ANGLIAN WATER INDEPENDENT CHALLENGE GROUP

MINUTES

Date: 18 July 2022
Time: 14:00 to 17:00
Location: Via Teams

Present:

- Craig Bennett – Chair (M)
- Nikolas Bertholdt – Natural England (delegate for John Torlesse)
- Gill Holmes – CCW (M)
- Paul Metcalfe – MD, PJM Economics (M)
- Sarah Powell – Environment Agency (M)
- Nathan Richardson – Waterwise/Blueprint for Water (M)
- Sarah Thomas – CCW (M)
- Richard Tunnicliffe – CBI (M)

- Alex Plant – Anglian Water
- Darren Rice – Anglian Water
- Hannah Stanley-Jones – Anglian Water
- Kate Trumper – Anglian Water
- Geoff Darch – Anglian Water
- Laura Tuplin – Anglian Water
- Victoria Lemmon – Anglian Water
- Rachel Walters – Anglian Water
- Alice Piure – Anglian Water
- Vicky Anning – Secretariat (O)

Apologies:

- Peter Simpson – Anglian Water
- Peter Holland – Anglian Water
- Joanne Lancaster – MD, Huntingdonshire District Council (M)
- John Torlesse – Natural England (M)

Summary of actions:

Proposed ODI on biodiversity:

- Darren Rice to engage with colleagues and come back to ICG
- Nathan Richardson to ask Blueprint for Water colleagues for more details

Customer segmentation:

- Rachel Walters to share customer segmentation for PR24

Customer engagement strategy:

- ICG members to respond to questions around Customer Engagement, including whether they agree on the main focus areas for activity?
- ICG members to provide input into synthesis report framework

WRMP

- Laura Tuplin to go through customer engagement for Water Resources Management Plan (WRMP) with Paul Metcalfe
- ICG members to respond to questions around WRMP outlined in presentation

DWMP

- ICG members to give feedback on the Drainage and Wastewater Management Plan (DWMP) customer engagement strategy

Item		Action
1.	<u>**Brief introduction from ICG Chair**</u> **Craig Bennett** introduced the purpose of the meeting: to focus on AW's customer engagement to date and to look at Ofwat's draft methodology for PR24. He thanked the AW team for providing detailed information for pre-reading. Minutes from the May ICG meeting were approved.	
2.	<u>**AW Business update**</u> **Alex Plant** provided a company update in Peter Simpson's absence. He explained that Peter had been called away to a burst mains incident in King's Lynn that had caused interruptions to supply and had left approx. 650 households without water over the weekend. Peter sent his apologies. All customers had now been reconnected. Alex updated the group on AW's response to the record period of hot weather. Record volumes of water were being supplied to customers. Although supplies were currently OK, AW were preparing their drought management team in case of a long period of dry conditions. They were a long way from a hose pipe ban. The focus was on putting messaging out to customers about around sensible and careful water use. At the moment, there was nothing immediately concerning, in spite of extreme conditions. Alex also talked about the recent <u>Environmental Performance Assessment</u>, which rated AW as 2* meaning that the company's performance "needs improvement". He said AW were really disappointed collectively and were responding accordingly.	

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	Plans were already underway to deliver improvements within a much broader package of over £800 million worth of environmental improvements across the region. Alex reported that AW had made a joint announcement with Severn Trent via the Get River Positive Plan. Alex also reported some of the other contributing factors/responses to the EPA: • Widespread flooding at beginning of 2021 had led to serious pollution events. AW learned from those and worked on a pollution incident reduction plan. • AW total pollution incidents were now heading in the right direction. In first half of 2022, there's been a better operational performance • But there are still major issues in terms of serious pollution incidents and that is an area of major focus. • AW has the largest Water Industry National Environment Programme (WINEP) in the sector and is well ahead on WINEP delivery, • Change in senior management team and restructure has brought in experience to help lift performance (e.g. Emily Timmins from Severn Trent Water as Director of Water Recycling; Robin Price as new Director of Quality and Environment). Alex invited ICG member Sarah Powell to add further comments. **Sarah Powell** (Environment Agency) confirmed that she had circulated the EPA report to ICG members ahead of today's meeting. She reported that AW was not at the bottom of the pack but it was not at the top either and needed improvement. She concurred with Alex that AW's biggest problem was serious pollution incidents, but said there were also too many general pollution incidents. EA had comments on AW's pollution incident reduction plan and were generally very pleased with the targets and measures. But the proof is in the pudding, and EA would like to see improvements on the ground. **Nathan Richardson** (Waterwise) asked about the asset resilience of water supply in the face of climate change, particularly when potentially facing a prolonged period of drought. Alex responded that the level of stress on assets on top of extreme weather events was enormous and was set to become the norm rather than the exception. If the water industry continues on its current trajectory, the company will be underinvesting. Ofwat recognises some change may be needed in this regard. The water industry needs to look at capital investment. **Darren Rice** (AW) reported that, with the appointment of Ofwat's new Chair, there may be renewed opportunities.	**Challenge**

