



CUSTOMER ENGAGEMENT FORUM

Date: 5 June 2018
Time: 10.00 – 14.30
Location: Lancaster House, Ermine Business Park, Huntingdon, PE29 6XU

- Present:**
- . Jeff Halliwell – Independent Chair (M)
 - . Craig Bennett – Chair, Sustainability & Resilience Panel (M)
 - . Beth Corbould – Economist, Civil Aviation Authority (M)
 - . John Giles – Environment Agency (M)
 - . David Hickman – Environment Commissioner, Lincs County Council (for Cllr Colin Davie)
 - . Graham Hindley – Jacobs
 - . Gill Holmes – CCWater (M)
 - . Paul Metcalfe – MD, PJM Economics (M)
 - . Peter Olsen (M) – dialled in for roundtable update
 - . Nathan Richardson – RSPB/Blueprint for Water (M)
 - . Daniel Storey – Director, High Point Economics (M)
 - . John Torlesse – Natural England (M)
 - . Stephen Billingham – Chairman of Board, Anglian Water (O)
 - . Polly Courtice – Independent Non-Exec Director, AW (O)
 - . Natalie Ceeney – Independent Non-Exec Director, AW (O)
 - . Paul Whittaker – Independent Non-Exec Director, AW (O)
 - . Peter Simpson – Anglian Water (O)
 - . Cat Carlon – Anglian Water (O)
 - . Carolyn Cooksey – Anglian Water (O)
 - . Spencer Hough – Anglian Water (O)
 - . Natalie Jones – Anglian Water (O)
 - . Neil Manning – Anglian Water (O)
 - . Alex Plant – Anglian Water (O)
 - . Darren Rice – Anglian Water (O)
 - . Ian Rule – Anglian Water (O)
 - . Andrew Snelson – Anglian Water (O)
 - . Jane Taylor – Anglian Water (O)
 - . Vicky Anning – CEF Report Author (O)

- Apologies:**
- . Bernard Crump – CCWater (M)
 - . Cllr Colin Davie – Lincolnshire County Council (M)
 - . Kevin Ensell – Anglian Water (O)
 - . Joanne Lancaster – MD, Huntingdonshire District Council (M)
 - . Martin Lord – Northampton CAB, Chair, Vulnerability & Affordability Panel (M)
 - . Richard Tunnicliffe – CBI (M)

Item		Action
1.	<p>Chair’s introduction: Jeff Halliwell</p> <p>CEF Chair Jeff Halliwell explained there would be three main parts of the meeting:</p> <ol style="list-style-type: none"> 1) An update on customer engagement 2) An update on AW’s business plan 3) Extended roundtable updates to include input from subgroup chairs, as well as an update on AW’s Affordability Strategy. <p>In the afternoon, there would also be a private session for CEF members only, including an assurance presentation by Graham Hindley.</p> <p>Jeff was delighted to welcome so many people to the meeting, including AW’s Chairman and three Independent Non-Executive Directors. He was pleased to see such strong engagement from board members with the CEF.</p> <p>The panel would start their work drafting the CEF report following this meeting.</p> <p>Minutes from the 6 March were taken as an accurate reflection.</p> <p>Vicky Anning gave a brief update on the 16 May CCG Chair meeting, which was a chance for CCG Chairs to meet with Ofwat’s new Chief Executive Rachel Fletcher. Items for discussion included the Putting the Sector Back in Balance consultation.</p>	
Section A: Anglian Water approach for PR19		
2.	<p>Update on Customer Engagement: Carolyn Cooksey</p> <p>Carolyn Cooksey gave an update on the last six weeks of intensive customer engagement around AW’s outline business plan. The total number of engagements had now tipped over 500,000, including:</p> <ul style="list-style-type: none"> - 13,000+ visits to H2 Let’s Go at 14 sites - 49 community ambassadors trained - Online community in place for 6 months now (with 500 members) <p>Over last six weeks, overall customer engagement showed consistently that the majority of customers were happy with the highest bill profile (i.e. bill increase of 5%).</p> <ul style="list-style-type: none"> - Leakage was seen as very important by customers 	

