



ANGLIAN WATER INDEPENDENT CHALLENGE GROUP

MINUTES

Date: 8 December 2023
Time: 10.00-13.00
Location: Virtual

Present:

- Craig Bennett – Chair (M)
- Gill Holmes – CCW (M)
- Peter Holt – Chief Executive, Uttlesford District Council (M)
- Joanne Lancaster – MD, Independent (M)
- Paul Metcalfe – MD, PJM Economics (M)
- Nathan Richardson – Waterwise/Blueprint for Water (M)
- Victoria Williams – EA (M)

- Darren Rice – Regulation Director, Anglian Water
- Chris Gerrard – Catchment and Biodiversity Manager, Anglian Water (joined at 11.10am)
- Pete Holland – Director of Customer and Wholesale Services, Anglian Water
- Abi Morgan – Regulation Programme Advisor, Anglian Water

- Vicky Anning – Secretariat (O)

Apologies:

- Peter Simpson – Chief Executive, Anglian Water
- Claire Higgins – Cross Keys Homes (M)
- Justin Tilley – Natural England (M)
- Richard Tunnicliffe – CBI (M)
- John Vinson – CCW (M)

Summary of actions

Action	Status
ICG members to work on challenge log	Available here
ICG members to submit questions for January ICG meeting agenda	Open
VW to provide one-pager on AW pollution incident performance	Open
Craig to update ICG members on next COG meeting and circulate papers	Open
Open/pending	
Craig to meet with Darren Rice to discuss ICG TOR update and ICG's role in monitoring AW's performance progress	Meeting planned for December
John Vinson to share update from CCW on behaviour change at future meeting	Open
Vicky Anning to share updated challenge log for ICG members to work on	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 final ICG meeting of 2023.</p> <p>Minutes for the 10 November ICG meeting were approved, with minor amendments.</p> <p>Central Oversight Group (COG) updates</p> <p>Craig reported that the November COG meeting had been postponed. He reported that a second review of ICGs was taking place on behalf of CCW. Ashlye Gunn had interviewed ICG chairs and company representatives, including Darren Rice as well as well as Craig (with Vicky Anning in attendance). The report was due out in February and would be useful chance to compare and contrast different ICG performances.</p>	
<p>2. <u>Review of Your Water Your Say Session</u></p> <p>Darren Rice gave an overview of Anglian Water's second Your Water Your Say session, as mandated by Ofwat. It was held remotely on 28 November from 6-8pm and was independently chaired. The session offered an opportunity to show how customer evidence had been reflected in the Business Plan and a chance for customers to ask questions and challenge the company.</p> <p>At the start of the session, Peter Simpson gave a short presentation, followed by 1.45 minutes of Q&A structured around four long-term ambitions laid out in AW's Business Plan:</p> <ul style="list-style-type: none"> Resilient clean water supply 	

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<ul style="list-style-type: none"> • Wastewater services and storm overflows • Environmental challenge and carbon neutrality • Affordability and customer services <p>AW had a panel of colleagues to respond to questions (Pete Holland, Darren Rice, Emily Timmins, Susannah Clements and Dr Robin Price).</p> <p>There was a peak of around 90 attendees, including several members of the ICG and Customer Board, as well as representatives from Surfers Against Sewage, district councils and individual customers.</p> <p>There was some disruption at start of the session, which Darren felt was a shame for customers behaving in a polite and respectful manner. However, AW colleagues felt the Chair dealt with this reasonably well (the attendee was eventually ejected from the meeting).</p> <p>Darren reported that the session was a rich conversation although it was more generally about AW's performance rather than addressing the Business Plan. However, as an engagement tool, rather than as part of the business planning process, it was helpful to have an open conversation with customers. AW was keen to continue this conversation with customers in future.</p> <p>Discussion</p> <p>ICG members who attended found the session more challenging than the first session, with some good and wide-ranging questions. ICG members who weren't able to attend had read the transcript and felt it was a useful process. There was a request to get dates for similar sessions into diaries earlier in future, to make sure people could attend.</p> <p>Jo Lancaster asked when AW would have the difficult conversations with customers around understanding the value of water and treating it as a scarce commodity.</p> <p>Pete Holland agreed that it would be helpful to have more of an opportunity to be able to tell the story of how AW is changing the region.</p> <p>He acknowledged that most of conversations AW was currently having with customers were leakage related – but their new behaviour change team would be actively looking at meaningful conversations with customers around water consumption.</p> <p>Darren reported that Ofwat was going to hold its own <i>Your Water Your Say</i> session in June, after Draft Determinations (DD) had been published. He added that it was still unclear how much weight would be placed on the <i>Your Water Your Say</i> sessions in relation to business planning.</p>	

