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11 SEPTEMBER 2019

HOLIDAY INN, IPSWICH ORWELL

**MEETING NOTES**

**PRESENT:**

Chair: Melanie Laws

For Customer Council for Water (CCW): Bernard Crump

For Environment Agency: Roger Martin

For Natural England: Hannah Campbell and Steven Rothera

For the Environment theme: Jim Dixon (Outgoing Chair and Independent)

For the Communities theme: Mary Coyle (Independent)

For the Customer theme: Bhupendra Mistry (CCW)

For Economic Impact theme: Sarah Glendinning (CBI), Iain Dunnett (New Anglia LEP) and Steve Grebby (CCW)

For National Farmers Union: James Copeland

Water Forums Independent Author: Sarah Young

For NWL Board: Margaret Fay (Independent Non-executive Director)

For the Company: Louise Hunter, Richard Warneford, Ceri Jones, Eliane Algaard and Elaine Erskine

Ros Shedden and Jude Huffee (Water Forum Secretariat)

**NOTES AND ACTIONS**

**1. Welcome, apologies and aims of the meeting**

Members welcomed the newly appointed Chair, Melanie Laws (MJL), to the meeting. They also gave their thanks to Jim Dixon (JD) who had recently stepped down.

MJL noted that Rob Light had stepped down after being appointed as National Chair of CCW, and CCW was now seeking to fill his previous role. Also, Bhupendra Mistry (BM) a CCW northern area Local Customer Advocate, was stepping down from the Forum and Simon Roberson (SR) had been appointed. Members said they were really sorry to lose BM, but looked forward to meeting SR.

Apologies had been received from Richard Powell, Lesley Crisp, Jo Curry, Dominic Hopkins, Anna Martin, Mark Reed, Melissa Lockwood, Joseph Surtees and Caroline Taylor.

MJL said the meeting would have an environmental theme and the items were chosen with the aim of keeping members up to date with Company progress.

Members noted that they had no interests to declare, with the possible exception of James Copeland, who would note his interest in the Kielder resources discussion (see item 5).

**2. Notes and actions from the last meeting**

Members agreed the 14 June 2019 meeting notes.

### **3. Chair's update**

MJL said it was really good to be in the south, she and Mary Coyle had visited the Company's debt centre on 10 September 2019. They had been given good access and the Company's people had shown marvellous enthusiasm and were clearly proud of what they did. Members noted that this meeting (11 September 2019) had been organised in Ipswich so that they could participate in the joint Northumbrian Water Group and Anglian Water's Innovate East event. Members noted that they found it hard to find the time to get out into the Company's different areas, but was important do this.

MJL said she had met with Heidi Mottram on 27 August 2019, it had been a useful working session. MJL was now picking up issues and recommendations from the Forums' review and working with the Nominations Committee and the Company. She would bring some proposals for members to consider early in 2020.

#### **Forums programme**

Members had been provided with a twelve-month look ahead programme. MJL asked members for their views – members asked for:

- specific geographical meetings twice a year, eg they should arrange to have one of their meetings at Hanningfield and see some of the Company's innovative projects;
- an update at the 29 November 2019 meeting on the key outputs and opportunities from the innovation events (2017 onwards); and
- a regular look at the Company's maintenance budget.

Author's note – these items have been added to the programme.

#### **Ofwat CCG Chairs meeting**

MJL said she would attend her first CCG Chairs meeting on 12 September 2019. It would entail an Ofwat led workshop looking at CCGs going forward followed by a CCG Chairs in camera meeting.

Members raised the following items for MJL to table:

- What role could the CCGs play in the PR19 process if any companies go to the Competition and Markets Authority? They noted that their activity could be limited to assuring the use of additional customer engagement needed.
- A broader point around CCG strategy going forward, members had seen many partner stakeholders working at the innovation events. A lot of these were local businesses which are not the Company's customers and the Forums were normally not usually encouraged to talk to them. This area still needed Ofwat clarification.

#### **Ofwat's innovation consultation**

With regard to Ofwat's innovation consultation, members noted that this was a change in the process after companies had already been judged on their innovation, and it appeared to be influenced by what Ofgem was doing.

Given the comprehensive nature of the Company's response, members were not sure of the value of any further contribution, and also if this was where the Forums should place their effort.

