

south east water

Drinking water and the regulatory landscape ahead of PR24

David Hinton
CEO
South East Water



Background

- Trained food and water microbiologist, early career laboratory consultancies
- Joined Mid Southern Water 1994 Senior Microbiology Analyst
- Various roles in WQ including Head of Water Quality
- Moved into wider regulation in 2002
- Ran or responsible for PR04, 09, 14, 19.
- Involved directly in Water Quality for 24 years
- CEO for 15 months

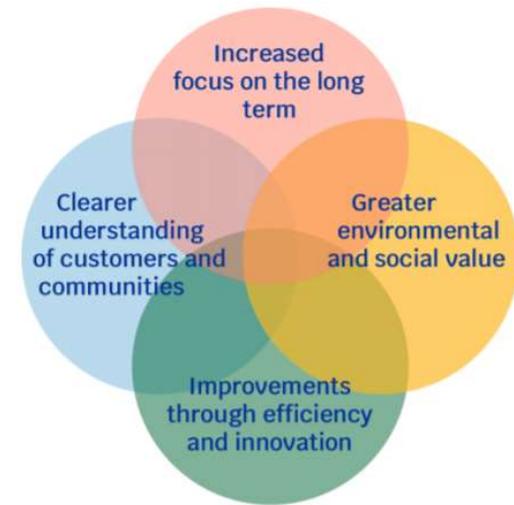


Overview

- PR24 early view regulatory context
 - Ofwat
 - Defra Strategic Policy Statement
- Water service scope and priorities
- WQ role in creating trust in the industry
- Key emerging theme – long term WQ challenges
- PR24 what does good like

Ofwat – PR24

- Ofwat launched their first PR24 consultation in May 2021
- *“We face an immediate challenge. Our water sector needs to tackle demands from climate change, customers’ increasing expectations for service and the treatment of the environment, and the pressures on people’s ability to pay”*
- 4 themes
 - Increase focus on the long term
 - Deliver greater environmental and social value
 - Reflect a clearer understanding of customers and communities
 - Drive improvements through efficiency and innovation.
- Going beyond statutory obligations and delivering greater public value
 - Water companies are well placed to provide significant public value
 - Much of this public value is delivered as part of the delivery of core functions – e.g. public health benefits of high quality drinking water
- Companies can only deliver on these challenges by getting the fundamentals right



Defra 2021 SPS consultation – strategic priorities

Protecting and enhancing the environment

- Ofwat should drive water companies to be more ambitious in their environmental planning and delivery to contribute towards the priorities set out in the 25 Year Environment Plan.

A resilient water sector

- Ofwat should challenge the water sector to plan, invest and operate its water and wastewater services to secure the needs of current and future customers, in a way which delivers value to customers, the environment and wider society over the long-term.

Serving and protecting customers

- Ofwat should push water companies to provide a better and fairer water service for all, by improving customer services and complaints handling. Ofwat should drive water companies to meet the needs of vulnerable customers, including those who are ‘transiently’ vulnerable.

