



ANGLIAN WATER INDEPENDENT CHALLENGE GROUP

MINUTES

Date: 31 January 2024
Time: 09:00-12:30
Location: Virtual

Present:

- Craig Bennett – Chair (M)
- Gill Holmes – Independent (M)
- Steve Hobbs – CCW (presenter)
- Joanne Lancaster – MD, Independent (M) – joined at 09.35
- Paul Metcalfe – MD, PJM Economics (M)
- Nathan Richardson – Waterwise/Blueprint for Water (M)
- John Vinson – CCW (M)
- Victoria Williams – EA (M)

- Darren Rice – Regulation Director, Anglian Water
- Pete Holland – Director of Customer and Wholesale Services, Anglian Water
- Abi Morgan – Regulation Programme Advisor, Anglian Water
- Gail Pickles – Head of Spills Strategy, Anglian Water
- Andrew Snelson – Economic Regulation Manager, Anglian Water
- Emily Timmins – Director of Water Recycling, Anglian Water
- Lottie Willams – PR24 Customer Insight Lead

- Vicky Anning – Secretariat (O)

Apologies:

- Peter Simpson – Chief Executive, Anglian Water
- Claire Higgins – Cross Keys Homes (M)
- Peter Holt – Chief Executive, Uttlesford District Council (M)
- Justin Tilley – Natural England (M)
- Richard Tunnicliffe – CBI (M)

Summary of actions

Action from January meeting	Status
AW to report back on discussions with Ofwat regarding three changes discussed as part of business update – also to circulate Ofwat report on smart meters.	Pending
AW to provide ICG with actual performance figures as part of service commitment update	Open
Emily to provide example of storyboard	Open
AW to update and republish service commitment plan with start and end dates	Open
AW to circulate FAQs regarding spills map	Open
ICG members to work on challenge log	Available here
Victoria to provide one-pager on AW pollution incident performance	Pending
Craig to circulate Ashleye Gunn overview report of ICGs to members	Pending
Closed	
Gill and Paul to work on responses to CCW A&A testing	Closed
ICG members to submit questions for April agenda	Closed
Open/pending from previous meetings	
John to share update from CCW on behaviour change at future meeting	Open
Vicky to update challenge log	Pending

Meeting minutes

Item	Action
<p>1. <u>Welcome from ICG Chair</u></p> <p>Craig Bennett, Chair of the Independent Challenge Group (ICG), welcomed participants of the first (virtual) ICG meeting of 2024.</p> <p>Minutes for the 8 December 2023 ICG meeting were approved.</p> <p>Pete Holland mentioned that the company was trialling a Microsoft Teams AI (Co-pilot) transcription app that would capture notes and actions from the meeting and checked that meeting participants were happy for it to be running during the meeting. No-one raised any concerns.</p> <p>Gill Holmes was pleased to stay on as an independent member of the ICG, after her role with CCW had ended.</p> <p>Central Oversight Group (COG) updates</p> <p>Craig reported that the COG hadn't met since the last ICG meeting. However, there was a meeting scheduled for 26 February when the findings from Ashleye Gunn's report into Independent Challenge Groups would be discussed.</p>	

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<p>Craig said this would be important to understand how ICGs had worked nationally during the last price review and would help to steer the future direction of Anglian Water's ICG.</p> <p>Craig also reported he had met AW's Regulation Director Darren Rice before Christmas and had positive discussions about the future of the ICG; there would be further discussions after 26 February.</p>	
<p>2. <u>Company update</u></p> <p>Ongoing engagement with Ofwat</p> <p>Darren Rice reported on the ongoing Business Plan process. AW was starting to get feedback from wider stakeholders, as well as from Ofwat. This included useful informal feedback from CCW.</p> <p>The company had received approx. 175 queries from Ofwat to date, which was a two to three-fold increase on previous price reviews. AW was due to meet with Ofwat's engagement team the following week.</p> <p>The Draft Determinations (DD) were due from Ofwat in late May/early June. Darren hoped this would allow for ICG discussions on 14 June. He would let the ICG know as soon as the timetable became clearer. (Final Determinations were due December 2024).</p> <p>Craig mentioned that another ICG meeting may need to be scheduled for July.</p> <p>Nathan Richardson (Waterwise) asked whether there would be another feedback loop for customers, particularly if there were changes to the Business Plan?</p> <p>Darren responded that Ofwat had put a few steps in place for further customer engagement after DDs:</p> <ul style="list-style-type: none"> – there would be Ofwat's own <i>Your Water, Your Say</i> session after the DDs had been released – CCW and Ofwat were planning some Acceptability and Affordability testing of DDs. <p>AW would also do some further customer engagement of their own on the DD, but this had not yet been confirmed.</p> <p>Darren reported that there had been discussions around the Water Resources Management Plan (WRMP) since October that were having implications for the overall shape of plan and for customer bills.</p> <p>There were three separate pillars to these developments, which are outlined below and would be shared in a TOTEX update with Ofwat later in the week:</p> <ol style="list-style-type: none"> 1) Development costs for Fens Reservoir: As covered in previous ICG meetings, AW had plans in place for two reservoirs to be built under the 25-year WRMP. The reservoir in South Lincs would be 100% funded by AW's customers; the second Fens Reservoir was due to have development costs shared 50/50 between AW and Cambridge Water customers. 	

