

# Commentary on Thames Water's Performance Commitments 2020

Prepared by the Thames Water  
Customer Challenge Group



## What is a Customer Challenge Group (CCG) and what does it do?

The Thames Water Customer Challenge Group (CCG) exists as a group which is independent of Thames Water. Many water companies in England and Wales have similar groups. The Thames Water CCG's main role is; to monitor if Thames Water is meeting its performance commitments; report progress it finds on an annual basis; and also, to see if Thames Water's future plans reflect what customers need and want. It then reports on its findings to Thames Water customers, the wider public and Ofwat.

## Our mission

To represent the needs and interests of current and future customers in ensuring Thames Water both develops and delivers an affordable and sustainable business plan, including encouraging the company to consider the impacts on the environment and wider society in a customer context.

## Our objectives

To be

- Independent;
- Customer focused;
- Transparent (to customers, stakeholders, Ofwat and the company); and
- Able to offer a balanced view in the light of the external environment e.g. customer needs, environmental challenges, regulation.

As you will see from our membership, we are drawn from a cross section of customers, regulators and other groups who play an important part in the life of our region.

To find out more about the CCG terms of reference and our members list visit:

<https://corporate.thameswater.co.uk/about-us/customer-challenge-group/about-the-ccg>

## What has the Thames Water CCG done this year?





The CCG met 7 times this year. It met on 4 occasions to consider the Company's quarterly review of performance. Additionally, it met three times by conference call to discuss matters associated with the PR19 process.

In addition to the main committee there are two sub groups. The first, the Customer Engagement Sub Group, focused on Thames's engagement with customers, in particular the engagement that formed the basis of the research for the business plan. The sub group reviewed Thames plans for research and engagement, including considering the methods to be employed and the materials to be used. It then reviewed the output and implications of the research and engagement undertaken. The second sub group, the Finance and Business Planning Sub Group, was set up to review Thames's business planning processes and associated areas such as risk. The Customer Engagement Sub Group met 3 times and the Finance and Business Planning sub group met twice.

Thames Water Interim Executive Chairman Ian Marchant and representatives from the Thames Water Board; Catherine Lynn and Paul Donovan attended CCG meetings. Victoria Borwick, Thames Independent Leakage Monitor has attended CCG meetings during the year where leakage performance is discussed.

Throughout the year, the CCG members attended customer research focus groups and Thames Water's Annual Stakeholder Review event.

### Key to performance tables

-  Performance at, or favourable to, Thames Water's committed performance level for 2019/20
-  Performance adverse to committed performance level, but within some agreed ranges
-  Performance adverse to committed performance level and outside some agreed ranges
-  Performance information either not available, not applicable or not relevant

*A more detailed explanation is at Annex 1, page 11*

### Introduction

Anne Heal was Chair of the CCG for a period of four years up to 31 March 2020. The Group would like to pay tribute to the immense contribution she made in managing and overseeing the CCG's work through the Price Review and the effective monitoring of the company's performance. Her clarity of thought and sound judgement helped to ensure that the customer interest was always prominent when challenging Thames Water's service delivery.

The outcome of the Price Review for all water companies in England and Wales covering the Business Plans for the period 2020-25 is a key consideration for CCG given its involvement in the way Thames Water engaged with its customers to test acceptability of its proposals. There is much to commend the company in its listening to customer feedback in shaping its plans for the next five years. Areas of focus during extensive customer engagement have been tackling resilience of the network to avoid water supply interruptions and pollution incidents, alongside affordable bills. The company has sought to accommodate these customer priorities within the Ofwat Final Determination and the CCG will monitor delivery of the plan to seek to ensure it meets its objectives.

Much of the last twelve months has been spent observing, monitoring and challenging the company's approach to customer engagement in the price review. The CCG had the opportunity to engage and question Thames Water on a number of important topics such as innovation, customer education ambition, and its new approach to incident management, which have proved fundamental in the company's response to the current COVID 19 situation.

A key responsibility of the CCG is to monitor the company's performance during the year against its performance commitments and plans for the year. The results for 2019/20

revealed in the combined Annual Report and Annual Performance Report represent a mixed picture in terms of performance.

In discharging this responsibility, the CCG has, throughout the year, monitored all aspects of performance in respect of Waste, Water and Retail, and we would note that the company has welcomed our challenge across their performance measures. In previous reports we have highlighted our key areas of concern including leakage, customer satisfaction and complaint levels. These offer a good barometer of service quality and standards and it is important here to highlight how the company has responded to this challenge.

