



## ANGLIAN WATER INDEPENDENT CHALLENGE GROUP

### MINUTES

**Date:** 19 April 2024  
**Time:** 09:00-12:30  
**Location:** Virtual

**Present:**

- Craig Bennett – Chair (M)
- Peter Holt – Chief Executive, Uttlesford District Council (M)
- Joanne Lancaster – MD, Independent (M) – joined at 09.35
- Paul Metcalfe – MD, PJM Economics (M)
- Nathan Richardson – Waterwise/Blueprint for Water (M)
- John Vinson – CCW (M)
- Victoria Williams – EA (M)
  
- Peter Simpson – Chief Executive, Anglian Water
- Darren Rice – Regulation Director, Anglian Water
- Andrew Brown – Head of Sustainability, Anglian Water
- Lisa Bush – Head of Pollution Strategy, Anglian Water
- Pete Holland – Director of Customer and Wholesale Services, Anglian Water
- Abi Morgan – Regulation Programme Advisor, Anglian Water
- Alice Piure – Strategic Planning Manager, Anglian Water
- Andrew Snelson – Economic Regulation Manager, Anglian Water
- Emily Timmins – Director of Water Recycling, Anglian Water (from 10.45)
- Lottie Willams – PR24 Customer Insight Lead
  
- Vicky Anning – Secretariat (O)

**Apologies:**

- Gill Holmes – Independent (M)
- Justin Tilley – Natural England (M)

## Summary of actions

Actions from April meeting	Status
1. Add winter preparedness to the autumn ICG agenda	Open
2. Add water demand in response to Cambridge development to future agenda	Open
3. <b>Peter Holt</b> to keep ICG updated on Water Summit outcomes	Ongoing
4. Set up Task and Finish Group on Zero Escapes Strategy	Pending
5. Regular updates on PIRP to be included at future ICG meetings	Ongoing
6. Andrew Brown to circulate slide deck	Open
7. ICG members to revisit & revise TORs	Pending
8. AW colleagues to explore options of site visit, potentially to WRC	Open

## Meeting minutes

Item	Action
<p><b>1. <u>Welcome from ICG Chair</u></b></p> <p><b>Craig Bennett</b>, Chair of the Independent Challenge Group (ICG), welcomed participants. Minutes for the 31 January 2024 ICG meeting were approved.</p> <p><b>Central Oversight Group (COG) updates</b></p> <p>Craig had attended a recent COG meeting that included a presentation of the CCW-commissioned review of independent challenge groups. The report had been published earlier that week and would be discussed in more detail at a future ICG-only session. In summary, Craig mentioned that the report concluded that ICGs had served a useful function and needed to be embedded in the process.</p>	
<p><b>2. <u>Company and performance update</u></b></p> <p>Anglian Water's Chief Executive <b>Peter Simpson</b> gave a company update, starting with an overview of weather conditions, which had been challenging. There had been 12 named storms in quick succession, resulting in 160% of the average rainfall. This had significantly impacted the water recycling process and affected customers, especially in areas with high groundwater levels like Norfolk. Groundwater levels had fluctuated from historic lows to historic highs, causing severe inundation and difficulties for customers.</p> <p><b>Incident response:</b> The team had been responding to incidents, deploying 160 tankers to mitigate the impact of high water levels and prevent pollution. This effort had required a coordinated approach involving various</p>	

