

# Your Water Your Say

Session 2  
16 November 2023



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# 1. Your Water Your Say meeting 2

## A. Introduction and overview

### Speakers

- Kevin Johnson, Independent Chair
- Ian Cain, Chief Executive Officer, SES Water
- Tom Kelly, Wholesale Director, SES Water
- Kate Thornton, Chief Customer Officer SES Water
- Paul Kerr, Chief Financial Officer, SES Water
- Kay Greenbank, Ofwat
- Shabana Ahmed, Ofwat
- Hayley Stanford, CCW
- James Mackenzie, CCW
- Steven Hobbs, CCW.

### Attendees

The meeting was attended by 120 SES Water customers, stakeholders, and community leaders, out of a total of 371 people who registered.

### Purpose of the session

On Thursday 16 November, SES Water held a 'Your water, your say' online meeting.

This followed a similar session held in April 2023, and the publication of SES Water's 2025 to 2030 business plan which was submitted to Ofwat in October 2023.

The second session was designed to share an outline of the draft business plan, explain how the plan has changed since the April session to reflect the feedback we received from customers and stakeholders and provide attendees with a chance to put questions about the company's future plans to members of its Executive Team.

Prior to the meeting, those registered were sent a link to a summary document of the 2025 to 2030 business plan, which can be found online at: [Our future plans - PR24 Business Plan and Long-Term Delivery Strategy \(seswater.co.uk\)](https://seswater.co.uk/our-future-plans-pr24-business-plan-and-long-term-delivery-strategy)

The meeting was hosted by Kevin Johnson, an independent chair, who was appointed by Ofwat and CCW.

Following Kevin's welcome and introduction, SES Water Chief Executive Ian Cain gave a 15-minute presentation on the company's proposed business plan for 2025 to 30.

A copy of the presentation can be viewed via [https://seswater.co.uk/-/media/files/seswater/your-water/ywys\\_presentation\\_final-smaller.pdf](https://seswater.co.uk/media/files/seswater/your-water/ywys_presentation_final-smaller.pdf)



After the presentation, attendees were invited to ask questions of the SES water panel, with a range of question submitted in advance and during the meeting.

Please note, the answers given in section B are provided as given by the SES Water Executive Team; the answers in section C have been drafted following the meeting.

## Next steps

Kevin explained that a copy of the presentation would be uploaded to the SES Water website shortly after the meeting, and the meeting record would be available within 21 working days of the date of the meeting.

CCW has also submitted its summary of the meeting to Ofwat, which will assist them in evaluating SES Water's business plan.

Dates of meetings held by Southern Water and Thames Water, who provide wastewater services to SES Water customers, were also shared.

Ofwat shared an online survey about water company's plans, which is available at <https://www.ofwat.gov.uk/regulated-companies/price-review/2024-price-review/your-water-your-say/your-water-your-say-survey/>, and stated they will run their own Your water, your say session in mid-2024 following the draft determination of water company business plans.



## B. Question and answer session

The question-and-answer section lasted around 90 minutes and was divided into the following themes:

- (a) High quality water – including water quality, water pressure, supply interruptions, leakage, water consumption and smart water meters
- (b) Securing future supplies – including water abstraction, water resources and population growth
- (c) Improving the environment – including carbon reduction and net zero, biodiversity net gain and improving rivers
- (d) Charging a fair price – including bills and affordability, customer services and complaints, innovation, profits, dividends, and executive pay
- (e) Other – including finances and ownership of SES Water.

A full transcript of the meeting can be found at: <https://seswater.co.uk/-/media/files/seswater/about-us/publications/16-november-23-ses-water-your-water-your-say-meeting-transcript-final.pdf>

### High quality water

**“Why is water so expensive and why is water wastage so high, with leaks often visible on the streets for so long?”**

Leakage is a challenge across the entire sector. We are a leading company in managing leakage reduction. As of today, about 13% of the water that we put into supply does not reach its intended destination. Two-thirds of that leakage comes from our network, and one-third comes from the customer side. That is among the lowest, if not the lowest, in the sector, but it is still too high.

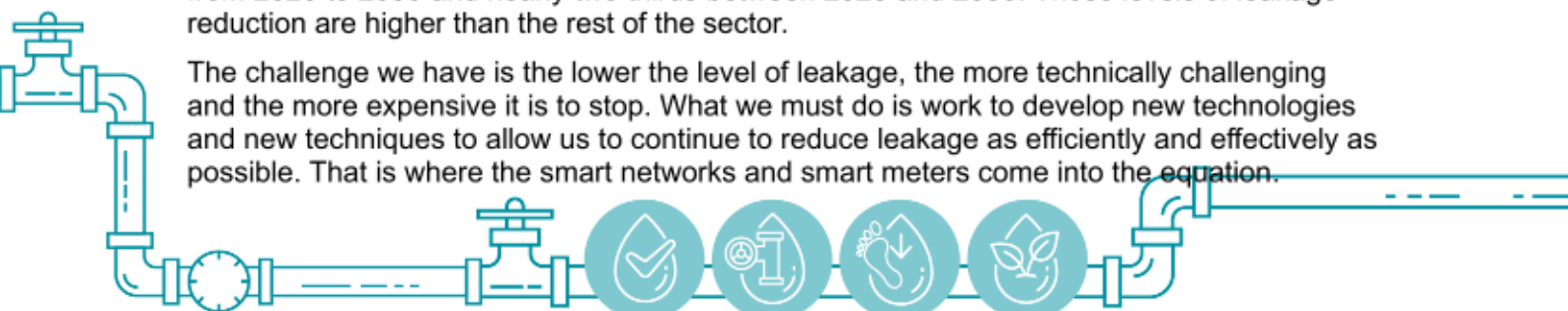
That is why we have made the commitment to reduce leakage by 26% (compared to 2019/20 levels) between 2020 and 2030. That is a 25% reduction. We are pushing hard to reduce that leakage as quickly as possible. We have introduced technology now that allows us to identify and locate leaks far quicker than we ever have before. We have seen our ability to reduce the length of time leaks run for, by about 40% but there is more that we need to do.

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

**“What percentage of water is currently lost, not on supply but on the infrastructure? You are trying to reduce it by 25%, which does not sound terribly brilliant. What is the starting point here?”**

The starting point is that 13% of the water that we put into supply leaks before it is delivered. About eight to nine 9% of that is on our network, and the balance is on customers' pipes. That is still too high. We are talking about reducing leakage by one quarter over the period from 2020 to 2030 and nearly two thirds between 2020 and 2050. Those levels of leakage reduction are higher than the rest of the sector.

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



**“My concern is that our bills have gone up by 185% over 13 years. We are paying nearly £800 or £900 pounds for water in Caterham. What have we received for it over that period? There is no reduction over that period. The question really is about where all the money has gone from the revenue you have raised during this period? Why are you tackling this now? Why has this not been put in place far earlier?”**

Firstly, the number you quote is a combined bill, that is water and wastewater, so one part of that question needs to be directed at Thames Water. There is base inflation within that number as well, which we would need to take out. Our average bill for the year from April 2023 is £215. This works out at around 60p per day.

