TMS12 Developer Services

Contents

1. Executive summary

Our Developer Services strategy focuses on delivering four outcomes which have been developed in conjunction with our Customer Strategy and apply to all our customer groups. Each of these outcomes responds to one of our customer wants[1] and links into our 2050 vision. To achieve these outcomes we have set ourselves four objectives that relate to the specific contribution of each of these through our work with developers.

Table 1.1: Customer outcomes

Customer Want/Outcome	Objective
1. Easy customer experience and tailored support	• We'll make it simple and efficient for our developer customers to deal with us
2. Fair and affordable bills	• We'll further develop the connections market so it gives effective choice for developers and makes it easy for NAVs and SLPs to compete
3. Fixing leaks and always enough water	• We'll continue to work with government on water efficiency legislation • We'll work with developers and policy makers to build more sustainable homes, delivering water efficiency and sustainable drainage solutions
4. Preventing sewer flooding	

Our PR24 Developer Services Strategy supports us to:

- move to 13^{th} position in developer services measure of experience (D-MeX) by building on the transformational change delivered in AMP7 and making incremental service improvements throughout AMP8
- increase Self Lay Providers (SLPs) and New Appointments and Variations (NAVs) market penetration to 50%

We have an obligation to support development in our area by providing Developer Services. Other companies such as Developers, NAVs and SLPs also offer these services to customers as part of a competitive market. With continued growth in London and the South East the connections market is big enough for multiple companies and different types of companies to compete for business. We all push each other to raise the bar of customer service.

Our performance for developers today is not good enough and it is not aligned to what our customers expect. We have started to improve performance by making tactical process improvements, restructured our Wholesale Services team and bringing in new field delivery partners and by transforming our systems and processes. Our qualitative performance, measuring direct customer feedback remained stable in the first two years of AMP7 and we have seen sustained improvements to our D-MeX metrics, in the first three years of AMP7, our quantitative performance, measuring compliance against a set of Water UK developer services level of service metrics, improved from 86% to over 94%, but we have not been improving as quickly as other providers nationally and we are ranked towards the bottom of the D-MeX table.

[1] TMS04 What Customers, Communities and Stakeholders Want

We have been improving our services to SLPs and NAVs in our region and have seen growth in these key markets. We report the number of connections made by SLPs and NAVs in our area and compare this to performance of other wholesalers in Ofwat's Annual Performance Report. We are currently middle of the pack for the success of the developer markets. We have also introduced a new innovative approach for environmental incentives for developers that has been recognised as best practice, and we are building on this solid foundation to increase take-up by developers.

We want to achieve good customer service by 2030 and we want to give developer customers more choice in a vibrant market for developer services. By raising our service levels we can help to drive up customer service standards and value right through this competitive market, given the key focus for economic and housing growth in London and the South East. This will result in us performing mid-pack in D-MeX, alongside the majority of property connections being made by alternative providers (not Thames Water). Finally, we are committed to incentivising and collaborating with developers and stakeholders to tackle the considerable environmental challenges facing London and the South-East.

We have also ensured our plan aligns with Ofwat's PR24 Objectives.

Table 1.2: PR24 objectives

Ofwat objective	Our plan
Focus on long term	We have developed AMP8 outcomes and objectives which help us build towards our 2050 Vision to reach 6th in D-MeX
Deliver greater environmental and social value	We are committed to enabling growth whilst helping developers drive down demand for water through changes to legislation, encouraging the use of alternative water sources, evolving incentives to change developer behaviour and protecting the environment by encouraging the use of new drainage solutions
Reflect a clearer understanding of customers and communities	We have used customer insight gathered through D-MeX, Developer Days and other customer engagement channels to build our plan and have consulted customers on our Developer Services plan through the PR24 Developer Services Southern Region Customer Engagement session
Drive improvements through efficiency and innovation	We will continue to learn from and collaborate with others to improve efficiency and find innovative solutions to current and future challenges, in the same way we have in AMP7 such as the tiered approach to environmental incentives which we developed and shared with others

We have also shaped our AMP8 plan in line with the new customer-focussed licence which aims to achieve improved outcomes for customers, making sure customers are well informed, have confidence things will be put right when something goes wrong and the full diversity of customer needs are met.

We've modelled the benefits of each of the customer objectives to understand their impact on our overall customer experience measure D-MeX. This includes modelling the benefits from some significant changes that we are implementing in the remainder of AMP7. As the challenges for house-building, major infrastructure projects and the needs of developers continue to evolve, we will also evolve how to meet those needs throughout AMP8.

Our strategy for developer services has identified the key changes that we need to make to transform our customer service and continue to support our developer customers as their needs change over time. It is the right plan for the below key reasons.

- It has been built on what customers want and it has been extensively challenged by our customers, their representatives and other stakeholders
- We have made sure we have implemented lessons learnt in building our plan
- We have reviewed its deliverability
- We are evolving the way we work to deliver the plan
- We have tested the plan against alternative pathways
- We have strong leadership commitment

Our strategy for developer services centres on delivering a better service for developers, SLPs and NAVs and promoting customer choice through supporting effective developer markets. We know that we have plenty of room for improvement, but are confident we can build on the steady improvements seen in AMP7, and that we can and will, do better for our developer customers as we collectively meet the challenges of growth for the communities we provide life's essential service to.

2. Our Customer Vision 2050

2.1. Customer expectations continue to evolve at pace

2.1.1. We serve a unique customer base

Our customer and property base are not static; it is constantly changing as new homes and business premises are built, and existing buildings are demolished or refurbished. Furthermore, the scale of activity is greater in our area than other parts of the country with 70% of tall buildings being built in the UK located in London and more housing developments being completed in one London Local Authority than in Leeds, Manchester or Birmingham. While we currently supply water to around ten million people, this is set to grow to twelve million by 2050. This evolution of the property base creates demands for new water and wastewater connections and disconnections, which we have statutory obligations to facilitate.

Table 2.1: House development completions in the United Kingdom

Region or Country & Local Authority	2020-2021	2021-2022
Yorkshire and The Humber - Leeds	2,750	1,690
North West - Manchester	3,220	1,790
West Midlands - Birmingham	950	1,980
London - Tower Hamlets	2,870	2,470

Source: ONS Housing completion data

Table 2.2: Habitable buildings over 100 metres in height per development stage

	Occupied	Under Construction	In Planning	Total
Leeds	3	1	3	7
Manchester	13	6	7	26
Birmingham	6	5	11	22
Salford	3	1	1	5
Elsewhere	8	0	2	10
London	118	23	27	168

Source: List of tallest buildings and structures in London - Wikipedia

2.1.2. Evolving markets and customer expectations

To support changes to our built environment, we need to work with, and deliver for, a range of stakeholders including: the developers and builders of new homes and business premises (Developers), the deliverers of new infrastructure projects such as new roads or railways (Infrastructure Providers), and the organisations who provide new network build solutions to Developers – Self Lay Providers (SLPs) and New Appointments and Variations (NAVs). In addition, we must also consider the needs of the end consumers of the water and wastewater services provided by this network infrastructure (household and non-household customers).

The provision of services to Developers, Infrastructure Providers, SLPs and NAVs is critical to ensuring the needs of customers, communities and the environment. The Developer and NAV markets are also the first step in the creating and acquisition of new Household (HH) and Non-Household (NHH) customers for the relevant retailers – with both data quality and meter asset installation being key enablers to the future success of the retail processes which follow the building of new properties.

The development of the built environment requires us to continually modify our existing water and wastewater infrastructure assets to accommodate growth, either through increasing network capacity to facilitate new demand, or to relocate existing infrastructure to make way for new buildings or infrastructure projects (for example new road or rail links).

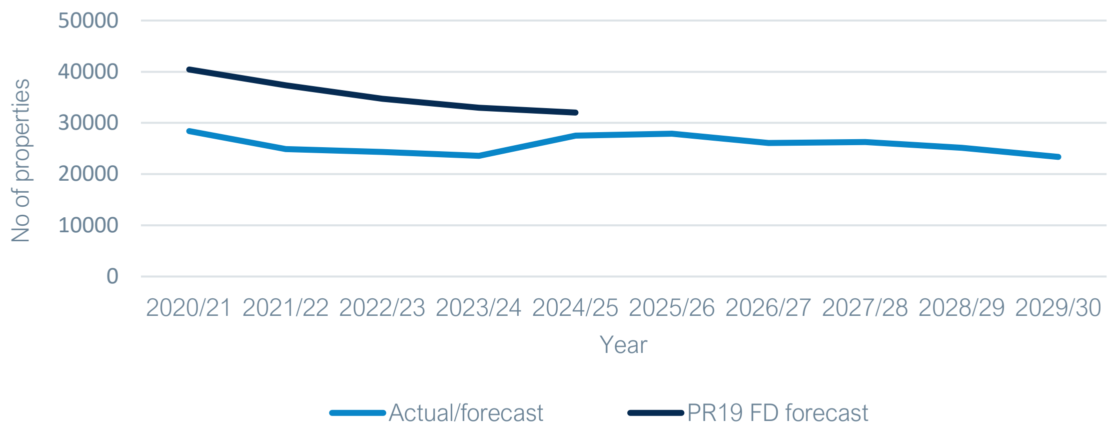
2.1.3. Growth and developers

In March 2020 Covid dramatically changed how our customers operated. Developers had to implement new policies and procedures to enable staff to return to work safely. This led to a reduction in the number of homes being built, but the sector rebounded strongly.

Then in 2022 the cost-of-living crisis started to bite. The implications of the current cost-of-living crisis are well documented and the residential property market is closely linked to consumer confidence and levels of spending. The cost of living pressures and growing concerns over rising interest rates are making buyers hesitant about purchasing homes. This in turn is impacting housebuilders with focus on housing developments that are closer to being finished, rather than mobilisation of new projects, and projects that are two to four years away from completion.

Developers are forecasting a drop in sales for new homes and the housing market will be challenging until interest rates settle. We have used insight from Local Authorities to help us forecast the number of properties that will be connected in AMP8.

Figure 2.1: Properties connected



Source: Internal Thames Water analysis.

Other current and future challenges in this sector include:

- Projected increases in population in our region;
- Volatility of house-building and infrastructure projects due to economic conditions;
- The move to greater urbanisation;
- The impacts of climate change bringing greater scarcity of water supply and extreme weather events; and
- Increasing challenges with wastewater drainage and delivering nutrient neutrality.

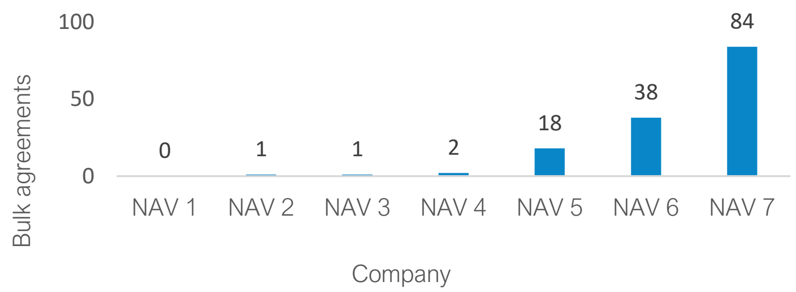
We understand the challenges customers are facing and we have used this insight to develop AMP8 objectives which will to help customers respond.

2.1.4. SLPs and NAVs

Some elements of the provision of connections and changes to network infrastructure are open competitive markets, with Developers and Infrastructure Providers having choices around who undertakes the required network construction, and in some cases, who owns the new network assets.

The NAV market has been growing nationally and this success has been mirrored in our area. There are seven NAVs that are currently active in our area, and we have in circa 150 Bulk Supply or Bulk Discharge Agreements in place.

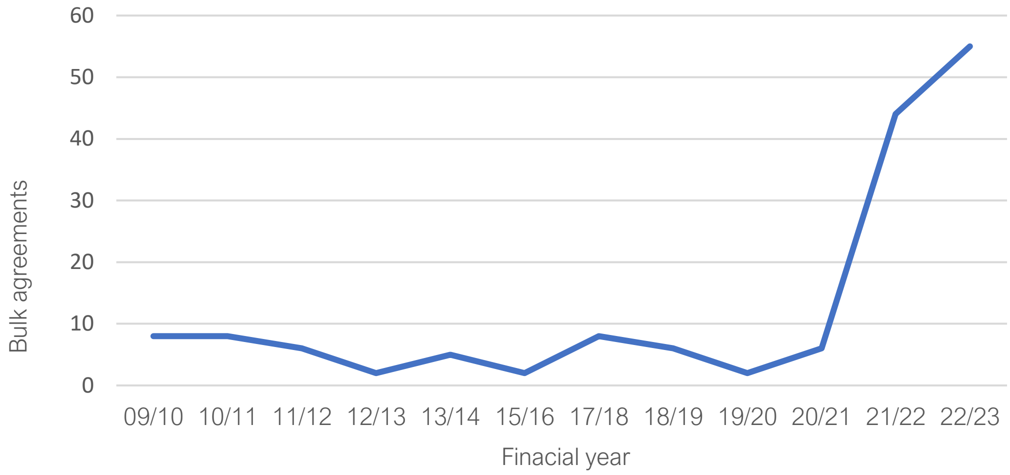
Figure 2.2: Active NAVs and Bulk agreements per NAV



Source: Thames Water data: Wholesale Services Account Management NAV tracker

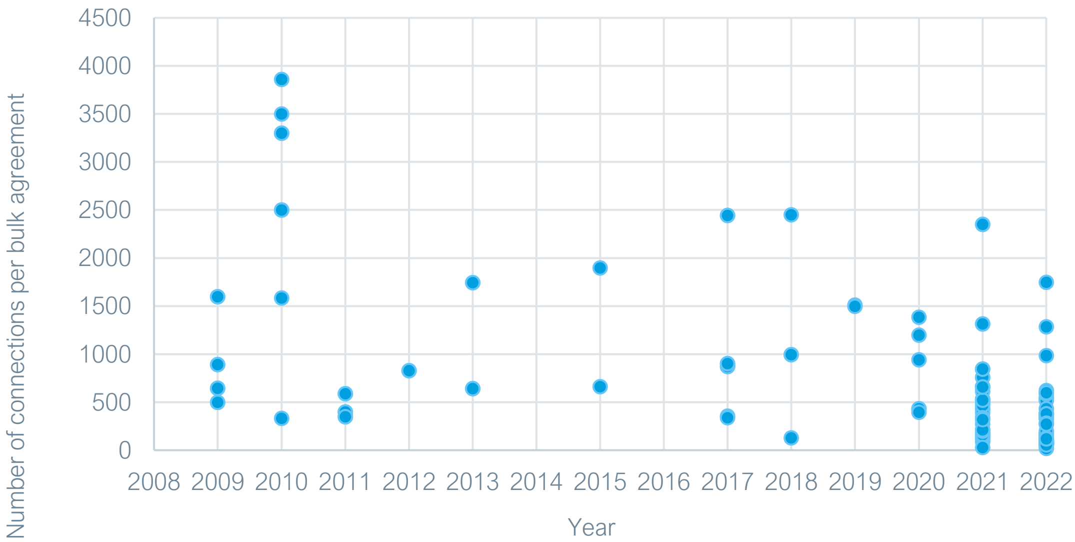
As Thames Water and others have improved their services to NAVs and the rules that the market operates to have changed over time there have been marked changes to the NAV market. This maturing market has in turn has improved the confidence that developers have in the NAV route. There has been notable growth in the number of Bulk Supply and Bulk Discharge Agreements we have signed over the last two years, and we expect this trend to continue. We have also seen a change in type of NAV areas, with more contracts being signed for smaller developments. We are now seeing NAV contracts being put in place for developments of <50 homes. These are positive reflections of market changes that have been put in place, as previously there had been concerns that unknown barriers may exist that were preventing NAVs from competing for smaller development.

