

MINUTES of the Customer Challenge Group



Microsoft Teams

On 7 October 2022, 9am – 2pm

Present:

Sukhvinder Kaur-Stubbs	Chair of Customer Challenge Group	SK-S
Jeremy Crook OBE	Action for Race Equality	JC
Baroness Grey-Thompson DBE, DL	Chair of Sport Wales	BGT
Doug Taylor	CCW	DT
Monica Wilson	HM Treasury	MW
Tiger de Souza MBE	National Trust	TDS
Nisha Arora	Financial Conduct Authority	NA
David Brindle	Ambient Support	DB
Sarah Powell	Environment Agency	SP

Thames Water:

Andrew Burton	Customer Research and Insight Manager	AB
Jamie Elborn	Customer Research and Insight Lead	JE
Kyle Robins	Head of Strat & Environmental Planning	KR
Rebecca Weaving	Retail Business Planning Manager	RW
Jonathan Read	Director of Regulatory Policy and Investigations	JR
Pete Cotton	Customer Segments Manager	PC
Nevil Muncaster	Operations Director, London	NM
Steve Spencer	Operations Director, Thames Valley & Home Counties	SS
Mariana Simpson	Stakeholder Relationship Engagement Manager	MS

Apologies:

Dr Charlotte Duke	London Economics	CD
Councillor Adam Jogee	Haringey Local Authority	AJ
Councillor Dr Pete Sudbury	Oxfordshire County Council	PS
Peter Daw	Greater London Authority	PD
Cathryn Ross	Director of Strategy and External Affairs	CR

Agenda Item No.		Action
1.	Apologies for absence / Declarations of interests / Matters arising	
	Apologies were noted. Minutes from the previous meeting on 9 September were approved. It was noted that updates to actions raised are being updated at the action tracker on the SharePoint site.	
2.	PR24 - Silver Plan update incl line of sight	
	JR introduced AB, KR, RW and set out the context of the session explaining delays in terms of silver plan and decision making with the aim to get agreement with Exec and Board in November, recognising there will be more opportunities for insight and feedback to refine and influence the plan over the next few months.	

Action: TW to share a summary of the Silver Plan with the CCG before Board in Nov to give CCG opportunity to reflect on draft plan and input into Board discussion.

The presentation focused on triangulated ranking of customer wants, TW approach to strategic prioritisation, the 'base' (circa 80% of spend) and 'enhancement' opportunities and future customer engagement plans. The discussion focused on statutory requirements vs enhancement cases. CCG raised concerns over potential double counting with overlapping enhancement case scope. TW recognised that there are synergies and benefits between some areas – and this is the most efficient way of delivering the improvements. Any double counting will be heavily scrutinised and removed by Ofwat.

Further discussion included points around reducing carbon emissions and Defra's policy on phosphate removal. TW explained that size of the plan is significantly influenced by the type and cost of the solutions required to comply with the Environment Act 2021 and associated guidance. TW explained how there were options it would like to progress that included more nature-based solutions, but permit limits needed to achieve the requirements of the Act may constrain these opportunities significantly. The cost of phosphate removal and potential impact on customer bills was requested so that CCG could understand if there was meaningful choice for customers. Concern about phosphates had not been identified from TW customers.

Further discussion focused around sequencing of decisions and shaping the plan at high level., CCG wanted to ensure evidence of phasing decisions being influenced by customers' insight. They wanted more visibility about the longer term delivery strategy.

CCG asked if compared to other companies, TW is restricting their planning envelope by setting out the size of their overall plan with little or no increase to bills and/or considering deliverability as a constraint rather than starting with what's needed to be delivered. CCG asked if there was appetite from customers for higher bills. There was a recognition from TW that alongside of the proposed size of the plan there are also other bill level options being considered. CCG understood the complex interaction between customer preference, affordability, and deliverability, and how this was an evolving picture..

CCG asked about the scope for non-performance penalties being reinvested into the business or aggregated for public good rather than being dispersed across customers. JR was not factoring such options into the current planning.

