

PUBLIC MINUTES of the Customer Challenge Group



On 1st March 10am – 3pm.

Present:

Anne Heal – Chair	Independent
Anthony Redmond	CC Water
Harry Hodgson	Federation of Small Businesses
Steve Bloomfield	Independent
Jeremy Gould	Greenwich Leisure
Gill Tishler	Independent
Daniel Bicknell	Greater London Authority
Geoffrey Fowler	London University Technical College
Robin Edwards	CLA
David Howarth	Environment Agency
David Leam	London First
Adam Wallace	Natural England
Bella Davies	South East Rivers Trust
Helen Charlton	Independent
Kay Lacey	Chair - Pang Valley Flood Forum

Thames Water:

Richard Aylard	Director External Affairs and Sustainability
Kelly Macfarlane	Director of Customer Experience
Lawrence Gosden	Chief Operating Officer
Nick Fincham	Director of Strategy & Regulation
Andrew Williams-Fry	Head of Economic Regulation
Jill Jones	Head of Customer Strategy and Insight
Andrew Burton	Customer Research Manager
Alex Nickson	Water Resources & Growth Lead
Heather Marshall	Regulatory Manager
Ashley Jonas	DWI Transformation Project Manager
Mariana Simpson	Stakeholder Relationship Programme Manager
Sophie Dunlop	CCG Secretary
Victoria Borwick	Independent Leakage Monitor

Agenda Item No.	
1.	Apologies for Absence
	Apologies were noted.
2.	Minutes from the meeting on 25 January 2019

	<p>The Minutes of the meeting held on 25 January 2019 were <u>agreed</u> for accuracy (subject to specific comments and amends duly noted).</p> <p>The Public Minutes of the same meeting were to be completed and once agreed were to be placed on the TW website along with the Chair's blog.</p>
<p>3.</p>	<p>Chair's update</p>
	<p>The CCG Chair attended the CCG Chair's meeting on 13 February and provided the following update:</p> <ul style="list-style-type: none"> - Ofwat had thanked CCG members and noted that PR19 plan markings were better where CCGs had been involved - More needed to be done across the industry around ODI's, resilience, innovation, Board leadership - Ofwat outlined expectations of CCGs ahead of resubmission - There was a need to provide reflection of the company's effort in engaging in a truncated timeframe. The CCG was to give its opinion on TW's timeframes – being realistic about what could be achieved. - Ofwat had been somewhat unrepentant about how acceptability and affordability were tackled differently by each company. AH said consistency was important and felt Ofwat got the message – although it would be unlikely to have any impact this time round. - CCGs were not required to complete a full report this time – rather they would be required to report on relevant questions highlighted in the company tracker plus others where CCG views might be appropriate. There was some element of judgement needed.
<p>4.</p>	<p>Customer Engagement sub group update</p>
	<p>A TW representative gave an overview of Ofwat's IAP feedback highlighting areas of high quality and with sufficient evidence that TW engaged with customers and also noting where there was insufficient evidence in a number of areas.</p> <p>TW went through the revised approach to acceptability testing after listening to feedback from the CESG. TW will retain an open and transparent approach with changes in the following areas: Inflation, Bill amount price base, making the questionnaire easier for customers to understand.</p> <p>Finally, TW gave a brief overview on other ongoing research including Drought Resilience and Chalk Streams. The CCG Chair fed back that it was a good session with an engaged group.</p> <p><u>Vulnerability</u></p> <p>A TW representative gave an update on Ofwat's IAP feedback on vulnerability. TW's plan on affordability services was highlighted by Ofwat as high quality and ambitious.</p> <p>Ofwat has introduced a common PC for Priority Services:</p> <ul style="list-style-type: none"> - 7% of households on the PSR so a slight increase for TW. - Data checking 90% of PSR customers' records every two years which TW had already included in their programme. <p>They said that BSI is now confirmed as a PC. This means there are now 3 PCs with 4</p>

