

AffinityWater

ICG Meeting Minutes 17th October 2024



Minutes of the Meeting of the Independent Challenge Group

17th October 2024 13:00 – 16:00

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 (via teams)	<i>Independent</i>	DH
Todd Holden	<i>Independent</i>	TH
Bob Winnington	<i>Independent</i>	BW
Catherine Silvester	<i>Independent</i>	CS
Affinity Water members		
LW	<i>Director of Regulation and Strategy</i>	LW
RF	<i>Director of Customer Experience</i>	RF
AJ	<i>Sustainability Manager</i>	AJ
AL	<i>Asset Manager (Integrated Catchment Manager)</i>	AL
JT	<i>Head of Cash Collection and Debt</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	
	<p>The ICG held a member's pre-meet 12.30 – 13:00</p> <p>Caroline welcomed Catherine Silvester to the meeting. Catherine will represent the EA at the ICG meetings.</p>	

	CW, LW and RF agreed to meet in person during January to discuss the program of work and set ICG agendas for 2025. TOR and Kloe will also be refreshed.	LW/RF/ CW
2.0	Affordability	
	<p>Affordability AMP7 Y5 Activity</p> <p>Affordability Support - Social tariff supports 118,000 via LIFT or WaterSure, with 125,000 by March 25. 16,000 on enhanced LIFT (60% discount).</p> <p>Water Assistance Payment given to 22,500 customers (£50 bill credit), with 60,000 by March 25. Low payment arrangements supporting 4500 customers. In total 190,000 or 12% of households are currently supported.</p> <p>Social Tariff (LIFT) - 4.5k additional customers supported 2024/25. 2023/24 Cross-subsidy allocated £7.35 vs £7.72 available. There are plans to review LIFT in AMP8</p> <p>Affordability New Initiatives</p> <p>Luton 6,600 customers supported by £400k. Identified 16k customers, DWP checked and 2,200 moved to social tariff and 4,400 received Water Assistance Payment of £50. Exercise to be repeated for 5 additional areas, inc. Dover, Tendring, Brent, Shepway and Ealing.</p> <p>Age related poverty - 370k customers of pensionable age (TU data) 9% already supported on social tariff. Ongoing process in place to overlay internal & external data (arrears, segmentation, TU and IMD) to identify future cohorts. For non-matched DWP customers, as there could still be customers that could be entitled to pension credit, Affinity is working with others to build a campaign to highlight Pension credit and what is available.</p> <p>Summary</p> <p>Households in water poverty estimated to be between 3.9% to 5% and 50k-70k</p> <p>Affordability support and Interventions help 190k or 12% of households</p> <p>Households in water poverty is estimated to reduce to c.1% (from c.5%) by 2030. One of the challenges is that HM Government data suggests 880k pensioners maybe entitled to pension credit but aren't claiming it (worth £3900 per household). Affinity are continually looking at ways of engaging with these customers.</p>	

3.0	Water Poverty	
	<p>Affinity didn't forecast the elimination of poverty in its business plan but instead took the approach to reduce it to 1%. This is in part due to the difficult task of engaging with those customers who require help, which is recognised as an industry wide challenge. Assessed starting point to be 5% of HHs and with interventions to reduce this to c.1% by 2030. The planned interventions and affordability support will reduce the total water poverty gap for all in water poverty.</p> <p>AM asked if the exercise being undertaken in Luton will include any roadshows or face to face community engagement? JT confirmed that the exercise was data led to identify customers but that but for the next five areas it would be good to build in how to engage with customers on a different level, perhaps by holding community events and online sessions.</p> <p>TH asked that if the utilisation rate is 85% just shy of 2 million less than it could be, why is that the case? MH confirmed that at the time the tariffs were set for the 24/25 period the customer research concluded that there was a willingness to pay and therefore this year's charges were based on that research. As Affinity now know that its higher there is what looks like a gap this year however next year's charges are predicted again to have high utilisation of the higher willingness to cross subsidise.</p> <p>BW asked what are the timings of the additional five initiative regions that have been identified and will learnings from the Luton exercise influence the roll out approach? JT confirmed that the data for these areas is already being compiled and should be completed by the end of November and the lift tariff applied for the £50 payment. JT confirmed that it will be a data led exercise.</p> <p>On age related poverty, BW asked how those that don't claim pension credit but that are eligible for support will be encouraged to claim? JT confirmed that it will be via DWP to indicate that they've not claimed in conjunction with the other data e.g. post code deprivation or TransUnion. This should provide enough of an indication of the customers that should potentially apply or could be eligible. These customers can then be signposted online to use one of the application forms available. Affinity is also in discussion with Policy and Practice.</p> <p>CW commented on the approach to not eliminate water poverty and if that undermines any industry pledge or requirement to do that? JT confirmed that 2/3 years ago some of the industry committed to eliminate water poverty by 2030. Affinity are looking at it more pragmatically in terms of how this can be achieved with the level of</p>	

