

MINUTES of the Customer Challenge Group

Held at: Tideway Offices

On 27th September 10am – 3pm



Present:

Anne Heal – Chair	Independent
Helen Charlton	Independent
Bella Davies	South East Rivers Trust
Steve Bloomfield	Independent
Gill Tishler	Independent
Sophie Temple	Natural England
Kay Lacey	Chair - Pang Valley Flood Forum
David Howarth	Environment Agency
Jeremy Gould	GLL
Geffrey Fowler	London UTC
Jonathan Newman	Natural England

Thames Water:

Kelly Macfarlane	Customer Experience Director
Steve Spencer	Chief Operating Officer
Nick Fincham	Strategy and Regulation Director
George Mayhew	Corporate Affairs Director
Jill Jones	Head of Customer Stakeholder ??
Andrew Burton	Customer Research Manager
Brad Howe	WRMP Lead
Emma Norris	Head of Strategy
Mariana Simpson	Stakeholder Relationship Programme Manager

External:

Victoria Borwick	Independent Leakage Monitor
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Agenda Item No.	
1.	Apologies for Absence
	<p>The Chair welcomed everyone to the meeting which followed up with introductions from attendees.</p> <p>The Chair thanked representative from Natural England for all his work over the last few years and welcomed new representative for Natural England.</p> <p>Apologies were noted.</p>
	Declaration of Interest
	<p>CCG members declared funding from TW as appropriate.</p>
2.	Minutes and Matters arising from the meeting on 26 July 2019

	<p>The Minutes of the meeting held on 26 July 2019 were <u>agreed</u> subject to specific comments and amends duly noted.</p> <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>Matters arising – Updates were provided for outstanding matters arising and where appropriate they were kept open for future meetings. Where responses were provided, matters arising were closed accordingly and will not be featured on future issues.</p>
<p>3.</p>	<p>Chair's update</p>
	<p>The Chair provided an update on her recent CCG Chairs meeting where representative from Ofwat attended for a part of the meeting. Ofwat thanked CCGs for their contribution and noted they made a palpable difference. It was noted that Ofwat heard from a number of companies that the recent DD is not what customers asked for. The meeting also covered the gated approach and discussion about shared national resources and the broader debate on efficiency.</p> <p>Ofwat didn't provide guidance on what may be expected from CCGs if companies decide to go to the CMA but feedback from the representative from Bristol was that the assumption is that CCGs would contribute with their existing views gained throughout the process rather than be asked for new contributions.</p> <p>Lastly WRMP Planning was mentioned with a consistent message that customers' views may not be taken fully into account.</p>
<p>4.</p>	<p>PR19 – next steps</p>
	<p>TW Executive reminded the group of the PR19 process and where we currently are. He explained that there is a series of meetings with Ofwat coming up including a meeting where TW will provide representation on the draft determination. The following milestone will be the publication of the FD in December and TW will need to make the decision whether it will choose to accept it by 11 Feb 2020. If TW decides to take the decision to refer the matter to the CMA, the process takes 6 months (extendable by a further 6 months).</p> <p>TW Executive explained that regardless of the potential CMA decision, the terms stated in the FD apply for the first year of the price review.</p> <p>He stated that the DD was not financeable owing to the combined stretch on cost efficiencies, the impact of population growth and performance commitments. It effectively required a productivity improvement of 30% in 5 years which was simply not achievable. That said, in order to be constructive, Thames Water had proposed a "lower cost / lower investment" scenario which was submitted to Ofwat.</p> <p>TW Executive shared slides on industry views of DD and explained that TW was not alone in finding the DD unfinanceable.</p> <p>He and the group discussed impacts of the DD and any potential CMA reference with the group keen to understand what their role may be. He explained that as previously mentioned by the Chair, TW would hope that the CCG would produce a digest of all the work that they done over last few years drawing out the key points, e.g. that – at the margin – customers would prefer to see</p>

