
PR24

NORTHUMBRIAN
WATER *living water*

ESSEX & SUFFOLK
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YOUR WATER, YOUR SAY – PEOPLE PANEL

MONDAY 26 JUNE 2023

WRITTEN RECORD

A large, stylized graphic of water splashing from the top right corner, rendered in white and light green, set against a dark green background. The splash is composed of several curved, parallel lines that create a sense of motion and volume. The water appears to be falling into a basin or pool at the bottom, where it creates a series of concentric, curved lines.

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1. MEETING PARTICIPANTS

Moderators	Explain Research
Northumbrian Water Group Panel	Colin Day , Head of Water Service Planning Andy Duff , Regulatory Programme Manager Mike Madine , Head of Wastewater Service Planning, Quality and Performance Mark Wilkinson , Head of Customer Billing
Northumbrian Water Group Hosts / Support	Elaine Erskine , Strategic Customer Research and Engagement Manager Judith Huffee , Corporate Communications Consultant

2. INTRODUCTION (1)

Explain Moderator welcomed everyone and explained how the session would work and that as with all People Panel sessions, it was being recorded. Northumbrian Water Group (NWG) attendees were introduced.

The Moderator introduced the presentation recording from Northumbrian Water (NW) and Essex and Suffolk Water's (ESW) Chief Executive Officer (CEO) that summarises the plan. Explain Moderator noted that that was a bit different to the information often shared with the People Panel and advised that NWG is made up of NW and ESW and that the presentation covered both of those, and that obviously there was a mix of NW and ESW customers in the session.

The moderator asked that questions were put in in the chat throughout or attendees to note them down ready for when the Question and Answer (Q&A) section starts.

3. PRESENTATION

A video was played where Heidi Mottram, CEO, made a presentation on behalf of the company.

4. INTRODUCTION (2)

The Explain Moderator stated that hopefully, the presentation gave attendees a good overview of the plan. The Moderator then introduced the NWG attendees and the key areas they are responsible for.

5. QUESTIONS ASKED WITHIN THE SESSION

Question 1

Explain Moderator: This question is around feedback from previous sessions about whether customers trusted ESW to deliver to target and how do customers do that when despite paying the highest bills in the country, some targets were not met.

Sometimes people assume and relate the bills with penalties that you may have received in the past. Also, lots of questions around why ESW is the highest bill.

NWG Representative: Let's start with the highest bill question. I remember when ESW bills were going up quite rapidly, and part of that was the investment in Abberton, and the big investment that was required there. Essex and Suffolk are both quite small areas. What happens with water bills is that Ofwat and the government have said the costs are averaged over those small areas. That has led to quite a high bill to pay for that - payback that investment for Abberton reservoir. What I would say is looking forward at some of the other water companies, especially in the South East, you can see those bills starting to increase now. So, that's the reason - that investment and that level of water security that others in the South East don't quite have yet.

Let me talk about trust because I think it's a really good question. We've been really pushing ourselves hard to work out do we really need these investments? Are they really the right things? Can we really deliver

everything we're putting on here? We're looking at whether there are people out there to help us with the supply chain, whether there's people to help build these things. We've also been looking at performance costs across the sector, comparing ourselves and saying, can we really push ourselves to get into that top four? We're already amongst those top performers and the importance here is to get that bit further to challenge ourselves to do more. I think that trust is really important. The only other thing I want to say about trust is that one of the things that has driven us to talk to you for quite a long period of time is exactly that understanding, understanding what is it our customers want? How do we make sure we understand that? How do we make sure we're doing the right thing? How do we make sure that we report back and we're accountable to customers at the end of it? So, it's a really big part, those conversations. How we build that understanding of what we want to do together,

Panellist: Like a public, private partnership type trust level, mutual trust thing? Is that what we're aiming for? Makes sense. Thank you

NWG Representative: It's a really interesting question. If I compare this to what the government does, for example. The government have consultations, but it's a very high-level thing. For us, it's important to engage with customers very directly and over a long period of time, and understand priorities, understand investments, understand the local things and understand what is needed, how we can do that together. It's a really important part and why we've all been here for more than a year doing this. Understanding that and going back to the drawing board, understanding what it is, coming up with different options, coming back. So, it is a really important part of it.

Explain Moderator: Another part of the question was around missed targets. So, how could you have trust when targets in the past have been missed?

NWG Representative: That's a fair question. The targets are quite challenging. We've done everything we could with the budget we've got to try and meet those. We spend the money and overspend the money we've got and borrow more money to do that. We've looked at each individual target. What is deliverable? How much would it cost? How would you go about it? How do you drive those things further and further? I think that's the kind of confidence in saying, we haven't performed terribly at all. We've performed quite well in the past. We've missed some, some of those are quite disappointing. But it's planning how we improve in future, how we head towards that top quarter of the sector and improve.

Question 2

Explain Moderator: **The next question we have from X. So, X asked for a breakdown of the cost between NW compared to ESW customers. I don't expect you to do that off the top of your head but just maybe a bit of an explanation as to why costs are different in NW and ESW for the different investments**

NWG Representative: I will have a go at it off the top of my head a little bit to give you a bit of a flavour, but you'll forgive me if I don't remember every single number.

So, the big reason why it's different. So, we keep the bills for the North East and Essex and Suffolk separate so that what people are paying reflects the investment that are made. The reason we are doing that is because it doesn't seem fair to subsidise across regions, that's how the government has got it set up. What happens in this particular investment period is there's two big drivers going on.

