

ANGLIAN WATER SERVICES LIMITED (THE “COMPANY”)

**MINUTES OF THE “YOUR WATER YOUR SAY” SESSION HELD ON TUESDAY
28 NOVEMBER 2023 AT 6.00PM VIA ZOOM**

Present:	Kevin Johnson	Independent Chair
	Susannah Clements	Anglian Water
	Kay Greenbank	Ofwat
	Pete Holland	Anglian Water
	James Mackenzie	Consumer Council for Water
	Hayley Stanford	Consumer Council for Water
	Robin Price	Anglian Water
	Darren Rice	Anglian Water
	Peter Simpson	Anglian Water
	Emily Timmins	Anglian Water

A cross section of customers and other stakeholder representatives also attended the session online

1.	<p><u>Independent Chair’s Introduction</u></p> <p>The Chair advised that the “Your Water Your Say” (“YWYS”) sessions had been constituted by Ofwat as part of the price review process for the period 2025 to 2030 (“PR24”). The Chair confirmed that he had been appointed by both Ofwat and CCW to act as the independent chair for YWYS sessions across the sector. The Company, Ofwat and CCW were keen for customers and their stakeholder representatives to pose questions about the Company’s proposed business plan for 2025-2030. The Chair was keen for participants to offer constructive challenge to the Company during the session. The Chair reminded participants that this was the Company’s second YWYS session, the first of which had taken place in March 2023.</p>
2.	<p><u>Company Introductory Presentation</u></p> <p>Mr Simpson, the Company’s Chief Executive Officer, commenced with a presentation which detailed:</p> <ul style="list-style-type: none">• an explanation of some of the Company’s long-term challenges;• a high level explanation of the Company’s Business Plan for the period 2025 to 2030 (the “Business Plan”) and its links to the Company’s Strategic Direction Statement;• customer engagement activities and how customer engagement had shaped the Business Plan;• what the Business Plan would deliver;• how the Company was keeping bills affordable and acceptable; and• the support available for vulnerable customers. <p>A copy of the presentation is available at https://www.anglianwater.co.uk/siteassets/news/articles/ywys/our-response-to-the-first-your-water-your-say-session--nov-23.pdf</p>
3.	<p><u>Questions and Answers</u></p> <p>The Chair advised that he would be seeking questions on the following four areas:</p> <ol style="list-style-type: none">1. Resilient clean water supply;2. Wastewater services and storm overflows;

	<p>3. Environmental challenges and carbon neutrality; and</p> <p>4. Affordability and customer services.</p>
	<p><i>Question 1</i></p> <p>The Chair referenced the slide in the Company’s presentation entitled “Keeping Bills Affordable” and asked what proportion of the Company’s proposed bill for the period 2025 to 2030 would be payable by sewerage only customers.</p> <p><i>Answer</i></p> <p>The sewerage element of customers’ bill was approximately 60% of the total bill.</p>
	<p><i>Question 2</i></p> <p>Can the Company guarantee that no customer will find themselves in water poverty (defined as customers spending more than 5% of their disposable income on their water and sewerage bill) by 2030, providing they utilise the support services offered by the Company?</p> <p><i>Answer</i></p> <p>Based on the Company’s assessment, by 2030, 300,000 people will be in water poverty. Based on this assumption, it is the intention to create sufficient capacity through the cross-subsidy from other customers to support these individuals. As referenced in the Company’s presentation, customers are also entitled to access the Company’s extra-care service which looks at ways customers could maximise their income by advising what benefits their household might be entitled to.</p> <p>In terms of funding the support offered to customers, the cross-subsidy, which supports the social tariff, is funded by customers. The teams who undertake the extra-care assessments are paid for by the Company and the medical needs discount will be funded by shareholders.</p> <p>In addition, customers who moved from a non-metered to metered supply, typically saved £100 to £150 per year through a reduction in water use.</p>
3a.	Resilient clean water supply
	<p><i>Question 3</i></p> <p>There is a risk that we run out of water if we do not build new reservoirs now, what are Anglian Water’s plan for this?</p> <p><i>Answer</i></p> <p>The combination of significant population growth in the East of England, the Company’s planned reduction in the amount of water it takes out from the environment, climate change and Anglian Water’s tight and tough environmental ambitions means that there would not be sufficient water in the future. To solve this, the Company have a three-pronged approach. Firstly, it wants to reduce demand for water, which would be achieved through the implementation of smart meters and a reduction in leakage. Secondly, the Company is aiming to store water, which is currently being lost to the North Sea, in two new reservoirs. Finally, the Company is looking at ways of transferring water around the region as well as looking for other sources of water. One example of this is the strategic interconnector, basically a big pipeline, which is currently being constructed from the Humber down to Colchester. Further interconnectors are planned over the next</p>

