

Water Resources Management Plan 2014

Appendix 2 : Engagement

Executive Summary

1. Our approach to engagement has built on the lessons learnt from preparing the WRMP09, including its public inquiry.
2. For WRMP14 we have had dialogue much earlier with our regulators, and with a wider set of key stakeholders and customers. This proactive engagement has allowed us to explain the challenges we face in continuing to meet the demand for water, and explore the range of options that are realistically available for improving the supply of water.
3. We consider the engagement work to date far exceeds the statutory minimum that is required by the water resource planning process. We believe we have demonstrated an open, honest and transparent approach to developing WRMP14, and have been pleased to receive positive feedback from those regulators and key stakeholders which have joined us on the same journey.

Contents Page

SUMMARY 1

PAGE 2

2.A STAKEHOLDER ENGAGEMENT PLAN 3

2.B: STATUTORY PRE CONSULTATION LETTER 7

2.C: PHASE 1 PRE-CONSULTATION ENGAGEMENT ACTIVITIES..... 15

2.D: ENVIRONMENT AGENCY PRE-CONSULTATION RESPONSE LETTER..... 17

2.E: EFG TERMS OF REFERENCE 22

2.F: ENVIRONMENT FOCUS GROUP OUTCOMES..... 24

2.G: RESULTS OF CUSTOMER RESEARCH 29

2.H: PHASE 2 STATUTORY CONSULTATION ENGAGEMENT ACTIVITIES 35

Appendix 2.A Stakeholder Engagement Plan

Our engagement plan has been prepared by building on the lessons learnt from the WRMP09 planning and consultation process, and the subsequent Public Inquiry.

At its core has been our commitment to have much earlier dialogue with regulators and key stakeholders on the range of demand and supply side options available to us, and before publication of dWRMP14; and then to test fully with customers both elements of the dWRMP14, and the overall package, using robust survey and research techniques, to support the formal statutory consultation.

Linkages between WRMP14 and PR14 engagement

The engagement for the draft Plan is guided by the same over-arching principles of direct local engagement as we are adopting for the wider price review process. This includes our overall objective *‘To provide legitimacy and credibility to all our water supply activities and investment decisions, as well as to the overall business plan for 2015 – 2020, for customers, stakeholders, regulators and shareholders’*.

For future plans to be seen as credible we should deliver outcomes that customers and society value at a price they are willing to pay. Customer engagement, on different levels and across a wide variety of the customer base, is essential if we are to achieve the right outcomes, at the right time, and at the right price.

Customer engagement has been an important element of every plan to date. However, there is renewed focus and higher regulatory expectation on how this should be achieved for future plans. On placing customers at the heart of the decision making process, that helps determine what our plan looks like; we believe it is a unique opportunity to create closer links between the true value of water, the service we provide, and the cost to our customers.

Our WRMP14 engagement included a range of activities to inform the building blocks of the preferred plan, but also the engagement carried out with key external regulators, stakeholders, customers and the media around the draft plan, to manage the resultant scrutiny of our proposals.

Our Audiences

To ensure that our approach is robust we have broken down our audiences into four key sectors:

- Our Regulators
 - Defra
 - Ofwat
 - Environment Agency
 - Natural England
- Key Stakeholders
 - Consumer Council for Water
 - MPs
 - County/District/Borough/Parish Councils
 - Customer Challenge Group
 - Environment Focus Group

- Environmental NGOs
 - Local interest groups
 - Water companies
 - Landowners
- Customers
 - Domestic
 - Commercial
- Media
 - Print/Digital
 - Broadcast

Our methods of engagement

Regulators

Engagement with our regulators will be driven through a number of routes:

- Formal pre-consultation ahead of the draft plan's publication (see pre-consultation letter in later section)
- Statutory consultation on the draft plan
- Regulator membership of the Environment Focus Group (EFG) and Customer Challenge Group (CCG)
- Regulator-specific meetings

While this replicates a similar approach to WRMP09, the crucial difference is the active and welcome participation by key regulators in the wider EFG and CCG meetings, with other key stakeholders and interested third parties.

Ofwat is not a member of either group, but has been engaged through regulator-specific meetings at key stages of the development of WRMP14.

Key Stakeholders

For key stakeholders our approach is a programme of work which combines both general and targeted engagement. Where we have specific option types that require more detailed localised engagement we have organised briefing sessions and one-to-one discussions, in advance of publishing the draft Plan; and then will continue these as part of the statutory consultation and Statement of Response processes.

For wider stakeholders, we believe general correspondence, supply of non-technical summaries and web-based content will be the most effective way of providing relevant information and encouraging submissions to Defra.

We will continue our engagement with the EFG and CCG apprised of our approach throughout the key stages of the plan's development.

Customers

We have conducted engagement with domestic and commercial customers, using both qualitative and quantitative research. We know from the statutory consultation on the last draft Plan (2008) that the customer roadshows/exhibitions were poorly attended and, with notable option-specific interest, ineffective in delivering fully representative customer engagement and a cross section of views.

For this reason we used more focused techniques to engage directly with customers. For domestic customers this has included a combination of focus groups, online panel testing and willingness to pay surveys as we've prepared the WRMP14, whilst we used web-based customer questionnaires available digitally as part of the statutory consultation process. For business customers specifically we have carried out in-depth telephone research, and used direct mail to business customers to encourage their submissions on the draft Plan. This approach ensured that the responses we receive more closely reflect the views of all segments of our customer base, and those views are drawn from both qualitative and quantitative approaches.

Media

Media activity was co-ordinated with the publication of the dWRMP14. It focused on highlighting both the statutory process of producing the dWRMP14; highlighted what may need to be done, where and when; and how customers could access further information and make representations via the website.

We targeted those media outlets in resource zones where we have potentially sensitive or controversial option-specific supply solutions. This included the supply of media information to advertise and promote events/meetings on specific options. We organised media interviews and prepared questions and answers around potential areas of interest. This media activity did drive traffic to our website where we expected and saw the bulk of wider community consultation taking place.

Our programme for delivery

Our engagement is linked to three key phases in the development of WRMP14.

These are:

- Phase One - Pre-consultation and engagement (January 2012 – March 2013)
- Phase Two - Statutory consultation on draft WRMP (May – September 2013)
- Phase Three - Statement of Response consultation (September – November 2013)

Phase One: Pre-consultation and engagement (January 2012 – March 2013)

We consider our engagement activities for this phase of work have far exceeded the statutory minimum requirements, and demonstrate an open, honest and transparent approach to developing the draft Plan. Indeed we have been pleased to receive positive feedback from key stakeholders, including our regulators and EFG members, on the transparent approach we have taken.

That approach has seen us carry out timely pre-consultation and engagement with regulators, local planning authorities, MPs/key stakeholders, landowners and third party NGOs not currently part of the EFG or CCG.

That early engagement aims to ensure a policy of “no-surprises” with key stakeholders, and we hope will mitigate any concerns about how the draft Plan has been developed, and the decisions made around proposed solutions.

Phase Two: Statutory consultation on draft WRMP (May – September 2013)

This is the public phase of the formal consultation period with key stakeholders and customers, supported by media activity.

We continued much of the work from Phase One with local planning authorities, MPs, key stakeholders and environmental NGOs, but moved into wider consultation with customers and communities.

For domestic customers, we ran a combination of web-based surveys, online panels and other quantitative research methods to test both the overall dWRMP14, while promoting it more widely via direct marketing messages via our water bills. For business customers we conducted in-depth telephone research, and used existing communication channels to promote the dWRMP14 statutory consultation.

For those communities where there are likely to be sensitive or controversial options contained in the draft Plan, we used more direct engagement, such as exhibitions and presentations. These were supported by a range of material, including non-technical summaries of the dWRMP14.

To support the statutory consultation process, we also ran four workshops with secondary school pupils (11 – 16-year-olds) to test the views of our future customers on water, and the range of options we are considering to secure their supplies.

More detail of Phase 2 consultation activity is provided in Appendix 2H

Phase Three: Statement of Response consultation (September - October 2013)

We continued with baseline activities, such as key stakeholder and community engagement, media relations work, and website updates, but for this phase the focus was on preparing and publishing our Statement of Response. We continued to provide updates to the EFG and CCG through pre-scheduled meetings.

Appendix 2.B: Statutory Pre Consultation Letter

My Ref: SEW/WRMP14/DEFRA

If calling or telephoning please ask for Mr Lee Dance

Direct Dial: 01634 873904

Fax Number: 01634 873910

24th October 2012

Carol Skilling (Head of Water Resources Policy)
The Secretary of State for Environment Food and Rural Affairs
Water Supply & Regulation Division
Department for Environment, Food and Rural Affairs
Room 304, 55 Whitehall
c/o 3-8 Whitehall
London
SW1A 2HH

Dear Carol

**South East Water
Water Resources Management Plan (Pre-Draft Consultation)**

Introduction

South East Water will be commencing shortly with the updating of its Water Resource Management Plan (WRMP). The plan is to be prepared in accordance with changes to the Water Industry Act 1991, as amended by the Water Act 2003, and the Water Resources Management Plan Directions 2012. The Company is under a statutory duty to produce a draft plan, to consult upon this plan, and then to publish its final plan.