The first one in Essex and Suffolk is the amount of water we can extract from rivers and from the environment. The government has asked us to reduce that. That's following the investigations that we've done to say we should be keeping more water in the environment. In addition, we need more water to tackle things like climate change and population growth. The biggest drivers in the two third increase, if not slightly more in Essex and Suffolk. So, that's about keeping those waters better for the future and making sure we're there.

In the North East, it's a very different story. In the North East we have a lot of water available still, mostly in Kielder. We expect that to be there for the next period up to 2050. However, there is a very, very large investment in wastewater and particularly in the environment. We've talked about things like storm overflows and things like water quality monitoring and how we tackle the sludge at the end of the process. There's a lot of investment in the environment. There are two quite different drivers between those two areas.

Question 3

Explain Moderator: The next question is around, is there any plan to reduce the dividends paid to shareholders?

NWG Representative: Our dividends over the last three years have been about 4.3%, that's a tiny bit above the rest of the sector, but it's not a huge amount. It's the reason why we have to borrow money is because we end up spending slightly more than we get through bills, so we borrow money from investors and therefore any that need a return on that investment in order to keep investing, so that's the logic.

Over the next five years and over the next 25 years, we're expecting investors to put in more money than they take out. Although there will still be dividends, they're going to be putting in more over that period than they will get paid back in dividends. That's because there's that big uplift investment, we expect investors to put the money in to fund that. Obviously, eventually they will need a return on that if we're going to find any investors willing to do that. That's what we're going to need to do. We're not saying we would reduce the dividends completely because that is the only tool we have in order to attract that investment. If you think about, you wouldn't invest in something if you weren't going to get your money back. That's the tool we have. However, we are asking them to put more money in over the next 25 years than they take out.

Panellist: I'm still lost as to how a shareholder is going to put more money in. They've got X amount of shares for which they are going to get paid a dividend on. Surely, it's just a case of receiving less dividend than they did the previous year. I can't get my mind round that as a shareholder, I would actually be putting money in.

Panellist: It's redirecting the investment into environmental ones? Don't you think that makes more sense? Sorry to interrupt.

NWG Representative: We've got a big step up in the investment required compared to the last five years. It's a big number. To fund this investment in the region of 500-600 million pounds needs to come from investors of some sort, with the rest coming from debt that we can take out and get issued bonds and loans. That's how we can fund this investment because it's a lot of investment now that gets paid back over a long period of time. So, it sounds a little bit strange. I appreciate they say they're going to put some money in and then take a little bit out, but that's the model investors are looking to do. They get a regular bit of income; you know you might do shares yourself where you get a little bit of dividends paid from shares over a long period of time. That's what they're hoping to do. Net impact is that they will pay money in and that's a consequence of. If we didn't just have two shareholders as we do, we'd be doing things like issuing shares so that other people could buy.

Panellist: I was going to say, is it a case of issuing more shares, which will devalue the existing shares won't it?

NWG Representative: Effectively, yes. We're not a public listed company so we can't issue shares like that. But effectively, that's what we would do. They'll put equity in, which means they will still earn the same amount of business, but the business will be a bit bigger because it now has a lot more investment. They'll still earn the same proportion, but it will be a bit bigger. They are effectively lending us the money in effect to do that investment.

Panellist: Will they be the same though? Will the investors be the same people as the shareholders? I think that may be a difference. If you can clarify that. Whether the investors are the people who put money as you said, are the same as those shareholders who will receive money out. It may be the same people it may not be. Is that the situation?

NWG Representative: The same people who put the equity in have a share of the business. They would then get money out in dividends. In theory, it could be to any new investor as well. But it would require the people who own the shares of NW effectively to decide to sell those, then their choice would be either to put the money in themselves or sell their shares to somebody else.

Question 4

Explain Moderator: What incentives will there be in the future for customers to install water saving devices or to be more water efficient?’

NWG Representative: There’s a couple of things here. Obviously, the rate is the same. There’s two types of challenges we have at the moment. Some people have a fixed rate, an unmeasured charge as we call it. And then there’s the metered rate, so, the metered rate is £1 per cubic meter. So, it does vary how much you use. I guess that’s where the question is coming from around, there are no incentives for those that are on a fixed rate. If I understand the question correctly, I might get something in the chat that says I’m wrong in a minute if I am. One of the problems we have is those customers who are on a meter effectively are already incentivised to use less but those that aren’t, aren’t. One of the things we have to do in our plan actually is to move customers on to meters because it’s one of those things you need to do in a water stressed area. Lots of companies in the South East have done that. We haven’t until now, but we are likely to be moving in that direction as part of this plan. So, by doing that actually everybody will be incentivised to use less water in the long run, which will take quite a number of years to get there because that’s probably going to happen over the next ten years, rather than just over the next five, because there’s a cost of putting those meters in.

Panellist: Sorry to interrupt. My daughter lives in an old Victorian house and has been told she can’t have a water meter and there must be thousands of those.

NWG Representative: We’re going to go back and have a look at those properties because with the technology we used to have, we used to put all the meters outside. Actually, in this new scenario, we’ll be able to put a meter where we couldn’t previously. We’re going to go back and look at all of the properties, including those ones we previously said we couldn’t meter. It’s a cost benefit and time as to whether it’s worth us putting it in but because the technology has changed, it’s a lot more sensible now for us to put them in. There’s a lot of access problem for certain properties where you have splits and flats and things. That’s one thing.

We are worried as part of that, that some customers might struggle. We’re looking at some things we can do with the core pricing as to whether we can put things in place, to say protect large families who need to use more. So, whether we can put some incentive in the pricing to mean as long as they use an efficient level of water, they wouldn’t be adversely impacted.

