

CUSTOMER SCRUNITY PANEL MINUTES

Tuesday 10 January 2023 Redhill & Teams

Attendees

Chair: Steve Crabb (SC)

External Members: Alison Thompson (AT)
Ana Maria Villaneda (AV)
Simon Bland (SB)
Chris Hoskins (CH)
Amy England (AE)
Christine Cleveland (CC) (*Teams*)

SES Water: Kate Thornton (KT)
Ian Cain (IC)
Jenny Rhodes (JR)
Cate Searle (CS)
Dan Le Roux (DLR)
Penny Hodge (PH)

1. Private Meeting

A private session with CSP members took place prior to the start of the meeting.

2. Minutes and Matters Arising

SC asked for any comments on the minutes from the last meeting, which were accepted.

SC advised that all the items on the Action Log had been closed apart from three actions which had rolled over to this meeting. All the items on the Challenge Log were marked as closed. Both logs would be updated accordingly in time for the next meeting, with closed items removed.

3. Business Update, including planned tariff changes

IC commented that the last time the panel met SES Water was officially in drought conditions. As of the date of the meeting the reservoir at Bough Beech was back to full capacity but the aquifers were still refilling and were not replenished to the level needed to take the catchment area back to drought level 0, although it was anticipated that they would replenish with the continued winter rain.

IC continued that during the thaw period after the recent snow, SES Water only lost supply to three customers for a brief period of time; he said this was an outstanding performance by SES as many other companies had bigger impacts.

JR advised this was the first winter that SES Water had had a smart network, and at the peak the company was experiencing 300 alarms in a day compared to 10 during a normal day. The smart network allowed the SES team to action the most critical alarms and therefore prioritise managing the network efficiently. JR commented that although this period had been very challenging due to volume, they were able to attend those that would have impacted customers. JR went on to say SES can now target those areas that were not deemed as critical, so they are able to recover and reduce leakage.

IC advised that SES had won an award for SES Water's Intelligent Network at the recent Utility awards, and this showed that SES is leading the industry in leakage detection.

IC advised that the delayed A22 works in Purley would start in January with a three-night shut-down to undertake bore holes in preparation for the main works later in the year. SES were aware of how important comms are to their stakeholders and have started proactively communicating.

KT advised that both CMeX and DMeX were in a good position and seeing improved scores. No CMeX scores for Q3 results were available but SES were expecting them any day. Ongoing strengthening of retail resources and flexibility had worked very well. The debt management team in South Africa was working well, offering additional support to Redhill during peak call times. KT advised SES currently had 631 emails in queue, taking 2.8 working days to respond, and that the oldest email was from Thursday of the previous week. AE asked if the company had seen a reduction in emails since moving areas online. KT advised that there had been a 30% reduction in email traffic and when the home move went live this was expected to reduce even further.

KT advised that the annual billing exercise for unmeasured customers would cause a spike in contact later that quarter, which would affect email turnaround times for a while. SES were continuing to monitor quality and not pushing quantity over quality.

AT commented that the current position was positive to see. Lengthy supply interruptions and widespread outages to customers had not been an issue for this company in recent years.

IC advised that SES were facing a very tough time financially. They were experiencing impacts in multiple areas, including supply change, chemicals, inflation, and interest on loans of the business structure; SES were currently in budget discussions.

AT asked if any further information was available on financials. IC commented that under PR24 methodology the company was under pressure to increase equity and reduce gearing, which was a matter for the shareholders to consider. IC advised that SES had maintained its Moody's rating, which was a great result, particularly since others had been lowered.

KT advised on the company's new tariffs and explained that the Board were due to sign off the 23/24 tariffs that same day. An increase of 14.5% was planned, due to an increase driven by inflation and catch up on past revenue that was not collected in 2021/2022 due to lower usage during Covid. An average bill would now be £216.00, in line with the national average, equating to £2.00 extra per month. KT said that SES was focusing on making sure that simple messaging about financial support was visible in the channels that customers can use.

AE asked if it would be possible to see documentation prior to its issue to customers. KT agreed and said her team would be grateful for feedback.

SB asked if SES were able to advise on the level of increase in waste water charges from Thames; IC advised that the increase was expected to be 9%. AE asked if customers would see a breakdown of waste at 9% and water at 14%. IC advised that SES was now much better at having a clear message with their communications.

