

An independent voice on our performance



It has been an intensive and challenging year for the CSP, but we believe we have ensured that customer priorities have positively impacted the current performance and future plans of the Company.

Graham Hanson
Chairman of the Customer Scrutiny Panel



The Customer Scrutiny Panel (CSP) is a group of stakeholders that reflect the interests and expectations of customers. The diverse membership includes customer representative organisations such as CCWater, statutory water and environmental regulators including the Environment Agency, local authorities, businesses and regional environment and countryside groups. More information about the panel, including member biographies and terms of reference, is available on the Company's website.

The panel has a key role to act as a champion for the customers of SES Water and to make sure that the Company understands what customers expect from their water company. The panel, including its Chair, is independent of both SES Water and Ofwat, the economic regulator for the water sector, although it has a close working relationship with both organisations.

The panel advises, scrutinises and challenges the Company in its development of plans for meeting their customers' priorities, including encouraging the Company to consider the environment and wider society in a customer context. It also plays a role in monitoring the Company's performance on delivery of its current commitments and challenging progress on improvement plans.

Scrutinising the Company's Business Plan

Every five years water companies submit their business plans to Ofwat. As most people cannot choose their water supplier, one of the economic regulator's duties is to set the price, investment and service package that customers receive. They do this every five years and must balance the interests of customers and stakeholders while ensuring that companies can pay for the services they are committing to deliver.

As part of this process, the CSP's remit is to provide independent challenge to the Company and independent assurance to Ofwat on the quality of the Company's customer engagement and the extent to which the results are driving decision making and being reflected in the plan.

During the year the CSP met with SES Water senior management at eight formal meetings, as well as a number of further sub-groups and informal meetings, to review the Company's performance against its existing commitments and to review, discuss and challenge progress and output from the business planning process.

The business planning activity was therefore a significant focus of the panel's activity this year, whereby the CSP submitted its own independent assurance report to Ofwat (available on the Company's website) in September 2018, alongside SES Water's business plan submission, with a further update in March 2019 in response to the Company's re-submitted plan following initial feedback from Ofwat. The CSP is pleased to report that during the business planning process there has been a positive working relationship between SES Water and the CSP, with effective meeting and review processes agreed and implemented to enable the panel to fulfil its objectives while maintaining its independence. This has included adequate and appropriate access to senior management and the Board, including private meetings with independent non-executive directors.

The CSP provided robust challenge and advice throughout the process which SES Water welcomed and acted on. This included changes to the customer research approach, outcomes and measures of success, improvements to the clarity of the Company's communication with its customers as well as updates to the final plan where appropriate. As a result, the CSP considers that the plan strikes a reasonable balance between meeting statutory obligations, maintaining current strong performance and accounting for customer feedback on affordability.

This enabled the CSP to conclude within its assurance report to Ofwat that:

- The customer engagement and research was appropriate, subjected to CSP and third party review and followed good industry practice
- The plan and its resulting impact on bills appropriately incorporates the views of its customers
- The plan is focused on a series of outcomes that reflect a sound understanding and reasonable balance of different customer and stakeholder priorities, including:
 - Further reductions in supply interruptions, burst mains and leakage
 - Investment in improving overall water network resilience
 - Doubling the number of customers supported by the Water Support Scheme
 - Actions to further protect and enhance the environment
 - Efficiency savings, innovation and investment to achieve improvements while reducing bills in real terms

While the CSP provided an overall positive assurance, there were a limited number of challenges provided for Ofwat's consideration:

- Despite a stretching target to reduce how much water people use, average usage will remain high compared to other water companies
- Excessive leakage will remain a key customer concern, despite SES Water being one of the best performers in this area and committing to go further
- The Company's impressive innovation culture has largely resulted in short-term solutions, leaving scope for more ambition and learning from other companies
- Specific customer engagement on the acceptance of impacts of Outcome Delivery Incentives (ODIs) on customer bills was not undertaken
- There was an imbalance of non-financial ODIs compared to Ofwat guidance with insufficient rationale

Ofwat considered the CSP's report as part of its initial assessment of the Business Plan, to which SES Water responded in their March 2019 re-submission. Ofwat's primary challenge was around SES Water's costs of delivering their plan, with some areas being significantly more costly than Ofwat's view of what is considered efficient. While it is not the CSP's remit to audit or assure SES Water's costs and finances, the panel did highlight its interest in how the Company will communicate its approach to cost efficiency and also seeking CSP

engagement regarding any impacts (positive or negative) further efficiencies might have on key outcomes for customers.

Scrutinising performance

On a quarterly basis the CSP meets with SES Water to monitor and challenge performance against agreed targets. Based on this robust review, the CSP notes positively that overall the Company has again met most of its performance commitments during the year with ongoing strong performance in managing leakage, burst mains and water quality. Supply interruptions, normally a further strong area, was impacted by a large burst in Merstham in May 2018. The key underperformance remains the Service Incentive Mechanism (SIM) score which again has not met target, although the CSP noted the positive progress of the Customer Experience Transformation Programme and the broader range of improving customer service metrics. This measure remains a key CSP concern where we will closely monitor progress and results going forward as the new Ofwat measure of customer satisfaction - C-MeX - is introduced.

Conclusion

Overall, it has been an intensive and challenging year for the CSP, but one in which we believe we have ensured that customer priorities have positively impacted the current performance and future plans of the Company. Going forward the CSP will continue to robustly monitor and challenge SES Water on the progress of delivering the plan. In the short-term this will include further focus on:



Environmental actions and opportunities, including plans for a new Environmental Scrutiny Panel



Increased customer engagement as part of putting communities at the heart of the business



Monitoring the Company's strategic approach and priorities such as incentivising customers to use less water and the impact of activity to improve customer service



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