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<p>- Vulnerability strategy and ODI gained broad support from customers in vulnerable circumstances and wider community, though this matter would be subject to further scrutiny from the V&A subgroup.</p> <p>Prior to the meeting, Carolyn had circulated a draft narrative to CEF members summarising customer engagement over the past two years. This will form the basis of AW's regulatory submission on customer engagement, although it is still a work in progress (appendices would include a list of sources showing the depth and breadth of engagement through 38 different channels, as well as questions asked in latest round of customer engagement).</p> <p>The microsite including a link to all sources would be updated by the end of June.</p> <p>The company had also provided a synthesis report and analysed Aide Memoire to help CEF members write their report.</p> <p>Different platforms were used to consult on the outline plan:</p> <ul style="list-style-type: none"> - Digital plan (Be the Boss, enabled customers to drill down to detail in their region) - Summary business plan overview of 60 pages available - Easy to read version was designed to be accessible. Font designed in consultation with Mencap. Boiled down to ten pages with clear feedback route. (AW plan to use this kind of format more often.) - H2O Let's go – 14 sites including Hartlepool visited in electric car - Stakeholder engagement (including CEF members) - Retailers (a new group for this AMP) - Customer board (7 members) <p>AW consulted on a number of questions where there's real choice for customers:</p> <p>Investment: WRMP and WINEP Incentives: ODI package including descriptions Bill profiles: three options driven by key investment questions Profiles were: flat bills, +2.5% bills, +5.0% bills Vulnerability measures & ODIs</p> <p>Results from vulnerability focus groups – customers in vulnerable circumstances preferred middle bill profile (this was seen as a compromise between necessary investment and other</p>	

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<p>pressures on household finances) There was strong support for leakage reward for maintaining frontier position, except in Hartlepool</p> <p>The online community was overall very supportive of AW's outline business plan. Participants chose the highest bill option (63%) – it felt realistic given the investments proposed. There was also strong support for the suite of proposed performance measures. There was strong support (70%) for maintaining frontier performance on leakage.</p> <p>Acceptability research was carried out with a robust representative sample of 1,600 household and 500 non-household customers: - 88% uninformed and 94% informed acceptability of the plan - Hartlepool segment was more likely to find it acceptable (bill profiles are lower in H'pool) - There was good support for options set out in vulnerability strategy and ODI</p> <p>Be the Boss Over 5,000 responses. 51% initially chose highest bill profiles. Some switched but 48% still supported highest bill profile. That number is broadly in line with numbers from online community. Collected first part of postcode info and were reassured to see almost total geographic coverage across region.</p> <p>Retailers – AW talked to five retailers of 21 in this new customer group. Sustainability and growth – along with resilience were priorities Water resources – want to be sure that supplies are protected for the future - Water efficiency – seen as their topic to lead on - Leakage – good support to maintain frontier position - Tariffs and smart metering – mixed views on tariffs with some acceptance that they promote water efficiency - Mixed views on the retailer ODI – seen by some that we should be providing good service anyway</p> <p>Customer Board</p>	

