



CUSTOMER ENGAGEMENT FORUM

Date: 31 July 2018
Time: 10.30 – 13.00
Location: Lancaster House, Ermine Business Park, Huntingdon, PE29 6XU

- Present:**
- . Jeff Halliwell – Independent Chair (M)
 - . Beth Corbould – Economist, Civil Aviation Authority (M)
 - . Bernard Crump – CCWater (M)
 - . John Giles – Environment Agency (M)
 - . Graham Hindley – Jacobs (O)
 - . Gill Holmes – CCWater (M)
 - . Martin Lord – Chair, Vulnerability & Affordability Panel (M)
 - . Paul Metcalfe – MD, PJM Economics (M)
 - . Peter Olsen (M) – dialled in from 10.40-noon
 - . Daniel Storey – Director, High Point Economics (M)
 - . John Torlesse – Natural England (M)
 - . Richard Tunnicliffe – CBI (M)
 - . Peter Simpson – Anglian Water (O)
 - . Carolyn Cooksey – Anglian Water (O)
 - . Kevin Ensell – Anglian Water (O)
 - . Natalie Jones – Anglian Water (O)
 - . 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:**
- . Craig Bennett – Chair, Sustainability & Resilience Panel (M)
 - . Cllr Colin Davie – Lincolnshire County Council (M)
 - . Joanne Lancaster – MD, Huntingdonshire District Council (M)
 - . Nathan Richardson – RSPB/Blueprint for Water (M)
 - . Cat Carlon – Anglian Water (O)

Item	Action
<p>1. <u>Chair’s introduction: Jeff Halliwell</u></p> <p>Jeff Halliwell welcomed everyone to the final full CEF meeting before the PR19 Business Plan was submitted on 3 September and thanked Alex for circulating the latest draft of the Business Plan to CEF members.</p>	

Item	Action
Section A: Anglian Water approach for PR19	
<p>2. <u>Update on Anglian Water Business Plan: Alex Plant</u></p> <p>Alex Plant gave an update on Anglian Waters' Business Plan (BP).</p> <p>Highlights:</p> <ul style="list-style-type: none"> - The BP was still a work in progress and AP looked forward to getting input from CEF members. He hoped the BP gave a sense of balancing various trade offs and drawing of customer views from the engagement process to shape AW's business planning. - There had been a significant step change in customer engagement during PR19 - it had been carried out much earlier and went deeper. The BP has been shaped and co-created by customers. - BP draws on the Strategic Direction Statement (SDS) – recognising specificity of region and challenges facing us (growth and lack of water) - It addresses resilience (WRMP) and large obligations from WINEP - It represents a significant step change to level of investment in resilience to drought - There's an upward trend in bills for first year of price review then resuming downward trend <p><u>FINANCEABILITY</u></p> <p>Bernard Crump was concerned that there was still quite a bit of information missing, including financeability and key financial elements. (These were absent from the version of the BP shared with CEF members.)</p> <p>He was still struggling to understand after resolution of discussions over WINEP3 what the net position is and impact on customers.</p> <p>He had one or two minor reservations around some of the approaches companies were taking in terms of enhanced rewards (e.g. on leakage). CCWater commentary will flag this.</p> <p>He asked AW about the pro forma submission to Ofwat and wanted to see that asap.</p> <p>Bernard thought there was a strong chance Ofwat wouldn't accept AW's plan – and asked about AW's Plan B.</p>	

Item	Action
<p>Alex Plant said the BP is financeable but it's tight. RCV rate – moving towards but not all the way to natural run off rate (which is supported by customers). The company is trying not to use pay as you go adjustments.</p> <p>On WINEP: AW has asked for extra time to land natural capital solutions. This buys time for feasibility work and implementation. 34 schemes are runners and riders for that approach. In submission to Ofwat, AW will set out potential phasing of programme on flow elements.</p> <p>On leakage, AW understands CCWater position on this (this is a cross industry issue).</p> <p>On the pro forma: a working draft of AW's pro forma was available and could be shared with the CEF.</p> <p>Action: Darren to circulate pro forma by end of week</p> <p>Peter Simpson said he had taken Ofwat board and Chief Executive to Ingoldisthorpe and showed them natural capital approaches.</p> <p>Alex Plant added that recent comments from Rachel Fletcher hinted that there are varying approaches from different companies so he wasn't as pessimistic as Bernard about Ofwat's response.</p> <p>Daniel Storey also had further questions on financeability. There was a need to square the circle on exceptional circumstances facing AW and he would like to see that detail. He asked whether it was possible to have a slightly slower rise and flat bills in the long term. Could AW leverage balance sheets more to soften bill profile?</p> <p>Alex Plant explained that bill profile work is ongoing. AW could share this with CEF members by end of this week (need to add in Putting Sector Back in Balance guidance that's just come out today and has significant impact on financeability.)</p> <p>Action: Alex to circulate financeability and bill profile info by end of week</p> <p>Peter Simpson said the company had to take into account lowering of gearing and no dividends (pledge made in May). They have had interventions from regulators late in the day and are going through checks and balances now.</p> <p>Action: Jeff suggested conference call from valuation panel following week to discuss further details.</p>	<p>DR</p> <p>AP</p>