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	<p>However, due to implications for affordability and financeability for Cambridge customers, which jars with government ambitions for development in the Cambridge area, AW has proposed that it would recover 100% of costs from AW customers for AMP8 to help unstick the reservoir development.</p> <p>After that 5-year period, there would be a conversation about how the construction costs etc. would be recovered across the AW/Cambridge customer base.</p> <p>That means an extra £80m into TOTEX for AMP8. These costs are treated as OPEX costs. Customers would see an annual £4-5 increase in bills in years 2, 3 and 4 but this would not be a sustained increase for customers.</p> <p>Paul Metcalfe (PJM Economics) asked why this was treated as OPEX when this is part of CAPEX?</p> <p>Darren explained that there were ongoing discussions around the final accounting treatment of those costs. This was an indicative bill impact and he expected some of the costs to come down over a longer time horizon.</p> <p>Craig pointed out that this was not an insignificant increase compared to other figures that the ICG had looked at where there had been considerable customer engagement. Was the company planning further customer engagement around this?</p> <p>Darren said this was still an open question. AW's priority had been, in light of feedback, to make sure these costs were appropriately considered as part of Ofwat's DD decision-making process – but timings were tight to garner customer views for consideration in the DD timeframe. The company was looking closely at next steps in terms of making sure that customer views were taken into account but the priority was to make sure Ofwat had the details ahead of their DD decisions. Further thinking would be done once that had happened.</p> <p>He was reassured that AW had engaged broadly with customers on the principles of supply side options. He was also reassured that, relative to sector-wide average bill increases over AMP8, AW's increase was low (AW's increase was marginally over 15% increase at the moment; this new proposal would take the increase to just over a 17% increase; this compares to 30% average increase across water and sewage companies.)</p> <p>John Vinson (CCW) any bill increases were challenging for everyone at the moment. Customer research on this was going to be difficult because you're asking people to subsidise Cambridge customers for something that will happen in future. He asked whether AW had:</p> <ul style="list-style-type: none"> - any early indications from Ofwat about their response to this? - or discussions with Cambridge Water about deferring payment (so that there was a lowering impact for AW bills in future)? <p>Darren responded that there would be equalisation in due course but the decision was being made to help avoid delay now. Currently Cambridge customer bills were lower than AW's. There would be a bill equalisation over 20 years. AW had had</p>	<p>Challenge</p> <p>Challenge</p> <p>Question/ challenge</p>

