

SES Water's Customer and Stakeholder Research and Engagement

Final Assurance Report

September 2023

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1. Introduction and Executive Summary

Executive Summary

- SES Water's Customer and Environmental Scrutiny Panels (CSP and ESP) provide independent and comprehensive challenge to the company on an ongoing basis which is recorded in our Challenge Logs and responded to in a timely manner by the company.
- During the development of the PR24 Business Plan and Long-Term Delivery Strategy we have provided assurance to SES Water's Board that the company has been fully compliant with the eight principles of high-quality customer and stakeholder research and engagement set out by Ofwat, as well as answering specific questions posed by the regulator.
- We have raised challenges about specific issues during the course of PR24, and these have been addressed to our satisfaction. One example is the proposed timeframe for rolling out smart meters, given customer concerns on leakage and the need to address per capita consumption. This resulted in a revised proposal which responded to this and shortened planned delivery timescales. Similarly, practical issues were raised relating to the information and the time given to us to input into the company's research and engagement plans. This was addressed and full transparency afforded to us, eg by our attending key Board meetings and having Board members attend ours.
- The progress the company has made in understanding its customers, stakeholders and the communities it serves has been very impressive and bodes well for the future.
- We are satisfied that the Business Plan and the Long-Term Delivery Strategy are designed to achieve the right outcomes for customers and communities and have been designed with customer preferences fully taken into account.

This is the final assurance report prepared by SES Water's Customer Scrutiny Panel (CSP) and supported by the Environmental Scrutiny Panel (ESP) regarding the research and engagement undertaken to ensure that the views and preferences of customers and stakeholders are fully understood and acted upon where appropriate in the development of the company's Long Term Delivery Strategy (LTDS) and PR24 Business Plan.

Our report covers the following areas:

- Our approach to providing constructive challenge to the business.
- Our approach to providing assurance on behalf of the SES Water Board.
- How the company's research and engagement work has complied with the eight principles set out by Ofwat in 2022.
- How the company has responded to the insights obtained as a result.
- Lessons learned and recommendations for future customer research and engagement.
- The development of the 'Golden Thread' running through the whole process from the end of PR19 to the conclusion of the PR24 Business Plan.
- Specific assurance questions posed by Ofwat.

Independent Challenge Groups are not mandatory as part of PR24. It says a lot about SES Water's commitment to independent challenge that the company decided to continue not only with an independent customer challenge group but also an independent environmental challenge group when it was not obliged to do so.

This initial uncertainty about the role we would have to play in the LTDS/PR24 process, and later lack of clarity about the limits to what we were asked to do under the final Ofwat methodology, has made the experience challenging at times for CSP and ESP. To overcome this, we sought - and obtained - an early opportunity to meet with SES Water chief executive Ian Cain and the other lead executives for CSP and ESP, Kate Thornton and Tom Kelly, to revitalise our terms of reference in light of emergent guidance, before agreeing them with our panel members. We also sought insights from fellow Independent Challenge Group chairs about their experience and understanding of best practice, thereby ensuring that, with refreshed governance and an intake of new members, our two panels were set up to enable us to provide robust challenge on behalf of

customers and stakeholders, making an appreciable difference to the quality of the final LTDS and PR24 business plan.

Throughout, we have enjoyed full transparency and openness to challenge from the SES Water executive team, their agency partners and, critically, the company's Board of Directors. While we have expressed frustration at some points in the process about the limited resources available to us and relatively short notice given to us for reviewing some documentation, this is likely to occur with a company of SES Water's size, and these issues were largely addressed when we brought them to the company's attention. The positives which the company has derived from the LTDS/PR 24 process - including better understanding of its customer base and the communities it serves and more sophisticated use of different channels to engage with key stakeholders - have been impressive and set the company up well for delivery of its LTDS and for future customer research and engagement exercises. We hope - and expect - that the lessons learned from this process will inform customer engagement going forward.

Finally, we would like to thank the members of the CSP and ESP, past and present, for their contributions to our challenge over the past four years, the executive team and their agency partners for their patient compliance with our requests for information and open and transparent acceptance of our challenges, our fellow Independent Challenge Group Chairs at other water companies for their generous sharing of best practice - and the team at the Consumer Council for Water (CCW) for facilitating that process - and SES Water's Board for inviting us to provide assurance that this process has been conducted in line with Ofwat's guidance.



Steve Crabb
Independent Chair,
SES Water CSP

A handwritten signature in black ink, appearing to read "Steve Crabb".



Alison Thompson
Independent Chair,
SES Water ESP

A handwritten signature in black ink, appearing to read "Alison Thompson".

2. Our Approach

Ofwat, in their guidance on customer research and engagement¹, have said that “customers *and their representatives* [our italics] must be able to challenge the companies’ ongoing performance, business plans and long-term delivery strategies. The purpose of customer challenge is for companies to receive feedback on what issues matter to customers, what their views are on various aspects of companies’ activities, and to enable customer comment on how well plans reflect their needs, priorities and preferences.”

The express purpose of SES Water’s Customer and Environmental Scrutiny Panels is to provide that challenge to the company on behalf of customers, communities and stakeholders. The Terms of Reference of the two panels are published online.² However, our panels are not the sole channel by which customers and stakeholders can challenge the company: direct engagement and research is a critically important part of the company’s strategy for understanding the preferences of customers on key issues such as investment priorities and affordability.

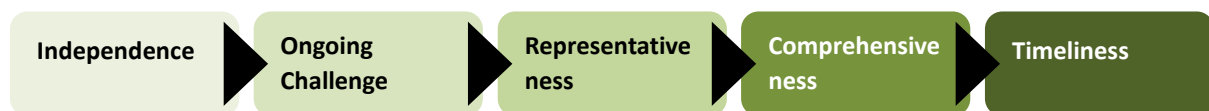
At PR19, all customer and stakeholder research and engagement was bespoke to the individual water companies, and the then CSP (prior to April 2020 when the panel was split into a CSP and an ESP and additional members independently recruited) provided:

- End-to-end assurance on all aspects of the company’s customer and stakeholder research and engagement
- Assurance direct to Ofwat on the quality and effectiveness of that work

At PR24, the CSP and ESP have more limited roles in assurance, as much of the research and engagement required is directly prescribed by Ofwat and therefore the opportunities for CSP/ESP to contribute are far more limited. In addition, CSP and ESP, as Independent Challenge Groups, are not required to provide assurance to Ofwat directly, but only to SES Water’s Board. We have therefore concentrated on contributing to those aspects of research and engagement where we could add maximum value, rather than trying to oversee all aspects of the end-to-end process for every stage in the process.

In their 2022 position paper, Ofwat set out a number of principles for customer challenge. Here is how we comply with those principles:

Figure 1: How the CSP and ESP complies with Ofwat principles



1. Independence

Both CSP and ESP are fully independent of the company. Agendas for meetings are determined by the respective panel chairs, with input from the SES Water leadership team. Both panels hold private sessions without any executive team representation to discuss any concerns before they are presented to the company, and to give panel members an opportunity to voice any reservations about the independence of the panels. Executive team members are given an opportunity to comment on the fairness and accuracy of minutes, reports and other outputs, but no editing rights and no undue influence. Members of both panels record potential conflicts of interest.

2. Ongoing Challenge

CSP and ESP provide challenge on both the development of future business plans (LTDS, Water Resources Management Plan, PR24 Business Plan) and the delivery of existing business plans. Each panel meeting

¹ Ofwat, ‘PR24 and beyond: Customer Engagement Policy – a Position Paper’, February 2022

² <https://seswater.co.uk/about-us/our-customer-scrutiny-panel> and <https://seswater.co.uk/about-us/our-environmental-scrutiny-panel>

includes a review of Key Performance Indicators including the company's main Performance Commitments under PR19 as well as other key metrics such as response times and complaints.

3. Representativeness

CSP and ESP both consist of a combination of independent members, who are selected for their personal knowledge and expertise, and stakeholder members. The latter are not there to 'represent' their stakeholder organisations, but rather to draw on the deep insights available to the organisations they serve to inform debate and challenge. The chairs of the two panels work closely together to ensure that all the skills and knowledge recommended by the Consumer Council for Water for Independent Challenge Groups are covered by one or other of the panels. In recent months, CSP membership has been refreshed to try to ensure that the panels are as representative of the more urban areas of Sutton and Croydon to the north as they are of the more rural Surrey towns and villages to the south, as well as representing the views of customers in vulnerable circumstances and future bill payers.

In order to strengthen our ability to provide assurance, CSP recruited a specialist in customer research and engagement, Beryl Wall, in August 2022. Beryl has played an invaluable role in contributing to our scrutiny of the company's customer research and providing challenge to SES Water and its specialist agencies.

4. Comprehensiveness

CSP and ESP are able to challenge on all aspects of company operations where customers and stakeholders can have meaningful views, including:

- Water services.
- Customer services.
- Significant investment (large one-off schemes).
- Performance levels.
- Bill impacts.

