

Anglian Water

12B. OUR OUTLINE PLAN 2020 - 2025: A CONSULTATION



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Foreword from our CEO, Peter Simpson

Welcome to our Outline Plan for 2020-2025. We are publishing this at a critical juncture for the water sector and for our region. Here, in one of the driest parts of the UK, the resilience of our water systems is under ever increasing threat from rapid population growth and changing weather patterns.

We are proud of our track record; leading the industry on leakage, and, at the last price review, delivering the biggest reduction in average bills at twice the industry average. Earlier this year, during the challenges of freezing weather, our preparation, collaboration and leadership meant that we were able to protect our customers from impacts on their service, despite facing the same challenging conditions as elsewhere in the country.

I'm proud of the leadership shown by our Board and shareholders too. This year, they have committed to improving transparency, trust and customer confidence, clarifying our financial structures and continuing to put the public interest at the heart of our business. As well as making independent Non-Executive Directors the majority of our Board, we're reducing dividends, which will allow us to invest an extra £65m in resilience schemes by 2020 - improving the region's ability to deal with drought and flooding.



But now we must consider what future investment choices we make, and over what time period, to protect our future water supplies from growing risks, to safeguard the environment, and to keep bills affordable. We want to take your views into account as we weigh up the choices before us.

Recent decisions by Government mean that some of these choices are no longer ours to make. A statutory requirement for investment in natural environmental programmes that is more than four times the level of the programme we are currently delivering, and an obligation to bring forward that investment in a single five year period, means that we have less manoeuvrability when it comes to the levels of investment and, therefore, the profile of customer bills. Where previously we were aiming to reduce bills, in order to support the Government's plans and meet these legal obligations we now must explore increasing average bills to allow for this investment.

Our outline plan is not set in stone; we still have choices that we can make and we are keen to understand your views on those choices. By taking your views into account, we can be sure that our plan meets the needs of our customers, the wider public, and the environment today and in the future.

Water is our business. We handle with care and we don't cost the earth.

Have your say

Your views will help shape what we plan to deliver over the next five years

This consultation is part of a wider conversation about our plans for 2020-2025. We are keen to receive comments on any element of this Outline Plan, and to hear your responses to the specific questions below. You can also have your say through our online engagement tool and at events throughout our region. You can explore the impacts of your choices on your bill, service quality, resilience and the environment.

In particular we would welcome your views on the following questions:

1. Should we invest at the higher end of the viable range of investment in the next five years to address the risks of climate change sooner, with a bigger impact on bills in the same period?
2. Should we phase some investments to address the risks of climate change, in order to keep bills lower over the next five years?
3. What are your views on the different possible bill profiles we have set out?
4. Which aspects of our service do you think are most important?
5. Do you agree that we should aim to recover the expenditure we make on our longer-life assets in line with the average rate at which those assets depreciate?
6. Should we set ourselves a target to reduce leakage even further and continue to be the best performer in the industry on leakage?
7. Do you agree with our overall approach to supporting customers in vulnerable circumstances?
8. Which activities to support customers in vulnerable circumstances should we prioritise?
9. Do you feel that this Outline Plan helps to move towards delivery of our four long-term ambitions?

The easiest way to feedback to us is using our engagement tool found at <https://ourplan.anglianwater.co.uk/> launching on 9 April 2018. We would also very much welcome comments and

response to the 9 questions above. Please send these, by 9 May 2018, to stakeholderfeedback@anglianwater.co.uk.

Executive summary

We are working with our customers and other stakeholders to develop our plans for 2020-2025. This document marks a pivotal moment in the process. Through our refreshed Strategic Direction Statement, we have already agreed our long-term vision with our customers and our strategies for getting there. We've also agreed some of the essentials we must deliver to provide our core services and to support sustainable housing growth and a flourishing environment. Now it is time to explore the detail of how far we push our performance and seek to address the growing risks of climate change, and how fast. These decisions will affect the cost of our services, and the level of bills, so we also need to discuss affordability and how we support our customers who are in vulnerable circumstances.

The water industry is under intense public scrutiny: water services are essential for life, and to a large extent are natural monopolies. With this comes a profound responsibility to show that we work in the public interest. Decisions taken now will have a big impact on generations to come and on the environment. In this Outline Plan, we want to show that, as well as providing excellent customer service, looking after the vulnerable, meeting all of our statutory duties, and operating within the regulatory frameworks we are given, we are looking to the long-term, and delivering the common good, environmentally, socially and economically. We do this through being open and transparent in our decision-making, our culture of innovation, reinvesting a large part of the savings we make through efficiency, reducing dividends to improve our financial resilience and putting customers at the heart of our decision-making.

