



TMS11 Our Customer Strategy

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1. Executive Summary

The purpose of this document is to set out our PR24 Customer Strategy. It covers how we will deliver for both our household and non-household customers between 2025-2030, and therefore includes and goes beyond the Retail Price Control (which covers customer services, debt management and metering). Our PR24 Customer Strategy covers how we will deliver against our C-MeX and BR-MeX ambitions of which elements of this will be funded by the Wholesale Price Controls and therefore there are linkages between this Technical Appendix and TMS08 Our AMP8 Water Outcomes Delivery Strategy, TMS09 Our AMP8 Wastewater Outcomes Delivery Strategy, TMS07 Bill impact, Affordability and Vulnerability and the TMS06 Our Long Term Delivery Strategy throughout. How we will deliver for our Developers, Non-Appointed Variations (NAVs) and Self-lay providers is covered separately in our TMS12 Developer Services.

Our Customer Strategy is focused on delivering an Easy customer experience and tailored support during 2025-2030 as well as building a strong foundation of trust with our customers. We know we have a long journey ahead, but we are starting to see positive trends in our internal customer service metrics and remain confident that we can, and will, do better for the customers and the communities we provide life's essential service to.

Our PR24 Customer Strategy supports us to:

- Reach 15th in C-MeX by 2030, improve to 6th by 2040 and then maintain this position.
- Continue to deliver a step change in reducing complaints throughout AMP8 getting down to 41,000 complaints a year by 2030
- Reduce bad debt towards industry benchmarks by 2030 and then push this even further to hit 2.0% bad debt charge by 2050
- Expand our Priority Services Register reach to make sure all eligible customers are offered it
- Support more financially vulnerable customers than ever with social tariffs, reaching 530,000 customers by 2030, using both customer cross-subsidy and innovative tariffs
- Reach 11th for BR-MeX with improvements to service positively influencing the experience for both household and non-household customers
- Eliminate 15% of blockages caused by sewer misuse
- We'll help reduce water use per person by 5.5% and help businesses reduce their use by 10%

Our Customer Strategy for AMP8 is summarised in the below graphic. It focuses on outcomes of; Easy customer experience and tailored support, fair and affordable bills, preventing sewer flooding and taking waste away safely and fixing leaks and ensuring there is enough water in the future. Each of these outcomes responds to one of our customer wants¹ and links into our 2050 vision outcomes. We'll use the common Performance Commitments to track our success on delivering against these outcomes and our plan itself is made up of 17 customer objectives.

¹ TMS04 What Customers Communities and Stakeholders Want

Figure 1.1: Summary of our Customer Strategy

Vision 2050	For customers						
Outcomes / wants	Easy customer experience and tailored support		Fair and affordable bills			Preventing sewer flooding	Fixing leaks and always enough water
AMP8 measure	C-MeX, D-MeX, BR-MeX		Cash collections, % revenue bad debt			Sewer Flooding	PCC / Business demand
	<p>A better customer experience</p> <p>We'll reduce the number of customer issues occurring in the first place</p> <p>We'll resolve more billing and operational issues within 24 hours</p> <p>We'll proactively keep customers updated so they will only need to contact us once to get their issue fixed</p> <p>We'll make it simple and efficient for our non-household retailers to deal with us</p> <p>We care deeply about our customers and the communities we serve</p>	<p>Supporting customers in vulnerable circumstances</p> <p>We'll increase the number on our Priority Services Register (PSR) to 75% of the eligible population</p> <p>We'll offer at least a 30% increase in inclusive service propositions</p>	<p>A better billing experience</p> <p>We'll put customers in control of their bill through offering affordable payment plans, a range of payment methods and installing smart meters so customers only pay for what they use</p>	<p>Delivering value for money</p> <p>We'll make it easy for customers to see that our services are value for money and offer new value-add services and incentives to support customers</p>	<p>Help for financially vulnerable customers</p> <p>We'll help a min. of 430,000 customers struggling to pay for life's essential service</p> <p>We'll explore innovative tariffs to support even more customers struggling to pay</p> <p>We'll partner with others to engage hard to reach communities</p>	<p>Customers support us to reduce sewer flooding</p> <p>We'll work with customers to reduce sewer misuse blockages by 15%</p> <p>We'll engage customers on sustainable drainage solutions</p>	<p>Customers support us to reduce water demand</p> <p>We'll make it easier for customer to find and fix their leaks, providing 100% of customers that have a smart meter the option of an alert when there is a continuous flow</p> <p>We'll pilot innovative solutions to help customers reduce their water use including a water efficiency proposition for Retailers and business customers</p> <p>We'll continue to lobby on water efficiency legislation</p>

2. Our customer 2050 Vision

Our PR24 Customer Strategy has been built based on customer priorities and aims to put the foundations in place that will allow us to achieve the 2050 vision that our customers want. In this section we set out: the distinctive characteristics of our customer base, the evolving expectations of our customers, our ambitious 2050 vision and acknowledge our current performance and what we are doing to address this.

2.1. Customer expectations continue to evolve at pace

2.1.1. We serve a unique customer base

We are proud to serve a diverse customer and community base, from the Houses of Parliament in central London through to the rural farming communities in the Cotswolds. We serve lots of different types of customers – from households to businesses, and we need to make sure we meet everyone’s needs.

The latest Census data below shows how the household demographic and the makeup of our region differs to others and how demographics of our London customers are very different to the rest of our region.² Nearly half the population in London were born outside the UK and, in boroughs on the outskirts of the city, household size is higher than average. The housing type in London responds to the higher density of people with more customers living in flats, maisonettes, and apartments than elsewhere in the UK.

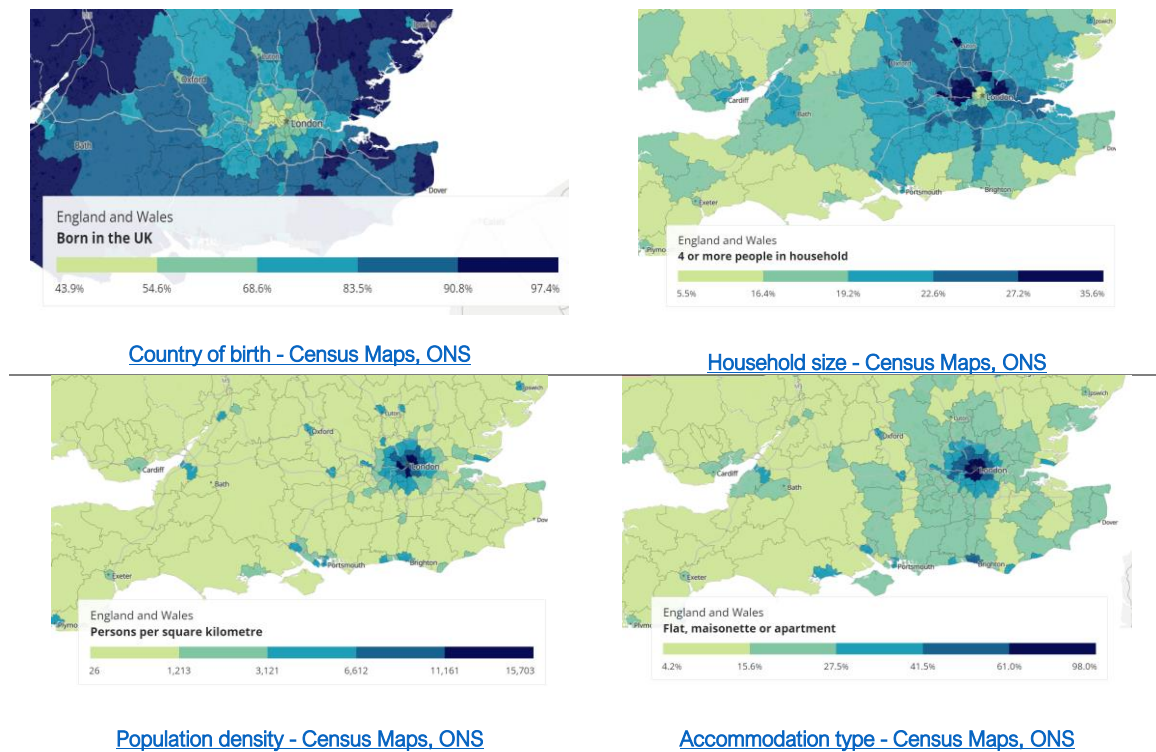
Around 20% of the UK’s Non-Household customers³ are based in Thames Water’s area including many of the FTSE100 head offices and high-profile public sector and tourist attractions such Buckingham Place, Whitehall, Windsor Castle and Legoland. Our region is vibrant and a focus for continuous redevelopment. As a result, a higher proportion of our Non-Household premises are subdivided with multiple non-household and household uses. This results in both a high percentage

² For example 41% of people living in London were born outside the UK vs 32% in Manchester, ONS Census 2021. 36% of people living in London have a household size of 4 or more vs 23% in Manchester, ONS, 2021.

³ 19% supply points registered in the Non-Household market are in Thames Water’s area. MOSL market charts, supply points dashboard, August 2023

of internal meters (44% vs national average of 28%)⁴ and a higher than average vacancy rate (18.7% vs national average of 16.0%)⁵.

Figure 2.1: Census 2022



Source: Census maps 2022, <https://www.ons.gov.uk/census/maps/choropleth/population>

Another unique factor of our customer base is our notably higher levels of transience (customers migrating between addresses). Thames Water’s total migration rate is 18% vs 12% UK average⁶. With nearly half of all properties in London being rented⁷ transience presents us with a unique set of challenges. Please find more details in the TMS09 Cost adjustment claim: Transience submitted in June 2023.

Understanding our unique customer base has been key in developing our Customer Strategy and how we tailor our services in response, whether that’s offering our communications in more languages, continually improving our Move Home journey to support the high level of transience or targeting our water efficiency advice for different property types.

2.1.2. Impact of the pandemic and cost-of-living crisis

In March 2020 COVID dramatically changed how we operated as a business. Our customers were suddenly in ‘lock down’ and the essential nature of our service was more prominent than ever. We saw customers using more water throughout the day at home and a decrease in business demand.⁸

⁴ MOSL market charts, metering dashboard, August 2023

⁵ MOSL market charts, vacancy dashboard, August 2023

⁶ PR24_TMS_Cost Adjustment Claim_002 (Transience) Figure 2 of Economic Insight’s report for more detail

⁷ <https://trustforlondon.org.uk/data/housing-tenure-over-time/#:~:text=The%20proportion%20of%20London%20households,peaked%20in%201981%20at%2034.8%25.>

⁸ Thames Water internal analysis, 2020-21

Although the pandemic is over, it has changed society and our behaviours forever. For example, more of our customers now work from home on a regular basis. This relocation of the population has meant we have had to change how we deliver our service as customers are using more water at home.

There were also specific implications for the non-household market. For example, many businesses had to close or change the way they operated during COVID. This led to a significant reduction in demand and Retailers facing higher levels of customer bad debt. In response several regulatory changes were made to support the market.

Then in 2022 the cost-of-living crisis started to bite with increasing inflation driving up the costs of almost everything for our customers. The implications of the current cost-of-living crisis are being well documented by Citizens Advice⁹ amongst others, with higher volumes of people going to them for help and specific groups being more affected than others (for example, disabled people and those from Black African communities). Ofwat data¹⁰ also shows that the % of customers currently struggling to pay their water bill is higher in London than average and higher amongst ethnic minority customers and those aged under 35. We continue to work hard to act now and ensure we protect those who need it. Providing support to customers who struggle to pay their bill will continue to be an ongoing challenge and is a key part of our Customer Strategy both today and for AMP8.

2.1.3. Evolving customer expectations

The customer experience outcomes that customers, communities, and stakeholders expect us to deliver can be broken into two wants; [I want an easy customer experience and tailored support](#) and [I want fair and affordable bills](#)¹¹. For more details on these wants and the relative priority of these please see TMS04 What Customers, Communities and Stakeholders Want appendix.

In the round, our non-household customer wants are similar to domestic customers, however there are some differences particularly from a Retailer perspective. Retailer margins are tight, so they are keen to get support from Wholesalers to help them deliver efficient services to their customers. An example of this is their desire for increased smart metering and associated data services to reduce their meter reading costs and unlock the potential for reducing water consumption. They also want simplified and standardised processes, policies, and tariffs across the industry, to help them work efficiently across multiple regions.

In our Customer Strategy we also address areas where we will need our customers help to deliver the outcome that they want as an overall group. Our customers wants for Water and Wastewater, [I want you to fix leaks and ensure there is enough water in the future](#), and [I want you to prevent sewer flooding and take waste away safely](#)¹¹, need Thames Water led investment, but also customer behavioural change in order to deliver them effectively. The asset investment plan is covered in the TMS08 Our AMP8 Water Outcomes Delivery Strategy and TMS09 Our AMP8 Wastewater Outcomes Delivery Strategy technical appendices, while the customer intervention is covered here.

