

ENVIRONMENTAL SCRUTINY PANEL MINUTES

Thursday 7 October 2021, Meeting via Microsoft Teams/SES Water, Redhill

Attendees

Chair: Alison Thompson (AT)
Secretariat: Lorraine Taylor (LT)

External Members: Trevor Bishop (TB) Water Resources South East (WRSE)
Steve Crabb (SC) Independent Chair, SES Water's CSP
Karma Loveday (KL) Independent
Cat Moncrieff (CM) South East Rivers Trust
Tom Perry (TP) Environment Agency

SES Water: Tom Kelly (TK) Wholesale Director
Cat Holland (CH) Head of Communications
Alison Murphy (AM) Water Strategy Manager
Henrietta Stock (HS) Energy and Carbon Manager
Junji Omura (JO) Shareholder representative

1 Private meeting

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

2 Chair's Announcements

The Chair welcomed all the external ESP members and SES team. She reported for the record that the meeting was quorate and that apologies for absence had been received from Sarah Jane Chimbwandira (SC) Surrey Wildlife Trust, Benoit Witchalls (BW), Independent and Alice Laycock (AL) CCW, Sarah Holloway (SH) Independent, Andrew Jamieson (AJ) Surrey Wildlife Trust. From SES Water apologies had been received from Sarah McLaughlin (SM) and Diana Evans (DE).

The Chair enquired re Declarations of interest; no new declarations were provided.

The Chair read out the Statement of Independence:

"Our role on the Environmental Scrutiny Panel is to act independently to advise and challenge the company. We offer our views impartially and constructively for the long-term public interest".

The Chair explained that during the private meeting the panel has conducted a review of past challenges from 2020-2021 to prioritise the material ones to 'bring forward' to 2022. This would form the basis of a new challenge log and the previous ones would be archived for audit purposes. Looking ahead, with this focus on agreed priorities, the panel will continually reflect on 'What does success look like in 2022' and will be coordinating with SC on the CSP.

The Chair recently participated in a river walk Chris Grayling MP alongside Ian Cain, Alison Murphy and Mark Stokes from SES and the Chief Executive and core team at South East Rivers Trust (SERT) to discuss environmental pressures on the local rivers including precious chalk streams (including how SES augment them to keep up flows at critical points in the year) and the need for metering was discussed. The benefits of nature-based solutions were considered and SERT highlight a planned site for wetland creation funded by a variety of partners. The Chair valued the opportunity to explain the work of the ESP and achievements to date to Chris Grayling MP and hear his perspective and that of his constituents. This revealed that broadly

speaking whilst water per say is not high on their agenda, the environment increasingly is.

The Chair attend the launch of the Blueprint for Water Vision (part of the pre-read). She commended the panel review as it sets out three priorities for the sector from an environmental point of view:

1. Recover Biodiversity through large-scale, strategic habitat restoration, protecting and enhancing biodiversity hotspots such as our internationally valuable chalk streams.
2. Drive down pollution with an effective and fully resourced monitoring and enforcement regime, driven by ambitious targets to tackle pollution and address the water quality crisis.
3. Re-think our relationships with water to build a sustainable relationship with our blue spaces, delivering climate resilience, water security, and health and well-being benefits for our communities.

We have talked about previously the Strategic Policy Statement that's due to be out in November and led believe it's strong on the environment, but not explicit enough about how it will incentivise companies on a regulated operations and which areas needs to be really thought through. This is another thing discussed earlier, and the Panel are quite strong on thinking about how we can think about a business case for Net Zero if the money isn't readily available.

The Chair also made reference to the WINEP response, WINEP represents £3billion of funding and there is a conversation around how it can be better focussed on outcomes based solutions, wealth of inputs and outputs but there is still a bit of a fight and will be hard to get traction around catchment.

The Chair thanked the Committee for their contributions during the year as this was the last meeting being held in 2021.

Minutes

The minutes from the previous meeting were reviewed and feedback provided.

TP referred to an incorrect note about Bough Beech reservoir not being on the WRSE radar. Correct terminology to be added.

Action: TK

SC reported that item 4 was the first challenge on the Customer Challenge log about diversity and inclusivity. The challenge was to change the accessibility to visit the education centre to not just schools that can afford to go there by transport. CH reported that three schools in our London Boroughs have been offered to attend and 2 of the three schools have taken up the offer and SES Water will be funding their transport costs.

Action Log

There were no further updates/comments were made.

Challenge Log

The Chair reported that there needed to be more challenge around the Net Zero route mapping funding and developing a business case, Capital carbon route mapping and PCC, WRSE regional planning thinking which TB will discuss in more detail at January's meeting, Long-term environmental strategy at what point will SES Water think about public commitments and ESG agenda.

TB made reference to Ofwat referring to common reference scenarios.

TK welcomed the challenge on the challenge log and what has already been mentioned we are not uncomfortable with. We are identifying areas where we can drive our carbon footprint down further and building business cases around moving from fossil fuels to bio diesels. The challenge comes from capital carbon and recognise that SES Water is a little behind the curve on capital carbon accounting.