	<p>five years, including one from Grafham Water to Bury St Edmunds. The interconnectors play an important role, as they enable water to be distributed around the region and this enables a reduction in abstraction from chalk streams and rivers. The Company are also looking at re-use schemes, utilising water which had no environmental benefit. An example of this is the proposal to take water out of Colchester Water Recycling Centre and put it into Yardley Reservoir. Further down the line the Company would also have to consider de-salination in certain areas of the region.</p>
	<p><i>Question 4</i> Climate modelling suggests that much of Anglian Water’s geographic service area could soon be below sea level. Has this been taken into account in Anglian Water’s strategic plans?</p> <p><i>Answer</i> Anglian Water spent a lot of time working with different stakeholders such as the Environment Agency and the Cambridge and Peterborough Combined Authority to mitigate its impact on the environment and its carbon footprint. One of the areas which is most vulnerable to flooding is the Fens and Anglian Water is currently working with the Environment Agency to review their flood and coastal erosion risk management plans and joining them up with Anglian Water’s water resource planning. As a result, Anglian Water is providing places to store flood water rather than just pumping it out into the North Sea. Soil resilience and agricultural adaptation is also being considered. The Company is keen to only build concrete flood defences as a last resort.</p>
	<p><i>Question 5</i> We are surrounded by water in the UK, can we not use water which has been de-salinated, rather than creating more fresh water reservoirs which use productive farmland?</p> <p><i>Answer</i> De-salination is an option for the future and would be included in future plans. However, it is not the first option because, as has already been discussed, reducing demand, holding water back which would be lost to the North Sea and water re-use are the Company’s current preferred routes. Turning to the potential loss of high-quality agricultural land through the construction of reservoirs. One of the unique aspects of the planned reservoir in the Fens, is that it is being developed as of part of a reservoir system which would see it integrated with flood defences and provide resilience to agriculture.</p>
	<p><i>Question 6</i> Why should the public pay for water that is full of poisonous chemicals, fluoride is a huge issue?</p> <p><i>Answer</i> Customers do not pay for fluoridation schemes via their water bills. Companies fluoridate water supplies at the request and cost of local health authorities.</p> <p>To date, forty-eight PFAs or ‘forever chemicals’ have been discovered, which were ubiquitous in the environment. The sector has been monitoring for these chemicals since 2005, when the link with firefighting foam was first discovered. Due to this monitoring, the Company has a good understanding of which raw water sources have elevated levels of forever chemicals. The water at the relevant sites is treated using granular activated</p>