Ofwat’s made some changes to the charging rules for this time round. Historically, we can only charge in one of two ways, you couldn’t do these slightly unusual tariff things, they’ve made some changes in the pricing this time round so we’re allow to look at those things. For us, if we’re putting meters in a lot of properties that’s going to be great for lots of people. It will mean lots of people will use less water, they’ll have lower bills. But there are those people who might be impacted adversely. They might end up with higher bills and we’re really keen to do stuff to make sure those who can’t afford it and can’t do anything to change their usage, don’t end up in that adverse position.

There’s a few things around support tariffs in there we’re planning as part of this. We are looking at whether there can be some added incentives for water efficiency. There’s a few ideas in that space at the moment. Could we have a ‘beat your bill’ scenario where if you use less than you did this time than for the previous year, you might get an added bonus and that would allow people to keep saving money every year on their bill. There’s a few things in that space but we need to make sure we offer the breadth of those things. It’s not just helping those than can actually do something about it and adversely impacting those people who have enough for another reason, can’t really affect the usage’

Question 5

Explain Moderator: There is a question from X around inflation. Does inflation increase based on the actual rise in costs you’ve seen yourselves as a business? Or just as inflationary value for that year?’

NWG Representative: So, the inflation on that particular chart, was set by Ofwat, so we have to use what they are forecasting. The way Ofwat sets price controls, they set it so that it’s amount and then it’s adjusted by inflation. So, it’s adjusted by CPIH which confusing. CPI bit with housing costs taken out. They adjust it with inflation, so when we’re setting costs and forecasting project costs, things like that, we look at what real prices are likely to do. We look at how we can get efficiency. How we can do it a bit more effectively and layer on additional challenge on top of that. Then we give them the cost in real terms and they set that in real terms,

meaning that inflation is taken into account and then they set price controls for us. It's controlled by Ofwat, the inflation there. When Ofwat has set the price controls, they will also increase by inflation each year.

Question 6

Explain Moderator: There is a question from X around hard water, is there any support to install filters or softener for people who live in hard water areas?

NWG Representative: Shall I take that? Actually, I will pick up on the previous question as well.

In terms of the metering piece there's plans for us in Essex and Suffolk to install water meters, smart meters, across the whole of the patch over the next ten years. So, every house where we possibly can, we'll be installing smart meters by 2035. We're going to prioritise Suffolk because that's our most water stressed area.

This is about fairness as well. We know water resources are incredibly stressed in the South East and what we want to do is make sure that people are paying for what they use and also that we can help customers where possible to reduce their water use. We know that the long-term future of the water industry relies on us all working together, both household and non-household customers, to make sure that water is used in the right paces at the right time. Where we can offer additional support and additional things, we'd be able to target that in the right place. So that water meter piece is quite important down in the South East but in the North East we're also really keen to do that. We don't have the same level of legislative ability to do that as part of this plan because we don't have the same levels of water shortage up in the North East. But where we possibly can, we're going to move to a smart metering approach, so again it gives our customers the best possible information about how their using water and helps them makes those changes'

Panellist: From general opinion of people who I know who have had water smart meters including the older generation, young people, yet for every single person I've spoken to has said they hate the water meter and it's actually ended up charging them more than having a flat rate. Why would that be for? I know it's a difficult one, but it's just what I've heard from opinion around smart meters.

NWG Representative: Some customers will use more, some will use less and as we move over to everyone being on a smart meter, there's going to be some ups and downs in terms of how well customers see change and my colleague will talk a little more about that piece.

What I will talk about is the operational information. What it does give us a whole raft of extra information, not just on to able to charge our customers, but it also gives us a really good understanding about where water is going across the network. So, not only does it give us information on where use is happening, but it also helps to pin-point leaks much more easily. We'll be able to identify where customers have got potential leaks on their own property. There's lots of additional benefit for having a really good network of smart meters across our area. It's not just those kind of things but also on affordability because there are things that we can do.

Panellist: Do you think it makes it more fair for those who don't waste water? So, that the smart meters are becoming more expensive for certain people because those certain people are using quite a bit of water compared to what was expected.

Panellist: Yeah, I agree because what I was going to say was, not being funny, but the bigger the size of the family, the more water is going to be used. So, if it's a circumstance like that, whereas if you've got a single person living on their own then they're obviously not going to be using as much water as a five-person family. Sorry but that doesn't make sense to me.

Panellist: There was an article in the press a couple of weeks ago saying just that point, that there were quite few instances now where people in wealthier areas who can afford it, smart meters and monitoring their usage didn't make any difference. They were in fact using more. It doesn't always work as I always believed that a smart meter would reduce your use.

Panellist: Yeah, my mum and dad don't want a smart meter and I don't blame them. I'm single 21-year-old person, I'm not even living at home at the moment but yeah, you know.

NWG Representative: There's two or three different things I can go over. I'll pick X's up first because it was a bit different, and I'll come back to X and X in a second.

Yes, that is the case. We do sometime see people in affluent areas where it makes no difference at all and that's something we're going to have to tackle differently. Ofwat are doing some things around tariffs. I was talking about protecting people. There's also the other side. We're all in this, we do need to think about other people being wasteful. There's definitely an angle for that, that we need to look at longer-term. And we have seen that when we've metered some households, so it's really interesting that point.

Panellist: I have friends of mine who live in Arizona in Phoenix, and they have a totally different mind-set to water than we do. A lot of people tend to think it just falls out the sky here quite regularly, depending on where you live.