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	Sarah Powell (EA) asked whether AW was at risk of too much abstraction at the moment due to hot weather? Alex confirmed that AW was not in an over-abstraction position. Reservoirs were around 89% full. He confirmed that AW would liaise with EA if the situation changed. Alex also talked about AW's work to respond to the cost-of-living crisis. They had been working with CCW to look at cross subsidies that could be used to help support customers struggling, through AW's social tariff. AW was keen to offer extra care for customers struggling and make them aware of extra support/other benefits. They are looking to pool support with other companies and local authorities. Alex also explained that, in addition to the demand management work (e.g. leading country in terms of leak deduction and rolling out smart meters), AW would be announcing the site for two new reservoirs in the autumn – one in South Lincs and another in the Fens. He predicted there would be quite a lot of noise around this in the autumn, as well as a consultation period with affected landowners. This would be the start of a long process. The final point Alex wanted to make was about AW's continued work for an outcomes-based approach to environmental regulation, using innovative nature-based solutions such as those seen in Ingoldesthorpe wetland in Norfolk. AW is about to announce another 27 wetland schemes and is working with local authorities, landowners etc to find the most efficient and cost effective way to deliver environmental outcomes. There was discussion among the group about the challenges of regulating less output-based, nature-based solutions.	**Challenge**
3.	<u>**Ofwat Draft Methodology Overview**</u> **Darren Rice** reported on the Ofwat Draft Methodology for PR24, published on 7 July. He had circulated slides in advance of the meeting and pulled out some of the highlights for this presentation. Quite a few of the key themes were well trailled and remained the same as the ambitions laid out in the May *PR24 and beyond* document: • **Focusing on the long term** with stronger adaptive planning to deliver the right investment to meet immediate and long-term challenges when the future is uncertain, as well as holding companies to account for the improvements that they need to deliver. • **Delivering greater environmental and social value**, including by acting immediately on river water quality, moving faster towards net zero, as well as working differently into the future to adopt more catchment – and nature-based solutions. • **Reflecting a clearer understanding of customers and communities** with open meetings on companies' plans, more robust research to ensure customers' voices are heard and better understood, and wider engagement with partners.	

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	• **Driving improvements through efficiency and innovation** and rewarding companies that help set the benchmark for resilient, affordable services for all. Ofwat recognises the key challenges of combatting climate change protecting and enhancing the environment, and the need for reliable and resilient services, affordable bills, and to find new and innovative ways of delivering now and into the future. Darren mentioned the expectation from Ofwat of increased partnership working to find nature-based solutions, which was a welcome development from AW's perspective. Affordability remains a central focus (and a test area for the quality of a plan); but the challenge of balancing this short and long term affordability with the demands of future investments (such as maintenance and investment beyond WINEP) remain with companies to resolve. There remains a strong implication for stretching targets being achieved without additional expenditure. AW are up for the challenge of finding innovative nature-based solutions but risk being stretched in many different directions. The cost assessment process continues to be similar to PR19, with growth being modelled in base costs. Cost efficiency continues to be a key consideration in assessments of plans. Expectation that enhancement expenditure will be paired with a Price Control Deliverable, which will return money to customers if the enhancement is not delivered. Responses on the methodology were due by 7 September, with final methodology due in December 2022. Final determination will be made in December 2024. Price review process has been changed, consolidating early feedback with draft determination in spring 2024. Darren thought this would change the nature of the conversation and was keen to see how it evolved. *Customer engagement* There are not many surprises in the Draft methodology in relation to customer engagement. Ofwat expects each company to undertake company-specific engagement on: • statutory and locally important priorities • company specific outcomes • any bespoke performance commitments and related ODI rates-long term delivery strategies • investments that deliver environmental and social benefits above minimum statutory requirements Ofwat attaches significant importance to the comparability and robustness of customer evidence to inform ODI rates across companies; they therefore strongly discourage any separate research by individual companies specifically to inform ODI rates for common performance commitments.	

