

SES Water

Your Water, Your Say

16 November 2023

Opening Remarks

Kevin Johnson, Independent Chair

Thank you to all of you for coming here, and thanks for being so prompt and being here right at the start of the session. Good evening. Welcome to this session of Your Water, Your Say, round two. My name is Kevin Johnson. Thank you for making time for being here with us this evening.

Before I say anything, I should tell you that this meeting is being recorded. This is only to assist in the writing up of the session.

You can enable live captions from the menu, which is usually accessible at the top right of your Teams screen, if you are on a desktop or laptop, and go to the 'More' three dots area towards the top right, then look for 'Language and Speech' and you can turn the captions on from there. I should tell you that the captions are generated, of course, by artificial intelligence, so they may not be 100% accurate, but probably are more articulate than me. I am conscious that we have a customer here tonight who relies on lip reading, who hopefully will be able to use the live captions. However, do let us know in the chat, to that customer, if you are struggling to engage with the session as much as you would like, and we will try and do something about it. Anybody else can use live captions if they find doing so helpful to follow along during the course of the next two hours. I will explain how chat will be used in this meeting, so please hold off on using that functionality for just a moment or two.

Where you can, I would be grateful if you would keep your cameras on. Yes, keep your cameras on if you are able to, if you have a good enough connection and you are comfortable doing so, because it is good for myself and for colleagues from SES Water to be able to see who they are talking to. However, I would ask that you keep your microphones muted. Put your microphones on mute for now, and I will ask you to put them on when you are asking a question, or of course if you are a representative from the company.

I have been appointed by Ofwat and Consumer Council for Water, which is known as CCW, to act as the independent chair for two phases of open challenge sessions with each of the water companies in England and Wales. Ofwat is the economic regulator of the water sector. CCW is the consumer advocate in the sector. That is enough of the housekeeping.

As many of you all know, SES Water is a water-only company. Waste water or sewage services are provided by Thames Water for the majority of customers in the SES Water area, with bills coming through SES Water. Some customers are served by Southern Water, which bills its customers separately. The SES Water panel that you are going to hear from tonight cannot, therefore, answer questions really on waste water, such as storm overflows. However, where submitted, these questions will be passed on to the appropriate company, and I will tell you about their Your Water, Your Say sessions before we conclude this evening.

I just need to take a couple of minutes to explain how this session is going to work and what we are actually all here to try and achieve together. This Your Water, Your Say session is part of the price review process, known in short as PR24. As part of PR24, water and waste water companies in England and Wales, including SES Water, submitted their plans to Ofwat for the period 2025 to 2030

on the 2 October this year. Ofwat is now considering those plans and will set price controls for water and sewage companies.

Earlier in the year, Your Water, Your Say provided an opportunity for customers and stakeholders to shape SES Water's thinking. This session tonight is an opportunity to challenge SES Water's proposals, including what did or did not change as a result of that earlier session and the company's wider consultation.

I am here to facilitate a constructive challenge session as part of the price review process. I do not have any decision-making powers in that process other than deciding who speaks when and for how long in this session, and for making sure there is an accurate record of the proceedings tonight. This is a challenge session, so I am here to facilitate a good conversation, no doubt robust and even lively at times. That is absolutely fine, but my job is to make sure that we have a respectful, courteous and constructive session for each and every one of us who is involved here tonight.

We have 316 people who were booked onto this session. There are now 106 of us live in the room, so a few more may join us as the evening wears on. We have a bit less than two hours now ahead of us, so I will need to be rigorous with timekeeping, both with the company and its presentation and answers, and with customers and stakeholders with their questions. Apologies in advance if I kick you off or I at any time appear abrupt. I am just going to try and get through as many questions and answers as I possibly can tonight.

We have chat enabled principally for questions that you want to type and submit, as well as for sharing additional information which backs up that question, and if you need any technical assistance with your enjoyment and participation in this session on Teams. I will insist, though, we have one conversation, all of us here together. Chat is not there for sidebar comments. Chat is not actually for chitter chatter. It is not a social media echo chamber. This is a public consultation event that I hope you find valuable and in which we are all properly engaged. Use chat to jot down your question, or, even better, join the debate live when we come to the Q&A session.

Once I stop waffling on, I will ask SES Water to make a presentation on their business plan. They will have 15 minutes and they know I have a stopwatch. We will then have a little under two hours for questions and answers. I will kick things off with one or two of my own, but I am sure you will follow on with many far more probing questions.

We are going to take the questions under four themes, and I am going to read those out and my colleagues at CCW will drop a note of them into the chat. They are going to be on high quality water, securing future supplies, improving the environment and charging a fair price. You can raise a hand using the Teams gesture, which looks like a wave usually, to ask a question when we come to that part of the meeting, which is not quite yet. However, if you are using chat to submit a question, you can do that at any time, be it now, during the presentation or at any time during the Q&A session itself, but please do make sure it is a question.

If you want your question to be read by CCW on your behalf, please make a note of that alongside it. Hayley from CCW, who will give you a wave now, will be acting as the voice of the customer tonight and helping me behind the scenes to pick up questions so I have the best ones to choose from. Make sure you keep your question brief and do make it a question rather than a statement.

If when you put your question, and I think the company is not really answering the question, I may step in. However, my focus is on giving you as much of the floor time as possible. Do not be offended if I do not use your exact question. It is very likely somebody else has one very similar to it that I have used.

Rest assured, each and every single question will be put to SES Water, even if not in the next couple of hours. They will form part of the official record. I will explain more of that later.

As well as colleagues from CCW, there are representatives from Ofwat in the background observing these proceedings. However, please focus your questions tonight on SES Water. Ofwat is directly consulting customers on the company's plans. I will share details of its survey with you towards the end of the evening. Ofwat will also stage its version of this session, Your Water, Your Say, with meetings in England and Wales in the middle of next year. That will be your opportunity to question Ofwat representatives and what is described as their determinations on the company investment plans and pricing controls in their draft stage before these are then finalised towards the end of next year. There will be more on that later

We can now focus on SES Water and what it is proposing for 2025 to 2030. That is the intro done. Let us continue with some business. I am going to hand over to SES Water, and in particular to its chief executive who is called Ian Cain.

SES Water Business Plan 2025 to 2030

Ian Cain, Chief Executive Officer, SES Water

Thank you, Kevin. Thank you for the intro. It is great to see everyone here. This is our second Your Water, Your Say session. Welcome back to those who have joined us this evening from the April session, and also a warm welcome to those joining for the first time this evening.

In April, we discussed our development plan. Tonight we will look forward, and we will talk about what we have done to set out our plan to deliver for you and obviously all of our customers over the coming five years.

What I will do quickly first is introduce my SES colleagues who will be answering questions and taking your thoughts as we proceed through the evening. Joining me are Paul Kerr, our chief finance officer, Kate Thornton, our chief customer officer leading on customer service, engagement and support, and Tom Kelly, our wholesale services director, whose job it is to keep our operations running and the water flowing, of course. A warm welcome from me and all of the team.

Just before we move on, for those that are not as familiar with SES Water, though Kevin has mentioned a couple of things, I will start with a quick intro. We are one of the smallest water-only companies in the UK. Most of our customers receive their waste water services from Thames Water. They will be running a session, as Kevin says, like this one later in the month.

We operate at the heart of what is a water-stressed region. Our water supplies mainly come from underground sources, some of which support the rare and precious chalk streams, which are critical habitats for many plant and animal species. We are working closely with neighbouring water companies on long-term plans to ensure we have enough water to supply homes and businesses across the south-east, whilst protecting the environment as the climate changes and as the population grows.

Our region also has some of the highest per person water usage in the country, so we are very focused on making sure we use water as efficiently as possible and encouraging our customers to do the same. We may be small, but we are very innovative and we deliver amongst the best performance in the industry. We are the only UK water company to have a fully smart water network, and that means we can monitor water throughout our pipes to find leaks, detect bursts and find them more quickly than ever.

We are big on resilience here, and in another industry first we will soon be able to supply all customers with water from more than one of our treatment works. Our future plans are underpinned by similar ongoing investments, and especially in smart technology and data.

As context, I wanted to share with you a snapshot of our performance. This table that you can see here talks to our internal targets on the left versus other water companies on the right. Very briefly, what it shows is that where it matters most to our customers, which is water quality, leakage reductions, supply interruptions and resilience, we are amongst the very best in the industry, and these are fundamentals.

We are working hard to improve our customer service, which is C-MeX and D-MeX on this table. We are one of only three companies in the last two years to have moved our relative position by two places over that time. You can see around the middle of the table here that we have work to do to lower household and business water consumption versus our targets and also the industry average.

Our business plan has been informed by the largest programme of customer engagement that we have experienced in SES Water. We have spoken to some 4,000 customers in the process. Our objective has been to listen and to produce a plan that responds directly to what we have heard.

Water quality was your top priority. Taking care of our environment is important to you too, and whilst you do want to play your part in saving water you want our help to help you do so. You rightly have clear expectations that we will do more across our network. You like our innovative approach, but some are less sure about smart meters. Nonetheless, we all want the outcomes that they support. Bills, understandably, are on the minds of many and you are very clear with us that we should be very sensitive to that.

There was a wealth of detail and insight from our engagement with customers. This helped inform our plan and its shape, which is presented beneath four pillars that reflect the priorities. Unsurprisingly, there is a strong alignment to our purpose, which customers also collaborated in developing, which is to harness the potential of water, to enhance nature and improve lives. I also should stress at this point that our five-year plan is part of a longer-term delivery strategy which reaches out to 2050. Whilst we act with urgency now, we need to ensure we build resilience and sustainability in the long term.

This approach will help us continue to deliver industry-leading performance, drive further improvements, and stretch ourselves, and indeed the industry, to meet some very serious long-term ambitions. For example, by 2050 we will drastically reduce leakage, halve burst main repairs and eliminate supply interruptions that are longer than three hours. We will reach our net zero carbon emissions aspiration, and together we will meet the government's ambitious target to reduce water consumption.

Regarding the plan, your first priority area is always to receive clean, safe drinking water and naturally this remains our utmost priority. We will work with farmers, land users and land owners around Bough Beech and our other water sources to stop pesticides and nitrates from entering them. We do not want to have to use more chemicals in the future to keep water safe. This has been an increasing issue so we will be investing in ultraviolet (UV) light treatment at our Kenley and Cheam supply works, where the risk of contaminants warrants this extra treatment. We are also going to refurbish our Kenley works and install new equipment, so we can soften there more effectively than we do today.