Chair's note – MJL attended Ofwat's CCG Chairs' Meeting on 12 September 2019. When Ofwat raised this subject only one of the other CCG Chairs appeared to be aware of it. Given this and a number of other factors including the lack of added value, MJL noted that the Forums should focus instead on monitoring the Company's approach to, and delivery of, innovation. MJL also noted that CCWater was going to respond nationally.

#### 4. Members' deliberation

Members had been supplied with the following meeting papers:

- National and local water resources update.
- Integrated catchment management update.
- Energy and carbon strategy.
- CEO update.
- Regulatory update.

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

#### The Company joined the meeting

Ceri Jones briefed members on the DWI Chief Inspectors Report and the status of PR19, members noted:

- with regard to the DWI Chief Inspectors Report, DWI had recognised that the Company was moving in the right direction though it still had some more work to do;
- with regard to the final stages of the Price Review;
  - there had been an unusual degree of consistency in most companies Draft Determination responses;
  - Ofwat had not given enough weight to customers' views across the industry;
  - on resilience - the Company would continue to press Ofwat;
  - on ODIs - the Company was close to where it needed to be;
  - there had been a large reduction in return with a high level of risk;
  - the final formal stage was to be a Board level meeting with Ofwat (9 October 2019) MJL was to attend for the Forums;
  - Ofwat would publish its Final Determinations on 11 December; and
  - on appeals - companies would have two months to appeal, the process would be completed by 31 July 2020, if companies were subsequently found to be right Ofwat's Determination would be applied in year one and then reconciled with the appeal findings in year two.

Members noted that their focus should be to challenge on the balance with regard to investing in the future and not the Company's return.

#### CCWater Annual Report

Members noted that CCWater was about to publish its Annual Report which would single out the Company with regard to its increase in customer complaints.

Louise Hunter (LH) said the Company had installed a new Customer Contact and Billing information system (CC&B). This had technically gone reasonably well, however the business transformation around it had been complex. The Company generally had the lowest level of complaints and it was confident that this was a blip, although it continued to be a high level of focus in the Company.

Bernard Crump (BC) said he shared the Company's confidence. The increase had been in Level 1, the less serious, complaints. There had been no increase in CCW referred complaints and the results of the last quarter showed the Company was moving back to a more normal performance level.

Members noted that they had been updated on CC&B, eg they knew that it gave operators all the relevant information available as they were talking to customers, but members did not have an understanding of how this actually would impact on customers when it is fully operational. CC&B had cost £millions and therefore they have asked the Company to quantify the expected improvement from a customer point of view. What they will see/experience – what the impact will be on the performance numbers (**Action Company**).

## Dams

Members noted the recent serious dam safety incident (Whaley Bridge) and asked that the Company give them a brief on dam management and an update on the status of its dams.

Martin Lunn (ML), Head of Water Service Planning, gave an overview of dam safety and spillway failure mechanisms. Members noted:

- all reservoir dams have spillways which can manage up to one in 10,000-year events;
- due to below average rainfall over the last two years the reservoirs have rarely spilled. However the spillways require frequent maintenance to stop plant growth, including tree saplings, growing between the slabs;
- after the event the EA had requested that all companies inspected their spillways and the Company had engaged specialists do its surveys; nothing dangerous was found, but some work needed to be done;
- the Company continued to regularly inspect its reservoirs as required by the Reservoirs Act 1975;
- in addition to these inspections, the Company employed a Reservoir Safety Manager. Also, day to day, people worked on reservoir sites, checking measuring equipment; and
- any issue found in an inspection was tracked closely by the Company's Executive Leadership Team as well as the Company's formal reporting to the EA.

Members also noted that the EA had published a report earlier in 2019 concerning enforcement activity under the Reservoirs Act 1975. The Company had been named in the Report Appendix as having failed to meet some of its statutory deadlines, this had been reported on in the Times. BC had queried this with the Company which was able to confirm that there were appropriate operational reasons for the delay and that all work had been completed. See Challenge Log for the record of this communication.

Richard Warneford (RW) then introduced the meeting items, which were in line with the environment theme.

## 5. National and local water resources update

ML gave an update on water resources. On resources, members noted:

- water scarcity increased year on year;
- climate change had only a small effect; and
- most impact was due to water sustainability reductions and population increases.

