



MINUTES of the Customer Challenge Group

Microsoft Teams

On 14 June 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
David Brindle	Ambient Support	DB
Sarah Powell	Environment Agency	SP
Dr Charlotte Duke	London Economics	CD
Catherine Jones	CCW	CJ

Thames Water:

Esther Sharples	Chief Operating Officer	ES
David Bird	Retail Director	DAB
Jon Haskins	Director of Regulatory Delivery, Compliance & Reporting	JH
Karima Khandker	Director of Resourcing, Skills and EDI	KK
Jonathan Read	Director of Regulatory Policy and Investigations	JR
Mariana Simpson	Regulatory Engagement Manager	MS
Kay Oakley	Regulatory Customer Research Analyst	KO

Apologies:

Nisha Arora	Financial Conduct Authority	NA
Peter Daw	Greater London Authority	PD
Councillor Adam Jogee	Haringey Local Authority	AJ
Councillor Dr Pete Sudbury	Oxfordshire County Council	PS

Agenda Item No.		Action
1.	Apologies for absence / Declarations of interests / Minutes from previous meeting	
	Apologies were noted and no additional declarations of interests have been recorded. Minutes from meeting on 26 April were approved with agreed amendments.	
2.	Chair's update / CCG closed session	
	Key points raised from CCG closed session: <ul style="list-style-type: none">Draft Customer Performance Statement – CCG felt more could be done to make this report meaningful customer, SKS to meet with TW team to discuss feedback.	

	<ul style="list-style-type: none"> • Guildford incident report – CCG welcomed the published report, noting it struck the right tone following the events of last November and were pleased to see three action points • Leakage insight report – CCG thought that the approach taking to leakage reduction is sensible, however they felt that the biggest challenge continue to be around customer communication so customers understand what the company is doing and achieving and it will allow to change customers' perception. • CCG key lines of enquiry – CCG thought it would be helpful to have their key lines of enquiries reshared with all agendas and documents going forward alongside of updated action log. 	
3.	Update on the skills agenda	
	<p>JC introduced the topic, noting his continuous engagement with KK focusing on workforce, skills as well as equality, diversity and inclusion challenges and the company's progress.</p> <p>KK reminded CCG TW's skills strategy and provided an update on the progress made over the last 18 months. Highlights include:</p> <ul style="list-style-type: none"> • increasing apprenticeships from 3 to 33 standards • increase of diverse recruitment • building strategic partnerships with local colleges and universities to line pipeline talent as well as with organisations which run employability programmes such as Working Chance or working in prison • working with supply chain to create shared apprenticeship scheme to understand talent and talent gaps for the future • Summer intern programme with 87% interns being from an ethnically diverse background. <p>Moving to inclusive hiring, KK shared the work recently done on removing barriers within the recruitment process and working with youth future foundations to make sure that nothing else has been missed. Examples include sharing interview questions with the aim to publish them on careers website; extensive training with hiring managers; working on a guaranteed interview scheme and supported internships coming to place later in the year.</p> <p>CCG were interested in data analysis around upskilling benefits etc. KK explained that while some data are available there is an opportunity for the system to be more sophisticated to allow teams to tag and track career progression etc.</p> <p>Further discussion focused on inclusive hiring with KK explaining how TW can support candidates and noted that only 4.8% of under 25 who are neurodiverse are in employment. This is one of the areas where hiring managers will really benefit from the various training etc.</p> <p>Turning to skills, CCG were interested in whether the 33 apprenticeship standards match the skill matrix which allow career progression. KK explained that currently it is matched to the jobs needed rather than required skills, however work is being done by the Learning and Development team looking at the competency framework which will allow to join all the cares in the future.</p> <p>Looking back at the diversity of the workforce KK recognised that there is a very low representation of people with disabilities, noting that some of it is down to the current categories not encompassing all the correct options but also due to some people still feeling reluctant to disclose their disabilities. The team is currently re-working the categories for declarations, to make it more inclusive and simpler. CCG felt it was very important that TW are measuring it, but noted that in terms of the declarations, the situation is consistent with many other organisations. There</p>	