Although the core wants outlined above will likely remain the same, customer service expectations will continue to change. What mattered to customers just five years ago is now different to what matters now, with an accelerated uptake of digital channels and a stronger environmental and community focus.¹² Our PR24 outcomes focus on investments that will allow us to understand our customers better, such as investment in data, and those that will give us flexibility to adapt our strategy to meet customer needs, such as systems which can develop and evolve over time.

⁹ <https://public.flourish.studio/story/1634399/>

¹⁰ <https://www.ofwat.gov.uk/publication/cost-of-living-wave-2-data-tables-england/>

¹¹ TMS04 What Customers Communities and Stakeholders Want

¹² Customer Behaviour: Evolution or Watershed? UKCSI, 2022

More recent research further demonstrates how we need to be able to adapt quickly to changing customer service expectations. The UK Customer Institute published new research in May 2022 on how expectations and behaviours have changed since just 2020. It found that quality will continue to influence customer choice with 75% of customers rating quality as one of their top three priorities when choosing an organisation¹³. However, the report also showed evidence that there is a widening polarisation in expectations about affordability of excellent service with 30% of customers willing to pay more for excellent service in the utilities sector but 20% of customers preferring a low-cost, 'no-frills' service¹³. This is a potential tension in serving all our customers' needs in the coming period especially with the current cost-of-living crisis. A further change in expectations was the growing relevance of 'localness' in how customer choose an organisation with 45% of customers choosing an organisation because of it¹³. This is an opportunity for us as a local and regional water supplier who employs local people to serve our local communities.

The pandemic itself has also had an impact on customer expectations, nearly two thirds¹⁴ of consumers are now more used to interacting digitally with companies and seven in ten⁵ want utility companies to provide online resources that make it easy to resolve their questions themselves. 60%⁵ would prefer not to call customer services at all if they can solve their issues using online resources.

When developing our strategy, we have consciously chosen a strategy which can adapt to changing customer expectations. We are investing in data analytics so we can understand what our customers want, investing in a communication platform so we can tailor messages to customer groups and are providing numerous tailored offerings such as our priority services, our social tariff and setting up sustainable payment plans.

These more specific changes in customer expectations are core to our thinking for the next five years and beyond and we will continue to pivot and adapt our Customer Strategy as these continue to evolve.

2.2. Our Customer 2050 vision is stretching and ambitious

Our purpose is 'to provide life's essential service so our customers, communities and environment can thrive' and we provide this essential service to around 15 million¹⁵ customers serving a region with the broadest range of demographics in the UK. Over the next 30 years we will deliver great service and value for all customers and build passion for saving water and preventing blockages. Below outlines the focus areas within our 2050 vision, (further information on the full 2050 vision can be found in TMS06 Our Long Term Delivery Strategy appendix). In this document we focus on how we will deliver our C-MeX and BR-MeX ambitions. We therefore focus on areas that directly impact how customers experience our service: The first three goals of the 'for customers' pillar as well as touching on customer behavioural change that is required in the 'for the environment'.

¹³ Customer Behaviour: Evolution or Watershed? UKCSI, 2022

¹⁴ p114, What Customers, Communities and Stakeholders Want v16, Sia Partners, August 2022

¹⁵ <https://www.thameswater.co.uk/about-us>

Figure 2.2: Extract from our Vision 2050 summary document

<p>Our Vision 2050 FOR CUSTOMERS </p> <ul style="list-style-type: none"> • Making sure everyone always has access to top-quality water and a reliable waste system • Providing outstanding service and value for all our customers • Motivating customers to save water and protect the environment <p>We provide safe, clean drinking water</p> <ul style="list-style-type: none"> • Tackling any challenges that could affect the high quality of our water, including speeding up our work to replace lead pipes <p>We offer customers value for money and send them affordable, accessible bills</p> <ul style="list-style-type: none"> • Providing an inclusive service with built-in support for vulnerable customers <p>We always maintain a reliable supply</p> <ul style="list-style-type: none"> • Investing in innovation so that no-one is let down by our network <p>We protect customers from sewer flooding</p> <ul style="list-style-type: none"> • Making sure no home, workplace or public space is at risk of sewer flooding by changing how we manage water from source to surface <p>We provide a proactive, personal service</p> <ul style="list-style-type: none"> • Fixing service issues the same day • Creating a customer experience that constantly evolves to reflect the most recent digital innovations, consumer trends and market opportunities • Partnering with other businesses, like water retailers and property developers, to make sure every customer gets the information they need and the service they deserve <p>We help customers understand how to protect the planet</p> <ul style="list-style-type: none"> • Inspiring as many people as possible to make choices that save water and keep pipes flowing 	<p>Our Vision 2050 FOR COMMUNITIES </p> <ul style="list-style-type: none"> • Using our land to benefit surrounding communities • Equipping local communities with the skills they need to thrive • Championing our people to deliver our purpose <p>We enrich community life for current and future generations</p> <ul style="list-style-type: none"> • Taking every opportunity to create social and public value • Putting sustainability at the heart of our plans • Using our land to bring the right mix of investment, local jobs, thriving wildlife spaces and more opportunities to spend time in nature <p>We champion what we do and create opportunities for everyone to be part of it</p> <ul style="list-style-type: none"> • Creating jobs that attract the diverse range of talent we need to lead change in our region and beyond • Providing opportunities for local communities to develop skills for a successful future <p>We trust each other to do the job</p> <ul style="list-style-type: none"> • Providing a safe, inclusive and purpose-driven working environment where our people and our trusted partners can perform at their best • Leading our industry by equipping our people with the right skills to give customers the service they expect 	<p>Our Vision 2050 FOR THE ENVIRONMENT </p> <ul style="list-style-type: none"> • Investing in our network to prevent leaks and keep water flowing • Preventing all wastewater pollution and leading wider efforts to restore river health and increase biodiversity • Producing all the green energy we can to power what we do <p>We meet the changing needs of our customers and the world around us</p> <ul style="list-style-type: none"> • Making sure less than one in every ten drops of water leaves our network through leaks • Supporting our customers to reduce their water use by a quarter • Securing enough water to meet future demand while protecting our most environmentally sensitive sources <p>We collaborate with others to improve the health of rivers</p> <ul style="list-style-type: none"> • Keeping all untreated sewage out of our rivers • Taking the lead in improving our region's environment, helping our rivers become some of the healthiest in the UK <p>We make every watt count</p> <ul style="list-style-type: none"> • Sourcing more of our energy from renewables • Using technology to become a major producer of green energy as well as data to help make our energy go further <p>We leave a net-zero carbon legacy</p> <ul style="list-style-type: none"> • Achieving net-zero carbon emissions across all parts of our business 
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Source: Thames Water A clear future – Communications guide version 1.1

The 2050 vision¹⁶ has three key outcomes, which directly impact customers experience or where we need customers to work with us to deliver the outcome that they want.

- We provide a proactive, personal service.
- We offer customers value for money and send them affordable, accessible bills.
- We help customers understand how to protect the planet.

The further three outcomes under the customer pillar are largely delivered through asset investment and hence are covered in TMS08 Our AMP8 Water Outcomes Delivery Strategy and TMS09 Our AMP8 Wastewater Outcomes Delivery Strategy.

- We provide safe, clean drinking water.
- We always maintain a reliable supply.
- We protect customers against sewer flooding.

The effort and time required to achieve each of these outcomes differs. Providing effortless service and value for all our customers requires more internal evolutionary change and is something we plan to steadily progress year on year. Motivating customers to save water and prevent blockages requires a revolutionary change and we need to foster closer relationships with our customers, based on trust, to be able to influence their relationship with water. This significant change in customer behaviour is a long-term endeavour that we plan to achieve by 2050, likely to span generations.

Below we cover each of these three customer outcomes and share what this means for our customers by 2050.

¹⁶ 15122_Vision 2050 Short form v10

2.2.1. We provide a proactive, personal service.

We will continue to use smart networks and systems to predict service issues before they impact customers, taking proactive action to stop service issues in the first place. By 2030, we will have transformed our customer experience and our customers will receive a personalised service in one tone of voice, no matter which channel. By 2050 any service issues that do happen will be fixed on the same day and our customers will have confidence in our brand.

The below table shows how we will be driving towards upper quartile customer experience against the rest of the industry. We will have made steady improvements in how we deliver for our customers every year, transforming how they experience our services and brand.

Table 2.1: Multi-AMP view of customer performance

Outcome	End AMP8	End AMP9	End AMP10	End AMP11	End AMP12
C-MeX	15th	12th	10th	8th	6th
BR-MeX	11th	10th	9th	8th	6th
Complaints	41,000	32,000	24,000	24,000	24,000

2.2.2. We offer customers value for money and send them affordable, accessible bills.

From now onwards we are focused on improving service as a key driver of value for our customers whilst continuing to invest in building a much more holistic customer communication strategy that effectively engages our customers on a more regular basis.

To provide an inclusive and affordable service we will tailor our approach to the needs of all our customers and keep bills as low as possible by delivering an efficient service. We will have a consistently inclusive service, with further innovation to reach more customers by the end of AMP8 and continue to build on this to 2050.

By 2050, bad debt will be 2.0% of revenue, pushing us beyond upper quartile industry performance. This will demonstrate our bills are affordable and customers are willing to pay as collections rates will have improved to deliver this. We will have continued to build our Priority Services Register reaching a point where this target is close to the number of customers eligible for these services, which will change over time with our demographics.

Table 2.2: Multi-AMP view of bad debt and vulnerability measures

Outcome	End AMP8	End AMP9	End AMP10	End AMP11	End AMP12
Bad debt as a % revenue	2.5%	2.4%	2.3%	2.2%	2.0%
PSR coverage of eligible population	75%	90%	95%	95%	95%
Lifted above affordability threshold ¹⁷	67%	80%	90%	90%	90%

2.2.3. We help customers understand how to protect the planet.

We will engage and inform customers on their impact in a targeted way, motivating them to make positive behavioural changes where relevant. We will enable demand reduction through incentives, calling for legislative change, partnering with relevant industries and providing innovative solutions to reduce freshwater usage ratios and prevent blockages. We will help customers understand the impact of their choices and enable them to act as responsible users of the water and wastewater systems they rely on.

¹⁷ This metric measures the proportion of directly billed customers who are lifted above the affordability/water poverty threshold due to support provided, who would otherwise be below the threshold. The affordability threshold is defined as a customer paying greater than 5% of their net equivalised income on their water bill.

By 2050, we will have played a key role in reducing water use against the Government's statutory water targets outlined in the Environment Act (2022)¹⁸, which is to reduce the use of public water supply in England per head of population by 20% by 31 March 2038.

Our own demand reduction interventions - smart metering, innovative targeted water efficiency and a step-change in customer engagement – will deliver against Per Capita Consumption (PCC) and Business Demand Performance Commitments alongside changes in Government legislation and policy. See our TMS06 Our Long Term Delivery Strategy for our PCC and Business Demand multi-AMP performance.

2.2.4. We provide safe, clean drinking water

These two objectives are addressed in detail in TMS08 Our AMP8 Water Outcomes Delivery Strategy and TMS06 Our Long Term Delivery Strategy but are supported by initiatives to reduce PCC as well as to predict service issues before they impact customers, taking proactive action to stop service issues in the first place.

2.2.5. We protect our customers against sewer flooding

We will work with our customers to reduce sewer flooding caused by sewer misuse blockages. This focus on changing customer behaviour in AMP8 will support other initiatives aimed at protecting our customers from sewer flooding. See TMS09 Our AMP8 Wastewater Outcomes Delivery strategy and TMS12 Developer Services and our TMS06 Our Long Term Delivery Strategy to find out more about how we intend to protect our customers from sewer flooding.

2.3. Current performance is not good enough, and we have been fixing the basics in AMP7 in response

2.3.1. Current performance is not good enough

Customer performance today is not good enough and it is not aligned to what our customers expect. We have started to 'fix the basics' at the beginning of this AMP but there is still much more to do.

In this section we summarise our current customer performance. For further detail please see the TMS40 Accounting for Past Delivery and Deliverability appendix.

- C-MeX

Our Year 1, 2 and 3 C-MeX performance has been disappointing seeing us slip further behind the industry median. Though we have seen some improvements in some of our internal customer service metrics, including a drop to <5% call abandonment rate and a 50% complaints reduction between FY21 and FY22, this has not yet translated to our C-MeX performance.

