

# AffinityWater

## ICG Meeting Minutes 27 March 2023



## Minutes of the Meeting of the Independent Challenge Group Monday 27 March 2023, 14:00 – 17:00 (Teams)

<b>ICG members in attendance</b>		
Caroline Warner	<i>Chair</i>	<b>CW</b>
Ana Maria Millan	<i>CCW</i>	<b>AM</b>
Bob Winnington	<i>Independent</i>	<b>BW</b>
Unette Spencer	<i>Independent</i>	<b>US</b>
David Holden	<i>Independent</i>	<b>DH</b>
Anthony Smith	<i>Independent</i>	<b>AS</b>
Jonathan Sellars	Environment Agency	<b>JS</b>
Todd Holden	<i>Independent</i>	<b>TH</b>
<b>Affinity Water members</b>		
KH (part)	<i>CEO</i>	<b>KH</b>
LW	<i>Director of Regulation and Strategy</i>	<b>LW</b>
RF	<i>Interim Director of Customer Experience</i>	<b>RF</b>
CC	<i>WRMP Community &amp; Stakeholder lead</i>	<b>CC</b>
NS	<i>Customer Engagement Lead</i>	<b>NS</b>
AM	<i>PA (Minutes)</i>	<b>AKM</b>
MH (part)	<i>Head of Economic Regulation</i>	<b>MH</b>
FR	PR24 Stakeholder Engagement Manager	<b>FW</b>
LH (part)	PR24 Project Manager	<b>LH</b>
<b>Apologies</b>		
ES	PR24 Project Support	<b>ES</b>

Agenda Item	Minute	Action
1.0	Welcome and Introduction	
	The ICG welcomed KH and introduced themselves.	
2.0	ICG Remit for PR24 (detail in ICG meeting pack)	
	<p>ICG - To urge the Company to be ambitious in planning for the future taking account of the findings of high-quality customer engagement and research while demonstrating a clear line of sight in the Business Plan for PR24.</p> <p>ICG Customer and Community Subgroup - To ensure that the customer and stakeholder research and engagement is of high quality and supports the 5 year and 25 year business plan.</p> <p>ICG Environment and Resilience Subgroup - To ensure that the 5 year and 25 year business plans reflect the insights gained from customer and stakeholder engagement and research.</p>	
3.0	ICG and PR24 Timetable	
	<p>LW confirmed that the draft Customer Business Plan will be shared with the ICG today for their collective comments by the 6<sup>th</sup> of April. There will then be a month's period of consultation. ICG agreed to submit comments by 6<sup>th</sup> April. Members asked the company to provide advance notice of short turn arounds for comments in future in order that members can allocate diary time to review</p> <p>ICG queried how the many different pieces of work converge with the business planning e.g., priorities, willingness to pay and qualitative work around acceptability and affordability. How can Affinity be confident that the things that are going into the Business Plan are based on concrete evidence? KH explained that it is difficult building a plan whilst also receiving/responding to other consultation documents. However ,there is a good process in place, with the WRMP, WINEP which are in a good position. Performance Commitments are a moving target and consultation documents are being reviewed in detail on various topics.</p> <p>Analysis from the Stage 1 Willingness to pay research, where social tariff was included should be received soon and there is a stage 2 willingness to pay brief currently underway. ICG asked how Affinity</p>	

	<p>know what it is going to cost and how are they going to meet the difference to keep people out of water poverty? LW confirmed that there will be additional plans in place for PR24 and there is also a scheme to undertake an innovative approach to tariffs (to be presented later in the agenda). ICG asked if there an impact on willingness to pay for social tariff as bills increase for other reasons? Does the company expect an increase in numbers of customers eligible for financial support and does this create risk to plans?</p> <p>LW confirmed that TB will be presenting bespoke performance commitments at the next Environmental Subgroup Meeting.</p> <p>Stakeholder Events – dates to be shared with the ICG. Stakeholder insight gathering – ICG keen to understand the plan for when these insights will be collated and shared.</p> <p>Your Water Your Say. ICG involvement to be discussed and confirmed. One option is to agree that ICG members will have a small number of question slots allocated to them?</p> <p>ICG will await confirmation on the timing and process for ICG scrutiny for the next version of either Customer Plan or draft Business Plan.</p>	<p><b>FR/CC</b></p> <p><b>LW/CC</b></p>
4.0	PR24 Plan Expenditure	
	<p>The draft PR24 expenditure increase is due to additional statutory obligations in the WRMP and WINEP. Routine (Base) costs are slightly higher due to increased customer numbers but are within the expected 'efficient level' set by Ofwat.</p> <p>The bill impact for customers is an additional 12% over the 2025-30 period, compared to 2024/25.</p> <p>ICG queried what evidence is the 12% bill increase based upon as a number those customers want to/are willing to pay? LW explained that the 12% increase is not based on acceptability/affordability testing it is an increase based on the investment increases that need to take place to meet statutory requirements.</p> <p>From the Base Expenditure, performance commitments will be delivered.</p>	
5.0	Internal Audit Review of ICG	
	<p>A couple of actions which are underway, and the document will be published along with the declaration of independence.</p>	

6.0	Affordability Tariff Trial (detail in ICG pack)	
	<p>MH and LH joined the meeting. AFW have seen significant customer affordability challenges and recognise the need to increase financial support to customers. A two year tariff trial will commence in 2023 driven by affordability and fairness. The trial the trial Aligns with AFW's longer term ambitions for tariff development. The key objective will be to Obtain evidence on the effects of the new tariff on affordability and demand response and to measure the effects by comparison of a trial group and control group.</p> <p>Trial groups will include, range of income distribution, range of low/high consumption, similar geographical location and AMR type meter only. Trial will involve two groups, a control group and trial group, both about 1,500 properties, matched as closely as possible for consumption and location. Target go live date of July 2023 TBC.</p> <p>ICG members support the pilot for innovative tariff schemes and look forward to ongoing updates. Members noted that the language used to describe this pilot could be tricky to get right and in addition, expressed concern that calling it a "sustainability tariff" would need review. AFW to consider the name of trial and wording used to provide transparency.</p> <p><b>Gateway 1 and 2 for this EIP project approved by the ICG on 27/3/2023 (objectives and justification)</b></p>	LW/MH/LH
7.0	AOB	
	<p>Important to see how stakeholder views are feeding into the business plan.</p> <p>Materials for the Affordability &amp; Acceptability testing to be reviewed at the ICG Customer Sub Group on 29<sup>th</sup> March.</p>	

I confirm that the Minutes of the ICG March 2023 Meeting are a true and accurate record of the business discussed and agreed.



**AffinityWater**

**ICG Chair**

Signature:



Date: 2/5/2023

**AWL Director of Regulation and Strategy**

Signature



Date: 27/4/2023