Chapter 5: Our customers and their priorities

5. Our customers and their priorities

This chapter provides an overview of our customers and the communities we serve. We explain how we engage with our customers on a day-to-day basis, and how we use insight to inform our business decisions. We summarise the customer research and engagement we have carried out to help develop our PR24 business plan and demonstrate that it has been meaningful, high quality and representative of our customer base. This includes the insight we have gathered through our own research programme, together with the findings of the collaborative industry research.

We explain the independent challenge we have received from our Customer Scrutiny Panel and our Environmental Scrutiny Panel as we have developed our plans, and our first 'Your water, your say' session. We present our understanding of our customers' priorities and show explicitly how customer insight has influenced our PR24 business plan and our long-term delivery strategy.

A. Our customers

The area we serve

1. We supply drinking water to 750,000 customers. Our supply area covers 322 square miles or 0.6% of England as a whole, yet we supply water to 1.1% of the population. This small geographic area contains several geographic and customer demographic differences which we explain in detail in Appendix SES014 - Customer Research Summary and Methods. We are continually improving the quality of customer data we hold and supplement this with data from the consumer data company CACI, that provides insight on a range of demographic characteristics, so we develop a deeper understanding of our customers to help improve the service we provide.
2. More than 99% of our customer accounts sit within nine Local Authority (LAs) areas. This includes three London LAs (Croydon, Merton and Sutton), which together cover less than 15% of our supply area but 44.5% of our customers, due to their high population density. The remaining 85% is covered by six LAs in Surrey and Kent, where 54.9% of our customers reside. The remaining 0.6% of our customers reside in parts of Crawley, Mid Sussex and Guildford.
3. The high population density in London means that 57% of properties are flats or terraced housing compared to 38.6% in Surrey and Kent. In turn, this means that meter penetration is currently lower in London as it's typically harder to install meters in flats as they often must be fitted internally. Consequently, our London customers are currently at 64% metered vs. 72.5% in the more rural and easier to access Surrey and Kent areas.

The customers we serve

4. The demographic makeup of our customers living within the different geographic areas varies considerably. Some of these differences are highlighted in Table 1 below and the fuller version of this can be found in Appendix SES014.

Table 1: SES Water customer demographic data

	Area	London	Surrey / Kent
	Volume of accounts	131,945	163,071
	% of accounts	44.5%	54.9%
Acorn scores	Affluent achievers	31.51%	46.7%
	Rising prosperity	14.93%	12.3%
	Comfortable communities	26.49%	19.73%
	Financially stretched	9.01%	12.13%
	Urban adversity	15.52%	5.14%
	Other	2.54%	3.96%
Age	18-24	9.00%	9.35%
	25-34	18.12%	13.03%
	35-44	19.45%	15.47%
	45-54	17.42%	17.52%
	55-64	15.68%	18.46%
	65-74	11.26%	13.49%
	75+	9.07%	12.68%
Household size	1 person	25.63%	25.69%
	2 persons	28.49%	36.43%
	3 and 4 persons	37.82%	32.07%
	5+ persons	8.06%	5.81%

Source: CACI 2023 update

5. This data enables tailored revenue and debt collection strategies based on our understanding of a household's ability to pay. If customers are struggling financially, we proactively contact them to offer support and advice. It also helps identify customers who require priority services and what extra support they need. For example, there are more customers on our Priority Services Register (PSR) because they are of pensionable age in Surrey, while in London, there are more qualifying as they have young children.

6. Understanding household demographics is key when analysing household consumption and water usage. 62% of Surrey and Kent households consist of one or two people vs 54% in London. This insight allows for more effective, targeted and relevant communications around water usage. This will be an area we build on over the coming five years as we roll out smart meters, providing more direct and tailored support.

7. We offer the ReciteMe service on our website, which our customers have used to view our information in 47 different languages over the past 12 months. We offer customers

digital communication channels as well as telephone-based services and face to face visits at our office in Redhill. We have increased the training provided to our advisors, so they are better equipped to support our customers' needs. Recent examples include dementia awareness and safeguarding training from Surrey Fire and Rescue.

8. We recognise not all customers contact us to ask for support and have expanded our community outreach programme delivered through our team of Community Engagement and Support Officers.

9. Currently we have more than 13,000 non-household customers. Over 82% of them have less than four employees and, therefore, often act more like household domestic customers. Gatwick Airport is our largest non-household customer.

Our customers of tomorrow

10. The Office of National Statistics expect population growth of 3.2% by the mid 2030's. In our supply area, that would mean an increase of 9.4k households. The average age of our customers will increase and it is critical that our financial support and PSR schemes remain fit for purpose and have the necessary funding. We must ensure the resilience of our network is maintained as the need of water for medical treatments like dialysis will increase. Finally, in a world of digitisation we must consider carefully our service offering so as not to alienate those who are digitally disadvantaged.

B. Engaging with our customers and communities

11. Engagement with our customers has continued since the last price review. We have built on its foundations to embed customer insight into our decision-making processes. This has enabled customers to play a more active role in our business planning, as well as integrating the outcomes into the delivery of our services.

12. We collect insight from several different sources. Our engagement with customers takes place through:

- Day-to-day interactions such as C-MeX surveys and shadow surveys, contact and complaint analysis, website analytics and our 'Voice of the customer' programme;
- Customer forums and primary research such as our 'Talk on Water' customer panel, research on our purpose and other business areas; and
- Proactive engagement across a range of channels such as media and social media, digital channels, stakeholder engagement, community activity and partnerships and our education programme.

13. Together, this is enabling us to embed a more insight-led approach across the organisation. We have established mechanisms for insight to be formally shared across the business and monitor changes and trends closely, sharing them regularly with our Board. We have established a Customer Committee, attended by our Chief Executive Officer and one of our independent NEDs.

14. Our Appendix SES013 - Household Customer Strategy explains in more detail how we engage with our customers and communities and how we will continue to build on this and establish longer term processes to continually inform our decision making.

Ongoing customer challenge

15. We recognise the importance of independent challenge of both our ongoing performance and our future plans. We maintained our Customer Scrutiny Panel (CSP) following PR19 and we established a dedicated Environmental Scrutiny Panel (ESP) that is scrutinising

our environmental performance and strategy. Both groups are independently chaired, and the Chairs have recruited individuals who represent a range of areas of interest, as well as having the relevant expertise to contribute to the groups' work.

16. Our Customer Scrutiny Panel (CSP), chaired by Steve Crabb, reflects the interests and expectations of our customers. Steve is a specialist in consumer affairs with a particular focus on customers in vulnerable circumstances. He currently holds several roles within the utilities sector, including leading the Water UK working group on data sharing between the water and energy sectors. The CSP meets on a quarterly basis to review company performance against performance commitments including C-MeX, support for customers in financial hardship and to scrutinise how we are understanding and meeting the needs of all our customers. It has actively contributed to topics such as the development of our company purpose, the strengthening of our approach to customer engagement and how we can improve the quality of our communication.
17. Our Environmental Scrutiny Panel (ESP) is chaired by Alison Thompson, a tutor in sustainability at Cambridge University and Deputy Chair of the Southern Regional Flood and Coastal Committee and is made up of several independent experts in sustainability and representatives from local environmental groups. It draws on best practice and leadership to support us in developing a robust long-term environmental strategy including scrutinising our environmental performance, critiquing the development of our business plan, LTDS and WRMP (Water Resource Management Plan) where it is relevant to the environment, and supports the CSP in its challenge of our customer engagement programme.
18. Both groups report at regular intervals to our Board to provide an independent view on company progress and have supported the Board in its assurance process for this plan.

