

**MINUTES**

**Date:** 13 July 2021  
**Time:** 9:00am to 12:00 noon  
**Location:** Via Teams

- Present:**
- . Craig Bennett – Chair, Sustainability & Resilience Panel (M)
  - . Nikolas Bertholdt – Natural England (for Stephen Rothera)
  - . Gill Holmes – CCWater (M)
  - . Martin Lord – Chair, Vulnerability & Affordability Panel (M)
  - . Paul Metcalfe – MD, PJM Economics (M)
  - . Duncan Mills – Senior Engagement Officer, Lincolnshire County Council
  - . Peter Olsen – Hartlepool Independent Advisory Panel (M)
  - . Tom Perry – Environment Agency (delegating for David Howarth)
  - . Richard Tunnicliffe – CBI (M)
  - . Graham Hindley – Jacobs (O)
  - . Pete Holland - Anglian Water
  - . Alex Plant – Anglian Water
  - . Darren Rice – Anglian Water
  - . Gareth Thomas – Anglian Water
  - . Rachel Walters – Anglian Water

- Apologies:**
- . Hannah Bradley – CCWater (M)
  - . Beth Corbould – Economist, Civil Aviation Authority (M)
  - . David Howarth – Environment Agency (M)
  - . Joanne Lancaster – MD, Huntingdonshire District Council (M)
  - . Nathan Richardson – Waterwise/Blueprint for Water (M)
  - . Stephen Rothera – Natural England (M)

Item	Action
<p><b>1. <u>Brief introductions</u></b></p> <p><b>Craig Bennett</b> (Chair of Sustainability &amp; Resilience Panel) explained that CEF Chair recruitment was still ongoing and an announcement was imminent. Today was a chance to reflect on Ofwat’s discussion paper on PR24 and beyond and an update on AW’s customer engagement plans and plans for the CEF in PR24.</p>	

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<p>Brief introductions were made:</p> <p><b>Rachel Walters</b> had recently been appointed as the new Customer Engagement Lead for Anglian Water.</p> <p><b>Nikolas Bertholdt</b> from Natural England was delegating for Stephen Rothera.</p> <p><b>Tom Perry</b> from the Environment Agency was delegating for David Howarth).</p> <p><b>Duncan Mills</b>, Senior Engagement Officer, was attending on behalf of Lincolnshire County Council.</p> <p><b>2. <u>Anglian Water updates: Wider business update</u></b></p> <p><b>Alex Plant</b> started by talking about recent news reports about Southern Water and the record £90m fine that had recently been handed down by the Environment Agency.</p> <p>Alex said Anglian Water had spent a lot of time making sure that this couldn't happen in this region. The idea of deliberately polluting to save cash was completely at odds with AW's 'love every drop' ethos.</p> <p>However, Alex said AW did need to invest to improve the region's (Victorian) sewage systems – this would be a critical question that had to be addressed across the country for PR24.</p> <p><b>Tom Perry</b> acknowledged this was the Environment Agency's biggest ever investigation and a record fine had been handed down to Southern Water for their unacceptable behaviour. While he assured CEF members the EA wasn't hearing any similar issues from AW, they would still like to see an improvement on pollution incidents within AW, which had received 3-star rating in the EA performance assessment.</p> <p><b>Action:</b> VA to circulate EA report to CEF members.</p> <p><b>Alex</b> acknowledged that AW had had a really tough year with Covid, flooding and 3 freeze thaw incidents. AW was committed to striving for a 4-star performance on pollution incidents, but this also relied on more investments in aging infrastructure.</p>	<p><b>VA</b></p>

