



**TW-OC-A4**

**Priority Services Register  
Performance Commitment  
Summary  
(AR06)**



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## Section 1

# Introduction

- 1.1 This document provides summary details relating to performance commitment AR06 Households on the Priority Services Register and supports our overall resubmission to Ofwat on 1st April 2019.
- 1.2 This performance commitment is 100% allocated to the Residential Retail price control. This document also supports Appendix 3 – Affordability and vulnerability of our September 2018 submission, which details our overall vulnerability strategy. (Please note that this document has not been updated to reflect the change in performance commitments; our overall approach to supporting customers in vulnerable circumstances remains unchanged.)
- 1.3 Full details of our customer engagement that underpins this performance commitment can also be found in document TW-CSE-A1 - 'What Customers Want'.
- 1.4 This document is structured as follows:
  - Section 2 summarises the performance commitment definition.
  - Section 3 explains why we chose the performance commitment and how it reflects customers' views.
  - Section 4 details our AMP7 targets, and why these are stretching in the context of our long-term ambition and historic progress.
  - Section 5 describes the incentive type, and why it is the right one for customers.
  - Section 6 explains how we will measure, report on and assure this performance commitment.

Section 2

## Our performance commitment definition

### Outcome A - Deliver an effortless customer experience

#### Company Performance Commitment AR: Households on the priority services register

##### Short Definition:

2.1 This performance commitment encompasses two distinct, but related, elements:

- PSR Reach: the percentage of households that Thames Water supplies with water and/or wastewater services that have at least one individual registered on the priority services register ('PSR').
- PSR data checking: The percentage of distinct households with individuals on the PSR contacted at least once over the previous two years to ensure they are still receiving the right support.

##### Measurement:

2.2 We will report the percentage of households with individuals on the PSR on an annual basis. This will be calculated as follows:

$$\Sigma = \frac{\text{Number of households with individuals on the PSR (measured on 31st March)}}{\text{Total number of households served (measured on 31st March)}}$$

2.3 For the data checking element, we will report annually the percentage of distinct households with individuals on the PSR we have contacted over the previous two years to ensure they are still receiving the right support. Customers who have registered on the PSR within the previous two years will count towards the target of customer data being checked, as their data will have been verified at the point of registration.

2.4 We will make reasonably practicable endeavours to engage customers and confirm their needs. However, if a customer does not respond to our engagement we will update their records with 'nil response', which will count towards the target.

##### Mitigation/exceptions

2.5 None.



Section 2 – Our performance commitment definition

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**Any other information relating to the performance commitment**

- 2.6 This is a common performance commitment.
- 2.7 The definition of “households” is the same as the legal definition of “household premises” in section 17C of the Water Industry Act 1991. Premises falling within that definition are not eligible to switch supplier.
- 2.8 Please note that this performance commitment does not include Water Sensitive Non-household properties. The Retailer is responsible for flagging properties as water sensitive. However, we recognise that the reputational risk for Water Sensitive Non-household properties experiencing a supply interruption sits with the Wholesaler. Therefore, we are undertaking a review of open-source and commercially available data to identify and flag such properties in our systems in order to ensure that we can provide the necessary support during a supply interruption. We will share this data with Retailers and look forward to continuing to refine this process.
- 2.9 We recognise that the aspiration behind the data checking element of this performance commitment is to demonstrate that companies are making reasonably practicable endeavours to engage customers successfully. However, we acknowledge that this performance commitment does not currently measure that aim. We are keen to continue the discussion on the data checking element of this commitment as part of a wider industry conversation. In particular, we would like to put forward the concept of a review by a central organisation such as CCWater, whereby companies can demonstrate the steps they have taken in order to ensure a quality approach to customer engagement, and build a consistent view on best practice.

**Full definition of the performance commitment**

- 2.10 Customers have told us that they expect us to:
- Meet the needs of customers in vulnerable circumstances
- 2.11 In order to deliver the best service to our customers, we need to be able to identify what type of assistance our customers need, recognising that this may change over time.
- 2.12 There are many circumstances that could be deemed as vulnerable, and it is our responsibility to ensure that customers facing these situations are aware that sharing this information with us will allow us to provide an inclusive and safe service through recording these details on our Priority Services Register (“PSR”).
- 2.13 While the number of household customers included on our PSR may fluctuate throughout the year, our overarching aim is to increase the number of customers and households (expressed as a percentage of total households) held on the PSR year on year.
- 2.14 Please note that we have an additional performance commitment (AR07 – BSI for fair, flexible inclusive services) that is designed to ensure that the support that we provide to our customers in vulnerable circumstances is meaningful. These two commitments should be considered together.