We will remove more lead pipes from our network, and target supply supply-side pipes that serve schools, colleges, and nurseries. Lead is harmful to young people, so we want to eradicate it from the places where they spend considerable amounts of time. We will also investigate where and whether we need to reduce how much water we take from our existing sources in the future to enhance our local rivers and chalk streams. These investigations will give rise to more opportunities to work with interested and skilled partners in the region, some on a call today, I am sure.

Understandably, you would expect your suppliers to be reliable, and you have told us you expect us to go further and faster to reduce leaks. We are already leading here, but you are right to challenge us. We will be investing further to enhance our smart network to help us detect even smaller and harder to find leaks so we can fix them more quickly. We are also rolling out technology that will

help us assess the condition of our pipes without digging them up, so we know which need to be replaced and when. This also helps us make sure we optimise the pressure within our pipes to help reduce leaks and maintain consistent pressure levels for all our customers, which we know is an area of concern for some.

You may be surprised to hear that a third of all water leaks is from the supply pipes that are in your homes or businesses. Our introduction of smart meters will help us to help you detect those leaks, and we will also be setting ourselves up to help you fix those leaks too in your homes.

By 2030 we will have reduced leaks by 26%. By 2050 we will have reduced leaks by 62%. At about 8% then in total leakage, we will be running one of the most efficient and resilient networks in the UK and indeed beyond.

We will invest in our treatment works and pumping stations to ensure we continue to perform well as the climate changes. Introducing smart meter technology across those areas will ensure we can monitor water from the point of abstraction through to the treatment process. This will help us detect and fix any issues around quality or quantity before they cause us or you a problem.

Further resilience, then, will help us withstand more frequent power outages and we will also look at how we can reduce the risk of flooding from the River Mole so it does not impact our water abstraction and pumping station in Leatherhead. Importantly, we aim to use natural features and processes that will help improve the overall health of the river and the surrounding areas.

I have mentioned before the need for us to use water more efficiently and sustainably in response to population growth, climate change and environmental concerns. We all need to place more value on water. You rightly told us to tackle leaks, but many of you also acknowledged that you have a role to play too. The government has indeed set a national target for average water use of 110 litres per person per day by 2050. For our customers that is a 45 litre drop in use each day. To give you an idea of what that means, an average bath use is between 80 and 100 litres. A leaky loo, which funnily enough is quite common, can waste somewhere between 200 and up to 400 litres a day, and that is clean water. We want to work with you to find ways to make it easier for you to use a little less with our water efficiency programmes.

Smart meters again help here by giving us more accurate consumption data. They are critical in helping us to detect if there is a leak, or indeed water being wasted in your home. We will use the data to quickly alert you to problems and indeed opportunities. More accurate data, of course, will also help drive more accurate bills. Reduced consumption will help drive lower bills. Industry data tells us from smart meter rollouts elsewhere that this further insight does drive lower bills and indeed gives us further insight such that, given the level of gas and electricity you use to heat water in your home, that energy bills will come down too.

Some customers have expressed concerns about having a smart meter, but they are a key component of delivering the outcomes that we are all striving for. Ensuring we all pay for the water we use will help ensure its value is not lost, and the data will help our collective understanding and opportunities of how to use less.

It would be wrong to assume, of course, that everyone saves money. Some customers with bigger families will use more water. Others might do so due to medical issues. Whatever the reason, we will develop plans to help those who may struggle financially.

The fourth pillar of the plan is our commitment to improving the environment. You identified this as important and want us to do more here. There are environmental schemes we are required by law to deliver, such as screens to protect the eels in the River Eden. We will do more and plan to work more in partnership with others to improve how we manage water across the Eden catchment area so our supplies become more resilient, the river becomes healthier and biodiversity increases.

We will also increase biodiversity on 80% of the land that we own, which builds on our award-winning progress to extend our nature-sensitive site management.

Based on your priorities we will achieve our net zero carbon emissions ambition by 2050. We will be 100% compliant with our water abstraction and environmental discharge consents and minimise low-level pollution incidents that are sometimes caused when we have a mains burst. We will extend our 16-year record of zero serious pollution.

We take our role at the centre of this community extremely seriously. We will continue to be responsible as a local employer, support our local communities to help educate and up-skill young people through apprenticeships, education, and outreach programs.

Our plans and investments will make sure that we continue to deliver top industry performance over the coming five years. More importantly, on this slide they extend across our entire region and are for the benefit of all customers and the businesses that we serve.

Ambitious plans need investment and this plan sees us increase our spend by £66 million over the last five-year plan. That is an increase of 20%. We have worked hard to keep the bill rises to sensible levels over that period. The average bill will rise by just over 10% across the five-year plan. This represents one of the lowest bill increases in the industry, as you can see on this bar graph on the right here which sets out proposed bills for each water company across the period.

The average bill is equivalent to £0.72 per day, and in this pie chart you see where that money goes. As I am sure you would expect, the vast majority is spent on our operating business, paying our people, and improving our business with new capital expenditure. We will continue to borrow money for investment. The £0.08 is the cost of serving that debt. We will also rely on our shareholders to provide extra equity to help fund further investment.

Some of you may have read that our current shareholders are looking to sell the business. There is no guarantee that they will of course, but any equity needs the business really has are well understood in this ongoing process, and any shareholder returns will remain subject to high performance and regulatory conditions.

Over recent months the industry has been subject to much scrutiny. That is understandable. At SES Water, our performance is, by comparison, strong but we take nothing for granted. Trust is earned. We are pleased to see a high level of customer support for our plan. There are concerns around affordability, with 13% of customers signalling that the bill would be very difficult to afford, so we will deliver a comprehensive package of support to help those in financial hardship and in our journey to eradicate water poverty. Through to 2050 we will provide 25,000 people with that support, who will be those who need it the most, with a 50% reduction in their bill. Households do contribute in part to this support, to the tune of about £0.50 per month on average.

To conclude, I believe our plan balances performance priorities in the short term with long-term resilience requirements, environmental considerations, and our legal and regulatory obligations. The plan delivers targeted investments and ongoing innovation. It encourages customer participation, and it offers targeted customer support.

We welcome the ambitious outcomes demanded by this plan. We remain motivated to push the boundaries across this industry, too. We are confident in our ability to deliver, and we will proudly serve you with care, compassion, openness and ambition as we do so. We look forward to your questions and I will now hand back to Kevin. Thank you.

Kevin Johnson

As Ian has just done in his presentation, we are talking about SES Water's plans for the five years 2025 to 2030. Of course, draw on your experience as a customer or our current stakeholder in the

organisation. We are going to look at what its plans are, whether it can deliver whether they are the right plans for 2025 to 2030.

Do keep your microphone on mute for the time being until I call you up for a question. As a reminder, as I touched on and as Ian did at the beginning of his presentation, SES Water is a water-only company and does not deal with sewage, but I will touch on the companies that do deal with your sewage and how you can engage in the very same kind of meeting with them at the end of the session.

I would just like to ask Callum to display slide 15, Funding our 2025 to 2030 Business Plan. While I just say one or two things about the questions, that will give everybody a moment or two to absorb that slide and the information on it about bills and the progress there. I think you will find that helpful. People might want to study that for a moment or two.

Let me remind you of what the question themes are going to be, and I will give you a bit more detail on the kind of questions I am anticipating you will want to ask. We know that many of you have already put in advanced questions or questions into the chat tonight.

We are going to deal with high quality water first. That will be things like water quality, softening, water pressure, supply interruptions, leakage, lead pipes, repairs and resilience, treatment works, consumption and smart meters. That is going to be our first set of questions, and you can put your hands up if you want to ask a question live. Do use the gesture in Teams. Put your hand up and we will come to those live questions, as well as the ones we have had in chat and in advance very shortly.

We will then go to securing future supplies. That is going to be dealing with abstraction, water resources, transfers and housing and population growth.

The third set of questions will be on improving the environment, so that will be around carbon reduction, net zero, biodiversity gains and protecting rivers.

Fourth, we are going to look at charging a fair price, which is a short title for a long category and where most of the advanced questions are concerned. This covers bills and affordability, social tariff, water poverty, the priority services register, customer services and complaint handling, innovation and open data, ownership, profits, and dividend, pay and bonuses and anything else we have not covered anywhere else during the evening.

They are the four sets of questions we are going to deal with and the themes. We will come to high quality water first, so put your hands up for that.

Ian, let me just start with you. You touched on this towards the end of your presentation about potential new owners. What is very well known is the requirement for additional equity in the businesses, as pointed out recently in one of the Ofwat reports. Can you just give a bit of an update of where you are, and what kind of company you do want to own SES Water given the additional kind of investment requirements that you are going to have for 2025 to 2030?

Ian Cain

Sure. Thank you, Kevin. That is a good question. I will tell you what I can tell you. Obviously, processes like this are littered with areas of confidentiality. What has happened in the last year is that subsequent to shareholders signalling their intent to look at the market to see who might be receptive to bringing money into the company and taking over ownership, is that we have gone through a number of phases and we are now coming towards the concluding phase of that work. We have we have been to market. We put a teaser out. We have gone through levels of due diligence with interested parties. Now our shareholders are considering feedback from people that have been within the process that have had access to data that is not publicly available, so in other words they have had a closer level of scrutiny over the organisation.

That will be followed, and always is followed, by people making bids for the organisation if they are interested in owning it, and the shareholders going through a process of deciding which one they like and which company they think is the most appropriate owner for the organisation. Actually, we are at the back end of the process and it is playing through now in terms of where shareholders might want to land with new owners.

It still may not come through. That is how these things work. That is what commercials are sometimes like. What we do have there is clearly an ongoing commitment from our existing shareholders, who have done all the right things over the last 12 months in making sure that they sign the appropriate documentation and certification to suggest that they will continue to support the business with all its equity requirements. Paul, our CFO, would be able to talk in much more depth if we need to at the end.

They have committed to put equity into the organisation and have continued to do so over this last year. They have committed to do so to support this plan moving forward. That is a known fact. What will happen with a new investor is those things will be written into a contract as requirements moving forward. I have no concerns about the process of getting the right level of equity to support the organisation.

I think your second question is good. I want a company to come to this organisation that thinks it can help, support, and do great things for this community. We are an organisation that has the community right at our heart. Most of us live in it. We are a smaller organisation. We live, eat, drink, and breathe this stuff. We want to do the right thing. I want to be with an organisation that supports that.