	<p>carbon which is highly effective at removing forever chemicals to the limits permitted by the Drinking Water Inspectorate. For the period 2025 to 2030, the Company is planning to invest £77million at twenty-three of its sites to replace the carbon and to build in appropriate resilience. A collaborative piece of work is being undertaken with the Environment Agency and Department for Environment, Food and Rural Affairs (Defra) to understand both the prevalence of these forever chemicals in rivers and groundwater, as well as understanding how they are entering water sources from different settings. The Company have no concerns about forever chemicals being found in treated in treated water supplies.</p>
	<p><i>Question 7</i> What is the position with regards to monitoring and filtering out micro-plastics from the water supply?</p> <p><i>Answer</i> There is a lot of evidence that the filtration processes in place at water treatment works are highly effective (in excess of 99%) at removing micro-plastics contained in raw water. The Company is collaboratively working with stakeholders who are looking to reduce plastic usage.</p>
	<p><i>Question 8</i> How did the Company let water quality and leakage get to such an appalling state of affairs that you are going to have to do so much work now to correct?</p> <p><i>Answer</i> As a starting point, Anglian Water already has lowest level of leakage of all water companies and has the highest level of smart meter penetration, which enables the Company to make the best use of the water that is in the region. In addition, customers are also already doing their part with Per Capita Consumption at leading low levels. However, this means that the starting point for the next stages of demand management is tougher.</p> <p>Supplementary information following the meeting:</p>
	<p><i>Question 9</i> Will smart meters be able to switch water supplies off remotely?</p> <p><i>Answer</i> No. Water companies are not permitted to switch off customers' water supply. However, customers are encouraged to reduce water usage.</p>
	<p><i>Question 10</i> Is Anglian Water involved early and strategically enough to cope with new housing and business developments? Could more be done at the planning stage to have a joined-up approach, which would ensure both a reliable supply of water and much better sewage treatment capacity planned much further ahead?</p> <p><i>Answer</i> Importantly, Anglian Water already work closely with local authorities on growth and planned development. The Company looks at growth plans a decade in advance and incorporates these into the Company's strategic plans for water supply and water</p>

	<p>recycling. These plans are then shared with local authorities and the work of Thriving East will support this. There are always opportunities to improve, but the Anglian Water teams work closely with land agents and developers across the region to unlock water savings for customers and reduce Per Capita Consumption via innovation.</p>
	<p><i>Question 11</i> Is there much evidence that people are using the information available from smart meters and is it changing people's usage?</p> <p><i>Answer</i> Yes, there is a lot of available data around the positive effect of smart meters on consumption and because Anglian Water has such high levels of smart meters installed there is a strong evidence base. On the installation of a smart meter there would typically be an immediate reduction in consumption of between 3 and 4%. The installation of a smart meter also enables the identification of customer side leaks. For the period 2025 to 2030, there will be further opportunities for customers to engage in data gained from smart meters.</p>
	<p><i>Question 12</i> The Guardian has today reported that Anglian Water is second worst in the country for the prevalence of forever chemicals in drinking water samples, with 22 samples above the limit from two groundwater sources. Can you answer the previous question on forever chemicals again in this context (Question 6)?</p> <p><i>Answer</i> To be clear, the Guardian did not find that forever chemicals had been found in drinking water samples but raw water samples (i.e. untreated water). As has been previously stated, the Company has granulated activated carbon treatment in place at sites where there are trace elements of forever chemicals in the groundwater or surface water supply. The Company's monitoring indicates that a high proportion of forever chemicals are associated with airports and military airbases, of which there are a high number in the East of England.</p>
3b.	Wastewater Services and Storm Overflows
	<p><i>Question 13</i> The Environment Agency has found Anglian Water to be the worst performing water company for self-reporting of all pollution incidents. When will 100% of all sewage discharges be monitored, including emergency overflow pipes and treated sewage, so we know the full-scale impact?</p> <p><i>Answer</i> Self-reporting in respect of 2022, was not good enough. However, it has hugely improved during 2023. The Company has committed to completing the installation of monitors by the end of 2023 and the programme will be complete in the next week or so. This means that, once complete, 100% of storm overflows will be monitored. As part of the Business Plan the Company is committing to monitoring 100% of emergency overflows by 2030, which is significantly ahead of the mandated requirements of 25%.</p>
	<p><i>Question 14</i> How can you justify paying a dividend of £169m in last financial year (12% of turnover) when there were over 16,000 sewerage discharges over a similar period?</p>