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<p>3. <u>Service Commitment Plan (slide 6-28)</u></p> <p>Brief business update</p> <p>Before moving onto the Service Commitment Plan update, Darren Rice gave a short AW business update:</p> <p>Peter Simpson had announced his intention to retire as AW’s Chief Executive in late 2024, with a view to the new person being in post to lead the company into Asset Management Period (AMP) 8. Darren confirmed that process was already underway.</p> <p>Darren added that Peter had joined AW as a graduate and had contributed a huge amount to the company over the years.</p> <p>Darren also gave a brief update on the Business Plan process. AW’s interaction with Ofwat as part of the query process was quite involved, with 110 queries received so far, some with a lot of granular detail.</p> <p>AW hoped to continue to keep an open dialogue with Ofwat until the DD was published in late May/early June 2024.</p> <p>Discussion</p> <p>Nathan Richardson mentioned that Ofwat had invited NGOs to a roundtable in early 2024 and had invited written views. Ofwat was particularly interested in nature-based solutions and how those were being implemented.</p> <p>Darren said that AW remained open to that dialogue.</p> <p>Craig reminded members that it was worth anticipating some changes as a result of the pending General Election. Labour had made it clear that they would want to look at how the sector is regulated.</p> <p>Service Commitment Plan</p> <p>Darren gave a brief overview of the 2022/23 Service Commitment Plan, which had been circulated to ICG members in advance of the meeting and covered Year 3 of the current AMP.</p> <p>Because AW had been assessed by Ofwat as a lagging company, AW was required to provide regular updates and quarterly reports on company performance.</p> <p>Darren acknowledged that AW wasn’t where they wanted to be for many of the 40 Performance Commitments. The company had incurred £22m in penalties, mainly driven by leakage, mains repairs and interruption to supply. The service commitment plan set out the actions AW was taking to improve performance.</p> <p>The Service Commitment Plan (SCP) would be discussed in more detail at the January ICG meeting.</p>	

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<p>Discussion/questions</p> <p>Paul Metcalfe said the SCP was really good; it was helpful to have a performance report that laid out targets. He asked whether AW would be keeping the ICG updated on specific targets and action so that they could stay appraised of how the company was performing. He also mentioned that some areas seemed better developed than others (e.g. pollution incidents was stronger than internal sewer flooding).</p> <p>Craig agreed that it would be helpful to see a recent and forecast performance as part of the report.</p> <p>Darren said that the information was there but it may not be presented as clearly as it could be. He was keen to lift the bonnet on some of the measures in a challenging context. He was fully supportive of giving the ICG more insight into some of the smart actions planned.</p> <p>Pete Holland reminded ICG members that the report was live on AW’s website and it had been shared with Ofwat. It was iterative so AW had the opportunity to tweak and improve it in future.</p> <p>Nathan also liked the report and the clear way it was laid out. He would like to build on it by looking at some of the other Performance Commitments too. He suggested it might be helpful for ICG to see a draft of the future quarterly reports. He recommended looking at other company reports for inspiration.</p> <p>Abi Morgan said the next quarterly report was due for 30 January and ICG meeting was due to be held at the end of January to discuss this.</p>	<p>Challenges /questions</p>
<p>4. <u>Deep dive on biodiversity (slides 6 – 29)</u></p> <p>Chris Gerrard, Anglian Water’s Catchment and Biodiversity Manager, gave a deep dive on biodiversity, with a focus on three areas: Biodiversity Performance Commitment, Biodiversity WINEP (Water industry national environment programme) and nature-based solutions.</p> <p>Biodiversity Performance Commitment</p> <p>Chris reported that this PC was new for the current AMP but AW had a long history of managing their own land and nature conservancy. 40% of AW land is Site of Specific Scientific Interest (SSSI) and 99% is in favourable condition. Other land includes priority habitat and local wildlife sites.</p> <p>AW set a biodiversity baseline to guide decision making and prioritised management by the biodiversity team. The company had also set a voluntary Biodiversity Net Gain commitment, alongside the statutory PC. Chris said AW was working with partners on nature recovery across the region.</p>	