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<p>conversations with senior executives at Ofwat and this week’s discussion would look at the technical issues underpinning previous discussions.</p> <p>Gill Holmes said that she was interested in the overall percentage of increase of customer bills over the AMP. With inflation it looked like closer to a 28% increase. It would be interesting to know what overall bill increase would be and how that would feed into the bill profile of smoothing customer bills over time?</p> <p>Darren acknowledged that 17% figure was pre-inflation. Bills in middle years were higher than they would have been in the October plan, when the BP was submitted, as a consequence of the reservoir issue.</p> <p>Pete Holland said there was work to be done as this was a live discussion at AW and they hadn’t finished looking at bill modelling and the bill profile.</p> <p>Craig pointed out that the government wanted to build another 150,000 houses in Cambridge, where there were currently 80,000 houses. He didn’t believe this would happen at such a large scale. He asked AW to update the ICG on developments in this area and what Ofwat’s response was and how this was being communicated to customers.</p> <p>Action: AW to update ICG on Ofwat response.</p> <p>Darren said these conversations were happening at pace and would continue to move at pace to make sure it fitted into Ofwat’s DD process – but acknowledged AW needed to make sure they took everyone with them, including customers.</p> <p>2) Water reuse scheme in Colchester – this was in the Business Plan but, because of the potential scale of construction/operating costs, it was suggested that AW should go down a competitive direct procurement route.</p> <p>However, informal feedback from Ofwat’s direct procurement team recommended that AW didn’t progress the scheme via the direct procurement route. They had recommended that AW should focus on reservoirs for direct procurement and suggested the water reuse scheme should be delivered in house.</p> <p>This would add around £72 million to TOTEX. Majority of costs incurred in early AMP8, although construction would happen in AMP9.</p> <p>Bill impact is different for capital costs from that of OPEX so this scheme would have a lower impact on customer bills.</p> <p>3) Informal feedback and requests for further information from Defra on WRMP. AW received requests for further information from Defra a few weeks ago. AW had put in place an uncertainty mechanism around groundwater abstraction licences in Norfolk that recognised the ongoing investigations in AMP8 and uncertainty around this.</p> <p>Potential alternative solutions linked into the development for desalination options as an alternative pathway from the core pathway in WRMP. Defra sees a high likelihood of the alternative pathway being needed in Norfolk. They wanted AW to reflect the desalination</p>	<p>Challenge</p> <p>Action DR/ AW</p>

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	<p>requirement in Norfolk. The uncertainty around the scale was huge, varying between 25ml per day and 200 ml per day, subject to outcome of investigations early in AMP8. Carrying that uncertainty and urgency to make sure water was available, AW wanted to make sure there weren't any stalling points.</p> <p>AW's proposed remedy for the Business Plan was to develop and construct a desalination plant somewhere in the middle ground (60 megalitre) as a potential requirement for early delivery in AMP9, with the majority of costs incurred in AMP8.</p> <p>£433m capitalised costs proposed as middle ground and risk mitigant – subject to protections for customers if plant wasn't needed. Implications were marginal on bills due to capitalisation and time horizon over which costs were due to be recovered.</p> <p>Questions/challenges</p> <p>Paul said this was a major change and customer engagement shows that desalination is something customers don't like, which is why it wasn't the first choice amongst schemes. He asked if the alternative pathway plan linked to the size of the reservoirs or were they set in stone already?</p> <p>Darren responded that the core pathway choices around timing and scale of the supply side options were resilient to the changes to the adaptive pathway. It didn't change the core pathway around the size and scale of the reservoirs.</p> <p>Nathan asked about the impact of desalination plant on customer bills.</p> <p>Darren confirmed that it wouldn't have a major impact because it would be treated as capital costs and recovered over the life of the asset.</p> <p>Joanne Lancaster asked, given the issues around pipeline and planning process, whether AW had factored in major delays in the planning process?</p> <p>Darren replied that the thinking around the desalination plant and consequences was less mature than the core WRMP. AW needed to do more work around the deliverability as part of a broader dialogue around the effective timing and removal of abstraction licenses.</p> <p>Jo urged the company to get a good balance of risk appetite in how this is managed because consumption is going to keep going up. The government is driving delivery of houses so this problem wasn't going away.</p> <p>John asked how this impacted the conversation around groundwater flooding. It was a complex issue and planning around desalination plants was complicated. He suggested that AW should have a back up plan.</p> <p>Emily Timmins (joined the call at 9.50) – she responded that, as part of AW's investigatory work for groundwater licenses, the company had added in a line of funding to look at groundwater impact. AW needed to manage downward as well</p>	<p></p> <p>Challenge</p> <p></p> <p>Question</p> <p></p> <p>Challenge/question</p> <p></p> <p>Challenge</p>