## **Changes to definition since our September 2018 submission**

- 2.15 This performance commitment replaces our previous bespoke commitment - AR04 Household customers on the priority services register - with an industry-wide common performance commitment definition.

### Section 3

## Why we selected this performance commitment

3.1 This section provides the background and context for the performance commitment, including an overview of how the performance commitment is supported by customers.

### Background to Performance Commitment

3.2 Vulnerability occurs when a customer may not have reasonable opportunity to access and receive an inclusive, safe service from Thames Water, resulting in a permanent or temporary detrimental impact on their well-being, finances or health.

3.3 These needs can include, amongst other things:

- Medical needs – related to both physical (for example, mobility or customers on dialysis, who have a dependency on a reliable water supply) or mental health
- Language needs
- Additional needs resulting from age (both the very young and the elderly)
- “Transient vulnerabilities” (i.e. customers that may temporarily be in vulnerable circumstances)

3.4 As at the end of 2017/18 we had 57,340<sup>1</sup> customers registered for Priority Services. Working with the electricity Distribution Network Operators in our region we believe they hold 800k households on their PSRs within our operational base. However, 45% of these households are registered for ‘Pensionable Age’<sup>2</sup>. The majority of these registrations come through households seeking a warmer homes discount, which is targeted at customers who are over 60 years old and in receipt of the guarantee element of Pension Credit. There is no direct equivalent national scheme for water. Many pensioners will not feel vulnerable and may not want to register on water PSRs. Therefore we are not setting ourselves a target for the equivalent volume in the medium term. We do however forecast that our PSR will grow to 1.4m in the longer term (please also refer to section 4).

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<sup>1</sup> Thames Water, Data table App4, line 23, 1 April 2019

<sup>2</sup> Thames Water internal analysis



## Why this is the right commitment

- 3.5 Our customers have clearly told us that they expect us to meet the needs of customers in vulnerable circumstances.<sup>3</sup>
- 3.6 In addition, customers in vulnerable circumstances have their own specific requirements:<sup>4</sup>
- They want us to tailor our services by providing a personal service. Customers in vulnerable circumstances are not all the same; their needs can differ markedly, and they expect us to respond accordingly. We need to ensure that we have the processes in place to identify their specific needs and then respond appropriately; and
  - Customers expect us to identify and inform them when operational issues mean there might be issues with their water supply or wastewater service and then to offer additional assistance as required.
- 3.7 The Priority Services Register ('PSR') helps us to identify which customers are in vulnerable circumstances and therefore may need to be offered bespoke or flexible services appropriate to their needs. Without identifying these customers, we are not able to proactively provide them with the support they may require.
- 3.8 We also know that there are many more customers who need assistance than are currently receiving it from us. As such, we believe that by making the number of households we register for our priority services a performance commitment, we will demonstrate that we are providing the best outcome for our customers.
- 3.9 An inclusive and supportive service will help us drive customer advocacy and ensure our vision to be "Here for You" is delivered for customers who are in vulnerable circumstances.

## Customer Support for the Performance Commitment

- 3.10 As part of our strategy development, we used data and analytics in order to better understand our customer base, and the specific challenges they face with regards to vulnerability.
- 3.11 We also undertook external benchmarking, looking at the offerings of other utilities and engaging with third-sector organisations, specifically with regards to how we can best communicate with hard to reach customers in vulnerable circumstances.
- 3.12 We have also worked with other water and energy companies in order to understand joint challenges and identify opportunity for co-operation, including around data sharing for customers on our respective Priority Services Registers.

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<sup>3</sup> TW-CSE-A1 What Customers Want, p. 75, 1 April 2019

<sup>4</sup> TW-CSE-A1 What Customers Want, p. 75, 1 April 2019



Section 3 – Why we selected this performance commitment

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- 3.13 This development work was supported by in-home customer immersions. These immersions provided valuable in-depth insight, including underlining the importance of proactive support and how we can consider all different kinds of customer need.
- 3.14 It also told us that less than half of our customers were aware of the assistance we have available with regards to priority services<sup>5</sup>. This point has subsequently also been reinforced from additional customer research related to the proposed investment for North East London water supply resilience.<sup>6</sup>
- 3.15 Once we had developed our strategies based on the insight we had gained in the first phase, we tested our strategies with experts and partners, employees and customers.
- 3.16 After developing our strategies and the relevant performance commitments, we tested our more detailed definitions, targets and ODIs with customers to ensure that they reflected their priorities. In the research we undertook into our previous commitment AR04 Customers on the Priority Services Register, that this commitment replaces, customers were supportive of the inclusion of a commitment that measured the number of customers registered for priority services.<sup>7</sup>
- 3.17 Full details of our customer engagement that underpins this performance commitment can be found in document TW-CSE-A1 'What Customers Want'.

