

**Minutes of the CCG
held on
13 June 2018 at 10:00 am
at
Affinity Water Limited, Tamblin Way, Hatfield, AL10 9EZ**

CCG Member Attendees			Affinity Water Attendees		
Teresa Perchard	(TP)	Chair	Siân Woods	(SW)	Assistant Company Secretary
Jon Sellars	(JS)	Environment Agency	Chris Offer	(CO)	Director of Regulation from
Keith Cane*	(KC)	Town and Country Housing Group	Rob Hutchison	(RH)	Head of Corporate Affairs
Caroline Warner	(CW)	Consumer Council for Water	Anne Scutt-Webber	(ASW)	CCG Manager
Dr James Jenkins	(JJ)	Hertfordshire University	Lauren Schogger	(LR)	Programme Director (Change)
Jonathan Sellars	(JS)	Environment Agency	Tim Charlesworth	(TC)	Head of Economic Regulation
David Cheek	(DC)	Friends of Mimram	Ed Mallam	(EM)	Contractor
Karen Gibbs	(KG)	Consumer Council for Water	Mike Pocock	(MP)	Director of Asset Strategy
Apologies					
Tina Barnard		Watford Community Housing Trust			
Gill Taylor		Groundwork East			*by conference call
Chris Bolt		AWL Non-Executive Director			
John Rumble		Hertfordshire County Council			

The main business of the CCG commenced at 10:00am. There was a closed session of the CCG members following the meeting and these notes are contained at the end of the Minutes.

Agenda Item	Minutes	Action points	Owner
1.	Housekeeping and Governance		
1.1	The Chair welcomed everyone to the meeting		
1.2	Apologies had been received from Tina Barnard		
1.3	Conflicts of Interest: There were no conflicts of interest declared by members. It was noted that the company would be asking members to update their statements of conflicts of interest. These will be sent by email.		SW
1.4	Minutes of 18 March 2018 were AGREED and were duly signed by the Chair.	Publish agreed Minutes	SW
1.5	Notes from 17 May 2018 briefing session were noted as a fair record of the meeting		
1.6	Action points: the actions log was noted, with outstanding items on the agenda for discussion.		TP/ ASW
1.7	Matters Arising: there were no matters arising		

2. Chair and Members' Reports

2.1 **Chair's Report:** Members noted the contents of the Report

2.2 **Members' Reports:** Members provided the following verbal updates to the group:

CW: the June meeting with the Company reference vulnerable customers showed that substantial progress has been made and AWL now has well evidenced based propositions in place;

KG: noted the dWRMP statement from Ofwat responding to the plans came out this morning. The key message from the report is that the plans are not ambitious enough. RH agreed to circulate to members –

JS: On 22 June, the EA is launching the first of the consultations on River Basin Management Plans the *Working Together consultation*; the updated (3rd cycle) plans are due for publication 2021. The current [river basin management plans](#) were published in February 2016 and outlined the actions needed to protect and improve the water environment. Work to implement the plans has, to date, enhanced over 3200 km of the water environment in England.

The consultation is for eight River Basin Districts: Anglian, Humber, North West, Northumbrian, Severn Trent, South East, South West, and Thames. This is the first phase of public consultation to review and update the current plans. The consultation will seek views on:

- *how to get involved in the review and update of the plans*
- *the proposed timetable and content of the programme of work to review and update the plans*
- *how other plans and strategies affect, or are affected by, the river basin management plans; and*
- *whether all relevant stakeholders have been identified*

3. Company Report

(Presented by Rob Hutchison, Head of Corporate Affairs)

3.1 The Report was noted by the Committee. RH highlighted the following points:

IT Outages: RH highlighted that the performance had improved as shown in the report

Year End Review: the format of the annual customer facing report design was being changed to a power point presentation, with the intention of making it more appealing and user friendly. The first draft had been presented to the Audit Committee. Once revised, it would be redistributed to the CCG for any comments from members with the intention that the final document would be published in July.

CHALLENGE: AWL was asked to provide evidence to evaluate the success of the revised proposed format for this report in comparison to last year, for example whether more customers access the document and whether it is more used and useful to customers than previous reports.

JJ Suggested it would be good to include where the rivers are as the current map does not highlight our communities and it would help customers to identify their own area. RH confirmed that he would pass this on as a useful addition to the report.

Insert a map showing the rivers in each community

RH

4. PR19

(Presented by Chris Offer with Mike Pocock, Lauren Schogger, Ed Mallam, Tim Charlesworth)

The company tabled a presentation pack of 57 slides covering aspects of its PR19 Business Plan proposals. CO explained the Business Plan was still in draft form and will be looked at by the AWL Board next week and the Board discussions and any subsequent proposals and decisions may impact the draft tabled at today's meeting.