	<p>engagement that would be required. Data can only tell a story of a more holistic average, but you could still find customers living in one street that are in water poverty. Affinity are committed to driving the number down as low as it can be.</p> <p>CW asked if there is any other company in a better or more progressive position, as eliminating water poverty would be an ongoing program of work therefore, realistically there isn't a moment when anyone could say it's been eliminated entirely. Would it not be a better measure to demonstrate that everything possible is being done to reduce water poverty to gain that recognition and positioning e.g. with CCW. RF agreed that Affinity have demonstrated their intent and constant evolution in this area and the ability to be adaptable over the 5 years. AW said that she would go back to her colleagues at CCW and arrange a conversation.</p> <p>JT has agreed to chair the quarterly Water UK Vulnerability/Affordability Working Group which will provide a view of what other initiatives companies are progressing.</p>	AM
4.0	Measures of Experience	
	<p>C-MeX Qtr 1 Performance</p> <p>Performance figures in the pack are from July 2024. Affinity achieved 13th place. There was a very busy period from April-July with the largest proportion of contact related to bill increases. The other key area of contact related to time to fix and time to repair/resolve. Internal conversations are taking place with Customer Delivery to work on improvement plans.</p> <p>Overall experience improved 3 places.</p> <p>R-MeX H1 Performance</p> <p>Affinity retained first place.</p> <p>R-MeX Base Data Performance</p> <p>B-MeX is a new measure from April 2025, currently in shadow and testing reporting period. Affinity have received the first results (October) which places them overall in 15th position.</p> <p>C-MeX AMP8 PC Definition</p> <p>The changes to this measure will provide the opportunity to differentiate that Affinity are a water only company and, therefore anything relating to wastewater should be directed to the relevant wastewater provider. There is evidence to suggest that the current viewpoints on wastewater</p>	

	<p>does impact both brand and service experience scores. More clarification on this PC will be provided within the Final Determination.</p> <p>D-MeX AMP8 PC Definition</p> <p>Companies will be measured against large developers who typically complete 100 or more transactions a year.</p> <p>Three are a few Ofwat consultations in the developer services space that require responses in November so there will be the opportunity to provide feedback.</p> <p>RF referred to the Water Neutrality work that Affinity have completed and suggested that this could be shared at one of the ICG meetings in 2025.</p> <p>BR-MeX AMP 8 PC Definition</p> <p>A new PC that focusses on business customers. Currently 60% of the business market at Affinity are billed by Castle Water, therefore the ability to engage and influence is quite limited. Affinity will work with Castle Water and other retailers to engage with them to share data and ask how they can support and help.</p> <p>Waiting for confirmation of what the true measure will be and what the PC against it will look like.</p> <p>CW raised a query with regard to C-MeX - Affinity look like one of the better performing companies across a series of measures and there have been a number of ICG agenda items on continual improvements being made at Affinity, however it looks like moving up the ranks on this measure is extremely hard and is there any help the ICG can offer to try and navigate that? RF agreed that the sample size is so small based on total population and requests have been made with Ofwat to increase that to gain a better representation of customer's viewpoint. It doesn't help that Affinity bill on behalf of Thames Water, resulting in blurred lines with brand awareness. Affinity is seeing strong growth on the billing side which is the highest contact point but there is work to be done within the operations area to ensure that resolution improves.</p> <p>BW felt that based where Affinity is geographically it isn't going to get the same levels of satisfaction as more rural areas such as the South West. Would it be worth focusing more attention on the raw scores e.g. percent higher or lower than scored the last time. RF confirmed that the team look at the actual score and where they want to improve on base.</p> <p>US asked if customers understand that Affinity are a water only company and is there anything else that can be done to help with that. RF confirmed that in September a social media campaign was launched to state that Affinity are water only and explain who to contact for wastewater queries, including a link on the Affinity website.</p>	<p>RF</p>
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	<p>This has seen good engagement from customers. Rebranding of bills is also underway to make it very clear how the different portions of the bill are derived using the different company logos on the two sections of the bill and who to contact for water or wastewater.</p> <p>CW asked if having a few ICG members assisting in a deep dive around pain points? Agreed that would be a good separate session in 2025.</p> <p>RF confirmed that project digital work is also progressing well, and that many customers would like a digital app. Live chat has also been launched and a paper on the project digital work being undertaken will be shared with the ICG.</p>	<p>RB</p> <p>RB</p>
5.0	Customer Charges 2025/26	
	<p>MH – Indicative charges are published in October ahead of final charges being set in January and implemented in April. However, as the final determination isn't until December there isn't a clear basis for setting charges as it could be either the draft Determination or the draft Determination representation. As the representation includes additional invest that weren't present in the draft determination, indicative charges have therefore been based on the Draft Determination response.</p> <p>Bill increases are reflecting the additional investment required in the next 5-year period to meet statutory requirements. A new requirement that has been introduced is to reduce PFAS (forever chemicals) in drinking water quality and this was not included in the original business plan (or Ofwat's draft determination)</p> <p>The indicative charges for 25/26 were showing an 18% bill increase for metered customers and 26% for unmetered customers.</p> <p>There will be two key components to the bill handling strategy – updating and developing the schemes already in place e.g. social / enhanced tariffs and communication. The customer internal communication plans will ensure that the call centre are well briefed on the affordability schemes that are available and to be in a position to help customers who may phone in. External customer communication will include information on bill leaflets, on the company website and on the My Account App. Affinity will also reach out to external agencies e.g. citizens advice so that they can assist with raising awareness of the schemes available and point customers in the right direction.</p> <p>BW queried how the claims put forward by partner agencies can internally be evaluated and will there be any limited to the amount that's allocated? MH confirmed that targeting those entitled to the £50</p>	

