

Chapter 4: Our long-term delivery strategy

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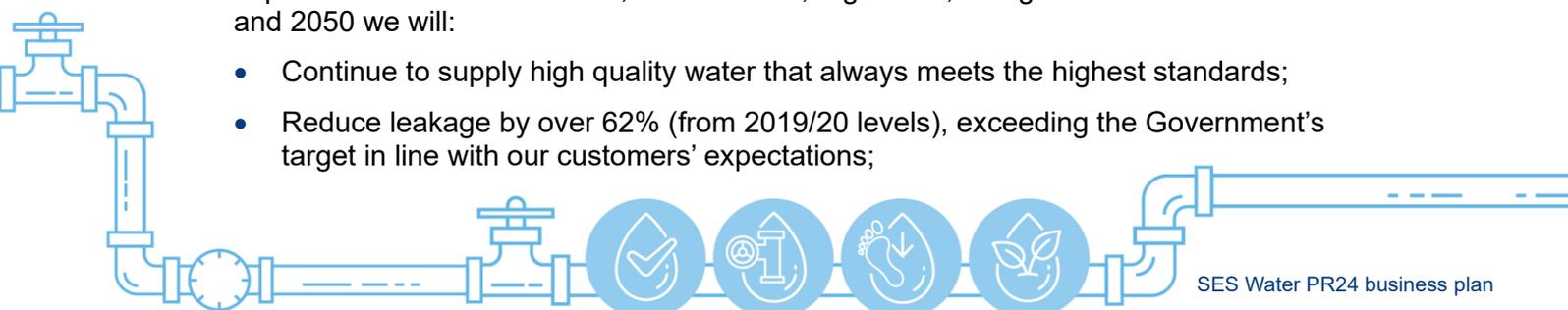
1. Our long-term delivery strategy

A. Introduction to our LTDS

1. Our business plan for 2025 to 2030 is set in the context of a 25-year adaptive strategy. Our long-term delivery strategy (LTDS) looks ahead at the investment we expect to make in our service between 2025 and 2050. It sets out the long-term outcomes we aim to deliver and, using adaptive planning, plans for the eight common reference scenarios identified by Ofwat that cover high and low climate change, demand, abstraction reduction and technology scenarios. Our full LTDS document accompanies our business plan submission.
2. We have identified the investment required over the next five years and beyond to enable us to achieve our long-term ambitions across all plausible scenarios, through a core and two alternative adaptive pathways.
3. The investment in our core pathway is essential for the future and the transformation of our service. It will enable us to deliver our customers' priorities, meet new legal and regulatory requirements and address risks in a timely manner. This pathway is aligned with the investment programme put forward in our business plan for 2025 to 2030 and identifies where enhancement expenditure is needed.
4. We will use our adaptive LTDS to inform our subsequent five-year plans. If needed, we will move to one of our alternative pathways that includes additional investment required only in more adverse future scenarios. A monitoring programme will inform our decisions if an alternative pathway should be followed and the additional investment triggered, to enable us to achieve our long-term ambitions.
5. We have submitted our LTDS document alongside our main business plan submission.

B. Our ambition

6. Our LTDS will enable us to achieve our purpose – **to harness the potential of water to enhance nature and improve lives** – through strong stewardship of our existing assets and a forward-looking programme of investment. It will deliver our vision to:
 - Transform our performance through digital innovation and smart technology where we aim to be one-step ahead, solving issues before they become problems and making systems-based, intelligence-led decisions about how we invest for the future;
 - Build the trust of our customers so they value water and the service we provide and are willing to play an active role in helping us tackle the challenges facing our local environment and our water supplies; and
 - Enhance the environment and provide our local communities with wider benefits from our day-to-day business activities so we improve the lives of current and future generations.
7. The long-term outcomes and level of ambition we have put forward reflect the expectations of our customers, stakeholders, regulators, and government. Between 2025 and 2050 we will:
 - Continue to supply high quality water that always meets the highest standards;
 - Reduce leakage by over 62% (from 2019/20 levels), exceeding the Government's target in line with our customers' expectations;

