



Minutes

Meeting: **Anglian Water Customer Board**
Date: 01 March 2019
Time: 16.00-19.00
Location: The Smarter Drop shop, Newmarket

Present: Board members

- Simon Dry (Chair)
- Jacqueline Murfitt
- Geoff (William) Lawn
- Michael Selwood
- Richard Buckby

Anglian Water colleagues

- Carolyn Cooksey (Head of Strategic Stakeholder Engagement)
- Natalie Jones (Secretariat)
- Alex Plant (Regulation Director)
- Ian Rule (Director of Customer and Wholesale Services)
- Andy Brown (Head of Sustainability)

Apologies:

- Duncan Borland (Vice Chair)
- Louise Humphreys
- Peter Simpson (Chief Executive)
- Darren Rice (Head of Policy and Regulation)

Minutes

| Item | | Action |
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| 1 | Welcome and refreshments | |
| 2 | <p>Minutes of the last meeting</p> <p>a. With the updates for the Terms of Reference (TOR) when can we expect to get a revised version of the TOR? Item 4 on the agenda today is to finalise the changes and confirm the rate of meetings between the Customer board and Strategic Management Board. After todays conversation a new version of the TOR will be written and circulated. The chair of the Customer Engagement Forum (CEF) has also requested to meeting with a representative of the Customer</p> | <p>Natalie to update TOR after confirmation of changes today.</p> |

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| <p>Board (the chair of a deputy) to discuss the progress of the board and to understand the channel and how robust the content is. The role of the CEF is to assure Ofwat about engagement channels so the chair wants to understand this channel.</p> <p>b. Simon asked about the board interaction document that was discussed at the previous meeting, this is an agenda point in todays meeting so will be picked up in this agenda item.</p> <p>c. Notes from the write up have been left in, these need deleting.</p> <p>d. Simon asked if the Initial Assessment of the Plan (IAP) had been received on the 31st January as scheduled. Yes we did and this will be picked up in the agenda item in todays meeting.</p> <p>e. Simon asked for some clarity on the Affordability Wrapper discussed from the minutes it loos like a hugely commendable undertaking but asked about the role of Anglian Water in the process. Ian explained that our historical assistance through our tariffs and work with Citizens Advice Bureau (CAB) with customer around affordability issues to address their water bill. These customers tend to have significant debt issues of which their water bill in a small element of the debt. This realisation has driven the understanding that we need to provide a partnership approach to helping these customers going forward into the next AMP, working with other organisations like CAB who are able to provide a 360 assessment of the customers circumstances enable signposting for benefits they could be eligible for. We have current carried this out with around 3000 customers, on average they have been able to claim £2700 in benefits they previously had not been receiving. This has the affect that customers are then able to pay more towards their water bill or even no longer qualify for a tariff as the affordability of the water bill is no longer a problem. This all helps us to tackle the bad debt of customer and their water bills reducing the cost of this for our customer base as a whole. This links heavily with our drive to develop our social contract and do the right thing for our customers. We are joining up with other utility companies to carry out a pilot for helping vulnerable customers to share their information with their consent so we would have a industry wide</p> | <p>Natalie to delete notes.</p> |

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| <p>approach of 'tell us once'. Geoff affirmed this is inline with the comments that have been seen in the Online Community activities.</p> <p>f. Simon asked for some clarification around our customer service and our ambition to compete outside the water industry. Ian explained that our customer satisfaction score is changing from Service Incentive Measure (SIM) to Customer Measure of Experience (CMeX) going into AMP 7. This new measure will assess perform against industry peers and leading service organisations. Are ambition for customer service is to be a leading service provider and this aligns with the new CMeX measure.</p> | |
| <p>3 Ofwat initial assessment</p> <p>a. On the 31st January Ofwat published the Initial Assessment of Plans (IAP) ranking all companies into one of four categories. No company ranked as Exceptional, three companies were ranked as Fast Track, receiving reputational and financial benefit, all are listed and are the only listed companies in the industry. Four companies ranked in Significant Scrutiny receiving financial and reputational penalty. The financial penalty would mean that 75% of outperformance payments would be returned to customers instead of the standard 50%, however since the categorisation Ofwat have suspended the financial penalty for these companies. The remaining companies ranked as Slow Track, this is the standard regulatory process with no benefit or penalty, however the press have interpreted this as a negative rank due to the name. These companies have a lot of re-work on their plans before re-submission.</p> <p>b. Our scores across the 9 test areas were broadly good being the only company to receive an 'A' rating in customer engagement, highlighting the quality of our engagement and triangulation. Ofwat highlighted that we demonstrated engagement with customers had clearly shaped our plan with evidence of how the customers' voice had implemented change. We receive 'B' ratings in a number of areas,</p> <ul style="list-style-type: none"> • Addressing affordability and vulnerability • Delivering outcomes for customers • Targeted controls • markets and Innovation and • Accounting for past delivery <p>The two elements that drought us down were Securing</p> | |