Also, more critically, we have a vision that has been designed around delivering smart solutions and digital networks, and that has enabled us to steal a march on the rest of the industry in some areas of performance, particularly in leakage management. I want somebody that can see that vision with us, and support and potentially help us accelerate that position, Kevin, to get to some of the ambitions that we have a little bit faster, albeit some of our ambitions are quite ambitious.

I want somebody who can see the vision, Kevin, is prepared to invest in it and cares for customers.

Kevin Johnson

Okay, we will come back to this in the full set of questions. I think you can give, more or less, yes or no answers to these quick two follow-up questions. When will this be concluded, or not as the case may be, if the current shareholders do not sell? When will it be concluded? Is there an absolute, rock-bottom guarantee that, whether it is the current owners or future owners, they are signed up or will be signed up to the investment plans you are putting forward.

Ian Cain

I cannot say yes to the first one because it was a timed question, but I can say that the initial intent was for our shareholders to try and wrap up their process by the end of this calendar year. That might mean different things legally, and we are not party to that process as executives of the organisation, but that was their initial timescale. My understanding is they are not too far off delivering to their time scale.

Kevin Johnson

Okay, we will replace 'yes' with 'December'.

Ian Cain

I cannot, as an executive, guarantee anything but I can guarantee you that our existing shareholders have signed their commitments to support the organisation, and the group, because we are part of a wider group, with the right financials and they have committed to us that as part of this process any sales purchase agreement that is signed by a new individual will be underwritten by the equity requirements. The answer is yes to that, Kevin, in the spirit of what you are looking for.

Kevin Johnson

Okay, we will come back to that and related matters in the full set of questions, because people have lots of questions in and around those issues. I have just one other question on acceptability and affordability, which is a big part of this process, of course. You touched on this, but you had an acceptability rating of 66%, which is lower than some other companies who have 70% or 70% plus. You touched on the people who will really struggle with it, but taking together fairly and very difficult to afford the plans that you are putting forward comes to 48%. That is nearly half of the people you have consulted, nearly half of your customer base, is going to struggle very much so or quite a bit in terms of affording the new bills. Have you got this right?

Ian Cain

My belief is we have this right, Kevin. My belief is we have consulted very deeply with our customers at all levels. My belief is also that we are a little bit more affluent as an area than most, but that does not mean we take our eyes off the customers who are the most in need. We have been leading the sector, in fact, in the proportion of customers that we find to support and then give support to, so we have excellent mechanisms to find people. We are already supporting upwards of 21,000 people with these mechanisms and we are pushing really hard to get to bigger numbers. We will find the people that need the support. That is a firm commitment and we are very energised to do so.

What I would say, which is quite interesting in an open discussion with you and our customers, is in Portsmouth, for example, the bill is around about £127 on average. It is lower than ours. It is the lowest in the industry. Ours also sits quite low in the industry, as we have just seen. The mechanics of the numbers are very similar there. I think in the cost-of-living crisis that we have been in, completely understandably, customers are very rightly sensitive to any changes in bills. However, I do believe that the bill that we have for the service we provide, for the commodity, as precious as it is, and what it will take to get us there, is not only an affordable bill where we can support people that need that. It is good value for money and it takes this organisation to the place where this community needs it.

Kevin Johnson

Okay, thank you for that answer. I am sure we will come to more on water poverty, social tariffs and the like in the full set of questions.

High Quality Water**Kevin Johnson**

I am anticipating that amongst the roughly 120 people watching on that we are going to get lots of hands up for this. We have had lots in advance. We are going to go to one of our advanced questions first. You are going to hear from Hayley from CCW, who is the voice of the customer tonight. Hayley could you give me <attendee name redacted> question, please?

Hayley Stanford, CCW

Yes. <attendee name redacted> asked, 'Why is water so expensive and why is waste of water is so high, with leaks often visible on the streets for so long?'

Kevin Johnson

Ian, I think people have probably had enough of you and me. Shall we get Tom's voice in the conversation? Tom, why do you not take that one on?

Tom Kelly, Wholesale Director, SES Water

Thank you. Let me try and deal with the operational point before the financial point. Leakage is a challenge across the entire sector, and Ian has referred to the fact that we are a leading company in terms of the management of leakage reduction. As of today, about 13% of the water that we put into supply does not reach its intended destination. Two-thirds of that leakage comes from our network, and one-third comes from the customer side. That is amongst if not the lowest in the sector, but it is still too high, so we recognise that we are towards the better end of a bad bunch.

That is why we have made the commitment to reduce leakage to the levels that we have, by 26% between 2020 and 2030. That is a 25% reduction. A quarter reduction is good, but there is more that we can do and there is more that we will need to do over the forthcoming periods.

We are pushing hard to reduce that leakage as quickly as possible. Ian referred to smart networks. We have introduced technology now that allows us to identify and locate leaks far quicker than we ever have before. That technology has been in for about 18 months now. We have seen our ability to reduce the period in which leaks run by about 40%. There is more to go out there. There is more that we need to do.

We are on a journey to get to a point where we can jump on top of leaks and get them addressed as quickly as we possibly can. We need to do that on our network and we need to do that, and help customers do that, on their part of the network with the supply pipes in their properties. That is where smart metering comes in and the ability to identify leaks as and when they take place.

Kevin Johnson

Tom, we will come back to smart meters because there are plenty of questions on that. I do not want to get too far into that. I am not seeing customers' and stakeholders' hands up, so I am going to pick on some people. <Attendee name redacted>, you have been in the chat and I think possibly in advanced questions. You had a question about percentage of leaks, and what percentage of water is given to leaks. Do you want to come on and challenge Tom on his first answer? Tell us where you are, and then fire away.

<attendee name redacted>

I am based in Caterham. The question I had is a simple one. I think Tom might have mentioned it, but what percentage of water is currently lost, not on supply but on the infrastructure? You are trying to reduce it by 25%, which does not sound terribly brilliant. What is the starting point here?

Tom Kelly

The starting point at the moment, as I mentioned, is that about 13% of the water that we put into supply leaks before it is delivered. About 8% or 9% of that is on our network, and the balance is on customer networks. That is still too high a number. I accept that.

We are talking about reducing leakage by one quarter over the period from 2020 to 2030. We are talking about reducing it by nearly two thirds between 2020 and 2050. Those levels of leakage reduction are higher than the rest of the sector.

The challenge that we have is the lower the level of leakage the more technically challenging and the more expensive the reduction activity. What we must do is work to develop new technologies and new techniques to allow us to continue to reduce leakage as efficiently and effectively as possible. That is where the smart networks and smart meters come into the equation.

We recognise that it is a challenge and we need to do more, but we are working very hard to continue to deliver these leakage reductions at the levels that we are committing to.

Kevin Johnson

<attendee name redacted>, what are your thoughts?

<attendee name redacted>

As I said, 25% in five years with all the smart technology sounds not very effective to me, but obviously I do not appreciate the problems with the infrastructure you have currently have. My concern is that our bills have gone up by 185% over 13 years. We are paying nearly £800 or £900 pounds for water in Caterham. What have we received for it over that period? There is no reduction over that period. The question really is about where all the money gone from the revenue you have raised during this period has gone? Why are you tackling these plans now? Why has this not been put in place far earlier?

Kevin Johnson

Tom, pick that up a little bit. Give a brief answer if you would, Tom. There is a wider point <attendee name redacted> is touching on about previous spends and investment levels. We will come back to that a bit later on, but just tackle the main part of <attendee name redacted> point there.

Tom Kelly

I will say a couple of things, Kevin. Thank you, <attendee name redacted>, for the question. Firstly, the number you quote is a combined bill. That is water and waste water. One part of that question needs to be directed at Thames. There is base inflation within that number as well, which we would need to take out. What I would say, with regard to the water supply service that you are getting in Caterham, is it is part of an operation that is delivering performance that is undeniably the best in the sector in terms of water quality, in terms of leakage and leakage reduction, in terms of resilience and the risk of supply interruptions and everything that goes with that from an inconvenience perspective, and the environmental performance that we are delivering as an organisation.

When you look at the service that you are getting from SES, we have worked hard over that period that you have talked about to get us to a point where we are leading the rest of the sector, to use Ian's terminology from earlier, in the things that matter arguably most to customers.

Kevin Johnson

<attendee name redacted>, thank you very much. Thanks for coming on. Without putting your hand up, you gave into my request, which is very good of you. I am very keen to see your hands in the room. It makes for a much more interesting debate if we have a live debate going on. Look at the wave at the top of the Teams screen. That is the way to put your hand up. I would like to get more of you on.

<attendee name redacted>, you have been busy in the chat. There are about four <attendee name redacted> in the meeting. Whichever the <attendee name redacted> is who dropped in a couple of questions relating to leaks, you are very welcome to come on and ask that follow-up question live if you want to. Tell us where you are, and you can follow on.

<attendee name redacted>

I am from Woodmansterne. First of all, our water quality is fantastic. There are a lot of positives with SES Water. I do not want to just complain. The leakage is just appalling. 26%, as the previous person said, is just not ambitious enough, and it is by 2050, when we will all be dead anyway. Can you just not improve that with technology? I work in a very specific sector, and we do use AI and all these things, which has just changed the way that we work. Can you not embrace the new technologies and really go for it?

Kevin Johnson

Okay, thank you, <attendee name redacted>. Hopefully some of us will still be going in 2050. You never know. Tom, I am struck by the fact that Ian, in his presentation, used the word 'innovation' at least once. The challenge here from <attendee name redacted>, and she is not alone, is to be even more ambitious and to embrace even more innovation in this area.

Tom Kelly

I could not agree more, Kevin. <attendee name redacted>, thank you for the question. Thank you for your comments about water quality as well. The reduction that we are talking about, the 25% reduction over this current 10-year period and an almost two-thirds reduction by 2050, we believe is ambitious. However, it is also based on what we can predictably deliver based on our knowledge of technology enhancement at the moment. In five or 10 years' time, it may be the case that we are saying that, '62% is not ambitious enough. There is now technology coming to market that will allow us to go further and further.'

We have put forward an ambition on leakage reduction that is higher than anybody else in the sector. There is a governmental target of halving leakage by 2050. Some companies have said they can hit that. Some companies have said that they cannot hit that. We have said that we will go further. We are the only company to do so.

This is not a static pledge. This will change as time progresses, as we all get older and as the knowledge about what technology can deliver for us in terms of improving the resilience for what we are trying to achieve here improves. It is based on what we know and what we are comfortable predicting at this point in time. However, I would say this right now. I suspect that that number, in terms of reduction, will only go up rather than down as we learn more about what these new technologies can help deliver.

