

Terms of Reference

Anglian Water Customer Engagement Forum

1. Background

In 2011, Ofwat set out their expectations for a step-change to customer engagement for PR14, through a three-tiered approach to putting customers at the heart of the price setting process¹:

- **Direct local engagement** between water companies and their customers e.g. surveys, focus groups, interviews
- A company supported **customer challenge group** to ensure that the company business plan reflects a sound understanding and reasonable balance of customers' views and that the outcomes are delivered in the most socially, economically and environmentally sustainable way
- A **sector wide Ofwat customer advisory panel** to inform thinking on issues where consistent policies or assumptions will be applied across the industry.

In May 2016, Ofwat released a policy statement² which superseded the 2011 document, but which built on the principles laid out for PR14. Key points are:

- The regulator will expect a **further step-change** in the way companies approach customer engagement, with mixed-methods approaches incorporating new and innovative techniques, less reliance on stated preference surveys and appropriate triangulation/proportionality
- **CCGs may now have a dual role** of challenging current performance as well as looking at the quality of customer engagement and the evidence it provides for company decisions, which should be reflected in updated terms of reference
- Greater **clarity on areas that CCGs should influence** – including most importantly (but not limited to): outcomes, performance commitments, Outcome Delivery Incentives, affordability and bill profiles
- **Transparency** of CCG finance and governance
- The **Customer Advisory Panel** will not continue to advise on regulatory assumptions, instead Ofwat will use a variety of other methods including CC Water, CCG Chairs and the Water 2020 panel.
- Companies are expected to use **comparative information** to demonstrate performance and set appropriate context for this
- The **regulator welcomes discussion** with companies on new methods of engagement with customers, including co-creation and co-delivery, but

¹ Ofwat Involving Customers in Price Setting August 2011
http://www.ofwat.gov.uk/future/monopolies/fpl/pap_pos20110811custengage.pdf

² Ofwat Customer Engagement Policy Statement and Expectations for PR19; May 2016,
http://www.ofwat.gov.uk/wp-content/uploads/2015/12/pap_pos20160525w2020cust.pdf

- aims to provide clarity rather than prescription – offering freedom for companies to design their own approach
- **At the time companies submit their business plans, CCGs should report to Ofwat** on suitability of plans for customers, tensions between proposals and compliance with statutory obligations and how concerns have been addressed

2. Role of the Anglian Water Customer Engagement Forum

For PR19, the CEF has two key functions:

A. Challenge current performance

- Challenge current performance and check that the company is delivering on the commitments made to customers in the 2015-2020 business plan. This will include looking at comparisons of performance against other companies, and ensuring that comparative information is communicated appropriately to customers and stakeholders

B. Challenge engagement activity that will underpin the business plan

- Independently challenge the company on the quality and breadth of its customer engagement and provide assurance to Ofwat that the customer engagement informing business plan decisions for PR19 is robust, reliable and proportionate

To challenge current performance, the CEF will:

- Hold Anglian Water to account on performance during this business plan period – seeking clarity on areas of significant variance from performance targets, monitoring improvement activity where appropriate and developing a more in-depth understanding of service areas that are a high priority to customers
- Oversee the ways in which the company communicates with customers on its current performance, ensuring it is pitched at a level that customers understand and the context is appropriate

To challenge engagement activity that will inform future plans, the CEF will:

- Advise and challenge Anglian Water as it develops engagement and research plans that will inform the PR19 business plan, ensuring that members are confident that the engagement programme will provide robust evidence of customers' views.
- Assess the extent to which the customer engagement programme reflects the views of different customer types, and in particular customers in vulnerable circumstances
- Challenge Anglian Water as it interprets customers' views and decides how to reflect them in the company's longer-term strategy and business plans.

- Advise and challenge Anglian Water and other regulators to consider:
 - the opportunities for using innovative or sustainable means of delivering the required or desired outcomes;
 - the scope, justification and cost-effectiveness of the preferred delivery mechanism; and
 - phasing delivery or outcomes to maximise the affordability and acceptability of the company's overall business plan.
- Provide a report to Ofwat at the end of the period which will provide assurance on the quality and reliability of the customer engagement process, and detail any trade-offs or concerns which were identified and addressed

The agenda for each CEF meeting will consider the two distinct functions and allow appropriate time to cover each area of work.