Going forward CCG are keen to see more information on:

- Clarity over interventions as part of the base that will lead to the improvements on performance commitments
- Enhancement work – share the matrix of considerations for decision making, particularly for enhancements (previously shared) and show how TW have used this for prioritising enhancements. CCG expect TW to set out the cost/benefits of choices.
- Affordability lens of the plan with consideration of who is the plan affordable for – current customers, future customers, vulnerable customers including phasing the investment (e.g. doing and spending less now for lower bills but storing up spend for later vs doing and spending more now to get greater benefit at higher cost to customers now.)
- Fairness lens on the proposals within the plan - How objectively do customers respond to engagement? Views are skewed by media and personal views, and some groups are not heard from at all.
- Suggestion for TW to consider neutral assessment work to look at distribution of the detriment of a do-nothing option, and who are the most likely be impacted

	<ul style="list-style-type: none"> Challenge that TW need more art and nuance than science in their sampling customers for engagement – to factor in more customers that are disproportionately affected. More rounded assessment rather than formulaic. 	
3.	Enhancement priorities (ie a triangulated view from all available insight on what customers want related to enhancement spend)	
	<p>AB introduced the session with a summary of papers provided ahead of the session highlighting key points. This included the Line of Sight technical appendix which set out linkages between what customer said and what is in the emerging business plan, and information to address some of the questions raised in previous meeting such as how TW is meeting Ofwat standards in customer research.</p> <p>The discussion focused on the challenge around disconnect between qualitative and quantitative findings when making decisions. There was a recognition from TW there will be shortcomings in any one research approach, but all findings need to be interpreted very carefully as a whole. Number of potential approaches have been discussed considering CCG challenges such as customer research design, sampling smaller groups that are at the greater risk detriment etc.</p> <p>Reflecting on the recent options research, the CCG welcomed TW's response to their feedback which has been incorporated into the research. Further specific feedback points included: Distribution of sample across geography not being obvious; How vulnerable customers are included within quant was not clear and obvious; Not clear how sample relates to the demographics of the region; Seasonality effect - impact of background and topical issues; No do-nothing scenario for enhancement; Need independent expert to review stimulus materials in future; Sequencing of qualitative and quantitative work – done differently if there had been more time; encouragement to share more of the interpretation of the findings in the future.</p> <p>Action: DB/SKS draft what the CCG might say about what fairness means to customers - articulate what CCG is looking for in terms of range of voices we need to hear from and best ways of doing this.</p> <p>Action: JR and AB to consider if neutral assessment work to look at distribution of the detriment of a do-nothing option might be helpful</p> <p>Action: TW to share input or insight from finance and operational teams on their perspectives of what to prioritise for customers in the business plan. Linked to options and cost benefit analysis.</p> <p>Action: SKS to share specific feedback from CCG (via Charlotte) on enhancement package options research</p> <p>Action: JR/KR to provide more clarity on base vs enhancement and double counting – CCG noted that SKS has asked CCW to provide a workshop on scrutinising financial plans.</p> <p>Action: JR to provide cost/benefits of the choices and the time horizon (laddering) and potential impact of new technology. This includes understanding what is prioritised for AMP9.</p> <p>Action: CCG to challenge to TW Board about ambitions for incremental step change compared to transformational improvement.</p>	

4.	Challenging our PR24 plan – emerging approach	
	<p>JR and AB shared a forward look on customer engagement, including collaborative research led by Ofwat and CCW; TW-led targeted engagement which will include Long Term Delivery Strategy (LTDS) and emerging thoughts on approach to inviting challenge on a draft PR24 plan.</p> <p>Further discussion focused on the volume of customer research vs value for money and focusing more time and effort on areas where customers can genuinely have an influence and ensuring the research is being used.</p> <p>Action: JR to circulate the slides used during the meeting – particularly for the Open Challenge Sessions so that the CCG can provide feedback</p>	
5.	Affordability - our draft plan for social tariff	
	<p>PC and JC set out the context for the session which followed from detailed session with Vulnerability focus group the previous week. PC’s presentation focused on definition of vulnerability, updated research on customer support for cross subsidy and insight on poverty in TW region and update on Single Social Tariff (SST) including next steps and how TW plan relates.</p> <p>Responding to a previous CCG question about the definition of vulnerability used, PC stated it is based on OFWAT guidance. The learning module for all staff based on this guidance had been shared with CCG members for additional feedback.</p> <p>The discussion focused on the proposed eligibility criteria of 5% threshold and the impact on customers. There was a recognition that other water companies take currently different approach which may support higher number of customers but with smaller discounts. The Single Social Tariff will take into consideration the best practice and will introduce consistency across the industry.</p> <p>CCG questioned the specific characteristics of London customers and if their needs were adequately reflected in the emerging national plans. PC pointed to a n 11% difference in poverty in London taking into account housing costs and the bulk of this would be covered by the new proposals. CCG asked if travel costs were an additional factor for poorer London residents? CCG also asked if in-work poverty was adequately reflected.</p> <p>CCG welcomed TW plans to introduce pilot SST and plans to reduce impact of bill shock for customers.</p> <p>Action: PC to use internal analysis to assess the impact of a potential move from low income to the 5% criteria and use this to engage external stakeholders on an approach if the legislation goes ahead.</p>	
6.	Wholesale performance	
	<p>NM and SS shared an update on TW performance for key operational metrics as requested by CCG – Leakage, Water quality, Internal sewer flooding and Pollutions. The update focused on current performance as well as on improvement plans going forward.</p> <p>Leakage</p>	

