



MINUTES of the Customer Challenge Group

Microsoft Teams

On 22 September 2023, 09am – 3:00pm

Present:

Sukhvinder Kaur-Stubbs	Chair of Customer Challenge Group	SK-S
Jeremy Crook OBE	Action for Race Equality	JC
Doug Taylor	CCW	DT
Monica Wilson	HM Treasury	MW
Nisha Arora	Financial Conduct Authority	NA
David Brindle	Ambient Support	DB
Tiger de Souza MBE	Samaritans	TDS
Councillor Adam Jogee	Haringey Local Authority	AJ
Baroness Grey-Thompson DBE, DL	Chair of Sport Wales	BGT

Thames Water:

Jonathan Haskins	Strategy and Regulatory Affairs Director - Interim	JH
Jonathan Read	Director of Regulatory Policy and Investigations	JR
Nina White	Director of Billing & Financial Customer Care	NW
Pete Cotton	Head of Vulnerability Strategy	PC
Rebecca Weaving	Retail Business Planning Manager	RW
Andrew Burton	Customer Research & Insight Manager	AB
Jamie Elborn	Customer Research & Insight Lead	JE
Steve Spencer	PR24 Wholesale Programme Director	SS
Mariana Simpson	Stakeholder Relationship Engagement Manager	MS

External Attendees:

Ryan Shellard	Sia Partners	RS
Nicky Fomes		NF

Apologies:

Dr Charlotte Duke	London Economics	CD
Sarah Powell	Environment Agency	SP
Peter Daw	Greater London Authority	PD
Councillor Dr Pete Sudbury	Oxfordshire County Council	PS

Agenda Item No.		Action
1.	Apologies for absence / Declarations of interests / Minutes from previous meeting	
	No additional declarations of interests have been recorded. Minutes from the previous meeting on 11 August were approved.	

2.	CCG closed session	
	No minutes recorded.	
3.	PR24 update	
	<p>JR provided an update on PR24, thanking CCG for their feedback on the narrative to date and noting that the team is working currently through over two thousand comments ahead of the final RSC and Board meetings that will take place the following week.</p> <p>In terms of communicating the plan with customers, the team are developing a customer friendly summary in parallel, although it is currently slightly behind the main submission. This will be used for the 2nd phase of YWYS challenge session which will be held on 30 November. CCG were keen to see the customer friendly summary ahead of publication.</p> <p>Action: TW to share draft customer friendly summary when available.</p> <p>Discussion focused on the final version of the plan for submission. It was noted that TW had to make hard decisions to produce a balanced plan which will deliver what customers want. TW recognised that the company cannot deliver it all and the plan will not currently deliver on all statutory obligations in the next five year period. There was a recognition that ongoing dialogue will be needed with the regulators to agree the best way forward. CCG noted that the Business Plan submission will land in the middle of elections which will raise increased scrutiny.</p>	
4.	Update on Customer Research	
	<p>AB and JE provided an update on the latest customer research including the Affordability and Acceptability Testing (AAT), research on the Long Term Delivery Strategy and rising block tariff, as well as on outstanding CCG challenges.</p> <p>AAT – TW shared findings from the quantitative survey which demonstrates two thirds of customers find the plan acceptable with 20% saying it is unacceptable. In terms of affordability, the question asked this time around was whether it is easy or difficult to afford, with around half of customers saying it will be difficult to afford. TW will scrutinise the final report when available to understand the views of different segments of customers.</p> <p>The discussion focused on the assumptions used for the AAT and on the iteration of business plan tested, especially in the terms of ambition, acknowledging the plan was constrained by deliverability and financeability. It was noted that the ambition of the overall plan is one of the quality criteria used by Ofwat. CCG suggested that TW should analyse the results in greater detail to look for any additional insights. They also thought TW should look at how the “not sure” and “neither easy not difficult” results are presented to make sure it is accurate and not unduly positive. AB explained that the questionnaire did include a “don’t know” option and there are strict rules how these detailed answers are submitted to Ofwat through data tables to avoid any misrepresentation.</p> <p>Further discussion focused on the bill impact – plateau vs smooth bill rising through the five years. TW acknowledged that they recognise customers prefer smooth bill increases, however going for the step increase at the start will enable TW to support more customers who struggle to pay.</p>	