The leakage performance in 2019/20 shows that, with water balance adjustments, the company has outperformed its target, which the CCG acknowledges as a positive outcome after a prolonged period of failure to meet the leakage target. The Group notes that the improvement was achieved in the latter part of the year, by the company addressing issues around its 'operational grip' on leakage, and through a more detailed analysis of water lost, due largely to improved data available. The CCG recognises that the company has an ambitious plan to build on this positive achievement and has been clear that every effort must be made to address any operational gap when tackling this stretching leakage target in the future. The Group stresses that focus must be maintained in this area to ensure that performance does not revert to previous poor levels. The CCG notes that sadly Thames' performance on leakage remains the worst in the sector. Retail performance, which applies across key areas of customer service, was a very disappointing result, not only due to the significant gap between target and performance across many measures, but particularly given that the migration to a new customer contact and complaints system was presented to the CCG as likely to secure early and significant benefits for customer service. These benefits have not yet been seen and so this is an area that will continue to be of keen interest to the CCG. Thames' retail performance measures do not carry financial penalties; the CCG notes that across the sector for 2019-20 the C-MEX or C-SAT measure did not apply pending adoption of a new measure for 2020-25, so no financial penalties apply.

Covid 19 represented a huge and unprecedented challenge to the company in March, towards the end of the financial year, with significant operational challenges around changes in demand; Thames Water quickly instituted a range of measures to assist customers. The CCG has been very impressed with the company's response. The CCG notes that there remain major issues for many customers in terms of declining income and household debt as a result of this national crisis, which are likely to endure over forthcoming months.

### **Progress against water measures**

Looking at water performance first; the company has seen some successes during the year. The company met its targets for low pressure, security of supply and returned all asset health metrics to 'stable' for the first time in this price control period. In addition, the measure for drinking water quality reached 99.97%, all measures in which customers have keen interest.



With regard to the CCG's specific concern about leakage, as noted above, the company also exceeded its end of price control target by 2%, achieving an annual average leakage performance 595Ml/d. This is the first time the Company has met its target for four years. The annual average reduction in leakage of 95Ml/d represents a year-on-year reduction in reported leakage of 13.8%, the highest reported reduction in Thames recent history. Whilst this shows progress, the CCG has reminded the company that a figure of 595 Ml/d is still well above the industry average when normalised as leakage/property/day. The CCG has scrutinised Thames Water's Leakage performance through regular updates from the company and the independent leakage monitor at the quarterly performance meetings. In addition, monthly leakage reports were shared directly with the CCG as well customers on Thames Water's website. The CCG understands that Thames Water is committed to continued improvement and we will continue to challenge the Company's performance in this area.

Thames Water offers a service to repair customer side leaks for free. During 2019/20 the company offered an increased number of these free repairs, substantially exceeding the target number of offers. Thames Water completed 19,908 customer side leaks. There is a significant benefit in such repairs for customers and we note that not all water companies offer this service. The CCG has also noted the increase in repair and maintenance resources to the highest level since 2015, together with the implementation of new tools to improve leak detection and repair levels as well as improving network water pressures. The CCG was pleased to note the recent significant increase in speed of repair (from 4 to 3 days, a 25% improvement this year) given that the time taken to repair visible leaks is a contributor to customer dissatisfaction on leakage. The benefit of metering in highlighting and detecting potential significant water usage variations has been raised by the CCG and the company has engaged more actively in finding and fixing broken meters. It is also important to acknowledge the increasing installation of smart meters is offering a more sophisticated analysis of water consumption including leak detection.

There are areas where the company did not achieve its target performance; flooding resilience, compliance with environmental regulations and security and emergency measures. The company needs to consider its plans to achieve these in future years and the CCG will continue to strongly challenge the company in these areas.