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	Alignment to previously published standards paper for high-quality research, customer challenge and assurance of the quality and use of engagement evidence. Companies need to provide evidence that these standards have been met. The proposal was for companies to hold two open hearing with customers and stakeholders. For Darren, “direct customer engagement” was a bit of a red flag and shouldn’t be given undue priority over other customer engagement. The shift towards a more long-term outlook was generally welcomed by ICG members. **Questions**	
	Nik Bertholdt (Natural England) pointed out colleague concerns around the changes in ODIs, particularly around biodiversity and asked if AW had similar concerns?	**Challenge**
	Darren said that Ofwat hoped to add a biodiversity measure, which was very positive. Concern might be around the measurement of this performance commitment. **Action:** Darren would engage with colleagues and come back to ICG with more details. Nathan also said he would ask Blueprint for Water colleagues on this **Gill Holmes** (CCW) asked about the weight that Ofwat would give to customer engagement and how clear this was?	
	Darren said there was no sign of additional weight given to CE but Ofwat had been clear around expectations. There should be a balance between affordability and acceptability.	**Action** **DR & NR**
	Paul Metcalfe (PJM Economics) mentioned that the COG, when he attended on Craig’s behalf, had raised concerns about customer workshops. There was quite a lot of scepticism about their effectiveness – particularly around capturing vulnerable groups.	
4.	<u>**PR24 Customer Engagement Strategy Overview**</u> **Rachel Walters** gave an overview of AW’s customer engagement strategy for PR24 and what has shaped thinking so far. Rachel had circulated a detailed slide pack in advance to the ICG and was keen to get feedback from the group. AW had taken different elements, reflecting on lessons learned from PR19, both internally and from CCW. The thinking has been through the internal Customer Engagement Steering Group (CESG) to make sure it’s aligned with other parts of the business. The strategy has been tested internally and AW colleagues are now working on an output strategy and workplan, which can be further developed now that the draft methodology has been published.	

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	Priorities include: • Setting clear objectives • Importance of meaningful engagement so that every piece matters • Will only be engaging where AW has an influence • Everything will be combined so AW has a clear view about what customers are saying • How pieces of engagement inform as programme develops • Customer engagement for PR24 is much more focused • It's about quality (rather than numbers) Six step process – drawing on lessons learned, synthesise and draw everything together for "Customer principles". As synthesis report develops, should be able to see main line of sight between CE and business decisions. Main pillars of AW Customer engagement include: **Rebalance the use of everyday research** Understand customer views pertinent to the Business Plan, not about the Business Plan. Understand preferences and priorities of hard-to-reach customers. **Community Platform** Use the online community to: • Co-create engagement strategy • Engagement around strategic issues to develop principles • Testing draft principles and conclusions **Valuation research** Understand customer preferences and priorities, particularly around long-term objectives. **A focus on long-term affordability** Working with customers who are currently struggling to pay, to understand how their preferences and priorities may differ from the general population, and how bill impacts can be best mitigated. **Development of future customer principles** Activities designed to provide insight to develop the principles that future customers want to see upheld. **Additional research as required** Exploring the nuances of strategic and programme-level decisions in greater detail, as required. **Ofwat centralised research** Participation in Ofwat's programme of centralised research. **Long Term Development Strategy Game** Development of a 'build you own LTDS' game, to provide insight around: • The phasing of investment across AMP periods	

