



Our Business Plan for 2020 - 2025
Executive Summary
September 2018

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Working for Customers and the Communities we serve

1. We are the UK's largest water-only company, supplying a population of more than 3.6 million people with more than 900 million litres of the highest quality water every day of the year. At the core of our business and our Plan for 2020 to 2025 is our vision to be the UK's leading community-focused water company. This reflects the importance of the way we work for and with customers and the communities we serve. We believe by understanding and responding to the needs of different communities, we can be accountable to them, at a local level, for how well we provide our services.
2. Our vision is underpinned by four high-level Outcomes, these are the things that really matter most to customers and remain unchanged from the last price review. These Outcomes set the strategic context for us and in the widest sense set out what we are here to do. The Outcomes we have pledged to deliver for all customers are:
 - Supplying high quality water, you can trust
 - Making sure you have enough water, while leaving more water in the environment
 - Providing a great service that you value
 - Minimising disruption to you and your community.
3. In turn, we will help customers understand the true value of water, support them to manage and reduce their consumption and so support the ongoing protection of the environment and future resilience of supplies.

What matters most to Customers and Stakeholders

4. We have undertaken an extensive and multi-phased programme of customer and stakeholder engagement to ensure our Plan focuses on the things that matter most to customers. We have engaged with over 15,300 customers and stakeholders and taken account of over 5 million day-to-day customer contacts as part of a combined engagement programme. Our Plan has been directly influenced by this work.
5. When we engage with customers, we find high levels of support for maintaining high water quality, reducing abstraction, ensuring supplies are resilient and reducing leakage and per capita consumption (PCC). Most customers contact us infrequently and for the majority, their only interaction is to pay their water bill. We recognise we have a big opportunity to engage more effectively with customers around the water service they receive.

Our Proposed Plan for 2020 to 2025

6. Our Plan for 2020 to 2025 builds on the strong track record we have achieved to date in delivering the 'enhanced' plan we were awarded five years ago, demonstrating we can be trusted to deliver. Whilst challenging, our current Plan has kept us at the forefront of the industry in terms of leakage reduction, demand management and water abstraction reduction. This is a strong position from which we will continue to stretch our ambition and performance.
7. Over the decade 2015 to 2025 we are targeting to deliver:
 - a continuous supply of high quality water, better than 99.95% compliance
 - 28% reduction in leakage
 - 17% reduction in demand
 - less water abstraction, reducing environmental impact by 78 million litres per day (Ml/d)
 - affordable bills for customers (less than 0.5% increase per year)

- increased help for customers in vulnerable circumstances.
8. Our Plan will also lay the foundations for improved resilience of supplies for future generations by beginning investment today to secure the development of additional regional supply resources before 2040, when they will be needed.
 9. Some important highlights of our Plan for 2020 to 2025 include:
 - Reducing leakage from water pipes by 15% on top of a 14% reduction between 2015 to 2020 (compared to an industry average reduction of 4% over the same period)
 - Reducing average consumption from 147 to 129 litres per person per day, operating at the forefront of demand-side management, and working with partners and communities to prompt behavioural change with regard to water conservation
 - Developing innovative demand management options based on real-time consumption data to further reduce consumption by 2025
 - Improving the strategic sharing and management of regional resources by making improvements to import and export agreements with neighbouring companies
 - Continuing to support the quality of our water resources through our catchment management and river restoration programmes to help habitats and biodiversity of rivers in our supply area
 - Reducing water abstraction by 36 Ml/d to improve sustainability, following the successful delivery of 42 Ml/d of reductions since 2015
 - Investing £1.37 billion across the five-year period, to maintain core network assets to keep services running 24 hours a day, 7 days a week and 365 days a year, investing in local level assets such as pumps, mains upgrades, new mains and investment in service reservoirs that allow us to move water to where we need it. We will deliver major programmes to treat water for wider distribution across our supply area, where and when it is most needed, to improve resilience, and we will start work on a regional reservoir, in partnership with Thames Water
 - We have listened to customers and stakeholders and recognise the challenges facing us as a company located in the South East of England, a region designated by the Secretary of State as an area of serious water stress. Our Plan tackles these challenges head on.
 10. This Business Plan includes our commitments between 2020 to 2025, necessary to achieve the outputs listed above. These commitments, known as Performance Commitments (PCs) are listed in the table on the following page along with other commitments we are making to customers about the service they can expect from us. Our Plan includes a total of 19 PCs that will ensure we deliver our four Outcomes.
 11. In developing this Plan and the commitments we are making, we have given careful consideration to how our Plan will address wider sector strategic priorities as articulated by Ofwat through its four price review themes. We believe our Outcomes and PC framework enables us to address each of these themes as detailed in the table below. To underpin and support the delivery of our commitments we have evolved our approach to work with and for our communities.

