



CUSTOMER ENGAGEMENT FORUM

Date: 31 July 2018
Time: 10.00 – 10.30 and 13.30 – 15.30
Location: Lancaster House, Ermine Business Park, Huntingdon, PE29 6XU

- Present:**
- . Jeff Halliwell – Independent Chair
 - . Beth Corbould – Economist, Civil Aviation Authority
 - . Bernard Crump – CCWater
 - . John Giles – Environment Agency
 - . Graham Hindley – Jacobs
 - . Gill Holmes – CCWater
 - . Martin Lord – Chair, Vulnerability & Affordability Panel
 - . Paul Metcalfe – MD, PJM Economics
 - . Daniel Storey – Director, High Point Economics
 - . John Torlesse – Natural England
 - . Richard Tunnicliffe – CBI
 - . Vicky Anning – CEF Report Author

- Apologies:**
- . Craig Bennett – Chair, Sustainability & Resilience Panel
 - . Nathan Richardson – RSPB/Blueprint for Water
 - . Cllr Colin Davie – Lincolnshire County Council
 - . Joanne Lancaster – MD, Huntingdonshire District Council
 - . Peter Olsen – Chair, Hartlepool Panel

Item	Action
<p>1. CEF Only discussion: morning session (10-10.30)</p> <p>Jeff Halliwell, CEF Chair, said this was the last chance for CEF members to meet in person to bring CEF members’ views together before the 3 September submission. This was a chance to give views about AW’s Business Plan (BP) and what CEF needs to get most critically from the session to inform the CEF Report.</p> <p>Financeability: Members agreed that the shape of the Business Plan was fine. The headlines were: good customer engagement made case for acceptability of plan, although the BP is different from other companies’ in that it fails to deliver a bill decrease (due to high levels of investment in the environment). Members accepted that customer engagement showed</p>	

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<p>acceptance of this level of investment – but some members were doubtful whether Ofwat would accept it.</p> <p>There was also disappointment at the lack of information in the BP about the impact on customers in terms of bills.</p> <p>Some members had heard that Ofwat might grant exceptions on bill profiles to some companies and hoped the proposals would be accepted, as they felt there were some good environmental investments put forward by AW.</p> <p>Sustainability/resilience There was consensus that AW had overwhelming customer support for what they were proposing. In fact, some pointed out that there was overwhelming support for a higher bill increase than 2.5%. AW have far more assets that need improving than other companies (20-30% of all water industry assets).</p> <p>There were several outstanding issues:</p> <ul style="list-style-type: none"> • Rewards for pollution didn't sit comfortably with some S&R Panel members (e.g. EA has a different stance to Ofwat on this) • CEF members would make this view known through S&R Panel and report. <p>Some members questioned the level of ambition in terms of environmental investments. There were still "black boxes" around natural capital, for example.</p> <p>There was also disappointment that AW hadn't engaged with stakeholders like EA and Natural England to get views on what questions should be asked of customers around natural capital.</p> <p>There was generally a feeling that the company made a good and early start but were somewhat paralysed by WINEP3.</p> <p>Affordability/vulnerability There were also outstanding questions from the A&V Panel about the incentive mechanism associated with the Vulnerability ODI.</p> <p>There was also some concern that customer engagement hadn't talked about inflation when looking at bill profiles.</p> <p>Other questions:</p>	

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<ul style="list-style-type: none"> • Why do bills go up in the short term and then reduce? • There isn't mention of water trading with other companies • BP feels it's focusing all information over this summer and not clear how it will evolve over next 18 months let alone five years • Are there things AW could do with Ofwat cost-recovery mechanisms to change investment plans if needs be? 	
<p>2. <u>Afternoon CEF-only discussion (1.30-15 close)</u></p> <p>Jeff Halliwell summarised that overall customer engagement had been excellent and innovative – it had informed and driven business plan rather than simply being a regulatory requirement. AW engagement with CEF had been excellent – operational directors and chief execs had attended CEF meetings. Jeff had been regularly invited to attend board meetings – he felt that side of things had been as good as it possibly could be.</p> <p>AW's Business Plan was heading for bill reductions until WINEP3 was launched. Implementation of those investments has been supported by S&R Panel and customer engagement. Has resulted in bill increases, which seems to be supported by 80% of customers. Some argue these could have gone further (e.g. members of S&R Panel).</p> <p>For the other 20% of customers where bill increases are a problem, the company has taken a determined approach to improving services. That's been supported by A&V Panel, with a few outstanding questions.</p> <p>There's a different shape of bill profile in Hartlepool, which fits with different profiles and priorities in H'pool.</p> <p>The company has responded quickly to <i>Putting sector back in balance</i> issues and performed well in freeze thaw and summer heat wave challenges.</p> <p>Jeff was also pleased with assurance that Graham Hindley has been able to provide CEF (assured independently).</p> <p>Graham Hindley had attended AW board meeting and gave a similar message. There's a real step change in customer engagement – leading in the industry with some initiatives. CEF should take comfort that Jacobs has challenged what's emerging through the Business Plan.</p>	