The South East Water WRMP will outline and consult upon the policies, measures and investments that the Company considers necessary to supply its customers during the period 2015 to 2040.

South East Water will ensure that the WRMP will be prepared in accordance with the requirements of the Water Resources Management Plan Directions 2012, and with full consideration of the Environment Agency's Water Resource Planning Guidelines, Technical Methods and Instructions (June 2012) and taking account of the Water Resources Planning Guidelines, Guiding Principles (June 2012).

Pre-Draft Plan Consultation

As defined in the Directions 2012 (para.4) South East Water is required to submit a draft plan to the Secretary of State by the 31 March 2013.

Before we commence formally with preparing the draft plan we are, as required under Section 37A (8) of the WIA 1991, undertaking this pre-draft consultation with the Secretary of State, Environment Agency, Ofwat, any licensed water supplier which supplies water to premises in our area via our supply system. We are also pre-consulting with the Consumer Council for Water, Natural England, neighbouring water companies, the company's Customer Challenge Group and Environment Focus Group.

Through this letter we are seeking to formally consult with you and ask that you share any queries, comments or views on our approach or points that you feel we should be taking into consideration. The closing date for receiving comments on our pre-consultation will be four weeks from the date of this letter.

With regard to other licenced water suppliers, neighbouring water companies and other interested parties, South East Water has produced a Contact Plan, the details of which are included (Annex 1) and referred to further below, which clearly sets out the company's approach at this stage. A copy of the Statement of Need, which has been published on the company's website as part of the statutory process, is also included (Annex 2).

As part of this pre-consultation exercise, South East Water is keen to receive feedback from you on its proposed approaches to the key statements set out below. These statements are based on those set out in the WRMP Guiding Principle (June 2012).

1. Has South East Water taken account of opportunities to share resources with neighbouring water companies.

South East Water is fully engaged with the work of the Water Resources in the South East (WRSE) Group that comprises all the south east England water companies. This work will inform South East Water's WRMP.

We consider that the work being undertaken by the WRSE Group, and the modelling processes of the Group, will ensure full account is taken of opportunities to share resources as appropriate. This will ensure that the Company fully meets the requirements of the Neighbour Contact Plan required as part of the WRMP guidelines.

The WRSE group has also invited all water supply licensees to offer water management options to the modelling exercise being undertaken. We believe this approach goes a significantly long way to meeting the requirements to consider third parties' options in WRMPs.

2. Has South East Water fully and consistently explored options to manage demands.

Our Statement of Need and Availability (Annex 2) indicates that deficits are forecast in almost all the companies water resources zones during the period 2015 to 2040. South East Water recognises the important role that demand reductions will need to play to support removing deficits and managing the future supply demand balance.

We recognise too, the Government expectation that demand trends in terms of per capita consumption should be downwards.

Our approach to demand management will start from our dry year unrestricted / unconstrained demand forecast, and we will appraise all demand management options on a comparable basis with other water management options. This is in line with the technical methodologies set out in the WRMP Guidelines.

We will compare the outcomes of the technical methodologies approaches as per the WRMP guidelines, and should these not fully deliver Government expectations, we will set out in our plans the further measures and costs necessary to meet those expectations, and consult with customers, regulators and stakeholders on these as part of a preferred plan.

We propose the continuation of our universal metering programme included in our previous plan, through to 2020 as part of our baseline demand forecast. We will progress on this basis following demonstration of why this still remains the most cost beneficial solution.

With regard to leakage, In addition to updating our leakage in line with the SELL assessment, we will consider further leakage options as part of our options appraisal and modelling process; and by taking account of Willingness to Pay and engagement with customers to ensure that our final leakage reduction programme aligns with Government expectation that leakage will be reduce further.

3. Has South East Water enabled third parties to propose options to balance supply and demand and assessed these options consistently against other options.

South East Water has directly contacted identified owners of private abstraction licences within its supply area to advise them of our interest in exploring licence trading and other options with regard to existing licenses.

We will continue our discussions directly with Natural England regarding alternative options to ensure we include their contribution on the sustainable management of water resources.

With regard to other third parties, the company will published its Statement of Need (Annex 2) on its website with a clear invitation to interested parties to review the statement in terms of water requirements, and to submit proposals for water supply or water management options for consideration.

We consider that all these methods meet the requirements we must satisfy.

4. Has South East Water taken account of the views of customers in producing their plans.

We have established an independent Customer Challenge Group chaired by Roger Darlington. This group will be engaged during the WRMP process.

To ensure customers' views are fully represented, the company will use the output from Willingness to Pay surveys, focus groups, and the engagement with the Customer Challenge Group to inform the output of the plan.

5. Has South East Water estimated fully the costs and benefits of the range of options considered.

The company will implement the specific guidelines as set out in Section 6.1 of the WRPG Technical Document, as appropriate to South East Water operating in an area of water stress, and under a medium to high risk assessment level.

Our plan will show how we have incorporated all the relevant environmental and social costs and benefits, in addition to the economic costs and benefits, and how we have decided upon our preferred solution.

6. Has South East Water determined the best value solutions to balance supply and demand, taking account of climate change and the need for sustainability and resilience.

We will develop the least cost preferred solution, taking account of the impact of climate change on water supply, water demand and future water management options.

We will clearly set out the uncertainty and risk round our planning assumptions, and will clearly set out how our plan offers reasonable levels of resilience. We will carry out a range of scenario tests to achieve this (in accordance Section 8 of the WRMP guidelines)

I would like to thank you in advance for your comments and feedback. We look forward to your response, and to working with you on our plan over the coming months.

Yours sincerely,

Lee Dance
Head of Water Resources and Environmental
South East Water
Rocfort Road
Snodland
Kent
ME6 5AH

CC: Paul Seeley, Asset Director, South East Water

ANNEX 1

South East Water WMRP14 CONTACT PLAN September 2012

Neighbour Contact Plan

1. In accordance with the Water Resource Planning Guidelines (June 2012) Appendix 7, all water companies are required to prepare a **Neighbour Contact Plan** which sets out how it will contact its neighbouring companies to ensure it has adequately considered water trading. This Plan is required during the pre-consultation phase, and although there is no requirement to publish this Plan, it is noted that it would be good practice to do so.
2. The Neighbour Contact Plan should include details of
 - a. When and how we will contact our neighbours;
 - b. The information we require from our neighbours
 - c. The information we will provide to our neighbours;
 - d. The details on how and the time period we will assess any bulk supply options proposed by our neighbours, and
 - e. How and when feedback on any bulk supply options proposed will be provided.
3. South East Water has been fully engaged with the work of the Water Resources in the South East Group over the past 15 years, and which has been tasked with developing a regional water resource strategy. A number of working groups have been established covering
 - a. Timeline and the regulatory process
 - b. Regional shared strategy – scope and objectives
 - c. Identification of barriers and approaches to removing them
 - d. Modelling and technical issues
 - e. Sustainability reduction.
 - f. Strategic communication
4. We consider that the exchange of information, the format of the WRSE Group, and the modelling processes of the Group fully meet the requirements of the Neighbour Contact Plan as set out in Appendix 7. In addition, the continuous working exchanges between our neighbouring companies on resources provides adequate mechanisms for this engagement and discussion of resource sharing opportunities beyond the WRSE where needed.

Third Party Contact Plan

5. Furthermore, Appendix 8 of the Water Resource Planning Guidelines (June 2012) requires water companies to put together a plan on how it will contact third parties

to seek full involvement for possible options and solutions to any supply demand deficits. This **Third Party Contact Plan** is required during the pre-consultation phase and, again although there is no requirement for a company to publish the Plan, it is noted that it is good practice to do so.

6. The Third Party Contact Plan should include the details similar to those described in para. 2 above.
7. The company recognises 2 groups of third party stakeholders, excluding other water companies, within this Contact Plan and has approached them differently;
 - a. Existing Private Water Abstraction Licence Holders.

South East Water has directly contacted all identified owners of private abstraction licences within its supply area to advise them of our position. We have invited them to consider submitting a proposal to supply water to us subject to quality, cost and other considerations.

- b. Other interested third parties.

The Company has published a Statement of Need on its website with a clear invitation to interested parties to review the statement in terms of water requirements, and to submit proposals for water supply or water management options for consideration.

8. In both cases, the Company confirms that we will consider these options consistently with our own options. Sufficient information is required to allow us to fully consider an alternative option(s). The Company has furthermore committed to explaining clearly where third party bids are not progressed to the feasible options list and this will be communicated back to all third parties.