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<p>as upward risk and would need to do extensive groundwater flooding risk investigatory work.</p> <p>Operational update (reflections on recent storms)</p> <p>Pete Holland reported on the impact of recent storms. By and large, water supply and per capita consumption had been steady. There had recently been some bursts and interruption to supplies due to freeze/thaw. AW had already outperformed targets for affordability/vulnerability for this year with nearly 100k additional customers supported compared to target. From a service perspective (Cmex and Dmex) latest quarter perspective had held the line on customer service. Maintained sixth position, which was pleasing. Dmex – would get next results imminently. From a developer satisfaction perspective, it was a strong quarter with the best results of the AMP so far. But AW was not resting on their laurels.</p> <p>Emily Timmins added that AW had put in place additional customer communication for high risk/high rainfall events, which was reflected in AW's Cmex score. They were expecting a knock because of unprecedented workload due to 10 named storms in a short timeframe. But other water companies had seen a more significant impact on performance.</p> <p><i>Storm Babette</i> – was serious for AW region; alarm volumes were high but Emily was pleased with AW's performance. All of the good work AW had done had made the company resilient (e.g. sludge management, process control and asset availability etc).</p> <p><i>Storm Henk</i> and Christmas rainfall saw 19 areas of particular flooding concern, which AW was marking very closely. Emily issued a call for help in working with other organisations to tackle groundwater and surface water issues, which were very complex. There were a multitude of parties that needed to come to the table to give a total systems view and improve accountability. AW had agreed some measures with local residents/farmers and would continue to do that area by area but a whole system approach was needed.</p> <p>Emily mentioned a call to action around using the AW network to overpump groundwater from the company's system, but she pointed out that overpumping could lead to storm overflows/pollution. There'd been a 50% increase in tankers to transport groundwater into recycling centres, which was still very unsatisfactory. AW needed to make sure the system was fit for purpose, which was not just an AW issue. This needed some leadership from different places.</p> <p>In spite of all these challenges, Emily said AW had been doing a huge amount of work on its spills reduction programme. AW's performance was looking really good. Normalised against rainfall, AW was holding flat, which she said was a remarkable achievement and a reflection of investments made.</p>	

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<p>John agreed that a multistakeholder approach was needed. He asked for reassurance from the company that they hadn't increased the incidence of internal sewer flooding through the decision not to overpump?</p> <p>Emily confirmed that wasn't the case. Internal flooding was always AW's highest priority and that hadn't changed. The issue of tankering and overpumping masked the issue of the more difficult thing – the complex issue of dealing with the whole system, as discussed above.</p> <p>Jo asked if AW would be able to generate a list of all the places where flooding was happening or likely to happen across the region.</p> <p>Emily replied that not every area had the same root cause of the problem. AW had a list of hotspots and was doing a deep dive into these areas. They had a template through the Norfolk Flood Alliance to agree with other stakeholders and hold themselves to account at a strategic level.</p> <p>Now AW needs to get down into the tactical issues, looking at how they can work with farmers and other abstraction owners. She proposed coming together with EA to see if there was anything more that could be done collectively to work on "drought in reverse".</p> <p>Questions/challenges</p> <p>Jo said the problem needed system leadership as well as thought leadership. All of public agencies would have people actively working on this so she encouraged AW to knock on their doors.</p> <p>Emily said AW had a meeting planned with lead flood authorities. It was about understanding the best mechanisms and people stepping forward rather than stepping away.</p> <p>Victoria Williams (EA) said that AW colleagues had reached out to EA on this issue. She recognised the challenges but wanted to reiterate that the lead for groundwater flooding was the local flood authority. Everyone had a role to play in groundwater flooding. It was not a new phenomenon but we need to be learning more lessons. It would be good to hear that AW is reaching out across the industry making sure that they are looking at this issue in the round.</p> <p>Emily confirmed that AW was talking to other water companies, which generally seemed to be a bit behind AW's thinking and approaches.</p> <p>Victoria emphasised how groundwater infiltration reduction plans can play a role in mitigating impact.</p> <p>Emily responded that AW's team had been focusing on pollution performance and the company was not in the place where they needed to be. However, she revealed that AW's owners had just agreed to put in extra funding of £50m to support acceleration of plans in this area (money coming out of investment funds rather than customer bills). Funding would go towards doing more, faster (infiltration reduction plans, hydraulic overloading, supercharging on tackling wet wipes and blockages).</p>	<p></p> <p>Challenge</p> <p></p> <p>Challenge</p>

