

Meeting: Anglian Water Affordability and Vulnerability Panel,
Sub-Panel of Customer Engagement Forum (CEF) for Anglian Water

Date: Friday, 25 May 2018

Time: 10.00 – 14.00

Location: Lancaster House, Ermine Business Park, Huntingdon, PE29 6XU

Present:	<p>Martin Lord – Chair of Panel; member of CEF; CEO of Central and East Northamptonshire Citizen’s Advice Bureau (CAB)</p> <p>Peter Christmas – Ground Work East</p> <p>Janet Cooke – Peterborough Dementia Action Alliance</p> <p>Trevor Edwards – Dept of Work and Pensions, seconded to Business in the Community, Great Yarmouth</p> <p>Julie Farrow – Hunts and Cambridgeshire Forum</p> <p>Jeff Halliwell – Chair of Customer Engagement Forum, Anglian Water</p> <p>Gill Holmes – local consumer advocate for CCWater, member of CEF and CESG for Anglian Water</p> <p>Lorraine Jarvis – Chair, Essex CVS Network</p> <p>Lisander Whiby – Central and East Northamptonshire Citizen’s Advice Bureau</p> <p>Spencer Hough – Head of Billing and Collections, Anglian Water</p> <p>Neil Manning – Anglian Water, Head of Income & Tariffs</p> <p>Samantha Ross – Anglian Water, Customer Insight & Audit Manager</p> <p>Jordan White – Anglian Water, Regulatory Analyst</p> <p>Vicky Anning – CEF report author</p>
Apologies	<p>Rachel Atkinson, Claire Boyer, Stuart Dearden, Lynne Faulder, Jenny Hodson, Tracey Manton, Phil Mawhinney, Jill Mortimer, Fiona Wynde</p>

Agenda Items

Action

1. Welcome and introductions

Action points from 16 April minutes were discussed:

- **Samantha Ross** had spoken to Trussell Trust and there was some interest in printing information about AW social tariffs on back of food vouchers
- Samantha also reported that all relevant files were now stored on the Anglian Water ShareFile: <https://anglian-water.sharefile.com/>

- Samantha would also circulate the latest version of the synthesis report after 4 June
- Samantha had forwarded comments from panel about new bill design to AW colleagues.

Minutes from 16 April meeting were approved.

2. PR19 Draft Business Plan Research with Customers in Vulnerable Circumstances – Community Research

Samantha Ross provided an update on focus groups led by Community Research. They spoke with low-income people, people with hearing impairments, younger women/families and older people – also people with English as a second language in AW region and in Hartlepool.

Bill profiles – participants were shown the level of investment they'd like to make based on bill profiles in outline plan (flat bill, 2.5% increase or 5% increase). Most customers went for middle option

Leakage: Most people accepted £4 additional increase in bill to maintain AW's leakage leadership position.

In half of groups, a minority of participants supported maximum investment as protection for future resilience.

People with sensory impairments (deaf and visually impaired) felt their needs were being overlooked. Better understanding of their communication needs was needed.

There was strong support for raising awareness of special tariffs and for partnership working.

There was low awareness of help available through AW's Lite tariff.

Martin Lord questioned whether answers from focus groups may have been different if there'd been knowledge about Lite tariff.

Gill Holmes talked about the focus group she had attended in Corby: they were more in favour of no bill increase (low-income families; all people in work and haven't had any pay rises for several years)

Samantha reported that the same exercises were conducted in Hartlepool, where bill profiles are slightly smaller than AW region. Half group supported option 2 and option 3. (Option 2 shows a 2% decrease, Option 3 shows a 0.6% increase.)

There was support for AW to provide extra services – but only for those who really needed them. There was most support for targeted communication.

Jeff Halliwell asked how penalty and rewards were explained to focus groups. Jill had commented about this on basis of attendance at an early focus group (see minutes from 16 April meeting) – this was changed to make it clear that customers would pay for rewards.

Samantha: Looking at the ODI on vulnerability, there was support for an external independent review of AW performance, but this was tempered by a range of questions regarding independence of panel members. Some participants suggested putting consumers on the panel

Martin said that AW needs to be more ambitious about PSR and work with partners to do that.

Samantha responded that she felt AW had been ambitious in the target for PSR, although numbers had not yet been finalised and would be available in June. One of starting points is regular engagement with voluntary organisations and to keep momentum going.

Action: Sam to provide figures for PSR targets

SR

Panel members largely agreed with ODI approach, although there was some scepticism about the scale of targets and the independence of panel members. Additional assurance was sought on this.

Janet Cooke was pleased to see people were being made more aware of services available for vulnerable customers but urged caution about setting targets.