For all of its activity, the CEF will ensure that its operations, governance and finance is transparent and that as much information as possible is publicly accessible online and/or through other channels.

The forum may also consider issues which may not be specific to business plans or PR19 but will affect customers and influence the future of the industry for example market reform and changes in legislation. The CEF will take into account findings and recommendations made by the Panels and Task & Finish Groups mentioned in Section 3.1 below.

The forum is not expected to provide technical assurance of customer engagement activities e.g. of willingness to pay surveys or cost benefit analysis. Anglian Water will provide assurance to satisfy the group that results are robust by providing evidence of, for example, peer review or technical input into the activities.

Throughout the business plan period, the CEF Chair will attend relevant Ofwat-led meetings and engagement events. The Chair may require attendance and/or participation from other CEF members with these events, depending on the subject matter and time requirements.

The CEF is not expected to provide assurance to Ofwat that costs are efficient, however it can challenge costs if members feel this is appropriate and in the interests of customers.

The CEF is not expected to formally approve the company business plan.

The company strategy, business plans and consultation documents are owned by Anglian Water.

3. Anglian Water Customer Engagement Forum membership

Ofwat guidance recommends companies decide on the membership of their CCGs, which should be suited to the needs of the area and the make-up of its customers.

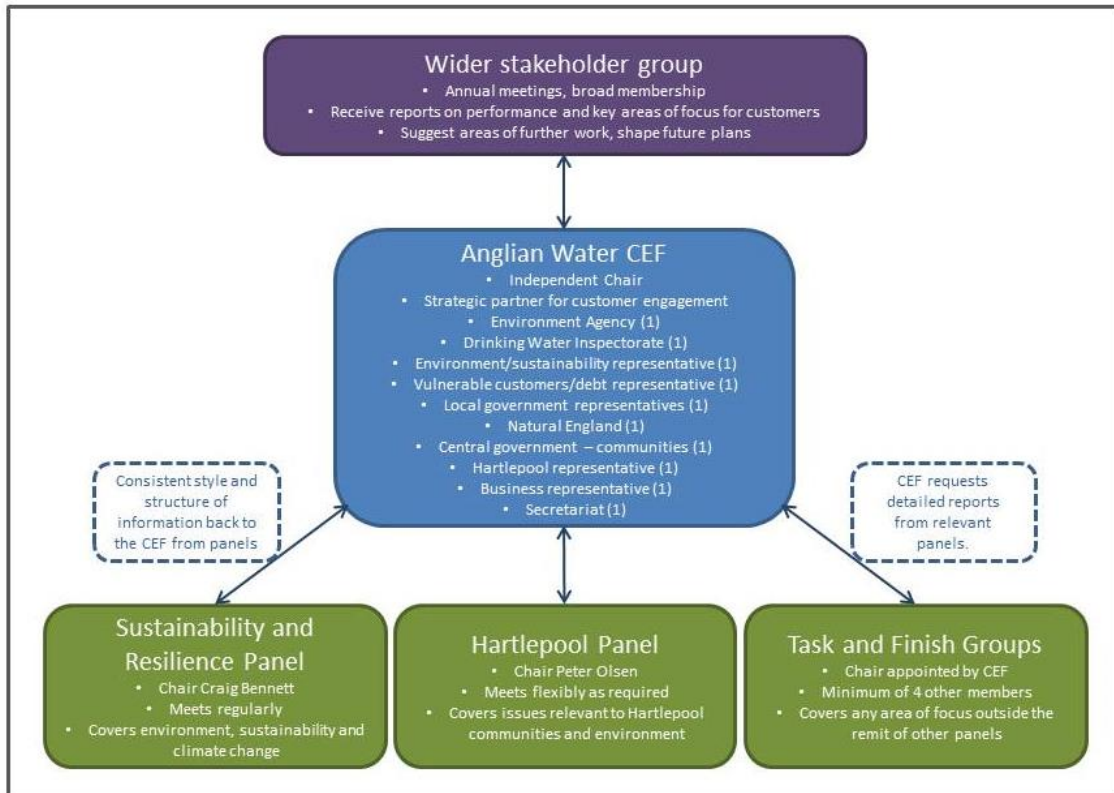
The Anglian Water CEF should represent the following customer groups:

- Key stakeholders across the region (including Hartlepool) such as local authorities, community representatives, environmental agencies, NGOs
- Regulatory bodies
- Business customers and their representatives
- Organisations which represent customers in vulnerable circumstances and specifically a debt advisory body

The potential number of bodies that can represent Anglian Water customers is extremely large; if all of these organisations were to be members of the CEF it would be an unwieldy and ineffective forum for communication.

