Chapter 6: The outcomes we will deliver

6. The outcomes we will deliver

In this chapter we set out the outcomes we will deliver for customers and the environment during the PR24 price control period, between 2025-2030.

We discuss how we have set our performance commitment levels which address customer priorities and explain why we believe our proposed targets are stretching and ambitious.

We also discuss the approach we followed to identify stretching performance targets and how we are being incentivised to deliver our outcomes for our customers and the environment in the context of Ofwat's outcome delivery incentives framework.

Finally, we present the level of improvement we plan to make on our performance commitments by 2030 in line with customers' priorities and how these improvements will contribute to our long-term ambition.

A. Overview

1. As we set out in Chapter 3, we have a strong track record of outcomes performance delivery in the water industry. For the majority of the PR24 performance commitments (PCs), our current performance is above the industry average. In this chapter we set out how we will build upon our current performance to deliver effective outcomes for customers and the environment during the PR24 price control period.
2. We have grouped our proposed outcomes around the four key priority areas from our long-term delivery strategy. These are:
    - #1: Provide you with high quality water from sustainable sources
    - #2: Deliver a resilient water supply from source to tap and minimise wastage
    - #3: Help reduce water footprint and charge a fair, affordable price, and
    - #4: Improve the environment and have a positive impact on our local area.
3. In Table 1 overleaf, we present a summary of our proposed performance targets for the PR24 price control period between 2025-2030 and beyond.
4. More details on the outcomes that we will deliver can be found in the subsections below and the following other parts of our business plan:
    - Chapter 8 – Financing our plan: risk & return, for a description of the impact of outcomes on Return on Regulated Equity (RoRE);
    - Chapter 9 – Affordability, for the impact of our incentives on customer;
    - Chapter 10 – Making it happen: delivery plan; and
    - Appendix SES024 – ODI design and calibration for a description of how we propose to mitigate the downside risk in the outcomes package.

Table 1: Proposed performance targets for 2025-2030 and beyond

Provide you with high quality water from sustainable sources

- We will continue to keep our drinking water quality among the highest in the industry and strive to meet our CRI target of zero.
- We will maintain our upper quartile position on the low number of customer contacts about water quality.
- In PR24, we will retain our bespoke water softening PC to help ensure we can continue to provide over 80% of our customers with partially softened water. The refurbishment of our Kenley water treatment works, as well as capital maintenance on our other four treatment works that partially soften water, will contribute to meeting our target of softening water to a hardness level of 80 mg/l of calcium.

Deliver a resilient water supply from source to tap and minimise wastage

- In PR24, we will maintain our upper quartile position on water supply interruptions and mains repairs and aim to achieve the same on unplanned outage.
- We will continue to steadily reduce water supply interruptions and mains repairs over the PR24 period[1], although the pace of improvement will be slower, in line with our customers' priorities. To keep bills affordable, we will deliver this improvement in performance from predominantly base expenditure.
- We are industry leading in leakage in Ml/d and have set ourselves an ambitious target of reducing leakage by 26.6% (from 2019/20 levels) by 2029/30, in line with the interim targets from the 2023 Environment Improvement Plan (EIP). In the longer-term, we plan to achieve a 50% reduction by 2041 and over 62% reduction by 2050.
- We will continue to make reductions in unplanned outages and aim to achieve a 1% outage of peak week production capacity throughout the PR24 period.

Help reduce water footprint and charge a fair, affordable price

- In PR24, we will focus our efforts on reducing demand for water via the installation and use of smart metering, our education programme, marketing, site and home visits and efficiency support in order to assist customers to make the best possible choices in their use of water.
- For PCC, the investment in our network (smart meters and pressure management) and customer engagement will help customers reduce consumption and will deliver on the interim targets set out in the EIP in a normal year. By the end of the PR24 period, we plan to have achieved a PCC reduction of 11% from 2019/20 levels. interim targets set out in the EIP in a normal year. By the end of the PR24 period, we plan to have achieved a PCC reduction of 11% from 2019/20 levels.
- For business demand, by the end of the PR24 period, we plan to have achieved a reduction in non-household water consumption of 5.1% from 2019/20 levels via our smart metering and water efficiency programmes, which will incentivise businesses to reduce their consumption but also allow us to identify any customer-side leakage that may have gone unnoticed otherwise. We will also work with retailers who own the relationship with business customers to continue to encourage water efficiency.
- We have a plan to improve our performance on the three quality of service measure of experience metrics (see Chapter 10 and Appendix SES013 - Household Customer Strategy) and aim to perform around or above the industry median for the PR24 period.
- Improve the environment and have a positive impact on our local area
- We will continue to reduce our operational GHG emissions and aim to decrease our emissions by 17% (compared to 2021/22) by the end of the PR24 period.
- On biodiversity, we will focus on pursuing net gain activities across 80% of our own sites as a first phase of work, delivering 25 additional biodiversity units by the end of the AMP8 and over 530 additional biodiversity units by 2050. We will continue to deliver

[1] A reduction in mains repairs over time is a positive outcome; reducing mains repairs helps contain leakage, reduces the risk of interruptions and water quality issues, causes less community disruption, and reduces Category 3 pollutions incidents.

the equivalent of 4-star environmental performance underpinned by maintaining 100% discharge consent compliance and zero serious pollution incidents.

5. Overall, we consider our proposed PR24 business plan to be ambitious and stretching in terms of PCs because:
    - Where we are already a strong and resilient performer and are pushing ourselves to improve further, we are helping to push the sector forward on areas deemed highly important by customers (e.g., leakage reduction, reliability of supply, water quality).
    - Where we are still working towards meeting our targets, we have a clear plan of action in place to deliver substantial improvements (e.g., PCC, softening, measures of experience).
    - Our proposed performance commitment levels reflect our customers' priorities and appetite for us to ultimately deliver more ambitious reductions in leakage than currently mandated by the Government. Our PR24 plan will set us up to achieve a 50% reduction in leakage by 2041, nine years earlier than the Government target. We are going bolder and faster on the EIP targets for leakage, as this is an area of great importance to us and our customers, it is largely in our control and is a critical part of our plan to secure resilient water resources for the future. Reducing leakage will help support any future reductions to abstraction that we will make to protect and enhance the environment, including to local chalk streams.
    - We know from Ofwat and the Consumer Council for Water's (CCW) collaborative industry research that customers nationwide prioritise receiving a high-quality and reliable drinking water supply and evidence from our customers is no different. However, our strong performance in these areas means our customers have not prioritised further performance improvements, with leakage, resilience and environmental enhancements being seen to be a greater priority at present. We therefore propose to make modest improvements to supply interruptions over PR24, with a longer-term ambition to eliminate supply interruptions over three hours[2] by 2050. We will maintain a constant performance on water quality contacts over PR24, while our ambition is to half contacts by 2050.
    - Our customers are placing increasing importance on enhancing the local environment so we have put forward a robust plan to increase biodiversity on our own sites and through the WINEP schemes we will deliver. We will continue to reduce our operational greenhouse gas emissions – but will fall short of the 2019 public interest commitment made by the sector to reach net zero operational emissions by 2030 – through a demand-led largely market-based approach that does not require significant additional investment as we did not receive consistent customer support for this. We will, however, continue to work towards the Government's target to reach net zero total carbon emissions by 2050.
    - Finally, as the environment is one of our top priorities, our proposed PR24 targets puts us on the right path to deliver our stated goals by 2050; this includes our plan to reduce our carbon footprint, enhance our local environment, reduce our environmental impact and have a positive impact on communities.
6. Our proposed package of PCs and respective performance commitment levels (PCLs) is informed by our value framework modelling and customer insight where it could

[2] We know this is a very stretching long-term ambition, but firmly believe that with the full benefits of our smart and intelligent network (iDMA) and an optimised process for response and resolution, together with advances in technologies in the future, this is an achievable ambition for water supply interruptions.

meaningfully influence our level of ambition. This approach ensures our plan offers excellent value for money.[3]

7. We have structured the remainder of this chapter as follows:
    - Section B provides an introduction to the chapter and explains the context for our PCLs;
    - Section C provides a summary of our PR24 ambition;
    - Section D describes our approach to setting stretching PCs;
    - Section E describes the outcomes we plan to deliver across our four key priority areas; and
    - Section F describes the incentives we will be subject to through Ofwat's Outcome Delivery Incentives (ODI) framework.

B. Introduction to our proposed outcomes

8. PCs are the metrics used to measure the service water companies deliver for their customers and the environment. For PR24, Ofwat has simplified its outcomes framework (vs PR19) by streamlining the number of PCs company performance will be measured against and has increased consistency across the sector by ensuring companies are subject to the same common PCs.
9. Common PCs set by Ofwat will focus on the priority areas of (i) customer service, (ii) environment, (iii) asset health performance and (iv) better outcomes for business customers. These common PCs will hold us accountable and ensure we deliver the necessary improvements in the PR24 period which will also benefit customers and the environment in the future. At PR24 we will be subject to 15 common PCs as defined by Ofwat. We will also continue to deliver softened water to our customers, and as such we are proposing to maintain our existing bespoke PC for water softening.
10. Out of the 15 common PCs:
    - **Three have common PCLs**;
        - water supply interruptions (WSI), unplanned outages, water quality contacts
    - **Six have company-specific PCLs**;
        - leakage, per capita consumption (PCC), business demand – all of which have government-derived targets, mains repairs, operational greenhouse gas emissions (GHG) and biodiversity net gain.
    - **Three are statutory requirements with common PCLs**;
        - CRI, serious pollution incidents, discharge permit compliance
    - **Three are customer experience performance metrics** subject to relative measurement, hence no PCLs are set;
        - C-MeX, D-MeX and BR-MeX.
11. Building on our achievements so far, we have set annual targets for each of these PCs for PR24. The commitments will challenge us to ensure we deliver the promised level of service to our customers and the environment, and we will report each year on how we have performed. To make sure we have set ourselves stretching targets, we have used a range of techniques, including consideration of our performance relative to other

[3] For more details on our value framework modelling, please refer to Chapter 10: Making it happen – delivery plan.

companies. We have also taken into account the potential for innovation. We describe our approach in more detail in Section D below.

12. Many of these PCs have outcomes that will be important in the future, which is why we have also considered them in the long-term context. The PCs will support us in meeting our long-term ambitions as described in our Long-Term Delivery Strategy (LTDS).[4]
13. We are committed to delivering positive outcomes for our customers, society and the environment that go beyond Ofwat's incentives framework. In addition to our PCs, we are proposing three Price Control Deliverables (PCDs) and six additional metrics that we will monitor and report on, which support the delivery of our Company purpose, customer priorities and outcomes (see Appendix SES063 - Price Control Deliverables and Additional Reporting Metrics).
14. We have engaged extensively with our customers and other stakeholders. This engagement has helped shape our delivery plan, which in turn has influenced our proposed PCLs for the PR24 period. See Section D for details on how we used customer engagement to set our PCLs.

C. Summary of our PR24 ambition

15. In Table 2 below, we provide a summary of our performance so far, our proposed commitments for the PR24 period as well as how this translates into our 2050 ambition for each PC. With Ofwat defining all common PCs and setting common PCLs across companies on a number of PCs at PR24, we have focused on proposing a set of ambitious, well-evidenced and justified targets for Ofwat to consider in its analysis. These build on our experience at PR19 which also captures performance beyond PR19 PCLs. Where achievable, we will aim to deliver increasingly improved outcomes over the next five years.
16. For some PCs we already deliver an industry-leading or upper-quartile performance; particularly on PCs we understand are foremost in customers' minds such as water quality, resilience and environmental stewardship.
17. As all companies improve their performance, the threshold for upper quartile performance shifts. Strong performance allows us to strive for further improvements that push the sector forward. We have done so for water supply interruptions where we will seek to maintain our upper quartile position at PR24. We are also a top performer on leakage compared to our industry peers.
18. We have challenged ourselves to maintain a high level of ambition when setting our targets, but we have been realistic in determining improvements from already high levels of performance. This has been the case for mains repairs, where we are already delivering at around half the level of the industry average – and plan to reduce the number of mains repairs per 1,000km of main to 54 by 2030. This slower rate of improvement will dampen the costs associated with more ambitious performance (and hence associated with greater costs) in other areas to help maintain affordability, while allowing us to maintain a strong upper quartile performance.
19. We acknowledge that, for some PCs, substantial improvements are required, so we have set ourselves stretching targets. This is the case for PCC, where we need to make accelerated investment in our network (e.g. smart meters) to help customers reduce consumption, encourage water efficiency and tackle customer-side leakage to meet the interim targets set out in the EIP. This is challenging for the entire sector given current

[4] See, in particular, Chapter 4 – Our ambition, of the LTDS.

levels of PCC and the combination of demographic, geography served and climatic factors in our area means it will be an even greater challenge for us.

20. Overall, we have aimed to balance setting stretching targets in the areas identified by our customers as priorities while keeping in mind deliverability and affordability levels and resulting impact on customer bills.

