
16 MARCH 2023

MEETING HELD VIRTUALLY VIA MICROSOFT TEAMS

MEETING MINUTES

PRESENT:

Chair and Independent Member: Melanie Laws

For CCW: Graham Dale and Janine Shackleton

For the Environment theme: Richard Powell (Vice Chair and Independent member) Melissa Lockwood (EA), Roger Martin (EA), James Copeland (Vice Chair and NFU)

For the Customer theme: Simon Roberson (Independent member) Lesley Crisp (Independent member), and Mary Coyle (Independent member)

For Customer Engagement Panel (CEP): Nikki Stopford (Chair), Karen Cooper (Consultant), and Barbara Leech (CCW)

Water Forum Independent Author: Sarah Young

Water Forum Independent Secretariat: Ros Shedden

Water Forum Independent Consultant: Martin Silcock

For the Company: Heidi Mottram (CEO), Andrew Beaver, Louise Hunter, Ross Smith, Elaine Erskine, Jennie Collingwood, Explain consultants - Kim Davis, Kirsty Laing, Rebecca Crinson

For the Company Board: Peter Vicary-Smith

Company Secretariat: Judith Huffee

1. Welcome, apologies and aims of the meeting

Melanie Laws (MJL) welcomed members to the meeting.

MJL welcomed Martin Silcock (MS) to his first Water Forum (WF) meeting. MS was an independent consultant appointed in January 2023 by the Forum to advise members on some areas of their PR24 work.

Apologies had been received from Iain Dunnett (New Anglia LEP), John Torlesse (Natural England) and Sarah Glendinning (CBI).

Members had no interests to declare.

MJL said the aim of the meeting was for members to finalise their WF Periodic Review 2024 (PR24) role, and to receive a high level deep-dives update. They would also have their first formal session with MS, and a pre-acceptability customer research update.

2. Minutes and actions from the last meeting

Members agreed the minutes of the 31 January 2023 represented a correct reflection of the meeting and there were no matters arising.

3. Water Forum PR24 outputs

Sarah Young (SY) said she had met with Louise Hunter (LH) and Andrew Beaver (AB) on 14 March 2023.

SY said AB had emphasised the value of the WF, he had said the Company was not compelled to have an ICG but had realised how important it was to have the WF's scrutiny.

AB had confirmed that the principal audience for the WF Report was the Company Board. This fundamentally set the timing for the Report. After reviewing the Silver Book (version 2 - **date**), the WF Report would be written and approved by members. It would then go to the Board for consideration and to be used as evidence by the Board in the shaping of the Gold Book (version 3 - **date**). SY had asked the Company to provide the timings for this process. **Action: SY and Company.**

The earlier timing meant that the Company would be utilising WF views in its Business Plan final development. For broader audiences, some material could be made available on the website describing the WF's role in the process.

MJL said this was logical, and in step with Ofwat's views and the 2023 Independent Challenge Group Report.

Members noted that they had been encouraged that the Company was planning to take the WF views into the process at that point in the process. This would be a unique opportunity to scrutinise and challenge.

Members noted that the WF would need to make some final statements at the end of the process, after they had seen the Gold Book. SY agreed and said this had been discussed and the Company. Also, the Company would, in its plan, reflect a response from the Board to the WF.

On customer engagement, members noted that there would be issues on the timing as a large proportion of customer engagement would be carried out in quarter three of 2023. There would have to be flexibility in the timing of the CEP Report, possibly it would be completed later in the process.

Members noted that the WF could formally feed into the process at the Bronze stage, produce a draft, then a final for Silver followed by comments at the end. SY said this had been discussed, the Company was not averse to this, but was cautious because the Bronze Book would probably not be developed sufficiently. SY said there was some thinking to do on timing.

