



## CUSTOMER ENGAGEMENT FORUM

**Meeting:** Customer Engagement Forum  
**Date:** 10 June 2016  
**Time:** 10.30 – 15.00  
**Location:** Lake Room, Kingsgate Conference Centre, Peterborough

**Present:**

- . Jeff Halliwell – Independent Chair (M)
- . Bernard Crump, CCWater (M)
- . Craig Bennett, Chair Environment & Climate Change Panel (M)
- . Gareth Dalglish, Natural England (M)
- . Gill Holmes, CCWater (M)
- . John Giles, Environment Agency (M)
- . Martin Lord, Northampton CAB (M)
- . Peter Olsen, Chair Hartlepool Panel (M)
- . Stephen Meek, DCLG (M)
- . Alex Plant, Anglian Water (O)
- . Graham Hindley, ch2m (O)
- . Jane Taylor, Anglian Water (O)
- . Jean Spencer, Anglian Water (O)
- . Peter Simpson, Anglian Water (O)
- . Amy Wilson, Anglian Water (secretary)
- . Andrew Snelson (guest)
- . Becky Willan (external guest)
- . Ben Hayman (external guest)
- . Carolyn Cooksey (guest)
- . Ciaran Nelson (guest)
- . Sean McCarthy (guest)
- . Simon Love (guest)
- . Tory Wilkinson (guest)

**Apologies:**

- . Cllr Colin Davie, Lincolnshire County Council (M)
- . Richard Tunnicliffe, CBI (M)
- . Kevin Ensell, Anglian Water (O)
- . Ian Rule, Anglian Water (O)

Item		Action
2	<p><b>Welcome and minutes of the last meeting</b></p> <p>a. The minutes of the last meeting were agreed and accepted.</p>	
3	<p><b>Updates from partners since Jan 2016</b></p> <p>a. <u>Ch2m (previously Halcrow)</u>: Graham Hindley informed CEF members that he had been auditing year-end performance figures, providing assurance on these to the company board and the CEF. In particular his team looked at high-risk ODIs. This was completed in May and now looking to next regulatory submission in August.</p> <p>b. <u>CCWater (local)</u>. Gill Holmes has recently spent time with various AW employees, getting insight to their roles. She has also spent time learning about various AW initiatives and schemes such as the Shop Window project.</p> <p>c. <u>CCWater (regional/national)</u>. Working with Ofwat on Water 2020 and also looking at the research on household competition with customers. Also busy with other CCGs looking at annual performance – lots of strong performance, in some cases helped by relatively benign weather. Need to look at how strong performance is communicated to customers as this will have impact on bills.</p> <p>d. <u>Natural England</u>. Gareth noted that Natural England are looking at a range of areas, identifying potential impacts from water company assets. Currently building an unconstrained list of potential activity; this will be precautionary and recognise uncertainties. It will be used as a basis to inform discussions with companies and the EA.</p> <p>e. <u>DCLG</u>. No updates relevant to the CEF.</p> <p>f. <u>Craig Bennett</u>. Notable that through the winter, extreme flooding has resulted in more public and political recognition of using natural flood defences. There has been progress with refreshing the Environment Panel for the new price review period. This will now be called the Sustainability and Resilience Panel (<i>decision made during item 10 of this meeting</i>). Craig has met with AW colleagues and started to have a look at a refreshed approach to the Panel – with the aim of thinking more</p>	

Item		Action
	<p>strategically, being ahead of arising issues, and giving more structure to discussions. Potentially the panel could focus discussions at catchment level. Objectives shared by a number of catchments would be higher priority, and this view will feed into overall plans. The first meeting of the new panel is 21 September. There is potential for Natural England's work to feed into this, and Craig suggested the AW Strategic Direction Statement (SDS) refresh could consider having a section on each catchment, potentially looking at investment at catchment level. This may help to link customers more closely to an area that they identify with.</p> <ul style="list-style-type: none"> <li>• There was a discussion around how many catchments AW has and how Affinity Water has previously engaged at catchment level. There was a feeling that engaging at a more local level would be more meaningful to customers and in keeping with the Love Every Drop ethos, but would need to take care that customers did not see competition between catchments.</li> </ul> <p>g. <u>Environment Agency</u>. John Giles has recently taken over from Adam Lines. River basin management plans have been published. The EA are merging 3 areas into 2 across Essex, Cambridgeshire and Bedford – may align more closely with Anglian geography. EA currently working on drought plans and water resources management plans. Recently have been looking at annual performance reports.</p> <p>h. <u>CAB</u>. Moving into the second year of the tariff assessment function. Doubling the numbers of staff for this to cope with demand, but experiencing recruitment challenges. Around a quarter of clients are in financial distress, and many CAB offices are struggling due to a drop in funding provided by some local authorities.</p> <ul style="list-style-type: none"> <li>• Bernard provided some background on consultation being carried out by AW to assess the extent to which customers would be willing to contribute more to the social tariff pot. Jeff questioned the role of the CEF in this work. Bernard commented that the CEF could use this as part of work to look at affordability in the next price review and focus on definitions of customers in vulnerable circumstances. He suggested the CEF should remain involved in current revisions of the social tariff, and action to be taken if customers</li> </ul>	