C. How we have used customer research and engagement to develop our business plan

19. The customer research and engagement carried out to inform our business plan for 2025 to 2030 is set in the context of our wider customer engagement programme and has maximised the use of our existing channels and methods alongside the collaborative research carried out by Ofwat and CCW and our own bespoke programme of research. Full details of our research programme can be found in supporting document Appendix SES014.
20. We have addressed the feedback received at PR19 that our research findings were not robust enough and we didn't reach a wide enough range of customers. To ensure our PR24 business plan is built on high-quality research we have:

- Used a combination of qualitative and quantitative methods to achieve both depth and breadth of understanding of customer views;
- Increased the sample sizes for quantitative surveys, with each piece of research including at least 500 household customers;
- Used a variety of methods to encourage engagement such as online and in-person focus groups, online surveys, face to face and telephone interview and on-street recruitment;
- Included younger customers in our research and carried out specific engagement with future customers;
- Set research quotas for different customer groups that reflect the geographic and demographic makeup of our customer base;
- Worked collaboratively with our neighbouring companies to share research best practice, techniques and outputs; and

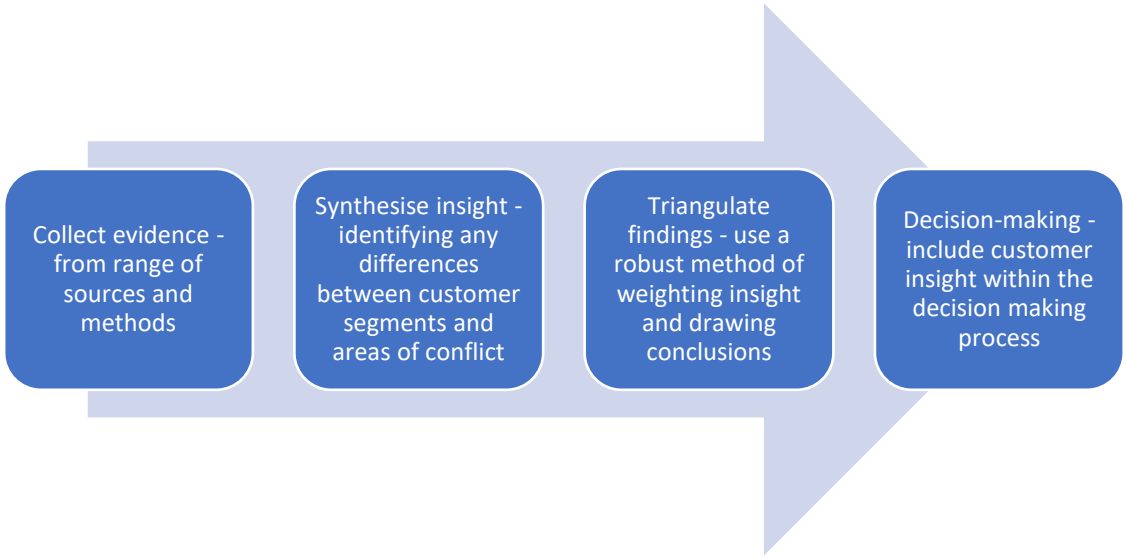
- Triangulated our research findings with other sources including insight from our day-to-day interactions and research carried out by others.

Representation from all – our sampling approach

To ensure representative results, we have adopted a sampling approach to our recruitment of customers for the pieces of customer research that we have undertaken. Socio-economic groups, geographic location, age groups, customers with additional needs were monitored and compared vs. known supply area %'s and corrective action taken where appropriate. A good example was during the Bespoke 2 fieldwork when the SEG spilt of the online survey element was skewed in favour of the ABC1 group. This resulted in the in-depth face to face interviews which followed being targeted at C2DE group to provide a more balanced and representative view.

21. To make robust decisions about how insight has informed our plan, we have followed the process as shown in Figure 1 below, which summarises the insight analysis and triangulation process we have followed to incorporate insight into our PR24 plan and LTDS.

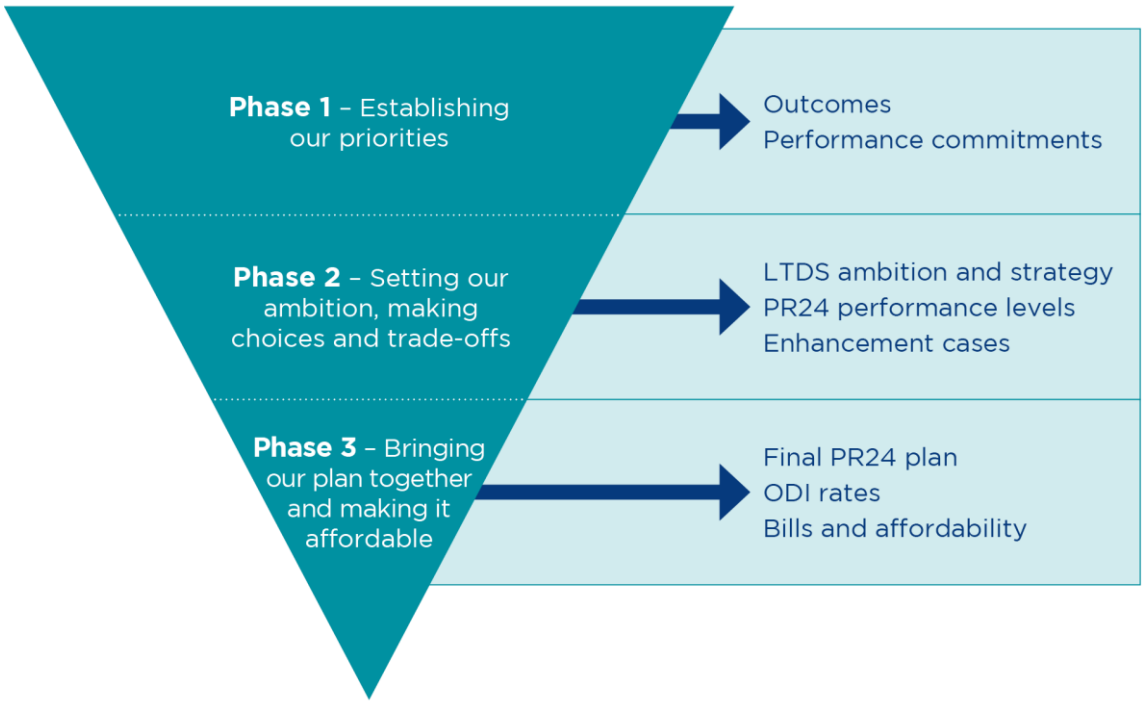
Figure 1: Summary of our research and triangulation process



Source: SES Water

22. We have taken a three-stage approach to using customer insight and engagement to inform our business plan as shown in Figure 2. This began as a broad exercise to understand customer priorities for our service across the short and long term, using a range of insight sources. We then focused on the areas of the plan that customers could meaningfully influence and where there were genuine choices and trade-offs in what we deliver, and when, over the long-term. The final stage of the process consisted of testing the plan and its cost, alongside how we put in place protection that meets the needs of our customers with financial challenges.

Figure 2: Phases of our customer research programme



Source: SES Water

23. Throughout the development of our business plan, we have met the standards set out in Ofwat's customer engagement policy paper[1] across:

    (a) High quality research

    (b) Customer challenge on the nature, quality and use of customer engagement evidence, and

    (c) Assurance of the quality of customer engagement evidence.

