

PUBLIC MINUTES of the Customer Challenge Group



On 24th May 10am – 3pm.

Present:

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| 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 |
| Kay Lacey | Chair - Pang Valley Flood Forum |
| Robin Edwards | CLA |
| David Howarth | Environment Agency |
| Geoffrey Fowler | London University Technical College |

Thames Water:

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| Nick Fincham | Director of Strategy & Regulation |
| Chris Shipway | Head of Stakeholder Strategy |
| Jill Jones | Head of Customer Strategy and Insight |
| Andrew Burton | Customer Research Manager |
| Tonia Lewis | Head of PR19 Finance |
| Paul Hampton | Education Team Leader |
| Rosemary Waugh | Corporate Responsibility Manager |
| Henry Badman | Public Affairs Manager |
| Jo Charles | Marketing manager |
| Mariana Simpson | Stakeholder Relationship Programme Manager |
| Sophie Dunlop | CCG Secretary |

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| 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 22 March 2019 |
| | The Minutes of the meeting held on 22 March 2019 were <u>agreed</u> subject to specific comments and amends duly noted. |

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| | <p>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.</p> <p>TW gave a brief overview from the C-MeX workshop from 21st May and of the significant number of issues needing to be addressed. Ofwat were going to publish something about incentives in this area in the draft determination so TW would see what was said before making their recommendations.</p> |
| 3. | Chair's update |
| | <p>The Chair had attended CCG chair's meeting on 22nd May. There was a conversation regarding views on Ofwat's strategy. It draws on environmental issues, challenges of serving population growth, water industries playing their part in the community as well as placing emphasis on creating a sound and balanced ecosystem. The meeting then addressed how it was all going so far with questions/concerns coming up around cost efficiency, a discussion on willingness to pay and around final acceptability testing. Ofwat tried to ascertain which type of research the CCG chairs preferred but the Chairs resisted as they felt it was very subjective. However, Ofwat was keen to say all water companies had – with CCGs' support – done a good job on engagement. Other concerns/problem areas were around enhancement and the recognition that partnerships were essential for future delivery. The Chair felt there was a real emphasis on communities. Leakage was discussed and something of interest was that the target of 15% was in fact a challenge set by Ofwat so not a diktat.</p> <p>CCG chairs liked the aide memoire however felt it would need to be written earlier when looking at the PR24 process.</p> |
| 4. | BPFSG update |
| | <p>The Vice Chair gave a brief update on the 3 main topics covered at the BPFSG meeting on 10th May:</p> <ol style="list-style-type: none"> 1. Fast track companies DD's – All had a reduction in bills, gearing below 70% and accepted IAP. In fact, every company had flat or a reduction in bills. TW had the largest movement regarding performance commitments. 2. Company monitoring framework – TW 's assurance plan now exceeds Ofwat's expectation. 3. Planned reductions in overall budget of £800m – includes Base cost efficiency challenge, reduction in business rates/associated costs and enhancements. <p>The CCG acknowledged that Ofwat would probably want TW to go even lower in terms of the cost of their overall plan. A CCG member said that this would be a battle of the economic models which would be out of the hands of CCGs.</p> |
| 5. | PR19 Next steps |
| | <p>TW had had the opportunity to meet with Ofwat to talk through their resubmitted business plan. One of TW's Executive's said that Ofwat welcomed the extra stretch on efficiency and that they sensed movement by Ofwat on TW's growth assumptions, although not all the way to TW's position and there was some movement regarding transients. There was not much movement around quartile performance and targets from day one which TW found disappointing. Frontier efficiency was discussed with TW benchmarking against some of the leaders.</p> |