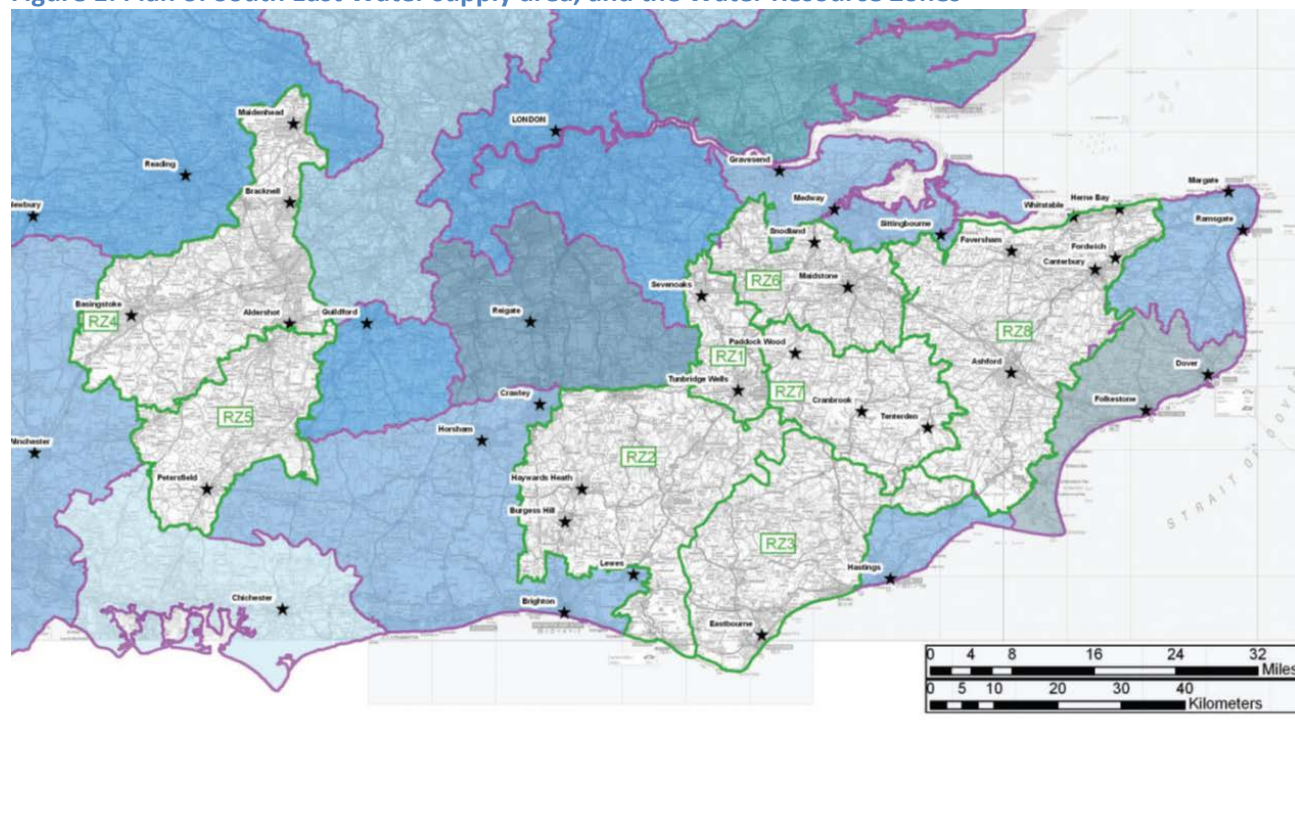
ANNEX 2

South East Water WMRP14 Statement of Need and Availability of Water September 2012

1. Under the regulatory Guidelines for the production of the Water Resources Management Plan for 2014, all water companies are required to publish a view of “need” and “availability” of water over the planning period to 2040. This Statement of Need allows our neighbouring water companies and other interested licence holders or water suppliers to consider sharing resources with us. The publication of this allows us to be alert to possibilities that there might be better options (in some way – financially, environmentally, etc) that the current options we have included in our draft plan.

2. South East Water is in the process of updating and agreeing with its stakeholders all the elements of its Supply Demand balance for each of the Water Resource Zones. The company's supply area is shown in Figure 1 and includes the location of each of the eight water resources zones (WRZ) which form the basis of the plan.

Figure 1: Plan of South East Water supply area, and the Water Resource Zones



3. The projected supply demand deficit, for average daily demand, is shown below in Table 1 and is an indication of the potential figures that will be included in the draft WRMP; there is also comment on which water resource zones in particular have a deficit of water over the next 25 years. As the Company has the capability to move water between many zones, there is some potential to meet these deficits by transferring surplus water from a neighbouring water resource zone into one which is suffering deficit, typically within the same region. Consequently the table summarises the deficits in the three regions although the particular water resource zone with the deficit is also identified.

Table 1: Summary of Supply Demand Deficits for Average Day Demands

	2020	2030	2040
Sussex Region (WRZ1, 2 and 3)	Between 20 and 30 MI/d overall with WRZ1 and WRZ2 in deficit	Between 40 and 50 MI/d with WRZ1 and WRZ2 in deficit	Between 50 and 60 MI/d with all zones in deficit
Kent Region (WRZ6, 7 and 8)	Between 5 and 10 MI/d in WRZ7 only	Between 20 and 30 MI/d in WRZ7 and WRZ8	Between 40 and 50 MI/d with all zones in deficit
Hampshire	No deficit	Between 5 and 10	Between 10 and 20

Region (WRZ4 and 5)	MI/d in WRZ4	MI/d in all zones.
Company	Between 20 and 30 MI/d	Between 70 and 80 MI/d Over 100 MI/d

4. South East Water has examined over 700 potential options to meet this supply demand deficit, following an established twin-track approach, including:
 - a. Resource development including groundwater options and surface water options, desalination, effluent reuse, interconnecting water transfers, and other various schemes to produce new supplies of water;
 - b. Demand reduction opportunities, including further leakage reduction and demand management options, including metering, water efficiency etc.
5. While the Company will publish a full version of the draft Plan in Spring 2013 for public consultation, during this pre-consultation stage we would like to investigate all possible options and solutions by other parties. We recognise that this might identify other cost beneficial opportunities which might help us to meet these deficits. This publication is an invitation to both our neighbouring water companies and other parties to provide proven and costed options which, in their view, should be included within the range of options South East Water is currently considering.
6. We are therefore contacting other water companies and other interested parties, inviting you to bid for customer-side, production-side, distribution-side or resource management options. We will confirm that we will consider these options consistently with our own options..
7. You are therefore invited to submit sufficient information which will allow us to fully consider an alternative option(s). We are fully committed to explaining clearly where third party bids are not progressed to the feasible stage of options review.

Appendix 2.C: Phase 1 Pre-Consultation Engagement Activities

This section details the pre-consultation engagement activities that have taken place before publication of dWRMP14.

Regulator meetings

These have been held outside the EFG and CCG processes, with both the Environment Agency and Natural England during 2012/13, and more latterly, Ofwat and Defra.

Regulator engagement on dWRMP14		
Regulator	Key topics	Date
Defra	Regulator meeting	06/02/2013
Ofwat	Regulator meeting	04/01/2013
	Regulator meeting	18/03/2013
Environment Agency	dWRMP process and programme	09/06/2011
	Options Appraisal Screening Methodology	09/12/2011
	Update on process, programme and options appraisal screening	05/01/2012
	South East Water Review	02/02/2012
	Options Appraisal Screening and MCA	22/02/2012
	PR14 Workshop	27/03/2012
	MCA findings presented	25/04/2012
	Progress review meeting	16/07/2012
	Progress review meeting and EFG	31/07/2012
	Progress review meeting	07/08/2012
	Supply and demand forecast, feasible options, SEA scoping, engagement.	05/11/2012
	Feasible Options dossiers	13/11/2012
	Progress review meeting on building blocks of plan	04/12/2012
	Discussion on feasible options	12/12/2012
Natural England	dWRMP process and feasible options	10/12/2012
	dWRMP process and feasible options	12/02/2013
	dWRMP process and feasible options	27/02/2013
	dWRMP process and feasible options	12/03/2013

Stakeholder briefings

These have been held outside the EFG and CCG processes with additional key stakeholders, particularly as a number of feasible options emerged during the modelling process.