Kevin Johnson

Thank you, Tom, and thank you, <attendee name redacted>, for coming on. It was very good of you. I will come to you, Ian Cain, in a second. I want to come to <attendee name redacted> if I can. <attendee name redacted>, if you would like to come on, you are very welcome. I will make this the last question about leaks, otherwise Tom will think we are all ganging up on him. There are other subjects to cover. <attendee name redacted>, you have another angle on the leakage question. If you can, Ian, you will be very welcome. Maybe Ian is not able to. Hayley, give us <attendee name redacted> question that he dropped into the chat earlier.

Hayley Stanford

<attendee name redacted> has asked, 'What is the responding time of a public area water leak?'

Tom Kelly

Either Tom or Ian Cain, as I know you are keen to come in on this question, pick up that, as well as your additional point, Ian Cain.

Tom Kelly

I will come in on that and then I will hand it over to Ian. As a result of the new technology that we have put in place over the course of the last 18 months, we are now in a position where we can identify leaks on the day that they emerge. Our response time is generally within 24 hours. Our recovery time, in terms of the time it takes us to fix those leaks, is driven by two elements. One is whether we know where the leak is, because not all leaks are entirely visible. The second is the ability to gain access to the road space, to shut part of the road, and to affect the repair. That is the critical path of this.

For what we call the cycle time, from the leak starting to the leak being fixed, for all leaks in all areas over the course of the year, we are getting to a point now where we have reduced that by almost half to around four days. Some leaks run longer than that. I appreciate that some leaks run a lot longer than that, and there are operational reasons for that. Other leaks get fixed a lot quicker. However, on average we are talking about five or six days, based on the data that we are receiving right now.

Kevin Johnson

Ian, briefly add in, if you would, and then we will move on to one of the other subjects.

Ian Cain

I will be quick, Kevin. There is no need to apologise for asking Tom to talk a lot about leakages. He likes talking about that, but he likes fixing it even more, I might add. The one thing I was going to say relates to <attendee name redacted> part of the discussion there. We are using AI, <attendee name redacted>, within the technology suite that we have to drive more information, better informed decisions and to drive down our leakage as we are working. We are the first in the UK to be doing so.

That does, as you rightly say, question the art of the possible. I just wanted to pick up on Tom's piece just to close. The industry is constraining itself in some way by a government target of 50%, but we are not. We will not allow ourselves to be doing that. I think what we will find over time is that AI does not just enable this area of our business but many others.

I just wanted to comment on that, because the concept of going digital and driving AI is right at the heart of our plan moving forward. I think we are at the start of that journey, and it just gets better.

Kevin Johnson

Thank you. Thank you, Tom. We are going to move on to another equally important part of this section. Tom is anticipating this. We are going to kick it off with <attendee name redacted> question, which we received in advance. Hayley, if you would read that. We will start with <attendee name redacted> question, but I know lots of people in the room will follow up on it. However, let us have <attendee name redacted> question that we had in advance first.

Hayley Stanford

<attendee name redacted> asks, 'I would like to know why you are trying to force people to use a water meter and putting up the price if they do not comply. It is not fair and it is a dirty tactic.'

Kevin Johnson

Tom, I stopped you talking about smart meters earlier, so this is your moment.

Tom Kelly

Thank you. It is an important question. We, along with every other water company in the south-east, exist in what is called the water-stressed area. What that allows us to do under government direction is, if we can demonstrate customer support, we can compulsorily meter customers. We are moving through that process now. About 73% of our customer base is currently metered. We have made a commitment to get that number to 90% by the end of this five-year period.

As part of the business plan that we have submitted, we have proposed to upgrade that metering stock from standard visual read meters to smart meters, which provide significant advantages in terms of dealing with not only customer-side leakage quickly, and the damage and inconvenience that that can cause to our customers, but also helping to reduce the consumption of customers as well, because they get better visibility on almost a real-time basis of where they are using water.

We are pushing on with a universal metering program. That universal metering program will evolve, hopefully, subject to Ofwat's approval, into a meter upgrade programme where we deliver smart meters.

The point that has been referenced around penalising people if they do not give us access is to ensure that we can incentivise customers, or in other terms disincentivise customers from preventing us from installing meters, because it is the fairest way to charge for water for everybody. We have elected to take that view, as a number of other companies that are progressing with universal metering programs have done across the south-east, to say that if customers are unwilling to give us access we will look to incentivise that through the application of a penalty so that we can install meters and we can charge all of our customer base on a fair and equivalent basis for the water that they use.

Kevin Johnson

I am going to pick up on that point. People in chat are exercised on both ends of the spectrum, I think, when it comes to smart meters. I want to go to, I think it is <attendee name redacted>, if I am pronouncing your name right, from the Surrey Youth Cabinet. I will be keen to get you on if you are able to and you want to come on, <attendee name redacted>. Let us get you on. Put your

microphone on. Why do you not come in with your question, which touches on the end of Tom's answer there. Tell us who you are representing and fire away with your question.

<attendee name redacted>

I am a member of the Surrey Youth Cabinet, which involves young people from all over the county. One of the things we are interested in is knowing how you are going to work with people who are unsure about smart meters, to make the transition between having one and not having one easier for those who might be sceptical.

Kevin Johnson

Thank you for coming on. That is very good of you. Tom.

Tom Kelly

That is a great question. Thank you, <attendee name redacted>. How are we going to work with those that are sceptical about the transfer from standard metering to smart metering? We and the rest of the industry must do a job to make it very clear why we are going down this route, what the benefits are to our customers, to the communities that we serve and to the environment that we are part of, both now and in the long term.

We at SES, and other companies across the south-east that are considering this, and I should mention at this point that most of the companies across the UK are proposing smart meter programs of some sort in the next five-year period, recognise that there is a big piece of work to do to get the communities and the customers that we serve comfortable with this concept. Smart meters as a concept do not come with the best reputation. The energy sector is further ahead in the rollout of smart metering. Elements of that programme have received some very negative press over the course of the last 12 months. We are fighting against that, so we are not starting from the best possible position.

However, it is about ongoing engagement. It is about transparency. It is about understanding and hearing the concerns that customers have about smart meters and what their intended use is, and, on an individual basis, helping people through that process. We recognise that it is a significant change in the way that the water sector operates, but we are absolutely convinced it is for the best for the communities, for the customers and for the environment that we are part of, which is why we are so passionate about it, but it is also why we will ensure that we engage and provide the necessary input and time to get our customers comfortable with the changeover.

Kevin Johnson

Does that reassure, <attendee name redacted>?

<attendee name redacted>

Yes, thank you.

Kevin Johnson

Okay, great. Thank you for coming on. There are comments in the chat. Please put questions into the chat, because that is going to help the debate even more. There are people with views at different ends of the spectrum, as I say.

<attendee name redacted>, if you would like to come on, I know you were asking this question earlier on. You might have had your question answered, but you are very welcome to come on. <attendee name redacted>, I know you have had a particular experience with meters. <attendee name redacted>, if you would like to come on, now is the time when you can put your mic on and follow up on this question if you want to. <attendee name redacted>, you would be very welcome. <attendee name redacted>, I see you. I am not ignoring you. I will come to you very shortly.

Hayley, let us have <attendee name redacted>question that he put in the chat on mandatory conversion to metering. Do not worry, Hayley. I will do it. This came in the chat earlier. 'Mandatory conversion to metering. I am not getting any updates regarding this. Some guy turned up unannounced looking for the street stopcock, I suppose. I was busy and left him to it. He could not find it. What happens in this case? I have heard about penalty tariff. Can I be assured this will not happen to me?'

I do want to go too far into the roots of that question, Tom, but it is really about how you are communicating with customers so they understand this process and have reassurance about the process, and that the right people are turning up with the right authority to do things.

Tom Kelly

That is an entirely fair question, Kevin. Thank you. To explain what is happening in the example that is given there, the first stage of this process is that when we start looking at an area where we are intending to meter, we will communicate with customers through an initial letter that says we are going to undertake surveys. The first stage of that survey is to identify whether we can install the meter in the pavement. That is the best option. It requires no access to customers' premises, so no disruption. That is what those first-stage surveys are. If we cannot find the stopcock in the pavement, it is likely to be on the customer's premise. We will then want to work with those customers to identify whether we can get access and when we can come in and install the meter.

We are doing survey work. It is the first phase of the process, but it is preceded by communication to customers to say we are going to survey in the area, we are looking at installing meters on a mandatory basis, we will be visiting your street, and, at a later stage, if we cannot install in the street we will be coming to visit you at your property to see where we can install the meter. It is part of a multi-stage process. We believe we are communicating at the right times and in the right way with customers. We have gone through a redesign of the process because of quite a lot of feedback that we had earlier in this five-year period around how we were doing things. We have listened to customers. We think we have improved it to a point where we are getting it right. If we are not, we will investigate and we will update our processes further.

Kevin Johnson

Thank you, Tom. Let us get <attendee name redacted>on. She has been waiting patiently. It could be on smart meters. It could be on any subject. If you would like to put your mic on, you are very welcome. We can see you as well, which is fantastic. Tell us where you are in the patch, <attendee name redacted>, and then fire away. We are not quite hearing you <attendee name redacted>. Behind the scenes we will try and help you to see if we can get that sorted. I will try and come back to you, <attendee name redacted>, when your mic issue is sorted. We will go to a question that we had in advance from <attendee name redacted> I may have pronounced that slightly incorrectly, so

apologies to <attendee name redacted>, but I do not think he is on the call. Hayley, let us have that question, please.

Hayley Stanford

<attendee name redacted> has asked, 'Is it feasible to introduce a water softener at the end so that we will receive water that might help with the build-up of hard water areas? I do understand that this would cause a slight increase in bills.'

Kevin Johnson

Thanks, Hayley. Tom, obviously we get a lot of questions about softness and hardness, if you can pick that up in the broader thrust of the question.

Tom Kelly

Of course. Thank you again for the question. Part of our operational area, the area in the north, is classified as very hard water because of where it is abstracted from. It is abstracted from chalk aquifers. It has a lot of mineral content and that is what gives rise to the hardness in the water. We are unique as an organisation in that we are required legally to partially soften the water that we provide. If we did not do that the water would be supplied and classified as very hard. Just to put some context on it, it is 120 milligrams per litre of calcium. We soften to about 80 milligrams per litre of calcium, so it is a partial softening. If you live over the border in Thames you do not get that. If you live in the south of our patch, you do not need that because the water is naturally soft.

