



MINUTES of the Customer Challenge Group

Hammersmith Depot

On 13 September 2024, 09:30am – 3:15pm

Present:

Sukhvinder Kaur-Stubbs	Chair of Customer Challenge Group	SK-S
Monica Wilson	Department of Education	MW
Baroness Grey-Thompson DBE, DL	Chair of Sport Wales	BGT
David Brindle	Ambient Support	DB
Sarah Powell	Environment Agency	SP
Nisha Arora	Financial Conduct Authority	NA
Peter Daw	Greater London Authority	PD
Catherine Jones	CCW	CJ
Jeremy Crook OBE	Action for Race Equality	JC

Thames Water:

Esther Sharples	Chief Operating Officer	ES
David Bird	Retail Director	DAB
Mark Cooper	Head of Service Delivery	MC
Adam Harmon	Chief Economist	AH
Jonathan Read	Director of Regulatory Policy and Investigations	JR
Mariana Simpson	Regulatory Engagement Manager	MS

External:

Dr Randa Kachef	King's College, London	RK
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Apologies:

Councillor Dr Pete Sudbury	Oxfordshire County Council	PS
Dr Charlotte Duke	London Economics	CD

Agenda Item No.		Action
1.	Apologies for absence / Declarations of interests / Minutes from previous meeting	
	Apologies were noted and no additional declarations of interests have been recorded. The minutes from the meeting on 9 August were approved subject to amendments made.	
2.	Operational performance	
	ES provided an update on Operational performance including turnaround progress. Material was shared ahead of the meeting. Key points summarised below.	

	<p>It was noted that the Sludge Power Generator had to be turned off which resulted in large loss of self-generated energy and brought in additional financial costs and risk. To minimise the impact in the future, our PR24 business plan looks to invest in a new Thermal Hydrolysis Plant.</p> <p>Pollutions – This area continues to be a concern with adverse performance due to storm conditions and the high ground water levels in first quarter of 2024 and ongoing challenges on TW’s asset base. The EA have reported 248 incidents to the end of June against the PC target of 80 and turnaround plan target of 112. To mitigate the impact of repeated wet winters, there are plans to invest in top 13 sites with highest pollutions risk assets. Positive step change in self-reporting which increased from 60% to 69%.</p> <p>The discussion focused on self-reporting, with EA representative noting that they continue to be concerned over some of the key assets such as rising mains. It was noted that there is a plan for additional 30 thousand sewer depth monitors which will help. The discussion also covered interdependencies between key metrics, such as internal sewer flooding and pollutions.</p> <p>Action: CCG would like to understand what the expected reduction in pollutions would be when the 13 high risk sites will be delivered.</p> <p>Action: TW to share a map of STWs to show the higher risk areas.</p> <p>Turning to future investment as a part of PR24, there was an acknowledgement that TW need to make sure that they spend fully their base allowance with the focus on the highest risk areas. CCG were interested in further details regarding risk management.</p> <p>Action: TW to share a view of risks which have the highest impact on customers.</p> <p>Supply Interruption - Positive performance despite a high burst rate of larger mains in Q1 across all regions whilst warmer weather arrived following a wet winter. The teams continue to focus on avoiding isolating customers, completing work on live assets or reduced pressures to ensure customers are not put out of supply wherever possible.</p> <p>Water quality – Good performance across large sites while some incidents occurred at smaller sites. There was a recognition that there is a mixed reputation of drinking water quality across the population. CCG suggested that TW should use “trusted voices” such as local councillors or local resilience forums to help with correct any misconceptions.</p> <p>Action: TW to share breakdown of small and large sites showing high / low risk</p> <p>Action: DWI representative to be invited to future CCG meeting</p> <p>Action: TW to consider publishing results of water quality tests more frequently</p> <p>Action: TW to include session on AMP8 readiness at future meeting</p>	
3.	Consumer behaviour	
	<p>Guest Speaker, Dr Randa Kachef, research scientist in human environment interactions with a specific interest in urban waste systems, and Geography Lecturer at King’s College London joined CCG to present on Post-Consumption and Waste Behaviour.</p>	

	<p>RK shared her history and accreditation, past research projects, current research and associated public engagement and personal ethos on how to conduct research. Moving to the current state of the relationship with the public, RK stepped through public perception of water firms, the ways in which the public have contributed to the issues currently faced, the need for a 'truce' before attempting behaviour change, and the two principal areas where behaviour need to be influenced – consumption and waste.</p> <p>CCG and TW representatives completed number of interactive activities, the first to generate a word cloud of their perception and understanding of waste, their waste. The second activity focused on communication principles, identifying various stakeholders / consumers within the public. The third and last activity then allowed members to explore what communication would suit specific stakeholder reflecting on points raised in earlier session.</p> <p>The session concluded with reflections on the diversity of values identified in the activities, reinforcing the need for more customised and targeted messaging.</p> <p>SKS thanked RK for engaging with CCG. The session was thought provoking, and it was helpful for CCG to put themselves in the shoes of the customers.</p>	
4.	Retail performance	
	<p>DAB stepped through Customer Performance covering key KPIs across the business area based on material shared ahead of the meeting. Key points summarised below.</p> <p>Overall he described the picture as far more stable than in previous years, but he drew attention to the fact that non-household consumption was running about 12% below expectations.</p> <p>Complaints - Positive performance with progress made in key areas has contributed to a 25% month on month reduction (improvements include ongoing improvements to smart metering functionality and billing escalations using real-time sentiment analysis). DAB explained that there are plans being developed to set up a dedicated pro-active outbound team who would reach out to customers who contacted the company more than five times over a period of time in order to fully resolve these more complex cases.</p> <p>The first part of the discussion focused on the upcoming CCW's publication of complaints report. It was noted that while TW's performance improved, for the year 2023-24 TW remains in last place in the CCW report.</p> <p>Turning to metering, CCG wanted to understand more about planned changes to smart meters installation from London to Thames Valley Furthermore, the CCG wanted to know whether all water companies are negotiating contracts with the same suppliers and whether this could cause risks to delivery. MC explained that the shift between Thames Valley and London was due to the performance commitment which is focused on the London area specifically and the contract negotiations regarding the new mobile network technology infrastructure which are being finalised. Once these are in place then we will be able to speed up the Thames Valley roll-out as a large part of the installations have been started and the mobile network will allow meters to be connected immediately rather than wait for the radio infrastructure which is used in London.</p> <p>It was recognised that customers bills will significantly increase in the next AMP, due to the levels of future investment. To support customers who need it the most, TW are planning to increase the level of bill cross subsidy. Further work is going into identifying the customers including additional</p>	