Table 2: Our track record, PR24 commitments and long-term ambition

PC	What we have achieved so far in the PR19 period	Our PR24 commitment	By 2050 we will...
Leakage	One of the water companies with the lowest level of leakage on its network. Plan to have met our PCL of -12.4% by end of AMP7, i.e., around 13% of water we supply.	Further reduce our already comparatively low level of leakage. Achieve 26.6% reduction from 2019/20 levels by end of AMP8, in line with the interim targets from the 2023 EIP.	Halve our leakage from 2019/20 levels by 2041. By 2050, achieve reduction of > 62%, equivalent to 9.5 Ml/d of leakage, or around 8% of water we supply.
Per capita consumption	PCC reduction has been more challenging than expected in AMP7. Reduction target of -6.6% will not be met by the end of AMP7, but we forecast a reduction of -3.5% instead.	Achieve a PCC reduction of 11% from 2019/20 levels by end of AMP8.	Achieve the EIP interim targets and an overall reduction of c. 26% in PCC from 2019/20.
Business demand	Non-household demand has fluctuated significantly since 2019/20 owing to the COVID-19 pandemic and its after-effects, reducing from over 26Ml/d in 2019/20 to around 22Ml/d in 2022/23[5].	By the end of AMP8, achieve a reduction in business demand of 5.1% from 2019/20 levels.	Achieve the EIP interim targets and an overall reduction of nearly 17% from 2019/20 levels.
Water supply interruptions (WSI)	Maintain current level of performance at around 4 minutes for the rest of AMP7, i.e., industry upper quartile. This is 1 minute less than the 2024/25 PCL target.	Maintain upper quartile position and continue reduction, but at a slightly slower pace in the PR24 period, i.e. deliver WSI at 00:03:30[6] by end of AMP8.	Achieve zero average number of minutes lost per customer WSI.
Mains repairs	Achieved one of the lowest numbers of mains repairs on average in the industry. Meet our PCL of 59 repairs per 1,000 km of main by the end of AMP7.	Maintain upper quartile performance but deliver improvements at a slower pace in AMP8. Achieve a target of 54 repairs per 1,000 km of main by the end AMP8.	Achieve 33.8 repairs per 1,000 km of main; this represents a 50% reduction from 2019/20 levels.
Unplanned outages	Plan to keep outperforming our PR19 PCL and maintain this position for the rest of AMP7 at c. 1.2% (vs 2.34% PCL).	Achieve a 1% outage of peak week production capacity by the end of AMP8.	Reduce unplanned outages to 0% of peak week production capacity by 2050.

[5] Figures reported as three-year averages as per the Business Demand PC definition.
[6] i.e. 3 minutes and 30 seconds

PC	What we have achieved so far in the PR19 period	Our PR24 commitment	By 2050 we will...
Operational greenhouse gas (GHG) emissions	Outperformed bespoke PC target of 55 $kgCO_2e/Ml$. Maintain performance at less than 45.0 for the rest of AMP7. Changes in measurement rebases our starting position to 368 $kgCO_2e/Ml$.	Aim to further decrease our emissions to 340 kgCO2e/Ml by the end of the PR24 period.[7]	Reach net zero on our operational GHG emissions.
Biodiversity	Introduced a land-based improvement biodiversity reputational bespoke PC and have delivered some biodiversity improvements to the land we own for both plan and animal life.	Build on our work of recent years and nominate 80% of our land for net gain work, delivering 25 additional biodiversity units by the end of the PR24 period.	Nominate additional tracts of land – both our own and others – to deliver net gain through partnerships as part of WINEP and wider activities, creating over 530 additional biodiversity units[8].
Customer contacts about water quality	Have been operating at slightly above our bespoke target of 0.50 customer contacts per 1,000 people but remain one of the best performers in the industry. Plan to not exceed 0.64 for the rest of the AMP.	Maintain upper quartile position and 0.60 contacts per 1,000 people –by improving working practices, softening, better engaged customers, enforcement and use of data.	Receive no more than 0.33 contacts per 1,000 people; a reduction of 43% compared to 2021/22. This is substantially ahead of the current industry average of 1.1 contacts per 1,000 people.
Serious pollution incidents	Performing well on our own bespoke PC so far. We have not had any serious pollution incidents and expect to maintain this position for the rest of AMP.	Continue to maintain our track record of zero serious pollution incidents throughout the PR24 period.	Have a track record of leading performance in the industry on serious pollution incidents,
Discharge permit compliance	Achieved 100% compliance for the last two years.	Continue to remain fully compliant with all applicable discharge consents associated with our operations.	Have a track record of leading performance in the industry having zero discharge permit compliance failures.
Compliance risk index (CRI)	Achieved an industry leading position as measured by the Compliance Risk Index so far in AMP7.	Continue to keep our drinking water quality the highest in the industry.	Maintain our track record of high-quality water and excellent CRI performance.

[7] We are proposing a metric to better illustrate our emissions reduction: This will see emissions reduce from 10,761 tCO2e to 8,072 tCO2e, a 46% reduction on 2021/22 levels.
[8] This excludes additional nominated land and associated biodiversity net gain resulting from current and future WINEP investigations and schemes, which are currently unquantifiable.

PC	What we have achieved so far in the PR19 period	Our PR24 commitment	By 2050 we will...
C-MeX	Improved our C-MeX ranking from 15th to 13th since the start of AMP7. Committed to a long-term improvement plan with the aim of achieving the industry median by the end of the period.	Perform consistently above industry median by embedding a customer-centric culture and leveraging our investments in digital and data-led transformation.	Achieve permanently greater levels of customer satisfaction - customers to compare us favourably with providers in other sectors.
D-MeX	Improved our D-MeX performance from a score of 60.20 in 2020/21 to score of 84.91 in 2022/23, a movement from 17th place to 12th.	Improve service and aim to increase developer services customer satisfaction in order to perform above the median in the industry.	Achieve permanently greater levels of developer services customer satisfaction.
BR-MeX	Not applicable. New common PC to be introduced at PR24.	Work with retailers and take a customer-orientated approach to resolving frictions in the market. Deliver strong performance around the industry median.	Improve our performance over time since the inception of the performance commitment at PR24.
Water softening (bespoke PC)	Providing partially softened water to our customers but not to the level expected from the PC in the first half of AMP7. Plan to improve this in the second half of the AMP.	Continue to comply with applicable legislation and seek to soften water to the target level for this PC throughout the PR24 period.	No longer-term ambition set for this bespoke PC at this stage. We will continually review the expectation, cost-benefit and sustainability of partial softening at source.

Source: SES Water analysis

D. Our approach to setting stretching performance commitments

21. PCs are designed by Ofwat to measure progress against the outcomes we will deliver to our customers. In addition, the common PCs allow comparison of performance across all water companies, ensuring transparency over our performance relative to our targets and other companies.

22. The incentive framework is in place to encourage companies to stretch themselves for the long-term benefit of their customers and all water customers across the country, as one company shifting the frontier of service delivery encourages all companies to do better. Ofwat incentivises improvements that deliver wider benefits by additional financial rewards.

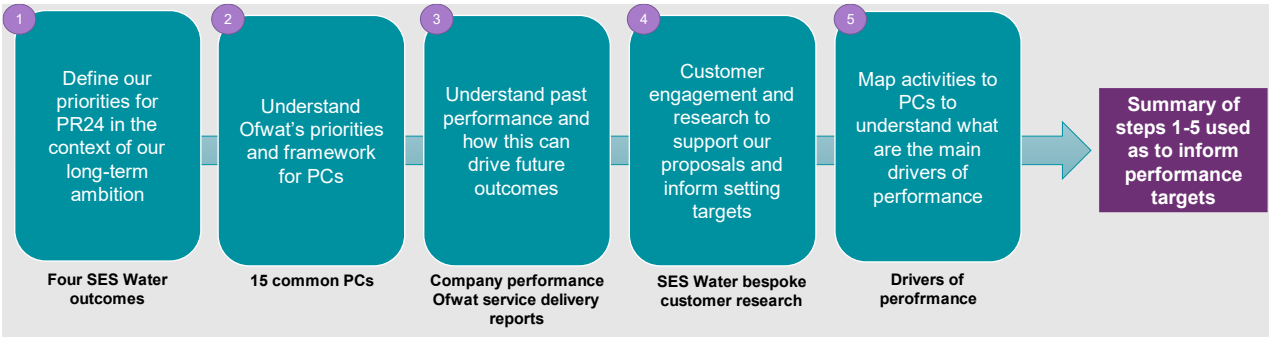
23. In this section we describe the conceptual approach we have applied to inform our performance targets at PR24 and discuss what proportion of performance we expect to deliver from base and enhancement expenditure.

Setting stretching performance commitment targets

24. Our proposed stretching PC targets were defined in two stages. The first stage consisted of understanding the priorities of stakeholders (including Ofwat) for the PR24 period and gathering and understanding past industry performance on the various PCs. The second stage consisted of detailed quantitative work to set out proposed PC targets.

25. In Figure 1 below, we present our five-step process to inform our performance targets for the 2025-2030 period.

Figure 1: Process to inform PC targets



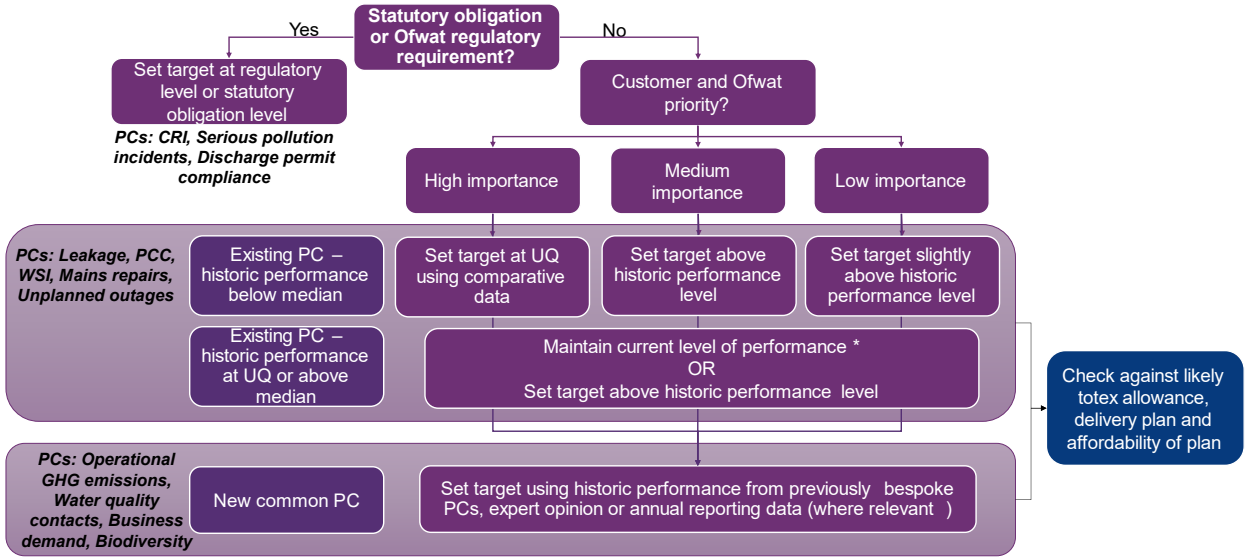
Source: SES Water

26. Step 1 consisted of defining our priorities for PR24 in the context of our long-term ambition. Given the timing, this was informed primarily by Ofwat's LTDS guidance as well as PR24 draft methodology. As part of Step 2, we refined our understanding of Ofwat's expectations and requirements on PCs based on its final methodology for PR24. In Step 3, we consolidated industry company performance data to undertake a comparative analysis of our performance against our peers.

27. As part of Step 4, to support our proposals we undertook customer engagement and research to understand our customers' priorities. In Step 5 we mapped the activities from our delivery plan to the 15 common PCs to refine our understanding of the main drivers of performance for each PC.

28. The overall outcome of this exercise allowed us to gather the information needed to set our proposed PC targets. A summary of our approach for setting PCs is shown in Figure 2 below.

Figure 2: Approach for setting PC targets



Source: SES Water
*Note: *Either maintain current performance but deliver this at a lower cost OR deliver small performance improvement at the same historical cost. This may be achieved through innovation, other enhancement initiatives impacting multiple PCs, etc.*

29. The first step was to identify whether the PC is related to a statutory obligation or Ofwat regulatory requirement. For such PCs, the target was set at the regulatory level or statutory obligation level.

30. For the remaining PCs, we used the outputs of our customer and wider stakeholder engagement and research to understand the level of importance placed on these outcomes. We then used a range of techniques, including consideration of our performance relative to other companies and expert opinion, depending on whether the PCs were existing or new but also whether Ofwat will set PC levels at company-level or industry-level. In setting stretching targets, we used all the available information on our own performance and the performance of other water-only and water and sewerage companies.

31. Depending on the level of importance attributed to each PC, we used one of the following techniques:

    - where it was identified as an area of **higher importance**, we set our targets based on our forecast of what upper quartile will be for the industry in 2030 using comparative data;
    - for areas of **medium importance**, we set our targets above historic performance level; and
    - for areas of **lower importance**, we propose to maintain current performance level.

32. Where we are already top or a leading performer in the industry and where we consider that affordability should be prioritised over further performance improvements regardless of customer priorities, we have either proposed to maintain our current level of performance from base expenditure or proposed a target slightly above historic performance levels. This will enable us to focus on performance improvements in other areas that would benefit more from enhancement expenditure.

33. For company-specific PCLs we also considered other external factors which would affect Ofwat's view of a stretching level of performance. For example, for the demand PCs

(leakage, PCC, business demand), we propose to deliver in line with, or in the case of leakage exceed, the Government's EIP 2023. For mains repairs, we used our own historic performance level but also looked at comparative data to cross-check that our proposed targets are set at an overall stretching level.

34. Compared to PR19, we have placed a stronger emphasis on long-term delivery and benefits in recognition of the environmental and service challenges the sector is facing. As part of this overall process, we also considered how these performance levels can be delivered in the context of our PR24 total expenditure (TOTEX) allowance, including any cost adjustment claims and enhancement cases. We also accounted for the potential for innovation and efficiency to drive better outcomes for our customers, whether this is via lower costs but maintaining the same performance levels, or via delivering improved performance from the same overall base expenditure.