5. Timeliness

Our two panels maintain challenge logs which are updated regularly - not just for quarterly meetings of the panels, but as and when challenges are issued. The executive team respond in an appropriately timely manner.

As PR24 has progressed, we became concerned about the difficulty of maintaining clear sight of the multiple strands of company research and engagement with customers and stakeholders which have often been in train at the same time. We therefore agreed with the company that we would adopt the following framework from April 2023:

- Quarterly meetings of CSP and ESP with LTDS/PR24 as standing agenda items.
- 'Deep dives' into material issues (typically two to three hour workshops which are open to all members of CSP and ESP, at which the executive team present their work and future plans, and panel members are able to question them).
- Twice-weekly meetings lasting around 30 minutes each time, to ensure CSP and ESP have sight of the latest development in the work plan and can input in detail.
- Challenge logs and written updates for key elements of individual research that the company has conducted, to keep track of how they have addressed CSP challenge and other feedback.

3. Evaluation of the Company's approach to Customer and Stakeholder research and engagement in developing the LTDS and PR24 Business Plan

In this section, we will examine how the company has conducted customer and stakeholder research and engagement as it developed its Long Term Delivery Strategy (LTDS) and PR24 Business Plan through the lens of the eight principles set out by Ofwat in February 2022.

We will do this not by providing an exhaustive examination of every single piece of customer and stakeholder research and engagement conducted since PR19, but rather on an exception basis, looking at examples where the company has clearly achieved, or in some cases exceeded, the standards set by Ofwat, and also instances where further evidence is required to enable us to provide the requisite assurance. This approach is in line with the Final Assurance Reports of the Independent Challenge Groups of other Water-Only Companies.

We will look at each of the eight principles in reverse order, as the highest numbered principles are the most expansive and over-arching, and it therefore makes sense to build towards them by working through the more specific principles first, thereby avoiding repetition.

Key conclusions

We confirm that the company is compliant with all eight principles of high quality customer and stakeholder research and engagement, and that it has responded appropriately to the challenges offered by CSP and ESP when we have identified gaps in either its practice or the evidence required to demonstrate compliance. This is based on our experience of the company's research and engagement to date; at the time of writing this report some research and engagement was still in progress.

Principle 8: Protecting Customers' Interests

"Customers and their representatives must be able to challenge the companies' ongoing performance, business plans and long-term delivery strategies. If this is not done effectively, we must be able to challenge on customers' behalf. We will use a risk-based approach and our own understanding of customers' preferences to challenge company plans, intervening if necessary to fulfil our duty to protect customers' interests, in line with all our statutory duties. The final decision on price controls is entrusted to Ofwat." ¹

CSP and ESP have two roles with regard to this principle: first, as 'representatives' of customers, communities and other stakeholders, providing direct challenge to the company, and second, indirectly in scrutinising the quantitative and qualitative research and engagement opportunities provided by the company to allow customers to express their preferences, to ensure that they comply with the other principles set out below.

Our Combined Challenge Log sets out the key challenges presented to SES Water by CSP and ESP, including those issued by our CSP assurance lead, Beryl Wall, and how the company has responded to them (see Appendix 3). This covers both direct and indirect forms of challenge. These challenges ranged from very high level (e.g. challenge CSP4, which asked how the company would take on board insights from customer panel sessions) to very detailed (e.g. BW6, which asked about the company's strategy for recruiting participants to events as part of its 'Bespoke 2' research work). The company customarily responds to our challenges in a constructive and timely fashion, taking on board our challenges in the spirit with which they are offered, and often making changes to policies and practices as a result. This has been as true for the development of the LTDS and PR24 Business Plan as it has been for Business-As-Usual challenges in the past.

Principle 7: Consistency and Comparability

“In areas that are of common concern to all customers, and where it is most efficient and sensible to do so, evidence of customers’ preferences should be generated in a consistent manner, set in the context of current company performance, producing results that are comparable across water companies in England and/or Wales.”¹

Our understanding is that this refers primarily to those parts of Ofwat’s methodology which set out in fine detail the precise way that water companies should undertake specific pieces of research – the ‘Collaborative Customer Research’. Ofwat further specified how companies should display comparative data in guidance issued in November 2022.³

We confirm that SES Water has complied with this principle throughout the development of its PR24 Business Plan and Long-Term Delivery Strategy in both its collaborative and bespoke research, in its outputs from customer research and engagement events showing the preferences that customers demonstrated, and also in the materials supplied to customers attending those events to help inform their understanding. A good example of this is the Affordability and Acceptability Testing qualitative research, which included a pre read for customers that had extensive comparative performance information within it (see slides 7-9).

Principle 6: Understanding Current and Future Customers

“Companies should understand and respond to the diverse needs of customers, making sure they take into account different regional challenges, or variances in demography, outlook and socio-economic status. This also includes future customers and those in circumstances that might make them vulnerable or hard-to-reach. Engagement should support customers to inform the phasing of investments in long-term delivery strategies.”¹

We are satisfied with the company’s efforts to understand and respond to the diverse needs of its existing customers, including those in vulnerable circumstances. This is a particular challenge for SES Water as its catchment area is split into two very different parts: a largely urban northern area, within the M25, with higher population density and a higher proportion of customers in vulnerable circumstances due to financial hardship or language difficulties, and a largely rural southern area, in the Surrey Hills, which is less dense, population-wise, and more affluent, although with often concealed pockets of rural vulnerability and an older population generally. Historically, the company has had more success engaging with customers from the rural south, including in the take-up of financial support measures, and its education centre, at the Bough Beech reservoir and treatment works, is deep in this southern area.

We confirm that the company has made strenuous efforts to ensure that this diversity has been adequately factored into its research and engagement. For example, in its second piece of bespoke research, ‘Bespoke 2’, SES Water conducted additional interviews to correct for over-representation of ABC1 customers in the initial sampling and has created a new stakeholder forum to help it understand the needs of customers at risk of vulnerability. Another example is the company’s ‘Bespoke 3’ research on social tariff options. The executive team asked its agency to boost sample sizes in Sutton and Merton to ensure that they had adequate samples from those areas, which typically have higher levels of customers with vulnerabilities, even after they had exceeded their overall sample target size with 598 responses. We are confident in our ability to offer assurance against this principle and would like to commend the company for the significant progress it has made since PR19 in understanding the customers and communities it currently serves.

The second part of this principle is understanding the needs and preferences of future bill payers, and again we are happy to provide assurance that the company has fully complied with this principle. For example, as part of ‘Bespoke 2’, it held workshops with future customers to better understand their preferences against the same five priority areas as they did for current customers. This was not one of the prescribed pieces of research set by Ofwat, but a wholly discretionary exercise, demonstrating the company’s determination to understand future bill payers. We did have a concern that future bill payers were included in the same sessions

³ <https://www.ofwat.gov.uk/publication/guidance-for-water-companies-principles-for-setting-out-comparative-company-performance-data/>

as current bill payers during the qualitative round of Acceptability and Affordability Testing, which could have resulted in the young people having less opportunity to express their views than those already paying bills, but in practice this did not seem to be a problem.

To lead by example, in order to strengthen our ability to challenge SES Water in this area, CSP appointed a new panel member with expertise in working with young people, Paula Sone, during the course of the LTDS/PR24 process, and a future bill payer is now attending CSP meetings to ensure their voice is heard.

As with diversity and vulnerability, we are confident that the company has gone well above Ofwat's requirements with regard to this principle, for a company of its size, and look forward to seeing SES Water build on what it has achieved to date. The indications are that it is determined to do so, based on the Business Plan and LTDS agreed by the Board.

Principle 5: Use of Multiple Sources of Customer Data

"A robust, balanced and proportionate evidence base, developed using a range of techniques and data sources should support companies having a genuine understanding of their customers' priorities, needs, requirements, and behaviours." ¹

We are happy to provide assurance that the company has complied with this principle. Since PR19 in particular SES Water has really lent into the blended opportunities provided with digital as well as in person engagement. This has meant that sample sizes, which were an issue in PR19, have not been an issue this time around. SES Water has drawn on a wide range of techniques and data sources, including insights from PR19 and the development of its current company Purpose, citizen panels, research conducted as part of its Water Resource Management Plan research, bespoke research for PR19 and the collaborative research mandated by Ofwat and CCW as part of the LTDS/price review process. A number of pieces of bespoke research (not just Acceptability and Affordability Testing) involved a quantitative and a qualitative phase, which has enabled depth as well as breadth of understanding. In 'Bespoke 2', the qualitative research followed the quantitative to allow a deeper examination of areas of conflict. Our twice-weekly meetings with the executive team and agency staff, as well as our attendance at a Board meeting every July including the latest PR24 Board meeting in July 2023, have enabled us to see the evolution of the company's thinking as these different sources of insight have been analysed and triangulated, resulting in meaningful change in the company's views on appropriate prioritisation.