Listening to you

We are listening to our customers through the widest possible range of channels to give us a rich understanding of our customers' expectations of us, and their experiences of our service. This Outline Plan provides the context

for those in-depth conversations and highlights the main areas where we are asking customers to help shape our plans. We will use digital engagement to bring to life issues like the key investments in the plan, proposed performance commitments, financing levers and associated bill profiles, to as wide a range of customers as possible. Our Customer Board and our Customer Engagement Forum will challenge us throughout our business planning process. We also engage with developers and water retailers to better understand their needs and improve our service to them. We believe this will give us the deepest and richest understanding of our customers we have ever had and transform our business: how we think, how we operate and how we deliver.

A plan for the long term

In 2017 we refreshed our Strategic Direction Statement. It looks 25 years ahead to set a strategy that will equip us to deliver outstanding service, reliability and value for money for our customers in the face of climate change, growth and the need to protect a natural environment that's under increasing strain. Through discussion with our customers, we set ourselves four long-term ambitions:

- Make the east of England resilient to the risks of drought and flooding
- Enable sustainable economic and housing growth
- Be a carbon-neutral business by 2050
- Work with others to achieve significant improvement in ecological quality across our catchments.

Our 25-year plans for water resources and water recycling will help us deliver our first two ambitions, on resilience and growth. On carbon, our Low Carbon, Low Cost strategy will drive down our energy use, increase our renewables generation and see even more collaboration across our supply chain to reduce carbon and cost. Partnership is at the heart of our fourth ambition to improve catchments too. We'll work with land managers, regulators and researchers to tackle pollution and improve ecological quality.

Our plans for 2020-2025 sit within these longer-term plans. We design them to deliver excellent service in the short-term and put us on a good footing for the future, whatever it brings.

Shaping our plans

A large part of our investment plan is about delivering the essentials: maintaining excellent drinking water quality, safely recycling used water, supporting housing growth, providing trusted high-quality customer service, and meeting our obligations to protect the environment, on which our services depend. These essentials need significant on-going investment. We constantly look for better and cheaper ways to deliver our services. We are proud of our track record on efficiency: we are one of the most cost-effective companies in the sector. We will continue to improve, through innovation and collaboration, to keep the cost of the essentials as low as we can.

In some areas, we have real choices about how we manage risks and how fast we aim to improve our service and our resilience. We want to understand where our customers' priorities lie and what sort of company they want us to be in 2025. The most significant choices relate to the following areas:

- The balance between resilience and bills. Should we invest at the higher end of the viable range in the next five years to address resilience as much as we can, or invest at the lower end to keep bills lower now? For example, we expect climate change to mean less water is available in the long term, but we could defer some actions until we have greater scientific certainty about the impacts.
- The rate we recover expenditure. Do you agree that we should aim to recover the expenditure on our longer-term our assets in line with the average rate at which those assets depreciate?
- Service. Which aspects of service linked to our assets do you think are most important? Should we set ourselves a target to reduce leakage even further and continue to be the best in the industry?
- Supporting the vulnerable. Do you agree with our overall approach to supporting customers in vulnerable circumstances? Which activities to support customers in vulnerable circumstances should we prioritise?
- Our long-term ambitions. Do you feel this plan helps to move towards the delivery of our four long-term ambitions set out in our Strategic Direction Statement?

Measuring our performance

With water in the public eye more than ever since privatisation, our customers, government and regulators need reliable ways to assess how well we are delivering our commitments and how well we perform compared to other companies. We are proposing a package of service level commitments, which will allow our customers and stakeholders to monitor our performance. We are testing the detail of our service level targets (known as performance commitment levels) with customers in parallel to this Outline Plan.

Our proposed performance commitments include a mix of measures common with other water companies and bespoke measures we have developed in response to the specific priorities of our region and needs of our customers and stakeholders. Examples of common performance commitments include reducing leakage from water networks and the future customer measure of experience (known as C-MeX). Examples of our proposed bespoke measures include the level of support we provide to customers in vulnerable circumstances and our resilience measure for the proportion of customers supplied by a single supply system.

About this document

This Outline Plan shows:

- > how we will invest to deliver the essentials (section 2)
- > how we will support customers who find themselves in vulnerable circumstances (section 2)
- > where we can offer customers choices about our performance and pace of change (section 3)
- > what these investment choices would mean for bills (section 4)
- > the outcomes we are proposing to deliver in return (section 5)
- > how we are consulting with customers (section 6).

