

CSP MINUTES 28 JULY 2022

Opening

The panel approved the minutes of the last meeting.

SC confirmed all matters arising would be covered as part of the main agenda.

SC advised that the action and challenge log had been updated. Closed actions and challenges will be removed from the log ahead of the next meeting.

Business Update

KT referred to the financial performance slide issued as pre-read.

IC updated that the company's performance had been stronger in year 2 of the AMP than in year 1. It is now focused on maintaining that momentum into year 3, despite a challenging operating climate with the cost of living increasing and steeply inflationary price increases in the supply chain. SES is looking to mitigate this wherever possible although it is hard to predict what the long term impact will be.

CMeX and DMeX remain key priorities and SES is seeing some improvement in both. Digital transformation and innovation are also key themes. Looking further ahead the company is working on its plans for PR24 and held a deep dive session with the Board last week.

For SES, as for companies across many sectors in the UK, resourcing is a challenge with recruiting and retaining good people providing difficult. SES is looking at ways of strengthening its employee value proposition to address this, including reviewing the benefits it offers.

The company's performance is strong on core water metrics. SES supplies some of the highest quality water in the sector and is ahead of target on leakage. Last year's leakage performance was particularly strong as the company reaps the benefits of its smart network and other initiatives. However, there are currently a higher than usual level of leaks due to the soil moisture deficit which causes the ground to compact and pipes to burst.

This has led to two more high profile events in recent weeks, one impacting LGW Airport and nearby homes and a second one in the vicinity of East Surrey Hospital. Operations were not interrupted at either LGW or the hospital but the ESH incident has added 2 minutes to the company's supply interruption metric for the year.

Operational metrics are improving in the Retail area but performance is still some way off SES' target levels. There is a good management team in place and they are gaining momentum.

IC advised that the company is behind on its resilience plan, following a decision to move planned work on the A23 Purley Way into next year. SES should however achieve its target for the full AMP.

Water resources are below the long term average. While a drought has not yet been officially declared, the impact of a sustained dry spell is being felt. SES is currently in phase 2 of its drought plan, which includes sending regular communications to customers to update them on the situation and ask for their help in reducing water usage. The company has also done a number of local TV and radio interviews to get this message across.

AE commented that social media is reporting that SES is supplying an additional 50 million litres. IC observed that consumption is up overall but is nevertheless running at about 20% below peak usage in 2003.

SC asked what proportion of the customer base SES currently have up to date mobile phone data for. KT advised that penetration is not high enough and advisors are now being targeted on collecting and revalidating details on all calls. The company is also exploring options to use 3rd party data share arrangements to access customer contact details in an incident. AT observed that it would be useful to be able to contact customers proactively as soon as SES is aware of a potential disruption to supply. SC proposed that this point is discussed further at the next meeting.

CSP asked SES if it had been asked to share any details or lessons from recent events with any of the regulators. KT advised that Ofwat had not asked this but that the company had responded to a request from CCW.

IC updated on progress on embedding the purpose across the business, with colleague roadshows planned later in the summer as part of a refreshed internal engagement strategy. The company has also recruited women into a number of key positions recently, including its first female NED.

SC asked what approach SES takes to measured customers holding credit on their account . KT advised that the payment plan is reviewed and re-set when annual bills are sent out, while advisors are also trained to ensure that customers' plans are affordable and review options whenever they are in contact. AE advised that when doing call listening recently she had heard a call with a customer who was in credit and the advisor had proactively flagged this and asked if they wanted any of this refunded, which was good to see.

KT updated that the company has made significant progress on reducing its voids number and was confident that it would meet this performance commitment for Y3. Awareness of support schemes increased from 32% last year to 39% in Q1 22/23 but is still well below the performance commitment level of 65% awareness across total customer base. Dissatisfaction with value for money dropped to 5% so remains below the performance commitment level.

SES are monitoring numbers of customers applying for help with their water bills closely as the cost of living crisis continues but is not yet seeing any material spike in applications. At the same time it is focused on ensuring that any customers currently on support schemes are genuinely eligible so that customers are charged fairly and support is targeted to customers who genuinely need it. As a result of activity to audit customers who joined the scheme during the covid furlough period, 2500 customers are being removed from it over the next two months as they no longer meet the criteria.

C-MeX remains an area of focus. SES climbed to 13th in the table in Q1 22/23 from 15th for 21/22 driven largely by an improvement in the reputational CES survey. The company successfully challenged 3 calls in Q1 through the check and challenge process. SES response to the PR24 draft methodology consultation will reflect its belief that this process should be retained. AT asked if she could see the questions asked. KT responded that this is an Ofwat survey and individual companies have no influence over this.

KT updated on ongoing work to deliver operational basics consistently, with steady progress being made on reducing email backlogs. The company is preparing to launch its new self service platform MyAccount at the end of the summer which will help significantly by automating key processes in Retail, thereby reducing back office working. There is also a focus on improving the quality and productivity of customer service advisors with two new team leaders now in place. AT challenged

the use of email as a channel. KT agreed that it is not the best channel in many cases and updated that the Complaints team now have a target of closing at least 50% of complaints by telephone.

PR24 Draft Methodology and Customer Engagement Plan

PK introduced the PR24 draft methodology consultation to the panel as the company works to prepare its formal response to be reviewed with the Board ahead of the 7 September deadline. The draft methodology is broadly in line with SES expectations, building on signals previously given by Ofwat and with a focus on long term environmental goals and financial resilience coming through as consistent themes. A key issue/risk is how SES balances deliverability against Ofwat expectations of what an efficient company should be expected to deliver in terms of service improvements and costs. There are also concerns about changing expectations on debt to equity ratios and the balance of risk and reward.

SES will submit its business plan in line with the October 2023 and PK underlined the importance of CSP/ESP input throughout its development.

DLR walked through the company's planned approach to customer engagement for CSP comment, emphasising that SES do not view this as standalone activity but as a part of a continual business as usual approach to customer engagement and using customer insight to inform business decisions. Prior research including focus groups used to refresh the company purpose in 2021 forms a key pillar of the plan and the company is about to embark on a further phase of engagement 'bespoke 1' to further build its understanding of customer priorities in preparation for publishing its Long Term Delivery Strategy consultation document in the autumn.

AT asked to see the full timeline for customer engagement and to see the gap analysis that Create 51 conducted on behalf of SES to identify what insight already existed and where the company had work to do to fill gaps in customer understanding.

SC underlined the importance of ensuring that SES is including a broad and inclusive range of customers in its research and is reviewing the selection criteria outlined in the research brief provided to assure himself that this is the case. He also asked if he and other other CSP members could attend focus groups to further assure themselves that the research being carried out was of high enough quality, which the company welcomed.

Universal Metering Programme

The company updated on UMP progress with a focus on the work currently being undertaken to automate the customer journey within Aptumo so that letters and emails are sent at the appropriate points. The next stage will be to build in text capability and providing more automated communication relating to the management of customer appointments. SES is keen to ensure that customers support this important work as far as possible.

AE asked to see copies of all communication being sent. The panel discussed the need to get the tone right, understanding that SES will need to take a firmer line with some customers to achieve the committed levels of take up.

A further discussion took place on how quickly customers would be moved onto measured billing once a meter had been installed and whether customers should be refunded for any difference between measured and unmeasured bills during the comparison period if they switched early.

ESP update

AT provided an update from the last ESP meeting

AOB

SC requested a joint session with ESP on 15 September

SC told the panel that it was HM's last meeting as a panel member and thanked her for her contribution, which KT seconded on behalf of SES Water.