

CCG – The Customer Perspective on PR24

CCG works in the interests of Thames Water customers, other consumers, the wider public and the environment. This note is for all the key stakeholders in the PR24 price determination – principally Thames Water Utilities Ltd and Ofwat. CCG welcomes the customer and environment focus set by Ofwat in its draft determination. Equally, we are encouraged by Thames Water's aim for constructive dialogue. There appears to be the potential for constructive accommodation.

In our scrutiny of the Thames Water Business Plan for 2025-30, we were satisfied that it met the stringent criteria set by Ofwat for quality engagement with customers. Clearly the plan did not meet Ofwat's other criteria as it was rated 'Inadequate'. To address the significant gap in meeting minimum standards, we seek to ensure that the final determination on PR24 provides the greatest value to customers and the environment.

Some 16m people across the capital and the Thames Valley region rely on consistent supply of potable water and efficient removal of wastewater. Regulatory scrutiny of efficiency and costs, and transparency on funded activity, is vital for customer confidence in a market with very limited competition. CCG is clear that customers should not pay twice for services.

The financial challenges that Thames Water faces are well known. An investible business plan that can reverse the company's performance and attract equity is vital to deliver the outcomes that customers seek. Yet the legacy from previous ownership raises concerns about prioritising short-term returns over essential longer-term investment. Any revised plan must address the diverse needs of customers - including those advocating for clean rivers and families living in water poverty - and must ensure robust protections against sewer flooding, both now and in future. Even within the limited and narrowing liquidity time frame for a solution, it is imperative that these critical issues are not compromised.

Customers are exposed to several possible scenarios dependent on Ofwat's Final Determination (FD) on PR24 and on the equity markets. Special administration remains a real prospect. We are informed that in any eventuality, taps will continue to run and toilets will flush. We certainly trust that will be the case. But that is not the limit of the customer interest, nor should it be seen to be. Customers have valid concerns about deterioration of the underlying infrastructure and the impact this has on water quality standards, supply interruptions, leakage and pollutions.

CCG wants to amplify the growing interest of customers in sustainable supply and their proven willingness to contribute to and, where necessary, pay for it. At the same time the voice of those at greatest risk of vulnerability should be as loud as that of other stakeholders. Boycotting bills should not need to be a recourse for any customer.

In light of this, CCG has three immediate requests:

- We ask for creation by the company of risk profiling that identifies the potential risks to customers and the environment for each possible scenario from the FD,

and the mitigations that would be necessary, especially for people in vulnerable circumstances.

- We seek further and clearer information about the company's proposed equity raise and its expected timetable; some assurance is necessary that the model of financing will not sacrifice longer term asset needs for immediate returns, and that FD is secured before exhaustion of existing cashflow.
- We ask for more and better communication with customers about the situation, expressed in clear and simple terms. We would point out that the only interactive opportunity afforded customers on the draft determination has been the national YWYS event hosted by Ofwat and deeper engagement on the core issues is warranted.

CCG also makes an offer. We note that a Monitor is to work alongside Thames Water and Ofwat on implementation of the company's business plan and the equity raise. At this critical juncture, we believe CCG could use its good offices to increase visibility of the needs of customers at greatest risk of vulnerability and support communication that helps to rebuild public trust and confidence. CCG is well informed about how Thames Water operates and remains fiercely independent. We are uniquely positioned to provide unbiased insights into requirements and expectations that increase salience of the needs of all customers, but especially those at greatest risk of vulnerability. We stand ready to support a Final Determination in the best interest of customers and the environment.

27.8.24