



CCG REPORT 2024



Customer Challenge Group Review 2024 – Remember the Customer!

Introduction

It would be an understatement to say this has been a difficult year for Thames Water (TW) and, as a result, for the CCG. With significant recent shifts in the senior management teams, CCG provided continuity and supported corporate memory. We maintained constructive but challenging relationships with the new leadership team and applaud their level of engagement notwithstanding the pressures they faced. Despite ongoing uncertainty, CCG has sustained a consistent line in holding the company to account against our driving principles:

- We aim for the widest possible range of people to be engaged with and heard.
- We pay special attention to customers who are deemed ‘vulnerable’, or in vulnerable circumstances, and to those who speak and advocate for them.
- We respect environmental assets and seek to ensure that standards are complied with.
- We balance the interests of people living in London boroughs with those of customers elsewhere in the varied region.
- We check for equity across the generations and assess the benefits of addressing immediate issues, such as flooding, leakage and sewage discharges, against the need to invest in sustainable supply for the future.
- We support TW in mobilising partnerships that increase opportunities for public stewardship.

In doing so, CCG helped TW to stay focused on the customer. At a time when shareholder and operational priorities dominated, CCG remained independent and articulated the interests of customers – including those for whom greater environmental performance was paramount, but for everyone expecting reliable supply of quality water and sewerage services. We urged the Chair, Sir Adrian Montague, to ensure that while his team had their ‘head under the bonnet’, attending to the engine, they didn’t forget the passengers and the need to keep them informed and assured of the services they paid for. Remember the customer!

How We Work

CCG has continued to hold the company to account through: quarterly reviews of the turnaround progress and deep dives into problem areas, enabling CCG to understand and challenge management on behalf of customers; regular meetings with the Chair, Board and Customer Services Committee to share insights and areas of concern; and monthly sessions with Executive sponsors to address entrenched issues and maintain focus on priority areas. The annual work programme is organised around our key lines of enquiry¹. Each interaction requires good preparation on the part of TW staff and CCG members to ensure the right information is available to probe on strategy and delivery. Performance reports to the Board against regulatory standards are also shared with CCG. Members focus on the areas of highest priority to customers, including supply, quality, leakage and pollution.

¹ Annex A – Key Lines of Enquiry

Individually, members also engage with key networks and stakeholder groups. The Chair attends meetings with Ofwat, other regulatory groups and the Consumer Council for Water (CCW). The Vice Chair leads on Water Resources South-East consultations and advises on parliamentary debates. Representatives from the Greater London Authority, Environment Agency and CCW support the individual expert members. All members routinely monitor news, sentiment and events.

The annual review reveals the areas where CCG adds the greatest value. Each member undertakes a self-appraisal of their contribution and the collective efforts of the group. Staff from TW provide input on areas where they have gained insights and observed impact. The Chair provides feedback on comparisons with the work of other independent challenge groups.

A Challenge Log is maintained that captures the key points and issues arising from CCG meetings. Minutes of CCG meetings are held as a public record. Annual reports are also published on the TW website. The public logs reveal the breadth and depth of the challenges made by CCG.

Our Impact

The Key Lines of Enquiry (Annex A), set out the areas CCG decided to focus on, based on customer priorities², TW performance commitments, alignment with regulators (including CCW), and members' expertise. It is not always possible to demonstrate direct correlation between CCG efforts and TW responses. However, we believe the feedback informing our annual review is robust.

In addition to the detailed scrutiny of the PR24 submission to Ofwat in 2023 and our response to the Draft Determination (DD) this year, our main contribution has been on improving communications with customers. While the engineering base of TW remains strong, our questioning of senior leaders on how they meet the needs of customers, and how they communicate with them, is, we believe, moving the company towards a more customer-centric approach. Even in our sessions with the Chief Operating Officer, the emphasis is as much on relationships with end-users as it is on the processes that deliver water and remove waste. When learning from serious incidents, leaders now look to improve communications with residents as much as they attend to the underlying infrastructure. When leaders come to update CCG on progress, they know to address the issues of greatest importance to customers.

