



MINUTES of the Customer Challenge Group

On 26 June 2025, 09:00am – 3:00pm, Ms Teams

Present:

Sukhvinder Kaur-Stubbs	Chair of Customer Challenge Group	SK-S
David Brindle	Ambient Support	DB
Sarah Powell	Environment Agency	SP
Peter Daw	Greater London Authority	PD
Dr Charlotte Duke	London Economics	CD
Rob Scarrott	National Highways	RS
Jane MacBean	Buckinghamshire Council	JMB
Natalie Jakomis	Rightmove	NJ

Thames Water:

Sir Adrian Montague	Chairman of TW Board	AM
Esther Sharples	Chief Operating Officer	ES
Przemek Milewicz	Director of Customer Strategy	PM
Shane Gloster	Head of Leakage	SG
Jonathan Read	Director of Policy and Investigations	JR
Mariana Simpson	Regulatory Engagement Manager	MS

Thames Water:

John Hargreaves	Indepen	JH
Michelle Ashford	Indepen	MA

Apologies:

Catherine Jones	CCW	CJ
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Agenda Item No.		Action
1.	Apologies for absence / Declarations of interests / Minutes from previous meeting	
	Apologies were noted and no additional declarations of interests have been recorded. The minutes from the meeting on 16 May 2025 were approved. The CCG reflected on the meeting agenda and discussed key questions and focus areas.	
2.	Leakage	
	Following introductions, SG stepped through presentation and explained how TW manage leakage by following four key principles of water industry – Prevent (Pressure Optimisation), Aware (Approach to improving operational areas), Locate and Mend (Ensuring Effective Prioritisation) using examples to bring it to life.	

	<p>Reflecting on their neighbourhood, CCG shared experience of a visible leak which has not been resolved so far and were interested how do TW prioritise. SG explained that TW follow strict rules to attend visible leaks within five days regardless of the size. Occasionally there may be access or logistical issues which will prevent from the leaks being fixed straight away. On invisible leaks, the company prioritise larger leaks to ensure leakage is driven down overall.</p> <p>Further discussion focused on leakage performance and meeting regulatory targets. SG explained that while leakage is not increasing when looking at the annual average basis, TW has not been able to reduce leakage at the sufficient rate to meet the performance commitment level. This is why the leakage transformation programme is one of the key turnaround priorities. SG outlined how the transformation programme is addressing some of the challenges (e.g. sustained increase of acoustic sensors in the worst performing areas due to seasonal changes will help to identify leaks more timely before they deteriorate). Furthermore, TW retain a high level of resources from a repair perspective which allows to allow to stay on top of the workload though summer months and be able to deal with weather impact through winter.</p> <p>Turning to leakage reporting tool CCG were interested to whether customers register for follow up update or just use the tool to raise problems even if it means duplication. SG agreed to follow up but noted that the system will be able to filter duplicate jobs raised by multiple customers.</p> <p>Action: SG to share insights from leakage reporting tool regarding registration for updates</p> <p>Looking into the future, CCG recognised that leakage will never be zero but wanted to know what the realistic goal for the company was to aim for. SG explained that based on the Vision 2050 and engagement with customers, the goal is to reduce leakage 50% based on 2020 level however customers would prefer it to happen faster. SG explained that there is more to do on helping customers to understand the complexity of leakage and noted that in order to engage more with customers on leakage there is a social media campaign planned for the July to amplify plans for sustainable investment in leakage. Messaging to include examples of what the company will deliver and the size of resources.</p>	
3.	Customer performance	
	<p>PM provided an update on Q4 retail performance based on material shared in advance. Key points of discussion included below.</p> <p><u>Abandoned calls</u></p> <p>PM highlighted that despite of high volume of customer contacts the abandoned calls rate remain stable</p> <p><u>CSAT</u></p> <p>Customer Satisfaction (CSAT) scores dropped significantly after the bill increases, especially in billing with some scores even below 60. PM explained that the decline was not due to operational performance (e.g. abandon rate or issue resolution), but heavily driven by negative customer sentiment with estimated 40% of complaints linked to bill rises.</p> <p>The company is moving away from the current CSAT model, transitioning to align it with C-MeX methodology. This includes changes in survey timing, sampling, and delivery method (phone vs.</p>	

web). Scores will likely stabilize around C-MeX levels (currently around 60), in line with current C-MeX levels.

The discussion focused on the changes to CSAT model, especially on the timing of the surveys, with PM explaining that the change will help company to better understand what drives customer sentiment by collecting richer and more consistent data.

Action: PM to share an overview how customer engagement and surveys are used to understand experience and perception.

