

ENVIRONMENTAL SCRUTINY PANEL MINUTES

Thursday 27 April 2023, Meeting in person and via Microsoft Teams

Attendees

Chair:	Alison Thompson (AT)	
Secretariat:	Lorraine Taylor (LT)	
External Members:	Trevor Bishop (TB) (<i>Teams</i>)	Water Resources South East (WRSE)
	Steve Crabb (SC)	Independent Chair, SES Water's CSP
	Karma Loveday (KL) (<i>Teams</i>)	Independent
	Cat Moncrieff (CM)	South East Rivers Trust
	Emma Langford (EL)	Environment Agency
	Ana Maria Villaneda (AMV)	CCWater
	(<i>Teams</i>)	
	Stephanie Hurry (SH) (<i>Teams</i>)	Waterwise
	Glen Skelton (GS) (<i>Teams</i>)	Surrey Wildlife Trust
SES Water:	Tom Kelly (TK)	Wholesale Director
	Ian Cain (IC)	CEO
	Grace Wood-Lofthouse (GWL)	Sustainability Projects Manager
	Lucy Merritt (LM)	Head of Communications
	Junji Omura (JO) (<i>Teams</i>)	Shareholder representative
	Diana Evans (DE) (<i>Teams</i>)	Compliance & Assurance
		Manager
	Ria Woodfield (RW)	Catchment Manager
Guests:	Beryl Wall (BW)	Assurance Consultant
	Lizanne Parminter	PA Consulting

1 Private meeting

A private session with external ESP members took place prior to the start of the meeting.

2 Chair's Announcements

The Chair welcomed all the external ESP members and SES team. She reported for the record that the meeting was quorate and that apologies for absence had been received from Junji Omura (Shareholder representative), Sarah Holloway (Independent) and Christine Cleveland (CCW).

The Chair enquired if there were any Declarations of Interest. AMV reported that she works as a Policy leader with Affinity Water, CM reported that she is working with SES Water on the eden catchment area. EL mentioned her recent work Portsmouth and Anglian Water.

The Chair read out the Statement of Independence:

"Our role on the Environmental Scrutiny Panel is to act independently to advise and challenge the company. We offer our views impartially and constructively for the long-term public interest".

The Chair provided the following updates to the Panel:

- The Chair provided a brief summary on the recent 'Your Water, Your Say' event that SES Water held. Positive feedback received especially from CCWater.

- The Chair reported that since January, there have been a number of deepdives between members of the ESP and SES to integrogate assumptions and thinking for the PR24 process which has proven valuable.
- The Chair will be attending a climate adaptation event at the Met Office ahead of the ESP Climate deepdive.

Minutes

The minutes from the previous meeting were ratified with no amendments needed.

Action Log

The Chair reviewed the Action Log, and reported on the following actions:

Action 5 – viability of tapping into innovation funding e.g. Ofwat’s Challenge Fund. TK reported that we are looking at opportunities to capitalise on water efficiency out of the Innovation Fund with specific regard to grey water rainwater recycling.

Challenge Log

The Chair summarised the items on the Challenge Log. Key items had been allocated to a series of deep dives to be discussed later on the Agenda. However new challenges were added to the log. EL challenged the company to wider its criteria for reporting category 3 near misses to align with the EPA reporting standard and for good practice. SC raised a challenge about the abstraction levels along the Hogsmill. He challenged the company to show how it was working with Thames Water to influence and ensure sustainable solutions. TB raised concern about the erosion of the supply/demand balance and risk of severe drought. AT said it would be good to align our challenges with the company risk register and processes and escalate where needed. She asked if we could address this collectively.

Terms of Reference

The Chair reported that the Terms of Reference had been updated and agreed with the Company.

Indepen Report

The Chair reported that a copy of Indepen’s Report of a review of the Independent Challenge Groups in the Water Sector had been circulated to the Panel prior to the meeting and welcomed any feedback from the Panel. Initial feedback was transparency on challenges around resourcing. TK provided his reflections and his level of comfort that there is no cause for any specific concern given the ESP governance standards and ways of working.