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<p>Alex gave an update on other broader business updates:</p> <ul style="list-style-type: none"> <li>- AW had submitted first plans to RAPID for three reservoir proposals.</li> <li>- On the strategic interconnector programme – strategic pipeline work had formally launched involving a 500km main running from north of region down to Suffolk and Essex.</li> <li>- AW was also going ahead with installing smart meters to encourage customers to use less water (with associated change behaviour programme). However, AW was facing a shortage of microchips due to global production shortage.</li> <li>- On the new treatment work/storage and transfer asset – Ofwat agreed that storage and transfer assets should come back into AW process/back in house. This affected final the determination. AW put in original application seven weeks ago and Ofwat had agreed in principle, with minor changes.</li> <li>- Need to find best bidder for treatment work in north of region.</li> <li>- AW had agreed to replace lead piping for households, funded by shareholders.</li> </ul> <p><b>Gill Holmes</b> (CCWater) said she was pleased that this work was going ahead quickly and asked what the bill impact would be for customers?</p> <p><b>Alex</b> said the total cost would be £18m total, which would have only a small impact on people’s bills.</p> <p><b>3. <u>PR24 and beyond – Ofwat discussion paper</u></b></p> <p><b>Darren Rice</b> gave a presentation reflecting AW’s initial thoughts on the discussion paper from Ofwat on PR24 and beyond, looking at:</p> <ul style="list-style-type: none"> <li>• Ofwat’s PR24 High level design headlines</li> <li>• Overall indicative PR24 timetable</li> <li>• Internal preparations for PR24</li> </ul> <p>Ofwat’s document points to a focus on the longer term and delivering greater environmental and social value, but there are questions over how much time Ofwat had taken to reflect on the CMA findings.</p> <p>AW was pleased to see that Ofwat’s proposed ambitions closely aligned with the company’s purpose: to create environmental and social prosperity in the Anglian region.</p>	

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<p>Overall, AW welcomed the tone and direction of the PR24 discussion document, which highlights a number of long-term priorities that AW agrees are critical to the interests of customers and the environment.</p> <p>However, there are also a number of areas where AW believe Ofwat must consider more radical changes from the baseline of PR19 before implementing what it has proposed, if those challenges are to be met.</p> <p>In terms of <b>customer engagement</b>, AW welcomed the fact that companies have been given more ownership. The requirement for CCGs had been removed and instead there were proposals for collaborative nationwide research.</p> <p>In terms of <b>outcomes</b>, there was a desire to focus on fewer, higher level outcomes, with more centralisation on ODI rates and common measures</p> <p>There was not much detail from Ofwat on <b>costs</b> but AW was working with other companies on capital maintenance and the company welcomed improvements to encourage nature-based solutions.</p> <p>In terms of the <b>PR24 process</b>, Ofwat was proposing several options that see the merging of the IAP and DD stages, which effectively removes the incentive of fast tracking. Ofwat was giving consideration to making some information, such as WACC, cost assessment models and performance levels ahead of submissions.</p> <p>These steps would be important to get right to make sure that the conversation with customers and regulators happen at the right time.</p> <p>In terms of <b>timelines</b>:</p> <ul style="list-style-type: none"> <li>- draft methodology was to be submitted by middle of 2022</li> <li>- final methodology by end of 2022</li> <li>- company business plans would be submitted by early October 2023</li> </ul> <p>In terms of AW preparations for PR24, AW would:</p> <ul style="list-style-type: none"> <li>• Ensure better alignment of links between key policy aims and investment proposals on future resources (water and water recycling), strategic growth with future PR24 business planning approaches; and</li> </ul>	

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<ul style="list-style-type: none"> <li>• Learning lessons from the PR19 and CMA process, AW would design business plan proposals and articulation of the case in line with the required regulatory standard of proof and evidence base.</li> </ul> <p>In terms of AW roles and responsibilities for PR24:</p> <ul style="list-style-type: none"> <li>• Continuing as Strategy &amp; Regulation Director, <b>Alex Plant</b> would continue to oversee the overall relationship with Ofwat and take on additional responsibilities to lead the overarching strategy on the WRMP, DWMP, WINEP and Strategic Growth, and take on the Board seat on Water Resources East to help shape the regional plan.</li> <li>• <b>Darren Rice</b> would take on additional responsibilities, including chairing the Programme Board for PR24, working closely with Alex to rebuild relationships with Ofwat whilst developing a core evidence base for PR24 which anticipates the expected future regulatory standard of proof.</li> <li>• Working closely with Alex, <b>Hannah Stanley-Jones</b> would head up AW’s strategy development for future resources supporting Alex in the development of long-term plans, managing the RAPID processes and the relationship with WRE and ensuring alignment with the development of WRMP/DWMP/WINEP.</li> <li>• <b>Matt Humphrey</b> owns the overarching development of AW PR24 investment proposals and supporting evidence.</li> <li>• <b>Iain Amis</b> picks up the lead on policy and approaches to strategic growth.</li> </ul> <p><b>Craig</b> was disappointed that Ofwat had removed the requirement for CCGs but acknowledged this might free up how the CEF works. He was pleased to more of a focus on the longer term from Ofwat rather than thinking being limited by price reviews.</p> <p><b>Gill</b> talked about CCWater’s discussion paper on customer representation models, which sets out steps to allay fears that CCGs were captured by company, which CCWater didn’t believe was the case with the CEF and AW.</p> <p><b>Action:</b> VA to circulate CCWater paper to CEF members.</p> <p><b>Darren</b> responded that it was important to be really clear on what national research will deliver and when it will be delivered. There was the need for a balance between national research and regional engagement, which was still clearly crucial. In terms of customer models, it was still a work in progress. He was nervous about the idea of setting up multiple national forums. Anything that felt like centralisation runs counter to improvements</p>	<p><b>VA</b></p>

