



MINUTES of the Customer Challenge Group

Microsoft Teams

On 11 August 2023, 09am – 3:00pm

Present:

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| Sukhvinder Kaur-Stubbs | Chair of Customer Challenge Group | SK-S |
| Baroness Grey-Thompson DBE, DL | Chair of Sport Wales | BGT |
| Jeremy Crook OBE | Action for Race Equality | JC |
| Doug Taylor | CCW | DT |
| Dr Charlotte Duke | London Economics | CD |
| Monica Wilson | HM Treasury | MW |
| Nisha Arora | Financial Conduct Authority | NA |
| David Brindle | Ambient Support | DB |
| Sarah Powell | Environment Agency | SP |
| Peter Daw | Greater London Authority | PD |

Thames Water:

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| Cathryn Ross | Interim Co-CEO | CR |
| David Bird | Retail Director | DAB |
| Jonathan Read | Director of Regulatory Policy and Investigations | JR |
| Andrew Burton | Customer Research & Insight Manager | AB |
| Jamie Elborn | Customer Research & Insight Lead | JE |
| Kay Oakley | Customer Research & Insight Lead | KO |
| Rebecca Weaving | Head of Customer Strategy, Partnerships and Research | RW |
| Mariana Simpson | Stakeholder Relationship Engagement Manager | MS |

External Attendees:

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| Oliver Worsfold | Savanta | OW |
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Apologies:

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| Councillor Adam Jogee | Haringey Local Authority | AJ |
| Tiger de Souza MBE | Samaritans | TDS |
| Councillor Dr Pete Sudbury | Oxfordshire County Council | PS |

| Agenda Item No. | | Action |
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| 1. | Apologies for absence / Declarations of interests / Minutes from previous meeting | |
| | Apologies were noted. No additional declarations of interests have been recorded. Minutes from the previous meeting on 14 July were approved subject to two additional points. | |
| 2. | CCG closed session | |
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| | No minutes recorded. | |
| 3. | PR24 update | |
| | <p>CR provided an update on the Business Plan development and refocused turnaround plan which will create a stable platform to accelerate progress through to 2030. CR explained that the plan will deliver a balance of environmental improvements, resilience, and performance improvements, and highlighted key programmes which will be delivered as a part of the plan.</p> <p>Turning to the refocused turnaround plan, CR highlighted that the more targeted, priorities turnaround over three years will drive faster improvements in key performance metrics and outlined 13 turnaround workstreams which remain grouped around the three key stages – “Fix the Basics”, “Raise the Bar”, and “Living with Deficit”. It was noted that prioritising for three years needs to align through to PR24.</p> <p>CR then share the prioritisation approach which needs to balance a number of factors (Health and Safety, potential public health risks and environmental impact, performance and critical resilience improvements to name a few), before explaining the current view of the plan – what is included, what needs to be still decided and what elements may need to be deferred to AMP9.</p> <p>CCG wanted to understand what assurance TW can provide that line of sight remains between customer research and the business plan given the latest development. In addition, CCG also wanted to understand in detail changes in the plan, what it will mean for metrics and impact on customers.</p> <p>CR explained that within a reasonable level of risk, this plan will provide a better balance across all of those different areas so will provide better outcomes for customers when measuring back against the customer research. JR added that with the shape and the size of the plan broadly agreed, the team needs to include all the details of what it will deliver for customers more in detail.</p> <p>Action: TW to provide a simple summary of changes between the plans, including metrics and impact on customers. This should include information on what is being met based on customers’ wants as well as activities being deferred into AMP9 and what will not be delivered for customers in AMP8.</p> <p>Follow up discussion focused on environmental statutory obligations and some of the hard choices TW faces while they cannot deliver everything as well as anticipated discussions and decisions from regulators. CCG raised concerns over the risk of TW not being able to deliver all of their obligations and what the impact may be. TW will need to be able to explain any mitigations put in place to minimise risks. CCG thought, especially given the company’s current reputation, the way TW will communicate their plans and performance with customers will be extremely important going forward. CR agreed and added that building the company’s credibility with continuous transparency and proving improved performance will be very important.</p> <p>Turning to the presented key areas of tension between customer insights and TW proposals, AB highlighted that the specific examples relate to enhancement cases, while the majority of what customers want will be delivered through base spend. Looking at all the customer research TW completed, and the careful triangulation of the findings to understand customers’ priorities in this area, many translate into the plan and therefore there are no tensions. Where there is a tension between customers’ priorities and TW’s proposed plan, the team will need to explain and justify their decisions. For example, where basement flooding comes up as a lower priority for customers,</p> | |