Regarding the water supply service that you are getting in Caterham, it is part of an operation that is delivering a performance that is undeniably one of the best in the sector in terms of water quality, leakage, resilience, the risk of supply interruptions and everything that goes with that from an inconvenience perspective. When you look at the service that you are getting from SES Water, we have worked hard to get us to a point where we are leading the rest of the sector and in the things that matter most to customers.

**“First of all, our water quality is fantastic. There are a lot of positives with SES Water. I do not want to just complain. The leakage is just appalling. 26% is just not ambitious enough, and it is by 2050. Can you just not improve that with the technologies? I work in a very specific sector, and we use AI and all these things, which has just changed the way that we work. Can you not embrace the new technologies and really go for it?”**

The reduction we are targeting is based on what we can predictably deliver based on our knowledge of technology enhancement now. In five or 10-years' time, it may be the case that we are saying that 62% is not ambitious enough. There is now technology coming to market that will allow us to go further and further.

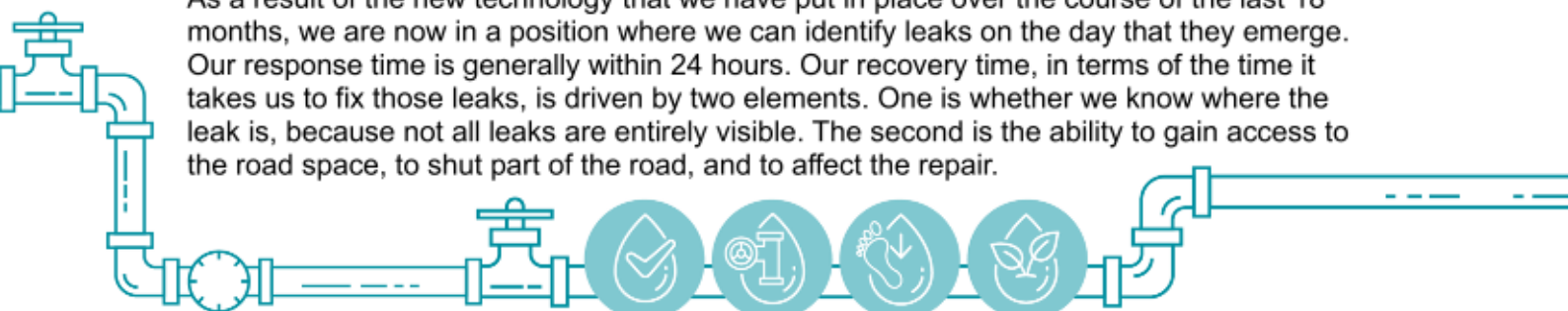
We have put forward an ambition on leakage reduction that is higher than anybody else in the sector. There is a governmental target of halving leakage by 2050. Some companies have said they can hit that, some have said that they cannot hit that, but we are the only company to say we will exceed it.

This is not a static pledge. This will change as time progresses, as the knowledge about what technology can deliver for us improves. However, I suspect that number, in terms of reduction, will only go up rather than down as we learn more about what new technology can help deliver.

The concept of going digital and driving AI is right at the heart of our plan. We are at the start of that journey, and it just gets better. AI is within the technology suite that we have to drive more information, better informed decisions and to drive down our leakage as we are working. We are the first water company in the UK to be doing so. The industry is constraining itself in some way by a government target of 50%, but we are not. We will not allow ourselves to do that. We think we will find over time that AI does not just enable this area of our business but many others.

**“What is the response time to a water leak in a public area?”**

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



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

**“I would like to know why you are trying to force people to use a water meter and putting up the price if they do not comply. It is not fair, and it is a dirty tactic.”**

We, along with every other water company in the south-east, operate in a water-stressed area. That allows us, under government direction, to introduce a compulsory meter if we receive customer support and we are doing that now. About 73% of our customer base is currently metered. We have made a commitment to get to 90% by the end of this five-year period (2025)

As part of our business plan, we have proposed to upgrade these meters from standard visual read meters to smart meters, which provide significant advantages. These include identifying customer-side leakage quickly, and avoiding the damage and inconvenience that this can cause to our customers, and also helping to reduce customer consumption, because customers will have better visibility on almost a real-time basis of where they are using water.

Installing meters is the fairest way to charge for water for everybody. We, and several other companies, have introduced a policy to incentivise customers who are unwilling to give us access to fit a meter through the application of a no access charge. This is so that we can install meters and we can charge all our customers on a fair and equivalent basis for the water they use.

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

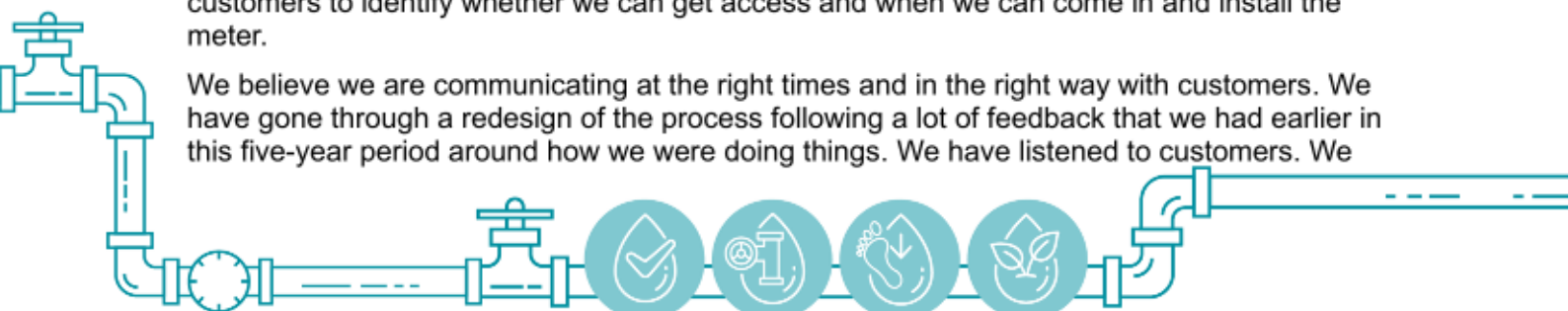
We recognise that there is a big piece of work to do to get the communities and the customers that we serve comfortable with this concept. Smart meters do not come with the best reputation. The energy sector is further ahead in the rollout of smart metering. Elements of that programme have received some very negative press over the course of the last 12 months. We are fighting against that, so we are not starting from the best possible position.

However, it is about ongoing engagement and transparency. It is about understanding and hearing the concerns that customers have about smart meters and what their intended use is, and, on an individual basis, help people through that process. We recognise that it is a significant change in the way that the water sector operates, but we are absolutely convinced it is for the best for the communities, for the customers and for the environment.

**“How is the mandatory conversion to metering being communicated to customers?”**

When we start work in an area we are intending to meter, we will communicate with customers through an initial letter that says we are going to undertake surveys and explaining why we are installing mandatory meters. The first stage of that survey is to identify whether we can install the meter in the pavement. This is the best option as it requires no access to customers' premises, so no disruption. If we cannot find the stopcock on the pavement, it is likely to be on the customer's premise. We will then want to work with those customers to identify whether we can get access and when we can come in and install the meter.