With regard to management of resources in the south, members noted:

- Abberton was the last single-company reservoir to be extended or built - resource schemes would now need to benefit several companies and be multi-sectorial (eg including farming);

- Water Resources South East (WRSE) had been formed around 1999 to bring together the organisations which in theory could work together to develop new resources. It had been essentially a twenty-year talking shop, with very little progress made; and
- Water Resources East (WRE) was formed in 2012, became multisector in 2015, and recently become a limited company (Eliane Algaard (EMA) was a Board member), and its technical group was currently defining work for PR24.

With regard to additional resources, members noted:

- South East organisations would not be able to provide additional resources amongst themselves, they would have to import water;
- to trade companies need to put new infrastructure in place; and
- the biggest question was how could companies feed more water into London. They first needed to know how Thames was going to move on its new assets. Only then would they be able to work out how they could feed in.

With regard to surplus water in the north members noted:

- Kielder contained a very significant volume of water and as such was a national asset and technically its water could be traded to Yorkshire, it would just need additional infrastructure; and
- the Company had an issue with the quiriness of the EA charging mechanism which made water transfers too expensive and therefore the current charging regime needed to be changed in the interest of customers – this was currently being reviewed by the EA.

James Copeland said the NFU was involved in the review, and asked if charges to farmers could increase. ML said possibly, but only by a small amount.

On moving water south members noted:

- this needed to be equitable to customers; and
- it was not right that the costs should be paid by customers of the companies with the resources.

EMA said water companies wanting to secure funding would need to get together and apply their data to create a holistic system model. This is being undertaken through the EA's National Framework project as well as by the regional Water Resources groups.

## 6. Integrated catchment management update

Members had been supplied with an integrated catchment paper.

Will Robinson (WR), Water Resources Manager, said catchment management was a very big area of work. The award winning Chelmsford and Blackwater approach, which had been focused on drinking water quality, had now been rolled out across the Company's regions. WR gave a summary of the Company's progress (see paper for more information).

Members noted:

- With regard to catchment management - the Company was planning to take a more integrated approach going forward:
  - this included working with Anglian Water; and
  - the Company was planning to increase the scale of its scheme coverage as well as to reinvigorate its existing projects.

- With regard to peatlands:
  - raising water levels and preventing erosion supported natural flood management, increased carbon storage, and prevented dissolved organic carbon from running into rivers and reservoirs;
  - the Company's contribution had helped secure matched funding of about £10m; and
  - this project would need to be supported for the long-term as its benefits would be seen over longer than a ten year period.
- On future environment schemes - these would need to look at water quantity, and recharge - these were being worked on in the Innovate East sprints.
- On metaldehyde management – funding for this had initially been in the PR19 plan but was then removed when its use had been banned by the Government, as the ban had recently been overturned the Company had put funding back in its Business Plan; and
- On abstraction sustainability - all companies could be in a non-sustainable position.
  - if this was the case with the Company's abstractions there could be some easy fixes; and
  - the Innovation East sprints were producing ideas such as funding farmers to store winter water.

Members said the Company had really shown what could be done in partnerships. They were really pleased to hear that initiatives were continuing and the Company was planning to take its opportunities to work with the agriculture - especially when there is so much uncertainty with regards to Brexit and the possible future Environmental Land Management Scheme (ELMS).

They noted:

- the Company was a reliable partner;
- it still had an awful lot to do (eg chalk streams, migratory fish);
- the Company's funds would be much less than the potential from ELMS grants; and
- they recognised the need for a sustainable approach.

Iain Dunnett (ID) said the LEP had been involved in some of the partnerships, also there was a real opportunity to pick up additional funds, eg Business, Energy and Industrial Strategy (BEIS).

Members noted a funding issue was that Ofwat had put the funding for some of these schemes into base costs and this had only been partly addressed at DD.

## 7. Energy and carbon strategy

Anthony Browne (AB) said that the Company was pleased to report that it had made huge progress. It was going for Carbon Neutral very early, it was both leading the industry as well as supporting other water companies to follow suit.

### Company position

With regard to the Company's position, members noted:

- the Company had made a unilateral commitment to be Carbon Neutral by 2027; and
- Heidi Mottram was also sponsoring the sector wide Water UK public interest commitment to be Carbon Neutral.

### Company status

With regard to the Company's 2019 CO<sub>2</sub>e (carbon dioxide equivalent) status, members noted:

- in 2009, the Company had pledged to cut its Greenhouse Gas emissions by 35% by 2020 against a baseline of 303 ktonnes CO<sub>2</sub>e; and

- its net emissions in the year to March 2019, were 148.2 ktonnes CO<sub>2</sub>e which was less than half of the 2008 baseline, based upon like for like figures.