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	• Acceptable bill impacts over the long-term	
	Questions and challenges:	
	Nathan asked how the centralised research connects with the local research and how this will be balanced/weighted?	
	Rachel confirmed that the centralised research would feed into the synthesis report and views would be balanced.	
	Gill said she liked the overarching principles and these would be helpful for the ICG in terms of understanding what customers want; in terms of the balance between future customers and current generations – she wanted to know if AW were using the same segmentation as PR19 and how would they pull future customers into engagement?	
	Rachel explained that a new segmentation had been developed – looking more at customer behaviours. The new segmentation is more adaptable and allows AW to look at newer customers and they are also working with schools through the schools programme to gather useful insights.	
	Action: Rachel to share customer segmentation with ICG	
	Paul had several challenges: - He wanted to make sure that AW's CE principles mapped into Ofwat and CCW principles? - He wasn't sure that the ICG's assurance role was obvious	**Challenge**
	Rachel explained that AW had rolled 8 of Ofwat's objectives together and made them more tailored for AW. She was comfortable that these are the best focus for AW, drawing on good practice across the sector. Golden thread between CE and business plan would be more evident and obvious.	**Action: Rachel to share with ICG**
	On the role of the ICG, Rachel was keen to map out assurance in more detail and ICG would be involved in evaluating (steps 3 & 4: Synthesise insight and Draw conclusions).	
	Craig queried how representative the online community was for the AW customer base?	**Challenge**
	Rachel responded that they were looking at membership of online community and would be looking to have a specific PR24 group, drawing on informed and uninformed customers.	
	Nathan asked if there was anything that hadn't been included in CE this time around?	**Challenge**
	Rachel acknowledged AW would have lower presence on the ground in terms of CE for PR24 but would focus on where they can make a difference.	

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	Alex added that the centralised research was the new kid on the block and Ofwat expects this would replace some of company's own customer engagement.	
	Paul asked where bespoke research fits in? Need to do that by April 2023 – are AW currently thinking of anything bespoke?	**Challenge**
	Rachel replied that AW would do additional research as required. Darren added that source for insight would come through various channels.	
	Gill was interested to know more about "rebalancing use of everyday research" - was that everyday interaction with customers? What data was pulled in there and were AW confident it can be done this time?	**Challenge**
	Rachel responded that a list of Business as usual channels was included in the slide decks. This would all be pulled into the synthesis report.	
	Action: ICG members to respond to questions around Customer Engagement, including whether they agree on the main focus areas for activity?	**Action ICG members**
5.	**<u>How existing activities and insight are informing future plans: PR24 synthesis plan</u>**	
	Rachel Walters gave a presentation on the current thinking behind AW's synthesis report and how it will weight CE evidence. The report itself is still in development but Rachel was keen to gather feedback from the ICG.	
	In particular, she wanted to get the group's feedback on scoring criteria – the aim is to develop a scoring framework to assess different pieces of engagement/insight, showing depth of each piece of research and breadth of multiple channels. Linking back to AW principles and objectives, as previously discussed.	
	AW is looking to update report quarterly with first iteration in autumn 2022. The synthesis report will help to show a strong link between CE and business decisions: Rachel asked ICG whether it's clear how synthesis report feeds into decision-making process?	
	Action: ICG to share feedback on synthesis report.	**Action ICG**
	Questions and challenges	
	Members of the ICG asked for various points of clarification on the scoring elements.	
	Gill said the scoring card was a good way forward; it was transparent and avoids accusation of cherry picking. Will be interested to see how it works in practice.	