TK reported that SES Water are supportive of Ofwat's suggestion in PR24 for the rationalisation of Performance Commitments. In the last AMP we moved to about 35% of our PCs being environmental focussed. For PR24 there is parity of customer and environmental PCs.

3 CEO/SLT update

TK provided an update on the quarterly performance against our current performance commitments.

There are some improvements in performance from where we ended the first year of the AMP. We are making strong progress on leakage reduction which has been helped by the weather and the intelligent networks, pressure management and customer side leakage. PCC continued to be a challenge for us and saw a significant drop in demand due the staycation this year and will be challenged to hit that target. CMEX and DMEX we continue to be challenged on. On DMEX we have moved up the table a couple of spots. We have now gone live with our new billing platform and hope this will be a start to our CMEX improvements. Whilst we missed the target of resilience last year and likely to miss the target this year due to the big resilience main project we are looking to complete the works next year and hopeful that we will deliver 100% resilience from year 5 to year 3.

The challenge area for us is around a couple of WINEP schemes and are making good progress in some areas.

We continue to deal with challenges of covid primarily around the supply chain issues and fuel supplies. There has been in impact on costs for chemicals, our metering provider had recently indicated a 7% increase in rates. Key challenge with the provision of smart meters having a 6-9 month lead time and unit costs are 2-3 times higher since the pandemic began. There are indications that the situation will ease at the end of the first quarter of next year so will continue to install standard meters until that time.

SC asked a question around gas, keen to understand if we purchase from a business to business or from manufacturers directs and the second question around smart meters and the fact that they are environmentally unfriendly due to their batteries need to be replaced.

HS reported that we do hedge our electricity costs and purchase seasons ahead and have a committee to monitor that. We have made a decision to purchase all of our electricity to the end of the AMP and are in a good position with our electricity costs. In terms of gas, we use a small amount of gas and are in a fixed contract for a couple of years and are currently doing a lot of work to eliminate it from sites and starting to install air-source heat pumps. We are impacted by using red diesel in our back up generators at some of our sites so will need to move to white diesel but in the long terms we are looking at moving to HVO. TK also reported that we are looking at water source heat pumps as well.

TK reported that on smart meters, we have not wanted to jump too quickly before the technology is ready but fundamentally the challenge is that we need to change out the meters at the end of their life.

KL reported that she is chairing for Waterwise a webinar on smart metering experiences on 23

November. It's free to join.

CM wanted to know more about the WINEP projects and asked if information could be shared along with land based improvement. TK reported he will circulate information on WINEP and will provide a summary document on the land based improvements.

Update on ESG Strategy

TK reported that the ESG Framework hasn't been developed and moved forward at a pace SES Water would have liked. Looking to expedite our thinking around our approach to PR24 and beyond. Our initial response to Ofwat was circulated to the panel prior to the meeting and the Company are generally supportive of their key principles. We need to move forward our Purpose project at pace as this need to be the foundation of the ESG Strategy.

Our PR24 cannot move forward until our ESG Framework is in place.

Supply chain impacts: metering and leakage

This topic was covered as part of the Performance update.

PR24: 2022 key milestones and plans

A copy of SES Water's response to Ofwat was circulated to the Panel prior to the meeting for their information. A further discussion will take place at the next meeting on Tuesday 11 January 2022.

4 Bough Beech Transformation & Bore Place partnership: governance and success criteria

TK provided a summary of the developing position of the Bough Beech Transformation Programme.

There have been a number of conversations with partners to move forward. Bore Place are not the only partner as we have our angling and sailing club and other commitments to farming families in our area who have access to our land. We have spent the last year considering what we can do and are now at the stage of what we are going to do. Our success criteria is to have a three-way partnership, SES Water, Bore Place and Sevenoaks Council. We are currently in the process of evaluating the following six objectives which we hope will apply to all eventual partners:

- Carbon capture and/or renewables
- Biodiversity enhancement
- Community amenity
- Fit with purpose and values of all parties, including preserving the water resource
- Education in energy, biodiversity and sustainability
- Financial sustainability

From a governance point, we would be looking for joint sign-off of two key groups, the SES Water main Board and the ESP.

AT confirmed that this is in line with expectations of the panel and setting something out for the next decade. The ESP could support a potential working group to take a closer look at the project and seen to it being an inclusive site.

SC reported that this it is fantastic that were now thinking about reaching out to everybody.

TK reported that there is ongoing engagement with Tom Tugendhat MP and looking at zoning the estate and identify the areas and concepts criteria that will put this area on the map.

5 Climate Change

Learnings from consultations

Rebecca Crinson from Explain Research joined the meeting to provide a high level overview of the Summer Consultations.

SES Water commissioned Explain to conduct 'summer consultations' to look at a number of themes and adopted a Citizen's Panel approach to allow respondents to become increasingly informed across four sessions and thus able to respond to complex topics.