Figure 2.3: Number of Bulk Supply and Bulk Discharge Agreements



Source: Thames Water data: Wholesale Services Account Management NAV tracker

Figure 2.4: Number of connections per bulk agreement by year



Source: Thames Water data: Wholesale Services Account Management NAV tracker

The SLP market has been stable, with the number of active companies and the amount of work carried out being consistent each year. There are over 160 companies competing for work which offers customers a large amount of choice although most of the work is carried out by a small number of larger SLPs.

Figure 2.5: Plots per company

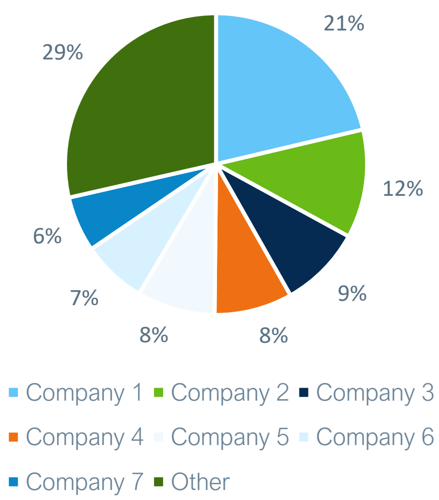


Figure 2.6: Meterage per company

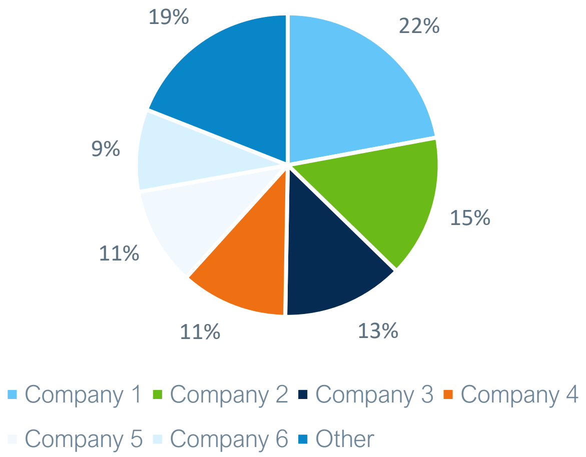


Figure 2.7: No. of active companies

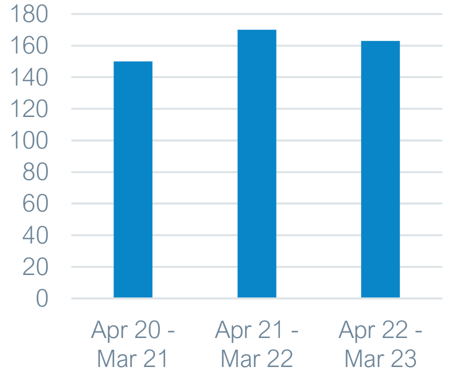
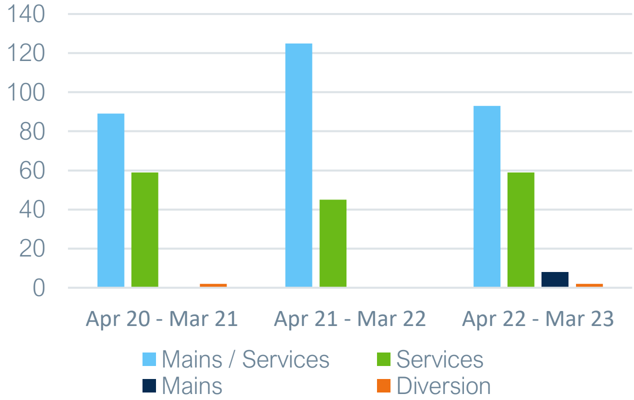


Figure 2.8: No. of services provided



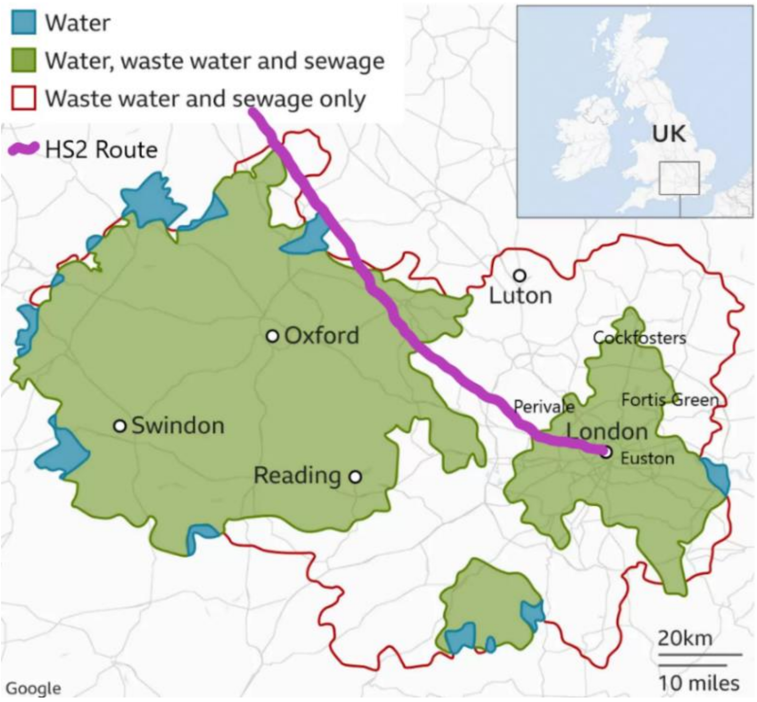
Source: Thames Water Wholesale Services SLP Work Tracker

The combined effect of improvements to both the SLP market and the NAV market are that the connections for 30% of properties in the Thames Water area in 2022/23 were made by SLPs or NAVs rather than by Thames Water, and over 70% of new water mains were laid by SLPs.

2.1.5. Infrastructure projects

We have seen a high proportion of large and nationally significant infrastructure projects such as London resorts, Culham science park, smart motorways and HS2 (which has its own act of parliament). We have no control over the timing and extent of these projects, but they have an extensive impact on our existing asset base. For example, HS2 has led to new demands for water for welfare sites and cooling of tunnel boring machines and requests for protection of our assets, especially from tunnelling. In addition, we are being asked to facilitate cross border connections to our neighbouring water company to enable them to reduce ground abstraction whilst HS2 tunnelling happens within their area. Government announcements in spring 2023 that significant parts of HS2 are being postponed illustrates the difficulties in planning and delivering the major changes to our assets that may be required.

Figure 2.9: HS2 Route through Thames Water operational area



Source: Internal Thames Water analysis

In addition, we are seeing a large number of water use intensive data centre developments being proposed. Working from home, increased home streaming and more online shopping has put enormous pressure on existing data centres and is driving the need for new data centre construction. Due to power availability and cyber security a high proportion of new data centres are proposed to be located within the Thames Water area. 55 of the 84 significant data centres (classed as large or mega) proposed in the UK are in the London region, with another 15 in the Thames Valley area.

Figure 2.10: Proposed data centre locations in southern England

Source: Glenigan's mapping tool

Figure 2.11: Proposed data centre locations in Thames Water area

Source: Glenigan's mapping tool

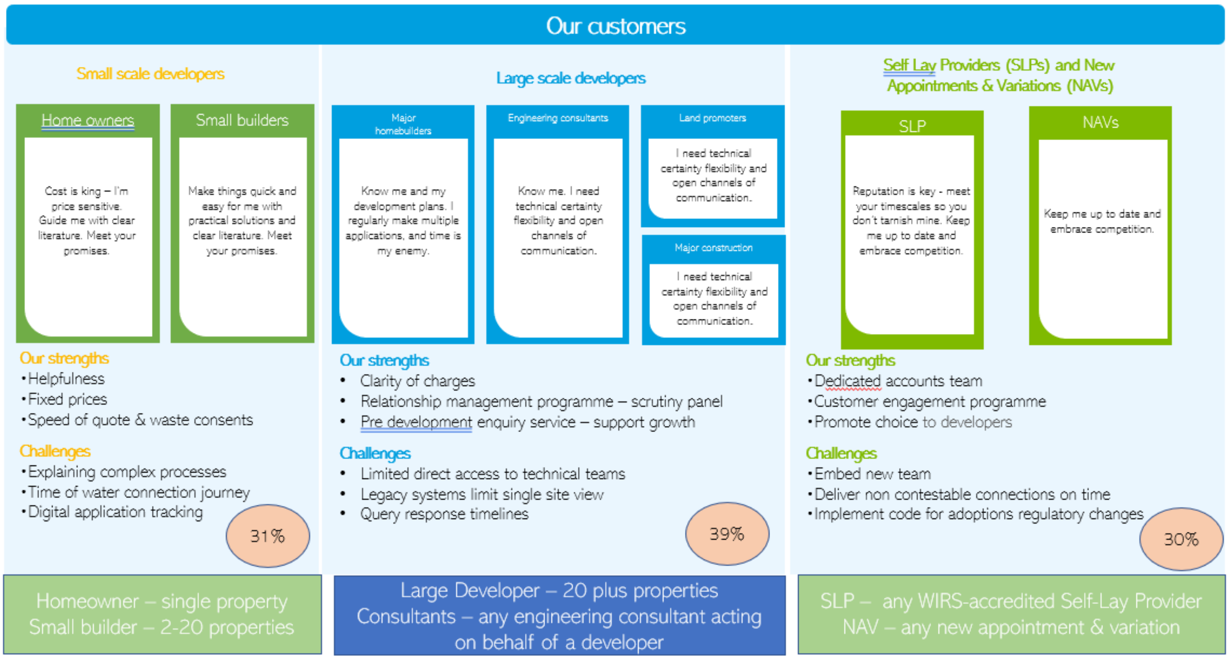
Traditional data centre design requires huge amounts of water for cooling purposes. We are not legally obliged to serve these, but we are mindful of the wider societal and economic implications by simply saying no to these requests. We are therefore embarking on an early engagement plan to ensure the most water efficient cooling systems are introduced, that alternative water supplies and other options have been explored, so that demand from data centres does not impact our ability to maintain headroom and that a consistent approach to all non-domestic demand is devised.

2.1.6. Customer expectations

Developer and Infrastructure Provider customers vary enormously in size and scale – ranging from individual homeowners to large national home builders, property developers, self-lay providers and NAVs. As a result, their wants and needs vary. We use segmentation and customer persona profiling to understand the different requirements from this diverse customer group. This insight drives our service offerings and improvement initiatives. For example, we use dedicated account managers to work with our large developer customers, and for smaller builders and homeowners we have sought to simplify and streamline our application processes.

For more details on these wants and the relative priority of these please see our What customers, communities and stakeholders appendix.

Figure 2.12: Developer customer segments



Source: Internal Thames Water analysis: Developer Services Overview

2.1.7. Engaging with customers

Regularly talking to our customers enables us to gain a greater understanding of their experience, our performance and their challenges and priorities so that we can focus improvement initiatives in areas which are most important to them. It also helps us plan for the future and ensure we have the right resources available to support development.

We seek feedback on our service through satisfaction and complaints analysis and several formal and informal engagement channels and through D-MeX analysis. Our engagement with our Developer customers includes continuing to produce regular Developer Services newsletter with key themes related to requests from developers or internal requests to help educate developers on key topics.

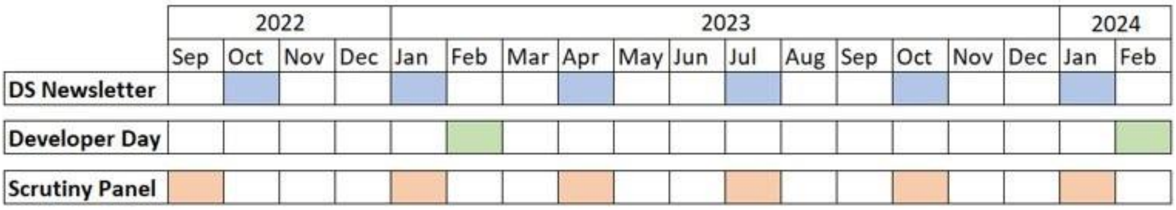
We also hold our annual Developer Day, the most recent of which was held in February 2023 and covered several topics including:

- Our plans for PR24 and how developers can get involved
- Impact of Schedule 3 / Section 42 changes
- Flexing our Environmental Incentives to increase uptake (also showcasing at the event companies who specialise in reuse).

- Getting developers to think about other sustainable options, including the potential for heat related to our sewers, as well as effective coordination with key stakeholders such as the GLA

Additionally, we hold regular Scrutiny Panels and Ask the Expert sessions. These forums are used to hear first-hand the wants and needs of our developer customer groups and provide an opportunity for us to share our plans and latest thinking on operational and service improvements.