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| | <p>the decision to proceed is based on the potential risk of harm to customers, and the health and safety of everyone is paramount.</p> <p>CCG reiterated the importance of how TW will communicate the final choices and plans to customers alongside justification for the final decisions.</p> <p>Further discussion focused on the external environment and the wider water industry as well as the financing of the company, with CCG noting that the shareholders further investment is dependent on their confidence in the plan and were interested to know if these are conditional to specific metrics. CR explained that it is based on confidence in the turnaround plan which will deliver improvement in performance and resilience and being better business, in addition to having a business plan which will deliver a good balance in improvement between compliance, risk, performance and resilience.</p> <p>CCG were interested in a few London specific focus areas and what the impact may be in deferring some investment into the AMP9. Furthermore, they were interested in how weather and climate change is taken into consideration. CR acknowledged that a number of long term projects will need to be completed over a number of years and thought that it will be very important for TW to produce a multiple AMP view which will help to ramp up activities leading up to the AMP9.</p> <p>Looking at leakage as an example, CR explained the volume of the work and activities which have been done in order to reduce leakage, including record number of find and fix activities. However in the long term, to reduce leakage further there will be benefits coming out of mains replacements and relining and additional metering. CR explained that unfortunately further metering investment has been approved on the condition of improved leakage which TW was unable to deliver due to a number of reasons, such a drought. This now causes a further challenge for metering going forward.</p> <p>JR shared examples of what the current draft business plan will deliver in terms of improvements for key performance commitments and how it is linked to customer outcomes. The discussion focused on interdependencies between various metrics and the blend of investment between base and enhancement cases.</p> <p>Going back to prioritisation, CCG questioned where affordability fits into it. CR explained that affordability is a big priority for TW and actually the broad affordability envelope is the starting point for the plans. It was noted that further affordability and acceptability customer research is yet to be completed. In addition, there is ongoing customer research on innovative tariffs. CCG voiced their concerns over the innovative tariff being dependent on the metering penetration and the current plan aiming to deliver only 60% of metering. DB added explanation around the current proposed bill impact and the two different profiles, adding that both of the pros and cons have been discussed in detail and the aim is to support as many customers as possible. CCG welcomed that affordability is at the heart of the thinking but urged TW to articulate it in the plan clearly.</p> | |
| 4. | Customer Research update | |
| | <p>The Customer Research and Insight team provided an update on the current view of the customer engagement programme. They thanked CCG for their scrutiny of individual research projects and apologised for the short turnaround times.</p> <p>CCG recognised the pressing deadlines and acknowledged that the team is working around tight turnarounds and thanked the team for their engagement with CCG including sharing the material and providing opportunities to talk through research projects in detail if needed.</p> | |

Affordability and Acceptability Testing (AAT)

Cognitive testing with customers was completed which led to few changes to the materials. Both the updated material and cognitive testing report have been shared with CCG the day before this meeting. Any final comments need to be received by midday Monday 14 August.

CCG asked for confirmation that the bill profile used for the AAT is consistent with the latest position shared earlier in the meeting and were keen to understand if the findings from the research will potentially change some aspects of the plan. AB confirmed that it is consistent as the decision was based on the team's recommendation and they had anticipated it. In terms of the research findings, AB shared what they anticipate hearing from the customers. It is important that teams consider affordability when building the plan so they can build interventions to help mitigate the impact on the most vulnerable. Further discussion focused on bill profiles and impact on customers from an affordability perspective.

Action: TW to share a summary of bill impacts presented as a part of the previous research and what has changed including the scale of the change.

CCG reminded TW that they have not seen findings from the interviews with large non-household customers and queried when this will be available. JE explained that unfortunately transcripts are not available, and the team is unable to share the recordings. However the team will go back to the agency to find what notes are available.

Long Term Delivery Strategy (LTDS)

The LTDS is being updated in light of recent changes to the AMP8 plan and the aim is for the research to start on 24 August. Due to the tight timescales, the material will be shared with a small number of CCG members for comment by 18 August.

CCG were interested to understand the impact of changes within the AMP8 plan on the LTDS. AB explained that this would relate to phasing, timing and sequence of the investments. This will be done with regard to lots of different considerations including customer preferences.

Future bill payers context

Research workshop held on 2 August with the report currently being reviewed before it will be shared with the CCG. This research will help to put AAT and LTDS responses from future bill payers into context. It will also help TW to understand more about the particular segment of customers and will improve the triangulation of insights.

In response to CCG's query, the team confirmed that the findings from this research will not lead to standalone changes in the plan. It will help to put other results into context as well as adding to extra triangulation.