Driving markets to deliver for customers

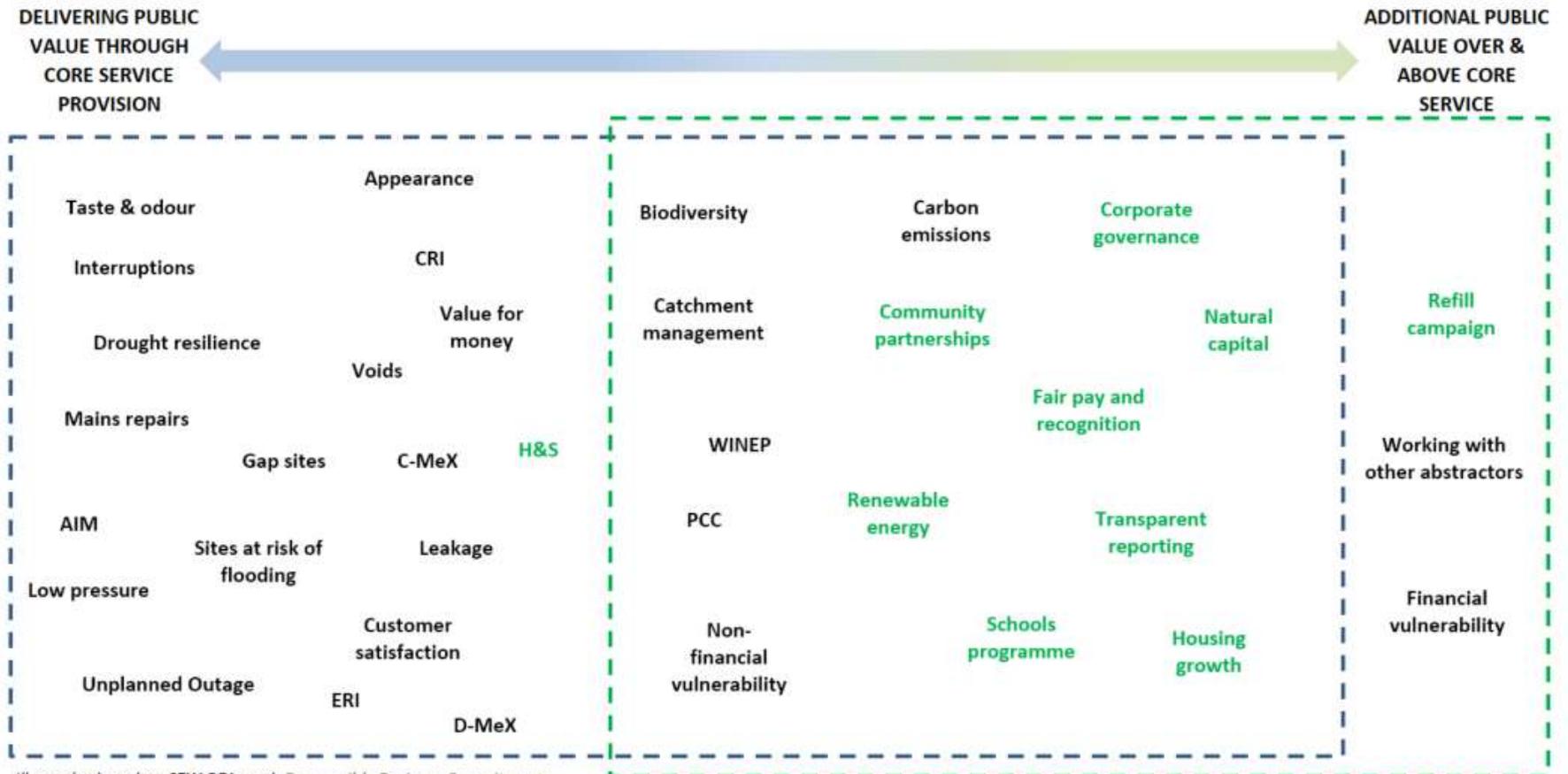
- Where appropriate, Ofwat should consider how the use of markets-based tools, such as competition, can deliver greater benefits for customers and support the delivery of government’s wider priorities. Ofwat should encourage markets to drive innovation, efficiencies, and promote longer term sustainable investment across the sector

PR24 focus

PR24 focus – a crude word count test

- Long term = 184
- Environment = 180
- Customer = 495
- Communities = 61
- Efficiency = 119
- Innovation = 65
- Water quality = 4, Service = 212

Scope of water service for South East Water



Illustrative based on SEW ODIs and Responsible Business Commitments

Customer priorities – water quality is fundamental

'Hygiene/trust priorities' focus around quality of product and security of supply, now and in to the future

Delight

Rewards and credits for efficient water usage
Tailored product to your door
Products for self sufficient houses