NWG Representative: We've got something there to definitely tackle and that will become more obvious as we meter more households. Who's doing that because at the moment, we can't always see that. On X's point around whether you save or not. We've put something like, and I'm going to get the figure wrong, but it's in the region of 30,000 smart meters in the last year or so. We monitor for those customers we put the smart meter in, we monitor their unmeasured bill beforehand, their consumption after water and we actually tell them what their equivalent bill would be. At the moment, we're not necessarily forcing you onto a metered charge, we're doing this as a more management thing. We have to have certain power to put meters in for resource terms and that will change on the 1 April theoretically. We're just doing an education piece and showing people whether they would save or lose out and the bill would be about the same. And we're seeing very basically, it does change a little bit area by area because fixed charges can be different in different parts of the country. But what we're seeing is about half the people, it's pretty marginal, what the bill is between here and there.

Panellist: A quick question before I forget, so I've talked about the water meter. Do you not have access to that information already? Or do you have to have a smart meter installed to actually find out your consumption levels?

NWG Representative: So, you have to have a meter, where there isn't a meter, we have no idea. You've got to have a meter and a meter manually reading. And often, we're manually reading them once or twice a year so that the quality of the information is quite poor in reality. That's why it makes sense for us to put smart meters in at the same time because it's one device that has the two bits. So, we can then draw up a much better picture of what consumption has been used. Not exactly in real time because they're not like electricity meters. They will be less frequent, but it will give us an idea of what's going on in the network once we have the whole area done. But it does give you enough information to go, look there's night-time usage. It's an overrunning, it's a constantly running toilet or something. You can make some assumptions around that and talk to people about the water going on here.

If I just pick back up on the saving and loosing, it's coming out somewhere in region of 50% no difference, 25% saving and 25% worse off. It does vary a little bit, so sometimes percentages are 20, 30. It just depends a little bit on the area but broadly speaking, it's that. So, for those 25% and actually 50% there's no change, that without any behavioural change because they're not getting charged for that. It's really interesting to see whether that changes when people actually get charged based on the meter because you don't have to make many changes to suddenly reduce your consumption by quite a bit. It's that mindset that I think, X hinted on it earlier. But it's that that we need to start working on with people and that's where smart meters and prompts and this kind of that feedback is quite useful. It's really hard to do that when you're sending people a bill based on one actually read every six months. People have forgotten what they were doing at the time. So, you do need that kind of connection. It's a little bit like, what we're trying to do is not do what energy did who just put smart meters in. They didn't both telling you anything about it, they just gave you a little dial that went in the cupboard after a while, until it went through the roof, and we all got it back out again. But really, they missed the communication piece.

For us, it's making sure that our water efficiency plans, and our communication sit with the smart meter. So, whilst we're talking about smart meters, it's only really so we can provide everyone with more information. A meter in itself, is a bit of a dumb tool. It's not really very useful, so we can't give you that really useful information that say if you change this then you're using a lot of water on a weekend. Do you realise you're using this much on a weekend? You don't use very little during the week. That's the sort of stuff we can play back that is very individual.

Explain Moderator: Thank you for that and thank you everybody for your questions. There are a few questions on metering but hopefully we've covered most of those there in that discussion.

Panellist: Sorry, I just want to ask you mentioned the leaky loos and it was mentioned in the video and this is personal to me. I noticed that there was a little trickle of water running into my loo all the time, so I called out my home emergency people and the plumber said, no it's fine. I didn't know if it need a new ballcock or whatever. And he said, no. I said, well, doesn't that mean that there's water coming into my property that's constantly running into the loo, because I'm on a water meter? He assured me that wasn't the case. I thought I'd wait until tonight and ask the experts.

NWG Representative: I'm afraid that isn't the case, you are right. It is water draining through the back of the system, it's a really common problem with new style toilets. We actually offer a free leak repair service for that because it's a really easy thing for us to just stop that consumption from going. It's just timing often but it is one of the things we are picking up with a smart meter that you can see this happening.

Explain Moderator: We will send you the details of that X and we can get that sorted for you.

Panellist: Thank you very much.

Question 7

Explain Moderator: **Can you pick up on the water softening question? We've had a couple of those in the chat.**

NWG Representative: So sorry, we got a bit diverted there. I think it was X who asked the question, in the South region.

In the North East, we generally have pretty soft water so we don't have lots of issues up there. Although, we do have some ground water – so there are some patches of hard water.

In the South East, we do have more ground water sources. The hardness is a factor of where we extract the water from, there's a lot more chalk streams, underground sources. Depending on where we get the water from, will depend on the levels of hardness. We haven't got any plans to make any changes to the at-source proposition of where we're extracting from and it's really difficult to include big global softening systems so, we aren't planning to do any of this. Again, in terms of managing that, we are trying to keep bills as low as possible. It does have quite a lot of operational expenditure associated to that and some quite tricky kit to run. As we don't have really high levels of hard water across our region, we're not proposing to do anything like that'

Panellist: My experience is that the water in the North East is some of the hardest in the country. In fact, probably the hardest. So, you're not right in saying the North East has got soft water. I come from the North West; they've got soft water. North East is one of the hardest.

NWG Representative: There are some pockets of hard water in the North East, where water comes from a source near limestone or chalk rocks, but mostly in the North East water is soft.

Panellist: In Essex we've got hard water.

Panellist: And I agree, you can't just put water softeners in, you've just got to buy a kit from Wilko or Primark or whatever it is.