	<p>increased investment over price reductions.</p> <p>CCG member was interested how TW would communicate the CMA stage to its customers. TW Executives offered their views explaining that TW would remain open and transparent with communication methods ranging from press releases through to information published on TW's website. TW Executive suggested that TW may consider producing a simple document which would explain the CMA process and implications.</p> <p>CCG Chair thanked TW Executive for this update.</p>
5.	Performance monitoring
	<p>TW Executive provided an update on the status of TW's Q1 2019/20 performance commitments in the following areas:</p> <ul style="list-style-type: none"> • Wholesale Water performance – Annual Measures • Wholesale Water performance – 5 Yearly Measures • Wholesale Wastewater performance – Annual Measures • Wholesale Wastewater performance – 5 Yearly Measures • Thames Tideway Tunnel performance – Annual measures <p>Refer to paper provided – detailed in full.</p> <p><u>Wholesale Water performance Annual Measures</u> – Some additional points highlighted:</p> <p>WD1 – Given the recent weather, TW have maximised the opportunity to refill resources, but TW recognises that this was not done in the optimal way which had a negative result on this measure.</p> <p>WB5 – Strong position and currently performing better than target, but TW recognise that one major incident can cause a huge setback</p> <p><u>Wholesale Water performance 5 Yearly Measures</u> – Some points highlighted:</p> <p>WB7 – TW is currently in discussions with Defra on the programme of work, TW currently working across 500 sites to improve security. To CCG member's concerns over reducing target by 50%, TW Executive explained that the sites are already protected; the work in question is about upgrading the existing protection and primarily the electronic security systems. The original solution presented as a part of PR14 is no longer available. The current proposal will take longer time and it will mean increased cost.</p> <p>WB8 – TW working through possible solutions to understand if better outcome would be reached by using mobile equipment deployed during a forecast flood.</p> <p><u>Wholesale Wastewater Annual Measures</u> – Some additional points highlighted</p> <p>SB4 – TW is encouraged by the best results so far and recognises if the performance continues it will mean significant lower risk to internal flooding.</p> <p>SC3 – There have been no failures between January and June 2019, however the forecast remains amber based on historic performance. It was noted that this is mainly self-reporting by the company, however EA carry out routine checks.</p> <p>Wholesale Wastewater performance 5 Yearly Measures – Some additional points highlighted</p> <p>SB3 – TW Executive provided recap of Counters Creek project and progress to date on discussions</p>

with Ofwat. CCG member suggested that lessons learnt from Counters Creek should be included in NE London resilience project which TW Executive agreed with. Independent Leakage Monitor declared interest as she used to be part of the council in question.

Tideway Tunnel performance – Annual Measures some additional points highlighted

TTT measures remain on track with Building Customer understanding of the Thames Tideway tunnel an improving trend.

Greenhouse Gas Emissions Re-baselining – SC1 & WC1

TW Executive asked CCG to ratify the annual changes to the greenhouse gas emissions target as a result of the annual changes in UK emissions factors, prior TW submitting a change protocol with Ofwat. This was based on same process as in previous years. To CCG member's question, CCG member confirmed that this is something which needs to be completed by every company and it is not specific to TW. CCG was content with the proposal.

Drinking Water Transformation Programme

TW Executive provided update on four key workstreams:

- WS1: Crypto All Catchments TMS3950, Crypto All sites TMS3952 – improving our drinking water safety plan approach through enhanced risk assessment
- WS2 – Turbidity All Sites TMS 3912 – improving our approach to turbidity management and meeting regulatory asset performance
- WS3 – London Slow Sand Filters (SSF) – improving operation of key water treatment asset
- WS4 – Management & Competency TMS3929 – improving our management systems, training and competency

Retail performance update

TW Executive provided update on Retail performance, highlighting the recently established Complaints taskforce which meets weekly with Executive team.

TW Executive explained that the reduction in complaints currently being delivered through the Water business is mainly due to proactive comms and improvements to supply interruptions, while disappointingly the revenue and waste volumes remain flat despite significant focus. In revenue this is largely attributable to the amount of customer account cleansing and activity relating to preparing customer accounts for migration to the new billing system

Focus for customer facing teams:

- Water – supply interruption contacts
- Wastewater – resolution on Day 0 ensuring that business takes ownership
- Billing – high bill

Overall the complaints cycle time is being reviewed and focus is also on supporting the customers facing teams with real time escalations.

To CCG member's question regarding Billing and metering, TW Executive explained that metering is one of the journeys where TW focused the most. It was noted that smart metering brings challenges with CSL policy and bill shocks. TW Executive recognised that TW needs to get better at managing the CSL journey by better managing customers' expectations.