High quality research

24. We have utilised the collaborative industry research carried out by Ofwat and CCW to ensure consistency across the industry. This has been supplemented with our own research which has included reviewing insight collected through our wider engagement programme and business as usual (BAU) activity since the last price review, and bespoke research to inform our business plan for 2025 to 2030 and LTDS. The key pieces of research we commissioned to help us develop our PR24 plan are:

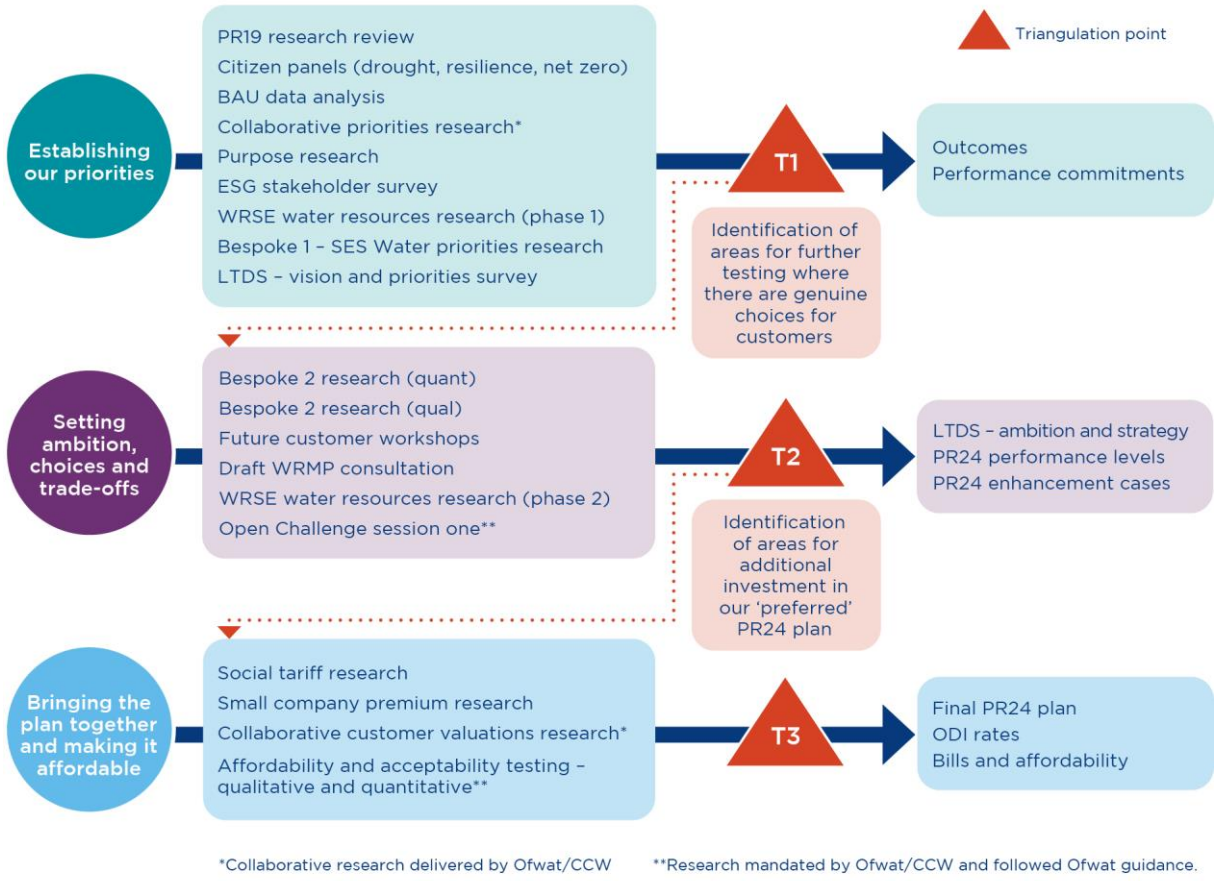
- Bespoke 1 - qualitative research into our customers priorities (Appendix SES018 - Customer Research Output Reports);
- Bespoke 2 - qualitative and quantitative research into customer choices, level and pace of ambition (Appendix SES018).
- Affordability and acceptability testing - qualitative and quantitative (Appendix SES018);

[1] Ofwat, PR24 and beyond: Customer engagement policy – a position paper, February 2022

- Social tariff research - qualitative and quantitative research into level of cross subsidy (Appendix SES018); and
- Small company premium research - qualitative and quantitative (Appendix SES018).

25. Figure 3 below summarises our engagement process and the research we have used. It includes two points of triangulation at which we have made decisions about how we take the findings of the research forward to inform the development of our plan. We explain our approach to triangulation in Appendix SES015 – Customer Insight Synthesis and Triangulation.

Figure 3: PR24 Research and Engagement Process



Source: SES Water

Establishing our priorities

26. Collaborative research, conducted by Ofwat and CCW, provided insight on customers' priorities and preferences. This was used by Ofwat to set the common performance commitments for all water companies between 2025 and 2030. In addition to the collaborative research, we carried out a review of our PR19 research findings and insight gathered through our BAU engagement programme. This BAU engagement covered, HH, NHH, developer and retailer feedback from the frequent engagement we have with them. It considered if there were any gaps in our customer evidence, where there was evidence of changes in customers views, or any significant differences to the findings from the collaborative research.

27. We carried out a further piece of research (Bespoke 1) that explored our customers' priorities through focus groups with different customer segments. This was set in the

context of both short and long-term challenges to provide further understanding of our customers' longer-term priorities and ambition for our service. It also provided us with insight into the views of different customer groups across our area.

28. Our analysis of the different sources of insight in stage one was brought together into four long-term priorities that we published in October 2022. Appendix SES002 LTDS – Long-term Ambitions and Priorities sets out our vision for the future and identified areas where we could show greater ambition over the 25-year period. It was published with a survey to enable customers and stakeholder to provide feedback.

Triangulation point one

29. We triangulated the priorities identified by the collaborative research, with our own research to identify if there were areas of importance to our customers not covered by the common performance commitments. Through our analysis we observed some differences around the level of prioritisation in some areas. For example, water supply interruptions were a top priority in the collaborative company research, with leakage positioned a little lower. However, in our own research leakage was consistently identified as a higher priority, while reducing supply interruptions was less important, which we conclude reflects our strong performance in this area and the fact that very few of our customers have experienced supply interruptions. Indeed, our Bespoke 2 research shows that out of 681 customers, just 6% of customers had experienced an unexpected interruption to their supply.

30. That said, we were satisfied that the common performance commitments proposed adequately covered our customers' main priorities. The one bespoke performance commitment we have included is for water softening, a continuation of our current target for 2020 to 2025.

31. Our triangulation of insight at point one also identified areas where there were differences between customer views, and where there was evidence of customer appetite to go beyond legal and regulatory requirements. We analysed all the main performance areas and, using three criteria, filtered where there were genuine choices for customers to inform the level of our long-term ambition, and the pace at which we deliver performance improvements beyond our statutory duties. The three criteria were:

    (a) Are there conflicting customer views?

    (b) Is there potential to improve performance beyond legal and regulatory requirements?

    (c) Are there choices relating to the timing and pace of service enhancements?