	<p>Will be a proactive data driven piece work which is a function of the systems some of which are internal, and others provided externally plus the function of going through the DWP database.</p> <p>US asked how the negative perception of the bill increase can be managed, as this increase will also have an impact on those who are not eligible for any assistance. MH confirmed that comprehensive explanations of the bill increases will be required to explain why bills are increasing, what is going to happen with the money they are paying us and how this is going to be used to improve the service/impact on environment etc.</p> <p>It is estimated that combined water and wastewater bills could increase by £5 to £6 per month.</p> <p>DH asked how much if the new increase relates to PFAS of that 24% how much is PFAS and how much is it then back to if taking PFAS out?</p> <p>LW explained that the change in the bill is not wholly related to PFAS. PFAS is around 50% extra of the total enhancement costs. A further difference in the draft determination representation and Ofwat's draft determination is a change on the financing costs in the weighted average cost of capital used in the calculations. It is felt that it is a better approach to be open and honest with customers as early as possible about the potential bill increase and will allow the company time to carry out some extensive work e.g. worst-case scenario planning ahead of receiving the Final Determination.</p> <p>DH asked if there is going to be an increase in customers who can't afford their bills surely this will result in more subsidising? MH confirmed that the subsidy would be larger but that it is line with the customer research and what customers are willing to cross subsidise.</p> <p>DH queried that when the business plan was submitted at the same time the acceptability and affordability research was completed, 83% of customers said that it wasn't affordable at a 13% increase. Is the company reflecting on that at all? LW confirmed that the PFAS requirement came late in the process and therefore the company was only aware of that requirement during the Draft Determination representation period. There was a very limited amount of time to respond to the DWI but that it is recognised that this is an additional piece of investment that hadn't had any extensive customer research relating to impacts on bills. However, what Affinity did during the draft determination period was to hold some focus groups with customers specifically about the PFAS requirement and the potential knock-on consequences to bills. It was qualitative research that did show support from customers that they understand there is a new statutory requirement around drinking water quality standards.</p> <p>TH observed that Affinity are not alone in the PFAS challenge, and could this provide an opportunity for water companies to work together around commissioning of research and potential procurement</p>	
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	<p>framework and messaging etc.? The company confirmed this was an excellent opportunity and is actively pursuing collaborative sharing of information with other companies.</p> <p>TH queried that if the budget for PFAS is £150m worth of investment which is the same as a 50% increase in the enhanced programme capex budget. Affinity is currently 29% underperforming on the enhanced capex budget so will the current underperformance be recovered by the end of this price control and does Affinity have the internal resource to scale up the level of project management to achieve this? LW explained that the 29% underspend referred to in the Ofwat document includes Strategic Resource Options, which are subject to an additional mechanism that returns unspent money directly to customers. This mechanism was put in place as it was recognised that the costs associated with SROs were very uncertain. This is not technically 'underspend'. Once the SRO element is removed, Affinity Water is close to spending the exact allowance.</p> <p>LW confirmed that a lot of the increase in expenditure for PR24 relates to upscaling of things that Affinity already do, rather than having to put in place new types of treatment or technology. With a lot of the new investment programmes e.g., smart metering Affinity have been through a very vigorous procurement process and there is a lot of activity already in place rather than waiting for the start of the new AMP.</p> <p>The ICG agreed that a deep dive on PFAS and the approach being taken would be useful as a future agenda item.</p>	LW/RF
6.0	Performance 2023/2024	
	<p>Ofwat's performance report was published on the 8th October and Affinity Water has been categorised as 'Average', having achieved 5 of the 8 key performance commitments.</p> <p>CW asked about drinking water quality target being missed and reasons behind this. LW explained that for the previous four years Affinity had been in the top 3 performing companies in water quality performance but had a failed coliform sample at one of the largest treatment works last year. As the CRI score is weighted based on the population served by the treatment works, this one incident caused the jump in performance. The underlying performance of the company on this measure remains strong. LW agreed to circulate the DWI report that followed on from this incident.</p> <p>CW suggested that a representative from the DWI could join one of the ICG meetings in 2025.</p>	LW LW

