plan process.</p>

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	<p>h. Peter Olsen reported there had been a meeting of the Hartlepool Panel on 22 February and summary minutes had been circulated to the CEF. JH and VA had attended with CC and NJ. The main challenges from panel members were around identifying which parts of the synthesis report related to Hartlepool. CC had agreed to provide a sub-section relating specifically to Hartlepool, which would be helpful for preparing the Hartlepool section of the CEF report. There was also some concern expressed that the online community didn't include Hartlepool, but this would be addressed by community ambassadors and other community engagement programmes. ODIs for Hartlepool will also be different because AW supplies water only here. The next meeting is scheduled for 16 April.</p> <p>i. Martin Lord reported that the Affordability and Vulnerability Panel had met on 23 February. Draft minutes had been circulated to CEF members. The main finding from the panel was that members felt they would benefit from a summary of all customer engagement work relevant to affordability and vulnerability. Reflections from the panel were two-fold:</p> <ol style="list-style-type: none"> 1. Members were not fully convinced that AW had fully consulted with potential beneficiaries of the Priority Services Register (PSR). Members felt there was more to be done in terms of reaching out to vulnerable customers through other agencies. The panel was keen to learn more about AW's use of data to identify vulnerable customers. 2. The panel also saw proposal for bespoke ODI, which included two measures: increasing PSR registrations and setting up a vulnerability panel. The panel was broadly supportive that increasing levels of PSR should be key but not only measure for the ODI on vulnerability/affordability. Panel is planning to meet on 16 April and 25 May. <p>j. Joanne Lancaster suggested a quick win on the PSR might be list of assisted bin collections from local councils. She also reported that many councils will be submitting their local plans by end of March. Housing needs/growth in this area are going to be higher than expected.</p> <p>k. John Giles reported that most water companies had now published their WRMPs and the Environment Agency was carrying out detailed scrutiny. EA was also working closely with colleagues at Natural England on WINEP, which will be</p>	<p>CC</p>

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	<p>out at the end of March. There are one or two drivers within WINEP that are difficult to achieve within one AMP period (e.g. around flow). EA have put views to the minister that they may want to consider developing these measures over more than one AMP. This may have a significant impact on company business plans. He will circulate any responses to CEF members.</p> <p>I. Nathan Richardson reported that Defra are now consulting on a new regime for agricultural support, which is very relevant to AW – as it includes water quality. At EU level, there’s a review of most of the European water directives, which may have an impact on future drivers for investment. Will keep CEF updated.</p>	JG
Section B: Anglian Water approach for PR19		
3.	<p>Presentation from Sue Pennison, Drinking Water Inspectorate</p> <p>Sue Pennison gave an overview of DWI’s role as a regulator of water quality, alongside the Environment Agency and Natural England. They are asking companies to think more carefully about resilience and resources.</p> <p>She highlighted two issues that were currently live concerns: lead and metaldehyde.</p> <p>She said lead is moving up the agenda from a health perspective. DWI is concerned that some companies aren’t going far enough to tackle lead concerns and a letter was due to go out to companies.</p> <p>On metaldehyde, there has been a submission to the minister to show impact of this active ingredient in slug pellets on small mammals and birds. DWI was expecting a response from this soon and action may include a temporary or all-out ban on metaldehyde.</p> <p>In 2017, AW presented 103 incidents to DWI (12 of these were deemed significant events (category 3) and mostly related to discoloration of drinking water).</p> <p>DWI is available to give advice and guidance to CEF during PR19, although not able to sit on company CCGs due to capacity issues.</p>	
4.	Water Resource Management Plan	