	<p>was an agreement that the process for declarations should be made as simple and informal as possible. KK suggested she will share the new categories with CCG for information.</p> <p>The discussion concluded with questions around potential recruitment challenges linked to TW reputation and negative media coverage and company's culture focusing on inclusivity and diversity. KK acknowledged that the candidates' perception play a part, however TW is being transparent about the challenge, tapping into candidates' desire to make a difference and be part of turning the company around. This has also been reflected at the new career website Home - Thames Water Careers. As mentioned in the previous meeting, TW is striving to have a diverse workforce reflective of the communities they serve. As a part of the ambition, the teams are developing modules of training focusing on respect at work promoting equality and diversity in the workplace across all levels of the organisation. This is also supported with a wide range of networks and allyship programmes across the business with roles and responsibilities up to the Exec level not only promote it but also embed the right values. (e.g. Multi-Faith network, PRIDE network, REACH (Racial Equality & Cultural Harmony) network, DAWN (Disability, Allies, Wellness & Neurodiversity) network to name a few).</p>	
4.	Operational performance	
	<p>ES and JH provided an update on Operational performance. Giving the timing, JH highlighted that the 2023/24 outturn performance is currently going through assurance process and therefore the data is provisional until fully assured and published. Overall TW met 29 out of 50 performance commitment targets compared to 25 in the previous year. Key points are summarised below.</p> <p>Water Quality / CRI - Outturn of 1.43 compared to 10.96 reported in FY 23 as a result of significant management effort and enterprise of the course of the last year, which results for the first time this AMP in zero ODI penalty - big step change in the industry position depending on other companies' outturn.</p> <p>Supply interruptions – Following challenging year, the final outturn pf 16min 56seconds compared to 19min 54 seconds the previous year. While the company made progress, significant Guildford incident contributed 8 min and 58seconds toward the total.</p> <p>Leakage – Leakage reduction delivered in 2023/24of 43mld which results in 7% improvement compared to last year, which means overall annual average outturn for FY24 is 570.4 ml/d compared to 613ml/d previous year. While the leakage level at TW network is at its lowest ever level, the improvement is not as fast as assumed in the PR19 determination particularly given the impact of the summer 2022 drought and December 2022 free-thaw event.</p> <p>C-MeX – Despite seeing marginal improvement in overall C-MeX score, TW remains the 17th out of 17. Key feedback from customers is poor satisfaction due to issues not being resolved quickly enough or not keeping customers informed. Billing complaints have increased and is an area of focus and part of TAP2.</p> <p>Pollutions – Overall performance is disappointing with total pollution incidents increasing by 19 to 350 in 2023 with CAT1 and CAT2 pollutions reducing by four to 13 compared to the previous year (17). There was a recognition that there is still lots to do in this area.</p> <p>Internal Sewer flooding – performance has improved for the third consecutive year with outturn of 1.88 compared to 1.91 incidents per 100,000 properties. Although TW has missed the target (1.44) this year, the improvement is encouraging especially given the wet weather and is</p>	

testament to the work which has been done on clearing blockages and improved speed of response.

CCG were keen to understand whether the performance improvements are at the expected pace. ES explained that it would vary from metric to metric – e.g. water quality the improvement was beyond the expectation, which is excellent, but at the same time it needs constant management of risk to sustain it. On the other hand, some of the other metrics such as pollutions, which the company is getting better insight into the root causes, overall progress is not moving fast enough.

ES acknowledged that wet weather contributes to some of the performance levels but recognised that extreme weather is becoming a norm rather than exception and TW need to learn to cope with it. However, adapting the assets for climate change will take decades of investment. ES highlighted that there are different challenges across the region from shortages in water supply in Thames Valley and Home Counties to upgrading sewage works to cope with the increased flows during storms in London. There is also more to do more broadly to work with London boroughs, GLA and others so that assets and London is able to function into the future.

Turning to the Guildford incident, CCG welcomed the published report and they felt it struck the right tone around acknowledging things had gone wrong and the actions TW is taking to put them right in a very constructive way. While CCG were pleased to see the actions linked to making communication better via use of the website and better employee training, they noted that the risk of this happening again did not go away. ES explained that the company made fundamental changes with some of the sites now benefiting from 24 hour shift control and capital upgrades, which will in turn reduce the risk and if events do occur, the teams will be able to respond better and faster.

JH shared example of the recent water quality incident at Bramley caused leak from local petrol station, where the response in terms of customer communication showed real step change. While recognising that the ongoing incident is very disruptive for the Bramley customers, TW is taking steps to minimise the disruption by extending working hours and also by delivering bottled water daily to all impacted properties. CCG were also interested in compensation – it was noted that a separate session compensation is scheduled for 19th July. ES also shared example of recent Oxford Supply Interruption incident where the teams got to test new aftercare process and gather insights.

