

MINUTES

Date: 19 March 2021
Time: 9:00am to 12:00 noon
Location: Via Teams

- Present:**
- . Craig Bennett – Chair, Sustainability & Resilience Panel (M)
 - . Hannah Bradley – CCWater
 - . Beth Corbould – Economist, Civil Aviation Authority (M)
 - . Gill Holmes – CCWater (M)
 - . David Howarth – Environment Agency (M)
 - . Joanne Lancaster – MD, Huntingdonshire District Council (M)
 - . Martin Lord – Chair, Vulnerability & Affordability Panel (M)
 - . Paul Metcalfe – MD, PJM Economics (M)
 - . Peter Olsen – Hartlepool Independent Advisory Panel (M)
 - . Nathan Richardson – Waterwise/Blueprint for Water (M)
 - . Richard Tunnicliffe – CBI (M)
 - . Graham Hindley – Jacobs (O)
 - . Ciaran Nelson – Anglian Water
 - . Pete Holland - Anglian Water
 - . Alex Plant – Anglian Water
 - . Darren Rice – Anglian Water
 - . Ian Rule – Anglian Water
 - . Peter Simpson – Anglian Water
 - . Vicky Anning – Minutes (O)

- Apologies:**
- . Stephen Rothera – Natural England (M)

Item	Action
<p>1. <u>Brief introductions</u></p> <p>Craig Bennett (Chair of Sustainability & Resilience Panel) explained that Jeff Halliwell had stepped down as CEF Chair in the autumn of 2020.</p> <p>Apologies had been received from CEF member Stephen Rothera of Natural England (his colleague John Torlesse has now retired).</p>	

Item	Action
<p data-bbox="277 268 1211 369">Hannah Bradley from CCWater has now stepped into Bernard Crump’s shoes as a member of the CEF, alongside Gillian Holmes.</p> <p data-bbox="277 411 1219 548">Craig opened the meeting by outlining the current situation and explained that the decision had been made to hold this CEF meeting to share updates from the company on the current situation with the Competition and Markets Authority (CMA).</p> <p data-bbox="204 590 237 617">2.</p> <p data-bbox="277 625 1024 653"><u>Anghian Water updates: CMA redetermination</u></p> <p data-bbox="277 695 1227 867">Alex Plant explained that Anghian Water had received the final decision from the CMA on Wednesday, 17 March. He said that the CMA decision was a marked improvement for AW compared to Ofwat’s final determination and meant that AW can invest for growth and rebalance risk and reward.</p> <p data-bbox="277 909 1235 1081">AW was pleased to see the CMA acknowledge that costs should now be assessed on a whole life basis. This change hopefully means the sector can look forward to seeing more of the nature-based solutions come through in future, with consequent social and environmental benefits.</p> <p data-bbox="277 1123 1247 1224">AW would now have a much better platform to work from as they grapple with difficult challenges ahead – such as reducing pollution, reducing leakage improving water quality etc.</p> <p data-bbox="277 1266 1224 1402">In summary, he said, this was a good outcome: AW had been able to demonstrate that it is a good company with good people who are trying to do the right thing for customers and the environment.</p> <p data-bbox="277 1444 1240 1755">Peter Simpson added that there was still a big Totex gap after the Redetermination. The increase in revenue doesn’t come in until the third year of the AMP so managing costs is going to be important during this period. He said AW wants to make sure it has a constructive relationship with Ofwat going forward. Although AW didn’t plan to talk much publicly about the CMA decision, it was something AW colleagues could all be very proud of and he felt AW was genuinely in a much better place as a result of the CMA decision.</p> <p data-bbox="277 1797 1084 1860">Peter shared a video he had shown to colleagues internally after the decision was received.</p>	

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<p>Craig asked what the CMA had said about Customer Engagement (CE). Alex responded that the CMA seemed to have given little weight to CE in spite of the weight Ofwat gave to it at the start of the PR19 process. This was disappointing.</p> <p>Darren Rice agreed there seemed to be a disconnect between the quality of the CE undertaken and the weight given to it in the regulatory assessment. There was no recognition of the quality of AW's customer engagement.</p> <p>Craig asked which part of the plan the efficiencies would affect. Alex responded that the aim was to deliver all the outcomes promised in AW's plan and AW is looking at ways it can do that more efficiently.</p> <p>Paul Metcalfe said he had sympathy with Ofwat and CMA's position on willingness to pay on ODIs. There are issues with the measurement of these things that need to be looked at very carefully. AW could have done more by looking at studies other companies have done across the country, which is something that could be taken on board for future price reviews.</p> <p>Nathan Richardson (Waterwise) felt that the CMA process may have been a bit of a tick box exercise and cursory.</p> <p>Craig said the meetings he had attended with the CMA had felt a bit chaotic when the issues being discussed were so important. He said he had stressed how the messages that came through from CE were not taken on board.</p> <p>Peter Olsen asked what impact the CMA decision would have on pricing? Alex responded that the original plan would have seen a slight decline in bills for customers. Ofwat determination drove bills down much lower. CMA is somewhere between those positions. There will be no change to bills until Year 3 of this AMP.</p> <p>Richard Tunnicliffe (CBI) asked about the reaction from press, stakeholders and other water companies that didn't challenge Ofwat's final determination. Alex said the media response had been relatively muted.</p> <p>Ciaran Nelson (Director of Brand and Communications for Anglian Water) said had been played as a bit of a score draw. Customers were still getting a high value proposition. The more trade-oriented coverage will look more at how customers,</p>	