We already undertake that work in and at our water treatment works that exist in the north of our patch. That process in the current period costs customers about £9 per year on their bills. We think customers get about £25 to £30 pounds per year benefit from the softer water. It is not perfectly soft. We still get contact around the hardness of water. However, it is softer than it would be if we were not softening.

The challenge is that the further down the process that you go to soften water the more expensive it becomes. If you looked at conventional softeners in properties you would probably be looking at several hundred pounds for the installation of the softener, and you would be looking at a few hundred pounds running costs per year, because it requires salt and a bit of energy. We therefore think that softening at our treatment works is a cost-effective way of softening, from a customer perspective.

We are unique in that. It is something that only we do at scale. Nobody else in the UK does it, and we have done it, in certain areas, for the last 120 years. That might be something that people are aware of or not, but I just want to reinforce the fact that in softening our customers, where needed, are getting water that is softer than they otherwise would be receiving it.

Kevin Johnson

Thank you for that helpful answer. Hayley, let us have <attendee name redacted> question. <attendee name redacted> gave us a question, which I think Tom can probably answer quickly, and then we will move on to our next section of questions, which is going to be on securing future supplies, abstraction, water resources, transfers and how we accommodate future housing and population growth. In the meantime, Hayley, let us have <attendee name redacted> question, please.

Hayley Stanford

Absolutely. <attendee name redacted> has asked, 'How much fluoride is added to the water and is there a plan to add/increase this?'

Kevin Johnson

I think you can answer this briefly, can you not, Tom?

Tom Kelly

The answer is none and no. It is not something that is that is recommended.

Securing Future Supplies

Kevin Johnson

I am anticipating we will get a flurry of hands going up on securing future water supplies, abstraction, water resources, transfers and how future population and housing growth will be accommodated in terms of water. We are going to move to a question that we had in advance. Let us have that question, Hayley, please, before we see a flurry of hands, from <attendee name redacted>.

Hayley Stanford

<attendee name redacted> has asked, 'Why are you not building more water treatment plants? Why are you not building more water storage plants facilities?'

Kevin Johnson

We will find questions for other panellists in a minute, Tom, but I think this is going to be you.

Tom Kelly

You said that last time, Kevin. You promised me. It is a fair question. We have the capability to provide about 250 million litres of water per day from our current facilities. Average demand is about 160 million. That demand has remained largely static for the last 30 years. Just let that sink in. There is a logic behind that. It is down to leakage reduction and consumption reduction, and that offsets the population growth in our region. It has remained at that level. There is capacity within our existing infrastructure to provide and supply more water.

The focus of our water resource plan is to reduce what we call the demand side of the equation rather than supply side. The demand side is reducing leakage and it is helping customers reduce their consumption. We have the option, and water companies have the option, to increase the supply side of their water supply. That comes in the form of new reservoirs, new water treatment works, desalination plants and effluent reuse. That is forming a big part of what is going on across the UK, but in the SES Water region we have a pretty resilient supply of water that does not require us to build new water treatment works and new water resources at this particular point in time.

That may change on the basis of two things: if we are unsuccessful at helping customers reduce their consumption or if climate change continues at a rate whereby demand massively increases or the availability of water, because of climate change, significantly reduces. We have that flexibility built into our plans, but we are working at this stage on the assumption that we can continue to meet

demand because of reducing the consumption of water rather than abstracting more from the environment and creating a challenge that such interventions give rise to.

Kevin Johnson

Let us take a question. <attendee name redacted>, I think you put your question in a couple of sections in the chat. <attendee name redacted>, let us get you on live, if you can do so. Just tell us where you are, <attendee name redacted>, and then fire away with your question.

<attendee name redacted>

I live literally on the edge of the Bough Beech reservoir, and I also represent a resident's trust in Bough Beech. We have a very strong interest, obviously, in the area around the nature reserve, the Oast and the various buildings. We all walk around there a lot. It has certainly become a bit of a mess over the last several years since the Kent Wildlife Trust left, and we are keen to understand what plans you might have as we had expressed an interest a few years back when expressions of interest were requested.

Kevin Johnson

Okay, thank you. Tom, can you take that one on?

Tom Kelly

Yes, I can. Thank you, <attendee name redacted>. I appreciate that and I also absolutely recognise the point that you have raised. I know the site well and I fully understand why you have asked the question. Bough Beech, for everybody else's benefit, is our only reservoir. We abstract and store about 15% of the water that we provide to our customers in Bough Beech, and it is an important part of our operation.

We own quite a reasonable size of land around the reservoir. In total, including the reservoir, it is nearly 600 acres. For us, that makes up about two thirds of the land that we own as a business. We have put forward all that land and the reservoir into something called a biodiversity net gain customer pledge. We did not need to do so; we wanted to because it is the right thing to do. It is the right thing to do because, as <attendee name redacted> has already mentioned, there is a nature reserve already there. It was developed when the reservoir was developed back in the 1960s. We need to invest time, effort, money and focus into ensuring that we are creating a biodiversity legacy around Bough Beech that is fit for the next generations. We are working with several local stakeholders to try and achieve that.

Now, we are in a little bit of a transition. Kent Wildlife Trust moved on and Covid hit, and we are coming out the other side of that and trying to develop plans to get that site better than it was previously. The message here is we have made a firm commitment. We have made a pledge in our plan that we are going to nominate all that land to focus on biodiversity improvement, and how we improve amenities and the benefit that that area is provided to the community.

However, I will apologise for the fact that standards have slipped over the course of the last few years. I can promise you we will get it back to where it needs to be as quickly as we can.

Kevin Johnson

Tom, thank you. <attendee name redacted>, thank you very much for coming on. <attendee name redacted> was struggling to get her voice heard for some reason or other, either at her end or our

end, but we have her question. Tom, it is a pretty operational question, if I can put it that way, which you can answer pretty swiftly I think. As we had <attendee name redacted> up and we tried to hear from her it is only right we put the question live. Hayley could you do that for me? Could we have <attendee name redacted> question, which was in and around smart meters?

Hayley Stanford

Yes, let me find that for you.

Kevin Johnson

It was about an experience she had, I think, and then we are going to go to a question from <attendee name redacted> after that.

Hayley Stanford

<attendee name redacted> asked, 'If an SES Water engineer came to my property and could not fit a smart meter, would that mean I would be fined when it is not my fault? Is it the way the building is structured, my living room and my neighbours around me?'

Kevin Johnson

With CCW, we can go back to <attendee name redacted> and make sure that you go back to her and answer her query in a bit more detail, but broadly speaking, in terms of customers who have a problem for whatever reason at their property was smart meters., are they going to get penalised?

Tom Kelly

No, they are not. The reason for that, and it is the same across the UK, is that water companies cannot get to 100% metering because a number of properties are, at the moment, technically incapable of having a water meter fitted without significant re-plumbing. In this case, if we cannot technically install a meter we will not install a meter and there will be no action that we will take to penalise the customer for that. It is simply not their fault. The issue that was raised earlier was where customers refused to give us access and refused to take a meter, which is a fundamentally different question.

Kevin Johnson

That is fine. CCW follow up, <attendee name redacted>, to make sure that the company goes back to you with your circumstances and gives you some comfort there. I can see that <attendee name redacted> has his hand up, so I will come to him shortly. We will hear from other members of the SES Water panel, including Kate, but let us continue with our next question, please, Hayley, which was from <attendee name redacted>.

Hayley Stanford

<attendee name redacted> question is, 'Water problems are becoming a higher priority and increased usage will only put more stress on resources. Why are the water companies so reluctant to support rainwater harvesting and grey water recycling?'

Kevin Johnson

I fear for you and me, Tom, it is you again.

Tom Kelly

Yes, it is. This is an important question. I think the short answer to the question is it is a problem. There is a challenge around technology. There is a challenge around the risk of cross-contamination, particularly when these kinds of systems are retrofitted to properties. There is a problem with the general acceptability of grey water as well.

However, with that said technology is moving on quickly. The concept of grey water recycling and rainwater harvesting is catching on particularly at a community level. Whilst it is not solely down to water companies to push this, and I was having a conversation with one of the directors at Ofwat about this just last week, the concept of the government, regulators, water companies, technology providers and local authorities pushing rain water harvesting and pushing grey water recycling as a way of reducing the amount of water that is abstracted from the environment and used once before the plug is pulled or the toilet is flushed is, in my view, exactly the right way forward.

There is work that we can do and there is benefit that can be delivered through metering of customers. In my view, that is the right next stage. However, beyond that I think rainwater harvesting and grey water recycling have to be the next phase of this development around how we use water more efficiently.

Kevin Johnson

I am very tempted to bring <attendee name redacted>in, who made a point about this on chat, but I feel we must continue on and get through some more questions. We might come back to <attendee name redacted> point. <attendee name redacted>, you are next with your hand up. Thank you for waiting patiently. Please put your microphone on. I would be glad to see you as well if you have a camera. Tell us where you are, <attendee name redacted>, and fire away with your question.

<attendee name redacted>

I live between Caterham and Whyteleafe. I have a few small questions. One relates to the disincentive for and whether it relates to smart meters or meters in general. I think that is a quick yes or no, is it not?

Kevin Johnson

Tom.

Tom Kelly

Forgive me, <attendee name redacted>, I am not sure I understand the question.

Kate Thornton, Chief Customer Officer, SES Water

To jump in, I think you might be referring to the charge to dis-incentivise people from refusing a meter. Is that right, <attendee name redacted>?

<attendee name redacted>

Yes, it is. I could not get my tongue around that word.

Kate Thornton

It applies to our general metering programme, so it is not just smart.

<attendee name redacted>

Therefore, if you have a mechanical meter, you are not disincentivised for going to smart.

Tom Kelly

That is correct.

<attendee name redacted>

Thank you. My second question related to capacity. You started talking about capacity, consumption, and climate change. Do you have plans to build any more reservoirs in the next 10 years, for example?

Tom Kelly

The short answer to that question, <attendee name redacted>, is no. We do not have any plans to build any more reservoirs. One of the options within our long term plan is whether there will be a need to increase the capacity of the Bough Beech reservoir, and that would be done by raising the level of the reservoir. As you know, reservoirs are man-made structures, and raising the level and increasing the capacity is one of the options that we have in our plan, depending on what happens with climate change and demand in the years to come. However, if we need to do that, we are not expecting to have to progress with it until 2045 to 2050 onwards. It is not an immediate thing, but it is nonetheless an option that we have in the plan for the future.

Kevin Johnson

<attendee name redacted>, you get a third question if it is brief.

<attendee name redacted>

I was thinking about the percentage of water that is obtained from either aquifer abstraction or from rainwater runoff. There were stories in the press about over-extraction from aquifers.