Item	Action
<p data-bbox="191 268 224 300">3.</p> <p data-bbox="264 233 764 264"><u>Discussion of ODIs: Alex Plant</u></p> <p data-bbox="264 296 415 327"><u>LEAKAGE</u></p> <p data-bbox="264 331 1195 468">Darren Rice said AW have followed Ofwat methodology on leakage, in part. The company feels satisfied that customer evidence and numbers are reflected in BP. Customers are repeatedly telling AW that leakage is the most important issue.</p> <p data-bbox="264 506 496 537">Paul Metcalfe:</p> <p data-bbox="264 541 1230 611">Customers value leakage reduction very highly. But he would like to see benefits of sharing best practice.</p> <p data-bbox="264 648 1159 716">Alex/Peter: said this was a good point and they would make this clearer in the Business Plan</p> <p data-bbox="264 753 769 785"><u>RESILIENCE/SUSTAINABILITY</u></p> <p data-bbox="264 789 1235 999">John Giles said it's a plan that has environment and resilience at its heart. But he was still not convinced around ODIs for licence compliance on pollution. He also felt there was still work to do regarding the natural capital ODI; the Environment Agency (EA) wanted to be involved in that conversation but time was running out.</p> <p data-bbox="264 1037 1235 1104">Darren Rice said this is the start of the journey rather than belts and braces ODI on natural capital.</p> <p data-bbox="264 1142 1227 1314">John Torlesse said that, while the direction of travel was good, CEF members (and S&R Panel members) were still not quite sure how that would play out. It was a moving playing field generally and we're trying to figure out how we can put more certainty around how this aspect of the BP will work.</p> <p data-bbox="264 1352 1198 1493">Alex Plant said AW has got 2 natural capital projects at the moment and are proposing 34 in the BP. AW want to work with stakeholders to make the most of opportunities and to realise AW's ambition.</p> <p data-bbox="264 1530 1243 1671">Jeff Halliwell said he would like to see further granularity around the process and specifics of developing the natural capital ODI - including timelines. The ambition is there in the SDS - it's how that's followed through.</p> <p data-bbox="264 1709 1130 1776">Bernard Crump suggested including timeline of setting parameters and meeting with stakeholders within the ODI.</p> <p data-bbox="264 1814 1243 1881">John Giles: On WINEP delivery, Ofwat have asked for further details and he asked how AW would respond to Ofwat's comments</p>	<p data-bbox="1281 659 1338 690">AW</p>

Item	Action
<p>on the 3 May ODI submission.</p> <p>Darren Rice said this needed to be addressed in the 3 September submission. Of 2,200 projects/schemes under WINEP, all schemes will have an obligation date.</p> <p>AW have taken out 34 obligations around phosphorous and have also identified 56 water recycling projects that could be separated out from WINEP delivery incentive so AW can maximise natural capital approaches.</p> <p>Alex Plant suggested progress could be monitored by S&R Panel.</p> <p>John Giles said that AW has followed Ofwat methodology on pollution incidents, but EA disagrees with this. JG didn't think that setting a deadband for permit compliance was appropriate.</p> <p><u>VULNERABILITY</u></p> <p>Martin Lord raised concerns around the reward only incentive mechanism associated with the proposed vulnerability ODI. The A&V Panel also had questions around the proposed expert panel and struggled to see a coherent vulnerability strategy.</p> <p>Gill Holmes flagged that the ICS survey hadn't been to the Customer Engagement Steering Group (CESG). She had asked for it in May and didn't get it until July. She was concerned that the questions put to customers didn't include inflation.</p> <p>In terms of the reward mechanism for the vulnerability ODI, she was concerned that this was only mentioned to a focus group of 27 people for ten minutes and then followed up on the online community. She suggested there was a stronger argument to support the proposal when looking at evidence from Service Electric Cable Vision (SECV) – i.e. evidence from the energy sector rather than from AW's customer engagement.</p> <p>The A&V Panel was very happy with customer engagement on affordability but had outstanding questions from panel's TOR on:</p> <ul style="list-style-type: none"> - Future customers - Comparing to other companies <p>The A&V Panel was concerned that the expert panel and consultant under the vulnerability ODI would be a rubberstamping exercise. They felt it was important to make sure people on new expert panel had the right knowledge and experience. She suggested that the wording needed to be changed in BP around support for incentive (there isn't strong support)</p>	