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<p>community, environment will benefit – we need to lift the lid on the detail and show some examples.</p> <p>Alex said the CMA decision was relevant for water companies across the country for the future. AW said the company was asking the CMA to consider issues that were relevant for the whole sector: the CMA decisions leave the industry in a better place for the future.</p> <p>Darren agreed that the CMA focus on the long term was positive. One of the big dialogues was relating to the WRMP – CMA encouraged the regulator to take a long-term look at these interventions and look at the bigger picture.</p> <p>Gill Holmes from CCWater said that, going forward, it would be useful to know Ofwat’s thinking on CE clearly from the start of the AMP as well as how CE was going to be used, how much weight was going to be given to it etc. For the CEF, it would be important to know what it means for customers going forward on a day-to-day operational basis. Bills will go up for customers compared to the Ofwat FD and it’s important to know how this is going to be communicated to customers.</p> <p>Martin Lord asked where this has left the company in terms of its general position on customer engagement. What changes would they be making?</p> <p>Darren said that Ofwat’s principles document was due out in May so it was a bit too early to tell. AW was sorely disappointed that the quality and depth of AW’s customer engagement didn’t seem to have been reflected by Ofwat and CMA. AW acknowledged the role for comparisons between companies but felt that the quality of those inputs needed to be tested. One of the main positives of PR19 was the breadth and step change in CE. Quite quickly this seems to have been dismissed, after all that work (and expenditure).</p> <p>Alex said that there was a period of reflection and process of change at Ofwat and lots of opportunity to reset the relationship with colleagues at Ofwat. Chief Exec Rachel Fletcher was leaving and David Black was interim Chief Executive; the Ofwat Chair’s tenure was also coming to an end.</p> <p>3.</p> <p>Early Ofwat thinking on customer engagement for PR24</p> <p>Darren Rice gave an overview of Ofwat’s early thinking on Customer Engagement for PR24 –</p>	

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<ul style="list-style-type: none"> - The continued lack of weight on CE in the CMA’s redetermination of AW’s plan was disappointing. - Ofwat had published early thoughts on CE that needs to kick start existing work streams and help companies with shaping plans. - Looking at the Ofwat response, AW was disappointed at the strong focus on national research. - AW’s view is not rush to a national study as there are different priorities, different costs of services. - We need to recognise long-term regional differences. - AW was also frustrated at the implication that CCGs were not independent, which was not their lived experience. They were appropriately challenged by the CEF. - Are there missed opportunities here to do things differently? There are different models in both regulated and non-regulated sectors that could yield some benefits. The paper from Ofwat doesn’t embrace this. <p>Craig said he had attended a meeting with CCG Chairs with Ofwat to discuss the December document around customer preferences. He was taken aback at the strength of feeling from CCG chairs and how unhappy they were with the Ofwat proposals. There was strong pushback to the challenge that CCGs had lost their independence. Language from David Black and others was a lot more positive about customer engagement than in the document. A lot of CCGs were questioned the relevance of centralised vs. decentralised proposals. The thing that all CCGs stressed was that seeing the role of Customer Engagement just through the lens of the price review was perhaps missing the point. (For example, CE fed into AW’s SDS.) Ofwat didn’t seem to have taken that on board. David Black said he would welcome further input from CCGs.</p> <p>Nathan Richardson said he would have found it useful to have national comparators as part of the price review to see benchmarks for the sector. Would be useful to have a national framework with a regional emphasis and look at regional differences.</p> <p>Joanne Lancaster, Huntingdonshire District Council, said it was important to understand a national position but it was also important to come back to the regional level to make sure we have meaningful customer engagement.</p>	