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<p>Alex Plant gave an update on AW's WRMP, which was due for publication that week. See link here (consultation open until 1 June). See also press release here.</p> <p>AW is planning for a water supply that's sustainable, affordable and reliable – planning for 1 in 200-year drought eventualities. Challenges include climate changes, population growth and drought. Need to also look at restoring sustainable abstraction levels in rivers. Because we're a water scarce region, we need to look at demand management. AW is working with domestic and commercial users to reduce water consumption.</p> <p>On managing growth, data is taken from local authority plans and will need to be updated when new ones come in (taking Oxford/Cambridge corridor into account).</p> <p>Company drew on WTP data and stakeholder preferences for WRMP submission.</p> <p>AW is aiming to target another 24% reduction in leakage (already frontier on this measure). This goes beyond 15% proposed by Ofwat.</p> <p>Also aiming for 14% reduction in water use through customer behaviour by introducing smart metering.</p> <p>There's a significant increase in cost in AMP7 to address resilience issues – equivalent to increase of £10-11.50 per bill.</p> <p>The biggest driver of spending is Totex. One of the main questions we'll be asking customers is should we be going more or less quickly on this? It's essential to test this with customers. Should AW phase their climate change investment over two AMPs?</p> <p>The biggest question for customers is the resilience issue – how we should be future proofing for future customers.</p> <p>There will need to be a reservoir built at some stage – we need to make sure that's a viable option for future.</p> <p>Carolyn Cooksey reported that customer engagement had already begun around WRMP and is going to be part of overall business plan consultation. H2OMG last summer focused on WRMP and customers showed strong preference for demand side.</p> <p>CEF Challenges</p>	

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<p>Craig had three categories of challenge:</p> <ol style="list-style-type: none"> 1) No mention of agriculture – in this region, use of water by agriculture is going to make a huge difference. He urged AW to work with farmers to shape demand & use of water. 2) Focus on leakage but he would be interested to know if it was possible to secure highest possible level of preventing leakage in new builds. 3) A lot of this assumes incremental changes but he’s interested in step changes. What’s the very best we could hope for in terms of future water use/behaviour? Could that put off some of more disruptive expenditures (like reservoirs)? <p>Alex responded:</p> <ol style="list-style-type: none"> 1) Agriculture is included in business consultation. 2) On new builds, AW put paper into Water Resources East asking for higher standards of water reduction for new builds. Need to push for this. 3) He agreed we shouldn’t rest on incremental change – we need to keep stretching ourselves (gave Newmarket as an example of innovation). Company needs a blend of demand/supply approaches. <p>Bernard asked whether return on investment in smart metering was worthwhile?</p> <p>Alex responded that smart metering encourages reduction in water use and allows company better sight of leakage.</p>	
<p>5. Anglian Water Business Plan</p> <p>Alex presented the thinking behind AW’s outline business plan, that was due for publication on 28 March. It would go out to consultation until 9 May.</p> <p>In previous years, company has gone out to customers with BP and asked if it’s OK. This year, it’s more interactive.</p> <p>Outline plan will have a clickable map and videos have been produced to tell the story in a user-friendly way. Customer engagement will be done through an engaging process.</p> <p>The company will go to customers with three scenarios ranging</p>	

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<p>from -3.8% to +4% impact on bills. The company doesn't have a preferred position and will rely on customer feedback for guidance.</p> <p>He said that £5bn (under the bill reduction scenario) is not an operationally deliverable plan. However, under the current WRMP, £5.6bn is consistent with current commitments.</p> <p>During the last price review, AW delivered a 10% bill reduction. This time company is looking at significant investment in resilience issues.</p> <p>CEF Challenges</p> <p>Daniel asked what impact a ban on metaldehyde might have.</p> <p>Alex: metaldehyde is a significant cost fact and a ban would remove treatment and catchment management costs of around £35m. Company will need to adjust figures accordingly in BP.</p> <p>Peter asked if bills in Hartlepool are likely to be lower. The company was not able to answer this yet.</p> <p>Craig asked if digital map will show catchments to raise awareness among customers. (At the moment it's by county).</p> <p>Performance Measures</p> <p>Darren Rice talked about ODIs/Performance measures. Final Ofwat methodology laid down 14 mandatory ODIs plus mandatory bespoke ODIs on:</p> <ul style="list-style-type: none"> ○ Resilience ○ Asset health ○ Environment ○ AIM ○ Vulnerability ○ Gap sites and voids ○ Coverage over all price controls <p>Early submission to Ofwat is 3 May. Company is expecting to propose 2-3 bespoke environmental measures (one on bathing water quality); one vulnerability measure; 7 are still under discussion.</p> <p>Company will be able to send more detail to CEF on 30 ODIs in</p>	