CES scores have held relatively steady against the industry with us remaining 16th¹⁹. Despite the negative press coverage of the water industry, we have maintained our position, and this is in part due to our additional investment in our proactive customer communications. We will continue to build on our new strategic brand platform, 'It's Everyone's Water', across all customer touchpoints, including social media. In the short term, our messaging will focus on educating customers about what they can do to save water and reduce blockages to drive behavioural change and where

¹⁸ Defra, The Environmental Targets (Water) (England) Regulations 2022. Environment Act 2022

¹⁹ C-MeX Year 3 Quarter 4, Accent for Ofwat, April 2023

possible, we will also communicate the tangible improvements we're making despite the challenges the water industry are facing.

Our CSS scores however have dropped verses the industry year on year, and we significantly lag in 17th place. A reduction in scores has been seen in all three areas (billing, waste and water); the explanation for this trend is hard to fully explain due to the limited nature of only 800 service surveys per year, however we have identified that a reduction in resolution could be in part to blame.

In billing a decline in resolution is likely linked to poor performance of our offshore voice contact centre partner and the decision in 2020 to reduce our meter reading budget to only read meters once a year (foregoing the read around Q2/Q3). In response to the first issue, we have insourced our voice contact back to the UK and outsourced low value back-office activity to deliver better contact resolution and drive efficiency. The decision to only read meters once a year led to a much higher proportion of estimated bills and therefore increased contacts, complaints and dissatisfaction as customers received estimated meter reads. We have since reversed this decision and have returned to two meter reads from FY24.

In water, decreased scores likely related to our decision to prioritise resources on leakage during drought and freeze-thaw incidents during FY22. This resulted in less customer appointments and reduced our speed to resolve. The key lesson learnt is that as we progress, we will need to continually balance decisions between our priorities.

In waste we have seen a mixed picture in performance. In Q4 of year two we improved which reversed much of the decline we saw in year one, this was due to our focus on our speed of response and a trial of first time clean up on our flooding journey to avoid handoffs. This demonstrates that increasing the speed of resolution and reducing the number of visits is key to improving customer satisfaction. However, since then heavy and intense periods of rain has continued to cause peaks in customer demand meaning our scores has declined. The key lesson learnt is how important it is that we focus on building resilience in our response whatever the weather.

Our ongoing approach to improving C-MeX requires us to embed resolution, speed of response and quality delivery into each decision we are taking across the business to avoid unintended consequences as we also pursue priorities on revenue, leakage, and cost reduction. We are now actively linking key decisions to customer impact although there is still more to do to embed this in our business and our investment decision making process. The new Customer focussed Licence being introduced by Ofwat will support this approach in the future.

- R-MeX

R-MeX scores increased significantly since the first R-MeX survey in FY21 where we ranked 15/15 with a score of 5.9/10. For FY23 this had increased to 7.1/10 placing us 13/15. In order to drive the improvement we have made substantial improvements to the service provided to Retailers – both those driven centrally (by the market operator, MOSL), collaboratively (such as by the Retailer Wholesaler Group) and those driven by us directly. These initiatives include the adoption of MOSL's central bilateral hub (a standardised mechanism for Retailers and Wholesalers to create work requests and share updates), the retirement of our legacy property and metering database (CIS) and migration onto a new SAP platform and a range of changes to the market codes, aimed at improving services to customers and reducing market frictions. We have also introduced standardisation in several market processes and policies across the industry – making it easier for Retailers to work with multiple wholesalers across regions. We continue to make further improvements to the service that we provide to Retailers with a particular focus on working closely

with MOSL as part of the central data cleanse to improve our data quality. Wholesaler data quality has been identified as one of the key drivers of inefficiency and poor customer service in the NHH market.

- Complaints

We have made reducing complaints a key area of focus to help us drive improvements on customer service. We set ourselves a target of reducing complaints by 50% in FY21 and by a further 25% in FY22 which we have successfully delivered through initiatives such as the setup of the Escalation team to intervene in real time when customers express dissatisfaction.

We have had a strong focus on identifying and intervening in interactions that have a high propensity to progress into a complaint. Now this is under control we are moving onto the next phase of our plans which is to focus on the root cause of issues to stop them occurring in the first place.

Reducing complaints

Complaints were unacceptably high. We wanted to focus on providing customers with the information they needed, first time resolution, and an effortless journey when contacting us. Our 'real time complaints' approach, introduced in May 2021, significantly increased the emphasis on asking the 'call closure question' at the end of every single customer conversation, to identify residual customer dissatisfaction. Where customers still expressed dissatisfaction, manager call backs were raised. Call closure compliance is now ~95%, manager call backs have risen from 1,000 in FY21 to above 14,000 YTD in FY23 and complaint volumes have decreased in response.

- Cash collections and bad debt

Bad Debt is the 'debt that is written off from a companies' financial statements because the company has been unable to secure payment from the customer'²⁰. Bad Debt and collections performance is strongly impacted by economic pressures and the regulatory and legal environment in which companies operate. With 24% of households now in fuel poverty (vs 16% in 2019)²¹ and inflation impacting the cost of living, collection rates have declined over the last year resulting in an increase in Bad Debt from 3.7% in 2021/22 to 5.0% in 2022/23²². As a result of the 2008 Global Financial Crisis bad debt rates for the Water Industry more than doubled with the rate of increase in bad debt 64% greater than the growth in revenue. It took more than 7 years before Bad Debt started to reduce.²³ Our AMP7 and AMP8 forecasts recognise this expected slow recovery as customers take time to get back on top of debt that has built up as a result of the cost-of-living crisis.

5.0% puts us at 17th place in the industry. To rectify this and deliver a trajectory towards industry benchmarks by the end of AMP8 we are delivering a significant transformation in our Financial Customer Care (FCC) team which will improve the underlying processes and procedures. This includes revised collection strategies with tailored treatment paths, increasing the number of customers on payment plans to create sustainable cashflow, increasing social tariff cross subsidy and improving the efficiency of the FCC team by using outbound dialler capabilities and moving processes online.

- Per Capita Consumption

Our performance on Per Capita Consumption (PCC) in AMP7, along with the rest of the industry, has been significantly impacted by COVID, the move between business and residential water usage,

²⁰ Ofwat – Retail services efficiency review 2022, PwC

²¹ About fuel poverty – End Fuel Poverty Coalition

²² Table 2C 'Doubtful Debt'/ Table 2F Total Residential Retail revenue, 2023 Annual Performance Report

²³ Analysis by BRG, based on Water company regulation reports, 2020

and the shift to hybrid working practices. This has resulted in a 5-10% consumption increase in household properties during periods of COVID restrictions. This has been particularly pronounced in Thames Valley due to the move out of the city with home, hybrid working and the greater proportion of homes with outside space. By the end of AMP7 we expect to have delivered a 9 litre per person per day reduction in water usage as a result of our smart metering roll out and our water efficiency programme.²⁴

2.3.2. Focused on fixing the basics in AMP7

The first part of AMP7 has been focused on starting to ‘fix the basics’ as we prioritised providing a reliable service throughout the pandemic.

Over the last 12 months, we have moved to a restructured regional operating model which focuses separate operational terms on London and the Thames Valley and Home Counties, brought all customer-facing telephone teams back to our region, and insourced the repair and maintenance of our water network. These structural changes are bringing us closer to customers and will deliver improvements in our performance and create good quality local jobs.

In our contact centres we have tightened our operational grip, for example by reducing speed to answer calls and clearing backlogs of work after the initial phase of COVID. We have insourced our billing voice contact capability enabling us to drive a higher quality customer experience. In response to increased demand from our customers for our digital channels we’ve re-imagined our high-volume online journeys such as submitting a meter read, moving home, or reporting a blockage.

Insourcing billing voice capability

Performance of our outsourced voice partner was poor, quality was under target and hours of service were consistently under plan leading to high complaints, repeats and negative customer satisfaction. In April 2022 we made the strategic business decision to insource our billing voice capability and by April 2023 we commenced transition to the new model. Key benefits this will deliver include reducing propensity to complain down to 0.59% from 1.59%, and a forecasted cost reduction across Retail and Operations customer service of between £20-28m over 5 years.

To respond to an increasingly unpredictable climate, and associated service incidents, we have changed our approach to how we manage and respond to incidents. We’ve embedded a new incident management way of working, and this has improved how we communicate and keep customers and stakeholders updated during incidents. We are further bolstering this response during the remainder of the AMP by recruiting customer incident responders who will enable us to better support customers and communications on the ground.

In the field we have been making changes to how we set ourselves up to better serve our customers. In waste we have renewed our contract delivery partner and upgraded our workforce management system to improve processes and communication with our customers throughout their journey with us. In water we have started to bring our repair and maintenance capability in house giving us better control of quality and allowing us to optimise our resources through multi-skilling. We’ll also be upgrading the workforce management system for water in November 2023, building on the key learnings from implementing this in waste. We have also been working hard to improve our services to our NAV customers with regards to connection and supply agreements, both in response to market initiatives and on the basis of feedback from our NAV customers.

²⁴ We have asked Ofwat to consider adjusting the GER funding conditions in light of the affect that the summer drought of 2022 and subsequent freeze-thaw event has had on the achievability of our end of AMP leakage target. The outcome of these discussions will determine if we can proceed with the GER programme

With up to 70% of our blockages caused by the inappropriate disposal of materials such as wet wipes and fats in our sewers, our focus has been on educating customers to prevent sewer misuse. Our educational activities have spanned from widespread publicity campaigns, to community programmes, to engaging with individual customers and Food Service Establishments (FSEs). For example, we have taken part in Water UK's 'Bin the Wipe' campaign, and raised awareness of the impact of disposing of FOGs and unflushable materials down the drain through our own 'Bin it, Don't Block it' programme. We have begun participating in the Junior Citizenship Scheme for Year 6 pupils, and we have extended our engagement to include care homes, Guy's & St Thomas' Hospital, and His Majesty's Prisons Highdown and Downview. Through our targeted educational work, we have communicated directly with households in blockage hotspot areas. We have also worked closely with FSEs to educate them on grease management within their kitchens, and to inspect FSE kitchens to ensure that grease management equipment, such as a grease trap or grease removal unit, is installed and maintained. So far in AMP7 we have visited over 16,000 businesses with over 3,700 of those installing grease management equipment for the first time as a direct result of our engagement.

In response to the cost-of-living crisis we have increased our offering for customers in financially vulnerable circumstances. Through engagement with our customers, we've increased our cross subsidy and plan to support up to 306,000 customers with a social tariff this AMP, our original target was 200,000.²⁵ We've also been working on new processes and tools to make it easier for customers to access financial support, for example our new online Income & Expenditure form which will soon be automated to connect customers with other support services.

However, there is still more 'fixing the basics' needed within customer services to deliver for our customers. As shared in the Turnaround Plan this isn't something we will deliver over a single year, and we need to continue to focus on getting things right over the next 8 years.

²⁵ Thames Water PR19 Business Plan

3. Our PR24 Customer Strategy

3.1. Our PR24 Customer Strategy supports the delivery of our 2050 vision and our customer Wants

Our Customer Strategy is organised under 4 outcomes. Each of these outcomes was derived from and informed by our Customer Wants:

Easy customer experience and tailored support. I want an easy customer experience and tailored support.²⁶

Fair and affordable bills. I want fair and affordable bills.²⁵

Preventing sewer flooding and taking waste away safely. I want you to prevent sewer flooding and take waste away safely.²⁵

Fixing leaks and ensuring there is enough water in the future. I want you to fix leaks and ensure there is enough water in the future.²⁵

For each of these outcomes we've set ourselves stretching AMP8 customer objectives. The purpose of these objectives is to bring to life our plan and help articulate what we will deliver in AMP8. They respond directly to key customer expectations derived from TMS04 What Customers Communities and Stakeholders Want and our understanding and insight into what drives customer satisfaction. To demonstrate the clear link between customer feedback and the plans we have put in place we have included the reference to source of the insight (e.g. CX1 – CX14 are our monthly Heartbeat customer insight reports). To find further detail on this research see What Customer Communities and Stakeholders want.

Each of these wants supports the 'For customers' 2050 vision outcomes. This mapping allows us to ensure that we are not only focused on delivering what our customers want in AMP8 but that we are also setting ourselves up to deliver our 2050 vision.