TP highlighted that the CCG is looking to see:

- *evidence that customers are driving the Plan and the commitments are supported by them;*
- *evidence that customers are happy they can afford the proposals;*
- *evidence AWL has engaged in the right way with customers and stakeholders; and*
- *stretching performance commitments, as per Ofwat's recommendations.*

The company presented different aspects of the pack of slides.

4.1 Update on draft WRMP:

(Mike Pocock presented on dWRMP)

Customers and stakeholders had articulated a preference for the 'alternative plan' which included a higher leakage reduction and target and improved resilience.

The personal consumption demand savings proposed would be a challenge, as consumption in some AWL communities was the second highest in the industry. The forecast was that by end of **AMP 7**, AWL would be in the "middle of the pack".

Members of the CCG highlighted the dependency on customers reducing their consumption through behaviour change programmes was high risk. DC had sent an e-mail to the Company voicing his

concern on the risks of achieving the proposed reduction in PCC, as it was heavily based on customers changing their behaviours.

The company responded that the metering programme, which would continue throughout AMP7, should result in a high percentage of the proposed reduction. Evidence had already been shown in AMP6 that this was achievable and this is supported by the Artesia Report (previously circulated to members).

A response to DC's email would be circulated to all members.

MP explained that AWL had carried out sensitivity analysis which included head room to understand the uncertainty in the forecasts and demand reductions, covered in the paper shared at the end of the session which explained the top 5 risks. This was produced in response to an action from the meeting held on the 17 May to review risk and long-term resilience. MP agreed to provide the number of metered households for each community to the end 2025 so that the CCG could see the interplay between the metering programme and the proposed per capita consumption performance commitment in the WRMP and BP.

**Provide
umbers of
metered
households
per
community** **MP**

MP highlighted that the company had decided to include a fast data approach in AMP7 which would enable customers to have visibility of their consumption patterns nearer to real time, and enable them to react to and change their consumption. AWL had already invested on intelligent network and fast logging, and this was available in around 70% of DMAs.

4.2 Top Line Summary of draft WRMP/Business Plan Engagement:

The CCG noted top line results from the quantitative surveys undertaken on the dWRMP and Business Plan. It was noted that a full report would be circulated after the meeting. A number of members had attended stakeholder events and observed customer focus group sessions. TP noted that although there had been low level of attendance at the stakeholder events, the participants had provided good quality feedback.

The CCG noted that in the feedback from the acceptability testing that customers did not appear to really understand what they were looking at or being asked particularly in relation to drought and sustainability reductions.

MP explained that drought is complicated because the regulations are complex and AWL has to use its professional judgement and ensure it meets its licence conditions. Engaging on long term issues has always been challenging and it has been important to engage both through online and deliberative forums.

CO responded that AWL was content with the level of customer engagement and response, however, also confirmed the company may need to conduct some further consultation if the draft changes

materially following discussion with stakeholders, regulators and government.

TP reiterated the request from the CCG to see the complete business plan narrative showing what the company had drawn from the customer engagement, the CCG had seen a number of individual reports of different elements but what was the whole story?

Narrative to support this to be shared with the CCG

4.3 ODIs and PC levels

(Tim Charlesworth presented a briefing note on Performance Commitments and ODIs)

PCs: the Committee discussed the performance commitment framework and the proposal in the draft plan slides, which included PC targets. The CCG queried the question marks against some measures. The company advised these were to be discussed at the Board and the CCG will be updated after Board decisions had been taken

Provide updated slide pack following Board meeting

The CCG challenged the level of ambition included in the PC targets. It was noted that in some cases there was no change from AMP6.

CO explained PCs driven by the dWRMP where all stretching by committing the company to ever lower levels of leakage, PCC and abstraction reduction. He explained that in many instances there was no change in PC as standards were being maintained either in line with regulatory expectations (such as drinking water quality) or because customers had not expressed a strong view to see improvement against PCs like mains bursts or unplanned outage.

CO explained that supply Interruptions was an area where the company would be significantly stretched to achieve the proposed PC level, particularly in light of recent performance. TP asked if the move to average minutes above 3 hours would be a tougher measure than the existing greater than 12-hour measure. CO explained that the current 12-hour measure could potentially mask poor performance under the new revised measure and that by moving to common measure the company would need to substantially improve on its past performance.

The CCG raised the following formal challenge:

CHALLENGE: Company to demonstrate clearly the level of stretch that each performance commitment level represents

ODIs: The CCG noted the content of a paper circulated discussing possible methods the company could use to establish the level of its proposed ODI payments. The company was challenged on whether, when and how it would engage with customers on the proposed ODI's and whether it was methodologically appropriate to do that after the acceptability (of bill) testing had been undertaken.

CHALLENGE: Output/delivery incentives are being proposed however, the CCG must assess how well AWL has engaged with the customers and if they support the ODIs and if they are prepared to pay for them. When will this engagement be carried out?