Item	Action
<p>agencies, including the Environment Agency (EA), local authorities and highways authorities.</p> <p><b>Operational performance:</b> Despite the challenges, AW's overall operational performance had shown some positive signs. The deployment of nearly 30,000 sewer monitors, funded by a £50 million investment from shareholders, was beginning to show results. These measures had helped enhance the performance of pumping stations and overall pollution control.</p> <p><b>Financial position:</b> Peter reported that the financial health of the business remained strong, despite some negative media coverage, particularly around Thames Water.</p> <p><b>Water performance:</b></p> <ul style="list-style-type: none"> <li>• <b>Quality:</b> AW was operating at the high end of industry standards, although there was room for improvement in the compliance risk index due to failures at storage points.</li> <li>• <b>Leakage:</b> AW was currently not meeting leakage targets, which were ambitious and remained challenging.</li> <li>• <b>Customer measures:</b> AW had accelerated their performance on the DMex index and was improving their CMex position. The upcoming quarterly report would provide more details, but they expected to be in the upper quartile. However, water recycling had suffered due to high groundwater levels affecting basic customer facilities.</li> </ul> <p><b>Capital delivery:</b> AW had invested £965 million this year, just shy of the planned £1 billion. This investment was crucial for meeting obligations and maintaining the necessary run rate for the next Asset Management Period (AMP). All alliances and contractual arrangements were in place, ensuring the company was prepared for future demands.</p> <p><b>Obligations and compliance:</b> AW was in the final stages of confirming obligations with regulators, primarily the EA. Peter believed only minor final adjustments were needed.</p> <p><b>Financial year overview:</b> For the financial year ending in March, AW would incur an ODI penalty of £38 million, which would be returned to customers. AW quality metrics, which are assessed on a calendar year basis, showed a promising start.</p> <p><b>Questions and challenges</b></p> <p><b>Nathan Richardson:</b> Given the record-breaking weather and emerging patterns, does this change any baseline performance assumptions?</p>	

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<p><b>Peter S</b> responded that this affects internal and external flooding and pollution incidents. AW was facing penalties for issues beyond its control, including sewer flooding. Ofwat was considering more flexibility due to these challenges. After the Draft Determinations (DD), there would be an industry-wide review.</p> <p><b>Darren Rice</b> added that the balance of risk and return had led to systematic penalties across the sector. AW was exploring forward-planning scenarios, particularly weather impacts. The debate on exemptions continued, and DDs and Final Determinations (FDs) would offer opportunities for input.</p> <p><b>Joanne Lancaster</b> asked how AW was using cross-sector learning to help customers prepare for adverse events and ensure resilience?</p> <p><b>Peter S</b> responded that a senior AW manager had been seconded to Norfolk flood response, addressing gaps in AW’s flood response and working with various agencies.</p> <p><b>Peter Holland</b> added that engaging customers was key. Modelling work was underway to improve management of future groundwater flooding and issue flood alerts.</p> <p><b>Action:</b> Add winter preparedness to the autumn ICG agenda.</p> <p><b>Joanne</b> also asked about pressure on water in Cambridge due to new facilities, including the children’s hospital development.</p> <p><b>Peter S</b> responded that long-term planning for growth was underway via the Water Resources Management Plan (WRMP), including two new reservoirs. Cambridge Water would continue to deliver water for these new developments, with minimal impact on AW customers. Plans for relocating and sizing up water recycling works for Cambridge were also well developed.</p> <p><b>Action:</b> Peter suggested this could be addressed at a future ICG meeting.</p> <p><b>Service Commitment Plan (slide 3-4)</b></p> <p><b>Darren Rice</b> gave an update on AW’s Service Commitment Plan, which outlined a series of 74 actions aimed at improving performance. Quarterly updates on progress were being submitted to Ofwat.</p> <p>AW is making steady progress in improving performance in all areas except one (CMex). The Service Commitment Plan, which is publicly accessible, will be updated in July to reflect revisions to strategies since November version.</p>	<p><b>Action</b></p> <p><b>Action</b></p> <p><b>Action</b></p>

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	<p>Currently, the company is considering the best approach to inform customers about their performance and will provide further updates to the ICGs in future.</p>	
<p><b>3.</b></p>	<p><b><u>Update on East of England Local Government Water Summit</u></b></p> <p>ICG member <b>Peter Holt</b> provided an overview of the East of England Local Government Water Summit, which included representatives from Norfolk, Suffolk, Cambridgeshire and other areas, encompassing 50 local authorities (30 of which attended). The focus was on local government, with a few regulators and pressure groups also present.</p> <p>The objective was to acknowledge the low level of strategic knowledge among senior local government officials regarding water issues, aiming to increase their understanding and interest. Despite having detailed knowledge in specific areas, there was a recognised lack of strategic overview. The meeting aimed to address this knowledge gap and was considered relatively successful.</p> <p>Key actions and outcomes included:</p> <ul style="list-style-type: none"> <li>• Circulating a draft report and slide deck.</li> <li>• Convening workshops on four workstreams: flooding, growth, environment/climate/diversity/over-abstraction (rivers and chalk streams) and reducing waste/reducing water demand (led by Waterwise).</li> <li>• Forming a committee as a subgroup of the Infrastructure and Planning Group.</li> <li>• Establishing a small task and finish group to map and explain the relationships between water companies and regulators.</li> <li>• Creating a forum for networking and learning.</li> <li>• Bringing the discussion to a hyperlocal level, including parish councils.</li> </ul> <p><b>Craig Bennett</b> thanked Peter for the update and said the meeting had been very useful, with good representation from AW colleagues. He asked Peter to keep the ICG posted on further progress.</p> <p><b>Action:</b> Peter to keep ICG updated on progress.</p> <p><b>Nathan Richardson</b> (Waterwise) also highlighted positive feedback and said it was important to maintain momentum, especially in demand reduction and literacy efforts around water usage. He mentioned ongoing work, piloted in the East of England, focusing on empowering people to make resilient decisions in their lives, with an update expected in six months.</p>	<p><b>Action PH</b></p>

