

# AffinityWater

## AFW36 – Independent Challenge Group (ICG) report



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## Introduction

At Affinity Water, we value independent challenge on the services we provide to our customers. From how we serve our customers on a daily basis, through to how we ensure their needs are met in our longer-term plans, independent challenge holds a mirror up to our operations and activities. It also provides a valuable critical voice and external perspective to ensure we deliver for our customers, now and in the future.

To ensure we have embedded the ICG influence and involvement in our business, over the last few years we have:

- refreshed the Independent Challenge Group (ICG), updating the membership and terms of reference.
- redefined the approach to challenge to foster a continuous process of influence, engagement and ongoing refinement.
- moved away from the previous regulatory-orientated Customer Challenge Group that focused on specific price review issues to a refocus on broader strategic and long-term issues for customers, (with the understanding that this cannot all be resolved at a single point in time in a business plan submission).
- broadened the awareness and transparency about the ICG with our customers and stakeholders by increasing their visibility through social media and other communication channels. We have dedicated sections in our Annual Report to ICG activities and revamped the ICG website to be more open and transparent.

## What are the regulatory expectations for Independent Challenge for the Price Review 2024 (PR24)?

One of Ofwat's ambitions for PR24 is:

*'Our ambition is that residential and business customers', and the wider community's, voices are heard more directly and more effectively in PR24 than ever before'.*

This ambition is expected to be reflected in the business plan with clear lines of sight drawn from consumer evidence to strategic decisions.

*'Business plans and long-term delivery strategies should be informed by high-quality research and engagement evidence'.*

Ofwat required each company to have a Customer Challenge Group (CCG) during preparation for PR14 and PR19. The remits for these groups were prescribed precisely during these price reviews.

For PR24, Ofwat has taken a different approach and has set expectations for companies to meet standards for high-quality research, customer challenge and assurance of customer engagement (see 'Customer Engagement Policy: A Position Paper' for details<sup>1</sup>) which sets out the following:

- Each company is free to determine its own solution to demonstrating that they are meeting these standards. Companies have designed a range of solutions that are now described generally as Independent Challenge Groups. As part of independent challenge arrangements, some companies are asking management consultancies to work alongside ICG members.
- There is specific guidance from the regulator that requires ICGs to play a role in the assurance process for the nationally-directed Affordability & Acceptability testing. ICGs are expected to be invited by each company to offer feedback and challenge on all proposed approaches to this research. This includes methodology, preparation, stimulus materials, piloting, delivery, and interpretation of the testing. ICGs are expected to be invited to observe qualitative groups and to join the agency findings debrief.
- ICGs are also expected to be invited to be involved in the 'Your Water, Your Say' public open challenge sessions.
- It is expected that Boards will receive reports from ICGs so that they can use these as evidence for the overall assurance statements to Ofwat in respect of requirements to demonstrate that the company has invited and responded to independent scrutiny of:
  - the quality of their customer engagement
  - how well the company's proposed outcomes, associated commitments and outcome delivery incentives reflect the insights gathered, through the programme of engagement and research regarding consumers' views and priorities.

## Who are our Independent Challenge Group?

Our Independent Challenge Group (ICG) has eight members, six of whom are independent experts in consumer and environmental representation, and two who represent regulators - the Consumer Council for Water (CCW) and the Environment Agency (EA).

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<sup>1</sup> <https://www.ofwat.gov.uk/wp-content/uploads/2021/05/Appendix-Reflecting-customers-preferences.pdf>



The ICG Chair, **Caroline Warner**, has been part of Affinity Water Independent Challenge since 2020. Caroline holds a well-established portfolio of Chair and Non-Executive Director roles in public service sectors. She has multi-sector professional experience at Board level, including in the NHS and utilities, and offers a specialist understanding of consumer advocacy, citizen insight, strategy & transformation planning.

### Meet our ICG members

The group's full biographies are available on our [ICG page](#).



Dr Ana Maria Milan (CCW)



Jonathan Sellers (EA)



Dr David Holden



Anthony Smith



Unette Spencer



Bob Winnington



Todd Holden

## What is the role of our ICG?

The role of the ICG for Affinity Water is to encourage the company to continually improve outcomes for customers and for the environment, through independent and robust challenge.

The ICG do this by:

- ensuring customer and stakeholder research, insight and other intelligence are taken into account by the company to ensure continuous improvement in the quality of service and value offered to customers.
- encouraging the company to be ambitious in planning for the future, balancing the short and long-term costs and benefits fairly, over time.
- working closely with and taking account of wider strategic insights and research findings from national organisations who represent the interests of customers, in particular, the Consumer Council for Water (CCW), but also regulators such as the Drinking Water Inspectorate (DWI) and the EA, as well as considering opportunities to collaborate with other water companies when beneficial to customers.

Our Strategic Direction Statement (SDS), published in December 2021, describes four core areas of focus: resilience, environment, customers, and communities.

### Our long term ambitions

#### Environment

Leave the environment in a sustainable and measurably improved state.

- End unsustainable abstraction from chalk groundwater sources
- Achieve Net Zero for operational emissions by 2030 and all carbon by 2045
- Deliver a net gain in Natural Capital

#### Customers

Deliver what our customers need, ensuring affordability for all.

- Exceed customers' expectations for drinking water
- Personalise our services to support different needs and wants
- Take care of our vulnerable customers and keep bills affordable

#### Resilience

Be prepared for change, and resilient to shocks and stresses.

- Ensure a resilient supply of water for our customers
- Ensure our physical assets are resilient for the longterm
- Ensure our people, processes, suppliers and finances remain resilient

#### Communities

Work with our communities to create value for the local economy and society.

- Build trust and transparency
- Enhance environmental and social health to provide value to our communities
- Reduce our impact in the water environment for all

Figure 1: Key areas of focus

The ICG has aligned with the company's 25-year ambition as set out in the SDS and has agreed the following ambitions to strengthen short and long-term plans for how the company will:

- provide a reliable supply of clean water now and in the future (*resilience*).
- look after the environment (*environment*).
- ensure bills are affordable for all, alongside consistently excellent service (*customers*).
- look to the future and develop innovations that benefit communities (*communities*).

## Key Lines of Enquiry for the ICG

The ICG have organised their challenge around Key Lines of Enquiry (KLOEs). These were developed and tested with the Affinity Water online Water Community to ensure they reflect what customers think the main areas of challenge and activity should be for the ICG (the full report is available on our online [engagement site](#) – Report 152). The KLOEs follow eight themes:

- Resilient
- Resourceful
- Protective
- Innovative
- Affordable
- Caring
- Inclusive
- Responsive

Full details of the KLOEs are set out in Table 1. Full details of the ICG Terms of Reference are also available on the [website](#)<sup>2</sup>.

## Activities of the ICG for PR24

The group meets every two months and, in 2023, two sub-groups were formed to ensure increased involvement in the business plan submission. These groups have been aligned to the SDS ambitions, with one group focused on customer and communities areas while the other looked at environment and resilience.

For each meeting, papers were provided in advance, and presentations, discussions and challenges took place with members of the Affinity team and external presenters sharing materials and informing discussions.

Each individual challenge is logged, and we publish these on the [ICG page](#) of the Affinity Water website.









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<sup>2</sup> [https://www.affinitywater.co.uk/docs/ccg/ICG-Terms\\_of\\_Reference\\_September\\_2022.pdf](https://www.affinitywater.co.uk/docs/ccg/ICG-Terms_of_Reference_September_2022.pdf)

The group also feed into broader, more strategic challenges outlined in the ICG independent report below and have also provided assurance on PR24 to the Board in the form of annual reports (2021/22 and 2022/23) and the independent report attached in the Annexe of this report.



Table 1: KLOE descriptions

	Description	Our promise	Our goal
<b>Resilient</b> 	Customers expect their water supply to be clean and reliable now and in the future.	Having a safe and reliable supply of water is fundamental to the good health of every individual and we will prioritise asking questions to ensure that everyone can maintain confidence in the security of this supply now and in the future.	Customers have confidence that their water company is doing everything necessary to ensure a clean and reliable water supply now and in the future.
<b>Resourceful</b> 	Customers do not want water to be wasted by either the company or by consumers.	We will keep asking questions that encourage the company to put waste reduction at the heart of their plans, demonstrating that they are reducing leakage while supporting citizens to minimise water wastage at home.	Customers understand and act upon the need to minimise water wastage at home and trust that the company is meeting targets to reduce leakage.
<b>Protective</b> 	Customers expect their water company to protect the environment.	We will uphold your expectation that the water company should play their part in looking after local rivers and streams so that future generations can continue to enjoy them. We also agree that your water company should behave in ways that are environmentally responsible as a business.	Rivers and chalk streams all flow clearly, the river environments are healthy and biodiverse and meanwhile the company is set to achieve net carbon zero targets.
<b>Innovative</b> 	Customers expect public service companies to give back to the communities they serve.	We will celebrate and promote all aspects of innovation designed to improve the lives of the citizens the company serves.	The company will initiate a series of partnerships that are innovative and creative and that add meaningful value to communities.
<b>Affordable</b> 	Customers need affordable bills, and some customers need financial assistance.	We will look carefully at bills and support options to ensure that charges are affordable for everyone and that there is help available for anyone who needs it whenever they need it.	Water poverty is eliminated while bills are sufficient to fund future requirements for supply resilience and environmental protections.
<b>Caring</b> 	Customers who experience vulnerability need extra support from their water company.	We will travel alongside everyone who needs extra support and consider how the company can improve the enhanced range of services that some people might need additionally from their water company.	Everyone who needs extra support from their water company either long term or temporarily can get it easily.
<b>Inclusive</b> 	Customers expect easy access to information and contact options.	We recognise that everyone has their own preferred way to communicate, and we will help ensure that all paths of access are open whether online, on phone or by mail, taking account of multi-language needs	All customers can get in touch with their water company easily & quickly at any time in any language without long hold times on the phone or long waits for a response.
<b>Responsive</b> 	Customers expect enquiries and complaints to be answered quickly and in full	We understand that sometimes you might want to contact your water company with a query or complaint, and we will keep working with the company to ensure that you can do that quickly, easily, and pleasantly.	Everyone who gets in touch with their water company will have a polite and friendly exchange along with timely and comprehensive responses to their query or complaint.

## Topics of engagement and challenge for the ICG for PR24

We have taken a wide variety of materials, and discussions to the ICG meetings, covering all aspects of our day-to-day business as well as tackling the longer-term, strategic challenges. The group has also attended visits to sites, listened to our customers in the call centre and observed customer research first hand.