CHALLENGE: AWL needs to explain how it is methodologically robust to omit any reference to ODIs in the bill acceptability testing and undertake customer engagement on the impact of the ODIs on bills without also testing the proposed service and performance commitment package with customers.

CO responded that the team is currently preparing research with IPSOS MORI on ODIs and considered that AWL was not alone in following this process of engagement. CO also explained that the draft business plan consultation carried out in Spring 2018 effectively assumed a net neutral position on ODIs with no outperformance or underperformance payments. CO considered that the constraints of the survey tool developed for the draft business plan consultation made it difficult to consult on ODIs at the same time as the business plan packages.

CO explained that there were two key components to the next consultation work with respect to ODIs:

- *Firstly, the consultation would seek to understand from customers if they supported the principle and concept of outperformance and underperformance payments (noting that at PR14 customers almost universally objected to the principle of outperformance payments).*
- *The second component was to test potential range of incentives that might lead to an impact on a customer bill. CO explained that this work was ongoing but would be likely to fall within a range of approximately +£0.50 to -£4.00 per annum depending on the final calculations of incentives using both bottom up valuation and top down calibration in conjunction with projected levels of future performance.*

JJ suggested that having narrative that is aspirational would be effective with the customers, for example 'if we are rewarded we will reinvest the money in xx within our communities'. CO accepted this was helpful suggestion and something the company would consider.

4.4 Remaining Timetable for Engagement:

CCG members asked the Company to present the **whole of its business plan** proposition at the July meeting, without that, it would be quite difficult for the CCG to prepare its report within the timetable set by Ofwat.

ACTION AWL to provide the CCG with the timetable for finalisation of the business plan, providing dates when reports will be shared and providing adequate time for members of the CCG to feedback comments.

**Circulate
timetable
for the ODI
work and
ASW**

5. Governance and Development

5.1 Challenge Log

The updated version was circulated and includes the Company responses to the challenges:

- *the Committee **AGREED** additional challenges (23 - 34), updated since December 2017;*
- *challenge 5 could be closed;*
- *challenge16 could be closed but may re-open a new one going forward following Annual Report discussion;*
- *challenge 20b to be closed; and*
- *challenge 23 to be closed*

ACTION once updated, frequent updates via share point and/email and ensure it is version controlled

Provide a version to the CCG that is updated by end of June

TP

6. AOB

There was no other business. AWL attendees left and the members remained for their members' only session.

MEMBERS' SESSION

Members reflected on the material that had been presented and that it was apparent that it had not been possible for the Group to be considering a first draft of their report to Ofwat at this meeting, as the company had not completed its customer engagement activities and decision making or presented material in a way that enable the CCG to conclude its work as yet. The Chair hoped that a first draft of the CCG report might be presented at the 18 July meeting, although that too was contingent on the company completing its work, and making key decisions and presenting material in a way the CCG could both challenge and see the whole story.

CCG members discussed their assessment, by reference to their assessment framework, and whether there had been any progress since in relation to the matters on the assessment framework that had been rated as red in March, and reported as such to the AWL board meeting in March. It was agreed that the Chair would provide the

following feedback to the company which would be reflected in her briefing to the AWL board in June:

10: the CCG had seen as a result of its challenge, the use of comparative performance information in the BP customer engagement materials and that factor had probably moved item 10 into Amber.

13/14: the CCG could not consider the PCs without knowing what they all are and having the ODIs presented alongside them. The CCG had asked the company to present proof of the stretch in the performance commitments. Items 13 (and 14) remained red.

8/18: Significant concerns had been raised by the EA and Ofwat about how material relating to water resources had been presented to customers. The insight from focus group discussions would tend to suggest that customers did not readily understand some of the aspects of the bill packages they were being presented with, and the approach has been to test acceptability rather than establish tolerance. It was difficult to regard number 8 (future/long term/tradeoffs/risks) and number 18 (resilience) as heading away from red.

3: the CCG had seen evidence and insight from customers **informing** the development of the business plan. However, it was difficult to say this has 'genuinely driven' the development of the plan. The CCG noted that Ofwat was asking AWLs board to assure only that customer insight has *informed* the plan, whilst Ofwat's brief for the CCG has the additional expectation to give an opinion on genuinely driven. The company would be invited to provide proof points on the issue of whether and how they think evidence and insight from customers has genuinely driven the plan.

The Chair would write to the company summarizing the CCG's thoughts and underlining the importance of the company presenting a complete picture of its proposed business plan and the relevant evidence relating to the issues the CCG has to assess.

The meeting ended.

I confirm that the Minutes of 13 June 2018 are a true and accurate record of the business discussed and agreed.

Signature.....



Date

18 July 2018

Chair