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<p>over last price reviews – wouldn't want to sever that by setting up a new model. AW still needed some time to think this through.</p> <p><b>Gill</b> said that, during PR19, it became clear that Ofwat was looking at comparisons across the industry. Going forward, it would be helpful to have more information about where AW sits compared to other companies.</p> <p><b>Darren</b> was sympathetic to that view but was not sure how this could be achieved, particularly for forward looking plans. One of the challenges to customer engagement activities is that, if Ofwat's view on efficient costs differs from companies, it's been used a Trojan horse.</p> <p><b>Paul Metcalfe</b> said there seemed to be lot up in the air from Ofwat, which made it difficult to plan customer engagement now and going forward.</p> <p><b>Darren</b> agreed this was worrying and was something AW would highlight in their response to Ofwat. Early clarity on the role of national research would be really welcome – and early results would be needed quite soon to feed into business plans.</p> <p><b>Alex</b> wrapped up by saying AW welcomed CCWater's work and were in alignment on everything except a national tariff. He agreed that the suggestion that CCGs were captured was offensive and wrong. He also felt that national research shouldn't supplant regional research. The heart of this must be, he said, that the customer relationship should be owned by the company and pivoting quickly to changes in customers' preference and needs. He didn't want to lose the great work done in PR19 on customer engagement – and indeed wanted to build on the great work.</p> <p><b>Tom Perry</b> added that the view of neutral rather than national research resonated with the EA.</p>	
<p><b>4. <u>PR24 Customer engagement update</u></b></p> <p>Anglian Water's new Customer Engagement Lead, Rachel Walters, gave an overview of AW's plans for customer engagement going forward.</p> <p>AW wanted to build on previous CE and to look at what CE can influence and models. They wanted to look at what AW already had and use it better. Once Ofwat details were clearer, AW would look at allocating resources for PR24.</p>	

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<p>AW was currently refreshing the platform membership for online community with Incling – making sure it’s as representative of AW customers as possible. They were using a collaborative approach on aligning with WRMP.</p> <p>With the removal of CCGs as a requirement by Ofwat, AW wanted to work across industry to make sure there are minimum standards for research, customer challenge and independent assurance.</p> <p>AW wanted CE to be an ongoing conversation, not just per price review. They want to use a targeted approach to gathering customers’ views, using technology as an opportunity, and using this to set longer term ambitions with customers.</p> <p>Next steps: In response to Ofwat, AW will flag that many things are still up in the air in terms of customer engagement. Clarity was also needed around the role of the CEF – is it around challenge, assurance or both. How can AW support this going forward? AW was committed to role that CEF can play in its development and to make sure that the voices of customers are heard.</p> <p><b>Paul Metcalfe</b> asked whether triangulation (which was a welcome development in PR19 and AW did well), would fall by the wayside in PR19 with the move towards national research.</p> <p><b>Darren</b> responded that AW planned to retain triangulation to help shape future plans and decisions.</p>	
<p><b>5. <u>Plans for CEF going forward and Chair recruitment process</u></b></p> <p>Alex Plant said that there was a strong commitment from AW to continue with the Customer Engagement Forum (CEF). Customer engagement was central to AW’s business and they saw huge value in it. Alex said that independent scrutiny and feedback has improved AW’s work in this area.</p> <p>The recruitment process for a new CEF Chair was almost complete after a long list was narrowed down to two candidates. There would be an announcement over the next few days. Hopefully the new person would then agree about the objectives CEF will set self.</p>	