We believe we are communicating at the right times and in the right way with customers. We have gone through a redesign of the process following a lot of feedback that we had earlier in this five-year period around how we were doing things. We have listened to customers. We



think we have improved it to a point where we are getting it right. If we are not, we will investigate and we will update our processes further.

**“If an SES Water engineer came to my property and could not fit a smart meter, would that mean I would be fined when it is not my fault? Is it the way the building is structured, my living room and my neighbours around me?”**

No, they would not be fined. In this case, if we cannot technically install a meter we will not install a meter and there will be no action that we will take to penalise the customer for that. It is simply not their fault.

**“Is it feasible to introduce a water softener at the end so that we will receive water that might help with the build-up of hard water areas? I do understand that this would cause a slight increase in bills.”**

The north of our operational area is classified as very hard water because it is abstracted from chalk aquifers. It has high mineral content and that is what gives rise to the hardness in the water. No other water company in the UK softens the water they provide. We have done it, in certain areas, for the last 120 years. If we did not do this, the water we supply would be classified as very hard. Just to put some context on it, it is 120 milligrams per litre of calcium. We soften to about 80 milligrams per litre of calcium, so it is a partial softening. If you live in the south of our patch, you do not need that because the water is naturally soft.

The softening process currently costs customers about £9 per year on their bills. The challenge is that the further down the process that you go to soften water the more expensive it becomes. If you looked at conventional softeners in properties you would probably be looking at several hundred pounds for the installation of the softener, and you would be looking at a few hundred pounds running costs per year, because it requires salt and a bit of energy. We therefore think that softening at our treatment works is a cost-effective way of softening, from a customer perspective.

**“How much fluoride is added to the water and is there a plan to add/increase this?”**

We do not add any fluoride to the water and do not plan to do so - it is not something that is recommended.

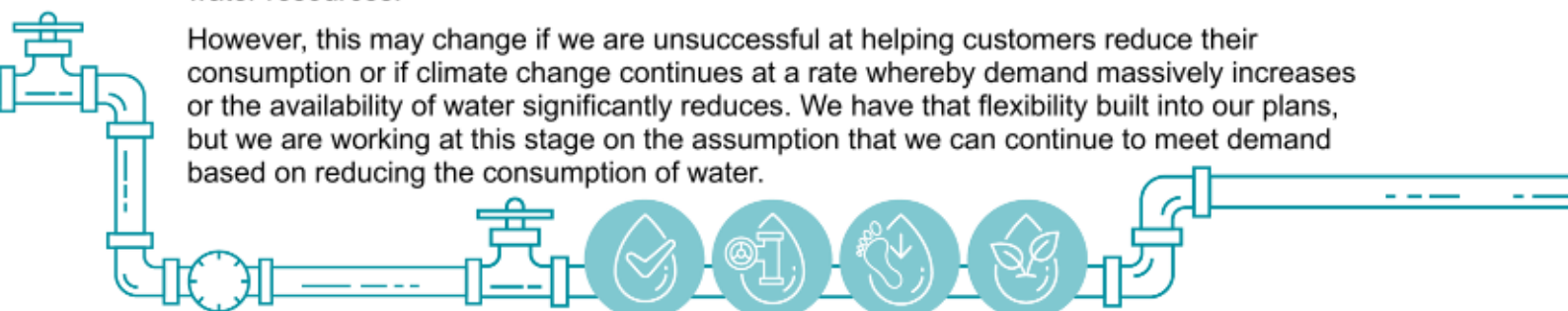
## Securing Future Supplies

**“Why are you not building more water treatment plants or water storage facilities?”**

We have the capability to provide about 250 million litres of water per day from our current facilities. Average demand is about 160 million and that has remained largely static for the last 30 years. Leakage and consumption reduction has offset the population growth in our region, so it has remained at that level. There is capacity within our existing infrastructure to provide and supply more water. The focus of our water resource plan is to reduce the demand side of the equation rather than supply side. This includes reducing leakage and helping customers reduce their consumption.

We and other water companies also look at options to increase water supplies. That comes in the form of new reservoirs, new water treatment works, desalination plants and water recycling. That is forming a big part of what is going on across the UK, but in the SES Water region we have a pretty resilient supply of water that does not require us to develop new water resources.

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





**“Water problems are becoming a higher priority and increased usage will only put more stress on resources. Why are the water companies so reluctant to support rainwater harvesting and grey water recycling?”**

There is a challenge around technology and around the risk of cross-contamination, particularly when these kinds of systems are retrofitted to properties. There is also a problem with the general acceptability of grey water as well.

However, technology is moving on quickly. The concept of grey water recycling and rainwater harvesting is catching on particularly at a community level. Whilst it is not solely down to water companies to push this, the concept of the government, regulators, water companies, technology providers and local authorities pushing rain water harvesting and pushing grey water recycling as a way of reducing the amount of water that is abstracted from the environment and used once before the plug is pulled or the toilet is flushed is, in my view, exactly the right way. We think rainwater harvesting and grey water recycling have to be the next phase of this development around how we use water more efficiently.

**“Do you have plans to build any more reservoirs in the next 10 years?”**

We do not have any plans to build any more reservoirs. One of the options within our long-term plan is to increase the capacity of the Bough Beech reservoir. Reservoirs are man-made structures, and raising the level and increasing the capacity is one of the options that we have in our plan, depending on what happens with climate change and demand in the years to come. However, if we need to do that, we are not expecting to have to progress with it until 2045 to 2050 onwards.

**“What is the percentage of water that is obtained from either aquifer abstraction or from rainwater runoff. There were stories in the press about over-extraction from aquifers.”**

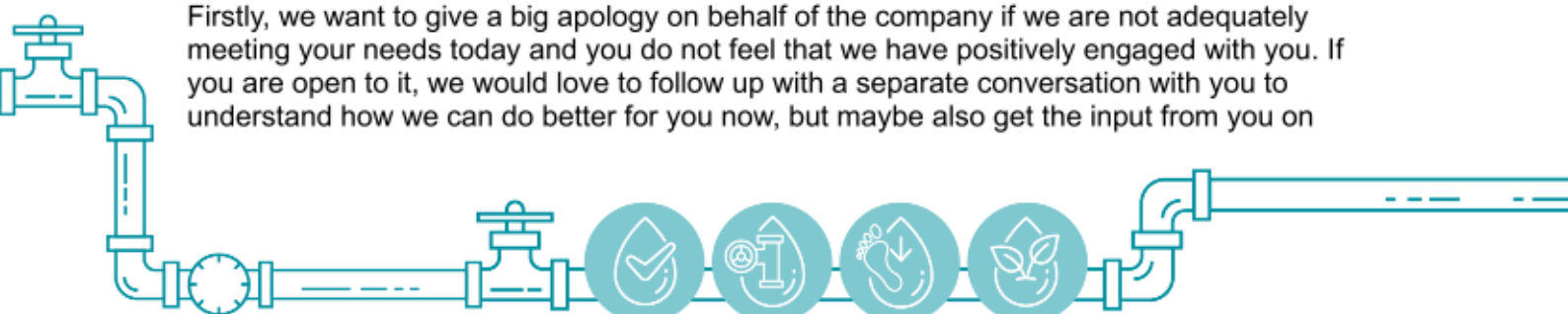
About 85% of our water comes from aquifers, and the balance comes from the River Eden surface water. It all comes from rainwater, whether it ends up in the river or in the aquifers. One of the big pieces of work over the next five-year period is to establish what impact we are having on the more sensitive aquifers that help feed the chalk streams in our region: the Hogsmill, the Wandle and the River Darent. That is an obligation that we have and a commitment that we have made. If we are having an impact, then we will need to reduce our abstraction in those areas and find that water from elsewhere.