Performance impacted by extreme weather so despite delivering 91% of plan, actual leakage has risen. A leakage recovery plan has been established and put in place.

The discussion focused on potential impact of future climate change performance, recognising that replacing infrastructure will be essential but in order to maintain affordability new technology such as lining will be required.

CCG were interested whether focus on visible leaks is the right focus – NM explained that focus needs to remain on both, but it's important that when we are asking customers to save water that we are leading by example and addressing visible leaks, **otherwise it would undermine our important water efficiency messaging**. Given the drought it's important that we undertake all necessary steps to reduce water consumption and wastage, which all need to be complementary. [Note to CCG – is this an area we want to explore in greater detail?](#)

Water quality

SS explained various measures which monitor water quality but focused on CRI performance. TW challenge for this measure is that is driven to a large extent by the very large London WTWs – a single minor breach on one of these sites will result in an instant failure of this target for the year, even though there is no public health impact or implications.

CCG emphasised the need for continuing assurance that there was adequate investment in asset maintenance. All the surveys are clear about customer expectation of safe drinking water. CCG thought it would be helpful to understand how much investment is being proposed in AMP8 and the benefits this will deliver in terms of a reduced number of water quality breaches and improvements to the CRI measure.

TW have extensive water quality improvement plans in place. The discussion included our PR24 consultation regarding options research and the link to enhancement cases where customer support is needed. Reducing lead on the public water supply network is viewed as important by customers but it was recognised that any programme may take several AMP periods to complete. It was noted TW prioritise schools, nurseries etc.

CCG are keen to understand biggest risks in long term – it was recognised that this is something which TW is currently working through as part of the Vision 2050.

Action: TW to clarify what is the current level of risk on CRI breaches and how is that projected to change over a given timeframe?

Internal sewer flooding

Performance at the start of the year started well with improvements through our blockage reduction programme but it was offset by an extreme wet weather event in August in north east London. SS explained that majority of the internal sewer flooding is caused by blockages, and this is where extensive customer education programme and customers changing behaviour can make a huge difference.

Pollutions

Similarly to the sewer flooding most of the pollutions come from sewer network blockages. While overall pollutions this year are decreasing (third year in a row), the biggest challenge for TW are serious pollutions which have a greater environmental impact. TW is working with customers, partnerships, and communities to report any pollutions as quickly as possible to reduce any impact. The discussion focused on blockages hotspots and the need for increase in monitoring of the network.

	In the future session, CCG is interested to see more information regarding non-engineering solutions, and how we can engage with customers to help reduce blockages (especially NW London e.g. Hounslow).	
7.	CCG away day follow up	
	<p>Following on from CCG away day on 23 September, SKS shared proposed new structure with two groups focusing on PR24 and Public Value. Some members would act as champions on issues that cut across all the work i.e. Engagement and Vulnerability. They would be drawn in to support each group where most critical. The focus groups would conduct the deep dives into the work, ensuring a detailed understanding of the key issues, flagging up points to be considered by the CCG and helping to design and facilitate the higher level conversation with the CCG. Decisions would remain with the CCG. The focus groups would probably meet between CCG meetings to consider/review full information packs depending on the timing of the reporting. Focus group leads would liaise with SKS/MS to co-ordinate their activity and maintain feedback. A Communications Champion was designated to support the CCG in developing messaging and helping draw out significant points of challenge. The full CCG would oversee the performance aspects. SKS would undertake further work to identify the other core activities of the CCG. She hoped this will allow for workload to be more evenly distributed among the group.</p> <p>SKS invited further comments / views on the proposed model. Discussion focused on practicalities going forward and future focus including case study on one of the recent incidents including lessons learnt</p>	
8.	AOB	
	No AOB raised	