3. Overview of Affordability Strategy

Neil Manning and **Spencer Hough** gave an overview of AW's affordability strategy.

AMP6 – reactive response to affordability

- Watersure (govt mandated)
- Aquacare plus (legacy tariff)
- Lite (social tariff set up in 2015)

In 2017/18, AW assisted 200k customers, taking a proactive approach for customers in arrears or at risk

- Information is gathered through data sharing with credit reference agencies e.g. Experian & profiling using score cards
- AW offers targeted intervention and tailored support

For AMP7, AW needs to expand services (but with a cost constraint set by Ofwat)

£71m revenue requirement for retail service (delivering service to customers, billing, meter reading, call centre, contact support to customers who have said they have affordability problems).

81% of AW customers say charges are affordable (1st in country); Hartlepool 79%

67% agree that charges are fair; 68% HWPL

AW has been out to customers twice on social tariffs:

- 60% of customers in support of cross subsidies
- strong minority of 40% against

The company is currently including £2 per bill for cross subsidies. There's approval for £4 cross subsidy at 60% for AMP7.

Martin suggested that a key job for the expert panel would be to monitor social tariffs

Samantha replied that the panel's job would mainly be to monitor PSR (to assess vulnerability perspective)

Martin said it felt like a missed opportunity to convene a group on vulnerability but not consult on affordability

Neil responded that there is no ODI in relation to affordability, but Samantha suggested she hoped the S&R panel would take an on-going look at affordability issues.

Neil explained that 20% of AW customers often have chronic problems paying their bill; for 80% of customers, household budgeting is principal driver of affordability.

Spencer Hough explained that there are currently 200,000 AW customers on social tariffs. He showed a graph to highlight how these tariffs are being taken up by people on the lowest incomes.

Neil: Experian have done some credit risk characterisations (looking at where water bills represent 3-5% of household incomes). Heat maps are being produced.

Martin said it would be useful to publish some of these heat maps for voluntary organisations in the area. He asked whether partnership work would be included in the budget set aside for vulnerable customers in the next AMP. The answer was that it would be included in the overall figure.

Neil presented results of Be the Boss customer engagement.

81% said £21 bill increase was affordable (option 2 – 2.5% increase)

Lysander Whiby wanted to know about demographics of 4,549 participants

What customers want:

- Proactive identification to target tariffs and services
- Flexible payment options to allow for unreliable income
- Easy ways to pay: direct deductions to income
- Data and partnership working with DWP
- Service design to factor in emotional well-being
- Free methods to contact
- Easy to read information
- Increased awareness of available assistance

Waiting for Experian results, which should provide objective view of affordability. Will be available end of May/early June.

SR/NM to follow up

Credit risk will help to understand affordability of bills and credit ratings will route customers with lower AAM scores into an Extra Care team (from 20% of customers who are facing affordability issues).

- AW's team will be extended to take on an extra 29% people
- This team will be able to take customer through benefits maximisation tool and signpost people to additional support
- Also looking to do more aftercare work with customers on Lite tariff
- 40k customers haven't paid anything for over a year. Want to reach out to them, go through assessment and assess their payments.
- Also want to make it easier pay through increased range of digital payment channels
- More payment outlets at convenience stores
- Piloted extended opening hours (was typically Monday to Friday and Saturday mornings. Now open earlier in mornings and Saturday all day and Sunday).
- A lot of work ongoing to improve website
- Introduced My Account portal and app – 200K customers signed up since end of last year. Customers really like it.
- Redesigning bill
- Introducing smart meters

Response from panel was that this work was very good and that the direction of travel was very positive.

Martin cautioned against an overreliance on automated modelling to identify vulnerable customers because reality is more complicated.

Samantha said there would be a company wide training programme, to help identify vulnerability and manage disclosure. In terms of use of data, Ofwat and UK regulators are keen on us using data to drive efficiency.

4. Outline Business Plan

Jordan White gave an overview of AW's performance commitment on vulnerability. He said that AW needs to improve PSR numbers.

The proposal is to divide the ODI into two measures: one qualitative and one quantitative for sake of transparency. AW is proposing a reward only model.

Through customer engagement (Dec 2017), 70% of customers supported idea of having a challenge group but they wanted the process to be transparent. Not just box ticking exercise.

Through vulnerability focus groups (April 18):

- Broad agreement with two-pronged approach
- Good to commit to increase on PSR but % increase isn't credible
- Register needs to be well managed and not too costly (Martin said that's why we need remit of panel to be broader)
- Good to get an external independent panel/review – but want transparency

Jeff wanted to see consumer evidence about penalty/reward element

Gill Holmes said that CCWater's position is there shouldn't be reward associated with bespoke measure on vulnerability. They would see this as business as usual. It should attract penalty but not reward. Customer engagement around this is really important and all sources of evidence need to be triangulated.