## Water annual performance measures

| Measure  | 2018/19 Actual | 2019/20 Actual | Measure                                  | 2018/19 Actual | 2019/20 Actual |
|--|----------------|----------------|--|----------------|----------------|
| WA1: Improve handling written complaints [R]       | 88%            | 88%            | WB4: Low pressure performance [R]        | 7              | 10             |
| WA2: Minimise the number of written complaints [R] | 18.61          | 14.01          | WB5: Supply interruptions >4hrs [FPR]    | 0.26           | 0.12           |
| WA3: Improve customer satisfaction [R]             | 4.39           | 4.40           | WB6: Security of supply index [FP]       | 98             | 100            |
| WA5: Customer side leakage free repair [R]         | 7,957          | 6,841          | WC2: Leakage [FRP]                       | 690            | 595            |
| WB1: Asset health infrastructure [FP]              | Marginal       | Stable         | WC3: Abstraction incentive mechanism [R] | -170.69        | -1017.08       |
| WB2*: Asset health non-infrastructure [FP]         | Stable         | Stable         | WC4: Customer education [R]              | 24,897         | 35,051         |
| WB3*: Drinking water quality supply [FP]           | 99.96%         | 99.97%         |  |                |                |

\*Calendar year, [R] Reputation. [FP] Financial penalty. [FPR] Financial penalty & reward

## Water performance – 5-year measures

| Measure  | 2018/19 Actual | 2019/20 Actual | Measure                        | 2018/19 Actual | 2019/20 Actual |
|--|----------------|----------------|--------------------------------|----------------|----------------|
| WA4: Water efficiency [FP]                         | 28.25          | 34.42          | WB8: Flooding resilience [FPR] | 747            | 755            |
| WB7: Security and emergency measure directive [FP] | 42%            | 59%            |                                |                |                |

\*Calendar year, [R] Reputation. [FP] Financial penalty. [FPR] Financial penalty & reward

## Progress against waste performance measures

The company's wastewater performance over the past twelve months has been generally good. Thames Water has met 14 measures including internal flooding incidents – other causes and Greenhouse gas emissions. However, the CCG focus has been to press the company where performance targets have not been previously met, including its resilience to sewage treatment works failure and flooding, particular issues raised by customers. It should be noted that sewage treatment works compliance during the year was rated as very good, having the best performance in 10 years and having 1 numeric discharge failure out of 349 sewage treatment works.

Where the company has missed targets, these areas are addressed in its business plan.

Thames Water has discussed a number of environmental topics with us, including catchment management and chalk streams. Some of these topics are generally transparent

to customers but the CCG was encouraged by a number of green initiatives by the company including measures to meet new environmental regulations, reducing the amount of phosphorus entering rivers and compliance with sludge use in agriculture.

A particular concern for customers is the incidence of pollution events which occur at sewage related premises and in the network. In 2019, there were fifteen serious pollution incidents, four incidents for treatment, three from pumping stations, and eight from the network, a deterioration from the previous year. Pollution incidents are of concern to the CCG not only because they are illegal and customers have clearly stated their concern during the Price Review process, but also because the severity of the situation is not clear from the performance reporting as the overall number of pollution incidents falls within Thames' committed performance level. The CCG is reassured that Thames Water has highlighted this and in response to an industry wide request from the Environment Agency has produced a Pollution Incident Reduction Plan and the CCG will monitor performance.

### Waste annual performance measures

| Measure  | 2018/19<br>Actual | 2019/20<br>Actual | Measure  | 2018/19<br>Actual | 2019/20<br>Actual |
|--|-------------------|-------------------|--|-------------------|-------------------|
| SB1 Asset health non-infra [FP]                    | Stable            | Stable            | SC5: Sludge disposal [R]                           | 100%              | 100%              |
| SB2: Asset health infra [FP]                       | Stable            | Stable            | SC6: Customer education [R]                        | 24,897            | 35,051            |
| SB4: Internal flooding incident other causes [FPR] | 1,032             | 1,058             | SC7: Odour reduction [FPR]                         | 8,931             | 8,931             |
| SC2: Pollution incidents [FPR]                     | 295               | 321               | SA2: Minimise the number of written complaints [R] | 5.34              | 5.56              |
| SC3: STW discharge compliance [FP]                 | 98.85%            | 99.71%            | SA3: Improve customer satisfaction [R]             | 4.58              | 4.49              |

\*Calendar year, [R] Reputation. [FP] Financial penalty. [FPR] Financial penalty & reward