Kevin Johnson

Okay, thanks. Tom.

Tom Kelly

About 85% of our water comes from aquifers, and the balance comes from the River Eden surface water. That is the difference. It all comes from rainwater runoff, whether it ends up in the river or in the aquifers. One of the big pieces of work, <attendee name redacted>, that we are looking at over the next five-year period is to fully establish what impact we are having on the more sensitive aquifers that help feed the chalk streams in our region, namely the Hogsmill, the Wandle and the River Darent. That is an obligation that we have and a commitment that we have made to establish the

impact that we have. If we are having an impact, then we will need to reduce our abstraction in those areas and find that water from elsewhere. That concept is built into our plan. If we establish that we that we are having an impact on those chalk streams, we will move our abstraction to other areas.

It is important to note that we assist those chalk streams. We do augment them. We do ensure that they continue to flow. We have done that since the 1960s. However, that does not mean we should not be abstracting less. If our work confirms that that is the case, that is what we will do.

Kevin Johnson

Tom, thank you. <attendee name redacted>, thanks for coming on. Those were very good questions. Right. Let us go to <attendee name redacted>. You have your hand up. Tell us where you are and then give us your question.

<attendee name redacted>

My question is very simple. I received a circular, like all of my neighbours in my area, which is [inaudible]. It asks us about people coming to start fitting meters. We have never had a meter and we have never been asked for one. Do we need to have a meter? It does not say smart meter or otherwise. It just says meters.

Kevin Johnson

Okay, thank you. Tom, I think I think we have touched on this quite a bit, but just recap there on what the situation is, please, and then we will get to our next question.

Tom Kelly

Thank you, <attendee name redacted>. Yes, the letter that you have received is part of our early engagement with customers around our compulsory metering programme. Any customer that is not metered so far, and just under 75% of our customers already are, we are contacting to say we are going to come into the area and we are going to install meters on properties that currently do not have them. The letter that you received is an early communication as to what we are going to do. We will be putting visual read meters, so standard meters, in the ground. At some point over the next seven years, depending on which area you are in, we will be coming back and upgrading those standard meters to smart meters.

Kevin Johnson

Thank you, Tom. Thank you for the question. Let us go to our next question. We are going to make this the last question in this section. Then we are going to move on to improving the environment. That is around the company's plans around carbon reduction, net zero biodiversity gains and protecting rivers. Let us take our last question in this section from <attendee name redacted>. <attendee name redacted>, you are very welcome to come on if you can get your microphone on. We will hear from you directly. Tell us where you are, <attendee name redacted>, broadly speaking.

<attendee name redacted>

I am in Reigate. I do have a meter. It was fitted inside the house, because I am in a Victorian house that has a shared water pipe from the main into two buildings. The meter had to be fitted beyond the point where the two pipes separated. I have a hearing impairment. I cannot lip read on the

phone, though I have been lip reading for 70 years. It just does not work. I am very concerned that SES Water, like lots of other organisations, simply is not complying with the Equality Act by expecting people with hearing impairments to make phone calls to them or find someone else to do it for them.

For example, the emergency 24/7 phone number is useless. If my wife is away at the weekend, there would be nowhere I could contact you. Likewise, if we have someone come to the house from the water company, they will certainly come with some ID card, probably with a telephone number on the back, a 0800 number. You cannot send a text to that to find out whether the person is the person who ought to be there. There should be, again, an SMS number.

It is not a small problem. I can only talk for the whole of Surrey, not for the SES Water area. In Surrey, there are about 14,000 people in wheelchairs, but about 140,000 people have hearing impairments. The numbers are increasing numbers as we are an older population.

I have been asking SES Water to have an SMS text number so I and other people like me can contact them, because I am the chair of the Disability Empowerment Network in South East Surrey. I have not managed to get anywhere with you. I was promised something before Covid. It is nowhere. When are the water companies going to be accessible to us?

Kevin Johnson

<attendee name redacted>, thank you. That is a very good question and very well put. I know you started on smart meters, but I think it is a far more general and even more important question in a way. Kate, I know you have been trying to get in. You have had one brief appearance. This is very much in your court. Are you going to do better, particularly in the next five-year period, in dealing with people with disabilities and other ways of accessing the company?

Kate Thornton

Yes, thank you, <attendee name redacted>. I have seen you have put some fantastic questions into the chat as well. Firstly, I want to make a big apology on behalf of the company if we are not adequately meeting your needs today and you do not feel that we have positively engaged with you. If you are open to it, I would love to follow up with a separate conversation with you to understand how we can do better for you now, but maybe also get the input from you on behalf of the organisation you represent into the work that we are planning to do over the coming period.

In our business plan, we have made a commitment to become accredited under the British standard of inclusive service. That includes making sure that we have the right accessible communications formats for customers with all the extra communication needs that we know exist across our supply area.

We have been making progress. We recently launched an interpreter service for British Sign Language. I know that does not help you, but it is an example of something that we are doing to expand our channel availability. We are aiming to have some of the additional services that you refer to in the next year or so. Absolutely, we have made a commitment to do better. We are going to be publishing our new vulnerability strategy next summer. I would love to have a follow-up conversation with you to understand the issues you are raising in more detail, and to make sure that we are meeting the needs of the customers that you represent. Thank you for putting that in the room tonight.

<attendee name redacted>

I am certainly happy to talk to you. Your colleague, Kristy, is in contact with me by WhatsApp at the moment. She has my contact details. I am very concerned that you are talking about this in terms

of the next year or two. Getting SMS is a relatively simple thing. There are providers who can provide you with a system literally off the shelf tomorrow, and it would typically cost you about £10 a month. Talk to Sight for Surrey. They have been trying to get in contact with you about this. Talk to Sight for Surrey and get it right, please, because it just is not reasonable.

Kate Thornton

<attendee name redacted>, I hear you. I cannot commit to tomorrow, but I will commit to as fast as we can.

Kevin Johnson

Thank you, Kate. <attendee name redacted>, your points are well made. The only thing I would just add, is that this meeting is about the next five years. That is why the context of the discussion is about 2025 to 2030. However, your point is perfectly well made. I will ask James at CCW to drop his email into the chat for <attendee name redacted>, because I should think CC Water would very much appreciate being part of those conversations that you were just talking to Kate about.

<attendee name redacted>

Let me be clear. It is not just SES Water. It is all the water companies and all of the other utilities that have priority service registers. They are all as bad as each other. Let us make you are the perfect people.

Kevin Johnson

<attendee name redacted>, there are only so many people and so many companies we can deal with in this meeting. This meeting is just about SES Water for the next five-year period. However, you have made your point very well indeed and everybody has heard it loud and clear. We are going to move on. We will come back in the last section to questions about customer services, complaint handling and other things, so we may come back to similar issues to those that <attendee name redacted> has touched on there.

Improving the Environment

Kevin Johnson

This is about improving the environment, carbon reduction, net zero, biodiversity and protecting rivers. We will start with a question we have had in advance. Hayley, that is going to come from <attendee name redacted>. When I tell you that it is <attendee name redacted>, seventh question, that gives you a little teaser to the fact that <attendee name redacted> has put in a number of questions. I do not think I have seen him on here, but he does get the star prize for the best and most researched questions. We are going to give you one of his questions. I hope that we are going to give it justice.

Hayley Stanford

<attendee name redacted>, question is, 'Please provide more details about your commitment to use more renewable energy sources. Have these been quantified?'

Kevin Johnson

Tom, we are back to you, I would imagine.

Tom Kelly

We are. Thank you. That is a good question and an important question. We are a significant consumer of energy. We consume about 6 megawatts of energy at any one point in time. To give you a rough idea, that is the equivalent of about 14,000 houses. We are not insignificant consumers of energy. The water sector, in general, I think, is the fourth or fifth highest consumer of energy, because water is very heavy, it costs a lot, and it uses a lot of energy to move it from place to place.

It is vitally important that we do that as sustainably as possible. Since 2018, we have been buying all our electricity from what are currently classed as renewable sources. We have an arrangement that comes to an end in 2025, and we are now starting work to replace that arrangement such that we continue to buy all our electricity from appropriate renewable sources.

We generate some energy ourselves. We have some small-scale solar, but that is limited. What we are looking to do is to contract with an energy supplier that is building new assets or has existing renewable assets so that we can demonstrate that we are continuing to buy 100% renewable power.

The other element of our energy consumption comes in the form of gas and diesel, which we use for our fleet of vehicles. We are moving away from diesel-powered vehicles. About 27-28% of our fleet has moved to electric vehicles, so we will continue to push on that. We are getting to a point now where we are starting to eradicate the use of gas, predominantly in space heating, which is like central heating on an industrial scale, for more renewable sources.

We have been doing it since 2018. We are going to continue to do it. We will update our arrangements before 2025, and we will continue to buy only renewable power thereafter.

Kevin Johnson

Thank you for that. I would like to bring in <attendee name redacted>, if he is still on call. <attendee name redacted>, you were posing a question in and around this area. You would be very welcome to come on if you want to follow up on Tom's question there in respect of adapting to climate change. Tell us broadly where you are, <attendee name redacted>.

<attendee name redacted>,

Thank you for an excellent session so far. I am in Cheam and my question is about what you are anticipating doing and what plans you have in place in relation to climate change, in terms of adapting the infrastructure to deal with potentially longer periods with less rain, drier, hotter conditions, and conversely to respond to those situations where we have probably more extreme downpours, and the water is delivered in a much more concentrated way in heavy downpours. Thank you.

Kevin Johnson

That is a great question. Thank you, <attendee name redacted>.

Tom Kelly

I will pick that up, Kevin, if you are okay with that. Thank you, <attendee name redacted>,. That is a really important point. The risks that we that we assess around climate change revolve around availability of water, whether that is a lack or an excess depending on drought and flood, and the

impact that that has on people's attitudes towards the use of water and the impact that that has on the assets that we use to abstract, treat, and supply water.

As an organisation, in terms of the impact that climate change is expected to have on the availability of water for us, we are not immune to climate change, but we are comparatively well protected, and that is because we are dependent solely on winter rainfall. Aquifers only recharge in the winter. We only fill Bough Beech in the winter. If the trend of warmer, wetter winters, and this year is a good example of that, continues, which is the current assessment, our risk around the lack of water availability is mitigated to a degree.

To put it in context, over the next 50 years it is about a 6% reduction in the availability of water. Companies that are dependent on taking water year-round from the environment are seeing reductions of anywhere between 20% and 40%. We are not immune to it, but we do have some mitigation.