Turning to overall historical performance, notwithstanding improvements being made, CCG note that there is a pattern of TW setting up targets and not meeting them and asked whether the investment outweigh the penalties incurred. ES explained that absolutely the investment is significantly higher than incurred penalties. Linking it to turnaround plan the teams now have 90 days target and measuring progress so everything can be tracked and where results are not seen, the activity can be amended. JH added that the regulatory targets have been set as a part of the PR19 determination and it is company's responsibility to report against them.

On pollutions, CCG recognised that progress has been made but there is much more to do. Looking at what is being done across the industry, it was noted that other companies try different techniques and companies including TW could benefit from learning from each other.

Further discussion focused on turnaround priorities, with CCG checking whether they are in line with customers preferences. CCG also wondered if the current turnaround priorities may be too narrow. ES and JH explained that focusing on specific metrics will help ensure the company can make a bigger progress. It was also noticed that for example improving leakage will also benefit other metrics such as supply interruption. While discussing leakage, CCG shared their feedback on the recent leakage insight report, highlighting customers' dissatisfaction with visible leaks. It

	<p>was agreed that connecting and clearly communicating with customers not only in terms of what the company does to improve their performance, but also why they are doing it or why they focus on specific activities, will improve customers' perception (not only for leakage but for all business areas). It was noted that TW are currently working on refreshing web content on leakage.</p> <p>Action: JH to share draft web content on leakage with CCG for feedback.</p> <p>When discussing performance across the region, ES highlighted that north London specifically have made significant improvements in number of areas such as Supply Interruption and Leakage. The teams are completing deep dives to see if any learnings could be applied to other areas.</p> <p>Action: ES to share learning from north London when completed.</p>	
5.	Retail performance	
	<p>DSB provided an update on Retail performance. Key points are summarised below.</p> <p>Billing abandon rate – Significantly reduced abandon rate compared to previous year resulting in one of the best performances recorded.</p> <p>C-MeX – Despite seeing marginal improvement in overall C-MeX score, TW remains the 17th out of 17. Key feedback from customers is poor satisfaction due to issues not being resolved quickly enough or not keeping customers informed.</p> <p>Complaints – Higher number of complaints related to tackling long term systemic issues impacting operational performance on a few key issues such as metering. Complaints remain as one of the key areas of turnaround with a number of activities in place to drive the reduction. Recent progress saw reduction in backlog to two thousand compared to ten thousand the previous year.</p> <p>Metering – Significant focus on increasing accurate meter reads on customer bills to pre-Covid which increased from 56% to 88%. In addition, meter reads have now increased to twice yearly. It was noted that bills associated with accurate meter reads following from estimated bills have contributed to higher number of complaints.</p> <p>Discussion focused on issues around smart metering, specifically around the volume of meters not working. DAB explained that this relates to several issues e.g. batteries not working in the meters and new masts being commissioned. Forward plan need to include an ongoing appropriate stream of activities to reduce the number of not working meters to 8% and to make sure customers are not negatively impacted.</p> <p>CCG expressed dismay at the failure rate of meters and the problems in rolling these out to households. In particular, CCG were concerned about how the expectations to drive per capita consumption through positive customer behaviours would be met.</p> <p>DAB said that smart metering can result in 12% reduction in water usage (through identifying customer side leaks).</p> <p>However, CCG felt that issues with reliability of meters can lead to negative behaviour change and further loss of trust. Reiterating points from the earlier part of the meeting, CCG thought that keeping customers informed is paramount. Furthermore,</p> <p>Going back to financial vulnerability, CCG were interested if TW have a good understanding of customers who may struggle financially on a temporary basis rather than longer term and how they can support them.</p>	