35. In addition to considering the achievability of our targets, we have taken account of the impact on affordability when choosing the PCs where we stretch our performance the furthest.

Performance improvements from base and enhancement expenditure

36. There is not a set method for projecting the level of performance that will be achieved from base expenditure in the future. There are a number of factors that could influence what is achievable, including improvements in technology, better use of data and evolution of asset management strategies. Importantly – as we have stated elsewhere in our LTDS and PR24 Business Plan submission – it is the combination of our forecast enhancement and base expenditure that is needed to enable the delivery of our performance ambition, including forecast performance improvements from base. Key enhancement investments on our LTDS core pathway (see Chapter 4 of our LTDS) will provide the platform for our business to continue to drive performance improvements from base expenditure.

37. In order to derive a projection of how much base expenditure will contribute to performance improvement in the future, we developed a disaggregated approach, to establish what performance improvements may be achievable from base as described in Appendix SES005A - What Base Buys.

38. Ultimately, the delivery of our proposed targets is dependent on Ofwat's approval of our enhancement expenditure requests. Partial approval or disapproval of those requests would result in us delivering lower performance improvements solely from base expenditure. In Section E below we present our assumptions of what levels of performance can be achieved from base and enhancement expenditure, however, we have not attempted to model the level of performance that could be achieved from partial approvals of enhancement requests.

How we used customer engagement to inform our PR24 outcomes

39. Customer views and priorities have been central to our approach to setting our short and long-term performance targets. To ensure we have built a plan that is achievable and acceptable to all, we have integrated insight from our business-as-usual engagement activities with primary research carried out collaboratively by the industry and further company-specific research. We have also considered wider sources of insight such as research carried out by other water companies and groups such as CCW.

40. As set out in Chapter 5 Our Customers, the first stage in our customer engagement process was to review the collaborative industry research carried out by Ofwat and CCW

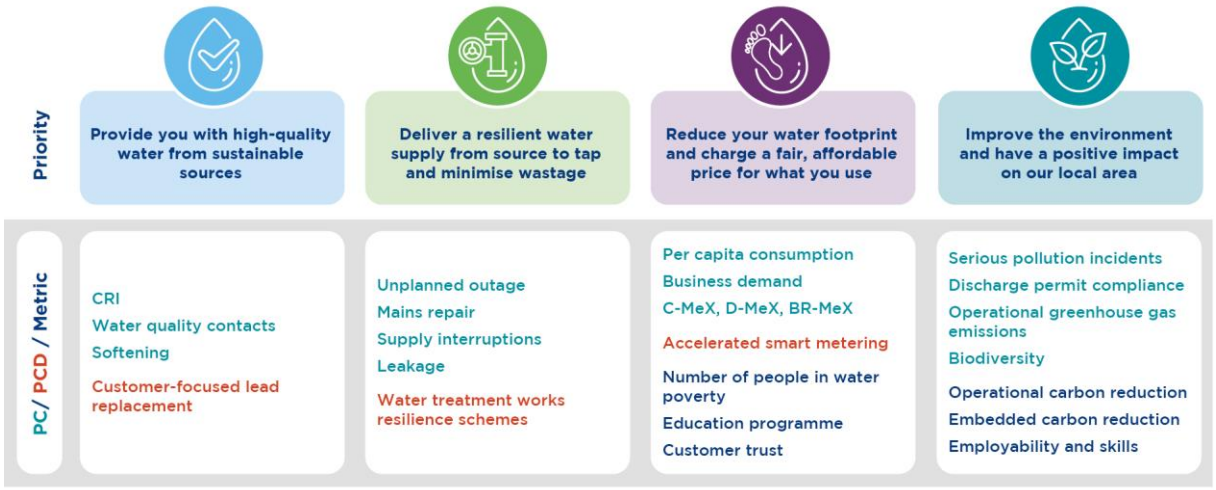
into customer priorities and triangulate it with a number of sources of insight gathered from our own customers to establish if there were any areas of priority not covered by the common PCs. This showed that although there were some differences in the prioritisation of some activities, our customers' priorities were adequately reflected. The only bespoke PC proposed relates to our unique requirements to soften water.

41. We then looked across the different areas of performance to identify areas where customers had meaningful choices around the pace and timing of performance improvements. We filtered this using three criteria:
    - Whether there were conflicting views between customers;
    - Whether there were opportunities to go beyond statutory or regulatory requirements; and
    - Whether there were choices around the pace and scale of performance improvement.
42. This was done across the 25-year time horizon to inform our long-term ambition and identify priority areas for improvement at PR24. The areas we focused on were leakage, smart metering, lead removal, carbon and environmental enhancement which were the areas with greatest scope for customers to influence our decision making.
43. This stage of research included a quantitative and qualitative phase to ensure it provided us with both depth and breadth of insight which was robust and representative of our customer base. It also re-tested our customers' priorities to confirm our analysis in stage one. We provide more details and insights from our customer research in Chapter 5 - Our customers.

E. The outcomes our plan will deliver

44. In this section we describe in further detail our proposed PC levels and the drivers of performance improvements over time. In Appendix SES063, we present a number of additional metrics and PCDs we will track throughout the PR24 period as part of our suite of performance measures of how we are benefiting our customers, society and the environment. The figure below provides a summary of our PCs, PCDs and metrics.

Figure 3: Summary of PC, PCDs, and Metrics for PR24



Source: SES analysis

45. This sub-section is structured by LTDS priority area, as follows:
    a. Provide you with high-quality water from sustainable sources.
    b. Deliver a resilient water supply from source to tap and minimise wastage.
    c. Reduce your water footprint and charge a fair, affordable price.
    d. Improve the environment and have a positive impact on our local area.

Priority area #1: Provide you with high-quality water from sustainable sources

46. As the population grows, we will need to supply more water. The water sources we rely upon are at risk from climate change and less may be available in the future. Climate change could impact on the quality of our water, and we may need to reduce how much we abstract from some of our existing sources to protect the environment and enable it to adapt to climate change.
47. One of our priorities is to always provide drinking water that reaches the highest quality standards while responding to future changes to regulatory requirements. This requires us to plan ahead to ensure we are mitigating any risks to our drinking water quality and take action where needed so our water supplies continue to be safe and wholesome. This includes the provision of extra treatment capabilities, catchment management activities to reduce the pollution of raw water sources and work on our network including removing lead pipes (see Chapter 10 – Making it happen: Our Delivery Plan).
48. Our ambition is to only take water from sources where it will be sustainable to do so in the long-term. Our high dependence on chalk aquifers, which supports three chalk streams in our region, means abstracting water at the rate we do today may not be possible in the future if we are to afford greater protection to these unique environments. Our Water Resources Management Plan (WRMP) plans 50 years ahead to identify how best we can partially replace these sources and is a significant driver of our long-term delivery strategy. Over the next five years, our focus will be on understanding where and by how much we will need to reduce our abstractions by, working with our neighbouring water companies, catchment partnerships and the Environment Agency.
49. To ensure we meet the needs of our customers now and in the future, there are key activities and no- or low-regrets investments we will deliver in the next five years. We describe these in detail and how they relate to our performance commitments in Chapter 10 – Making it happen: Our delivery plan.

Compliance Risk Index (CRI)

50. As a responsible water company, we do not compromise on the quality of the water we supply to our customers. We take this statutory requirement seriously and it is our customers' top priority to always receive high quality water.
51. The CRI is designed to measure the risk arising from treated water compliance failures. It aligns with the risk-based approach to regulation of water supplied used by the Drinking Water Inspectorate (DWI) and includes an assessment of the action taken by companies in response to the failure. Ofwat defines this PC as incentivising companies to fully comply with statutory obligations to promote customer confidence in water quality.[9]
52. We are one of the best performing companies in the industry on this metric in the PR19 period. We have performed in the top quartile since 2021/22. Our forecast exit position

[9] Ofwat. (December 2022). Creating tomorrow, together: Our final methodology for PR24. Appendix 7 Performance Commitments.

for the PR19 period is to maintain full compliance. We plan to maintain this level of performance throughout the PR24 period and beyond **and fund this from base expenditure** as shown in the table below. See Chapter 10 – Making it happen: Our Delivery Plan for further detail on how we will maintain our water quality standards.

Table 3: Proposed CRI performance commitment level

Unit	PR19	PR24					PR29	PR34	PR39	PR44
Score	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2034/35	2039/40	2044/45	2049/50
	0	0	0	0	0	0	0	0	0	0

Source: SES Water analysis

Water quality contacts

53. Ofwat has introduced a new common PC for water quality contacts in PR24 covering taste, odour, and appearance. We set ourselves a similar bespoke PC at PR19 because this was an important area for our customers. At the time, we set a challenging target of around 0.5 contacts per 1,000 customers. Despite performing in the industry upper quartile on this measure, we have incurred penalties on this bespoke PC in the PR19 period so far.

54. Our underperformance in this area - and hence the focus during the PR24 period - is to address, as far as possible, contacts emerging from three issues, namely: contacts relating to use of any of the 12,417 hydrants in our network (resulting in around 10% of the contacts received); contacts received due to essential planned or unplanned work in our network (15%); and contacts received owing to concerns around water hardness, occasionally as a direct result of underperformance of one of our softening sites (5%).

55. Notwithstanding this and accepting many companies have subtle differences in the way they currently report against this bespoke PC during the PR19 period, we continue to maintain an assumed upper quartile performance in this area, delivering at a level of contacts less than half that of the sector average.

56. Following additional guidance from the DWI on how social media contacts should be accounted for, we have had to 're-base' our stated water quality contacts and expected exit position for the PR19 period.

57. We propose to maintain our strong position in this important performance measure in PR24, with a longer-term ambition to reduce contacts by almost half by 2050. Given that currently we receive around half the number of contacts, compared to the industry average, we consider this to be an appropriate approach that continues to encourage the rest of the industry to move forward to our higher standards, while ensuring our customers continue to receive a high-quality service. We believe this remains a challenging target to meet given the recent methodology changes in measurement and Ofwat's proposed ODI rate being high.[10]

58. Considering the above, it is important the common PC level is stretching, but achievable. In Table 4 below, we present our proposed PC levels for the PR24 period and an indication of performance glidepaths to 2050.

[10] Ofwat has proposed an indicative symmetrical ODI rate of £±1.91m per contact per 1,000 population. This is significantly higher than our existing bespoke ODI rate of £-0.941m (adjusted to 2022/23 prices) at PR19.

Table 4: Proposed water quality contacts performance commitment level

Unit: Number of contacts per 1,000 population	PR19	PR24					PR29	PR34	PR39	PR44
	24/25	25/26	26/27	27/28	28/29	29/30	34/35	39/40	44/45	49/50
Delivered from base		0.60	0.60	0.60	0.60	0.60	0.55	0.52	0.46	0.40
Improvements from enhancement		0.00	0.00	0.00	0.00	0.00	-0.02	-0.04	-0.06	-0.07
Net performance	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.60**	**0.53**	**0.48**	**0.40**	**0.33**

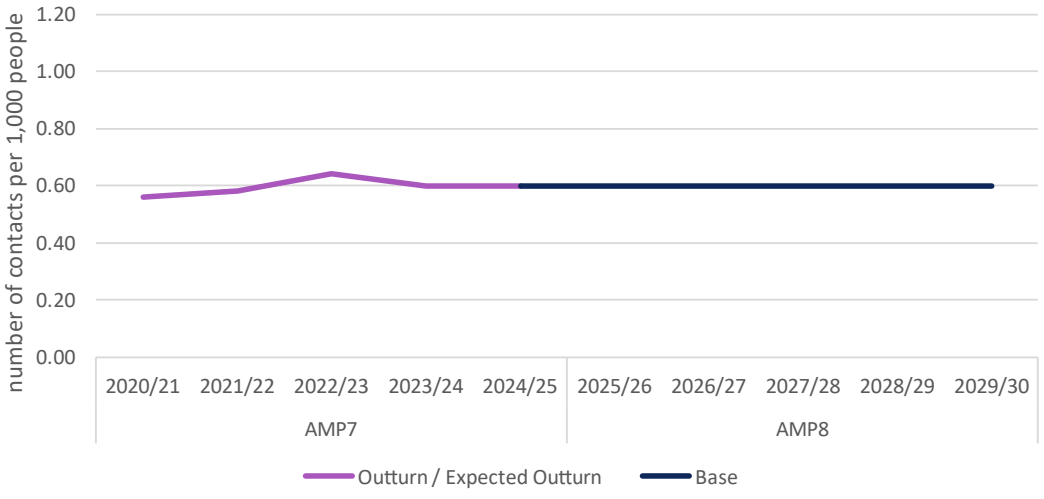
Source: SES Water analysis

59. Our proposed PC levels are based on the following assumptions:

- We will address contacts relating to perceived illegal use of hydrants on our network by using our smart network capability to identify favoured locations and timings of illegal use, allowing us to apprehend them.
- We will reduce contacts received associated with essential planned or unplanned work in our network through ongoing improvement in our working practices and operating calmer networks. We expect this to reduce these type of contacts by 50%.
- We will reduce contacts owing to concerns around water hardness by improving our overall softening performance, in line with our bespoke PC. We plan to reduce contacts related to softening from currently 30 to a maximum of 15 per year.

60. We will deliver the above activities from our base expenditure allowances, as shown in Figure 4 below. We have requested for a cost adjustment claim for water softening which we expect will have a positive impact on water quality contacts over time, as we improve our water softening performance.

