

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

**Date:** Friday, 15 March 2019

**Time:** 12:00 – 14.30

**Location:** Henderson House, Lancaster Way, Huntingdon PE29 7DU

<b>Present:</b>	<p><b>Martin Lord</b> – Chair of Panel; member of CEF</p> <p><b>Janet Cooke</b> – Peterborough Dementia Action Alliance</p> <p><b>Jeff Halliwell</b> – Chair of Customer Engagement Forum</p> <p><b>Carolyn Cooksey</b> – Anglian Water</p> <p><b>Spencer Hough</b> – Anglian Water</p> <p><b>Neil Manning</b> – Anglian Water</p> <p><b>Samantha Ross</b> – Anglian Water</p> <p><b>Jordan White</b> – Anglian Water</p> <p><b>Vicky Anning</b> – CEF report author</p>
<b>Apologies</b>	<p><b>Rachel Atkinson, Claire Boyer, Peter Christmas, Stuart Dearden, Trevor Edwards, Lynne Faulder, Jenny Hodson, Gill Holmes, Lorraine Jarvis, Tracey Manton, Phil Mawhinney, Jill Mortimer, Fiona Wynde</b></p>

**Agenda Items**

**Action**

**1. Welcome and introductions**

**Martin Lord**, the Vulnerability and Affordability Sub-Panel Chair, welcomed attendees and reminded them of the panel’s dual role:

- to comment on customer engagement around affordability and vulnerability issues
- and to offer professional opinions and advice on Anglian Water’s affordability and vulnerability strategies.

**2. Overview of the Initial Assessment of Anglian Water’s Business Plan – Jordan White**

**Jordan White** reminded members that Anglian Water (AW) submitted their Business Plan (BP) in September and received an initial assessment from Ofwat in January: slow track.

AW was assessed on nine areas, including affordability and vulnerability. (They were the only company to receive an A for customer engagement).

On affordability and vulnerability, Ofwat said AW had:

- A holistic approach to improving affordability for customers who struggle to pay, including increasing its capacity to the extent it could help 500,000 customers; and
- A high-quality approach to vulnerability, suggesting a performance commitment with frontier performance of 15% for the proportion of customers on its Priority Services Register (PSR) and a stretching commitment on third parties rating the quality of its vulnerability schemes.

Ofwat had comments and queries on AW's plans for affordability and vulnerability focussed on the performance commitments, which is the focus of AW's response.

### **3. Affordability: Review of Ofwat's response to Business Plan and proposed response – Neil Manning**

- Action from Ofwat:

*“Anglian Water should propose a performance commitment relating to supporting customers that struggle to pay or who may be at risk of struggling to pay to help provide additional confidence that it will achieve its proposals.”*

- AW proposal:

An additional performance commitment based on:

*“The percentage of non-operational calls received that are handled by the Extra Care and Collections teams for an assessment of their circumstances and appropriate support.”*

**Neil Manning** explained that AW didn't want introduce quotas, which wouldn't be in line with the holistic approach they had put forward in BP to help households that were struggling.

For the new performance commitment, AW designed an approach around capacity to assist. AW wanted to be able to have greater availability of contact agents trained in affordability assistance for when customers called. They therefore designed a measure of non-operational calls received that were handled through Extra Care and Collections teams.

When customers call in, AW will have intelligent software that will direct people to teams that will offer more targeted help. This care will include signposting to third parties or benefits maximation etc.

The target for the number of calls directed to the Extra Care and Collections team is set as 20% of non-operational calls

This target will increase to 30% by the end of the next AMP (AW receives 1.2 million non-operational calls per annum so this represents 360,000 calls per year).

Neil said this would reflect AW's objectives on affordability, including making sure people were on right tariffs.

The new performance commitment is proposed to be reputational rather than financial, in line with the rest of the industry.