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<p><b>Joanne Lancaster</b> asked whether there was any opportunity for ICG involvement?</p>	
<p><b>4. <u>Update on Price Review Process</u></b></p> <p><b>Darren Rice</b> gave an update on the Price Review process. The date for the Draft Determination (DD) had been set for June 12.</p> <p>Darren provided a brief in-flight update, noting that Ofwat had flagged no significant quality concerns about AW’s business plan, indicating only a light touch review with a short list of concerns primarily around risk and return and deliverability.</p> <p>From a deliverability standpoint, AW was in a very strong position, having placed a lot of emphasis on assurance for delivery. This focus on assurance was emerging as a positive differentiator for AW.</p> <p>AW had used alternative rates on Outcome Delivery Incentives (ODIs), which had added some complexity to the process. All companies were waiting anxiously for Ofwat’s feedback and AW would feed back any updates to ICG members as soon as possible. Overall, Darren expressed cautious optimism.</p> <p><b>Questions and timelines</b></p> <p><b>Joanne</b> asked about timelines for the company to respond to the DD.</p> <ul style="list-style-type: none"> <li>• <b>Darren</b> responded that there was an 8-10 week window to respond, but no specific dates had been given. Companies were expected to provide representations between 30 August and 9 September, with AW being one of the first companies. Ofwat’s team would likely want to synthesise findings for the Ofwat board by mid-August.</li> </ul> <p>There was subsequently a discussion about dates for ICG meetings:</p> <ul style="list-style-type: none"> <li>• An ICG-only session on June 14, planned as a half-day meeting.</li> <li>• Darren offered to give a high-level readout of the DD for 30 minutes.</li> <li>• The July meeting date was to be confirmed.</li> </ul> <p><b><u>Totex Update (slides 6-10)</u></b></p> <p><b>Darren Rice</b> provided an update on bill and Totex changes since the 31 January ICG meeting, focusing on three main drivers relevant to AMP8:</p>	

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	<ol style="list-style-type: none"> <li>1. <b>Fen Reservoir:</b> AW will bear the development costs for the Fen reservoir in AMP8. The accounting treatment will be 50/50, with more costs capitalised over a longer period, which positively impacts bills in the AMP8 period compared to discussions at the January ICG meeting.</li> <li>2. <b>Water reuse scheme:</b> The construction of the Colchester scheme remains unchanged.</li> <li>3. <b>Desalination project in Norfolk:</b> The decision, made in discussion with RAPID and Defra, is to reflect only early development and investigation costs for desalination to keep it as a live issue. This involves £55 million in development costs to maintain the adaptive pathway. This decision is reflected in the plan update.</li> </ol> <p><b>Questions and challenges</b></p> <p><b>John Vinson</b> (CCW) welcomed the adaptive approach but expressed concerns about the high cost and impact on bills.</p> <ul style="list-style-type: none"> <li>• <b>Darren</b> explained that the bill impact depended on the scale of desalination development. There was high uncertainty around the costs and construction.</li> </ul> <p><b>Victoria Williams</b> (EA) asked about the impact on construction plans if desalination was required after the investigation. She sought assurance about the readiness to bring desalination online quickly, if needed.</p> <ul style="list-style-type: none"> <li>• <b>Darren</b> clarified that recovery of construction costs had not been reflected in current plans due to uncertainty. Future paths would be determined after development and options were being kept open. Discussion with Defra and RAPID were ongoing.</li> </ul> <p>Craig reiterated the need for the ICG to closely monitor these developments.</p>	
5.	<p><b><u>Pollutions Performance Update (slides 21-30)</u></b></p> <p>Anglian Water’s Head of Pollution Strategy <b>Lisa Bush</b> gave an update on Anglian Water’s Pollution Incident Reduction Plan (PIRP). She had sent around slides in advance with more detailed information.</p> <p>In summary:</p> <ul style="list-style-type: none"> <li>• AW relaunched their 2-year PIRP in 2023 and have been able to accelerate activity due to subsequent injection of £50 million from shareholders in January 2024.</li> </ul>	