Figure 2 sets out a summary of the programme of engagement. Full minutes of each of the meetings as well as the challenge logs are available on the ICG website. The group has also been the main approving body for our Environmental Innovation Projects (EIP) – a bespoke performance commitment they helped us develop for the 2020 – 2025 period.

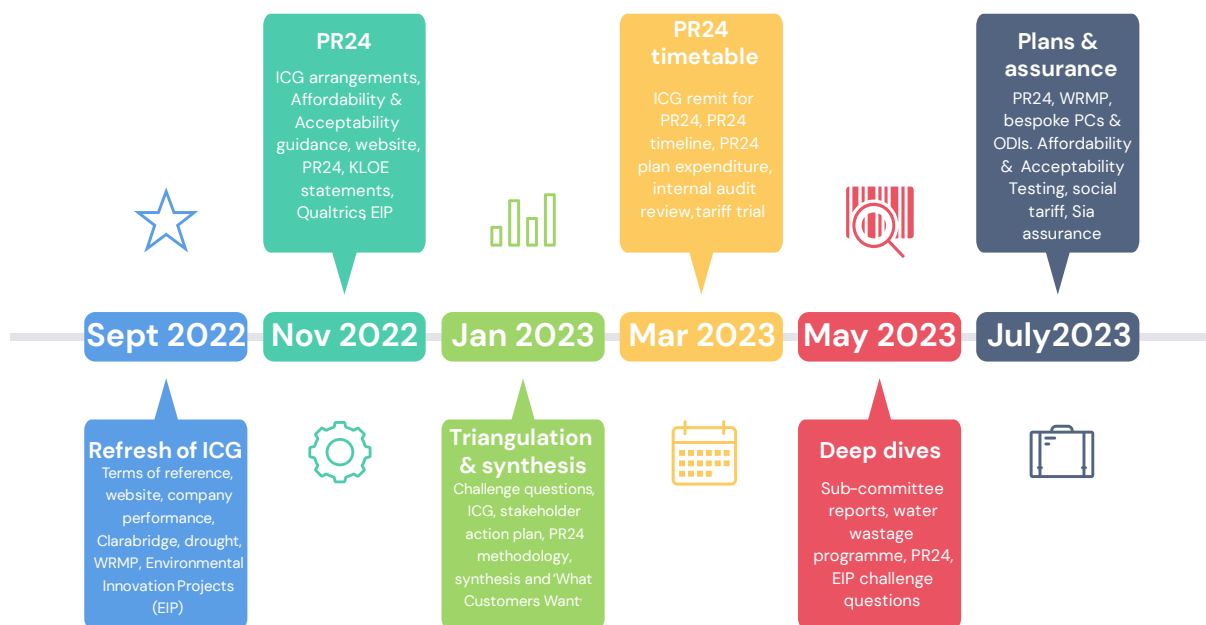


Figure 2: Timeline showing key areas covered during ICG meetings

We also established two additional ICG 'sub groups' in early 2023 to deep dive into the key elements of the business plan. The details of the topics covered during those sessions are shown in Table 3; this was also supplemented with additional email correspondence with the group to facilitate detailed comments on information and material provided.

Sub-group session	Topics
Customer & Communities (27 Feb 2023)	Willingness to Pay research (WTP), WRMP consultation, affordability & acceptability testing (AAT)
Customer & Communities (10 March 2023)	Your water, your say (YWYS), additional supplementary vulnerable and future customer groups for YWYS, WRSE regional research, WTP, social tariff, Sia assurance
Customer & Communities (15 March 2023)	Investment planning 'service measure framework', WTP, triangulation, Sia assurance
Customer & Communities (25 March 2023)	WRMP statement of response, Gate 2 WTP (social tariff), stakeholder engagement, YWYS
Customer & Communities (12 June 2023)	What Customers & Stakeholders Want v5, synthesis, YWYS
Environment & Resilience (24 February 2023)	Outcomes & investment programmes, resilient supplies (deep dive), unsustainable abstraction (deep dive)
Environment & Resilience (12 May 2023)	Deep dives on: catchment management & river restoration, biodiversity and net zero

Table 2: ICG sub-group meetings

## Conclusion

The Annexe attached to this Appendix contains the full report produced by the ICG to provide to the Board of Affinity Water. This provides assurance that the company is meeting the expectations of Ofwat, in respect of independent customer challenge, and a commentary on the commitments proposed for the business plan, and areas for further future influence and improvement.

We would like to particularly note the ICG's recommendation stating: *'The ICG recommends to the Board of Affinity that they take good assurance that the majority of criteria for customer challenge are being met by the company.'*

Additionally, the comments contained in the report from the Environment Agency state: *'the EA adds a commendation that the 'AFW WINEP is one of the most ambitious water-only company enhancement programmes and is double the size of the programme in AMP7 (137 schemes/approx. £151m).'*

Due to the explicit role of continuous influence and challenge for the ICG, there are many strategic and wide-ranging suggestions and questions outlined in the report that will shape the discussion and challenge with the group over the long term. We have set out our response in Table 3, where these are relevant for the business plan.

We thank our ICG for the value they have added to the process of developing a business plan and especially the input and expertise they have provided in helping us deliver our customer research and engagement plans. We look forward to continuing our ongoing work with the ICG; the intention is that these topics and challenges remain 'live' and, inevitably, given their strategic nature, are not all resolvable with the business plan.

We are committed to continue working openly and transparently with the ICG in the future and over the course of the price review process to not only deliver on these and further challenges the group raises, but also to work with the group to ensure our customers are at the heart of every decision we make as a business.

Areas of challenge	Details	Company response	Further actions
Meetings	The EA considers that our environmental expertise is comparatively light and recommends that the AFW ICG extends associate memberships to local environmental stakeholder groups additionally.	The ICG membership has been refreshed in 2022 to bring in additional expertise. The Chair of the ICG was fully involved in the recruitment process and complete independence in recruitment decisions.	To ensure the ICG activities deliver great value for money for customers, we will explore the opportunities to extend ICG involvement to key local environmental stakeholder groups.
	The timing of provision of materials to meetings is sometimes challenging.	We note the ICG's comments and appreciate the flexibility and support they have given the company in working against tight timescales.	We will develop a more forward-looking programme of agenda items to help with timing.
Leakage reduction	More meaningful explanation to customers is required - including progress as a % of total water supply lost to leakage and how this fits with longer-term targets	<p>We understand leakage is a key issue for our customers and we are proud of the improvements we have made over the last few years in reducing leakage.</p> <p>We have increased the amount of information available to customers on our performance, including the publication of customer summary documents for our Annual Performance Report as well as social media and customer communication activities.</p> <p>Leakage is currently approximately 16% of total treated water, at approximately 150 Ml/d. Our 2050 ambition aims to halve the total volume of leakage by 50% from the 2017/18 levels.</p>	<p>We will continue to improve the information we provide to customers about our leakage performance.</p> <p>As part of our next Save Our Streams campaign and behavioral campaigns planned for 2025-30, we will set out the full range of water saving activities, including the part we are playing by reducing leakage.</p>
	How significant are the associated disadvantages of leakage?	<p>We repair approx. 19,000 leaks per year, which can cause disruption to customers and the community. Often, we need to close roads or implement temporary traffic management measures to allow us to find and fix leaks on our network. We work closely with our contractors to ensure that all of these activities minimise the disruption to customers as much as possible.</p> <p>Higher leakage levels also limit our credibility and ability to influence customers to reduce their consumption.</p>	<p>We are taking proactive measures to reduce the breakout of leaks through measures such as improved pressure management and mains renewal, which will reduce leakage.</p> <p>We also regularly review the performance of our contractors, including the provision of information to customers about disruption in their areas. We will continue to manage this closely.</p>
	Are there benefits associated with leakage e.g., Opex, carbon etc.?	In optimising our investment programme for 2025-30, we take full account of all the associated costs and benefits of leakage reduction.	As our understanding of the carbon associated with treating the additional water required due to leakage (e.g. through chemical consumption) we will continually revise our delivery plan for leakage to ensure we

			account for this when targeting best value approaches).
	Set out a plan for customer-side leakage	Our plan includes additional education for customers on their duties in dealing with leaks. We also offer advice and financial support for significant leaks or vulnerable customers. Our smart meters will increase the number of customer-side leaks we identify, improving the effectiveness of our efforts to drive these down and help customers with their bills.	We will update our website to reflect our plans before the 2025-30 period, laying out our guidance and support.
	Will a more visible or ambitious programme of fixing leaks and consistent communication of this programme have a positive impact on other measures?	We are increasing our resources to find and repair more leaks over the 2025-30 period. We highlight our increasing efforts in driving down leakage through our SoS campaign.	We aim to do more in promoting our progress and continued commitment to driving down leakage as part of our SoS campaign which will be continued into the 2025-30 period.
	Is the company confident that their leakage target for 2025-30 can be justified when it appears less ambitious than for 2020-25? Will the company articulate how the 2025-30 position supports the delivery of the 2050 goal?	By 2030, we will have delivered over 60% of the commitment to halve leakage, within the first 10 years of the 30-year target. We will be investing significantly in reducing leakage in the 2025-30 period. As we drive leakage down, reductions in leakage become increasingly expensive. Our delivery profile to the 2050 ambition is optimised for the best value within our overall WRMP, in order to minimise bill impact for customers and maximise the benefits delivered to them.	Full details of our leakage commitment are set out in the Appendix AFW17, on Outcomes and in the main business plan document. Further details are also included in our WRMP.
	Has any research been conducted to test what an 'acceptable' leakage position would look like	We have engaged extensively with our customers on the development of 5 year and 25 year performance ambitions. Full details are provided in Appendix AFW04 and AFW05 'What Customers Want'.	As part of our ongoing customer insight and engagement programme we will commission more work in this area to understand both ambition and affordability in delivering leakage reductions.
Water efficiency - Per capita consumption (PCC)	PCC target of 142 l/d by 2030 is a less ambitious target than the one agreed for PR19?	The target is 140 l/h/d Dry Year Annual Average. The PR19 target was for a Normal Year Annual Average, and, on an equivalent basis (i.e. if we apply the NYAA condition to PR24) the target here is 128 l/h/d, which is effectively a very similar level to PR19. The difference results from the difference in customer responses to a 'normal' summer year (based on those generally experienced in the 2010s) and a 'dry' (hot) summer year, such as those experienced in 2018 or 2022. The dry year target has now been used, as this represents	