A key aspect of our challenge is ensuring that the channels available to customers to contact TW, and by which the company keeps them up to date, reflect the diversity of the customer base and their changing habits and expectations. While many customers are now accustomed to online communication, not all have the confidence to adapt to it.

² [What customers, communities and stakeholders want](#)

Drawing from the Key Lines of Enquiry, we highlight several areas where our role has been significant.

PR24 – Business Plan Submission and Follow-Up

During 2023, a focus group reviewed overall strategy, customer engagement, and choices. All CCG members were involved in different aspects of market research. Above all, we were successful in establishing a narrative throughout the Business Plan that addressed the needs of customers. We helped maintain a clear line of sight between what the research highlighted as customer needs and the company's decisions on spending priorities. Following Ofwat's first publication of Outcome Delivery Incentives (ODIs), CCG pushed back on the low ranking given to basement flooding. Customers at risk are typically diffuse and often transient (mostly rental properties) and have no strong lobby group. However, the magnitude of potential harm is extremely high. CCG therefore advocated for greater weighting to be given to expenditure on mains replacement and basement flooding.

CCG assured the Board on the quality of research and customer engagement. Members were actively involved in identifying gaps, widening knowledge of customer groups and observing focus groups. Data sets indicated a relative absence of views from inner-city London residents. TW agreed to commission ethnographic research to address this. It revealed the comparative 'voicelessness' of certain minority communities and, also, cultural differences in expectations of the quality of drinking water. CCG continues to seek a balance in taking account the interests of the rich diversity of customers across London, Thames Valley and Home Counties.

We helped fine-tune affordability and acceptability testing and noted that customers were prepared to pay higher bills *if they could be confident that the money would be spent appropriately*. They were also prepared to cross-subsidise those experiencing water poverty. Customers at risk of vulnerability – not just those on the Priority Services Register (PSR), but also those experiencing financial constraints - are a key consideration for CCG. As a result, we pushed TW for a more innovative approach on its social tariff, based on a rising block where the unit rate for water usage decreases with low consumption and increases with high consumption. Funds accumulated from high consumers would fund additional customers in need of extra help. While this was not accepted by Ofwat as an ODI, TW has been praised for its exemplary approach to vulnerability³.

Behind the scenes, CCG supported TW staff organising the Your Water Your Say public consultation. We helped in the design of the event to optimise access and participation. We also reflected on the full range of consumer interests relevant to the presentations.

Overall, we were able to assure the Board that the quality of customer research met Ofwat criteria. We also supported other external evaluations.

³ [Ofwat's assessment of water companies' draft vulnerability strategies - Ofwat](#)

Our objective was to challenge TW to develop a business plan that recognises the needs of all its customers. We succeeded in this, we believe, by ensuring TW's investment choices were supported by customer research and by challenging TW to mitigate the impact of bill rises on low-income householders.

In its analysis of company plans, Ofwat noted the quality of customer engagement in TW's Business Plan but criticised many aspects including the failure to comply with all regulatory requirements. The plan was revised with increased Totex (total expenditure) to deliver more statutory schemes. CCG noted the significant increases in costs for compliance from previous price determinations, leaving limited spend available for improvements without significant price increases. Where choice existed, our aim was to advocate for investment in activities correlating with customer priorities. We also highlighted customer research on affordability and acceptability that indicated that despite the rising costs of living, customers were prepared to pay more for their water *if they could be confident about how funds were deployed*.

Shortly afterwards in March 2024, equity investors made the decision not to proceed with further planned investment, raising doubts about the financial future of the business. Amidst market speculation, CCG was concerned about how little attention was given to the quality and sustainability of water and waste services and the potential disruption to customers of any further change in management.

In July, after Ofwat published its DD, CCG met with the Board. In an open letter, CCG emphasised the need for an investible business plan able to turn around the company's performance and attract equity vital to deliver the outcomes that customers seek. Our concern was that any revised plan was effective within the limited and narrowing time constraints, and that it should not prioritise short-term returns at the expense of longer-term investment. We continue to emphasise that it must address the needs and wishes of the diversity of customers including those prioritising clean rivers, as well as families living in water poverty, and must ensure protection from sewer flooding.

Customers are exposed to several possible scenarios dependent on Ofwat's Final Determination on PR24 and on the equity markets. 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.