Members noted that there had been changes to international protocols on emissions that take into account the source of electricity used. The Company buys all of its electricity from renewable sources, taking this into account the emissions figure for 2018/19 was 44 ktonnes CO<sub>2</sub>e and using this method of reporting, the Company was committing to be zero. Of this figure:

- 14% was generated by suppliers' activities;
- 38% was from process emissions;
- 25% was from transport; and
- 23% was from gas and oil.

### **Achieving Carbon Neutral**

AB said the Company had taken the low hanging fruit and further progress would take a lot more effort. It had identified more than 50 projects which would help achieve net zero. Members noted that this would not mean that all its emissions would be removed. Offsetting, including reducing its customer's emissions, would be an important part of the process.

Members noted:

- with regard to transport – the Company was optimising travel and starting to develop a green fleet - these changes were being hard wired into its transport optimisation in its productivity improvement programmes;
- on gas – the Company wanted to use green gas, which was difficult as it was a new, limited market;
- on process emissions – this, alongside supplier emissions, was a challenging area, both relied on assumptions which needed to be re-evaluated;
- on offsetting the Company was considering ideas from the traditional to the wacky;
- the Company's biggest risk was that it needed to make sure all its carbon claims were defensible; and
- the Forums' Environment Sub-Group could do a deep dive into any of these areas – it would add this to its sub-group strategy (Action Richard Powell).

Members agreed that the Company's progress had been very impressive and many in the water industry companies were still at first base. On sharing best practice members noted that Water UK was doing a great job; and Heidi Mottram was lead for its Climate Change Public Interest Commitment. The Company was also working with the Department for Business, Energy and Industrial Strategy (BEIS). Iain Dunnett - offered to be a contact for LEPs on this.

Members to note – the energy paper is business sensitive.

Following the meeting, members broke to resume in camera. Members held their meeting review in this session. A summary of this review, this is in Appendix 1.

**RECORDS ADDED TO CHALLENGE LOG**

**Bernard Crump's challenge – 15 August 2019**

Following our discussion yesterday [14 August 2014] I have looked at the report published by the EA earlier this year concerning enforcement activity under the Reservoirs Act 1975. In an appendix on Steps taken by the enforcement authority to ensure undertakers comply with the Act (which looks to be the basis of the press report in the Times on Monday) NWL is mentioned on five occasions. On each occasion the entry relates to "failure to carry safety measures into effect by due date". The reservoirs to which this relates are four at Whittle Dean and one at Hallington West.

Given the understandable public interest it would be helpful to hear if these are now compliant, and how the company prevents a recurrence.

**Company response – 19 August 2019**

As you have highlighted, five of our reservoirs were listed as being non-compliant in the EA's Bi-annual Report on Reservoir Safety. Four of the reservoirs form the Whittle Dene complex and had Interest of Safety Items to discharge in relation to demonstrating the drawdown capacity of the reservoirs. It is important to note that these were not in relation to the physical condition of the dam and spillway structures. We had substantially completed the safety measures at all of the reservoirs. This included theoretical modelling which confirmed there was nothing of concern. However, we were unable to complete calibration tests to prove the modelling results before the IoSI due date. This was because the test required a physical draw down of the reservoirs and this was not possible due to below average rainfall and reservoir stock levels at the time. However, as soon as we were able to, the calibration tests were completed and the IoSIs were signed off by our Inspecting Engineer in March 2019. This work was completed before the EA's Bi-annual Report on Reservoir Safety was published but not in time for when the report was being drafted.

The IoSI for Hallington West required us to confirm to the Inspecting Engineer the construction of an internal (ie not accessible) part of the discharge pipe. In the absence of an as built drawing for this part of the pipe, we had planned to undertake extensive works to confirm construction details which took us over the IoSI deadline. However, our newly appointed Reservoir Safety Manager, Kevin Miller CEng, FICE was able to source an as built drawing from the Institute of Civil Engineers (ICE) avoiding the need for such works.

The dry weather experienced during 2018 and into the early part of 2019 transpired against us in relation to the Whittle Dene Reservoirs IoSIs. Indeed, observed annual rainfall was only 75% of the long term average at times and unusual for the north east! However, in terms of learning points, we will be mindful of constraints such as dry weather, which in this case, was the cause of us failing to close out the IoSI before its due date.