1 About us

We face a unique combination of challenges in our water-scarce region. In response we have developed a new way of doing business, founded on open innovation and collaboration with customers, stakeholders and with our supply chain through an industry-leading approach to alliancing.

Love Every Drop

1.1 As a business we recognise that water is vital to the success and long-term future of our planet, our region and ourselves. So sustainability is just how we do business, all day, every day. Our whole ethos is embodied in our Love Every Drop approach that embeds sustainability throughout our operations. In 2015, we were awarded a Queen's Award for Enterprise, and in 2017 we were named the Business in the Community Responsible Business of the Year.

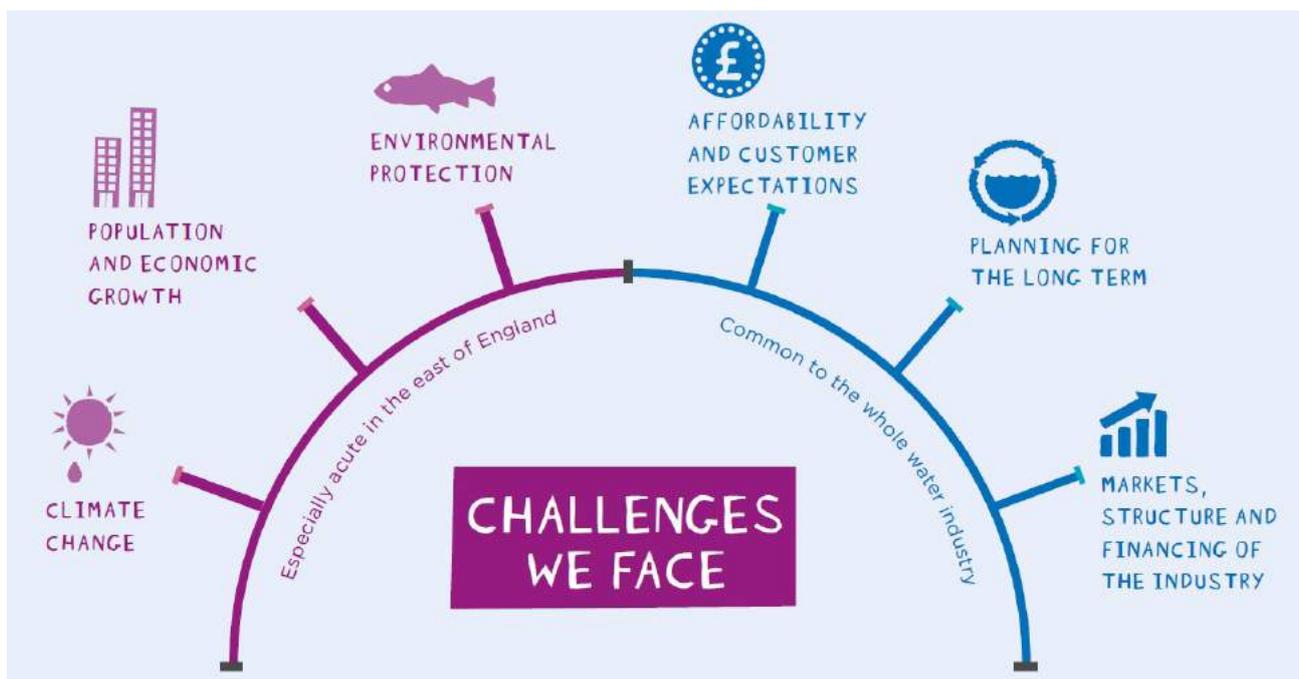
1.2 Our vision for the long-term is a high-quality resilient water supply and drainage system within a flourishing environment. Our Love Every Drop strategy has helped us forge an efficient, sustainable, responsible business that has delivered industry-leading performance on bills, leakage, carbon reduction and demand management. We remain ambitious and want

to push ahead, delivering best-in-class performance and a sustainable future for the region in partnership with others.

Our challenges

1.3 Climate change, growth and the need to protect a natural environment that's under strain: all these challenges are particularly acute in our region, where they combine to pose a unique challenge.

1.4 Ours is the one of the driest regions in the UK. Water resources are already scarce, and climate change could reduce them further, while also threatening more frequent flooding in this low-lying part of the country. We serve three of the five fastest-growing cities in the UK and the region's population could increase by up to a million in the next 25 years. In the worst case, a combination of these pressures could halve the water available to supply. We must address these challenges alongside those common to the industry as a whole, including the need to keep our services affordable.