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	Paul pointed out that there was a tendency to lose important insights with scoring only. Would there be something to go alongside scoring to explain the main points? AW colleagues responded that the idea was to keep the report as transparent as possible – ranging from light touch engagement to really in-depth studies. Each would be given a score to demonstrate level of engagement. **Nathan** asked how the loop would be closed between the customer engagement principles document and the synthesis report and how the insights had helped inform decision making. That would be a useful document for the ICG. Rachel agreed this was a good point and it would be helpful to sense check with customers that AW's understanding about what they had said was correct at the business planning stage. **Craig** said he would like to see the synthesis report every quarter. He appreciated seeing the timeline for PR24 and would like to have a further discussion about future agenda items and focus for this group at the next ICG meeting.	**Challenge**
6.	**<u>Key insights in developing the Water Resources Management Plan</u>** **Geoff Darch** built on **Laura Tuplin's** presentation from the May meeting, giving a reminder of the trade offs in terms of demand management/water supply. AW believes they have the Best Value Plan in place and this will be demonstrated by a plan that comes out in the autumn. Laura and Geoff outlined how AW had engaged with customers and how customers had helped to shape the Best Value Plan. Starting with an online community activity about what the signs of success would look like, that helped create best value plan objectives, which are aligned to customer outcomes and then tested as part of a qualitative engagement through Water Resources East. AW then completed a quantitative engagement with 1,500 customers and gathered their weightings on priorities and objectives. AW just recently finished testing a least cost plan, best value plan and alternatives with a quantitative engagement as well as the online community. Results were very similar for both engagements. **Demand management options** Customers said they want AW to continue making the most of available resources. AW will continue with leakage reduction, focussing on the benefits that can be unlocked with smart metering. Customers also said AW should educate and inform them more about challenges. AW will continue to do this through our everyday engagement,	

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	In terms of compulsory metering, 80% of customers said they believe people should pay on the basis the amount of water they use. Customers were concerned with helping vulnerable customers and that's going to be feeding into a piece of engagement over the next month or so. In terms of environmental destination, customers said the environment is more important to them and drought resilience in terms of trade off. Certain environments should be prioritised over others. That's informing WINEP discussions. In terms of desalination, customers clearly said they need to be informed about the benefits and disadvantages. They prioritise water reuse and reservoirs above desalination, and that has also gone into our strategy. In addition to the 2 reservoirs, AW will require some water reuse in the short term, so looking at a scheme in Essex that will be required ahead of reservoir commissioning. **Questions and challenges** **Nathan** asked if there are things AW could be doing in next 20 years that move towards environmental destination rather than pushing it down the line? Laura responded that customers have said they'd prefer AW to deliver environment destination ahead of 2050 deadline. But they have also said they don't want supply side options that would have a negative environmental impact. AW believes that the reservoir route would also be more affordable to customers in the long run than desalination. Geoff added that AW is doing a lot of river restoration work through WINEP. Environmental destination is focused on abstraction, which is not always useful. Customers are keen to see improvements in their local area but quickest way to do that is by reducing demand.	
	Paul wanted to see more detail about how customers have shaped AW's best value plan? How has customer insight been used?	**Challenge**
	Laura explained that AW first engaged qualitatively at a regional level. The synthesis report was used to drive the best value plan making piece of work. She offered to go through the details with Paul separately/offline.	**LT/PM action**
	Craig asked how sustainability is measured? For example, surplus for humans may be quite different from surplus for a wetland.	**Challenge**
	Geoff responded: when AW talks about surplus, they are talking about surplus in supply-demand balance. Customer have said they value the best environments so AW wants to protect those as soon as possible, going down to individual abstraction levels. As surplus water comes online, AW can then make choices about the water that's available to them.	

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	Alex added that AW won't be able to deliver the first reservoir until the late 2030s, at the earliest. So there is discussion about interim measures to plug the supply gaps in the short term but minimising least preferred options such as desalination, which might have higher environmental impacts.	
7.	**<u>Drainage and Wastewater Management Plan</u>** **Victoria Lemmon** – AW's DWMP & Water Recycling Growth Manager – built on her presentation at the May ICG meeting to give an overview of key insights into customer engagement around the DWMP. The DWMP is new for PR24 and is being co-created with customers and stakeholders, as well as other water companies. AW has engaged with more than 100 organisations. The main focus has been on partnership working with regulators, councils and those with environmental interests. AW has also engaged with customers as part of the WRMP process and has received a strong steer that customers want to see more nature-based solutions. The draft DWMP was released on 30 June with an 11-week consultation period until 16 Sept. Customer views will help shape the final plan, which will be published in March 2023. There are 12 consultation questions grouped by 8 themes (looking at level of ambition on climate change, 10-25 year priorities, confidence in plan, growth profile etc) AW will provide a summary of how CE has helped to shape the plan, which will work alongside the LTDS and business plan – giving strategic direction for 600 water recycling catchments. Customer engagement included: • Online community task w/c 18July • More detailed task scheduled for end of August • 2 stakeholder consultations end Aug/early September Proposal to present back to ICG with summary of consultation in October. The plan will go to the AW board in Jan and will be published in Feb or March. **Action:** ICG members to give feedback on strategy outlined and to share consultation with stakeholders. **Questions:** **Nathan** wanted to understand about core growth scenarios and the effect of alternative growth assumptions on the WRMP and DWMP decisions and trigger points.	**Action ICG**