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<p>Customer Board (7 customers) met twice in 2018. At their April meeting, they considered the outline plan – posed ten questions to challenge the business plan, around:</p> <ul style="list-style-type: none"> – Assumptions and planning considerations for the WRMP – Microplastics in water – Comparisons to other companies, and learning from other countries – Affordability of bills – Brexit <p>Board members were satisfied although wanted to see more detail on metaldehyde detection and treatment, smart meters and the general statements in the press about water company financing</p> <p>These would be discussed at the next meeting on 19 June.</p> <p>Discussion</p> <p>Jeff thanked Carolyn for a comprehensive overview.</p> <p>Gill Holmes said she’d been impressed by depth and breadth and innovation used through different customer engagement channels. She had attended one of the vulnerability focus groups and was impressed by the engagement of customers on online community. There were some concerns from the Affordability and Vulnerability panel about how questions were asked and what results are showing.</p> <p>Paul Metcalfe also said the breadth and depth of customer engagement is really impressive. He would like to see some details on how the cost benefit analysis was done. He’d like to see a clear line of sight as to how customer engagement has set ODI levels to be able to make a judgement on whether the plan reflects the engagement</p> <p>Action: Darren Rice said the ‘one-pagers’ on ODIs and customer engagement would be updated and presented to the Valuation Sub-panel for further scrutiny.</p> <p>Daniel Storey said there were still some big questions open. He wondered if the company had had to revisit assumptions and change direction at any point. And asked to what extent can AW go back and re-mine data for precise questions that are now on the table?</p> <p>Alex Plant reminded the panel that SDS priorities were changed as a result of customer engagement. He said some areas were still more fluid than hoped at this part of the process but there are still different channels to capture customer views (e.g. online</p>	<p>DR</p>

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<p>community).</p> <p>Carolyn said AW’s challenge is to make these channels business as usual – a platform that’s agile enough to respond quickly and robustly</p> <p>Jeff was concerned about the number of uncertainties and how those would be addressed. He also asked about the questioning of five retailers out of 21.</p> <p>Carolyn said AW tried to engage a mixture of retail customers and she was pleased that they were able to engage five – these are representative of the overall industry sector.</p> <p>Anglian Water Business Plan: Alex Plant</p> <p>3. Alex Plant said that Ofwat’s <i>Putting the sector back in balance</i> consultation will mean quite a big change in the PR19 methodology. AW’s response made it clear that this would be very difficult in terms of timing. They were concerned that what Ofwat proposed would undermine sector stability. In AW’s letters to Michael Gove and Ofwat, AW felt they had responded to concerns raised (e.g. by removing dormant Cayman Island structure).</p> <p>Jeff asked what consumer engagement there has there been around this issue?</p> <p>Alex said AW can’t point to specifics on this.</p> <p>Peter Simpson said this is not actually what customers are concerned about. They’re more concerned about future of water. So it’s been quite difficult to engage with customers about these issues because it’s a regulatory and media construct, largely. The company has responded by putting more INEDs on board, getting rid of Cayman Island structure and making complex accounts simpler. Owners of business decided to do without dividends this year and extra funds have gone towards resilience planning.</p> <p>Jeff said these were laudable steps but CEF is required to comment on customer engagement around this.</p> <p>Alex suggested that it would be possible to test the water with customers via the platforms outlined by Carolyn</p> <p>Alex ran through his presentation on the business plan:</p>	<p>CC</p>

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<ul style="list-style-type: none"> - WINEP3 saw a large increase in investment needed for this AMP - AW have had conversations with the Environment Agency (EA), Ofwat and Defra and have revised business plan submission accordingly <p>For the business plan, the main elements were:</p> <ul style="list-style-type: none"> - Major investment drivers – WRMP, WINEP - Bills – history and forward - Customer engagement – 90% acceptability - Customer experience transformation - Affordability & vulnerability - Leakage performance and plan - Smart metering - Resilience - Financeability <p>Craig Bennett had a question about the swing from hard engineering to softer catchment management solutions. To what extent is AW maxing out on catchment management approaches in AMP7? And what’s the impact on bills?</p> <p>Alex said AW would be exploring catchment management solutions. He said it’s the right thing to do to maximise those opportunities but AW may also have to revert to some more traditional approaches. They are still working on numbers.</p> <p>Peter agreed it’s the right thing to do, but tends to have a longer lead time (but it’s better from environmental point of view and cheaper for customers).</p> <p>Alex said AW wants to move from softer to harder engineering solutions but still keep bills as low as possible. AW will still be in a bills increase scenario for AMP7.</p> <p>Craig said this also depends on the pending decision on metaldehyde. The Sustainability and Resilience Panel welcomes the direction of travel but it’s a very significant and late development.</p> <p>Alex said AW had been led to believe that a ban on metaldehyde was imminent. Potential impact of £30 million</p> <p>Going back to the presentation, Alex said that customer engagement was at the heart of everything AW does. As far as he was aware:</p>	