Pre-consultation stakeholder engagement on dWRMP14		
	Key topics	Date
Kent LPA Briefing Session		
Ashford Borough Council Canterbury City Council Kent County Council Maidstone Borough Council Medway City Council Sevenoaks District Council Swale Borough Council Thanet District Council Tonbridge & Malling Borough Council Tunbridge Wells Borough Council	dWRMP process, population forecasts, engagement and possible options	30/11/2012
Sussex LPA Briefing Session		
East Sussex County Council Lewes District Council Mid Sussex District Council Rother District Council Wealden District Council	dWRMP process, population forecasts, engagement and possible options	06/12/2012
Hampshire, Berkshire, Surrey and Chichester LPA Briefing Session		
Basingstoke and Deane Borough Council Chichester District Council East Hampshire District Council Hart District Council Rushmoor Borough Council South Downs National Park Authority Surrey Heath Borough Council Wokingham Borough Council	dWRMP process, population forecasts, engagement and possible options	12/12/2012
Other		
Kent, Sussex and Surrey Wildlife Trusts	dWRMP process, programme, engagement and possible options	14/01/2013
South Downs National Park Authority		23/01/2013
Surrey, High Weald and Kent AONB Units		05/02/2013
Arlington PC		26/02/2013
Berwick PC		26/02/2013
Blean PC		27/02/2013
Sturry PC		27/02/2013

Appendix 2.D: Environment Agency Pre-Consultation Response Letter

Mr. Lee Dance
Head of Water Resources and Environmental
South East Water Limited
Rocfort Road
Snodland
Kent, ME6 5AH

Our ref: Preconsultation Jan2013

Date: 04/12/13

Dear Lee,

Response to your WRMP pre-consultation request for information

Thank you for consulting us for information and advice in advance of your draft water resources management plan (WRMP). This letter is our formal response to your pre-consultation. We look forward to continued discussions on your draft WRMP.

As well as the issues that you should address that are specific to South East Water, there are also a number of wider issues that we are asking all water companies to consider.

Government expects water companies to follow the water company water resources planning guideline when preparing their draft WRMP. This is available from [://www.environment-agency.gov.uk/business/sectors/39687](http://www.environment-agency.gov.uk/business/sectors/39687). This revised guideline has been jointly produced by the Environment Agency, the Welsh Government, Defra and Ofwat and includes several documents:

- The guiding principles - providing an overview of UK Government and Welsh Government policy and advice to water companies in preparing a plan.
- The technical guideline – providing guidance and details on the technical methods of the water resources planning process.
- The supply-demand and water company level tables – blank tables to be used for capturing and presenting water resources planning data.

1 Specific issues to address in your 2013 draft WRMP

There are a number of issues that you should consider and resolve during the preparation of your draft water resources management plan (2013 draft plan).

We have discussed these at recent meetings as well as with in the Environmental Focus Group. The main outstanding issues are below:

WRSE

We recognise the effort the company has made to contribute positively to the Water Resources in the South East (WRSE) Group work over the last eighteen months. The memorandum of understanding for that work sets out its aim, 'to determine a water resources strategy, which will contain a range of strategic options to find the best solutions for customers and the environment in the South East of England'. The final (pre-draft WRMP) results of the WRSE Group work are due to be discussed as we write and agreed conclusions are expected be reported by the Group by mid-January. We anticipate the solutions arising from the WRSE work being represented inclusively in your draft water resources management plan. Resource sharing opportunities should be an important component. Positive use of the WRSE work should help the company address a number of the principles raised in the Water White Paper and water resources planning guideline.

Deployable Output (DO)

You have presented during recent meetings your DO reassessment findings and these are inline with the water resources planning guideline. We are analysing the executive summary of this work you have recently submitted and understand the full report will be available soon. Your dWRMP should include comparisons with previous DO assessments.

We are aware that South East Water and Southern Water currently use different drought events to calculate the DO of the shared River Medway scheme. We understand both companies are aware of these differences and have been discussing possible solutions. However, you will need to clearly explain any differences in the DO assessment of the River Medway scheme in the draft WRMP and the implications this has to the security of supply for your customers.

Outage

You have presented improvements in outage data quality and quantity and that you are following the water resources planning guideline on 4 December. We look forward to receiving the final Outage report.

Climate change

In the meeting on the 16 July you presented your completed climate change vulnerability assessment for each zone and the methods used. You have used an appropriate number of scenario runs of the HYSIM model and additional water resources systems modelling runs for the Ouse and Arlington systems.

Resource zone integrity

Your approach appears appropriate and we welcome the assessment already completed on the integrity of your eight resource zones. We support the conclusion from your WRZ integrity assessment report that there is further work needed in zones 2 and 3 to improve the resilience of these zones. We will continue to discuss specific details before the publication of the dWRMP, where we anticipate that this will have been addressed.

Sustainability reductions

We confirmed on 4 December that you should include the Little Stour and the Greywell Fen as sustainability reductions in the dWRMP.

We would encourage agreement between South East Water, Southern Water and Affinity Water Southeast for the Wingham and Little Stour National Environment Program project steering group as to the agreed percentage reduction in DO to be included in the draft plan.

Water Framework Directive

Your draft WRMP should clearly demonstrate that you have reviewed existing operations and use of existing surplus within licensed headroom with respect to the requirement for 'no deterioration' in terms of the Water Framework Directive (WFD).

Population

You have provided us with the Experian report - *Population, Household and Dwelling forecasts for WRMP14: Phase 1 draft Final report 2012* and we understand you will be using the 'Most likely' forecast. You have also worked with local authorities in and modified your company specific forecast. The dWRMP should clearly describe the communication with the local authorities, how you have calculated the forecast and justify the approach.

Per Capita Consumption (PCC)

You have used an appropriate approach in micro component analysis to devise your PCC forecast that follows the water resources planning guideline.

Levels of Service

You have carried out several surveys with your customers about their expectations of how the plan will achieve its aim. The findings should be clearly explained in the dWRMP and you should ensure that you include a 'no restrictions' scenario in your draft WRMP as per section 2.9.2 of the water resources planning guidelines.

Options

You have clearly explained your decisions for the inclusion or exclusion of options from the initial un-constrained options list. Your dWRMP should show the audit trail of how the final feasible options list has been devised.

Engagement and consultation

You have pro-actively engaged with both the Environment Agency and interested third parties over the past year. While the official pre-consultation process was started on 24 October as per your letter, the level of engagement has been good. You have effectively managed the Environmental Focus Group and maintained a good level of engagement throughout that period.

2 Recent changes in Government policy or approach

This section summarises some important aspects of Government policy, technical methods and good practice approaches that you should consider when preparing your 2013 draft plan. Further detail can be found in the 'Government policy' section of the [principles document](#).

WRMP Directions

The WRMP Directions 2012 have recently been revised. The appendix of the guiding principles sets out the Directions and the evidence a company is expected to present to comply with them. Government expects you to meet these Directions.

Scope and flexibility of the WRMP

The bigger the problem or risk faced in a WRMP, the more evidence you will be expected to provide to show that you are planning a secure supply of water, and the more scrutiny it will receive from the regulators. We expect companies to prepare their draft plan in a risk based way to support their water resources position and potential options. Tables 1.2 and 1.3 of the technical guideline sets out further details on this.

Reducing the demand for water

The pressures of future climate change, growing population and future development mean it is essential that you fully consider the costs and benefits of demand side measures to provide a secure public water supply. Government expects water companies to demonstrate how they will promote efficient water use in their WRMPs.

Government has recently consulted on the draft revised methodology and proposed classifications of water stress in England and Wales. Any representations made are currently being reviewed. We anticipate that final classifications will be available shortly. Companies should incorporate the revised water stress classifications in their draft WRMPs and should consider how their classification might affect any proposed metering programmes and options appraisal.

Where demand is above the national average, Government expects the demand trend to be significantly downwards. Where an increase in population or commercial use leads to an increase in total demand, you must ensure that your plan demonstrates a decrease in per capita consumption. To achieve this direction of travel, you must consider all technically feasible demand side options together with other options to balance supply and demand through the options appraisal process.

Government want to see the downward trend for leakage continue and companies should take action to ensure that the total leakage (Ml/d) does not rise at any point during the planning period. You must ensure managing leakage as an efficient way to balance supply and demand is fully considered. Companies should continue to innovate and develop expertise in preventing, identifying and repairing leakage more effectively during the water resources management plan period.

Water trading and cross boundary solutions

Companies should consider all options to balance their supply and demand including the consideration of water trading and cross boundary solutions. Within the draft WRMP the company should include:

- water trading through bulk supplies with other companies;
- interconnections between its own resource zones;
- abstraction licence trading within catchments;
- supply/demand options provided by other water companies or by third parties.

The technical guideline sets out the minimum a company should do in order to demonstrate it has investigated such options.

Any proposals for water trading or cross boundary solutions should be explored during the pre-consultation phase of developing a plan. If such options are likely to be considered as part of the preferred solution, you are expected to consult Government on these options as early as possible in the process.

Customer and third party involvement

The forthcoming WRMP process has an increased focus on customer and third party involvement. We welcome your proposals outlined in your pre-consultation letter to consult with a range of statutory and non-statutory stakeholders, including your customers and neighbouring water companies with respect to your joint operations and your 2013 draft plan.

3 Next steps

For further discussion on any of the information in this letter, please contact Paul Nason, Principal Officer Water resources. I look forward to being your lead contact for discussions throughout the rest of this process.