3 Welcome to PA Consulting

Lizanne Parminter of PA Consulting was invited to attend the meeting as an observer.

PA Consulting have been engaged by the Company to provide Board assurance on PR24 process. PA Consulting are keen to see all the work the Company is undertaking especially engaging with customers through independent forums.

4 CEO/SLT update

Preliminary performance for Year 3 of current AMP and Quarterly Performance

IC and TK provided a summary the latest performance for the period. IC thanked the Panel for the work that they carry out to challenge the Company on their thoughts and processes.

IC reported that it's been a really challenging year however we have made improvements from year 1 and 2. SES has delivered on water quality, met the regulatory leakage target, outperformed on our supply interruptions target and made significant progress towards meeting the resilience target to strive to ensure that all customers could be served by more than one treatment works. SES finished the year at 81%. The company has beaten its target for void properties which is really positive as just 14 months ago they were an outlier, but now we are moving towards the top half of the table. Targers for affordability solutions were met but the target for mains replacements was missed, mainly related to bursts. This was the most significant penalty the company has faced.

The C-Mex and D-Mex positions have improved and have moved to 10th position in the last quarter and overall potion of 13th for the year. Greenhouse gas targets have been met. The Company just missed out on the WINEP target as the 7th scheme will be deferred to just over a year from the original Ofwat profile which means it will be delivered in May this year. No progress has been made regards the PCC target.

EL asked about the metric in place for incidents. TK reported that the company had made a decision to move from category 1 to 3 to category 1 to 2 from a performance commitment perspective. This was logged in the challenge log following earlier discussions.

TB asked about planned and actual PCC and the metric about the risk of severe restrictions in drought and wondered if severe risk was on the Company's radar. GWL reported that we are in a good position but is not complacent and its on the radar.

KL asked about thoughts on outlook of finishing the AMP and set up for AMP8. IC reported significant challenges exist including on softening and PCC. However, the transformation around technology is puts SES in a more resilient place than it has been for a number of different things.

Projections for remaining 2 years

IC reported that momentum with continue around C-Mex and D-Mex but PCC and softening targets remain elusive. TK added that a number of performance commitments have been heavily influenced by the weather and softening has been a challenge.

Strategic Review update

IC provided an updated to the Panel on the Strategic Review which is currently taking place. There is a teaser out in the market following the Shareholders announcement that they are reviewing their ownership of the portfolio of East Surrey Holdings of which SES Water is part of. The teaser is largely full of publicly available information and is quite factual. There has been interest and the advisors, who are working on behalf of the Shareholders, have reported there is mixed interest. The next phase of the process will be to issue an Information Memorandum where interested parties will receive further information.

5 PR24 update

Customer Research Update: *Your Water Your Say* Feedback

The Chair wanted to reflect on the recent 'Your Water Your Say' customer forum.

IC and TK provided a summary of the event. There was positive feedback on the following:

- Having an independent Chair for the event which gave customers more opportunity to ask questions
- Pleased with the turnout and the level of engagement in the session
- Interesting that the way we got messages out to customers clearly resonated
- Customers really challenged us on some topics
- Interesting that customers wanted water only companies to hold waste water companies to account
- We need to be thoughtful about how we stand alongside other institutions and customers in order to play our part
- Please about focus around environment
- Received a lot of challenges which are shared across the sector

The Chair reflected that it was a well organised session. One challenge was to share the company's risk register to ensure that risk areas are captured.

SC reported he'd had feedback about it being one of the best sessions and really pleased with the level of challenge and holding it in the evening was a good decision. There was a lack of understanding of what the company does so perhaps create a sort digital intro into what the company does prior to the start of the forums in the future. This idea was warmly welcomed by the panel.

LM reported that we have started to pull together our 'Let's work together' campaign which is an animation.

AMM reported that it was a really positive session and a good level of engagement however the forum was lacking in young people.

TB asked a question which related to the whole water sector and not just SES Water and that is, "what does 110 litres per person mean for a family in a real home?" The scale of social change required means significant work needs to go into tackling this.