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<p>Hannah Bradley said CCWater felt that CE needs to be ongoing and a business as usual activity. CCWater thinks triangulation is really important and recognises that there is work companies need to do in terms of vulnerable and hard to reach customers. Some of these customers felt they were a bolt on to the rest of the research.</p> <p>Some customers did feel that issues were too complicated and felt that CE was a tick box exercise.</p> <p>National research should complement rather than replace what companies are doing. Companies should have an ongoing dialogue with customers. There should be more collaboration and sharing research between companies to share learning.</p> <p>Alex agreed that customer engagement is not just for price reviews. The reason AW does CE is because the company wants to understand what customers want and need and to respond to that. AW would do that regardless of Ofwat’s process.</p> <p>In terms of vulnerable customers, AW tried to co-create with customers and tried to engage with them in the way they wanted to do. Regional differences and customer experiences are different across the AW region and across the country and this needs to be taken into account.</p> <p>Hannah said CCWater did some price review and BAU research. A minority of customers want all the technical details. But bringing customers on the journey through customer panels etc would be a place to share technical details.</p> <p>Paul Metcalfe said that too little had been discussed about why willingness to pay values differ across companies and studies. He didn’t think a national study would save money because you’ll need to look at bespoke performance commitments by region and you’ll have to triangulate that.</p> <p>He said it would be useful to have an interactive hub to make the evidence as accessible as possible so it’s possible to drill into certain findings and specific research.</p> <p>Also it would be good to integrate qualitative side of evidence with other quantitative evidence like willingness to pay, which is more numeric. Bringing those together would be really important.</p> <p>Craig said that getting the balance right between centralising and decentralising would be important.</p> <p>Beth Corbould, Civil Aviation Authority, added a note of caution from the aviation industry. In her experience, regulators didn’t trust customer feedback.</p>	

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<p>David Howarth, Environment Agency, said he thought there would be some benefit in national research broken down into regional research so we can see variability of customer views across the country. Clearly there's going to be a need for local research – e.g. resilience issues will need views at water catchment level. He would like to see both approaches.</p> <p>6. Pete Holland said there's a middle ground around asking certain customers the same questions.</p> <p>CCWater update (agenda item moved forward)</p> <p>Hannah Bradley gave an update from CCWater's perspective. Overall, in PR19 CCWater thought it was a generally positive outcome for customers, with some room for improvement.</p> <ul style="list-style-type: none"> - Increase in quality and quantity of customer engagement: - Better design - Co-creation - More focus on triangulation - Complex questionnaires and engaging on technical issues <p>They did see that there was less engagement with customers that had English as a second language, which is a gap that needs to be filled.</p> <p>CCWater agreed with Ofwat's proposal for national research – this would be a starting point for individual customer engagement.</p> <p>Methodology:</p> <ul style="list-style-type: none"> - Felt price review process could be streamlined and simplified. - Customers don't always support use of ODIs - Look at different more focused incentives - Want to see more focused measure on vulnerable customers. Maybe look at different measure from number of customers on PSR. These figures aren't very challenging at the moment - Five-year planning stifles innovation – needs to be longer term strategic planning. - Some fast-track companies didn't correlate with customer satisfaction. - Customer evidence should be taken into account for each of the tests. 	

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<p>CCWater is planning to produce more guidance for companies on triangulation. Currently consulting on strengths of process and barriers.</p> <p>CCWater has sent out a request to companies regarding triangulation process. Will produce a desktop review looking at other sectors. CCWater is due to publish a draft report shortly and will publish final resource in April. Workshops on recommendations will be held in September/October.</p> <p>Martin asked what kind of engagement took part in relation to pandemic, particularly in relation to vulnerable customers.</p> <p>Ian Rule responded that AW reached out to hundreds of thousands of customers to understand their needs. The industry has come together on this, particularly around shielding customers. But there's still more to be done.</p> <p>Ciaran added that AW did a lot of research with the Customer Panel and came together with other companies and industries. Launched million pound positive difference fund. One example is a virtual town hall around Cambridge here: Cambridge Waste Water Treatment Plant Relocation Project – Virtual Exhibition (cwwtprvirtualexhibition.com)</p> <p>Gill Holmes, CCWater, said it was difficult to see how areas had been triangulated and weight that had been given to different streams of evidence in PR19. The report by Sophie Ahmad was a good document but there were lots of different versions, which made it harder to use.</p> <p>In terms of hard to reach and vulnerable customers, AW did a lot on this. One theme Gill came across at events she attended was that customers didn't want to be labelled as vulnerable.</p> <p>Alex agreed that each customer has a unique set of circumstances, which is difficult to standardise. Ian and Alex had worked with CCWater on a social tariff that will be more important as furlough unwinds.</p> <p>Darren said that AW was thinking about how to make triangulation evidence more useful and accessible to show it helped to shape AW business planning.</p>	

