



MINUTES of the Independent Challenge Group

On 15 May 2026, 09:00am – 3:30pm, MsTeams

Present:

Sukhvinder Kaur-Stubbs	Chair of the Independent Challenge Group	SK-S
David Brindle	Ambient Support	DB
Rob Scarrott	National Highways	RS
Jane MacBean	Buckinghamshire Council	JMB
Catherine Jones	CCW	CJ
Dr Charlotte Duke	London Economics	CD
Pete Daw	Independent	PD

Thames Water:

Hannah Rose	Head of Household Customer Strategy	HR
James Lancaster	Regulatory Manager – Pricing & Tariffs	JL
Huw Thomas	Head of Engagement – Thames Valley and Home Counties	HT
Sarah Davies	Head of Strategic Communications	SD
Megan D’Arcy	Strategic Comms Manager – Water Resources	MD
Amanda Frost	Head of Complaints Transformation	AF
Paul Jackman	D-MeX Lead	PJ
Isabelle Bartlett	Strategy Manager	IB
Mariana Simpson	Regulatory Engagement Manager	MS

Apologies:

Sarah Powell	Environment Agency	SP
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Agenda Item No.		Action
1.	Apologies for absence / Declarations of interests / Minutes from previous meeting	
	Apologies were noted. No additional declarations of interest were made. The minutes from the CCG meeting held on 17 April 2026 were reviewed and approved. The group reviewed progress on actions, noting that updates will be scheduled for further sessions where appropriate.	
2.	Chair update	
	The Chair opened the meeting by outlining the agenda and invited ICG leads to highlight their areas of focus and the key questions to be explored.	
3.	Consumer involvement rule	
	The Chair opened the session by asking CD to set out the context and purpose of the discussion. CD said the aim was to present Thames Water’s approach to complying with Ofwat’s new Consumer Involvement Rule and to explore how it may impact outcomes for customers. HR explained that the rule, effective from 1 April, requires companies to demonstrate how customer views are understood, embedded in material decision-making, and used to inform future decisions	

through structured feedback loops. All companies must publish a forward plan by 30 June outlining its approach, with Ofwat assessing performance. HR explained that while TW already has strong foundations in customer research and engagement, the rule envisages a step up in evidencing consumer influence and traceability through to material decisions. Key areas for development include defining a formal materiality framework, strengthening board visibility of customer insights, introducing mechanisms to evidence how customer views inform decisions, and enhancing post-decision feedback processes. Customers are expected to benefit from greater transparency and clearer reporting on how their views shape decisions, though limitations were noted where regulatory requirements supersede customer preferences and /or constrain options or where topics are highly technical.

Discussion focused on materiality and how it should be defined in practice. In response to CD's question on both "material impact" and "material decision-making," HR outlined that TW is developing a framework, which will include a decision tree and a scale-versus-severity matrix. This approach will assess the extent of impact on customers (severity) and the number of customers affected (scale), supported by customer research. CD highlighted that materiality should also consider probability of impact and whether customer input can meaningfully influence outcomes. HR confirmed this will be incorporated through initial assessment questions and governance processes and noted the inclusion of override rules to ensure vulnerable or disproportionately affected groups are prioritised. The ICG requested visibility of this framework as it develops, recognising it as a key building block for ensuring traceability.

The next part of the discussion focused on how "views and preferences" are captured. CD challenged whether TW is sufficiently leveraging existing data sources, such as complaints, customer journey insights, and operational metrics, rather than relying predominantly on new research, noting the cost implications for customers. HR explained that TW already triangulates a wide range of existing data and agreed that strengthening the integration of this data into both the materiality framework and decision-making processes is an important next step.

Further perspectives from CCW emphasised that the rule is intentionally flexible and likely to evolve, particularly in defining materiality and establishing consistent reporting across companies. It was noted that customers may distinguish between issues they consider important and those where they wish to actively influence decisions, versus areas where they are content to defer to company expertise. This reinforces the need for proportionate and meaningful engagement. There was also recognition that clearer and more consistent reporting standards will be needed over time to allow comparison across the sector.