Yours sincerely

Paul Nason

Principal Officer (Water Resources)
Environment Agency, Guildbourne House
Chatsworth Road, Worthing
West Sussex
BN11 1LD

Appendix 2.E: EFG Terms of Reference

Environment Focus Group – Terms of Reference (Final)

1.0 TERMS OF REFERENCE

1.1 Role of the Group

The overall objective of this group will be to;

- advise and challenge the Company as it develops its 2014 Water Resource Management Plan (known as WRMP14);
- advise and challenge the Company as it interprets customers' views on how best to secure the balance between supply and demand, while taking into account any environmental impacts, and how that is reflected in its WRMP14.

The group will also advise and challenge the Company and other regulators to consider;

- The opportunities for using innovative, sustainable and environmentally acceptable means of delivering the required or desired outcomes;
- The scope, justification, cost-effectiveness and environmental sustainability of the preferred delivery mechanism; and
- Phasing delivery or outcomes to maximise the affordability and acceptability in terms of both the plan and any environmental impact of the Company's WRMP14 to customers, stakeholders and regulators.

1.2 Group Deliverables

Two/three members of the EFG, to include the EFG Chair, will be required to sit on the Company's Customer Challenge Group, in order to ensure there is:

- Clear correlation between the content of the WRMP14 and the Company's overall 2014 Business Plan, which is produced as part of the five-yearly price setting process;
- To provide assurance, or otherwise, to the Customer Challenge Group about the effectiveness of, or any concerns with, the Company's engagement with customers and stakeholders during production of its WRMP14;
- Whether the level of engagement and assurance is proportionate to the materiality of the Company's WRMP14 proposals;
- Whether the WRMP14 delivers the required legal outcomes;
- Whether the Company has actively considered the opportunities for more innovative and sustainable approaches to delivering the required or desired outcomes;
- Whether the Company's long term strategy for securing water supplies is an appropriate response to customers' views;
- Whether the Company's WRMP14 strikes a reasonable balance between the views of different customers and stakeholders, highlighting any areas where particular segments of current or future customers are likely to have outstanding concerns;
- Whether the Company has explored the range of cost-effective, sustainable solutions and phased delivery of its various outcomes to maximise acceptability to both customers and the environment; and
- Whether the Company's final WRMP14 will be acceptable to the majority of customers, highlighting any areas of concern.

1.3 Frequency of meetings

The frequency of meetings will be agreed between SEW and EFG members, once the EFG is established, but are projected to take place, at a minimum, on a quarterly basis.

1.4 Membership

The chairmanship of the group has still to be determined but membership will comprise key regulatory and environmental stakeholders. The group will include representatives from:

- The Consumer Council for Water
- The Environment Agency
- Natural England
- South Downs National Park Authority
- Basingstoke & Deane Borough Council
- Rushmoor Borough Council
- Kent County Council
- Lewes District Council
- Ringmer Parish Council
- CPRE Kent
- CPRE Sussex
- CPRE Test Valley
- Salmon and Trout Association
- Whitewater Valley Preservation Society
- Ouse and Adur Rivers Trust
- RSPB
- NFU
- The Inland Waterways Association
- Council for British Archaeology South East

Appendix 2.F: Environment Focus Group Outcomes

The Environment Focus Group (EFG) held regular meetings, which took place on the following dates:

EFG Meeting 1: January 2012
 EFG Meeting 2: March 2012
 EFG Meeting 3: May 2012
 EFG Meeting 4: July 2012
 EFG Meeting 5: September 2012
 EFG Meeting 6: November 2012
 EFG Meeting 7: November 2012
 EFG Meeting 8: January 2013
 EFG Meeting 9: March 2013
 EFG Meeting 10: July 2013
 EFG Meeting 11: September 2013
 EFG Meeting 12: December 2014

Role of the EFG

The EFG was established to provide two-way dialogue throughout the WRMP process.

The EFG provides stakeholders with a platform to critically challenge and input into aspects of the WRMP process, ranging from technical analysis and methods used, to review of options and modelling scenarios. Members have also been able to input into SEW's approach to engagement, suggesting others that should be involved in any consultations.

A key component of the EFG has been the linkage with the Customer Challenge Group and the Water Resources in the South East (WRSE) Group. With a number of EFG members also part of these Groups, it has ensured that there has been a free flow of information and ideas between the various groups.

The EFG has had access to an online consultation server to review documents and submit and view comments. The Environment Agency, Natural England, CPRE and Kent County Council were among those organisations that made regular and detailed comments on the consultation portal. Comments were reviewed and responded to by SEW, with those responses also shared online to the wider EFG members.

EFG members were encouraged to complete feedback forms to inform the structure and format of future meetings. They were also regularly provided with revised reports that incorporated their comments and ongoing updates to the WRMP programme and timings, taking account of the time needed for their input. Members made suggestions on how SEW should demonstrate that reports by statutory bodies and other papers had influenced the process.

EFG meetings provided an opportunity for stakeholders to seek clarification on the regulations and guidelines governing the WRMP process, for example the long term impacts from the Water Framework Directive on abstraction licenses, and how uncertainties around these are built into WRMP14. Members also sought clarification on what EA Water Stress classifications meant for WRMP14.

The EFG were given details about how levels of service are defined and how WRMP14 provides confidence that the required levels of service will be met.

Supply forecasting

We explained the approach used to forecast supply levels to the EFG, including how future uncertainties were taken into account through target headroom. The EFG were able to clarify methodologies relating to supply forecasting, including querying the relevance of outage and also the predictability of water re-use options.

The EFG raised some concern over the uncertainty of sustainability reductions and we were able to confirm how this uncertainty was accounted for in scenario model runs. We have provided regular updates on sustainability reductions.

Bulk supplies provided from each company were also detailed and discussions took place over the risks these involved. We further clarified how bulk transfers were considered in the WRSE Group modelling work. EFG members also took the opportunity to suggest where there may be third party licenses available.

Discussions took place on how climate change has been incorporated into both the supply and demand forecasting of WRMP14 and members were able to comment on the vulnerability classifications for each WRZ.

Demand Forecasting

The EFG were given details on our approach to demand forecasting and the work being undertaken in determining current water usage by householders and business customers.

The EFG provided a platform for explaining assumptions made on demand management measures and their effects on Per Capita Consumption (PCC). Notably, members highlighted uncertainty over the effectiveness of metering in reducing PCC and raised queries over the monitoring of adherence to Code for Sustainable Homes. The EFG were given the opportunity to list any scenarios they would like to see incorporated into demand forecast modelling.

EFG members were keen to understand the results of demand management market research we had undertaken, and how results would influence our water efficiency strategy. Members also made suggestions regarding demand management awareness and education.

Comments were made on the importance of the agriculture sector in demand forecasts. The National Farmers Union gave further detail on issues relating to demand management, groundwater and licensing, which provided opportunities for further discussion. Comments were also made relating to water efficiency measures within the agricultural sector and support was shown for irrigation scheduling.

Options Appraisal

Methodology

Through the EFG meetings there was ongoing dialogue on the options appraisal process which provided a mechanism for including and excluding options following the input of EFG members. Option outputs were visible, allowing a clear understanding of how options were treated, and transparency in the screening of options and decision-making process. Opportunities were given for comments on options reports and findings. Members also used meetings to raise any concerns over their inclusion in various stages of the process.

The EFG identified areas of uncertainty within the screening processes, in particular how potential effects of options were identified. Direct changes were made to the options methodology based on comments made by members; for example, a greater emphasis was placed on community issues in the testing of reservoir options. Members were keen to ensure that the environment was given high priority in the process. The EFG also wished to understand whether the options process was the same for all water companies.

Comments by the EFG resulted in us revisiting and screening out a number of options. Where options were screened out, the reasons for doing so were documented, for example, potential impacts on environmental and planning designations, or insufficient water availability.

The EFG gave suggestions on how option results were best displayed, for example through the use of a ranking system, which we were then able to respond to. The EFG praised the format of options dossiers and also had opportunities to query information provided, notably in terms of carbon costings underlying the process. The EFG made comments on environmental and social costings, in particular questioning why the loss of agricultural land was not included in the costings. We were able to provide clarification on methodologies used and how these followed the Benefit Assessment Guidelines (BAG).

Options identification

The majority of comments submitted on the EFG consultation log focused on specific options. Comments raised showed where there was support for schemes but also where there were issues and concerns about some options.

The EFG were interested in the screening process relating to surface water options and were keen to understand whether there were any changes from the process used for WRMP09. We were able to confirm that a more consistent approach was being applied and that some variants of options screened out at WRMP09 were included.

The findings of surface water site visits were discussed with the EFG including options that were subsequently removed from the feasible option list. Reservoir sites that had been removed from the options list without a site visit were also detailed. The EFG commented on where options were removed and also asked for clarification as to why some surface water options were taken forward.

The EFG directly influenced our approach to water re-use options. Members were keen that we only screen out water re-use schemes if it was proved that the public found them unacceptable. As a result of discussions with the EFG it was agreed that perceptions to water re-use would be tested through specific focus groups and customer panels. The EFG were very interested in the initial findings, which found public perceptions to be less negative than previously thought. Findings were also shared with other water companies to ensure consistency and early development of shared messaging and customer communications. The

consultation log allowed for some members to express concern over water re-use in terms of eutrophication and effects on the water quality of rivers, however these were subsequently addressed in our responses.