The four sessions were:

1. Day zero: session to set the scene around water scarcity, net zero and to the role of SESW – respondents demonstrated previous apathy towards SESW and were surprised at the breadth of SESW's role
2. Drought consultations: respondents presented with the drought plan and its four levels with associated demand and supply actions – generally there was a high level of acceptance of the plan
3. Net zero route map: respondents presented net zero route map and the overall response was positive with 95% supportive of the level of ambition
4. Resilience: overall respondents prioritised water supply and water quality in the resilience framework – respondents were looking for worst case scenario planning from SESW in relation to climate change

Rebecca reported that the key themes were a general lack of awareness of water stress from the respondents and education was therefore felt to be key across the board and to be led by SESW. Customers were accepting of their responsibility around water efficiency. On their journey the respondents highlighted the need to educate customers and increase awareness of water stress, the link between water efficiency and carbon footprint. Leakage reduction was seen as the responsibility of SESW and 15% of water leakage was seen as surprising. There were negative perceptions of water meters and smart meters were highlighted several times.

Towards the end of the consultation, respondents were all providing suggestions and demonstrating high levels of engagement with SESW and they are also looking to broaden and continue with this approach.

AT was interested in looking around PR19 and that there hasn't been any shift in water knowledge. Does Rebecca have any thoughts on further water engagement? Rebecca mentioned that it's all about being part of local community groups.

TP asked around 96% supported of demand side restrictions in a drought. We sometimes talk about a water supply drought but there are areas of environmental drought where there is not enough water in the rivers. RC reported that there was a trade-off was around environmental impact around river extraction.

KL reflected on the sessions and found it generally uplifting on the level of engagement and seeing SESW doing themselves a disservice.

TB reported that the draft regional plan is being issued in January 2022 is the pre consultation for SES Water's WRMP and have developed a tool whereby the customer can use a slider on how greener they would like SES Water to be. They are doing further work on their Public Value

and the calculations on carbon on hot water consumption.

SC reported that customer engagement is to be business as usual and not just be a regulatory need. How representative were the people on the forums and was pleased to see a good cross section from across the supply area. If this process is to continue, there should be diversity input from across all stakeholders.

Climate Change Toolbox Talk

HS explained the background to the Climate Change and COP26 Toolbox Talk which is being rolled out to all employees. HS then presented the Toolbox Talk to the Environmental Scrutiny Panel. The Toolbox Talk explains why the climate is changing and what the main impacts are. It also gives examples of what the government, SES Water and individuals can do to reduce their carbon emissions. The Toolbox Talk is being supported internally by intranet posts and activities to raise awareness and knowledge ahead of COP26 in November.

The Panel provided positive feedback to HS on the presentation and asked if they would be shared with the Water Industry. HS reported that discussions are taking place with Water UK's Carbon Working Groups.

Climate Adaptation: Presentation from Francis Heil, Atkins

Francis Heil joined the meeting to provide a summary of the Climate Change Adaptation report which Atkins were commissioned to carry out at the beginning of the year.

The report covered the following areas:

- Background on Climate Change Adaptation Reporting for SESW
- Overview of SESW's key climate risks and climate projections
- Overview of SESW's climate change risk assessment
- Overview of chapters from SESW's Climate Change Adaptation Report
- Areas for further focus in PR24 and beyond

Feedback was received from members of the Panel which SES Water and Atkins will take into consideration prior to issuing the report.

TB reported that managing deep uncertainty is fundamental along with systems resilience. FH reported that the work Atkins are doing will be aligned with systems resilience.

TP reported that priority should be on evasive species and the declining natural capital.

KL reported that is a need to make a case for in-period adjustments/flexibility for PR24.

AT mentioned that the report needs to be strengthened by looking a bit more outwards and need to be collaborating more with other water companies.

6 AOB

Update from Steve Crabb, Independent Chair of CSP

SC provided a summary from July's CSP meeting main agenda item was Ofwat's view on PR24 and that CCGs will not be mandatory for PR24. So far Anglian and United Utilities have abandoned theirs but the others along with SES Water will be keeping theirs. Customer scrutiny will be mandatory, and research will be conducted collaboratively whether nationally or via regional frameworks. Also reviewed CCW's papers on PR24 and their proposal of a national COG on customer engagement.

CMEX update: SES Water is off target on CMEX, second from bottom. Common threads are on incomplete jobs in the field and in the office. Consistent feel about silo working. Aptumo has been rolled and there will be a deepdive on CMEX once Aptumo teething problems have settled. A deepdive on vulnerability took place in July and good work taking place.

In October, there is an alignment of customer charter, deepdive into debt and the ability to pay and also an update on Aptumo, Purpose, Metering and PR24 and the importance to understand base costs.

The Chair thanked everyone for their input and feedback and passed on her thanks to Cat Holland, Head of Comms, who leaves SES Water this week, for all that she has done for the Panel.

Feedback from ESP on updated Biodiversity Action Plan

The Chair reported that feedback from the Panel had been received on the Biodiversity Action Plan and the general view is that it needs to be strengthened and integrated more with the Purpose work

The next meeting is on the Tuesday 11 January 2022.

This is accurate record of the minutes of the meeting.

Date: 11.1.22

Name: Alison Thompson

Signed: 

Chair of Environmental Scrutiny Panel for SES Water