Table 3.1: Customer strategy

Vision 2050	For customers						
Outcomes / wants	Easy customer experience and tailored support		Fair and affordable bills		Preventing sewer flooding	Fixing leaks and always enough water	
AMP8 measure	C-MeX, D-MeX, BR-MeX		Cash collections, % revenue bad debt		Sewer Flooding	PCC / Business demand	
	<p>A better customer experience</p> <p>We'll reduce the number of customer issues occurring in the first place</p> <p>We'll resolve more billing and operational issues within 24 hours</p> <p>We'll proactively keep customers updated so they will only need to contact us once to get their issue fixed</p> <p>We'll make it simple and efficient for our non-household retailers to deal with us</p> <p>We care deeply about our customers and the communities we serve</p>	<p>Supporting customers in vulnerable circumstances</p> <p>We'll increase the number on our Priority Services Register (PSR) to 75% of the eligible population</p> <p>We'll offer at least a 30% increase in inclusive service propositions</p>	<p>A better billing experience</p> <p>We'll put customers in control of their bill through offering affordable payment plans, a range of payment methods and installing smart meters so customers only pay for what they use</p>	<p>Delivering value for money</p> <p>We'll make it easy for customers to see that our services are value for money and offer new value-add services and incentives to support customers</p>	<p>Help for financially vulnerable customers</p> <p>We'll help a min. of 430,000 customers struggling to pay for life's essential service</p> <p>We'll explore innovative tariffs to support even more customers struggling to pay</p> <p>We'll partner with others to engage hard to reach communities</p>	<p>Customers support us to reduce sewer flooding</p> <p>We'll work with customers to reduce sewer mis-use blockages by 15%</p> <p>We'll engage customers on sustainable drainage solutions</p>	<p>Customers support us to reduce water demand</p> <p>We'll make it easier for customer to find and fix their leaks, providing 100% of customers that have a smart meter the option of an alert when there is a continuous flow</p> <p>We'll pilot innovative solutions to help customers reduce their water use including a water efficiency proposition for Retailers and business customers</p> <p>We'll continue to lobby on water efficiency legislation</p>

The objectives are a result of numerous workshops with colleagues from across the business to ensure we can all work together to better serve our valued customers.

In the next section we cover each of the objectives that help us deliver what our customers want and progress towards our 2050 vision outcomes in AMP8.

²⁶ TMS04 What Customers Communities and Stakeholders Want

3.2. Easy customer experience and tailored support

The customer objectives that help us build towards this outcome are:

A better customer experience.	Supporting customers in vulnerable circumstances
<ul style="list-style-type: none">• We'll reduce the number of customer issues occurring in the first place.• We'll resolve more billing and operational issues within 24 hours.• We'll proactively keep customers updated so they will only need to contact us once to get their issue fixed.• We'll make it simple and efficient for our non-household retailers to deal with us.• We care deeply about our customers and the communities we serve.	<ul style="list-style-type: none">• We'll increase the number on our Priority Services Register (PSR) to 75% of the eligible population.• We'll offer at least a 30% increase in inclusive service propositions. (See TMS07 Bill impact, Affordability & Vulnerability Strategy for more information on the above customer objectives)

Below we go into the next level of detail for each of these objectives, expanding on the definition, why it's important to our customers, how we will track success and the key initiatives we will progress in AMP8 to deliver them.

3.2.1. We'll reduce the number of customer issues occurring in the first place

Customers want a service that just works, where we invest in our assets to prevent failures. Where failures do occur, customers want us to recognise that there is a problem before they do, act on it and proactively contact them to let them know when it will be fixed (CX1-CX14, CX45)²⁷.

We recognise there are some geographical areas who are impacted by our operations more regularly, for example supply interruptions in the Guildford area. Due to our unique customer base and the high population density in London we recognise that our necessary street works can be incredibly frustrating for commuters as well as the communities we serve. Our plan recognises this, and responds to specific resilience issues that impact certain geographies in our region as well as how we can respond to the unique set of challenges we face in our most high traffic areas.

We will deliver this objective through:

- **Maintaining and upgrading our assets.** Investing in our assets to build resilience and prevent failure. See TMS08 Our AMP8 Water Outcomes Delivery Strategy and TMS09 Our AMP8 Wastewater Outcomes Delivery Strategy for more information
- **Smart networks.** Using smart technology to monitor both our water and wastewater networks spotting issues before customers do and proactively responding to prevent customer impact
- **Street works collaboration.** Working with Local Authorities, Greater London Authority, and other utilities to coordinate roadworks minimising the impact in local communities. See further information on our TMS34 Bespoke PC: Collaboration in London
- **Continuous improvement.** Tightening controls and processes in billing to ensure bill accuracy

By reducing the number of customer issues occurring in the first place we will both improve customer perceptions of Thames Water and give ourselves more capacity to deal with a smaller number of issues that still occur. Reducing the number of service issues should benefit the headline C-MeX, D-MeX and BR-MeX measures, but we will track detailed metrics on number of billing

²⁷ These codes refer to specific pieces of customer research that formed part of What Customers Communities and Stakeholders want. For more detail on the findings of the research see What Customer Communities and Stakeholders Want, v18.

contacts, supply interruption hours and sewer flooding incidents to demonstrate that these are being delivered.

3.2.2. We'll resolve more billing and operational issues within 24 hours

We will focus on first contact and same day resolution of billing and operational issues for both household and non-household customers. This focus will include all billing contacts and high-volume operational customer journeys, no water, leaks, blockages, and flooding. It will support and go beyond the expectations of G4.3²⁸ in the proposed new customer-focused licence condition.

Not being able to quickly resolve an issue in one call or email is mentioned in our ongoing customer experience research (CX1-CX14). Lack of quick resolution of billing and other issues is a crucial driver of low customer satisfaction overall (CX18-CX21). Many customers want investigation of their issue to take place within a few hours, and most want it to happen on the same day, preferably during the first contact (CX1-14, CX18-CX21). Fixing service issues on the same day is important for most customers. All customers expect a great customer service from Thames Water and whether they have already experienced issues or not, they would like issues fixed as soon as possible (SP12).

This is something we need to deliver on for all our customer segments however it is of particular importance for our Priority Services Customers (PSR). We already tailor our services to provide faster support to those on our PSR but we know there is more we could do. For example, in AMP8 we will be looking to respond faster to PSR customers with internal flooding and prioritise any associated follow-on works.

We will deliver this objective through:

- **Single view of the customer with end to end journey design.** Providing our teams with a single view of the customer. This includes building on our new virtual technician capability to resolve more issues first time over video
- **Customer and property data transformation.** Investing in our customer and property data to ensure its up to date, accurate and accessible
- **Training and upskilling.** Investing in developing skills and competencies of recently insourced water repair and maintenance teams to increase first time fix rates
- **Continuous improvement.** Such as enhancing our self-serve capabilities, optimising our new workforce management systems to streamline and automate processes and driving for quicker service levels contracts with our partners

Virtual Technicians

Previously we had no ability to have an 'eyes on' view of a customer issue in the field when a customer called, restricting the chance to resolve the issue at the point of contact. We now can route some clean water calls to a team of Virtual Technicians so that they can be resolved over video. This has had a positive impact on our CSAT scores, and our Virtual Technicians have helped increased our capacity in the field to respond to higher value jobs for customers. We are now building on this new capability, working out which other types of contact our Virtual Technicians can support on, including our waste journeys.

To measure the success, we will target improving same day resolution rates in billing and first response times for the high-volume water and waste customer journeys.

²⁸ Putting water customers first – a consultation on introducing a customer-focused condition into the licences of all water companies in England and Wales, Ofwat, May 2023

3.2.3. We'll proactively keep customers updated so they will only need to contact us once to get their issue resolved

We'll make sure we keep customers updated. Customers should never need to chase us to get an issue resolved and it supports delivery of G4.1 and G4.2 of the customer-focused licence conditions²⁹.

Although the primary focus is household customers, as non-household customers would be updated on issues via their Retailer, during incidents this also applies to non-household. If we cannot resolve issues during the first contact, customers expect clear next steps and timelines, and a dedicated point of contact where possible (CX1 – CX14).

Not getting updates and lack of proactive communication are areas of particular concern for customers. Customers become frustrated when promises are broken, agents do not have the power to fix issues or communication is not proactive (CX1-14, CX18-CX21).

Customer Incident Responders

In the past we did not have a robust way of staffing Bottled Water Stations (BWS) to distribute water to our customers during incidents. We've recruited a team of Customer Incident Responders to address this. The team are on shift 7 days a week, carrying out proactive duties to prepare us in case incidents occur. The team will ensure we can always support our customers on the ground, and we will continue to evolve their role to proactively support the communities we serve.

Although some customers are satisfied with Thames Water's communication, others feel that we need to take a more active role in keeping customers informed at all stages, through a range of different channels, to reach as many of those impacted as possible (CX36, CX45). Customers expect sufficient notice of planned work - having no water for 4-8 hours is viewed as considerably better if warning is provided (SP6).

Non-household customers have higher expectations of Thames Water as they are considering the impact on their business running, as well as the facilities needed for staff (SP6).

Within this objective we have an opportunity to tailor updates in line with what our customers want. Whether they are a customer who only wants to receive updates from us via digital channels or a PSR customer who would like to be case managed until their issue is resolved.

We will deliver this objective through:

- **Better proactive customer incident communications.** We will continue to develop our communication approach during incidents by enhancing our playbooks, implementing better technology that allows us to share proactive updates quickly, and upskilling our teams to support. Customer Incident Responders will be a key part of this and will support with communications 'on the ground'
- **Reimagined customer journeys.** Reengineering our customer journeys to make sure we have the right automated proactive customer updates throughout. This includes implementing an online tracker so customers can view where they are in the process where appropriate
- **Targeted case management.** As contact volumes decrease, we will

Reimagined customer journeys

This AMP we've created a cross-functional transformation team, including journey designers, comms specialists, UX/UI talent and digital experts, supported by project and business readiness. So far, we've relaunched our customer bill and introduced a webchat channel to support customers. We've digitised most of our customer comms alongside launching a WhatsApp channel. We are already seeing the benefit of some of these changes with billing queries reducing by 35%, a 10% growth in customers submitting a meter reading online, and a 9% increase in customers using online channels. In 2023 we're relaunching our 'move home' experience and re-designing key journeys for our metered customers.

²⁹ Putting water customers first – a consultation on introducing a customer-focused condition into the licences of all water companies in England and Wales, Ofwat, May 2023

reallocate resource to case manage based on customer need or complex issues and improve our case management system to support our teams proactively managing customers

- **Continuous improvement.** Building on our platforms to ensure that omni-channel updates are coordinated and consistent including voice, video, IVR, SMS, push notifications, email, bots. Proactively identifying poor service in 'real time' using voice analytics to take action to resolve issues based on negative sentiment

To measure the success, we will target reducing repeat call volumes.

3.2.4. We'll make it simple and efficient for our non-household retailers to deal with us

We'll continue to improve the service we offer non-household Retailers who in turn have the direct billing relationship with our non-household customers. Retailers are generally pleased with account management and the support they receive (CX52-54). However, speed of service/timeliness remains an issue for numerous retailers (CX52-54). Data inconsistencies are a key area that is frequently mentioned by retailers as a top issue (CX54). For Retailers and third parties, accuracy and data quality is a top priority and they see it as an area requiring improvement going forward (CX42, CX54).

We will deliver this objective through:

- **Implementing a single workflow management system.** Moving to a single platform will improve the customer journey to ensure an efficient/right first-time response
- **Customer and property data transformation.** Investing in our customer and property data to ensure its up to date, accurate and accessible, including continuing to support and engage with the MOSL Central Data Cleanse Programme
- **Continuous improvement.** Including introducing self-service and automation opportunities and standardising our tariffs, services, and processes to reduce the effort for Retailers to engage with multiple wholesalers

To measure the success, we will target improvement in MOSL³⁰ industry performance measures.

3.2.5. We care deeply about our customers and the communities we serve

We'll create the right environment for our people to thrive so they can provide all our customers with the best possible service. If customers have a problem, they want Thames Water to listen carefully and understand the circumstances the customer is facing, and act accordingly (PR24-2). Negative sentiments are largely driven by a minority who have had a bad customer experience with Thames Water previously, claiming they lacked empathy and required better training on the systems to better tackle individual issues (CX1-14).

This is important to all our customers, and it needs to be across all potential interactions, so whether a customer speaks to our team on web chat, or directly engages with one of our colleagues at some roadworks, they deal with a highly engaged and capable team member. Due to the unique population density in our region, particularly in London, we can engage face-to-face much more regularly, and with far more customers, than other water companies, so we need to make sure every interaction matters.

We will deliver this objective through:

- **Customer centric competency.** Setting the expectations of our leaders, senior managers and frontline when it comes to customers
- **Institute of Customer Services (ICS) training.** Investing in ICS accredited training

³⁰ <https://mosl.co.uk/market-insight/market-charts?name=&category=6&datefrom=&datefrom=&dateto=&dateto=&order=DESC>

- **Delivering our People Strategy.** Which includes improving engagement and leadership capability, implementing our skills strategy, and assuring technical competence and modern ways of working.
- **Continuous improvement.** Sharing how we are improving things for customers with our team and embedding frontline continuous improvement opportunities to improve colleague engagement

To measure the success, we will target improvement in employee engagement and reduce frontline attrition rates.

3.2.6. Supporting customers in vulnerable circumstances

Our TMS07 Bill impact, Affordability and Vulnerability appendix covers the below customer objectives in more detail. These customer objectives are also complementary to achieving G4.5 in the customer-focussed licence conditions³¹.