A framework is shown below which allows a high number of stakeholders to be involved in the engagement and challenge process, while responding to the evolving regulatory environment and maintaining a manageable forum of key stakeholders.

The membership of the forum will be reflective of the Anglian Water geography and demographics of its customers.



3.1 Panels / Task and Finish Groups Chairs

Anglian Water set up four Independent Advisory Panels during AMP5, providing specialist advice and evidence on the environment, Hartlepool, economic issues and customers.

For this price review period, to reflect the increasing rate of change in the sector, requirements for PR19 and to allow flexibility to consider all issues arising which may impact on customers, the Environment and Hartlepool Panels will remain and the CEF will appoint other groups on a task and finish basis for specific needs as required. The environment panel will meet regularly, while the Hartlepool panel meetings will operate more flexibly to respond to issues as required, and make more use of other organisations in its wider network to gather customer insight. The Panels and Task and Finish Groups will take their findings and recommendations to the CEF for consideration.

Task and Finish Group Chairs and members will be appointed by the CEF to reflect the topic of interest. They will operate for the time required to provide necessary evidence and submit their findings to the CEF. The Task and Finish groups will be able to represent a broad range of customers relevant to the specific areas of interest and incorporate their views into CEF discussions, providing a broader and more in-depth insight to the topic than the CEF would be able to in its programme of work.

3.2 Wider stakeholder group

In order to understand the broad and evolving needs of the communities Anglian Water serves, one meeting per year of the CEF will include a wider stakeholder forum. These meetings will have the following purpose:

- Provide performance updates from Anglian Water, particularly areas of significant under/over performance, ODIs most of interest to customers
- Provide information and visibility on upcoming work, and how this has been shaped by customer views
- Offer an opportunity to identify areas where closer work between Anglian Water and stakeholders could lead to improved outcomes for customers
- Provide a platform to identify areas of policy or societal shift identified by stakeholders which may impact Anglian Water communities or environment
- Allow Anglian Water to understand the perspectives of a broader range of customer groups – in particular a range of groups which may be classed as ‘vulnerable’, such as the elderly, those with physical or mental disabilities, those experiencing ‘life events’ (such as divorce, bereavement etc) or those who are rurally isolated.

3.3 Representatives

Each member of the Anglian Water CEF should nominate appropriate senior representative(s) to attend the meetings. It is important that individual representatives can attend the majority of meetings to ensure consistency throughout the process and we would wish to keep the use of delegates to minimum.

Other representatives from member organisations or elsewhere may be invited to join on an ad-hoc basis as appropriate for example to present specialist agenda items, or to attend task and finish groups.

Ofwat will not be a member of the Anglian Water CEF but may be invited to attend by the Chair subject to members’ agreement. Ofwat has indicated that in the main, it will maintain a line of sight to CCGs through regular workshops and meetings of CCG Chairs.

More detailed bi-lateral conversations between some members, for example on water resources management plans, are likely to be required to supplement discussions within the group. These should inform rather than replace discussions within the Anglian Water CEF.

3.4 Customer Engagement Steering Group

The Anglian Water Customer Engagement Steering Group is responsible for developing the customer engagement strategy for PR19 and aligning the various strands of customer engagement across different areas of the business.

The customer engagement steering group governance is set out in its terms of reference.

A representative from the CEF attends steering group meetings and copies of minutes and meeting papers are sent to the CEF Chair to maintain consistent and open dialogue between the steering group and CEF, offering maximum opportunity for CEF input and challenge.

The customer engagement steering group owns the relationship between Anglian Water and the customer engagement strategic partner.

