



ANGLIAN WATER INDEPENDENT CHALLENGE GROUP

MINUTES – ICG-ONLY SESSION

Date: 6 September 2024

Time: 10:00-12:00

Location: Virtual

Present:

- Craig Bennett – Chair (M)
- Joanne Lancaster – MD, Independent (M)
- Paul Metcalfe – MD, PJM Economics (M)
- Nathan Richardson – Waterwise/Blueprint for Water (M)
- Victoria Williams – EA (M) (first hour of meeting only)

- Vicky Anning – Secretariat (O)

Apologies:

- Gill Holmes – Independent (M)
- Peter Holt – Chief Executive, Uttlesford District Council (M)
- Justin Tilley – Natural England (M)
- John Vinson – CCW (M)

Summary of actions

Actions from ICG only session	Status
1. CB to draft letter to Ofwat to circulate to ICG members for input	Open
2. VA to update TORs and create a Google doc to share with members and also with Simon Dry (Chair of Customer Board) and AW colleagues	Open
3. ICG members to share input on TORs and letter	Open
4. VA to follow up Lottie/AW on outstanding challenges and Board meeting dates	Open
5. ICG to ask John Vinson/CCW about trend data for customer complaints	Open

Meeting minutes

Item	Action
<p>1.</p>	<p><u>Welcome from Independent Challenge Group (ICG) Chair</u></p> <p>Craig Bennett, Chair of the Independent Challenge Group, introduced the meeting which had been convened as an ICG-only session to discuss two topics:</p> <ol style="list-style-type: none"> 1) ICG’s response to Ofwat’s Draft Determination (and response to Anglian Water’s submission) 2) Reviewing Terms of Reference for the ICG
<p>2.</p>	<p><u>ICG discussion around Anglian Water’s response to Ofwat’s Draft Determination</u></p> <p>Craig introduced the first part of the ICG-only session, which was a chance for ICG members to discuss Anglian Water’s response to Ofwat’s Draft Determination, which was submitted on 28 August.</p> <p>Due to short timescales, the ICG had not had the chance to come together as a group and discuss the company’s response to the DD and form an independent view. Although the official deadline for making submissions to Ofwat was 28 August, Craig suggested that the ICG may want to submit a more considered independent view to Ofwat.</p> <p>He suggested this would be in the form of a letter from himself as Chair, making it clear that this was an independent view of the ICG and did not represent views of the representatives of statutory agencies sitting on the ICG.</p> <p>Statutory agencies including CCW and the Environment Agency had already submitted their own formal responses to Ofwat; ICG members had seen the CCW submission; the EA response would not be made public until after Ofwat’s Final Determination was published in December. There had also been a helpful response from Blueprint for Water, which was circulated to ICG members.</p> <p>Craig added AW’s new CEO Mark Thurston was keen to hear ICG views because he was forming his own independent views as he settled into his new role. Craig had met with Mark in August and he was very supportive of the ICG; Mark agreed that it would be helpful for the ICG to become a formal instrument of the Board.</p> <p>Craig also pointed out that there had been quite a lot of movement from the new Government in their support for strong customer challenge groups. He had been in discussions with DEFRA about the role of customer challenge and was due to meet with DEFRA’s key policy lead the following week.</p> <p>Craig was keen to make clear to the new Government that customer challenge groups already existed, so there was no need to reinvent the wheel. In terms of representing customers, he believed the challenge groups needed a certain level of</p>

