



MINUTES of the Customer Challenge Group

Microsoft Teams

On 14 July 2023, 09am – 3:00pm

Present:

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

Thames Water:

David Bird	Retail Director	DAB
Jonathan Haskins	Strategy and Regulatory Affairs Director - Interim	JH
Jonathan Read	Director of Regulatory Policy and Investigations	JR
Steve Spencer	PR24 Wholesale Programme Director	SS
Andrew Burton	Customer Research & Insight Manager	AB
Jamie Elborn	Customer Research & Insight Lead	JE
Alex Smyth	Regulatory Delivery Manager	AS
Kyle Robins	Head of Strategic & Environmental Planning	KR
Rebecca Weaving	Head of Customer Strategy, Partnerships and Research	RW
Mariana Simpson	Stakeholder Relationship Engagement Manager	MS

External Attendees:

Ryan Shellard	Sia Partners	RS
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Agenda Item No.		Action
1.	Apologies for absence / Declarations of interests / Minutes from previous meeting	
	Chair noted additional declarations of interests from AJ due to his respective roles outside of CCG. Chair also noted that MW has taken additional steps at her primary workplace to ensure that she is not included in any discussions, or copied into emails or documents on water. This is in order to avoid a conflict of interest arising. Minutes from the previous meeting on 16 June were approved. It was noted that updates to the actions were provided on the action log. In addition, response to action in response to additional low income analysis was circulated to the group.	

2.	Chair update / Introduction to Interim Strategy and Regulatory Affairs Director	
	<p>CCG Chair welcome everyone to the meeting including JH who recently taken over from Cathryn Ross as Interim Director of Strategy and Regulatory Affairs. JH introduced himself, sharing a brief career background to date and outlining his extended responsibilities going forward. JH provided a short update on recently published Annual Report including Thames Water’s performance, Customer Licence Condition, and the company’s proposed transition to a more focused Turnaround plan.</p> <p>First part of discussion focused on Customer Licence Condition, what it may mean in practice. JH suggested he would welcome CCG involvement helping to ensure that TW have robust arrangements in place to make sure they will comply with the new obligations. It was noted that a session on this topic is planned for September 2023.</p> <p>Turning to the company’s turnaround plan, the CCG were interested to understand the company’s more focused approach, what it will mean for customers and how it will be translated into the business plan. JH explained that the aim is to focus on a smaller number of key priorities which will enable quicker progress.</p> <p>Action: Session on turnaround plan to be added to forward plan.</p> <p>SKS provided an update on recent engagement which included a CCW COG meeting, noting a summary of the meeting has been circulated to members. SKS also shared overview of a Board assurance workshop which was held with Chairs of the TW Regulatory Strategy Committee and Customer Service Committee alongside of CCG and TW representatives to discuss board assurance. She was grateful to BGT and MW for participating in the meeting. SKS highlighted a request made to TW to provide a simple breakdown of finances which would provide clarity over what allowances have been spent and what it means for customers. SKS acknowledged recent TW organisational changes, noting she will be meeting the new TW Chairman ahead of her attendance at the TW Board.</p> <p>BGT reflected on recent CCG closed meetings where the group discussed changes at TW and recognised that while the workload and deadlines will not get any easier, the TW teams are doing what they can to provide as much information as possible. In terms of the Board Assurance workshop, CCG welcome the Chairs’ recognition of the CCG importance as well as the focus on customers. SKS followed up with examples of CCG Challenges where TW saw tangible impact.</p>	
3.	PR24 update	
	<p>JR provided an update on PR24, reflecting on the recent Board assurance discussion and acknowledging that the plan will need to finally settle over the next couple of weeks to make sure that it can be delivered to the deadline. It was noted that even the final plan will need to contain a degree of flexibility as things will change over the 5 years period. JR included recent development in terms of consideration placed on the financeability and deliverability of the plan as well ongoing discussion on key strategic decisions such as WINEP.</p> <p>Discussion focused on the directional size of the plan, its links to the performance and focused turnaround plan and when in point of time the decisions will be made. JR explained that the aim is for key decisions regarding size of the plan to be approved by the Board at the end of July with the high level content then being shared with CCG at the next meeting on 11 August. JR reminded CCG about the importance of trying to balance compliance, performance and resilience and</p>	

