

**SES Water  
Customer Scrutiny Panel (CSP)  
Wednesday 29 January 2020  
Boardroom, Redhill - 10:00am**

**Present:**       Graham Hanson\* (Chair) (GH)  
                  Simon Bland\*, Reigate and Banstead Borough Council (Deputy Chair) (SB)  
                  Helen Mouldsley\*, Independent (HM)  
                  Karen Gibbs\* Consumer Council for Water (KG)  
                  Bella Davies\* - South East Rivers Trust (BD)  
                  Alison Thompson\*, Independent (AT)  
                  Tom Perry\* - Environment Agency (TP)  
                  Martin Hurst\*, Independent (MH)

**Anthony Ferrar – SES Water Managing Director (AF)  
Paul Kerr – SES Water Finance and Regulation Director (PK)  
Dan Lamb – SES Water Head of Retail Services (DL)  
Van Dang – SES Water Economic Regulation Manager (VD)  
Cat Holland – SES Water Head of Communications & minute taker (CaH)**

**Apologies:**

**Deborah Jones\* - Citizens Advice Mole Valley (DJ)  
Jaime Ali\*, Independent (JA)  
Chris Hoskins\*, Nutfield Conservation Society (CH)  
Tom Kelly – SES Water Wholesale Director (TK)**

**\*Denotes CSP member**

**The CSP held a private session before the main session of the meeting.**

The CSP Chair's summary of key areas of focus and action following the meeting are as follows:

- **Performance:** The CSP noted that the Company has again reported good progress on most of its performance commitments in Q3, but that there were a number of measures that still required ongoing focus, as identified in the following minutes. The SIM score and complaints performance remain the main underperformers, but the CSP noted the further trend of improvement in complaints management, and as reported last quarter that the majority of complaints received so far this year have been related to a significant road closure to carry out essential mains repair works and issues with the online billing system which have now been resolved. On a positive note there was good feedback on value for money.
- **Customer Transformation programme:** The CSP noted the positive feedback from SES Water on the progress and expectations of the programme, despite a slight further delay to go live of the new billing system. There was a very helpful run-through of the planned customer web portal, and understanding of how this should

improve customer satisfaction and service quality. The CSP also received a helpful update on the Voice of the Customer plans so far, and the planned programme.

- PR19 Final Determination: SES Water provided a summary of the key implications of Ofwat's Final Determination and how this would impact on customer performance measures. The CSP recognised that there were a number of challenges inherent in the outcome, particularly the shortfall in SES Water's view of the funding required. It was noted that a final position from SES Water would be agreed at their pending Board Meeting.
- Environment: The CSP strongly supported the Company's intention to set up an Environmental Scrutiny Panel (ESP) to focus on the environment and how SES Water will meet its environmental challenges. Work is ongoing between the CSP Chair and the newly appointed ESP Chair to review how the two panels will work in parallel.

### **Chairman's welcome**

The apologies for absence were noted.

There were no new interests registered at the meeting but the register had been updated and circulated prior to the meeting.

The minutes of the previous meeting were agreed with one typo amendment but no additions requested. There were no actions following the October 2019 meeting but a number of post-meeting updates were added to the circulated minutes.

GH welcomed Tom Perry from the Environment Agency to his first meeting.

GH reported that he had attended the CCG Chairs meeting earlier in January. A key theme of discussion was Ofwat's final determinations on company business plans.

### **Performance update – figures for Q3 2019/20**

AF summarised the Company's performance for the third quarter of the year.