Principle 4: Customise and Provide Context

"Engagement is not a 'one-size-fits-all' process but should reflect the particular circumstances of each company and its full range of customers. Wherever possible, information about comparative company performance should be shared with customers." ¹

We are happy to provide assurance that SES Water's Bespoke research activities have been appropriately tailored to reflect the unique balance of the customers and communities it serves (see principle 4 above). Most pleasing tangible evidence of this is the new analytics database that has been bought in which allows a far more segmented view of customers than ever before. Looking forward it will be great to see how this can be further interrogated and leveraged across the whole company. Evidence of this can be seen in the successful citizen panel sessions the company ran in 2021 as part of its Water Resource Management Plan; these panels were carefully selected to ensure the right representation of customers from Sutton and Croydon (historically under-represented in SES Water's customer engagement) and younger customers (again, often under-represented in the past). Further evidence of this can be seen in our Combined Challenge Log (see appendix 3).

We are also happy to provide assurance that the company has shared appropriate information on comparative company performance with customers and stakeholders in the course of its research and engagement to appropriately inform their thinking, including in 'Bespoke 2', the qualitative phase of Affordability and Acceptability testing and sessions held with Future Bill Payers at the Bough Beech education centre and SES Water headquarters in Redhill.

Principle 3: Meaningful and High-Quality Engagement

“Water company engagement with customers must allow participation in a way that is meaningful to them, follow engagement best practice and lead to a meaningful understanding of what consumers want. It is the companies’ responsibility to engage with customers and to demonstrate that they have done it well.”¹

Again, we are happy to provide assurance that the company has complied with this principle in its research and engagement. For example, the Your Water, Your Say session which was run in April 2023⁴ was an excellent example of engagement that was conducted in a way that was meaningful to customers and stakeholders and in turn, leading to a meaningful understanding of customer preferences. This session was industry-leading at that point in the cycle, with larger numbers of customers sending in questions in advance than any previous company had achieved and a strong, empathetic and strategic leadership style on display, led from the front by Chief Executive Ian Cain, to accept challenge in an open and constructive way, even when that challenge was based on misunderstandings or misinformation. We are particularly pleased by the company’s commitment to make these events annual going forward, demonstrating a clear willingness to face into customer challenge.

We did note that some of the facilitators who led the company’s qualitative Affordability and Acceptability testing break-out sessions appeared to have limited knowledge of the company’s operations, as a result of which customer questions were ‘parked’ and misleading statements by customers about material issues were left unanswered, potentially influencing the contributions made later by other participants and the final conclusions reached by the groups. The company accepted this challenge and assured us that this would be addressed via triangulation. Company representatives also attended sessions in later pieces of research such as the Small Company Premium focus groups.

Principle 2: Two-Way and Ongoing Engagement: Listening and Talking

“Engagement means understanding what customers want and responding to that in plans and ongoing delivery, transparently, building legitimacy and trust. It also means involving customers in service design and delivery, providing education and sharing information to support their meaningful and active engagement. Engagement should not take place only at price reviews.”¹

SES Water has done a good job of engaging with customers on an ongoing basis through multiple channels, including successive phases of research conducted with specific goals in mind (work on SES’s Purpose, Water Resource Management planning, LTDS/PR24), rolling programmes such as the Voice of the Customer quarterly surveys and the Talk on Water online panel, and examination of business-as-usual data sources such as complaints and other inbound communications. Over the course of the current price review process, the company has made impressive progress in both the quality and the breadth of its customer and stakeholder engagement, with new digital channels and newsletters such as ‘Flow’, ‘Connected’ and ‘Current’ aimed at key audiences.

The second requirement of this principle is that customer engagement should be two-way. As evidenced above, SES Water does have a number of channels of communication and engagement with customers and stakeholders that fulfil this criterion, including Voice of the Customer and Talk on Water, as well as CSP and ESP. We are pleased to report that the company goes well beyond relying on analysis of Customer Measure of Excellence (C-MeX) data from Ofwat and business-as-usual inputs from customers, and we can therefore provide assurance that the company is compliant with this principle. As previously noted, the company has developed some excellent new channels for two-way communication, including stakeholder forums, and generally has advanced considerably in its understanding of stakeholders and communities in the area it serves. Some of the new communication tools, such as ‘Flow’, ‘Connected’ and ‘Current’ are still relatively new; they provide excellent opportunities for increasing two-way communication in future. Another example here is the company’s work to expand its presence in the community. In the summer of 2023 company

⁴ <https://seswater.uk.engagementhq.com/your-water-your-say-meeting>

representatives have attended Surrey Pride in Reigate, Feasty Fest in Cheam, Carshalton EcoFair, Welcare's picnic in the park and four garden centre roadshows across the supply area. SES Water's clear understanding of the value of engagement like this, and commitment to building further on the foundations it has laid, is very promising.

The third aspect of this principle is about inclusive design and service: providing customers with the information they need to make informed decisions and engaging them in service design. We can certainly provide assurance that the company seeks input from customers and stakeholders on service design through CSP in particular. Over the past two years we have undertaken 'deep dives' on issues such as consumer vulnerability, ability-to-pay, metering, complaints and billing. The Bough Beech education centre is an excellent resource, although we hope that in future something similar can be offered to customers, including future customers, in the north of the catchment area (and this has indeed been set out as a commitment for the future in Chapter 10 of the Business Plan). The ESP provided constructive challenge during the development of the refreshed education centre and during the pandemic, its digital learning offer. Historically there has been a focus on primary age children but this focus is shifting. There is clearly room for improvement in terms of behaviour change methods to improve customer behaviour - for example, around the amount of information provided to customers to help them understand the need for reductions in Per Capita Consumption and the role of water companies in releasing Carbon into the atmosphere (and therefore the relationship between water supply and consumption on the one hand and the drive to Net Zero on the other). Further engagement is also needed on other issues that customer research showed clear appetite for around emotive local environmental issues such as chalk streams. This focus on future education has also been built into the Business Plan and forms part of one of the Enhancement Cases. Encouragingly, the LTDS/PR24 process has shown that existing customers and future bill payers are interested in, and supportive of investment in, environmental improvements, although to date these are more focussed on biodiversity and enhancements to the immediate, visible eco-system than less tangible issues like Carbon reduction.

Overall, we are happy to provide assurance that SES Water is compliant with this principle.

Principle 1: The Right Outcomes at the Right Price, at the Right Time

"Customer engagement is essential to enabling water companies to deliver outcomes that are important to customers, society and the environment, at the right time, at a price they are willing to pay." ¹

This is an over-arching principle which describes both the process undertaken and the end state achieved - the right outcomes, at the right price, at the right time. It is very difficult for us to comment on the latter question, as the decisions that the company makes as a result of listening to its existing customers, future bill-payers and other stakeholders will necessarily involve trade-offs, the consequences of which may not be fully understood for years or even decades. If existing customers, in the middle of an extreme cost-of-living crisis, say they prefer the option of deferring bill increases to fund improvements in asset health to the end of the LTDS period - thereby putting the majority of the burden of payment on to future bill payers - is that the right outcome for everyone? If customers - again in the context of an extreme cost-of-living crisis - say they do not want to pay extra to fund reductions in greenhouse gases caused by water supply and consumption, is that the right outcome for the environment? The challenge by the ESP to the company is that this next business plan should be used as a chance to test and learn what works in the space for example around customer behaviours to 'layer up' learnings so that the next business plan and therefore leverage the opportunity brought about by the design of an LTDS in a transparent way.

As a CSP and ESP, all we can provide assurance on is the process by which the company has conducted its customer engagement, providing customers and stakeholders with the right information to enable them to make informed choices about the outcomes flowing from the various options available, and about the costs attached over time. In this respect, we can confirm that SES Water is compliant with this principle and has worked hard to triangulate evidence from a wide range of sources over time, appropriately weighted, to make sustainable investment decisions that are affordable for customers today and drive change for the future.

4. How the Company has responded to Customer and Stakeholder insights

The PR24 Business Plan and LTDS both show clear evidence of being shaped by the insights obtained from customers and stakeholders, among other factors. Examples of this include less prioritisation of the push to Net Zero (the company is now proposing to work to Government targets rather than Water UK Public Interest Commitment target), and greater prioritisation of lead reduction, leakage reduction and environmental improvements such as the Eden Project and biodiversity following careful triangulation of customer and stakeholder preferences.

In other cases, the company has considered insights obtained from customer research, and decided that the best outcome for customers and communities is not necessarily the one most favoured by customers. For example, customers did not support prioritising investment in the roll-out of smart water meters, preferring their gradual replacement as existing meters reach the end of their working life. This may have been informed by legitimate concerns over the use of precious resources (smart meters have to be replaced entirely when their batteries are exhausted, and installing them while existing meters are still functioning arguably results in unnecessary waste), but recent negative publicity about energy metering and misinformation about water meters resulting in higher bills are also likely to have shaped opinion, despite the company's efforts to ensure that research participants were well briefed.

As a Customer Scrutiny Panel, we naturally wish to see the views of customers taken into account when the company plans its future investment priorities. However, we also have a responsibility to ensure that the company acts in the best interests of the customers and communities it serves. In this case it seems to us that the company has taken the right decision for the greatest number of customers, as smart metering is a key tool in driving the behavioural change needed to reduce Per Capita Consumption, which is a critical – and dauntingly challenging – priority for all water companies over the lifetime of the next LTDS. We respect the fact that not all CSP members may agree.

