

Dear Aileen,

Thank you for the opportunity to comment on your draft methodology for PR24. I am responding on behalf of Thames Water Customer Challenge Group (CCG) which was re-established in early 2022.

In our response we use the term customers and consumers interchangeably although our general view is consumers, communities and key stakeholders is probably more appropriate.

As [our report](#) of June 2022 sets out, on the basis of our learning over the first six months, we are focusing on 5 areas.

- **Inclusivity:** Ensure that Thames Water understands and responds to the diverse needs of current and future customers, in particular those who are in vulnerable circumstances;
- **Choices:** Test the company's criteria to be clear that they incorporate, and respond to, the needs of different stakeholders and customer groups in strategic decisions for the longer term;
- **Affordability:** Give voice and effect to customers' expectations of fair and affordable bills, especially in the context of the cost of living crisis;
- **Performance:** Identify the outcomes for customers from the current Thames Water business plan to drive improvement; and,
- **People:** Challenge the company's workforce profile to reflect wider society, and the communities it serves, and promote more positive engagement.

Accordingly, we are concentrating our response to your consultation on the questions which relate directly to these issues.

Question 2.1 *Do you agree with the challenges facing the sector and the ambitions for PR24?*

CCG agrees with the key challenges facing the sector, and notes the 4 inter-related ambitions which you have set out for PR24, namely:

- increasing focus on the long term;
- delivering greater environmental and social value;
- reflecting a clearer understanding of customers and communities; and
- driving improvements through efficiency and innovation.

We feel there is a close correlation between our areas of focus and your ambitions, and we will seek to refer closely to your methodology as we scrutinise and challenge Thames Water on both their PR24 submission and their longer-term plans.

One aspect that we would like you to consider relates to the media interest on water issues in recent months that shows no signs of abating. We want to continue to see that OFWAT's methodology and approach is evidence based. The media debate which at times appears ill

informed, must not skew or take precedence. A stronger distinction is needed between what appear to be the media influenced concerns of the general public and the more specific needs of customers.

Section 2.4.3 Affordability/Cost of Living

CCG notes that affordability and the cost of living is a rapidly evolving issue, driven by international and domestic pressures. We encourage OFWAT to take a cross-sectoral approach, working with other regulatory bodies to recognise that consumers are facing unprecedented challenges and that food, housing and energy costs may take precedence over water bills for some customers.

We recognise that Thames Water already have good practice in this area, in particular the work on promoting assumed consent in data sharing for customers on the PSR. We believe there is benefit in extending this approach across the utilities and relevant charities (eg Citizens Advice). More could also be done to encourage common mechanisms for assessing Income and Expenditure rather than having consumers repeat this with every utility. Recently when we listened to customer calls, the assessment took the Customer Adviser over one hour to complete and sometimes longer because invariably, customers need help compiling the relevant documents. OFWAT could encourage water companies to collaborate with firms in other sectors to ease and simplify the burden on consumers, especially those in vulnerable circumstances or facing financial difficulties.

Chapter 3

Financing behind the price control system appears unnecessarily complicated. One area where there could be greater transparency is on the level of discretionary funding available to respond to customer needs, after statutory requirements have been fulfilled.

We also wonder if the penalties incurred when the ODI's aren't met, can be used to cross subsidise poorer customers or be transferred into a trust to support communities to engage positively with water demand management? When the sums are returned to customers, the amounts often have a negligible impact at individual level.

Chapter 4

Question 4.1 Do you agree with our approach to making sure that companies' price review submissions and our determinations reflect an understanding of customers', communities' and environmental concerns?

The issues set out in Chapter 4 are at the heart of CCG's mission. We are engaging extensively with the Thames Water customer research team, and are seeking to ensure that Thames Water understands and responds to the diverse needs of current and future customers, in particular those who are in vulnerable circumstances. We are also seeking to support Thames Water processes for ensuring that a clear line of sight is visible throughout their PR24 submission; that customer research materially informs proposals in the business plan.

However, consultation is often on single issues eg leakage or sewer discharges. We want to encourage methodologies that encourage companies to elicit views from customers that helps to inform them of the trade-offs and enables them to contribute to decisions on choices. It's not just about what customers, communities and stakeholders want/need but what should be the priorities and how to we assist the company in sequencing their investments. This may help encourage investment now that is recovered in the long term – customer research suggests this may be palatable.

Question 4.2 Do you agree with our proposal to conduct open challenge sessions?

CCG notes that CCW are developing the details for an open challenge. We like other independent Challenge Groups, have concerns over the extent to which true inclusivity can be achieved. While it is important that stakeholder groups are able to have a direct dialogue on the issues they are particularly passionate about, we need to also find a way to hear from less vocal or under-represented customers who are less likely to come forward in open challenge sessions to share their concerns.

OFWAT may wish to note that following discussions with the CCG. Thames Water are currently designing some deep dive research with customers who may be considered “harder to hear” or “seldom heard voices”. This may include such customers whose first language is not English, who may be digitally excluded, have physical or mental ill-health, be part of a minority ethnic group and/or are on a low income. This is especially pertinent to certain inner city boroughs such as Tower Hamlets.

Chapter 5 Delivering Outcomes for Customers

Question 5.1 Do you agree with our proposed package of common performance commitments?

Overall, we support common performance commitments for companies. However, we think it is important that ODIs are not too granular. As we highlighted in our CCG Annual Report the leakage incentive focuses companies on attending to their own pipework assets rather than addressing the 40% of lost water attributable to customer pipework and assets.

We note that OFWAT proposes to incentivise greenhouse gas reductions by companies (section 5.2.3). OFWAT should ensure that incentives compliment and do not duplicate, or work in an opposite direction, to the commitment (some) companies have made to be net zero by 2030; and do not duplicate requirements that are already required under central government policy e.g. adoption of 100% electric vehicles by 2030.

Notwithstanding your options for common PC's for vulnerability, we welcome the opportunity for Thames Water to consider a bespoke ODI relating to the intense poverty in parts of London. The demographic characteristics of the capital are unique and require special attention especially with the cost of living crisis and the way it will continue to impact on low income families, and those facing multiple deprivation.

Chapter 6

Question 6.5. *Do you agree with our proposed approach to setting performance commitment levels at PR24?* and,

Question 6.6. *Do you agree with our view on what performance commitments should be set using common or company specific performance commitment levels?*

As stated above we support common performance commitments for companies. However, performance commitment levels may be different across companies. This reflects differences in customer values for outcomes between companies. For example, valuations may vary between different water company areas in England and Wales for the same outcome.

Performance commitment levels for PR24 should also consider the magnitude of improvement companies have made between PR19 and PR24. For example, a company that missed its performance commitment level by a large amount in PR19 but has made significant measurable gains towards meeting its performance commitment level in PR24 should be recognised for this. This directional (or marginal gain) may be considered in company specific performance commitments.

Chapter 10

This section of your draft methodology sets out very clear expectations for water companies' PR24 submissions. Given our focus on affordability and inclusivity, we are particularly interested to note the approach on the single social tariff, (which may or may not be introduced). Our concern is that it properly takes into account the unique demography of London and the distribution of poverty across the capital.

Once again, CCG is grateful for the opportunity to comment and looks forward to engaging with OFWAT in the months and years ahead.

Yours sincerely

Sukhvinder Kaur-Stubbs

Chair, Thames Water Customer Challenge Group