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	<p>Craig asked whether that meant more people or more equipment or both? Would it make a difference to the glide path on PIRP?</p> <p>Emily responded that it was more about leveraging partnerships with existing stakeholders to deliver more on the frontline. There would be more boots on the ground planned but it was fundamentally about fixing things. She added the priority was going hard, going fast, going now and this would see a risk reduction from Year 1 of AMP8.</p> <p>Craig added that the challenge was that the region was facing ever more extreme weather events in the years ahead, from extreme rainfall to drought. It was important not to have groundwater that leads to flooding people’s properties and yet you need to recharge groundwater to avoid drought, which is a hard balance to strike.</p>	<p>Challenge</p>
<p>3.</p>	<p><u>Service Commitment Plan update (slides 3-5)</u></p> <p>Andrew Snelson reminded ICG members that the Service Commitment Plan was published on 30 November, as a requirement from Ofwat. Alongside six other water companies, AW was required to produce plan to restore performance in areas where the company hadn’t met their targets. Andrew had circulated slides in advance showing 75 proposed actions against nine performance commitments to restore performance in different areas (from C-Mex to leakage and pollution incidents). Today he would be giving an update on the quarter’s performance against targets, which would be given to Ofwat imminently. AW had feedback from Ofwat, who asked for start and end date for actions, which the company accepted as a good recommendation.</p> <p>Ofwat also asked for prediction of performance improvement for each action, which AW had tried to do but it was difficult to be precise. Instead, they put high impact, low impact, medium impact beside each action to measure their relative significance.</p> <p>Andrew felt that AW’s plans stood up well to other company plans published at the same time and was pretty comprehensive. He would be interested to hear objective responses to other company plans.</p> <p>At time of submitting ICG slides, he wrote that AW had made no changes to the year-end forecasts but the changes discussed earlier in the meeting would affect forecasts for pollution incidents and internal flooding as a consequence of storms. Clock has now stopped on gathering 2023 figures but final numbers are still being finalised with agencies.</p> <p>One other area where forecast would change was drinking water quality. The actual number was decided by Drinking Water Inspectorate (DWI) but AW’s assessment was that performance would be marginally better than predicted.</p> <p>All other forecasts were in line with what was reported previously. A couple of measures not on track:</p>	

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	<ul style="list-style-type: none"> - Review of sludge blanket detectors (didn't quite meet target AW set themselves) - Story board development – service level agreement on sharing pollution incidents with agencies. Not quite at level expected. Still some work to do. <p>Questions</p> <p>Jo suggested that AW should give figures of what they're actually doing for transparency, and this would also make it easier for ICG to hold AW to account. Action: AW to provide performance figures.</p> <p>Emily said AW was working with regulator on providing more information for a specific story board. She said she was not unduly concerned with progress on this. Target was 90% and performance was 94%.</p> <p>Jo asked to see what a story board looks like and asked to see an example. Action: Emily agreed to share an example.</p> <p>Gill asked whether the pollution forecast submitted now was worse than one put in November? Did this information include serious pollution incidents?</p> <p>Andrew said there were 30 more incidents than seen in November. Not all of those may go onto final list. Figures for serious pollutions were included but there were no further serious pollution incidents in last months of 2023.</p> <p>Craig asked whether AW would be able to go back and amend the published plan with start and end dates to share with customers and stakeholders?</p> <p>Andrew said it would be relatively straightforward to add that information and republish the plan. Action: Service Commitment Plan to be updated.</p>	<p>Challenge Action AW</p> <p>Action ET/AW</p> <p>Question/ Challenge</p> <p>Question/ Challenge</p> <p>Action AS/AW</p>
4.	<p><u>Overview of spills map (slides 6 – 11)</u></p> <p>Gail Pickles introduced herself as AW's new Head of Spill Strategy and gave an overview of her background as a passionate environmentalist and self-confessed rivers geek. She had spent most of her career at Trent Water and was most recently employed at the Trent Rivers Trust. She joined AW in November because she wanted to do something on a bigger scale and leave a lasting legacy.</p> <p>She started by explaining that no escape is acceptable. Sewage was high on political and media agenda.</p> <p>AW stepped into this space in 2022 through Get River Positive pledges made jointly with Severn Trent Water. The first commitment was a gateway pledge to reduce spills to an average of 20 across all overflows by 2025, leading to a 20% reduction in average spills across the AMP. This was her main focus in her new role.</p>	