KT said that on the coming Friday, SES were publishing the increase and that annual billing would begin in the middle of February. SC said his challenge was how SES could ensure people are aware of support for those struggling to pay. He would like an idea of how many customers are in water poverty and how CSP could be assured that water bills were affordable for the customer and correct for the business.

4. Deep Dive: Customer Complaints

CS walked through the Customer Complaints pack issued as a pre-read.

IC advised that there had been an increase in complaints, comparing December 2021 with December 2022. The driver for this was an increase in requesting outstanding debt, UMP and water pressure. Cost of living was also starting to have an impact on bills.

CS advised that currently all reporting was done manually, which is very resource-intensive.

AE commented on the number of days it was taking SES to respond to complaints. CS replied that the company were currently seeing higher levels of complaints due to the drivers explained, and this was not helped by current resource issues. However, there were plans in place to mitigate this. CS explained that it was sometimes easier to talk to the customer rather than respond by letter, and this was having a positive impact on customers.

AT commented that hard work had been undertaken at a granular level, which she congratulated SES on. CS advised that SES were looking at future challenges and pre planning, especially with the work due to take place at Purley. CS also advised that other areas of the business were taking ownership of complaints relating to their area for example pressure optimisation and being responded to.

5. Final Methodology and Company Plans

PK provided an update on Ofwat's Final Methodology. There were no big surprises with the Final Methodology, and it was consistent with the Draft Methodology

Ofwat's ambitions are on long-term environmental matters and continued customer engagement.

The financial/ average cost per capital at 3.29% was slightly above PR19 levels but SES had actually been expecting it to be higher. The company's view was that the level of risk and return was still unbalanced. PK said that Ofwat were aware of market concerns, and the final figure might still change.

6. PR24 Customer Engagement

PH walked CSP members through the pre-read document on SES's customer insight work since PR 19.

DLR said it was key that the company did not miss anyone. In order to guarantee this, six programmes would be run between January and the end of July. This would allow the findings of each piece of research to be added into the next. He then gave an overview of these programmes.

KT advised that more details would be issued to the CSP panel regarding customer attendance group once the final details were confirmed.

SC noted that there was nothing in the current Ofwat proposals for Performance Commitments regarding how many customers companies would be expected to add to their Priorities Services Registers. At the start of PR19, the average per company was 3%, which was a very low base to start from). By the end of this price review period, water companies were expected to have at least 9% of their customers on their PSRs, but this was still a lot fewer than energy networks (DNOs), which average around 30% of customers on their registers. SC commented that he was disappointed that Ofwat had apparently decided to take vulnerability out of the price review process altogether.

AT asked for key dates in the customer engagement and insight programmes so CSP members could schedule these in their diaries well in advance. AT reminded the team that the ESP's ability to provide the usual level of high quality challenge and support, given the way the challenge groups are set up and resourced, is highly predicated upon sensible lead in and turnaround times.

7. ESP Update

AT advised that a shift in focus had been discussed following the Final Methodology from Ofwat, which explicitly elevated the expectation of Independent Challenge Groups in scrutiny of engagement and how that is fed into board assurance.

AT commented that Rebecca Wiles, one of SES's Independent Non-Executive Directors, was invited to the ESP. The purpose of this was to create continued open two-way challenge between the SES board and the ESP.

AT advised a deep dive was conducted on the Water Industry National Environment Programme (WINEP). The ESP critiqued SES's current proposed approach, probing on the balance between statutory drivers and optimal outcomes for catchments in meeting Water Resource Management Plan objectives.

AT explained that the ESP had reviewed the strategic intent behind the company's latest campaigns, including one on water efficiency, challenging SES for metrics for how success will be tracked.

8. AOB

AE asked if SES had received any feedback after the introduction of braille cards. KT responded that SES had received some feedback; what had been received was very positive, and they are hoping to roll out in other areas of the business.

KT advised that work on the SES bereavement process had been undertaken and Life Ledger introduced. This is a platform allowing families to contact businesses connected with the deceased from a single point contact. KT also advised that SES now has a dedicated

team for bereavement and was delighted to advise that SES had received a customer satisfaction score of 10/10; whereas in October it was still high at 8.5, a top score of 10 was excellent.