Innovative funding for social tariff

Online and phone research is currently underway, currently in the soft-launch phase to ensure the questionnaire is working well. Due to the timescales, CCG was unable to comment in time, however they checked and agreed with CCW key comments. This research will help to progress or review the proposed tariff and method of funding a shortfall to the social tariff. KO highlighted that this research included a number of complex issues and the team focused on building the

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| | <p>content bit by bit to build examples to make sure that the customers will understand the issues and the new tariff proposition.</p> <p>The team confirmed that the length of the telephone interviews should not take longer than 10 minutes given how the material has been constructed.</p> <p>CCG raised concerns over the number of people currently struggling with the cost of living and shared some insights from the public domain which suggest customers may choose not to pay water bills if pushed as they will not be cut off. AB recognised the scale of the impact on customers and explained that this is all taken into consideration in TW's wider affordability strategy which will be shared with CCG in upcoming weeks.</p> <p>Your water, your say</p> <p>Post-submission open challenge session scheduled for 30 November. The team will provide more opportunities for comments as they shape promotional plans and material. CCG noted that they thought the first event was not as inclusive as it could be and were interested in what TW will do to increase inclusivity at the 2nd stage. AB confirmed that the guidance confirmed that the 2nd event will be held online again which brings inclusivity challenges, but TW will again promote it to a wide range of stakeholder and representative groups who will be able to raise issues on behalf of their communities. CCG suggested that some innovative thinking in this area may be beneficial.</p> <p>CCG reminded TW that they would like to have further information / reassurance that the continuous research remains relative despite the media noise. AB acknowledged that the team is planning to formally respond and provide CCG with better evidence to reassure CCG and also respond to other points from their draft report. He shared that one trend observed over the past couple of years while they've done multiple studies over the past couple of years is the importance of the pollution issue increasing, other issues would include the drought, leakage performance and the ongoing cost of living.</p> | |
| 5. | Assurance update | |
| | <p>AB and MS introduced the topic, reminding CCG of the objective of Savanta's work. AB summarised the position and confirmed that majority of the recommendations from phase A have been already completed with the exception of one which is underway. He then handed over to OW to discuss the findings of the Phase B report.</p> <p>Given the fast paced changes and development of the business plan which will need to be embedded across the programme and also feed into the updated CCG report, CCG were keen to understand the impact on timing and sequencing of all the work which needs to be completed ahead of the submission including Savanta's work. OW explained that so far they were able to review the framework and how the line of sight methodology will be employed across the documents. However, given the progress, Savanta team is holding capacity at the end of August / early September to be able to review the documents. OW shared key findings confirming the robustness of the methodology used by TW and highlighted that there are a number of recommendations they made which can improve it further.</p> <p>AB provided a short update on the timeline and when documents will be available for review. While he recognised that some aspects of the plan and documents will not be ready until mid-September, he was confident that it will not impact Savanta's work as these documents will be outside of their scope.</p> | |

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| | <p>CCG raised their concerns over the timing and the availability of the documents as the tight deadlines will increase a risk that CCG will not have sufficient time to fully review and challenge accordingly. AB acknowledged the challenge and confirmed that the teams are very aware of the challenges and will work together to provide information as soon as possible.</p> <p>Further discussion focused on recommendations in Annex 6, which were relevant to Challenge arrangements. CCG acknowledged that their draft report was focusing more on the key messages and concerns that they wanted to share with TW Board and will work to expand their report to provide more evidence. OW highlighted that overall they believe that TW have a robust mechanism to enable customer challenge. CCG welcomed Savanta's observations and recommendation. The key recommendation relates to how CCG challenges and TW responses are evidenced which CCG took on board and will address.</p> <p>CCG provided clarification over their longer term work and how they have structured themselves focusing on five key areas (inclusivity, choices, performance, affordability and people) which had been documented in their first annual report in 2022 before the final Ofwat guidance relating to Customer Challenge had been published.</p> <p>The last part of the discussion focused on specific points from the report and clarification over aligning customers wants to outcomes and Vision 2050. Action: TW to share updated timeline for sharing documents and deadline for CCG report</p> | |
| 6. | CCG Closed session | |
| | <p>Looking beyond PR24 submission and the impending deadlines, CCG discussed their plans for their 2nd annual report which is due to be published late autumn 2023. CCG recognised that they will revisit the themes from their first report in 2022 which was structured around their key 5 focus areas – inclusivity, choices, affordability, performance, and people and thought that the structure should remain.</p> <p>CCG reflected on the progress over the last year alongside of the challenges and changes TW faced and discussed key aspects they will want to include in the report including setting the right tone of the report.</p> <p>Furthermore, CCG reflected on today's meeting, the presentations and discussion on turnaround plan as well issues and challenges raised throughout the day. CCG asked whether they could see the recent report from Alex Partners which reviewed the original eight years turnaround plan.</p> <p>Action: TW to confirm whether they can share report on turnaround plan</p> | |
| 7. | AOB | |
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