- We'll increase the number on our Priority Services Register (PSR) to 75% of the eligible population
- We'll offer at least a 30% increase in inclusive service proposition

Supporting customers in vulnerable circumstance is at the heart of our PR24 Business Plan and stretches beyond the Customer Strategy. It is an area where we believe we can be industry leading and be there for our unique customer base.

3.3. Fair and affordable bills

The customer objectives that help us build towards this outcome are:

A better billing experience	Delivering value for money	Supporting customers who are financially vulnerable
<ul style="list-style-type: none"> • We'll put customers in control of their bill through offering affordable payment plans, a range of payment methods and installing smart meters so customers only pay for what they use. 	<ul style="list-style-type: none"> • We'll make it easy for customers to see that our services are value for money and offer new value-add services and incentives to support customers. 	<ul style="list-style-type: none"> • We'll help a minimum of 430,000 customers struggling to pay for life's essential service. • We'll explore innovative tariffs to support even more customers struggling to pay. • We'll partner with others to engage underrepresented communities. <p>(See TMS07 Bill impact, Affordability and Vulnerability appendix for more information on these customer objectives)</p>

3.3.1. We'll put customers in control of their bill through offering affordable payment plans, a range of payment methods and installing smart meters so customers only pay for what they use

We'll empower our customers to take control of their water bill – whether that is by controlling how much they use or how they pay. At the highest level, customers want a bill that is affordable, accurate and easy to pay. This is reinforced by words such 'fair' and 'easy' (PR24-2). This objective is applicable to all our customers in some form, but it is particularly important for our household customers who are financially vulnerable, or close to being so.

³¹ Putting water customers first – a consultation on introducing a customer-focused condition into the licences of all water companies in England and Wales, Ofwat, May 2023

Customers say smart water meters have done a great job at making them more in touch with the amount of water they use while saving them money (PR24-2), however it has previously been our London customers who have benefited from the transition to smart meters in previous AMPs. With the roll out in AMP8 expanding into the Thames Valley it will be a pivotal moment as it becomes a benefit to all. This extends to non-household customers who are increasingly interested in more accurate, more granular consumption data due to short-term post-COVID planning; medium term focuses on cost reduction and longer-term necessity of focusing on sustainability. Most non-household customers use their meter/consumption data for billing and financial forecasting (CX42). We will deliver this objective through:

- **Our industry leading smart meter roll out³²**. Continuing at pace to roll out another million smart meters, please see our TMS28 Enhancement case: WRMP demand reduction for further information. We will also fast track the installation of smart meters for our Non-Household customers, so that all meterable businesses are smart metered by 2030. Smart meters put customers in control of their bill and provides them with the data they need to understand and change their water usage. We will go further to allow us to meter currently unmeterable properties by partnering with meter suppliers to develop solutions where we are currently unable to install a meter
- **Segmentation strategies**. Building on the customer and property data transformation and using new insight to enable greater segmentation within our systems and using this to monitor and optimise payment plan offerings
- **Payment technology innovation**. Introducing new technologies, (e.g., wallets, variable recurring payments) to better fit customer base demographics (e.g., HMO customers, customers with inconsistent incomes)
- **Continued focus on getting properties in charge**. 'Void' properties are created when an existing customer moves out, but no new customer moves into replace them. Actively managing void properties is important to ensure that all chargeable properties are paying their bill. Our void reduction strategy divides the voids base into 5 distinct categories, with a targeted management plan for each category to identify any occupants and bring them into charge
- **Continuous improvement**. Ensuring payment plan adoption is built into supporting journeys, for example Home Move, and changing our processes to drive a more proactive approach. Driving customer engagement through online account management and customer own meter reads

To measure the success, we will target delivering our meter installation profiles, improving collection rates and increasing the volume of customers supported by payment plans.

3.3.2. We'll make it easy for customers to see that our services are value for money and offer new value-add services and incentives to support customers

We'll improve customer perception of the value of the services we provide. Showing good value for money takes on a greater importance, with customers wanting to know their money has been spent well (SP12). Around two-thirds of our customers are disengaged with Thames Water (i.e., they generally do not have much interaction with us other than paying their bill). We need more of them to feel they receive a high-quality, reliable service from us, and recognise the scale of work that we do, to improve perceptions of value for money (CX24, CX62).

³² We have asked Ofwat to consider adjusting the GER funding conditions in light of the affect that the summer drought of 2022 and subsequent freeze-thaw event has had on the achievability of our end of AMP leakage target. The outcome of these discussions will determine if we can proceed with the GER programme

We have the most diverse customer base³³ of any water company so making sure we are tailoring our engagement and offering to this wide-ranging audience needs to be factored into our plan.

We will deliver this objective through:

- **A single proactive customer comms strategy.** As part of this we will implement and utilise our new outbound customer comms platform to engage with our customers more regularly on service issues and have a specific comms focus during incidents
- **Investment in brand & marketing.** Increasing investment in brand and marketing (c£15m in AMP8) to continually engage our customers on who we are and how we are improving our service and influencing customer behaviour
- **Value-add propositions.** Reviewing and implementing value add proposition such as lead pipe replacement incentives - offering an incentive to encourage customers to replace their lead supply pipe and commitment to re-new their lead comms pipe at the same time, see the TMS06 Our Long Term Delivery Strategy appendix for more information. Partnering with relevant brands to offer our customer discounts - e.g., water efficient white goods

To measure the success, we will target improving external YouGov brand health measures and increasing the number of value-add propositions we offer.

3.3.3. Help for financially vulnerable customers.

Our TMS07 Bill impact, Affordability and Vulnerability appendix covers the below customer objectives in more detail. These customer objectives are also complementary to achieving G4.6 in the customer-focussed licence conditions.

- We'll help a minimum of 430,000 customers struggling to pay for life's essential service
- We'll explore innovative tariffs to support even more customers struggling to pay
- We'll partner with others to engage underrepresented communities

3.4. Fixing leaks and ensuring there is enough water in the future

Reducing the total water consumed across our household and business customer base is a business priority. Achieving demand reduction targets outlined in our Water Resources Management Plan (WRMP) and in line with Defra's new water target agenda, will be reliant on improvements to both customer behaviours and reducing customer-side water loss. The customer objectives that help us build towards this outcome are:

Customers support us to reduce water demand

- We'll make it easier for customers to find and fix their leaks, providing 100% of customers that have a smart meter the option of an alert when there is a continuous flow.
- We'll pilot innovative solutions to help customers reduce their water use including a water efficiency proposition for Retailers and business customers.
- We'll continue to work with government on water efficiency legislation.

³³ [Country of birth - Census Maps, ONS](#)

3.4.1. We'll make it easier for customers to find and fix their leaks, providing 100% of customers that have a smart meter the option of an alert when there is a continuous flow

We'll provide more accurate and responsive insight into continuous flow and potential customer side leaks via a digital solution (currently we do this via letters and emails) and support customers to get leaks fixed. Customers feel impressed about the prospect of using smart meters to combat leakage, and this makes customers feel more positive towards Thames Water (CX45). Our learnings from our smart meter roll out tells us that at least 10% of London homes have continuous flows either on their supply pipe or on their fixtures and fittings inside their house (e.g. leaking loo, tap etc), so this a big opportunity to help customer get control of their bill whilst also tackling leakage. This objective is relevant for all our customers and as mentioned earlier AMP8 opens up the benefits of smart meters to customers across our region, not just in London.

We will deliver this objective through:

- **Digital toolkit enhancements.** Developing a household and non-household Digital toolkit with smart meter 'analytics engine' and online portal. This will enable us to provide regular usage data and tailored water saving advice to customers regarding their water consumption. The online portal will allow customers to view their consumption data, track their usage, make comparisons with similar properties, set consumption thresholds and update information regarding their property and usage. These enhanced digital engagement capabilities will enable regular 'nudge' communications to deliver measurable water savings, in addition to the core smart meter installation and targeted water efficiency visits
- **Using data science to advance our understanding of water use and maximise demand reduction savings.** Working out how to better detect low levels of continuous flow (currently 10 l/p/h) which accounts for how different customers use water, e.g., those who work night shifts or non-household usage. Our data science and insight sharing will also continue to benefit future water policy and regulation, in parallel with our on-ground and engagement programmes
- **Continuous improvement.** Increase the range of alternative fix options that are available to the customer (e.g. approved plumbers, home insurance, customer self fix). These continuous improvements will help find and fix leaks faster and earlier, reducing the risk for future high bills. Our efforts to increase the identification of high usage and targeting the reduction of continuous flows, will benefit Per Capita Consumption and business demand reduction agendas
- **Business customers.** Our AMP8 plan is seeking to accelerate our rollout of smart meters across the business customer base. We are proposing to bring forward smart meter installation and demand reduction benefit investment, so that all meterable businesses at smart metered by end-AMP8 2030³⁴. This will fast-track the provision of consumption data to Retailers and business customers to improve market viability, plus enable greater water efficiency effort to achieve government business demand reduction targets

To measure the success, we will target reducing water usage and speeding up fixing customer side leak repairs.

³⁴ We have asked Ofwat to consider adjusting the GER funding conditions in light of the affect that the summer drought of 2022 and subsequent freeze-thaw event has had on the achievability of our end of AMP leakage target. The outcome of these discussions will determine if we can proceed with the GER programme

3.4.2. We'll pilot innovative solutions to help customers reduce their water use including a water efficiency proposition for Retailers and business customers

We will focus on helping our customers to reduce their water usage in new and effective ways. Learning that London's water supply could run out is new news to many customers (CX68). Those who were not already conserving water say that communication from Thames Water, would encourage them to think more carefully at how they use water at home (CX68). 76% of customers agree they would be willing to change their habits to reduce their water usage and 55% of customers said they would like their water company to tell them more about how they can reduce their water use (SP1). Retailers want to see a commitment to adopting smart meters, supported by a clear timeframe for delivery. They see data as integral to the 'water transition' i.e., enabling water efficiency and managing water sustainably (S27).

Within our region our customers use water in lots of different ways. From more rural parts where it is used for agriculture to the inner city of London where its mainly used for drinking and washing. We therefore need to make sure we tailor how we engage customers and pilot new approaches.

We will deliver this objective through:

- **Fast tracking the roll out of business smart meters.** We will accelerate our business smart meter roll out so that all metered businesses will be smart metered by the end of AMP8³⁵. This is in line with the MOSL and the Strategic Panel's interim metering strategy (2023) which seeks the accelerated roll out of AMI smart meters across the business market. This will give all businesses access to their hourly consumption data, enabling them to reduce their usage, identify and fix their continuous flow leaks and play their role towards Defra's new business demand reduction target
- **Innovative tariffs and incentives.** Exploring other solutions such as smart pricing or other incentives, and water saving pilots such as diurnal peak tariff trials and business sector specific tariffs. Developing functionality to allow industry benchmarking amongst similar customer groups
- **Non-household Digital toolkit.** Enhancing current Retailer Digital Data Service (DDS) and providing more detailed data sets and customer self-service opportunity

To measure the success, we will target both reducing household and non-household water use. A secondary benefit is also expected to be an improvement in customer perception.

3.4.3. We'll continue to work with government on water efficiency legislation

Water companies alone won't be able to solve water scarcity and we need Government and legislative support.

With high levels of development in our region it is even more important to us that legislation changes to ensure all future homes are as water efficient as possible.

We will deliver this objective through:

- **Working with government.** On issues such as building regulations (Future Homes) design and performance standards for fixtures and fittings, local planning conditions, water efficiency labels, water neutrality, and policy levers that drive water efficiency within all business sectors, etc
- **Industry collaboration.** Working collaboratively with the rest of the industry and representative bodies (e.g., Water UK) to have greater influence. These initiatives include smart metering technology and delivery, business retail market improvement, bathroom product manufacturing

³⁵ We have asked Ofwat to consider adjusting the GER funding conditions in light of the affect that the summer drought of 2022 and subsequent freeze-thaw event has had on the achievability of our end of AMP leakage target. The outcome of these discussions will determine if we can proceed with the GER programme

- **Insight sharing.** Our early adoption of smart meter technology is enabling us to lead the sector on smart data and consumption insight, creating some industry-first thought leadership opportunities. We are sharing this insight with government, regulators and the water sector to steer future policy and standards, as well as assist the development of wider demand reduction programmes that deliver against government water targets

To measure the success, we will target getting legislation through that increases standards for water efficiency in homes and increases uptake of water neutrality schemes.

3.5. Preventing sewer flooding and taking waste away safely

Only a small minority of customers experience flooding into their property from our sewer. But we understand the very significant distress that such flooding can cause, and we are working hard to prevent any sewer flooding from happening. Customers have also been clear that they view sewer

Customers support us to reduce sewer flooding.