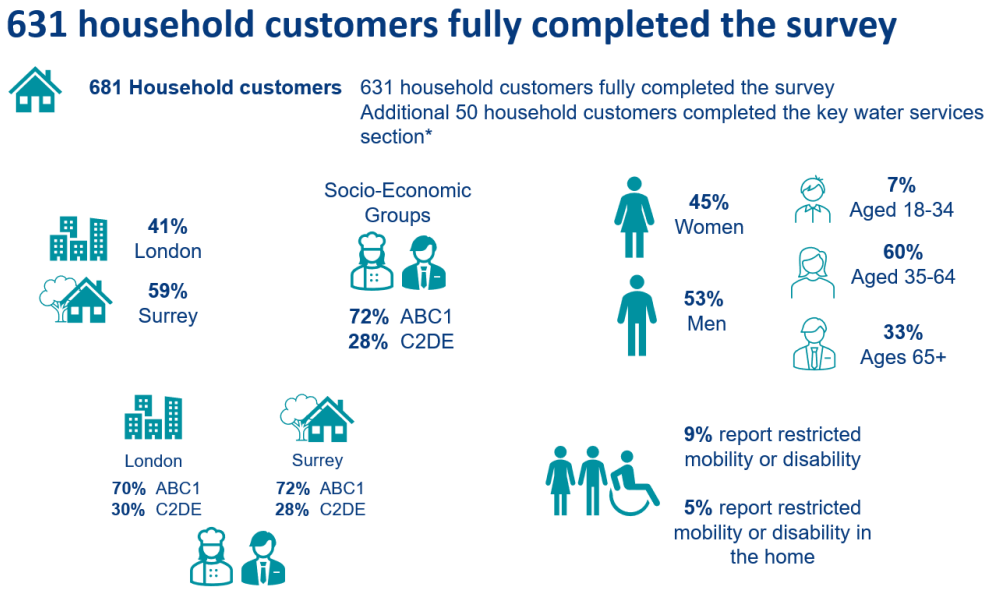
32. This process determined the areas that we focused on in phase two of our research programme which were leakage, lead replacement, smart metering, environmental enhancement and net zero carbon emissions.

Setting ambition, choices and trade-offs

33. The second phase of research focused on the above areas and gave customers choices about our long-term performance levels, the rate of improvement and bill impacts. The objective of this stage of the research was to inform our long-term delivery strategy, which, in turn, would identify areas where customers wanted us to prioritise between 2025 and 2030, including those that would require extra investment through enhancement claims.

34. The centrepiece of this stage of research was a piece of quantitative research (Appendix SES018 – A. Bespoke 2 research report) with over 600 household customers and a small sample of non-household customers. Our samples included representative numbers of our different customer segments.

Figure 4: Bespoke 2 research sampling summary



Source: Bespoke 2 research report, ICS consulting

35. Bespoke 2 included an overarching prioritisation exercise enabling us to validate our first stage of triangulation on customer priorities. It then focused on the five service areas, previously identified, presenting a range of choices for customers, both with and without bill impacts. In this research we incorporated the level of performance required to achieve legal and regulatory requirements, and which were set out in our statutory plans – WRMP and Water Industry National Environmental Plan (WINEP). We also tested options to go beyond this level of performance, providing customers with choices around the level of ambition, timing of delivery and associated bill impacts to enable them to make informed choices about the level and pace of service delivery.

36. The quantitative research was followed by a qualitative phase where we played back the key findings and explored some key areas in more detail with customers. In addition, we held two workshops with future customers to explore their views about our longer-term ambition. These focused on the same five areas.

37. In April 2023, we held our first 'Your water, your say[2]' open challenge session where we presented our developing plan and long-term ambition. This provided our customers and stakeholders with an opportunity to challenge our plan while still at a formative stage. More than 240 customers signed up to the session. With nearly 100 people in attendance, there was positive feedback from attendees on how the session had been run. Over 140 questions were submitted in advance or on the day, all of which were answered either on the day or in the report that was sent to all who signed up. It was also published on the website.

[2] https://seswater.uk.engagementhq.com/your-water-your-say-meeting

Your water, your say session one – a summary of our open challenge session.

On 25 April 2023, we held our first Open Challenge session to enable customers to provide feedback on our developing plan. We promoted the session widely to our customers using direct emails, media and social media activity and via third parties to encourage our harder to reach customers to join and take part. Provision was made for those customers who weren't digitally enabled, and customers could submit questions to us in advance directly and via CCW.

More than 240 customers signed up for the session with 94 in attendance. The session, which was independently chaired, began with a 15-minute presentation summarising our developing business plan followed by over an hour of questions from the audience that were answered by our panel of Executive Leadership Team members, and one of our independent non-executive directors.

The key areas of discussion and challenge during the session are summarised here with full details in the link above.

Securing water supplies

Customers were keen to understand how we'd continue to provide resilient water supplies as the population grows and the climate changes, without harming the environment. They questioned how we'd create more capacity to help avoid water shortages as summers become hotter and drier and whether there were opportunities to store and harvest more water during periods of wet weather to supplement our supplies.

Reducing leakage

Doing more to tackle leakage was raised by a number of customers. There was frustration about the amount of water that is still lost from leaks and a clear challenge to the company to go further, particularly as it expects customers to have meters and reduce their own water use.

Drinking water quality

Some customers questioned the presence of chemicals in our drinking water and expressed a desire for our water to be kept as chemical-free as possible.

Lead in drinking water

We were asked about the risks posed by lead pipes and whether we, and customers, should be more proactive in replacing them. The ongoing use of phosphate to protect water quality from lead exposure and its impact on the environment was also raised.

Water pressure

Some customers reported localised pressure issues and asked what more can be done to always maintain a consistent and acceptable level of pressure.

Protecting local rivers

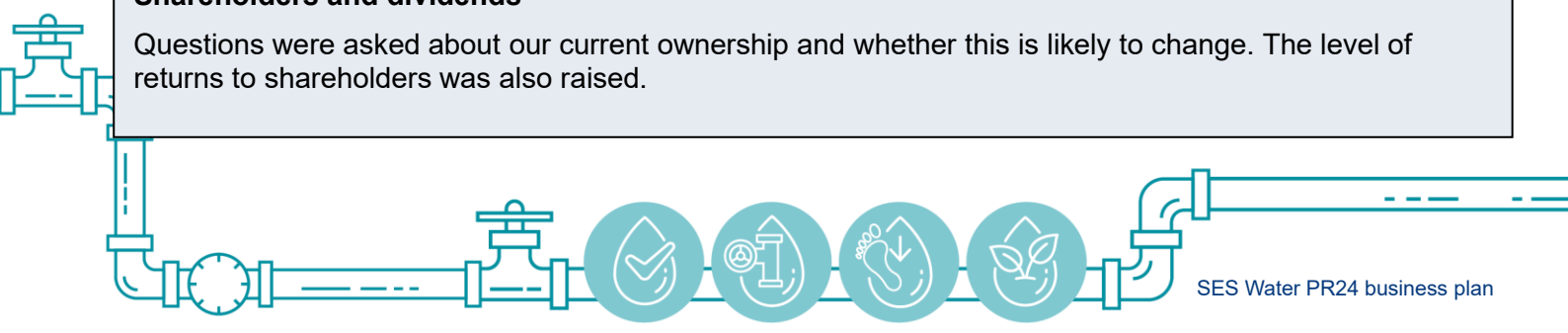
Some customers were concerned about the impact of abstraction on local rivers, particularly during dry weather, and whether we should develop alternative sources. There was also concern about river pollution from sewer overflows and run-off from land and whether we could do more to work with the wastewater companies and farmers.

Bill increases

There was frustration about recent bill increases and concern about future bill rises. Concern was also expressed about how we are protecting and supporting customers who need extra support.

Shareholders and dividends

Questions were asked about our current ownership and whether this is likely to change. The level of returns to shareholders was also raised.



Triangulation point two

38. The second point focused on triangulating the insight on the five areas tested through Bespoke 2 with the research from phase one and the first Your water, your say session (YWYS), and using it inform our decisions about our levels of ambition, as well as the sequencing of our activity over the 25-year period. We also used the prioritisation exercise conducted to inform our decisions across the other performance areas. This enabled us to identify where customers expect us to go beyond legal and regulatory requirements and the additional investment, we need to make to achieve this. It has informed:

    (a) Our LTDS – long-term ambition and strategy by reflecting the long-term performance levels customers expect the pace at which customers expect to see improvements and where they have identified trade-offs between performance areas.