	<p>measures for one IAP test. Therefore with the BSI including induction of service delivery, TW had decided to drop the NPS of customers on the Priority Services Register.</p> <p>A CCG member would like to be kept updated regarding the process of the physical checks on the PSR. TW needed to think about how this is done and what Ofwat are defining as 'checks' to determine the right approach.</p>
5.	Business Plan and Finance sub group update
	<p>The Subgroup Chair provided a brief update to the main CCG on the following topics:</p> <ul style="list-style-type: none"> - TW's response to Ofwat's IAP feedback - Efficiency in TW's plan and how they are demonstrating it - Financeability and Gearing <p>They said that TW fell significantly short of Ofwat's expectations on:</p> <ul style="list-style-type: none"> - Cost efficiency - Long term resilience - Accounting for past delivery - Lack of evidence on financeability <p>All actions were being addressed by TW.</p> <p>Some high quality aspects noted included:</p> <ul style="list-style-type: none"> - How TW have engaged with customers - Social tariff ambition - Evidence for pay-as-you-go rates - RCV run-off rates <p>The subgroup Chair said issues were around:</p> <ul style="list-style-type: none"> - Volume - Growth assumptions - Risk - Asset condition - Scope – more on enhancement than base
6.	PR19 update
	<p>A TW Exec gave a brief overview of the PR19 post IAP briefing. They highlighted one of the drivers of Ofwat's assessment seemed to have been the amount of Totex growth proposed in companies' business plans from AMP6 to AMP7 and said the particular areas Ofwat called out where TW's plan did not meet their expectations were:</p> <ul style="list-style-type: none"> • Cost efficiency • Long term resilience • Accounting for past delivery • Other shortcomings: on how TW have reflected customer engagement in their plan, the low customer support for affordability of bills compared to other companies, especially in AMP8.

	<p>TW has ongoing engagement with Ofwat regarding NELR and that there is a lot of work to do to resolve differences.</p> <p>TW's Exec said TW has the full support from Board and Shareholders on plans for customers and environment.</p> <p>TW still reviewing and considering if they can stretch themselves.</p> <p>TW's Exec went through the following PCs where they are trying to stretch themselves further:</p> <ul style="list-style-type: none"> • Pollution – Could stretch by taking on some extra risk; proposing upping level in April. • Internal Sewer Flooding – TW taking on challenge to deliver stretch target with more innovative/efficient solutions e.g. Deploy digital technology • Per Capita Consumption – TW are not planning to go further on this target at this stage due to factors outside of their control. • Interruptions to Supply – TW are proposing in April, a 20% improvement in performance. • Leakage – As a consequence of recent weather and revised forecast, it will be a real stretch to get back to target. TW need to be realistic regarding implications and starting point going into next year. It is an ambitious target but realistic. <p>TW's Exec gave an overview of provisional ODI range changes reflecting on CCG and Ofwat feedback. TW are planning to update their ODI position to take on board the feedback received. He said the following changes to their ODIs will help to broaden their overall ODI RORE range:</p> <ul style="list-style-type: none"> • ODI incentive rates – Ofwat has calculated an ODI rate 'corridor' which TW will look at adjusting their rates where they are outliers. • Risk profiles – With P10/P90 been recalculated, TW will look at updating risk profile in line with analysis. • Collars, caps and deadbands – TW to agree to an overall cap to protect customers and apply individual caps and collars to PCs. • TTT penalties – TW had the same thought as CCG with customers not wanting penalties/rewards and see it as 'business as usual'. TW propose to increase the incentive to deliver on time and introduce potential reward for delivery on time. <p>Finally, TW ran through under and over performance plan in comparison with other companies. The CCG Chair felt the presentation was very clear.</p>
7.	Thames Water Performance Monitoring & Reporting update
	<p>TW's Exec provided an update on the status of TW's performance commitments in the following areas:</p> <ul style="list-style-type: none"> • Wholesale Water – Measures with annual targets in 2018/19 • Wholesale Water – Measures with five-year targets (forecast) • Wholesale Wastewater – Measures with annual targets in 2018/19 • Wholesale Wastewater – Measures with five-year targets (forecast) • Thames Tideway Tunnel

Refer to paper provided – detailed in full.