The company has also demonstrated it has listened closely to customer preferences in other ways. For example, its lead reduction programme will prioritise schools, colleges and nurseries, where lead contamination can be particularly damaging to the health of children and young people. This was a key concern expressed by customers in the research which the company undertook.

Chapter 5 of the company's Business Plan clearly sets out how the company used customer insight to shape the development of its investment priorities, including the role played by direct challenge from CSP and ESP as well as the insights gained from customers and stakeholders following research and engagement activities which we were able to input into.

5. Acceptability and Affordability Testing

Methodology

The CSP and ESP Chairs, as well as the Assurance Lead, have reviewed the company's report on its Acceptability and Affordability testing and are satisfied that the methodology followed complied with Ofwat's stipulations, in terms both of recruitment and of questioning. The Company updated us at our bi-weekly catch ups (see Section 2 above) as it developed its plans for Acceptability and Affordability testing, and we had opportunities to challenge throughout the process. We acknowledge that some demographics are difficult to reach within the SES supply area and are satisfied that all measures were taken to address this successfully. Sample sizes are therefore strong, allowing for robust analysis and, consequently, direct comparison with other water companies. We are confident that all industry codes of conduct were adhered to and best practice followed.

Acceptability

The preferred plan met with a relatively high level of customer support at 66% of household customers sampled in the quantitative part of the research and 79% of non-household customers. Only 3% of household customers said the plan was completely unacceptable, with a further 8% saying it was not acceptable. While acceptability was lower in customers with financial or other vulnerabilities, over half of these customers still agreed it was acceptable. There is still room for improvement on these scores, and we would like SES Water to consider how they can improve on this as an integral part of rolling out their business plan, should it be approved by Ofwat.

Having said that, we note that the research was conducted at a time when the reputation of the industry as a whole is under pressure. When customers were asked their top two reasons for finding the plan unacceptable, the top two selected were that companies should pay themselves and that profits are too high. These are important contexts to consider when interpreting results.

In addition, this research was conducted at a time when a great deal of media attention was being given to problems with sewage and waste water, which may also have had a dampening affect on customers' view on acceptability. Customers were not always clear that SES does not deal with sewage and waste water. This is both a potential explanation of why the scores were not higher than they were and a call to action to SES Water to consider doing more to raise awareness of their precise role in the water cycle with customers so they can make better informed judgements in future.

Affordability

The score of 13% of customers saying that the final plan is affordable is disappointing. However, the economic climate when the Affordability research was conducted clearly needs to be taken account in considering this figure, along with the need to do the right thing for the long-term and protect intergenerational fairness. Over a third of customers (35%) said the plan was neither easy nor hard to afford, with a relatively low 13% say it would be very difficult to afford. Over half of customers (51%) said they rarely or never struggle to pay a bill, while the proposed bill increase from 2024/25 to 2029/30 is £2 per month (excluding inflation), with customers on Water Support paying half that sum.

Ability to pay has been a strong feature of the Customer Scrutiny Panel's focus over the past two-and-a-half years, and we will continue to provide constructive challenge to ensure that SES Water truly understands individual customers' levels of need and provides the right support. All the indications are that they will, both on the basis of the Business Plan/LTDS, the development of its future vulnerability strategy (which CSP have been closely involved in planning) and its Business-As-Usual activities on behalf of vulnerable customers, where the company is increasingly showing industry-level leadership despite its relatively small size. Plans around smart metering and tariff innovation are also encouraging in this respect, and CSP and ESP will work together to challenge the company to implement these plans to get the best outcomes for customers and the environment. We look forward to seeing how the company plans to address customer resistance to smart meters, particularly as there is a need for customers to reduce their per capita consumption.

It is disappointing that the proportion of customers who know about support schemes is relatively low, but we are encouraged by the approach SES Water is taking to raise awareness. As well as direct communications with customers through an increasing range of channels, this work includes engaging in data sharing and partnership working to improve awareness of support, and we are pleased to see the increasing focus on this in the company's plan. We do not under-estimate the challenges involved in engaging with customers in financial hardship and other forms of vulnerability, who may be less likely to communicate with the company and difficult to reach. Being able to make timely interventions over this coming winter in particular will be critical, as, it is likely that even more customers will struggle to pay their household bills, bringing different customer profiles into this group.

6. Lessons Learned and Recommendations

One challenge we have issued to the company (see Appendix 2) is to bring all of its customer research and engagement activity together in one 'Plan on a Page', to provide a high level view of how customer research and engagement provides a coherent, planned, ongoing programme of work which gives the company a deep understanding of customer and stakeholder thinking on material issues, as opposed to a series of largely unconnected projects relating largely to specific regulatory requirements. For the avoidance of doubt, we are happy to provide assurance that the company does have a coherent, planned and ongoing programme of engagement in place - we would like the 'Plan on a Page' as additional evidence of this. This challenge is still ongoing. In February 2023 we were provided with a 'Plan on a Page' illustrating how the various elements of LTDS/PR 24 research and engagement would be phased. However, this was quickly out of date due to changes in the schedule and has not been consistently updated to the best of our knowledge. This is something we would like the company to look at once the PR24 Business Plan and LTDS have been signed off, to inform future work, and is very much in keeping with the spirit of the company's customer ambitions as set out in the draft plan and delivery strategy.

Other water-only companies (WOCs) have produced **document libraries** to support PR24 assurance (among other benefits), keeping key materials in one, easily accessible location for internal and non-executive stakeholders to use. Although we discussed the merits of this approach with the executive team on a number of occasions, and they did express willingness to create a central resource for CSP/ESP access, they were not able to overcome the obstacles to make it work. We strongly recommend that such a library should be in place from the beginning of future exercises like this one.

Feedback from other WOCs' independent challenge groups suggest that some other water companies have gone further than SES Water in evidencing the development of the '**Golden Thread**' (or in some cases, Threads) running through the development of their LTDSs. This may take the form of annotated minutes of meetings, memos and emails, output summaries and other materials demonstrating intentionality - i.e. a conscious process of building on each successive round of research and engagement, refining and narrowing the focus each time. This is absolutely not to suggest that SES Water's Golden Thread lacks that intentionality, but simply to make the point that without rigorous evidencing, there is always the risk that you can be accused of post-facto rationalisation of unrelated events into an apparently coherent narrative.

We have been very encouraged by the way that SES Water has expanded its **customer and stakeholder research and engagement** since PR19. We strongly encourage the company to keep building on this going forward. The company has made some very strong additions to its team in recent years, and this has resulted in a measurable increase in innovation. We recognise that retaining talent is a challenge for a company of SES Water's size, but there is every reason to hope that the company can become as industry leading in areas like consumer vulnerability and stakeholder engagement as it is in leakage reduction, with a good chance of becoming an employer-of-choice as a result.

Likewise, the company's improved **understanding** of different segments of its customer base, the communities it serves and the key stakeholders in its catchment area has been very impressive. Based on the evidence of the Business Plan and LTDS approved by the Board, we are confident that the company will continue to invest in this activity when the current planning process has concluded. In fact, we expect them to use active listening to customers over the next 18 months to validate their assumptions in preparation for the start of AMP8, building on their collaborative relationship with other companies to review what they have done as well as further engaging with customers to inform the delivery of key programmes such as smart metering.

7. The Development of the Golden Thread

Introduction

Ofwat have asked water companies to demonstrate a Golden Thread running through their customer engagement as part of their PR24 preparations. Ofwat have also set out clearly the principles by which PR24 research will be measured alongside a detailed methodology for Acceptability and Affordability Testing to be followed by all water companies. What, then, are Ofwat looking for in this Golden Thread?

One of Ofwat’s eight principles for PR24 customer engagement states that water company research should be:

Useful and contextualised

Research should have practical relevance. It should be clear why the research has been undertaken, to what it will contribute and how. The research should be designed with quality rather than quantity as a priority (In other words, a better quality of research, rather than a larger quantity of research). As much as possible, research findings should be presented alongside a wider evidence base – including research conducted by others. The analysis should contextualise the findings and explain how they will be used

A Golden Thread should therefore run through the individual research exercises, ensuring each has a clear purpose and uniting them through relevance and direction, to inform the final PR24 submission. The CSP has constantly probed to see this.

In addition, CCW have said that they wish to see a Golden Thread to evidence customer engagement being incorporated into Business as Usual (BAU), not simply to prepare for a pricing review or to meet other statutory requirements.

In other contexts, the Golden Thread is seen as live digital information that is accurate and up-to-date.

All these interpretations are highly relevant to SES Water’s preparations for PR24 and each is discussed here.

Golden Thread

We have taken two key comments from Ofwat’s response to SES Water’s PR19 submission that have particular relevance to the company’s PR24 preparations, in particular to its associated customer research programme.