4. Outputs

Ofwat has asked that the company's Customer Challenge Group provide a report to them alongside the company's business plan and they have asked that this covers, as a minimum:

a) The company's engagement process

- *the effectiveness of, or any concerns with, the company's engagement with its various customers and with the CCG (taking account of the principles of good engagement set out by Ofwat in its May 2016 Customer Engagement policy statement and subsequent policy documents)*
- *whether the level of engagement and assurance is proportionate to the materiality of the company's business plan proposals*
- *the level of understanding around customer needs and preferences, including on longer-term resilience issues*
- *how the company has engaged on issues that are important to customers and which customers can genuinely influence*
- *the extent to which the company has engaged with and understood the needs of customers in vulnerable circumstances, and used a suitable range of methods to reach different groups of customers*
- *the level and quality of engagement on current performance, and provision of comparisons against other companies that are easily understood*
- *how well the company has genuinely built an ongoing conversation with customers that includes information from day-to-day contacts and which has been considered as part of the wider customer engagement strategy to inform the business plan*

b) The company's strategy and business plan

- *comments on any tensions that may exist between the delivery of the proposed plan and compliance with statutory obligations, and the extent to which those concerns have been addressed*
- *whether the company has actively considered the opportunities for more innovative and sustainable approaches to delivering the required or desired outcomes;*
- *whether the company's longer-term strategy and business plan is an appropriate response to customers' views;*
- *whether the company's business plan strikes a reasonable balance between the views of different customers and stakeholders, highlighting any areas where particular segments of current or future customers are likely to have outstanding concerns;*
- *whether the company has explored the range of cost-effective solutions and phased delivery of its various outcomes to maximise acceptability to customers; and*
- *whether the company's overall final business plan appears likely to be acceptable to a majority of customers, highlighting any areas of concern.*

The Anglian Water CEF will produce the report having consulted with the wider stakeholder forum.

Other outputs from the forum will be determined when the work plan is agreed but may include reports on:

- Plans for customer engagement
- Draft regulatory submissions
- Customer consultation document
- Outcomes of engagement on the Draft Determination

5. Governance

5.1 Chair

Ofwat recommend that the Chair is appointed by an independent process and is not a CC Water representative. Anglian Water commissioned an independent agency to appoint a Chair from outside the industry for AMP 6 (see Appendix 1 for role brief).

The Anglian Water CEF work programme and approach will be agreed with members of the group. The Chair will collate views and provide a note to summarise the discussion and approval of the approach.

5.2 Secretariat

Anglian Water will provide secretariat and administrative support to the group. Agendas and other materials will be provided in a timely and accessible way.

Minutes will be kept and made publicly available on the Anglian Water website once approved by the members of the forum.

It is anticipated the group will meet three times per year, generally in Peterborough although this may be rotated to other locations in the Anglian region.

5.3 Quorum

At least four members of the CEF should be present for meetings (not including Anglian Water representatives). Members may participate by phone if they are unable to attend the meeting in person.

5.4 Funding

Anglian Water will fund secretariat and administrative support to the group. Ofwat recommends that details of CCG financing are made publicly available.

5.5 Confidentiality

While the group will report publicly on its activities, some matters discussed by the group will be sensitive and not for public release. All other items, such as meeting minutes and papers, will be publicly available once agreed by the CEF.

5.6 Communication with Ofwat

The group, supported by the Chair, will agree the most effective way to communicate with Ofwat throughout the process.

The Chair will be involved in meetings and forums with Ofwat and other CCG Chairs, and will maintain a link to Ofwat and other companies through this work. Other CEF members may be required to support the Chair in maintaining positive and ongoing dialogue with Ofwat, and/or attending events.

The Chair will manage communication of the group's agreed position.

Ofwat have indicated that they would welcome ongoing discussion with companies as they develop and execute their engagement strategies for PR19. Anglian Water will work with the customer engagement strategic partner to build this into its approach, with oversight and challenge from the CEF.

6. Roles and responsibilities

6.1 Ofwat

- Provide guidance on sector-wide regulatory policies and cost assumptions (including a ready reckoner) to inform the business plan development and to support the Anglian Water CEF.
- Provide advice or input on request to support the Anglian Water CEF
- Organise meetings and key updates for CCG Chairs
- Take account of the views of the Anglian Water CEF on issues of concern or risk to customers in targeting the scrutiny of the company business plans.

