



# MINUTES of the Customer Challenge Group

Microsoft Teams

On 9 August 2024, 09:15am – 3:00pm

## Present:

Sukhvinder Kaur-Stubbs	Chair of Customer Challenge Group	SK-S
Monica Wilson	Department of Education	MW
Baroness Grey-Thompson DBE, DL	Chair of Sport Wales	BGT
David Brindle	Ambient Support	DB
Sarah Powell	Environment Agency	SP
Dr Charlotte Duke	London Economics	CD
Nisha Arora	Financial Conduct Authority	NA
Peter Daw	Greater London Authority	PD

## Thames Water:

Cathryn Ross	Strategy and External Affairs Director	CR
Jonathan Read	Director of Regulatory Policy and Investigations	JR
Mariana Simpson	Regulatory Engagement Manager	MS

## Apologies:

Catherine Jones	CCW	CJ
Councillor Dr Pete Sudbury	Oxfordshire County Council	PS
Jeremy Crook OBE	Action for Race Equality	JC

Agenda Item No.		Action
1.	<b>Apologies for absence / Declarations of interests / Minutes from previous meeting</b>	
	Apologies were noted and no additional declarations of interests have been recorded. Minutes from meeting on 19 July were approved subject to amendment.	
2.	<b>Environmental Performance Assessment – CCG only session</b>	
	The EA representative (SP) provided a presentation on the Environment Agency's Environmental Performance Assessment (EPA) explaining that the assessment was introduced by the EA in 2011 as a non-statutory tool for comparing performance of Water and Sewerage Companies (WaSCs) operating in England and it uses 7 environmental metrics to provide a comparison of performance across the 9 WaSCs. The session covered details on each of the metrics, the wider external reporting, Thames Water performance and the overall comparison of all 9 companies. SP explained how each metric is assessed and how the overall assessment comes together providing each company with a rating out of 4 stars. It was noted that if any metrics is red, the best a company can achieve is EPA 3 stars.	

	<p>The discussion focused on data reliability, with CCG questioning the quality of data submitted by the companies as a part of the self-reporting. It was noted that EA conduct annual audit. Part of the discussion covered TW's publication of Storm discharge and event duration monitoring (EDM) which was a step forward in terms of transparency.</p> <p>Turning to the incident reporting, there was a recognition that some of the incident identification can be subjective, and therefore the EA is proposing change where all incidents currently reported with no impact to the environment, will be going forward reported as level 3 incidents.</p> <p>The CCG explored the overall assessment for the 9 companies, highlighting the risk of consistent poor performers not having enough resources to drive performance improvements to improve their position in the medium to long term. The CCG also noted that while some companies had a high media coverage on specific topics, it may not stop them being top performers overall. This could however be due to media coverage related to historical cases rather than recent performance.</p> <p>The discussion then focused on WINEP delivery with the CCG noting that TW is the one company which is struggling to deliver on its obligations. It was suggested that this is due to the quality of historical planning including predictive costs.</p> <p>SKS thanked SP for her clear and informative presentation.</p>	
3.	<b>CCG closed session</b>	
	No minutes recorded	
4.	<b>PR24 – Draft Determination</b>	
	<p>CR shared an update on two recent Ofwat consultations: first, on the proposed enforcement order relating to the wastewater investigation and second, on financial resilience undertakings.</p> <p>Ofwat's provisional findings and proposed enforcement order in respect to the wastewater treatment investigation is the next stage in an investigation which has been ongoing for over two years. Ofwat has proposed a fine of £104 million for Thames Water and has outlined a number of improvement activities that the company must take. The proposed fine and remediation proposals will now go to a public consultation. However, Ofwat has signalled that it remains open to the company proposing undertakings in lieu of enforcement action.</p> <p>Following the recent downgrades by the credit ratings agencies Moodys and S&amp;P the company engaged with Ofwat on a series of undertakings to regain investment grade status. In its second consultation, Ofwat said that they will provisionally accept the undertakings from Thames Water, however this was subject to a short consultation. These undertakings also included the appointment of an independent monitor who would report back to Ofwat.</p> <p>The discussion focused on the implications the recent announcements and the tough draft determination on the process for raising new equity. CCG were interested to understand what would happen if the new equity was not raised and what impact it would have on the services provided. CR explained that the revenue raised through customers' bills would allow for continued and uninterrupted provision of water and wastewater services. However, without additional equity this would constrain the size of the AMP8 plan, which would limit the level of investment possible in some key priorities. CR highlighted that key factor will be the Final Determination which will be announced in December.</p>	

	<p>Turning to the Draft Determination, JR shared an update on the work underway in preparation on the company's response covering the key response areas and highlighting key arguments. JR stepped through the main areas outlining the difference between what TW had proposed in its business plan compared to what Ofwat had allocated in the draft determination.</p> <p>CCG wanted to understand the detriment for customers between the submitted plan, Draft Determination and the proposed response. JR explained that the response will include more updated information including costs and potential performance updates, however a key risk remains in Ofwat not allowing certain projects which increase the network's performance and resilience which would benefit customers and in the environment over the longer term. CCG were concerned what the implications would be for customers especially in cases where there is a potential risk of harm to life such as basement flooding. If the Final Determination did not allow enough investment, TW would prioritise its statutory duties.</p> <p>CCG queried the significant difference between TW's proposal and Ofwat's DD, noting that modelling is completed via benchmarking and applied across the industry taking account of company characteristics. JR explained that the key difference comes to light where the modelling does not take account company differences sufficiently (on both base and enhancement expenditure).</p> <p>The follow up discussion focused on the references in the proposed Undertakings in Lieu to consideration of structural changes as part of the options the company would consider to secure financial resilience. CCG were concerned that splitting the company by geography into London and Thames Valley could have huge detriment for customers and the CCG queried whether full cost analysis were completed.</p> <p>CR summarised the process ahead, highlighting that the team's focus is to try and get the most investable financeable balance as possible for the Final Determination.</p> <p>The Chair thanked CR and JR for their time and presentation.</p>	
6.	<b>CCG closed session</b>	
	No minutes recorded	
8.	<b>AOB</b>	
	Next CCG meeting on 13 September	