Figure 4: Water quality contacts – PR24 expected performance from base



Source: SES analysis

61. We expect it to be challenging to meet our proposed stretching targets as there are a number of factors that will influence our performance but are out of our control, namely:

- **Customer behaviour and expectations**: as more of our customers continue to work from home, they are more likely to notice any changes to the taste, odour and appearance of our water. We also expect customer standards to increase over time.
- **Third-party hydrant use**: can cause contacts owing to the speed at which water is drawn off, legally – by the fire brigade, or illegally, by contractors not using the correct equipment; and
- **General conditions within customer's property**: customers may be experiencing issues within their property they associate with the taste, odour and appearance of the water we supply them.

62. Water quality remains one of our top priorities and we want to continue being top performing in the industry. However, to mitigate some of the risk associated with this PC, as a small water only company, we propose an exclusion within the PC definition.

63. In its PR24 Final Methodology, Ofwat said it would manage the exposure of customers or companies through a number of tools within the outcomes framework, including exclusions within performance commitment definitions, which can include upfront clauses that exclude the impact of certain events from a company's reported performance, or automatically disable incentive payments following certain events.

64. Our proposal is to reduce the threshold for notifiable incidents to DWI from 20 contacts to 15 contacts. As all taste, odour and discolouration (TOD) contacts captured in a notifiable incident are excluded from this PC, our financial risk exposure would be partially mitigated while we would still be incentivised to address water quality concerns resulting in customer contacts. It is understood not all companies have/use the same threshold for notifiable incidents; some are higher than 20. As water quality is of utmost importance to us and our customers, we strongly believe learning from all issues is vital to ongoing improvement.

65. Our proposal is therefore to lower the threshold of what we notify to the DWI as a water quality incident to anything over 15 contacts relating to a single or interrelated incident. This would result in removing around 30 contacts per year from the PC, i.e. 0.04 contacts per 1,000 contacts, which would reduce the chances of incurring financial penalties for delivering upper quartile performance while ensuring the incident is reported, investigated and lessons are learned. We believe this threshold should be lowered further in future AMPs, as achieving this would give greater assurance we learn from each opportunity and drive ever better water quality.

Water softening

66. We are unique among appointed companies in England and Wales in having statutory obligations to partially soften water from our groundwater sources. These obligations date from 1862 (the Caterham Spring Water Company Act) and 1903 (Sutton District Waterworks Act as amended in 1983). Because we are the only company to have such an obligation, we propose to continue with our bespoke water softening PC, as per PR19. The PC is designed to incentivise us to fulfil our statutory obligations to partially soften water from our groundwater sources which improves the quality of treated water and results in softer water (lower limescale) which reduces costs for customers through using less detergents, decreased replacement rates of household appliances, and reduced maintenance of boiler systems and pipework.

67. The PC measures the average number of milligrams of calcium per litre (mg Ca/l) by which five named water treatment works fail to meet the fortnightly target of 80 mg Ca/l. In PR24, we propose to maintain the same PC levels as in PR19, i.e., on average no deviations from 80 mg Ca/l on a fortnightly basis, as shown in Table 5 below.

Table 5: Proposed water softening performance commitment level

Unit	PR19	PR24					PR29	PR34	PR39	PR44
mg Ca/l	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2034/35	2039/40	2044/45	2049/50
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: SES Water analysis

68. Our bespoke 2 research showed that of the customers who reported having had service issues over the last five years, just over a quarter related to the hardness of water. However, continuing to soften water was ranked as second lowest priority for customers. As we progress through the next AMP, we will engage further with customers to understand the long-term cost acceptability of continuing to partially soften much of the water we provide. Alongside this, we will also fully ascertain the sustainability of continuing these operations from an environmental standpoint. Therefore, we do not consider it necessary at this stage to alter our current PC over this AMP.

69. We will deliver at this performance level, provided we proceed with the refurbishment of our Kenley water treatment works as well as ongoing capital maintenance of the balance of our softening sites. This will be funded from base expenditure and forms part of our softening base cost-adjustment claim. Details on our bespoke PC performance in the current AMP and our proposed bespoke PC definition and the associated cost adjustment claim for PR24 can be found in Appendix SES029 - Cost Adjustment Claim – Softening and Appendix SES073 - Bespoke Softening PC.

Priority area #2: Deliver a resilient water supply from source to tap and minimise wastage

70. Climate change will make droughts more frequent and severe, and other extreme weather events such as floods, heatwaves and freezes that affect our service may become more common. It is important we ensure our water supplies and network continue to be resilient.

71. Our WRMP will increase our resilience to more severe droughts, in line with the Government's policy expectation that by 2040 we are resilient to a one in 500-year drought event, reducing the risk of emergency restrictions on water use such as standpipes and rota cuts. Further details of how we manage droughts can be found in our Drought Plan. Our climate change adaptation report (published in 2021[11]) and our resilience framework (Appendix SES043 - Resilience Framework – Adoption of System Based Thinking) have also identified risks from other weather extremes to both our supply and treatment facilities and our underground network. This has helped us identify low and no regrets investment that will increase our resilience, while also highlighting areas where we may need to invest further in the future if we experience a higher level of climate change, as set out in our LTDS High resilience alternative pathway.

72. Smart technology will contribute to increasing resilience by detecting problems in our supply network, pumping stations and water supply works more quickly and providing more information about the condition of our pipes. Smart meters will also help us quickly find more leaks and water wastage on our customers' pipe and plumbing. More specifically, efficient resource management can be dealt with via investment in our data and digital architecture which facilitates the collection, integration, and analysis of data related to water sources, treatment processes, and distribution networks. This enables

[11] https://seswater.co.uk/-/media/files/seswater/about-us/publications/ses-water---climate-adaptation-report-2021.pdf

effective resource management, optimising water treatment, reducing wastage, and maximising the use of sustainable water sources.

73. To continue to deliver a resilient water supply from source to tap and minimise wastage, there are key activities and no- or low-regrets investments we need to deliver in the next five years. We describe these in detail and how they relate to our performance commitments in Chapter 10 – Making it happen: Our delivery plan. The enhancement expenditure is detailed in our enhancement claim (see Appendices SES007 and SES008) related to water resilience.

Unplanned outage

74. Maintaining a low level of unplanned outage is particularly important during periods of drought as it means we can operate our sources in the most optimum way and our customers have access to all the water that is available.

75. We are outperforming at the PR19 PC level so far (delivering at c.1.20% vs the PR19 PCL of 2.34%) and plan to achieve a level that is around 50% lower than the Ofwat PC level by 2024/25. This level of performance currently equates to half the level seen on average across the sector, with upper quartile performance delivered in the last year.

76. To put us on the right track to achieve 0% outage of peak week production capacity by 2050, we propose to deliver a PC level at 1% throughout the PR24 period, as shown in Table 6 below.

Table 6: Proposed unplanned outage performance commitment level

Unit: Outage % of peak week production capacity										
	PR19	PR24					PR29	PR34	PR39	PR44
	24/25	25/26	26/27	27/28	28/29	29/30	34/35	39/40	44/45	49/50
Delivered from base		1.13%	1.13%	1.13%	1.13%	1.13%	1.01%	0.76%	0.51%	0.26%
Improvements from enhancement		-0.13%	-0.13%	-0.13%	-0.13%	-0.13%	-0.26%	-0.26%	-0.26%	-0.26%
Net performance	**1.20%**	**1.00%**	**1.00%**	**1.00%**	**1.00%**	**1.00%**	**0.75%**	**0.50%**	**0.25%**	**0.00%**

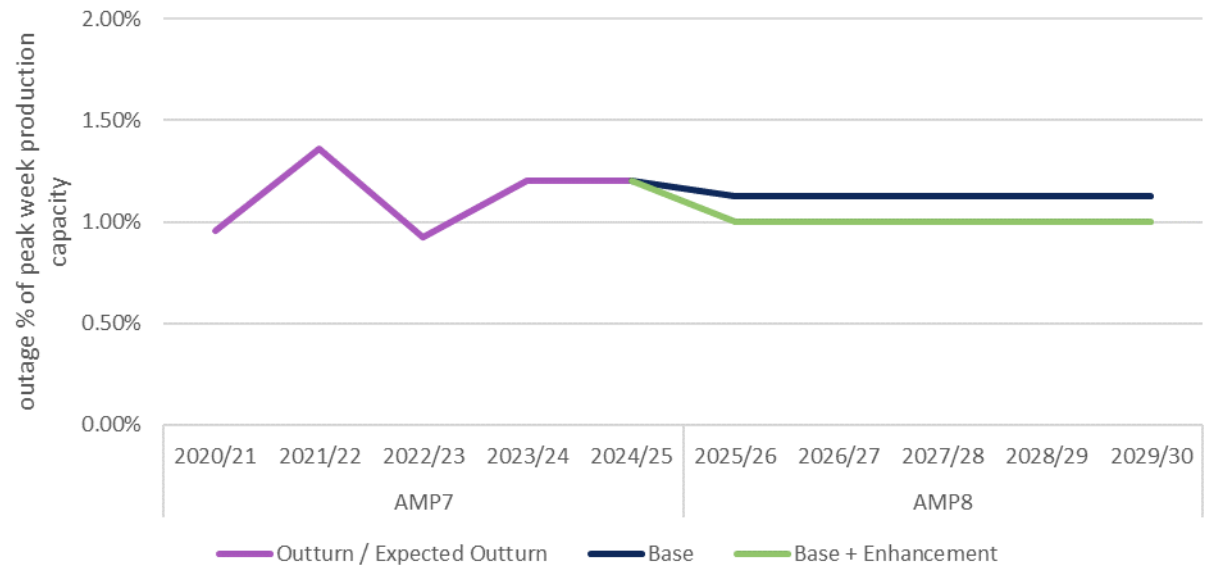
Source: SES Water analysis

77. Given performance of the industry on this measure in the PR19 period so far[12], we believe this is a stretching common PC level and pushes us and the industry towards a reliability-focused approach to asset management. It also reflects our customers' expectations that we run an efficient service and well-maintained treatment facilities. We understand the importance our customers put on this measure but are also mindful of the bill impact associated with a more ambitious reduction profile.

78. There are a number of activities that contribute to our overall performance level, and these are funded predominantly via base expenditure. These activities include improvements to how maintenance and engineering activities are planned and delivered (to avoid delays returning plant and equipment in to service) and developing our asset management principles to enhance our ability to monitor and maintain assets more proactively, reducing unexpected plant failures and improving operational efficiency and cost effectiveness. Our enhancement case Appendix SES007 - Enhanced Resilience – Treatment Works and Processes will deliver an additional reduction in unplanned outage as shown in Figure 5 below.

[12] Industry upper quartile performance has been 1.03% on average in the first three years of the PR19 period.

Figure 5: Unplanned outage – PR24 expected performance from base & enhancement



Source: SES analysis

Water supply interruptions

79. Our customers expect to have water flowing through their taps on demand and interruptions to supply are disruptive and can put customers at risk, particularly our most vulnerable customers. The average duration of these interruptions has been around 4 minutes and 35 seconds per household in the PR19 period so far. This is below the PC level set by Ofwat at PR19 and therefore positions us as upper quartile performer across the industry. In the PR24 period, we plan to reduce water supply interruptions by 30 seconds, reaching 3 minutes 30 seconds by 2029/30 as shown in the table below.

80. Considering performance of the industry on this measure in the PR19 period so far, we believe this is a stretching common PC level. It also reflects our customers have identified other areas such as leakage, resilience and protecting the environment as higher immediate priorities than further reducing supply interruptions, a reflection of our already strong performance. A more ambitious profile at PR24 would result in a higher bill impact between 2025 and 2030 and we are aiming to balance improved performance with affordability. That said, our long-term ambition is to eliminate supply interruptions longer than three hours by 2050 and the performance glidepath we propose will deliver this via a combination of base and enhancement expenditure over the longer term.

Table 7: Proposed water supply interruptions performance commitment level

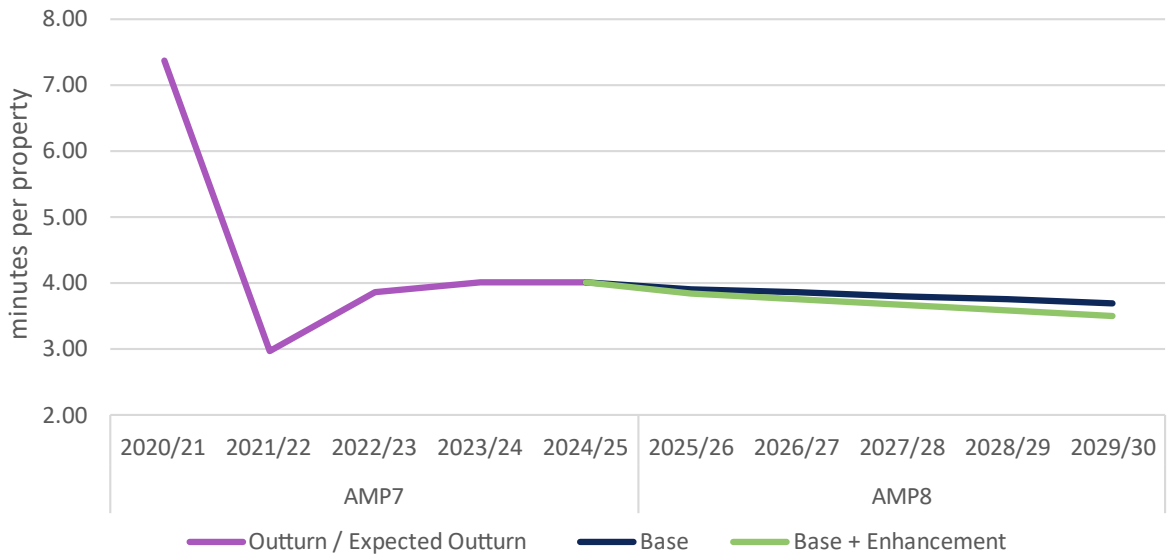
Unit: Average number of minutes lost per customer	PR19	PR24					PR29	PR34	PR39	PR44
	24/25	25/26	26/27	27/28	28/29	29/30	34/35	39/40	44/45	49/50
Delivered from base		00:03:54	00:03:51	00:03:48	00:03:45	00:03:41	00:03:31	00:02:29	00:01:58	00:00:59
Improvements from enhancement		(00:00:04)	(00:00:06)	(00:00:08)	(00:00:10)	(00:00:11)	(00:00:31)	(00:00:44)	(00:00:58)	(00:00:59)
Net performance	**00:04:00**	**00:03:50**	**00:03:45**	**00:03:40**	**00:03:35**	**00:03:30**	**00:03:00**	**00:01:45**	**00:01:00**	**00:00:00**

Source: SES Water analysis

81. The proposed reduction in minutes per property can be delivered predominantly from base expenditure in the PR24 period through focusing on the ongoing embedment of our smart network and improving work practices to resolve issues even more quickly than currently as we describe in Chapter 10 – Making it Happen – Our delivery plan.