TW Executive provided an update on project Spring which has already seen 588k customers

	<p>migrated to the new system. The next milestone will be 7 Oct 19 when 1m customers will be migrated to the new system. To provide improved customer service, there is a great focus on training with planned 60 cohorts in coming months. TW Executive outlined further milestones coming up to Feb 2020 when the new annual billing will take place on the new platform.</p> <p>CCG member questioned cash collection rate and challenged the way it is reported. It was agreed to add it to the debt journey at Nov meeting.</p> <p>The CCG Chair thanked TW Executives for their presentation.</p>
6.	<p>Leakage update</p>
	<p>TW Executive provided an update on Leakage progress highlighting that this year has resulted in significant reduction so far, noting that this is the company's best position since the beginning of AMP6.</p> <p>He explained the different aspects of the work and TW's focus to achieve the 606m/d target. Part of the discussion focused on smart metering benefits as well identifying unknown water usage vs leaks with SS explaining the benefits of night time monitoring.</p> <p>Discussion then turned to CSL policy with the explanation that it covers the pipes but no internal leaks such as leaky loos. There was a request from the CCG to see customer letters regarding high consumption.</p> <p>TW Executive also provided an update on TW water resources, noting that due to dry weather, TW is taking advantage of recent rain to utilise 100% abstraction capability. In response to CCG's concerns around Chalk streams and potential water transfer from Farmoor to East of the region, TW Executive mentioned TW's long-term ambition but recognised that what TW can do over coming year is limited.</p> <p>The Independent Leakage Monitor explained that her main role is to communicate between TW and Ofwat. As a part of her role she visits TW weekly and Ofwat every three months.</p> <p>The Independent Leakage Monitor provided a brief update on the leakage taskforce and explained they have now moved from detailed data analysis on leakage where they were able to bring teams together to share expertise, to action on priorities to meet the targets. In addition, they are working with a range of other utilities providers and others on up-to-date data on "What makes London different" looking at different demands and patterns of usage from a range of utility companies and studying 24 hour usage with data from TfL and other sources, including comparing London to other cities and so forth.</p> <p>In this way it is hoped that a comprehensive audit can be completed to inform future planning. This includes making sure that everyone understands that there are 10 million people now living in London who are using water and what are the consequences of this.</p> <p>When discussing leakage reporting in the context of the S19 undertaking to Ofwat, CCG raised a point that some of the metrics may not be easily understood by customers and asked TW whether a more accessible measure easily understood (e.g. percentage water lost) might be used to illustrate the data as part of the reporting. CCG member pointed out that percentage water lost should not however be cited as a comparison measure against other companies, because it is a poor technical measure as it is strongly influenced by the other components of the water balance. <i>Following the meeting, references were made to the Discover Water website (https://discoverwater.co.uk/leaking-</i></p>

	<p>pipes) which uses litres/property/per day and cubic metres per km of main per day for comparative purposes.</p> <p>The Independent Leakage Monitor explained that as a part of the S19 undertaking, TW needed to comply with the agreed measurements required by OFWAT, however TW are examining how to make the data and statistics easier to understand on the website.</p> <p>The Chair thanked for the contribution to this topic.</p>
7.	WRMP update
	<p>TW representative provided update on WRMP status and talked the CCG through the evolving WRMP24 water resources planning framework including all the individual components such as the National Framework as well as the Regulatory Alliance for the Progression of Infrastructure Development (RAPID).</p> <p>TW representative continued by explaining how the WRSE is developing a multi-sector resilience plan for the region. It was noted that the first WRSE stakeholder meeting went ahead the same day (27 Sept 2019). He explained WRSE's progress to date and highlighted associated risks.</p> <p>TW representative explained that a coordinated stakeholder engagement approach is in development between WRSE and the companies to ensure clarity for stakeholders and to avoid "consultation fatigue".</p> <p>TW representative stepped through some of the initial thinking on engaging with customers and highlighted that there will be a working group held at the end of September to prepare a scope on how we will seek and take account of customers' views in developing the plan ahead of any work commencing in 2020. BH said that CCG will be kept briefed on this work.</p> <p>TW representative informed the CCG that further detail on the evolving WRMP24 planning framework would be presented to stakeholders at the Water Resources Forum on 16th October.</p> <p>TW representative asked CCG to consider their thoughts on stakeholder engagement and customer research and engagement. It was agreed that CCG will send any follow up views via email.</p> <p>CCG member was interested to know how TW incentivise big water users to reduce their usage and reduce the stress on the current resources. TW Executive explained that TW provide incentive to NHH customers alongside of the free smart visits.</p> <p>CCG member recognised that TW is the only water company to offer such incentive.</p> <p>The Chair confirmed that CCG is very committed to support engagement with WRSE as it develops.</p> <p>The Chair thanked TW representative for his presentation.</p>
8.	WaSC 2018 Environmental Performance Assessment
	<p>CCG member presented Environmental Performance Assessment 2018/2019 for Water and Sewerage companies. The presentation started by explaining all different columns and overall performance star rating. It was noted that only one company achieved the four-star rating. He reiterated that while the report is about 2018 so far, EA is not seeing any improvements in 2019, in fact across the industry performance was declining further. Thames Water were again a 3* company (in 2018) and the EA was maintaining its challenge to Thames Water to be a leading company on environmental performance.</p>