Outcomes	Performance Commitments	Great customer service	Affordable bills	Innovation	Resilience in the round
Supplying high quality water, you can trust	Compliance Risk Index (CRI)	✓			
	Mean Zonal Compliance (MZC)	✓			
Making sure you have enough water, whilst leaving more water in the environment	Leakage	✓		✓	✓
	Per capita consumption		✓	✓	✓
	Environmental innovation – delivery of community projects	✓	✓	✓	✓
	River restoration			✓	✓
	Abstraction reduction			✓	✓
	Number of sources operating under the Abstraction Incentive Mechanism (AIM)			✓	✓
Providing a great service that you value	Customer measure of experience (C-MeX)	✓	✓		
	Developer measure of experience (D-MeX)	✓	✓		
	Customers in vulnerable circumstances satisfied with our service	✓		✓	
	Customers in vulnerable circumstances who found us easy to deal with	✓		✓	
	Number of occupied properties not billed (Gap sites)	✓	✓		
	Number of properties wrongly classified as unoccupied (False voids)	✓	✓		
Minimising disruption to you and your community	Supply interruptions greater than 3 hours	✓		✓	✓
	Risk of severe restrictions in a drought	✓		✓	✓
	Unplanned outage	✓			✓
	Number of burst mains	✓		✓	✓
	Properties experiencing longer or repeated instances of low pressure	✓			

Table ES1: Outcomes, PCs and Ofwat Price Review Themes

Providing a great service that you value

12. We will ensure that we are listening to customer needs and investing in the right technologies to deliver great customer interaction, increased engagement and cost efficiencies. Our approach means all customers, whether they are households, retailers, developers, self-lay providers or new appointees, receive the same focus and attention. Key features of our approach to our household retail activities, building on improvements already delivered, include:

- Continuing to transform our culture to become an increasingly insight-driven business where data is seamlessly collected, pooled and analysed to understand our communities and customers holistically and help us take the right business decisions
- Delivering a personalised experience for customers, to ensure we cater for an individual's circumstances, including temporary or permanent affordability issues or vulnerability - leveraging the expertise and best practices of others in the industry and other sectors
- Focusing on getting things right first time and maximising the opportunity from digital technologies to make things easy and simple
- Strengthening our relationship with customers, promoting what we do and the service we provide and helping to encourage customers to manage their consumption for the benefit of their local environment
- We are adopting a partnership approach with our communities, understanding that we are not always best placed to drive change or influence behaviours. We have learned that for interventions to be successful and for us to deliver our Plan, we must work more closely with delivery partners and stakeholders on the most effective means of securing change.

This Plan includes significant cost efficiencies on base Totex and retail costs totalling £200 million, which enables us to keep our household bills low.