Action: RS to share insights from other industry

Complaints

Target was to reduce complaints to 83k, a major improvement from prior years. Despite efforts, there was a spike in March, with volumes exceeding targets. PM explained that the curve of declining complaints post-price rise is slower than expected, but built-in margins may still help achieve year-end targets. TW have put higher resources in place in anticipation of higher contact volumes.

Smart metering

Company goal is to double installations to 1.1 million meters over the next 5 years. PM acknowledged that the company faced system and digital delivery delays, but still tracking towards targets. It was noted that the bill increases triggered a 3× surge in customer requests for smart meters, highlighting customer interest.

Vulnerability

CCG were interested whether the contact data is collecting any socio demographics, including those that might be on the social tariff and other potential vulnerability characteristics so that that can then be fed into other data sets to inform future work on affordability. PM explained that TW is testing a data-driven approach to proactively identify and support financially vulnerable customers with high percentage of customers identified through experience-based segmentation closely align with those who request help. The company using predictive sources (like the Department for Work and Pensions), the team contacts customers who may need support without waiting for the inbound calls. Three mechanisms used include internal data, partnerships with local authorities and marketing communication.

CCG were interested in lessons learnt on billing and this will be added to the forward plan.

Action: TW to share lessons learnt from Billing (planned for July or September)

Repeat contacts - water

Repeat customer calls are driven by unresolved or unclear outcomes, unwanted contact, and misaligned expectations, prompting the company to address this strategically through proactive communication, escalation teams, digital tools, and clearer customer guidance.

The final part of the discussion focused on questions regarding Water efficiency campaign recently nominated for industry awards., The summer campaign contributed to 28k customers completing a water saving calculator, enhanced public perception of the brand, achieved measurable reductions in water usage in a cost-effective manner, and surpassed digital engagement expectations through strategic messaging and behavioural interventions.

	<p>It was noted that the campaign couldn't yet link customer actions to smart meter data—so actual savings can't be confirmed; a new campaign launching next week will aim to close that gap. CCG suggested that TW structure it in natural experiment which will help to isolate the impact.</p>	
4.	<p>Session with TW Board Chairman</p> <p>Following introductions, SAM reflected on the time of his appointment to date, noting that organisation has undergone significant change in recent years. On joining he explained how he had sought to stabilise this leadership team, including through the appointment of permanent CEO Chris Weston, and more recently the new CFO Steve Buck.</p> <p>As Chairman SAM has been particularly involved in the intense engagement with financial recovery efforts. Following the withdrawal of the existing equity owners from the £3 billion equity raise process in March 2024, this resulted in the company twin-tracking its restructuring around raising capital and restructuring debt. A court-approved restructuring plan is currently being implemented, although is subject to ongoing legal appeals.</p> <p>Investor interest peaked in early 2025, although the preferred bidder subsequently withdrew. The company then pivoted to progressing its alternative restructuring pathway to financial resilience, which involved negotiating a revised capital structure with lenders to align with a £20 billion regulatory determination. Complex discussions are ongoing regarding capital spend reprofiling and environmental compliance.</p> <p>The organisation is leveraging its liquidity facility and preparing for a second phase of restructuring to secure long-term financial stability and compliance</p> <p>SAM highlighted that the company is entering a pivotal period with plans for a creditor-led restructuring involving equity injection, debt refresh, and significant deleveraging to secure long-term financial stability.</p> <p>Discussion focused on the potential market led solution with SAM noting that the creditors remain strongly motivated to pursue a second major restructuring, provided ongoing discussions with regulators yield a path forward. The government appears to be supportive of a private-sector solution in preference to special administration. Turning to the CMA appeal, it was noted that progress with Ofwat discussions is ongoing but complex, and while regulators and government appear motivated to reach a solution, the board has deferred its decision on re-initiating its request to seek a redetermination at the CMA until mid-July.</p> <p>CCG reflected on the recent Efra Select Committee and the prolonged discussion around staff bonuses. SAM explained that retention plans, common in restructurings and distinct from performance-based bonuses, were introduced last autumn to protect key staff, are funded solely by lenders not customers, and aim to preserve continuity during a critical phase of the company's financial restructuring.</p> <p>Turning to Asset Health, CCG wondered whether there is an opportunity for government to rebalance its regulatory direction to prioritise maintaining existing water infrastructure over new (sometimes costly) enhancements, given affordability concerns. SAM emphasised that while the government has pushed for improvements over enhancements, asset health remains a systemic issue across the water sector. In SAM's view inadequate investment and regulatory disconnect between required upgrades and funding mechanisms have led to deteriorating infrastructure — particularly for Thames Water.</p> <p>Moving to Climate Change, CCG were interested to understand how proactively the board is considering climate change in the decisions it makes and how it how it does that. SAM explained</p>	