82. We also expect an additional reduction from our network resilience enhancement case (Appendix SES008 - Enhanced Leakage and Network Resilience), as illustrated in Figure 6 below.

Figure 6: Water supply interruptions – PR24 expected performance from base and enhancement



Source: SES Water analysis

83. Predictive analytics is part of our toolkit to deliver a resilient supply. For example, by analysing historical and real-time data, predictive analytics techniques can anticipate system failures, demand fluctuations, or supply constraints. Our newly rolled-out smart networks (iDMA) and mains pipe integrity assessment tools (DMA Asset Health) provide this capability, enabling us to take proactive measures, such as operational or maintenance activities, network calming, or prioritise investment to ensure a resilient water supply and minimise disruptions. For PR24, we consider Ofwat should apply an enhanced WSI incentive which would apply in cases where our WSI performance exceeds our expected P90 performance threshold. We consider this would provide an additional financial incentive to deliver exceptional performance across the AMP8 period but note Ofwat's final methodology on enhanced ODIs and look forward to reviewing Ofwat's proposals in this area at draft determinations.

Leakage

84. Reducing leakage is a priority for our customers, particularly in the context of water companies asking customers to reduce their consumption while water is lost and wasted through leaks on water networks. The Government has set some ambitious targets in the EIP for water companies to cut leaks by 20% by 31 March 2027, 30% by March 2032 and 50% by 2050 (from 2019/20 levels).

85. Currently, 23 million litres per day of water is leaked, which is 13% of the water we treat and put into supply. The majority (70%) leaks from our pipes with the rest from our

customers' supply pipes. The leaks that we now need to tackle are smaller and harder to find, which requires different types of interventions.

86. Our leakage performance is among the best in the industry; we continue to perform in the top quartile on a l/property/d basis and have become upper quartile on a m^3/km/d basis (up from 8th in 2019). We are the only company with two upper quartile positions to have met their leakage target in each of the first three years of the AMP.

87. Our progress in reducing leakage so far in AMP7 can be attributed to our multi-faceted approach. It is not sustainable to simply keep doing more of the same when it comes to reducing leakage and so we have begun an ambitious programme to change the way leakage reduction is achieved. Examples of our innovative approach include:

    - embracing the use of satellite technology to locate leaks; and
    - our Intelligent network (iDMA) to help us to identify and locate leaks quicker, reducing runtime and volume.

88. In the medium to long-term we must invest in our assets, renewing those at or near end of life as this is the only way we will reach the sustainably low levels of leakage that we aspire to. We began this process in AMP7, and we intend to continue with it in future AMPs building on our successes so far and using our DMA Asset Health programme to inform our decision making so we deliver best value for customers.

89. We also compare favourably when considering international leakage levels, especially when accounting for the age of our pipework and fittings and that of our customers'. We regularly look overseas for new innovations, technologies and techniques we can bring to our network. An example of this is our adoption and widespread use of e-Pulse condition assessment solution[13] for water mains. This technology, currently used more widely in North America is helping us to target investment to areas of our network where we will get the greatest leakage savings.

90. We intend to surpass the Government's leakage reduction target of 50% by 2050 and achieve instead a 50% reduction by 2041 and over a 62% reduction by 2050. This is because our customers expect us to do more to reduce leakage as quickly as possible and have indicated they will be more willing to reduce their own water use if we can demonstrate progress in this area. To be able to achieve this, we will double leakage reduction (relative to 2019/20 baseline) by 2029/30 vs the 2024/25 PR19 exit position.

91. We have identified a number of enhancement investments required to reduce leakage as set out in Appendix SES008. Combined, these will contribute to nearly half of the reduction we plan to achieve by the end of AMP8. Our leakage enhancement strategy is built on the basis of three key pillars with initiatives planned on multiple areas of leakage management including active leakage control (ALC), pressure/network optimisation and asset renewal. We will also specifically target customer side leakage through our smart metering programme.

92. Our proposed PC targets are presented in Table 8 below. We will deliver up to 14.4% reduction in leakage (relative to 2019/20 baseline) from base expenditure by the end of AMP8 with the remaining being funded by enhancement expenditure.

[13] This technology uses acoustic sensors to measure the speed of sound though buried water main assets. This measurement is converted to an assessment of pipe condition and the remaining life of the asset can be calculated.

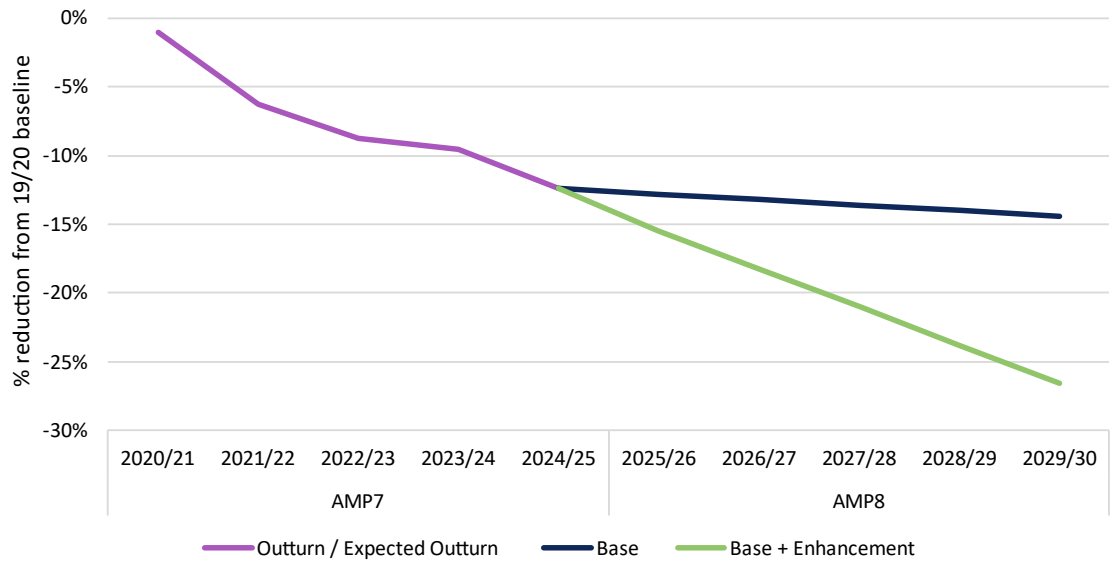
Table 8: Proposed leakage performance commitment level

Unit: % reduction from 19/20 baseline[14]	PR19	PR24					PR29	PR34	PR39	PR44
	24/25	25/26	26/27	27/28	28/29	29/30	34/35	39/40	44/45	49/50
Delivered from base		-12.8%	-13.2%	-13.6%	-14.0%	-14.4%	-16.4%	-18.4%	-20.3%	-22.3%
Improvements from enhancement		-2.6%	-5.0%	-7.4%	-9.8%	-12.2%	-21.7%	-28.9%	-35.0%	-40.2%
Net performance	**-12.4%**	**-15.5%**	**-18.3%**	**-21.0%**	**-23.8%**	**-26.6%**	**-38.1%**	**-47.2%**	**-55.4%**	**-62.5%**

Source: SES Water analysis

93. Continuing our approach from PR19, we fundamentally believe a mix of all interventions are needed to achieve the required balance between affordable leakage reduction in the short-term and sustainable and affordable reduction in the medium -to long-term. Our aim is to achieve the right mix of interventions now that spreads the cost and benefits over the entirety of the 25-year planning period and beyond. We describe our leakage reductions methods and interventions in more detail in Chapter 10 – Making it happen: Our Delivery Plan with the balance of performance improvement from base and enhancement spend illustrated in Figure 7 below.

Figure 7: Leakage – PR24 expected performance from base and enhancement



Source: SES Water analysis

94. For PR24, we consider Ofwat should apply an enhanced leakage incentive which would apply in cases where our leakage performance exceeds our expected P90 performance threshold. We consider this would provide an additional financial incentive to deliver exceptional performance across the AMP8 period but note Ofwat's final methodology on enhanced ODIs and look forward to reviewing Ofwat's proposals in this area at draft determinations.

[14] Three-year rolling average basis from 2019/2020 levels.

Mains repairs

95. Burst water mains can often result in a temporary loss of supply and are a measure of the condition of our underground pipework.

96. Mains bursts and the associated number of repairs are seasonal, with distinct peaks in periods of prolonged dry weather or during freeze/thaw events.

97. One way we manage the number of mains repairs on our network is by using data-driven asset management strategies. These strategies facilitate proactive maintenance and replacement of critical infrastructure components. By analysing data on the condition, age, and performance of assets, we can continue to prioritise investments and minimise the risk of infrastructure failures that could impact the water supply – continuing and improving our leading activity in our smart network and asset health assessments.

98. As we set out in Chapter 3 – Our Track Record, we have historically performed well in this area at an average of c. 70 bursts per 1,000km of mains since 2017/18, comparative to the industry average of 126 bursts per 1,000km of mains. However, in 2022/23 we, along with the rest of the sector, saw a significant increase in mains bursts due to the impact of the drought on soil moisture deficit (a key factor known to influence burst rates), which increased to levels not seen since the 1970s. Furthermore, the subsequent freeze/thaw in December 2022 compounded the weather-related impact on network performance. Collectively, this caused our burst rates to increase by around two-thirds, to around 100 per 1,000km, but even in this challenging year, it remained some 30% lower than the industry average in the first two (benign) years of this AMP.

99. Despite 2022/23 being an exceptional year for us in terms of the number of repairs needed per 1,000km of mains, we plan to exit the PR19 period with around 59.0 bursts per 1,000km of mains. By 2050, we plan to reduce the number of repairs needed per 1,000km of mains on our network by almost half compared to our 2024/25 levels, as shown in Table 9 below.

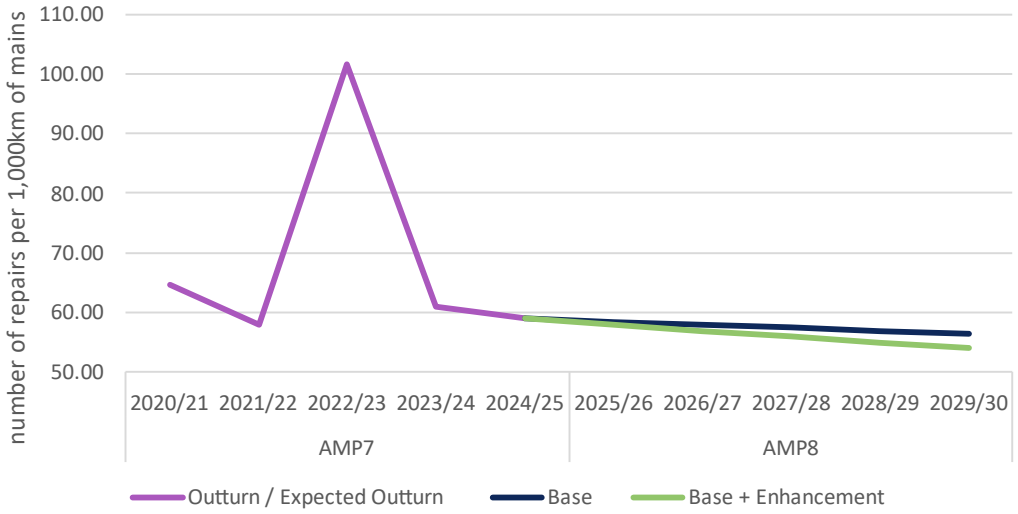
Table 9: Proposed mains repairs performance commitment level

Unit: Number of repairs/ 1000km of mains	PR19	PR24					PR29	PR34	PR39	PR44
	24/25	25/26	26/27	27/28	28/29	29/30	34/35	39/40	44/45	49/50
Delivered from base		58.5	58.0	57.5	57.0	56.5	54.0	51.5	49.0	46.5
Improvements from enhancement		-0.5	-1.0	-1.5	-2.0	-2.5	-5.8	-8.5	-10.6	-12.7
Net performance	**59.0**	**58.0**	**57.0**	**56.0**	**55.0**	**54.0**	**48.2**	**43.0**	**38.4**	**33.8**

Source: SES Water analysis

100. Given performance of the industry on the mains repairs measure since 2020, we believe this is a stretching common PC level. We understand the importance our customers put on this measure but are also mindful of the bill impact associated with a more ambitious reduction profile. Our proposed reduction in the number of repairs per 1,000km of mains can be delivered predominantly from base expenditure in the PR24 period. A small proportion of our targets will be delivered from enhancement expenditure into DMA Asset Health. This enhancement expenditure is primarily related to leakage reduction, but we expect this to also help us improve mains repairs. Expected performance from base and enhancement is illustrated in Figure 8 below.