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<p><b>6. <u>Performance and ODI update</u></b></p> <p><b>Gareth Thomas</b> gave a performance update for the previous year.</p> <p><b>Alex</b> explained that Covid had an impact on per capita consumption. Because people weren't commuting to London for work, there's been a lot of extra water use in the region and a lot more sewage to deal with.</p> <p><b>Graham Hindley</b> reported he had been auditing/assuring ODIs and information that feeds into ODIs for AW on behalf of Jacobs. Overall they found no material concerns. There are a number of items that have come out for follow up.</p> <p>Supply interruptions – performance was outstanding. Best ever performance against a tough target.</p> <p>On DMex, they found excellent performance throughout.</p> <p>On void properties, there had been a big drive to bring those properties into charge. Company has smashed that target.</p> <p>To meet target on leakage this year had been excellent.</p> <p>Overall, Jacobs were satisfied with AW's performance.</p> <p><b>Gareth</b> also presented headlines from this year set against internal targets.</p> <p>Highlights:</p> <ul style="list-style-type: none"> <li>• Leakage and low pressure on track.</li> <li>• Slightly behind target on water supply interruptions and water quality contacts.</li> <li>• Per capita consumption had been affected by Covid.</li> <li>• External sewer flooding was still quite high – and was also having impact on pollution incidents.</li> <li>• Treatment work compliance ahead but would likely fail because of one key incident</li> </ul> <p><b>Tom Perry</b> from the Environment Agency said that EA had issued latest annual report. AW has been weighted as 3*.</p> <p>The pollution incident score is holding AW back from a 4* score.</p> <p>Over past 5 years, AW hasn't improved on pollution incidents. It's the long term flatlining that's disappointing.</p> <p>Achieving 4* is going to be harder as industry wants to hit zero pollution by 2025.</p> <p>AW performance in other areas (e.g. WINEP etc) was good.</p> <p><b>Action:</b> VA to circulate EA national report, which includes a data table specifically on AW.</p>	<p><b>VA</b></p>

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<p><b>Alex</b> said that a key action for AW forward was to put in place a pollution reduction plan e.g. through 'Keep it clear' campaign. A lot of incidents are caused by blockages (wet wipes etc) therefore customer behaviour is an important element. AW's aim is zero pollution against a tough backdrop in a low-lying area – but there needs to be increased investment in assets and operations to achieve that goal.</p>	
<p><b>i CEF-only session</b></p> <p>CEF members discussed whether they wanted to put in a response to the Ofwat paper on PR24 and beyond.</p> <p>They also discussed the future role of the CEF. Members felt that it was a real step backwards that Ofwat had removed the requirement for CCGs, but agreed that it might give more flexibility in future to the role of the CEF and the role of national research would potentially allow comparisons between companies in future.</p> <p>There was disappointment expressed that Ofwat didn't seem to have listened to CCGs in PR19, but it was felt that the role of a CCG was valuable to companies and other companies were also committed to retaining their CCGs.</p> <p>CEF members were pleased to hear that AW were committed to the role of the CEF and customer engagement going forward.</p> <p>Members agreed that there would need to be some thinking around the role, purpose and composition of the CEF and its subpanels once the chair was in place.</p> <p><b>Action:</b> Members agreed that there should be no formal response from CEF to Ofwat but the new Chair should connect with other CCG Chairs to formulate a response to Ofwat.</p> <p><b>Thoughts on future role of CEF</b></p> <p>There was commitment to the ongoing role of the CEF and its subpanels. It was agreed that this was an opportunity for the CEF to forge their own path and maintain more independence – secretarial support from the company would still be required.</p> <p>Subpanels were seen to be valuable in challenging/improving company performance:</p>	

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<ul style="list-style-type: none"> <li>- Economic panel was useful in focusing on certain areas and would be useful to keep.</li> <li>- A more structured approach to grading and challenging company used by other CCGs that CEF could learn from in terms of categories of review and challenges.</li> <li>- Looking at company performance against key ODIs seemed to be an important consideration.</li> <li>- Identifying gaps in national research might also be important (e.g. in areas of affordability/vulnerability).</li> <li>- There would be some value in getting involved in strategy and early thinking of a company around a price review to add value.</li> <li>- It would be valuable if the CEF could take a more active role where the company isn't achieving targets.</li> <li>- Quarterly meetings by Zoom would help to pick up these kinds of issues.</li> <li>- It would be helpful to link with other CCGs to gain more purchase.</li> <li>- There would be some value in CCG Chairs meeting as a group and looking at regional plan (e.g. through Water Resources East).</li> <li>- There was a desire to hear about customer engagement and WRE.</li> </ul> <p><b>Action:</b> Craig to reach out to other CCG chairs re. joint response to Ofwat response.</p> <p><b>Action:</b> New Chair to talk to CEF members and set up meeting in the autumn.</p>	<p><b>CB</b></p>