Figure 2.13: Developer customer forum schedule



Source: Internal Thames Water data: Market strategy session slide pack

We have also expanded our engagement with key stakeholders via our affiliation to influential groups such as Business LDN (formerly London First). Using their network, we have held two roundtable events to discuss key topics such as our environmental plans and how the developer community can engage with us around PR24. Some key feedback includes;

- Excitement and support for our environmental incentives, which was considered a great start, however there was a prediction from the forum that uptake would be limited in the current economic climate. There was consensus that coordinated action from regulators and companies would be required to ensure uptake, and to encourage such incentives across the country
- Feeling that infrastructure coordination is key to minimise impacts on the capital – including considerations on how critical infrastructure roadworks add to road traffic emissions.

Figure 2.14: London first customer engagement

Source: Internal Thames Water data: London First Meeting

2.1.8. Large scale developer insight

Another key focus has been to task our account managers to increase their discussions with major developers to get a better understanding on market conditions and how they could impact our new connection activity. Some of the key messages recently received from our major developers are:

- Volumes will be lower next year (2023/24) than this one (2022/23), driven by the challenging mortgage market
- Due to the current challenges, they will be looking to delay the start of projects by a year in the hope the situation will improve in future
- Many have reported issues with the global supply chain and the increased costs of materials – suggested costs have gone up by >20%
- Other big issue raised was the skilled workers shortage because of Brexit, the pandemic, and the increased opportunity to work in the middle east

2.1.9. D-MeX results analysis

We continually analyse D-MeX insight and root cause the feedback from our customers to inform our focus on service improvements. The key themes from our customers across all insight channels are:

- Communication - customers are unclear where they are in the process, on next steps, and it can be difficult to reach us
- Time - our timescales regularly exceed customer expectations. Manual processing means things take a long time and quality is not prioritised
- Quality - we regularly provide inconsistent or inaccurate information, don't tailor our messages to segments, and often need to revert to customers for further details

- Website - customers want the ability to self-serve across multiple channels, currently customers have no choice other than to call or email. Our systems are ageing and difficult to make changes to, quite a few of our online capabilities were lost due to various platform upgrades
- Cost - our service is perceived as expensive, and customers are surprised by cost

2.1.10. Summary of what customers want

Our customer engagement confirms that all developer customers want our services to represent value for money – whether they are national builders, or one-time developers. The introduction of competition for some developer services has resulted in customers having choice in their provider of connections services. This means that developers can go elsewhere if they believe our contestable services are not value for money. In addition, Ofwat's charging rules mean that our prices must be cost reflective, with no added margin or profit. It is therefore important that we seek to deliver increased levels of efficiency to ensure our costs and associated prices remain competitive.

Our customers also want an effortless service, whereby issues are resolved quickly and efficiently, and our staff are knowledgeable and helpful. They also want us to communicate proactively and effectively; providing clear steps, timelines, and a dedicated point of contact when these cannot be solved on first contact. Additionally, they want to be treated as individuals, with tailored services to meet their needs.

Developer customers want us to support them in managing their impact on our water systems and the environment. Consumer demand for more affordable and 'greener' homes is increasing and Government is consulting on policy and legislation to drive more sustainable developments in the future. Our customers want us to support them on this journey, providing expert advice and solutions to delivering on National Water targets, Nutrient neutrality etc.

Finally, Developers want to minimise the impact of our operations in local communities and neighbourhoods. Our plans include continuing to work with the industry to further develop tools supporting multi-utility street works coordination, to maximise the usage of closures and reduce disruption in local community.

We have listened to customers and developed a plan which aligns with what customers have told us is important to them through D-MeX feedback analysis and through our ongoing engagement.

2.2. Our Customer 2050 vision is stretching and ambitious

Our purpose is 'to provide life's essential service so our customers, communities and environment can thrive' and we provide this essential service to around 15 million[2] customers serving a region with the broadest range of demographics in the UK. Over the next 30 years we will deliver great service and value for all customers and build passion for saving water and preventing blockages.

[2] https://www.thameswater.co.uk/about-us

Below outlines the focus areas within our 2050 vision, (further information on the full 2050 vision can be found in TMS06 Our Long Term Delivery Strategy appendix). In this document we focus on the first three goals of the 'for customers' pillar.

Figure 2.15: Extraction from our Vision 2050 summary document

Our Vision 2050
FOR CUSTOMERS

- Making sure everyone always has access to top-quality water and a reliable waste system
- Providing outstanding service and value for all our customers
- Motivating customers to save water and protect the environment

We provide safe, clean drinking water
- Tackling any challenges that could affect the high quality of our water, including speeding up our work to replace lead pipes

We offer customers value for money and send them affordable, accessible bills
- Providing an inclusive service with built-in support for vulnerable customers

We always maintain a reliable supply
- Investing in innovation so that no-one is let down by our network

We protect customers from sewer flooding
- Making sure no home, workplace or public space is at risk of sewer flooding by changing how we manage water from source to surface

We provide a proactive, personal service
- Fixing service issues the same day
- Creating a customer experience that constantly evolves to reflect the most recent digital innovations, consumer trends and market opportunities
- Partnering with other businesses, like water retailers and property developers, to make sure every customer gets the information they need and the service they deserve

We help customers understand how to protect the planet
- Inspiring as many people as possible to make choices that save water and keep pipes flowing

Our Vision 2050
FOR COMMUNITIES

- Using our land to benefit surrounding communities
- Equipping local communities with the skills they need to thrive
- Championing our people to deliver our purpose

We enrich community life for current and future generations
- Taking every opportunity to create social and public value
- Putting sustainability at the heart of our plans
- Using our land to bring the right mix of investment, local jobs, thriving wildlife spaces and more opportunities to spend time in nature

We champion what we do and create opportunities for everyone to be part of it
- Creating jobs that attract the diverse range of talent we need to lead change in our region and beyond
- Providing opportunities for local communities to develop skills for a successful future

We trust each other to do the job
- Providing a safe, inclusive and purpose-driven working environment where our people and our trusted partners can perform at their best
- Leading our industry by equipping our people with the right skills to give customers the service they expect

Our Vision 2050
FOR THE ENVIRONMENT

- Investing in our network to prevent leaks and keep water flowing
- Preventing all wastewater pollution and leading wider efforts to restore river health and increase biodiversity
- Producing all the green energy we can to power what we do

We meet the changing needs of our customers and the world around us
- Making sure less than one in every ten drops of water leaves our network through leaks
- Supporting our customers to reduce their water use by a quarter
- Securing enough water to meet future demand while protecting our most environmentally sensitive sources

We collaborate with others to improve the health of rivers
- Keeping all untreated sewage out of our rivers
- Taking the lead in improving our region's environment, helping our rivers become some of the healthiest in the UK

We make every watt count
- Sourcing more of our energy from renewables
- Using technology to become a major producer of green energy as well as data to help make our energy go further

We leave a net-zero carbon legacy
- Achieving net-zero carbon emissions across all parts of our business

Thames Water

Source: Thames Water A clear future – Communications guide version

The 2050 vision[3] has three key outcomes, which directly impact customers experience or where we need customers to work with us to deliver the outcome that they want.

- We provide a proactive, personal service
- We offer customers value for money and send them affordable, accessible bills
- We help customers understand how to protect the planet

The further three outcomes under the customer pillar are largely delivered through asset investment and hence are covered in TMS08 Our AMP8 Water Outcomes Delivery Strategy and TMS09 Our AMP8 Wastewater Outcomes Delivery Strategy technical appendixes.

- We provide safe, clean drinking water
- We always maintain a reliable supply
- We protect customers against sewer flooding

The effort and time required to achieve each of these outcomes differs. Providing effortless service and value for money requires more internal evolutionary change and is something we plan to steady progress year on year. Motivating customers to save water and prevent blockages requires a revolutionary change and we need to foster closer relationships with our customers, based on trust, to be able to influence their relationship with water. This significant change in customer behaviour is a longer-term endeavour that we plan to achieve by 2050, likely to span generations.

[3] 15122_Vision 2050 Short form v10

Below we cover each of these three customer outcomes and share what this means for our customers by 2050.

2.2.1. We provide a proactive, personal service.

Our 2050 ambition is to provide Developers, NAVs, SLPs and Infrastructure Providers with an efficient and effective service – supporting the property and population growth in our region, whilst improving D-MeX scores.

We will use our D-MeX performance as our primary measure of success, as it reflects the views of our customers. We plan to track both our relative league table position and our specific scores – on both the quantitative SLA compliance and the qualitative customer satisfaction survey results.

Our service ambition is to be 13th in the D-MeX measure by 2030. We intend to drive improvements to the experience of Developers, Infrastructure Providers, NAVs and SLPs through service improvements and effective customer management.

In AMP8 we will demonstrate this ambition by steadily moving up the league table to 13th by the end of AMP8 and delivering further transformational change in AMP9 to move us up to 8th and consistently appearing mid pack by 2050.

Below are our targets for AMP8 and beyond.

Table 2.3: D-MeX performance forecast for AMP8 and beyond

Outcome	FY25	FY26	FY27	FY28	FY29	FY30	AMP9	AMP10	AMP11	AMP12
D-MeX	16th	15th	14th	14th	13th	13th	8th	7th	6th	6th

Source: Internal Thames Water analysis.

2.2.2. We offer customers value for money and send them affordable, accessible bills.

We will facilitate and support the further development of the NAV and Self Lay markets for Developers and Infrastructure Providers, providing clear and transparent choices and ensuring a level playing field. While always driving our own efficiency, by ensuring that customers have and are aware of the choice of service providers they can select the provider who they feel best suits their needs and offers best value.

We have set ourselves these goals based on the current design of D-MeX and are aware that Ofwat is leading a process to review and reshape the D-MeX methodology. This process of engagement, consultation and redesign is expected to continue until the final determination. We are actively feeding in our views and contributing to workshops in order to help achieve the best, most sustainable design for customers. We believe that developer customers are best served by using the power of active markets to meet their needs and that the opportunities and impacts of this need to be reflected in the design of D-MeX going forward to continue to incentivise incumbents to take actions to support effective markets.

2.2.3. We help customers understand how to protect the planet

Our aim is to:

- Enable robust and resilient network solutions which deliver reliable water and wastewater services to customers, now and in the future
- Work with Developers and policy makers to support the drive for water efficiency and sustainable drainage solutions in the design of new buildings
- Facilitate an efficient and effective start to the Retail journey for our own household customers and non-household customers of other retailers, ensuring customers have visibility of and pay for the water they use

2.3. Current performance is not good enough, and we have been fixing the basics and raising the bar in AMP7 in response

2.3.1. Current performance is not good enough

In the first three years of AMP7, our quantitative performance, measuring compliance against a set of Water UK developer services level of service metrics, improved from 86% to over 94%. We are not good enough yet, but we are making progress. We plan to continue this improvement trajectory to the end of the AMP. Our performance was impacted by a combination of Covid restrictions impacting internal working practices, and some shortfalls in our job tracking capabilities. In the early stages of the Covid pandemic, service levels fell and backlogs grew whilst we established robust working from home arrangements. In addition, around the same time, we identified an issue with our work tracking system which resulted in SLA compliance of several processes being incorrectly measured, and as a result our restated performance was lower than we initially believed.

Our qualitative performance, measuring direct customer feedback, remained stable in the first two years of AMP7, but we have seen a drop in performance this year. We are currently forecasting penalties of £7.1M and £7.5M in the final two years of the AMP respectively. This is largely due to some difficulties we experienced whilst ending our partnership with our existing field services provider and procuring new partners.

We have made changes to improve performance, but they only take us so far. We recognise that, despite making these improvements, we still remain towards the bottom of the D-MeX table during AMP7 and that others have improved faster than us. However, with the further changes we are implementing to our field contracts, customer journeys and systems during AMP7 which are explained in more detail in the section below, we plan to steadily increase our D-MeX performance during the remaining years of AMP7. We have seen the impact of similar initiatives on performance at Yorkshire Water, which gives us confidence that this is achievable.

Table 2.4: D-MeX performance - actual and AMP7 forecast

	FY21 Actual	FY22 Actual	FY23 Actual	FY24 Forecast	FY25 Forecast
Position	14th	14th	16th	17th	16th
Score	77.56	79.64	80.46	79.91	85.07

Source: Internal Thames Water analysis: IBP4 submission

2.3.2. Focused on fixing the basics and raising the bar in AMP7

To improve our performance we are currently two years into our turnaround plan. These first two years have focused on a three layer approach.

1. Fixing the Basics: focused at its core on the right leadership, the right performance, behaviours & accountability, the right understanding of our assets and full stakeholder transparency
2. Raising the Bar: through a reset portfolio of transformation programmes and controls; and
3. Shaping the future: creating lasting value in both the core and growth businesses, keeping our strategic impact initiatives like ventures and PR24 moving forward while we focus on the shorter term

Below we set out our AMP7 initiatives to 'fix the basics' and 'raise the bar' to improve performance.

2.3.3. Fixing the basics

To improve our performance during AMP7 we are making several improvements aimed at addressing fundamental issues with our service and drive efficiency.

Below outlines the areas of improvement.

2.3.4. Improving processes

In direct response to customer feedback, we've improved our D-MeX score from the start of the AMP by implementing small tactical changes and increasing our operational grip. We're updating the information hosted on our website and changing our application forms to collect as much of the information required upfront to enable higher success rate in customers' first interaction with us, and we're automating sub-processes to reduce the time it takes us to respond.

2.3.5. Improving services for NAVs

We are working hard to improve our services to our NAV customers with regards to connection and supply agreements. We've made several improvements to our NAV Service Offering both is response to market initiatives and on the basis of feedback from our NAV customers:

- Adoption of the Water UK Standard Template for Bulk Supply and Bulk Discharge Agreements, making it simpler for NAVs to contract with us
- Adoption of the Water UK SLAs to help to drive our performance
- Removal of requirements for NAVs to provide collateral, reducing financial pressures on NAVs
- Simplification of eligibility criteria, reducing the evidential burden on NAVs following the 'unserved' route
- Launch of service to NAVs making is easier for them to follow the 'consent' route
- Launch of NAV Service Offering, giving up front details of the services we offer to NAVs
- Update of NAV Tariffs to include:
    - Partial Surface Water Drainage/Highways Water Drainage abatements
    - Full Highways Water Drainage abatements
    - Sewage Pumping Station abatements

We will continue to gather feedback on our offering and look to refine it going forward.