Item		Action
	<p style="text-align: center;">reject any further support for the tariff.</p> <p>i. <u>Hartlepool</u>. Peter Olsen noted many Hartlepool issues are different to the rest of the AW region. Potentially there could be pollution of the aquifer that may be an issue in future. The Hartlepool panel has been reconstituted and had its first meeting for this price review period. It is seeking new recruits and looking to link with a wider network of partner organisations and the council's neighbourhood forums. There may be more communication by email in future.</p> <ul style="list-style-type: none"> <li>• Amy noted that the panel meeting had included a discussion on thoughts for how the panel can operate in PR19. This will be considered as part of the work with the customer engagement strategic partner.</li> </ul>	
4	<p><b>National Resilience Project</b></p> <p>a. Jean Spencer updated the group on progress of the National Resilience Project, which she chairs.</p> <p>b. The Ofwat May document referenced customers having a supply of water 'reliably available' – reference to the project.</p> <p>c. Jean talked through the slides circulated to the group – highlighting that the focus on this work was not for the future risks – there are risks now. There have been a number of droughts and some near-misses in recent decades – notably 2012 lead-up to the London Olympics.</p> <p>d. There are challenges around different levels of resilience to drought in different places, and different growth scenarios.</p> <p>e. There need to be some significant abstraction reductions. 10% has been agreed but it might need to be more. Currently working with the EA to understand the impacts. Some other companies face much larger reductions. The figures are based on expert knowledge of risk, not historical examples. Modelling is being done at water resource zone level.</p> <p>f. The project is being independently peer-reviewed, led by Prof Jim Hall at Oxford.</p>	

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	<p>g. National Infrastructure Commission is looking at the results.</p> <p>h. There is a clear case for investment. Although there has been a question over who should pay (current vs future customers?) there is an immediate need, and bill impacts are relatively modest. For example, investment of £1bn would equate to approximately £10-£15 on customer annual bills.</p> <p>i. Need to engage with government on the minimum level of resilience.</p> <p>j. Jean noted that we now have guidance for water resource management plans. Results of the national project will inform whether government gives direction on minimum service levels, which in turn will inform WRMPs and subsequently the PR19 plan. Alex noted that we may need investment cases in the PR19 plan due to long lead times.</p> <p>k. There was discussion around the role of the NIC and what outcomes there may be. Jean noted the NIC may look at things such as demand management or tariffs as well as large schemes. All options are included in the National Project report (to be released in July) – e.g desalination, effluent re-use, transfers. The thinking supports current direction of travel towards a regional, collaborative WRMP – which the Water Resources East project is looking at.</p>	
<b>5</b>	<p><b>Water Resources East</b></p> <p>a. Alex updated the group on the WRE project (formerly WREA) which is helping us move towards a regional, collaborative WRMP.</p> <p>b. The Leadership Group had a workshop in May, bringing many representatives from different sectors together to understand future desired outcomes, following the Robust Decision Making process. It will help partners understand trade-offs that can be made between organisations and sectors which will support an optimal future outcome of sustainable supply/demand balance.</p> <p>c. The project will provide a clear evidence base for talking to customers and the focus on longer-term resilience</p>	