Key performance commitments for SES Water identified by Ofwat included:

15% increase in the share of customer contacts, including enquiries and complaints that are resolved on first contact by 2024-25	SES Water did not carry out any further customer engagement activity before its April revised business plan and therefore did not provide additional evidence on customer support.
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SES Water started its PR24 preparations with a gap to fill in terms of customer engagement. We see this as the start of their Golden Thread.

Useful and Contextualised Research

There was a potential risk that, in its efforts to address the fact that it had not undertaken sufficient customer research at the last pricing review, SES Water might have over-reacted. This proved not to be the case. Focused customer engagement has clearly been at the forefront of SES Water’s approach to PR24, and there have been step-change improvements and impressive innovations since 2019:

- Resolving customer queries and problems in the most timely and fulfilling way through the company’s Right First Time initiative to provide customers with the best contact experience possible. (SES Water achieved 85% first contact resolution in 2022/23 and are committed to achieving 90% by the end of the next price review period.)
- A focus on enhancing customer data gathering, using every contact as an opportunity to improve the data the company holds.

- Setting up customer panels, including a Youth Panel (to ensure engagement with future bill payers), and creating links with stakeholder groups to ensure ongoing engagement and to broaden the company’s ability to help those customers who need it.

Figure 2: SES Water’s PR24 customer research programme to date



While a Golden Thread could have, perhaps, emerged through presentations of findings, minutes of meetings and other detailed evidence trails, this course was not apparent to the CSP. This is not, in itself, a criticism. Such an approach may, of course, have denied the fluidity and organic nature of the Golden Thread and so preventing it being informed by confirmatory, challenging or new research findings.

In the early days of SES Water’s PR24 research programme, while SES Water saw a Golden Thread running through their research, there was insufficient evidence available to the CSP. Research programmes and their findings appeared to be siloed. The company had an overview of the entire research programme that was not, at first, evident to the CSP.

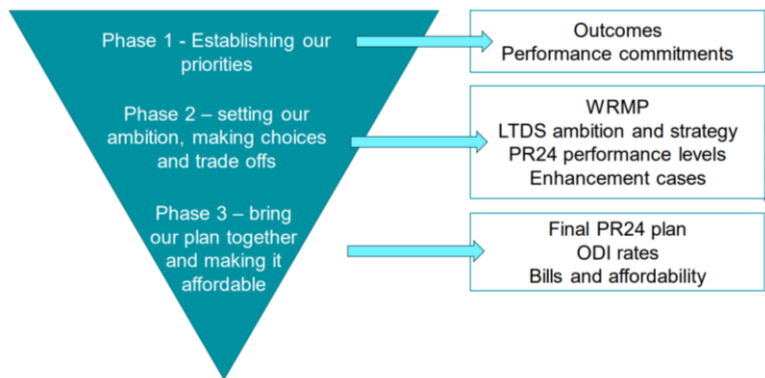
While each piece of research had its own merits, we observed some weaknesses and as mentioned above, we wanted to be sure that they were not stand-alone in their implementation and analysis. An early challenge from the CSP therefore suggested that each piece of research begin with an introduction and conclusion explaining its relevance to the pricing review preparation and to the research programme. We felt this would help maintain a focus and prevent a retrospective search for the Golden Thread. However, it became clear that this approach was not workable since the Golden Thread’s direction may – and, indeed, perhaps should – change in response to any new findings or a change in customer priorities.

In the early stages of PR24 customer engagement, sufficient time was not always allowed for the CSP to review project materials as thoroughly as it may have wished or to have an overview of research timetables. The CSP completely understands the pressures of research timescales and that building in an extra layer of reviewing is a challenge. However, SES Water responded positively to our concerns and were proactive in initiating a regular, structured programme of twice-weekly briefings to ensure we were kept abreast of progress and could then see the individual customer engagement exercises informing each other. The CSP hopes to see this positive approach strengthen and continue beyond PR24.

The CSP was delighted to see an evidenced Golden Thread clearly set out in ways we could engage with at Bespoke 2. This research included a review of customer research undertaken since PR19 and looked for any contradictions over time that should be explored, confirmatory evidence as well as looking forward at which customer priorities should be measured at the Affordability and Acceptability stage. At this stage, then, the strands of SES Water’s PR24 research programme were finally brought together and could be seen to be relevant and contextualised.

A diagram from a presentation given to the CSP at this stage is reproduced below to demonstrate how this thread emerged and would be taken forward.

Figure 3: SES Water's development of the Golden Thread



This latter phase – “bring our plan together and make it affordable” – will be the focus of Bespoke 3 research, social tariff research, CSP Ofwat/CCW collaborative customer valuations and, of course, the Affordability and Acceptability qualitative and quantitative work. The CSP is confident that the Golden Thread is now sufficiently developed to continue through to the final research stages of PR24 in due course.

At this stage, the strands of the Golden Thread focus on drinking water quality, leakages, lead pipes and the environment. There is a reasonably strong sense of intergenerational fairness with customers not wishing to delay action on their priorities.

CCW’s Golden Thread

As mentioned in the introduction, CCW have said that they wish a Golden Thread to evidence customer engagement being incorporated into Business as Usual (BAU), not simply to prepare for a Pricing Review or to meet other statutory requirements.

SES Water have greatly enhanced their customer engagement since 2019, setting up Customer Panels, Youth Panels and Stakeholder groups. Every contact is seen as an opportunity to gather and enhance their customer data, while every contact is evaluated in terms of its service delivery quality. Further, there is a programme of regular customer research. The company has shown itself to be enthusiastic about inclusivity so that, for example, while it would like most customer contact to be online, it is mindful of the need to include those for whom this is not possible.

The CSP is encouraged to see customer research and engagement embedded into the company’s activities and looks forward to seeing this on an ongoing basis.

Golden Thread of Information

In other contexts, the phrase ‘Golden Thread’ refers to live digital information that is accurate and up-to-date.

While it proved not to be possible at this time, the CSP suggested to SES Water that a shared document portal be set up so that members (SES Water, CSP and ESP) could easily access relevant documents, knowing they would be working with the latest versions. We hope this is something that SES Water would consider in the future. (See Lessons Learned.)

The Future

SES Water now have a broad understanding of customer priorities in terms of preferred areas for investment and preferred timescales for implementation of those investments. The Affordability and Acceptability research analysis will, of course, clarify customer preferences. It is important that the company continue to maintain and enhance the great strides it has made in wider customer engagement. Technology helps, but there is a widening gap in access to technology, in affordability, in housing and in language. This is, perhaps, a unique problem for SES Water given that these deprivations are, for the most part, focused in its London area – a small part of its customer demographic. Its Panels and Stakeholder groups show very positive steps in reaching out to more disadvantaged customers.

In addition, there remains the challenge of reducing Per Capita Consumption. This is a difficult “sell” for the company, given that the highest users are typically the least price sensitive, and given that customers are disinclined towards smart meters.

We are confident that SES Water will build on its improved customer engagement platform to promote reduced PCC and smart metering, building on the environmental leanings of its customers in Surrey and on the financial considerations of its London customers.

This is another form of Golden Thread: broad, inclusive yet focused customer engagement, designed to deliver the best service for customers and the environment in challenging times.

Appendix 1: Reflections on Ofwat Board Assurance Requirements

Theme	Question	CSP Response
LTDS	Has the LTDS been informed by customer engagement?	We are happy to provide assurance that the LTDS is being informed by customer engagement according to the eight principles set by Ofwat in its February 2022 positioning paper, based on the evidence available to us as at 5 September 2023. Both the initial LTDS scoping document and the LTDS itself reflect SES Water’s understanding of customer preferences based on engagement conducted (inter alia) for the new company purpose. The LTDS has changed in significant ways from the ambitions in the original scoping document in light of customer engagement carried out since it was published.
LTDS	Has the company taken steps to secure long-term affordability and fairness between current and future customers?	In our view, the company has taken all the steps necessary to provide customers and stakeholders with the information required for them to fully understand the implications of their preferences for investment. They have also included some future bill payers in this engagement. Given that the LTDS runs to 2050, and many people who will be paying SES Water bills in 2050 have not been born yet, there is an inherent bias towards the needs and interests of current customers in the way this research and engagement has been conducted. However, this is a function of Ofwat’s methodology and not of the way that SES Water has structured its work. We are comfortable in assuring that the company has done everything it can to drive outcomes informed by both long-term affordability and fairness.
Affordability (LTDS)	Does the long-term delivery strategy protect customers’ ability to pay their water bill over the long term and deliver fairness between what existing customers will pay and what is paid for by future customers?	We are happy to provide assurance that the draft LTDS is designed to protect customers’ ability to pay their water bill over the long term. As with the previous question, we note that there is likely to be an inherent tension between the needs of existing customers and future bill-payers if you ask customers about their appetite for bill increases and the phasing of those increases during a cost-of-living crisis. However, we can provide assurance that the company has taken all appropriate steps to ensure that the customers and stakeholders whose preferences were examined were in possession of the information and context necessary for them to take informed decisions.
Affordability (PR24 Business Plan)	Was the full implication of the 2025-30 business plan for customers considered and does the plan achieve value for money?	We are satisfied that the full implication of the 2025-30 business plans in terms of customer affordability has been considered as an integral part of the planning process. The 2025-30 business plan was discussed in detail in a series of online qualitative groups. It was well received and participants were highly engaged with the