The following key areas were discussed:

- It has been confirmed that the Company has achieved 99.94% compliance with the Drinking Water Inspectorate's definitions for overall water quality in 2019, which is below the target of 99.95%. This performance has been flagged previously with the CSP. While disappointing, this result reflects five sample failures at customers' taps, rather than any issues with the quality of water leaving our treatment works. However, we will still incur a financial penalty from Ofwat of £140,000 based on our annual performance for the 2019 calendar year
- At the start of the current five-year regulatory period the Company set itself particularly challenging annual targets to minimise the number of customers making contact about the taste, smell or appearance of their water. For the 2019 calendar year, we have

received our lowest number of contacts across the five-year PR14 period which is a great result and we believe will be industry-leading performance

- Our leakage performance to the end of December was slightly behind target but we are forecasting to meet our full year target for the 21<sup>st</sup> successive year
- We are not forecasting to meet our full year per capita consumption (PCC) and meter switching targets but have already met our five-year target of installing 32,000 meters. MH asked if the PCC target and performance is based on the old or new consistent reporting methodology and AF replied that we do not move to the new methodology until the new reporting year in April. MH asked if it was possible to track both going forwards so that the CSP could better understand the reductions made. AF said that this was possible and an explanation on the differences will be provided at the next meeting.

**Action: TK**

- The annual education programme target has already been met, three months ahead of the end of the year
- One pollution incident, reported to the Environment Agency in July and linked to a burst main, has been classed as significant due to the volume of water travelling through the surface water drainage system so is currently being investigated. There has been no further update from the EA since the last meeting.
- For our Water Support Scheme, we are already on track to meet the target we have set ourselves for the first year of the 2020 to 2025 reporting period
- Bad debt is forecast to finish adverse to target at 1.7%. A review of underlying methodology is ongoing and being discussed with the Audit Committee and we have increased the level of external scrutiny on our bad debt recovery processes. AT asked if the issue was related to void properties and PK replied that this accounted for an element, but we need to improve the granularity of our reporting processes to better understand our collection rates and the potential for payments. MH asked if the issue has worsened with universal credit and PK responded that again, we need better reporting to understand the details
- The C-MeX industry league table has placed us in 13<sup>th</sup> position for the last two quarters and the third quarter results are expected imminently. There is clearly room for improvement but the results show that the performance trend is heading in the right direction which is largely based on people development and process changes, ahead of the planned large-scale system changes. The current performance level would mean less than half the five-year PR14 SIM penalty being incurred. GH asked what the key drivers of improvement are and DL responded that the Net Promoter Score being removed from the methodology should benefit all companies. According to customer journey mapping, billing issues contribute to 60% of complaints so our new system should lead to big improvements
- The year-on-year trend for complaints is comparable to previous years but would have been tracking at a lower level if there had not been a peak at the start of the year due to

the partial closure of the A217 for essential repairs and a security certification issue with the providers of our e-billing system. AF added that December saw the lowest number of complaints during the year and without the two isolated incidents we are performing very strongly with a 40% reduction on the previous year

- Customer satisfaction has dropped to 86% which while still high, is the lowest level in the last two years. The metric is derived from the quarterly household tracker survey which has a small sample size of 100 people and there is no obvious reason for the drop. This will be rectified through the new 'Voice of the Customer' programme which will include a more robust sample size of 500 respondents. AT asked if the questions will be changing on the tracker survey as part of the programme and CaH responded that the whole survey and process will be reviewed

## **PR19 Business Plan**

PK summarised Ofwat's final determination on the Company's business plan, including the outcome of the key representations made on leakage, resilience, power costs, softening and retail funding. Overall it was a fairly positive position with regards to cost allowances. He also summarised the activity that has taken place since 16 December in assessing the deliverability and financeability of the revised plan, including the impact of Outcome Delivery Incentives (ODIs). PK advised that no decision had yet been reached on referral to the Competition and Markets Authority (CMA) and this will be part of the discussion with the Board on 5 February.

AT asked about the morale of the teams in Retail. DL responded that personally he was not surprised at the level of funding that had been received and the team has been kept fully informed throughout the process on the likely efficiency challenge. Individuals are not overly concerned for their personal circumstances as they already understand that the transformation programme means a great deal of change. PK added that there will need to be an over-spend in Retail to deliver the performance commitments for our customers. This will need managing carefully as the spend will not be recoverable from customer bills.

GH advised that the CSP would now take a keen interest over the coming years on the delivery of the Business Plan and the impact of ODIs. PK responded that the Company is working on its revised Business Plan and this will be a key part of the Board Strategy Day on 11 February.

