



MINUTES of the Customer Challenge Group

Microsoft Teams

On 26 April 2024, 09:00am – 3:00pm

Present:

Sukhvinder Kaur-Stubbs	Chair of Customer Challenge Group	SK-S
Jeremy Crook OBE	Action for Race Equality	JC
Monica Wilson	Department of Education	MW
Baroness Grey-Thompson DBE, DL	Chair of Sport Wales	BGT
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
Catherine Jones	CCW	CJ

Thames Water:

Cathryn Ross	Strategy and External Affairs Director	CR
David Bird	Retail Director	DB
Jonathan Read	Director of Regulatory Policy and Investigations	JR
John Sullivan	Head Of Tideway Integration Group	JS
Demi Dean	Communications & Stakeholder Manager – Thames Tideway Tunnel	DD
Howard Gant	Head of BioResources & Service Compliance Operational Projects & Logistics	HG
Przemek Milewicz	Director of Customer Strategy	PM
Pete Cotton	Head of HH Customer Strategy	PC
Mariana Simpson	Regulatory Engagement Manager	MS

Apologies:

Councillor Dr Pete Sudbury	Oxfordshire County Council	PS
Dr Charlotte Duke	London Economics	CD

Agenda Item No.		Action
1.	Apologies for absence / Declarations of interests / Minutes from previous meeting	
	<p>Apologies were noted and no additional declarations of interests have been recorded.</p> <p>Minutes from the previous meeting on 22 March have been approved with two minor amendments which have been actioned.</p> <p>The Chair provided a short update on her recent engagement with the Executive team and set out context for the meeting highlighting the areas that members may wish to focus on in their challenge.</p>	

2.	Thames Tideway Tunnel	
	<p>Following introductions, PD set out the context for the session and highlighted that the CCG are looking to focus on areas around communication around the project, including to customers not directly benefiting from the project; and understanding more about the transition between Tideway and Thames Water.</p> <p>JS stepped through the presentation shared in advance which covered the background for Thames Tideway Tunnel (TTT), the timeline, the scale of the project and the expected benefits which the project will bring once completed. JS also explained that as any part of the TW services, the TTT cost will be spread over the full customer base.</p> <p>CCG wanted to understand more about the plans for transition – JS explained that teams who will be operating the tunnel have been gradually recruited throughout the project development bringing operational expertise and making sure that a full team will be in place.</p> <p>Moving to Communication and customer engagement, DD recognised that Tideway have done extensive engagement throughout the project on engaging with the residents around the sites and keeping them well informed. Going forward to the transition, the team plans to build on this and started to put together an engagement plan which will evolve going forward. It was noted that there is about 15 months to go until it will be fully implemented.</p> <p>Further questions from CCG focused on what messages TW will be sharing with customers further west who will not directly benefit from the TTT but also about the complexity of discharges which may still happen. JS explained that even customers further west will be benefiting from TTT due to the greater improvement in the quality of the water. In addition, the public realm spaces which have been created will be available for everyone. CCG were concerned that customers will want to see wider plans for improvements in their local areas, above and beyond TTT. JS explained that across the region, the live storm discharge and Event Duration Monitoring (EDM) map not only records the discharges but also shows investment plans for the area which customers can see. (Investment plans for storm discharge sites Thames Water) JS highlighted that region wide communication at this space is not effective and the communication needs to be based on a local basis.</p> <p>Follow up discussion focused on environmental and wider benefits which TTT will deliver including apprenticeship and further employment as well as the public realm. CCG thought that customers would want to understand what they should expect in terms of using the river Thames etc. it was noted that while TTT plans to reduce discharges by 95% depending on weather, it is not the only source of pollutions.</p> <p>Going forward, CCG would like to have a further session as the communication plan develops that includes stronger messaging of benefits to residents, highlights the workforce story, and identifies the lessons learnt.</p> <p>Action: TTT session focusing on comms plans to be added to forward plan – Added to October meeting.</p>	
3.	PR24 update	

CR provided an update on the latest developments on PR24. She explained how in July 2023 TW announced that its shareholders had agreed to provide new equity, subject to satisfaction of certain conditions, including the preparation of a business plan that underpins a more focused turnaround that delivers targeted performance improvements for customers, the environment and other stakeholders over the next three years and is supported by appropriate regulatory arrangements. Since the submission of its PR24 business plan in October 2023 the Board had approved the 3 year turnaround plan, and TW had been in dialogue with Ofwat to seek feedback on its business plan as part of the PR24 process. CR explained that on this condition, based on the feedback provided by Ofwat to TW to date, the regulatory arrangements that would be expected to apply to TW in AMP8 make the PR24 plan uninvestible. As a result, the conditions of the support letter from July 2023 had not been satisfied and so the first £500 million of the new equity that had been anticipated was not provided by TW's shareholders by 31 March 2024.