KL asked if there was anything that came up in the session that was totally unexpected and surprised the company? IC said he was surprised that pressure management did not feature. TK reported that there were three points in the session, one being comparing leaking in the UK with what's possible internationally, second point was a question about what proportion of the plan is about regeneration rather than sustainability, and the third point was about the use of technology to embrace the capture of storm water in order to help the water supply challenges.

The Chair raised a question about the lead debate. TK reported that lead is going to be a topic in the next year.

CM wanted to revisit the suggestion of capturing storm water, it's really important as a water company to embrace this suggestion.

PR24 Business Plan update

TK reported that there are lots of themes are being developed on the Business Plan and are

eager to engage with the Panel as progress is made. We are about to engage on the Bespoke 2 work around key choices.

Feedback on ESP challenge and impact

TK provided a summary on the recent deepdives which have taken place. The deepdives run alongside the Challenge Log.

The first session was around behaviour change and raised the following:

- *Consider weighted tariffs as part of AMP8*
Affinity Water have been trialling this for the current year. Keen to move forward with weighted tariffs and smart metering
- *Clarity required around approach for NHH and NAVs*
SES are engaging with NAVs within our area. There is work going on with NHH retail wholesalers to deliver water efficiency. Including conversations Gatwick who are keen to collaborate on their ambitious efficiency plans. SH to share some of the findings following their work with Heathrow airport
- *PCC reduction is not currently good or encouraging*
This is the biggest challenge for the Company, this will require significant acceleration in smart roll-out, new tariffs. SES sit at the seventh highest PCC across the UK.

The second session was around leadership and raised the following:

- Need to be proportionate and pragmatic, based on our comparative size
- Focus on areas the company are currently leading regards supply integrity and resilience performance
- Open learning, innovating/sharing/improving
- Enhancing nature and improving lives

The question posed by the ESP of leadership was around how SES sees itself with regards how it is going to influence the sector. SES intend to respond to this point through the emerging strategy and move towards open data, opening our learning through training, innovation and to be honest when things go wrong and properly engage with communities.

SC counselled as a build on that, what showing leadership and being a disrupter look like delivering on the new company purpose as this will be a real test.

LM provided a summary on the work the team have been doing with their Comms Strategy in the first year. They have been building a foundation from which the team can operate, invested time and energy in getting their processes right and how they can set themselves up for success. Improves approach to social media interaction and wider stakeholder engagement.. Building on a closer working relationship with the water resources team.

Strategy development

LTDS & PR24 Business Plan

The Chair asked what the timeframe is for looking at the next iteration of the LTDS. TK reported that this should be around late May early June. PH reported that the LTDS needs to be broken down into parts such as ambition which the Panel was taken through during the last deepdive session, then the next phase would be to look at the scenarios and they hary are impacting the potential through the proposed investment plan.

GWL provided a brief update on the WRMP. The revised date for the dWRMP is now 27 June.

6 AOB

Accelerating Reductions in Demand – CCW

The Chair reported that she has been asked by Emma Clancy at CCWater to join a panel to talk about accelerating reductions in demand. She has accepted as a way to champion the sentiment of the Panel around water demand and the need to demonstration leadership in the sector. TK reported that we had been contacted by various parties asking why the company had not sought any formal funding through the accelerated infrastructure funding programme. The reason was SES are already funded for a degree of smart metering.

Update from Steve Crabb, Independent Chair of CSP

SC provided a summary of what the CSP will be focussing on at the meeting taking place later in the day as follows:

- Business update on customer numbers are looking good and heading in the right direction
- SES Water are now sharing more vulnerable customer data with it DNA or energy network like UK Power Networks
- PR24 update

TK reported that ReGos (renewable energy guarantees or origin certificates) are no longer being supported by Ovo and that the Financial Times have reopened their assessment of Drax ReGo biomass activities regarding the sustainability of them. A meeting is pending with our Energy Strategy Committee to review use of ReGos.

TK also reported that the integrated plan for water which was published last month is aligned with the company's thinking and encouraged the Panel to review it if they had not already.

The next meeting is on the 4 July 2023

This is accurate record of the minutes of the meeting.

Date: 4 July 2023

Name: Alison Thompson

Signed: 

Chair of Environmental Scrutiny Panel for SES Water