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

**“I am very concerned that SES Water, like lots of other organisations, simply is not complying with the Equality Act by expecting people with hearing impairments to make phone calls to them or find someone else to do it for them.**

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

Firstly, we want to give a big apology on behalf of the company if we are not adequately meeting your needs today and you do not feel that we have positively engaged with you. If you are open to it, we would love to follow up with a separate conversation with you to understand how we can do better for you now, but maybe also get the input from you on



behalf of the organisation you represent into the work that we are planning to do over the coming period.

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

We have been making progress. We recently launched an interpreter service for British Sign Language. We know that does not help you, but it is an example of something that we are doing to expand our channel availability. We are aiming to have some of the additional services that you refer to implemented in the next year or so. We are going to be publishing our new vulnerability strategy next summer.

## Improving the environment

### “Please provide more details about your commitment to use more renewable energy sources. Have these been quantified?”

We are a significant consumer of energy, consuming about six megawatts of energy at any one point in time. That is the equivalent of about 14,000 houses. The water sector is a high consumer of energy, because water is very heavy, it costs a lot and uses a lot of energy to move it from place to place.

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

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

The other element of our energy consumption comes in the form of gas and diesel, which we use for our fleet of vehicles. We are moving away from diesel-powered vehicles. About 27-28% of our fleet has moved to electric vehicles, so we will continue to push on that.

We are getting to a point now where we are starting to eradicate the use of gas, predominantly in space heating, which is like central heating on an industrial scale, for more renewable sources.

### “What percentage of your power consumption is self-generated?”

We use about enough energy to power 14,000 houses and currently self-generate through our small-scale solar enough energy to power about 250 houses, so it is a small proportion.

If we are going to generate more, we do not have any readily available sources of energy other than solar. One of the trade-offs around how we use our land is whether we put solar installations in place or whether we use it for biodiversity improvement.

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



**“What plans do you have in place in relation to climate change in terms of adapting the infrastructure to deal with potentially longer periods with less rain, drier, hotter conditions, and conversely to respond to those situations where we have probably more extreme downpours, and the water is delivered in a much more concentrated way in heavy downpours?”**

The risks that we assess around climate change revolve around availability of water, whether that is a lack or an excess depending on drought and flood, and the impact that has on peoples’ attitudes towards the use of water and the impact that has on the assets that we use to abstract, treat and supply water.

As an organisation we are not immune to climate change, but we are comparatively well protected, because we are dependent solely on winter rainfall. Aquifers only recharge in the winter and we only fill Bough Beech in the winter. If the trend of warmer, wetter winters continues, our risk around the lack of water availability is mitigated to a degree. To put it in context, over the next 50 years we will have about a 6% reduction in availability of water. Companies that are dependent on taking water year-round from the environment are seeing reductions of anywhere between 20% and 40%.

Flooding is the next issue. We do not have many low-lying assets or sites next to rivers that we are abstracting from because we draw from aquifers, so we are comparatively well protected from the risk of surface water and river water flooding. On the River Mole and River Eden, we are trying to work with partners to make environmental interventions to slow the flow in those rivers to reduce the risk of flooding as well as increasing the availability of water in the longer term and improve biodiversity.

There is also the impact that it has on our below-ground assets. Drought is a big challenge for us. It dries the ground out which causes movement in the ground and can cause pipe bursts and leaks. We are establishing a targeted approach towards how we can maintain and replace the most susceptible mains and pipes so that we keep that risk down to an absolute minimum. It is something we are going to continue to look at.

We publish a climate adaptation report, and there is one online available for people to look at, which will set some of these plans out in more detail. This can be found at:

<https://seswater.co.uk/-/media/files/seswater/your-environment/climate-change-adaptation-report-2022.pdf>

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

We already try to do quite a lot around educating existing customers and future customers. We had about 4,000 primary school children come through our education centre, Flow Zone, this year where we talked to them about exactly this sort of issue. We have been stepping up our engagement through local community events and ran road shows in garden centres this August specifically to talk to customers about efficient planting, but there is always more that we can do, and we know we must do.

The plan for 2025 to 2030 includes a commitment to expand our education programme, to involve more children, to make it more accessible to children from more homes across our area, and to continue to expand our communications and community engagement programmes so that we are talking as much as possible about these important topics.

**“I live on the edge of the Bough Beech reservoir and represent a resident’s trust in Bough Beech. It has certainly become a bit of a mess over the last several years since**



**the Kent Wildlife Trust left, and we are keen to understand what plans you might have as we had expressed an interest a few years back, when expressions of interest were requested.”**

We abstract and store about 15% of the water that we provide to our customers in Bough Beech, and it is an important part of our operation.

We own nearly 600 acres of land around the reservoir. That makes up about two thirds of the land that we own as a business. We have put forward all that land and the reservoir into something called a biodiversity net gain customer pledge. We need to invest time, effort, money and focus into ensuring that we are creating a biodiversity legacy around Bough Beech that is fit for the next generations. We are working with local stakeholders to try and achieve that and will develop plans to get that site back to where it was previously.

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

**“Residents have appreciated recent engagement on proposed community use of the land for a cycle path and biodiversity conservation. As part of your commitment to the environment, you propose to nominate 80% of your land for biodiversity net gain. However, we are keen that you go beyond just nominating land. We see clear investments needed at the outset in the preparation of master plans for how you are going to use that land for conservation management, education and so on, and that you do those plans in collaboration with the community, maximising the educational value of the site. The importance of educating people on water resources has been talked about earlier. It would be great to see a slightly clearer commitment to investing in those over the next five years.”**

Fetcham Springs is a 50-to-55-acre site that we abstract water from. Nominating that site for biodiversity improvement means we are making a pledge to improve biodiversity, to enhance the habitats that exist there and to do the right things in terms of how the land is managed and used, not just now but in the long term. We have plans for that site to ensure we can continue to use it for operational purposes. However, that does not mean that we cannot enhance biodiversity, amenities, and the opportunities for education that come with the ownership of that land. We want to continue to engage with the local community, because we recognise it is a community asset.

We had planned to use that site for large-scale solar but are no longer planning to do so because we believe the value to the community and the things that we hope to gain from that site through biodiversity net gain, through amenities and through education outweigh the benefits of carpeting it with photovoltaic cells.

