



MINUTES of the Customer Challenge Group

On 25 April 2025, 09:00am – 3:00pm, Ms Teams

Present:

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

Thames Water:

Chris Weston	CEO	CW
Caroline Murdoch	Director of Communications	CM
Jonathan Hagan	Director of Economic Regulation	JH
Jonathan Read	Director of Regulatory Policy and Investigations	JR
James Lancaster	Regulatory Manager – Pricing & Tariffs	JL
Gerard Lyden	Head of Market Development	GL
Mariana Simpson	Regulatory Engagement Manager	MS

Apologies:

Sarah Powell	Environment Agency	SP
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Agenda Item No.		Action
1.	CCG closed session	
	<p>CCG Chair thanked the group members for their input into the response to Independent Water Commission's call for evidence which has been submitted. She also provided an update on a number of topics:</p> <ul style="list-style-type: none">• Water report – the upcoming issue will include interview with the Chair regarding the Independent Water Commission• Water report / Indepen will be holding summit on water and growth and invited the Chair to be one of the panelist• NA report has been published• Customer Service Committee (CSC) – focused on metering and customer strategy• Forward plan – suggestion to include Debt collection system for June meeting• Drought research – will be shared with the CCG for comment around 2nd May	

	PD provided an update on Mayor's Healthy rivers initiative – recent round table discussion focused on water quality, accessibility, biodiversity & ecology, inclusion and community	
2.	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 21 March 2025 were approved subject to amendment.	
3.	<p>Charges</p> <p>Following introductions, JL shared a background as to Ofwat's involvement and requirements on water companies for the tariffs and charges they set. It was noted that Ofwat set out high level overarching principles that companies have to follow but no longer explicitly approve either the values or the structure of company charges. However, each company needs to be comfortable with justifying their adherence to the charging rules based on the structure they've chosen. The key principles related to this session are cost-reflectivity, fairness and affordability.</p> <p>Moving to forecast price rises for AMP8, JL explained how charges are set using underlying assumptions and include elements of fixed charges - the drainage charges and retail services which is standard across the industry, although the level of the charge will differ. It was noted that all charges post 2026 will only be confirmed once the PR24 and potential CMA processes conclude.</p> <p>Reflecting on debates in other sectors such as energy around the use of standing charges and the proportion of standing charges within the whole bill compared to variable and potential regressive nature of the fixed charge for some types of customers (e.g. with health issues), CCG were interested what it may mean for TW customers especially from the affordability point. JL explained that while there are no current plans to do anything specifically in this area, TW already offers the WaterSure tariff to help customers with medical needs. Further protection comes from the fact that where customers qualify for both WaterSure and WaterHelp schemes, TW will put them on the tariff which gives them the lowest charge.</p> <p>CCG suggested that TW consider monitoring the potential regressive nature of the significant increase in their fixed charges on the affordability of their bills. Following further considerations, TW thought that a potential solution will be to monitor the underlying bill levels of customers moving onto our social tariffs. JL would look into this with the TW Affordability team.</p> <p>In response to CCG concerns over the level of fixed charges, JL shared more details regarding the use of fixed charges and how it aligns to the PR24 business plan, as well as the industry view. JL highlighted that the fixed charges are not intended to dilute the control that the customers have over their bill, they are deemed to be the most appropriate and fairest way to apply those charges for the services provided (incl. social tariff cross subsidy) whilst adhering to the Ofwat charging rules. CCG were interested to understand if there is enough left in the variable charges to really influence customer behaviour to reduce their demand. JL recognised that this is something which will be monitored over the next year, however the company has seen a significant increase in the number of customers applying for a meter as an optant which suggests that customers believe that going on a meter will be beneficial as they will have more control over their bill. JL reminded CCG, that the TW website includes a sophisticated water saving calculator tool which offers ideas on how customers can save money on their future bills and change their behaviour. Further advice is also offered through Smarter Home Visits which may include providing water saving devices.</p>	