	<p><i>Answer</i></p> <p>It is important to set dividend payments in context, the dividend paid by Anglian Water for the 2022/23 financial year was £79.9m, which was reduced by £26m to reflect performance. Ofwat anticipate that companies pay dividends at a yield of about 4% and the £79.9m represented a yield of approximately 3%. In reality, Anglian Water need shareholders' investment to fund the schemes proposed in the Business Plan. These schemes will be partly funded through debt, but the Company also need equity (shareholder funds). Therefore, it is important to keep shareholders engaged and that they received a reasonable return on their money. However, dividends are not paid by the Company irrespective of performance, dividends are adjusted according to performance. It is important to remember that shareholder and equity investment is required to fund many of the investment schemes set out in the Business Plan.</p> <p>Discharges from sewer overflows act as a safety release valves from the sewage system. Anglian Water has the lowest discharges from storm overflows of all water companies and are well below government targets. Storm overflows don't have the huge environmental impact some people think they do need. Only about 1% of the reason rivers in the East of England have not achieved their ecological target is due to storm overflows. However, it is still important that there is a plan to remove storm overflow use over time, for example by removing surface water from combined systems. However, the Company is also focusing on other areas to improve ecological quality of rivers, such as reducing phosphate.</p>
	<p><i>Question 15</i></p> <p>Why is a 40% target to reduce overall pollutions considered adequate? Surely the target needs to be 100%.</p> <p><i>Answer</i></p> <p>There are governmental targets in relation to storm overflows, but the targets contained in the Company's Business Plan go further and faster. The Company have committed to eliminating 100% of serious pollutions, but there are many complex issues causing pollutions, such as blockages caused by wet wipes and fats, oils and greases. Therefore, there is a multi-stakeholder process which needs to be undertaken around pollution reduction and prevention.</p> <p>The 40% target to reduce overall pollutions is a significant step towards a long-term ambition where the Company absolutely want to eliminate pollutions and escape from sewage. However, it is a complex challenge as the Company has a diverse and far-reaching asset base. Anglian Water also need help, as there are root causes of pollutions which will only be solved by the engagement of other stakeholders such as food service establishments. The Company also undertake regular sewer cleansing and pumping station maintenance.</p>
	<p><i>Question 16</i></p> <p>It would be good to see 40% pollution reduction target increased. How does the Business Plan prioritise the reduction in impacts of spills on public health, including in rivers, the majority of which are not classed on bathing waters.</p> <p><i>Answer</i></p>

	<p>Anglian Water has an ambitious spills reduction programme which is based on data and feedback from local stakeholder groups. The programme considers public health and the amenity value of rivers. Through public consultation the Company has brought forward storm overflow reduction work in areas such as Colchester. If there was stretch of coastline with a designate bathing site, any nearby water recycling centres have ultra-violet disinfection at the site. The Company has been working with a number of groups over the last eighteen months as part of the ‘Get River Positive’ campaign to undertake additional river monitoring. There was provision in the Business Plan that, should DEFRA designate additional bathing water sites, UV disinfection would be installed at these sites. Additionally, the Company welcomes input from recreational users of rivers and is keen to help support river monitoring.</p>
	<p><i>Question 17</i> The Company had discussed prioritising the reduction of spills in high priority areas such as bathing waters, high use amenity sites and high priority nature sites – how much of this would be achieved during the period 2025 to 2030?</p> <p><i>Answer</i> There are very clear government targets, but Anglian Water view these as the minimum levels to be achieved, wanting to go further and faster. Traditionally the Company has used a lot of concrete but there is now a focus on using more nature-based solutions, such as wetlands. The Company is working with different stakeholder groups in certain areas such as Southend and Great Yarmouth and utilising international best practice. The target is to reduce untreated spills to three per bathing water season by 2035. The Company is working hard to achieve this ahead of schedule and is keen to learn the lessons from areas of zero spills.</p>
	<p><i>Question 18</i> Why aren’t the numerous blocked / overgrown ditches and dykes cleared out to catch water and help prevent flooding?</p> <p>How often does Anglian Water check the surface water main drains?</p> <p><i>Answer</i> The Company recognise that the clearing of ditches and dykes is important. However, ownership and responsibility add complexity and the Company cannot solve it on its own. As an example, the Company is working with the Norfolk Strategic Flooding Alliance to take a strategic and coordinated approach to preventing flooding.</p> <p>Keeping operational assets in working order is very important and tackled in a number of different ways including installing modern detection equipment and more traditional proactive maintenance such as jetting. Where the root cause of blockages are outside the Company’s control, they undertake education campaigns to prevent harmful items, such as wet wipes, entering the sewer system in the first place.</p>
<p>3c.</p>	<p>Environmental challenges and carbon neutrality</p>
	<p><i>Question 19</i> Should all new builds have underwater rainwater storage to use for flushing toilets and watering gardens?</p> <p><i>Answer</i></p>