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	Geoff said AW has looked at a number of different scenarios. From regional modelling, they know that the reservoir selection is robust to a range of DI scenarios (growth + demand management). Lower DI benefit would benefit the environment, as discussed; higher DI would trigger more demand management and alternative supply schemes. **Paul** wanted to see more detail on cost-benefit analysis? Victoria responded that PR19 information had been used but will bring weighting section through more to PR24. **Craig** suggested ICG members should send further questions via email due to time pressures and company would be able to respond in writing. **Sarah Powell** said that EA had been kept closely involved on WRMP and DWMP process and would be responding to consultations. **Nik Bertholdt** also echoed that NE had been kept involved and was in discussion with Laura and Geoff. He also pointed out that it was important for individual drivers for individual strategies not to get siloed but to work together coherently for the overall environmental outcome. Alex agreed that this was a very good point. AW needs to think about it in terms of outcomes for environment and customers. It's an area where ICG challenging is really helpful as AW goes through next phases.	 **Challenge** **Action ICG** **Challenge**
8.	**<u>Forward planning and approaches: Long term delivery strategy</u>** Due to lack of time, Kate Trumper gave a very brief overview of customer insights informing the LTDS and asked the ICG if there were any gaps identified in the customer engagement approach. Questions included: Has AW done enough to understand the views of specific customer segments? Noting that everyday insight would be used to inform customer principles, and in particular to understand the priorities and preferences of hard-to-reach customers. AW has undertaken significant stakeholder engagement as part of the development of WRMP, DWMP etc. Is it sufficient to rely on this, or does LTDS require additional specific engagement? **Nathan** said he would send thoughts in writing – he suggested it would be good to have a stakeholder workshop on the LTDS.	 **Action NR**
9.	**<u>Wrap up</u>** **Craig** wrapped up by saying the idea today was to sprint to get up to speed on where the company is in terms of customer engagement. He felt as if they haven't	

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	quite reached that point yet and needed to cogitate on it and come back to the company. He suggested the ICG should have a meeting the following week to reflect on things and how to move forward. He suggested a Teams call for the ICG asap followed by another one in September. Craig thanked the company for their papers and presentations and for a very useful meeting. **Paul** also said the ICG needed to consider whether to respond to Ofwat's consultation by 7 Sept (may want to comment on section 4 on customer engagement).	
10.	<u>**CEF-only session**</u> Craig asked ICG members for any brief reflections in the short time available. Members felt that there were a lot of issues to wrestle with and, although they had heard a lot of details at the meeting, they were still trying to get to grips with all the information. Members agreed that they would look through the slides and come up with a list of questions for the company. They would like to see a copy of the synthesis report between meetings. They would also like to see more information/evidence about the case presented for the reservoirs. There was also a sense that reservoirs alone wouldn't satisfy regional water demand. There was a desire among ICG members to explore leakage reduction and demand management among customers/stakeholders to see how that compared to case for reservoirs. Is the company finding significant leakage as they install smart meters? Who is paying for that? It was felt that there was a huge tension between the need to invest and affordability. ICG wanted to make sure to look very carefully to make sure research is done in a way that's transparent and fair and well triangulated. Water reuse needs to be presented clearly from the start to avoid future changes customer views. Craig invited members to email questions for the company to respond to. If needed, the ICG could set up task and finish groups to try and understand some areas more deeply. **Future meeting dates** 6 October 10.00-3.30 (face to face) 9 December 10-1pm (virtual)	

Item		Action
	20 January 2023 2-4.30pm (virtual) 17 March 2023 2-4.30pm (virtual) 21 April 2023 10-1pm (site visit)	