MH asked to be reminded of the outcome on the small company premium. PK responded that Ofwat had turned the request down twice, based on the efficiency of the Company.

PK presented a summary of the revised performance commitments (PCs) and their annual targets over the five years, as well as the key areas of performance risks which are:

- Leakage reduction
- Water softening
- Risk of supply failures
- C-MeX

AT asked whether there were any risks to achieving the PCC target and AF said that achieving the target was based on our universal metering programme which will take metered properties from the current 60% of our supply area to 90%.

MH observed that many of the targets seem back-end loaded with more stretch in the later years of the AMP. He also stated that he had heard that some water companies think it will be better financially to miss targets and accept the resulting penalty rather than try to achieve everything. He added that the CSP would not support this position. AF responded that this has never been the Company's view, it has never been said to the CSP and we plan to continue delivering what we have promised for our customers. MH added that the funding gap should not impact on any local community initiatives.

PK stated that the Board has been very clear that operational investment and integrity should not be compromised as a result of the remaining funding gap.

AF added that the Company is committed to striving to meet all the performance commitments going forwards.

PK explained the package of ODIs and how there is a downwards skew with few that are two-sided with both a penalty and an outperformance payment. This is in line with Ofwat's statement that this was always going to be a "tough" price review.

GH reiterated the CSP's view, shared with most Customer Challenge Groups, that the ODI mechanism, particularly in relation to outperformance payments, is flawed from a customer engagement context, in that the potential impacts of bill increases are untested with customers.

PK explained the average bill reduction for the five-year period, which is 15.5% and therefore higher than the Company's proposal in its representation case. This means there is a reduction in allowed revenue which affects the financeability of the plan and this is currently still being modelled.

CaH summarised the early thinking around communicating the revised business plan to customers, which will include an updated '5 years, 5 pledges' summary document. GH requested that it is made clear to customers what they need to do to help deliver the plan, such as reducing usage and fixing leaks. He added that the CSP would like to be involved in shaping the communication. CaH responded that this would be welcomed, especially around the universal metering messaging as this has not yet been widely communicated.

PK concluded by summarising the next steps, ahead of the deadline to respond to Ofwat by 16 February.

### **Customer Transformation Programme**

DL updated the meeting on the progress of the programme, included work underway to bring in a new billing and Customer Relationship Management (CRM) programme, as well as a

new digital platform. He outlined the aim of each project, current activity, high-level timescales and the progress that had been made since the last meeting.

For the new billing system, one of the key issues for data migration will be the number of pieces of data, which varies greatly depending on how many years of records will be kept. It has been decided that there will be three years' worth of data available in full detail with access to some archived records as required. Go live is still planned for early October 2020.

AF reminded the meeting that the billing project is being done jointly with SES Business Water which adds more complexity. DL added that this was one of the key reasons to keep timelines aligned to maximise the use of resources.

AT asked if feedback from younger people on the system is being gathered. DL replied that all employees have been involved in the project and the subject matter experts are the advisors that will be using Aptumo on a daily basis. He added that it is possible for users to configure the new system to make it work in the way that suits them. He is also confident that the system is the right one as the supplier has been providing services to water companies in the top half of the SIM league table for over 20 years.

DL provided the meeting with a live demo of the Company's new website which goes live on 3 February. KG asked how quickly the website will be updated with information on incidents and DL replied that this would be a very quick process, only taking as long as needed to summarise the situation for the web page. CaH added that improvements had been made to the incident functionality, including displaying an alert banner on all pages and not just the homepage, with the ultimate aim being to proactively contact customers digitally through their preferred communication method, rather than just updating the website. SB asked how customers will inform the Company of their communication preferences and DL replied that this would be through their online account but not a mandatory option. CaH added that we will also need to be more proactive during and after incidents to let affected customers know that the functionality is available.

DL displayed the early design concepts for phase two of the digital project, which will align with the new billing system to enable customers to manage all aspects of their account online in a way and at a time that suits them.