Figure 8: Mains repairs – PR24 expected performance from base and enhancement



Source: SES Water analysis

Priority area #3: Help reduce water footprint and charge a fair, affordable price

101. We are cognisant customers' expectations of our service and communication with them is growing. There are also greater cost of living pressures which impact on our customers' ability to afford their water (and wastewater) bill.

102. To address such challenges, we will need to build deeper relationships with all of our customers. Smart technology will provide data to help us understand how customers use water and other aspects of our service. Presenting this through enhanced digital platforms will help us provide a more targeted and higher quality service to our customers and enable them to better manage their own water consumption. For example, digital architecture facilitates the integration and analysis of data from various sources, including metering systems, billing systems, and customer databases. This enables us to gain insights into customer behaviour, identify opportunities for targeted support, and implement fair pricing models that incentivise efficient water use.

103. Delivering deep and sustainable reductions in customer water use, alongside our ambitious leakage reduction activity are the cornerstones of our strategy to deliver resilient and sustainable water supplies in our WRMP. Our ambition to reduce household and business consumption aligns with the targets[15] set out in the Government's EIP.

104. To continue our journey helping customers to reduce their water footprint and charge a fair, affordable price for what you use, there are key activities and no- or low-regrets investments we need to deliver in the next five years. We describe these in detail and how they relate to our PCs in Chapter 10 – Making it happen: Our delivery plan.

PCC

105. The Government has set some ambitious targets in the EIP to reduce the use of public water supply in England per head of population by 20% from the 2019/20 baseline reporting figures, by 31 March 2038, with interim targets of 9% by 31 March 2027 and

[15] Our proposed reduction targets meet normal year interim targets, but only dry year final 2050 target.

14% by 31 March 2032. By 2050, the Government's ambition in the EIP is for per capita consumption to have dropped to 110 l/p/d.

106. The demographics of our customer base and current level of metering penetration mean household water use in our region is among the highest in the country at 155 litres per person per day. Our underperformance in this area relative to our targets in the current AMP has arisen from three key areas – and hence the focus at the PR24 period is to address as far as possible contacts emerging from three issues, namely:

- **Area #1:** the COVID-19 pandemic had three impacts:
  - **(i)** the shift to home-working and with this, the increase in use of water on a less-efficient basis – see Appendix SES064 - Impact of Covid on Water Consumption;
  - **(ii)** the inability to install meters for much of the first 18-months of the AMP owing to customer concerns around work on or in their properties, and;
  - **(iii)** the subsequent impact on supply-chain resilience, impacting the ability to obtain some of the necessary materials to progress with our universal metering programme.
- **Area #2:** the occurrence of two hot and dry summers within the first three years of the AMP, which has elevated summer consumption – particularly within our unmetered customer base.
- **Area #3:** the replacement of our billing system in the early stage of the current AMP has given rise to delays in moving customers from RV-based tariffs to metered tariffs. At present, we have around a 5% difference in customers who have a meter installed, and those billed via this meter. This time delay elevates our PCC by around 2 l/hd/d.

107. Reducing water consumption by over 40 litres per person over the next 25 years is a significant challenge. It is compounded by the warmer climate in the south-east and demographic factors as we have a higher proportion of more affluent customers, who typically use more water given these customers live in detached or semi-detached properties with gardens. Our customers have also indicated they will be more willing to reduce their own consumption if we do more to tackle leaks, therefore achieving our ambition in these areas is closely linked and our focus is on working with our customers to help them become more water efficient.

108. Our proposed PCC PC level is presented in Table 10 below. By 2029/30 we plan to achieve a PCC reduction of 11% from 2019/20 levels which allows us to meet the Government 2027 interim EIP target (based on our annual PCC glidepath).

Table 10: Proposed PCC performance commitment level

Unit: % reduction from 19/20 baseline[16]	PR19	PR24					PR29	PR34	PR39	PR44
	24/25	25/26	26/27	27/28	28/29	29/30	34/35	39/40	44/45	49/50
Delivered from base		-4.2%	-4.5%	-4.8%	-5.0%	-5.2%	-6.9%	-8.2%	-9.2%	-10.2%
Improvements from enhancement		-1.3%	-1.9%	-2.4%	-2.8%	-3.2%	-5.2%	-5.3%	-5.2%	-5.0%
Delivered from Govt. initiatives		-1.0%	-1.5%	-1.8%	-2.2%	-2.5%	-3.9%	-7.0%	-8.7%	-10.5%
Net performance	**-3.5%**	**-6.6%**	**-7.9%**	**-9.0%**	**-10.0%**	**-11.0%**	**-16.0%**	**-20.5%**	**-23.1%**	**-25.7%**

[16] Three-year rolling average basis from 2019/2020 levels.

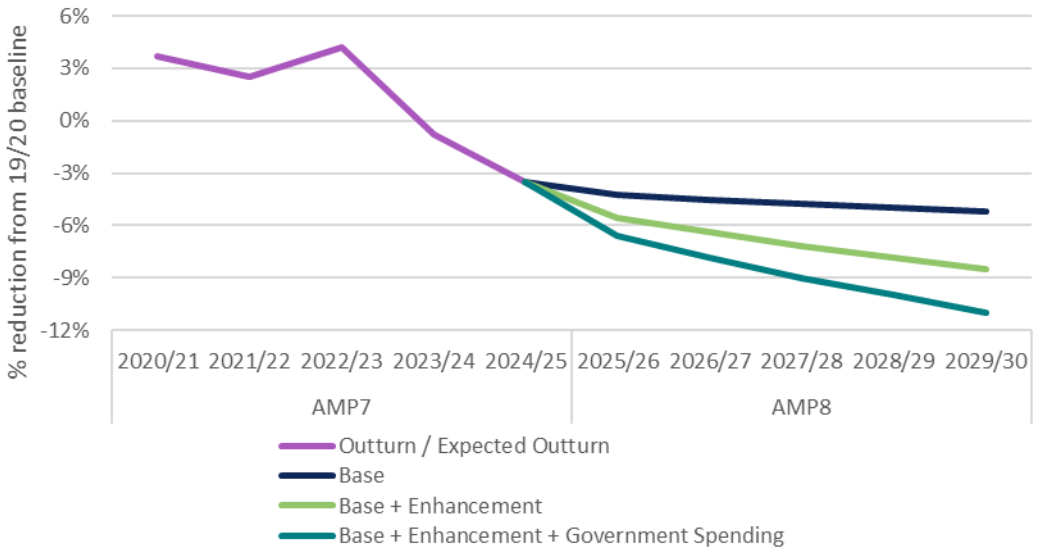
Source: SES Water analysis

109. There is a significant number of activities that contribute to our overall performance, and these are funded via a combination base and enhancement expenditure. We will deliver reductions from 2019/20 baseline levels of between 4.2% and 5.2% from our base expenditure, and between 1.3% and 3.2% reduction from enhancement. The remaining 1.0% to 2.5% reduction from the 19/20 baseline is assumed to be delivered via Government initiatives over AMP8, as illustrated in Figure 9 below.

110. The main activities that will drive such a reduction is our smart metering programme which will incentivise customers to reduce their consumption and provide opportunities to identify any plumbing losses that may have gone unnoticed otherwise. We currently assess this as being around 10 l/hd/day on average. More specifically, implementing smart metering and monitoring devices and systems provides real-time data on individual water usage behaviour. This will empower our customers to monitor their consumption, make informed choices, and take measures to reduce it. It also facilitates fair pricing based on actual consumption (instead of estimated consumption) while reducing billing queries and discrepancies as seen with legacy non-smart meters and estimation.

111. In our move towards a more proactive approach in managed PCC, using smart meter data and automated triggers in our system, we can have more informed conversations at an earlier stage to encourage our customers to take action to reduce usage or tackle plumbing losses (e.g., losses through dripping taps or leaking toilet cisterns). We expect an increasing element of PCC improvement will result from immediate plumbing losses detection and handling.

Figure 9: PCC – PR24 expected performance from base, enhancement and government interventions



Source: SES Water analysis

112. Beyond the impacts of smart metering, we aim to achieve further reductions in PCC through the following initiatives discussed in further detail in Chapter 10: Making it happen – delivery plan:

- **Household customer care and visits**. We will use the enhanced water consumption data we collect to better assist households with reducing their consumption using self-service tools and providing in home help and devices.

- **Tariff innovation and improving customer awareness and relationships**. We will work with our customers to design innovative tariffs that help incentivise positive behaviour.[17]
- **A strategic approach to marketing.** To enable us to reach a broader audience allow us to establish stronger brand awareness in our supply area and build a deeper connection with our customers. In turn this helps to build trust and influence behaviour change.
- **Education, incentives and technology from third parties will aid in reducing consumption.** Alongside Government introducing new water efficiency policies including water labelling, minimum standards for water using products and new building regulation for new homes and retrofits.

Business demand

113. The Government has set some ambitious targets in the EIP to reduce the use of non-household consumption in England by 9% from the 2019/ 2020 baseline reporting figures by 31 March 2038 and by 15% by 2050.

114. Business consumption is currently at around 23.0 Ml/d, but this has varied significantly over recent years owing to the COVID-19 pandemic. In 2019/20, business consumption averaged around 26.2Ml/d. This then dropped to 24Ml/d then 22Ml/d in the two years that followed the commencement of the pandemic. We forecast the business sector will continue to recover over the next three years before consumption begins to drop, this time as a result of water efficiency measures deployed during AMP8.

115. Our business customer base of around 14,000 premises can be split into three broad segments: small businesses, whose consumption is similar to household properties i.e. up to around 1m^3/property/day (80% of our customer base); commercial customers, including schools, offices, larger retail outlets, hospitality who use between 1-5m^3/day (15%), and; industrial customers, including manufacturing, data centres, larger sports facilities and Gatwick Airport, our largest customer.

116. Our proposed business demand PC level is presented in Table 11 below. By 2029/30 we plan to have achieved a reduction of 5.1% from 2019/20 levels which will put us on track to meeting the 2038 interim EIP target and 2050 EIP target.

Table 11: Proposed business demand performance commitment level

Unit: % reduction from 19/20 baseline[18]	PR19	PR24					PR29	PR34	PR39	PR44
	24/25	25/26	26/27	27/28	28/29	29/30	34/35	39/40	44/45	49/50
Delivered from base		-2.9%	-2.0%	-2.3%	-2.6%	-2.8%	-4.6%	-6.9%	-9.3%	-11.8%
Improvements from enhancement		-1.8%	-1.3%	-1.6%	-2.0%	-2.3%	-3.5%	-4.1%	-4.6%	-5.1%
Net performance	**-7.2%**	**-4.7%**	**-3.4%**	**-4.0%**	**-4.5%**	**-5.1%**	**-8.1%**	**-11.0%**	**-13.9%**	**-16.9%**

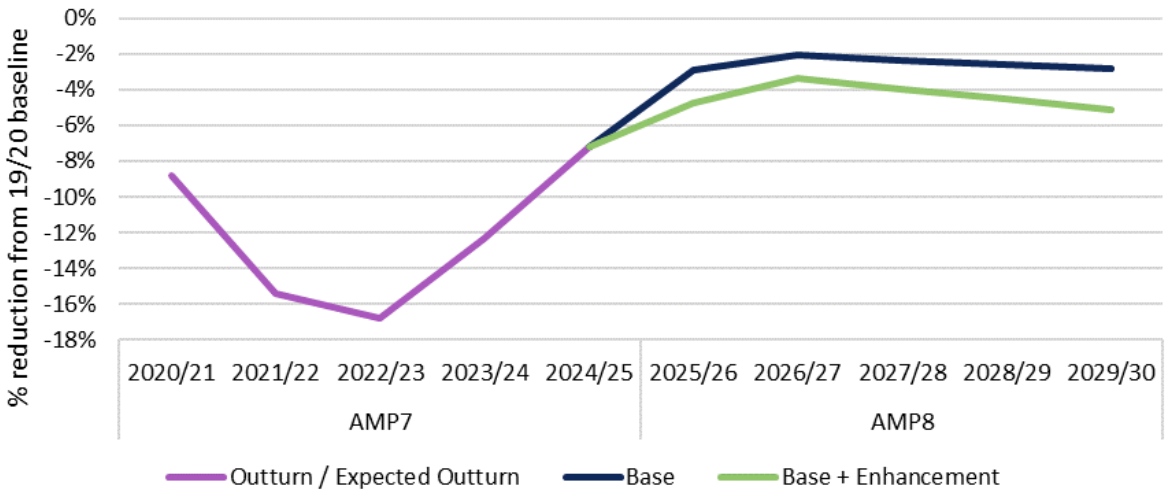
Source: SES Water analysis

117. There is a number of activities that contribute to our overall performance which are funded through a mix of base and enhancement expenditure, as shown in Figure 10 below. The main activities that will drive the reduction is the continuation of our non-

[17] The Consumer Council for Water's ("CCW") recent studies highlight how critical trust is in encouraging customers to engage with the need to reduce water consumption.
[18] Three-year rolling average basis from 2019/2020 levels.

household efficiency work and the delivery of our enhanced smart metering programme. We will also work with retailers who own the relationship with business customers to continue to encourage water efficiency. The actions that we will take to facilitate delivery of our targets in this area are discussed in Chapter 10: Making it happen – delivery plan.