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<p>The new biodiversity PC had been initiated by Ofwat and supported consistently by AW. Chris had chaired the industry Task and Finish Group that looked at metric options and worked with Ofwat to develop the PC definition.</p> <p>Chris explained how the PC would work in practice. It measures actual improvements on nominated land, using Department for Environment, Food and Rural Affairs (Defra) biodiversity metrics. There would be rewards for more units than planned and penalties for fewer units than planned.</p> <p>It required companies to select sites for improvement – these are then baselined and revisited every four years to capture improvement. New sites can be added at any time during the AMP.</p> <p>There are some key rules in place to make sure there's confidence that companies are doing the right thing (e.g. qualified surveyors, assurance of no decline elsewhere).</p> <p>AW was currently looking to set up an independent panel that will help to scrutinise this measure over the long term. They were looking to recruit members for this.</p> <p>Chris said AW was confident they had the resources and skills in house to meet these commitments.</p> <p>They had started with three sites spread around the region, chosen for their ecological value – and looking for 10% uplift across sites. This seemed to be similar in approach to other companies.</p> <p>He explained that there were a number of challenges. Because the PC is new, there's a lack of experience in the area and reporting is complicated. Performance was also uncertain when working with nature – and outperformance would be difficult. Companies also need to make sure that other AW sites don't decline as a result of this work.</p> <p>Discussion/questions</p> <p>Nathan said it was good to see this PC develop. If it proves to be very achievable, is there a second tier of sites AW could choose to go a bit further?</p> <p>Chris said that AW could add sites in at any time, with agreement from the independent panel. Because the company had a good understanding of their land, they had a list of potential sites. They would be looking out for opportunities throughout the AMP.</p> <p>Gill Holmes asked what customers would expect to see through a 10% uplift?</p> <p>Chris replied that customers would see an improved natural habitat, such as a more flower rich meadow, more pollinators, more ground-nesting birds. There could also be a habitat that's of greater benefit for the customer (e.g. through becoming an amenity or improving wellbeing).</p>	

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<p>Gill responded that it would be good to share that story more clearly with customers in future.</p> <p>Chris agreed and said that there had been a very positive response to the PC via the online community. When the company chooses sites, they need to think whether there's a need to engage customers and to get customers more actively involved. It opens up partnership and volunteering opportunities.</p> <p>Paul Metcalfe was interested in rewards/penalties. How does the company set the targets and how do you determine reward and penalties?</p> <p>Chris explained that experts had performed a baseline at the sites and they had shared their views on what the uplift might be over time. Ofwat had not set the incentive rates yet – this would be done next year.</p> <p>Victoria Williams said she saw biodiversity net gain as a basket outcome with multiple drivers. How would AW report back their performance to Ofwat and to customers?</p> <p>Chris said that there was always more work to be done to communicate about the broader environmental work AW was doing. Improvements through WINEP were the biggest investment for the next AMP, which is a pathfinder for the new PC.</p> <p>Jo Lancaster found the discussion fascinating and would be interested in joining the independent panel. She asked whether other potential challenges included the cost of nature-based solutions and what the company could afford to do?</p> <p>Chris acknowledged that cost was an issue. He didn't see biodiversity PC as particularly motivating for the board in terms of investment. But it aligned very well with the company's environmental purpose. Although AW only has three sites included in the new PC, they are already managing others. It was a question of how many sites could be included without financial incentives.</p> <p>Jo asked whether the PC could become a distraction by focusing on a small selection of sites at the expense of the rest of the land.</p> <p>Chris responded that AW had been ecologically minded in the choice of sites (rather than looking at the cheapest or easiest sites). His hope was that AW's land management costs would be more cost effective than previously. They were treading carefully and would add more sites in if they thought it was the right thing to do.</p> <p>Biodiversity WINEP</p> <p>Chris went on to talk about the Biodiversity WINEP, which was an investment of £4.5m over AMP9 to identify opportunities for nature recovery. In the main, these were habitat enhancements at sites across the region. Some sites were managed with the Wildlife Trust and some land was of poor quality and had been handed back by a previous tenant. These schemes had been put into the WINEP in consultation with regulators and based on AW's deep understanding of land.</p>	