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| | <p>Overall TW felt that there was a little movement and in July with the DD, there will be more challenges. If this is the case, TW would have time to reflect and ask themselves if things such as whether all the capital maintenance was needed in PR19.</p> <p>The work of the CCG was probably complete as there was no regulated requirement to submit another report to go alongside the DD. However, TW asked the question to the CCG for their view on whether they wanted to submit a letter of support or something along those lines with TW's DD.</p> <p>If it was not good news come the draft determination, then TW can appeal; TW ran through the process of appeal.</p> |
| 6. | PR19 Stakeholder Engagement |
| | <p>A TW representative summarised the PR19 Stakeholder Engagement final report and gave context of the overall process of developing and communication of TW's plan and the overview of submission.</p> <p>TW had received a number of letters from stakeholders expressing a high level of support for TW's revised plan. Alongside these letters, TW had had conversations with other organisations and with Ofwat, Defra & GLA.</p> <p>The CCG heard some of the key comments from different business groups, partners and local authorities as well as from developers and environment NGOs. TW expressed the positive change in the work of TW's developer services team with which the CCG agreed.</p> <p>The CCG highlighted the fact that some letters may in fact be from companies TW fund so asked for TW to be transparent when sharing information like letters of support.</p> <p>Although TW's level of engagement was good, a learning point would be building on a more early and systematic involvement; working with the Customer Research & Insight team and other forums at an earlier process to explore.</p> <p>Next steps – TW's CEO had written thank you letters to all stakeholders in support of TW's plan, there were ongoing discussions with stakeholders and then there would be a look at the wider stakeholder strategy.</p> <p>The CCG were encouraged by the systematic approach but highlighted the need to be transparent around the credibility of certain stakeholder groups. They were slightly cautious when expressing such support for this type of engagement as it was not within the CCG's remit nor in their terms of reference, however the CCG said that they noted TW's commitment and it was welcomed.</p> |
| 7. | APR current status |
| | <p>A TW representative gave an overview on TW's APR and the preparation for year-end performance monitoring.</p> <p>TW's non-financial performance commitment assurance numbers were at the right stage in the process.</p> |
| 8. | CESG update |

A TW representative gave an overview on what was covered at the CESG both on 10th April and 10th May as there had been no main meeting in between, this included:

- A summary of WCWv13 and what had gone into resubmission.
- Final acceptability testing main findings were shared and the detail that accompanies it. TW included September's offline vs online differences with April's resubmission. TW have provided further detail on income distribution of customers who struggle to pay.
- TW are conducting offline 'top up' research, showing they are making efforts to contact people not online.

The CCG were informed about what TW had done with the findings and what the next steps were.

Drought resilience and chalk stream findings were shared with a further update to be given at the next CCG meeting including the environmental panel.

Other topics covered at the subgroups were

- Compensation – an overview of the research was given and how TW would be transparent with the policy and how it's communicated to customers. The CCG noted that fairness and consistency were important. Overall customers were happy with the process. TW ran through the principles and the next steps and once the policy was in a position to be shared with the Board, it will also be shared with the CCG for feedback.
- Recap of TW's Customer incident management and the key areas of the incident management plan were given.
- An update on TW's Affordability and Vulnerability strategy and the developments with customers on the PSR and social tariff. Good conversations were had around home insurance and waste water services. A CCG member expressed how impressed they were at the subgroup with the progress TW had made and that they wanted to highlight this again as it was tremendous to where TW were a year ago. The CCG were in total agreement with this and praised TW's hard work.

TW concluded with the forward plan for customer engagement over the next year.

Additional note

Shared as a separate paper was the customer research around AMP8 bill profiles. At the subgroup, TW said that in the April resubmission they stated there would be a follow up to the Final Acceptability Test, to have a more detailed conversation with customers about AMP8 bills. TW went through the objectives of this additional research about long-term bill profiles for 2025-30 and said that this research would be a good starting point for customer engagement for PR24 and that there was a concern around how much the research was likely to cost given its lack of immediate application.

There was some concern from the CESG and after a closed session concluded that within their CCG report in April, the CCG acknowledged the fact TW would be doing some sort of AMP8 bill profile research for later this year and would wait for the objectives to be clarified. They felt the objectives had not been clarified so had no more to say.