    (b) PR24 performance levels – the performance commitment levels which are detailed in Chapter 6 Outcomes, reflect the progress that needs to be made over the next five years in-line with our customers' priorities and to achieve our long-term ambitions.

    (c) Enhancement claims - our LTDS projects the level of performance we expect to achieve from our base expenditure and identifies where we expect to need enhancement expenditure over the 25-year period to achieve our ambitions. This has given rise to the following enhancement claims in PR24 which are supported by customer insight and detailed in Appendices SES006 to SES010 Enhancement Cases. They are:

    - Water quality enhancement;
    - Enhanced resilience of our water treatment works and processes;
    - Enhanced leakage and network resilience;
    - Smart water customer experience;
    - Environmental improvement.

Bringing our plan together and making it affordable

39. The final phase of research tested the affordability and acceptability of our preferred PR24 plan. This research was conducted in line with Ofwat and CCW guidance and was delivered in two phases – qualitative and quantitative.

40. In the qualitative phase we tested two versions of our PR24 business plan:

- Our 'preferred' plan, which included the investment required to meet all our legal and regulatory requirements, and further performance improvements in areas which reflected our customers' preferences and choices; and
- Our 'must do' plan, which just delivered our legal and regulatory requirements.

41. From the qualitative research customers chose our preferred plan, so this was taken forward for further quantitative testing. The qualitative phase also showed that people understood the content and what was being asked of them. The quantitative phase was conducted 500 with household customers and more than 60 business customers and tested the acceptability of the preferred plan and the affordability of our bill combined with Thames Water's wastewater bill.

42. We have relied on Ofwat's collaborative research to set the Outcome Delivery Incentive rates for each of our performance commitments. We were supportive of their 'bottom up' approach to setting valuations and therefore did not carry out our own research in this area as it would have been disproportionate from a cost and resource perspective for us

to duplicate it. However, Ofwat's change in methodology for setting ODI rates confirmed in August 2023 meant that we did not have time to conduct any further research of our own that was more in line with their original methodology. In Chapter 6: The outcomes we will deliver, we have identified some areas where we consider Ofwat should look at further at the ODI mechanisms it has proposed.

43. We carried out additional research, which focused on how we protect customers who can't afford to pay, testing the level of cross subsidy for our social tariff and its wider design and delivery (Appendix SES018 – D. Social Tariff Research).

44. We also carried out a separate piece of research (Appendix SES018 – E. Small Company Premium Research) where we asked customers about their views on being served by a small company, and whether they are prepared to pay more for this. This included a qualitative phase which focused on hearing from 16 customers 'in their own words' about what benefits they felt there were to being served by a small water company, as well as how much extra they would be prepared to pay. This informed the development of a survey which was then completed by 922 household customers, to provide a robust sample of customers on which to base our proposal for an increase in the WACC, set out in Chapter 8: Financing our plan.

Triangulation point three

45. The final triangulation points focused on looking at the plan as whole and determining the appropriate level of bill impact to deliver what our customers expect. It also informed the social tariff provision for the 2025 to 2030 period and the level of small company premium proposed to support our additional borrowing costs.

Customer challenge on the nature, quality and use of customer engagement evidence

46. Our research and engagement activity has been challenged throughout by our two scrutiny panels. Our CSP's focus has been on protecting customers with financial difficulties and supporting those that need additional support. It has been focused on the main customer outcomes and has challenged our ambition for customer service delivery.

47. The CSP has also scrutinised how we have engaged with customers to gather insight that has informed the plan. They have been involved in the preparation of our bespoke research and have reviewed the outputs of this alongside other insight sources. They also contributed to the preparation of our YWYS session.

48. Our ESP has challenged our environmental ambition and performance. It has been focused on the development of our WRMP, WINEP and how we ensure the long-term needs of the environment are delivered through our LTDS. It has challenged our ambition on demand management, how we deliver sustained reductions in customer water consumption and how we can enhance our protection of chalk streams. It has helped shape our proposal for our River Eden WINEP scheme and supporting the partnerships required to deliver it. It has also scrutinised our approach to preparing for climate change.

49. As summarised previously, we also held an open challenge session where customers and stakeholders were able to comment and challenge our developing plan. Our draft WRMP[3] was subject to a three-month public consultation and we published our emerging vision and ambition for customer feedback. All of which we have considered in the development of our plan.

[3] Draft WRMP Statement of Response https://seswater.co.uk/-/media/files/seswater/your-environment/rdwrmp-2023/wrmp_ses_sor-010923.pdf

Assurance of the quality and use of customer engagement evidence

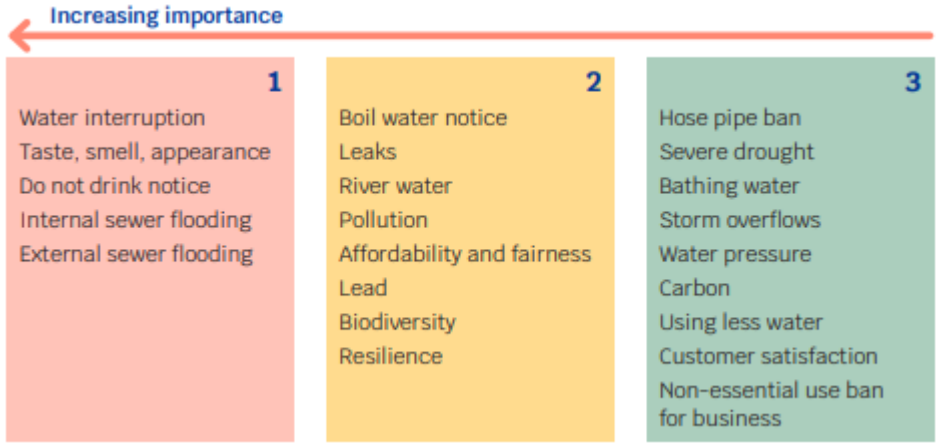
50. Our CSP has carried out assurance on the quality of the research we have carried out and the extent to which it has informed our business plan. Its report accompanies our plan (Appendix SES040 - Customer and Environmental Scrutiny Panel Final Assurance Report) and is referenced in Chapter 11: Governance and assurance.

D. Our customers' priorities and preferences

51. In this section we summarise the insight we have gathered through our customer engagement programme, bringing together the findings of the collaborative industry research with what we have heard from our own customers through the range of activities described in Section C.

52. The collaborative industry research into customers priorities and preferences has been the foundation on which we have built our plan, as this has informed the common performance commitments for 2025 to 2030 and beyond, which have been set by Ofwat. Figure 5 below summarises the findings of the collaborative research.

Figure 5: Collaborative research priorities



Source: Ofwat/CCW

53. We have organised our business plan and the outcomes of our customer research into four customer priorities:

    (a) Provide you with high-quality water from sustainable sources

    (b) Deliver a resilient water supply from source to tap

    (c) Help you reduce your water footprint and charge a fair price

    (d) Improve the environment and have a positive impact on our local area.

54. This summary is supported by Appendix SES015, which brings together all the insight we have gathered under each priority area.

Provide you with high quality water from sustainable sources

Drinking water quality (general)

55. Receiving high quality drinking water is consistently our customers' highest priority. It is an area they are not prepared to compromise on and they want us to take action to

address any emerging risks that could threaten drinking water quality. There is heightened awareness of the factors that could impact on the quality of our water supplies such as pollution from agriculture and stormwater spills, the latter being an inevitable result of this issue becoming high on the public's agenda.

56. Customers are increasingly making the link between the quality of the environment and the quality of their drinking water. Many show an understanding of how protecting and enhancing our water sources should reduce costs in the long-term such as additional treatment facilities. They expect us to act ahead of issues and support the use of catchment solutions where possible.