	<p>Agreed, although there is work to do around protecting the wholesomeness of the public water supply. The Company is doing a trial of smart water butts in Southend.</p>
	<p><i>Question 20</i></p> <p>What more could Anglian Water do even earlier in the planning process to provide constructive challenge to developments before they are approved, where they are in water stress areas.</p> <p><i>Answer</i></p> <p>The Company works hard to engage early with planned developments, particularly in water stressed areas. Water neutrality is expected to be increasingly important in the future. As part of Thriving East, the Company will be working with local authorities to ensure appropriate plans are in place. Demand from water intensive industrial and business customers is also increasing, and this is an area of key engagement.</p>
	<p><i>Question 21</i></p> <p>Will Anglian Water reach net zero by 2030 for its operational emissions, in line with the water sector commitment made in 2020?</p> <p><i>Answer</i></p> <p>It is the Company's ambition to achieve net zero by 2030. The Company is currently undertaking research in the area of process emissions or fugitive emissions from water recycling centres. The science around these emissions continues to develop, which means the Company has to continue to adapt. Within the Business Plan, the Company is planning to invest £152m across 17 of its largest water recycling centres, specifically to reduce fugitive emissions. In addition, a lot of work is being done to de-carbonise the Company's vehicle fleet. There are also three new gas-to-grid projects which will export bio-methane back to the grid. The Company is also developing its offsetting strategy to provide additional investment into nature across the region. Anglian Water is also supporting other sectors to de-carbonise, within the Business Plan there was money allocated for treatment processes for bio-resources.</p>
3d.	Affordability and customer services
	<p><i>Question 22</i></p> <p>How much of the increased bill charges will be eaten up by the interest charges on the debt built up by the Company? What is the proportion of debt funded investment in the infrastructure of the Company and how much could have been avoided if dividends and executive remuneration had been less generous?</p> <p><i>Answer</i></p> <p>The Company is financed through a mixture of equity and debt. Historically, the most efficient way to fund the investment programmes required by the Company has been to raise money via the debt market and long-term bonds. However, the proposed £9billion investment programme and £4billion on enhancements will need to be funded through a mixture of equity and debt. The funding mix is the reason that the level of investment across the sector is twice that of pre-privatisation. Current customers are not being asked to pay all the costs associated with assets, the aim is to spread the cost of investment over a long period. Anglian Water is a cash negative business, and the Company needed the ability to invest at the required level.</p>
	<i>Question 23</i>