Theme	Question	CSP Response
		<p>topics. Whether the final plan represents value for money will depend on the decisions taken by the Board later this month.</p>
Costs and Outcomes	<p>Are the options proposed within the business plan the best ones for customers, and has a proper appraisal of options taken place?</p>	<p>We are happy to provide assurance that a proper appraisal of options has taken place. Whether the options proposed within the business plan are in fact the best ones for customers is subjective, involving potential trade-offs between short-term affordability and the need to act in a timely manner to address climate change. In our view, the business plan does a good job of balancing the options, taking customer preferences into account while also maintaining focus on the long-term interests of customers, communities and the environment.</p>
Costs and Outcomes	<p>Are the expenditure proposals affordable by customers and do they avoid raising bills higher than necessary?</p>	<p>We are happy to provide assurance that the proposals being presented to the Board are affordable and avoid raising bills higher than necessary. There is a cost of living crisis: energy/fuel prices, food prices, rental and mortgage costs and public transport costs are very challenging (and have been for some time), and the economic future is very uncertain. This created a difficult time in which to conduct Affordability and Acceptability research. Customers were consulted on a range of bill increase options, prioritising improvements/investments alongside the time in which they should be implemented. Expenditure proposals therefore reflect the preferences of customers, as understood qualitatively. The A&A research will confirm or challenge these findings. However, we are confident in the integrity of the process that the company has followed (i.e. the way in which they are implementing Ofwat’s methodology).</p>
Costs and Outcomes	<p>Do the expenditure proposals reflect customer views, and are they supported by customers where appropriate?</p>	<p>We are confident that the expenditure proposals presented to the Board later this month will reflect customer views and enjoy broad customer support, given the care taken by SES Water to ensure that a wide range of insight is obtained from customers and stakeholders and appropriately triangulated. The contingent value analysis of a representative sample will provide more robust evidence.</p>
Customer Engagement	<p>Has the company’s customer engagement and research met the standards for high-quality research, and any other relevant statements of best practice, and has this engagement and research been used</p>	<p>We are happy to provide assurance that the company’s customer engagement and research has met the standards for high quality research set out by Ofwat in its 2022 positioning paper, as well as other external definitions of high quality research, and that this has been used to inform the development of the LTDS and PR24 business plan.</p> <p>SES’ level of customer engagement has been impressive and an area that the company appears keen to develop further on an ongoing basis. The quality of SES Water’s research has increased as the process has</p>

Theme	Question	CSP Response
	to inform its business plan and long-term delivery strategy?	developed. We have provided challenge on a number of aspects of the company's research, including the amount of time we have been given to review materials, and the executive team and their agencies have accepted these challenges and made the necessary changes. These problems are to be expected given the resources available to the company and its small customer base with a very uneven demography, providing challenges to normal sampling processes. We have seen a continuous improvement in the quality of the research over the year, and this is to be commended. We believe that the LTDS is indeed being informed by this research.
Ambition	Can the company demonstrate ambition to further enhance affordability for customers generally, for future customers, and for residential customers who are struggling to pay; and can the company show that it is achieving value for money through stretching but achievable levels of service at an efficient and affordable cost to customers?	We are happy to provide assurance that the company is demonstrating appropriate ambition to ensure that bills are affordable for customers generally, for future bill-payers and for customers in financial hardship, both through the LTDS/PR24 business plan (following rigorous testing of Affordability and Acceptability as prescribed by Ofwat) and through the extensive work it has been doing to ensure customers are able to pay via its vulnerability strategy, including building referral partnerships with specialist charities. We are also satisfied that the company is able to demonstrate that it provides value for money through efficient and effective service, as shown through performance reports to CSP and ESP.

Appendix 2: Combined Challenge Log

This Challenge Log combines challenges on PR24/LTDS provided by the Customer Scrutiny Panel (CSP1-9), by the Environmental Scrutiny Panel (ESP1-12) and by our sub-group which met twice-weekly with the SES Water Executive (PR1-15). Please note: we have closed all customer (CSP and PR24) challenges relating to PR24. Where a particular challenge is relevant to future company activities as well as PR24 and the development of the Long Term Delivery Strategy, we will be opening new challenges in our Business as Usual CSP Challenge Log.

#	Challenge	Feedback from SES	Status/Panel comments
CSP1	Can we have a 'plan on a page' showing SES Water's customer and stakeholder research and engagement programme and how the different strands align?	This view has been developed as part of our PR24 engagement work and will be shared with CSP on an ongoing basis as we continue to develop our programme.	CLOSED
CSP2	Do we have sufficient understanding of the difference between customers, consumers and citizens what this means for engagement?	We will continue to build this understanding as we develop our approach to engagement for PR24. We have worked to include a broad range of respondents in our programme, as well as to extend our links into the communities we serve so that we can capture a range of views from respondents in different modes.	CLOSED
CSP3	How are SES Water aiming to ensure there is a representative balance of people on customer panels and that digitally limited/excluded customers can participate? [This related to the customer panels held in the summer of 2021.]	Panels had a range of ages (19% 25-34, 48% 35-44, 19% 55-64 and the SEG group 62% ABC1 and 38% C2DE)	CLOSED
CSP4	What will the company be doing to act on the challenges and builds offered by customer panels?	We will be reflecting the input that we received as we develop our strategic plans, including our WRMP and PR24 plans.	CLOSED

#	Challenge	Feedback from SES	Status/Panel comments
CSP5	If these panels continue, is there scope for external agencies (e.g. CitA) to input into them so it's not just SES Water controlling the narrative?	SES are open to exploring this and agreed to do so. The independently chaired YWYS sessions held as part of the PR24 process have provided good learning about how this can work and we are keen to build on this.	CLOSED
CSP6	Will the company consider making these panels a rolling programme to supplement the online customer survey work?	Since conducting these panels, we have reviewed and expanded our approach to engagement to include different methodologies and will continue to do so moving forward. As part our PR24 work we have set up panels with representatives of organisations representing customers with extra care needs and the Surrey Youth Cabinet for example and committed to engaging proactively with our customers and communities on an ongoing basis.	CLOSED
CSP7	What more can the company do to inform customers, take forward meaningful research and gain evidence to inform behaviour change?	We have added new capability to our communications team, with dedicated resource to build out our programme of community engagement and customer marketing. This is enabling us to increase the reach, frequency and efficiency of our customer messaging about water efficiency, and we are sharing learning through our participation in CCW's working group on this topic. We are further addressing this as part of our PR24 planning, with the intent of building the foundation blocks within the current AMP, and will work with other water companies to share learning as we develop our approach to smart metering and data-led customer engagement over the coming months.	CLOSED
PR1	<p>Process: "The challenge process is informed by high quality comparative information and trends over time. This includes:</p> <ul style="list-style-type: none"> - The company and others providing access to, and explanation of, all relevant and helpful information, data and evidence with which to compare performance with other companies and over time, to enable meaningful and effective challenge. 	SES recognises this challenge, and has taken steps to improve as far as is possible within what is a large and time-pressured programme being delivered by a small water company. We have endeavoured to give CSP as much time to challenge as possible and introduced bi-weekly catch up calls so that information can be shared on an ongoing and timely basis.	<p>CLOSED</p> <p>A new challenge will be opened to ensure ongoing focus on this key area.</p>

#	Challenge	Feedback from SES	Status/Panel comments
	<ul style="list-style-type: none"> - Information being provided freely by the companies when requested, with nothing deliberately withheld, and no limitations on sharing (unless justified due to customer data protection or commercial sensitivities) - Those challenging should have the time, resources and expertise to do so effectively <p>and</p> <ul style="list-style-type: none"> - Companies' challenge arrangements should allow sufficient time for effective challenge <p>Challenge: I don't feel we are given sufficient time to review materials for effective challenge. This may be a result of interaction between SES and Create 51. (It is a recurring challenge.) How can this be improved? Please use us as a valuable resource.</p>		
PR2	<p>Bespoke 1: Practical relevance: It should be clear why research is undertaken, what it will contribute and how.</p> <p>Challenge: It is not clear to me why Bespoke 1 was undertaken and what it will contribute. If, as I understand, Create51 were disappointed with the output, this (and why) should be documented, including how it will contribute to the research programme.</p>	<p>At the beginning of the process, we reviewed the insight that we had gathered at and since PR19 to identify gaps in our understanding and where there was a need to conduct bespoke research as part of our PR24 engagement. While we already knew a fair amount about customer priorities, we wanted to do some more qualitative work to test our customers' priorities and identify any areas not covered by centralized research that might lead us to propose additional bespoke commitments. The insight gathered formed part of the dataset used to determine our desired outcomes and performance commitments. This is documented in chapter 5 of our business plan.</p>	CLOSED
PR3	<p>Golden Thread: It is not clear that this is being observed or can be demonstrated.</p> <p>Challenge: I suggested that each piece of research includes in its conclusion and the proposal/introduction how they connect, thus providing that golden thread on an ongoing basis</p>	<p>ICS presentation and Create51 feedback at catch up meeting 15 June 2023 finally gave sight of a Golden Thread. It is important to keep sight of this.</p>	<p>CLOSED</p> <p>A new challenge will be opened to ensure ongoing</p>