Flooding is the next issue. We do not have that many low-lying assets. We do not have a lot of sites next to rivers where we are abstracting from because we draw from aquifers, so we are comparatively well protected from the risk of surface water and river water flooding. There are a couple of sites that we are focusing on, and you will be pleased to know that our focus there is not simply on building big walls around them. It is about trying to work with partners to establish how we can slow the flow in those rivers, because slowing the flow reduces the risk of flooding, it increases the availability of water in the longer term and the method for doing that is through environmental interventions that can help improve biodiversity. For the River Eden and the River Mole, which are the two biggest catchments in our area, we are looking at working with partners to see what we can do to slow the flow.

The third area, quickly, is around the impact that it has on our below-ground assets. Drought is a big challenge for us. It dries the ground out. Our operation spans a lot of London clay and Weald Clay. When that dries out it causes movement in the ground, and it can cause bursts and leaks.

We are establishing a targeted approach towards how we can maintain and replace the most susceptible mains and pipes so that we keep that risk down to an absolute minimum. It is an evolving picture. It is something we are going to continue to look at. We have to publish a climate adaptation report, and there is one online available for people to look at, which will set some of these plans out in a bit more detail. We do recognise it. We are on it. We have plans in place. Those plans will continue to evolve.

Kevin Johnson

Tom, thank you. <attendee name redacted>, thank you for coming on and asking a great question. I would be tempted to come back to you under normal circumstances, <attendee name redacted>, but I have several other questions to try and work my way through if I can. Hayley, we are going to go to <attendee name redacted>, question next, but I will just chip in another one before Hayley gives us that. Tom, as it turns out, <attendee name redacted> is on the call hidden behind another name. He is grateful for your response, but I will give you his quick follow-up while Hayley comes on and prepares to ask <attendee name redacted>, question. 'What percentage of your power consumption is self-generated?' <attendee name redacted>, adds.

Tom Kelly

It is a small amount. I said earlier that we use about enough energy to power 14,000 houses. We currently self-generate through our small-scale solar enough energy to power about 250 houses, so it is a small proportion. The debate, Kevin and <attendee name redacted>, that we have been going through is if we are going to generate more, we do not have any readily available sources of energy other than solar. Wind is generally not a big thing in Surrey, although you might think differently after

the last few weeks. One of the trade-offs around how we use our land is whether we put solar installations in place or whether we use it for biodiversity improvement.

You must consider this. We are the only water company in the UK whose entire operational area that is not urban is currently cast as green belt. We do not think that the right option is to put solar farms in place. We think the right option is to nurture that green belt status and make the most of the land that we own, make it available and accessible to our customers and communities, and try and promote biodiversity improvement, because of its significance and long-term requirement. We can buy power. We can contract and partner with energy supply companies that have assets that are, if I can say this, located in more appropriate areas of the UK and offshore in the UK, to obtain our energy requirements.

Kevin Johnson

Okay, thank you for that. You might have opened more nests there with that answer. We will see if we come back to that, and if I possibly can I will get one of <attendee name redacted>, other questions. Let us go to that question that we had from <attendee name redacted>, if only to make sure that this is not the Tom Kelly show because this is going to be one for Kate.

Hayley Stanford

<attendee name redacted>, asks, 'Why is more not done to educate users regarding where their water supply comes from, and how the rainfall received in London is far less than that received in other countries prone to drought? People need to be educated on how to conserve water. Those blessed with gardens need to conserve water and plant indigenous plants that can cope with the conditions.'

Kevin Johnson

Kate, more awareness, and more education should be happening from SES.

Kate Thornton

That is a great question, and I think we would agree with that. We already try to do quite a lot around educating both existing customers and future customers. We had about 4,000 primary school children come through our education centre at Flow Zone this year where we talked to them about exactly this sort of issue. We have been stepping up our activity by engaging in local community events. We ran road shows in gardening centres this August specifically to talk to customers about efficient planting, but there is always more that we can do, and we know we have to do.

The plan for PR24 includes a commitment to expand our education programme, to involve more children, to make it more accessible to children from more homes across our area, and to continue to expand our communications and community engagement programmes so that we are talking as much as possible about these really important topics. We completely agree and we are committed to doing more.

Kevin Johnson

Thank you, Kate. Let us ask <attendee name redacted>, question. We will make this the last question before we move on to charging a fair price, which will be not just about bills and customer service but also about the company. If only to give Ian a run out, let us have <attendee name redacted>, question, please.

Hayley Stanford

<attendee name redacted>, asks, 'I am aware that SES Water only supplies water, and that sewage is handled by Thames Water. However, I pay you for the disposal of wastewater. What influence do you have over Thames Water and their tendency to discharge untreated or partially treated sewage into our rivers?'

Kevin Johnson

Ian, this is a question we get a lot with water-only companies. What is your relationship with Thames, particularly, but also Southern to a degree, I suppose, and what influence do you have about the kind of service that your customers are getting, particularly as you are billing on behalf of them?

Ian Cain

It is a fantastic question firstly, and it is also quite a complicated one in many respects. It is completely understandable. Firstly, from a relationship perspective the water companies themselves have a good relationship with each other. We partner and support each other through difficult times. For example, when South East customers were experiencing a loss of water through the summer through lots of bursts, and there were thousands of customers without water, we were there helping them supply water through tankers. We would do the same for Thames. Even though they are much bigger, surprisingly enough we do support them, and we support Southern in just the same way.

We also support each other in terms of customer engagement, sharing knowledge about smart metering, and we talked about that earlier on. Lots of our learning about smart metering will come from Thames. We are very well connected at different levels through the organisations, both in terms of operations, in terms of innovation and also commercially. Commercially, of course, we are joined in that we are, quite rightly, taking money for Thames in the bill. We are charging money in our bill and passing that on to Thames. They obviously help us with the cost of our operations in doing so, because of course it costs us money to manage that activity.

What we then do, going beyond that, is we work with them in areas of our community and geography where our sources align in some way. Tom has already mentioned the Eden and the Mole. We work together with other organisations. We do so with Thames and we do so with South East. We work positively and collaboratively to make a difference in the rivers and streams that we might need to make a difference in.

What was interesting in the last Your Water, Your Say session, and I think we heard it loud and clear, was the sentiment that there is room for us to do more. There is room for us to agitate a little more, because the water resources that we are drawing from that eventually go into our sources one way or another could be impacted either by Thames Water or by Southern Water, or in fact farmers or other people that put stuff into rivers that perhaps we would rather was not there.

What we have been doing is thinking much more carefully about our approach to them, and how we also partner with local groups who have an issue with Thames, for example. As you can imagine, that is quite delicate territory, because we need to work really closely together on many things, but also, we need to agitate and get them to do better in areas where it impacts us and our community.

I would say it is work in progress. I would say the door is very open. We get on very well. In areas where we have tough messages to give, they open their ears up and listen to us. They trust us.

Charging a Fair Price

Kevin Johnson

This is on bills, customer service, supporting vulnerable customers, ownership, profits and pay and so on. <attendee name redacted>, I am conscious that you have your hand up. You are very welcome to have your hand up. I am just going to make sure I cover a couple of questions that we have had either in advance or live that relate to this, and I might try and come to you as well. Let us have a question we had in advance first, please. Hayley, the question is going to come from <attendee name redacted>. Just to underline, this came in advance. This is going to be the first time we are going to hear an answer from Paul.

Hayley Stanford

<attendee name redacted>, asks, 'The future will no doubt include yet more bill increases for customers. I would like to know how much is spent each year on executive salaries and dividends, and if you think it is acceptable when many are struggling with the cost of living?'

Paul Kerr, Chief Financial Officer, SES Water

It is a good question. We have heard it before as well. If you go back to that that funding diagram that Kevin referred to at the very start and you look at where we spend the money from customers' bills, we do not spend that on dividends. We do not take the bills and spend that money in dividends. If we are efficient in the business and we generate profits, we will take that money and if we hit the right performance metrics we will pay dividends to our shareholders. I think it is very clear in terms of the customer bills. We are not taking that and paying dividends from there. Also, I would emphasise, which I think we said before, we would only pay dividends if we hit certain performance metrics, and as a board we were comfortable doing so. In terms of 2023, we have not paid dividends out from that perspective.

Executive pay is a similar story. If you look at our bill rises and our executive pay you have some of the lower levels across the sector. Again, executive pay is very strongly governed in this company in terms of the board and the remuneration committee making sure that certainly Ian and myself, as the executives on the board, are paid fairly in accordance with what we see in the market, and we are not unduly taking money from customers to pay for that executive pay as well.

I think my message, as I have said in some of these forums before, is the level of governance and review to make sure we are not unduly taking money from customers and using that for these two circumstances is very heavily controlled.

Kevin Johnson

There are lots of questions in and around this area. I am going to try and spread this as much as I can, but I would like to get <attendee name redacted>, on. We had you on earlier on, but you managed to get several very good questions in, so let us have one of those. <attendee name redacted>, if you want to come back in put your microphone on and your camera as well. I think we saw you earlier. You ask what you want to, <attendee name redacted>, but I was looking at your question about the issue of whether there were new shareholders and the size of the company. You do a follow-up question.

<attendee name redacted>

To follow that one through, I was thinking principally because SES Water is so small, and there have been rumours that Thames Water may want to buy it. I have to say that I have been impressed with the responses tonight, and all your inputs and what you have been doing. Our water quality is generally relatively good. However, what we would not want is to disappear into a Thames Water type of problem. We all understand from the media the problems. It is a very large company compared to SES. What would it do? What plans do you have if a buyer cannot be found to secure the future for SES?

Paul Kerr

I will pick that up. It probably mirrors a little bit of Ian's comments at the start about values and principles. It is a great question, <attendee name redacted>. You are right. If you look at what we are delivering for the size of the company, though there are improvements we must make there are many very positive things that we are delivering. In terms of a buyer coming in, what we are delivering, I think, is based on the values and principles that we have applied over time and the level of investment in our assets and our network, and all the stuff that Tom has talked about, over several years. A buyer coming in must align to those principles and, importantly, I say this with my CFO hat on and as a wider board member, make sure the level of investment in our assets continues.

The reason we are seeing, as Tom described before, good supply interruption metrics and all of that other stuff that you perhaps do not see across the sector is continuous investment. Some of that comes from customer bills. A lot of it comes from equity from shareholders and when we borrow money from banks and other facilities. That is what we are looking for coming in. Whatever company may come in and facilitate that purchase, we will be doing our best to make sure we do not lose those principles and the level of investment.