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<p>The journey had been positive to date but there was more to do. Spills had consistently fallen below the baseline year compared with rainfall and number of wet days.</p> <ul style="list-style-type: none"> • The data showed a clear divergence between the total rainfall and number of wet days against the number and duration of spills. • Rainfall was having less of an impact and, if there was a consistent level of annual rainfall, spill numbers would be considerably lower today than they were. • There was 8% less rainfall and 6% fewer wet days in 2022 compared to 2018, but AW saw 75% lower duration in spill hrs/ SO and 58% fewer spills/ SO. <p>Gail demonstrated the customer spills map, explaining that the data wasn't new but the way it was presented to be more customer facing was new and it was also giving the company new insights. The team had been taking on customer feedback to develop something that worked for customers and for the company, but it was still a work in progress.</p> <p>The map is updated every 60 minutes from Event Duration Monitors. It shows whether an asset has been in operation or not, as well as site code and location and most recent activation.</p> <p>John asked whether customers could report spills via the map?</p> <p>Pete confirmed that the link would take customers to a landing page that would also lead to a reporting link.</p> <p>Gail explained that the map would have 100% monitor coverage.</p> <p>Emily explained that it would show all assets, including those that are offline, which would show "under maintenance". That's around 6-7%. AW had brought a few data sets to double validate information and make sure it was clear, which helped with real-time reporting of information.</p> <p>Craig found the map was helpful but wanted to give feedback on wording: He said he thought that the phrase "We have confirmed no monitors are active in this area" would be understood by many lay people (including most customers) to mean the monitors are faulty, when it is supposed to mean that they have not been triggered by a pollution incident. Craig suggested that AW might want to re-word that so it was not misunderstood by customers.</p> <p>Pete added that this had gone through a lot of customer feedback but could do different iterations. This could be tweaked.</p> <p>Action: AW to tweak wording.</p> <p>John said there was a lot of technical language in the text boxes. He would welcome the chance to review the technical language. He also asked for an update on coordinating with other companies on release dates/coordinating with rest of industry?</p>	<p></p> <p></p> <p></p> <p></p> <p></p> <p></p> <p>Challenge</p> <p></p> <p>Action AW</p> <p></p> <p>Challenge</p>

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<p>Emily said AW had shared maps between companies to try and get a standardised approach. AW would keep refining but were eager to get this out and were frustrated that other companies weren't in the same place.</p> <p>Victoria said it would create a lot of extra work, in terms of interest from the public and local groups etc. It would create work for the EA as well but it was important to be transparent and have this information. She said EA would appreciate FAQs around this and a heads up when AW plans to go live so can prepare for fall out on additional queries.</p> <p>Action: AW to share FAQs.</p> <p>Gail ended her presentation by talking about AW's spill strategy. Big investments were being made into spills and AW was putting lots of smart technology into the network. AW were looking at what more could be done and putting together a spill reduction plan and taking on board zero spills mindset.</p> <p>Questions</p> <p>Nathan asked if phase 2 could include a push notification for local rivers so it tells you when there's a spill?</p> <p>Pete said this wasn't possible today but there was still some customer testing to do. AW would have that capability soon but will look at how we do that.</p> <p>Paul mentioned that the zero spills strategy raised a few alarm bells because it looked very expensive; was that an AW endpoint for AW?</p> <p>Emily responded that the overall objective had to be do no harm and the societal ask around safety. 1% of overflows were causing a detrimental impact. But AW understood there was a wider community use and health factor and were acutely aware of the value of water in the natural environment. Emily also confirmed that there had been discussion with other agencies who wanted to use the information from the map on their own platforms.</p> <p>John said that customer communication was really important (e.g. language around spills, discharge etc).</p> <p>Craig concluded that the interactive map would be very useful and thanked Emily and Gail.</p>	<p>Challenge</p> <p>Action AW</p> <p>Challenge</p>
<p>5. <u>CCW feedback on AW Business Plan</u></p> <p>Steve Hobbs (policy lead in regulation at CCW) gave an overview of CCW's feedback on Anglian Water's Business Plan.</p> <p>Since BPs were published in October 2023, CCW had been looking at comparisons across companies. CCW's role was to make sure companies were engaging well with customers, including service improvements, affordability support,</p>	