GH asked when the benefits of the new systems will start to be seen and DL replied that the planned go live in October is just the start of facilitating lots of improvements that will make a big difference to the service we can offer.

BD asked that the 'where your water comes from' section on the homepage of the website is amended to talk about the environment. AF thanked her for the feedback and CaH confirmed this change would be made.

**Action: CaH**

**Voice of the customer programme update**

The CSP has previously been informed of the Company's future plans for ongoing customer engagement, called the 'voice of the customer' programme. The benefits of this include improved customer insight, more informed decision-making and an evolving relationship with the CSP on the actions taken as a result.

CaH reminded attendees of key elements of the proposed programme including success factors, potential audiences and activity examples. CaH then updated the meeting on activity that has taken place to progress the programme since the October CSP meeting which has included a full tender process. The result of this will be awarding a contract to the preferred research partner following Board approval in March, ahead of starting year one of the programme in April 2020.

AT asked if Business in the Community (BITC) is involved in the programme and CaH replied that the Company's membership was on hold as the CommunityMark, highlighted in our Business Plan, has been discontinued and the replacement scheme is not yet clear.

### **EPA review – consultation on the EA's performance reporting for 2020 to 2025**

TP summarised the 'Reporting and Environmental Performance Assessment (EPA) review for water and sewerage and water supply service only companies 2020-2025' consultation paper by the Environment Agency and Natural Resources Wales. The intention is to widen out environmental performance reporting to water-only companies, based on applicable metrics such as pollution self-reporting, abstraction licence compliance and security of supply.

TP said that two of the key issues that have emerged so far in consultation responses is the timing of shadow reporting and the wording of the different ratings e.g. three stars changing from being labelled as good to average.

In the absence of TK, CaH reported that the Company is broadly supportive of the EA's directional of travel.

GH asked if the Company's draft consultation response could be shared with the CSP to enable them to respond supportively to the consultation. AF said this would be possible, depending on the deadline for responses.

**Action: TK**

### **Any other business**

GH asked about the current water resources situation. AF replied that both Bough Beech reservoir and groundwater sources are well above average and the Company is monitoring the potential for flooding.

CaH updated the meeting that as part of our licence conditions, regardless of the outcome of the final determination, we must publicise our charges for the coming year on 3 February on our website. Water UK is also planning an industry-wide announcement on bills and accompanying investment during the following days.

AF updated on the current status of the introduction of the new Environmental Scrutiny Panel (ESP), including the appointment of independent Chairperson Alison Thompson. GH said that there had been discussions in the Panel's earlier private session on the interrelationship between the CSP and ESP going forwards, especially as the environment is an important subject to customers. TP added that he was pleased that environmental governance was being strengthened and offered to discuss examples with AT of where this has and hasn't worked at other organisations.

AF updated the meeting that the Company's new Chief Executive Officer, Ian Cain, starts on 3 February and AF will remain for a transition period until 29 February. GH asked if Ian will be attending CSP meetings and AF said that he would be attending and customer service is very important to him, especially as he lives locally. GH commended AF for his commitment to the CSP over the years, adding that the relationship had always been constructive and engagement positive. He wished AF all the best for the future.

CaH updated the meeting on the current recruitment process for new, independent CSP members. Vacancies are currently being advertised with a closing date of 6 February and there has been a good level of varied interest in the role so far. GH asked the members present how many new members they felt were needed and SB said this was related to reviewing other arrangements, such as considering the terms of office. He added that there needs to be a balance of experience and new challenge of the panel. BD said that there needs to be a thorough induction process as there is a lot to learn about the different subject areas and AT said it was important for members to understand the workload required outside of the meetings as there can be pinch points.

AF asked KG if there was an update on AT's replacement at CCWater and KG responded that there would be an update shortly.

CaH said that she had been asked to make the CSP aware of a request from Water Resources South East (WRSE) for some dedicated support on the customer engagement plans for the regional multi-sector water resources plan that was presented at the previous meeting. CaH said that more information about remit and timescales will be shared directly with GH.