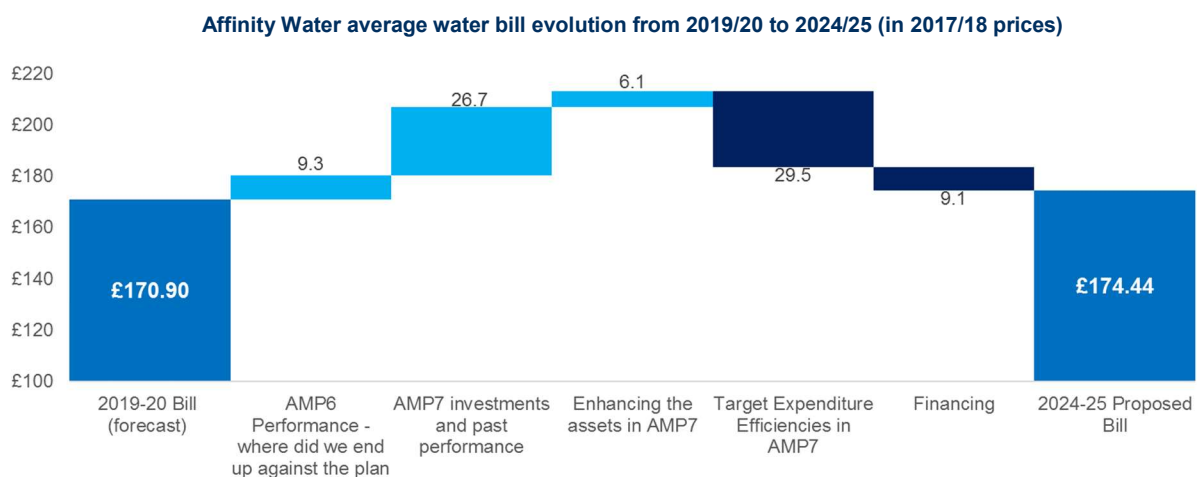


Figure ES1: Bill evolution 2019/20 to 2024/25

- Our Plan means that, on average, household bills will increase by 71p per year between 2019/20 and 2024/25, starting at £170.90 and rising to £174.44, a total increase of £3.54, before allowing for inflation. This equates to a 2.07% increase over the five years, or 0.41% per year, and means that the average bill in 2024/25, without allowing for inflation, will be the same as the average household bill last year, in 2017/18.
- We have tested our proposals with customers. We found that 82% of customers consider the final plan to be acceptable and more than three-quarters find it acceptable for bills to be increased by an extra £3-£5 a year to make sure there is enough water in the future¹. Most customers can afford their current bills (96%) and could afford the future options presented to them during research surveys (92% and 89%).
- We have compared movements in our average bill with estimates of customers' real household incomes after allowing for housing costs, over the same period. The small

¹ Blue Marble, August 2018, *Affinity Water Resilience Investment, Full Report*

increase in our bills that we have planned for 2020 to 2025 will still represent a declining share of customers' projected disposable incomes.

Affinity Water average water bills and operating area average weekly household income after housing costs 2011 - 2025 (in 2016/17 prices)

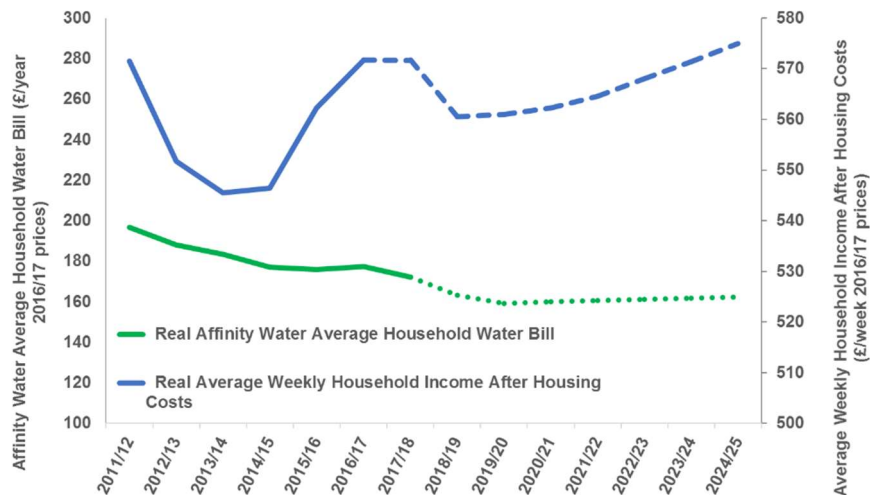


Figure ES2: Comparison of average household water bills and real GDHI

Challenge and Assurance of the Plan

16. In developing this Plan, we have been challenged and held to account by both our Board and our Customer Challenge Group (CCG). The CCG is an independent group which:
 - Scrutinises and challenges our progress in delivering our current regulated Business Plan between 2015 and 2020
 - Challenges and assesses our engagement with customers as part of the development of this Plan
 - Challenges the company and provides independent assurance to Ofwat on the quality of our customer engagement for this Plan; and the degree to which customer views are reflected.

17. The CCG has done this through regular meetings and engagement with the company during the last 18 months. The CCG has submitted their report alongside this Plan setting out its assessment of our customer engagement evidence base and how this has informed our Plan, including the extent to which customers find this Plan acceptable.

18. The Board has assured itself that our Plan is of high quality, is stretching and delivers for customers, stakeholders and the environment. The Board has also set out how it will oversee and monitor the delivery of this Plan within its Board Assurance Statement.