

AffinityWater

ICG Meeting Minutes 22 February 2024





Minutes of the Meeting of the Independent Challenge Group

Thursday 22nd February 2024, 13:00 – 16:00 (Teams)

ICG members in attendance		
Caroline Warner	<i>Chair</i>	CW
Ana Maria Millan	<i>CCW</i>	AM
Unette Spencer	<i>Independent</i>	US
David Holden	<i>Independent</i>	DH
Todd Holden	<i>Independent</i>	TH
Bob Winnington	<i>Independent</i>	BW
Affinity Water members		
LW	<i>Director of Regulation and Strategy</i>	LW
RF	<i>Interim Director of Customer Experience</i>	RF
FR	<i>PR24 Stakeholder Engagement Manager</i>	FW
JT	<i>Head of Financial Support & Service Delivery</i>	JT
MH	<i>Head of Economic Regulation</i>	MH
Apologies		
Anthony Smith	<i>Independent</i>	AS

Agenda Item	Minute	Action
1.0	Welcome and Introduction	
	Welcome from Caroline.	
2.0	Environmental Innovation Projects (AMP7 Bespoke PC)	
	<p>EIP discussion previously held at the ICG Environmental Subgroup in October/November 2023. Additional detail also provided in the meeting pack for today. Purpose of the discussion today is for approval of Gate 2 on the EIP process.</p> <p>The ICG has a formal role in these projects to sign off the gates for the bespoke performance commitments.</p> <p>Gate 2 sets out what the project will do to achieve the objectives.</p> <p>TH asked for a copy of the Arup Report to be circulated.</p> <p>TH mentioned that within Greater Manchester there is an environment fund so it could be useful to have a conversation with them around setting up such a fund.</p> <p>The ICG formally approved Gate 2.</p>	LW/AL
2.0	Business Plan Update	
	<p>Ofwat are currently undertaking their formal assessment. There have been multiple clarification queries around some proposals and data.</p> <p>Pre- Christmas Ofwat were reviewing the quality aspects of the plan and they are now reviewing the ambition assessment (QAA) and they will be looking at the ambition that has been put forward in detail over the next 3 months and splitting in terms of performance commitments and outcome delivery incentives.</p> <p>Costs proposed will be assessed and will be split between base costs and enhancements costs.</p> <p>The last review is the risk and return balance.</p> <p>Initial formal feedback received from Ofwat covered key points of feedback on the quality assessment. There wasn't a huge amount</p>	

	<p>with just a couple of specific areas where they didn't feel the criteria had been met for the quality side on the risk and return balance. The Ofwat RORE assessment compares all companies on a standardised basis and they would have liked to have seen evidence within the Affinity plan that looked across the industry.</p> <p>TH asked if Ofwat differentiate between Water Only and Water and Waste treatment companies on RORE. LW confirmed that Ofwat compare across the whole industry.</p> <p>Another area of feedback received related to dividends and dividend yield for shareholders which Affinity are unlikely to actively change. Although it is anticipated that when draft determination is received that there will be an efficiency challenge on costs.</p> <p>The final area of feedback was around the dividend policy itself. Ofwat have recently gained stronger power to assess the dividends that are paid in line with the policies that have been written. Affinity didn't reference inflation in their policy for customers or shareholders and Ofwat would like to see that included. Discussions are taking place with Board and Shareholders to agree decision. Affinity are confident that what they have got within the dividend policy is clear, transparent and fair.</p> <p>Feedback has been minimal and there hasn't been a request to resubmit the business plan. There is no date for the draft determination, but it is expected to be mid-June.</p> <p>CCW report on affordability – LW confirmed that there hasn't been any feedback on affordability, but that Affinity did put forward the smallest bill increase and that they already one of the lowest bills in the industry.</p> <p>JT confirmed that there is the affordability assistance payment in place where a customer may not qualify for social tariff there is provision for help and support. This may not be available every year in the future but Affinity did provide this last year and will again next year.</p> <p>CW asked that as we move forward through this AMP and receiving the DD is there any particular role remaining for the ICG regarding the Business Plan. LW confirmed that it will be important for the ICG to be involved in the draft determination with regards to the Ofwat/CCW feedback to ensure that Affinity are taking on board customers views perhaps in the form of a brief report. An additional ICG may need to be arranged.</p>	
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3.0	<h2>Licence Condition Change – Customer Focused Licence Condition and Vulnerable Customers</h2>	
	<p>Update provided in the meeting pack. Following consultation Ofwat introduced new condition in the licence in February 2024. It is a move to 'principal based' licence condition to encourage the very best service for customers.</p> <p>JT took the ICG through the licence conditions to be met and how Affinity are working to meet that element of the condition. There is the opportunity to share examples of best practice with Ofwat which Affinity will do.</p> <p>Vulnerability – Affinity will be producing a strategy document by the end of June. This will then be checked and validated (over a year) before it's published in June 2025. BW asked about the approach to consumer duty, which is focusing on the outcomes, and would the same approach be appropriate for this element? RF confirmed that this hasn't been shared but that there is a meeting at the end of March with Ofwat. RF explained that in order to achieve the ISO accreditation for 2024 Affinity have built a suite of metrics to highlight what good looks like, in outcomes, which could also be included on this document. BW also asked if there was any feedback from vulnerability workshop that had taken place. JT confirmed that there was some good detail around the "Service for All" element with good debate and discussion with other water companies.</p> <p>TH explained that at the end of 2025 the analogue phone network is going to be switched off, and that if there are overline power failures the network won't work and that these customers wouldn't be able to make contact. JT confirmed that a big part of the strategy for this license condition is around operational incidents. RF confirmed that companies will have to find a way to interact with those customers that don't switch across (e.g. Still on analogue network) and provide access to their services in a different way. Affinity will be proactive in contacting these customers over the next 18 months e.g. PSR customers.</p> <p>The ICG agreed it would be useful to have a section on business continuity at the ICG meeting in May.</p> <p>Customer Focused Licence Condition activities will be tested via external assurance audit undertaken by Atkins to understand compliance to license condition.</p>	LW/RF