2.3.6. Retendering field delivery contracts

We have selected new field delivery partners to carry out the construction related aspects of customer journeys (to be in place by the end of 2023). Previously, our field partner resources have been shared across our Operations, Repair and Maintenance and Developer Services teams who have competing demands and priorities. The new contracts, which will run throughout AMP8, ensure we have resources dedicated to delivering for Developer Services customers. They also have enhanced commercial incentives to ensure our supply chain delivers improved customer satisfaction, which will be reflected in enhanced D-MeX performance. However, it will take time to clear the current backlog of work and see results of the new contracts on performance but we expect to see improvements in performance before the start of AMP8.

We have also embedded the 'WOW' employee engagement tool to help drive performance and improve customer service in our individual connections market following its successful application within our metering team.

2.3.7. Restructuring Wholesale Services

We have carried out a review of activities across Retail and identified new business partners who will carry out back-office services to deliver better resolution and drive efficiency. Firstly, EXL have been selected to transform and deliver our transactional services. Secondly, we have partnered with Tech Mahindra to transform our digital customer channels.

We have also restructured our Wholesale Services department to ensure we are set up for success, living within our means and driving customer service improvements.

- Implemented regional operational teams in Service Delivery
- Created technical teams, with clearer career pathways
- Removed some management layers, bringing our leaders closer to the frontline
- Reduced what we're doing in some areas, and increased roles dedicated to areas where we need them most
- Consolidated activities into centres of excellence
- Created a team dedicated to improving performance

These changes ensure we have the right capabilities in the right place, which support quicker decisions and bring leaders closer to our frontline. We also aligned with changes elsewhere in the business making it easier for us to collaborate with other teams as well as structuring ourselves for successfully working with our new field partner.

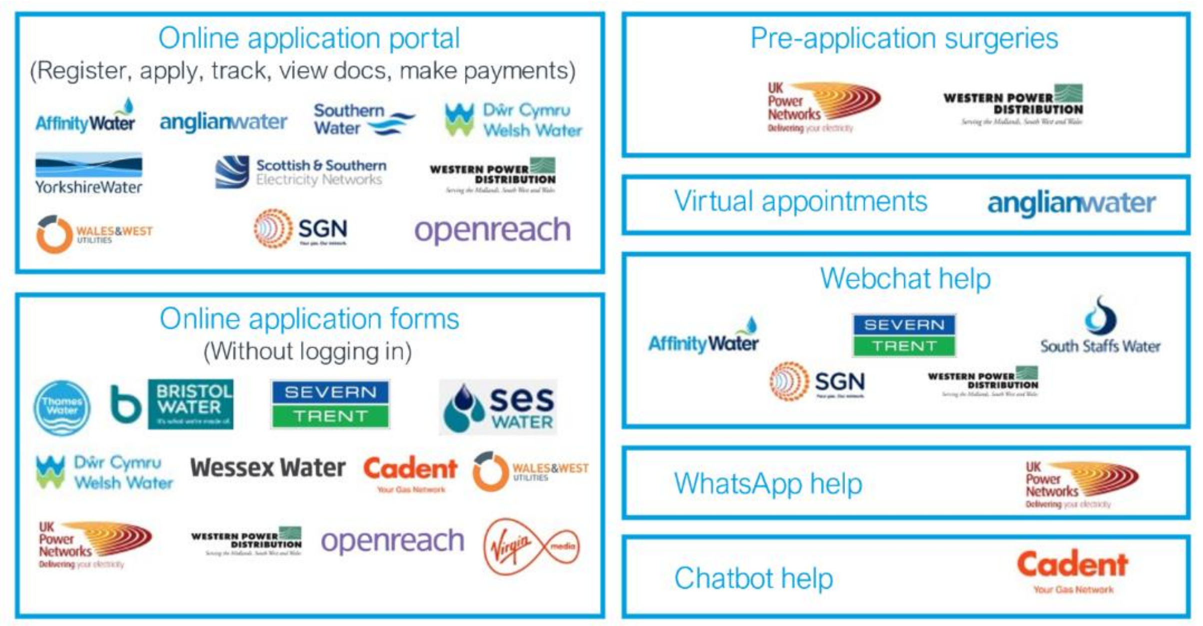
2.3.8. Raising the bar

In addition to fixing the basics we are transforming our service by delivering an improvement programme (known internally as Developer Services B2B (Business 2 Business) which will redesign and digitise our customer journeys.

Developer Services currently operate on fragile systems, making our IT estate (and therefore our service) difficult and less efficient to manage. We have looked at what other companies offer their

Developer customers and worked with our Digital partners, who have recommended a Salesforce B2B solution in line with the company's system architecture and digital roadmap. We have also carried out detailed discovery and solutioning with input from customer focus groups and external expertise and used D-MeX insight to inform the design.

Figure 16; Benchmarking of other companies service provision



Source: Thames Water internal analysis

We are also reviewing all our web and customer communications content to make it easier for customers to understand their journey and the next steps in the process. Where journeys are the same for our SLP or NAV customer base, we'll extend these improvements to our NAV service offering.

Following its implementation, customers will:

- Be able to use a portal to self-navigate and progress through our processes
- Choose their preferred channel of communication from an increased variety of options including webchat
- Have access to smart online forms, online quotation tool and job status tracking
- Receive a more tailored experience, where next steps are easily understood

We will be able to respond to D-MeX insight with greater ease, to continuously improve our service. These are all key enablers in delivering the transformation across the end-to-end service offering.

By implementing these improvements, we expect our performance to improve during the final year of AMP7. This will be a springboard for our AMP8 ambitions.

3. Our PR24 Developer Services Strategy

3.1. We'll move to 13th for developer experience measures in AMP8

Our service ambition is to move from 16th in the D-MeX measure at the end of AMP7 to 13th by the end of AMP8 in 2030.

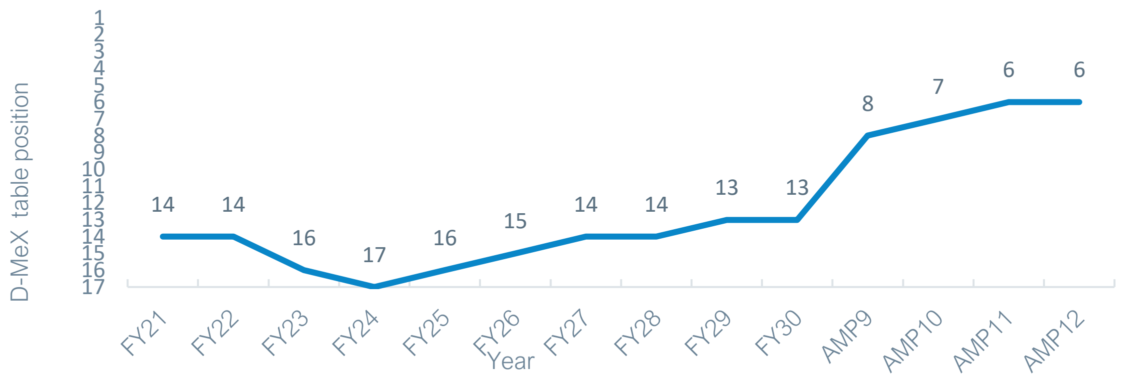
Table 3.1: D-MeX performance - AMP8 forecast

Outcome	FY26	FY27	FY28	FY29	FY30
D-MeX	15th	14th	14th	13th	13th

Source: Internal Thames Water analysis

We intend to drive improvements to the experience of Developers, Infrastructure Providers, NAVs and SLPs by building on the transformational change delivered in AMP7 and making incremental service improvements throughout AMP8.

Figure 3.1: D-MeX performance forecast for AMP7 to AMP11



Source: Internal Thames Water analysis

We forecast that we will be bottom of D-MeX in 2024 before we start to see the impact of the process, systems and organisation changes we are implementing. Whilst we make improvements in our service, this may not lead to improvements in our league table position, as other companies may make greater and faster improvements in their performance than us. However, we will continue to learn from each other and push each other to be better.

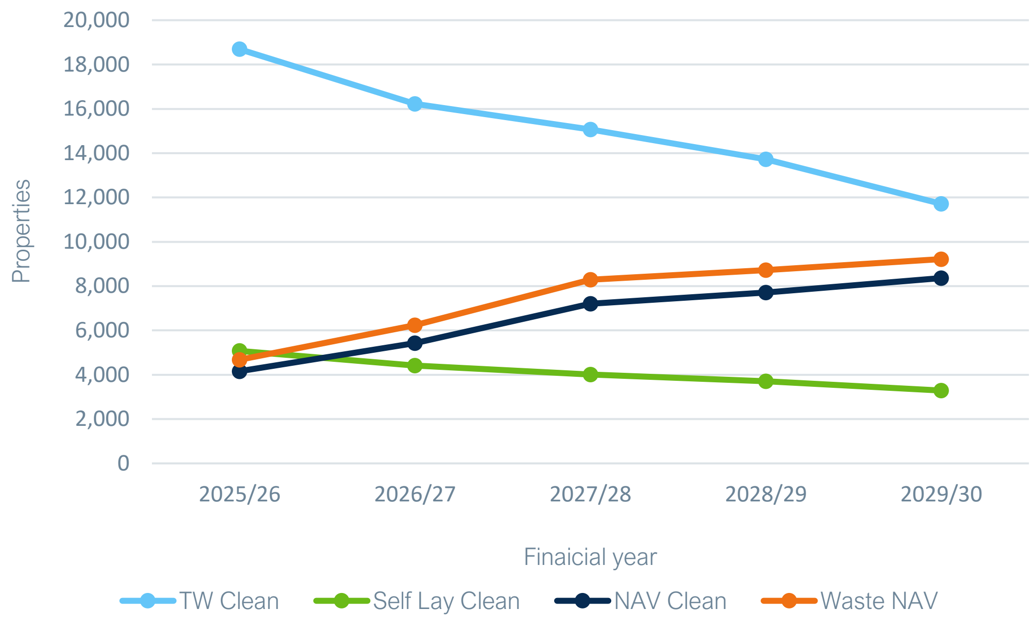
Our performance forecast has been developed using the current D-MeX methodology. We note that changes to the methodology being consulted on in summer 2023 may reduce the weighting for quantitative surveys to 33% and increase the weighting for qualitative surveys. Applying a 67% weighting for qualitative element to last year's industry figures indicates that our overall score would change from 80.46 to 75.73 and our league position would change from 16th to 15th. Further changes to the D-MeX methodology could have a greater impact, including specific actions to increase the weighting of NAV, SLP and large developer customers, but we note that such proposed methodological changes are at a relatively early formative stage. Therefore, if agreed, we would update our performance forecast, but based on current industry discussions we anticipate that changing the methodology would have only a marginal impact on our performance score and league table position.

3.2. We'll move NAV and SLP market penetration to 50% in AMP8

We are supportive of competitive developer markets and consider an increase in SLP and NAV activity as a positive customer outcome, and a reflection of our efforts to promote awareness and choice with our developer customers.

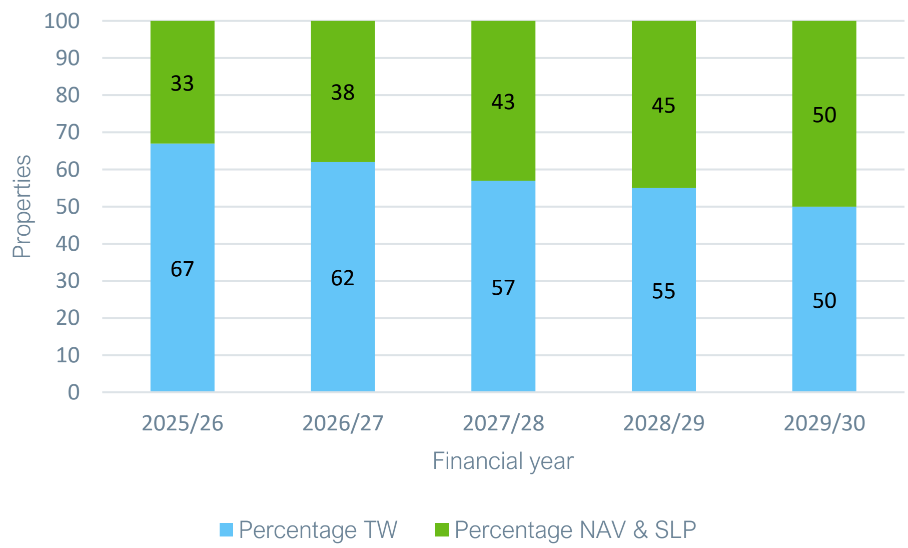
We have used predicted growth to help us forecast how much work we expect to be carried out by NAVs and SLPs during AMP8.

Figure 3.2: Properties forecast for AMP



Source: Internal Thames Water analysis

Figure 3.3: Properties split forecast for AMP8



Source: Internal Thames Water analysis

We intend to support this increase by helping Developers and Infrastructure Providers understand their choices, making it easier for customers to compare alternatives whilst maintaining our compliance with competition regulation. We also plan to further improve our service provision to NAVs and SLPs by removing barriers to compete. We will learn for other wholesalers and identify opportunities to promote choice and make it easier for SLPs and NAVs to compete throughout AMP8. However, we are aware that currently SLPs are less likely to carry out work in London due to the complexity and expense of the working environment. We also anticipate that customers will continue to want us to carry out complex work, which takes longer to complete and costs more. As a result, there is the potential for our D-MeX performance to worsen under the current design of D-MeX. Ofwat is currently reviewing the design of D-MeX and we are actively engaging with this review process. With D-MeX being the principal performance measure for developer, carrying significant financial incentives, it is critical that this redesign properly recognises the importance of further incentivising incumbents to support effective markets. This D-MeX review is an opportunity to help to avoid some of the perverse impacts mentioned above, that accompany the successes of market forces.

We also aim to eliminate frictions and process failings in the interface between providing new connection services and enabling new retail processes. Household and non-household customers will be connected and set up with a new account seamlessly with the right meter and consumption data.