	<p>explained the aim of the regulatory framework is to incentivise companies with higher rewards for good performance. CCG noted TW ambitions to end poor performance which result in higher penalties which in turn means less money to invest (and therefore creates a bigger divide between the companies and a negative impact on future customers).</p> <p>Going back to the allowances spend, SS explained that by insourcing Capital Delivery teams at the start of AMP7, it created a need to increase recruitment which alongside of the some delays in procuring materials (e.g microchips for water meters) resulted in underspend in the first 2 years of AMP7. Run rates within Capital Delivery are now significantly higher and hence why there is confidence we can deliver a larger plan.</p> <p>Further discussion focused on the turnaround plan and whether changing its approach will have a large impact on the development of the business plan and whether it could potentially lead to new set of triangulation or customer research being needed. JR was confident that the proposed new turnaround plan will allow the company to focus on fewer performance issues, which are those most important to customers and stakeholders, and hence will provide a greater opportunity to demonstrate a faster pace of improvement in these key areas.</p>	
4.	Line of Sight	
	<p>AB introduced the topic, highlighting that CCG and the PR24 focus group would have previously seen various materials in terms of line of sight, most recently on the enhancement cases. Acknowledging that due to the plan not being settled in terms of size and final numbers, today's session line of sight for performance commitments remains provisional for now.</p> <p>Discussion focused on examples of performance commitments (e.g. leakage), explaining what it may mean in the future, the impact and also what impact would it make if the company manages to encourage the right behaviour change from customers. Helping them to understand how water is used, as well as drive down the potential supply deficit.</p> <p>Given the final decisions for the plan yet to be made, it was agreed that the CCG will return to this topic once the size of the plan has been agreed and will explore in greater detail what it means for customers in the longer term.</p> <p>AB reminded CCG that Ofwat conducted collaborative customer research to help set ODI incentives rates for all companies. However, the approach has changed and while the outcomes of the customer research feed into it, Ofwat is using a more top down approach for setting the incentives. It was noted that the triangulated customer priorities from TW research broadly align with Ofwat's central research findings on PCs. The main area of tension is reducing leakage where TW customers place a higher priority compared with Ofwat's cross sector view.</p> <p>SS stepped through examples of what Line of Sight for key performance commitments look like linking the customer wants, performance commitments, outcomes of the customer research, historical context through to what is being proposed, including benefits for 2025 – 2030 and customer outcomes. It was noted that going forward, all reputational incentives for performance commitments have been removed and all of them will have financial incentives.</p> <p>CCG were interested to understand more about the proposed Bespoke PC which is looking at collaboration on streetworks.</p> <p>Action: TW to provide more information on bespoke PC when available in terms of key metrics etc</p>	

	<p>Going forward CCG would like to see more context included in the examples of line of sight. The discussion focused on the overall impact on customers and what it will mean for them in the future and CCG role in assuring that customers', stakeholders', and communities views are reflected in the business plan.</p> <p>The last part of the discussion focused on previously raised points regarding the need for better and simpler communication with customers, developers and external influence at the time of research. AB reflected on these points, noting that some are in progress already and suggested that GL is invited to future CCG to discuss developers.</p>	
5.	Long Term Delivery Strategy	
	<p>AS and KR presented an update on Long Term Delivery Strategy. AS reminded CCG of the concept, noting that companies are required to plan for the next 25 years which include a core pathway of low and no regrets investments which will be required no matter what the future holds. In addition this is stress tested against a number of scenarios resulting in a 'best value plan' for customers.</p> <p>KR shared a framework which has been developed and a portfolio of enhancement cases which have been worked through and stepped through examples of various trigger points. CCG raised their concerns over the scenarios used for climate change, specifically the trigger points not being considered until 2040 as climate change is already making an unpredictable impact. KR explained that the process is built on a number of assumptions which means that climate change is considered as part of the core pathway.</p> <p>Further discussion focused on the upcoming LTDS customer research and CCG were keen to understand how TW will ensure there is enough engagement with future bill payers and also how the research will connect to the acceptability and affordability testing as well as enhancement cases. It was noted that a number of customers are being recruited from the acceptability and affordability research as they already have a good level of understanding. Research is currently planned for August.</p> <p>Action: Further session on LTDS to be added to the forward plan.</p>	
6.	CCG Challenge log	
	<p>CCG Focus areas leads provides an update on progress in each area and how it is represented in the current version of the challenge log. It was noted that that the challenge log will continue to be updated on regular basis as new information will become available.</p>	
7.	CCG report	
	<p>CCG closed session. No minutes recorded.</p>	
8.	AOB	
	<p>Next meeting 11 August 2023</p>	