A TW representative said that the objectives and timings for this research were still emerging at the time of the 10 May's meeting and now they were able to present from a clearer position. They said after much internal discussion and analysis on what this additional AMP8 research could include, TW recommend to not do any further research at this stage and instead speak to

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| | <p>customers about AMP8 service/bill profiles next year as part of their PR24 foundation stage of engagement.</p> <p>The CCG Chair asked TW to leave the room, so they could bring forward the CCG closed session to discuss.</p> |
| 14. | CCG closed session |
| | Notes & actions recorded separately. |
| 8. | CESG update continued. |
| | <p>TW re-joined the meeting to the following update from the CCG.</p> <p>The CCG Chair said regarding the decision not to go ahead with the AMP8 bill profiles research - the presentation was noted and that the CCG was not in a position to express a view at this point in time.</p> |
| 9. | TTT research update |
| | TW briefly summarised the key findings, key performance measures and AMP6 trend reporting. |
| 11. | Education ambition update |
| | <p>A TW representative introduced TW's education programme including learnings from their current approach and how it was their ambition to reach every school-age child in Thames's catchment.</p> <p>The case for education includes: helping customers use less water, prevent sewer blockages and overall providing a programme as it's what customers want. Furthermore, TW looked at developing future talent, promoting employee volunteering and by providing these opportunities amplifying their brand to drive advocacy.</p> <p>The starting point for TW's current programme is through direct engagement with career and skill events, community speaker programmes and education centres.</p> <p>Another TW representative ran through some of the partners TW are working with and/or would like to work with including AQA, Scouts, Global action plan and Walthamstow Wetlands. TW want to ensure their education programme is relevant and desirable to schools.</p> <p>To increase the level of engagement with children, TW will need to make their programme more accessible by enhancing their online footprint, proactively engaging with outreach programmes and developments with their educational centres.</p> <p>TW concluded with a breakdown of the programme; existing and future activity and how they will measure the reach of success.</p> <p>The CCG were interested in understanding more on how TW are measuring education success other than using NPS. They understood this to be difficult but felt TW needed to do more than just reaching every child and increasing NPS score.</p> |
| 12. | Wet wipes update |
| | A TW representative went through TW's progress with their Bin It. Don't Block It campaign launched on 19 th November highlighting the key objectives. The campaign covered the whole of TW with key marketing in specific areas. |

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| | <p>Out of home – targets certain messages in certain facility areas. This landed positively with customers who felt more educated and were more likely to change their behaviours.</p> <p>The CCG felt customers were confused on the ways to dispose of oil and suggested TW do more in promoting their fat traps and by having a list of overall tips on how to dispose of oil. For future campaigns TW will continue to demonstrate to customers how they can dispose of wipes and oils. During the campaign they directed customers to two “How to” videos hosted on TW’s website which showed customers what they can do and provided tips.</p> <p>The CCG asked if TW had considered alternative research in other methods other than fat traps for oil and suggested something like Lakeland style boxes. TW has looked at alternative options, but Lakeland style boxes are very expensive. They are using the existing fat traps as a cost-efficient solution and feedback from their smarter home team is that they are positively received but TW will continue to monitor this.</p> <p>TW has been able to reach millions of customers through Radio advertisements, proving cost effective and successful. Other successful means were video, posts and activities run across social media.</p> <p>To summarise, the overall campaign had been well received and was seen as addressing important issues for all customers.</p> <p>TW concluded with an update on The Water Industry Standard which was published in January. If products pass, then the ‘fine to flush’ logo can go on to products.</p> <p>The CCG suggested TW look at ways of featuring the logo on past products.</p> <p>TW were keeping the pressure on including Water UK letter to retailers, the EU announcing a new directive and the banning the sale of wet wipes in all Holland and Barrett stores.</p> |
| 14. | Date of next CCG meeting |
| | 14 th June 2019 |

Commentary on the 24th May 2019 CCG Minutes by the Thames Water CCG chair

In May, the chair gave an update about a recent CCG Chairs meeting with Ofwat which had reviewed how the PR19 process had gone to date. Thames updated the CCG on their contact with Ofwat after the resubmission of their plan. There was a briefing on Thames's stakeholder engagement plans and thinking. The CCG heard how Thames was planning to handle the annual reporting cycle. Finally the CCG received updates on Thames's education programme; the CCG was particularly interested in how this would be measured, and also on Thames's current activities around wet wipes.

The CCG noted, with great sadness, the news of the death of Samantha Heath, who had been an active and greatly valued CCG member for a number of years.