Neil said that AW had discussed these proposals with CCWater at the beginning of the week. CCWater was concerned about measurement of outcomes and proposed an annual review – which was a welcome suggestion. In response, AW have suggested an annual review of the calls and the outcome of the calls.

- Discussion:

There was a discussion around the customer journey and the level of automation involved. Spencer Hough explained that the phone system will use a combination of internal and external data to gauge a customer's affordability score and then route their call accordingly and as quickly as possible.

**Martin Lord** asked about the annual review process – what will it result in? He also asked about the resourcing of AW's lite tariff.

Neil responded that Ofwat had asked AW to model what their support for customers on the LITE tariffs would look like over the AMP. The forecast for take up for 2019/20 would be up to 20,000 customers. This was expected to rise by 7,000 or so per annum over the AMP.

AW will monitor take up of the LITE tariffs as they progress through the AMP. This will require discussions with CCWater. It would then either go back out to consultation; or thresholds for eligibility may be changed.

There was a question about the role of the various panels (whether the annual review would be overseen by the new vulnerability panel set up under the vulnerability ODI or by the existing V&A Sub Group)?

AW colleagues suggested the roles and responsibilities were yet to be determined.

**Jeff Halliwell** said it seemed to be a good thing that AW would have an ODI for affordability, in line with all other companies. CCWater's comment that outputs should be considered as well as inputs is a good one. However, there hasn't been any specific engagement around the idea of CCWater carrying out assessment at the end of the year. It would be desirable to carry out some customer engagement around scrutiny of this ODI – particularly among vulnerable customers. Jeff was concerned that the proposal seemed vague. He wanted to know what would happen to CCWater's input after the

annual review? Would there be TOR for this? If so, it would be helpful to let Ofwat know that TOR are being developed.

Most importantly, Jeff said customers should also be engaged with this process. He suggested that AW should flag that there is further engagement planned to make sure this is a meaningful process for vulnerable customers. Jeff agreed the proposal sounds logical as far as it goes but he highlighted that there had been no customer engagement so far on that specific point.

Martin asked about benefit maximisation process and wasn't convinced, from a professional standpoint, that it was possible to accurately signpost people to the right benefits. His experience from CAB shows that it was difficult to do benefit maximisation at speed – there were all kinds of pitfalls. He expressed some reservations about the effectiveness of this approach.

Spencer explained that AW signpost people and say “you may be eligible” for benefits rather than acting as advisors. They use a government tool to gauge people's eligibility for benefits.

Neil said AW would be able to see and monitor – for example, if a customer that has been signposted came back round the system again. He suggested adding in some wording to tell customers, if they were ineligible, to come back to AW. He said that the benefit maximisation approach was quite innovative among water companies but he expected others to follow suit.

**Action: NM to add wording**

#### **4. Vulnerability: Review of Ofwat's response to Business Plan and proposed response – Jordan White**

Jordan explained there had been six different actions on vulnerability requested by Ofwat:

i. Action from Ofwat:

*“Anglian Water has stated that it will achieve the British Standards Institution (BSI) standard for inclusive services but has not provided a performance commitment or plan on how it will do so. Anglian Water should propose a performance commitment on achieving the BSI standard for fair, flexible and inclusive services for all and maintaining it throughout the 2020 to 2025 period.*

**AW accepted this new performance commitment in full.**

Discussion:

Jordan said this will be a binary measure for every year over the next AMP. AW had customer engagement about this in the online community.

Customers are supportive of it. This performance commitment measures what was already proposed in AW's BP.

Jeff suggested it would be good to reference customer engagement on this in the revised BP submission.

ii. Action from Ofwat:

*"We propose to introduce a Common Performance Commitment on the PSR: Anglian Water should adapt its performance commitment on Priority Service Register (PSR) growth (PR19ANH\_22) to align with this proposed PSR Common Performance Commitment. This would involve making the performance commitment reputational and committing to checking at least 90% of PSR data every 2 years."*

**AW have accepted the commitment to check at least 90% of the PSR every two years.**

**AW have not accepted the proposal to make the commitment reputational: "We believe the commitment to reinvest rewards for outperformance to support vulnerability is right for our customers."**

Discussion:

Jeff agreed that AW should continue to go for higher performance level than the lowest common denominator. However, he reminded members that there was no clear consumer view on the reward-only mechanism for this ODI and this should be flagged in the CEF report to Ofwat on 1 April.

