

# ENVIRONMENTAL SCRUTINY PANEL MINUTES

Tuesday 10 January 2023, Meeting in person and via Microsoft Teams

## Attendees

**Chair:** Alison Thompson (AT)

**Secretariat:** Lorraine Taylor (LT)

<b>External Members:</b>	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)	CCW
	Stephanie Hurry (SH)	Waterwise
	Sarah Holloway (SHo) ( <i>Teams</i> )	Independent

<b>SES Water:</b>	Tom Kelly (TK)	Wholesale Director
	Paul Kerr (PK) ( <i>Teams</i> )	Group Chief Financial Officer
	Ian Cain (IC)	CEO
	Carla Higgs (CH)	Sustainability Manager
	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
	Rebecca Wiles (RWi)	Non-Executive Director

## 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 Bella Davies (South East Rivers Trust), Sarah Jane Chimbwandira (Surrey Wildlife Trust), Glen Skelton (Surrey Wildlife Trust) and Christine Cleveland (CCW).

The Chair enquired if there were any new Declarations of interest. TB reported that he is now Chairing United Utilities WINEP Panel. AMV reported that she works with Affinity Water and CM reported that she is working with SES Water on the Eden catchment area.

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 extended a warm welcome to new members of the ESP and SES team.
- The Government are being more cautious on environmental change and the targets that

- were published in December have been criticised by green groups.
- The publication of the Environmental Improvement Plan will be at the end of January 2023 and is unlikely to have a significant impact on PR24.
  - Following the review of Ofwat's Final Methodology, the tone of the document is quite negative regarding challenges facing the water sector. In substance, very little changes from the Draft Methodology.
  - PR24 looks to be very challenging regards rising customer expectation, affordability and environmental pressures.

### 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 1:** Following the ESP's private session, the Panel were disappointed that they had not received any feedback from the Company on their view of the LTDS.

**Action 2:** Following the successful recruitment of a Sustainability Team, the ESP are looking forward to engaging and providing input into the Bough Beech Transformation project.

**Action 3:** AT and TK to agree the right ESP meeting for Daniel Woodworth to present an updated on leakage to the Committee.

**Action 4:** TK reported that there will be a number of anomalies this year with PCs due to varying weather conditions in 2022 from drought to freeze/thaw event.

### Challenge Log

The Chair summarised the items on the Challenge Log.

TK reported that the Company are out for consultation on their Draft WRMP and that we are progressing with the Smart Metering trial.

**ACTION:** ESP to provide a response formally to the SES Draft WRMP.

### Terms of Reference

The Chair circulated a copy of the Terms of Reference prior to the meeting and asked the ESP if the three core objectives were still appropriate especially now that the role of Independent Challenge Groups has been elevated since the Final Methodology and associated guidance.

The three core objectives are:

1. Ensure SES Water develop a robust long-term environmental strategy
2. Align with and contribute to regional environmental initiatives
3. Scrutinise SES Water's environmental performance, commitments and obligations laid out on the Business Plan

CM asked of objective could be more ambitious to reflect the need for best practice approaches. The Chair asked that any further feedback from members be sent for consideration.

**ACTION:** AT, SC, TK, IC, and Kate Thornton meet to review the objectives to meet CCW's

expectations following the CCG's report.

### 3 CEO/SLT update

#### Summary of Performance for AMP6 and AMP7

IC and TK provided a summary the latest performance for the period October 22 to January 23.

Water resources continue to replenish following the summer drought. Bough Beech reservoir is now full and groundwater levels are continuing to build. Winter rainfall to mid-December was averaging ~140%, with significant rainfall occurring in the week before Christmas. Consequently, SES has moved back to Drought Plan trigger 0. The drought has significantly impacted PCC performance for the year.

After 10 nights of average temperatures of -5 degrees C and a rapid thaw, the operation performed very well. Whilst burst rates increased again, TK reported that the roll out of the iDMA programme worked well during the freeze/thaw period as only one short supply interruption impacting 3 properties occurred. Other UK water companies saw significant and often lengthy outages of customer supplies. Leakage levels, largely customer-side, are taking longer to return to normal.

Operations remain on track to deliver a suite of interdependent resilience schemes by the end of March, which will see risk of supply failures PC (i.e., number of customers connected to 2 WTWs) increase from 57% to 91%.

Temporary alternative measures have been put in place for the River Wandle augmentation following a series of bursts on the raw water main normally used for this purpose.

IC reported that C-MeX and D-MeX performance are improving but continue to be a main focus.

