

## Customer Engagement Forum (CEF) Valuation Sub-Group

**Date:** 20 April 2018  
**Time:** 14.00-16.00  
**Location:** Lancaster House, Ermine Business Park, Huntingdon, PE29 6XU

**Present:**

- Daniel Storey – Director, High Point Economics
- Jeff Halliwell – Independent Chair of Customer Engagement Forum (CEF)
- Beth Corbould – Economist, Civil Aviation Authority
- Bernard Crump – CCWater (by phone)
- Paul Metcalfe – MD, PJM Economics
- Allan Provins – eftec
- Scott Reid – ICS Consulting (by phone)
- Colin Wilkinson – CCWater (by phone)
- Alex Plant – Anglian Water
- Darren Rice – Anglian Water
- Carolyn Cooksey – Anglian Water
- Helen Dunn – Anglian Water
- Arun Pontin – Anglian Water
- Sophia Ronketti – Anglian Water
- Vicky Anning – CEF Report Author (by phone)

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### Agenda Items

### Action

#### 1. Review of previous minutes

**Daniel Storey** thanked Anglian colleagues for the papers circulated. Draft minutes from 6 March meeting were approved.

#### 2. Outline plan update

Outline plan published on 28 March: <https://ourplan.anglianwater.co.uk/>

**Alex Plant** gave a verbal update on changes to the outline plan made as a result of investment commitments enshrined in WINEP3. Initial Anglian Water investment estimates had doubled from £0.5 billion to £1 billion as a result over

the next AMP, with knock-on impact on customer bill profiles.

He reported that Anglian Water was disproportionately impacted by WINEP3 and meetings were imminent between the company, Michael Gove, the Environment Agency (EA) and Defra to find a better solution for customers and the environment going forward. He suggested there may be some openness to phasing in necessary investments over two AMPs (rather than one) to decrease impact over next five years.

**Bernard Crump** also reported that CCWater had been disappointed with the WINEP3 outcome on customer bills and were in discussion with EA.

Daniel said that AW was in a solid position in these discussions because they have calibrated their business plan according to customer feedback on bill profiles.

### **3. Responses to questions posted at previous meeting**

**Helen Dunn** thanked panel members for their helpful comments received on 6 March and colleagues provided a comprehensive response to those comments. The plan is to include all the responses in the final version of the mainstage survey.

Daniel thanked Helen and colleagues for taking the time and effort to respond to points raised. He said it was a good, solid piece of work and it would be good to show more clearly where boundaries have been pushed. He suggested the process was as valuable as the outcome reached and there are some useful additions to the paper following the challenges from panel members. He said the explanations given have helped him to navigate the material more easily. He asked if that could appear in some of the future documentation.

**Action:** Helen and colleagues to action this.

**Jeff Halliwell** seconded Daniel's views.

**HD**

**Paul Metcalfe** wondered if there was anything in the main report about rising bill profiles. It seems clear from customer feedback, he said, that they don't want bill reductions, which should be acknowledged in the main report.

**Allan Provins** clarified that customers didn't want to see reduced bills leading to reduced levels of service (see Annex 1 & 2).

Daniel suggested that a box could be included to reference the challenges and nuanced responses, in a way that lay readers can understand.

**Action:** Helen agreed to look at this further and capture the process

**HD**

**Colin Wilkinson** asked that Hartlepool analysis could be included in the main report.

Numbers for Hartlepool had been recalculated and circulated to panel members that morning.

Jeff said that the new numbers showed an increase in gaps. Although numbers are quite similar (between Hartlepool and other customers), the ranking is different.

Daniel felt that there were sufficient data available to show that customers in Hartlepool have been surveyed.

**Action:** Helen agreed that there would be an annex for Hartlepool info.

**HD**

#### **4. General Valuation Programme Update**

**Helen** gave an update on valuation work carried out since March:

- Delivery of final main stage report incorporating CEF sub-group comments
- Updated Valuation Completion Report
- Customer segmentation analysis completed

She gave a recap on triangulation work and said that they had taken the same approach as CCWater.

All evidence has been received now until end of March. A new approach was being trialled for household customers and values have been incorporated from Hartlepool customers, which has pulled up aggregates.

Paul said that his company was looking at PR19 WTP across all companies and was due to publish a draft report at end of April.

**PM**

Helen confirmed that this report would be part of the secondary data used.

Paul said it wasn't clear how the information from PR14 comparisons was being used and asked for an updated version of the report.

Daniel asked for the report to be circulated and asked for PR14 figures to be included with inflation factored in. He also said it would be useful to show how confidence intervals had changed since PR14.

**Action:** Helen to circulate report.

HD

There was discussion around pollution incidents. Daniel said numbers were looking quite high (in terms of difference between categories 2 & 3).

Bernard said that EA position seems to be at odds with Ofwat – with EA arguing this should be penalty only territory and Ofwat expecting both penalties and rewards.

Jeff asked whether there had been any customer engagement on this issue. Bernard was not aware of any.

Jeff flagged that CCGs have been asked to highlight differences between regulators. Would it be possible to gather evidence from customers on their views around penalties on this measure?

Helen reported on the second stage environmental survey. This took 12 investment pathways and looked to provide recommended values (some of which were already covered in societal valuation framework). They are looking to develop a user-friendly guide.

She mentioned the UEA study revealed that one group wanted to push forward environmental improvements.

Jeff asked if this survey could be shared with the Sustainability and Resilience Panel.

**Action:** HD/VA to share second stage environmental survey with S&R members.

HD/VA

Helen said that the Valuation Completion report would be delivered shortly, looking through the lens of all studies to explore different priorities and preferences. There were also plans to look at future customers, vulnerable customers etc.

## 5. Overview of Asset Health Survey

**Arun Pontin** gave an overview of AW's report on asset health that was due to be published shortly. The goal was to have a clear source of evidence for developing ODIs.

Bernard said that, in his work with other companies, priorities customers gave were different according to whether performance was frontier.

Carolyn Cooksey responded that company is clear that reward is about maintaining frontier position and continuing to be the best. She said that all customer focus groups have now taken place and lowest bills were not

necessarily the favoured option among customers.

Bernard said he was seeing significant shifts in PR19 due to richer approach. Customers' answers are different according to how the company has performed historically on certain measures.

Arun said that this data could easily be pulled out – and confirmed that retailers were now asked about customer satisfaction.

Colin was concerned that Hartlepool views weren't being taken into account in focus groups. He attended a session where customers opted for middle option in terms of bill profile. He also asked for data for water only (and sewage only) customers to be highlighted.

Carolyn confirmed that 200 customers from H'pool will be included in the acceptability research in the outline plan consultation and focus groups. The asset health survey was focused on dual service (water and wastewater) customers.

Jeff said it wasn't clear what methodology was being used for H'pool in final column and asked for this to be changed.

## **6. Update on 3 May submissions**

One-page summaries were circulated showing customer engagement leading to each performance commitment.

**Action:** VA to circulate to CEF members.

**VA**

Customer engagement would look in more detail at each ODI and details would then be finalised.

Daniel suggested that one-pagers could include electronic links for people who wanted to go into more depth on each issue.

Jeff asked to what degree smart metering is a means to achieving reduction in leakage and other performance commitments

## **7. AOB**

Daniel asked for an update on outcomes of meeting with Michael Gove at next sub-panel meeting.

**Next meeting** scheduled for Tuesday 22 May, 10-noon at Lancaster House.