Delight factors tend to focus on future priorities and going 'beyond' the current highway boundary

Enhance

Environmentally focused
Investing in new water sources
Investing in new technology
Smart meters
Water softening products
Water neutral schemes
Education for current/future generations

Enhancing priorities reflect unexpected initiatives that customers hope South East Water are already focusing on that go beyond basic service delivery

Hygiene

Addressing leakage
Satisfied customers
Keeping bills affordable (concessions for those who need)
Security of supply (meeting increased demand)
Clean safe water/good taste

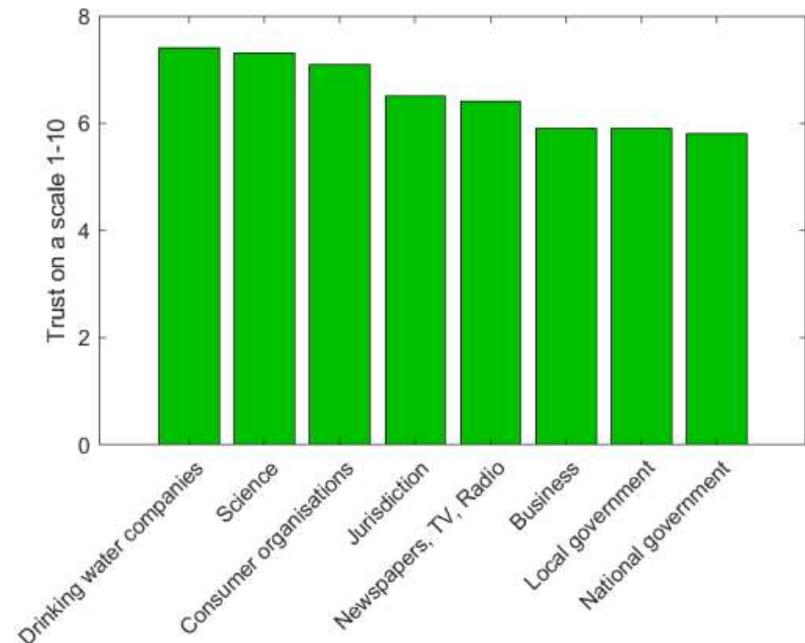
Customers expect South East Water to deliver these as part of basic service
"This is what I pay my bills for"
Absence leads to dissatisfaction and lack of trust

Trust is hard earned and underpinned by water quality

Since the Flint water crisis began — the prevalence of adults who do not drink their tap water has increased by 40%. Among children, not consuming tap water has risen by 63%.

- **89% of people trusted their water company to provide good quality of water**
- 89% of people trusted their water company to provide a reliable service
- 75% of people trusted their water company to protect and improve the environment
- 71% of people trusted their water company to invest a sufficient amount of money in the water network
- 68% of people trusted their water company to provide value for money

Source Water UK 2019 survey



Source: Stijn Brouwer, Roberta Hofman-Caris and Nicolien van Aalderen Trust in Drinking Water Quality: Understanding the Role of Risk Perception and Transparency 2020

What are the long term water quality challenges?

- Asset age and life
- Lead standards
- Emerging pollutants – PFAS, microplastics etc.
- Climate change and its impact on:
 - our assets
 - raw water quality
 - demand changes
 - new water source options
- Balancing good quality raw water with increasing environmental standards and hot topics
- Delivering to the net zero agenda whilst protecting water quality

What does good look like for water quality at PR24?

- We all understand the importance of water quality to customers, stakeholders and society
- The public value derived from wholesome water is considered within investment plans
- The focus on water quality is not lost within the wider scope
- Other priorities do not squeeze out water quality investment within the affordability envelope
- The long term challenges to water quality are articulated and planned for
- The mitigation includes an assessment of nature based solutions
- The role of long term asset maintenance in delivering water quality is understood and this particular can is no longer being kicked down the road