Question 8

Explain Moderator: **We've still got quite a lot of themes of questions to get through. So, the next theme is around collaboration with other water companies. There is a question around do the water companies not work together more on improvements rather than pursuing to be market leaders?**

NWG Representative: I saw that one pop in actually. Yes, we do work together, so there's two things going on here. The first is Ofwat are driving healthy competition between water companies. When they say, ok who's got the best customer service? We're going to put you at the top of the ranking table. They're trying to drive that healthy competition, and they do that. Even through things like cost efficiencies as they look at all our costs. What length of pipes have we got? What services are you providing? And they say, this is the efficient cost to run it and they're doing that by comparing between companies. So, it drives a bit of healthy competition and that's particularly good for focusing on things like shareholders. Where you're saying, if you don't put the

money in you're going to go down this ranking and you're not going to get money in the future. So, it's trying to drive that and that's what they're trying to do.

At the same time, you still do need to do that collaboration and that does happen quite a bit. I'll give you an example, one of the things we've got is a priority services register, where if you need extra support, if you're vulnerable in some way you can sign up to the priority services so you're top of the list. But one of the things we wanted to do was see if we could identify more people in that position by looking at it across different sectors, different utilities and different things you have. We've now started to develop this platform which allows that information to be shared if you want them to with other companies that might provide their services. And we're looking at how we could roll that out nationally. It's just a thing that everyone, just tell people once rather than every company, every individual bit of details. It's just that kind of example of saying, what opportunities have we got? What could we do that we're good at to sort of share with others. And there's quite a lot of those projects, how do we share that technology? How do we do those things to drive improvements for everyone. Just reassuring you really that there's a lot of working together as well as that friendly competition that Ofwat drive in that comparative way of things.

NWG Representative: Can I just add to that please?

Explain Moderator: Of course you can.

NWG Representative: This price review or this period is the first time that we've had really good collaboration I guess, in terms of water resource management plans. We've always had to develop our water resource management plan, but we've now got regional water resource management groups. In South East that groups us together with Anglian Water, Affinity Water, and Cambridge Water in our Essex and Suffolk region. Then in the North East, we're paired with United Utilities and Yorkshire Water and the reason for that process is to absolutely make sure that we're working with other companies to look at the best way to develop new water resources so that we really combine across all of our companies to say what's the best thing in this region on the whole? How do we develop that? How do we make it all work together? There are regional groups that really, really force that kind of collaboration in developing resources and making sure we're heading towards the right thing for the long-term of a region as well.

Question 9

Explain Moderator: Thank you for that we now have a question on storm overflows. There's a lot of concern generally about storm overflows in the chat. Why we still have them? Why are the investment just happening now? Are they monitored? So, just a bit of context around storm overflows generally and why they haven't been tackled so far would be good.

NWG Representative: I have been trying to keep track of all the questions in on storm overflows. I'll try and answer most of them all at the same time.

The first one was about specific areas of storm overflow discharge in the Southend area. The first thing to point out is we do not operate the wastewater system in the South East of England, we operate the system on the North East of England. In the South East, the system will be operated by either by Thames Water or Anglian Water. But I can talk in general about our storm overflows.

Storm overflows are an essential part of the wastewater network. They act as a pressure relief system during periods of heavy rainfall. They generally prevent the network from becoming overloaded and flooding customers' homes. They are very, very important. All the storm overflows we have on the network are fully permitted by the environment agency. We have documented permits that say we are allowed to use them under those conditions. We should also remember that when they do discharge it's generally a highly diluted wastewater effect, so the vast majority of the water going out of those is rainwater. More than 95% is rainwater and less than 5% would be wastewater.

In the past ten years, we've invested around about £350million in storm overflow improvements and in the current five-year planning cycle, from 2020-25, we're investing over £90million in improvements to storm overflows. Between 2021/22, we've seen a 20% reduction in discharges from storm overflows in our region, which has been great, and about a 40% reduction in the average duration of discharges from storm overflows.

Now, some of that is due to the weather. It's been a bit of a dryer year between 2021/22 in the North East, so it is because of the weather but it's also because of the investments we're putting in place to improve those assets.

Currently, 99% of our storm overflows are fully monitored and we report all the discharges to the Environment Agency through an annual return. By the end of this year, all the discharges from storm overflows will be made publicly available on a near real-time basis. We're going to publish all the discharge information near real time, which is within one hour of any discharge from the storm overflow and we'll make that publicly available. We haven't exactly worked out where and how yet. It'll definitely be on our website. But we're also looking to make it available to other environmental organisations, such as Rivers Trusts or Surfers Against Sewerage for example. That'll be by the end of this year.

All of our bathing water storm overflow discharges – that is any storm overflow that relates to a bathing water, are already reported near real time every time there is a discharge and that's through our Beach Aware system. That system publicly shows that on our website, and it's also linked to an app that Surfers Against Sewerage use. They also report when we've had a discharge from a storm overflow that's going to affect one of our bathing waters.

It's worth saying that 32 out of our 34 of our bathing waters in the North East of England are either good or excellent status, so really high standards overall. The two that are not that good or excellent status we've worked with the Environment Agency and local authorities on those to understand what's causing the deterioration in those bathing waters and those agencies have confirmed that it's not due to the operation of NW's assets, it's due to other causes. We'll continue to work with those agencies to look at how can we remedy those bathing waters and improve the status of them over the next few years.

Most people will be aware that the government has published a storm overflow discharge reduction programme, so they want us to get even better at the performance of storm overflows. In the next five-year planning period, 2025-30, we'll be investing just over £1 billion in improvements to storm overflow discharges, and that's to reduce the number of discharges to no more than ten on average at all storm overflows, and no more than two on average at any that affect bathing waters. Now, we won't fix them all in the next five-year cycle. The plan continues up to 2050 in a prioritised order which has been set out by government. So, there will be roughly £3 billion worth of investment up to 2050 in storm overflow improvements.

Explain Moderator: Thank you for that, that was very comprehensive.