Customer Licence

All water companies have a licence to operate. In most part these comprise the terms and conditions they must observe to run their business. During 2024, Ofwat strengthened the conditions to improve outcomes for customers. Our objective was to challenge TW to embrace the full ambition of the new Customer Licence (CL) condition by spotlighting where TW needs to make improvements to meet the principles and

ensure that customers are well-informed; that when things go wrong they are put right; and that the diversity of customer needs is identified, understood and met.

We have worked with TW to identify gaps and areas where greater focus is needed and will be monitoring progress to drive measurable improvements. There is more to do to ensure everyone eligible to be on the PSR is captured and benefits from it, and that TW continues its work to understand and respond to the diverse needs of consumers, including those in vulnerable circumstances. As TW proceeds to implement its social tariff, we will want to ensure that data collection is robust to ensure everyone in greatest hardship has access to extra support.

It is fair to say that, across the water sector, the embedding of the CL is at an early stage. There is more to do in understanding and improving customer journeys; in setting clear metrics and success criteria to test and track progress and to demonstrate learning and continuous improvements; and in ensuring the new licence is embedded throughout TW - in its systems, policies and practices.

Learning From Serious Incidents (SIs)

During the course of the year, CCG has held three meetings reviewing major failures. A key focus was learning from the extended incident in Guildford in November 2023 when up to 12,000 people and businesses were left without water supply for several days and TW's communication was widely criticised. We received detailed reviews about TW staff volunteering as field ambassadors during emergencies. We commented on the role of local authorities and the registers they hold of vulnerable people and their direct engagement with tenants. We also identified other networks including charities and community groups serving minority groups that could assist. We concluded there was a need for better knowledge of customers on the PSR at early stages of an incident.

Our scrutiny revealed a fault line between corporate and customer communications. We also felt that greater emphasis on aftercare would help enhance the sterling efforts of ambassadors and other field crew.

Communication around SIs has undoubtedly improved. For example, the handling of the burst and flooding in King's Cross, London, in August showed prompt response, clear explanation of the issue and good support for customers. But there remains room for further improvement and for learning from the sometimes-sharper reaction of other water companies to such incidents. There is still much work to do on use of social media, ensuring TW is keeping pace with customers' fast-changing use.

Climate Change

Poor performance and serious incidents are often ascribed to extreme weather. This made CCG question whether TW takes sufficient account of climate change in its longer-term planning. One key area of focus was the governance responsibility for the impact of climate change. Our scrutiny suggested that the line of accountability

was not clear enough: while the issue was factored in to planning at every level, we were assured, it was not clear to us where lead responsibility lay. With weather extremes impacting on performance now, not just in the future, CCG wants to understand the risks this presents to the infrastructure and whether there is adequate investment now to protect future generations and the environment from major failure.

Complaints

Oversight of complaint handling is primarily the responsibility of CCW. CCG wanted to ensure the efforts to reduce complaints were sustainable and would lead to longer-term improvements in customer experience. Our approach was to understand the strategy for reducing complaints and challenge the extent to which this incorporates the root causes of underlying customer dissatisfaction. CCG has a particular focus on improvements to billing so that queries and complaints are reduced. As a result, CCG has been especially supportive of the use of advances in technology to support agents handling calls, notably in the detection of ‘sentiment’ in customers to avoid enquiries escalating into complaints.

We are aware of greater transparency in the complaints data, making it easier for us to probe areas of progress and entrenched challenge. TW is succeeding in reducing the number of complaints and we expect greater acceleration in improved service for customers.

CCG has also considered redress and compensation payments. We view the current Guaranteed Standards Scheme⁴ to be flawed. It is unnecessarily complicated compared to other sectors (like energy) and not always proportionate to bills. CCG has called for a simpler scheme that is readily accessible to all customers and less reliant on discretionary elements that are more likely to benefit assertive and articulate customers. It should be perceived to be ‘fair and transparent’ so that it considers bills and level of inconvenience.

Given the priorities in the CL, CCG will continue to focus on learning for TW on data investment and identify proactive intervention for those ‘at risk’ to complain.