The ICG welcomed Thames Water's approach as clear and broadly aligned with expectations, particularly the focus on materiality, traceability, and the consideration of vulnerable customers. It was agreed that the new rule strengthens the role of the ICG in providing challenge, especially in reviewing how customer views are evidenced in decision-making. To support this, a subgroup including SKS, CD and DB will review TW's draft forward plan in early June, ahead of its submission. This review will also help inform the ICG's own forward planning and approach under the new rule.

Action: HR to share draft Consumer Involvement Rule forward plan in the week commencing 1 June, ICG subgroup to undertake a focused review of the plan (particularly the materiality framework and traceability mechanisms), provide timely feedback, and enable HR to reflect this feedback, where appropriate, ahead of final submission to Ofwat by 30 June

	<p>Action: The ICG to compare TW's approach with ICG forward plan, to identify any implications for ICG's forward plan</p> <p>Action: Further session on 19 July to include an update on the published plan, initial reflections on implementation and input from the CSC</p> <p>Action: CCW (via Catherine Jones / Steve Hobbs) to provide a sector-wide perspective on approaches to the rule, including consistency and reporting expectations, if possible.</p> <p>The Chair concluded by thanking HR and CD, noting that the presentation and discussion had been clear, well-structured, and highly valuable. She described Thames Water's approach as grounded and sensible, particularly highlighting the focus on materiality, traceability, and vulnerable customers, and emphasised that the new rule represents an important and positive step change, including greater Board-level visibility of customer considerations. She also recognised CD's role in shaping a constructive and insightful discussion and confirmed the importance of continued collaboration as the ICG supports the next stages.</p>	
4.	<p>CCW panels and accountability session</p>	
	<p>The Chair introduced the session on CCG accountability panels and invited CJ to provide an update on the completed first round of sessions, including TW's. CJ highlighted that consistent themes emerged across all panels, particularly concerns about bills, trust in where money is spent, water quality, and environmental performance. The TW session reflected these themes, with three core questions focused on water quality perceptions, sewage pollution, and value for money. Feedback during the session suggested that much of the information customers are seeking already exists, but that they are not aware of how to access it, or it is not resonating with them. The discussion noted that while TW's responses during the session were positively received, particularly their openness and acknowledgement that existing information is not getting cut through, there remains a gap between what is provided and what customers understand and trust. Examples such as perceptions around water quality and even visible issues like office lighting illustrated how customer concerns are often shaped by incomplete or misconstrued information.</p> <p>Members discussed the implications of these findings, with questions exploring whether the outputs represented new actions or a reframing of existing activity, and highlighting the importance of improving how information is presented, accessed, and reinforced. CJ confirmed that the agreed actions from the panels are largely focused on improving communication clarity, accessibility, and visibility rather than introducing entirely new initiatives, with TW now responsible for developing detailed and deliverable action plans ahead of publication in early June.</p> <p>There was recognition that this is a common challenge across the sector and that there is value in sharing best practice and learning between companies. The role of CCW was noted as supporting testing of responses with customers and helping manage expectations around what is practical.</p> <p>Action: CJ to circulate the barometer materials (monthly customer insight data) to the group.</p> <p>The Chair closed the session by thanking CJ for the update and shared her reflections that the session was well run and constructive, with clear, calm engagement from customers and strong contributions from TW representatives. She thought that while current outputs reinforced messages from ICG, future sessions could benefit from more deliberative approaches to deepen</p>	