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	<p>issues that Ofwat wants to see.</p> <p>d. The discussion that followed noted that sometimes water companies needed to give a tougher message on potential impacts on customer bills and consequences for water availability if no action is taken. Some solutions (e.g. changing agricultural practices, re-wilding habitats) are simple and cheap, but longer-term. Peter Simpson noted this may have been the case in the past, although water companies were now taking a stronger approach to messaging on resilience issues, and working closely with other organisations in partnership to add legitimacy and expand coverage to communications. Peter noted that the company is looking to work more closely with land agents; high levels of further development across the region will place significant pressure on water supplies and building regulations are not going to change in the near future.</p> <p>e. Gareth noted that care should be taken with resilience work to ensure that tensions did not develop between agriculture and environment sectors. Peter Simpson commented that the WRE project allows for mature challenge between all parties.</p>	
<b>6</b>	<p><b>Water 2020 updates</b></p> <p>a. Alex Plant talked through the key points of the latest Ofwat policy document, released in May. He noted the company are broadly supportive of their approach but there are a couple of issues in the detail which will be picked up in the response to the consultation questions (included in the document)</p> <p>b. Issues may arise with delivering lowest cost solution in some cases, and the company may experience some problems in the transition from RPI to CPI.</p> <p>c. The company welcomes Ofwat’s proposal on early publication of the Weighted Average Cost of Capital (WACC), which will allow for more meaningful engagement with customers and be helpful for the CEF</p> <p>d. The document confirms that Ofwat will align dates for submissions of the Water Resource Management Plan and the Business Plan</p>	

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7	<p data-bbox="245 226 1222 262"><b>Household competition update</b></p> <ul style="list-style-type: none"> <li data-bbox="305 304 1222 367">a. Item 7 was deferred until after lunch; notes shown here for ease of reading.</li> <li data-bbox="305 409 1222 514">b. Alex Plant updated members on the ongoing review of risks/affordability for domestic customers if the household retail market was to be opened</li> <li data-bbox="305 556 1222 619">c. Ofwat’s draft report will be released in July; the final report will be published in October.</li> <li data-bbox="305 661 1222 766">d. Anglian Water’s position is the same as in many other areas of market reform – the company supports market opening where this offers clear benefits for customers</li> <li data-bbox="305 808 1222 1081">e. Peter Simpson expressed concerns over the cost and complexity of opening the market for business customers – which significantly exceeded original predictions. Opening the household market will be even more complex, while benefits to customers currently appear limited. It would be preferable to allow more time to assess the impact of opening the non-household market before making changes to the household retail market.</li> <li data-bbox="305 1123 1222 1438">f. Bernard noted that CCWater research has shown customers are generally interested in choice, but only where this offers lower costs. When customers are informed on the realistic levels of price benefit through the opening of the household market, the majority of customers have said they would not switch. CCWater are also advocating that market opening is not progressed until the impact of the non-domestic market opening can be reviewed.</li> </ul> <p data-bbox="245 1470 1222 1543"><b>Item 7a (not on original agenda; added at late notice) Retail price controls</b></p> <ul style="list-style-type: none"> <li data-bbox="305 1575 1222 1753">a. Alex informed the CEF that business retail pricing would be changing from 2017. For Anglian Water Business customers, this will result in only a small amount of simplification of tariffs (some other companies will see a bigger impact).</li> <li data-bbox="305 1785 1222 1858">b. Ofwat set out an expectation that companies will engage with their Customer Challenge Groups on the changes</li> </ul>	

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	<p>c. Jeff questioned whether it was appropriate for the CEF to comment on business retail pricing, and noted that there is limited time for the CEF to understand or challenge key issues – the CEF should avoid this being a ‘rubber stamping’ exercise.</p>	
<p><b>8</b></p>	<p><b>Customer engagement in AMP 6</b></p> <p>a. Alex Plant talked through the customer engagement high-level plan and slides, detailing the key elements and immediate next steps in the development of a customer engagement strategy for PR19</p> <p>b. There was a short discussion around how the programme will align with the refresh of the Strategic Direction Statement, and the importance of the SDS given the nature of the discussions throughout the price review period. Alex noted that Anglian Water still recognises the importance of the SDS and this is included in the customer engagement programme.</p> <p>c. Regarding the Ofwat customer engagement annex of the latest policy document, Alex noted that the language is helpful and generally it reflects what was expected.</p> <p>d. It is disappointing to note that Ofwat still do not give details of the weight they will place on qualitative engagement or how they will evaluate it. Bernard added that CCWater are also concerned about this – currently it is not clear how Ofwat will take account of the richer evidence and appear to be seeking to reach a single figure to underpin key decisions. Jean Spencer also noted her concerns on the issue and that she is continuing to press Ofwat for more details on how they will evaluate customer engagement. There is an opportunity to reinforce this message at an upcoming workshop that Ofwat will hold on customer engagement - Bernard is attending for the CEF, Peter Simpson is attending for AW.</p> <p>e. Anglian Water intend to push forward with current direction of travel on customer engagement, continuing conversations we are already having and driving towards an ‘ongoing conversation’ with customers, rather than a bespoke engagement exercise to inform PR19</p> <p>f. Since the last CEF, procurement of a company to be a ‘strategic partner’ for customer engagement has been</p>	<p>Timetable around SDS and engagement with CEF – next meeting</p>