	<p>CCG raised concerns that customers with lower bills will be more impacted by the increase in fixed charges. JL explained that while these customers were more impacted, the charges are applied in the fairest way. JL also highlighted all of the various affordability support which TW offers to any customers who struggle to pay which should relieve potential pressure.</p> <p>JL updated CCG that the teams are working on improvements to the company website which will include more detailed information regarding the increases of charges and fixed charges. The information will be shared with CCG once published.</p> <p>The final part of the session focused on an update on the innovative rising block tariff trial. It was noted that the trial is planned for year 2 of AMP8. A further update on the trial will be scheduled once more details are available.</p>	
4.	<p>PR24</p> <p>JH provided an update on the PR24 CMA process.</p> <p>JH reminded CCG that six water companies referred their Final Determinations (FD) to the CMA, while TW has asked to defer their referral for a period up to 18 weeks with the option to drop back into the process or withdraw from it at any point.</p> <p>The other water companies submitted their statement of cases in March, with main parties given five weeks to assess and make initial responses which need to be received by CMA by 29 April. CMA also invited any third parties to submit any important information relating to the statement of case. TW also submitted short submission as a part of the process. JH outlined the next steps of the CMA process.</p> <p>JH assured CCG that if TW re-enter the CMA process there will be an opportunity for third parties including CCG to make their own submission in response to TW statement of case. It was noted that at this stage a decision has not been made regarding the CMA referral. However, TW is continuing to work on their statement of case, which will potentially create a starting position for PR29.</p> <p>CCG were interested in lessons learnt from PR24 and what it may mean for PR29. JH's initial views were that key aspects will be financial resilience, operational maturity, asset health, strong leadership and better customer engagement will be crucial for PR29</p> <p>Financial Resilience: Strengthening the balance sheet with equity injection and improving financial stability is critical, as lack of resilience has caused challenges both internally (planning) and externally (e.g., inadequate ratings).</p> <p>Improved Business Planning: Over the past 12-18 months, significant progress has been made in business planning and creating a more mature, evidence-based statement of case, demonstrating growth in understanding and readiness.</p> <p>Asset Health: A standardized, industry-wide approach to asset health is vital to ensure investments in asset performance, which will likely be a major focus for PR29.</p> <p>Key Personnel: Retaining experienced staff in crucial positions is essential for stability and success, given the tight timeline for submitting plans by 2028.</p> <p>Customer engagement – Strengthening customer engagement in shaping business plan including willingness to pay as it proved successful in PR14 and PR19.</p>	

	<p>CCG welcomed the focus on customer engagement while recognising that PR24 included a lot of strong customer engagement, they agreed that would be beneficial for some of the research to be completed earlier. CCG raised concerns over the reduced capacity and capability of the Customer Research team and JH agreed that this is one of the challenges that TW will need to solve.</p> <p>Action: Forward plan to include session on PR24 lessons learnt (July / August and or Nov / Dec depending on CMA process)</p> <p>Moving to the statements of cases, JH highlighted that TW's statement of case focuses on key areas like base costs, enhancement projects, price control deliverables, and the reconsideration of the weighted average cost of capital (WACC).</p> <p>Across the industry, most water companies are making similar arguments, with some taking a more targeted approach and others appealing to a broader range of issues. A common theme is the request for additional funding due to unique regional factors, as well as investment in asset health and WACC. JH outlined some of the key arguments alongside potential bill impact.</p> <p>It was noted that CCG are keen to make a third party representation if TW re-enter the CMA process and asked to be kept up to date on timing.</p>	
5.	<p>Non- household retail market overview</p> <p>Following introductions, GL stepped through a presentation providing an overview of the water market for non-household customers which operates under a structured regulatory system where the regulator retains authority, but entities like MOSL play a vital role in facilitating market function and progression. The market in England and Wales opened in 2017 and remains relatively stable despite challenges, including COVID. The presentation also included information on TW's position in the market, AMP8 plans including performance commitments and challenges. One key change since 2017 is that Castle Water, which took over TW's entire non-household book in 2017, now holds 72% of customers and is responsible for just 48% of revenue.</p> <p>CCG were interested in feedback mechanisms in the NHH market. GL explained that there is the Retailer Measure of Experience, a biannual survey collecting retailer feedback on wholesaler performance. Retailer forums and account management further support engagement, while direct business customer contact is issue-driven, with insights gathered via CSAT surveys and PR24 research. The new B-MEX measure, following a shadow year, now provides structured feedback from business customers interacting with wholesalers.</p> <p>MOSL also facilitates multiple forums and gathers input from various customer groups, including CCW, which plays a key role across numerous committees and market discussions. Both formal and informal groups contribute, alongside major customer representative organizations such as the Major Energy Users Council, ensuring broad stakeholder engagement.</p> <p>Turning to bill increases, it was noted that unlike the household sector, non-household customers—businesses, charities, and the public sector—do not receive direct billing from wholesalers and are not eligible for social tariffs, as such frameworks would be complex to implement. To support retailers and business customers, TW offers a number of support items including reduced collateral requirements, payment deferral scheme and water efficiency</p>	