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

**“What influence do you have over Thames Water and their tendency to discharge untreated or partially treated sewage into our rivers?”**

We have a good relationship with Thames Water. Like all water companies, we support each other during emergency incidents by sharing tankers and similar, and all water companies support each other through sharing knowledge and best practice - for example, we will look to learn from Thames Water's experience with smart metering as we roll that out to our own customers in future.

We also work alongside each other to improve the environment, as we abstract water from the same rivers and underground aquifers in some places.



We understand many customers would like us to do more to address concerns over wastewater discharges, as these may affect the water resources our customers are supplied from, and most of our customers pay Thames Water for wastewater services.

We're therefore thinking more carefully about how we can balance our customers desire for us to address their concerns with Thames Water with the benefits we, and our customers, receive from having a positive relationship with Thames Water.

## Charging a fair price

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

If you look at where we spend the money from customers' bills, we do not spend that on dividends. If we are efficient and we generate profits, we will take that money and if we hit the right performance metrics, we will pay dividends to our shareholders.

We would emphasise, we would only pay dividends if we hit certain performance metrics, and as a Board we were comfortable to do so. In terms of 2023, we have not paid dividends out from that perspective.

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

The level of governance to make sure we are not unduly taking money from customers and using that for these two circumstances is very heavily controlled.

**“I notice that there has been criticism of SES Water by the regulator, who say the financial position of the company is weak because of the payment of dividends to overseas investors. Can you assure customers that the main priority will be customers and not the investors in the future?”**

Several people have picked up very clearly that this organisation is pushing boundaries in a strong way. We are not perfect, but we are a top quartile performer in many of the areas that really do matter and that this country needs to do better in.

Anybody looking at this organisation right now would be really minded to look at how it can flourish, how it can take learnings and push them elsewhere to sustain its story and its momentum. Nothing would be worse than to stifle that, that is what our Board would be looking for.

We are not completely the decision makers in this. Ofwat would look at the same thing. Ofwat would look into companies and say, 'Are these the right people to buy this organisation? Do they understand what they are getting into? Can they cope as an organisation to take a company like this on and acquire it at this point in time?'

Nobody is going to buy this company unless they are prepared to invest in it, and to take the right level of returns over time, as opposed to the inappropriate level. We have a lot of confidence around finding who might be the right people to support the organisation moving forward.



With regards to the comment that Ofwat is supposed to have made around our resilience and that this due to shareholders taking undue dividends for foreign investors, what Ofwat said was that the level of financial resilience currently in SES Water has been of concern to them. It is more of a concern to them right now because they know we are in a period of uncertainty in terms of ownership moving forward.

They want us to lower our level of gearing, which is our borrowing, and to put more equity into the organisation, which our shareholders have started to do this year, and as we have said we have plans to do more in the following period.

**“Broadly, what will either current or future shareholders get by the way of return?”**

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

We will not exceed what Ofwat say is good guidance and principles in the level of dividends that any future shareholders would take given our returns.

**“Because SES Water is so small, there have been rumours that Thames Water may want to buy it. Our water quality is generally relatively good. However, what we would not want is to disappear into a Thames Water type of problem. We all understand from the media the problems. It is a very large company compared to SES. What would it do? What plans do you have if a buyer cannot be found to secure the future for SES?”**

In terms of a buyer coming in, what we are delivering is based on the values and principles that we have applied over time and the level of investment in our assets and our network over several years.

A buyer coming in must align to those principles and make sure the level of investment in our assets continues.

The reason we are seeing good supply interruption metrics and other industry leading performance is continuous investment. Some of that comes from customer bills. A lot of it comes from equity from shareholders and when we borrow money from banks and other facilities.

Whatever company may come in and facilitate that purchase, we will be doing our best to make sure we do not lose those principles and the level of investment.

To answer your last question about what happens if a buyer is not found, we have shareholders now who, as we mentioned at the start, have put their money where their mouth is.

One of the other questions was around financial resilience. Part of our issue in financial resilience is the level of debt we have been carrying. We are one of the highest and you solve that through equity.

Our incumbent shareholders have publicly committed to £22 million of equity this year. They have delivered £7 million of that, another £10 million is due in December. If we do not get a buyer, that must continue, and we do have a history of our shareholders doing that.



## Other questions from Kevin Johnson, independent chair

### Strategic review

**“What is very well known is the requirement for additional equity into the businesses, as pointed out recently in one of the Ofwat reports. Can you just give a bit of an update of where you are, and what kind of company you do want to own SES Water given the additional kind of investment requirements that you are going to have for 2025 to 2030?”**

Our current shareholders indicated they might look to sell SES Water to another owner last year and we are coming to the end of the process.

Currently, our shareholders are considering feedback from those who expressed an interest in buying SES Water and any bids they have received. The shareholders will now decide which company they think is the most appropriate owner for our organisation.

The initial intent was for our shareholders to try and wrap up their process by the end of this calendar year and my understanding is they are not too far off delivering to their timescale. Our current owners have committed to put equity into the organisation over the last year and going forwards. If we do have new owners, a requirement of the sale will be that they provide the equity we require.

When it comes to the type of company we want to be owned by, we want a company that thinks it can help, support and do great things for this community. We are a smaller organisation that has the community right at our heart and we want to do the right thing, so we want to be with an organisation that supports that.

More critically, we have a vision around delivering smart solutions and digital networks, and that has enabled us to steal a march on the rest of the industry in some areas of performance, particularly in leakage management. We want somebody that can see that vision with us, and support and potentially help us accelerate that position, to get to some of the ambitions that we have a little bit faster. We want somebody who can see the vision, is prepared to invest in it and cares for customers.

### Affordability and acceptability

**“You had an acceptability rating of 66%, which is lower than some other companies who have 70% or 70% plus. You touched on [in the presentation] the people who will really struggle with it, but taking together fairly and very difficult to afford the plans that you are putting forward comes to 48%. That is nearly half of the people you have consulted, nearly half of your customer base, is going to struggle very much so or quite a bit in terms of affording the new bills. Have you got this right?”**

Our belief is we have this right; we have consulted very deeply with our customers at all levels. We are little bit more affluent as an area than most, but that does not mean we take our eyes off the customers who are the most in need. We have been leading the sector in the proportion of customers that we find to support and are already supporting upwards of 21,000 people and are pushing hard to get to bigger numbers.

Our bill is one of the lowest in the industry. In the cost-of-living crisis that we have been in, completely understandably, customers are very rightly sensitive to any changes in bills. However, we do believe that the bill that we have for the service we provide, is affordable, it is good value for money, and it takes this organisation to the place where this community needs it.



## C. Questions and answers received outside the meeting

The following section covers additional questions received which were not answered during the meeting. Where we received multiple questions on the same issue, we have summarised our responses into one answer.

### Reaching per-capita consumption targets

Helping our customers reduce their water use is a key part of our future plans. By 2030, we aim to reduce customers' water use to just under 133 litres per person per day; bringing it down further to 110 litres per person per day by 2050.