CR emphasised how discussions with Ofwat and other stakeholders are ongoing and how following receipt of the draft PR24 determination TW intends to pursue options to secure the required equity investment from new or existing shareholders.

CR then highlighted how the business plan had evolved, following extensive discussions with its regulators and key stakeholders. As a result of this engagement on 22 April TW submitted an update to its PR24 business plan showing a £1.1 billion increase in AMP8 total expenditure to £19.8 billion which will be directed to projects benefiting the environment. As well as allowing TWUL to deliver more environmental projects, a rebalancing of operating and capital expenditures means there is no resulting increase in projected customer bills, which are estimated on average to be £608 by 2030. Other companies had also published updates to their business plans, following discussions with regulators and key stakeholders.

CR confirmed that Ofwat will publish the Draft Determinations on 12 June. The Draft Determinations will not only provide more substantial feedback from Ofwat on TW's PR24 updated plan, it will also provide a view across the sector. [Note: Subsequent to the meeting on 24 May Ofwat announced that the Draft Determinations would be published on July 11].

CCG were interested to understand whether level of risk may deter possible new investors as well as the existing ones and what could be the implications for TW if Kemble Water Holdings does not manage to resolve its debt issues. CR recognised that TW is currently receiving extensive media coverage (some of which was incorrectly conflating the debt repayment issues at Kemble Water Holdings Limited with TWUL's debt). She also recognised how speculation around Thames' financial position could concern customers, even though safeguards were in place to ensure that the essential service TW provided would continue. CR emphasised it is business as usual for the front-line staff and how committed they remain to working with our partners in the supply chain to provide our services for the benefit of our customers, communities and the environment. TW has £2.4 billion in liquidity of cash and available committed facilities as 29 February 2024.

Turning to affordability, CCG wanted to understand more how the TW's updated plan (proposing to invest an additional £1.1 billion in statutory schemes) would have a negligible bill impact compared to the original business plan from October 2023. CR explained this was due to a reduction in Opex spend (which would need to be fully recovered in the next AMP) and an increase in Capex that will be recovered via bills over the asset life, and therefore spread into the future.

The next part of the discussion focused on staff morale and engagement, with CCG raising their concerns about the recent news highlighting TW staff facing abuse. CR explained that the TW leadership and management are acutely aware of the situation and are managing staff

	<p>engagement and support through variety of channels - including direct messages from the CEO - to equip front line staff with the right information and taking appropriate action in respect of unacceptable instances of abuse. While the CCG praised the staff engagement, they felt that more should be done on direct customer communication to keep customers reassured.</p> <p>The CCG raised concerns that the lack of TW messaging may be contributing to the general level of negativity and trust around TW. Members noted that popular media typically took their line from specialist business and economics commentators, who were seen as authoritative, and urged TW to remain engaged with such commentators however negative or mistaken they might be perceived to be.</p> <p>The session concluded with a discussion about looking at potential options around funding and deliverability concerns.</p> <p>The CCG Chair thanked CR and TW teams for their ongoing openness and resilience in what is a difficult time.</p>	
4.	CCG closed Session	
	<p>CCG members reflected on the first part of the meeting. Members spoke about the need to reassure customers about the continuity of their services and whether this could be done with less defensiveness in communications throughout this period of media scrutiny. There was concern about TW not getting ahead of negative coverage.</p>	
5.	PR24 follow up	
	<p>JR outlined the potential timeline for the post Draft Determination period, noting that currently the deadline for response is not known. However, the teams are planning for a scenario of 7 to 8 weeks. It is likely that the structure of the Draft Determination will follow broadly the same form as in previous price controls.</p> <p>JR suggested that the CCG would likely want to focus on primarily the implications of the Draft Determination for customers, and how the company was proposing to respond to Ofwat's key findings. JR indicated he come back with a proposed plan on a series of touchpoints with CCG once timing is confirmed.</p> <p>The CCG agreed that the Focus Group would continue to provide in-depth assessment with the executive and bring back the recommendations to the whole group. Key dates for discussion had been diarised. There would be an early discussion with the CCG about the key areas members wanted to explore including bill impacts, social tariffs, performance commitments in AMP8, and investment choices. Members wanted to understand progress against the turnaround plan to ensure there was a credible track record to deliver against the proposed performance commitment levels.</p>	
6.	Sludge management deep dive	
	<p>Following introductions, DB set out context for the session and highlighted that CCG would like to understand more about the Camberley event from previous year and the longer-term remediation plans.</p>	