- We'll work with customers to reduce sewer mis-use blockages by 15%.
- We'll collaborate with others to raise awareness and incentivise sustainable drainage solutions.

flooding in someone's home, business or garden as the worst service failure, by far. They want us to prevent sewer flooding as a top priority. Upgrading and maintaining assets to increase the capacity of the wastewater network to ensure its reliability is vital to ensure that we reduce the numbers of customers that experience sewer flooding. However, a large number of sewer flooding incidents are caused due to sewer misuse by our customers. Educating and engaging our customers to reduce blockages is a key enabler to deliver the outcome that customers want. The customer objectives that build toward this outcome are:

3.5.1. We'll work with customers to reduce sewer mis-use blockages by 15%

Currently inappropriate disposal of materials such as wet wipes and fats into sewers account for up to 70% of our blockages. We want to prevent customers blocking the sewers and requiring an unnecessary response. Most customers agree we should do more to maintain the network and reduce blockages and sewer flooding (CX43). There is some awareness that pouring fats, oils and greases down the sink is not a good idea – but this is usually heavily dependent on first-hand experience of the consequences (R37). Customers consider it a priority to be educated about what can and cannot be put into sewers and feel we should directly engage with customers (CX43).

There are real hotspots in our region where customer behaviour drives higher volumes of blockages, for example in the Mogden catchment in south-west London. We are therefore targeting investment in engaging the relevant customer base to make the biggest difference.

We will deliver the objective of preventing sewer misuse blockages through:

- **Educational publicity campaigns:** Our active role in publicity campaigns is an important aspect of our educational work to reduce behaviour that causes blockages. In AMP8, we plan to continue our involvement in Water UK's 'Bin the Wipe' campaign, which raises awareness of the potential for wet wipes to cause blockages when flushed. We also plan to continue our own successful campaign, 'Bin it, Don't Block it' to educate customers on the impact of disposing of FOGs and unflushable materials such as wet wipes down the drain.

- **Education in the community:** Our activities in the local community span across a wide range of stakeholders and settings, and we plan to maintain our community engagement in AMP8. We will continue to support the Junior Citizenship Scheme for Year 6 pupils, and will extend our engagement to further non-household customers. We will also continue to work collaboratively with the other UK water companies sharing best practice and learnings at the Network Protection Forum and the Sewer Network Abuse Prevention (SNAP) group.
- **Targeted educational activities:** In terms of our engagement with households with experience of blockages at an individual level in AMP8, we will continue to focus on targeted education as a priority. Our process involves sending written communications to inform customers on how to avoid blockages, escalating to an educational visit from a Thames water employee if blockages continue. We are also trialling a new approach to better target blockage hotspot areas. We continue to focus on educating customers first, but if sewer misuse continues, we may escalate to enforcement, as detailed below.
- **Engagement with Food Service Establishments:** Following success in AMP7, we plan to continue our work with Food Service Establishments (FSEs) in AMP8 to promote good grease management and the use of appropriate equipment, such as grease traps.
- **Exercising our enforcement powers to protect our sewers against misuse:** In instances where our education-focused approach is not effective, we are trialling the use of our powers for enforcement under Section 111 of the Water Industry Act 1991 for both household customers and FSEs. In AMP8, we plan to continue using these powers in appropriate circumstances to change persistent behaviour that leads to blockages.

Enforcement powers

For household customers, if blockages persist following education, we will begin investigations into the specific customers responsible. We will notify them of our investigations via letter and make customers aware of our enforcement powers if they continue to misuse the sewers.

Our dedicated enforcement team will continue to address non-cooperative FSEs or FSEs that create a significant operational incident. Our focus is on working with FSEs to make voluntary rectifications, with a target of zero prosecutions. However, if required, we will look to exercise our enforcement powers against offending FSEs that persist in sewer misuse.

To measure the success, we will aspire to reduce blockages caused by sewer misuse by 15% and then look to re-invest the additional capacity in responding to remaining blockages much faster (see earlier customer objective on resolving more issues within 24 hours).

3.5.2. We'll collaborate with others to raise awareness and incentivise sustainable drainage solutions

To solve some of our fundamental infrastructure challenges, such as stopping overspills of sewage into rivers, we need to work with our customers to resolve this together. Over time our green spaces which acted as a natural sponge have been developed and built on, this is no truer than within our region³⁶. The lack of natural drainage means we are continually battling a high volume of surface run-off into our sewers which stretches beyond our designed capacity.

Customers are clear that sewage overspills into rivers is completely unacceptable, and this has become even more prominent in public opinion over the last 18 months.

We will deliver this objective through:

³⁶ <https://climatelondon.org/case/drain-london/>

- [London Sustainable Drainage Action Plan](#).³⁷ Promoting the awareness, and the retrofitting, of sustainable drainage systems across London. This will mainly be implemented as other planned maintenance, repair or improvements are scheduled to keep costs low
- [Community engagement pilots](#). We recognise that there are a significant number of customers who are at higher risk of flooding from severe rainstorms and where there is no quick or easy solution to this risk. To help improve their resilience, in 2022-23 we initiated a pilot with six communities where we appointed the National Flood Forum to support and empower the communities to develop their own, bespoke, community flood actions plans. These plans identify the actions that the communities can take themselves, or with the respective Borough and us, to address the risk. The pilot was so successful that we secured further funding from the Thames Regional Flood and Coastal Committee to extend the programme to a further 8 communities over the next three years

To measure success, we will target reducing sewage overflows into rivers.

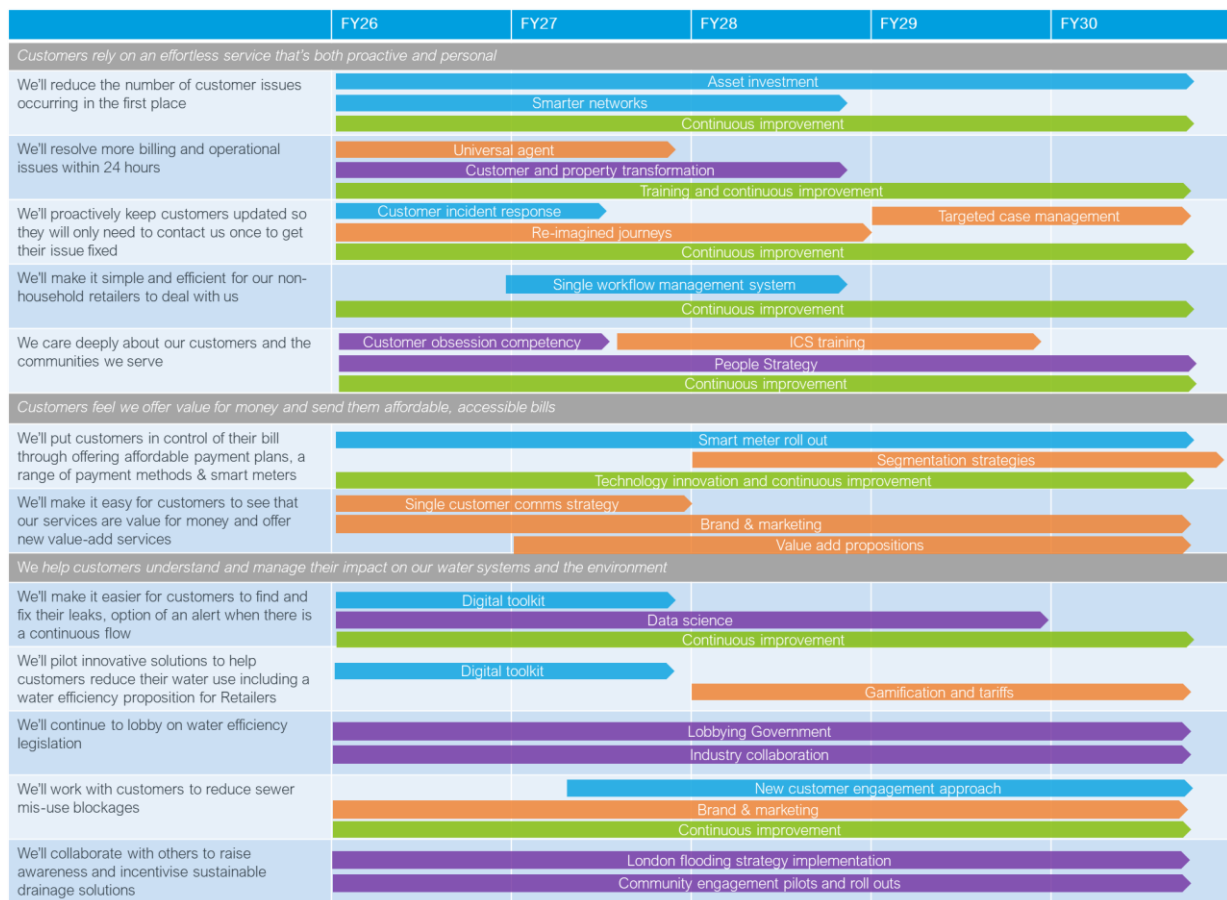
3.6. [We have a plan to deliver our PR24 Customer Strategy](#)

Below is a draft roadmap for how we will deliver the customer objectives and initiatives described in our plan. We call out the key transformational programmes alongside recognising the continuous improvement activity that will continue to build on what we already do today.

This activity will be funded across all the Price Controls and some of it, for example the roll out of smart meters, will be funded via our Enhancement cases. The colour code shows an indicative view of where the main source of funding will come from to deliver the plan.

³⁷ <https://www.london.gov.uk/programmes-and-strategies/environment-and-climate-change/climate-change/surface-water/london-sustainable-drainage-action-plan>

Figure 3.1: Customer Strategy AMP8 roadmap



Key:

Price Control funding
Funded via Wholesale Price Controls BOTEX or Enhancement cases
Funded via Wholesale Price Controls or Retail Price Control BOTEX
Funded via Retail Price Control BOTEX
Group spend funded proportionally across all Price Controls BOTEX

Teams across Thames Water have helped to shape and inform this plan. Digital are one of the key deliverers of the Customer Strategy and we have worked collaboratively with them sharing what we want to achieve and outlining the business needs. They have used this information to develop high level costing and timings of solutions.

How we will deliver in AMP8 will build on the changes to the way we work we have already started to make. We are pivoting to a more agile approach using Product teams to deliver change allowing us to test and learn to deliver the very best for our customers as quickly as possible. This way of working means that there will be a 'backlog' of changes we want to make, and a Product Owner will work with the business owners to understand priority for delivery. This means we can flex our plans throughout the AMP to deliver according to changing customer expectations plus also tap into new technology or opportunities identified within and outside the industry quickly.

3.7. We'll build trust with our customers over AMP8 and focus on interventions to deliver an efficient and effective service

We know that trust with our customers has been significantly damaged. In AMP8 we will focus on the core customer priorities of reducing pollutions, supply interruptions and leakage. By committing to a plan that focusses on these areas we will reduce the number of customer issues that happen in the first place and build trust with our customers that we deliver what we say we will. We will focus on interventions that allow us to deliver an efficient and effective service. This will reduce the cost to operate and improve the experience of our customers.

- C-MeX
We are targeting a turnaround in the customer service that we provide. We will do this by focussing our investment on areas that we know are most important to customers: stopping issues occurring in the first place, resolving problems quickly and keeping customers updated. We know that improvement in these areas will take some time to impact our C-MeX scores. We therefore expect C-MeX to remain flat until Year 3 of the AMP and then accelerate as customer journeys have been redesigned and key capabilities such as 'one view of the customer', our marketing communications platform and our Smart meter data engine have been delivered. Below is a breakdown of our C-MeX targets for AMP8.

Table 3.2: C-MeX forecasted performance for AMP8

Outcome	FY26	FY27	FY28	FY29	FY30
C-MeX league table position	17th	17th	16th	16th	15th

Source: C-MeX Forecast, Thames Water analysis

- Complaints
We recognise complaints are a critical opportunity to learn from our customers and get to the root cause of dissatisfaction. We have already delivered a 50% reduction in complaints between FY21 and FY22 and a further 25% reduction between FY22 and FY23. We will continue to target a 10% year on year reduction complaints over AMP7 and AMP8, building on the success we have had to date. The investments we have set out in our customer strategy such as fixing end to end journeys and enhanced training of frontline agents will be critical to deliver this reduction.

Table 3.3: Forecast complaint volumes for AMP8

Outcome	FY26	FY27	FY28	FY29	FY30
Complaints received per year (all sources)	59,200	55,000	50,000	45,000	41,000

Source: Complaints Forecast, Thames Water analysis

- BR-MeX
We are also committed to improving service for our non-household and Retailer customers through stretching BR-MeX targets. As the methodology for BR-MeX is still under development we have assumed it will be reflective of both R-MeX which we measure today and the Water and Waste CSS element of C-MeX to set the below targets.

