



CUSTOMER ENGAGEMENT FORUM

ADDITIONAL CEF MEETING

Date: 13 August 2018
Time: 16.00-17.00
Location: Lancaster House, Ermine Business Park, Huntingdon, PE29 6XU

- Present:**
- . Jeff Halliwell – Independent Chair (CEF)
 - . Daniel Bean – Environment Agency (S&R Panel) (on phone)
 - . Beth Corbould – Economist, Civil Aviation Authority (CEF and Valuation Sub-Group) (on phone)
 - . Bernard Crump – CCWater (CEF and Valuation Sub-Group)
 - . Gill Holmes – CCWater (CEF and A&V Panel)
 - . Peter Olsen – CEF and Hartlepool Panel (on phone)
 - . Nathan Richardson – Blueprint for Water (CEF)
 - . Peter Simpson – Anglian Water (on phone)
 - . Carolyn Cooksey – Anglian Water (on phone)
 - . Natalie Jones – Anglian Water
 - . Alex Plant – Anglian Water
 - . Darren Rice – Anglian Water
 - . Ian Rule – Anglian Water
 - . Jane Taylor – Anglian Water (on phone)
 - . Vicky Anning – CEF Report Author

Item		Action
1.	<p>Introduction</p> <p>The agenda was outlined as follows:</p> <ul style="list-style-type: none"> • Financeability and bill profiles • Putting sector back in balance • Customer engagement around sludge transport • Abstraction Incentive Mechanisms • Natural capital ODI • ODI on affordability and vulnerability • Business Plan timelines 	
2.	<p>Financeability and bill profiles</p> <p>Alex Plant summarised the call held on 9 August with members of the Valuation Sub-Group and CEF on financeability and bill profiles. AW had gone out to customers via the online community to ask whether bill profiles were acceptable (see Incling report,</p>	

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<p>which was circulated to CEF members).</p> <p>89 customers responded – with spread across segments. The vast majority of customers agreed with bill increase. AW were assured by level of support, although there were some sceptics.</p> <p>Jeff Halliwell confirmed that the meeting was a good opportunity for CEF members to ask about financeability.</p> <p>Bernard Crump asked about accumulated rewards from this AMP:</p> <ol style="list-style-type: none"> 1) What assumptions had been made about rewards for remainder of AMP? 2) What impact does this have on rating agencies? <p>Alex Plant responded that net ODI rewards of around £60 million were driven by number one position on SIM and leakage. This gives AW more resilience in first years of AMP. For AMP6, position is clearer and can take this into account (it’s not a forward projection, it’s based on existing funds). Conversation with rating agencies is neutral for AMP7 (with last two years of AMP not yet accounted for).</p> <p>Jeff Halliwell asked for more detail on customer engagement on bill profiles.</p> <p>Carolyn Cooksey responded that there were overall comments that the plan was good value for money – consistent picture of customers accepting bill profiles.</p> <p>Bernard asked if there was any discussion of AMP8 profiles.</p> <p>Carolyn responded that the focus was on AMP7 for this customer engagement. In original customer engagement, AW showed AMP8 figures. It was explained that bills would go up slightly and then resume the downward trajectory (in AMP8).</p> <p>Nathan Richardson said that some of the earlier customer feedback suggested there was a proportion of customers who accepted the 5% bill increase and questioned how AW ended up at 1% increase.</p> <p>Alex explained that AW have been able to cover all areas of investment under WINEP and WRMP at a lower bill increase than 2.5% (have held back on RCV run off rates). Evidence from customers was that they wanted to see run-off natural rate. AW have chosen a balance of investment that minimises bill</p>	

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<p>increases, gives 30% increase on totex of last year on resilience and is still affordable</p> <p>Jeff Halliwell said that, if consumers were willing to pay up to 5% (accepted by 42%), what would AW be able to be with more funds? Could there have been more environmental enhancements?</p> <p>Alex responded that the challenge is the deliverability of a programme of this scale. In the context of a region that's facing considerable pressures, putting more in would have stretched deliverability of programme. So there has had to be some trade offs.</p> <p>Bernard acknowledged that this will be one of the highest bill profiles among water companies, which will make it an outlier. But he accepted there were exceptional circumstances and strong customer support.</p> <p>Jeff highlighted that some members of the CEF would have liked to have seen a greater investment in environmental improvements, but AW seems to have made a reasonable case for the level of investment proposed.</p> <p>Carolyn gave an update on customer engagement carried out via the online community:</p> <p>3. Putting sector back in balance: AW shared a press release with members of online community and asked people's opinions on this. The press release explained AW's response to Ofwat's challenge to put the sector back in balance (e.g. by reducing dividends and cutting ties with Cayman Islands). By and large, reaction was very positive. There were a lot of questions around Cayman Island subsidiaries. AW is planning another activity on this in the autumn. There was recognition from large portion of customers that AW had responded proactively to concerns.</p> <p>Jeff was pleased to see this research, which was something the CEF had encouraged AW to do.</p> <p>4. Sludge transport: This customer engagement was carried out because AW was required to show support for cost adjustments – people were fascinated by the fact AW makes money from this and liked the idea of making power from poo. Response was mostly positive and broad acceptance. Customers see this is an</p>	

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<p>integral part of the process.</p> <p>5. Natalie Jones gave a brief update on Abstraction Incentive Mechanisms and customer engagement carried out around this.</p> <p>6. Natural capital ODI Dan Bean: sent email to Alex outlining points. Company has gone well beyond industry standard on this ODI. It's encouraging to see the level of ambition – it's right that it's reputational. It's more about involvement. That was v welcome. I'd like to have seen an intention to involve the CEF and S&R Panel in developing this – it's a very ambitious and difficult ODI but v exciting. You're industry leaders and there are a lot of people willing to support this. Alex: took that feedback and from John Torlesse – have reworded ODI around utilising knowledge and expertise of CEF and S&R Panel. This will only work if we work together. Tied into regional natural capital ODI of UEA. Also through Natural Capital East – thinking about natural capital in region.</p> <p>Peter: CEF were right that CEF didn't capture level of ambition – and now it does Nathan: reiterated support. Alex: will send the revised wording around. VA to circulate</p> <p>6. Vulnerability ODI Jill: Was discussed in some detail during A&V Panel on Friday. Amended narrative better reflected panel's position. Only think disagreed with was disincentive. Jane: AW has taken this on board and is looking to revise the wording</p> <p>Alex: the challenge we've had on these issues has been testing but plan is better as a result. You've pressed us to think about things differently and got a set of views back. Recruiting technical expertise has bolstered plan – and was a good decision.</p> <p>7. Business Plan Process Alex reported:</p> <ul style="list-style-type: none"> - All wording changes now reflected in narrative plan - AW working towards Sept 3 Ofwat deadline - Made a minor amendments to structure - Substantive movements will stop next week (after that will be wording changes only) 	

Item	Action
<p>Darren Rice would circulate latest version of business plan and latest version of pro forma asap.</p> <p>CEF Report: Vicky Anning to circulate draft CEF report to members asap</p>	<p>DR</p> <p>VA</p>