	<p>HG talked through the Camberley event which was caused by plant failures at several Sewage Treatment sludge processing centres and therefore led to a deficit in sludge treatment and storage capacity which in-turn, led TW to utilise emergency storage at Camberley STW. Sludge was held in an open tank for several months leading to odour complaints as temperatures rose in the summer. HG explained the background to sludge treatment and storage and what happened during the incident, what TW would have done differently as well as what TW is doing to prevent similar events happening in the future. HG acknowledged that the problem was worsened due to lack of company communication with local residents. It was noted that the company issued an apology and put in place lessons learnt.</p> <p>Turning to Bioresources strategy, HG explained how the process currently works, proposed plans and challenges, to ensure the company complies with regulatory requirements. CCG were interested to understand more about the required reduction in biosolids going to land and any issues around process development such as pyrolysis. It was noted that TW are working with third party suppliers to look at alternative potential disposal routes.</p> <p>Linking it to the company's turnaround plan HG explained that the company are running an asset integrity / sludge optimisation program which is looking at improving the process at local sites which in turn will reduce tanker movements across the region as well as improving the quality of the output.</p> <p>Further discussion focused on potential land availability issues and the higher likelihood of this reducing over the medium term. HG explained that this issue is industry wide, however it was noted that places such as the Greater London environment are likely to have bigger issues as there is limited land.</p> <p>The session concluded with discussion focussing on the Camberley event and lessons learnt which have led to actions being put in place including early escalation of potential issues, and improved communication between business units (such as monitoring complaints with customer service) which in turn helps with proactive customer communication such as leaflet drops etc.</p>	
7.	CCG closed session	
	<p>CCG discussed upcoming CCG away day on 17 May 2024 focusing on objectives for the day bringing together the CCG forward plan, recommendations from the recently published Indepen report reviewing Independent Challenge Groups in the water sector and agreed key lines of enquiry. The chair thanked DB and BGT for their assistance in preparing for the day. Members volunteered to design and facilitate key sessions including Climate Resilience (PD), Customer Licence (NA/JC/CD), Performance (DB/SP).</p>	
8.	Customer Strategy	
	<p>Following CCG introduction, NA set out the context for the session, noting she, JC and CD (lead members) had met with PC in preparation of the meeting to agree the focus areas of challenge which included sharing of the overall strategy, deeper dive into vulnerability and review of the survey and draft questions on the social tariff.</p> <p>PM shared with CCG his background before turning to his plan to develop customer strategy, highlighting the proposed process the team will take over the next 10 months which will build and refine PR24 customer strategy and work within the Thames Water strategy framework. CCG wanted to know what outcomes PM is going to achieve – it was noted that outcomes will be aligned to those described in the PR24 customer strategy.</p>	

	<p>PC outlined the key activities and touchpoints for CCG engagement over the upcoming months. Moving to vulnerability strategy, it was noted that all companies are required to publish vulnerability strategy by 30 June 2024 which will include statements that demonstrate how they comply with the recently published vulnerability guidance. PC explained the proposed approach to build on the PR24 vulnerability strategy, built on strong customer and stakeholder insight, submitted in October but adapt to take into account TW's turnaround plan and the published guidance. By completing the compliance assessment against the Vulnerability Guidance, the team confirmed compliance with 15 out of 17 requirements and identified actions to close out the two remaining gaps.</p> <p>The first part of discussion focused on the challenge areas raised by the CCG members in advance of the meeting in relation to inclusive service vs Priority Services. CCG made three points:</p> <ul style="list-style-type: none"> - TW needed to evidence more that its approach is set for inclusive service more broadly rather than focusing solely on PSR. PC responded that the strategy is an inclusive service strategy, not just the delivery of priorities and this will be clarified in the published version to prevent further misperceptions. - more could be done to raise awareness amongst under-represented groups - more proactive reporting of alternative water supply during incident for PSR customers – CCG understood that this is one of the known gaps for TW. <p>There was concern that the gaps in the Customer Licence were not currently turnaround priorities.</p> <p>Looking more broadly to the licence condition, DAB noted that TW are making sure that any future discussion and decisions can demonstrate an open debate and prioritisation as a part of the turnaround plan.</p> <p>The session concluded with a short discussion on the social tariff cross subsidy research PC thanked CCG for feedback already received. CCG noted the proposed new bills will be a big shift for customers especially in terms of affordability and the ongoing negative reaction to the company. PC explained that while the exact bill increase will not be confirmed until Final Determination, however customers can choose an option that they do not want to provide an increased level of support because their bill is increasing. PC agreed to look at the context.</p>	
9.	AOB	
	Next CCG meeting on 17 May April 2024 - CCG away day	