Figure 10: Business demand – expected performance from base and enhancement



Source: SES Water analysis

C-MeX

118. Our ambition in this area is to build the trust of our customers so they value the water and service we provide. Today our service levels are not consistent with this; we were 13th in the C-MeX table for 2022/23 which is below the target that we set ourselves (and having ranked 14th and 15th in the C-MeX table for 2020/21 and 2021/22, respectively).

119. It is important that customers have confidence in the service we provide to them as they are not able to choose supplier. We will achieve this by consistently providing a level of service that matches their expectations based on their wider experience of service providers and by building their trust through everything we do and the way that we engage with the communities that we supply. Customers who are satisfied with the service we provide and trust us as a company are more likely to positively engage with us around topics including behaviour change and the reduction of water consumption.

120. Our customers have told us that it is important that we respond to and resolve their queries quickly. Today we answer over 85% of calls within 30 seconds and reply to emails within five working days on average, while approximately 25% of household customers have now registered for our self-service platform MyAccount which enables them to complete simple transactions whenever it suits them. We will continue to offer excellent service over the telephone to customers who want it and intend to respond to written enquiries within two working days. We will also expand the range of digital channels on offer to our customers and increase the penetration of self-service options.

121. In the PR24 period, we want to improve our C-MeX scores and consistently perform above the water industry median throughout the period. We will fund this level of performance predominantly from base expenditure; we anticipate that enhancement cases in other areas may contribute to a small improvement in performance on C-MeX, mainly PCC through our smart customer programme.

122. To deliver this performance improvement we will align our systems, processes and structures to end-to-end customer journeys with clear process ownership and right first-time metrics at all points as discussed in Chapter 10: Making it happen – delivery plan and Appendix SES013 - Household Customer Strategy. In summary:

- We will leverage our investment in digital solutions and the increased level of data available to us through initiatives such as smart meter roll out to introduce more automated and proactive service interactions.
- We intend to provide a substantive response to all complaints within two working days and to reduce the number of complaints that we receive from household customers.
- We will build and monitor reporting that enables us to identify our worst served customers, including those who experience the same issue on more than one occasion, and design interventions to improve their experience of us.
- We will become inclusive by design. We intend to achieve accreditation under the British Standard for Inclusive Service by 2025 and build partnerships with other organisations across our supply area to increase our understanding of our customers' specific needs and how best to meet these.
- We will continue to listen to our customers and future bill payers to build our understanding of how they feel about our service and how their needs and expectations are changing. We will involve customers in creating solutions and show them how their feedback is informing what we do.
- We will embed a customer-centric culture across the business. We will design our colleague experience to align to our target customer experience and ensure that every one of our colleagues and those working for our 3rd party suppliers are clear about their role in delivering for our customers. We will also increase the frequency and relevance of communications with our customers.

BR-MeX

123. Our ambition in this area is to provide a positive experience for both retailers and end business customers when engaging with us as the wholesaler. Our standing in the most recent (February 2023) R-MeX (Retailer measure of experience) is 9th with a score of 7.50, the median was 7.56.

124. During the PR24 period, we will aim to consistently perform at the median or above the water industry median BR-MeX scores throughout the period.[19] We will fund this level of performance improvement from base expenditure. As discussed in Chapter 10: Our delivery plan we propose to deliver on our ambition via internal training initiatives, engaging in industry working groups and collaborative working with retailers.

D-MeX

125. Our ambition in this area is for all developer services customers, including the competitive element to agree that they have received a reliable, consistent and efficient service from us. In the PR24 period, we want to improve our D-MeX scores and consistently perform at the median or above the water industry median throughout the period. We will fund this level of performance from base expenditure.

126. We have significantly improved our D-MeX performance from a score of 60.20 in 2020/21 to score of 84.91 in 2022/23, a movement from 17th place to 12th. While it will be

[19] We note that Ofwat's July 2023 consultation on the measures of experience states that Ofwat will set out their proposed incentive design in the draft determinations, before finalising their decisions in the final determinations. To support the development of BR-MeX, we are an active member of the BR-MeX working group engaging with trading parties and CCW through industry workshops.

challenging to increase our ranking given the high expectations from developers and the performance of other companies, we are building on the foundations we have put in place to continue to improve the service we provide. In Chapter 10 we discuss how we will deliver, including how we expect to manage changes in the mix of customer types over time, support open competition for customers who have a choice in the provider of their developer services and deliver an excellent service for customers who choose us as their provider and/or where the connection is non-contestable.

Priority area #4: Improve the environment and have a positive impact on our local area

127. Our role as a responsible water company, goes beyond just providing drinking water to our customers. We want, and our customers expect us, to improve the environment and have a positive impact on our local communities as this is central to our company purpose. To achieve this, we will work in partnership with other organisations to combine funding and deliver wider benefits. We want to reduce the carbon footprint of our business activities and wider environmental impact whilst enhancing biodiversity and improving the quality of rivers and streams. We also want to build a productive workforce, contribute to skill development and advancement of young people in our communities as well as engage with, understand, educate and influence (and be influenced by) current and future bill payers.

128. To continue our journey improving the environment and having a positive impact on our local area, there are key activities and no- or low-regrets investments we need to deliver in the next five years. We describe these in detail and how they relate to our performance commitments in Chapter 10 – Making it happen: Our delivery plan.

Operational GHG emissions

129. At PR19, we put forward a GHG emissions bespoke PC, which was unique as a water-only company – and have outperformed our target so far in this AMP. Building on our success, and accounting for the changes in the Carbon Accounting Workbook (CAW) and the resulting changes to Ofwat's PR24 common operational GHG emissions PC (accounting for scope 1, 2 and 3 emissions), we propose to put forward a metric that we believe will most effectively illustrate the ongoing work we are delivering to decarbonise our operations.

130. In following Ofwat guidance on greenhouse gas reduction hierarchy[20], our route map continues to prioritise reduction in demand as a primary focus. However, through the normalisation process required to provide cross-industry comparison, such reductions would not be visible under the common PC. Furthermore, our relative size, scope of operation and geographical base makes location-based interventions inefficient and challenging to deliver. Our unique requirement to soften water is itself responsible for over two-thirds of our current operational emissions.

131. In preparing this business plan, we have restated our operational GHG emissions based on the PR24 common PC and have assessed the rate at which decarbonisation can continue through a combination of our proposed location- and market-based interventions, aligning with emissions reduction hierarchy principles. We have chosen to adopt a mid-case scenario of reduction (slower than a technically possible best case but assessed as better value in mind of levels of customer support and competing priorities) which continues to focus on the benefits that our ongoing work to reduce water use, becoming more energy efficient and minimising our reliance on fossil fuels, will have on our operational emissions. This work revealed that aligning our targets with the

[20] Net Zero Principles position paper, Ofwat, January 2022

Government's target is the appropriate level of ambition. This level of ambition aligns with our customers' priorities as well.

132. Given our unique circumstances and the opportunities we have available to achieve our GHG emission goals, we have proposed a metric to sit alongside Ofwat's common PC for operational emissions that uses the same scope of emissions but allows for market- as well as location-based interventions to contribute to emissions reductions, along with the benefit of emissions factor reductions (set at 2021/22 in the PC) and is unnormalized to distribution input. A comparison of these trajectories is set out in Appendix SES035 - Operational GHG emissions – Proposed trajectory.

133. Our proposed PCL for Ofwat's common PC is presented in Table 12 below. This level of performance will be delivered from both base and enhancement expenditure in the PR24 period and include activities such as the progression of our demand-side reduction strategies in leakage, PCC and business usage; delivery of energy efficiency schemes with less than 5 years' payback across our asset base, alongside reductions in fleet mileage; minimisation of fossil fuel usage, including removal of gas and fuel oil, and ongoing switching to EVs; and moving away from current REGO-backed energy purchasing to a fully-green power purchase agreement.

134. While performance improvement overtime will primarily be delivered by base expenditure (as illustrated in Table 12), we note that enhancement expenditure which will reduce our demand and leakage will have a secondary impact on aggregate demand reduction.

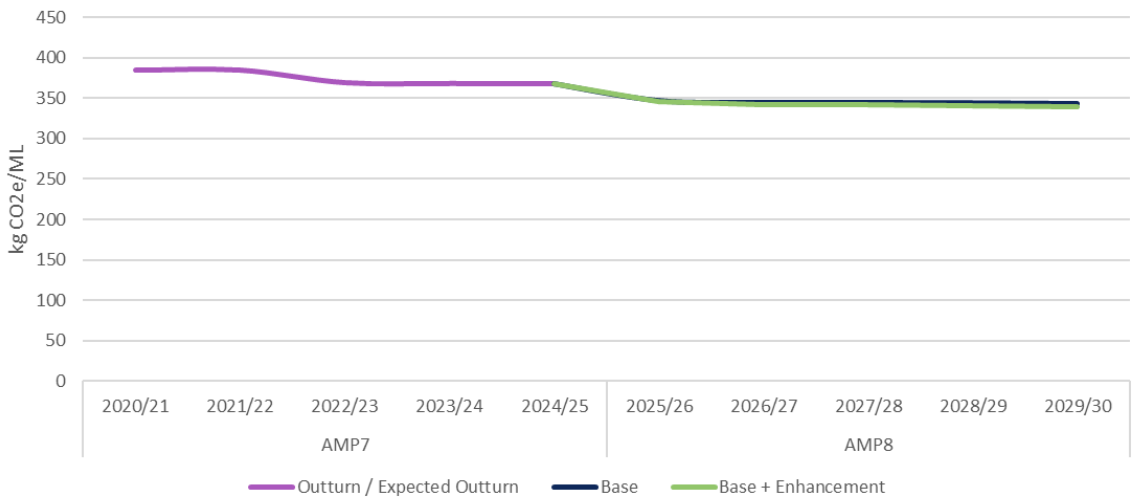
Table 12: Proposed operational GHG emissions performance commitment level

Unit: kgCO2e/Ml	PR19	PR24					PR29	PR34	PR39	PR44
	24/25	25/26	26/27	27/28	28/29	29/30	34/35	39/40	44/45	49/50
Delivered from base		346.8	344.4	344.4	343.9	343.0	337.4	337.2	334.9	332.5
Improvements from enhancement		-1.2	-2.7	-3.2	-3.2	-3.2	-9.0	-9.8	-10.0	-10.3
Net performance	**367.98**	**345.6**	**341.7**	**341.2**	**340.6**	**339.7**	**328.4**	**327.5**	**324.9**	**322.2**

Source: SES Water analysis

135. The evolution of expected performance against this PC is also illustrated in Figure 11 below.

Figure 11: Operational GHG emissions – PR24 expected performance from base and enhancement using Ofwat's common performance commitment



Source: SES Water analysis

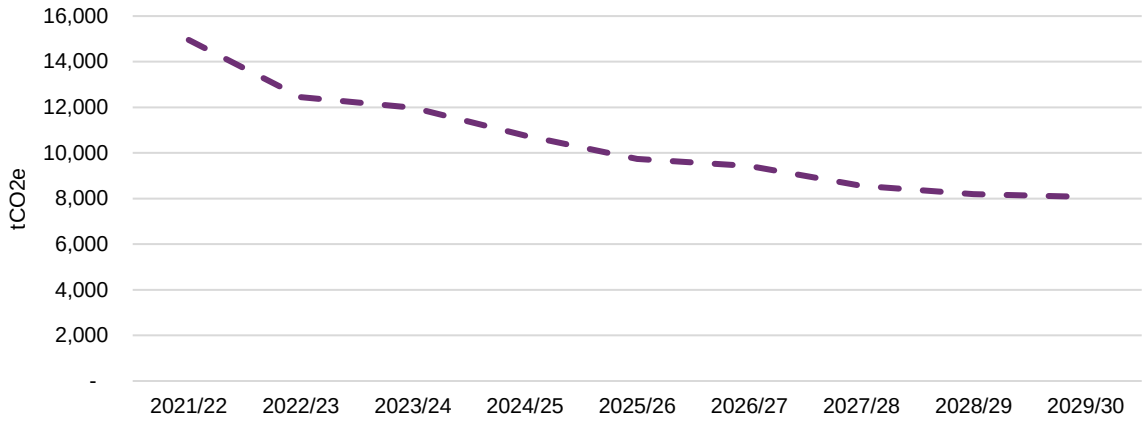
136. Figure 11 above aligns our PCL targets to Ofwat's common PC definition. However, for the reasons set out above, we consider our business plan ambitions for improving operational GHG emissions are more effectively captured by our proposed reporting metric that captures our unique circumstances. The trajectory of this metric is shown in Table 13, Figure 12 and discussed in Appendix SES063 - Price Control Deliverables and Additional Reporting Metrics. Figure 12, in particular, illustrates that we are targeting stretching and ambitious reductions in our GHG emissions given our unique circumstances and opportunities to achieve reductions.

Table 13: SES alternative operational GHG emissions reporting metric

Unit: tCO2e	PR19	PR24					PR29	PR34	PR39	PR44
	24/25	25/26	26/27	27/28	28/29	29/30	34/35	39/40	44/45	49/50
Performance	10,762	9,742	9,430	8,557	8,187	8,072 [1]	7,406	6,733	5,638	5,051

Source: SES Water analysis, Note 1 – at this point softening processes contribute c. 6000 tCO2e of forecast GHG emissions.

