

PUBLIC MINUTES of the Customer Challenge

Group

On 22nd March 10am – 3pm.



Present:

Anne Heal – Chair	Independent
Anthony Redmond	CC Water
Harry Hodgson	Federation of Small Businesses
Steve Bloomfield	Independent
Jeremy Gould	Greenwich Leisure
Gill Tishler	Independent
Daniel Bicknell	Greater London Authority
Helen Charlton	Independent
Karen Gibbs	CC Water

Thames Water:

Steve Robertson	CEO
Kelly Macfarlane	Director of Customer Experience
Nick Fincham	Director of Strategy & Regulation
Jill Jones	Head of Customer Strategy and Insight
Andrew Burton	Customer Research Manager
Tonia Lewis	Head of PR19 Finance
James Bairstow	External Reporting Assurance Manager
Mariana Simpson	Stakeholder Relationship Programme Manager
Sophie Dunlop	CCG Secretary

External

David Gandee	PWC
--------------	-----

Agenda Item No.	
1.	Apologies for Absence
	Apologies were noted.
	Declaration of Interest
	No declarations of interest were raised.
2.	Minutes and Matters Arising from the meeting on 1 March 2019
	The Minutes of the meeting held on 1 March 2019 were <u>agreed</u> for accuracy (subject to specific comments and amends duly noted). The Public Minutes of the same meeting were to be completed and once agreed were to be placed on the TW website along with the Chair's blog.

3.	<p>Chair's update</p>
	<p>The CCG Chair would provide an update throughout the meeting as this was a pivotal meeting focusing on PR19 and issues TW were bringing forward. The CCG would re-group in the closed session.</p>
4.	<p>Customer Engagement sub group update</p>
	<p>TW gave an overview of TW's Customer Engagement.</p> <p><u>Final Acceptability Testing</u></p> <p>Final acceptability testing had gone live with the revised methodology and with the feedback from the CESG.</p> <p>The CCG expressed their concern once more regarding TW not reaching those offline customers and by not consulting these people, there would be a significant weakness in the approach. TW felt that the CESG previously were happy with the overall approach and reassured the CCG that the majority of TW's customers were online. A strict criterion was used, and that in July's F.A.T, offline customers were included. Due to time pressures, TW had gone with what they felt acceptable and good given the situation.</p> <p><u>PCs & ODIs research</u> - TW had issued the revised report to the CCG with views of Ofwat's proposed target.</p> <p><u>What customers want v13</u></p> <p>A brief overview was given of the draft saying that TW continue to speak to thousands of customers. The CESG had previously expressed concerns around the conduct/conclusions of the research conducted in January-March. On 19/3 a CCG member emailed their comments on how this research was reflected in WCW Version 13 (Draft). TW's representative confirmed that Thames were working through the CCG members comments and would revert later.</p> <p><u>Other recent research</u></p> <p>A brief update on: Drought resilience & chalk streams and North East London resilience and findings from customers in vulnerable circumstances.</p> <p><u>Customer research plan</u></p> <p>A brief summary highlighting the area of most interest as being the AMP 8 deep dive, to follow after the April resubmission as desired by Ofwat.</p> <p>The CCG would like to hear more about Customer Immersion sessions.</p> <p>TW took the Board to the Customer Immersion session regarding leakage which was very instructive on how TW communicates leakage including traffic disruption and non-visible leaks to their customers. TW's approach to leakage should be</p> <ol style="list-style-type: none"> 1. Fix leaks accurately and more efficiently and helping customer fix leaks 2. Operate network differently 3. Replace network- ultimately needs to be done.

	<p>TW's CEO suggested that over the next 18 months, TW and the CCG should hold strategic discussions on a range of approaches to see how TW can invest in replacing the network.</p>
5.	Business Plan and Finance sub group update
	<p>The CCG Vice Chair gave a brief update on assurance as this was to be addressed later in the meeting. They said the conference call the day before had given the CCG a sense of the assurers' position when validating tests, Ofwat's questions and TW's position. The Vice Chair questioned the magnitude of the difference between TW's plan submitted and Ofwat's proposed amount which was addressed by TW on the call.</p> <p>TW's CEO said that TW's plan was built on customers' needs and that was what was assured. He said TW knew the end result and said TW ended up where they thought customers needed to be, not to Ofwat's proposed target.</p> <p>One of TW's Executives gave their view on the £2.4billion gap.</p> <p>TW were proactively looking at closing the gap and trying to maintain an open mind without compromising the integrity of the plan.</p>
6.	PR19 update
	<p>One of TW's Executives gave an overview on TW's PR19-April submission and said they were open minded but being firm on the principles that underpinned TW's September plan. They summarised the work and improvements to the plan and the extensive engagement TW have had with the CCG.</p> <p>As the presentation was drawn to a close, TW's representative asked whether the CCG intended to suggest that Thames must achieve its leakage reduction target as a condition for progressing through each 'gateway' for development of the new reservoir. A CCG member said Thames' customer research suggested this, customers consistently wanting Thames to reduce leakage before developing new sources of water. Others felt this would be inappropriate if the Reservoir was to be built as a joint resource and there should be no such requirement.</p>
	C-MeX
	<p>A CCG representative ran through C-MeX and its financial impact. They said that despite significant improvements in performance TW could be faced with a net penalty for the AMP.</p> <p>TW would like to include in their IAP response that they consider this to be a fundamentally unfair mechanism and intend to develop an additional PC and financial ODI to demonstrate the relative improvement of their service over time.</p> <p>CCG was in agreement that Ofwat's approach might have unintended consequences. The CCG Chair said they would push back on this as well in the CCG's response.</p>
7.	Challenge log Inc. PC recap & ODI final view
	<p>A TW representative ran through the working draft summary which captured all the discussion around PCs from the March calls and suggested the CCG read the outcomes supporting evidence document and reflect response in report.</p> <p>They then ran through the open challenges addressing any further comments from the CCG.</p>

9.	Assurance update
	<p>Further to the conference calls with the FBPSG on 21 March, TW gave an overview to PR19 assurance highlighting the works of KPMG, Mott MacDonald and the internal team at Thames.</p> <p>PwC joined the meeting and gave an overview of the works PwC were doing currently.</p> <p>TW highlighted the engagement with the CCG up to submission.</p> <p>A CCG member said that they felt the three assurers were doing a good job in assuring the work, Ofwat's expectations.</p>
10.	CEO update
	<p>TW's CEO addressed the plan as a whole and said that the key to TW was looking after customers and maximising investments.</p>
13.	Date of next CCG meeting
	24 th May 2019

Commentary on the 22nd March 2019 CCG Minutes by the Thames Water CCG chair

The March meeting was the last before the resubmission of Thames's revised business plan, and much of the meeting, which was attended by Thames's CEO Steve Robertson, focussed on what Thames would be saying in the plan. Thames outlined the changes that they had made from the original plan, looking in particular at efficiency savings. The CCG also heard Thames's views on Ofwat's proposed new customer satisfaction measure and outlined their concerns with it; they are considering creating a new measure to run alongside it. Finally, the CCG reviewed and updated the challenge log.