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	<p>next week or so. Some are more progressed than others. Darren agreed to prepare one-pagers on each of the ODIs, illustrating how customer engagement had informed company thinking.</p> <p>Customers were broadly supportive of proposals for bespoke ODIs. Household customers placed highest importance on external sewer flooding and supporting vulnerable customers.</p> <p>Zac (delegating for Graham Hindley) confirmed that Halcrow had audited this and were impressed by how diligently AW had followed Ofwat guidance and customer priorities in setting performance commitments.</p>	DR
6.	<p>Customer engagement update: Carolyn Cooksey, Head of PR19 Strategic Stakeholder Engagement</p> <p>Carolyn Cooksey gave an update on customer engagement. On ODIs, customers were asked about definitions: would you include or exclude anything?</p> <ol style="list-style-type: none"> 1. Planning five focus groups on vulnerability – will circulate dates to CEF. 2. Online community – looking at issues including bill profiles 3. Acceptability research (looking at sample sizes) 4. H2O – Let’s go (was previously referred to as “Next Big Thing”). Visiting 18 sites over 14 days. Will include decider slider, interactive way to get customer feedback on business plan. 5. Stakeholder engagement (6 weeks: 28 March – 9 May) 6. Will include retailers for first time (14 in region have licenses). 7. Customer Board (next meeting on 19 April) – they are interested to know more about how company is funded/investor relationships. <p>Baseline synthesis report will be published on 4 June (last one before BP is submitted). Carolyn would like this report to be a business as usual approach and to make it more easily searchable.</p> <p>Company also looked at social media feeds and forums where water was being discussed. A lot of this was focused around money saving tips.</p> <p>Pollution and the environment are most frequently mentioned as concerns by customers</p>	<p>CC</p> <p>CC</p>

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	<p>One thing that came out was that, whereas before customers wanted stable bills, 61% are now saying 5 years is too long to wait for true up to happen. We are digging into this as part of the 16 interviews.</p> <p>Helen Dunn talked CEQ report on Combining Anglian Water’s customers’ subjective preferences with their willingness to pay for river water quality improvements, carried out with University of E Anglia. An exec summary was shared with CEF members prior to the meeting. Helen will send around full report, which has useful messages around communication strategies. This includes some innovative and exploratory economic valuation work but needs a larger sample to make it fully transferable</p>	HD
7.	<p>Q&A session for CEF members</p> <p>Challenges:</p> <p>Jeff was concerned about how 3 May deadline for ODIs would fit in with CEF timeline and give enough chance for scrutiny. He was hoping to see more granular detail today to allow comment. It was agreed that the subgroups/panels would be the main vehicle for providing scrutiny on performance measures. He would share revised Aide Memoire with panel chairs to identify specific areas of focus for each panel and any “underlap”.</p> <p>John Giles also would have expected more detailed discussion on environmental ODIs with Natural England.</p> <p>Nathan asked about environmental measure in river water, which came out quite highly on WTP data. He also asked for dots to be joined up between panels (including S&R Panel).</p> <p>Martin Lord asked about intergenerational bias/segmentation by age group in customer engagement Carolyn said the company has a quota and target for each age group. While they can report findings by age group, they haven’t seen much difference between different segments.</p> <p>Jo asked for next agenda to leave more room for CEF discussion.</p>	JH
Section C: Current performance/matters		
8.	Company Performance update: Andrew Snelson	

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<p>Andrew Snelson gave an overview of January figures, which don't include disruptions due to current weather events.</p> <p>Peter Simpson reported 600 leaks as a result of weather. Although there's a low impact on customers, company is losing lots more water than usual.</p> <p>Last quarterly Service Incentive Mechanism (SIM) was 4.51, which is line with average over previous three quarters (material improvement on 4.40 in previous years)</p> <p>How does this compare? In first two quarters, were among top companies. In last quarters, other companies caught up.</p> <p>Pollution is ahead of 219 target (with 218 incidents): outperformance payment of £13million (worth about £1.20 on bills) will be paid at end of period.</p> <p>Leakage is at 1.83 megalitres/day (target of 1.82) but will have gone up in last few days due to weather.</p> <p>Interruptions to supply: performance had been fantastic until January and company may be in line for reward, subject to interruptions over last few days (this is a period end payment).</p> <p>AW have published draft assurance plan for consultation on website: http://www.anglianwater.co.uk/assets/media/performance_reporting_2017_18.pdf</p> <p>Will publish a final plan end of March and company welcomes comments from CEF.</p> <p>AW shares data on performance with customers via http://ourperformance.anglianwater.co.uk/</p> <p>Comparative data is also available via the Discover Water website: https://discoverwater.co.uk/</p>	
<p>9. AOB Next CEF meetings: - Tuesday, 5 June - Tuesday, 31 July</p>	