Turnaround and Operational Performance

One area of focus has been to address at-scale leakage. CCG has been satisfied that the approach to moving towards the size, rather than number, of leaks delivers better results for the customer. However, CCG is concerned that the performance remains below target. Sometimes, the metrics appear confused to the CCG, about whether household leaks have or have not been included.

CCG also reviews Event Duration Monitoring data of storm discharges against weather patterns to consider pollution. It is evident that irrespective of the scale of improvement in pollutions during the next Asset Management Period, TW will not

⁴ [The-guaranteed-standards-scheme-GSS-summary-of-standards-and-conditions.pdf](#)

meet public expectations of zero pollutions. There is an important role for TW in educating consumers about the new bills and the improvements they will yield so that expectations are managed.

CCG believes there should be greater incentives for companies to invest in consumer behaviours beyond the Per Capita Consumption ODI. This could not only drive improvements to the consumption of treated water, but also result in better engagement with the water cycle and where investment becomes necessary.

A primary concern for CCG has been to explore what workforce culture supports turnaround. We sustained our emphasis on the need for a more customer-centric culture. The good work TW does on sponsoring apprenticeships, and ensuring they are accessible to the diversity of its communities, reflects well both internally and externally. It is one arena where TW has gained industry awards and CCG supported leaders on the narrative and language of inclusion. In addition, CCG highlighted the connection between staff engagement and customer satisfaction. The TW Executive has agreed to explore this further.

Forward Plan

The look back helps inform the look forward. In 2025, CCG will develop its expertise in the areas most critical to improving outcomes for customers. The intention is to focus on the forward work programme on eight areas summarised in the table below.

Focus Area 2025	Potential Lines of Enquiry
Final Determination	Optimising and sequencing investment in the areas that matter most to customers. Maximising support for the new social tariff. Querying how TW communications show that bill increases meet customer expectations.
Turnaround	Impact of FD on turnaround. Accelerating improvements in performance of leakage and pollution. Comment on remuneration policy.
Vulnerability	Accurate data collection on PSR and financial vulnerability. Accurate assessment of inclusion and targets for PSR and social tariff. Assurance of the efficacy of social tariff.
Customer Services Strategy	Implementation of the new strategy for improvements to customer experience. Additional market research requirements.
GSS	Testing proposals for fairness.
Climate change	Governance and accountability in preparedness for climate change. How TW is adapting to weather extremes in maintaining network resilience.
SIs	Continued learning and improvements for customers when things go wrong.
Wider Context	Responding to statutory consultations to ensure customer interest is put first.

Overall, CCG will continue to focus on company culture. It drives the outcomes most important for customers, especially those considered vulnerable, and creates an environment within which customer service is key. Without the right culture, any ambition to make TW the best water company to deal with is simply unachievable. This is only underscored by the new Customer Licence. CCG will look both to the establishment of baselines to draw from and to introduction of robust metrics that support progress. This will require a greater focus on quality data within the company.

Annex – Key lines of Enquiry

Objective	Key contributors	Lines of enquiry	Outcomes / deliverable
Business Plan Challenge TW to develop a business plan that recognises the needs of all its customers	Sukhvinder Tanni Charlotte Nisha	1. Ensure TW's investment choices are supported by customer research (including climate change resilience within this) 2. Challenge TW to mitigate the impact of bill rises on low-income householders, (2, 5) (overlaps with condition 3.6 of customer licence).	Provided assurance on high quality customer research. Established a strong customer narrative throughout the plan. Maintained clear line of sight between the customer needs/wants and BP choices. Influenced additional ethnographic research to understand any differing needs of inner-city communities. Support for innovation in the social tariff. Highlighted magnitude of harm and potential detriment to residents in basements at risk of flooding to increase priority in ODI's. Maintained balance between the needs of different communities of interest across the TW geography.
Customer Licence and Vulnerability Challenge TW to embrace the ambition of the new Customer licence condition	Nisha Charlotte Jeremy	3. Identifying the gaps where TW needs to make improvements to meet the principles in the customer licence condition and deliver the 3 intended outcomes (customers are well-informed, when things go wrong, they are put right, and the diversity of customer needs are identified, understood and met) 4. Setting clear metrics and success criteria to test and track progress and demonstrate learning and continuous improvements 5. Understanding and improving customer journeys (including through use of behavioural	Encouraged more inclusive and nuanced approach to vulnerability. Consistently raised and probed TW to search for greater insights to individuals/groups that might not be in scope. Identified that the 2 of 17 areas where the company was not compliant highlighted concern about TAP priorities. Consistently pressing choice in channels for customers to guard against digital exclusion. Follow-up on ambitions to identify 120,000 PSR customers from the data share with UKPN.