Drinking water quality (lead)

57. Not all customers spontaneously raise lead as a priority. It is an area that when discussed with customers, they are concerned about, while recognising the situation is currently being managed. The collaborative research found lead to be an area of medium importance to customers.

58. We conducted further research into views on lead due to the high level of lead pipes in our network, and within customers' homes. Approximately 45% of our communication pipes are made of lead, due to the age of the housing stock in our area. Our research shows that when customers are presented with information on lead and how it is currently being manged, it is not seen as an urgent priority. However, when the risks are explained they do consider it to be an area where investment is needed over the long-term and was our customers' third priority area out of the five areas we tested in Bespoke 2.

59. When presented with different profiles of investment to replace lead pipes, we saw a range of customer views. 65% preferred a steady approach to lead replacement over a longer timeframe, with cost being customers' main driver. Although there was not a clear preference between maintaining our current approach and doing additional targeted replacement, we consider that in the round, customers have shown support for us going further to replace lead pipes through a targeted programme. Future customers also supported the targeted approach. They felt that eliminating lead altogether was going to be very difficult, disruptive and expensive.

60. Our Affordability and Acceptability research (A +A) tested our preferred plan which included the investment needed to replace lead pipes in 170 schools and colleges over the next five years. In the A+A testing 15% of customers felt this was the most important element for the provision of high-quality water from sustainable sources.

Sustainable water sources

61. The link between water abstraction and chalk stream health is not widely understood by our customers, however the overall health of our rivers is of increasing importance. That said, in our Bespoke 2 research, nearly half of those surveyed made the link between abstraction and chalk streams.

62. There is strong support from environmental groups for abstraction to be reduced at sensitive sources, such as chalk streams and we have been actively engaging with local stakeholders, including MPs, to raise awareness of this challenge. We are involved in work being undertaken by WRSE and local environmental stakeholders, looking at which sites should be prioritised across the region. This will be reflected in future WRMPs and supported by our own investigations included in our WINEP between 2025 and 2030.

63. 72% of customers showed support for us to make additional investment in the environment beyond our statutory obligations, with nearly 50% choosing the option that included improvement work in catchments where there are chalk rivers. This support was maintained when customers were shown bill impacts.

Softening

64. We are the only water company legally required to soften the water we put into supply. When asked about current service issues most experienced by customers, hard water was the issue most identified. Of those who had experienced problems with hard water, 60% included softening in their top five priorities. However overall, continuing to soften water was the second lowest priority identified by our customers.

Deliver a resilient water supply from source to tap

Resilience of our water supplies

65. Many customers struggle to understand what we mean by resilience and are more focused on the impact on their service such as interruptions to supply. However, there is awareness that factors such as climate change will affect water supplies, and an expectation that we should be prepared for this.

66. Most customers believe that emergency measures restricting water use in a drought should be avoided at all costs. However, there is a greater acceptance of the use of temporary restrictions such as hosepipe bans to help manage droughts and maintain supplies.

67. There is an expectation that the existing network should be made as efficient as possible before new infrastructure is built. That said, research into the regional Water Resources Management Plan showed customers would prefer there to be a balance between reducing demand and developing new supplies. Customers consider leakage and mains bursts as threats to the resilience of their service, as well as being wasteful.

68. Our Affordability and Acceptability research tested our preferred plan which included investment to protect one of our water treatment works from river flooding. It also included investment to increase the resilience of our treatment works in the event of power outages, to stop them from temporarily shutting down. In the A+A testing 29% of customers felt this was the most important element of delivering a resilient supply from source to tap.

Supply interruptions

69. The collaborative research showed interruptions to supply to be a top priority for customers. Discussions with our own customers are consistent with this, however when presented with information on our current performance comparative to other companies, its level of priority reduces, relative to other areas. In our Bespoke 2 prioritisation exercise, preventing interruptions was seen to be one of the lower priorities, comparatively.

70. We didn't explore options to fast-track reduction in supply interruptions with customers over the next five years, instead focusing on leakage which was a higher relative priority. This also reflected our customers' priority to keep bills affordable as the investment needed to make more significant reductions to interruptions would have had a greater impact on bills over the 2025 to 2030 period. We will however, through our continuing focus on reducing supply interruptions, use our smart network to improve our service and remain industry leaders. Our longer-term ambition is to eliminate supply interruptions longer than three hours by 2050, which we consider to be frontier shifting performance in this area.

Leakage

71. Customers are increasingly intolerant of leakage. Despite our comparatively strong performance in this area, reducing leakage was ranked as their second highest priority, behind drinking water quality in our Bespoke 2 research, and of higher importance than

preventing supply interruptions. 91% of customers rated it as important or very important to invest in this area.

72. We tested customers' views on whether the statutory target to reduce leakage by 50% by 2050 was acceptable, with 53% of customers saying it wasn't. When presented with investment choices on the possible pace and extent of leakage reduction with associated bill impacts, 40% of customers opted for us to reach the 50% target by 2040 and 35% wanted us to exceed the 2050 target and achieve 60%.

73. This sentiment has been echoed in other insight we have. It was the area given most attention in response to our long-term ambition and priorities document with many respondents calling for us to be more ambitious in this area. It was also a top area of challenge in our 'Your water, your say' session.

74. We'll use our smart network to find and fix leaks on our network more quickly and enhance how we manage pressure to reduce how much is lost, without impacting on service. Smart meters will also help us detect leaks on customer supply pipes, which currently make up around 30% of leaks, and could save around 0.5 million litres of water per day.

75. Our Affordability and Acceptability research tested our preferred plan which included additional investment in leakage to meet the statutory target plus extra investment so we can make more rapid progress and achieve the 50% reduction in leakage by 2040, 10 years earlier than the Government target. In the A+A testing 47% of HH customers and 60% of NHH customers felt this was the most important element of delivering a resilient water supply from source to tap.

Help customers reduce their water footprint and charge a fair price

Water consumption

76. Customers' views on reducing their water consumption are varied. The collaborative research showed that it was one of the lower priorities for customers, and when shown to our customers as part of 11 potential service improvement areas, without any factual information, it also came out as a low priority. However, when presented with details of their comparative water use, some of our customers acknowledged it was higher than they expected and that they had a part to play. Those more environmentally minded are typically more willing to address their own consumption.

77. Our insight suggests that customers, even those that are metered, find it hard to understand and manage their own consumption due to the inaccessibility of data. A common theme to emerge was an unwillingness to reduce their own consumption, while our leakage was perceived to be high.

78. Research carried out by WRSE on the regional plan showed that when presented with alternative plans, the majority of customers chose a plan that had a balance of supply and demand solutions. Likewise, our own WRMP consultation showed support for demand reduction and smart metering.

79. The role of technology brought about mixed views. Some customers are highly supportive of smart metering and see it as essential to reduce demand. Future customers considered it to be vital and something that should be progressed. Others do not believe it will help and are not supportive of smart meters. In our Bespoke 2 research, 41% of customers said they didn't think a smart meter would help them to reduce demand.

80. When given a choice of investment options for smart metering, a slower roll out of smart meters that doesn't result in additional costs to customers was preferred by 79% of customers surveyed. When explored in more detail with customers, their greatest concern is around the use of smart meter data to implement more punitive tariffs. We

recognise this concern and accept that we will need to develop our relationship with customers if we are to achieve the significant reductions in demand and PCC that we are aiming for.

81. Developing and implementing a comprehensive communications programme that sets out the rationale and benefits of a smart metering programme will also be key to ensuring customer trust for moving ahead with a smart metering rollout. The communications will demonstrate that we have reduced leakage over a steady period of time, and that while there is more to do, we are making good progress, and leading the industry in terms of leakage reduction. We will work with our customers to design new tariffs, so they are acceptable and have a positive impact on behaviour.