		the condition that we plan to, in order to balance supply against demand.	
	We are not convinced that this headline position regarding 'customers not knowing how much water they use' is correct and goes against wider industry research.	We have conducted extensive research and engagement in this area, and triangulated our information across our own primary research studies and broader industry research. Our triangulation approach follows best proactive insight from CCWater and has been fully assured by an independent 3rd party (SIA Partners), the results of which have been shared with the ICG. Full details are provided in Appendix AFW04 and AFW05: 'What Customers Want'.	As part of our engagement programme, we will continue to look at further understanding our customers' behaviour in terms of water use, and plan to further continue the observational research we have conducted so far.
	We recommend revisiting and building upon the Kantar work that delivered detailed insights, segmented by user cohort and water behaviour type.	The Kantar research provides a helpful source of insight into our customers' behaviour across different segments. We are happy to continue exploring this with the ICG.	As part of our ongoing customer insight and engagement programme, we will continue to look at further understanding our customers' behaviour in terms of water use and plan to further continue the observational research we have conducted so far.
Water efficiency - smart metering	The company would benefit from deeper insight work to identify more precisely those opportunities for behaviour change-led reductions associated with smart metering.	We agree that this is an area of fundamental importance for us to ensure we can maximise the full potential and benefit of our smart metering program. We will be developing in-depth research to support the behavioral campaigns and targeted communication activities that will accompany our smart metering programme. We look forward to working further with the ICG on this.	As part of our ongoing customer insight and engagement programme, we plan to gather insight and intelligence regarding smart metering, both in terms of how we communicate installation and support customers regarding the install and look at the longer-term impacts/reductions in terms of behaviour change. We are also engaging with other companies who have already started their programmes, to learn from their experiences.
	Clarity if this will be a compulsory or optional programme, along with an understanding of how acceptable installations of smart meters are to customers, especially those who may have recently had non-smart meters installed?	This is a compulsory programme. Research indicates that acceptability varies across customer segmentation but generally increases over time as customers become more accustomed to smart technologies. A small number of customers who have recently had non-smart meters installed will have their meters upgraded to smart, without any interruptions or impact to their bill.	Our smart metering business case within Appendix AFW14a sets out these plans in more detail.
	Understanding that this is proposed as the first phase of a 15-year programme, what will the company do to support usage reduction ongoing for households, prior to their smart meter installation?	We will continue with our comprehensive behaviour change programme (SoS campaign), 22,000 home water efficiency visits per annum and household access to water-saving devices, prior to smart meter installation. We have also brought forward	

		installation of smart meters to begin in 2024-25, beginning the 15-year programme early.	
	What are the opportunities for business customers regarding smart meters?	We will install circa 20,000 smart meters for business customers and will deliver 200 business water-efficiency checks to help businesses find leaks, reduce consumption, and save money during the 2025-30 period, and likely continue these beyond that timeframe.	We will continue our research and engagement programme with business customers to understand how to communicate the most effective way to support the reduction of water usage from these customers, following smart meter installations.
Water efficiency checks	What is the rationale for only 78,000 planned for AMP 8 when research indicates that 2 in 5 households, potentially 600K households, would accept one if offered one?	The identification of 78,000 planned water efficiency checks has been developed as part of our WRMP process, which balances the costs and benefits of different options to ensure we can deliver the most efficient and best value programme for our customers.	Home water-efficiency checks have demonstrated to be an effective method to deliver water savings and we will continue the programme throughout PR24, with opportunities for more effective targeting enabled by smart metering. We will continue to review their effectiveness and adjust plans accordingly during the 2025-30 period.
Water efficiency - behaviour change	What are the learnings from the SoS campaign so far, and, if it is delivering successful results, what is the size of the usage reduction opportunity for extending SoS across all areas?	The SoS campaign is continuously monitored, and the learning used to shape the next phases of the project roll out. SoS will continue into the 2025-30 period, and we forecast 17.9 MI/d of benefit, based on analysis of the benefit delivered during the current period.	We are currently sharing the learnings from our SoS campaign with other industry partners and will look to improve access to this information across 2025-30 through our programme of 'Open Data' initiatives.
Water efficiency - government led	We would like to understand if the company has got a plan B to achieve 110l/d PCC by 2050, if a full suite of government support is not forthcoming?	We have modelled the impacts of not reaching 100l/p/d to understand the investments required to balance supply and demand in this scenario, which includes adaptive plans to meet higher demand forecasts that can be delivered post-2030. Our WRMP includes several published scenarios of higher demand driven by high population growth and climate change. These include accessing additional water supplies to meet the higher demand.	By adopting an adaptive planning approach, we will continually revisit our plans to achieve PCC by 2050 to ensure that we can meet the demands for water in our region over the period.
Water efficiency – business demand	It is unclear what the target is for AMP 8 or how it fits with the long-term trajectory for business demand reduction.	We set these targets out in the LS1 data tables, showing a reduction of 15% over the coming 25 years.	
Mains repair	We encourage the company to consider if there are any other factors regarding mains repairs that may benefit from further customer insight and improvement, especially in respect of: a) communications to manage expectations of disruption and; b) consideration of people with	We agree this is an area for further exploration with our customers.	We will add this to our forward programme for future customer research.



	disabilities where mains' repairs may impact those with limited mobility or sight.		
Unplanned outage	The company headlines a commitment to 'continued reduction in unplanned outages' although it is unclear what the metric target attached to this commitment will be.	Unplanned outage is a measure of the asset health of our water treatment works. The percentage target is the flow unavailability against the peak flow from the site, which is then summed up for the company. Essentially, if we have a water treatment works which can't reach maximum capacity due to asset failure, then the flow is added to this metric.	
	We encourage the company to consider if there are any other factors regarding unplanned outages that may benefit from further explanation, especially in respect of: a) communications to manage expectations of live disruptions and b) consideration of the additional needs of customers in vulnerable circumstances.	We agree that it would be fruitful to explore opportunities for improved customer communication and awareness during live events, and to ensure these are targeted appropriately at customers, particularly those in vulnerable circumstances.	We will add this to our forward programme for future customer research.
Natural capital	We encourage the company to consider how to explain that they will: <ul style="list-style-type: none"> <li>- Identify how success might be measured.</li> <li>- Ensure that there are robust processes in place to gather and embed learnings across a complex work programme.</li> <li>- Describe a plan to roll out successful schemes across catchment areas.</li> <li>- Build strong relationships with all relevant partners.</li> </ul>	We are proud of the improvements we have made in identifying and quantifying the natural capital stocks and flows associated with our activities. This is still a relatively new and emerging area, and we are excited about the opportunities to improve the way that natural capital measurements can be refined, and learnings can be captured and integrated into our own, and our partners', future plans. Our PR24 WINEP includes an extensive environmental programme of monitoring which will be used to understand baseline conditions and support post intervention benefit assessment, including Natural Capital. We will continue to work closely with catchment partners, universities, academic institutes, Wildlife Trust, local river groups and other interested parties to share and develop learnings.	We will be developing our approach to reporting 'Environmental, Social and Governance' activities (ESG) over the coming years, in particular, how we provide relevant information for our partners, stakeholders, investors and customers. As part of our Open Data initiative, we have started to provide open access to key natural capital information through dedicated web portals. Further details can be found in the Executive Summary of our business plan.
Net Zero	It would be useful to understand how the 9% reduction planned for 2025-30 fits in with the path to net zero by 2050 and the extent to which that is suitably ambitious as a next phase.	We provide full details of our Net Zero ambitions and corresponding business case in the Appendix AFW13.	
	The ICG would like more details on the components and delivery of the Net Zero programme.		We will schedule a 'deep dive' into our Net Zero programme as part of our ongoing engagement with the ICG.

Affordability/ vulnerability	We also recommend that the company, perhaps working alongside partners, conducts an audit of best practice in the water industry and in adjacent industries in respect of support for financially vulnerable and non-financially vulnerable customers, to learn how to improve faster.	At the request of the ICG, we have reviewed the output of the Paying Fair report that Ofwat issued, to understand best practice in the industry. We identified several opportunities where we could enhance our offering as a result, and we set out the changes we have made within our retail strategy in our narrative, in section 6.4.5.	
	There is no mention of any target in respect of supporting customers in non-financially vulnerable circumstances and suggest that this is addressed. While we recognise that there may be a significant overlap between those in financially vulnerable circumstances and non-financially vulnerable circumstances, there are clear requirements to take separate account of those customers who need adaptations to service to best support their needs.	We continue to drive additions to our PSR through proactive identification of customers who might benefit, publicising the register during both business-as-usual and operational incidents, and by sharing data with energy companies. We plan to make a number of additions to our offering, such as partnering with a bereavement service to help those recently bereaved, committing to not referring those registered on the PSR to debt collection agencies, and using speech analytics to help us identify vulnerabilities more quickly.	

Table 3: Log of questions, challenges, and recommendations from ICG report



Independent

Challenge

Group

# Independent Challenge Group Report:

Affinity Water  
PR24 Proposals

September 2023

**Independent Challenge Group Report: Affinity Water PR24 Proposals**  
**Final GOLD DRAFT September 2023**

**Contents**

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## Introduction from Caroline Warner, ICG Chair

There is a harsher spotlight on the water industry than ever before. Water-related issues make front page headlines across the media landscape and the impacts of climate change and pollution are gaining significant public attention. Public trust in the UK water industry is at a low point, as sewerage pollution and water shortages come into sharp focus and the financial viability of some companies comes under scrutiny. Water companies are under intense pressure to demonstrate clear and comprehensive commitments to improving their investment programmes, operations, and services during a time when rising inflation has driven significant cost of living increases. To be successful in this, each water company needs to take deep account of the full range of customer perspectives across the full range of water-related matters in the context of trade-offs between costs and improvements over time.

The Independent Challenge Group (ICG) for Affinity Water (AFW) is committed to representing the best interests of customers and the environment as the company proceeds in the endeavour to improve. During the last year, AFW has supported the ICG to activate a significant reset. The purpose and membership of the group has been re-designed and professionalised in line with Ofwat's requirement for water companies to devise independent challenge mechanisms that put customers' best interests, as well as those for the environment, at the heart of both day-to-day operations and future investment and business planning.

Our group's members each have professional expertise in either consumer or environmental matters and are well-placed to ask searching and informed questions on behalf of customers across the full range of water business activity and strategy. We are pleased to say that inviting challenge from the ICG is becoming embedded into AFW working practices and that we consider that this process is having a demonstrable positive influence on the company's developing improvement culture. We appreciate that AFW has made significant progress in this area since PR19 and commend their sincere efforts. These efforts are delivering positive results and we believe that AWL has the potential to take a leading position in the water industry if these continue to be pursued.

