

Meeting note

Thursday 21 January 2016
10.30 am to 1.00 pm

AIM Taskforce meeting

Attendees	
Jon Ashley, Ofwat	Simon Ross, Environment Agency (phone)
Mike Pocock, Affinity Water	Lee Dance, South East Water (phone)
Luke de Vial, Wessex Water	Miles Foulger, Yorkshire Water (phone)
Colin Fenn, WWF-UK	Clare Dunlop, Yorkshire Water (phone)
Glenis Pewsey, South West Water	Marcus O’Kane, Severn Trent Water (phone)
Richard Blackwell, United Utilities	
Chris Lambert, Thames Water	
Nigel Hepworth, Southern Water	

The purpose of the Abstraction Incentive Mechanism (AIM) Taskforce meeting was to discuss the responses to Ofwat’s recent consultation on the AIM Taskforce’s proposals and to agree next steps.

Responses to the AIM consultation

Question 1 related to the AIM taskforce’s proposals. The respondents and the Taskforce attendees generally supported a local approach to the selection of AIM sites and the setting of baselines and trigger points. The respondents and the attendees also pointed out that AIM needs to be linked to other environmental schemes and reforms. The companies attending explained that they had taken different approaches to identifying AIM sites, but they felt that these different approaches were reasonable given their different environmental challenges, past investment and current plans. In relation to the wording of filter 2 responses were mixed but the Taskforce agreed that the word “probably” could be dropped with “e.g. by demand management” being added at the end.

Question 2 related to defining filter 3 of the AIM Taskforce's proposals more precisely. A number of responses stated and the consensus of the Taskforce meeting was that the sub-filters used as part of Filter 3 need to be transparent to stakeholders. Respondents generally felt that Filter 3 needed to be flexible to deal with local and site-specific issues.

Question 3 asked about the number of AIM sites companies had proposed. The three environmental NGOs who responded to the consultation felt that companies as a whole were being unambitious. The majority of company respondents considered the number of AIM sites companies proposed to be about right. The company members of the Taskforce considered the number of sites reflected that a lot of measures have been taken to reduce abstraction problems and that the AIM is not an appropriate mechanism to deal with some abstraction problems e.g. long-term abstraction impacts. WWF-UK still felt some companies were being unambitious in the number of sites proposed for the AIM.

Question 4 asked about whether companies should engage with their CCGs on their selection of sites for the AIM. Generally respondents agreed that companies should consult with their CCGs, although five respondents cautioned that CCGs often do not include many environmental experts and so might not be well placed to challenge a company effectively. Some respondents suggested that companies could engage with local Catchment Based Approach (CaBA) partnerships or other local organisations on their selection of sites. Taskforce members added that there are existing engagement processes in, for example, water resource management plans which could be used to engage on the AIM sites.

Question 5 related to the publication of companies' reasons for rejecting sites for the AIM. Respondents to the consultation favoured publishing these reasons by a ratio of 3 to 1. Some Taskforce members suggested publishing the reasons for including sites in the AIM rather than rejecting sites would be more appropriate. Company members of the Taskforce considered the October 2013 lists of sites to contain errors and be out of date which made it a poor benchmark to justify exclusions from.

Question 6 asked about the Taskforce's reporting and monitoring proposals. The vast majority of respondents supported the Taskforce's proposals. One company considered that the AIM was too restrictive and did not allow for other solutions to environmental problems such as managing flows from reservoirs or river morphology. Some company Taskforce members were concerned about how the proposals relate to companies with no AIM sites and whether they could give a negative impression of those companies. Other company Taskforce members wanted to clarify how AIM related to existing abstraction-related performance commitments.

Question 7 related to companies publishing information on AIM sites, triggers and baselines. Respondents supported publication by a ratio of just under 3 to 1. Those not supporting publication generally thought the information was too technical for customers. Some respondents thought publication should be alongside other abstraction-related information.

Question 8 asked about whether the AIM should be used as a comparator. Respondents and the Taskforce attendees generally thought that the comparing AIM performance was too difficult and not meaningful because of companies' varying environmental challenges, past investment and current environmental policies. Respondents and Taskforce attendees also generally thought that the AIM should only be reported as part of a suite of information on environmental performance. Several respondents pointed out that AIM does not work as a comparative tool for companies with no AIM sites. One attendee argued that the AIM was inherently a financial tool to rebalance a company's incentives to reflect environmental and customer values rather than a reputational tool or a tool for inter-company comparisons.

Question 9 related to whether Ofwat should publish AIM scores. Responses were similar to question 8, although several respondents supported publishing AIM scores as part of a wider suite of information on environmental performance.

Question 10 asked about the future development of the AIM. Some respondents argued that the AIM should be less needed, or not needed at all, as environmental improvements are implemented through other programmes over time. Some respondents were concerned about how the AIM fits with upstream markets, other Ofwat incentives and abstraction reform. Some respondents mentioned that we need to learn the lessons of reputational AIM before deciding about the future of the AIM. Two respondents thought a financial version of the AIM could create perverse incentives. By contrast some respondents favoured a financial version of the AIM. Some Taskforce attendees thought the need for the AIM would decline over time, whereas others thought there was always a role for the AIM when companies wanted to go beyond their statutory requirements to help address stakeholder concerns.

Next steps in relation to the AIM

Ofwat explained that it would reflect on the consultation responses. Ofwat planned to issue draft guidelines for how the AIM would operate to Taskforce members for comment in mid-February with a final version published in March.

Several company Taskforce members said that they could start operating the AIM in April 2016. In some cases companies had not had confirmation from the local Environment Agency office that their proposals were acceptable. In those cases companies proposed that they would begin operation of their AIM sites in April 2016 on the basis of the proposals they sent to the local Environment Agency office. One company said that it could start a subset of its AIM sites in April but that others might follow in June or July. Some Taskforce members said it might be easier for companies to start the AIM in April if Ofwat would agree to the AIM being a non-comparable measure and not published, at least for the first year. Ofwat said it would reflect on this suggestion.

Wessex Water agreed to remind companies via the water resources network that if the AIM goes ahead on 1 April companies need to have confirmed sites, developed trigger points and have assessed an historic baseline usage relative to those trigger points.