Jeff had several questions:

- 1) role of panel's scrutiny
- 2) do consumers support receiving benefit only for delivering support to people in vulnerable circumstances? Otherwise he would side with CCWater that AW shouldn't be rewarded for business as usual.

Jordan said that ICS are doing more work to engage with customers on the ODI. More information would be provided at the next meeting.

JW/SR

Panel only discussion

Gill said she thought customer engagement has been very wide ranging on affordability and vulnerability issues but she felt it was difficult to make a judgement without seeing the final synthesis report. She felt the panel still didn't have all information needed but they could be reassured from the Economic Valuation Panel that triangulation period is quite robust

Jeff agreed that customer engagement was exemplary. But they are still short of the detailed tracing to business plan. There's still the second step in process that needs to be answered. He felt that the company needed to do more work on vulnerability.

Gill thought AW's vulnerability strategy was good. The company is trying to engage with vulnerable customers and the third sector. However, she was concerned about penalties and rewards and whether the proposed approach would be appropriate for the vulnerability performance commitment. There was some talk about any penalty/reward being reinvested into vulnerable customers and she would like clarification on this.

Janet agreed that this felt like rewarding someone for something that they should be doing anyway.

Jeff felt the panel should take a neutral position, depending on customer research

Julie Farrow felt the onus was on the company to show whether information was robust enough in terms of customer engagement. She also felt that not enough had been done to put robust partnership working into practice. For example, funds had not been set aside.

The panel also had questions about the process and robustness of the vulnerability panel. Would it be transparent enough? How would it be made up and chosen? How would it maintain independence?

Janet was pleased to say they had taken away "expert" from the vulnerability panel wording as a result of previous feedback.

There was also discussion about whether the vulnerability panel should have a wider remit – and how this would fit in with the current Affordability and Vulnerability panel's role?

Further questions and challenges

Samantha provided the following written response after the meeting: There was a question about whether we had engaged with customers on whether they felt a financial incentive should be assigned to the Vulnerability Performance Commitment. I can confirm we carried out research across 602 participants to understand which service measures that customers felt should have a financial incentive. The research was conducted across a representative sample taking into account age, gender and socio-economic groupings. The survey results had concluded in May and I have saved the outcome in the customer engagement folder. The results show support for vulnerable customers being the 3rd most important with a score of 7.4/10.

Jeff responded: Thanks for clarifying that there is consumer support for a financial incentive to be applied for support to people in vulnerable circumstances.

The question remains, however, as to whether consumers support that incentive being reward only, or whether they feel it should be penalty as well as reward.

Gill had the following questions:

1. During the presentation I didn't pick up on the fact that there was to be an 'Independent Consultant' who would assess Anglian against the criteria and then feed in their assessment to the Independent Panel. I've had a look at the SECV and it appears to me that under that Scheme the Independent Consultant is appointed in advance by Ofgem. I appreciate that under the SECV all of the network companies are assessed and that this is a stand alone scheme for Anglian, but what is the proposal for appointment of the Independent Consultant under the proposed scheme?
2. The draft Panel Assessment Criteria circulated says that overall score out of 50 could provide the basis of Anglian's performance commitment assessment. There are 5 assessment criteria but with 2 sections to each. Could you clarify whether the final score is out of 50 or 100 and do you have any idea yet of what the proposed commitment level might be? I note that the SECV incentive is designed only to reward high quality activities or outcomes that go beyond BAU and assume that a similar position would be adopted in relation to any proposed financial reward.
3. Jordan also gave some figures, which I appreciate he said were rough and ready, saying that the cost of the Panel should be no more than 5p per customer per year and the maximum cost (if full award is achieved) £1 per customer per year. Do these figures include the cost of the Independent Consultant and is the £1 per customer per year based on just the qualitative measure or both proposed measures?
4. Finally, you have included on the share file the ICS slide showing customer support for financial incentive. This survey is not one that I have seen at the Customer Engagement Steering Group, although I had been made aware of it by Carolyn on Friday morning. Could you clarify what the question asked of customers was please and whether it covered both reward and penalty?

Available in ShareFile

Presentations Folder

- Affordability Strategy – Neil Manning & Spencer Hough
- Vulnerability Performance Commitments Update – Jordan White

Customer Engagement

- PR19 Online Community Consultation Feedback (Pages relating to Vulnerability: 18,19,20 & 41)
- Community Research Presentation Business Plan
- Community Research Business Plan recordings
- ICS ODI Survey Results*

Supporting Material

- Vulnerability Panel Assessment Criteria