82. Smart meters are essential to achieve our ambitious demand and leakage reduction targets over the next five years and beyond, due to the role they play in identifying customer-side leakage. Customers are highly supportive of the leakage outcomes smart meters will help deliver. However, to maximise their benefit and ensure we are using them to help our customers manage their water use, as well as build more meaningful relationships so they become more active consumers, we will also invest in how we use the data they produce and how we present it back to customers.

83. This will be our priority between 2025 and 2030, so that we take all our customers with us and help those that are more sceptical see the benefits they bring. This will include helping customers identify where poor plumbing is causing wastage within their homes, therefore increasing their consumption and bills, and then using this improved knowledge of our customers' usage to help provide the extra support they may need.

84. Our A+A research tested our preferred plan, which is to accelerate the roll out of smart meters over seven years. This means all metered customers will have a smart meter by 2032. In the A+A testing 20% of customers felt this was the most important element of helping them reduced their water footprint and charging a fair price. Smart Metering is also crucial in finding leaks and fixing them which 47% of customers felt was the most important element of delivering a resilient water supply.

85. Our insight showed that customers do see potential in other activities to help them to reduce their consumption. Education was highlighted, with some customers aware of SES Water's school programme. Future customers felt targeting young people in the final year of school or college could be more effective as they would soon become bill payers too. Customers expect us to become more innovative in this area. In focus groups and interviews they suggested we could better incentivise water efficient behaviour and use technologies such as rainwater harvesting and grey water recycling to supplement supplies.

Affordability

86. The collaborative customer research showed affordability and fairness of bills to be a medium priority. When discussed with our own customers, cost of living challenges eclipsed other areas, and customers were reticent to discuss further price rises in areas such as water. Our Bespoke 2 research showed keeping bills affordable for all was ranked as third priority, behind high quality water and leakage reduction.

87. The small company premium research showed 72% of customers were unaware of SES's relative size to other water companies. The research revealed some level of support with 47% feeling a £2 SCP charge was completely or somewhat acceptable with 34% feeling it was completely or somewhat unacceptable.

88. The social tariff research showed 67% of customers were confident they could afford their water bills over the next 12 months but 26% did not believe they would be able to afford their energy bill. 34% of customers thought it was acceptable to use customer funding to

increase financial support for other customers while a further 17% said it was neither acceptable nor unacceptable.

89. The Affordability and Acceptability research clearly showed that whilst the majority of HH customers felt the plan was acceptable (66%) they were not confident that they could afford it, with 13% of HH customers and 36% of NHH customers surveyed stating that the expected bill rises would be easily or fairly easy to afford. A further 35% of all customers stated that the proposed bill rises would not be easy or difficult to afford. 35% said it would be fairly difficult to afford and 13% said it would be very difficult. The key reason customers thought the plan was acceptable was because they supported what we are trying to do in the long term (52% of HH customers and 30% of NHH customers).

Improve the environment and have a positive impact on our local area.

Environmental enhancement and biodiversity

90. We have a seen a movement in our customers' views on the environment since PR19. There is evidence of our customers expecting us to go beyond protecting the environment to actively enhancing it where we can. This is consistent with our neighbouring companies. Research carried out on our company purpose following the Covid19 lockdowns showed people linking the quality of the environment to their own wellbeing and recognising that we have a role to play in achieving this. Some customers struggled with the enormity of the task and understanding what this would mean in practice for us.

91. During phase two of our research programme, we focused on more specific actions we could take to improve local rivers and increase biodiversity. This tested potential investment beyond our legal requirements, which was included in our WINEP programme. 72% of customers supported additional investment in this area and when presented with choices, 72% supported us doing further work in the River Eden and River Mole catchments.

92. Our Affordability and Acceptability research tested our preferred plan, which includes an additional, non-statutory WINEP investigation and additional investment to increase biodiversity on our own sites. This was felt to be the most important element in that research in delivering on our commitment to improving the environment and having an impact on the local area by 46% of HH and 48% of NHH customers.

Net zero carbon emissions

93. The speed at which we reduce our carbon emissions to net zero is an area where we have seen polarised views from customers. The collaborative research found this to be a lower priority for customers; however, we found evidence in our own research of some customers expecting us to take a leading role in cutting emissions.

94. In phase two of our research, we presented customers with different choices about how quickly we could achieve net zero emissions between 2025 and 2050. Again, the results were polarised with 51% of customers supportive of us delivering incremental reductions to achieve the Government target of net zero emissions by 2050, at no additional cost to them. 27% customers felt we should make more rapid progress and achieve net zero operational carbon by 2030. Because we did not see clear support from customers for us to invest in fast-tracking carbon reduction initiatives, we will take an incremental approach and aim to achieve carbon net zero by 2050.

E. How insight has informed our LTDS business plan

95. In this section we summarise how insight has informed our LTDS and PR24 outcomes, costs and affordability. Table 2 below summarises how insight has informed our plan.

Table 2: Summary of how customer insight has informed the LTDS and PR24 plan

Service area	Customer insight	Influence on the plan		
		LTDS	PR24 Outcomes	PR24 costs and affordability
Water quality compliance	Water quality is customers' highest priority and should not be compromised.	Target is full compliance across LTDS.	Full compliance.	Enhancement expenditure to install UV treatment at 2 sites and maintain regulatory compliance.
Water quality contacts	Water quality is customers' highest priority. Recognition of our strong performance compared to other companies.	Long-term target to halve contacts by 2050 following a steady trajectory.	Maintain current performance which is already well in excess of industry average.	No additional costs sought.
Water quality – lead replacement	Support for additional investment to remove lead pipes through a targeted programme focused on those most at risk from lead exposure (children and young people).	Long-term target to reduce lead pipes through a targeted replacement scheme across the coming AMPs.	To replace circa 170 lead communication and supply pipes at schools, nurseries, and colleges.	Enhancement expenditure to fund the customer-focused lead replacement scheme. Longer-term programme spread evenly across future AMPs.
Water supply interruptions	A continuous supply is a high priority for customers, but improving current performance is a lower priority for customers than other performance areas due to our current strong performance.	2050 target is zero supply interruptions longer than 3 hours. Starting steady with more rapid reductions from 2030 when extra mains replacement work commences.	Reduce supply interruptions from 04.00 to 03.30 mins per property by 2030.	Enhancement investment in DMA Asset Health to inform future programme of targeted mains replacement, spread across subsequent AMPs. Will ensure we deliver as efficiently as possible and deliver best value for customers.