	<p>front line teams' training to support this. It was also noted that the transient population remains an issue and TW is improving their processes to improve collection rate.</p> <p>DAB clarified that, in the event of an appeal to the CMA against Ofwat's Final Determination in December or later, customer bills for 2025-26 would be sent out on the basis of the FD. Any adjustment arising from an appeal ruling would be made in subsequent years of the AMP.</p>	
5.	Metering	
	<p>MC stepped through the presentation covering smart meter operability, customer journey, demand reduction and leakage outcomes and lastly TW's AMP8 plan.</p> <p>The first part of the discussion focused on the difference between accounting for customer side leakage, leakage and water use. CCG were concerned that there is no double counting. MC explained the various parts of the measures and how it is accounted for. MC acknowledged that this a complex area and offered to provide a summary slide.</p> <p>Action: MC to share a summary slide how measured / unmeasured water and wastage are accounted for.</p> <p>On the smart meter operability, MC shared improved performance in the data collected which increased from 90% to around 93% consistently which is a positive move towards the target of 95%.</p> <p>Moving to customer journey changes, MC explained that all communication material is currently under review with the aim to consolidate the number of options available to make sure messaging is consistent, easy to understand and relevant. Further improvements include successful roll out of 'Online Appointment Booking Tool' and 'where's my engineer' route tracker with current trials of video call appointments.</p> <p>CCG were interested to understand whether there is a group of customers who are excluded from metering and what would the process be for them. MC explained that some properties may not be suitable for meter fitting and in those instances, customers will be billed on average household charge. There is also a plan to invest in small mini bulk meters which will help to measure old buildings converted into flats etc.</p> <p>The session concluded with a discussion over water use between Thames Valley and London and customers behaviour. It was noted that the water use changed significantly through the pandemic with customers moving out of London and did not return in the full capacity due to a continuation of hybrid working. This is partly the drive for smart metering requirements increasing in the Thames Valley area and the penetration of meters within the London area.</p>	
6.	PR24 update	
	<p>JR provided the latest update on PR24, noting that TW submitted their response to the Draft Determination, which included strategic narrative as well as a number of supporting documents. Links to the submission have been shared with CCG.</p> <p>Delivering the sustainable improvements our customers and stakeholders expect will necessitate a significant increase in average bills. JR explained the differences in the overall size of the plan in the DD response with TW seeking £20.7 billion of totex, with an additional £1.7billion in the delivery</p>	

	<p>mechanism and £1.3 billion in gated allowances resulting in total of £23.8 billion to be funded from customer regulated charges.</p> <p>This proposed investment would mean average annual bill increases would be 52% higher by 2030 for the £20.7 billion 'core' plan rising to 59% were the company to unlock the full allowances for the large gated schemes and the delivery mechanism.</p> <p>JR explained how customers are not being asked to pay twice, but to make up for years of focus on keeping bills low and how in parallel, the company was proposing to increase its support to bill payers by introducing an improved social tariff for those struggling to pay, increasing by nearly 70% the number of those who will benefit from this support, to 647,000 households.</p> <p>Since the submission, Ofwat has re-introduced the query process, TW has received over 50 queries to date, mainly seeking further clarification. In addition, the teams are continuing to identify aspects of the DD response which could have been strengthened and also supporting the ongoing investor process.</p> <p>Looking ahead, the company is holding extensive engagement with potential investors which is supported by financial advisors. There was a recognition that investors will not be likely to make decisions until Final Determination is published. The original date of the Final Determination was 19 December 2024, however Ofwat have consulted on potential deferral until January 2025.</p> <p>The session concluded with discussion over media coverage and the importance of clear communication with customers. CCG were concerned that with the high media coverage focusing broadly on the negative and high-risk topics, customers are left with uncertainty, and they would benefit from re-assurance. Going forward, CCG stressed the importance of companies explaining clearly not only the price increases but also what the plan is delivering for customers.</p>	
7.	CCG Chair update / CCG reflections	
	<p>The CCG Chair shared an update on her recent engagement with Ofwat which included attendance at Ofwat vulnerability summit. The overarching message for Ofwat from the summit was the need for affordability and keeping bills low. She had also met with the new Customer Engagement Director at Ofwat and agreed to regular meetings in the run up to the Final Determination.</p> <p>Going forward, Ofwat's engagement teams are looking to engage with CCGs across the industry. While there was an acknowledgment that there will no be decision made on future of the CCGs from Ofwat before December 2024, they are supportive of a structured approach to customer engagement and challenge.</p> <p>CCG members shared their reflections of the day.</p>	
8.	AOB	
	Next CCG meeting on 18 October 2024	