7.0 PR24 Draft Determination and Representations		
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	<p>Business plans were submitted to Ofwat last October and draft determinations were received in July 2024. Draft determinations were split into two categories whereby Ofwat assessed the quality and ambition of the business plan. Affinity scored top marks in the industry for the quality of the plan. Only three companies were recognised as having the highest ambition.</p> <p>There are some key issues of concern within the draft determination including incentive rates around some of the performance commitments, enhancement cost allowances, additional obligations and uncertainty, risk and return and investability. Across the industry there were concerns with the negative bias in the draft determinations and there has been engagement with Ofwat and opportunities to share this feedback.</p> <p>It is hoped that the outcome delivery incentives in the final determination are going to be more realistic and appropriate and improvements made to the risk and return balance.</p> <p>Final determinations should be received from Ofwat on the 19th December (not yet confirmed).</p> <p>DH raised a question about enhancement costs. The submitted business plan included £592m and on Ofwat the draft determination this was reduced by £192m. LW confirmed that conversations with Ofwat have taken place to discuss that on the balance of evidence and the unit cost spreadsheets that were used by Ofwat for the Draft determination there are some arguments to suggest that the calculations and assumptions used on the DD are incorrect.</p> <p>DH asked that when the draft determination was received was there some thinking internally around having to make the £192m saving. Liv confirmed that conversations did take place but that efficiencies were thoroughly scrutinised internally before the plan was submitted.</p> <p>LW confirmed that once the final determination has been received and the final risk assessment has taken place, the initial thoughts on what things will look like going forward can be shared with the ICG at the January meeting.</p> <p>CW – what do the challenges to enhancement costs mean for PC's, in particular smart metering and PCC? LW confirmed that the target is to install 400,000 smart meters by the end of the next 5 years. Affinity have undertaken a procurement process and have included all of that factual monetary cost and investment required in the BP.</p>	LW

	<p>CW raised a question about bespoke PC's. LW confirmed that there were 3 bespoke PCs in the Draft Determination of which Ofwat removed two. The final one remaining was around low pressure. At the same time of draft determination there was a consultation from Defra around GSS payments, particularly relating to low pressure and uplifting the direct compensation payment to the individual customer. Having gone through that consultation process it is deemed more appropriate for the GSS payment to cover that service performance issue than it is to apply a bespoke PC in this area.</p>	
8.0	<p>Environmental Innovation Projects</p>	
	<p>AJ and AL joined the meeting to provide an overall update on progress. Ten EIP project units have been delivered to date and there are two more units to be delivered in 2024/25 on the Lea Catchment Project, Work Package 3 Catchment Systems Thinking Cooperative and Work Package 6 "Rooting for Wildlife" environment fund pilot.</p> <p>The catchment Systems Thinking Cooperative is the development of citizen science, connecting local communities to their local river, open data, stimulating innovation and collaboration.</p> <p>Rooting for Wildlife is to develop delivery model for a community-focused fund to empower local groups and communities to deliver innovative projects to protect, improve and enhance chalk streams and the wider environment.</p> <p>The next step will be to request Gate 3 assurance from the ICG.</p> <p>CW asked if Affinity had taken the opportunity to do any further promotions of this good work e.g. Social Media/Press. AM confirmed that there had been early engagement internally with the Public Relations and Social Media teams which has been really successful. TH shared that he had seen success with similar initiatives that had involved the use of Facebook as a method of engagement within the community.</p> <p>It was suggested that perhaps one of the partnerships that has been working with Affinity on these projects could join a future ICG to share their reflections.</p>	<p>AJ/LW</p>
9.0	<p>AOB</p>	

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



ICG Chair

Signature:



Date: 28/11/24

AWL Director of Regulation and Strategy

Signature



Date: 28/11/24