Some points highlighted (Water):

- Complaints update
- Live with text message introduced on water over the next few months. TW will text to let customers know they don't have water
- Visible leaks – reducing cycle time
- Supply Interruption – operating very well currently.
- Security of supply index – 30ml out from where TW want to be. TW confident it will recover this year.

Some points highlighted (Wastewater):

- Private work a real issue re waste water
- 10% improvement on sewer pollutions
- Sewer flooding incredibly volatile

TW are asking the CCG to ratify the annual change to the greenhouse gas emissions target as a result of the annual change in the UK emissions factors, prior to TW submitting a change protocol with Ofwat. The CCG endorsed the annual change.

Retail performance update

TW's Exec provided an update on the status of TW's performance commitments in the following areas:

Refer to paper provided – detailed in full.

Some points highlighted:

- Complaints volume back to the volumes before beast from the east.
- Regular sessions with team re complaints
- New set of non-executives
- Consistent focus on complaints
- Deep dive on drivers of complaints going forward.
- Project Spring – easier to understand alignment and TW are confident to sustain levels.

They then highlighted the work TW are doing on LAHA's:

- Over 10,000 applications for social tariffs recorded
- 3,500 requests for PSR

Low Pressure

A TW representative explained the approach TW has taken to apply severe weather criteria outlined in their outcomes reporting policy for their low-pressure PC. This relates to just over 18,000 customers' properties that experienced low pressure in Slough, Wycombe, Aylesbury and Guildford in July 2018.

The CCG were asked to endorse TW's approach

They were given some background and ran through TW's process to apply mitigating factors.

	The CCG endorsed TW's approach.
9.	Leakage update
	<p>TW's Exec ran through an update on Leakage. They explained that TW were doing everything they can to hit the target of 606Mld in 2019/20. However, largely due to the adverse weather in 2018, TW have adjusted their forecast for 2019/20 to a more realistic figure of 636Ml/d.</p> <p>They went through the work TW have done so far regarding; Leakage detection, Asset availability, Planning and dispatch and Repair and maintenance.</p> <p>Along with implementing a new Leakage Task Force to bring new insights to TW's leakage performance and mentioned the plan for a TW Academy to train pipe fixers; this was well received by the CCG members.</p> <p>A number of actions have been put in place and TW will continue adding as much value to the process as possible.</p> <p><u>S.19 undertakings – signed up to August 2018</u></p> <p>TW has made commitments under Section 19 (s.19) of the Water Industry Act 1991 to undertake activities to improve its management and delivery of leakage activities</p> <p>Failure to deliver and evidence their compliance with the commitments in s.19 would likely result in Ofwat taking provisional or final enforcement action under section 18 of the Water Industry Act 1991</p> <p>TW are doing everything they can and that it is a real focus.</p>
10.	DWI programme update
	<p>A TW representative went through TW's water supply transformation programme and ran through key DWI Notice timelines and deliverables.</p> <p>CCG found the presentation helpful and would like to track TW's progress on the programme.</p>
11.	Brexit planning update
	TW's Exec provided an update to TW's Brexit plans.
12.	WRMP update
	<p>A TW representative gave an update on the rdWRMP 19 and that TW's adaptive rdWRMP19 preferred plan to 2030 had not changed from consultation however now with the inclusion of Adaptive Pathways Planning. They ran through EA and Ofwat proposed draft WRMP timescales and that TW were undertaking further studies in AMP7 to inform 2022/23 decision point.</p> <p>They concluded with an update on Ofwat's IAP of TW's dPR19 and highlighted the key headlines from Ofwat IAP of TW's Business Plan.</p>
15.	Date of next CCG meeting
	22 nd March 2019