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<ul style="list-style-type: none"> <li>• AW outcome performance on pollutions deteriorated and serious pollutions remained static</li> <li>• The underlying performance was starting to change with the landing of key initiatives and there were some successes to report: <ul style="list-style-type: none"> <li>• Self-reporting made a step change improvement</li> <li>• Serious pollutions saw a change in the second half of 2023, which has rolled through into 2024</li> <li>• Core lead metrics have changed for the better (e.g. Sludge management indicators and blockages)</li> </ul> </li> <li>• Biggest change in 2023 was hydraulic overloading, the root cause of which is complex requiring significant investigation.</li> <li>• Pumping stations remain a big focus as an asset class.</li> </ul> <p>The focus was on operationalising and accelerating initiatives leading into AMP8, while remaining agile to new opportunities for environmental protection.</p> <p>Lisa highlighted the installation of 18,000 sew sensor monitors, with an ambition to reach 30,000. Early indications from these monitors were promising, already detecting 1,200 early blockages, helping understand and prevent potential issues.</p> <p>Addressing blockages caused by fats, oils, and grease (FOG), Lisa emphasised the importance of working closely with partners, combining education with enforcement. This includes visiting prisons and food service agencies. Recently, a Proactive Plus Process has been initiated in areas like Bletchley in Milton Keynes, adopting a hyperlocal approach.</p> <p>Hydraulic overload was discussed in detail, stressing the complex nature of contributory factors. By controlling flow and excess flow, the system can be managed better. The discussion included several case studies, such as those in Grimston, Norfolk and Yaxley, highlighting the importance of multiagency and partnership approaches.</p> <p><b>Alice Piure</b> introduced AW's <b>Zero Escapes</b> strategy, which focuses on eliminating escapes from the network. In AW's Long Term Delivery Strategy (LTDS), AW commits to delivering zero escapes (aiming to greatly reduce, if not eliminate all escapes by 2050). This includes pollution incidents, spills and sewer flooding. This approach involves analysing factors, challenging current practices and developing best practices to deliver a high-quality strategy.</p> <p>AW colleagues were keen to involve the ICG in scrutinising the quality of their research and to ensure decisions were informed by customer insights.</p>	



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<p>Craig said the ICG would be interested in being involved, possibly through a Task and Finish Group, to address concerns and contribute to the strategy’s development.</p> <p><b>Action:</b> Set up ICG Task and Finish Group on Zero Escapes Strategy.</p> <p><b>Questions and challenges</b></p> <p><b>John Vinson</b> acknowledged the importance of a multiagency approach but cautioned against miscommunication, which could lead customers to perceive blame-shifting. He emphasised the need for clear, simple and consistent customer communication to rebuild trust.</p> <ul style="list-style-type: none"> <li>• <b>Lisa</b> agreed, stressing the importance of hyperlocal approaches and tailored communications for each community.</li> </ul> <p><b>Joanne Lancaster</b> questioned why ordinary bill payers should cover cleanup costs.</p> <ul style="list-style-type: none"> <li>• <b>Emily Timmins</b> clarified that efforts were being made to ensure proper standards for fat treatment, especially in national food chains, to prevent customers from bearing these costs.</li> </ul>	<p><b>Action</b> <b>ICG/AW</b></p>
<p><b>6. <u>Update from the Environment Agency</u></b></p> <p><b>Victoria Williams</b> from the Environment Agency presented data on storm overflow spills in the water industry. She reminded the group it was a statutory requirement to publish this data annually by 1 April, and all overflows were now equipped with event duration monitors (EDMs).</p> <p>The data indicated an increase in spills across the sector, with the average number per overflow rising from 23 in 2022 to 33 in 2023. Factors contributing to this include weather, with 2023 being particularly wet. However, there was a responsibility on water companies to manage spills.</p> <p>For AW specifically, total spills had risen significantly, but the average spill was below the industry average of 33. Only 3.3% of high spill sites recorded spills, with nearly 18% not spilling at all. More than 51% of spills were ten flows or less.</p> <p>Regarding the duration of spills, there was a substantial increase in 2023 compared to 2022, but this may be influenced by the increasing EDM coverage. Further analysis and understanding were needed.</p> <p><b>Emily Timmins</b> reported that 70% of spills occurred in the last quarter.</p>	