Option Modelling

The modelling allowed a number of scenarios to be tested. The EFG provided feedback on the various scenarios and were also provided with the opportunity to put forward their own scenarios where certain options were included/excluded (outlined below).

Preferred Plan

The final results of both the WRSE Group work and our own modelling and scenario testing were outlined to the EFG in March 2013. The differences between the WRSE and company results were outlined, along with the results of the EFG modelling scenarios – no new reservoirs, force in one water re-use and reduced groundwater. The modelling of a further scenario looking at changes in population levels was still to be completed, but could be incorporated into a final plan, along with soon to be published 2011 Census data. We reassured members that Plans were reviewed every year and updated every five to reflect such changes.

Some EFG members were concerned about the high proportion of transfers contained in the WRSE 'least cost' solution and whether this would give us the resilience we would need in times of drought. Conversely, others indicated that risks with intra and inter-company transfers could in fact be lower as we would have the protection of multiple companies' headroom.

The Preferred and Alternative Plans were outlined to the EFG in March, and prior to formal submission of dWRMP14. Some members were disappointed that a brackish desalination scheme at Reculver was not part of the Preferred Plan, but noted it remained a feasible alternative. EFG members also provided feedback on how the schemes should be presented, in particular stressing that the 'lead-in' times for schemes should be explained so that the action needed during the 2015 – 2020 planning period was understood. Clarification of how and when alternative options could come into play was also sought. The EFG highlighted the need for the dWRMP14 to provide a break-down of cost so that customers could understand the impact on their bills.

Consultation Process

At the meeting on the July 2013, the EFG were provided with: a recap of the contents of the dWRMP14 as published 13 May 2013 and were updated on progress with the WRSE modelling and meetings held with other water companies regarding future water transfers.

It was also an opportunity for the Environment Agency, Consumer Council for Water and Natural England to present and explain their roles now we had entered the statutory consultation phase of the process.

The EFG were asked prior to the meeting to reflect on the dWRMP14 and invited to share their views and comments at the meeting. There was a consensus that the process of preparing the dWRMP14 had gone very well, and this appeared to be reflected in the early feedback being receiving on the plan i.e. was generally positive.

A number of EFG members made comment on specific options in the dWRMP14 with regard to further work and review needed on them once WRMP14 process had been finalised. Some members raised concerns about climate change and reliability of existing sources – it was accepted we had made assessments in line with guidelines, but is it enough? Some felt new resources should be brought forward to provide more resilience.

Reflecting on the EFG comments we committed to setting out more clearly in the revised WRMP14 the areas of work to be completed on options and other matters early in AMP6 to inform the next WRMP in 2019.

Statement of Response

At the EFG meeting on the 19 September we shared with the group the representations we had received on the dWRMP14. We explained how we had analysed and grouped the representations into topic areas to align with the sections of the dWRMP14, and our intention to publish a revised WRMP14 that highlighted all the changes made to our plan, to support our Statement of Response.

We presented what our proposed responses to the representations we had received would be, and set out the extent to which we considered they had changed our dWRMP14. The EFG members provided us with some good feedback – the overall feeling of the group being that the process had worked well.

Appendix 2.G: Results of Customer Research

A large proportion of customer research occurred during 2012 as we developed the dWRMP14 and wider business plan. This included:

- 20 In-depth interview and 6 x focus groups to test customers' views and preferences on direct and indirect Water Re-Use options, as part of the Options Appraisal process.
- 12 x focus groups to test customers' views and preferences on the range of demand management options, as part of the Options Appraisal process
- Annual Survey of circa 130,000 customers on a range of service issues, including their future water service
- Online Panel testing – of existing customers and future bill payers (18 – 25 year-olds) - on their views and preferences around the range of feasible water resource options being considered, as part of the Option Appraisal process.

Water Re-Use – key research findings

As part of the Options Appraisal process, we considered and consulted upon a range of water re-use options to recycle treated wastewater for future drinking water supplies.

We wanted to include customers in that decision making process, not least to see if the widely-held beliefs still existed that customers would find this practice unacceptable due to quality and health concerns.

The objective of the research was to consult customers about the range of water re-use options being considered and understand their views to help inform our decision making. We also wanted to explore at an early stage the best language to use in communicating such options to the wider general public.

Key findings from the research showed:

- Knowledge among customers about where their water comes from is very limited – and most are not really interested in the details
- They are happy to leave it to the experts – and trust us to keep delivering clean drinking water by whatever means
- Most customers who took part in the research assume that reuse is widespread, and is responsible for much of our drinking water at the moment
- Direct and indirect reuse are both acceptable – customers know standards will be maintained either way

Demand Management - key research findings

As part of the Options Appraisal process, we were considering and consulting upon a number of demand management options. These can all help to balance the future supply and demand, but there are a number of options/techniques - some of which require more of customers, while others rely more on our own interventions and actions.

The objective of the research was to consult customers about the range of demand management options being considered, understand their views about which approaches they favour and which they are willing to act on, to help inform our decision making.

Key findings from the research showed:

- Many customers don't like to waste water out of a sense of civic duty, and so may be more receptive to water-saving ideas in this context
- However, financial considerations come into play when customers assessed their preference for certain options including:
 - the size of their water bill
 - what we as a business would also contribute
 - what impact being on a meter would have
 - how much they may need to spend themselves on water saving schemes

When customers were asked to list, in order of priority, the demand management measures they supported the most, it showed strong support for:

1. Free water saving devices
2. Water butts / Rainwater harvesting
3. On-line accounts with water saving tips
4. Grey-water recycling
5. Vouchers for water efficient white goods

Annual Survey – key research findings

Our Annual Survey is a tool to help us understand domestic customers' priorities and how they might change over time. It also helps shape the future direction of our business and builds our plans around domestic customers' preferences and expectations by:

- Tracking satisfaction on customer service performance
- Asking one-off topical questions to capture immediate views on pertinent issues
- Provides a scene setter for future engagement on particular issues or topics
- Temperate checks customers' priorities and possible willingness to pay within regulatory planning cycles

The Annual Survey was sent out to circa 130,000 unmeasured and measured customers in September and October 2012. An online version of the survey was also put on our website and promoted via a media release. We had 21,115 responses (921 online responses and 20,194 postal responses) which represents a 16% response rate.

Under a section entitled "Future Water Service" we tested customers' tolerance for both planned and unplanned water supply interruptions; their perceptions of what is an acceptable level of leakage; and changing behaviours as a result of drought and water use restrictions.

Key findings from the research showed:

- *Q: What do you think is an acceptable level of leakage as a percentage of all the water we supply?*

For this question we tested the range of customers' tolerance to levels of leakage. These were:

- 0% - 5%
- 5% -10%
- 10% - 15%
- 15% - 20%
- Don't know

Currently we operate at an economic level of leakage which places us in the 15%-20% range (and which includes leaks on customers' supply pipes, for which we are not responsible). However, only 1% of respondents thought that this is an acceptable level of leakage. The majority of customers - 85% in total - consider a target which is less than 10% is acceptable.

- *Q: Apart from not being able to use your hosepipe during the drought, did you make any permanent changes to how you use water at home?*

Some 79% of respondents said that they already used water wisely before the drought so did not change their water usage. However 12% said that they did change and have continued to be water wise since the drought ended.

Online Panel testing of draft Plan options – key research findings

As part of the wider customer research and engagement activities for the 2015 – 2020 business plan, we have run a number of qualitative online panels with both existing customers/bill payers, and future customers/bill payers (18 – 25 year olds).

One such online panel was dedicated to testing the range of feasible water resource options that could balance the supply and demand for water. The panel research took place over a three day period, with a total of 23 panellists taking part.

Panellists were presented with the range of feasible options such as:

- Providing advice and education to customers about how to use less water
- Issuing free water saving devices such as Hippo bags, and tap inserts
- Installing water meters in more households
- Sharing water resources with neighbouring water companies
- Reducing leakage from pipes
- Introducing new ways of charging for water to encourage lower water use

and options to develop new supplies of water, such as:

- Taking waste water, treating it to turn it into drinking water ('Water Re-use')
- Reservoirs to capture rainfall and river water
- Desalination plants to treat seawater and turn it into drinking water
- New boreholes, underground wells and springs.

Key findings from the research showed:

- The majority of customers thought that saving water and developing new supplies were equally important and that both these options should be in place to ensure there are sufficient supplies in the future
- When it comes to saving water, both current and future customers think we should focus our efforts in reducing leakage and installing water meters and providing water saving devices.
- When it comes to producing new water, the initial response to the options proposed to develop new water supplies was generally positive. The idea of recycling of waste water

raised concerns for some but, along with ‘reservoirs’, was cited most commonly as a preferred option.