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<sup>5</sup> Thames Water, TSD019-CX04-PR19-NPS Brand Tracker, September 2018

<sup>6</sup> Thames Water, TW-CSE-A1, What Customers Want, 1 April 2019

<sup>7</sup> Thames Water, TSD019-CR27 PCs and ODIs, September 2018 submission

## Section 4

# Our targets and why they are stretching

- 4.1 This section describes our commitment for AMP7, and why this is stretching in the context of our long-term ambition and historic performance.

### **Our ambition for this performance commitment**

- 4.2 Our overall aspiration is to provide industry-leading levels of support to our customers in vulnerable circumstances. This aligns with our wider customer ambition ‘to be here for all of our customers; proactively engaging and delivering a high quality service to create lifelong customer advocates’.
- 4.3 We are challenging ourselves to provide a step change in the number of customers we have registered for our priority services, and we recognise that we need to grow this number more quickly than we have in the past. It is also something that our Customer Challenge Group (‘CCG’) has challenged us on.
- 4.4 We had 57,340 customers on our Priority Services Register at the end of 2017/18.<sup>8</sup>
- 4.5 Our CCG challenged us to triangulate industry benchmarks for customers registered for Priority Services, in order to accurately understand the numbers that should be on our register. In order to answer this challenge, we have analysed data from other utilities, as well as data provided by our partners in the third sector.
- 4.6 Open source data provided by these partners has proved inconclusive in indicating the number of customers that may be in vulnerable circumstances (when pro-rated to our region, it suggested that 22 million people have a form of vulnerability, against a population of 15 million).<sup>9</sup>
- 4.7 Individuals may have multiple needs, as well as being registered with multiple organisations. There is, however, no data that clarifies the exact level of overlap. In addition, not all those registered with these organisations will necessarily require specific assistance from us (for example, if another householder manages bills on behalf of someone with a dyslexic condition).

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<sup>8</sup> Thames Water, Data table App4, line 23, 1 April 2019

<sup>9</sup> Thames Water Analysis

## Section 4 – Our targets and why they are stretching

- 4.8 Therefore, we have considered industry benchmarks (those registered with other utilities) as the most reliable indicator of the number of people who are willing to register for Priority Services, taking into account the distorting effect of the warmer homes discount described in paragraph 3.4.
- 4.9 By the end of AMP7, we plan to grow our register to include more than 410,000 households. This represents 7% of the total households within our region.
- 4.10 Our annual performance commitment targets for the AMP7 period are therefore shown in Table 1 below:

**Table 1: AMP 7 targets**

Measure AR06	Performance at end of AMP6	AMP7 Targets					AMP8 Targets	AMP9 Targets
		Yr5	Yr1	Yr2	Yr3	Yr4	Yr5	AMP8
Household customers on the Priority Services Register <sup>10</sup>	115,000	165,000	220,000	280,000	340,000	410,000	900,000	1,400,000
Percentage of households on the Priority Services Register	2%	3%	4%	5%	6%	7%	15%	23%
Percentage of households with individuals on the PSR contacted at least once over the previous two years	50%	90%	90%	90%	90%	90%	90%	90%
Target as reported in data table App1:	2 / 50	3 / 90	4 / 90	5 / 90	6 / 90	7 / 90	15 / 90	23 / 90

Source: Thames Water.

Note: Percentage calculated based on property figures in data table R1, line 6 for AMP7 and AMP8 and included in data table App4. AMP9 percentage figures based on static growth in properties served and will be subject to review/update as forecasts change.

<sup>10</sup> Thames Water Data table App4, line 23, 1 April 2019 for AMP6-8. AMP9 based on Thames Water forecasts.



## Section 4 – Our targets and why they are stretching

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- 4.11 A wider public awareness of priority services across all industries will create a common vocabulary and a cultural understanding that these services exist. This will also be driven by demographic trends. For example, over 1.4 million people in the UK are currently aged 85 or over. This figure is expected to double in the next twenty years, and treble in the next thirty years.<sup>11</sup>
- 4.12 Based on our predictions on the increasing number of customers requiring Priority Services within our region, we therefore believe there could be around 1.4 million customers that could be eligible to be on our Register by 2035.
- 4.13 Our ambition is to provide a priority service to everyone that needs it. Therefore, our ambition for AMP9 will be to grow the size of our Priority Services Register to include these additional customers. As we do not have property forecasts that extend this far, we have based the percentage targets for AMP9 on a static property count at the end of AMP8. This will be updated as forecasts change and improve.