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<p>There was also £900,000 invested in Biosecurity WINEP, which was looking to eradicate invasive species.</p> <p>Nature-based solutions</p> <p>Chris went on to talk about the nature-based solutions in a number of areas that formed a big part of AW's Business Plan. 25 treatment wetlands were funded through the Get River Positive campaign in the AMP8 plans. 'Green' solutions accounted for nearly half of preferred solutions to address storm overflows.</p> <p>These options were increasingly important to green investors who are interested in biodiversity, climate change and there are many potential partnership opportunities to deliver greater outcomes – active in supporting nature recovery networks. However, there were challenges in delivering nature-based solutions over traditional solutions (e.g. companies can't guarantee levels of nutrient removal with nature-base solutions).</p> <p>Victoria said that the Environment Agency (EA) would support nature-based solutions, but companies have to meet all statutory requirements/get the basics right. EA had been partnering with AW (e.g. at Ingoldisthorpe). EA's priority was to make sure they saw an improvement on environmental performance.</p> <p>Chris said he sympathised with EA's desire for companies to get the basics right but also wanted to make sure that this didn't disadvantage opportunities to benefit the environment. Active conversations were ongoing with EA and Defra.</p> <p>Chris went on to outline some of the challenges in rolling out nature-based solutions, including costs, regulatory requirements, permit certainty and planning time. AW was working with partners to overcome these challenges. He hoped that AMP9 would see a step change in this area and hoped to secure more funding for nature-based solutions through the Advanced WINEP.</p> <p>He finished with a question: if we could do things radically differently to accelerate nature recovery in a way that's acceptable to customers and regulators, what would that look like?</p> <p>Discussion/questions</p> <p>Jo asked how this thinking fits together with future plans for the region? Government thinking is evolving. If AW wants to get involved in this evolution, particularly when thinking about new housing developments etc, the company needs to be part of planning to support this agenda (but not necessarily fund it).</p> <p>Chris said that AW's work on nature-based solutions had a lot of rules about what customers and developers pay for. He hoped that environmental standards would remain high and AW wanted to be part of the conversation. Advanced WINEP gives the company an opportunity to really experiment and try out different ways of doing things. However, continued customer support was also important.</p> <p>Nathan asked why the 34 wetlands in PR19 had now gone down to 26?</p>	

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<p>Chris explained that 34 was a maximum number of wetlands and was an aspiration. The company had to then secure planning permissions and other practical considerations that ruled some sites out. He was hoping to be able to add some additional sites and would be able to reflect back at the end of the AMP that as many sites as possible had been built.</p> <p>Craig acknowledged that 99% of SSSI being in favourable conditions was significant and positive. He asked how recently those sites have been inspected by Natural England.</p> <p>Chris didn't have figures to hand but was confident that larger sites had a good number of wetland birds.</p> <p>Craig asked whether the sites would have longevity in the face of climate change. He was happy to share the work the Wildlife Trusts had been doing on this subject. He also asked how this fitted in with UN targets – and asked how the company would go about achieving biodiversity net gain that's genuinely additional. Was there a danger of double or triple counting – and of creating perverse incentives to keep sites in a poor condition.</p> <p>Chris acknowledged this was all a fast-moving area and AW was keen to work with the NGO sector, and to work as robustly and transparently in this area, looking at how to deliver better on for the environment in future AMPs. He was keen to continue the conversation with the ICG at future meetings.</p> <p>Chris left the call.</p>	
<p>5. <u>General discussion</u></p> <p>Future meeting dates Craig talked through potential dates for future ICG meetings:</p> <ul style="list-style-type: none"> • Thursday, 25 January – virtual (a.m.) – revised to 31 January (a.m.) <ul style="list-style-type: none"> ○ Topics to include: Service Commitment Plan – with focus on pollution performance update linked to Pollution Incident Reduction Plan • Friday, 19 April – virtual (a.m.) <p>Ofwat DD is expected late May/June TBC</p> <ul style="list-style-type: none"> • Friday, 14 June – full day in person at Lancaster House with possible site visit • Thursday, 5 September – virtual (a.m.) • Friday, 22 November – in person <p>Jo Lancaster felt that the rationale behind meeting dates seemed clear, working around Ofwat's timetable. The frequency of meetings seemed about right too.</p>	