Question 10

Explain Moderator: We've had a similar theme of question around lead pipes and concern around lead pipes in the network which we've seen across a lot of the conversations we've had about lead pipes. Why do we still have lead pipes? Why is this investment just suddenly needed now?

NWG Representative: Lead pipes have always existed. Where they're the most common is in the connections into houses and actually lots of houses themselves have internal lead pipes or lead seals and things. It was a very common use pre-1960s to use lead in pipes. The big pipes that we have in the ground aren't lead, so it's a long job to try and replace these. We've invested more than £12 million in this five-year period and we're planning to invest another £39 million over the next period. That won't replace all of the lead pipes.

What we're trying to do is balance the plan over a long-term basis where we have issues, so to control the lead in customers' supply. We dose phosphate at our treatment works across the vast majority of our network which seals the lead and pipes, which means that none of the lead leaks into customers' supply. So, it protects our customers and that's a really good method to protect our customers, bearing in mind that big chunks of this lead are actually in customers' properties. We don't have a duty to replace that, and we can't enforce that in any way. But we do have a duty to provide clean and wholesome water to the customers' tap. It's a really good way for us to make sure that when you turn your tap on that the water doesn't have lead in it.

We need to carry on doing that but where we do see elevated levels of lead or where we identify serviced pipes leading up to customers' houses, we will replace those and that's the investment that you're seeing in the plan over the next period.

Explain Moderator: 'Thanks, there's a question as well around how concerned customers should be if they could have lead pipes?'

NWG Representative: Our policy is always when we know about them, and we see any elevated levels to replace those. We manage at one of the lowest levels across the industry. When we're seeing result of four micro gallons per litre, we'll replace any lead pipe. The actual standard is ten, so if any sample that we take and we extensively sample across our customer network into customers' homes. If we detect anything above ten, then that would be a failure. If we detect anything above four, we will go in and replace pipes because that's the standard we've set ourselves as even tighter than the national limit. You can be pretty assured that on our patch that we're operating to a really, really high level and standard.

Panellist: Can customers get a lead testing kit from yourselves? Because I know I've got lead pipes. We've just moved into this house, and we had a survey done, and they said there was lead pipes. Can you get a kit from NW to see what the levels are?.

NWG Representative: Now, I don't actually know is the simple answer to that question. I can go away and find out to see how we can do that. We certainly do extensive testing over customers' properties, and we can see and work out what we can do around that. I can connect with you afterwards to see what we can do.

Explain Moderator: We'll follow up on that, thanks X.

Question 11

Explain Moderator: Another question for you and it's probably come up before. If all this investment is required, why did the business lower bills five years ago?'

NWG Representative: That's a good question. A lot of the statutory requirements have come about since that moment, and the awareness of what is needed and what investment has been missing has been increased since then. A good example would be storm overflows. So, sitting here five years ago. I wasn't quite sat here, but if I had been sat here five years ago, we did put in the largest plan for storm overflows in the sector. But that was very small. That was not a priority that the government had picked up on. That was not the expectation, and we were very clearly told, reducing bills is a priority. That investment had it gone into our plan was not accepted, was not part of the secretary of state's plan. And that's the case across a few things.

For example, on water supplies, five years ago our plan was saying actually we're in a really good position and we've got enough water for decade and decades and decades ahead. But there's been an investigation to understand well, what's the impact on the environment for that? What is that doing? What is that doing when everyone's water use in the area is taken together, and looking forward and saying, well how is it going to change? Then those requirements have come from the Environment Agency to reduce what we extract and therefore, we're into that kind of investing.

The lesson here is having a foresight, not just us because we're not alone but across lots of organisations, they're saying how do we work together with the government to identify these things, to understand these things. It's like, ok, let's plan for the long-term a bit better. The key thing really is it would have been a good thing to have started storm overflows, in my view, even 15 years ago, but it's not something water companies can just go and do if we put those plans forward, they wouldn't have been accepted. In many cases they wouldn't have been accepted. The lesson is to do this together. That's part of the reason we're now doing a long-term strategy, which is looking much further ahead. We're just trying to do that across things like drainage, as well as water resources, where we have some good resilience and trying to do that more effectively and a bit more collectively across everyone that is involved.

Panellist: Have to have confidence in what you are saying tonight really. Given that five years ago things were very different. I just wonder how we can have confidence in your views. For instance, X said about storm overflows, and it all sounds very good. I don't know whether we should believe what we hear or what I read to be true online.

NWG Representative: It's a fair challenge, storm overflows is a good example of this. Storm overflows, it wasn't something we were required to do until storm overflows discharge reduction plan. That means we can't just propose these things, we have to go through talking to customers, we have to get our proof etc. That storm overflow plan that we set out is now a 25-year plan to progressively tackle them. Each five years, we've laid it all out. There's a plan and they said ok, when are we going to tackle each one? How do you prioritise? How do you make sure? And we've talked about, probably in some of the sessions with you as well, about how do you prioritise that? How do you focus that? Do you do more now? Do you do more later? What the

right thing to do? So, looking forward and saying, ok what are we going to do in that period? I'll bring in my colleague to talk more on the plan.

NWG Representative: I was just going to say that the plan that we've submitted is very closely monitored by the Environment Agency and by Ofwat. For storm overflows specifically, in the next five-year planning cycle we will improve 160 storm overflows. They will be individual lines in the plan and the Environment Agency will hold us to account to make sure we have delivered each of those 160 lines in that plan.

There are many other aspects to the plan including, removing of nutrients from the environment. Phosphorus and nitrogen can in particular, mean there will be individual elements in our plan, and the Environment Agency will expect us to deliver each and every one of those in turn, on time and they have to sign them off to say, yes that has been delivered in line with your regulatory contract.