Item	Action
<p>expertise in order to hold water companies to account and carry out effective challenge in their role as “critical friend”.</p> <p>Craig felt that AW had an interesting model because the company also had a Customer Board, chaired by Simon Dry. He thought it would be beneficial for the ICG and Customer Board to work more closely together in future.</p> <p>Craig was pleased at the direction of travel within DEFRA and highlighted wording in Environment Secretary Steve Reed’s speech the previous day highlighting that customer challenge groups would be set up “where they don’t already exist”, which was encouraging.</p> <p>With all of this in mind, Craig reiterated that the ICG had an important job to do of refreshing its Terms of Reference over the next 2-3 months, incorporating DEFRA’s evolving thinking around the role of customer challenge across the water industry.</p> <p>Discussion</p> <p>There then followed a wide-ranging discussion among ICG members that covered:</p> <ul style="list-style-type: none"> - The role of the ICG as an instrument of the Board and the need to formalise and legitimise that role, as well as formalising connections with both the AW Board and with the Customer Board. Members agreed it would be helpful for the Board to be aware of the level of challenge at the ICG level. - AW’s disappointing company performance over the last few years, particularly in terms of pollution incidents, and the need for the ICG as a group to see regular company performance data as well as comparative data from across the water industry from Ofwat to help them challenge more effectively. - There was also a suggestion that good international practice should be considered, as well as looking nationally for inspiration. - Whether the company’s current Business Plan was robust enough to respond to the company’s ambition (championed by Mark Thurston) to reduce pollution incidents to zero. - There was a sense that £100m was not enough investment to turn the company’s record on pollution performance around during the next AMP; more investment was needed in terms of asset health. ICG members were concerned that Ofwat’s DD may have hampered AW from making some of the investments they wanted to make (an example cited was the lack of funding allowed from Ofwat for AW’s smart meter programme). - ICG members suggested it would be helpful to see a clear plan of action for reducing pollution incidents and a root cause analysis. - ICG discussed the possibility of a site visit to see some of AW’s older assets and infrastructure in action (e.g. Yaxley or Grimston). - In this regard, it was agreed that today’s customers were paying the price for the lack of investment in assets in the past; and this may be replicate for future customers, if companies like AW did not address asset health now. 	

Item		Action
	<ul style="list-style-type: none"> - It was noted that AW’s strategic interconnector programme was behind schedule and that land management/ownership issues should have been predicted. - In the light of the large infrastructure projects coming up with the building of two new reservoirs, the ICG needed to make sure, as a customer group, that the company was working as well as possible to get the projects delivered. - The partnership work AW had shared at the last ICG meeting was a great start but was happening only on a small catchment scale currently and it would take time for this kind of work to make a significant difference to flooding/pollution incidents. - The ICG as a group expressed concern that nature-based solutions were not as high on the company’s agenda as had been expected in this Business Plan and that some ambitions (e.g. to achieve net zero) may fall by the wayside in the face of narrowing focus. Members said that AW had committed to “using nature-based solutions”, where possible. Members wanted this to be highlighted in the ICG’s new TORs. - In terms of performance commitments, ICG members expressed concern that many companies across the sector were not going to be able to meet the targets set by Ofwat and would fall into penalty, including AW. Was this due to a lack of ambition from water companies, or did Ofwat need to recalibrate the performance commitments, as argued by AW and other water companies in their submissions to Ofwat? Members discussed whether there was a fundamental flaw in setting incentive rates, with perverse incentives for companies not to spend enough money to hit the targets (e.g. many companies have massively underspent on Per capita consumption, using the Covid pandemic as an excuse). - In terms of customer engagement, some ICG members felt that the process seemed to have gone backwards during this price review and that taking account of customers’ views had not been as central to the price review process as in the previous AMP (where customer challenge groups were mandatory). It was therefore promising to hear from Steve Reed’s speech that Ofwat and CCW were addressing this. - Following up on actions from the previous ICG meeting: <ul style="list-style-type: none"> o ICG members wanted to understand what had been dropped from the business plan as a result of Ofwat’s DD. o Members also wanted to hear more about plans for the revised social tariffs in the light of increased bill profiles. <p>Craig sketched out an overview of the ICG Chair’s independent letter response to Ofwat’s Draft Determination, with the following suggested headings:</p> <ol style="list-style-type: none"> 1) Heading 1: ICG’s own quick summary on what several years of customer engagement have shown us (customer focus on the longer term, water security/supply, vulnerability/affordability – drawing on some of the most recent customer engagement since the Draft Determination). 	