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	<p>undertaken. This company will work closely with AW over the next few months to develop a customer engagement strategy, then act as a 'critical friend' for the remainder of the price review period to support delivery of the strategy.</p>	
<p><b>9</b></p>	<p><b>Customer engagement strategic partner</b></p> <ul style="list-style-type: none"> <li>a. Representatives from the company that have been selected as the AW strategic partner for customer engagement attended this session to introduce their approach.</li> <li>b. Becky Willan and Ben Hayman from Given London gave a short presentation, summarising their proposal to AW and providing some details of other projects they had undertaken which were relevant to this work.</li> <li>c. Key objective is for the customer engagement to be fun for the customer and useful for the business – adding value for all parties.</li> <li>d. Given will use a 'co-creation' approach, with employees, stakeholders and customers jointly developing the strategy.</li> <li>e. The discussion that followed noted these key points: <ul style="list-style-type: none"> <li>• The strategy will synthesise a wide range of views on complex subjects from a range of sources into meaningful results</li> <li>• The customer voice will be one input among a range of other sources in the 'rich picture' of evidence</li> <li>• There will be an audit of current activity, mapping where new approaches can support traditional techniques</li> <li>• Quantitative data will be part of the strategy</li> <li>• We will keep Ofwat involved and seek to align the strategy with regulatory requirements, but will remember that primarily this piece of work is about putting the voice of the customer at the heart of the business. This work will go beyond regulatory requirements for PR19 and seek to ensure that a continually evolving understanding of customer needs and preferences is incorporated into decisions as part of 'business as usual'.</li> </ul> </li> </ul>	

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10	<p><b>CEF and Panels terms of reference</b></p> <p>a. The Terms of Reference for the CEF and panels have been updated to reflect new regulatory requirements. Jeff invited members' comments or questions on the updated ToR.</p> <p>b. Bernard questioned whether there should be an Economic Panel for this business plan period. The group discussed this and felt that the two primary functions of the group could be covered in the new arrangements as follows:</p> <ul style="list-style-type: none"> <li>• Water services required for new developments can now be covered by the Sustainability and Resilience Panel (evolved from the PR14 Environment Panel)</li> <li>• Values placed on performance of various ODIs can be covered by a Task and Finish group later in the business plan period.</li> </ul> <p>c. The group agreed the name of the Sustainability panel should be changed to reflect the stronger focus on resilience for this period – this will be named Sustainability and Resilience panel</p> <p>d. Gareth commented that the ToR are currently not clear on the way that outcomes from panels are recognised by the CEF.</p> <p>e. Stephen noted that membership should be continually monitored against changes with demographics and growth. Jeff responded that the CEF can choose to invite other members if they decide it is necessary. The group discussed whether future customers should be represented but noted it is often not possible to get consistent representation for the full business plan period.</p> <p>f. The members agreed the ToR subject to minor amends detailed above. The CEF agreed that Jeff could share a final version with other CCG Chairs.</p>	<p>Gareth to draft section to add</p> <p>All CEF members to consider whether other organisations should be represented</p> <p>Amy to make ToR amends</p>
12	<p><b>Annual Performance</b></p> <p>a. Andrew Snelson attended the CEF to present the company annual performance and the current position on rewards/penalties for ODI performance</p>	

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	<ul style="list-style-type: none"> <li>b. AW has 32 ODIs, but has focused more resource on the ten with the greatest potential penalties or rewards</li> <li>c. The CEF noted the company has earned rewards for first year performance on three measures – interruption to supply, leakage and pollution.</li> <li>d. Communication with customers should be mindful of the impacts that performance will have on bills – and how any additional money from bills will be spent.</li> <li>e. Pollution performance has been impacted by a change in how the company responds to incidents – working with the EA to ensure incidents are reported correctly. The EA is looking at company performance but this work is not ready yet.</li> <li>f. Bernard noted that many companies have reported good performance for the first year of ODIs – impacted in part by good weather. Peter Simpson noted that although good weather has helped, it does not account for the full picture and performance has genuinely exceeded expectations. There have been new teams created, new assets and £40m spent on activities to improve performance on newly-introduced measures.</li> <li>g. ODI performance will be published in July. Work is currently underway to look at effects on bills and how this is communicated to customers</li> <li>h. Graham noted that from his perspective, he had seen a step-change in company processes and procedures which have resulted in strong performance.</li> <li>i. Bernard asked if there was a risk that there could be a penalty relating to performance on coliforms. Andrew responded that six events would trigger a penalty and we have had two so far. Peter Simpson added that there is a large programme of work currently underway to improve performance in this area – effects will be seen this year.</li> </ul>	<p>ODI performance to be circulated when released.</p>
<b>13</b>	<p><b>Leakage performance</b></p> <ul style="list-style-type: none"> <li>a. Sean McCarthy attended this session to discuss the performance outturn for the leakage ODI and the strategies which are resulting in significant performance</li> </ul>	