	<p>CCG member stepped through the summary annual performance for Thames Water. Performance was steadily improving on pollution incidents and self-reporting although these metrics were still amber. Discharge permit compliance and NEP delivery were green. SoSI had been rated amber but was at risk of being red this year (19/20). A discussion followed whether a combined sewer overflows due to bad weather would be classified as pollution.</p> <p>DH explained that EA review the EPA every five years and is currently reviewing the metrics. Water resources would be better represented in future. DH also mentioned that EA is looking to bring water only companies into the assessment.</p> <p>It was agreed to share the Consultation details.</p>
9.	Customer Engagement sub group update
	<p>TW representative provided an update on Customer Engagement, focusing on key findings from Thames Water’s TTT Non-Household survey before moving on to a vulnerability insight update and regional insights.</p> <p><u>Quarterly vulnerability insight report</u></p> <p>TW representative explained that a quarterly vulnerability insight report has been initiated to complement What Customers Want, specifically focusing on customers in vulnerable circumstances. The insights are designed to inform the vulnerability and affordability strategies owned by the Vulnerability Programme team. It was noted that outputs from the first report and its review will be shared with the CCG at a future meeting.</p> <p>CCG member asked a follow up question related to incident management and TW’s delivery of water to customers on PSR. It was agreed to provide an update at the next performance meeting.</p> <p><u>Regional insights</u></p> <p>TW representative explained that in response to ongoing CCG challenge, TW looked into several methods of dividing the area into localities and regions for planning, operation and engagement purposes. TW devised a new 10 area definition for the overall region which they then applied to the Relationship NPS survey feedback. He acknowledged that the initial analysis showed some patterns and that this analysis has provided an interesting contribution to TW understanding of customers views.</p> <p>CCG was pleased to see the split into 10 areas and hoped that when fully established it will be used going forward to deliver more regional customer engagement.</p> <p>The Chair thanked TW representative for his update.</p>
10.	C-MeX deep dive
	<p>TW representative provided update on progress with C-MeX focusing on shadow year design, status update, challenges and Q1 results.</p> <p>She reminded CCG that C-MeX is the new customer measure of experience which is designed to incentivise excellent customer experience for residential customers. C-MeX has two elements:</p> <ul style="list-style-type: none"> • Customer Service: measuring the experience of customers who contact water companies (as currently measured by SIM) and • Customer experience: measuring the experience of consumers (New measurement

	<p>for Ofwat)</p> <p>TW representative then stepped through both of the surveys explaining who takes part, what does it measure, how it is measured and the scoring mechanism. She also explained how weighting is used across the two surveys and used for overall scores between 0 and 100</p> <p>TW representative reminded CCG that the shadow year started in May 2019 and the Q1 survey has been completed and the results have been shared with the industry. Q2 surveys are currently in the field. She highlighted that TW response to Ofwat submitted as part of DD and provided recommendations on survey methodology to BMG.</p> <p>TW support the principle of a customer experience metric that measures the experience of its whole customer base; however, TW identified number of challenges which she shared with Ofwat. High level issues were raised around complexity, relative scoring and penalty / reward application. TW representative also shared number of challenges with the detailed methodology of the metrics such as weighting and sample size to mention few.</p> <p>C-MeX Q1 results were shared, noting that TW is currently at the foot of the performance table.. In response to CCG's questions TW representative explained that companies have different views based on their current position in the league table.</p> <p>TW Executive explained that the main concerns are around the complexity and how would a company explain the measure to customers. It was also noted that this measure was not tested by customers. She suggested it should also include complaints.</p> <p>The Chair thanked TW Representative for the clear explanation of the complex topic and highlighted that CCG is keen to be engaged on this topic going forward.</p>
11.	Any other business
	No additional notes
12	CCG closed session
	No notes recorded
13.	Date of next CCG meeting
	29 th November 2019

Commentary on the 26th July 2019 CCG Minutes by the Thames Water CCG chair

In September the CCG caught up on where Thames Water was in terms of the regulatory process and what their current thinking was about next steps depending on the outcome of the Final determination from Ofwat in December. It was also the regular performance monitoring meeting. The CCG took a particular interest in the customer service metrics and also was pleased to have a detailed update on leakage, including some comments from the independent leakage monitor. There was a progress report on customer engagement and also a deep dive into Thames's concerns around the proposed new customer satisfaction metric.