Table 3.4: BR-MeX forecast performance for AMP8

Outcome	FY26	FY27	FY28	FY29	FY30
BR-MeX league table position	13th	13th	13th	12th	11th

Source: BR-MeX Forecast, Thames Water analysis

- Cash collections and bad debt

The second highest priority customer want is fair and affordable bills³⁸. In addressing this customer want we will achieve collection rates at 94% CY and 29% PY by 2030 and drive Bad Debt as a % revenue to 2.5% by the end of AMP8 as the economy recovers from the impact of the cost-of-living crisis. Our benchmark up to August 2021 showed this to be in line with industry top quartile during a period of benign credit environment prior to COVID and aligns to mainstream unsecured banking portfolios.

Table 3.5: Forecast Collection performance for AMP8

Bad Debt (Outturn prices)	FY26	FY27	FY28	FY29	FY30
Doubtful Debt £m	123.8	114.6	106.6	95.4	93.2
Residential Revenue £m	3,011	3,253	3,393	3,545	3,782
Bad Debt as % revenue (%)	4.1%	3.5%	3.1%	2.7%	2.5%
Collection rate CY (%)	88%	90%	92%	94%	94%
Collection rate PY (%)	32%	34%	32%	31%	29%
Collection rate (All up) (%)	82%	84%	87%	89%	90%

Source: Bad Debt model, Thames Water analysis.

We will have over 80% of our customers on monthly or quarterly billing frequencies and payment by 2030 with over 70% having an online account. We are also targeting a direct debit penetration of 65%. These targets align with industry benchmarks and will support making billing effortless for our customers. We will continue to refine these targets as our understanding of what our customers want improves through our segmentation work.

- Per Capita Consumption and Business Demand

Our efforts to reduce household water demand will focus on smart metering, targeted water efficiency and a step-change on proactive customer engagement. These activities, combined with additional government-led interventions, will aim to reduce Per Capita Consumption down to 137.9 litres per person per day by 2030³⁹. These Performance Commitments drive our demand reduction contributions towards our Water Resource Management Plan and Defra’s new water targets under the Environment Act (2021)⁴⁰. The demand reduction interventions within our control will need to deliver a significant part of the national target agenda, and work in parallel with new water policy, water labelling, changes to building and product regulations. See the TMS06 Our Long Term Delivery Strategy appendix for our forecasted performance. For businesses and Retailers in AMP8 we plan a step change in the coverage of non-household smart meters with a further 100,000 installations, driving this up further from the significant programme we are delivering in AMP7, to reach a smart meter penetration of

³⁸ TMS04 What Customers Communities and Stakeholders Want

³⁹ 3-year average per capita consumption, OUT4

⁴⁰ The Environmental Targets (Water) (England) Regulations 2022, Environment Act (2021)
<https://www.legislation.gov.uk/ukdsi/2022/9780348242911>

c.85% of the total business customer base by 2030, which covers all meterable business premises⁴¹.

- Internal and External Sewer flooding
We aim to reduce the number of blockages caused through sewer misuse by 15% by 2030. This in turn will reduce internal and external sewer flooding incidents, see the TMS06 Our Long Term Delivery Strategy appendix for our forecasted performance.

3.8. We have confidence in delivering our C-MeX, BR-MeX and D-MeX ambition

We have deliberately ensured that our C-MeX, BR-MeX and D-MeX forecasts are realistic and deliverable. We have invested time into creating a C-MeX model which allows us to forecast the likely impact of interventions and prioritise the objectives that will have the biggest impact in transforming our customer service. Detail on the D-MeX forecast can be found in the TMS12 Developer Services appendix.

There are a few of the customer objectives included that have only a small impact on the customer service measures however address other important focus areas. These objectives are mainly centred around our vulnerability offering and although do not overtly contribute to C-MeX improvements (due to the way that C-MeX works and the sample sizes) are still critically important in improving our service for all our customers.

Our response to MeX consultation

The difficulty with these customer measures is that we are making considerable progress in improving our performance, which we anticipate will translate in constantly improving customer satisfaction throughout AMP8, but other companies are improving in a similar way. Since the measures are based on relative performance, we are chasing a target that is constantly moving away from us.

In order to make sure that performance penalties are used in the best interests of consumers, we propose creating a customer satisfaction fund, rather than returning the money to customers. The money in this fund can then be invested in improving customer satisfaction, e.g. by spending it on additional upgrades to our computer systems. We would be happy to explore with Ofwat how this arrangement would work in practice.

Separately, we have responded to Ofwat's consultation on the measures of experience performance commitments. We support many of Ofwat's proposals including reducing the proportion of Customer Experience Survey (which captures brand perception) in C-MeX surveys (on the basis that this is less directly within company control), and rebalancing the D-MeX incentive to better reflect the proportion of work carried out for large developers and players in the competitive market. We are, however, concerned about Ofwat's proposals to calculate incentives based on return on regulated equity (RoRE). In principle we believe that the size of the incentive should be proportional to the amount of activity that is being undertaken. RoRE is forecast to grow significantly over AMP8 as a result of the high investment in water and wastewater assets. In contrast the size

⁴¹ We have asked Ofwat to consider adjusting the GER funding conditions in light of the affect that the summer drought of 2022 and subsequent freeze-thaw event has had on the achievability of our end of AMP leakage target. The outcome of these discussions will determine if we can proceed with the GER programme

of the Retail business will remain relatively flat and the Developer Services business may shrink and the amount of activity undertaken by self-lay providers increases. In our view the size of C-MeX and D-MeX incentives should remain linked to revenues that are proportional to the amount of activity that is undertaken.

4. How we've developed the AMP8 Customer Strategy

4.1. We've developed our strategy and made decisions in line with what customers want

Our Customer Strategy has been designed to identify the key changes that we need to make to transform our customer service and continue to support our customers as their needs change over time. The diagram below provides a high-level overview of how we developed our Customer Strategy.

Figure 4.1: How we developed our AMP8 Customer Strategy



Our customer objectives are a result of numerous workshops with colleagues from across the business and are what will help deliver our Performance Commitment outcomes.

Each customer objective has a senior sponsor who has approved the scope, ambition and high-level initiatives that will deliver it. They have nominated members of their team to support further data analysis and modelling to ensure it is something that is achievable. We have benchmarked internal metrics across the industry and beyond wherever possible and sought out new ways of delivering change by learning from what other customer service leading companies are doing.

These customer objectives have been shared with key supporting teams, such as Digital, and they have used this information to develop their high level AMP8 plans, making sure the plan is fully funded and aligned in terms of priorities.

We have also developed our plan with the new customer-focussed licence⁴² being introduced in Autumn 2023 in mind. We have made sure the plan supports the draft outcomes and principles of this licence condition.

4.1.1. We have developed high level investment cases for each customer objective

Over the last 18 months we have been through an iterative process with our Operational and Retail leadership teams to develop and prioritise the final 17 customer objectives that have been included in our customer strategy. Each of these 17 customer objectives is underpinned by a high-level business case template which sets out the purpose of the investment and the forecast costs and

⁴² Putting water customers first – a consultation on introducing a customer-focused condition into the licences of all water companies in England and Wales, Ofwat, May 2023

benefits. This detail has given us confidence in the items that we have selected and has supported our C-MeX and BR-MeX forecasts.

We are mindful that new technology, ways of working, and evolving customer expectations means that our plan today shapes a high-level view of activity we will complete between 2025-2030 but this will need to be agile. Our Investment Governance process requires a full cost benefit analysis to be completed before funds are released onto a project. This will allow us to re-assess each case as we move through the AMP and re-prioritise funding if alternative projects would have a more significant customer benefit.

4.1.2. We have learnt from the past

Please see our TMS40 Accounting for Past Delivery and Deliverability appendix for further information on how we have learnt from the past. We have taken this learning and applied this to our Customer Strategy going forward by:

- **Continuing to focus on fixing the basics.** We need to continue to focus on resolving issues much quicker and keeping customers updated throughout. Our strategy reflects this with a high focus on continuous improvement activity and not just transformational programmes.
- **Investing in proactively engaging our customers.** To build trust in our brand we need to reach out and proactively engage our customers. With trust we can influence both our CES scores in C-MeX but also successfully influence important behaviour change, such as reducing water use or stopping sewer misuse. For this reason, we have committed to investing £20m in AMP8 in increased proactive communication, the highest level of investment in this capability to date.
- **Developing a plan that is adaptive and agile to the changing external environment.** COVID and the more recent cost-of-living crisis has highlighted the ever-changing pressures on our customers and how as an essential service we need to be there for them whatever. We have built an adaptive plan in response and a good example of how we have done this is by insourcing our contact teams so we can multi-skill our people and optimise our resources.
- **Remaining realistic and not overly optimistic.** We need to build a track record for delivery to build credibility. We have reflected by setting a realistic trajectory on C-MeX and BR-MeX.
- **Understanding where we can really lead the industry.** Supporting customers in vulnerable circumstances is a key example of this and as a business we are committed to paving the ways for others with our scale allowing us to pioneer the potential single social tariff and our diverse customer base being perfect to trial new and innovative ways to support customers who need it most.

4.1.3. We have learnt from others

We continue to collaborate with other industry peers and learn from others beyond the water industry to reach higher and be better for our customers. Below outlines just a few examples of how we've applied learning from others to make strategic business decisions or deliver change.

Table 4.1: Learning from others

Strategic decision/change	Who has done it well	How we have applied this learning
Insourcing our billing customer contact teams	- Bristol/Wessex Water	- Bristol & Wessex Water have never outsourced their billing contact teams and are continually at the top of the C-MeX table. We've spent a lot of time understanding how this model delivers for their customer base and how we can implement a similar approach at Thames.
	- O2 and TSB	

		- O ₂ moved from bottom for customer experience to top by insourcing their customer contact teams.
Universal agent model (multi-skilled approach)	- Welsh Water - Sky	- Welsh Water organise their contact teams in a way that allows them to respond to multiple queries. They invest in upskilling their people and provide them with a single view of the customer. - Sky have ensured their contact agents can see the customers full contact history allowing them to better serve the customer.
Reducing blockages caused by customer behaviour	- Northumbrian water	- Northumbrian Water are using an 8-step engagement approach to tackle customer sewer mis-use which leads to blockages. They have shared some impressive results with a 50% reduction in blockages. We have applied this learning in our Customer Strategy for AMP8.
Increasing self-serve	- Monzo - Chat GPT	- Monzo is an online bank where most contact is managed through self-serve channels; they have delivered this via customer-led product teams. - Chat GPT is a natural language processing AI Chatbot driven by AI technology developed from Open AI. We are working with third parties like this to radically change how we use new technology to drive self-serve opportunities.
Data sharing	- UKPN	- UKPN is part of a group of companies that is pushing for greater data sharing of customers in vulnerable circumstances so we can support those who need us most. We are the key water company in this collaboration.

4.1.4. We have created an adaptable Customer Strategy which is supported by new ways of working

We recognise that the future is uncertain, particularly in the customer service sector where new customer expectations, innovation and new technology can rapidly impact how we do business. Remaining flexible and adaptable to change is vital to running a successful customer service business.

Our ways of working are changing in response to this. We are moving to a more agile organisation which can quickly pivot in response to external changes and new opportunities unlocked via collaboration, partnering and innovation.

We are committed to delivering improved service for our customers. As we test and pilot initiatives, we may find they have a bigger or smaller benefit than our initial assumptions, or we need more business or change resource than initially thought, as we learn we will develop and adapt the plan accordingly.

As part of creating the Customer Strategy we have considered how the plan would change under different scenarios. We have taken two main approaches to considering the impact of alternative pathways on our AMP8 plans. Firstly, our core plan has been selected in part due to its ability to be flexible in the light of a changing external environment. For example, our decision to insource and onshore our customer service teams will mean that we have greater control to be able to make and roll out changes more quickly.

Secondly, we have reviewed the potential long-term scenarios and considered the impact of these extremes on the customer services part of the business, considered what changes we would need to make to adapt to these scenarios, and identified potential trigger points that may suggest that we need to move away from our core pathway.

Below shows just one example of how we would change our plan in a high/low technology environment in reference to the specific scenarios shown in our TMS06 Our Long Term Delivery Strategy (LTDS).