Figure 12: Operational GHG emissions – PR24 expected total performance under SES alternative emissions reporting metric



Source: SES Water analysis

137. We are not putting forward a bespoke PC on embedded GHG emissions given the uncertainty with regards to how this is measured which would result is a poorly defined bespoke PC that would not be fit for purpose to be incentivised in PR24. That said, we are committed to reducing our embedded GHG emissions as part of our activities and for the reasons set out above have proposed an additional metric to track our performance during the AMP, based on the same principles as our operational GHG emissions metric. This is discussed further in Appendix SES063.

Biodiversity

138. Since PR19 we have seen our customers' attitudes towards the environment evolve and there is now a higher expectation for us to go beyond simply protecting the environment and to work to actively improve it. The increased awareness of issues facing our rivers, largely driven by the high levels of publicity surrounding stormwater spills by wastewater companies and the increased popularity of sports like wild swimming and paddleboarding have brought river health into sharp focus for our customers.

139. The Government has committed to supporting nature recovery and increasing biodiversity. We believe we have a role to play in achieving this on our own sites and the areas we work. In fact, over the last five years we have improved the way we manage the land we own to help promote biodiversity gain. We are the only water company to currently hold the Wildlife Trust's Biodiversity Benchmark, which positions us well for the future.

140. Our plan aims to expand upon this work – and our learnings to date – such that our biodiversity performance commitment covers 80% of the land we own. Three operational sites – comprising over 260 hectares – will become our initial focus as their locations are strategically important in relation to the ability to progress landscape-wide biodiversity enhancement, along with improved amenity and educational opportunities as part of work to deliver ecosystem services. Our ambition is to create 530 new biodiversity units on our own land by 2050 – increasing the overall number of biodiversity units created by at least 25%.

141. As our WINEP work progresses over the next AMP – we will nominate additional areas of land within our region (as is foreseen in the construct of the Ofwat biodiversity PC) to deliver nature recovery over the long-term. This will form the second tier of biodiversity net gain, which is yet to be calculated. Our WINEP programme also contains

investment to protect habitats in water sources from which we abstract water and to reduce the spread of invasive non-native species, both of which are statutory requirements. In addition, where we go further to deliver a programme of work that will enhance the River Eden and River Mole catchments, the health of which we are reliant upon for our abstraction operations, we will explore a range of nature-based solutions to improve both the water quality and quantity in these rivers. The progression of our statutory and non-statutory WINEP over the next AMP will help inform future phases of biodiversity net gain and provides the second tranche of the biodiversity enhancement proposals within our plan.

142. Our proposed Biodiversity PC targets are presented in the table and figre below. This level of performance will be delivered from a mix of base and enhancement expenditure in the PR24 period and include activities such as:

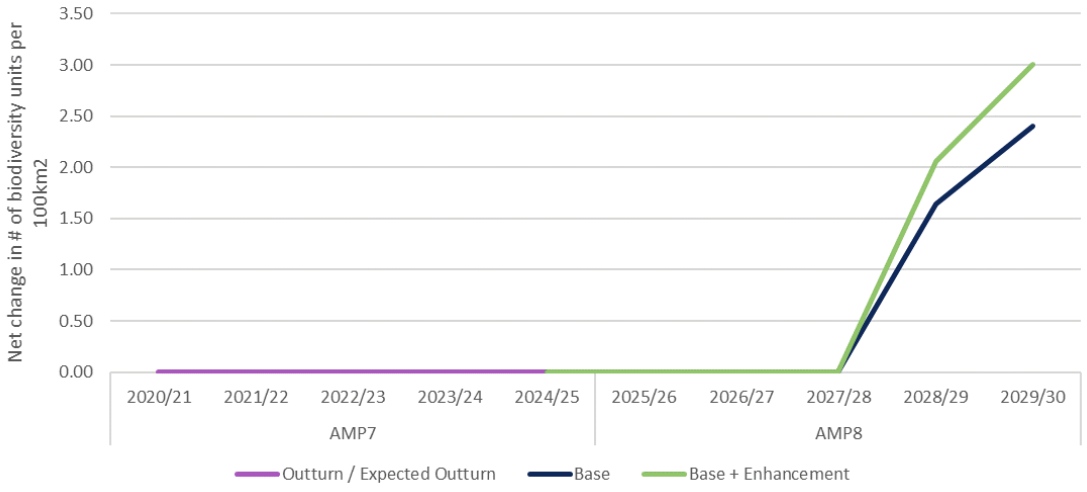
- The ongoing transformation of the three operational sites above noted above, working both individually and with partners to deliver long-term nature recovery across these sites;
- The widespread adoption of appropriate operational land management techniques aimed at long-term improvement of key habitats; and
- Targeted projects aimed at managing water bodies on our sites to encourage nature and ongoing site monitoring to assess changes in species range and numbers.

Table 14: Proposed biodiversity performance commitment level

Unit: Net change in # of biodiversity units per 100km2	PR19	PR24					PR29	PR34	PR39	PR44
	24/25	25/26	26/27	27/28	28/29	29/30	34/35	39/40	44/45	49/50
Delivered from base		0.00	0.00	0.00	1.64	2.41	2.89	46.67	51.19	51.19
Improvements from enhancement		0.00	0.00	0.00	0.41	0.60	0.72	11.67	12.80	12.80
Net performance	**0.00**	**0.00**	**0.00**	**0.00**	**2.06**	**3.01**	**3.61**	**58.34**	**63.99**	**63.99**

Source: SES Water analysis

Figure 13: Net change in # of biodiversity units – PR24 expected performance from base and enhancement



Source: SES Water analysis

Serious pollution incidents

143. At PR19, we were the only water only company to put forward a bespoke PC for serious pollution incidents (comprising 'category 1 serious and 'category 2 significant' incidents under the EA definition), despite this metric being historically associated with wastewater companies. Over the years, we have maintained a strong environmental record, having caused no serious pollution incidents over the last 15 years.

144. When pollution incidents have occurred, they are almost exclusively caused by mains bursts, resulting in debris finding its way to local watercourses, and tend to be classified as category 3 (minor) or category 4 (unsubstantiated). Both we and the EA believe such occurrences to be under-reported across the sector. That said, we have worked hard over the last three years to improve our self-reporting of pollutions, achieving an average of 92% during this AMP (with two years achieving 100%) whilst also consistently delivering one of the lowest levels of mains repairs (bursts) in the sector.

145. We maintain a strong focus on all potential sources of pollution and with a required focus on our network operations, the introduction of our smart network now allows us to respond to mains bursts far quicker than historically, through the provision of near real-time data. We have also worked closely with the EA to deliver joint training to ensure that our teams are suitably informed to be able to assess, classify, report and mitigate pollutions once they arrive on site. The inevitable result of the work we have completed so far is that we have a more comprehensive view on the totality of potential or actual pollution incidents that occur.

146. We will continue to maintain our strong performance in this area as we know that our customers expect us to protect the environment and its health is essential for our service. Our proposed PC targets are presented in table below. This level of performance will be met from base expenditure in the PR24 period and include activities such as:

- Ongoing focus on operational, maintenance and investment procedures which help underpin our external ISO9001 and ISO14001 quality and environmental management systems (QEMS) accreditation;
- Continued embedment of our iDMA system capabilities to improve response times;
- Further targeted mains replacement;
- Continually improving our assessment, mitigation and resolution of pollution incidents, supported by ongoing training and assistance from colleagues within the EA; and
- Ongoing capital maintenance of our water treatment works, pumping stations, service reservoirs and water towers.

Table 15: Serious pollution incidents proposed performance commitment level

Unit	PR19	PR24					PR29	PR34	PR39	PR44
#	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2034/35	2039/40	2044/45	2049/50
	0	0	0	0	0	0	0	0	0	0

Source: SES Water analysis

Discharge permit compliance

147. We have maintained a strong environmental record, through 100% compliance without discharge permits in the PR19 period so far, except for a minor non-numerical infringement at our Godstone WTW in 2020 – which we self-reported to both the EA and Ofwat upon discovery. This is a result of our ongoing focus on the operation, maintenance and investment in all our above and below ground assets, our adherence to our external ISO9001 and 14001 accreditation standards, the training and focus provided to our employees and supply chain partners and underpinned by a strong culture of long-term environmental stewardship.

148. We will continue to maintain this strong performance in PR24 as we know that our customers expect us to protect the environment and its health is essential for our service. Our proposed PCL is presented in Table 16 below. This level of performance will be met from base expenditure in the PR24 period and include activities such as:

- Ongoing focus on operational, maintenance and investment procedures which help underpin our external ISO9001 and ISO14001 QEMS accreditation;
- Ongoing capital maintenance of our water treatment works, pumping stations, service reservoirs and water towers; and
- Ongoing promotion of ownership and accountability around the importance of ownership of environmental issues, including the expansion of our safety 'Stop' card to incorporate environmental issues.

Table 16: Discharge permit compliance proposed performance commitment level

Unit	PR19	PR24					PR29	PR34	PR39	PR44
%	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2034/35	2039/40	2044/45	2049/50
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: SES Water analysis

Price control deliverables and additional metrics

149. As discussed above, in addition to our PCs, we propose three PCDs for our smart metering programme, customer-focussed lead replacement programme and the delivery of our water treatment works and network resilience schemes. These are linked to our enhancement cases in these areas and detailed further in Appendices SES006-010.

150. We have also identified six metrics that are linked to the delivery of our Company purpose, which we will measure and report on. These are explained alongside our proposed PCDs in Appendix SES063, and include:

- The number of customers in water poverty in our area;
- Levels of customer trust in us;
- The reach of our education programme;
- Our contribution to improving employability and career aspirations;
- Operational carbon emissions; and
- Embedded carbon emissions.

F. The Outcome Delivery Incentives we will be subject to

Ofwat's indicative ODIs

151. All PCs are associated with ODIs, that is, financial incentives with rewards and/or penalties, to encourage strong performance. Customer bills will be reduced to reflect the penalty we receive if we perform poorly. Conversely, if we perform well, we will benefit from additional income. The ODI rates for each PC will be set by Ofwat by drawing on customer preferences using a "top-down" approach based on equity return at risk – a change in methodology confirmed in August 2023. Ofwat has stated that the use of a top-down approach across all PCs ensures consistency in its approach to setting rates across the package of ODIs. The PCs will be subject to both financial underperformance and outperformance payments, mostly symmetrical except for statutory requirements or Ofwat regulatory requirements. Ofwat will apply limits on the maximum size of out- and under-performance payments (caps and collars) on some PCs.

152. Enhanced incentives will be applied to all companies for selected common PCs and for outperformance only. The ODI rate will be twice the size of the standard rates. With enhanced payments, Ofwat aims to incentivise outperformance that will have sector-wide benefits. Enhanced outperformance payments will be available for the following PCs: i) leakage, ii) PCC, iii) and water supply interruptions. Enhanced caps will be set for leakage and PCC.

153. Thresholds for receiving enhanced incentives will be set by Ofwat by using each company's PCL as a starting point. Ofwat will then apply a PC-specific common improvement factor to all companies. Companies that receive enhanced incentives will have to share the knowledge behind the successful performance. Ofwat will be able to recover the payments if it considers the knowledge sharing inadequate.

154. Ofwat's indicative ODI rates by PC are included in Appendix SES024 - ODI design and calibration.

Our views on Ofwat's incentive design

155. We are satisfied with the rationale for Ofwat's proposed move to a top-down approach for setting ODI rates at PR24, although as we note in Chapter 5, Ofwat's change in methodology for setting ODI rates as confirmed in August 2023 meant that we did not have time to conduct any further research of our own that was more in-line with Ofwat's original methodology and principles for setting ODI rates. More generally, we remain concerned about our risk exposure on certain PCs, namely:

- PCC;
- Business demand;
- Serious pollution incidents; and
- Discharge permit compliance.

156. In Appendix SES024, we describe our proposals to mitigate risk exposure for these four PCs and the resulting impact on our P10/P90 ODI RoRE ranhe.[21] We also provide our thoughts and comments on Ofwat's top-down approach for deriving PR24 ODI rates in Appendix SES024.

[21] As set out in Chapter 8 – Financing our plan.

Our proposed bespoke ODI – water softening

157. At PR19, Ofwat's approved an ODI rate of £-0.0333m (adjusted to 2022/23 prices) per deviation for our bespoke water softening bespoke PC. This was roughly in line with the value of our PR19 cost adjustment claim for water softening at the time.

158. For the PR24 period, we propose an underperformance-only ODI rate of £-0.0294m. No caps/collars or deadbands would apply. In Appendix SES024, we describe how we have calculated this proposed ODI rate.

ODIs for common Biodiversity & GHG emissions PCs

159. Ofwat has not proposed indicative ODI rates for Biodiversity and GHG emissions yet. As our knowledge keeps building in these areas over time, we are not in a position at this stage to propose ODI rates for these PCs. At draft determinations we will be better equipped to comment on Ofwat's proposed ODIs and/or propose alternative rates, if appropriate.

160. For the biodiversity PC, Ofwat should consider the following principles for setting an ODI rate:

- The PC is premised around us encouraging nature to return to an area; this cannot be forced and must happen naturally, i.e. we would not re-introduce species deliberately.
- The speed of return will be dependent in part of climate, e.g. cold winters can have significant impact on insect and bird populations.
- Significant aspects related to biodiversity are outside management control, as such a deadband would be essential under this PC to give companies some degree of flexibility before any rewards or penalties are being incurred.

161. We do not have any detailed comments to make at this time on how Ofwat should approach setting an ODI rate for GHG emissions except to note that consistent with our current greenhouse gas emissions PC, we would expect Ofwat to base the ODI rate with reference to underlying carbon pricing.