**Why this is a stretching target**

- 4.14 We have set ourselves a stretching trajectory that starts in AMP6 (see our section on Historic Targets below), which is not only about the scale of the increase, but also about challenging us to engage with particularly hard to reach customers. It is also important that we have the capability to deliver the service for customers that they are registered for on a consistent basis. This is why this performance commitment is complimented by AR07 BSI for fair, flexible inclusive services.
- 4.15 Our benchmarking analysis has led us to propose an ambitious step-change in the number of customers on our PSR over the course of AMP7, increasing seven-fold from 2017/18 to reach 410,000 households registered by the end of 2024/25.<sup>12</sup> This represents 7% of the total number of households in our region having a customer registered for our priority services.
- 4.16 This level of increase is a challenging target, and follows a similar growth profile to that achieved by the energy sector over a similar period, and is dependent on the energy data share being implemented.
- 4.17 However, there is a dependency on both reaching and signing up hard to reach customers in order to achieve this target. A significant challenge is ensuring that customers consent to being on our Priority Services Register.
- 4.18 Finally, we acknowledge that vulnerability is dynamic and can change over time – for example post hospital recovery, or families with young children. We therefore need to

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<sup>11</sup> Age UK, 2013

<sup>12</sup> Thames Water, Data table App4, line 23, 1 April 2019

## Section 4 – Our targets and why they are stretching

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ensure that we have the systems and processes in place in order to proactively track any changes in customer circumstances and ensure we have the right customers on our register.

- 4.19 When we previously presented our targets to customers, they agreed they were stretching. A small number of participants in the research we undertook on this topic in fact felt it might be over-ambitious given the proposed level of growth,<sup>13</sup> which we take to be a positive reflection on the level of stretch. The new performance commitment increases the number of customers on our Register, and therefore this customer support remains applicable.

### How we will achieve our AMP7 targets

- 4.20 To achieve our targets, we will require a proactive and targeted approach.

- 4.21 Our activities break down into the following broad areas:

- We have already started to work with WaterUK to align the Priority Service Register “needs codes” across the water industry and with energy companies. We anticipate that by AMP7, we will be in a position to securely share data with the energy sector, where customers have given explicit consent to do so. This data share will encompass data maintenance as circumstances change, as well as new registrations, and will be the most cost-effective way to increase the number of customers in vulnerable circumstances on our Priority Services Register
- Active promotion of our Priority Services Register by our front-line employees. Every day thousands of Thames Water team members interact directly with customers. Each of these interactions is an opportunity to understand our customers, and their unique needs. We will train our teams to identify vulnerability indicators and endorse the support available that may be relevant to that individual. As part of this, we will develop a tool for the use of our teams to sign customers up to priority services quickly and easily.
- We are also planning additional digital enhancements to allow easier online registration for customers themselves.
- We will design and deliver campaigns specifically targeting groups of customers that are under-represented on our register. This will include working with key partners such as local government, charities and the Citizens Advice Bureau, amongst others, allowing them to sign customers up on our behalf.
- With regards to the data checking element of the performance commitment, we will ensure that customer data is refreshed when provided back to us, either directly to Thames Water or via trusted third parties such as Energy providers, via the data sharing portal. Where possible, this will be refreshed every two years.

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<sup>13</sup> Thames Water, TSD019-CR27 PCs and ODIs, September 2018



Section 4 – Our targets and why they are stretching

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- We will be developing reasonably practicable methods of engagement to ensure our data is kept up to date, including:
  - Presenting information to our customer facing people during existing customer touch points to identify data that needs updating during an interaction
  - Writing to customers through channels such as SMS, email and letter requesting feedback
  - Providing the capability within on line account management to update records
  - Receiving updates through data sharing with other utility companies, including energy companies and WOC's
  - Marketing and awareness campaigns to prompt customers to contact us and update their records
  - Outbound telephone contacts.

4.22 Further information regarding the activities to develop our vulnerability approach is detailed in Appendix 3 – 'Affordability and vulnerability' of our September 2018 submission.