Finally, we will also monitor the uptake of our environmental and water conservation incentives and offerings from our developer customers. This will evidence the extent to which we have been successful in influencing building design and developer behaviours about water efficiency and sustainable wastewater solutions. Water neutrality, which is a measure that focuses on reducing a development's water footprint, is also likely to become a key focus for us too. A water neutral development would reduce its water use as much as possible through water efficient design, water reuse and water offset. We expect this will become a growing area of focus in AMP8 and one which we will promote, track and support.

3.3. Our PR24 Developer Services Strategy supports the delivery of our 2050 vision and our Customer Wants

Our Developer Services strategy is organised under 3 outcomes. Each of these outcomes was derived from and informed by our Customer Wants;

Easy customer experience and tailored support - I want an easy customer experience and tailored support.
Fair and affordable bills - I want fair and affordable bills
Fixing leaks and ensuring there is enough water in the future - I want you to fix leaks and ensure there is enough water in the future

They respond directly to key customer expectations derived from WCCSW[4] and our understanding and insight into what drives customer satisfaction. Each of these wants support both the 'For customers' and 'For the Environment' 2050 vision outcomes. This mapping allows

[4] TMS04 What Customers, Communities and Stakeholders Want

us to ensure that we are not only focused on delivering what our customers want in AMP8 but that we are also setting ourselves up to deliver our 2050 vision.

We have also developed our plan in line with the new customer-focussed licence being introduced in Autumn 2023. We have made sure the plan supports the proposed new customer-focussed licence conditions.

In the next section we cover each of the objectives that help us deliver what our customers want and progress towards our 2050 vision outcomes in AMP8. The objectives are a result of numerous workshops with colleagues from across the business to ensure we can all work together to better serve our valued customers.

We will achieve our objectives by delivering various initiatives and continuous improvement opportunities. The proposal, detailed below, is based on a set of assumptions regarding delivery of AMP7 improvements, customer expectations and the external environment. Our plan could adapt and evolve if these assumptions change. We will also continue to learn from other market participants.

3.3.1. Easy customer experience and tailored support

The customer objective that helps us build towards this outcome is '*We'll make it simple and efficient for our developer customers to deal with us*' Customers have told us through our customer engagement that they want an effortless service, and this objective is about continuing to improve the service we offer to developers.

Following the transformational changes we will have made in AMP7, during AMP8 we will make incremental improvements set out below to improve the experience of all our customers.

- Continuing to transform our customer management systems to enhance customer service and improve efficiency
- Introducing enhanced front end customer interaction and self-service capabilities
- Improving the content on our website ensuring that the right information is available in the right place, and prompting customers through their journey using the enhanced system capability
- Improving commercial arrangements with our field partners so that competent delivery partners are incentivised to deliver great service and experience to our developer customers
- Building on the customer segmentation we have already delivered, we will increasingly define our customer segments and design tailored journey support for each, so that individual householders and small and medium builders are supported as per their requirements
- Providing large developer customer segment with dedicated Account Managers to support them through their customer journey and be an escalation point to get problems resolved
- Implementing more cross and multi skilling of our customer services agents across all our Retail services which will mean that the Developers will have access to a more resilient and knowledgeable first contact resolution capability
- Continuing to drive performance of field teams

These improves also support the delivery of proposed new customer-focussed licence conditions, G1, G4.1, G4.2 G4.3. which requires companies to;

- Adopt high standards of customer service and support the full diversity of customer needs
- Be proactive in their communication with customers
- Make it easy for customers to contact them
- Provide appropriate support when things go wrong and helps put things right

We will measure the effectiveness of the improvements through our D-MeX performance.

We know customers are facing a variety of challenges and that the current economic conditions are creating volatility in house-building and infrastructure projects. We will continue to engage customers to understand changing demand and expectations and our continuous improvement approach throughout AMP8 will enable us to be agile and adapt in response to customer feedback.

3.3.2. Fair and affordable bills

The PR24 customer objectives that helps us build towards this outcome is '*We'll further develop the connections market so it gives effective choice for developers and makes it easy for NAVs and SLPs to compete*'

We know from our customer engagement that rising costs are a concern for all customers. This objective is about enabling and encouraging competition, so customers are able to choose the best value option.

We have seen increased growth and activity in the NAV market and we will continue our customer engagement to understand and respond to changing demand for services. Our field team contracts have also been designed to cope with changes in volumes of work. We are also introducing greater self service in response to increase demand for our services from NAVs. There has also been an increase in smaller NAV sites and to support this we will review our metering policy to ensure metering options support smaller sites.

Our aim is for 50% of property connections to be made by alternative providers. We will achieve this building on the improvements we have already made and:

- Improving our SLP and NAV services. Making it quicker, easier and cheaper for them to operate
- Making improvements to our website so that customers can identify and compare the costs and services of several providers and make informed decisions that meet their individual needs

3.3.3. Fixing leaks and always enough water and Preventing sewer flooding

Developers are facing a variety of current and future challenges and they want our help to manage their impact on our water systems and environment. The impacts of climate change are bringing greater scarcity of water supply and extreme weather events. They are also facing increasing challenges with wastewater drainage and delivering nutrient neutrality. Projected increases in population in our region and the move to urbanisation also means that we need to ensure network capacity and availability of water.

In response to this, we have set two PR24 customer objectives aimed at driving down demand for water and protecting the environment which help customers understand and manage their impact on our water systems and the environment.

3.3.4. We'll continue to work with government on water efficiency legislation

This objective is about driving down demand for water we will achieve this by working with government on:

- Issues such as design standards for planning conditions
- Water efficiency labels on white goods, etc
- Imposing legislation to increase design standards for water efficiency in homes

We will measure success by monitoring:

- Government changes to legislation to increase standards for water efficiency in homes
- Increased uptake of water re-use solutions and schemes to ensure the development is water neutral

Our Water Resources Management Plan which will be published later this year and smart metering programme covered in our TMS11 Our Customer Strategy Appendix and TMS28 Enhancement Case WRMP Demand Redugion are also key to ensuring we are able to continue to meet demand and support development in our area in AMP8 and beyond.

3.3.5. We'll work with developers and policy makers to build more sustainable homes, delivering water efficiency and sustainable drainage solutions

This objective is about driving down demand for water and protecting the environment. We aim to achieve this by:

- Supporting the implementation of innovative alternative water sources like rainwater or greywater recycling
- Evolving current developer environmental incentives to drive more water efficiency
- Removing surface and highways drainage from foul connections (building on Schedule 3 implementation)
- Delivering water neutrality using smart meters, and nutrient neutrality as needed

Success will be measured through:

- New homes having less demand on our networks
- Designated catchments being protected from nutrient growth
- Lowered per capita consumption
- Lowered growth in business water demand

For the remainder of AMP7 and during AMP8 we will also continue to collaborate and work in partnership with other organisations on the following initiatives which will help reduce demand for water and protect the environment.

3.3.6. Sustainable drainage

- Schedule 3
- Surface water drainage management in London
- Permeable surfaces
- Environmental discounts (incentivising SUDS)
- Port of London and Greater London Authority collaboration

3.3.7. Water efficiency

- Water neutrality using smart meters
- Environmental discounts
- Enabling water smart communities
- Pilot and exemplar projects (such as Concept house)

3.3.8. Environmental protection

- Nutrient neutrality

Below we go into the next level of detail for each of these initiatives.

3.3.9. Schedule 3 of the Flood and Water Management Act 2010

The Flood and Water Management Act 2010 was an important part of the Government's response to Sir Michael Pitt's report on the summer 2007 floods, however Section 42 and Schedule 3 of the Act have not yet been implemented in England, although they were implemented in Wales in 2012. This is an important tool given the vulnerability of sewer network across England to the effects of floods.

If implemented, Section 42 will mean developers will need an Adoption Agreement for their foul sewerage, developers will not be able to apply for a sewer connection without this.

Schedule 3 will require all developers to obtain Sustainable Drainage Systems (SuDS) approval from a SuDS Approval Body (SAB) before they can receive planning permission for their development and a surface water connection. This will ensure that drainage is considered from the outset and not retrofit designed into an already established housing layout as is often the case now. The SAB will then be responsible for the adoption and maintenance of the SuDS.

We have promoted our desire to see Schedule 3 implemented over the past decade and have supported Defra working groups looking at this. Defra is now considering its implementation to address the current gap in policy around the approval and adoption of SuDS in England. Along with Schedule 3, it is expected that Section 42 will also be implemented, although timetables are not yet clear.

This would be a major change for developers, SABs and water undertakers and would require new, innovative ways of working. We will continue to contribute our expertise and experiences to help make this a success.

3.3.10. Surface water management in London

The risk of surface water flooding is increasing, driven by the combined pressures of climate change, growth and 'urban creep'. We are seeing more frequent rainstorms, dropping more rain on more impermeable surfaces, causing quicker and greater levels of run-off, that then overwhelms the drainage networks, resulting in flash-flooding. In parallel, growth and economic development has put more people and assets in areas of risk. Lessons learnt from the flooding in London in July 2021 and from other international cities that have experienced recent severe flash-flooding (Copenhagen, New York, Amsterdam etc), highlights that building bigger sewers is not the best response to managing this increasing risk.

Water companies have produced long-term plans, known as Drainage and Wastewater Management Plans ('DWMP'), which look at the impact of the combined challenges of climate change and population growth on drainage and wastewater treatment out to at least 2050, and identify strategic-level solutions to address these impacts. These plans will be refreshed every 5 years and inform our five-year business plans, starting with PR24.

Our DWMP which was published in May 2023, sets out a 'SuDS-first' approach' to managing surface water flooding, using new and improved greenspaces and grey SuDS measures to slow down the rate of run-off, to give our drains and sewers a chance to cope. The scale of this is unprecedented - we forecast needing to disconnect 7,220 Ha of impermeable land in London, an area equivalent to 50 Hyde Parks, to SuDS by 2050. This approach is then bolstered by further investment to optimise and where necessary, tactically increase the capacity of our existing network, whilst in parallel ensuring that properties in high-risk areas are made flood resilient.

3.3.11. Permeable surfaces

In addition to improving surface water management we are working with developers and Local Planning Authorities to encourage the use of permeable surfaces. These help to improve the quality of local waterways and contribute to groundwater recharge so hydrological balance is restored. By reducing water runoff and the amount of water discharged through the stormwater system they also help to control local flooding.

When consulted on surface water strategies at an early stage, we apply the surface water hierarchy used in Planning Policy and Building Regulations H3. Where sites have low areas of permeable surfaces our policy is to try and influence the designers and the Local Planning Authorities to reduce run-off rates to mimic greenfield run-off rates.

3.3.12. Environmental discounts

We work to continuously seek new ways to meet the challenges of growth in our area. During AMP7 we introduced industry leading environmental incentives for developers. In 2022-23 we replaced income offset discounts with environmental discounts, maintaining the overall level of discount offered under the Balance of Charges principle under the new connections charging arrangements. Developers can qualify for 3 different tiers of Water incentives:

- Tier 1 Meeting the more stringent level of building regulations part G of 110 l/p/d by installing water efficient fixtures and fittings
- Tier 2 Those who qualify for tier 1, may also benefit from tier 2 if they install rainwater or grey water recycling by reducing water use by 50 litres per property. For 2023-24 we amened this offering to make it more accessible to small developers and removed the 50 litre requirement but requiring systems installed to conform to British Standards BSEN 16941/2 and as a minimum be the primary source for flushing WCs

- Tier 3 Those qualifying for tier 2 may also benefit from tier 3, by offsetting the development's water use within the same water resource zone through the retrofitting of water saving devices and fixing internal plumbing 'wastage' leaks across existing homes and businesses

We also offer a Waste incentive for installing SuDS systems which reduces surface water entering our network by 95%.

For AMP8 Ofwat are consulting on proposals to regulate Environmental Incentives, which are expected to be self-funding through the introduction of a surcharge for developments which do not qualify for the incentives, and then distribute this as a discount to those who do. Ofwat propose to remove the Balance of Charges rule for AMP8, meaning Income Offset discounts can no longer be offered, and will further consult on changes to the charging rules to enable these changes to be implemented ready for AMP8.

We will continue to evolve our incentives to increase take up by developers and drive water efficiency alongside the proposed changes by Ofwat.

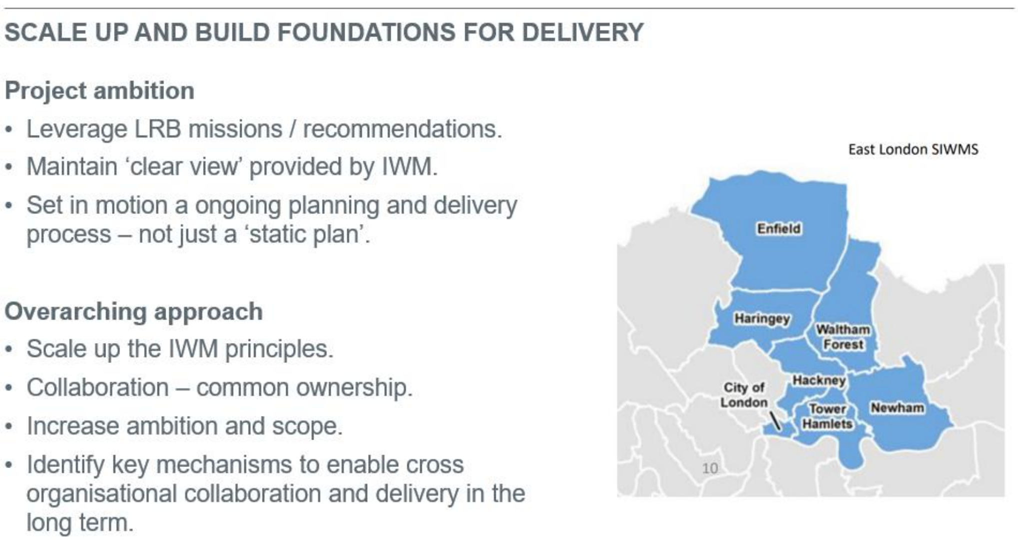
3.3.13. Port of London Authority and Greater London Authority collaboration

We share a long-standing commitment to clean up and improve the health of our rivers, including the tidal River Thames with the Port of London Authority. We will be working with developers to incentivise sustainable urban drainage, working to prevent water entering our sewer system in the first place, and committed to reducing the annual duration of spills by 50% by 2030. This will also include working closely with developers to avoid misconnections that could result in unwanted spills into the River Thames.