To answer your last question about what happens if a buyer is not found, we have shareholders now who, as Ian mentioned at the start, have put their money where their mouth is. One of the other questions I saw was around financial resilience. Part of our issue in financial resilience is the level of debt we have been carrying. We are one of the highest. You can see that in industry. You solve that through equity. Our incumbent shareholders are publicly committed to £22 million of equity this year. They have delivered £7 million of that. Another £10 million is due in December. If we do not get a buyer, that must continue. We do have a history of our shareholders doing that. Does that answer your question, <attendee name redacted>?

<attendee name redacted>,

I think so. Environmental, social and governance (ESG) has not been particularly well received in the markets. Shareholder value is what it is all about. That is the whole problem with selling a utility. This is a base utility we all rely on. We all need water. To have it as a public offering is just wrong. However, that is another political debate we do not want to go down.

Kevin Johnson

<attendee name redacted>, thank you. Let me get one more question on this, and then we must move on. I am conscious that <attendee name redacted>, still has his hand up. Thank you for being patient. Hayley, give us <attendee name redacted>, question, please, which he gave to us in advance.

Hayley Stanford

<attendee name redacted>, has asked, 'When I asked a question at the last meeting concerning the amount paid out in dividends compared to the amount invested into the business, I was fobbed off.

I notice that there has been criticism of SES Water by the regulator.' He cites the financial position of the company being 'weak because of the payment of dividends to overseas investors. Can you assure customers that the main priority will be customers and not the investors in the future?'

Kevin Johnson

Ian, let us get you on this. Thank you. Paul, you touched on some of that territory. Ian, if you could come in on that. Just make sure that <attendee name redacted>, does not feel fobbed off when he reads the answer to this question. Also, give people a bit of a sense of whoever your owners are in 2025/30, what the owners' level of return on their investment will be.

Ian Cain

Paul might be better to answer those questions so that he does not feel fobbed off. However, let me start. I just want to come back to <attendee name redacted>, question as well, because it is a big question. As <attendee name redacted>, and everyone else might imagine, I am quite energised by who might be the owner of our organisation. I think a number of people have picked up very clearly that this organisation is pushing boundaries in a strong way. We are not perfect, but when you look at the water industry right now and where it is, we are a bit of a jewel in the crown, in my opinion. I would say that, would I not? However, we are a top quartile performer in many of the areas that really do matter and that this country needs to do better in.

Anybody looking at this organisation right now would be really minded, in my opinion, to look at how it can flourish and how it can take learnings and push them elsewhere, and to sustain its story and its momentum. Nothing would be worse than to stifle that. To your question, <attendee name redacted>, that is what we would be looking for. That is what our board would be looking for. We are not completely the decision makers in this. Ofwat would look at the same thing. Ofwat would investigate companies and say, 'Are these the right people to buy this organisation? Do they understand what they are getting into? Can they cope as an organisation to take an organisation like this on and acquire it now?'

A lot of this is quite sensitive stuff, but I think it is worth airing, because it is a good question, and it is live, and it is a reality.

Kevin Johnson

Let us get to that point, either from yourself or Paul.

Ian Cain

I will get to it, Kevin, but this is about the future of our company. It is important to our customers and to me. The other thing I would say is that anybody would look at Thames Water at this moment in time and say they have trials and tribulations. They probably do not have a lot of money to spread around now either. Whatever you have read, <attendee name redacted>, I do not know how much truth there would be in that. However, it is important to know that anybody buying a SES Water right now will have read the news and will have been around for the last two years reading the market. Nobody is going to buy this company unless they are prepared to invest in it, invest in its story and to get the right level of returns over time as opposed to the inappropriate level. I have a lot of confidence in finding who might be the right people to support the organisation moving forward.

With regards to the comment that Ofwat is supposed to have made around our resilience and that that is due to shareholders taking undue dividends in foreign investors, that is not what Ofwat said about SES Water. What Ofwat said was that the level of financial resilience currently in SES Water has been of concern to them. It is more of a concern to them right now because they know we are

in a period of uncertainty in terms of ownership moving forward. What they have wanted us to do is to lower our level of gearing, as Paul already alluded to, which is our borrowing, and to put more equity into the organisation, which our shareholders have started to do this year, and as we have said we have plans to do more in the following period.

What we will not do is go anywhere near exceeding what Ofwat would be said to say is good guidance and principles in the level of dividends that any future shareholders would take given our returns.

Kevin Johnson

Just give us some numbers on that then, either yourself, Ian, or Paul. Please give it to us very briefly because we are up against time. Give us them broadly. I know these things are very detailed and complex, but broadly what will either current or future shareholders get by the way of return?

Paul Kerr

I can answer that. In the business plan we submitted, Ofwat put a level return against the equity of 3.29%. That equates for us to about £5 million per year in dividends. We have historically paid between £3 million and £4 million if the metrics were met. That is built into the plan going forward, Kevin.

Kevin Johnson

Thank you both. We are going to take one more question, because <attendee name redacted>, has had his hand up very patiently. Who knows what the subject will be, but he is the last man standing so he can ask whatever question he likes. <attendee name redacted>, get your microphone on. Then I will tell you about next steps, including, should you wish to go, when Thames Water's own session is and what happens next with the whole process. <attendee name redacted>, you are last. You have a great backdrop. You are going to have a great question. Fire away.

<attendee name redacted>

I am calling from Fetcham, but I am used to working in water-stressed countries where water costs are higher and where desalination is required, where it is much more challenging. However, I want to talk about biodiversity and education at your Fetcham Springs site. Residents have appreciated recent engagement on proposed community use of the land for a cycle path and biodiversity conservation. As part of your commitment to the environment, you propose to nominate 80% of your land for biodiversity net gain. That is great.

However, we are keen that you go beyond just nominating land. We see clear investments needed at the outset in the preparation of master plans for how you are going to use that land for conservation management, education and so on, and you do those plans in collaboration with the community, maximising the educational value of the site. The importance of educating people on how critical water resources are has been talked about earlier. It would be great to see a slightly clearer commitment to investing in those over the next five years.

Kevin Johnson

Thank you, <attendee name redacted>. Tom, we have not had enough of you tonight. Let us have you for this final answer, as briefly as you can because I am conscious we are taking people over the time limit. We said we would be two hours and we are a bit over. Tom, please give a brief answer, which we might follow up with more detail on in the official record.

Tom Kelly

Thanks, <attendee name redacted>. It is good to see you again. For those who do not know, Fetcham Springs is a 50-to-55-acre site that we abstract water from. Nominating that site for biodiversity improvement means we are making a pledge to improve biodiversity, to enhance the habitats that exist there and to do the right things in terms of how the land is managed and used, not just now but in the long term. You will know, and for those that do not, we have plans for that site to ensure that we can continue to use it for operational purposes. That is its primary reason for being there. However, that does not mean that we cannot enhance biodiversity, enhance amenity, and enhance the opportunities for education that come with the ownership of that land. That is what we want to do. We want to continue to engage with the local community, because we recognise it is a community asset.

To put things in very clear and stark terms. We had planned to use that site for large-scale solar. We are no longer planning to use that site for large-scale solar, because we believe the value to the community and the things that we hope to gain from that site through biodiversity net gain, through amenity and through education outweigh the benefits of carpeting it with photovoltaic cells.

We must engage. We need to understand how we best use that site. It is a community asset. We need to partner with yourself, your associates, and others in the region to ensure that we get the right result for Fetcham Springs, and other sites for that matter. It is a blueprint for what we want to do elsewhere.

Kevin Johnson

Tom and <attendee name redacted>, thank you very much. I would love to continue this conversation. I am glad we got another question on environment and biodiversity, because frankly I did not leave enough time for those questions. I am glad we squeezed that last one in.

Next Steps

Kevin Johnson

Sadly, that is all that we have time for. We have gone over time, in fact. Remember, though, that all the questions submitted today, or that were given to us in advance in whatever form, will be shared with SES Water. CCW will facilitate that process and ensure that responses form part of the official record of this meeting.

You can still submit a question to CCW within 24 working hours from now, and that will be answered and put into the official record along with everything else. The deadline I am going to give you for that is 10.00 a.m. on Monday 20 November. 10.00 a.m. on Monday 20 November is the deadline for additional questions, which are then answered and form part of the official record.

The email addresses is as follows, and it will pop up in the chat at the same time: yourwateryoursay@ccwater.org.uk. That will be the address to send to by 10.00 a.m. on Monday 20 November. Please make sure that you make it clear that the question relates to SES Water, and remember that it is not responsible for wastewater services.

CCW will follow up on any relevant points that have come out in the conversation today, either through the whole debate or through the chat. SES Water will publish a copy of the presentation that Ian gave at the beginning of the meeting on its website very soon. The written record from this meeting will be available on the SES Water website within 21 working days of today. CCW will also

submit its own summary of the key discussion points at this meeting, and that will be formally submitted to Ofwat.

You can also attend, as we have touched on quite a few times during the session, the equivalent session for your wastewater company. They are as follows, and again the details will pop up in the chat. Southern Water's session, if you are served by them for wastewater, will take place at 6.00 p.m. on 27 November. If you are a Thames Water customer for wastewater, and we have heard from a lot of them tonight, they are 5.00 p.m. on 30 November, and that is the last session of Your Water, Your Say that we are doing. You can sign up on their websites.

As I mentioned, Ofwat is already running its own survey consulting you on what you think about the company's plans. You will see a slide come up that has a link to that survey, and you will also see a QR code so you can flash your phone's camera at it and that will take you to the website with that survey. That slide will come up in just a second. The survey is quick and easy to use. No names are required. There is just a robot check, a few tick box questions and then two meatier questions with comment boxes for the last two questions at the end of that survey. There you can see the QR code and the link. You will also you will find a link to it in the chat. The earlier your response is the better. I suggest that you put your response to Ofwat answering them about your company's plans within the next two weeks.

In the middle of next year, Ofwat will stage its own version of this session, Your Water, Your Say. They will give you an opportunity to test what are called the draft determinations on investment plans and pricing controls. Keep a lookout for those. Ofwat will ask SES Water to share the details of those meetings when they are set with everyone who attended this session.

This PR24 journey and your opportunity to influence what happens to SES Water's plans does not end here. Far from it. It only remains for me to thank colleagues at CC Water, Ofwat and SES Water for staging this Your Water, Your Say session. I want to give a big thank you for giving up a big chunk of your evening, and as I have gone six minutes over, I give an extra thanks for hanging on for the last six minutes and our last couple of questions. I wish you a very good night. Thank you.

Ends