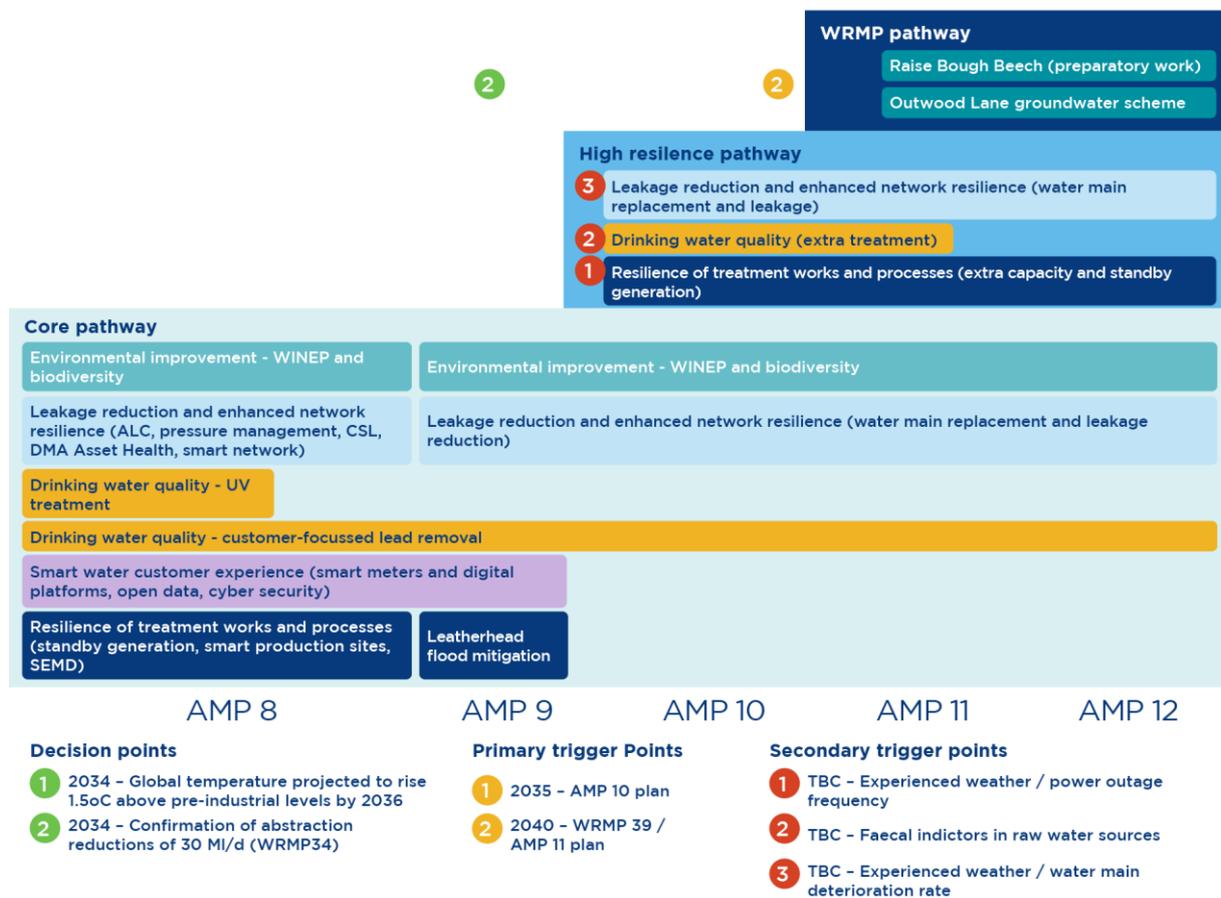


- Eliminate interruptions to customers’ water supplies that last longer than three hours;
- Reduce the number of burst mains that require repair by 50%;
- Reduce the number of contacts we receive about the taste, smell and appearance of our water to almost half;
- Lower per capita consumption by 26% to achieve the Government’s domestic consumption target of 110 litres per person per day and reduce business consumption by nearly 17% - both from 2019/20 levels;
- Eliminate all unplanned outage at our water treatments works and make them more resilient as the climate changes;
- Enhance the environment we rely upon by delivering all our statutory requirements and going further to improve the quality and resilience of our water sources;
- Increase biodiversity by 25% on the land we own and create additional gains on third party land by working with others; and
- Achieve net zero carbon emissions by 2050.

C. Our LTDS

8. Our LTDS is summarised in the figure below, which shows the main investment areas in our core and alternative adaptive pathways between 2025 and 2050.