	<p>that the board has intensified its focus on climate resilience and infrastructure, establishing a new committee on safety, sustainability, and water supply planning.</p> <p>He set out how despite progress on major projects like the Abingdon reservoir and Teddington river abstraction scheme, long timelines, limited funding, and conflicting environmental mandates continue to hinder efforts to maintain asset health and contribute to growth.</p> <p>CCG welcomed the Board's elevated focus and were interested how is the business integrating long-term water supply solutions like reservoir development with initiatives to reduce water consumption, while also addressing urban flooding through sustainable drainage systems (SuDS) in light of increasingly extreme weather events. In response SAM outlined how funding constraints are limiting progress on sustainable drainage systems (SuDS), despite their transformative potential, and while asset health remains a priority, water consumption reduction efforts hinge on expanding metering—especially in high-use, affluent areas where influencing behaviour is particularly challenging.</p> <p>Reflecting on the company's historical performance CCG questioned whether current leadership should be held accountable. SAM reasoned that while Thames Water's leadership fully accepts responsibility for addressing all of the issues the company is facing, it is not reasonable for individuals to be personally held accountable for actions taken before their tenure.</p> <p>Turning to the Independent (Cunliffe) Review CCG were interested in SAM's view on the interim findings. SAM highlighted the need for fundamental regulatory reform in the water sector, including the need for a more nuanced, informed, judgement based supervisory style regulation, something which he had seen at the PRA in financial services.</p> <p>He also saw merit in the Commission's interim findings, which amongst other things advocated a more joined-up approach to setting priorities and regional planning (including bringing in other sectors which had an impact on water) and linking these investment needs to the price review funding. In addition, the Commission had highlighted the need for the regulatory frameworks to consider the differences between companies, including where companies were in turnaround.</p>	
5.	Cunliffe review	
	<p>Following introductions, the discussion focussed on interim report which highlighted a key gap in customer and stakeholder engagement—specifically the lack of a local voice in shaping water sector decisions—prompting the group to draft a position note aimed at amplifying diverse perspectives and influencing future accountability structures in alignment with broader challenge groups. The note focused on strengthening local customer representation in regional water planning and supervision, advocating for clearer accountability structures from Ofwat, and calling for mandated, well-defined engagement groups to support better integration of customer voice in decision-making.</p> <p>Discussion considered how best to structure and support future customer representation in the water sector, amid evolving roles for regulators and potential regional planners. It was noted there was broad agreement on the need for better engagement and scrutiny mechanisms, but uncertainty remained over governance—specifically whether Independent Challenge Groups should report to Ofwat, regional bodies, or both.</p>	

	<p>Drawing from lessons in the energy sector, JH an AM emphasized the importance of clarity from Defra to avoid fragmentation and ensure that customer input meaningfully influences regulatory priorities and price reviews.</p> <p>The group acknowledged that while the interim report outlines promising structural reforms—like regional planning and regulator consolidation—it lacks a clear delivery roadmap, raising concerns about implementation risks and over-consultation. The group recognised the importance of practical detail, a strong political mandate, and thoughtful coordination to avoid confusion and unequal regional outcomes once final recommendations are released.</p> <p>The group reflected on its impact on key customer issues and opportunities for challenge groups to surface long-term priorities early, helping restore public trust and align customer and investor interests beyond short-term planning cycles.</p> <p>The discussion concluded with review of suggested comments on the proposed note. It was noted that once complete, the note will be circulated to select recipients.</p>	
6.	Operational performance	
	<p>ES provided an update on Q4 operational performance based on material shared in advance. Key points of discussion included below.</p> <p><u>Pollutions</u></p> <p>Despite dry weather, TW saw elevated pollution incidents due to prolonged effects from high groundwater levels in certain catchments (e.g. Chesham), compounded by typical causes like blockages, misconnections, asset and power failures. While performance is broadly on track against business plan forecasts. ES explained that TW is responding through tailored catchment-specific planning and proven interventions like sewer lining, while emphasizing the need to raise stakeholder awareness of local geographic factors that drive pollution independent of rainfall.</p> <p>Action: ES to share root causes analysis for serious pollutions.</p> <p>Follow up discussion focused on collaboration with local stakeholders to improve catchment planning. There was a recognition that that drainage and flooding challenges extend beyond TW's infrastructure. Issues like broken gullies, surface runoff, and misconnections require coordinated efforts with councils, the Environment Agency, and communities to reduce system strain and improve long-term resilience.</p> <p>Further discussion focused on improving public messaging around sewer abuse and misconnections by working with trusted voices and highlighting both positive actions, like Wales' wet wipe ban, and enforcement efforts. The goal is to foster shared responsibility for protecting waterways through joined-up communication across stakeholders.</p> <p><u>Supply Interruption</u></p> <p>TW has delivered record performance on supply interruptions overall, but persistent challenges remain in Thames Valley due to slower response times and production vulnerabilities in critical zones. The company is addressing this with targeted strategies, including recruiting dedicated SI coordinators and focusing on keeping customers in supply during incidents. Long-term resolution</p>	