		<p>economics) to ensure ease of contact, effective support, including to put things right when they go wrong</p> <p>6. Ensuring comms are proactive and customers get the right information at the right time, including during incidents (resolving issues quickly and keeping customer informed)</p> <p>7. Understanding and meeting the diverse needs of customers, in particular those in vulnerable circumstances</p> <p>8. Ensure those struggling to pay or in debt are supported through services and extra help, including through the social tariff</p>	
<p>Serious incidents</p> <p>Improve TW's communication around serious incidents with a focus on customer comms and collaboration with 3rd parties</p>	<p>David</p> <p>Tanni</p> <p>Monica</p> <p>Pete D</p> <p>Sarah</p>	<p>9.Improving communication with residents during incidents (eg through social media).</p> <p>10. Improving emergency planning through liaison with public sector partners in advance of incidents.</p> <p>11.Understanding the risk profile for operational delivery (maybe through the corporate risk register).</p>	<p>Focus on learning not just from engineering failures but also how to improve field contact with affected communities during incidents including mutual interest with local authorities.</p> <p>Emphasized importance of aftercare in reputation enhancing.</p> <p>Highlighted need for better data on PSR customers affected.</p> <p>Questioned whether adequate resource is dedicated to the level of current impact of climate change.</p> <p>Identified gaps with ethnic minority groups in stakeholder management.</p> <p>Identified fault line between corporate communications and customer communications.</p> <p>Communication around SIs is undoubtedly improved eg the handling of the recent burst and flooding in King's Cross. But</p>

			<p>there remains room for further improvement eg Affinity's distinctly sharper comms in Luton.</p> <p>Still work to do on use of social media.</p> <p>Questioned about environmentally alternatives to bottled water.</p>
<p>Climate change resilience – Ensure TW takes sufficient account of Climate Change into its longer term planning</p>	<p>Tanni Pete D Pete S Sarah</p>	<p>12.Preparedness for weather extremes (overlaps with Serious Incidents).</p> <p>13. Where does climate change feature on the TW corporate risk register?</p>	<p>Assertion that weather extremes too often blamed for poor performance.</p> <p>Conclusion that the line of accountability to Board on CC is blurred.</p> <p>Need for better understanding of current weather patterns on network resilience.</p>
<p>Complaints Challenge TW to continue to reduce complaints through sustainable interventions</p>	<p>Monica Adam Tanni Cath</p>	<p>14. understanding the complaint reduction strategy and challenging the extent to which this incorporates the root causes of underlying customer dissatisfaction.</p> <p>15. review of continuous learning for TW on data investment and dedicated pod resources (part of the customer licence).</p> <p>16. Identify proactive intervention for those 'at risk' to complain (part of the customer licence).</p>	<p>Pressed for 'fairness' in payments so that discretionary payments not awarded to the loudest or most assertive.</p> <p>Pressed for simplification of approach so that it is more equally accessible.</p> <p>Greater transparency in reporting of complaints.</p> <p>Consistent focus on need for improvements to billing.</p>

Turnaround & Operational Performance Review progress on delivering key metrics important to customers and advise on communications	Jeremy	17. understand progress against plans	Pushed back on overly narrow TAP.
	Adam	18. What workforce culture supports turnaround?	Highlighted benefits of behaviour change on consumption.
	Sukhvinder	19. Reviewing efforts to address at scale leakage.	Greater clarity on performance metrics.
	David	20. Reviewing EDM discharges against weather patterns (pollution/water quality).	Continued emphasis on need for more customer-centric culture including highlighting connection between staff engagement and customer satisfaction.
	Monica		
	Cath		
	Pete D		
	Pete S		
	Sarah		