Leading the way

1.5 Our Love Every Drop strategy that we adopted in response to these challenges and outlined above has delivered for customers. We have:

- > slashed leakage by a third since privatisation to reach industry-leading levels, with the water lost per kilometre of pipe at half the national average
- > kept the amount of water we supply every day at 1989 levels, despite supplying an extra 600,000 properties – the equivalent of saving 170 litres per property
- > cut our capital carbon emissions by 55 per cent and operational carbon emissions by 11 per cent on 2010 levels. This has driven innovation and efficiencies that feed into lower bills
- > for the period 2015-20, we reduced our average bill by 10 per cent in real terms – twice the industry average – in part due to efficiencies we have shared with customers
- > since 1990, we have only increased our customers' bills by 10 per cent in real terms, compared to an industry average of 46%

1.6 In the process, we have led on a range of nationally important issues, pioneering a collaborative, multi-sector approach to resilience against flood and drought through the national Water Resources Long-Term Planning Framework and the regional Water Resources East project. We have pioneered alliancing in the industry, demonstrating how such long-term collaborative partnerships can drive a transformative combination of efficiency improvements, innovation and significant carbon reduction.

1.7 In 2017 we refreshed our Strategic Direction Statement. It looks 25 years ahead to set a strategy that will equip us to continue to deliver outstanding service, reliability and value for money for our customers. Through discussion with our customers and to spur us on to even better performance, we set out four long-term ambitions for us and our region:

- > Make the east of England resilient to the risks of drought and flooding
- > Enable sustainable economic and housing growth
- > Be a carbon-neutral business by 2050
- > Work with others to achieve significant improvement in ecological quality across our catchments

1.8 Our progress delivering against these ambitions will be measured through the outcome goals. For these goals we will propose stretching performance commitments in collaboration with our customers. These commitments are linked to the investment choices we make now and in the future.

Choices for customers

Do you feel that this Outline Plan helps to move towards delivery of our four long-term ambitions?

A plan for the long term

1.9 We make investment plans for five-year periods (see box "What is a Price Review?") but those five-year plans sit within much longer-term plans and strategies.

1.10 Of course, no one can know precisely what the world will be like in 25 years' time. For example:

- > How will the needs of customers and society more broadly develop?
- > What will future technology and markets be like?
- > Exactly how will the climate and environment change?
- > What new challenges will emerge?

1.11 That is why we make our plans adaptive: so they deliver for our customers whatever the future brings.

1.12 Choices we make together now will have significant consequences for risk, resilience and environmental quality, as well as for customers'

bills and the share of risk and cost borne by current and future generations. This is why this

consultation marks a pivotal moment for us.

What is a Price Review?

In England and Wales, water and sewerage services for customers are provided by licensed regional companies, of which we are one. Our economic regulator is Ofwat, the Water Services Regulation Authority. Every five years, companies submit business plans to Ofwat setting out the investment they intend to make, the service they will deliver and the bills they propose to charge over a five year period called an Asset Management Period (AMP). This Outline Plan is for AMP7, 2020-2025.

Ofwat's role is to protect the interests of the consumer, while making sure that companies can properly carry out their licensed activities and statutory functions and further the long-term resilience of water companies' water supply and wastewater systems.

In addition, the standard of drinking water is regulated by the Drinking Water Inspectorate and our environmental performance is regulated by the Environment Agency.

This document is our Outline Plan, which we will use to explore our customers' and stakeholders' needs and priorities. We will use those views to help shape the final business plan, which we will submit to Ofwat in September 2018.

1.13 Water is a long-term business. Our ability to continue providing excellent services for our customers in the future depends on making the right choices now and setting those choices in the long-term context we work in. We plan for water supply over a 25-year timeframe in our Water Resource Management Plan, but we look ahead even further than that, and beyond our regional and sector borders, to take account of changes in the climate, the environment, the population and the water that agriculture and industry will need.

1.14 We are replicating this long-term approach for water recycling by developing our Water Recycling Long-term plan, which we will publish in summer 2018. The plan considers risks from growth, climate change and customer behaviours. It promotes sustainable solutions for maintaining reliable and affordable levels of service.