	<p>initiatives. It was also noted that the presented bill increases only include wholesale charges, while individual retailers will also add their charges.</p> <p>Moving to water demand reduction which is set in performance commitment, CCG were interested to understand whether the plan involves prioritising installing smart meters first, then focusing on driving down water efficiency for businesses, or if both will be addressed simultaneously. CCG also asked about additional tools for water efficiencies. GL explained that TW is leading smart metering efforts nationally, with significant coverage gains expected by 2030. While smart meters provide important benefits, the water efficiency initiatives go beyond them, focusing on broader efforts like smarter business visits. These initiatives prioritise impactful savings for diverse customer groups, particularly smaller businesses, schools, and hospitality venues, addressing common areas like toilets and taps for effective water use improvements.</p> <p>CCG highlighted previous successful collaboration between GLA and TW and noted that the mayor has launched a scheme to install solar PV in schools, focusing on decarbonizing power and providing some heat to help support schools in reducing costs alongside existing offers. GLA would like to explore where they can support TW to access more schools in London.</p> <p>Action: GL and PD to discuss opportunities for future collaboration.</p> <p>On the R-MeX, CCG noted that TW scores consistently low for speed and quality of the responses from the wholesale desk to the retailers, which includes direct impact on customers, and they were interested in TW's plans to improve it. GL explained that over the past 18 months, significant effort has been made to enhance bilateral service performance, bringing it above industry benchmarks. This has involved refining processes, improving data quality, and adapting to operational challenges. While the journey isn't complete, recent results show substantial progress, particularly in data metrics where performance now ranks in the top quartile.</p> <p>Looking into the future, CCG were interested from a strategic outlook perspective, how TW is preparing for future challenges in the non-household market. It was noted that TW integrates demand growth with water resource management planning, using market incentives and developer services to drive efficiency. On the retail side, innovation is centred on leveraging smart meter data for enhanced efficiency.</p> <p>CCG recognised that given how the market operates, the wholesaler does not have the primary relationship with end customers, however it is important that their views are fed into the price review process. GL reflected that PR24 provided some insights and business customer needs and priorities were largely similar to households. PR29 planning requires a deeper understanding, particularly as retailer-led research has been insufficient for guiding wholesale investment. Strengthening direct engagement with non-household customers is essential to better capture any unique needs.</p>	
	6. CEO session	
	<p>Following introductions, CW shared his reflections on the turnaround progress TW was making, and developments in the water sector more generally. In CW's view the challenges the sector faces, including the need to rebuild trust, needs concerted action by companies but also wider reform in how the sector is regulated. For its part, TW's AMP8 business plan is focused on</p>	

statutory obligations and the service improvements that matter the most to its customers. It is ambitious, but also realistic in terms of the cost and time it will take to fix the company.

CW highlighted how the recent Dan Corry and National Audit Office reports underlined the pressing need to reform the regulatory approach, and how he anticipated these issues would be picked up by the Independent Water Commission which is due to make recommendations to Government by the end of June.

CW provided an update on key metrics including water quality, leakage and pollution. Alongside work to improve performance, a key focus for TW has been the restructuring and recapitalisation of the balance sheet, involving ongoing creditor engagement and an equity process. The due diligence with KKR and creditors has been demanding, requiring extensive provision of data and management engagement. The process should conclude over the next few months, with CW noting that there was no guarantee KKR would make an offer but that other parties were still in the process too.

CCG were interested in what the potential impact of new investors would be for customers and on the turnaround. It was noted that the TW turnaround will require a consistency across priorities and leadership. CW was confident that the transformation plan is robust, but the reality is that it will take more than 5 years to fully implement and will have potential refinements along the way. CW recognised that while any ownership change brings uncertainty, the legal and regulatory requirements that water companies operate under ensure that the company will continue to focus on its service and environmental obligations, including strengthening the resilience of the infrastructure to meet the pressures of climate change and population growth.