#	Challenge	Feedback from SES	Status/Panel comments
	and helping to keep focus on the relevance of each piece of research.		focus on this key area.
CSP8	Can we have documents for review well in advance (with suitable notification) to ensure CSP members are able to plan their time.	Noted and acted upon – feedback would be welcomed on whether CSP members now feel that they have enough time.	CLOSED
CSP9	Is the timing of engagement events such as Your Water, Your Say appropriate for the largest and most diverse possible attendance, or does it risk excluding some segments of customers (e.g. families with young children)?	The timing was considered to make sure it was as inclusive as possible not only of young families but also customers who work hence why the 6pm to 7:30pm slot was chosen. The proposed timings of other water companies YWYS sessions were taken into account when making the decision. NB Ofwat guidance for the second round of YWYS session requires companies to hold them after 5pm.	CLOSED
PR4	<p>BESPOKE 2: Fit for Purpose: Participants should be able to understand the questions they are being asked and surveys should limit the use of forced questions.</p> <p>Challenge: several concerns re the questionnaire were raised in Word document 230418 Long Term Priorities pdf – BW Comments (2). There has been no feedback to identify which comments were taken on board and which were not considered appropriate.</p> <p>In addition, mention was made of two pilots, of which we had no sight. Ofwat wish us to have input to the “preparation” of research materials, not simply sign off the finished article.</p> <p>Bespoke 2 should not have gone live without CSP having had sight of the revised questionnaire and the opportunity for further comment.</p> <p>This is an area of ongoing concern. We acknowledge that SES are very keen to rectify this, and we acknowledge their efforts</p>	<p>We have noted CSP’s challenge and agree that participants must be able to understand the questions being asked. We considered the feedback given and the material was cognitively tested with customers before being finalized. Still awaiting response to comments and sight of revised questionnaire.</p> <p>Attached feedback from April from ICS</p>	CLOSED

#	Challenge	Feedback from SES	Status/Panel comments
	in this regard. We also acknowledge the intense time pressures the research team is under. However, we must have sight of research materials in time to comment on pilot findings and before surveys go live.		
PR5	<p>BESPOKE 2: Fit for Purpose: Participants should be able to understand the questions they are being asked and surveys should limit the use of forced questions.</p> <p>Challenge: (in a separate email, same date), “What does In 2030” mean? By 2030? From 2030?</p> <p>This phrase has been repeated, and should be avoided as, while the team know what they mean, it cannot be clear to participants.</p>	<p>Verbal confirmation at CSP meeting 27 April that this was taken on board but still await sight of revised questionnaire</p> <p>This was discussed in our meetings and explained.</p>	CLOSED
PR6	<p>Affordability and Acceptability: Change to recruitment: Create51 requested approval for a change to the recruitment of qualitative participants; they will now be recruited entirely on street instead of using a mixed methodology. The scrutiny panels were unhappy at being presented with, in effect, a fait accompli.</p> <p>Challenge: BW was happy with the on street approach but requested that a sample of follow up calls be made to verify that recruitment adhered to MRS guidelines. Create51 agreed to do this.</p>	SES understands the challenge, however the team were working to very tight timescales and shared information with the panel at the earliest opportunity. The proposed change was allowed within Ofwat’s methodology and we felt that it should therefore be a straightforward decision.	CLOSED
PR7	RESPONSE TO DAN’S PROPOSALS 1: It would be helpful to have insight into the detailed research timetable; what are the team doing this week, what next, while acknowledging that this can	Team incorporated this as part of the weekly emails and also in the virtual twice weekly catch ups to help alert Steve, Beryl and Alison as to what was coming up but also to keep them informed of the progress that was being made.	CLOSED

#	Challenge	Feedback from SES	Status/Panel comments
	<p>slip. That would help highlight what project materials are in progress, due for review, when they are due to be signed off etc.</p> <p>Challenge: please can we have regular detailed timescales in addition to the overview provided by the Gantt chart?</p>		
PR8	<p>RESPONSE TO DAN'S PROPOSALS 2: Please can we see earlier, albeit draft, documents. We should not be asked to review project materials that are all but signed off. A case in point is Bespoke 2. I have yet to see the revised version that shows which comments were taken on board and which, probably for very good reasons, were not. I have no idea what happened to my feedback. How can I provide any assurance on Bespoke 2 so far?</p> <p>Challenge: I can't, in all conscience' give any assurance on Bespoke 2 so far, as I haven't seen the final questionnaire or received feedback on my comments.</p>	We took this onboard and looked to	CLOSED
PR9	<p>RESPONSE TO DAN'S PROPOSAL 3: I spend (waste) a lot of time picking up typos and grammatical errors when I should be focusing on the questions and research design. This research goes out mostly online, so is highly visible, with SES Water's name attached. I want the research to be the best it can be and customers should not think that SES can't be bothered to get things right, to spell things correctly, to be professional.</p> <p>Challenge: can SES insist that Create51 proof their work properly? (To be honest, Microsoft will do most of the work for them!)</p>	Given the speed with which we are operating and the desire for the CSP to see these surveys as soon as possible, there has not always been time to ensure a grammatical review has taken place prior to the document going out to them for review.	CLOSED
PR10	<p>Reducing PCC: the question arose in the HH online session (30 May 2023) as to how a customer perceives 100 litres, or 50</p>	This was feedback to the agency who were conducting the online panel interviews and they used examples like flushing the toilet uses 5-11 litres, a half a bath is 40	CLOSED

#	Challenge	Feedback from SES	Status/Panel comments
	<p>litres to enable them to reduce their water consumption (and there was a strong desire to do so) without a smart meter. I have already raised this (email 25.05.23): I do think this "so many litres per HH customer" needs some context or understandable metric. Can we give an example of what the reduction in litres represents so the HH customer can visualise it?</p> <p>Challenge: what guidance, what example will be given to customers during A&A to help them understand what is being asked of them?</p>	litres a 6 min power shower is the equivalent of a full bath. These were used in the discussions to enable customers to be more aware and quantify their usage better.	A new challenge will be opened to ensure ongoing focus on this key area.
PR11	<p>Social Tariff Research: SO3 – how are “other gender” allocated to quotas? 50-50 between M/F or some other approach?</p>	In terms of gender, we exclude “other” and “prefer not to say” when reporting on the figures. After weighting has been applied, we achieved 374 male completes, 476 female completes, 4 other completes (which is 0%) and 16 prefer not to say (2%).	CLOSED
PR12	<p>Social Tariff Research: Priority services: include option of “I have registered someone else on the list (e.g. in role of carer).</p> <p>Similarly: And were you aware that SES Water offer support for customers who are struggling to pay their water bills. Include option “Yes, I have arranged on behalf of someone else”</p>	Both these options were included in the final research with 3% and 1% of respondents choosing them respectively.	CLOSED
PR13	<p>Social Tariff Research: Info03 “All major water companies in England and Wales have schemes to give lower bills to some customers who might otherwise struggle to pay.”</p>	Wording changed in final survey to remove the word ‘major’.	CLOSED

#	Challenge	Feedback from SES	Status/Panel comments
PR14	SCP quantitative survey: the wording leading up to the last question (how acceptable is £2 SCP?) is dense. Is the questionnaire being piloted? Will there be an assessment of how well respondents stay with this line of questioning?	The text will be broken down within the online survey so shouldn't look as heavy. No pilot included due to timeframe constraints but Explain will do internal testing and there will be a soft launch.	CLOSED
PR15	Ongoing: disappointed that there are still typos and grammatical errors. I acknowledge that we ask to see drafts but am very aware that online surveys are conducted in SESW's name and therefore reflect on them.	Given the speed with which we are operating and the desire for the CSP to see these surveys as soon as possible, there has not always been time to ensure a grammatical review has taken place prior to the document going out to them for review. The materials that go out in our name are fully proofed.	CLOSED
ESP1	STRATEGIES: The ESP said to the Board in July 2021, SES needed an overarching ESG / Sustainability Strategy. A number of ESP and CSP members then fed into a materiality exercise to flush out priority focuses on key impact areas.	At a strategic level SES set up via the Board an ESG committee. This has met x times and discussed x with an current status of x.	OPEN ESP wish to see pace and clarity on delivery timeframe
ESP2	RESOURCING: The ESP said to the Executive that more energy and focus is needed on sustainability. There needs to be dedicated lead on this and more alignment across the business	The Executive listened, developed a business case and recruited a new Head of Sustainability. This appointment did not work out during the probation period. This means the hopes both SES and the ESP had for a faster pace has been a victim of these circumstances.	CLOSED (PENDING NEW RECRUIT)
ESP3	WINEP: ESP observe that many WAW companies were developing WINEP programmes at far vaster scale and beyond statutory duties and wonder if SES can go further.	SES have listened to the challenge from the ESP and this has resulted in an adapted shape of WINEP towards more nature-based solutions and landscape based approaches. This comprises a non-statutory element on water resources which SES assures the ESP will not just be a paper-based exercise / investigation and will kick start work in the next AMP.	CLOSED