Significant initiatives that have arisen from discussions that originated with ICG challenges include: the 'Environmental & Innovation Projects' programme (EIPs), Qualtrics system of capturing real time customer sentiment, the 'Save our Streams' water saving campaign and customer segmentation tools. We are also pleased to see the demonstrable influence of our challenges on the progress of innovative tariff schemes, messaging on household bills, enhanced partnership schemes to support customers in vulnerable circumstances, improved financial support packages, 'kind' debt management processes and improvements to response times to customer contacts<sup>3</sup>.

Our focus on **influencing improvement** is evolving to create a meaningful opportunity for the ICG to add value that sets it apart from either assurance (a role for the Board) or assessment (a role for the regulators). In this way, Ofwat's removal of the previously prescriptive mandate for customer challenge is proving positive. New freedoms enable an approach more likely to stimulate improvement, and even innovation, as well as ensuring a continuous, rather than periodic, role for independent challenge arrangements. The corresponding risk of the mandate removal is that the limits of influence for any ICG are controlled by their water company and the onus, therefore, is on each company to demonstrate that this new authority has been employed objectively and effectively.

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<sup>3</sup> For further information on ongoing work, see Affinity ICG Annual Report 2022-23 and full Challenge Trackers published on Affinity ICG website pages (insert hyperlinks).

The ICG links into improvement advocacy nationally via the Challenge Co-Ordination Group (CoG), hosted by the Consumer Council for Water (CCW). Through the CoG, we access independent data and expertise to contextualise the information that AFW provides. Additionally, ICG Chairs from all the water companies in England & Wales share regular updates to the CoG on the progress of each company's independent challenge work. This information assists CCW's national oversight and the development of best practice across the industry.

As part of this national oversight endeavour, during 2022, CCW appointed an independent consultancy to audit best practice across all ICGs. The first phase of this review has been completed and the report of recommendations is available to read on the AFW ICG website along with our assessment of how arrangements already meet or plan to meet recommendations. A further phase of audit will take place later in 2023 which will include an assessment of any ICG reports for PR24.

This ICG PR24 Report is just one part of a whole programme of work that provides an external, independent, and expert 'citizen lens' perspective to AFW. In this report, the ICG offers commentary and challenge to the company's board in respect of proposals for their PR24 Business Plan. We aim to highlight areas for potential improvement during a time when the dual pressures arising from increasing costs of living and the full spectrum of 'burning platform' future investment imperatives are inevitably leading to bill increases. We are pleased to say that AFW have signalled their commitment to address the independent challenges that are noted in this report's commentary for the PR24 business plan and beyond. The company will publish a companion response to this document. Following PR24 submissions, we will follow up the commentary in this document with challenges as part of our business-as-usual practice. These challenges, along with the company's responses, will be published in the ICG Challenge Tracker over the coming months and years. In this way, customer best interests will be transparently represented in continuous improvement and future planning programming rather than the stop-start rhythm that previous price reviews instigated.

To summarise our view of the strengths and weaknesses of the initial proposals for PR24 very broadly: We recognise the ambition of the proposals for the environmental improvement programme. The Environment Agency considers this programme to be the most ambitious of any water only company, especially in respect of the pioneering work in river restoration. This follows on from the Environment & Innovation projects that are ongoing and offers opportunities to develop and roll out industry best practice. We are also pleased to note that AFW has indicated that they expect to continue to enhance their strong programme of support for customers in financially and non-financially vulnerable circumstances. On the other hand, we observe that there is significant risk of delivery failure for plans for demand reduction, especially programmes of activity to reduce personal consumption on which there is significant reliance. We suggest that a detailed plan for delivery will be beneficial.

I would like to thank the team at AFW for their time and thoughtful engagement with the ICG. Only with sincere support from their water company can ICGs have room to add value. I would like to thank the team at CCW for their efforts establishing a new national arrangement with the Challenge Co-Ordination Group. Only by bringing together national and local endeavours, will the route to establishing consistently effective independent challenge arrangements become clear. Finally, I would like to thank all the ICG members, both retired and current, who have lent their considerable expertise and intelligence to the group and made important contributions in the best interests of the local population and the environment.

Caroline Warner  
Chair, Independent Challenge Group for Affinity Water Ltd.

## **Purpose, Timings & Scope**

### **Purpose**

The intention of this Report is to provide to the Board of AFW:

- 1) An assurance recommendation that the company is meeting the expectations of Ofwat in respect of independent customer challenge.
- 2) Commentary on the commitments proposed for the AFW PR24 Business Plan with a view to highlighting areas for potential improvement.

This will enhance the full and ongoing programme of improvement challenge work that is guided by our Key Lines of Enquiry framework<sup>4</sup>.

### **Timings**

- July 2023: A draft ICG PR24 Report submitted to the Board of AFW, intended as one of the inputs that will inform the Board Assurance Statement required by Ofwat.
- Sept 2023: The final ICG PR24 Report document submitted to AFW.
- Oct 2023: AWL to submit to Ofwat the final ICG PR24 Report, along with the company response, as part of the full pack of PR24 documents. These documents will also be published on the AFW ICG website pages.

### **Scope**

The commentary in this Report refers to the proposals for PR24 available to the ICG via the following documents:

- 1) 'Planning Our Future Together' (POFT), a summary document that was prepared for consultation with customers and stakeholders to describe the essence of the Business Plan and published in May 2023. The creation and publication of this document was not obligatory and the ICG welcome AFW's transparency and openness to feedback<sup>5</sup>.
- 2) 'What Customers & Stakeholders Want' (WCSW), a triangulated analysis of all aspects of an extensive research & engagement programme with customers and stakeholders. The version we use is latest available, V5.
- 3) 'Line of Sight' (LOS), a document connecting the insights described in WCSW to the commitments proposed for inclusion in the Business Plan. The version we use is the latest available, V2.
- 4) Draft Water Resources Management Plan 2024 (dWRMP24) that was published in November 2022.
- 5) Various other sources of reliable information available via industry regulators and partner organisations.

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<sup>4</sup> See AFW ICG pages for information on the Key Lines of Enquiry

<sup>5</sup> The ICG will also be contributing comments for suggested improvements to the final version of this customer summary document that AFW plans to publish.

## **Recommendation for Assurance: Customer Challenge**

**The ICG recommends to the Board of AFW that they take good assurance that the majority of criteria for customer challenge are being met by the company.**

In advance of PR24, Ofwat stated their expectation that: “Customers and their representatives must be able to challenge the companies’ ongoing performance, business plans and long-term delivery strategies. The purpose of customer challenge is for companies to receive feedback on what issues matter to customers, what their views are on various aspects of companies’ activities, and to enable customer comment on how well plans reflect their needs, priorities and preferences”<sup>6</sup>.

### Ofwat’s criteria list:

**Independence:** “The people involved in customer challenge, and the process of challenge, are independent of the company”.

- ICG view: The group has an independent Chair, 5 independent members and 2 members who represent relevant organisations; the environmental regulator, the Environment Agency (EA) and the independent consumer body, CCW. This year, we have written and signed a declaration of independence that is published on the ICG website.

**Board accountability:** “The company board is accountable for having in place a mechanism for, and listening to, customer challenge”.

- ICG view: In addition to receiving this report, the AFW Board signed off the new Terms of Reference (ToR) for the group in September 2022 and received an Annual Review from the ICG in June 2023. Additionally, CEO attendance at ICG meetings has been regular typically. Therefore, although we cannot comment on how effectively the company Board listens to customer challenge, the flow of comprehensive information from the ICG to Board is evidenced.

**Ongoing:** “Customer challenge is ongoing, addressing both development and delivery of business plans”.

- ICG view: ICG arrangements are designed to be ongoing rather than periodic. These are designed around our Key Lines of Enquiry (KLOE) framework and the process of reviewing proposals for PR24 fits into this.

**Informed:** “The challenge process is informed by high-quality, comparative information and trends over time”.

- ICG view: For continuous challenge, AFW typically provides well prepared, clear information for the ICG for both full group and subgroup meetings. Company information is supplemented by national and regional intelligence ongoing and for PR24, supplied by the CoG and Water Resources South East (WRSE), as well as additionally, via CCW and EA members.

**Transparent:** “The company is transparent about the nature of challenges raised, the company response to each challenge and the company’s relative performance”.

- ICG view: A comprehensive set of ICG challenge questions is submitted to the company following each meeting. A record of these, along with responses from the company, is published on the ICG website. AFW has also committed to publishing the ICG PR24 Report. The company is not obliged to do this, and we welcome this transparent approach to independent challenge.

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<sup>6</sup> ‘Customer Engagement Policy, A Position Paper’ Ofwat 2022



**Comprehensive:** “Challenge is focused on the full range of areas where customers can have meaningful views”.

- ICG view: Our Key Lines of Enquiry Framework is designed to bring challenge to the full spectrum of issues that affect customers. The KLOE Framework is available to read on the ICG website.

**Representative:** “Challenge comes from a representative range of customers and is open to all relevant local or national stakeholders”.

- ICG view: The group’s membership includes representatives from CCW and EA along with 6 independent members (including the Chair) who have a range of expertise in consumer (5 members) and environmental (1 member) advocacy. The EA considers that our environmental expertise is comparatively light and recommends that the AFW ICG extends associate memberships to local environmental stakeholder groups additionally.

**Timely:** “Customers are able to challenge on a timely basis, with companies responding within a reasonable time period. Companies’ challenge arrangements should allow sufficient time for effective challenge”.

- ICG view: ICG members usually have adequate time to comment effectively on relevant matters ongoing and during this PR24 process. The Annual Review and this ICG PR24 Report evidence this. However, there are times when meeting papers, requests for feedback for customer materials, requests for scrutiny of research materials and EIP sign off documentations have arrived very late. We recognise that the tight turnarounds are not always within the company’s control.

### **Research, Engagement & Insight**

During PR19, the former Customer Challenge Group (CCG) for AFW noted, in their published report, substantial reservations regarding the quality and comprehensiveness of the research, engagement and insight programme delivered by AFW in preparation for Business Plans 2020-25. These reservations were borne out with the poor rating that the company received from Ofwat in response to the initial submission of their Business Plan.

Since then, AFW has set about building competencies. During the development of plans for PR24 the ICG has challenged AWL to:

- Build a full suite of insight to identify the needs and priorities of citizens using analysis and triangulation of all relevant learning including from: ongoing operational data and intelligence, ad hoc qualitative and quantitative research, the nationally run or guided research findings, and all other relevant external sources of intelligence or data.
- Invite expert members of the ICG to comment on the scope, methodology, stimulus materials, piloting, and analysis for the nationally mandated research.
- Establish processes for the triangulation for all research, engagement and insight using best practice.