	<p>Are Company profits more substantial than the levels of investment?</p> <p><i>Answer</i> Anglian Water’s shareholders have a stake in the Company and their funds are required to pay for the level of investment set out in the Business Plan. Shareholder returns are significantly below those Ofwat set out as an expectation (around 4%). The Company’s investors are predominantly pension funds who want steady returns over a long period of time. The last dividend paid by the Company was £79.9m, no dividend was paid by the Group to the Company’s ultimate external investors.</p>
	<p><i>Question 24</i> Can a major element of managers’ bonus payments be connected to pollution event responsibility and prevention?</p> <p><i>Answer</i> Bonus targets were set based on customers’ priorities. Therefore, a balanced scorecard (which is available in the Company’s annual report¹) has been developed, which set out bonus targets. The targets included water quality, water availability, affordability (including supporting vulnerable customers) and environmental targets. If the targets are not achieved, management bonuses, in respect of that element of the bonus, are not paid. For the 2022/23 financial year the affordability, water quality and vulnerability targets were achieved and therefore, bonuses were paid in respect of those elements. However, the environmental targets were not achieved and therefore, the element of the bonus relating to these targets was not paid. The environmental targets for the 2022/23 bonus scheme represented between 33% to 40% of the target. In addition, shareholders and not customers have paid for the executive directors’ bonuses in respect of the 2022/23 financial year. The Company is highly complex and it is important that bonus targets are not over-indexed on one target.</p>
	<p><i>Question 25</i> What would you most like to do/control as a Company which you currently are unable to, which would help you build greater trust with customers?</p> <p><i>Answer</i> To spend time directly with customers, rather than have views on the Company filtered through social and traditional media. The Company has 6,000 employees who work hard to provide an excellent service and who are now regularly subject to abuse.</p>
	<p><i>Question 26</i> Why do you waste so much money on prime-time TV advertising when you are not in a competitive market?</p> <p><i>Answer</i> It is crucial that the Company build a relationship with customers, and TV marketing and engagement is one of the most cost effective ways to do this. TV advertising helps customers understand the Company’s key messages around behavioural and societal change.</p>
	<p>Question 27</p>

¹ <https://prod-wholesale.anglianwater.co.uk/siteassets/household/about-us/air-2023-governance.pdf>

	<p>Even though I am on the priority services register (“PSR”), why were we not properly compensated when our water was cut off to our property whilst a huge mains leak was being repaired?</p> <p><i>Answer</i> Anglian Water is the leading company in the sector in terms of identifying customers to go onto the PSR and was the first in the world to get the ISO standard for inclusive service. Compensation payments are based on modelled data to ensure fairness to all customers.</p> <p>Supplementary information post meeting:</p> <p>Whenever we have an interruption to supply that has potentially gone on over our compensation threshold we model the event to understand this at a property level. To do this, we use data on the geography of the area - the known high and low points and also pressure data that we collect from the water network. This gives us a model of the area and tells us who went below the minimum pressures and for how long. We would always say though that there may be specifics in an area that are not picked up on the model (for example local high/low points that are not picked up in the topographical data) so if any customer has specific questions about their property, please do get in touch</p>
	<p><i>Question 28</i> Can we trust people who are in charge of our water supply and support natural water cycles?</p> <p><i>Answer</i> There are many complex short and long-term issues. The Company seeks to build on historic areas of investment which are part of a connected system that informs the Company’s future plans. In terms of trust, it is important to look at the checks and balances in the system through the work of the different regulators. Going forward the level of investment must be agreed with regulators, so customers can have confidence that the plans will be delivered.</p>
	<p><i>Independent Chair’s Closure</i> The Chair closed the session, thanking all delegates for their participation. They were reminded that all the questions submitted would be shared with Anglian Water and any questions not asked in the session would be answered within the meeting notes.</p> <p>He also reminded participants they could submit further questions to CCW within 24 working hours of this session and it will be treated as if it was a question given in this session.</p> <p>The Chair informed those in the session that Anglian Water will share a copy of the session notes and presentation on its website.</p> <p>He also noted that Ofwat is also holding its own version of Your water, your say in 2024 to give people the opportunity to test the draft determinations on the investment plans and pricing controls.</p>