- Customers were concerned about the potential environmental impact of some options to develop new water supplies, including the effects on wildlife, increased carbon/energy use and the impact of construction. However panellists generally trusted us to minimise environmental impact wherever possible.

A copy of the full research report is available on request.

Willingness to Pay – key research findings

As part of the wider customer research and engagement activities for the 2015 – 2020 business plan, we have run quantitative stated preference surveys (commonly referred to as “willingness to pay” research) among both domestic and commercial customers.

One such exercise focused exclusively on customers’ preferences, and willingness to pay, for a range of water resources options that could balance the supply and demand for water.

The survey was designed around the core idea that the value of a complete programme of water resource measures, to a customer, could be split into three factors:

- the impact on the frequency of hosepipe bans
- the impact on the customer’s bill, and
- the external costs/benefits of the measures included within the programme.

From this premise, we designed the survey so that respondents chose between programmes of measures, rather than evaluating the desirability or otherwise of individual options. The type of measures tested included:

- Reducing hosepipe bans from 1 in 10 years, to 1 in 20 years
- Reducing leakage to 12% or 7%
- Compulsory metering
- Stepped and seasonal tariffs
- Household water saving measures
- Desalination
- Reservoirs – building new or expanding existing
- Water Re-use
- Water transfers from other companies

Key findings from the research for household customers showed:

- With the exception of reducing leakage, in general domestic customers are not willing to have positive increases in their bills, either to reduce current levels of service around the frequency of hosepipe bans, or indeed to ensure the sufficient supply of water to meet current and future demand
- Instead, domestic customers rated the package of options in a “least worst” order in terms of their willingness to pay, as follows:
 1. Leakage reduction
 2. Compulsory metering
 3. Water saving measures

4. Water transfers from other companies
5. Expanding existing reservoirs
6. Stepped tariff
7. Water Re-use
8. Seasonal tariff
9. New reservoirs
10. Reducing hosepipe bans from 1 in 10 years, to 1 in 20 years
11. Desalination

Key findings from the research for commercial customers showed:

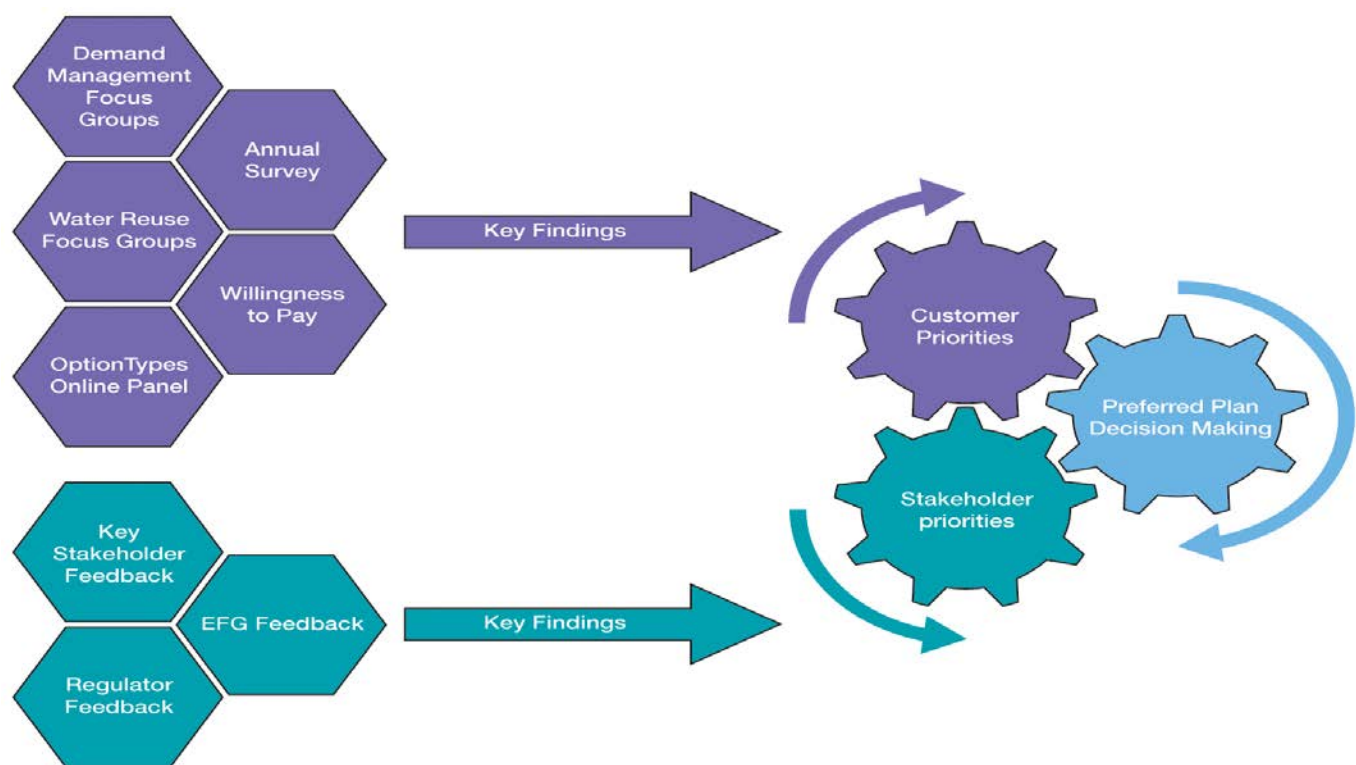
- With the exception of reducing the frequency of hosepipe bans and leakage, in general commercial customers are not willing to have positive increases in their bills to ensure the sufficient supply of water to meet current and future demand
- Instead, commercial customers rated the package of options in a “least worst” order in terms of their willingness to pay, as follows:
 1. Reducing hosepipe bans from 1 in 10 years, to 1 in 20 years
 2. Leakage reduction
 3. Water saving measures
 4. Water transfers from other companies
 5. Expanding existing reservoirs
 6. Water Re-use
 7. Seasonal tariff
 8. New reservoirs
 9. Desalination

A copy of the full research report is available on request.

How have we used the research findings?

At the core of our WRMP14 has been our commitment to have much earlier dialogue with regulators and key stakeholders on the range of demand and supply side options available, and before publication of a dWRMP14; and then to test fully with customers elements of the plan, and the overall package of measures available, using robust survey and research techniques, to support the formal statutory consultation process.

That process can be summarised in the following diagram:



We are confident that our customer and stakeholder engagement was effective; given a wide range and balance of views and credible, measurable results; and has been translated, robustly and transparently, into our preferred strategy to secure future water supplies in WRMP14.

Appendix 2.H: Phase 2 Statutory Consultation Engagement Activities

This section details the statutory engagement activities that took place during the 12 week consultation period (13 May 2013 to 5 August 2013) following the publication of the dWRMP14.

Our consultation with customers

Our engagement with customers used both direct and indirect forms of engagement.

Website

We placed the dWRMP14, all supporting appendices and tables on our dedicated consultation section of the website.

Furthermore, during the entire 12 week statutory consultation period, the draft plan was publicised via the Home Page under the “Your Water, Your Say” rotating banner. This took customers to a dedicated section of the website where we set out:

- A summary of the main issues and challenges;
- Our proposed solutions to manage the supply and demand for water;
- What alternative solutions are also available.

The dedicated section carried a series of short videos on three topics – managing the demand for water, boosting water supplies, and making better use of existing resources.

At the end of each video, we encouraged customers to answer a series of topic-related questions via an online form. A total of 39 customers completed the web-based polls, which were intended to provide a snapshot of their views and complement the more formal consultation (rather than replace it). The results showed:

Managing the demand for water

- 81% agreed with our approach to managing demand for water

Boosting water supplies

- 83% agreed with our approach to boosting supplies
- 92% supported building a new reservoir at Broad Oak
- 58% supported a desalination plant at Reculver
- 83% supported extending Arlington Reservoir
- 83% supported water re-use schemes to produce drinking water

Making better use of existing resources

- 73% agreed with our approach to make better use of existing water resources
- 73% supported our plans to share and transfer more water around the region
- 82% supported Improvements at water treatment works

We commissioned a quantitative stated preference survey with the aim of understanding both household and customers' preferences in relation to the various ways of maintaining or improving the water supply-demand balance.

This was a new and innovative way of using stated preference techniques to test the value customers placed on a range of water resources options that could change the level of service around water use restrictions, or resolve any supply-demand balance.

With the exception of reducing leakage, household customers, in general, are not willing to have positive increases in their bills, either to reduce current levels of service around the frequency of hosepipe bans, or indeed to ensure the sufficient supply of water to meet current and future demand.