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<p>performance commitments etc. This would feed into Ofwat’s processes on DD’s later this year.</p> <p>Steve had a shared a slide deck ahead of his presentation, which showed average household bills across companies – based on indicative charges and how AW bill compared.</p> <p>A&A testing based on CCW/Ofwat guidance was new for the AMP. Average for acceptability across companies was 68% (AW came in at 69%). In comparison, acceptability at the last price review was 79% but the context had changed dramatically.</p> <p>Affordability was very low – the average across companies was 16% with AW coming in at 19%. This underlined affordability challenges across the board.</p> <p>His next slide showed the reason for bill impacts, showing the increase in expenditure across companies – there was a 64% increase in net TOTEX proposed for AW over the next AMP.</p> <p>There was also a large increase on environment programme spend across the board (132% increase for AW).</p> <p>Customer and stakeholder engagement was positive:</p> <ul style="list-style-type: none"> ➤ Wide range of engagement methods used. ➤ Transparent with CCW and the ICG and responded well to challenges. ➤ Triangulation of varied sources of evidence clear with appropriate weightings. ➤ Could be better in publishing the research reports. ➤ Some information provided late to the ICG or with short turnaround time, but this was a common issue across most ICGs. <p>Performance commitments – focused on more customer-facing PCs</p> <ul style="list-style-type: none"> ➤ AW had stretching targets for water supply interruptions, internal sewer flooding, bathing water quality, and total & serious pollution incidents (positive and reflected customer priorities) ➤ But by 2030, in spite of stretch, AW would be in lower quartile for water supply interruptions, drinking water quality contacts, leakage and business demand compared to others despite some stretching targets. ➤ AW was aiming for upper quartile performance for internal sewer flooding, sewer collapses and, serious pollution incidents. Just outside upper quartile for per capita consumption, bathing water quality and mains repairs. <p>Darren: in context of leakage, AW’s proposal was an 8% reduction, which wasn’t the largest percentile reduction in leakage. AW started at the front and would end at the front on leakage. With stretching targets, it was hard to maintain that frontier performance.</p>	

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<p>Steve went on to look at affordability in more detail:</p> <ul style="list-style-type: none"> ➤ Bigger proportion £78 average bill increase (before inflation) loaded into 2025-26 (concerned about £42 on the average bill in first year) – needed to be spread more evenly over the 5 years. ➤ Increase in cross subsidy from £12 to £24 means social tariff increase from 104k to 230k customers – CCW supported this. ➤ CCW also supported shareholder funded Medical Needs Discount. ➤ AW aiming to lift customers out of water poverty (5%+ of disposable household income) – this was a good ambition but there was uncertainty over whether this was achievable. ➤ CCW supported AW’s work to measure and identify number of customers at risk of water poverty <p>Statutory investment</p> <ul style="list-style-type: none"> ➤ WINEP: £1.8bn (Inc. £517m storm overflows) with some partnership and nature-based solutions – customers supported both the statutory programme and ‘A-WINEP’ programme (CCW praised AW’s nature-based approach and were pleased to see that in the programme). ➤ WRMP: £803m programme. Earlier version challenged as over-reliant on abstractions, but lack of convincing alternatives. Desalination option unpopular with customers. ➤ DWI programme: £210m, customers supported it. ➤ While the WINEP would address customer priorities relating to river/bathing water quality and pollution, customers also placed a high priority on securing water supplies for the future (3rd highest), and replacing pipes to reduce leakage and improve service reliability (5th). <p>Discretionary investment</p> <ul style="list-style-type: none"> ➤ There was support the 2025-30 investment for adapting to and mitigating the effect of climate change. ➤ Size of statutory programme has seen some discretionary investment to deliver other customer priorities deferred (this includes resilience of future water supplies, lead pipes) – more costs later? <p>Incentives, costs and financing</p> <ul style="list-style-type: none"> ➤ Questioning ‘special’ cost allowance claims on Industrial Emissions Directive, energy costs, boundary boxes, inland bathing waters (among others, 7 in total). 	