## Waste performance – 5-year measures

| Measure   | 2018/19<br>Actual      | 2019/20<br>Actual      |
|---|------------------------|------------------------|
| SB3: Properties protected from flooding due to rainfall [FPR]   | 86                     | 394                    |
| SB5: Contributing area disconnected from combined sewers by retrofitting sustainable drainage [FPR]             | 0                      | 21                     |
| SB6: Compliance with SEMD advice notes [FP]   | 45                     | 100%                   |
| SB7: Flooding resilience (Population equivalent of sites made resilient to future extreme rainfall events) [FP] | 962,842                | 1,569,343              |
| SB8: Lee tunnel including Shaft G [FP]  | Scheme delivered 15/16 | Scheme delivered 15/16 |
| SB9: Deephams Wastewater treatment Works [FP]   | Scheme delivered 16/17 | Scheme delivered 16/17 |
| SC4: Water bodies improved or protected from deterioration as a result of Thames Water activities [R]           | 0                      | 10                     |
| SC8: Deliver 100% of measures to meet new environmental regulations [FP]  | Not available          | 100%                   |
| SC9: Reduce the amount of phosphorus entering rivers to help improve aquatic plant and wildlife [FPR]           | Not available          | 59.3                   |

\*Calendar year, [R] Reputation. [FP] Financial penalty. [FPR] Financial penalty & reward

The CCG has also an interest in Thames Water's input to the development of Thames Tideway Tunnel and all performance targets have been met in this area.

We note that the next price control period is a critical one for the delivery and commissioning of the TTT and we expect the CCG to be focused on this area.

## Tideway Tunnel performance

| Measure  | 2018/19<br>Actual | 2019/20<br>Actual |
|--|-------------------|-------------------|
| T1C: Completion of category 2-3 works [FP]                 | 21                | 23                |
| T2: Stakeholder and Infrastructure provider engagement [R] | Yes               | Yes               |

\*Calendar year, [R] Reputation. [FP] Financial penalty. [FPR] Financial penalty & reward



## Progress against Retail performance measures

Areas that attract particular attention of customers relate to customer contact and the way in which complaints are managed. The company introduced a new billing system in 2019/20 and complaints in respect of billing and charges over the year have more than doubled, with a high number of these complaints occurring in the three months from December 2019 to March 2020. This increase is very disappointing and has been explained to CCG as a result of the following two issues.

- An increase in complaints relating to annual billing and the transition to the new Spring platform. Most revenue complaints during this period were about bill payments and understanding bills.
- An IT issue meant that Thames Water were delayed in responding to a batch of customer contacts in the final quarter. Thames Water have acted to urgently address this issue, but they did receive around 3,000 additional complaints due to their delayed response.

The company recognises the level of complaints both from a customer and company perspective is unacceptably high. Thames Water sees a significant reduction in complaints as a very high priority in the immediate future and the roll out of the new customer service operation is seen as an increasingly positive initiative.

In terms of customer satisfaction scores the CCG was concerned to see a fluctuation in scores during the year. Overall, the less than adequate return was explained, in part, the company argued, by a high incidence of wet weather, particularly towards the year end. Relative to the rest of the water sector the company performed below par in terms of the number of complaints, performance of the operations contact centre and general customer satisfaction and the CCG has expressed its continuing concern about this outcome.

The CCG also spent some time during the past year pressing the case for increased attention being given to the situations faced by vulnerable customers. The CCG was keen to understand how vulnerability insight has been used to inform the company's vulnerability strategy and actions.

The company recognised the importance of developing further the Priority Services Register (PSR). The PSR includes those customers who, because of their vulnerability, require additional support from the company including where a supply interruption or a sewer flooding event impacts such customers. The CCG was keen to understand the company's new approach to incident management, especially in relation to the PSR customers impacted. The expansion of the register is a feature of Thames Waters' plans to focus on the vulnerable and ensure the priority services register is current and up to date. Thames uses various channels to register customers on the PSR. Notably this year, the 'smarter home visit' now includes assistance from Thames Water agents to register customers on the PSR if they are eligible. This led to a 9% increase in registrations following a 'smarter home visit'.

We note that Thames Water hit the significant milestone of more than 100,000 customers on the social tariff in October 2019. These customers receive a bill reduction of 50%. Thames Water therefore exceeded its target of 85,000 customers by April 2020.

Looking ahead, during the current pandemic Thames Water has sought to further its commitment to support vulnerable customers and has increased its Trust Fund from £500k to £1m so they can reach even more people. This increase has been funded by donations from Thames employees and matched by shareholders.