	insight, particularly on how to rebuild trust and ensure key information is understood and retained by customers.	
5.	AMP8 bill smoothing - ODI deferral request	
	<p>The session focused on TW’s proposal to use Ofwat’s Outcome Delivery Incentive (ODI) deferral mechanism for the first time to smooth customer bill impacts during AMP8. DB opened by stressing the importance of the topic and asking JL to walk through the material in detail. JL explained that ODI penalties from 2025–26 performance are expected to be significantly higher than in previous years (around £219m in outturn prices), and under normal rules would flow directly into customer bills in 2027–28. TW is therefore proposing to defer a proportion of these penalties to later years to avoid sharp fluctuations in bills, in line with Ofwat’s expectation that companies consider customer interests and engage stakeholders, including the ICG.</p> <p>The discussion explored how the ODI mechanism works and the implications for bills. Without intervention, customers would likely see a short-term reduction in bills followed by a sharper subsequent increase, creating volatility. The proposed deferral would instead smooth this profile, resulting in more gradual changes over time. JL emphasised that the mechanism is designed to be net neutral: deferred penalties are increased by inflation and a time value adjustment when later applied, meaning customers do not lose out overall and the company does not gain financially. However, several members sought clarification on how this works in practice, particularly given that the analysis initially presented excluded expected ODI penalties in future years. It was agreed that additional modelling including future ODI projections would need to be shared for the ICG to fully understand the long-term bill trajectory and “smoothing” effect.</p> <p>A key area of challenge related to transparency, customer impact, and trust. RS and SKS questioned whether deferral could be perceived as prioritising company cash flow over immediate customer benefit, especially in the context of recent bill increases. Concerns were also raised about the interaction with the ongoing creditor plan, including the risk that future changes could alter or remove ODI penalties, potentially affecting how and when customers see benefits. JL clarified that any such changes would be “trued up” in future years and that customers would not lose out, but members emphasised the need for clear, credible communication to customers on how deferrals work and what they mean in practice. [CORRECTION: Any mechanisms that may be applied within a creditor plan regarding correcting for ODI payments that have already been applied or would in the future be applied to customer bills are not currently known, so the “truing up” referred to in the meeting is not necessarily what will happen should a creditor plan be agreed and implemented.]</p> <p>The group also discussed a second scenario involving potential additional revenue from large gated schemes (e.g. major infrastructure programmes such as reservoirs and security measures direction related investments), which could further affect bill profiles but would reduce the level of ODI deferral required for bill smoothing. However, if this was granted, this would be for carrying out additional investment activity, and in any event uncertainty remains over Ofwat approval and TW’s ability to deliver this investment within the current period. The Chair highlighted the importance of understanding both the customer benefits of earlier investment and the company’s confidence in delivering the programmes, noting that this information is critical to assessing the overall proposal.</p>	

	<p>Overall, members recognised the rationale for smoothing bills but identified several areas requiring further clarity before forming a view. These included: the full bill impact including future ODI projections; clearer articulation of customer benefits beyond smoothing; transparency on how any deferrals would be communicated; and assurance regarding the delivery and value of large gated schemes. It was agreed that Thames Water would provide additional analysis (including future-year ODI scenarios and illustrative bill impacts), after which the ICG would reflect, via a subgroup, to form its position within the required timeframe ahead of submission to Ofwat in July.</p> <p>Action: JL to share additional analysis including future-year ODI scenarios (i.e. with expected penalties across all years) and include customer bill impacts in £ values as well as percentages</p> <p>Action: TW to provide further detail on confidence in delivering large gated schemes within AMP8 and clarify the customer benefits of early investment from these scenarios</p> <p>Action: ICG subgroup to discuss the proposal in more detail and provide feedback to TW by early June 2026 the latest</p> <p>The Chair thanked DB for shaping the discussion and JL for a clear explanation of a complex issue, noting that while the rationale for bill smoothing was understood, there were still important questions around customer value and perception.</p>	
6.	<p>Water resources communication</p>	
	<p>The chair asked PD set out the context of the session who highlighted increasingly frequent and severe dry periods linked to climate change with the focus on TW's approach to water resources planning and drought communications. PD stated that drought conditions and interventions such as Temporary Use Bans (TUBs) are becoming more regular, and the session aimed to explore how TW is adapting its communications, how effective last year's approach was, and how messaging can evolve. Key questions raised included whether communications should be more localised rather than regional, how to handle conflicting or complex messages from different stakeholders (e.g. drought vs fire risk), and how TW can demonstrate the impact of its communications on customer behaviour.</p> <p>SD, with support from MD'A and HT outlined a three-part approach to drought communications: education, informing, and engagement. A strong focus is being placed on "always-on" education, helping customers understand water sources (e.g. groundwater), changing weather patterns, and why behaviour change matters. This is supported by new content such as explanatory videos and increased stakeholder engagement (e.g. with the Met Office, Environment Agency, NFU, and local groups) to build credibility and consistency of messaging. A key development is the recognition of regional differences, with separate communication strategies for London and Thames Valley, reflecting differing water resource pressures and customer behaviours. There is also an increased emphasis on proactive stakeholder communications, including newsletters and targeted messaging, rather than reactive engagement during drought events.</p> <p>The discussion included several important challenges and reflections. PD raised the complexity of aligning drought messaging with other risks (such as fire or flood), and HW confirmed it works with Local Resilience Forums and other agencies to coordinate messaging in extreme scenarios. RS challenged whether current messaging represents a step change, noting that similar messages have been used for many years without significantly shifting customer water use. SD acknowledged this and agreed there is a need to make messaging more dynamic, personalised,</p>	