There's a huge amount of scrutiny goes in this plan. We will do our best to beat the plan, so if we can deliver it faster, better, and cheaper then we will do that. You can have a high degree of certainty that our plans will be delivered in the next five-year cycle.

Panellist: 'What will happen if you don't?'

NWG Representative: If we don't I guess there are a number of things that could happen. So, we could face some regulatory penalties from the Environment Agency. Or for example, we had not met a particular output we could be fined for not meeting permit requirements. If we don't deliver the number of outputs we said we will deliver, the money that we have got funding for we potentially would have to hand money back to customers for non-delivery.

Explain Moderator: **Just a couple of follow up questions in the chat. If you were fined by the Environment Agency who pays for the fine?'**

NWG Representative: That comes out of our funds. So, we don't increase customers' bills to pay those fines.

Question 12

Explain Moderator: **There's a few questions in the chat around salaries for chief executives particularly around if targets aren't being met how can those levels of salary be justified?'**

NWG Representative: So I think it's probably not a sensible thing to comment on the very specifics. But let's talk about it in general for NWG. There's two things here.

One is that the Executives' salaries here are one of the lowest in the sector. Some of the numbers you're seeing in the press are nothing like what's happening here. How are those set? The Board has a remuneration committee which sets what salary should be at that level. So, it's not bosses setting that salary, it's the Board and the independent directors trying to set that and understand what is needed. One of the ways they have done that is to link it to link that performance to things like environment performance. That's a big driver of pay and what remuneration is for those Executives.

That's the real key with this stuff - trying to align those two things and saying well, if things are not going well for the environment, why would you pay that? It's a commitment we've made to link those two things together quite strongly. I think Ofwat a couple of years ago complimented us on doing that because we were one of the first companies to go down that route and start thinking about it. Ofwat are now seeking for other companies to start doing the same as we did.

Question 13

Explain Moderator: **A couple of more straight forward questions. If you have a leak in your property, do you have to pay for that lost water?'**

NWG Representative: There's two elements to that. The first is if you get it repaired and contact us and tell us you got it repaired, we give you an allowance for it. That's the simplest way of doing it. We'd look at what your consumption is and give you credit for that.

The slight scenario is where somebody ignores us, again there's two elements to that. You might be struggling to pay and if you're struggling to pay to get that repaired, we'd talk to you about how we could help that. But actually, some people just ignore the fact that they've got a leak. They won't engage with us and in that scenario, we might try and forcibly repair it and charge you for it. But that's very, very rare.

Most people will engage with us, most people will talk to us about how we can do it. Leak allowances, I don't want to make it sound like we do lots of it, but leak allowances are a normal part of the metered routine in that people do have things that go wrong with the house. It's great for us because it gets picked up quickly, whereas if you're not on a meter we can't see those things happening. So, you know you wouldn't be expected to pay for that additional water, unless there is something you're doing that is stopping us from repairing it. It's really a balance thing. 99.9% of these, people identify a leak.

If it's us identifying it because your consumption looks really high compared to last time. Let's talk about what's happened, is there anything that's happened in your personal life that means you're going to use more water. We'll go through a routine there to investigate what it is if we identify a leak, we'll ask you to get it repaired if it's on your side. If it's on our side then we'll sort that out and then we'll take consumption readings and look at what your consumption was before the leak and we'll make an allowance to say, look actually we're just going to bill you for the bit you would normally have used.

The reason we talk about smart meters a lot is and as mentioned earlier, is the earlier identification of leaks is good for you because it means that water isn't leaking into your house somewhere and it's good for us because we're not wasting as much water. That's really why we want to do it, so we can pick those sorts of things up really quickly and get it resolved. But either way, we do give an allowance where there's excess water used.

Question 14

Explain Moderator: Another question around potential options for charging in the future. So, there's been a suggestion of some sort of tax or premium for those with private pools, like what happens in other countries, is that something the company would consider?

NWG Representative: We can't do a tax but when I was talking to you about usage and looking at tariffs, we could look at excessive, high consumption where there clearly isn't a leak. It's about the way somebody is using the water. Could we put some additional charging in there, that's definitely something we're thinking about. There are those people who are using more than they should do and are wasteful with it and somewhere down the line, which can't be allowed to continue. We'll look at that in the round of looking at those people who can't control what they use, they have to use more water. It's the protection that they need. So, to my mind, we've got to make sure we do both ends of that.

Panellist: I think generally with pools once they're filled up, it's not like they're refilled it all the time. It just gets a bit topped up occasionally and treated.

NWG Representative: It takes up a lot of water when it gets topped up through, doesn't it? If you're not on a meter, we do have a swimming pool charge. There is a fixed charge that gets applied if you're not on a meter. But obviously, ideally, we want those meters where people have got those sorts of things.

Question 15

Explain Moderator: There's been a few comments really about hose pipe bans and concern around hose pipe bans and what might happen. Also, if there's opportunity or a possibly of the North and South regions sharing water if it's more abundant in the North.

NWG Representative: This is probably the first time I've ever had a customer group asking about the hose pipe ban. It's normally completely the other way.

So, what we do is we try and manage our water resources to ensure that there is enough water for our customers for all of the years. I saw one of the questions that was related to climate change. When we're doing our planning, we plan out to 2050 and beyond, and look at all these different scenarios. There's lots of uncertainty. Even this year, we've had record temperature of 40 degrees in our region. So, we know lots of these things are changing, we don't always know exactly how they're changing, so what we've done as part of other impacts of climate change. So, things like increasing storms, particularly affected by storm Arwen over the last year in the North and storm Eunice down in the South East.