Sam Ross said there wasn't clear support for other options from customers either. She hoped that the vulnerability panel would point out areas in the strategy to improve and that customers would point out areas to invest in.

Jordan agreed to mention the above in AW's resubmission

**Action: JW**

iii. Action from Ofwat:

*"Ofwat would like more details on how the independent panel would work, data analysis and disclosure. They are also interested in who would be on the panel."*

**AW have provided more detail on the panel assessment and panel recruitment process, as shared with the Affordability and Vulnerability CEF sub-group on 12 July 18.**

Sam offered to share this information with the sub-group as a reminder Please see the document under this link [here](#) (item 01 (Vulnerability performance commitments briefing note)).

**Action: SR**

iv. Action from Ofwat:

*“The company should provide further evidence to demonstrate how the outperformance payments from this PC will be reinvested into vulnerable customer services. In this instance, the company should propose an outperformance and underperformance incentive rate.”*

**AW have clarified how the independent Panel, and learning from good practice will guide the reinvestment. They have also provided examples of how the reinvestment might be used.**

Discussion:

Jeff suggested this is an area that could definitely be driven by customer engagement and by how people in vulnerable circumstances think the funds should be invested.

Sam agreed and Jordan said it would be guided by customer engagement through the AMP.

Vicky Anning shared **Gill Holmes’** point on this issue (see Appendix 1 for further views):

*“As far as I am aware there has been no further customer engagement on this point and so, my view is, that the Panel cannot add to its original comments on ODI mechanism which are set out on pages 6 & 13 of its August report, and that it is for the company to convince Ofwat of the merits of the financial pc – although we may wish to acknowledge that what the company is proposing is sector leading and that there was strong support from customers for reinvesting and outperformance payments back to supporting customers in vulnerable circumstances.”*

v. Action from Ofwat:

*“The company should provide further evidence to demonstrate and justify the calculation of the ODI incentive rates and the methodology employed, in particular why the standard incentive rate formulae cannot be applied.”*

**AW have provided more evidence as to how they have calculated the incentive rate based on the importance customers place on the performance commitment.**

vi. Action from Ofwat:

*“The company should provide further ODI-specific evidence to support its use of a cap, whilst also considering how its use of this feature aligns with its broader approach to customer protection. The company’s evidence should*

*include justification for the level at which the cap is set, with the company explaining why its level is appropriate and in customers' interests."*

**AW have provided further evidence on the level of the ODI cap based on their commitment to limit the impact of outperformance on customer bills to below £1 per year.**

## **5. Overview of Customer Engagement to support AW's IAP response – Carolyn Cooksey**

**Carolyn Cooksey** said customer engagement had been carried out, and was being carried out this week, with AW's online community of 500 people. The community was broadly representative of customers from all demographics.

- Quotas based on ONS breakdown of age, socio economic status and gender
- Broad representation of six customer segments
- Slight underrepresentation of "comfortable and caring" – and more "tech savvy"

There were high levels of participation in the online community – specially in run up to BP resubmission.

For the ODIs relating to vulnerability and affordability, AW had replicated customer engagement carried out last summer. Overall general feedback was really positive. Customers liked the fact that there was more support for customers in vulnerable circumstances – and support was also strong for this in first round of customer engagement last year.

On BSI and accreditation, proposed by Ofwat: there were very few negative comments. There as strong support that this was a good idea. Some people felt it was a bit over onerous and asked if it really had to be checked every year.