We are also working with the Greater London Authority (GLA) on two initiatives:

- Infrastructure Coordination Service (ICS) – this service was initially embedded in specific London Boroughs then moved to a pan London approach, focusing on specific hotspots (i.e. Old Oak Common). Our Development Planning team is the contact point for the ICS and we look forward to working closely with the GLA as they enhance/expand the service.
- SIWMS – Subregional Integrated Water Management Strategy. Working with the GLA to develop this large study, covering most boroughs fed via Coppermills Water Treatment Works. This is a new approach and looks much wider than the previous six Integrated Water Management Strategies (IWMS).

Figure 3.4: SIWMS boroughs

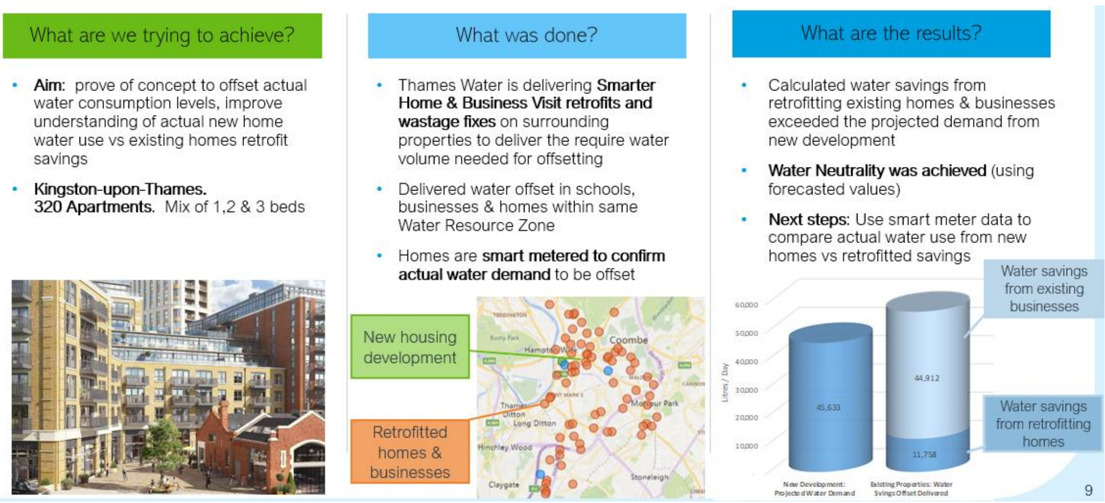


Source: Greater London Authority

3.3.14. Water neutrality using smart meters

One of the biggest challenges we face is understanding actual water usage versus what a building has been designed to achieve. Calculation methods such as 'per person per day' usage provided at the planning stage does not often correlate to the actual demand we are seeing post occupation of a new development. We are therefore utilising our smart meter data and working closely with major developers to get a better understanding of occupation levels and fittings used in a new development. This will start allowing us to understand usage trends, performance of fittings and ultimately support our understanding of what needs to be offset to achieve water neutral developments.

Figure 3.5: Water neutrality using smart meters



Source: Internal Thames Water: Developer Day 2023 slide pack

3.3.15. Enabling water smart communities

We are involved in a successful Ofwat innovation fund bid. This bid for £6.35m is all about enabling water smart communities and recognises that 'one shoe does not fit all' when it comes to introducing interventions in new developments that will enable water reduction. We are leading on the social housing community and exploring how their long-term ownership model lends itself to the opportunity to introduce and critically, keep an intervention operational in perpetuity. We are working closely with Clarion Housing Association and London Borough Tower Hamlets on this initiative.

Figure 3.6: Ofwat innovation fund - enabling water smart communities

Source: Enabling Water Smart Communities Slide Pack

3.3.16. Concept House

A major UK housebuilder and other partners including Thames Water are exploring the idea of building the most water efficient home possible. The housebuilder has previously created a super energy efficient home beyond the current standards with many companies keen to display their energy efficiency products.

This concept house will focus on water and waste efficiency and pushing the per capita consumption to a very low level, with the expectation that this will become a key research site. This prototype does not have to be limited to water and waste efficiency, other aspects such as solar and heat recovery can also be trialled. The preference is to construct one prototype in the most water stressed area while explore land opportunities with their partners.

The funding mechanism is still being explored and there could be opportunities to explore the Ofwat Innovation Fund support this.

If progressed, this house could help demonstrate the standards we need to make a significant improvement to water efficiency in the home.

3.3.17. Nutrient neutrality

In freshwater habitats and estuaries, increased levels of nutrients (especially nitrogen and phosphorus) can speed up the growth of certain plants - disrupting natural processes and impacting wildlife. Sources of excess nutrients are very site specific but include sewage treatment works, septic tanks, livestock, arable farming, and industrial processes. Extra wastewater from new housing developments will therefore make matters worse.

Natural England has written to Local Planning Authorities about this issue and advised that some developments in certain catchments cannot proceed if it increases nutrient levels which affects part of our supply area. For developments to proceed, they need to evidence how they are nutrient neutral. New developments will increase phosphorus from effluent, so developers will need to mitigate and offset this through:

- Demonstrating mitigation on-site through SuDs, tree-planting and habitat creation
- Demonstrating mitigation off-site (off setting)
- Buying nutrient credits (off setting)

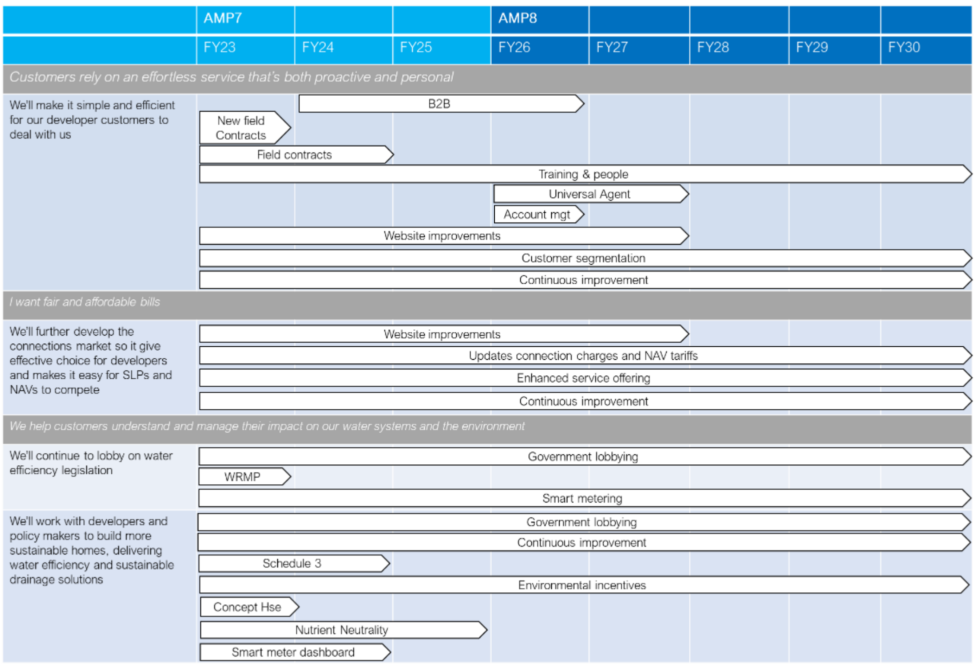
Currently, this only impacts developments in a small part of our supply area, but we will need to work with developers to help them achieve nutrient neutrality.

3.4. We have a plan to deliver our Developer Services Strategy

Below is a draft roadmap for how we will deliver the customer objectives and initiatives described in our plan. We call out our B2B transformational programme alongside recognising the continuous improvement activity that will continue to build on what we already do today.

Our improvement journey is ongoing and we have shown activities being delivered in AMP7 which will form the foundations for further work in AMP8.

Table 3.2: Developer Services roadmap



Source: Internal Thames Water analysis

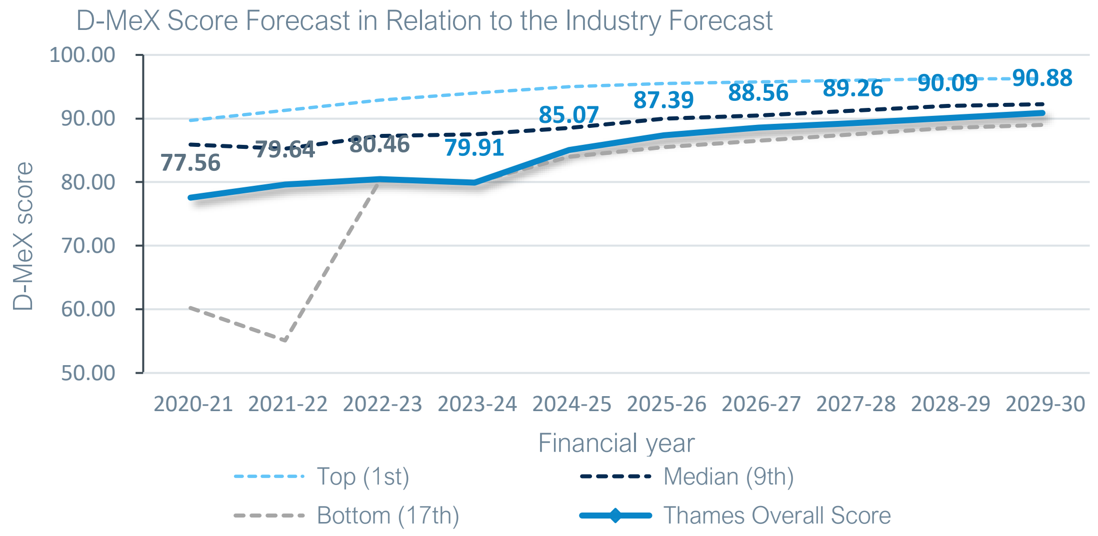
We have established a ringfenced delivery team of subject matter experts from across our business area to support the success of our plan. Additionally, we've engaged with and utilised resource from our central transformation team (outside of Wholesale Services) to optimise delivery efficiencies.

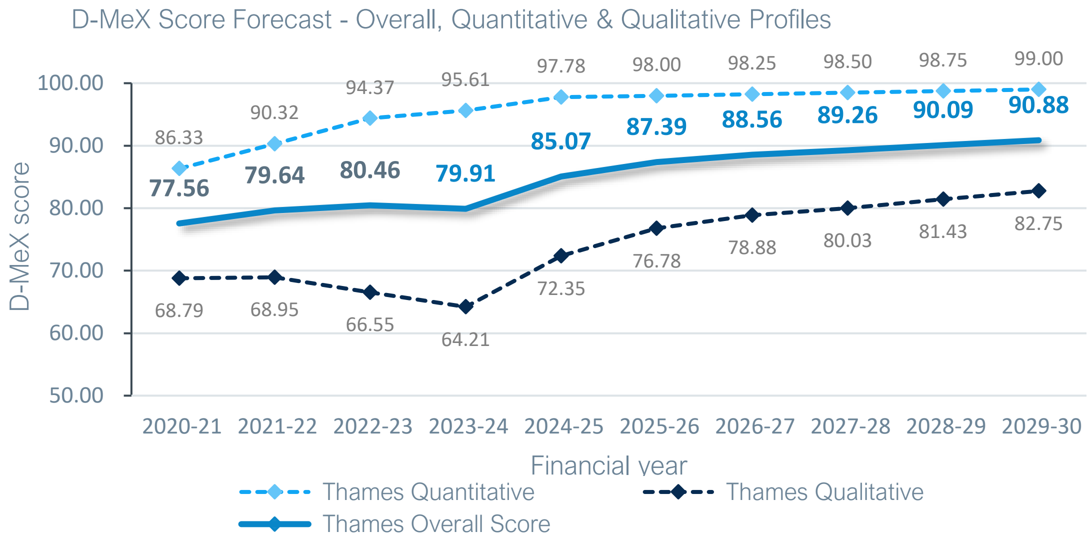
3.5. We have confidence in delivering our D-MeX ambition

We have modelled the benefits of each of the customer objectives outlined in the previous section to understand their impact on D-MeX. This approach us has enabled us to prioritise the objectives that will have the biggest impact in transforming our customer service and has made sure our plan is credible. Therefore we feel our ambition to be 13th in the D-MeX by 2030 is ambitious and realistic.

The below graph is our initial view of how improvements such as new field contracts, system and process improvements and clearing work backlogs will contribute to our improvement in D-MeX score over time. We have looked at the impact of similar initiatives on the performance of Yorkshire Water to help us forecast future D-MeX performance. By learning from Yorkshire Water and working closely with our new partners we aim to deliver improvements quicker. It also shows that improving our customer service is a continual journey and this guiding forecast will allow us to carefully track where we are and if we are diverging from the forecast, we can make quick interventions to rectify this. Again, this view will be updated on a regular basis as we know more about the initiatives that will deliver our customer objectives and how our competitors are performing which will build confidence in the plan. This is also based on the current D-MeX methodology, we note that Ofwat are reviewing the measure and are consulting on any changes in Summer 2023. We will respond and update our D-MeX modelling once any changes are agreed.