Looking ahead, SES is happy they have a strong process in place but are still looking to challenge themselves further in relation to the requirements of PR24.

TK reported that we more momentum on our Smart Metering trial is required which should see a reduction on demand and PCC reductions. SES continue to be challenged on financial resilience in light of the recent cost of living crisis and rise in the Retail Price Increase (RPI).

#### Ofwat PR24 Final Methodology implications

PK provided an update on Ofwat's Final Methodology implications. There were no big surprises with the Final Methodology, and it is consistent with the Draft Methodology.

Ofwat's ambitions are on long-term environmental matters and continued customer engagement.

Implications for SES include:

- Balance of risk and reward – concerns on levels of return and aspects of penalty review
- Weighted average cost of capital up, now at 3.2%
- Level of financial resilience – separate consultation on Ofwat's dividend levels and equity injections down to 55%

TK reported that SES are working on a long list of schemes which will be discussed with the Board on 7 February at the Board Strategy Day. This list will help to set out how SES plan to deliver against LTDS aspirations.

The Final Methodology confirms that Ofwat are keeping PCC and Leakage separate across the sector. Embedded carbon has not been captured in the Final Methodology, however there is a biodiversity PC which SES welcome given their focus on biodiversity to date.

The Chair requested sight of Copperleaf work given the importance of options appraisal.

**ACTION:** TK agreed to share relevant Copperleaf introductory material with the ESP.

#### Long Term Delivery Strategy update

The Chair reported that the Committee have not received any feedback from the Company on their response to the LTDS.

**ACTION:** TK reported that he will provide a response to the ESP on the LTDS.

#### Detailed work plan and timings for stakeholder engagement to include plan for triangulation

The Chair asked about the timing of the stakeholder engagement process taking place and how the ESP can best marshal resources to support the needs of the company.

**ACTION:** IC proposed a meeting to discuss stakeholder engagement needs and timing.

## **4 Two-way Q&A with Rebecca Wiles, Independent Non-Executive Director**

IC introduced Rebecca Wiles, Independent Non-Executive Director to the group.

RWi thanked the ESP for the invite to join the meeting and provided a brief summary of her professional background. She has more than 30 years' experience working in the energy sector for BP and has valuable experience across running Norway's operations, major projects, operations and technology delivery.

RWi has a passion for diversity and inclusion. She praised the diversity of ESP membership.

### Observations

Since being on the Board of SES Water, RWi has observed the realities of water as a highly regulated business. She is positive about the extent to which the business is focused on the environment. She expressed her view that the quality of the SES leadership team is great including listening to what people have to say and taking decisions aligned with their strategy and plans. The company values of Compassion, Commitment, Innovation and Customer Service are clearly being lived by all. RWi would like to see more Innovation and Collaboration taking place across the sector. Until joining SES, RWi had not realised the extent to which the sector was relying on customer behaviour change to deliver performance commitments now and into the future on water use.

TB asked RWi about her views on the deliverability of getting to a 110 litres per day PCC target given the current starting point of SES this area. RWi agreed with TB's concern and said that the industry should unite to help customers with the required behaviour change but also ensure that supply was also managed resiliently.

KL asked as a new iNED how comfortable she felt about providing the right level of assurance for PR24 given the breath of expectation. RWi reported that she is confident with the Board's

approach towards for assurance and the positive relationship they have with the Executive team. She explained that certain areas in PR24 have been assigned to each NED for them to focus their attention on and report back to the Board on their findings. KL mentioned that she would like to hear more from the Board about the 'People' once PR24 has concluded. She said that feedback to the ESP on the LTDS was still pending.

SH asked about how the Board are seeing strategic development. Specifically, how in her view a long term ESG strategy would mesh with a Long Term Delivery Strategy and more granular environmental strategy. In the interests of time, RWi offered to provide further detail to SH outside of the meeting (now completed).

SC asked about the extent to which Ofwat funds could be tapped into. He asked whether SESW could access innovation funding from Ofwat's Challenge Fund to deepen or replicate what the company has done on the intelligent network in other respects?

**ACTION:** TK to respond regards viability of tapping into funding such as Ofwat's Challenge Fund to facilitate new innovation.

## **5 WINEP: SES's proposed work programme: SES and Environment Agency perspectives**

EL summarised the EA's perspective of SES Water's WINEP process which covered:

- What is the WINEP?
- PR24 Framework and the WINEP
- WINEP Methodology Stages
- Stages 1-4 - approach, who's involved, expected outcome
- WINEP Methodology the differences
- Useful links

EL reported that SES Water are currently at Stage 3 of the WINEP process which is the Proposing Solutions which are:

- Options development
- Water companies lead
- Natural Capital approach
- Co design, deliver and fund
- Collaborative – stakeholder engagement
- Robust evidence
- Preferred, least-cost, best value options
- Options development report
- Options assessment report

This process is more outcomes focussed than output approach and encourages innovation.