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<p>- no other company has done such a detailed customer engagement exercise over their long-term Strategic Direction Statement (SDS)</p> <p>- no company has carried out cross-sectoral approaches such as Water Resources East (WRE)</p> <p>- no company has gone as far or as fast in responding to Secretary of State’s concerns on Putting Sector in Balance.</p> <p>Questions</p> <p>John Giles asked about the different investment scenarios and how those were set?</p> <p>Alex said AW consulted on both a principle and adaptive plan on WRMP. They wanted to demonstrate they had thought hard about cost consequences of some of those environmental obligations. On WINEP, we thought it was important to set out for customers a range of options (even though they were statutory obligations). Luckily customers came back with strong views on prioritising environmental investment.</p> <p>Nathan Richardson asked about collaboration with neighbouring water companies. He said it’s difficult to get a feel for whether the companies have found the right solutions.</p> <p>Peter said this was a good challenge. AW had some innovative trades set up with Affinity and a significant import from Severn Water that was part of the company’s WRMP. Some of those things that were offered by other companies didn’t come to pass. AW is now going through another iteration of WRMP to address these challenges.</p> <p>Alex said the company hoped WRE would deliver this kind of collaboration but he suggested in future this may need to be devolved to a regional plan, rather than being voluntary.</p> <p>John Giles said this situation isn’t unique to AW. There’s been a big discrepancy in water trades – we didn’t see collaboration in a lot of WRMPs and we’re pushing this in our representations very strongly (EA).</p> <p>Craig asked what would happen if Ofwat insists on AW delivering falling bills?</p> <p>Peter said AW had had fantastic customer support for what they want to do. It’s the right thing to do and we should stick with this plan.</p>	

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<p>There may be an aspiration for falling bills across the country, but with our context it's different (level of housing development, dry climate etc). The plan is driven by real need and demand for housing and to adapt to climate change.</p> <p>Gill said that Ofwat were expecting bills to go down and she was concerned on this issue.</p>	
Section B: The national and regional picture	
<p>4. Panel Updates</p> <p>Hartlepool Panel Peter Olsen said that next panel meeting would be 10 July. Report and comments have been circulated. As a water only area, he would like to feel that Hartlepool customers would not face any price increases. He said the panel's concerns have been dealt with, to a large degree; if further problems come up, we can deal with them on 10 July. Basis of report in bullet points will be submitted to next CEF meeting.</p> <p>Sustainability and Resilience Panel Craig Bennett said the panel finds itself in difficult position. Some of the detail emerged quite late in the process. Panel members are brilliantly committed and wanted to know to what extent the company was maxing out on catchment management approaches. Next meeting would be 5 July, which is when panel can make a fuller assessment. It should come together for us on that date.</p> <p>Valuation Sub-Panel Daniel Storey reported that the panel had started quite late in the process so had been running to catch up. There had been an intensive period of activity in April and May. The panel had been impressed with AW's well-designed and deliberative approach and had been able to interrogate results in a lively way. Members of the panel tested what AW has done as far as possible on Willingness to Pay. Members put in written submissions and the company responded very thoughtfully. The panel has concluded that AW is operating close to leading edge in this area. Members would discuss outstanding questions at 21 June meeting including looking at cost-benefit analysis. Paul Metcalfe agreed that the valuations look sensible. He felt sewer flooding needed more scrutiny. Paul also said he would like to see the subjective well-being report.</p> <p>Action: Carolyn would to circulate this report and it would be added to ShareFile (then later to microsite).</p>	<p>CC</p>