During this time, the company has delivered a series of significant improvements against all the above challenges. The ICG welcomes these and commends the considerable work that has been undertaken by AFW following PR19. Improvements include:

- A meta-document that describes ‘What Customers and Stakeholders Want’ using triangulation methods highlighted as industry best practice by CCW.
- Qualtrics system to capture day to day customer sentiment data.

- Agency management competencies for both ad hoc qualitative and quantitative research.
- Iterative consultation with the ICG to invite expert and independent challenge in line with any national guidance.

The ICG now considers that AFW is in a more solid position than 5 years ago in respect of developing and understanding insight and we will continue to encourage the company to improve further ongoing.

AFW appointed Sia Partners to audit and assure the company's research programme. This independent audit report assesses the quality and objectivity of the individual research methodologies, triangulation processes and resulting insight analysis and identification. The ICG has been kept informed of the scope of the assurance project throughout and has received both the draft and final reports directly from the agency. The ICG takes confidence from the Sia Assurance Report that expected high standards of quality have been met for the overall customer engagement programme, including evidence of this customer engagement programme, that AFW has used to inform PR24 plans.

### **Commentary & Challenge: Environment & Resilience**

Programmes of work associated with environment and resilience address the most fundamental needs and expectations of people in respect of their water company's duties. People need a clean, safe, and reliable water supply and expect this to be delivered to their homes now and in the future. AFW identifies that 'clean, safe water is the base need, there is less sensitivity to other issues'.<sup>7</sup> This is supported by findings that are published in the dWRMP24 and identifies the highest value criteria for customers as that which will 'meet the supply demand balance – provide enough water for public water supply and other sectors'.<sup>8</sup> AFW estimate that this supply demand balance will have a 450 million litre deficit by 2050<sup>9</sup> without intervention. We recognise that much of the shortfall will depend on the outcome of sought permissions for larger long-term schemes, especially the Grand Union Canal (GUC) water transfer option and the South East Strategic Reservoir Option (SESRO). These strategic resource options are outside the scope of this report as we have made commentary contributions throughout the planning phase via Water Resources South East (WRSE).

Led by the Environment Agency (EA) there are national drives to mitigate the effects of water industry operations on environmental impacts overall in order that climate change is kept in check and that local water geographies remain healthy and biodiverse. This is especially important in the AWL geography where approximately 10% of the world's rare chalk streams are located.<sup>10</sup> These matters are intergenerational, and decisions taken today will affect the lives of all future citizens. As the EA puts it: "Not only do we want everyone to have improved access to the natural environment, wherever they live, we want to leave it in a better state for future generations. This means more than just reducing negative impacts and slowing down the rate of decline. It means improving all elements of environmental quality everywhere, for everyone"<sup>11</sup>. We note that many of the environmental plans proposed by AFW are part of the Water Industry National Environmental Programme (WINEP) which has been designed by the Environment Agency, Ofwat and the Department for Environment, Food and Rural Affairs (DEFRA). PR24 will determine the funding available for the associated obligations for 2025-30<sup>12</sup>.

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<sup>7</sup> WCSW V5

<sup>8</sup> dWRMP24 p28

<sup>9</sup> POFT

<sup>10</sup> dWRMP24 p7

<sup>11</sup> EA2025 p9

<sup>12</sup> 'Review of the water industry national environment programme (WINEP)', [www.gov.uk](http://www.gov.uk)

**For this report, the EA adds a commendation that the 'AFW WINEP is one of the most ambitious water-only company enhancement programmes and is double the size of the programme in AMP7 (137 schemes/approx. £151m)'.**

AFW commitments to ensure resilience and protect the environment have been addressed in the dWRMP24 for 2025-75 and remain in development prior to the publication of the final WRMP24. These plans are a statutory requirement that seek to ensure that a clean drinking water supply remains reliable and safe for the foreseeable future while healthy ecosystems are maintained and enhanced. The dWRMP24 provides the longer-term context for the work proposed for the PR24 Business Plan to secure the resilience and sustainability of a safe clean water supply and a healthy environment.

Customer insight has informed the dWRMP24 and we note that AFW, along with all companies involved with Water Resources South East (WRSE) and Water Resources East (WRE), made significant engagement efforts throughout. Where relevant, our ICG commentary will seek to contextualise proposed commitments for PR24 within this longer-term picture as is appropriate to the interests of customers now and in the future.

In the next section, we will take the following areas in turn: Leakage, Per Capita Consumption, Business Demand, Mains Repairs, Unplanned Outages, Low Pressure, Unsustainable Abstraction, Natural Capital and Net Zero and consider if AFW proposals are compelling in demonstrating that the best interests of customers are fully represented in each case. Our commentary is designed to highlight areas where we note unanswered questions or room for potential improvement.

### **Leakage**

- AFW proposes a 33% leakage reduction target by 2030 vs 2019/20 baseline<sup>13</sup>. This figure includes both AMP (Asset Management Plan) 7 (2020-25) and AMP 8 (2025-30) periods<sup>14</sup>.
- The AMP 7 reduction target is 20% and the graph in the Line-of-Sight document suggests a reduction for AMP 8 from total 150ml/d to 130ml/d. This would represent a 13% reduction for AMP 8 and would mean a slower rate of improvement vs AMP 7.
- Shorter-term targets for leakage are only meaningful for customers if located in the context of past and projected future performance. The national target for leakage reduction is 50% by 2050 with further reductions expected beyond then.<sup>15</sup> This is an industry wide target for England to which all companies must contribute. There are also legally binding targets contained within the Environment Act 2021<sup>16</sup>.
- The route to achieving the long-term goal has been largely laid out in Water UK's document published in 2022, 'Leakage Routemap 2050'. This includes a clear graph<sup>17</sup> that visualises the journey of leakage reduction nationally over the long term. We would be pleased to see AFW lay out their leakage plan similarly so that the PR24 target is contextualised clearly for customers. The company's leakage reduction plan should also describe how AFW will deliver the leakage targets set by DEFRA.
- We consider that there is a further opportunity to explain leakage reduction more meaningfully for customers by including progress as a % of total water supply lost to leakage. In 2015

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<sup>13</sup> POFT Summary

<sup>14</sup> EA notes that the national leakage target, promoted by EA and Ofwat, is the 50% reduction by 2050 from 2017-18 levels, hindcast using Ofwat consistent methodology. Unclear why AFW are using a different baseline.

<sup>15</sup> Water Resources Direction, WRPG, Water UK 2022

<sup>16</sup> 'Our integrated plan for delivering clean and plentiful water', [www.gov.uk](http://www.gov.uk).

<sup>17</sup> Leakage Routemap 2050 p11

approximately 21% of water was lost to leakage<sup>18</sup> but it is unclear what the equivalent figure is now and how this will change on the route to 2050.

- Research indicates that leakage reduction remains at the top of the preferred investment priority list for customers<sup>19</sup> and that typically customers want AFW to move as fast as possible on leakage reduction.
- The logic of customers' aversion to leakage is that if a company is seen to waste clean water, then they have limited credible authority to ask customers to reduce usage or impose usage bans. In headline findings for recent perception research, CCW states: "The amount of leakage frustrates consumers and it undermines any calls to action from water companies to play their part by reducing water use and observing hosepipe bans".<sup>20</sup>
- This line of logic would also indicate that people view the company wasting water as akin to their wasting money. This may undermine confidence and trust in the company and impact willingness to accept price increases or trust that the company is competent to invest in resilience and environmental programmes on behalf of customers.
- This area would benefit from some deeper insight analysis. We note the following questions:
  - How significant are the associated disadvantages of leakage (eg stronger resistance to price increases or usage bans, lack of trust in the company to make competent investments, sense of futility of personal usage reductions) and, therefore, the associated opportunities to fixing better/faster?
  - Are there benefits associated with leakage reduction from reduced energy consumption, OPEX of treatment assets, reductions in carbon emissions and contributions to net zero, wider sustainability benefits etc?
  - No information has been provided in respect of supply pipe Customer Side Leakage (CSL) which we understand accounts for up to 25% of all leakage at industry level<sup>21</sup>. We urge the company to set out a plan to address this in line with Ofwat's suggestion for common industry approach to supply pipe CSL<sup>22</sup>.
  - Might a more visible or ambitious programme of fixing leaks and consistent communication of this programme have a positive impact on other measures, e.g. on consumer behaviours that could be modelled as impacts on PCC reductions, on reputation and trust that could be modelled as impacts on C-Mex or on carbon emissions that could be modelled as impacts on net zero?
  - Is the company confident that their leakage target for 2025-30 can be justified when it appears less ambitious than for 2020-25?
  - Will the company articulate how the 2025-30 position supports the delivery of the 2050 goal?
  - Has any research been conducted to test what an 'acceptable' leakage position would look like, that customers recognise as unavoidable, and how does this align with the 2050 goal?

### **Per Capita Consumption:**

- AFW's stated target for PCC is a 9% reduction vs 2019/20' baseline<sup>23</sup>. This figure covers AMP 7 (2020-25) and AMP 8 (2025-30).

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<sup>18</sup> dWRMP p8

<sup>19</sup> dWRMP p 26

<sup>20</sup> Bridging the Gap, CCW, 2022

<sup>21</sup> Leakage Routemap 2050, p8

<sup>22</sup> 'Affinity Water – draft water resources management plan 2024 consultation response', Ofwat, February 2023

<sup>23</sup> POFT summary

- The Line-of-Sight document graph indicates that the proposed PCC reduction will be from approximately 152l/d in 2025 to approximately 142l/d by 2030.
- This target represents the next step towards the national 2050 commitment for domestic water usage of 110 litres per person per day.<sup>24</sup>
- It is unclear how this next phase of demand reduction fits with past performance and with the route to the 2050 target as well as the legally binding targets set out in the Environment Act. As for leakage, we recommend contextualising this for customers.
- PCC targets are typically expressed as litres per person per day which is meaningful to customers as it is possible to comprehend what that means in real life. We recommend this metric be described equivalently rather than by the less clear % reduction figure.
- A PCC target of 142l/d by 2030 is a less ambitious target than the one agreed for PR19. The LOS document states provisionally that the PR19 PCC target will be missed and that activities will deliver usage reductions to 152l/d vs a target of 136l/d<sup>25</sup>. We note that Ofwat have made it clear that they expect AFW to deliver against the PR19 target for PCC and 'ensure it is demonstrating sufficient ambition to challenge itself to reduce PCC levels'<sup>26</sup> over the long term. It seems then that the end point for AMP 7, and, therefore, the start point for AMP 8 are still unclear<sup>27</sup>.
- AMP 7 current in year PCC figure is 157.9 l/d from a high of 171 l/d<sup>28</sup>. Indications are that recent water saving messaging programmes have driven improvements to year-on-year figures for 2020-25 but that these are yet to be reflected in the 3-year rolling average. A breakdown of how these improvements have been achieved would be useful to understand where further potential may lie.
- AFW has one of the highest rates of domestic usage in the industry<sup>29</sup>. The company's headline position on why this is the case is 'our customers use a lot of water with no real understanding of how much, and no conviction that they really need to use less'<sup>30</sup>. This conclusion appears to have been drawn from data that suggests that AFW customers consistently underestimate their water usage vs average with over 50% claiming to use less than the average household<sup>31</sup> but does not appear to have been triangulated with the raft of intelligence available from other sources. We are not convinced that this headline position represents meaningful insight.
- We support the tailored approach described in the dWRMP24 as follows: "we need to understand the key drivers for these differences, to tailor our messaging and our activities to help individual customers reduce their consumption".<sup>32</sup> The segmentation work described, that divides customers into cohorts from super high to super low users, is strong and has delivered specific insights that could lead to increasingly tailored activity<sup>33</sup>. We recommend revisiting and building upon the Kantar work that delivered detailed insights segmented by user cohort and water behaviour type.
- The planned proposals to deliver reductions for 2025-30<sup>34</sup> are described as relying on the following:
  - Installation of 400K smart meters.
  - Tariff trials.
  - Continuation of Home Water Efficiency Checks (HWEC).