On regulatory reform, CCG queried whether TW should be playing a leading role for regulatory reform or whether it should focus on its operational performance. CW reflected on TW specific challenges but stressed that the need for regulatory reform can't be ignored, and where TW is contributing to industry reviews. These reforms needed to ensure the sector was able to attract investors that were essential to financing the necessary step up in infrastructure investment over the coming decades, and in doing so mitigate the short term impacts on customer bills.

Given the importance of regulatory reform, CCG queried whether companies have a role to play in helping customers to understand what the current challenges are. CW thought that generally customers expect reliable service without wanting to engage in infrastructure planning and regulatory debates. But customers did care about what decisions were being made that affected their community, and CW highlighted his desire to shift TWs communications to be more local, and issue driven.

Reflecting on recent media, CCG were interested in CW's view of the TW documentary but also his views on recent reports where TW had not delivered capital programmes to time and/or cost. CW explained that there are many hundreds of capital projects within the overall programme, and while some are not delivered to time, a significant proportion are. CW highlighted that the capital delivery processes have been strengthened to give more control and visibility of the capital spend.

The final part of the discussion focused on the future and what would be realistic for TW to achieve over the next five to ten years. CW was confident that with the right level of investment and consistency of focus, the company's performance would improve across a range of metrics, but

	also recognised that some of the customer priorities around resilience and environmental performance would continue to require investment beyond the next AMP. CCG thought it will be important for TW to be able to communicate this to the customers.	
8.	<p>Communication update</p> <p>CM provided a short update on corporate comms. First part of the discussion focused on various aspects of communication within the business and how they link together. There was a recognition that while more aspects of the wider communication are moving into her team, CM is not responsible for customer comms as it sits within the Retail business. However, CM and her team are working with the Retail team to find opportunities for improvements. Moving on to Incident management, CM outlined how the incident management is coordinated so teams can proactively act on messaging but also proactively start delivering bottled water to the customers on priority service register (PSR).</p> <p>CCG wanted to understand more what feedback loops are being used to gather insights and what process is in place to decide what is proactively communicated including negative messages. CM explained that TW prioritise transparency, actively sharing data and leading initiatives like the Storm Overflow Map. The team maintains strong engagement with MPs and local authorities to keep information flow. CM recognised that they have limited insights on message impact due to budget constraints, however going forward, the company aims to get a better understanding of the impact and use the insights to refine communication strategies.</p> <p>Moving to the presentation slides shared in advance of the meeting, CM focused on the approach in developing 2025 comms strategy which is aligned with business priorities; and four communications pillars that support TW in achieving its business objectives.</p> <p>CCG were interested in how TW contribute to solve some of the bigger government challenges such as growth, skill shortage etc. CM replied that TW's strategic campaigns aim to highlight the role of infrastructure investment in unlocking economic growth. Key initiatives include addressing skills shortages, preparing for future water needs, upgrading local networks, and improving river health. While past efforts have been reactive due to financial and operational challenges, the company is shifting toward a more proactive approach as stability improves. The focus is on making investments tangible for customers - ensuring they see real improvements in their communities. Efforts are underway to enhance local engagement, leveraging targeted communication strategies to build public understanding and trust.</p> <p>CCG welcomed the focus on local messaging and thought that given the timing of bill increases, water industry review and overall higher awareness, now is a good opportunity to help customers to understand how their money makes the difference. They also recognised that there are limited resources, and campaigns need to be cost effective. CM outlined the collaboration with capital delivery to be able to provide more regional information and use of the social media which help to target relevant communities.</p> <p>Further discussion focused on micro local communication, with CCG sharing examples where local work may be happening for a prolonged period but no communication has been put in place. CM acknowledge that at times there is a disjoint due to the size of the company and region but it should not happen.</p> <p>Looking into the future, CCG were interested in what the vision is for TW in terms of brand reputation. CM thought that while she doesn't expect customers to love their utility companies, the</p>	

	aspiration would be for TW to be a company which is reliable and its customers don't have to think about it.	
7.	AOB	
	<p>CCW will be publishing Annual tracking survey on 14 May 2025 and will be discussed at the 16 May meeting.</p> <p>Next CCG meeting on 16 May 2025</p>	