	<p>and impactful, while balancing tone and trust considerations. JMB reinforced the need for more sophisticated and continuous engagement, highlighting that short-term campaigns are insufficient and that messaging must reach different audiences through varied channels.</p> <p>Discussion also covered lessons learned from the 2025 drought response. SD highlighted that localised messaging was much more effective than blanket approaches used in earlier droughts, and that targeted interventions (e.g. location-specific alerts) can successfully reduce demand when deployed carefully. However, over-communication via a single channel led to disengagement, and future approaches will need to be more varied and targeted, including broader use of media and local channels. The group also discussed the importance of long-term behavioural change, with CD noting that information alone does not drive behaviour, and that behavioural insights and nudges need to be more explicitly embedded in messaging. It was noted that TW is developing this capability but it is not yet fully integrated into current drought communications.</p> <p>Finally, the group discussed measurement of impact and future opportunities, including the use of smart meters and data to provide personalised feedback and encourage behaviour change. PD emphasised the potential for technology-enabled engagement (similar to energy apps), while also noting the need for more granular targeting beyond broad regional differences.</p> <p>The Chair concluded that, while the approach is evolving positively, it was not yet clear how effectively the strategy is driving behaviour change or how clearly it addresses drought specifically, as opposed to broader climate messaging.</p>	
7.	<p>Customer Service Strategy deep dives - Deliver accurate resolution to promise timescales & Strengthen partnerships with developers (D-MeX)</p>	
	<p>The Chair welcomed the AF/PJ and clarified this was part of the series of deep dives into customer the services strategy. She asked JMB to set out the key lines of enquiry that the ICG were interested in. JMB highlighted the two topics a. Deliver accurate resolution to promised timescale and b. strengthen partnerships with developers (D-MeX).</p> <p>Starting with the accurate resolution JMB framed the discussion around two key themes: learning from the pilot projects conducted in the previous year and understanding how these approaches can be scaled more broadly across the organisation. AF then presented the retail customer strategy, explaining that the work is grounded in new customer research examining what “good resolution” actually means to customers. This research highlighted that expectations are consistent, straightforward, and unchanged over time: customers want a single point of contact, clear ownership, timely resolution, follow-through on commitments, and communications tailored to their individual situation. Importantly, the findings emphasised that customer satisfaction is largely driven by getting the basics right consistently, rather than attempting to “delight” customers in remediating a problem.</p> <p>AF outlined two key end-to-end resolution pilots designed to address long-standing issues with fragmented customer journeys. The first, focused on email handling via the offshore partner EXL, tested a model where a single case handler owns customer queries from start to finish, rather than passing issues between teams. This significantly improved performance, with resolution rates rising from around the 30% range to 77–80%, and customer satisfaction also increasing substantially. The second pilot applied the same principle to voice (call centre) agents, requiring</p>	

frontline staff to retain ownership of customer issues and coordinate internal activity themselves. This also showed strong results, with resolution improving to 77% compared to a baseline of ~58%, and higher satisfaction scores. Both pilots demonstrated that eliminating handoffs and ensuring customers “tell their story once” materially improves outcomes, though scaling, particularly for voice, requires organisational changes, including role redesign and workforce negotiations.