1: Summary of our LTDS core and alternative pathways



Source: SES Water



Our core adaptive pathway

9. We have considered the common reference scenarios provided by Ofwat and our own bespoke scenarios to identify the no and low regrets investment that is required in all, or most, scenarios and this has been included in our core adaptive pathway. It includes £56 million of enhancement investment between 2025 and 2030 to enable us to make progress against our long-term performance ambitions, meet all statutory regulatory requirements and make our service more resilient to existing risks including climate change.
10. The key areas of enhancement expenditure in AMP8 are organised into five 'clusters' including:
 - (a) Drinking water quality enhancement - £9 million:
 - Install UV treatment at two of our water treatment works to remove the risk of Cryptosporidium; and
 - Replace the lead pipes to supply 170 schools, colleges and nurseries to protect young people most at risk from lead exposure.
 - (b) Enhancing the resilience of our treatment works and processes - £7 million:
 - Make our water treatment works more resilient to climate change and security threats; and
 - Roll out smart technology across our water treatment works and pumping stations.
 - (c) Additional leakage reduction and enhanced network resilience - £10.5 million:
 - Increase our leakage reduction activity and further enhance our smart network; and
 - Embed our DMA Asset Health initiative that uses no-dig technology to assesses the condition of our water mains, so we target our future maintenance and mains replacement programmes as efficiently as possible.
 - (d) Smart water customer experience - £24.5 million:
 - To fund the accelerated installation of 194,000 smart meters to further reduce leaks, help customers to lower their water use, integrate and analyse all our supply and demand data from source to tap to improve our performance; and
 - Enhance how we use data to engage with our customers, open our data and put the necessary cyber security in place to protect our customers.
 - (e) Environmental enhancement - £5 million:
 - Deliver our statutory WINEP (Water Industry National Environmental Programme) schemes, additional environmental enhancement and biodiversity gains.
11. The enhancement expenditure required will result in an average bill increase of £14.09 across the 2025 to 2030 period.
12. We have also identified the investment needed in our core pathway after 2030, which includes:
 - A 20-year programme of targeted water mains replacement informed by the advanced understanding of our asset health and deterioration rate through our DMA Asset Health initiative to further reduce leakage, mains bursts and supply interruptions;



- A continuation of proactive leakage management activity to address the higher proportion of smaller and harder to reach leaks that will be more difficult to find and fix as we reduce our overall leakage level;
- The final two years of our accelerated smart meter roll out so all metered customers have a smart meter;
- Protection of our Leatherhead pumping station and boreholes from river flooding and improved water management in the Eden catchment;
- Further work to enhance the environment and biodiversity using catchment and nature-based solutions; and
- Ongoing lead pipe replacement targeting premises that pose the greatest risk to customers.

Our alternative adaptive pathways

13. Our alternative adaptive pathways include higher regret investments that would only be required under certain more adverse scenarios. Our Water Resources Management Plan (WRMP) alternative pathway includes the additional investment identified in our WRMP if we face the high abstraction reduction scenario. This is triggered if we need to reduce our existing abstractions by 30 million litres per day. In this pathway we would need to invest a new source of water at Outwood Lane, and we may need to begin preparatory work to raise Bough Beech reservoir, in addition to the investment required in our core pathway.
14. Our high resilience pathway would need to be followed if we experience a more adverse climate change scenario. It would be triggered if global temperatures rise by 1.5°C above pre-industrial levels, currently projected to be at the earliest in 2036. Individual schemes would be triggered by the local impacts of this level of climate change including more extreme weather events, frequent power outages, a deterioration in raw water quality and a quicker rate of water main deterioration. Additional investment in this pathway includes:
 - Additional treatment at sites at risk from contamination;
 - More on-site back-up power generation to mitigate the increasing risk of power outages; and
 - Additional leakage reduction and mains replacement activity so we can achieve our ambition even if the climate becomes more extreme.

Monitoring

15. We will use our adaptive strategy to inform our subsequent five-year plans with monitoring in place to inform our decisions about when an alternative adaptive pathway should be followed and additional investment triggered, to enable us to achieve our ambitions in more adverse circumstances. It will be incorporated into our corporate governance framework, reviewed regularly by our Board and we will report on progress in our Annual Report.