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| <p>confidence and assurance. For which we submitted a board assurance document signed at the front end to signify that the board had assured the content of the document. However Ofwat concluded that the board had only sign the front end and therefore all the evidence after was unsigned we also provided evidence throughout the Business Plan of the board assurance. We also gave a presentation to Ofwat ahead of the submission in which the hair of the Board presentation on the assurance that had been carried out and verbally giving assurance that the board had tested every element of the plan. Jacqueline asked if this page had been moved to the back then this would have not been an issue. Peter has written to the Chief Exec. of Ofwat outline the consequences of this rating with investor querying why our board aren't compliant and it has made it harder and more expensive for us to finance the company. Jacqueline asked if there is a weighting to the test areas because looking at the results we got and the categorization we received it would appear there is. We allocated score to the grade A=4 B=3 C=2 D=1 we score only one less than south West Water. Had the assurance been a C we would have been the same. The reason we are Slow Track is the D on cot efficiency which is arguably one of the most important thing the regulator is taking a view on.</p> <p>c. We feel that the plan we submitted is the right plan for our region and our customers and we were expecting to get the 'slow track' grade. One of the areas we got marked down was the cost efficiency. Ofwat are convinced that we have rigorously tested the need and have therefore taken out 20% of the investment cost out (around £110 million). We are about to be invited by the Secretary of State to publish our WRMP because the government is content that we have demonstrate our need. Creating a bias towards hard engineering over Natural Capital solution in line with the WINP requirements. We believe this to be an unintended consequence and through conversations this has been confirmed by Ofwat. Simon queried what Ofwats concern was? We believe it this came about as Ofwat are the economic regulator so their main priority is the bill and the consequence of this on the customer. In previous Price Reviews (PR) the water sector has used Retail Price Index (RPI) which doesn't account for water industry pressures so previous years have included Real Price Effect (RPE). Ofwat decided this PR wouldn't use the RPE so the inflation measure is less generous. This has resulted in us all working jointly to push back as an industry Competitions</p> | |

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| <p>Market Authority (CMA) tested this last time showing it should be implemented. Simon asked if you appeal are Ofwat obligated to act on the appeal? If a company doesn't accept their Final Determination by Ofwat and the they appeal this goes to the CMA who re-evaluate the whole Price Review from scratch, focusing mostly on areas of contention.</p> <p>d.</p> <p>e. Geoff asked about an activity run in the Online Community around resilience and securing future investment in resilience and when to invest and if other companies frame in the same way? We asked customer the same question in a variety of channels and in a variety of different way and we got very similar answers through all these channels. We have also have a lot of assurance over our engagement and various people have said is good engagement which is properly triangulated. When talk to colleagues from other companies they have similar answers and had framed them in similar ways. We have also carried out robust surveys reflecting geographic and demographic sample of region and that give the same answer as other channels. Jacqueline asked if there had been a change in the make up of Ofwat and their background as you really need a blend to understand the business plan? Previously there were more engineering type people whereas now they are financiers and economists.</p> | |
| <p>4 Board interactions</p> <p>a. At the last board meeting we discussed implementing a regular meeting with Management Board and the chair of the Customer Board to discuss a topic suggested by the Customer Board or company if that feels right? Due to time constraints today we will continue this via email.</p> | |
| <p>5 Social contract and a 'Modern and Transparent publicly-owned water company'</p> <p>a. As a monopoly provide of an essential public service, water companies should demonstrate that they are recognising their responsibilities to the communities they serve, society in general and the environment both now and the long term. This is something we do at Anglian Water not out of requirement but because we believe it is right. We are developing, with Water UK, a framework to take and develop into a contract with stakeholders and contractors. The aim is to get the sector making a statement rather than</p> | |

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| | <p>being legislation led. We are proposing reporting on the framework annually with an external accreditation scheme. Geoff asked if there is an obligation for customer in this social contract and if there is a part to play in the development of customer obligations as it is a contract two-way? Yes although what this looks like we don't know yet. Jacqueline are all other companies on board with having an industry wide contract? As a competitive industry there will no doubt create drive to constantly improve. Simon I think with large companies the assumption is that the company are driven by profit and it isn't often known that these conversations are had, so I think it is beneficial for it to be made known to the public.</p> | |
| 6 | <p>AOB</p> <p>a.</p> | |