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	<p>improvements</p> <ul style="list-style-type: none"> <li>b. Considerable amount of resource has been invested in a high-risk strategy for tackling leakage, utilising the latest technologies and working closely with a range of companies and academic institutions to develop innovative equipment and approaches.</li> <li>c. The company recognised that leakage was very important to customers and had committed forward-investment in this area before the ODI measure was developed. The target is very challenging but achievable.</li> <li>d. A variety of methods have been used to reduce leakage levels, including improved leak detection, network optimisation and prioritising activity in high-value areas. Anglian Water is more advanced in their strategies and performance than many other companies in this area.</li> <li>e. Leakage loggers and a pump with pressure-reducing valve and smart controllers were on display for members</li> <li>f. Peter Simpson noted that the entire telemetry system had been replaced this year – the largest integration project in Europe of this kind.</li> <li>g. Craig noted that the Environment panel identified leakage as an important area of work during PR14 and this is a positive company response</li> <li>h. The group noted that although water companies have an ‘economic level of leakage’ – this is not recognised or understood by customers/businesses and the general feeling is that water companies should make every effort to conserve water if this message is being promoted to consumers. Should the ELL be re-engineered?</li> </ul>	
<b>14</b>	<p><b>Pollution performance</b></p> <ul style="list-style-type: none"> <li>a. Simon Love and Tory Wilkinson led a presentation and discussion on pollution performance</li> <li>b. One of the Love Every Drop goals (which preceded the pollution ODI) was zero pollutions</li> <li>c. AW is currently rated 3* by the Environment Agency, and is aiming for 4*, with the aspiration of always avoiding</li> </ul>	

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	<p data-bbox="354 233 500 268">pollutions</p> <ul style="list-style-type: none"> <li data-bbox="305 302 1073 373">d. The ODI measure relates to category 3 incidents (incidents are rated from 1-4, with 1 the worst)</li> <li data-bbox="305 407 1170 617">e. Historically, the company has been reactive. This approach has been changed now to be more proactive, using predictive analytics and introducing improved processes when pollution occurs, allowing the company to act more consistently in the way that incidents are escalated and reported</li> <li data-bbox="305 651 1195 932">f. Bernard noted that performance had improved dramatically and questioned whether the way that pollution events were measured had changed. Simon responded that the method of measuring events had not changed but there was a much clearer and more consistent focus on identifying events that should be reported. Previously some incidents were reported that should not have been.</li> <li data-bbox="305 966 1154 1079">g. Graham noted that from an assurance perspective, he could see that fundamental changes in the company approach had led to improved performance</li> <li data-bbox="305 1113 1170 1255">h. Gareth questioned whether the company could identify whether a pollution incident affected an SSSI. Simon responded that our systems showed this risk and these incidents were flagged as a priority.</li> </ul>	
<b>15</b>	<p data-bbox="256 1295 711 1331"><b>Community Perception ODI</b></p> <ul style="list-style-type: none"> <li data-bbox="305 1365 1182 1470">a. Ciaran Nelson attended the CEF to discuss the company approach to improving the perception of how Anglian Water cares for the communities it serves</li> <li data-bbox="305 1503 1187 1575">b. This is a reputational ODI (not linked to financial reward or penalty)</li> <li data-bbox="305 1608 1117 1713">c. The first year out-turn was 56%. The company has committed to improve this measure by at least 4%, which is a significant improvement on the baseline.</li> <li data-bbox="305 1747 1195 1890">d. Ciaran showed the CEF a high-level framework for communications throughout the year which link to perceptions of caring for communities. There will be 'bundles' of activity around the campaigns/events on the</li> </ul>	

<b>Item</b>		<b>Action</b>
	<p>plan, linking to the caring for communities message.</p> <p>e. Ciaran noted that the audience on social media was growing rapidly and AW are increasingly using these channels. He urged CEF members to follow AW on social media.</p>	
<b>16</b>	<p><b>AOB</b></p> <p>a. Jeff shared a letter from CCWater with CEF members regarding CCG training. Details on the letter for any members that would like to attend.</p>	