	<p>LTDS - Findings shared with CCG, noting that given the topic, the audience included 50% of future customers. There was a recognition that customers find it difficult to envisage how they may afford bills so far in the future.</p> <p>Rising block tariff – research finding showed that 80% of customers support the principle. The teams is working with CCW on this topic. The next stage would be designing and trailing the process.</p> <p>Update on CCG Challenges:</p> <ul style="list-style-type: none"> • Non household customers – Team held additional session prior to the meeting and provided additional explanation and evidence to demonstrate that the non-household research is robust, and the overall customer research programme has been inclusive. Through CCG challenge, TW made the representation of Non-Householder customers’ views better within the What Customers, Communities and Stakeholders Want document. CCG praised the team for additional work in this area and recommended that in the future CCG is better sighted on the specific feedback from large business customers to help them understand any differences. • Correlation between engaged customer-facing teams and improved customer service – the team have completed analysis between customer satisfaction and the latest employee survey and there was no specific correlation observed, however the team recognised that all best practice points that highly engaged teams will perform better for customers. 	
5.	Affordability	
	<p>PC shared Bill profile and affordability support headlines, noting that final numbers yet to be finalised. However. material changes are not anticipated. PC explained that going forward more customers will fall below the Water Affordability Threshold and TW will move the Affordability Threshold as a targeting criterion to reach around 76% (tbc) of the eligible population. PC shared the support available going forward which will help both dual billed customers and an additional 145k social tariff recipients who are waste only customers.</p> <p>Going back to earlier conversation on bill impact, PC explained that two options were considered for bill profiles, a Plateau and Smoothed profile. While the Plateau profile creates a larger one year increase in bills in 2025 this is at a time when interest rates have reduced and wages will have caught up in real terms and it will allow affordability support to be optimised to a smaller overall population as peak bills are less.</p> <p>The wider economic context will be monitored and it was recognised that the company will continue to track any changes and there will be opportunities for further discussions on bill profiles post Draft Determination.</p> <p>Further discussion focused on proposed use of rising block tariff and its dependency on metering and data available. PC noted that data suggest that proactive customer engagement will be key at the instances where data show high usage or continuous flow which may suggest leak – TW will work with customers to find the right solution.</p> <p>CCG discussed their views on affordability included in their CCG report and agreed that they are satisfied overall noting the point that innovation will play important role alongside the importance of raising customers’ awareness of the support available. However, CCG remains mindful that the bill impact is significant and therefore the company need to deliver on their ambition and performance.</p>	

	CCG asked for re-assurance that e.g. customers who use large amount of water for medical reasons remain protected.	
6.	C-MeX Plan	
	<p>RW shared an updated C-MeX ambition based on more realistic performance trajectory which is aligned with the prioritisation decisions the company have to make in terms of the focus on more core operational metrics such as leakage and pollution. In the Retail part of the business, the company will focus on fixing core processes, reducing backlogs and making sure information sent out to customers are right. Looking ahead at the next 3 – 5 years, the company will build new capabilities such as new communication platform which will improve communication especially during incidents. In the short term there will be less investment in the large brand communication such as Otis the otter campaign.</p> <p>The discussion focused on what the impact on customers will be, CCG were keen to understand that whether there is anything the customers will lose out on in terms of delivery. CCG were initially concerned on the reduction in focus on the Customer Comms and they reflected on their recent conversation with the TW Chairman, where they raised the importance of the customer communication. It was clarified that that the reduction in investment is related to marketing spend, TW recognised that communication with customers is extremely important in being transparent and building trust and delivering its turnaround plan.</p> <p>Potential changes to C-MeX were discussed with the recognition that the proposed changes to the methodology would encourage companies to focus on fixing the core issues and improving service rather than investing in marketing spend to improve companies' perception.</p> <p>CCG queried whether the updated ambition is remains strong enough and it was noted that this would be judged as a part of Ofwat quality test on ambition.</p>	
7.	Enhancement cases	
	<p>Before turning to Enhancement Cases, JR reflected on the earlier conversation around ambition and what the company is planning to deliver in terms of improved performance. Considering the Ofwat Serviceability report, TW applied the same approach and shared the predicted movement in performance to explain how their position could change when compared to the industry.</p> <p>The discussion focused on the scale of potential penalty. There was acknowledgement that penalties for not meeting performance level will result in less investment which does not result in better outcomes for customers. CCG were interested to understand whether there is a prospect of changing this mechanism going forward. For now, the incurred penalties are returned to customers through bill reduction.</p> <p>SS shared the final view of Enhancement Cases which form part of the submission, focusing on the scope of each case. These investments are there to deliver a step change in compliance or resilience with a few areas also delivering performance benefits.</p> <p>Moving away from specific Enhancement Cases, CCG asked for more details regarding plans for reducing sewer flooding, leakage and river pollution. SS explained that specifically for leakage and pollution the performance is very much driven by ageing infrastructure and the plan will start to address this risk. (e.g. investment in high risk rising mains which are at risk of failing and causing serious pollutions or; investment in operational technology so that we can monitor our assets in</p>	