Some of these things are changing, water resources changing, the environment changing, the types of event that we see, we're all seeing some changes in temperature, it's been incredibly dry over this last period. What we try to do is protect service levels for our customers over this last year, when we're talking about Essex and Suffolk specifically. Over last year, it was incredibly dry and incredibly hot. We protected our water resources, and we were able to refill everything back up over the winter. We had to try really hard to make sure we were in a really good position this summer. We got everything back full, we recovered from that event last year and generally, our water resources, we've mentioned the cost of Abberton but the protection that Abberton gives us in terms of that increased reservoir size does mean that we've got a two-year store of water there, which helps us when we do get this second event after last year.

We are pretty well protected. That's not to say there won't be issues and there won't be challenges. I gave a drought update to our board probably a month and a half ago that said we were going into the year in a really good place, it's not rained since then so, I'm really cautious about saying everything will be alright but we're in a reasonably good place and we've recovered our reservoirs really well over the winter and some of the things we're talking about here are making sure we're protecting the service to our customers over the long-term and developing sources when we need them so we don't have that impact of climate change on our customers' water supplies.

Explain Moderator: Just as a link to a question around that, regarding water conservation. So, a few comments and questions around plans for new housing developments having greywater systems installed, what are the thoughts on that?

NWG Representative: We've got some tight targets coming up in terms of reducing domestic consumption and metering, we've talked a lot about that on this call. This is one of the methods we can help our customers use less water. We know that our plans will only be deliverable if we can get really good collaboration with local planning and local development and we will work with the local developers to try and look at ways in which they can reduce water consumption, say by installing water use devices in new developments.

We're also working with central government to mandate some of those things in planning law. Some of those things are, we'll need some big global things to make that kind of change but we're also looking at working with non-households and other businesses where greywater does fit a little bit better. We're already working with farmers in that space across lots of our region and we can look at other options on a more local basis. So yes, we're looking to explore as much as we can water efficiency both across household developments and non-households, so other sectors.

Question 16

Explain Moderator: We've got a few minutes left but I do still have a few outstanding questions, so if we could keep the answers as concise as possible and we can get through them that would be helpful. So, first of all, if you did get a smart meter would that link to an app so you could monitor your usage? Is that in the plan?

NWG Representative: Yes

Question 17

Explain Moderator: That was very concise thank you. The next one was a follow up question from X on lead pipes, I think it was X actually. How do I find out if I've got lead pipes? Is there something you can do to find out?

NWG Representative: Aside from having a look in your house and looking at the age of the property, both of those will be good signifiers and you'll probably be able to see it on the stopcock on the way the house, so those and inspection by plumbers are good ways to look at that.

Explain Moderator: What sort of age of property?

NWG Representative: Probably 1960s

Question 18

Explain Moderator: It links to some of the conversation we had before about why ESW bills are one of the highest and it was suggested that there was previous investment needed in the Abberton Reservoir. When would you expect that investment to be paid off? We talked about investments being spread out over a long period of time, when would that drop off the bill?

NWG Representative: Investment is usually done over the life of the asset. For a reservoir, that's quite a long time, it's probably 100 years. The advantage of doing it that way is that you spread it out and it's a relatively small amount over a long period of time to do a reservoir. I could get into a lot of depth and complexity about how Ofwat tackle this but fundamentally, that's about right. You pay back investments over the life of the asset that you are investing in.

Question 19

Explain Moderator: Ok there's quite a few questions about what people could do about water efficiency or asking for more information about what education is going to be in place around water efficiency. Is there somewhere, some information we can you can direct the people panellists to about that?

NWG Representative: We can provide some information on water efficiency that can be shared and we already have details on our website. There will be more coming in over the next five years as well, so we can direct to you all.

6. CLOSE

Explain Moderator: [To colleague] Is there anything in the chat that you think I've missed out? Any burning questions?

Explain Moderator 2: I think you've been through everything. There are a few comments on similar things, but I don't think there's any big subjects that haven't been covered.

Explain Moderator: Brill. X, you've got your hand up.

Panellist: I just wanted to say that we had a meter fixed about four years ago and it brings your attention to what you do use. Personally, I think it would be a good thing for everybody because then we all pay attention. My bill actually was reduced by 10% because I had an electric water meter fitted.

Explain Moderator: Thank you for that X. We've just got a couple of minutes left until 8:00pm. Thank you so much everyone for your questions, which was a really interesting and helpful session. We did wonder if we have enough questions to get us to 8:00pm and we definitely did so, thank you for that. And obviously, thank you to all of the NW and ESW colleagues for answering all those questions. That was really helpful.

So, briefly, I'll summarise the next steps, in terms of what's coming next with the People Panels, we will be in touch over the next few weeks to encourage you if you're able to take part in a survey that we're doing about the business plan, research that all water companies conduct in relation to their plan is called affordability and acceptability testing. If you remember our last sessions we had together, we had some workshops on what you thought of a must-do and a proposed plan. The next stage is then to take one final plan to a survey and test that with a much larger number of customers and we thought it would be helpful for you to complete that survey as customers who have been involved in this process for a long time and are much more informed than the average customer. We'd be really interested to hear your views in that survey about what the proposed plan actually is, so we'll share that with you over the next few weeks.

And then we're probably going to give you the Summer off, so have a lovely Summer and we plan to get back together in October. The business plan is submitted in October. We're planning to get together then and have a roundup on where NW and ESW have got to with the plan. So, that's it from me.

NWG Host: As always, a massive thank you to you all for your questions, for your probing and for giving us your honest thoughts and options. Thank you. Your voices really do count and thank you also to the Company Panel.