Figure 3.7: D-MeX modelling of our PR24 Developer Services strategy





Source: Internal Thames Water analysis

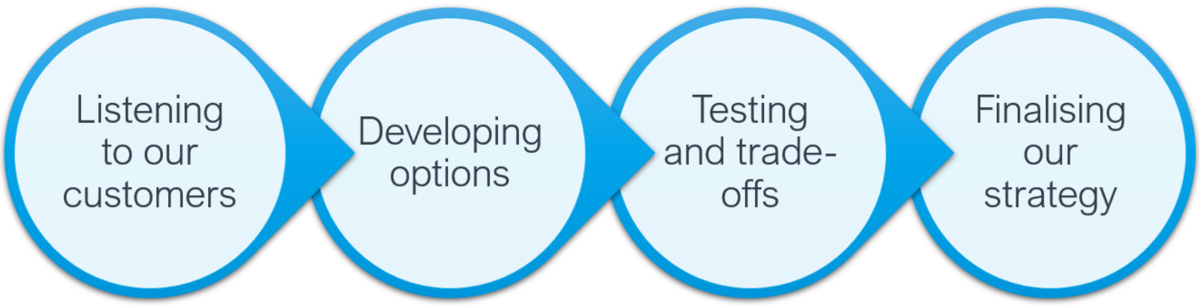
4. How we've developed the AMP8 Developer Services Strategy

4.1. We've developed our strategy and made decisions in line with what customers want

Our Developer Services Strategy has been developed in conjunction with our Customer Strategy. Our Customer Strategy has been designed to identify the key changes that we need to make to transform our customer service and continue to support our customers as their needs change over time. The diagram below provides a high-level overview of how we developed our Customer Strategy.

The diagram below provides an overview of how we developed our Customer Strategy.

Figure 4.1: How we developed our overall AMP Retail Strategy



- Using customer feedback both from formal research and from day-to-day interactions with customers we developed an outline of our proposed strategy.

- We workshopped potential options to deliver the improvements our customers want with experts from across the business including our leadership team who have expertise from several different industries.

- We reviewed the different options against a set list of criteria including customer preference, value for money, flexibility, deliverability and stakeholder views.

- We embedded feedback and finalised our preferred strategy. As a result we have an ambition and a strategy that has been developed based on customer preferences, taking into account real world constraints.

Our customer objectives are a result of numerous workshops with colleagues from across the business and are what will help deliver our Performance Commitment outcomes

Each customer objective has a senior sponsor who has approved the scope, ambition and high-level initiatives that will deliver it. They have nominated members of their team to support further data analysis and modelling to ensure it is something that is achievable. We have benchmarked internal metrics across the industry and beyond wherever possible and sought out new ways of delivering change by learning from what other customer service leading companies are doing.

These customer objectives have been shared with key supporting teams, such as Digital, and they have used this information to develop their high level AMP8 plans, making sure the plan is fully funded and aligned in terms of priorities.

We have also developed our plan with the new customer-focussed licence[5] being introduced in Autumn 2023 in mind. We have made sure the plan supports the draft outcomes and principles of this licence condition.

4.1.1. We have used a decision-making framework to inform our Customer and Developer Services Strategies

Over the last 18 months we have been through an iterative process with our Operational and Retail Leadership teams to develop and prioritise the final 17 customer objectives and the 3 objectives for developers, SLPs, NAVs and Infrastructure Providers that have been included in our Developer Services Strategy. Each of these customer objectives is underpinned by a high-level business case template which sets out the purpose of the investment and the forecast costs and benefits. This detail has given us confidence in the items that we have selected and has supported our D-MeX forecasts.

We are mindful that new technology, ways of working, and evolving customer expectations means that our plan today shapes a high-level view of activity we will complete between 2025-2030 but this will need to be agile. Our Investment Governance process requires a full cost benefit analysis to be completed before funds are released onto a project. This will allow us to re-assess each case as we move through the AMP and re-prioritise funding if alternative projects would have a more significant customer benefit.

[5] Putting water customers first – a consultation on introducing a customer-focused condition into the licences of all water companies in England and Wales, Ofwat, May 2023

4.1.2. Developer Services Strategy

During the development of our Developer Services strategy we considered a number of options which we decided not to include. These are set out below.

Table 4.1: Strategy exclusions

Improvement	Rational
Brokerage tool to enable comparison of service providers	This was considered too complex to develop and maintain so would not represent good value for money for customers. Lower cost options such as making customers aware of choice and clearly setting out our services and charges identified as more cost-effective options.
Delivering improved field work management capabilities for a full DS End to End journey	We recognise having this single view of the developer customer right through to when their field delivery is complete is desirable and matches what customers want, but we assessed that the significant system and process changes would not be deliverable and affordable during AMP8 alongside other priority work needed for our field operations (such as reducing leakage and pollutions).
Coordination of multi utilities on infrastructure projects	NAVs and SLPs currently offer this service. Completing with them to offer this does not align with our aim to increase NAV and SLP market penetration. We continue to collaborate with other utilities and authorities such as GLA who are better placed to take the lead.
Outsourcing service design	This is a complex activity which requires significant technical knowledge. Our strategy is to invest in our people so that our customers have access to knowledgeable people who are local to the communities we serve. Retaining the capability within the company also ensures we have full operational control of the service customers receive.
Increasing network capacity modelling	We already meet our statutory obligations and it has been deemed to be too expensive for our customers to offer this for all potential development scenarios, as well as leading to delays.
Significantly increasing the scope of contestable work	This would increase the increase the risk to our network from work not being carried out to the required quality/standard. Our aim is to increase the amount of current contestable work carried out by others and identify further opportunities for measured increases in scope
Shortening SLAs	This is not something customers have said they want across the range of D-MeX measures and would increase costs. We will focus on delivering the service that customers want.
Giving SLPs greater choice of the type of meter installed	This is not aligned with our metering strategy. We are committed to delivering customer benefits through smart metering.
Creating a market bilateral hub for connections	This is outside of our control and there is no current market operator to lead this. We have opted to improve our customer systems and processes. We remain open to this should a business case emerge at a national level.
Developing market codes to drive standardisation of the market	This is outside of our control and not something our customers have signalled they definitely want. However, we support standardisation in the NAV market.

4.1.3. We have learnt from the past

Please see TMS40 Accounting for Past Delivery and Deliverability appendix for further information on how we have learnt from the past. We have taken this learning and applied this to our Customer Strategy and Developer Services strategy going forward by:

- Continuing to focus on fixing the basics. We need to continue to focus on resolving issues much quicker and keeping customers updated throughout. Our strategy reflects this with a high focus on continuous improvement activity and not just transformational programmes.
- Investing in proactively engaging our customers. To build trust in our brand we need to reach out and proactively engage our customers. With trust we can influence both our D-MeX but also successfully influence important behaviour change, such as reducing water use. For this reason, we have committed to continuing to proactively engage with our customers through various channels including our Developer Days, Scrutiny Panels and account managers.
- Developing a plan that is adaptive and agile to the changing external environment. Customer pressures are ever changing therefore we have built an adaptive plan focused on continuous improvement.
- Remaining realistic and not overly optimistic. We need to build a track record for delivery to build credibility. We have reflected this in our ambition to reach 13th in D-MeX and not higher. We forecast that we will be bottom of the league table in FY24, meaning this level of movement is both stretching but also realistic.
- Understanding where we can really lead the industry. In AMP7 we introduced industry leading environmental incentives for developers and in AMP8 we will continue to pioneer new services and share expertise with others.

4.1.4. We have learnt from others

We continue to collaborate with other industry peers and learn from others beyond the water industry to reach higher and be better for our customers. Below outlines just a few examples of how we've applied learning from others to make strategic business decisions or deliver change.

Table 4.2: Learning from others

Strategic decision/change	Who has done it well	How we have applied this learning
Insourcing our billing customer contact teams	- Bristol/Wessex Water - O_2 and TSB	- Bristol & Wessex Water have never outsourced their billing contact teams and are continually at the top of the C-MeX table. We've spent a lot of time understanding how this model delivers for their customer base and how we can implement a similar approach. - O^2 moved from bottom for customer experience to top by insourcing their customer contact teams.
Dedicated Developer Services contracts	- Yorkshire Water	- We have appointed Network+ who have a track record of improving performance at Yorkshire Water. The contracts have also been designed to give us better control of performance.

Universal agent model (multi-skilled approach)	- Welsh Water - Sky	- Welsh Water organise their contact teams in a way that allows them to respond to multiple queries. They invest in upskilling their people and provide them with a single view of the customer. - Sky have ensured their contact agents can see the customers full contact history allowing them to better serve the customer.
Increasing self-serve	- Chat GPT	- Chat GPT is a natural language processing AI Chatbot driven by AI technology developed from Open AI. We are working with third parties like this to radically change how we use new technology to drive self- serve opportunities.
Improving customer experience	- Morrisons, Yorkshire Water and United Utilities	- Morrisons have used WOW with Yorkshire Water and it has also been implemented by United Utilities. We have also embedded WOW awards and customers service training programme for field teams into our individual connections market to drive improved customer service following its successful application within our metering team.
Improving customer service and efficiency	- EXL and Tech Mahindra	- Our new business partners are global leading companies who work successfully with global companies and have a proven track record of success. They also have expertise in utilising artificial intelligence and our contracts with them have set a foundation for us to use AI and increase its use as technology develops so we can improve efficiency and customer services.
Implementing new systems to improve performance	- Yorkshire Water	- We have also learnt from other companies who have implemented new systems to improve performance and selected Salesforce which is used by Yorkshire Water and recommended by our digital partners. We have seen what has been achieved by others and have used this to build plans which we believe are deliverable.
Online application portals	- Affinity Water, Anglian Water, Southern Water, Welsh Water, Yorkshire Water, Welsh Water, Scottish and Southern Electricity Networks, Western Power Distributors, Wales and West Utilities, SGN, Openreach	- Other companies are offering or in the process of implementing service automation and self-serve ability to their Developer customers. In many cases this has been delivered through integrated 'customer portals', connecting 'front-end' customer processes with 'back-end' operations giving customers a joined up and real-time view of their case. These companies are at the top of the D-MeX league table therefore we have confidence that implementation of similar systems will improve our D-MeX league table position in AMP8.

4.1.5. We have created an adaptable Developer Services Strategy which is supported by new ways of working

As part of developing our Retail plan for all of our customer groups we have developed our Developer Services Strategy in conjunction with our Customer Strategy.

We recognise that the future is uncertain, particularly in the customer service sector where new customer expectations, innovation and new technology can rapidly impact how we do business. Remaining flexible and adaptable to change is vital to running a successful Retail business.

Our ways of working are changing in response to this. We are moving to a more agile organisation which can quickly pivot in response to external changes and new opportunities unlocked via collaboration, partnering and innovation.

We are still at the high-level design stage of our Customer Strategy and operationalising this into a plan, so we will continue to revisit deliverability. As we test and pilot initiatives, we may find they have a bigger or smaller benefit than our initial assumptions, or we need more business or change resource than initially thought, as we learn we will develop and adapt the plan accordingly.

As part of creating the Customer Strategy we have considered how the plan would change under different scenarios. We have taken two main approaches to considering the impact of alternative pathways on our AMP8 plans. Firstly, our core plan has been selected in part due to its ability to be flexible in the light of a changing external environment. For example, our decision to insource and onshore our customer service teams will mean that we have greater control to be able to make and roll out changes more quickly.

Secondly, we have reviewed the potential long-term scenarios and considered the impact of these extremes on the Retail part of the business, considered what changes we would need to make to adapt to these scenarios, and identified potential trigger points that may suggest that we need to move away from our core pathway.

Below shows just one example of how we would change our plan in a high/low technology environment.

Table 4.3: Scenario planning

Scenario	Impact of Scenario on Retail Business	Changes that we would make to our core plan	Trigger points
High Tech	In a high technology scenario, we would expect our customers to increase their tech adoption, resulting in a higher proportion of our contacts coming through digital channels. We would also expect customers' expectations of these digital channels to increase. In this scenario we would expect the cost of technology to reduce.	Our core plan already includes significant investment in our digital capability to ensure we have the foundations in place that will be required for a high technology scenario. We would fast track digital investment and bring forward additional investment from our AMP9 plans. We would expect technology costs to drop so we would be able to deliver more for less. We would support increased data sharing to improve debt collection due to sharing of contact details between organisations and smarter customer segmentation.	Horizon scanning for new technology innovations % of customers contacting us through Digital channels Cost of key pieces of technology – E.g. Smart meters

	We would expect an increase in data sharing but also an increase in cybercrime. In this scenario we would expect the cost of smart meters to reduce. Technology may also mean that previously un-meterable properties are able to be metered.	We also recognise that in a high technology environment cybercrime may increase. We would therefore also increase our investment in cyber security. We acknowledge that even in a high technology environment some customers will still want to contact us through traditional channels. Therefore, we will ensure that we retain these, even in this scenario. This may increase the cost per contact through these channels as volumes decrease. We would fast track our metering programme taking advantage of the lower cost of technology to deliver water savings more quickly.	
Low Tech	In a Low Technology scenario, we would expect costs of digital technology to stay as is or increase. We would expect that our customers would have a preference for talking to 'real' people and more traditional channels. There may have been a revolt away from digital and some untrust in technology.	Where we see a significant move away from digital channels, we would delay digital investment and instead invest in more agents. Our current assumption is that even in a low technology environment customers would still want to do simple transactions online, while preferring to talk to agents for more complex or personal queries. Our core plan insourcing our contact centre, with universal agents, means we will have the flexibility to increase recruitment of agents to support a higher traditional channel mix if required. Universal agents will also be equipped to handle the more complex or personal queries.	Horizon scanning for new technology innovations % of customers contacting us through Digital channels

4.1.6. We have confidence that this Developer Services Strategy will deliver

We acknowledge that in the past we have not always been successful at delivering what we say we will. In some respects, this is inevitable as the context changes, unforeseen challenges arise, and we find a better way of doing things. However, we have reflected on this and ensured that in this Developer Services Strategy we have:

- Developed a plan that aligns to what customers want
- Used a logic-based decision-making framework to prioritise high impact change
- Learnt from the past, and learnt from others and
- Developed a Developer Services Strategy that is adaptable to changing customer needs and market opportunities and supported by new ways of working

We have high confidence that we have built our Developer Services Strategy for AMP8 in a way that is stretching, credible and achievable.