Item	Action
<p>➤ Asking for lower ODI rates for serious and total pollution incidents and PCC due to downside risk – lowers incentive to deliver?</p> <p>In summary, AW plan generally stacks up well, particularly around customer engagement. Environment programme reflects customer priorities but AW needs to focus on other priorities too.</p> <p>Questions</p> <p>Jo asked whether leakage was something the ICG should be concerned about?</p> <p>Steve responded that leakage would always be a high profile issue but it was also about reducing demand.</p> <p>Jo asked how easy it would be for AW to provide baseline figures on PCC and leakage?</p> <p>Darren responded that this was a figure that’s regularly monitored and reported on.</p> <p>Jo said asked to see figures and how they lined up with expenditure to reduce leaks/investment programmes. Action: AW to provide figures on this.</p> <p>Craig said that further reduction on leakage was going to cost more but how did that compare against cost of desalination?</p> <p>Darren replied that leakage wasn’t one of the most controllable aspects of a company’s performance. It was a balance for companies.</p> <p>Victoria said that AW’s metering programme was a lead indicator on demand and was a good news story for the company. Company should be applauded for this.</p> <p>Paul said it was about finding the right point to spend on leakage and not to go any further. He thought that’s where customers had got it wrong and it was not doing the industry/customers any favours with focus on leakage and not understanding the whole picture.</p> <p>Nathan said that politicians had taken arguments out of hand of economists on leakage. He asked about 3% reduction on AW ambition to be net zero by 2030.</p> <p>Steve said that the ambition towards net zero had fallen across the piece to accommodate huge environmental programmes. It’s an inevitable trade off to accommodate increased costs. CCW was supportive of smart meter roll out as this added a lot of positive tools on demand management.</p> <p>Darren said he would share an Ofwat report on this issue. Action: Darren to share Ofwat report.</p>	<p>Challenge Action AW</p> <p>Action DR/AW</p>

Item	Action
<p>Nathan mentioned that Waterwise had a session on smart meters and tariffs at their 12 March Waterwise conference</p> <p>Craig thanked Steve for the presentation and found it reassuring that findings weren't dissimilar from the ICG assessment of AW's BP.</p> <p>Darren asked to what extent would CCW's analysis feed into Ofwat's process? Was there anything formal/informal as part of the process.</p> <p>Steve said this would feed into Ofwat process as part of their evidence/bag of views and would sit alongside ICG reports.</p>	
<p>6. <u>General discussion</u></p> <p>Next steps:</p> <p>Darren reported that AW would formally write to Ofwat on Friday with updates raised at start of this meeting. From start of April, Ofwat would likely be more focused on governance and publication production. He expected the query process to draw to a close in next four weeks.</p> <p>Craig asked whether there had been any further thinking from AW on the future evolution of ICG.</p> <p>Darren responded that he was fully supportive of committing to ICG's role for AMP8, with the caveat that there was due to be a change of senior leadership at AW in 2024. He wanted to take the chance to consolidate and make sure the ICG reflected a diversity of views and that it wasn't just focused on price review. There was also a potential role around ICG/Customer Board to bring AW's purpose/ISO/articles of association under the remit. He was looking forward to seeing Ashleye Gunn's report (discussed earlier in the meeting) before deciding on next steps.</p> <p>Craig was looking forward to further positive engagement after the report had come out. Further conversations would be had in March and into April.</p>	
<p>7. <u>ICG only session</u></p> <p>Craig reported that he was pleased with his conversation with Darren about the future role of the ICG but further conversations would be needed after 26 February, also in light of the changing AW leadership (both Chief Exec and Chair). He was also keen to refresh membership of the group to fill any obvious gaps in expertise.</p> <p>One of the ICG members pointed out that Ofgem had published their customer engagement framework in December, calling for the continuation of challenge groups at company level but abandoning the central oversight group. Was this something Ashleye Gunn had looked at?</p>	

Item	Action
<p>There was also discussion about the potential for the ICG to become more established in the company’s governance structure, particularly related to their corporate social responsibility agenda and ongoing relationship with the Board, particularly with a new Chair due to be appointed.</p> <p>Other discussions:</p> <ul style="list-style-type: none"> - Comparison of desalination/leakage would be interesting (company needed to have a range of options) - Role of AW picking up 100% of Fen Reservoir was discussed and additional £4-5 on customer bills was significant and would need to be looked at in more detail (including whether it was treated as OPEX etc). This was suggested as a formal challenge for members to formulate for the next meeting. Action ICG members. - Pollution performance was still not satisfactory and it wasn’t clear where performance was going to improve. <p>CCW survey on Affordability and Acceptability testing guidance:</p> <p>Gill and Paul would look at the survey and suggest responses for Craig to approve and Vicky to submit.</p> <p>Action: Gill and Paul</p> <p>Challenge log Action: Vicky to circulate challenge log link for ICG members to close outstanding challenges.</p> <p>Victoria would circulate further information about relating to AW’s pollution incident performance and share this with ICG ahead of next meeting. The £50m extra funding from owners would be an area of interest/area of challenge.</p> <p>Craig would circulate ICG overview report after 26 February Action: Craig to circulate.</p>	<p>Action ICG</p> <p>Action GH and PM</p> <p>Action VA/ICG</p> <p>Action VW</p> <p>Action CB</p>