1.15 We believe we are the first water company to develop a long-term plan for water recycling, so that we can facilitate growth in our region. And our Strategic Direction Statement looks out to 2045 at how we will continue to deliver and improve the outcomes we've agreed with our customers

2 Delivering the essentials

2.1 A large component of our plan is about delivering the essentials: providing trusted, high-quality customer service, maintaining excellent drinking water quality, safely recycling used water, supporting housing growth and meeting our obligations to protect the environment, on which our services depend.

How do we keep costs down?

2.2 These essentials need significant on-going investment. A core part of our business, in fact one of the things that makes us who we are, is our constant drive to improve efficiency: finding better and cheaper ways to deliver our services.

2.3 We do this by:

- > benchmarking our performance against the best in the industry
- > driving innovation and collaboration (see box)
- > sharing incentives (and costs) with our suppliers and delivery partners through our Alliances (see box)

Our Innovation Shop Window

- > Innovation runs throughout our business but we've chosen a single real-world location - Newmarket - to bring it all together. Here we work with a huge number of partners to tackle issues across all of our operations and learn lessons we can apply elsewhere. We call it our Shop Window and we use it as a test bed to showcase and develop our ideas.
- > One of the Shop Window's aims is to transform water efficiency. So, Newmarket is home to our Smarter Drop campaign to make the town the water-saving capital of the UK. Our big goal is to get every household in Newmarket to reduce their water usage to 80 litres per person, per day, helping households save up to £120 per year. We are trying out all kinds of technologies but perhaps the most exciting aspect is helping people make smarter choices by giving them tailored information and advice.

! Alliancing: our key to efficiency

- > We established our first Alliance model in 2004. Known as the @One Alliance, it took us away from the traditional project-by-project client and supplier relationships found in the rest of our industry, to true, decade-long partnerships with collaboration at their heart. It brought our partners and ourselves into a single integrated team to deliver common goals, with shared incentives, culture and leadership.
- > Unlike more conventional partnership frameworks, our Alliance model is based upon collaboration and shares incentives to transform efficiency among our delivery partners; so everyone's incentives are aligned. This way, everyone is looking for ways to outperform against expectations, which drives innovation and savings.
- > As a result, Anglian Water and @One have together reduced carbon and costs more than any other. We've reimagedined site design using the latest 3D and 4D technologies, we use no-dig technology and off-site construction, and won't build new assets at all if we can re-purpose and re-use old ones.
- > We've developed entirely new products that strip out carbon, such as cement-free concrete and plastic drain covers, and we've standardised hundreds more to make components easier and cheaper to design, combine, build, install and maintain.
- > Alliancing is now held up as best practice, and has become a model many organisations want to adopt.

! Our essentials at a glance

We will continue to improve our services in these essential areas by:

- > protecting and improving water quality at source, across our distribution system and inside the home
- > moving to rank alongside the best in customer service in any sector. We will use digital technologies and better customer insight to provide trusted, effortless and personal customer service
- > continuing to work with the Environment Agency (EA) and other stakeholders to reduce the impact of our operations on the environment and deliver our responsibilities under the increasing scale of the Water Industry National Environment Programme
- > meeting the needs of local communities by supporting housing growth.

2.4 Protecting the environment and facilitating growth are two of the greatest challenges we face, each demanding significant investment. We look into them in more detail below.

A flourishing environment

2.5 Healthy ecosystems underpin a healthy economy. We rely on them to supply water, to help manage floods and to help us recycle water after it has been used. Ecosystems are made up of natural capital assets such as water, soil and biodiversity (see box) and it's important we play our part to protect them. Supporting a flourishing environment is a critical part of ensuring the resilience of our service to customers and businesses across our region and we have set ourselves a long-term ambition to work with others to achieve significant improvement in ecological quality across our catchments.

2.6 We also have legal obligations to deliver environmental improvements and help meet the environmental targets set out in legislation. The EA sets out the actions we need to take to meet our environmental obligations in the Water

Industry National Environment Programme (WINEP, see box). The scale of investment needed to deliver these improvement programmes makes up a large part of our overall investment plan. The proposed WINEP programme is significantly larger than in the past and is larger in our region than in others: in 2020-2025, we expect to invest around four times as much as we planned to in 2015-2020. The scale of the WINEP programme has implications for the manoeuvrability of our overall investment proposals and the resulting profile of customers' bills.

! What is the WINEP?