4.0		Charges Update for 2024/2025
	<p>MH joined the meeting to provide update.</p> <p>Charges Scheme Update The Charges Scheme was published at the end of January and the change in charges for next year is for metered water customers where bills will increase by approximately 4.8% and for unmetered rateable value customers there will be an increase of 16% on average. The reason for acceleration in unmetered is that over the past few years the observation is that the amount of water being used by unmetered customers has been increasing and therefore the bill increase is to reflect pattern of demand.</p> <p>In 2024/25 Affinity are expanding the bill credit scheme on offer where customers can receive a £50 bill credit. It is anticipated that there will be approximately 60,000 such bill credits next year, compared to 30,000 this year. An increase in the uptake of the social tariff is also anticipated. These assistance schemes are affordable through the cross subsidy social tariff as part of the Price Review. In addition, Affinity is accelerating transition to measured charging for about 80,000 compulsorily metered customers where there is evidence to show bill benefits from metered charging.</p> <p>US asked if the unmetered customers with the large bill increase have had any indication of their relative overuse of water to a household that is metered. Secondly, what proportion of the customer base will be impacted. MH confirmed that there are currently about 320,000 rateable value customers out of 1.4 million. RV tariffs (excl. assessed and social tariff) remove another 80,000 customers, so approx. 250,000 will be affected. For unmetered customers individually, their usage is not known, only customers usage in aggregate therefore they would not receive individual information regarding their bill. RF confirmed that there are areas such as Save Our Streams Campaign to promote water devices etc. comparisons are also available to look at an average metered household in the same area to give customers a viewpoint of different usage/bills. MH reminded the ICG that all unmetered customers can opt for a meter to take control of their water use and bill.</p> <p>LW reiterated that there are rules around charging and cross subsidising between metered and unmetered.</p> <p>Tariff Trial Update The tariff trial started in October 2023 with 1500 customers and the first set of meter readings has been taken and this data is being analysed for early indications of demand effects.</p>	

	<p>The first quarterly communication with trial customers has been issued and included usage comparisons, indicative Watersave bill and signposts to help with bill payments and water saving services.</p> <p>Projecting Q1 actuals to full year, it is predicted that about 5/6ths of customers will be better off on WaterSave than standard tariff. About 1/6th will pay more and at the very highest consumption levels, considerably more.</p> <p>The first bills under WaterSave are scheduled for April.</p> <p>DH asked if the ideal scenario would be that this is revenue neutral and asked what the initial data suggest? MH confirmed that it was designed to be revenue neutral, if applied to the whole company. The trials is in the Stevenage area which has a slightly smaller proportion of very high water users that you would see in the company as a whole so in this particular location it is not quite revenue neutral, as anticipated. MH added that in terms of water consumption, it is a little too early in the trial to say but April will provide six months of data to analyse.</p> <p>CW asked how the data findings will be shared and would Ofwat be interested? MH confirmed that he meets with Ofwat bi-monthly to provide an update. Data will can be made available to others in the industry, including via the Ofwat website.</p>	
5.0	Cost of Living Update	
	<p>JT provided an update. 103,000 customers now benefit from the Low-Income Fixed Tariff (LIFT), a growth of 8k since April. Over 4400 customers benefit from a capped charge through the Watersure tariff.</p> <p>DWP data has helped to identify nearly 10,000 additional households eligible for LIFT who are then contacted by Affinity to signpost that this is available to them.</p> <p>Strategy developed to support rateable value households with segmentation indicator of 'feeling the strain.' Those 30,000 customers have all gone to DWP and to date 4,500 have been moved onto LIFT tariff. 22,000 rateable customers have had the water assistance payment of £50 applied automatically onto their account.</p> <p>JT confirmed that if the average rateable value customer is moved onto LIFT it would be approximately £80 saving from the elevated rate.</p> <p>Internal discussions are taking place as to whether customers on low income tariff need to be on a meter for them to save money.</p>	



	Other affordability activities underway include working with the borough of Barnet to signpost affordability support for their residents and proposal to identify how to support bulk billed residents. If a success this can then be showcased to work with other local authorities or housing associations.	
	AOB	

I confirm that the Minutes of the ICG February 2024 Meeting are a true and accurate record of the business discussed and agreed.

ICG Chair

AWL Director of Regulation and Strategy

Signature: 

Signature 

Date: 9/4/2024

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