### **Historic targets and performance**

4.23 We are planning a phased approach to the implementation of our priority services support, including the growth of the number of customers on our register. This work has already begun in AMP6, by the recruitment of a dedicated strategy team that is driving our approach, governance and policies with regards to our customer offering.

4.24 Ofwat's review of the freeze thaw incident in February/March 2018 noted that Thames Water "did make some proactive attempts to assist [vulnerable] customers", but was constrained by gaps in our Priority Services Register.

4.25 We have subsequently revised our plan to double our register during AMP6 to demonstrate our commitment to supporting our customers.

4.26 This is shown in table 2, below:



## Section 4 – Our targets and why they are stretching

**Table 2: Performance targets for AMP6**

<b>AMP6 PC Measure</b>	<b>2015 - 2016</b>	<b>2016 – 2017</b>	<b>2017 - 2018</b>	<b>2018 - 2019</b>	<b>2019 - 2020</b>
AMP6 actual/forecast Households on the Priority Services Register	56,862	54,545	57,340	69,000	115,000
AMP6 actual/forecast total households connected (M)	5.352	5.389	5.410	5.442	5.497
AMP6 percentage of households with individuals on the priority services register	1%	1%	1%	1%	2%

Source: Thames Water, data table App4 lines 23 and 31 and R1, line 16, 1 April 2019

- 4.27 The customers that we have registered today are principally registered to receive support for mobility and access restrictions and/or supply interruptions. We recognise that there is more to do in order to identify all the different needs of our customers in vulnerable circumstances. Identifying these differing needs will help us define the number of customers we need to sign up, as well as identifying the support that they require.



Section 5

## Incentive type

### Incentive definition

- 5.1 This performance commitment has a reputational, in-period incentive associated with it. It is not associated with any cost adjustment claims.

### Why a reputational incentive is appropriate

- 5.2 Ofwat has proposed a reputational incentive type for this performance commitment.
- 5.3 When we asked our customers about the appropriate incentive type for this commitment, they were split between reputational-only (to avoid perverse incentives) and under-performance only incentive types (to ensure Thames Water does as much as it can on this)<sup>14</sup>.
- A reputational ODI is appropriate for this performance commitment for the following reasons:
  - A financial incentive could drive perverse incentives; we must ensure that we focus on providing the right support to the customers that need it most, and not focus purely on numbers.
- 5.4 It is not appropriate for Thames Water to receive rewards or penalties for a service that is in our own best interest to deliver.

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<sup>14</sup> Thames Water, TSD019-CR27 PCs and ODIs, September 2018

## Section 6

# Reporting and assurance

## Measurement

- 6.1 We will measure the percentage of households containing individuals on our Priority Services Register as a percentage of our total household base, at the end of the financial year to zero decimal places.
- 6.2 For the data checking element, we will report annually the percentage of distinct households with individuals on the PSR we have contacted over the previous two years to ensure they are still receiving the right support. We will also report the total number of individuals that we have added, or removed from, the register, or amended services to, following contact being made.
- 6.3 We will make reasonably practicable endeavours to engage customers and confirm their needs and if consent for sharing with other utilities has been provided, then refresh that consent. However, if a customer does not respond to our engagement we will update their records with 'nil response', which will count towards the target.
- 6.4 From our initial pilot in 2017/18 we received a 15% response rate when contacting 12% of our customers; half by SMS and half by letter. By far the bigger response was by letter. From benchmarking with colleagues in the energy sector, we understand that they typically obtain a 30% response rate to contacts with customers.
- 6.5 Customers in this segment are often seldom heard and heard to reach, and do not always engage without a lot of support. We do not feel it is appropriate to overly engage customers to demand response, or suggest that a lack of response will necessarily mean removal from the PSR. We plan to develop our policy further in this regard.

## Reporting and Assurance

- 6.6 Our company-wide approach and process for all regulatory assurance and reporting is detailed in CSD010 AMP7 performance reporting framework of our September 2018 submission.
- 6.7 For AMP7 we will maintain a robust approach to tracking our commitments and reviewing progress.
- 6.8 Progress against this commitment will be reported externally both to our CCG, CCW, and to Ofwat as part of the performance commitment process.
- 6.9 Data reported will be independently audited as part of the Annual Reporting process.



- 6.10 In addition to the reporting of our formal performance commitment targets, we will also report on the following as part of our Annual Reporting process:
- Forecast annual figures for individuals registered as receiving support through PSR services for; a) communication, b) support with mobility and access restrictions c) support with supply interruption, d) support with security and e) support with other needs.
  - The total number of individuals that we have added to or removed from the register, or amended services to, following contact being made.