MS said, because Ofwat had not required that companies to create or engage with ICGs, the evidence they would produce would need to stand up to heavy scrutiny. To support the impartial and independent role of the WF, its Reports would need to include evidence of robust challenge, and Company response. The material from deep-dives could be used to do this as these were already feeding into the Bronze Plan, were substantial and well-documented, and the Company had provided a significant amount of information. The WF was continuously influencing, listening, and challenging and this needed to be articulated in its Silver Plan Report.

4. **Deep-Dive Feedback**

Deep-dive leads gave feedback on their sessions.

Graham Dale (GD), MJL, Richard Powell (RP), Lesley Crisp (LC), LC, and RP respectively, gave feedback on six three hour deep-dive sessions, Water Resources (23 January 2023), Resilience (26 January 2023), Net Zero Carbon (31 January 2023), Affordability 23 January 2023), Affordability - Vulnerable Customers (15 February 2023), Environment (20 February 2023).

Members said the common theme was the relationship between producing the plan, reacting to society's current agendas and issues, and the long-term outcomes. Was the Company going to be able to deliver? There were Company and customer risks, and Government and the regulatory system, while acknowledging the scale of the challenges, ought also to be thinking about affordability alongside the significant investment requirements

5. Independent Advisor Update

MS had supplied WF members with two papers which were taken as read.

MS said his role was to give independent technical support to members with regards to three of the WF's assurance questions:

1. Were the proposed outcomes, performance commitments and ODIs stretching?
2. Was NW challenging itself that large investment proposals are robust and deliverable, and represent the best option for customers?
3. Was Northumbrian Water doing enough on innovation and efficiency?

He had been invited to, and attended, two Company early planning sessions on its Outcome Delivery Incentives (ODIs). He said this was a good sign of the openness of the Company. Importantly, the Company was listening. He presented his challenges from the sessions (slide 3).

For challenges and actions from papers, presentation slides and the discussion in this section, see the Action and Challenge Logs.

Members noted that they would be going into the detail on MS's material in their Cost and Service deep-dive on 28 March 2023.

6. Members' deliberation

Members had been supplied with the following Company background information papers for review:

- CEO update (Paper A).
- Regulatory update (Paper B).
- Customer engagement update (Paper C).

Members deliberated on the papers they had received and prepared for discussion with the Company.

7. General Company updates and questions

MJL welcomed the Company, including Heidi Mottram (HM), to the meeting. MJL said it was a good opportunity for members to hear updates on:

- water resources, how was the Company faring;
- PR24, what HM's ambitions were, and how the Company could best serve and help customers during what was a really difficult time;
- the media attention that the industry was currently receiving; and
- HM's reflections on the ICG review.

On water resources HM said, with regards to the Northumbrian operating area, the Company was doing well. However in the Essex & Suffolk area, it was not expecting to have any restrictions in the near-term. However, it was a system under stress, the South East was having continuous dry periods.

On PR24, HM said all companies had attended a Chairman/CEO meeting with Ofwat. HM said the Company had always tried to do the right thing on the long-term provision of high quality water, environmental responsibility, and customer services for an affordable price. There had been a good discussion on the long-term management of assets. On asset management costs being kept low resulting in a storing up of long-term problems, this was now undoubtedly coming to a head. Many southern companies were struggling more than Essex & Suffolk Water, but now even Abberton Reservoir would not solve all E&S's supply issues. Regarding wastewater, there were questions on the damage to the environment though issues such as nutrient neutrality. There was a bow-wave of investment coming. There were customers who wanted to invest in environmental protection and some who need to put food on the table. The Company was in a difficult position.

On the media situation. HM said the Company's environmental reputation was in a different league to what was being felt in other companies. However, the national move was to eradicate Storm Overflows, and this had changed the way all water companies were currently perceived. The Company was commissioning an external agency which could help it on this, however the public perception problem would not go away until the issue was fixed.