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<p><b>Craig</b> concluded that, although investments had been made to address this issue, real-world changes were yet to be seen. Regular updates from both AW and the Environment Agency were essential, with ongoing scrutiny and a commitment to revisit and delve deeper into the data.</p> <p><b>Action:</b> regular updates on PIRP to be shared at future ICG meetings.</p>	<p><b>Action AW</b></p>
<p><b>7. <u>Update on Customer Engagement (slides 31-40)</u></b></p> <p><b>Lottie Williams</b> (PR24 Customer Insight Lead) gave an update on AW’s customer engagement, emphasising the need to embed the customer voice in all activities.</p> <p>The focus was on building a comprehensive understanding of customer sentiments and developing a dynamic approach for long-term strategies. Despite a pause in activities while waiting for the DD, insights continued to be gathered, including a focus on nature-based solutions.</p> <p>Lottie reported that many other water companies were not planning to carry out customer engagement during this period. AW was examining whether any areas needed more understanding or insights (e.g. on desalination) and would carry out research, as necessary.</p> <p>Affordability and Acceptability research was being carried out centrally by Impact Research on behalf of CCW. AW was currently compiling a sample of just under 5,000 customers for this research, which was being submitted by the end of April. Results of research were due out in June, with the full report due in September.</p> <p>Lottie emphasised the need for a constant, evolving approach to customer engagement, possibly leveraging AI, and hoped that the ICG would play a key role in shaping this strategy.</p> <p>The following discussion with ICG members highlighted the importance of integrating business as usual data with research insights and creating tech solutions beyond traditional reports.</p>	
<p><b>8. <u>Reflecting on Anglian Water’s Social Purpose</u></b></p> <p><b>Craig</b> introduced this item by providing context regarding ongoing discussions about potentially expanding the role of the ICG to include monitoring and independent assessment of whether AW is fulfilling its social purpose. He had recently met with <b>Andrew Brown</b>, AW’s Head of Sustainability, to discuss this issue in more depth.</p>	

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	<p><b>Andrew</b> shared slides with the ICG detailing discussions with the British Standards Institution (BSI). He explained that AW had recently finalised and delivered assessments against the <a href="#">BSI standards</a> for purpose-driven organisations, making them the first organisation to undergo this process. BSI is preparing a case study on AW’s embedding of purpose. However, there was recognition of areas for improvement.</p> <p>There was an intention to conduct this assessment annually. Craig discussed the opportunity to involve the ICG in this process, providing additional insights for reporting both internally and externally.</p> <p><b>Action:</b> Andrew to circulate the slides from his presentation.</p>	<p><b>Action AB</b></p>
<p><b>9.</b></p>	<p><b><u>General Discussion</u></b></p> <p><b>Craig</b> wrapped up the meeting by highlighting two main outcomes:</p> <ol style="list-style-type: none"> <li>1. There was an invitation for the ICG to be involved in the Zero Escape Strategy.</li> <li>2. There was a need to reflect on the social purpose aspect, with a report from the ICG informing the process of refreshing the Terms of Reference (TORs) for the ICG. A proposal would be developed to present to the new Chair of the Board and the new Chief Executive.</li> </ol> <p><b>Action:</b> ICG to revisit and revise TORs, as necessary.</p> <p>Additionally, there was discussion about a future ICG site visit, with the suggestion of visiting a Water Recycling Centre.</p> <p><b>Action:</b> AW to look at potential site visits.</p>	<p><b>Action ICG</b></p> <p><b>Action AW</b></p>