#	Challenge	Feedback from SES	Status/Panel comments
		<p>Furthermore, a new flood risk scheme is proposed on the River Mole which responds to ESP challenge on climate adaptation risk management schemes and will involve partnership working to mitigate flash flood risks.</p>	
ESP4	<p>WRMP: Regionally, WRSE point to a potential 0.8 billion litres per day is predicted in shortfall by 2035. It could rise to 2.7 billion by 2075, around 40% of the total amount of water currently provided daily by the six water companies that operate in the region. At SES, initial planning assumptions around on smart meters is to move towards full penetration in 12 years. This slow pace of change is not something the ESP is comfortable with. The ESP want to see a faster move to smart with associated behaviour change programmes in place to enable a step change in PCC by SES.</p>	<p>The company has changed its position following ESP challenge and working with the Board and Executive to respond to customer needs expressed and their sentiment in particular around leakage management. Using smart meters as a lever to bring and brought forward its original plans. It has added two artificial constraints to the WRMP: going quicker on smart meters – now seven years (not 12). In addition, SES is going faster on leakage driving it down by 63% (rather than the 50% required).</p>	CLOSED
ESP5	<p>BEHAVIOUR CHANGE: There is a crippling lack of citizen knowledge of the need to use less water and some myths that need busting. CCW report only 27% of people think their water company works in their interests. Trust is very low.? The ESP said how will SES learn and test what works in this space?</p>	<p>Our PCC reduction strategy is falling short due to a number of issues – covid (driving up consumption), two of three summers being much drier than average, a slower than planned universal metering roll-out, issues with the readiness of our new metering platform to comprehensively process metered accounts, gaps in our billing data and delays to the roll-out of our digital customer interface. These all need addressing (where possible) to try and recover the PCC reduction trend.</p> <p>Aside from these specific issues, this is an industry-wide challenge and the efficacy of interventions designed to reduce PCC is a longstanding question.</p>	ONGOING

#	Challenge	Feedback from SES	Status/Panel comments
ESP6	<p>BULK WATER TRANSFER: the ESP on the whole think that regional water sharing is a good idea. However, this needs to be done carefully. How can SES future proof solutions eg at Cheam, a chalk, groundwater aquifer?</p>	<p>The move to regional and national water resource planning is an essential, aligns with best practice and gives rise to more sustainable solutions. With it comes the prospect of inter-regional transfers. In effect, the boundaries of existing water companies will increasingly become irrelevant, and it must be proven that the best overall options are being implemented in terms of the lowest environmental and social cost when it comes to how and where water is used.</p> <p>Regarding future-proofing solutions, the relative timing of additional longer-term transfers and abstraction reductions needs to be carefully assessed and sequenced and based on sound intelligence. Alongside the deliverability of PCC reduction, this will become the pre-eminent issue for SES over the next 10 years.</p>	ONGOING
ESP7	<p>HEALTHY ECOSYSTEMS: leaving more water in the environment especially to protect chalk streams (often described as England’s rainforests) is vitally important. Chalk streams require enhanced investments to ensure water resources, restore physical habitat and biodiversity. There are opportunities for SES to specify and deliver meaningful long-term outcomes on the ground. The ESP said, what role will SES play in developing an evidence base for enhancing nature? How will it bring citizens with it and tell a credible story through its work on embedding the purpose eg via iconic chalk streams?</p>	<p>Our work here needs to be evidenced-based, and the proposed round of WINEP investigations and schemes will help us better understand the extent of our potential net impact on the chalk streams. Through the development of partnerships, we will need and want to be part of a broader amalgamation of organisations bringing a collective message to citizens which we believe will align with – and demonstrate clear evidence of – the bringing to life of our purpose.</p>	ONGOING
ESP8	<p>PARTNERSHIPS: quality of partnerships will be key for delivery for catchment scale solutions. Setting the company up for success to win back trust and deliver against its social licence to operate is important. ESP said: Can SES develop a partner/stakeholder delivery strategy? This could be cross cutting against different themes eg nature recovery or building resilience across the region. Obvious partners include Southern, SE and Thames. With a strong clarity of ambition, such a strategy</p>	<p>We agree with the ESP challenge as developing strong partnerships in the delivery of catchment solutions has not been a strong area for SES in the past. This will rightfully be a key focus in the future – with shorter term focus in the following catchments: Eden, Wandle, Hogsmill and (dependent on progress with WINEP engagement work) Mole. Furthermore, the development of partnerships will form an integral element of our ESG strategy.</p>	ONGOING

#	Challenge	Feedback from SES	Status/Panel comments
	would bake in monitoring and evaluation from the start with tangible milestones against success factors.		
ESP9	OPEN DATA DRIVING DECISIONS: the concept of SES being ‘fully smart’ is laid out in the LTDS. IDMA work has proved good value regards this. Next, adaptive planning will demand rigorous project management and more complexity. For example, once Copperleaf Software provides a ranked list of schemes how will these be monitored to ensure early learning be captured and shared? ESP asked: what does SES mean by the term ‘fully smart’ and how can lessons learnt from pilots, projects and wider operations be shared to support a smart approach?	<p>Our ambition in being fully smart is to get to a position where all our decision-making is based on real-time data, and that this is (where possible) made accessible to our stakeholders to assist in our desire to be fully transparent, and open to external insight in order to help drive engagement, challenge and ultimately support from our customer base in delivering our ambition.</p> <p>This will require our publications and statutory documents to be easier to understand and digest by all stakeholders.</p> <p>We believe this ambition will also align to the relevant elements of Ofwat’s SVP expectations.</p>	CLOSED
ESP10	LEADERSHIP: we applaud SES for its industry leading work on the IDMA and continuing to drive down leakage. We concur with SES regards the urgency of demand side reduction. ESP said: To deliver regional plan a seismic shift in the way the whole industry relates to customers, businesses and communities will be required. This involves purposeful thinking around clarity of ambition, building back trust, connecting with communities, marshalling resources of time and money and considering scale. What choices can SES share with the ESP re plans to demonstrate leadership?	<p>We agree with the ESP view on this and want to be seen as leading in the sector, where we can. It is impractical for SES to plan to lead everywhere, but instead want to be a positive disruptor in a handful of areas.</p> <p>Our strategy has evolved towards using a more comprehensive approach on integrating our IDMA work with smart metering and will continue to share learning with the sector.</p>	CLOSED

#	Challenge	Feedback from SES	Status/Panel comments
ESP11	<p>CLIMATE: the approach to climate change – mitigation and adaptation – needs revisiting. Challenge: when will the ESP be able to see a re-cut plan including costs and choices?</p>	<p>A re-cut plan was shared and discussed at length with the ESP in September. The ESP is supportive that SES’ new approach is proportionate with a strategic multi-benefits approach to sound land management whereby nature and climate are considered two sides of the same coin. Moving forward with the company’s refreshed purpose to ‘enhance’ nature the biodiversity/landscape scale approaches to net zero and biodiversity thinking are balanced. Moving forward the sustainability of processes that are carbon intensive such as softening will require a strategic review with careful stakeholder and customer engagement.</p>	CLOSED
ESP12	<p>HORIZON SCANNING: the ESP request access to the risk register which provides an important evidence base to underpin strategy development. In future we wish to support the Executive and Board further mindful of the complexity of delivery of the business plan (in conjunction with the LTDS) and in the spirit of supporting optimal systems-based resilience as prescribed by Ofwat.</p>	<p>Risk register shared with ESP. Initially raised with the Board. One to bring forward.</p>	OPEN

Appendix 3: Members of CSP and ESP

ESP members:

- Alison Thompson, Chair, Environmental Scrutiny Panel
- Steve Crabb, Chair, Customer Scrutiny Panel
- Trevor Bishop , Independent
- Karma Loveday, Independent
- Bella Davies, South East Rivers Trust
- Emma Langford, Environment Agency
- Dr Ana Maria Millan, CCW
- Stephanie Fox, Waterwise
- Sarah Holloway, Independent
- Sarah Jane Chimbwandira, Surrey Wildlife Trust

<https://seswater.co.uk/about-us/our-environmental-scrutiny-panel>

CSP members:

- Steve Crabb, Chair, Customer Scrutiny Panel
- Alison Thompson, Chair, Environmental Scrutiny Panel
- Chris Hoskins, Independent
- Simon Bland, Reigate and Banstead District Council
- Amy England, Independent
- Janet Wright, Independent
- Dr Ana Maria Millan, CCW
- Christine Cleveland, Independent
- David Carter, Surrey Community Action
- Beryl Wall, Independent
- Paula Sone, Independent
- Rotating Future Customer from East Surrey College

<https://seswater.co.uk/about-us/our-customer-scrutiny-panel>