On the ICG Review, HM said that prior to the review the Company and Forum had made improvements to the way they work in the face of not knowing what Ofwat thought. It had been a matter of belief, irrespective of any reviews and had been the right thing to do, the WF added value in myriad ways. The ICG Report had endorsed what the Forum was doing and had given pointers to things that could be further improved. Importantly, it also gave legitimacy to ICGs.

HM said the Company was providing a public service and was held accountable, and the WF was helping to uphold this accountability.

8. Pre-acceptability overview

Members had been supplied with Paper C, which was taken as read.

Elaine Erskine (EE) said the Company's pre-acceptability research had been carried out in two phases (Phases A and B). Explain's Kim Davis (KD), Rebecca Crinson (RC) and Kirsty Laing (KL), who had conducted the research with the Company and on its behalf, presented the findings.

RC presented on the customer engagement pre-acceptability research (see slides for detail).

EE said the Company acknowledged that the numbers of participants had been small, but these were deliberative events - part of an iterative process helping it shape the later large quantitative exercise.

Nikki Stopford (NS) noted that the CEP did have concerns on how Phase A had been carried out. Driven by the highly prescriptive Ofwat guidance, which had led to a presentational rather than deliberative session. She said Phase B had given a much richer level of insight. NS's questions were focused on how this information had been fed back into the Company's plans. These questions were already captured in the CEP Challenge Log.

AB said the Part B research had been particularly helpful. He said the Company was grateful that the CEP had pushed it to carry this out. He said insight had been gained. However, while the sample size was relatively small the feedback was so powerful, it had persuaded the Company that it had to try to do things differently, eg: on net zero and on its sewer flooding enhancement case. Longer conversations were also needed on, for example, the non-statutory environment programme, and the possibility of phasing.

Members noted that the WF would not know whether customers had the appropriate depth of understanding until the larger piece of customer engagement work was completed. They also asked, did the Company have confidence that its customer engagement would meet Ofwat's requirements? Also, what had the Company learned from its first stage that would feed into the next stage?

On Ofwat's requirements, EE said the next formal stage, the affordability and acceptability testing, their guidance covered exactly what the Company should say, and what it had to present, and who it would have to speak to. So the Company was working through all the guidance and making sure that it was following it to the letter.

On learning, AB said the framework was complicated. There were many investment areas to talk about because the Company had many new Statutory Obligations for PR24.

The Company was going to ensure that it would explain the plan through the pre-material, or good visual tools. The aim was to deliver a lot of background information about the Company etc in a

different way so that focus could be given to the important material conversations the Company needed to have with its customers.

Melissa Lockwood (ML) noted that the Company's possible proposal to phase some of its Storm Overflow work when this work was prescriptive. She said it would be interesting to see how Defra would react to this.

AB agreed that there were statutory deadlines, however they were not all in the 2025-2030 period. Some of them were later, so phasing would mean more work in 2030-2035 period. However, these were very big costs, and the Company could well learn a lot when it started putting schemes into action. There was the potential to find more cost-effective ways of delivering the outcomes. There was something to be said, in some cases, for waiting and learning more rather than rushing in.

MS said he was pleased to hear that the Company had learned from its initial engagement issues. However, he wanted to see whether customers understood the full impact of the increases to their bills. **CEP Challenge: Company.**

MS also asked how the outcomes of this new research had compared to what the Company had seen before. Were there any surprises?

AB said there had not been very much that was different. The Company had been surprised at the Net Zero situation. Louise Hunter (LH) agreed that it was surprising, but it probably was the universal uncertainty around electric vehicles, the pressure of the cost of living, and the fact that the potential bill rises were already going to be substantial.

Regarding the Blue Spaces Programme, GD said this type of thinking should be the way forward. The Company was planning the biggest ever environmental investment programme. By tacking on some of the Blue Spaces thinking onto those individual projects, the Company would not be spending significant amounts of additional expenditure - it would be part of the project that was delivering environmental improvement. That could be a possible way forward in this area. **Challenge: Company.**

The meeting concluded with an in-camera review session for Forum members.