Item		Action
	<p>2) Heading 2: ICG commentary around investment for long term vs delivering this AMP. Craig summarised the sense of the group seemed to be that Ofwat’s DD had not put enough emphasis on delivery for the longer term. Include some specific examples (e.g. Ofwat restricting investment on smart metering, not as much focus on nature-based solutions) On the basis of customer views and the need to focus on the longer term, ICG would like to see good investment in this AMP but equally we would like to see a greater focus on performance, delivery (improvement of assets, smart meters, climate adaptation and resilience measures being moved to base costs, PCC levels, investment in major infrastructure etc).</p> <p>3) Other issues to highlight: Performance Commitment levels, models for investment, major infrastructure projects etc. The report would also emphasise that AW’s performance has been disappointing in recent years and we need to see a massive turnaround in this AMP.</p> <p>4) Role of ICG: It would be good to highlight the role of the ICG and include a call to action on the comparative performance information, highlighting both the important role and the independence of the challenge groups.</p> <p>Action: Craig would start to draft the letter and share with members for their input and comments. The letter would also be shared with AW colleagues for comment before sharing with Ofwat.</p>	<p>Action CB</p>
<p>3.</p>	<p><u>Discussion around TORs and future of ICG</u></p> <p>The second half of the meeting focused on discussion around the ICG’s Terms of Reference. A revised draft of the TORs had been circulated to members ahead of the meeting for comment. The draft would be revised further and finalised over the next few weeks so that it could be approved by Anglian Water’s Board, ideally before the end of the year. This would be an iterative process, as concrete plans emerged from the Government consultation on customer challenge arrangements. It was proposed that the Anglian Water ICG would be an instrument of the AW Board, liaising with Pete Holland – Director of Customer and Wholesale Services – going forward.</p> <p>Points raised in the discussion regarding the draft TORs:</p> <ul style="list-style-type: none"> - Under the purpose of the ICG, first point, “approach and frequency” should be added to the “quality of customer engagement” - Need to make sure to reflect future customers as well as current customers - Add “environmental purpose” to bullet point covering “social purpose” - Make sure “learning and best practice to drive innovation” is addressed and included - Develop the section on Board Engagement to reflect latest developments on the relationship with AW Board, Customer Board and also internal stakeholders - The two-way relationship with the Board should be explicit - Consider how to address potential conflicts of interest (including personal views of ICG members and representing views of ICG in public forums) – 	

Item		Action
	<p>e.g. declarations of interest need to be recorded and members need to withdraw from discussions, if there are potential conflicts of interest</p> <ul style="list-style-type: none"> - In general, more scrutiny of the ICG was anticipated if the ICG was to become an instrument of the Board so areas such as conflicts of interest etc needed to be clearly addressed. - It also needed to be made very clear in terms of scope that the ICG could not address individual customer complaints/concerns but operated at a more strategic level (unless guidance from DEFRA suggested otherwise) - There was also discussion around gathering information on trends emerging from customer contacts and complaints. Could this be gathered via CCW? - Wording around the final bullet point in the Activities section was queried: “developing a methodology for customers to define long-term outcomes for their catchment” - There was discussion around the suitability of the Scope section and whether this needed to be revised or deleted. Craig suggested the section could be updated once guidance on scope was clearer from DEFRA. - There was discussion around producing an end-of-year ICG report (follow recommendations of CCW report and DEFRA guidance). - There was also discussion around meeting cadence, aligned to quarterly Board cadence (ideally before the Board meetings take place TBD) - Mark’s view was that ICG should have formal regular meetings four times a year with meetings in-between, as needed (e.g. Task and Finish groups) - In terms of make up of members, there were some gaps. Once ICG became clearer on purpose, make up of ICG would become clearer. - There was also discussion around whether statutory body members might be considered “advisers” rather than full members of the ICG, to address any potential conflicts. TBD. <p>Action: VA to share a revised version of the TORs with ICG members as a Google document for further input before sharing with the company.</p> <p>Action: Invite Simon Dry, Chair of the Customer Board, to comment on the TORs.</p> <p>Action: ICG/CB talk to John Vinson from CCW around potential of looking at customer complaint trends (rather than specific complaints) at a company level.</p>	<p>VA action</p> <p>VA/ICG action</p> <p>VA/ICG action</p>
<p>4.</p>	<p><u>Any other business</u></p> <p>Action: Check with Lottie around Board meeting dates and outstanding challenges.</p> <p>The placeholder ICG meeting on 26 September was cancelled. The next scheduled ICG meeting would take place on 22 November and was planned as a face to face meeting. The agenda was under discussion but would include performance, TORs and potentially a site visit. More information to follow asap.</p>	