The discussion included several clarifications and challenges from members. The members explored the role of offshore vs onshore teams, particularly how EXL fits into the new model, with AF confirming that offshore agents can act as full case handlers rather than purely transactional processors. DB highlighted the importance of not requiring customers to repeat their issue, which was confirmed as a core aim of the approach. JMB raised questions about inclusivity and accessibility, particularly for digitally excluded or vulnerable customers, and AF explained that phone channels and tailored outreach (including proactive calling) would support these groups. There was also recognition that a better understanding of the overall resourcing model (onshore vs offshore) would be helpful in future.

Looking forward, AF introduced a planned proactive care pilot using smart meter data to identify customers at risk of bill shock (e.g. due to leaks, tariff changes, or consumption spikes) and intervene before issues escalate. This represents a shift from reactive to predictive and preventative engagement, using data to target customers most in need. The approach will include segmentation to ensure that more vulnerable customers receive direct calls, while others may be contacted through digital channels. Members welcomed this as a potentially important development in reducing complaints and improving customer experience.

In closing, the Chair sought assurance on how these improvements translate across different parts of the business, particularly water and wastewater operations, noting that current pilots are retail-focused. AF confirmed that similar approaches are expected to be replicated in other areas, though system differences and operational complexity may present challenges. Key lessons identified for scaling include training requirements, system access, and organisational design adjustments

Moving to D-MeX, PJ provided an overview of how customer experience is measured and improved for developer customers. He explained that developers range from small household extensions to large-scale housing and commercial developments (including data centres), each with very different expectations, ranging from hands-on guidance to fast, reliable delivery. DMEX is a regulatory performance measure set by Ofwat, combining quantitative performance (meeting SLAs) and qualitative customer feedback, with significant financial implications, making improvement critical, particularly given TW started at the bottom of the industry league table.

Discussion explored both methodology and fairness with ICG being interested in whether TW’s mix of developer types disadvantages it relative to other companies. PJ acknowledged inconsistencies across the industry, including differences in survey volumes and customer mix, which can affect comparability. The group also discussed the tension between delivering good customer experience and wider environmental or planning outcomes. DB noted that rejecting developments for valid environmental reasons could negatively impact DMEX scores. PJ agreed this is a limitation of the metric, emphasising that while outcomes may not always be positive for developers, the focus must be on delivering a high-quality, transparent customer journey regardless of outcome.

	<p>PJ then outlined progress against TW's improvement plan. The business has made strong gains in operational (quantitative) performance, improving SLA compliance from around 94% to over 99% in recent months. However, this has not translated into equivalent improvements in customer sentiment, with qualitative scores remaining significantly lower. This highlighted a key insight: meeting targets alone does not drive customer satisfaction, and expectations now centre on communication, responsiveness, and overall experience. As a result, TW has refocused its transformation efforts around three consistent themes identified from customer feedback: time, communication, and quality.</p> <p>A major area of challenge discussed was the nature of qualitative feedback under the DMEX framework. The ICG questioned the usefulness of feedback, noting it is often vague, generalised, or unrelated to specific developer services activities (e.g. comments about leaks or general Thames performance). PJ confirmed this is a significant issue, compounded by the fact that feedback is now anonymised and cannot be linked back to specific jobs or teams, limiting the ability to learn and improve. To address this, TW has shifted towards a behavioural approach, reinforcing that every customer interaction matters, as any touchpoint can influence overall perception and scoring.</p> <p>The discussion also covered future improvements and innovation. PJ explained that TW is developing a customer-facing platform, drawing on examples such as Severn Trent, to improve transparency, tracking, and self-service. However, solutions will be segmented to meet different developer needs, from self-service to tailored support. PJ emphasised the team is still early in its approach, focusing on understanding problems before implementing technology changes.</p> <p>In terms of outcomes, TW has made early progress, improving its D-MeX ranking from 17th to 14th, and reducing potential financial penalties. However, further improvements will depend on closing the gap in qualitative performance, particularly by improving communication and customer engagement. The group acknowledged the complexity of this challenge, including dependencies across systems, teams, and broader planning and infrastructure constraints.</p> <p>The Chair thanked the presenters for the clear and informative sessions and thanked JMB for shaping the discussion.</p>	
8.	AOB / Closed session	
	Formal minutes were not recorded.	
	Next meeting 19 June 2026	