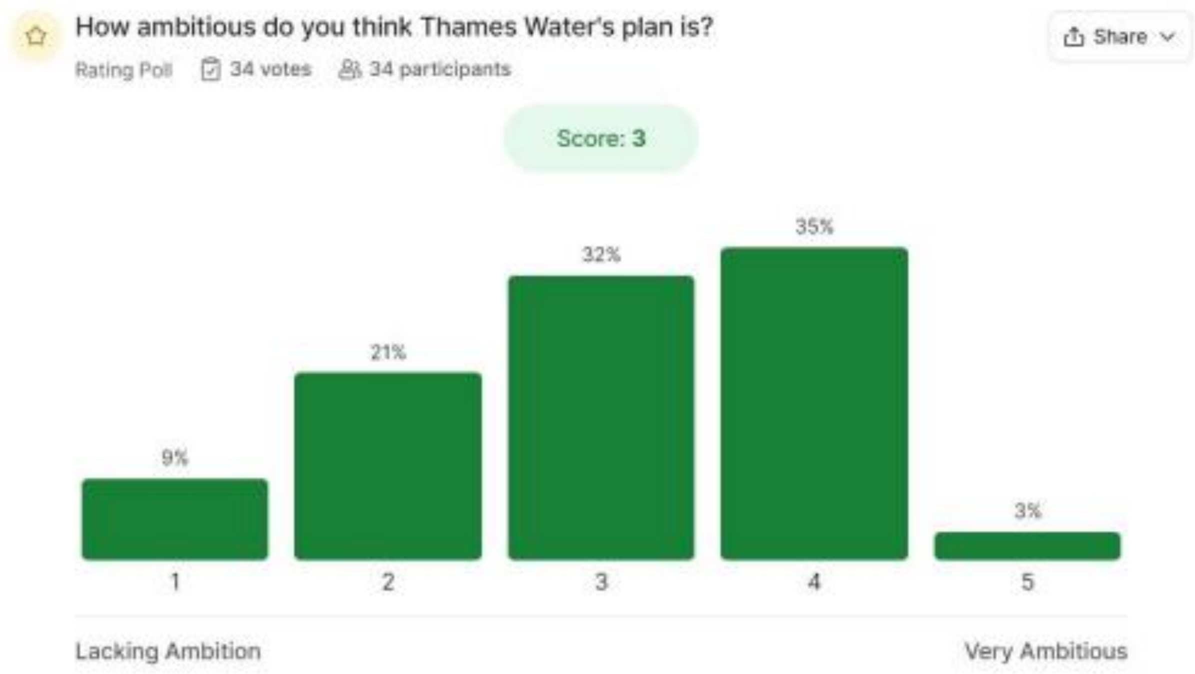
4.2. We have invited challenge and responded to challenge

The Vision 2050 Strategic Roadmap was tested with our customers in Spring 2022. Customers were overall aligned with the 2050 customer outcomes[6]; however, they wanted the customer service elements to be delivered sooner. We have adapted our plan and Vision 2050 Strategic Roadmap to deliver most of the customer service elements in our long-term vision by 2030 (end of AMP8) so they are now more aligned with customer feedback.

[6] Vision 2050 Research, May 2022

We also invited Developers, NAVs, SLPs and other stakeholders to challenge our plans in July 2023 when we took part in the PR24 Developer Services Southern Region Customer Engagement session facilitated by Skewb Ltd. This session enabled us to engage on our PR24 plans with a large number of developer customers alongside Portsmouth Water, South East Water and Southern Water. We presented our plans for achieving 9th in D-MeX by 2030 by delivering transformational change programmes in AMP7 and continuously improving our service in AMP8. We received helpful critique and feedback throughout the session.

Figure 4.2: PR24 Developer Services Southern Region Customer Engagement session SLIDO poll results



Source: Skewb Ltd

When asked to rate the ambition of our developer services plans for PR24, our means score was 3.0 out of 5. This was similar to the other companies that took part who has mean scores of 3.0, 3.0 and 3.3 respectively.

Customers also said they:

- Want to be able to interact with wholesalers through Portals which provide the capability to track the progress of work
- Want improved customer service and communication
- Would benefit from standardisation in areas such as incentives schemes. This is particularly important to consultancies who work with clients operating in multiple wholesaler areas

During AMP7 and AMP8 we are implementing a customer Portal, which will enable customers to self-serve and manage their requests online and making a number of changes which will improve customer service and communication.

We are also supportive of standardisation and have already adopted Water UK industry standards for NAV contracts and SLAs. Importantly at the engagement session we were able to take customers through the Ofwat consultation on developer incentives to encourage developers to share their thoughts with us or with Ofwat directly. The standardised incentive structure proposed by Ofwat mirrors the tiered approach put in place by Thames Water as part of our innovative approach to working with developers to tackle our shared environmental challenges.

Following evaluation of the deliverability of our overall PR24 plan in July 2023 we have reprofiled the timeline for implementing part of our Developer Services transformation programme, enabling us to focus our efforts on delivering other parts of our plan which are of higher importance to customers. This means we will not be delivering improved field work management capabilities for a full DS End to End journey but will make improvements to our Business to Business interfaces. We have assessed the impact of this on our AMP7 and AMP8 D-MeX performance and we forecast that we will achieve 13th in D-MeX by 2030. We are committed to transforming the customer journey and by revising our roadmap for delivering this we have ensured that it is realistic and achievable alongside other high priority delivery areas.

4.3. Costs and efficiency have been considered

There are significant changes to the way that developer services costs and revenue are being dealt with within PR24 compared to PR19. This reflects the increasing success of developer services markets, resulting in a change to the activities which are subject to price controls. By promoting choice, we will help customers to identify the best option for their developments, be that via SLPs, NAVs or Thames Water. We believe that these market mechanisms are the best way to ensure value is delivered for customers and this is fully consistent with the growth, cost and revenue data we have populated into data tables DS1-DS6.

4.3.1. Growth forecast and market mix

We recognise that despite an underlying need for new housing (particularly in London and the South East) there are difficult operating conditions for developers, including housebuilders, making forecasting growth difficult. We have forecast property and connections growth for AMP8 in line with Ofwat's guidance for producing our TMS06 Our Long Term Delivery Strategy (LTDS). To do this we have used Local Authority Plan forecasts and applied these growth percentages to our forecasted property base.

We have overlaid an assumed growth in work delivered via a NAV route with some impact on work delivered directly by Thames Water and by SLPs. This aligns to our objective for AMP8 to increase the proportion of water properties connected by NAVs or SLPs to 50% by 2030. This is also in line with our regular discussions with major developers, who are increasingly seeking to pursue this route.

The resultant year on year numbers of connections made and properties connected, are shown in the table below split by the delivery route: either Thames Water, SLP or NAV.

Table 4.3: Connections and property growth by delivery route (water)

Connections	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Thames Water	6,728	6,968	7,924	7,853	6,819	6,333	5,765	4,922
Self Lay Provider	5,306	5,053	4,554	4,472	3,897	3,538	3,272	2,897
NAV	1,218	2,096	3,468	4,161	5,432	7,203	7,715	8,363
Total Connections	13,252	14,118	15,946	16,486	16,148	17,074	16,752	16,182
Properties	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Thames Water	17,069	16,297	18,860	18,689	16,229	15,074	13,722	11,715
Self Lay Provider	6,021	5,205	5,167	5,075	4,422	4,015	3,712	3,288
NAV	1,218	2,096	3,468	4,161	5,432	7,203	7,715	8,363
Total Properties	24,308	23,597	27,495	27,925	26,083	26,292	25,149	23,366

Source: Thames Water

Table 4.4: NAV and SLP Market share (Water)

Market share	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Connections	49%	51%	50%	52%	58%	63%	66%	70%
Properties	30%	31%	31%	33%	38%	43%	45%	50%

Source: Thames Water

4.3.2. Developer services revenue and expenditure

In line with the PR24 methodology revenue and expenditure is shown outside and inside of price control in the tables below.

Table 4.5: Developer services revenue

Total revenue (£m)	FY26	FY27	FY28	FY29	FY30
Developer services revenue - water network+					
Price control (before income offset and environmental incentives)	49.327	45.150	44.825	41.630	37.928
Price control (after income offset and environmental incentives)	53.392	47.080	44.663	38.912	32.460
Non-price control	45.007	40.556	38.468	36.103	32.423
Total revenue	98.399	87.636	83.131	75.015	64.883
Developer services revenue - wastewater network+					
Price control (before income offset and environmental incentives)	29.277	29.573	27.966	24.278	23.044
Price control (after income offset and environmental incentives)	28.994	29.402	27.951	24.271	23.039
Non-price control	7.563	7.803	7.159	6.849	6.664
Total revenue	36.557	37.205	35.109	31.120	29.703

Source: Thames Water – table DS1e

Note: Excluded from the above are non-DS activities which include contributions towards relocations and upgrades to existing treatments works.

Table 4.6: Total developer services expenditure

Total expenditure (£m)	FY26	FY27	FY28	FY29	FY30
Developer services expenditure (excluding diversions) - water					
Developer services expenditure (excluding diversions) (price control)	37.936	37.589	37.629	37.416	37.082
Developer services expenditure (excluding diversions) (non-price control)	52.287	47.102	44.660	41.730	37.581
Developer services expenditure (excluding diversions) - (total)	90.223	84.691	82.290	79.147	74.663
Developer services expenditure (excluding diversions) - wastewater					
Developer services expenditure (excluding diversions) (price control)	25.046	24.944	24.853	24.775	24.694
Developer services expenditure (excluding diversions) (non-price control)	3.699	3.822	3.392	3.215	3.119
Developer services expenditure (excluding diversions) (total)	28.745	28.766	28.245	27.990	27.814

Source: Thames Water -Tables DS2e and DS3

In order to maintain efficient delivery, we have taken the decision to outsource several back-office services that were previously undertaken in house as part of our review of activities across Retail. This will enable us to undertake these services at an equivalent or better standard at a lower cost. As a result of this, we will be able to provide customers with a service that is better value for money, without compromising quality.

We have also awarded new contracts which will run throughout AMP8 and will be dedicated to the delivery of developer services. The new contracts reflect the current increased costs of delivering work and our charges are based on the costs in the new contracts. The long-term nature of these contracts mean that our developer services charges will be more stable throughout AMP8.

However, we recognise that, particularly due to the challenging working environment in London, there are still likely to be complex and more expensive jobs that are less attractive to alternative providers. This has two main effects on our costs, firstly we are obligated to maintain the route for customers to come directly to us for developer services meaning our costs are only partially linked to the volume of demand for services. If we deliver lower volumes than we have forecast, due to market slow down or effective competition leading to greater use of NAVs/SLPs our costs per job will not reduce at the same rate. The fixed portion of our costs for service connections, mains and diversions service lines is in the range 20% to 30% of our total costs, with this proportion increasing as volumes reduce. Secondly our published tariffs are derived from geographically averaged costs, so if we have a higher proportion of complex jobs (that are less attractive to SLPs and NAVs) then we will under-recover compared with our tariffs based on averaged costs or our unit costs will rise. This is also the effect from honouring our quotes for work, which freeze prices that would otherwise rise over time.

It is vital therefore that we continue to challenge our own efficiency of delivery for developers. Our plans for AMP7 and AMP8 include several initiatives to drive efficiencies in our back office and field delivery processes including increased automation, utilisation of offshore resourcing capabilities, and new field delivery contract partners. However, we believe that market mechanisms are the best way to ensure value is delivered for developer customers.

4.4. The strategy is based on some core assumptions

Our plan is based on the following key assumptions.

Table 4.7: Key assumptions for our plan

Assumption category	Key Assumptions
Socioeconomic factors, such as economic growth and changes in household incomes	• Assumes inflation returns to 'normal'/ near normal by FY25 and remains stable for AMP8 • Assumes cost of living crisis is beginning to unwind in FY25 • Assumes forecasted population and property growth rate based on Local Authority Plan data updated in 2022 by Edge Analytics, for AMP8
Government and regulatory policy	• Developer Services – assumes no change to housing/ building regulations • Developer Services – assumes no changes to regulatory treatment • NAVs – assumes no changes to current approach
The activities of other water companies and sectors, such as their contribution towards long-term targets	• Assumes that all water companies improve customer service over time
The costs of inputs;	• See cost section
The availability of skills;	• Assumes our contracted service providers are able to provide a skilled workforce for Developer Services and Metering field activity
The capacity of the supply chain;	• Assumes we are able to source the stock and components required to deliver our work profiles (e.g. smart meter chips)
Levels of asset health and resilience;	• Assumes that our cyber security Enhancement Case is delivered and significnatly improves the security of our digital assets
Innovation within the company; cost efficiencies; and	• Assumes that we exit AMP7 at efficient run rates • Assumes that we continue to innovate and drive cost efficiencies
Performance Commitment	• Assumes current methodology and the reward/penalty incentives for D-MeX, although recognises this will change and this will be confirmed by Ofwat at final determination in Dec 2024
Price Controls	• Assumes price control alignment for developer services is as set out in Final PR24 methodology

5. Conclusion

In our developer services document we have outlined how we've developed our plan for improving service to developers between 2025-2030. We start with what our customers want and then have built what we want to achieve in AMP8 around our customer vision 2050 outcomes.

We share that we want to achieve good customer service by 2030, placing us mid-pack in D-MeX, we want to provide customer choice, promoting developer markets so that the majority of properties are connected by alternate providers (SLPs and NAVs), and we want to work with developers and other stakeholders to incentivise sustainable environmental practices in new development, reducing water usage and protecting the wastewater system. We believe directionally this is both stretching and realistic when reflecting on where we are today and that our service improvements can be a catalyst to drive better value for customers throughout the developer market that will continue to be stimulated by the key focus for growth in London and the South-East.

We cover lessons learnt from past performance, acknowledging we need to do better for our customers. We explore both long-term and short-term challenges we must overcome and how we are using this as an opportunity to develop a more agile plan that can adapt to a changing external environment. Our strategy for developer services acknowledges that there are still gaps to fill to hit our D-MeX ambitions. We will continue to work on maturing our detailed plans, and have highlighted just some of the innovative approaches we are taking in collaboration with others to respond to evolving develop needs and to increase the certainty of hitting these ambitious targets.

We discuss how we have entered into long term, dedicated contracts for delivering services to developers, giving stable costs for AMP8 and how we continue to drive further efficiency. We are realistic about the opportunities and constraints for the markets for SLPs and NAVs, and how this could negatively impact both our unit costs and D-MeX scores.

Our strategy for developer services centres on delivering a better service for developers, SLPs and NAVs and promoting customer choice through supporting effective developer markets. We know that we have plenty of room for improvement, but are confident we can build on the steady improvements seen in AMP7, and that we can and will, do better for our developer customers as we collectively meet the challenges of growth for the communities we provide life's essential service to.

It's everyone's water