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<p>Action for AW to revise wording in vulnerability ODI</p> <p>Alex Plant conceded there wasn't overwhelming support for a reward-only mechanism for this ODI. He pointed out that any rewards earned would be ringfenced to provide more support for customers in need. He agreed with Gill that looking across to SECV was more compelling as a piece of evidence and AW needed to bring this out in the BP.</p> <p>Jeff Halliwell added that the debate was whether the incentive should be reward only. He asked if there was any flexibility on rethinking the financial incentives related to this ODI and encouraged the company to do that. If AW decided to go with this proposal, however, he suggested they would need to base their arguments on energy sector experience rather than customer engagement.</p> <p><u>HARTLEPOOL</u></p> <p>Peter Olsen said the Hartlepool Panel was content with customer engagement although sometimes it was difficult to get all the information needed in a timely way. He felt that concerns around vulnerability and affordability had been addressed.</p> <p>The Panel were waiting for bill profiles to come out: he had been led to believe that bills in Hartlepool would be lower.</p> <p>Alex Plant confirmed that there would be a reduction in bills for H'pool customer and would send this information to CEF members in the next few days.</p> <p>Peter left the meeting/call.</p> <p><u>WATER TRANSFERS</u></p> <p>Jeff Halliwell asked about water trading/transfers. How might plan develop over next five years? It's presented as a snapshot rather than evolving.</p> <p>Alex Plant said that WRMP changed the thinking on water transfers. This will be an evolving picture.</p> <p>Daniel asked if AW could look at being more dynamic over AMP rather than saving up these issues for last six months of Price Review?</p> <p>Peter Simpson explained that AW still has reverse trade with Affinity. Water Resources East includes trades with other sectors and he said more needed to be made of this in the BP. The</p>	<p>AW</p> <p>AP</p>

Item	Action
<p>direction of travel is to have common models across regions and neighbouring regions. This level of ambition needs to be picked up in the BP.</p> <p>Richard Tunnicliffe asked about factoring in growth and how that's recognised by Ofwat (e.g. Oxford/Cambridge corridor).</p> <p>Alex Plant said that AW was planning for that in longer term (not just over five years). They were also planning to drive down water usage.</p> <p>Jeff Halliwell said he hadn't yet seen Ofwat's Putting the Sector Back in Balance report. Bernard Crump said he would flag any relevant issues for CEF.</p> <p><u>Customer Engagement Update: Carolyn Cooksey</u></p> <p>4. Carolyn Cooksey said the vast majority of customer engagement had now been completed AW have done some additional consultations with online community on:</p> <ul style="list-style-type: none"> - Vulnerability ODI - On corporate transparency – shared press release with online community. Verbal feedback was that this was positively received. Small majority who still feel they'd like to see industry renationalised. - Sludge transfer (what happens to sludge – was a surprise massive hit on online community). This relates to cost adjustment claims. <p>There were two further activities in response to new developments and to help draft BP narrative:</p> <ul style="list-style-type: none"> - Natural capital solutions: specifically asked customers about a case study. Broadly speaking very positive response. Concerns about what happens after 20-year lease and how can public get access. - Affordability: asking about flexible ways of paying – will be used for drafting affordability section for BP <p>Gill Holmes asked about cross-subsidies – responses were fascinating. There was genuine surprise on the level of bad debt and were encouraging AW to tackle this.</p> <p>Action: Carolyn: will circulate new reports from online community on Sharefile</p>	<p>BC</p>

Item	Action
	CC
Section B: The national and regional picture	
5.	This was covered in the sections above.
Section C: Current performance/matters	
6.	<p>Company performance update: Andrew Snelson</p> <p>AW hit all bar one of 15 performance commitments last year. On average, companies are hitting 2/3rds of performance commitments</p> <p>Current year: Performance to end of first quarter: AW has performed well on nearly every front:</p> <ul style="list-style-type: none"> - On SIM – AW finished top (In first quarterly survey in this year, AW also came out top. Waiting for second quarterly survey.) - Interruption to supply and flooding (both internal and external) are well within limits - On target to hit 33 bathing water targets - Leakage is good (179 actual vs 179 target) - Water quality contacts also good (0.55 actual vs 1.23 target) <p>Couple of thumbs down or flat hand scores in serviceability due to coliform failures at 3 sites. Water recycling centres failed compliance – so that will be thumbs down for rest of calendar year.</p> <p>Bernard Crump: applauded AW for doing so well in interruptions to supply (1 mins 42 seconds actual vs 12 mins target).</p> <p>He also pointed out that CCGs often makes four paragraph comments on a company’s ODI performance in the company’s Annual Report.</p> <p>Jeff: if it would be helpful to have comments in future, CEF can do that.</p> <p>Action for CEF</p>
7.	AOB

Item	Action
<p>CEF minutes from 5 June were approved for accuracy</p> <ul style="list-style-type: none">- Alex Plant gave an update on metaldehyde. AW is continuing to push for further movement on this,- John Giles said that EA was pushing as well for a ban. <p>Next CEF meeting: - Tuesday, 13 November 2018</p>	