We will do this by continuing to offer free home visits and water-saving devices, introducing smart water meters to help customers monitor their water use, expanding our education programme and working with other partners to spread water-saving advice and information.

Our customers can already access free advice and water-saving goods via the Get Water Fit (<https://www.getwaterfit.co.uk>) and Save Water Save Money (<https://www.savewatersavemoney.co.uk/>) websites.

### Meet the growing demand for water and protect customers from water shortages

By 2050, our ambition is for our water supplies to be resilient to climate change, including severe droughts. No-one should have their water supply interrupted for more than three hours and we'll reduce water leaks from our pipes and customers' own plumbing.

To do this, we're working with the other five water companies in the region as part of the Water Resources South East group, to make sure there is enough water available to supply homes and businesses for the next 50 years and beyond, while protecting the environment.

This will be addressed through a combination of lowering demand and creating some new water sources.

By 2050, we will reduce leakage by 62% from 2019/20 levels, and install a water meter at 85% of customers' properties by 2025. Longer term, we may need to increase the capacity of Bough Beech reservoir and develop some groundwater sources.

The wider south east region will also see new reservoirs built, new water sources created and transfers between neighbouring water companies implemented.

Details on what we're planning to do to keep taps and rivers flowing can be found in our revised draft Water Resources Management Plan (<https://seswater.co.uk/about-us/publications/our-water-resources-management-plan>).

### Current reservoir levels

Our Bough Beech reservoir, which provides around 15% of the drinking water we supply, was 81% full at the end of November 2023. We started filling the reservoir from the River Eden at the end of October and the current level is above average for this time of year.

### Flooding risk of the River Mole catchment

Our River Mole catchment is the largest catchment area in our region.

Our Leatherhead Pumping Station is at risk of flooding from the river, and the high flows can make the water harder to treat due to increased sediment.

Because of this, between 2025 and 2030 we will investigate whether we can work with partners such as South East Rivers Trust to slow the flow of water through this catchment to improve the water quality and reduce the risk of flooding.





## River pollution and catchment management

While 85% of the water we supply comes from underground aquifers, the remaining 15% comes from the River Eden and is stored in our Bough Beech reservoir.

Our ur Catchment Management team works with farmers and landowners to protect the quality of the water in both rivers and aquifers. Our water goes through an extensive treatment process and multiple tests to ensure it is safe and wholesome for our customers, however it is important that we work with those in the catchment to ensure these processes are not overwhelmed.

In the River Eden catchment our current work is focused primarily on preventing pesticides and phosphate getting into the water from agriculture and wastewater sources. The Environment Agency has designated the area around Bough Beech and the River Eden a Drinking Water Safeguard Zone, identifying where actions and measures are to be targeted to address water contamination and avoid/minimise the need for additional treatment by water companies.

As well as working with farmers and landowners, we work alongside partners such as Natural England, the Environment Agency and South East Rivers Trust to protect and improve our local environment. This work will continue into the next business plan period so we understand the reasons behind any decline in water quality and can support activity to improve it.

## Levels of PFAS in drinking water

Levels of PFAS in the water we take from the environment for public supply are significantly below 0.1 micrograms per litre ( $\mu\text{g/l}$ ), which is the trigger level for action set by the Drinking Water Inspectorate (DWI). We continue to monitor risks and take samples of both the raw water and potable drinking water we produce, to make sure we continue to provide high quality tap water to our customers. You can find out more about the quality of our water on our website: [www.seswater.co.uk/wq](http://www.seswater.co.uk/wq).

## Improving water quality, including hard water

We currently receive amongst the fewest number of contacts about the taste, smell and appearance of our water in the industry, receiving about half the industry average, which places us in the top 25% of the industry league table for this measure.

When we do receive contacts, it is typically due to illegal fire hydrant use, following a burst main or after planned work on our network. We are also contacted by customers with hard water, although we do partially soften water from five of our eight water treatment works.

Our aim is to maintain our current level of strong performance and focus on making sure we communicate more proactively with customers when there is a chance they might experience a slight change to the taste, smell or appearance of their water, reassure them that it is not a cause for concern and provide advice on how to address any temporary change.

We will also use our smart network to identify illegal users of our fire hydrants and take action against them.

We now need to consider any contact we receive via our social media platforms which is likely to increase the number of contacts we receive, which is why we are not proposing to reduce our target over the next five years. In the longer term, we want to reduce the number of contacts we receive by half.

We have a unique statutory requirement to partially soften around 80% of the water we supply to customers across our region. This is done at five of our eight treatment works – those which abstract water from predominantly chalk aquifers, reducing calcium levels from 121mg/l at source to 80mg/l when it leaves the treatment works.



We will continue to do this in the next business plan period and plan to refurbish our Kenley Water Treatment Works to keep the process running smoothly.

### Localised low water pressure and leakage

Reducing the water pressure in our pipes is one of several ways in which we tackle leakage, including the use of new technology which can assess the condition of water pipes without digging them up, and to predict which pipes will most likely burst or leak.

One bar of water pressure at the property boundary is the minimum we are allowed to provide customers. This is usually sufficient, but water pressure within the home can vary due to lots of different factors.

If any customers are concerned, they can find out more on our website <https://seswater.co.uk/your-water/noticed-a-problem/supply-issues> or can get in touch with us to check their water pressure.

### Future bill increases

Our 2025 to 2030 business plan period will see us invest more money to build on our strong performance. During this time, we will invest an extra £13.3 million per year to improve our network, deliver great customer service and protect the environment. At the same time, we have streamlined processes and made sure we are spending money as efficiently as possible, to keep customer bill increases to a minimum.

This means while our bills will increase by 10.5% before inflation, compared to the current business plan period, we expect to increase our spending by 32.5%.

This includes:

- £24.5 million to install 194,000 smart meters with new digital technology and more targeted help and advice to help customers manage their water use and lower consumption
- £10.5 million to drive down leakage, enhance our smart network and on technology to help us better target water mains most in need of replacement
- £7 million to make our water treatment works more resilient and secure
- £5.2 million to install UV treatment at two additional water treatment works to protect water quality
- £5 million to enhance our environment by improving the quality of our water sources, protecting sensitive habitats, using natural features to improve how water is managed in the River Eden catchment and increasing biodiversity
- £3.8 million to replace lead pipes supplying 170 schools, colleges and nurseries.