Table 4.2: Scenario planning

Scenario	Impact of Scenario on Retail Business	Changes that we would make to our core plan	Trigger points
High Tech	<p>In a high technology scenario, we would expect our customers to increase their tech adoption, resulting in a higher proportion of our contacts coming through digital channels. We would also expect customers' expectations of these digital channels to increase. In this scenario we would expect the cost of technology to reduce. We would expect an increase in data sharing but also an increase in cybercrime. In this scenario we would expect the cost of smart meters to reduce. Technology may also mean that previously un-meterable properties are able to be metered.</p>	<p>Our core plan already includes significant investment in our digital capability to ensure we have the foundations in place that will be required for a high technology scenario. We would fast track digital investment and bring forward additional investment from our AMP9 plans. We would expect technology costs to drop so we would be able to deliver more for less. We would support increased data sharing to improve debt collection due to sharing of contact details between organisations and smarter customer segmentation. We also recognise that in a high technology environment cybercrime may increase. We would therefore also increase our investment in cyber security. We acknowledge that even in a high technology environment some customers will still want to contact us through traditional channels. Therefore, we will ensure that we retain these, even in this scenario. This may increase the cost per contact through these channels as volumes decrease. We would fast track our metering programme taking advantage of the lower cost of technology to deliver water savings more quickly.</p>	<p>Horizon scanning for new technology innovations % of customers contacting us through Digital channels Cost of key pieces of technology – E.g. Smart meters</p>
Low Tech	<p>In a Low Technology scenario, we would expect costs of digital technology to stay as is or increase. We would expect that our customers would have a preference for talking to 'real' people and more traditional channels. There may have been a revolt away from digital and some untrust in technology.</p>	<p>Where we see a significant move away from digital channels, we would delay digital investment and instead invest in more agents. Our current assumption is that even in a low technology environment customers would still want to do simple transactions online, while preferring to talk to agents for more complex or personal queries. Our core plan insourcing our contact centre, with universal agents, means we will have the flexibility to increase recruitment of agents to support a higher traditional channel mix if required. Universal agents will also be equipped to handle the more complex or personal queries.</p>	<p>Horizon scanning for new technology innovations % of customers contacting us through Digital channels</p>

4.1.5. We have confidence that this Customer Strategy will deliver

We acknowledge that in the past we have not always been successful at delivering what we say we will. In some respects, this is inevitable as the context changes, unforeseen challenges arise, and we find a better way of doing things. However, we have reflected on this and ensured that in this PR24 Customer Strategy we have:

- Developed a plan that aligns to what our customers want;
- Worked collaboratively across the business and with our shareholders to prioritise high impact change;
- Learnt from the past, and learnt from others;

- Developed a Customer Strategy that is adaptable and supported by new ways of working. Only time will tell in terms of delivery our Customer Strategy in AMP8 however we have high confidence that we have built created it in a way that is stretching, credible and achievable.

4.2. We have invited and responded to challenge

The Vision 2050 Strategic Roadmap was tested with our customers in Spring 2022. Customers were overall aligned with the 2050 customer outcomes⁴³; however, they wanted the customer service elements to be delivered sooner. We have adapted our plan and Vision 2050 Strategic Roadmap to deliver most of the customer service elements in our long-term vision by 2030 (end of AMP8) so they are now more aligned with customer feedback.

We also invited initial customer challenge of the PR24 Customer Strategy via the Customer Challenge Group (CCG) in January and May 2023. We received helpful critique and feedback throughout these sessions and the key changes we have made in response are outlined below.

- Re-worked strategy to demonstrate a clearer link to how we started with 'What customers, communities and stakeholders want' to create the Customer Strategy
- For each customer objective we ensured there was a link to the customer expectations and were transparent on where we are today, where we are trying to get to by 2030 and if this aligns with what customers want
- Identified potentially missing customer objectives and re-worded ones which needed to be to be simplified and in customer language
- Included a roadmap view of when customer objectives will be delivered throughout the AMP

In Spring 2023 we carried out the qualitative Affordability & Acceptability testing and our first Your Water, Your Say (YWYS) session. Although these were more focused on the overall plan, including the Wholesale Performance Commitments and potential impact on customer bills, we took away the below feedback into the Customer Strategy.

- **Customers are willing to pay more to support tackling environmental challenges.** This aligns to the customer insight recently shared by ICS which confirms that consumers not only care about price but want companies to have an environmental focus.⁴⁴ In response our Customer Strategy includes elements on changing customer behaviour to support these environmental outcomes – such as reducing water use and stopping sewer misuse that leads to blockages.
- **Roadworks are a key issue for customers and stakeholders.** In the YWYS session roadworks, and the disruption these cause to the communities we serve, was brought up on several occasions. In response we included the proposed Bespoke Performance Commitment for streetworks collaboration as part of the Customer Strategy.
- **We have more to do to support customers in vulnerable circumstances.** Further opportunities to help more customers struggling to pay were highlighted in the YWYS session. Our TMS07 Bill impact, Affordability and Vulnerability appendix reflects some of these opportunities in response.

We tested the acceptability and affordability of our final plan with customers in August-September 2023. The estimated bill impact for this plan was an average household annual bill of £571 by 2030, excluding inflation (up £154, 37%, from average 2022/23 bill).

The results of the surveys showed that:

⁴³ Vision 2050 Research, May 2022

⁴⁴ Customer Behaviour: Evolution or Watershed? UKCSI, 2022

- Overall, 20% of customers said the plan would be easy to afford, with 48% finding it difficult to afford.
- 29% of customers said that the plan would be neither easy nor difficult to afford.
- The proportion of customers finding the plan difficult to afford was higher for both vulnerable customers (56%) and customers struggling to pay their bills (85%).
- 65% of customers found the plan acceptable and 20% found it unacceptable.

Due to the low proportion of customers saying the plan is easy to afford across all customer types, it is essential that we provide an ambitious and progressive package of affordability support for our customers. Our proposals will enable us to lift 63% of households who are below the Affordability Threshold, while delivering the significant investment and customer benefits of our plan.

Our specific proposals for addressing the overall affordability of our plans and the provision of support to customers who are struggling to pay can be found in TMS07 Bill Impact, Affordability and Vulnerability.

4.3. Costs and efficiency have been considered

Our Customer Strategy covers how we will deliver for both our household and non-household customers. It therefore goes beyond the Retail Price Control (which covers customer services, debt management and metering). Our PR24 Customer Strategy is an organisational strategy to deliver good service for all, it is not funded by one Price Control. For a full view of cost and efficiency by Price Control please see our TMS14 Cost and Efficiency appendix.

To help bring to life the investments that support the delivery of this customer strategy, we have provided a short summary below. It should be noted that these are funded across various price controls.

Digital investments to support the delivery of the Customer Strategy:

- [REDACTED] in single view of the customer to make it easier for agents to see all customer information in one place and have more effective customer interactions.
- [REDACTED] to upgrade our marketing communications platform to allow us to engage with our customers more regularly on service issues and have a specific comms focus during incidents.
- [REDACTED] to expand our Smart Meter analytics engine, consumption communications and online portal to non-household customers.
- [REDACTED] to improve the workforce management platform to ensure we can deliver our services efficiently and have the right people in the right place at the right time to help our customers
- [REDACTED] to put in place the changes required to support the new tariffs we will deliver in AMP8
- [REDACTED] upgrading and maintain our existing digital infrastructure to ensure that it continues to function optimally and retains our high level of data security and resilience.
- £123m cybersecurity Enhancement Case to enhance our cybersecurity and ensure that we are resilient to future threats.

We did want to highlight two areas where we experience higher retail costs.

- Customer Relationship Management and Billing ('CRMB') system

In 2019 we commissioned our new CRBM system to improve customer experience and deliver operational resilience. Big digital investments such as billing system upgrades only happen every 10 – 20 years, and as such are not taken into account in the historical retail cost base and Ofwat models. Over AMP8, there is £56m of depreciation in our Retail Price Control due to the investment in the CRBM system. We estimate that the Ofwat models allow for approximately £55m of depreciation over AMP8. This means that any capital investments in Retail, such as the ones set out above, result in Thames Water spending more than the regulated allowance.

- Population transience

High population transience in our region, particularly in London, drives up higher efficient retail costs. In June 2023 we submitted a Cost adjustment claim (TMS19 Cost adjustment claim: Transience) to support this.

Population transience is the propensity of people to migrate between addresses, both within the UK, and internationally. Transience impacts efficient retail costs that water companies incur in the following ways.

- Debt related costs (i.e., the combination of doubtful debt and debt management costs) are higher with increased transience. This is because, the more customers relocate, the ‘harder’ it is to recover debt from them.
- Non-bad debt related costs (other costs) increase with transience because when customers move address, companies need to ‘process’ that change of address.

Thames Water has notably higher levels of transience than other water companies.⁴⁵ Specifically, in the period 2013-14 to 2019-20, Thames had total migration rate of 18% compared to the industry average of around 12%.⁴⁶

We have submitted a CAC for £83 million⁴⁷ over the PR24 period for efficient retail costs⁴⁸ which arise from much higher population transience in its supply area compared to the industry average. This is because, as Ofwat itself noted at PR19, there is strong economic and engineering rationale that transience affects efficient retail costs.⁴⁹

4.4. The strategy is based on some core assumptions

Our Customer Strategy is based on the following key assumptions:

Table 4.3: Strategic key assumptions

Assumption category	Key Assumptions
Socioeconomic factors, such as economic growth and changes in household incomes	<ul style="list-style-type: none"> • Assumes inflation returns to ‘normal’/ near normal by FY25 and remains stable for AMP8. • Assumes that it takes 2-3 years before collection rates begin to improve following the cost of living crisis • Population and property growth rate based on Local Authority and ONS data

⁴⁵ This also applies to a small number of other companies, such as Affinity Water.

⁴⁶ Please see Section **Error! Reference source not found.** for further detail.

⁴⁷ All the figures in this report have been reported in 2022-23 prices (unless otherwise stated).

⁴⁸ In this report, ‘retail costs’ refer to ‘residential retail costs’.

⁴⁹ [‘PR19 Draft Determinations: Securing cost efficiency technical appendix.’](#) Ofwat (July 2019); page 81.

Government and regulatory policy	<ul style="list-style-type: none"> Assumes single social tariff criteria is no longer centrally defined by Government however we work with key stakeholders such as CCW to trial a criteria is close to what this would be in 2024. NHH market – assumes no significant changes to the structure of the NHH market. Assumes an agreement can be reached to delink the allowed funding for GER from the PR19 leakage performance commitment
The activities of other water companies and sectors, such as their contribution towards long-term targets	<ul style="list-style-type: none"> Assumes there will be no exit of a large NHH Retailer. WOCs - same inflation assumptions applied as for in-house debt performance with assumption of inflation returning to 'normal'/near normal by FY25. WOCs underlying bad debt performance assumed to be flat to latest forecast submitted by WOCs. Assumes that all water companies improve customer service over time.
Customer affordability and vulnerability	<ul style="list-style-type: none"> Assumes 24%⁵⁰ of the population eligible for PSR. Assumes 5.5%⁵¹ of our billed customers are currently below the Affordability Threshold
The costs of inputs	<ul style="list-style-type: none"> See TMS19 Cost adjustment claim: Transience
The availability of skills	<ul style="list-style-type: none"> Assumes we can recruit onshore in region skilled contact centre agents. Assumes our contracted service providers are able to provide a skilled workforce for Metering field activity.
The capacity of the supply chain	<ul style="list-style-type: none"> Assumes we are able to source the stock and components required to deliver our work profiles (e.g. smart meter chips).
Levels of asset health and resilience	<ul style="list-style-type: none"> Assumes that our cyber security Enhancement Case is delivered and significantly improves the security of our digital assets.
Innovation within the company cost efficiencies	<ul style="list-style-type: none"> Assumes that we exit AMP7 at efficient run rates. Assumes that we continue to innovate and drive cost efficiencies.
Performance Commitment	<ul style="list-style-type: none"> Assumes that Ofwat takes into consideration Thames Waters response to the consultation on the measures of experience for PR24 Assumes the methodology and the reward/penalty incentives for C-MeX will change and this will be confirmed by Ofwat at final determination in June 2024. Assumes the reward/penalty incentives for C-Mex will continue to be based on % of retail revenue. Assumes BR-MeX methodology will closely align with C-MeX methodology. Assumes Ofwat make an allowance for PCC AMP8 entry position being worse due to COVID and working from home.

5. Conclusion

⁵⁰ Thames Water [analysis](#)

⁵¹ Thames Water [analysis](#)

Our PR24 Customer Strategy has been build based on customer priorities and focussing on interventions that will allow us to deliver an efficient and effective service. We will deliver a turnaround in our C-MeX, BR-MeX and D-MeX performance by focussing on interventions that matter most to our customers and that will have the biggest impact on improving the service that they receive from us.

We have learnt lessons from our past performance and acknowledge that we need to do better for our customers. We know that both customer expectations and our external environment are constantly changing. Given this, we have consciously chosen to develop an agile plan that we can adapt as needed.

Our Customer Strategy is focused on delivering a better service for all our customer during 2025-2030 as well as starting to build a strong foundation of trust with our customers to enable us to successfully work with them to protect the environment in the future. We know we have a long journey ahead, but we are starting to see green shoots in our internal customer service metrics and remain confident that we can, and will, do better for the customers and the communities we provide life's essential service to.



It's everyone's water