	<p>depends on improving treatment resilience, though progress is constrained by current funding and infrastructure configuration.</p> <p>CCG asked whether TW's goal to reduce supply interruptions in Thames Valley over time, or simply to maintain current levels given the persistent gap between actual performance and targets. ES highlighted that TW aims to reduce supply interruption, however there remains the challenge of unpredictable events (e.g. major bursts or treatment failures). The strategy focuses on managing risk across the system. Discussion focused on longer term planning for next year's summer with ES highlighting that strategy includes summer preparedness, asset upgrades, and upskilling frontline teams. It was noted that both infrastructure and workforce capability are vital for managing water supply risk efficiently.</p> <p><u>Leakage</u></p> <p>Thames Water is making operational progress on leakage; however, it still falls short of long-term targets, largely due to the recurring nature of leaks and detection challenges. The discussion reflected on the earlier discussion at the start of the meeting where leakage was discussed in the detail. ES highlighted the differences between Thames Valley and London. One of the key challenges remains external pipe corrosion driven by soil conditions, especially iron-rich environments, which deteriorate infrastructure from the outside while leaving internal surfaces and water quality unaffected. Follow up discussion focused on Thames Water's approach to managing leakage by targeting vulnerable areas in its network.</p> <p><u>CRI</u></p> <p>TW is maintaining strong performance on drinking water quality through effective risk management, despite structural challenges. A comprehensive public health transformation plan is guiding improvements across infrastructure, operations, and workforce capability. Ageing service reservoirs pose complex risks due to age and location, and complex upgrades are needed to avoid customer supply disruptions. The company is also actively working to preserve public confidence through regular sampling and outreach efforts.</p> <p>Action: Future meeting to include deep dive on transformation plan</p> <p><u>Biodiversity</u></p> <p>In response to CCG concerns, ES explained that TW is committed to improving biodiversity outcomes, even under current spending constraints. Rather than relying solely on large investments, the company is integrating biodiversity into everyday operations and project planning. It has a £5 million charity fund to support external programmes. Recent wetland restorations—like the award-winning site near Godalming — illustrates this work. However, ES recognised that the company could do more to showcase its contributions to natural spaces and biodiversity stewardship, aligning with customer expectations and environmental priorities.</p>	
7.	Update on enforcement	
	<p>JR provided an overview of recent enforcements</p> <p>Thames Water received a £128 million fine from Ofwat following a multi-year investigation into wastewater operations. The company was found by Ofwat to have had historic weaknesses in its sewage treatment works operations and management controls, albeit Ofwat recognised that the company had co-operated fully with the investigation, and Ofwat had not alleged deliberate</p>	

	<p>wrongdoing. A key outcome of the investigation is the clarification that compliance with permits alone isn't enough — water companies must also ensure wider environmental regulations are equally met, and JR noted that the EA were currently consulting on new industry guidance around this.</p> <p>Thames is now required to submit a suite of remediation plans by November, outlining improvements to Flow to Full Treatment, Storm overflows, spills and governance.</p> <p>TW wasn't able to reach an agreement with regulators to resolve the enforcement action through alternative undertakings, unlike other companies. While the enforcement order provisions are broadly similar in terms of corrective actions to other companies' undertakings, TW also received a financial penalty.</p> <p>Turning to dividends, JR outlined that TW's dividend-related enforcement stems from the Board's decisions to approve dividend payments in late 2023 and early 2024, alongside making pension contributions and the consideration given in respect of tax loss transfers within the group. Ofwat had challenged whether these actions were appropriate, given the company's overall performance. While TW argued the dividends were necessary to prevent financial instability and were made with due consideration performance and customer interest in line with of Licence Condition P30, Ofwat disagreed.</p> <p>Thames Water is reviewing its response to recent enforcement actions, including whether to appeal and/or proposing a repayment plan to Ofwat around the financial penalties.</p>	
8.	AOB	
	Next CCG meeting on 25 July 2025	