For the new affordability ODI, comments were also mostly positive. Customers really liked the idea of an extra care team. Some concerns were raised around whether right people were targeted. Some customers thought this was a wider issue and that it wasn't AW's job to support help with affordability issues. There was also some interesting feedback about wording – especially around the words "credit checking". This has shown how important it is to make sure that AW get wording right on this issue.

Sam said it was important to note that the data being used to route call is not a "credit check" it is a score derived from a number of different data sets. It looks at a combination of different factors to identify customers who may experience potential affordability issues. It's about using data to determine ability to pay.

Jeff said it would be helpful to include information from customer engagement in the resubmission to Ofwat. This would help show that the revised plan is also driven by customer engagement.

Jordan said the draft circulated to panel members was written before the customer engagement report was available and was a work in progress.

Jeff asked whether there would be a chance to do more engagement with customers affected by these PCs?

Carolyn said it would be wise to wait for Ofwat's draft determination in July before determining customer engagement in this area. However, she stressed that AW has lots of feedback from customers already in this area from original round of customer engagement. AW is committed to process of co-creation to plan jointly with customers.

Jeff said it would be a good idea to get input from people in vulnerable circumstances re. investment into priority areas for them. It would be a good idea to set out that commitment in the resubmission to show that the company is driven by customers. It would strengthen the argument to say this will be finetuned in future.

Jordan said AW will continue to use business as usual customer engagement to determine priorities, including those for customers in vulnerable circumstances.

Further customer engagement was being carried out around bill profiles and executive remuneration.

**Next meeting:** CEF interim meeting on 25 March at 9am to discuss next steps before AW resubmission on 1 April



## Summary of Panel Only Discussion

**Present:** Martin Lord (Chair), Janet Cooke and Jeff Halliwell

It was agreed that minutes from this meeting, and Gill Holmes' comments (see Appendix I) would be used as basis for the CEF's input on vulnerability and affordability for the CEF report alongside AW's BP resubmission on 1 April.

- Martin wanted to table his concerns about benefits maximisation
- Jeff reiterated the good level of customer support for AW proposals
- Jeff wanted to see more information about terms of reference of CCWater monitoring proposal (and customer engagement around this)
- Jeff also wanted to make sure that customers in vulnerable circumstances were consulted, particularly on reinvestment of outperformance payments
- What's the detail and consequence if judged to have performed inadequately?

On PSR:

- Panel members noted that customer engagement had taken place on this but there was no clear preference indicated by customers regarding financial incentives.

On Vulnerability Panel:

- Panel members wanted a commitment that customer engagement would form part of that

Jeff highlighted that, in the short turnaround time between 31 January and 1 April, there was limited time for the company to carry out the same level of in-depth engagement used to shape the Business Plan. The company had drawn on engagement through the online community, which was excellent as far as it went, but there was some concern expressed among panel members that vulnerable customers may not have access to the technology needed to input their views via the online community. (Carolyn subsequently confirmed that vulnerable customers were adequately represented on the online community, making up 20% of members, which is the normal proportion in all channels for vulnerability).

Martin agreed that more work may be needed in this area

**Janet Cook** suggested that people on PSR could be invited and recruited onto the online community

**Action:** it was agreed that papers would be circulated to rest of V&A sub-group for their comments.

**VA to circulate**

**PLEASE NOTE: These minutes will be considered in draft form until signed off by panel members at the next meeting.**

## **Appendix I: Gill Holmes, CCWater**

I've read through the IABP response paper circulated for the meeting. I've also had the benefit of discussing the proposed affordability pc with Sam, Jane Taylor and CCW colleagues at a liaison meeting earlier this week.

My comments are as follows. I've tried to keep them brief and to relate them to the paper circulated and the report by the A & V Sub-Group in August last year.

### 1. The new proposed affordability pc – ANH.AV.A1

The initial view from CCW was that the proposed pc was somewhat limited. Having a quota of calls put through to a particular team didn't give any insight to the extent to which customers were ultimately receiving help.