Mains repair	Not tested explicitly with customers as it is a measure of asset health but closely linked to supply interruptions.	Long-term target is to reduce bursts which require mains repair by 50% by 2050.	Reduce mains bursts from 59 to 55 per 1,000km of water main by 2030.	As with supply interruptions, will benefit from DMA Asset Health initiative. From 2030 rate of improvement will increase with targeted mains replacement which will offer best value for customers.
Leakage	Reducing leakage is our customers top priority after water quality, and they expect us to go beyond the Government's target to reduce leakage by 50% by 2050.	Long-term target is to achieve a 50% reduction in leakage by 2041 and a 62% by 2050 – exceeding the Government target.	To reduce leakage by 26% (from 2019/2020 levels) by 2030.	Enhancement expenditure proposed to increase leak detection and repair, advance pressure management and to target customer-side leaks using smart meters. This is the least costly set of initiatives to balance improvements with affordability. From 2030, a targeted programme of mains replacement is essential if we are to meet and exceed the government target.
Water treatment works resilience /unplanned outage	Our customers expect us to plan ahead to prepare for climate change and reduce the risk of service being interrupted or having restrictions on water use.	Long-term target is for all our treatment works to operate at full capacity by 2050. LTDS modelling has identified no, and low regrets options required to mitigate climate change impacts over the next 5 years.	To reduce unplanned outage to 1% by 2030.	Enhancement expenditure proposed to mitigate the risk of flooding, power outages and security issues. Smart technology roll out across our treatment works and pumping stations. Risk based approach taken with extra investment included in alternative adaptive pathway to avoid unnecessary impact on bills.
Per capita consumption	Most customers recognise they have a role to play in helping to save water but expect us to lead by example and reduce leakage significantly. Some customers are resistant to change and the use of smart meters, while others support their use to reduce demand. There is little support to pay more to speed up the roll out of smart metering.	Long term target is to reduce PCC to 110 l/p/d – just over a 40 litre per day reduction (27%) from our current average consumption today, in line with the Government's interim targets.	To reduce PCC by 11% by 2030 (from 2019/20 levels). Provide smart meters to all our household customers by 2032.	Enhancement expenditure proposed to accelerate smart metering and maximise their benefits. This will include the necessary cyber security enhancement to protect customer data. The faster installation will enable us to target and reduce customer-side leakage and defers the need for us to begin additional mains replacement until 2030, helping to keep bills lower. It will also help target and reduce water wastage from plumbing losses, a significant contributor to PCC.

Business demand	Business customers are typically supportive of smart meters to help them use water more efficiently.	Long-term target is to reduce business consumption by 15% by 2050.	Reduce business consumption by 5.1% by 2030. Provide smart meters to NHH customers.	Enhancement is proposed to fast-track smart meter roll out across business customers. Benefits as with household smart metering.
Carbon	Customers have polarised views on the speed at which we should reduce carbon emissions, but we do not have enough customer support to propose extra investment to support fast-tracking our emission reduction programme.	Long-term target is to achieve net zero total carbon emissions by 2050 in line with the Government's target.	To reduce greenhouse gas emissions to 35kgCO2e/ML by 2030.	No enhancement expenditure sought at PR24. Delivering incremental improvements in carbon reduction through a demand and market-led approach will enable us to minimise the impact on customer bills by funding entirely through base expenditure.
Biodiversity / Environmental Enhancement	Customers support us going beyond statutory requirements to enhance the environment and increase biodiversity.	We will nominate additional tracts of land – both our own and others – creating over 530 additional biodiversity units by 2050.	We will nominate 79% of our land for net gain work and deliver 25 additional biodiversity units by 2030.	Enhancement expenditure proposed to deliver our statutory-driven schemes in our WINEP. In addition, we have included a scheme to enhance the management of water in the River Eden catchment and biodiversity. Customers support this, and we consider it offers best value as it will contribute to improving the resilience of our water sources, while providing wider environmental benefits.

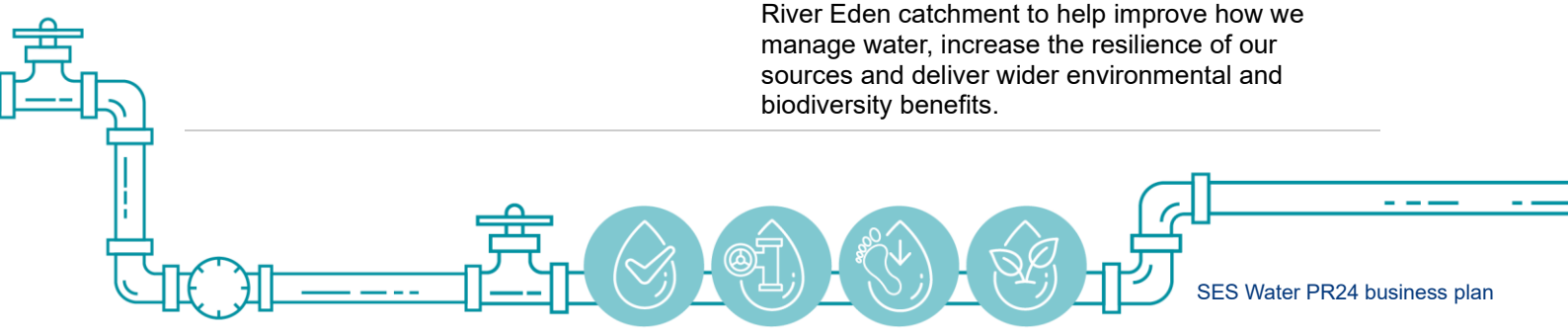
Source: SES Water

How we have responded to customer challenge

96. In April 2023 we held our first 'Your water, your say' customer challenge session. Table 3 below summarises how we have responded to the main feedback we received in our PR24 plan. On 16 November 2023 we will hold our second 'Your water, your say' session so our customers and stakeholders can respond to our PR24 plan.

Table 3: How we have responded to April 2023 'Your water, your say' key themes

Area	Customers said	We did
Securing water supplies	How will you create more capacity and avoid water shortages and are there opportunities to harvest more water?	Our WRMP identifies how we will secure water supplies for the future. It will increase our resilience to drought and make up the shortfall of water projected from climate change and population growth. Our WRMP is focused on reducing leakage and customer consumption and is part of a regional solution that includes the development of new water sources in other areas and new transfers across the Southeast.
Leakage	They expect us to do more to reduce leakage, particularly if you expect us to reduce our consumption.	We have responded by setting a more ambitious target, to reduce leakage by 50% by 2041 and nearly 65% by 2050. This exceeds the target set by the Government. Our strategy includes using our smart network to maximise how quickly we can find and fix leaks and using smart meters to help us find leaks on customers' supply pipes.
Drinking water quality	They'd like our water to be as free from chemicals as possible.	We must use some chemicals to make our water safe and ensure we meet the stringent water quality standards set by our regulators. We will be working with farmers and landowners to help reduce pollutants from entering our water sources to reduce the need for further treatment.
Lead in drinking water	They were concerned about the risks posed by lead and the use of phosphate to protect water quality from lead exposure.	We have included a programme to replace lead pipes in premises that are frequented by those most at risk of lead exposure. Over the next 5 years this will involve replacing lead communication and supply pipes at 170 schools, colleges and nurseries. Phosphate will still be required to mitigate the risk of lead elsewhere in our network.
Water pressure	They were concerned about water pressure in some localised areas and asked what could be done to maintain a consistent and acceptable pressure.	We do recognise that there are small numbers of customers impacted by pressure issues. By utilising our smart network effectively to maximise the speed of leakage detection and fixing, we will need to reduce the pressure in the network less often which will lead to more consistent pressure levels.
Protecting local rivers	They were concerned about abstraction from local rivers and pollution from sewer overflows and run-off from land.	We have included a programme of environmental improvement that includes schemes to reduce the pollution of our water sources and to protect species that live in sensitive habitats. Over the coming years we will investigate the impact of our existing abstractions that are linked to the three chalk streams in our region. Where required, we will reduce our abstraction and leave more water in the environment. We will progress a nature-based scheme in the River Eden catchment to help improve how we manage water, increase the resilience of our sources and deliver wider environmental and biodiversity benefits.



Bill increases	They were concerned about bill increases and how we would protect those who were struggling financially.	Our plan addresses this in a number of ways. There is increased funding for the financial support programme to help those in our area who are most financially vulnerable. The plan will also help customers reduce their bills via the installation of smart meters and the provision of the associated data. Progressive tariffs and the reduction of voids will also improve affordability and fairness for all.
Shareholders and dividends	They wanted to know more about our current ownership and the levels of returns to shareholders.	Our current owners have initiated a strategic review which we expect to conclude in late 2023. Our plan assumes that our new owner will provide equity to help fund our investment programme and will receive a fair return on their investment. We have updated our dividend policy in line with Ofwat's requirements.

Source: SES Water