<sup>24</sup> Water Resources Direction, WRMG, Water UK, 2022

<sup>25</sup> 'Line of Sight V2', internal Affinity document, p 15

<sup>26</sup> 'Affinity Water – draft water resources management plan 2024 consultation response, Ofwat, Feb 2022

<sup>27</sup> The EA notes concern on the lack of clarity/contradictions in the data provided.

<sup>28</sup> dWRMP24 p9

<sup>29</sup> dWRMP24 suggests 10l/d above national average.

<sup>30</sup> 'WCSW' v5, internal Affinity document

<sup>31</sup> 'WCSW' v5, internal Affinity document quoting Kantar and Water Community research results

<sup>32</sup> dWRMP24 p39

<sup>33</sup> 'WCSW' v5, internal Affinity document quoting Kantar research work

<sup>34</sup> 'POFT'

- Advocacy for the Government led white goods labelling as well as for minimum standards and building regulation improvement
- Given the challenging historical performance on this measure and the risks inherent in modelling behaviour change, the company would benefit from deeper insight work to identify more precisely those opportunities for behaviour change led reductions. We note the following questions:
  - Can the opportunity identified for the smart metering programme to be explained further taking account of:
    - Findings from the current metering programme that is expected to deliver 75% penetration by 2025<sup>35</sup>. A figure of 12% lower usage for metered vs unmetered properties is noted in the dWRMP24.<sup>36</sup> but we cannot locate any evidence that this is known to be sustained over time.
    - Evidence of sustained behaviour change in smart metering trials that demonstrate advantages on top of the expected reductions for non-smart metering which have largely already been banked?
    - Risk analysis considering customer experience and ease of use, including noted barriers associated with data download issues, battery life and obsolescence as well as digital inexperience?<sup>37</sup>
    - Clarity on if this will be a compulsory or optional programme along with an understanding of how acceptable installations of smart meters are to customers, especially those who may have recently had non-smart meters installed?
    - Understanding that this is proposed as the first phase of a 15-year programme, what will the company do to support usage reduction ongoing for households prior to their smart meter installation?
    - Alternative roll out pace proposals, noting that the EA recommends that AFW 'aim to complete the full roll out by 2035 and complete areas with highest household demand by 2030'<sup>38</sup>.
    - Opportunities for smart meters for business customers.
- We are interested to understand the potential size of opportunities to expand other usage reduction options, especially as the benefits of smart metering will take time to accumulate, including:
  - HWEC: what is the rationale for only 78K<sup>39</sup> planned for AMP 8 when research indicates that 2 in 5 households, potentially 600K households, would accept one if offered one<sup>40</sup> and the company's expressed view is that they 'continue to represent the most effective way of achieving substantial in-house efficiency'.<sup>41</sup> This position is backed up by CCW's research that 54% of customers would like a free visit to check their home and pipes for leaks.<sup>42</sup> Is there a long-term plan to offer a HWEC to every household who wants one and if so how does the 78K fit into this? Has AFW measured how much a household typically saves following a HWEC and therefore modelled metrically the potential opportunity for both water saving (PCC) and cost saving (average bill reduction following a HWEC)?

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<sup>35</sup> dWRMP24 p 132

<sup>36</sup> dWRMP24 p 42

<sup>37</sup> dWRMP24 p 154

<sup>38</sup> 'Response to Affinity Water's draft management resources plan', Environment Agency

<sup>39</sup> dWRMP24 p 157

<sup>40</sup> WCSW Behaviour Change 1

<sup>41</sup> dWRMP p156

<sup>42</sup> 'Water Voice – views of current customers on water resources', CCW

- In-home Customer Side Leakage (CSL): No information was provided on the potential opportunity available with a plan to help customers resolve in-home CSL. For clarity we divide CSL into 2 categories – in-home CSL (taps, loos, showers) which is included in PCC counting and outside home CSL (supply pipe leaks on customer property) which is included in leakage counting. We note AFW's engagement with Thames and Anglian on findings from smart meter trials indicates that 'the majority of benefits' are gained from homeowners repairing leaks within their properties.<sup>43</sup> In summary, we would encourage the company to explore in-home CSL as an area of opportunity that could be enhanced quickly without waiting for the benefits of the smart metering programme to kick in.
- Save our Streams (SoS) campaigns: This campaign was initiated following discussions with the ICG about how AFW might link water saving to the protection of local river environments. It was described by The Water Report as 'perhaps the most quirky, engaging and successful water-efficiency campaign the industry has ever seen' and nearly 75% of people who came across the campaign said they had taken some form of water saving action as a result.<sup>44</sup> This seems like a very promising start and we understand that this campaign has so far only run in limited geographies. What are the learnings from this campaign so far and, if it is delivering successful results, what is the size of the usage reduction opportunity for extending SoS across all areas?
  - We note that the plan relies heavily on government support in respect of water labelling, minimum standards and building regulations improvements and that without this support the AFW plan delivers only 124l/d PCC by 2050<sup>45</sup>. We do not know how likely or otherwise it is that the government will make these changes or by when they would be likely to take effect. We would like to understand if the company has got a plan B to achieve 110l/d PCC by 2050 if a full suite of government support is not forthcoming?
  - Are there national insights available in respect of behaviour changes to water usage? We might point to the Artesia report commissioned by Ofwat that has insight on water usage trends over the last 60 years.<sup>46</sup>
  - People hear behaviour change messages from multiple organisations especially around energy and health as well as water. Is there any research available or planned that AFW could access or participate in that asks questions around a) efficacy of messaging b) risks of overwhelming people with multiple messaging c) opportunities for the collaborative co-ordination of messaging?
  - Are there are untapped opportunities to amplify water saving messaging by joining forces with other companies or organisations on consumer usage reduction programmes?

### Business Demand

- AFW states an intention to reduce business demand by 5% by end 2030 vs 2019/20. As for HH demand reduction, this covers AMP 7 (2020-25) as well as AMP 8 (2025-30). As previously noted, the Environment Act contains a legally binding target to reduce business demand.
- It is unclear what the target is for AMP 8 is or how it fits with the long-term trajectory for business demand reduction. It is also unclear what the equivalent goal to the 110l/d PCC for NHH is. Nor is it clear why the business usage reduction target is lower than the domestic usage reduction target.

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<sup>43</sup> dWRMP p156

<sup>44</sup> The Water Report Mar 22 p24

<sup>45</sup> dWRMP p162

<sup>46</sup> 'The long-term potential for deep reductions in household water demand', Artesia Consulting, Ofwat, 2018

- We recognise that the plan outlined in the dWRMP24 mentions business premises leakage reduction, water use reduction audits, water recycling and water efficiency incentives<sup>47</sup> but have not been given the contextual information that would allow us to comment on the extent to which this represents an ambitious plan.
- Possible savings of up to 10000l/d per business are noted but we cannot comment on how far the target is ambitious in allowing for 200 collaborative projects across AMP 8 as we do not know how many, or what types of, businesses AFW serves.
- Is there an opportunity to join forces with other companies to develop a national or regional approach to business demand reduction?

### **Mains Repairs**

- The company headlines a proposal for a '6% reduction in the number of mains repairs'<sup>48</sup>
- Plans to accelerate root cause understanding, invest in calmer network and asset optimisation, and increase proactive maintenance are noted but we are not able to comment further on these technical solutions. Nor are we equipped to comment on the degree of ambition for this target as no context, benchmarking or information on current performance has been provided.
- The case for this commitment might be more compelling if the company explains what improvements led to the 'best ever' performance and resulting move up the rankings to an industry position of 5/17 in 21/22, from 13/17 in 21/22, and how these learnings have been embedded into future plans.
- We encourage the company to consider if there are any other factors regarding mains repairs that may benefit from further customer insight and improvement, especially in respect a) communications to manage expectations of disruption b) consideration of people with disabilities where mains' repairs may impact those with limited mobility or sight.

### **Unplanned Outages**

- The company headlines a commitment to 'Continued reduction in unplanned outages'<sup>49</sup> although it is unclear what the metric target attached to this commitment will be.
- Improved approaches to response to failure, implementing remote reset and assessment mechanisms and improving capacity and scheduling for testing are noted but we are not able to comment further on these technical solutions. Nor are we equipped to comment on the degree of ambition for this target as we have not had access to relevant context or benchmarking.
- The narrative case for this commitment might be more compelling if the company explains what improvements led to the move up the rankings to an industry position of 6 in 21/22, from 11 in 20/21, and how these learnings have been embedded into future plans.
- We encourage the company to consider if there are any other factors regarding unplanned outages that may benefit from further explanation, especially in respect of a) communications to manage expectations of live disruptions a) consideration of the additional needs of customers in vulnerable circumstances.