Having had sight of the proposal prior to our liaison meeting we discussed with the company the CCW view that there needed to be some consideration of outcomes for customers reflected in the proposed pc. The company have now added to the proposal an annual review of outcomes for customers by CCW (as set out on page 3 of the IABP paper circulated).

I am aware that the company has carried out an engagement activity with the online community in relation to this pc. Their responses show strong customer support for the creation of the Extra Care Team and that the response to the measure has been largely positive.

The proposed commitment is reputational and the level proposed seems both realistic, in terms of what the company already know about levels of affordability issues, and stretching over the period of the AMP.

Ofwat comment that the proposed pc should 'help to provide additional assurance that it (the company) will achieve its proposals'. There is an acknowledgement from the company that this will not help to identify those 'hard to reach' customers who will not contact Anglian Water but what is proposed does seem to me to sit well with the overall vulnerability/affordability strategy the company is adopting and the early identification of affordability issues should really help in ensuring that customers receive/are signposted to appropriate assistance.

With the addition of the annual outcome review I am content with the proposal.

### 2. The BSI pc – ANH.AV.A2

I've no comment to make on this one. It is exactly as Ofwat have requested. I'm aware that there has been some engagement with customers through the online community and that the response has been largely positive.

### 3. The PSR pc – ANH.AV.A3

In the September submission the company proposed that this be a financial pc. Ofwat now proposes to introduce a common pc. They have said that the company should align its proposal with the common pc, which would involve making it reputational and committing to checking at least 90% of PSR data every two years.

I understand from the company that they are seeking clarification from Ofwat about how the percentage proposed for the common pc will be calculated, but that what Anglian Water propose is considerably above the levels proposed by Ofwat and that it is sector leading by some margin.

The company, in its IABP response, commits to the level of data checking required by Ofwat but continues to seek a financial outperformance pc on the basis that it will both meet the levels of data checking required and meet its targets for industry leading numbers of customers on the PSR.

As far as I am aware there has been no further customer engagement on this point and so, my view is, that the Panel cannot add to its original comments on ODI mechanism which are set out on pages 6 & 13 of its August report, and that it is for the company to convince Ofwat of the merits of the financial pc – although we may wish to acknowledge that what the company is proposing is sector leading and that there was strong support from customers for reinvesting and outperformance payments back to supporting customers in vulnerable circumstances.

#### 4. Panel pc

ANH.OC.A55 - I've nothing to add to the information that the company have produced in response to Ofwat's request for more detail of how the panel process would work. It is an accurate reflection of what the Sub-Group understood and supported.

Ofwat also seek further evidence to demonstrate how any outperformance payments would be reinvested and say that the company should propose an outperformance and underperformance incentive.

ANH.OC.A57 - The company response to the question about reinvestment of any outperformance payments seems appropriate. It seems to me to be entirely right that the way in which any outperformance payments are reinvested is informed by the Panel Assessment and can be diverted to where they are most needed and where they can have the most positive impact on customers.

The company, in its response, is not proposing the underperformance incentive that Ofwat seek. Again, it is my view that the Sub-Group cannot add to the comments it made about ODI mechanism in its August report.

ANH.OC.A57 & ANH.OC.A58 - Ofwat have asked the company to provide further evidence around the calculation of ODI rates and methodology, and the use of a cap. I can make no sensible comment about the calculation of ODI rates! – but – the explanation provided by the company does make sense to me and does reflect the information originally provided to the Sub-Group and the bill impact levels supported by customers.

In terms of ODI specific evidence for the use of a cap, I am aware that this is a comment that Ofwat has made in relation to several ODI's proposed by the company. Whilst some additional customer engagement has been carried out around some specific ODI's, my understanding is that this is not one of them and so the company will rely on a re-articulation of its earlier research, in greater detail, to justify the cap use here. Again, my recollection is that the bill impact quoted, of below £1 a year, is what was customers were engaged upon and supported.