6.2 Independent Chair

- Chair the Anglian Water CEF meetings, coordinating collation of views and members' approval of agendas, minutes, reports and overall work programme.
- Ensure members work together effectively, providing strategic direction and facilitating constructive and effective working.
- Present to Ofwat a report approved by members to summarise the views of the Anglian Water CEF on the effectiveness of the engagement process, how well customers' priorities have been taken account of in the company's plan and any areas of contention.
- Lead the selection of Chairmen for Task and Finish Groups, and the nomination of their members
- Represent and be an ambassador for the Anglian Water CEF

6.3 Members

- Contribute to development and quality assurance of the direct engagement process.
- Participate in the Panels / Task and Finish Group programme.
- Bring broad and representative views of customers to the CEF
- Advise and challenge where necessary to maximise acceptability of bill impacts and service levels for current and future customers.
- Scrutinise the evidence provided by Anglian Water to satisfy themselves that the requirements outlined by Ofwat have been met

In addition, some members will have a specialist contribution to make for example:

- Confirming that the companies' plans deliver the required legal outcomes.
- Ensuring the company's business plan is consistent with other strategic plans such as water resources management plans, river basin management plans and local flood risk management strategies.

6.4 Anglian Water

- Set up the forum, provide secretariat and administrative support and costs
- Organise meetings of the CEF and Customer Engagement Steering group
- Work with the customer engagement strategic partner to design, run and own direct local engagement with customers and stakeholders, including gathering evidence and seeking out views.
- Provide results from engagement and evidence of technical assurance to the Anglian Water CEF to demonstrate customers' views including on acceptability of the overall plan.
- Provide evidence to the CEF to enable members to assess the outputs required by Ofwat
- Develop a strategy and business plan that takes account of customers' priorities and advice and challenge from the Anglian Water CEF

- Submit to Ofwat a proportionately evidenced and assured business plan that takes account of customers' views
- Provide evidence to the CEF of current business performance, and how it is has communicated this to customers

Appendix 1 Independent Chair summary of role

Key purpose of role

The Anglian Water CEF exists to help, advise and challenge Anglian Water as it engages with customers and stakeholders to develop its long term strategy and business plan for 2020 to 2025.

This plan will affect over 6 million water and wastewater customers in east of England and Hartlepool as well as local businesses, communities and the environment. The last business plan resulted in a £5 billion investment programme for the region between 2015 and 2020.

The Anglian Water CEF will play an important role in helping ensure that the plan for the next five years strikes the right balance between the views and priorities of different customers and stakeholders in the region, as well as the longer-term requirements for a safe and resilient water supply.

It will report to Ofwat on how well Anglian Water has engaged with customers and stakeholders to understand their priorities and how well customers' priorities have been accounted for in its business plans.

The Chair will play an essential role in ensuring the forum operates effectively, collaboratively and responsibly. They will be an ambassador for the forum, providing strategic direction and coordination.

Role and responsibilities

- Chair meetings of the forum, coordinating collation of members' views and approval of agendas, minutes, reports and the overall meeting programme.
- Ensure the forum members work together effectively by facilitating constructive discussions, ensuring every member has the opportunity to voice their views, agreements are reached wherever possible and areas of differing views are managed effectively
- Ensure that the forum reviews, advises and challenges Anglian Water on its engagement programme and business plans in a constructive and timely way that will satisfy the group that customer, Ofwat and quality regulators' requirements have been met.
- Report to Ofwat on the view of the Anglian Water CEF on whether the company's business plan reflects a sound understanding and reasonable balance of customers' views, and whether the phasing, scope and scale of work required to deliver outcomes is socially, economically and environmentally sustainable.

Skills and experience

- Independent of Anglian Water and other members of the Anglian Water CEF
- Excellent leadership, facilitation and communication skills
- Ability to understand complex strategic issues, analyse and resolve difficult problems
- Experience of customer and stakeholder engagement

- Sound judgment, common sense and diplomacy
- Business and financial acumen
- Living in the Anglian Water region.
- Interest in the water industry (previous knowledge and experience not essential)

Terms and conditions

- **Term** - The Chair will be appointed for a four year contract from January 2016 until June 2020.
- **Time commitment** – estimated 8-20 days per year (varying between years) to include full day meetings of the Anglian Water CEF three times per year plus additional time for preparing agendas, reviewing minutes and materials, other meetings and writing reports.
- **Location** – meetings will most commonly held in Peterborough though may also rotate within the Anglian Water region.