### **Low Pressure**

- The company proposes a commitment to 'Reduce average time customers experience low pressure by 30%'.<sup>50</sup>

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<sup>47</sup> dWRMP p 159

<sup>48</sup> POFT summary

<sup>49</sup> POFT summary

<sup>50</sup> POFT summary



- National research from CCW suggests that most AFW customers are satisfied over time (84-92%) with their water pressure and that this satisfaction level is in line with the industry average. However, AFW suggests that low pressure is a high impact issue for those households who experience low pressure permanently.
- The ICG acknowledges that average responses can conceal the views and experiences of smaller cohorts of customers who are disproportionately impacted by an issue, and we welcome the company's determination to address this.
- Our understanding is that it is the industry standard to express this as a reduction to the average time experienced of unexpected low pressure. It is unclear, therefore, if the cohort of customers who are disproportionately impacted by low pressure will benefit from improvements pegged to this specific measure.
- While we welcome all the plans for improvements to low pressure, we especially note the intention to resolve persistent localised low pressure and encourage the company to offer additionally evidence of the benefits to those households who are experiencing high negative impacts currently.
- This improvement is proposed as one of two Bespoke Performance Commitments (BPC) for 2025-30 and has now been approved by Ofwat.

### **Unsustainable Abstraction**

- The company headlines the intention to 'continue to reduce abstraction at times of low river flow' and 'reduce water taken from chalk aquifers by 35 m l/d'.<sup>51</sup>
- This will contribute to the achievement of the objective to end unsustainable abstraction from rivers in the Affinity geography that contain rare chalk stream habitats. Unsustainable abstraction relies additionally on the introduction of regional water transfer options described in the dWRMP24.
- The associated proposed bespoke commitment for PR24 is for the Abstraction Incentive Mechanism (AIM).
- For the 2025-30 period AWL indicates that abstraction reduction will leave in the river environment 35 million litres per day. How will the company communicate the outcomes of this commitment insofar as what people will experience as different before and after implementation?
- The Affinity geography has many well supported river protection groups. The ICG would encourage a deeper engagement with these community groups who are likely to have a great deal of very local knowledge and expertise.
- This improvement is proposed as one of two Bespoke Performance Commitments (BPC) for 2025-30 and has now been approved by Ofwat.

### **Natural Capital**

- The company headlines intentions to deliver a 'programme of river restoration and catchment management to improve the wider river environment' and 'Improve the biodiversity across our land'.
- The ICG are pleased to see that AFW plans to build on the work and learnings from the Environment & Innovation Projects that have comprised a bespoke Performance Commitment for AMP 7 and that are delivering promising results<sup>52</sup>.
- We note this progress in the context of the commentary of the Environment Agency: "Many of our water bodies are in a fragile state. Intensive agriculture and urban land-use often pollutes

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<sup>51</sup> POFT

<sup>52</sup> AFW ICG have a formal role in signing of gateways for each of these project

waterways and threatens valuable wetlands, peatland and biodiversity. Climate change will exacerbate these pressures”.<sup>53</sup>

- While it is not clear how the success of catchment management will be assessed, we acknowledge that this is a complex area and requires multiple work strands with a variety of partners to be woven together for action to take positive effect on environmental improvements and sustainability.
- We encourage the company to consider how to explain that they will:
  - Identify how success might be measured.
  - Ensure that there are robust processes in place to gather and embed learnings across a complex work programme.
  - Describe a plan to roll out successful schemes across catchment areas.
  - Build strong relationships with all relevant partners.
- While the POFT does not include any detail on the biodiversity and INNs (Invasive Non-Native Species) target, elsewhere AFW notes<sup>54</sup> that this is a new Performance Commitment set by Ofwat. Research seems to indicate that where customers have been given specific explanations of what this work programme will improve, that they understand and support it.<sup>55</sup>
- The graph in LOS suggests there is currently no measurable activity taking place in respect of biodiversity or INNS but that from 2026/27 the effects of this programme will begin to be measured in units per 1000km<sup>2</sup> of supply area. The target looks to be 2.75 units by 2030.
- The LOS indicates that there is a detailed plan that includes implementation of: pollinator management at 50 sites, habitat management plans at 55 sites, maintenance of Springwell reedbeds, planting 100K trees, establishment of 15 strategic sites. We are not able to comment further on these as we do not have the background information to understand if these represent ambitious targets.
- Overall, we note that local know-how can be very useful, and we encourage AFW to increasingly build strong meaningful relationships with local community stakeholders who may provide expert insight. We would like to see this highlighted in the planning process and delivery plan.
- Members encourage AFW to consider how to start joining up messaging around the activity to protect the environment and activity to address the water demand/supply balance. A holistic narrative will be useful for customers, whose participation is required.
- We recognise that research insight indicates that customers are inclined to prioritise current, visible, and local environmental improvements over the longer-term goals to achieve carbon net zero. Joining up the narrative for shorter-term and longer-term environmental strategies may prove useful.

## Net Zero

- The company is proposing to commit to ‘Reduce our net operational greenhouse gas (GHG) by 9% from 2021/22’ (POFT). This target is expressed as a step towards achieving net zero by 2050.
- A plan of action to achieve this target is summarised in the POFT. AWL’s approach to net zero covers a broad spectrum of measures ranging from standard equipment efficiency improvements, through to the generation/purchase of renewable energy, in addition to more novel innovative projects such as sea grass restoration and market making/facilitating interventions. The ICG recognises the stretching ambition of this diverse array of measures.

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<sup>53</sup> EA2025 p9

<sup>54</sup> Line-of-Sight V2, Affinity internal document

<sup>55</sup> dWRMP24 p33

- It would be useful to understand how the 9% reduction planned for 2025-30 fits in with the path to net zero by 2050 and the extent to which that is suitably ambitious as a next phase.
- AFW's net zero carbon plan follows the energy management hierarchy, with a 7.5% reduction in energy use by 2030, although, as they have not provided any context as to the energy they consume and the associated emissions, it is not possible to comment on the appropriateness of the ambition. We would encourage AFW to provide greater transparency on the sources of energy consumption and emissions through a carbon footprint.
- The company's approach to net zero covers both mitigation and sequestration using the natural environment. We note some quantification of the former, but we cannot find estimations for the latter. While the ICG recognises the difficulty and novelty of such quantification, we encourage AFW to look at this to support future investment decisions.
- The company is proposing to reduce operational greenhouse gas (GHG) emissions by 9% by 2030, as part of the commitment to reducing operational greenhouse gas emissions to zero. It is unclear how much of this target is reliant on the decarbonisation of the electricity grid (which will be 100% renewable by 2035) and how much is down to the direct efforts of AFW. We encourage AFW to clearly articulate this separation of ownership.
- It would be helpful to understand, e.g. through a business Carbon Footprint, how the 9% reduction in operational Greenhouse gas emissions links into the 2045 target for net zero operational and embedded emissions, which has not been included in the POFT.
- AFW is committed to generating 10% of their energy consumption by their own renewables by 2030. It is unclear how this figure has been determined, and considering the high cost of electricity, and AFW's high fixed load needs, we wonder if this could be more ambitious.
- AFW offers set a number of targets without details on how they will be measured e.g. Electric vehicle replacement or the reduction/elimination of fossil fuel use in standby. We would encourage AFW to make all targets measurable.
- We note that AFW published a Climate Change Adaptation report in 2021 following on from the previous one in 2015.<sup>56</sup> It would be useful to understand how AFW now intends to join up communications regarding commitments in this report, and any subsequent Climate Change Adaptation report, with the upcoming PR24 Business Plan and WRMP.

### **Commentary & Challenge: Customers & Communities**

Water is, of course, essential to human survival and the ability to afford a supply of clean water is imperative. In the context of an inflation driven cost-of-living crisis and requirements to fund greater investments in future resilience, water bills are inevitably increasing. While some households can meet these costs there are many who struggle. These households are also struggling to meet the rising costs of other basics including housing, food, and energy. CCW's challenge to the industry is to achieve zero water poverty. This will mean that no household pays more than 5% of their income after housing on water bills. This target refines the industry's definition of affordability as ensuring that no-one struggles without support to pay their water bill rather than understanding affordability as low bills for all. This distinction is vital to ensuring that enough funding will be available to enable the required investment to protect future water and environmental resilience. However, this distinction is also now precarious as it is unclear how the proportion of households who can afford bill increases vs those who cannot is

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<sup>56</sup> Climate Change Adaptation Report, 2021

changing and therefore the extent to which assumptions on how mitigations will be funded remain accurate.

In addition to mitigating water poverty, water companies are also responsible for ensuring that customers who may need extra non-financial support have access to this. There are many households who rely on help to manage their water-related needs in respect especially of illness or disability.

All people need water every day. Inclusivity as standard practice is vital therefore to a well-functioning water sector that ensures that everyone who wants information can get it easily via the communication medium of their choice. Furthermore, customers need to be able to rely on their water company to provide an efficient and respectful response to all queries and complaints.

In the next section, we will take each of the following areas in turn: Affordability & Vulnerability, Trust & Transparency and Water Quality and then consider if AWL proposals are compelling in demonstrating that the best interests of customers are fully represented in each case. Our commentary is designed to highlight areas where we note unanswered questions or room for potential improvement.

### **Affordability & Vulnerability**

The overall affordability and acceptability (A&A) of the proposed plan and bill profile 2025-30 has been tested recently with customers. This research has been conducted in line with national guidance. Findings show that there is a significant gap between the extent to which customers consider the plan to be acceptable (72%) and the extent to which the corresponding bills necessary to fund the delivery of these plans are considered affordable (19%). We note that these figures are in line with the findings of all companies nationally. We also note that most household customers (72%) agree that funding for investment in future resilience and environmental protections should be spread intergenerationally rather than being delayed.

Therefore, it seems that most customers agree that the plans to support long-term future resilience, environmental protections as well as ongoing improvements to operations are appropriate and that bills increases to fund these should be distributed fairly over time. However, there is clearly a very significant concern for many households about the ability to make ends meet in the short and medium term.

This gap is very concerning. We recognise that the proposed bill increases risk more households experiencing water poverty. Conversely, the risk of lower bill increases is the failure to provide adequate funding for long term resilience and environmental protections. Striking the right balance will be difficult.

We also recognise that AFW's new tariff pilots are designed to balance affordability with resilience and environmental protections. We commend this sophisticated approach but recognise that it will take some time to learn, refine and roll out these initiatives.

In parallel, AFW have a full suite of support packages available for customers in financially vulnerable and non-financially vulnerable circumstances. We understand that these support packages are one of the strongest in the water industry and recommend that AFW verify that this is the case. We will continue to challenge the company to improve and enhance these support packages ongoing. We also recommend that the company, perhaps working alongside partners, conducts an audit of best practice in the water industry and in adjacent industries in respect of support for financially vulnerable and non-

financially vulnerable customers to learn how to improve faster. These mitigations to hardship will be crucial to striking the right balance for bill increases.