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<p>They looked for evidence of engagement with retailers and found it. AW engaged with five retailers – one expressed concerns about retailer ODI. GH has seen meeting minutes and offered to share these but CEF members were reassured by his assurance.</p> <p>Members agreed there were lots of positive things in the BP. But challenges remained:</p> <ul style="list-style-type: none"> • AW was late in developing BP so CEF would probably have to submit a report without seeing final details. • They're one of Ofwat's companies in capital structure and they seem to be taking decisive steps, which may be one of reasons why it's late. • Environmental investment is huge: why? Were AW off the pace earlier – they seem to have been taken by surprise quite late in the process. • How fulsome should CEF support be given that they're so late in the process? • Has this limited CEF's ability to ask the right questions? <p>One member suggested flagging up areas of concern that regulator should look at in more detail that hadn't been available as of 31 July.</p> <p>Due to lack of information re. bill profiles and lack of time to scrutinise plans, some members found it difficult to come to any conclusions on the final plan.</p> <p>Members of the Valuation and Economic Sub-Group confirmed that AW had produced a very good valuation strategy – e.g. wellbeing and triangulation work – that's all in line with best practice. They've been very transparent and shared everything with the sub-group.</p> <p>Leakage and sewer flooding were only two outstanding issues that weren't resolved to full satisfaction of the sub-group. However, there was disappointment that the CEF hadn't had the chance to look at how valuations were reflected in final BP.</p> <p>CEF members hadn't had the chance to scrutinise the company's investment plans. And customers didn't appear to have been engaged on this either.</p> <p>In summary, the CEF was very happy with the customer engagement part of the CEF brief, but were less clear about how this was being put into practice.</p>	

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<p>CEF members went through Ofwat’s Aide Memoire to address each of the questions in turn:</p> <p>1) <i>Has the company developed a genuine understanding of its customer priorities, needs and requirements? Has the company engaged with customers on issues that really matter to them?</i> General consensus was yes.</p> <p>2) <i>Where appropriate has the company engaged with its customers on a genuine and realistic range of options?</i> Mixed picture. In Be the Boss, AW had narrowed their range of options quite a lot (questions weren’t always asked in the way they might have been asked – sometimes questions were framed for a neutral answer.) They did use innovative tools and suppliers – but constrained options on a number of occasions.</p> <p><i>Has the company considered how customers could help co-create and co-deliver solutions to underlying challenges?</i> Co-creation: AW have really embraced that and have done more than any other company</p> <p>3) <i>Has customer engagement been on-going, transparent and two-way?</i> Yes to on-going and two-way and transparent (e.g. online forum, Be the Boss). They’ve been very flexible – for example, with the acceptability testing. They have gone out and added new topics as they’ve needed them. CEF can also take credit for encouraging company to engage with people who weren’t speaking English as a foreign language.</p> <p>4) <i>Has the company effectively engaged with and understood the needs and requirements of different customers including those in circumstances that make them vulnerable?</i> Hard to reach customers: AW has done that really well.</p> <p>5) <i>Has the company effectively engaged with customers on longer term issues including resilience, impacts on future bills and longer-term affordability?</i> Mixed picture – good dialogue with customers in the region on resilience, but less engagement on future</p>	

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<p>bills and longer-term affordability. There was some concern expressed about bills in following AMP because AW may be building up regulatory capital which will drive up bills.</p> <p><i>Needs and requirements of future customers:</i> AW had done a lot to lay the ground work – but CEF hadn’t seen translation to BP.</p> <p><i>Has the company engaged with its customers on long term resilience of systems and services: yes</i></p> <p>6) <i>Has the company effectively informed and engaged with customers on current levels of performance and how does that compare to other companies in a way customers could be expected to understand?</i> Through acceptability research, had links to Discover Water – didn’t show relative rate of bill compared to other companies. SDS exercise was best practice – ambitions were also changed as a result of customer engagement</p> <p>7) <i>Has the evidence and information obtained from customers genuinely driven and informed business plan to benefited current and future customers?</i> Up until 1 August, company had done an excellent job. CEF can see how valuation of ODIs happened and tools to plan investment, but didn’t get the answers to be able to answer that definitively.</p> <p>Graham Hindley assured CEF members that AW had used the Synthesis Report to inform the business cases for investment. This has been assured by Jacobs although CEF members haven’t seen that. GH’s team found that some pre-filtering of investment cases had taken place prior to them entering the C55 application/tool for optimisation, but this wasn’t widespread – this observation was drawn to the company’s attention.</p> <p><i>What trade offs have been identified and how has the company proposed to deal with these?</i> 80/20 split – they have reflected in overall direction of bill</p>	

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<p>profiles feedback from 80% but 20% of customers for whom a challenge, have improved services Trade offs have been forced by WINEP and putting the sector in balance. In Be the Boss, AW gave customers the opportunity to see the trade offs in their decisions with hypothetical scenarios but there's less evidence of how that's translated into reality. CEF members also struggled to get info on AIM performance commitment.</p> <p>Actions:</p> <ul style="list-style-type: none"> • VA to circulate Ofwat feedback dates and send to panel (see below) • CEF to feedback on ODIs in future for AW Annual Report. • CEF Report to be circulated to members by email for feedback asap • Executive summary to be agreed for including in AW pro forma for Ofwat <p>Next steps:</p> <ul style="list-style-type: none"> • Company submission of business plans (and CEF Report): 3 September 2018 • Anglian Water to present business plan to Ofwat: 24 September (Craig to attend in Jeff's absence) • Ofwat's initial assessment of business plans and categorisation of plans: Late January 2019 • Early draft determinations: March/April 2019 • Other draft determinations: July 2019 • Final determinations: December 2019 	<p>VA</p> <p>VA</p> <p>VA</p>