	real time and react as quickly as possible. The plan also includes the recommencement of a main replacement programme).	
8.	WINEP	
	<p>SS explained the scale of AMP8 WINEP reminding CCG that if TW completed the programme in its entirety as required, it would cost around £4bn compare to AMP7 current programme which is around £600 million.</p> <p>SS highlighted that it is impossible for the company to practically deliver the full programme and therefore they are looking to re-phase some of the programme into AMP9. However the company will focus on delivering the components which are related to public safety and public health such as storm overflows and bathing waters.</p> <p>CCG were interested in the implications of the decisions and also what it will mean going forward. It was noted that the company is expecting to have a continuous dialogue with the regulators to agree a way forward.</p> <p>Follow up discussion focused on the plans tested as a part of both stages of Affordability and Acceptability Testing and it was clarified how the evolution of the plan led to the submission. It was also clarified that a reduction in storm overflows has been included in all versions of the plan.</p>	
9.	Line of Sight	
	<p>AB set out the context of the session, reminding CCG the process TW completed to establish line of sight across the development of the plan. While the line of sight runs through the entire plan from the core narrative through to the technical appendices, the Customer Engagement appendix brings it all together to summarise key points. It is organised under the 10 customers wants based on What Customers, Communities and Stakeholders Want document and show where choices and trade-offs had to be made.</p> <p>The discussion focused on individual examples such as leakage, sewer flooding and pollutions in terms of whether the plan's ambition will meet customers' expectations. CCG agreed that their report should clearly note where TW submission have diverged from customers' expectations, e.g. where the company had to make trade-offs due to other factors such as risk of harm to customers.</p> <p>CCG will review and agree to the final wording of their report once they have reviewed the provided documents in detail.</p>	
10.	Assurance	
	<p>AB and NF provided an update on Assurance. AB highlighted that Savanta have confirmed that TW met the board assurance requirement for customer engagement – the latest report has been shared with the group. This included requirements for customer challenge. On the basis of these findings it has been recommended to the Board colleagues to sign their board assurance statements.</p> <p>NF provided update around board engagement and the overall assurance put in place around the plan by TW which included direct engagement with CCG and three lines of assurance based on risk based assessment. Discussion focused on the assurance framework and scope of work for external assurance partners such as Deloitte incl. affordability and Flint Global.</p>	

	<p>CCG were keen to understand more details regarding some of the late stages of assurance, especially around affordability given the expected bill increase.</p> <p>Action: MS to re-share assurance framework presentation from April 2023 (Complete)</p> <p>Further discussion focused on the purpose of assurance, with CCG highlighting their view that all assurance seems to assure the process and whether the company have followed all required guidance, however it does not assure the actual outcome and company decisions. It was recognised that this will be decided by Ofwat as part of their analysis.</p>	
11.	CCG Challenges	
	<p>Following recommendation from Savanta's report, all CCG challenges and respective responses have now been included in the current version of CCG report.</p> <p>JR invited CCG to query any outstanding CCG challenges where the group would like to explore any additional points. CCG were interested to understand whether there are any known gaps where the company would welcome additional discussion</p> <p>JR praised CCG for their ongoing engagement and challenge for over the last 18 months and recognised especially in the customer engagement and line of sight area where it resulted in much more robust submission.</p> <p>SKS thanked the company for their ongoing engagement and hard work as well as comprehensive responses to their challenges.</p>	
12.	CCG closed session / AOB	
	<p>CCG closed session. No minutes recorded.</p> <p>Next CCG call 29 September 2023</p>	