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<p>However, she and Nathan weren't available on 25 January so an alternative date of 31 January (morning) was agreed.</p> <p>Paul Metcalfe suggested it might be helpful to meet again after 14 June, depending on when revised business plan might be resubmitted after the DD (Darren said that would typically be 6-8 weeks after publication).</p> <p>ICG Terms of Reference and forward look</p> <p>Craig reported that he and Darren would be meeting in December to talk about future agendas and direction of ICG.</p> <p>Craig wanted to look at refreshing the ICG Terms of Reference and to agree the approach for ICG in AMP8, assuming the company would like the ICG to continue in its current form.</p> <p>If so, he would like the ICG to be engaged with the company early and proactively during AMP8. He wanted to be flexible to respond to developments and potentially have one or two Task and Finish Groups to tackle specific issues. He looked forward to being able to discuss this in more detail with other ICG members and AW colleagues.</p> <p>Craig also reported that he was taking a sabbatical from end of January to early April 2024 to write a book but he would be available to work on ICG priorities.</p>	
<p>5. <u>ICG only session</u></p> <p>Craig was keen to hear from ICG members what had gone well over the last few years and what could have gone better:</p> <p>Members thought it was positive that the company (and subsequently Ofwat) had requested reports from challenge groups. There was a sense that the ICGs had generally worked well across the sector and had been more challenging than in PR19.</p> <p>Craig reiterated that he wanted to try and get ahead of the Business Planning agenda for the next AMP. If it was agreed that the ICG would continue, he would speak to the company about the possibility of holding an independent budget that would make it easier to arrange small honorariums for independent ICG members. He also wanted to look at the current ICG make up and recruit new members, as well as refreshing TORs.</p> <p>Members agreed that more expertise on affordability and vulnerability would be valuable and it would also be good to include someone from the non-household sector.</p> <p>A clearer induction process for ICG members was also recommended (with input both from the company and from Ofwat).</p>	

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<p>It was acknowledged that ICGs across the water industry only existed at the discretion of individual water companies in this AMP. However, it would be interesting to know the outcome of the ICG review carried out by Ashley Gunn and the subsequent views of Ofwat. Some members felt it would be helpful if Ofwat mandated ICGs in future, as in PR19.</p> <p>Members also felt that, going forward, it would be helpful to make the relationship between AW, the AW Board and the ICG clear, particularly in light of Peter Simpson’s retirement.</p> <p>Members agreed that themed ICG meetings worked really well, with deep dives into specific subjects. However, it was important for the ICG to be able to respond to things as they happened.</p> <p>It was also agreed that it was very helpful that ICG members were submitting questions in advance to help shape the agendas and the company presentations – and this should be carried forward.</p> <p>Members felt that that the Service Commitment Plan and company performance was critically important for the ICG to keep abreast of and wanted to maintain a clear line of sight to the company’s Performance Commitments for the rest of the AMP. Deliverability was also an area of interest.</p> <p>Members wanted to make sure they didn’t lose sight of the customer engagement taking place – it was felt that this was the biggest gap between PR19 and PR24.</p> <p>There was discussion around the role of statutory organisations, including the Environment Agency and Natural England. Whilst there was support from EA for membership of ICGs for all companies across the sector, there would be times when they were conflicted about what they could say, due to their regulatory role.</p> <p>Going forward, it would be good to have a clear, independent voice around environmental performance – and it would be important for the ICG to challenge the performance of the company when it came to delivering on the Business Plan. There was also discussion around whether the regulators could give ICG members more of an insight into company performance from their perspective.</p> <p>For example, it was agreed that EA could potentially give a one-page briefing around the Pollution Incident Reduction Plan ahead of the next meeting.</p> <p>Future agenda items put forward included:</p> <ul style="list-style-type: none"> - Non household customers - Behaviour change team - Nutrient neutrality/planning and housing development - Water tariffs <p>Actions for ICG members Vicky Anning asked whether ICG members could send questions ahead of time for the next agenda, which would focus on:</p> <ul style="list-style-type: none"> - Service Commitment Plan 	<p>Action: VW</p> <p>Actions: ICG members</p>

Item		Action
	<p data-bbox="331 235 778 266">- Pollution Incident Reduction Plan</p> <p data-bbox="284 306 1241 374">ICG members were also reminded to look at sections of the challenge log and to agree on items that could be closed.</p>	