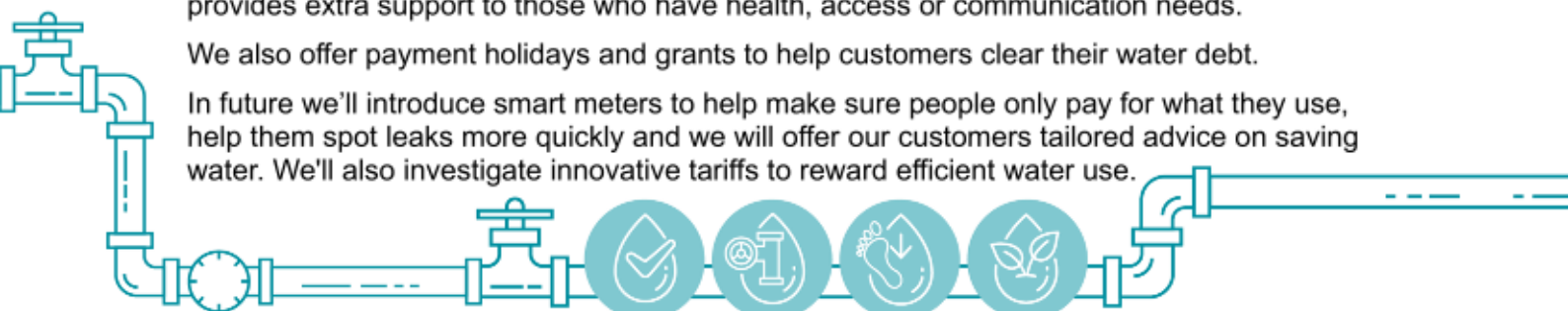
### Support for customers in financial hardship or with additional needs

We will continue to offer a variety of support to customers who are struggling to afford their water bills now and in the future. This includes our Water Support tariff which gives a 50% discount to 20,000 eligible customers. At around 8% of our 2030 customer base this is one of the highest proportions in the industry. This is funded by charging an extra £6 per year across all customer bills, to help those who need it most.

In addition, just over 7% of our customers are on our Priority Services Register, which provides extra support to those who have health, access or communication needs.

We also offer payment holidays and grants to help customers clear their water debt.

In future we'll introduce smart meters to help make sure people only pay for what they use, help them spot leaks more quickly and we will offer our customers tailored advice on saving water. We'll also investigate innovative tariffs to reward efficient water use.



We are also working more closely with a range of partner organisations to spread the word about the help and support we offer.

Alongside this we will continue to offer water saving advice visits and free water-saving products to customers to help them save water and money.

### **Billing, including standing charges**

Like almost all utilities, our customers pay a standing charge which covers the cost of maintaining our underground pipe network and includes a £6 supplement which funds our Water Support scheme, giving a 50% bill discount to those who need it most.

The remainder of the bill for customers on a water meter is based on the amount of water they use, with a set rate charged per unit of water. This means that customers can reduce their water bill by reducing their water usage.

### **Customer feedback mechanisms, call centre locations and bill format**

We welcome contact from any of our customers via email, phone or social media so we can help resolve any issues or hear how we might improve the service we offer. A full list of ways to contact us can be found on our website: <https://seswater.co.uk/contact-us>

Most of our customer services team is based at our Head Office in Rehill, but we do have a small team in South Africa as well.

In addition, we have a Talk on Water panel made up of 300 customers who give us feedback on a range of issues - you can sign up online at <https://seswater.explainonline.co.uk/login/>

We improved the layout of our bills in 2019, following feedback from customers, to make them easier to read and understand. While we know that some customers appreciate receiving a paper bill, we do offer paperless billing. Customers can register or log in to My Account to change their billing preferences and manage their account online: <https://myaccount.seswater.co.uk/>.

### **Employees' working hours and patterns**

We support flexible working and have employees with a wide range of working patterns. This includes those in our control room, who collectively work 24/7, 365 days a year to keep taps flowing, and leakage technicians who work day and night to find and fix leaks.

### **Current shareholders and dividends**

We are jointly owned by major Japanese businesses, Sumitomo Corporation and Osaka Gas.

Historically, we have paid between £3 million and £4 million per year in dividends, depending on which of our metrics we met.

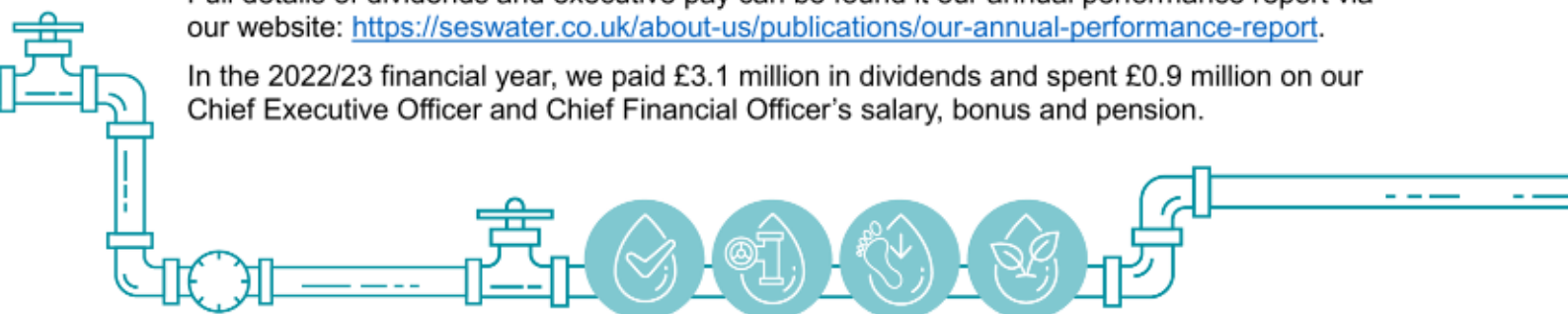
We realise this sounds like a lot of money, but it is within the guidelines set by Ofwat, our economic regulator.

Our shareholders provide an important role in funding our multi-million pound business, allowing us to maintain and improve our assets while spreading the cost to customers over decades.

### **Executive Directors' pay and bonuses**

Full details of dividends and executive pay can be found in our annual performance report via our website: <https://seswater.co.uk/about-us/publications/our-annual-performance-report>.

In the 2022/23 financial year, we paid £3.1 million in dividends and spent £0.9 million on our Chief Executive Officer and Chief Financial Officer's salary, bonus and pension.



Like any investors, our shareholders expect a fair return on the money they put into our business. Dividends are not guaranteed, with our Board considering how well we have delivered for our customers and making sure the amount paid aligns with guidance from Ofwat. This comes from any profit we make, rather than directly from customers' bills.

Meanwhile our executive pay is significantly below average for the sector and is strongly aligned to company performance. It is important to note that neither the Chief Executive Officer or Chief Financial Officer are involved in decisions around shareholder dividends or any bonuses they may receive.

### Financial security of SES Water

Despite the impact of the cost-of-living crisis on customers, upward cost pressures on our supply chain, and the impact of rising inflation significantly increasing our cost of debt, the business remains financially resilient with our shareholders committed to investing a further £22m into the business, which will all go towards improving our overall service for customers over the next five years.

Over the next five-year business plan period, we plan to invest more than £400 million to further improve our service for customers, local communities and the environment. This will see us build on our track record of being among the best in the industry in areas that matter most to our customers, including water quality, leakage reduction, supply resilience and environmental sustainability.

### Sewage discharges

SES Water is a water-only company; that is we only provide clean drinking water and do not deal with wastewater.

Southern Water and Thames Water provide wastewater services for our customers, although we manage the billing for Thames Water so that our mutual customers only pay one bill - this is very common practice.