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<p>Affordability and Vulnerability Panel</p> <p>Gill Holmes (representing Martin Lord, Chair) explained the panel was made up of people from third sector. There has been a lot of input from the company to bring the panel up to date (thanks to Sam Ross).</p> <p>In general, the panel felt the vulnerability strategy was good and represented a real step change in service. There's strong evidence of customer engagement feeding into strategy and vulnerability ODI. The panel welcomed the qualitative element to the vulnerability ODI.</p> <p>There were a few outstanding questions:</p> <ul style="list-style-type: none"> - There's a lot of pilot schemes but in order to reach hard-to-reach customers, that needs to be more targeted and efficient - There also needs to be a step change in picking up people before they fall into debt - The panel needed more detail on how the qualitative element of the ODI would work - CCWater's position is that vulnerability ODI shouldn't include a financial reward <p>Jeff asked whether there was evidence of support for a reward only ODI through customer engagement</p> <p>Darren Rice said there hadn't been any specific engagement around this.</p> <p>Roundtable Updates</p> <p>John Torlesse reported that Natural England is looking at WRMPs.</p> <p>Nathan Richardson reported that Blueprint for Water met with Ofwat Chief Exec Rachel Fletcher and pushed on environmental assessment in reports. They will be submitting to Defra over next few days.</p>	
<p>6.</p>	<p>Affordability Strategy: Neil Manning and Spencer Hough</p> <p>Neil Manning outlined AW's strategy and delivery for customers struggling to pay their bills. In 2017/18 AW is assisting 200k customers, using targeted interventions and tailored support. AW takes a proactive approach to customers in arrears or at risk of being in arrears. This includes data sharing with credit reference agencies such as Experian to gather information on</p>

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<p>credit scoring. They are working to create a heatmap of affordability.</p> <p>2017/18 CCWater Research Report: shows 81% of AW customers agree charges are affordable (79% in Hartlepool)</p> <p>Data from Segmentation Report, 2017 (Alto), 76% of customers rarely or never have difficulty paying bill (18% sometimes do)</p> <p>He went into more detail on findings from Be the Boss, which showed that 88% of informed customers supported affordability of bills (with £21 bill increase over five years plus inflation).</p> <p>Neil presented a graph showing that 20% of AW customers face chronic affordability issues, which correlates with the % of customers on social tariffs.</p> <p>Company is planning a step change in AMP7, moving from reactive to proactive approach in helping address affordability issues:</p> <ul style="list-style-type: none"> -Will route customers via phone line to most effective services through Experian credit ratings -Will see expansion of extra care team to help customers stay on appropriate tariffs and stop them falling into arrears (including extended opening hours etc) -Signposting to third sector help and will develop further partnerships - Introducing smart meters 	
Section C: Current performance/matters	
<p>7. Andrew Snelson: Company performance</p> <p>Andrew Snelson reported AW was finalising year-end figures and annual report.</p> <p>Interruptions to supply: This was AW's best year ever on this measure (seeing benefits of investments made at beginning of AMP6)</p> <p>Leakage: Performance is stationary at 183 megalitres per day (target is 182). AW is aiming to get to 172 by 2020 and is on track for that. The reward will be reflected in bills from next year (about £2.30 on household bill).</p> <p>Internal and external sewer flooding: It's been a good year on internal and external sewer flooding (best year ever on internal). In line for reward by end of period on internal (external is penalty only ODI).</p>	

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	<p>Pollution incidents: AW is at same position as previous year (219 is a calendar year figure for 17/18). A reward is due on that.</p> <p>Bathing waters: Achieved 31 excellent bathing water figures in past season (target 33). Just now having water sampled for new season. Results are measured over 4-year period.</p> <p>Water quality contacts: AW have hit target on this measure</p> <p>Pressure: There's been a big reduction in properties on the low pressure register (297).</p> <p>SIM: were pleased to finish top overall with score of 4.59, which was a fantastic start to the year in difficult conditions (e.g. Beast from the East).</p>	
9.	<p>AOB Next CEF meetings: - Tuesday, 31 July - Tuesday, 13 November</p>	