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<p data-bbox="203 233 240 260">4.</p> <p data-bbox="277 338 1234 405">Anglian Water’s plans for CEF going forward, membership review and Chair recruitment process</p> <p data-bbox="277 447 1218 583">Alex said that Jeff Halliwell’s decision to step down meant there was a gap for Chair. AW was planning to start a Chair recruitment process and would look then to review CEF’s role going into PR24.</p> <p data-bbox="277 590 1195 726">He felt there was a role for a body like the CEF for challenging the company, which got us to a better SDS and Business Plan than it would have been otherwise. He thanked CEF for their work and for their challenges.</p> <p data-bbox="277 764 1218 831">Regardless of the Ofwat process, AW will continue to do CE and do it well, and want to be challenged on it.</p> <p data-bbox="277 869 1218 972">Carolyn Cooksey had moved to Affinity Water and AW was currently reviewing candidates for her role, which will fall under Darren’s team.</p> <p data-bbox="277 1010 1195 1146">Moving into PR24, Alex will be taking on a role to oversee the development of major future investments such as new reservoirs, while keeping oversight of the regulatory and price review processes.</p> <p data-bbox="277 1184 1247 1251">Darren’s role will be to lead on the PR24 price review process and engagement with CEF.</p>	
<p data-bbox="203 1331 240 1358">3.</p> <p data-bbox="277 1331 472 1358"><u>ODI Update</u></p> <p data-bbox="277 1400 1214 1503">Gareth Thomas, standing in for Andrew Snelson, shared a dashboard of AW’s performance, which has come up with some challenges.</p> <p data-bbox="277 1541 1240 1644">The move from people working in offices to working at home due to Covid has put pressure on per capita consumption, which will miss target by a substantial amount this year.</p> <p data-bbox="277 1682 1182 1785">As result of additional demand, pressure on networks has reduced. By end of year, hoping to reduce and mitigate extra properties that have low pressure.</p> <p data-bbox="277 1822 1071 1850">Three cold snaps have also put pressure on networks.</p>	

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<p>But there has been good news this year: AW performed well against water quality compliance score.</p> <p>AW has also performed well on water supply interruptions – forecast to beat that by almost three minutes. AW is also performing well on mains supplies.</p> <p>On CMex and Dmex performing above average – 5th on both of those.</p> <p>On customer service measure relating to people who’ve had contact with company, AW has scored well. But AW has not scored as well on measure of people not having contact with company.</p> <p>There has been a lot of high rainfall in the region. Number of flooding incidents has increased last year. Compared to other companies, AW compares well – but not as well as historically.</p> <p>Joanne mentioned that flooding was a really significant problem just before Christmas and from Boxing Day onwards. People were without water for quite some time. We need to look at how we respond better to those types of situations.</p> <p>Ian agreed there is a need to work hard on how to respond in future. It’s been an extremely challenging situation. The Dannit enquiry is a useful tool and AW should look at that and apply it outside the Norfolk area.</p> <p>David Howarth said that the Environment Agency worked well with AW but it was firefighting. Now we need to turn our attention to looking forward and building in some resilience so we don’t get into these positions again. He would like to see the longer term maintenance and resilience issues put into Ofwat’s court.</p> <p>Alex agreed that the EA had worked with AW to try to alleviate issues and minimise impact of flooding. Exposure to more and more frequent weather events is going to be with us for the future and we need to look at increasing resilience</p> <p>Craig suggested this should come back to a future CEF meeting. Darren agreed that we should bring back DWMP to future CEF as it will be critical to engagement.</p>	<p>DR</p>

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<p>Craig said that changing work practices were going to be crucial. This was going to have profound implications on transport, utilities etc.</p>	
<p>i CEF-only session</p> <p>CEF members discussed and agreed that they would like to submit their views to Ofwat about the future of customer engagement to help improve the process in future.</p> <p>CEF members agreed it would be better for everyone if the role of CCGs was clear from the outset. Over the past two price reviews, there's been too much room for interpretation about roles of CCGs and CE.</p> <p>It was acknowledged that the deadline for submissions had passed but David Black had welcomed responses.</p> <p>Action: VA and CB to draft a note based on views expressed today in next week. Paul to contribute input.</p> <p>CEF members also discussed the future and membership of the CEF. It was agreed that it was right that this should be revisited once a new Chair was in place.</p> <p>Action: VA to circulate TOR of CEF to CEF members.</p> <p>It was agreed that a meeting in late June/early July would be helpful.</p> <p>CEF members felt that it would be helpful to have an update on Customer Engagement at the next meeting. They also would be interested to know the impact of performance commitments on bills.</p> <p>CEF members said it would be useful to see performance indicators in advance of the next CEF meeting to help with scrutiny.</p> <p>It would also be helpful to have sight of comparators across the water industry, to help understand AW's performance in context. They would also like to understand what new suites of measures might start to emerge in the next few years.</p>	<p>VA/CB</p> <p>VA</p> <p>DR/AW</p> <p>DR/AW</p> <p>DR/AW</p>

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