Further detailed commentary below:

- AFW states intentions to ‘make our customer charges fairer’ and ‘achieve zero water poverty’.<sup>57</sup>
- National research from CCW indicates that the majority of Affinity customers find their bills both affordable (80%) and fair (61%) with both of these measures performing in line with national averages and indicating a positive upward trajectory over time.<sup>58</sup>
- Zero water poverty, an ambition set by CCW for the industry, would mean that no customer will pay more than 5% of their income after tax and housing on water bills. Recent research has mixed findings on the extent of customer support for social tariff contributions. Willingness to Pay studies suggest that customers are willing to pay to support this goal at an increased rate vs previously of up to £13.00 while Social Tariff research suggests that majority of customers support the status quo cross subsidy of approximately. Further triangulation is required.<sup>59</sup>
- AFW estimates that there are 50K households experiencing water poverty in the company geography while more than 94K households are signed up for the Low Income Fixed Tariff (LIFT). This is the 4<sup>th</sup> highest proportion of customers signed up to social tariff of any water company and clearly an area of existing strength in AFW’s offer to customers.<sup>60</sup>
- AFW have analysed the available data and conclude that the number of households nationally experiencing water poverty may rise in the coming years from 12% in 2019 to 20% by 2022<sup>61</sup>. It is yet unclear how this national picture will map onto Affinity’s customer base.
- In recent ICG meetings, the company has outlined their process to continue to identify not only any remaining households eligible for the social tariff but those to identify households who will become eligible for a social tariff and proactively offer support.
- AFW has a good track record of developing a range of flexible financial support offers for all customers who might need help with bills including a higher rate LIFT for single adult households, the Water Sure tariff for households with legitimate high water usage needs, Crisis Fund payments for households experiencing unexpected, one-off financial difficulties and a ‘Cost of Living payment’ crediting £50 to those eligible and suffering disproportionately due to recent cost of living increases.
- We also welcome the company’s new approach to debt amongst financially vulnerable cohorts. This change of policy means that anyone on the social tariff scheme but failing to keep up with payments will no longer be removed from the support scheme.
- Debt management schemes overall are also evidently improved in recent years and include support schemes to get households back on track with payment matching, water direct, flexible payment plans, payment breaks and access to advice from National Debt Line and others.
- Tariff trials that peg higher costs to discretionary usage are underway. Members have supported the initiation of these trials and will support the process of learning ongoing. However, we caution the company to demonstrate objectivity as learnings from these trials unfold. It may be premature to make commitments beyond trial phase at this time as AFW look to be doing in the POFT.
- We note that the POFT does not mention any target in respect of supporting customers in non-financially circumstances and suggest that this is addressed. While we recognise that there may be a significant overlap between those in financially vulnerable circumstances and non-financial

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<sup>57</sup> POFT summary

<sup>58</sup> Water Matters 2022, Affinity customers, CCW

<sup>59</sup> ‘Line-of-Sight’v2, Affinity internal document p30

<sup>60</sup> dWRMP24 p36

<sup>61</sup> Line-of-Sight V2, Affinity internal document, p29/30

vulnerable circumstances there are clear requirements to take separate account of those customers who need adaptations to service to best support their needs.

- Our understanding is that the company has a comprehensive and flexible package in place to support customers in non-financial vulnerable circumstances with 90K households signed up to the Priority Service Register (PSR). It would be helpful to see this described alongside data sharing programmes with partners.

### Trust and Transparency

- AFW's headline commitment is to 'become a top 8 performer for Customer Experience'<sup>62</sup>
- For 2021-22, the standardised national metric for customer satisfaction places Affinity at 14 of 17 companies<sup>63</sup>. Affinity has been performing at around this level for some years and it is hard to see how an ambition to perform in the top 8 of all companies can be achieved, especially in the context of all companies seeking top league table positions.
- There is no detailed plan available to consider but there is an overview that suggests improvements will be focused on user interfaces for mobile and web, enhanced communications around leakage and affordability, smart meter data information and help accessing support services.
- Considerably further detail would be required across the full suite of customer service improvements to provide confidence in the proposed commitment. This should include a plan to explain how services will be inclusive, including for those who are digitally disadvantaged.
- From information that we have received in recent meetings, there appears to be a mixed picture in respect of customer service. In general, service satisfaction feedback is reported to be good when taken after the customer has had contact with the company. However, other data, including C-Mex scores, indicates a less confident position.
- We note that CCW's research into matters of customer trust in water companies indicates that demonstrating responsible behaviour with the environment and fixing leaks are the top measures highlighted by customers that would improve levels of trust in their water company.<sup>64</sup> How can AWL use Qualtrics and other perception and trust research to track how different programmes of activity inspire customer trust?
- During recent discussions with the company the ICG uncovered an issue with phone access to call handlers. Abandonment rates for calls were found to be up to 50%. While improvement plans are now underway a full plan is yet to be delivered and there is an opportunity to link this directly to this performance ambition.
- Additionally, we know that AFW teams are working on the following matters and would encourage the taking account these in any action plan:
  - Equality of platform work to ensure that all methods of interaction are suitably easy to use from phone, live digital chat, social media, email and written.
  - Evolution of segmentation work for improved personalised messaging.
  - Development of partnership work to support citizens who are digitally excluded or disadvantaged.
  - Continued considerations of accessibility in respect of alternative language options include Braille and sign language interpreters.
  - Consistency of accessible language and tone of voice across all communication platforms.

### Water Quality

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<sup>62</sup> POFT summary

<sup>63</sup> Ofwat C-Mex results

<sup>64</sup> 'Perception and trust in water companies', CCW

- The headline statement from AFW is to ‘maintain excellent water quality performance’.<sup>65</sup>
- Water quality is a very high priority for customers. AFW is currently a top performer for water quality when measured both by numbers of complaints contacts and by adherence to the Compliance Risk Index (CRI) which tracks quality failures. However, AFW conclude that research reveals that there are variable levels of satisfaction overall that appear to be driven by hardness.<sup>66</sup>
- We note that CCW research indicates that Affinity customers are satisfied with the aesthetic quality of their water in all aspects except hardness where they are more likely to be unsatisfied than not with typically 42% satisfaction levels vs an industry average of 52%.<sup>67</sup>
- AWL details two core elements to this goal to maintain excellent water quality performance – raw water quality and lead pipe replacements. An additional target area, aesthetics & hardness, appears in the LOS document.
- No numeric measurable metrics attached to any of these goals have been supplied although information appears to be detailed and expert. While these are technical areas about which we can offer limited commentary the narrative case would appear strengthened by measurable metrics.
- We observe that a very complex set of technical solutions are required to address a very straightforward human need and suggest the narrative case may be set out in certain circumstances in a way that makes sense to consumers of water. Essentially, this means providing answers to 4 simple questions: 1) Is the water clean and safe for human health? 2) Is the water quality safe for the environment’s health? 3) Does the water look and taste good? 4) Is the water hard or soft?
- People in England & Wales are generally able take for granted good water quality as the industry has had high standards over the long term. There may be opportunities for a water only company, performing highly on these quality measures, to highlight good news across their whole portfolio of work around water quality as well as noting planned improvements. We observe that focusing only on the solutions to the latter risks highlighting risks that are in reality minimal but appear serious eg lead pipe toxicity.

## **Conclusion**

The re-design of independent challenge arrangements, to focus on influencing improvement rather than providing assurance or making assessment, has made for a rewarding period for the ICG. It is really pleasing to see increasingly how our discussions are making a real difference to activity and strategy.

This ICG PR24 Report has sought to offer the AFW Board assurance on how independent challenge is taking shape using consumer and environmental advocacy experts as a ‘customer lens’. We also hope that our commentary will be used to influence improvement ongoing. All our work is continuous, and we will be pursuing the many questions that we have outlined in this report as we continue to follow our Key Lines of Enquiry.

There is always more to do. We look forward to continuing the journey.

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<sup>65</sup> POFT summary

<sup>66</sup> ‘Line-of-Sight’ v2, AWL internal document, p22

<sup>67</sup> Water Matters 2022, Affinity Customers, CCW

This Review has been written by Caroline Warner, ICG Chair, with comprehensive contributions from all independent expert members as well as from members representing CCW and the EA. All views are entirely independent of AFW and reflect a consensus of members unless otherwise noted.

Chair:

**Caroline Warner:** Established Chair and Non-Executive Director with a long track record in consumer brand business leadership including with L’Oreal, Drambuie and Louis Vuitton Moet Hennessy (LVMH).

Independent Members:

**Dr. David Holden** (Chair, subgroup for Customers & Communities): Experienced customer research and engagement expert, with an academic specialism in 'willingness-to-pay' studies.

**Anthony Smith** (Chair, subgroup for Environment & Resilience): Chief Executive of Transport Focus and previous experience as a principal consumer lawyer.

**Unette Spencer:** Vice President of Customer Solutions at Mastercard with specialisms in customer loyalty including experience gained at CACI, Dunnhumby and Mastercard.

**Bob Winnington:** Chief Executive of the Money Advice Liaison Group with expertise in money advice and personal debt, supporting vulnerable customers, and addressing the long-term eradication of debt.

**Todd Holden:** Senior expert in innovative low carbon, energy efficient policy and environmental solutions with economic benefits, working across private and public sector organisations.

EA and CCW Members:

**Dr Ana Maria Millan Villaneda:** Policy Manager at CCW, with academic specialism in demand management, climate change and the water environment.

**Jonathan Sellars:** Account Manager at EA, overseeing environmental performance and resource planning across the South East, including across WINEP and WRMPs.

## Sources

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'Planning Our Future Together'

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'Line-of-Sight V2' (internal document)

'Draft Water Resources Management Plan 2024 for Affinity Water'  
Report for AFW from Sia Partners (to be delivered)



**Ofwat**

'Affinity Water Draft Water Resources Management Plan consultation response'  
'Customer Engagement Policy: A Position Paper'  
C-Mex results 2021/22

**CCW**

'Triangulation: A review of its use at PR19 and good practice'  
'Guidance for water companies: testing customers' views of the acceptability and affordability of the PR24 business plans'  
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Water Matters 2022: Affinity Customers  
'Perception and Trust in Water Companies'

**Environment Agency**

EA2025, Environment Agency  
'Representation on Affinity Water's draft management resources plan', Feb, 2023  
Climate Change Adaptation Report

**Water UK**

Water Resources Direction, WRMG, 2022  
Leakage Routemap 2050

A detailed record of the work of the Independent Challenge Group for Affinity Water can be found in the Challenge Tracker that the company commits to keep updated. This is available on the ICG pages of the Affinity website along with the Key Lines of Enquiry Framework, ICG Terms of Reference, meetings' minutes, Annual Reviews, and other relevant documents.