All UK water companies are highly regulated and scrutinised by Ofwat, the economic regulator, and the Environment Agency, as well as CCW - the Consumer Council for Water.

### Water companies' support of the Refill initiative

While we do not currently have plans to roll out drinking water fountains and Refill stations, we have committed to installing drinking water stations in schools and colleges as part of our lead pipe replacement programme.

### Lead pipe replacement

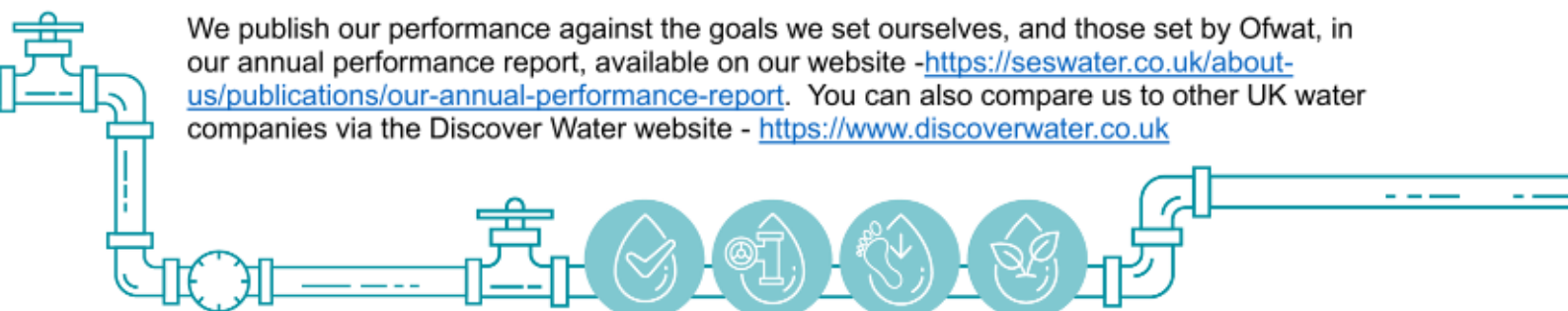
From 2025 to 2030 we will spend £3.8 million replacing lead pipes supplying 170 schools, colleges and nurseries as we know that children are most affected by the health risks of lead in drinking water.

Although lead has not been used in drinking water systems since the 1970s, we know it is still found in some properties built before this time and so we're playing our part to help those most affected by them.

We also add phosphate to our drinking water to prevent the lead leaching into drinking water in customers' homes and businesses, while we work to replace more of these old pipes.

### Transparency of past and future performance reporting

We publish our performance against the goals we set ourselves, and those set by Ofwat, in our annual performance report, available on our website - <https://seswater.co.uk/about-us/publications/our-annual-performance-report>. You can also compare us to other UK water companies via the Discover Water website - <https://www.discoverwater.co.uk>



### Penalties paid by UK water companies for missing performance targets

Last year, we were one of 11 water companies to be fined by Ofwat for failing to reach a small number of our targets. This means we will reduce the amount of money we will bill customers by £300,000 for the financial year 2024/25, before the bills are adjusted for inflation - this equates to just under £2 per customer.

This reduction applies to all customers, whether they have a water meter or not.

Despite not meeting a small number of targets, we're continuing to build on our track record of being among the best in the industry in areas that matter most to our customers, including water quality, leakage reduction, supply resilience and environmental sustainability.

Our exciting and ambitious 2025 to 2030 business plan will see more than £400 million invested to continue to transform our service and deliver even more for our customers, environment and local communities.

### Water metering, including the smart meter roll out and customers who refuse to have a meter

We're currently fitting water meters for all homes in our area, helping to protect our precious water resources for the future while also helping our customers to save water.

This is because we live in an area that has been classified by the Environment Agency as in 'serious water stress'. This means unless we make some changes there may not be enough water to meet the needs of the environment and our customers in future.

Typically, households on a water meter use 15% less water but we understand some people are concerned they will pay more.

To help you, we'll continue to keep you on an unmetered tariff for the first 12 months after your meter is fitted but send you regular comparisons so you can see how much you will pay once you change to the metered tariff. If you find that you would save money by switching to the metered tariff, you can change over sooner, otherwise we will keep you on your old tariff for the first year so we can help you reduce your water use before you start paying metered charges.

Looking ahead to the future, we may need to supply 14.5% more people by 2050 so we've planned to make sure there's enough water for everyone. From 2025, we'll start introducing smart water meters to help customers keep an even closer eye on their water use and easily spot leaks within the home, making sure everyone only pays for the water they use.

We have the legal right to fit meters for our customers, under the Water Industry Act 1991. Unfortunately, if you don't let us access your home or garden to have a meter fitted, or don't respond to our attempts to contact you for access, you'll be moved to our 'No Access Charge' tariff.

Installing water meters is the fairest way for everyone to pay for the water they use, and metering has been proven to reduce demand for water.

However, we continue to offer a range of support for those who struggle to pay their bills or need to use more water for medical reasons. There is more information about this available on our website: <https://seswater.co.uk/your-account/paying-your-bill/help-paying-your-bill>

As well as introducing smart meters, we're committed to driving down water leaks on our network and are working alongside neighbouring water companies as part of the Water Resources South East group to provide new water resources and help customers save water and money.



## Leakage – current levels and future plans

Over the next business plan period we will enhance our smart network to help us detect even smaller and harder to find leaks so we can fix them more quickly. We are also rolling out technology that will help us assess the condition of our pipes without digging them up, so we know which need to be replaced and when. This also helps us make sure we optimise the pressure within our pipes to help reduce leaks and maintain consistent pressure levels for all our customers.

Typically, one third of all water leaks is from the supply pipes that are in customers' homes or businesses, so introducing smart water meters will help us detect these leaks and we can advise you on how to fix them. When combined with leaks from our pipes, this equates to around 13%, or 22.8 million litres per day, of the water we produce being lost to leaks.

We have set ourselves ambitious leakage targets, going further and faster than the government target of halving leakage by 2050. By 2030 we will reduce leaks by 26% and by 2050 we will reduce leaks by 62% - both compared to 2019/20 levels. By 2050, only 8% of the water we produce will be leaked from customers' pipes and our own, compared to around 13% today. This means we will have one of the lowest leakage levels among UK water companies, as the only company to commit to exceeding the government target.

It's important to note we have met or exceeded our leakage target, set by Ofwat, every year - so these targets will see us go even further to reduce leakage as we understand how important it is to our customers.

## Privatisation of the water industry

The water industry in England has been transformed since privatisation in 1989. Thanks to investment of over £190 billion by water companies since that date, customers have seen a strong and steady improvement in areas such as drinking water quality and reduction of leakage by a third since the mid-1990s.

We have some big challenges ahead, such as making sure we can provide enough water to a growing population at the same time as our climate is changing but the water industry is up to meeting these challenges.

In our 2025 to 2030 business plan, we have committed to investing more than £400 million to drive down leakage, maintain our infrastructure, continue to provide excellent quality drinking water and protect the environment.

**ENDS**