	<p>In response to one of the actions raised in previous meetings, DAB shared with CCG an overview of the training delivered to support a more customer focused culture and how colleagues are supported in handling difficult conversations with customers. CCG were keen to understand the staff compliance with mandatory training and data available to understand the calls quality. It was noted that the mandatory training is fully monitored with a compliance rate around 95% (the remaining 5% due to reasons such as maternity and long terms sickness) On the quality, DAB explained that due to the improved technology and use of artificial intelligence, 100% calls in Billing are being screened. By using sentiment analysis in the real time, there is an opportunity for agents to be supported if certain words such as 'complaint, unhappy or I don't understand' are flagged. It also helps to pick up themes for future training. The aim is to deliver personalised and focused training across all levels of the teams in the areas where the company needs to make improvements.</p> <p>CCG were encouraged by seeing the training delivered in support of the customer culture and looking forward to seeing what impact the extensive training will make. They requested more specific details of training delivered to improve customer service.</p>	
6.	Customer engagement update	
	<p>KO provided an update on the customer engagement programme, noting that the company's restructure and refocus as a part of the turnaround has led to a reduction in the customer research programme. Despite the changes, TW maintains a rhythm of ongoing research including the brand survey and service survey alongside bespoke and strategic research on topics such as social tariff cross-subsidy and South East reservoir community research. In addition, there are insights from external research commissioned by Ofwat and CCW at an industry level. Looking ahead, KO noted a few longer-term research projects in the pipeline on topics such as Customer Complaints, the Drainage and Wastewater Management Plan and Leakage. All of the customer insights will be used to refresh the What Customers, Communities and Stakeholders Want document.</p> <p>Following an extensive review process in 2023, TW replaced the existing customer research framework with a new one comprising 8 agencies with a variety of research capabilities. KO highlighted that every new research brief asks that Ofwat/CCW principles of high-quality research are observed and where feasible additional interview modules are included for customers with no/low internet use, future customers (aged 16-17) and non-household customers.</p> <p>Looking ahead, CCG asked for re-assurance that customer research will be continuous post price review and also that TW will track whether the company is on the right trajectory to deliver against customer preferences and expectations. KO explained that even as a part of the PR24 customer insight gathering, the foundations of the customer preferences are paired back to existing research and ongoing surveys which measure customers' expectations and perceptions with the delivered service. This is then supplemented by specific pieces of research where needed. KO is also working closely with the Customer Strategy team to make sure any insight expectations linked to the customer licence conditions are met. There was an agreement that use of the existing data is vital but it is also important to review the structure and questions included in the ongoing surveys to make sure the data is most relevant.</p> <p>Reflecting on the Retail performance session earlier, CCG were keen to understand if any research had been done on customers' perception of smart metering and specifically around their reliability. KO was not sure if research has been done on the customers' perception on smart metering and their reliability, however felt that feedback would be picked up through the service survey.</p>	

	<p>Action: KO to check if any research has been done on customers' perception of smart metering and specifically around their reliability / analysis of customers' feedback on the reliability of smart meters, and if available to share this insight with the CCG</p> <p>CCG highlighted the importance of TW continuing to gather customer insights in terms of understanding the huge diversity of customers. CCG reiterated their point on the importance of customer communication, making sure that the customer voice is heard through the organisation and the teams act on it and communicate back to customers what has been done. There was also recognition that until the price review concludes, the gap between customers expectations and final determination will remain unknown.</p>	
7.	PR24 update	
	<p>JR provided an update on the PR24 noting that Ofwat had now confirmed the deadline of 28 August for responding to the Draft Determination. The predicted date for Final Determination remains 19 December but will Ofwat are exploring a backstop option of 31 January 2025.</p> <p>Ofwat's Your Water Your Say session have been rescheduled to 23 July 2024. CCG had reflected that a 2 hour session covering all companies in England may not provide enough time for detailed information regarding each company and therefore it is more likely the session will be on industry level. TW are exploring holding additional YWYS session for their customers for week 12 – 16 August, but this was not confirmed.</p> <p>JR stepped through the proposed timeline, highlighting opportunities for CCG engagement via main meetings in July and August as well as deep dive sessions with the PR24 focus group. CCG questioned whether there is a possibility for the proposed DD publication timeline to slip again. JR thought that it is unlikely– given any delay to the Draft Determination would impact Ofwat's window for analysis of responses and could put at risk its December deadline for the Final Determinations.</p> <p>The discussion focused on what the Draft Determination might mean for TW and whether it would impact on the company's ability to attract investment. JR noted that investors would await to see the Draft Determination before indicating potential interest, although this would likely be contingent on the Final Determination.</p> <p>The session concluded by reviewing agenda for the next meeting which will largely focus on the Draft Determination alongside climate change and compensation.</p>	
6.	AOB	
	Next CCG meeting on 19 July	