### Retail annual performance measures

| Measure  | 2018/19 Actual | 2019/20 Actual | Measure   | 2018/19 Actual            | 2019/20 Actual            |
|--|----------------|----------------|---|---------------------------|---------------------------|
| RA1: Minimise the number of written complaints [R]                   | 18             | 41             | RA6: SIM points performance relative to industry (/100) [FPR] | 75.0                      | SIM not reported 2019/20  |
| RA2: Improve handling of written complaints [R]                      | 88%            | 92%            | RB1: Online account management supported by webchat [FP]      | Online Self-serve channel | Online Self-serve channel |
| RA3: Improved customer satisfaction (charging & billing) [R]         | 4.58           | 4.42           | RC1: Increased number of customers on payment plan [R]        | 58%                       | 57%                       |
| RA4: Improved customer satisfaction (Operations) [R]                 | 4.44           | 4.46           | RC2: Increased cash collection rates [R]                      | 87.9%                     | 87.1%                     |
| RA5: Increase the number of bills based on actual meter readings [R] | 99%            | 98%            |   |                           |                           |

\*Calendar year, [R] Reputation. [FP] Financial penalty. [FPR] Financial penalty & reward

There are a number of measures which go across the various organisational boundaries.

### Greenhouse Gases and Energy Imported

| Measure                                    | 2018/19 Actual | 2018/19 Actual |
|--|----------------|----------------|
| SC1: Greenhouse gas emissions [R]          | 230.0          | 217.4          |
| WC1: Greenhouse gas emissions [R]          | 45.7           | 40.5           |
| SD1: Energy imported - energy exported [R] | 396            | 383            |
| WD1: Energy imported - energy exported [R] | 520            | 506            |

\*Calendar year, [R] Reputation. [FP] Financial penalty. [FPR] Financial penalty & reward

Water resources has been a key area of attention in the CCG's work programme. Much of the past twelve months has seen the company finalising its Water Resource Management Plan (WRMP). The WRMP looking forward 25 years is a building block of the company's Business plan. The company has addressed medium to longer term water stress issues by reinforcing its compulsory metering programme, pursuing water efficiency measures, exploring the option of a new reservoir at Abingdon and contemplating water transfers from the River Severn. There is also focus, here, on per capita consumption in encouraging customers to use water responsibly. The CCG was encouraged to see that the company had outperformed its target in completing a higher number of visits to customers. Customers are offered the installation of water efficiency devices, internal plumbing fixes and advice on how to use water better in the home.

The CCG acknowledges the water resources challenges faced by the company and the steps being taken working collaboratively through the WRSE process. However, as noted in our previous reports, the company must meet its leakage reduction targets on time to meet what customers want and in accordance with the 'twin track' approach to balancing supply and demand in order to provide resilience of water supply and environmental resilience. Achieving leakage targets also makes the message about water efficiency more credible.

## **Conclusion**

The CCG concludes that its challenge to Thames Water's performance has revealed a mixed outcome. There have been positive results in a number of wastewater services although flooding resilience and the declining performance on number of pollution incidents remain a concern. Leakage is showing signs of improvement, but this was from a low base. Customer service and complaints are not at a satisfactory level.

The company assures us that its investment plans over the next five years seek to address these shortcomings; such initiatives have been communicated to customers through an extensive consultation and engagement exercise. Delivery of the plan is essential to achieving a significant increase in customer satisfaction levels.

In tracking and testing performance over the year 2019/20 the CCG has engaged the company across all the key areas of activity in which customers have a particular interest.

During the course of the CCG's activities over the business plan period 2015-20 the company has responded positively and constructively to challenges presented by the Group and this level of cooperation and support has been very much appreciated. Encouragingly, Thames Water's business plan seeks to address the shortcomings in performance highlighted over the past year.





**Sir Tony Redmond**

**Interim Chair**

## Annex A

### Key to performance tables

Performance at, or favourable to, Thames Water's committed performance level for 2019/20

|   |   |
|---|---|
|  | Performance at, or favourable to, Thames Water's committed performance level for 2019/20, or improving trend for T3   |
|  | Performance within the range allowed without a penalty (the 'deadband') if defined, or, if not, within 5% of our committed performance level, or marginal asset health or stable trend for T3 |
|  | Performance below the deadband (if defined), or more than 5% adverse to our committed performance level, or deteriorating asset health, or declining trend for T3                             |
|  | Performance information either not available, not applicable or not relevant  |