EL summarised the WINEP Methodology – The differences as:

- Sets out in one place the overarching process for designing, developing, and delivering the WINEP
- Focus delivery of outcomes
- Have a longer-term focus
- Promote and more system/catchment approach encourage innovation, collaboration, and great use of nature-based solutions
- Support co design, delivery, and funding

- Deliver wider environmental benefits – Natural environment, net zero, catchment resilience and assess/amenity/engagement

EL asked if there were any questions.

TB observed that many of the water and waste companies were developing WINEP programmes of a far vaster scale. He said that in comparison he felt that the SES programme went little beyond statutory expectations. He asked given that, does this provide SES some headroom regards a greater level of ambition? For example, he mused on Ofwat's Social Value Principles as a useful starting point.

CM said it was vital that SES can demonstrate it is delivering, not just investigating. IC responded saying that this isn't the intention but if that is how it is perceived the team need to rectify this.

GWL reported that the scale to bring in catchment provides an objective view. We need to bring together the 25 year environmental plan which is non-statutory, and we need to understand the level of customer support. TK reported that we need to experiment with the Eden catchment to see what works and what doesn't before progressing to the River Mole catchment area.

AMV mentioned that the Company needs to raise customer awareness. How could SES use WINEP as a vehicle to help demonstrate customer support she asked?

The Chair said that there needs to be more clarity on success factors and lessons learnt regards working with landowners and partnership working more broadly. She welcomed the planned not statutory investigation.

## 6 AOB

### Campaigns update

LM provided a summary of the latest campaign work and the strategic objectives:

- **To change behaviour** – key PCC targets can only be met if we work with customers to change their behaviour. The resilience of our service is dependent on them taking action. (PR24)
- **To build brand awareness and loyalty** – our customers need to know who we are, what we do and the benefits we provide so they value us and are positive about the service we provide. (C-MeX) (PR24)
- **To rebuild trust** – as set out in Ofwat's methodology, companies need to recognise that the public's trust in them has been shaken. We need to work to rebuild trust and change public perception. (PR24)
- **To achieve more stretching levels of customer service** – this requires a consistent approach to all customer touchpoints and interactions. We need to recognise what's important to customers and ensure we reach beyond statutory requirements. (PR24)
- **To bring significant benefits to the communities we serve** – beyond core communications, we will need to focus on how we develop both our education programme and community engagement, through events. (PR24)

KL stated she didn't see what was different about the proposed campaign compared to ones we had seen to date from SES. The Chair suggested that the difference was perhaps in the explicit intent to change behaviour which was a new thing?

SHo said the intent was good but asked what the success factors would look like. LM said one of the factors would be the number of people who have downloaded the 'MyAccount App'. SHo stated how ensuring fully clarity of metrics for success criteria of the campaign to test is critical. The Chair agreed and stated a desire for the ESP would like to look further at this to better understand what's working and what isn't given how critical managing down water use is and will continue to be.

SH asked is the messages SES we are putting out can be driven up and down throughout the different stages of the year i.e., broaden the customer engagement on smart metering? LM reported that there will be two-way conversations taking place with our customers.

AMV asked how the Company were engaging with customers who were not online? LM reported that our online campaigns can be used as paper campaigns, and we have our Customer Liaison Officers on hand to spread the news about the Company's campaigns.

**ACTION:** The Chair said would ensure a Water Use Strategy Deep Dive is scheduled.

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:

- Ability to pay is clearly very much front and centre with significant bill increase due
- Proactive work to identify customers who might be at risk
- Debt and payment issues
- Deepdive on Complaints
- PR24 customer engagement

Drax

TK circulated a paper regarding the recent press interest following a Panorama programme on Drax's biomass operations. TK reported that he has been having detailed conversations with Drax about their operations and so far, the Company has not received any enquiries from outside of the organisation. Following these conversations, the Company have agreed to continue to work with Drax until the end of the current contract in March 2025.

The next meeting is on the 27 April 2023

**This is accurate record of the minutes of the meeting.**

**Date** .....27.April 2023.....

**Name** ...Alison Thompson .....

**Signed...**  .....  
**Chair of Environmental Scrutiny Panel for SES Water**