Instead, household customers rated the package of options in a "least worst" order in terms of their willingness to pay, as follows:

1. Leakage reduction
2. Compulsory metering
3. Water saving measures
4. Water transfers from other companies
5. Expanding existing reservoirs
6. Stepped tariff
7. Water Re-use
8. Seasonal tariff
9. New reservoirs
10. Reducing hosepipe bans from 1 in 10 years, to 1 in 20 years
11. Desalination

It was a similar case for business customers. With the exception of reducing the frequency of hosepipe bans and leakage, in general business customers are not willing to have positive increases in their bills to ensure the sufficient supply of water to meet current and future demand.

Again they rated the package of options in a “least worst” order in terms of their willingness to pay, as follows:

1. Reducing hosepipe bans from 1 in 10 years, to 1 in 20 years
2. Leakage reduction
3. Water saving measures
4. Water transfers from other companies
5. Expanding existing reservoirs
6. Water Re-use
7. Seasonal tariff
8. New reservoirs
9. Desalination

Overall, the results for both household and business customers showed that for many of the resource options tested, the willingness to pay results were not statistically significant, meaning we could not use them to quantify the benefits of particular schemes. Furthermore they showed a wide range for the values of many of the measures.

However the results provided a useful indication of customers’ relative preference for particular options and, in many ways, reflect the views from other more qualitative research work we have undertaken around water resources.

Direct mail

During preparation of dWRMP14, we undertook specific research with both household and business customers, via online panels and specific willingness to pay surveys, on the range of demand and supply options that could secure future water supplies.

Following publication of the dWRMP14, we contacted those customers who had participated in the research to thank them for directly shaping the draft plan, and advised them how to make further representations, via our website or direct to Defra.

We also wrote direct to all those household customers within a one mile radius of our two most high-profile new water resource options (Broad Oak and Arlington reservoir options) to inform them direct of the publication of the plan, and outline the details of when community exhibitions would be taking place.

Community exhibitions

For those communities where our draft plan proposed major new water supply infrastructure, we targeted our customer and stakeholder engagement by holding a series of exhibitions.

These were manned by South East Water staff and customers and stakeholders were able to ask questions, and talk to us direct about any issues or concerns they had.

The exhibitions included a series of display panels setting out the challenges over the next 25 years, the proposed solutions to meet the shortfall in water, and what alternative options there are. Copies of the non-technical summary were issued to all those who attended the exhibitions.

The exhibitions took place on the following dates, with the following attendance:

Date	Time	Location	Number of attendees	Preferred strategic options
4th June 2013	2pm – 8pm	Arlington Village Hall Arlington East Sussex	53	Extension to Arlington reservoir
5th June 2013	12pm – 8pm	Broad Oak Village Hall Broad Oak Kent	149	Broad Oak reservoir
18th June 2013	12pm – 8pm	Allington Community Centre Maidstone Kent	16	Aylesford water re-use
21st June 2013	12pm – 8pm	South Heighton Village Hall South Heighton Newhaven East Sussex	14	Peacehaven water re-use

School workshops

We wanted to determine the views of future customers around some of our draft plan proposals for managing demand and developing new water resources. We held four workshops at Ringmer Community College in Ringmer, East Sussex, on 3rd May 2013, and at Mill Chase Community Technology College in Bordon, Hampshire, on 22nd May 2013. These were attended by groups of 12 – 14-year-olds. Approximately 80 pupils discussed the role of South East Water, and were then asked to set out their own top priorities for water. These were:

- Reducing leakage to prevent water being wasted;
- Using water saving devices and educating customers to be water wise;
- Installing rain harvesting systems and Sustainable Urban Drainage Systems (SUDs);
- Low environmental impact and recycling water.

The workshop also explored their ideas around how to manage how much water is used, and their views on the range of options that could deliver more water.

There was strong support for metering and water efficiency education from a young age as a way of managing demand, but participants were concerned about the environmental impacts of expanding existing or building new reservoirs; there were also some uncertainties about sharing water resources, and mixed views on the safety/health aspect of water re-use schemes.

Water treatment works open day

On 31st May 2013, and 1st and 2nd June 2013, we held three open days at Bewl Water Treatment Works in Kent, which were attended by 55 customers and 19 stakeholders.

While the tours focussed on the treatment process at the works, the events were also used to promote our consultation with customers and stakeholders on the draft Water Resources Management Plan, and how we develop long term plans to secure future supplies.

Copies of plan at principal offices

Copies of the draft plan and all supporting appendices and tables were made available for inspection at the head office in Snodland, Kent, and at our offices in Frimley Green, Surrey.

Our consultation with stakeholders

Direct mail

In tandem with the publication of the draft plan, 10 statutory bodies as shown in table 4.1 below (i.e. those consultees specified by The Water Resource Regulations 2007 and The Environmental Assessment of Plans and Programmes Regulations 2004, including Defra, Ofwat, the Environment Agency and Natural England and English Heritage) were written to in order to explain the purpose and content of the plan, the process of consultation and how a representation could be made.

Table 4.1 Statutory bodies

Consumer Council for Water
Defra
Drinking Water Inspectorate
Environment Agency
Natural England
OFWAT

A further 1,839 non-statutory consultees were also written to, comprising a wide range of individuals and groups including MPs, local authority officers and members, all parish councils, environmental groups and business associations.

As well as outlining the formal consultation process, the letter detailed the exhibitions being planned in those communities where major new infrastructure was being proposed.

Separately we also contacted respective Parish Councils to seek their co-operation with publicising the exhibitions via their websites, parish magazines or e-newsletters etc.

Stakeholder briefings and presentations

Extensive stakeholder briefings and presentations occurred during the pre-draft plan consultation phase. However, once the draft plan was published for widespread consultation, we carried out a number of additional stakeholder briefings.

Among those were presentations to Lewes District Council and East Sussex County Council members and officers to give an overview of the process, the draft plan's proposals and the possible alternatives; and a further meeting with officers from the South Downs National Park Authority to discuss specific options that could impact on the national park. A separate officer meeting was held with Wealden District Council, while a number of other local planning authorities raised queries or contacted us in the process of formulating their formal response to Defra.

Furthermore, we continued our engagement on the draft plan with both the Environment Focus Group (EFG) and Customer Challenge Group (CCG) at our meetings on 17th and 23rd July 2013 respectively, with updates on the statutory consultation phase and activities being undertaken.

Non-technical summary of the draft plan

The non-technical summary of the draft plan was issued to stakeholders during the consultation period, via the exhibitions themselves, and specific meetings, presentations, and briefings that were undertaken.

Our consultation with regulators

As with earlier phases of engagement, we continued to work closely with our principal regulator, the Environment Agency, during the statutory consultation phase.

Meetings were held with the Environment Agency to discuss key aspects of the draft plan, before, during and after the publication of the dWRMP14, and to further interrogate the data that supports some of the assumptions we have made. This included preparing a series of technical report papers that we submitted to the Environment Agency, and that can be viewed on request at our offices.

We held additional specific meetings and telephone discussions with Natural England, whose role is to ensure that water companies can deliver their statutory obligations for Natura 2000 sites, SSSIs and Biodiversity Action Plans (BAPs), while ensuring draft plans promote more sustainable methods for tackling water quality and water resource problems at source. Natural England was also represented at our EFG and CCG meetings.

We continued to engage with the Consumer Council for Water through our EFG and CCG.

We met with our economic regulator, Ofwat, at several points in the process, including immediately ahead of publishing the Statement of Response and we shared and discussed changes to our plan as shown in our final WRMP14.

Media relations activity

General

Media relations activity was co-ordinated with the publication of the draft plan and focussed on highlighting both the statutory process; the solutions being proposed and their alternatives; and how customers could access further information and make representations either direct to Defra or via the company website.

On 13th May 2013, the start of the consultation process, all media operating in South East Water's supply area (3 television broadcast media, 19 commercial and BBC radio stations and 38 local and regional newspapers) were issued with a press release.

This initial media activity received widespread coverage, with 40 separate print mentions and seven broadcast interviews undertaken around the proposals included in the draft plan.

Further press releases were then issued as follow-ups to relevant media in advance of the specific exhibitions taking place in local communities.

Advertising

As part of the statutory consultation, quarter page adverts were placed in the following newspapers to help further publicise the plan, the process and the exhibitions, at least a week before each exhibition was due to take place:

Exhibition	Advert date	Newspaper	Circulation
Arlington	Friday 31st May 2013	Eastbourne Herald Series	35,000
Broad Oak	Thursday 30th May 2013	Kentish Gazette	18,000
Aylesford	Friday 14th June 2013	Kent Messenger Series	38,000
South Heighton	Friday 14th June 2013	Sussex Express Series	14,000

Media promotions

In collaboration with the Kent AONB Unit and Kent on Sunday newspaper group, we sponsored a “water special” edition of The Orchid newspaper. This 20 page newspaper was issued free to 100,000 homes across Kent in July. As well as contributed articles from other environmental bodies and organisations, it included a dedicated South East Water double page spread on the challenges being faced across the region, and the solutions being proposed and their alternatives.

An advert also advertised the consultation process and how people could make their views known, either direct to Defra or via the website.