- > The Water Industry National Environment Programme (WINEP) sets out what companies need to do to meet statutory environmental requirements. It is developed by the Environment Agency working with Natural England and water companies.
- > It includes actions to manage abstractions to meet River Basin Management objectives, reduce pollution, improve water quality and manage protected areas.
- > It identifies investments that need to be included in business plans and strongly promotes the use of catchment based approaches.
- > The final version of the WINEP was published at the end of March 2018. This set out the expectations for investment in the natural environment programme in the period 2020-2025. This programme of statutory requirements is around four times the scale of the WINEP programme we were expected to deliver in 2015-20.
- > We will make provision for the WINEP requirements in the business plan we submit to Ofwat in September 2018.

2.7 The scale of investment needed, and the importance of supporting the environment, means we need to make sure we have robust evidence to understand the potential impacts of our operations. It is also important that the

measures we agree are affordable and deliver benefits for customers and the environment. We will continue to work with the EA and other stakeholders to investigate and minimise the impact of our operation.

2.8 Our business plan includes investment to do this, including managing how we take water from the environment, how we work with others to protect the quality of the raw water we rely on, improving the quality of the water we return, and managing our own land to protect the biodiversity we're responsible for.

! Our plan for a flourishing environment at glance

During AMP7, we will work to minimise the impact of our operations by:

- > reducing pollution incidents from our assets
- > ensuring the quality of our bathing waters meets legal standards and supports beaches in the region being classed as 'Excellent'
- > managing our abstractions to ensure that they are sustainable and support Water Framework Directive and River Basin Management Plan objectives
- > protecting and enhancing the natural capital value of our assets
- > safeguarding biodiversity and minimising the risks associated with invasive non-native species
- > protecting and improving the quality of the region's groundwaters, lakes and rivers to provide benefits for water supply, recreation and ecology
- > protecting and improving water quality at the region's shell fisheries.

! Our customers tell us...

- > Our customers care about the environment. They feel their well-being benefits from environmental improvements and they support us investing to go beyond legal standards where there is clear evidence that this will benefit local people.
- > Just over half of respondents (57 per cent) stated that pollution incidents were the most important aspect of protecting the environment. Fifty-five per cent of customers classified river water quality as either very important (22 per cent) or quite important (33 per cent), with 54 per cent classifying bathing waters as very important and 32 per cent quite important.
- > Two out of three customers (67 per cent) of customers have advised that they are in favour of us collaborating with agriculture to reduce raw water pollution.

! Natural Capital

Natural capital can be defined as the world's stocks of natural assets which include geology, soil, air, water and all living things. It is from this natural capital that humans derive a wide range of services, often called ecosystem services, which make human life possible.

We rely on natural capital – not just the water it provides to customers, but also an equable climate and healthy ecosystems that maintain water quality.

We're working to understand how to take better account of the value of natural capital and the services it provides in our decision-making. This is important, not just because it helps protect the environment but because we believe it will benefit our customers and our business, for example by reducing cost and enhancing resilience. Among other things we have:

- > built a natural capital balance sheet for our region, so we can understand where our most important natural assets are and where they face most pressure
- > contributed to the development of a water industry tool for assessing natural and social capital
- > implemented an ambitious plan to reduce the carbon footprint involved in building and operating our assets
- > started to understand our water footprint so we can reduce the amount needed to build and operate our assets
- > developed a site biodiversity score to understand the biodiversity impacts of our construction activities
- > used an ecosystem services approach in the development of our Water Resources Management Plan.

! Case study: Catchment Management

The water supply in our region comes from a variety of sources (aquifers, rivers and reservoirs). Growing populations, agriculture, industry and tourism all place pressure on the quality of these sources and a coordinated approach is needed if they are to be protected. We have been successfully using the UK government's preferred protection method, catchment management.

Catchment management is about protecting water at its source by preventing pollution getting into the water rather than relying on costly, less sustainable, 'end of pipe' treatment. As this approach leads to cleaner raw waters, catchment management solutions typically offer other wider gains including biodiversity, habitat and recreational benefits. Cleaner raw waters can also be transferred from areas of plenty to those where water is scarce, enabling greater resilience of the public water supply to support housing development and growth.

In 2020-2025, we are planning to extend our catchment management programmes. We will:

- > work with more farmers and the agricultural sector to prevent agricultural products including pesticides, fertilisers and manures from running into water courses and polluting raw waters used for abstraction (and, near the coast, bathing)
- > support research and development to help farmers manage their risks 'on farm' through innovations such as the development of real time local weather data apps or supporting crop trials
- > share our data and models to highlight the location of high-risk land so we can work better with the agricultural and food-producing sectors (including outdoor meat producers)
- > where appropriate, fund 'in yard improvements' to support farmers to change their practices to protect water quality in high risk areas, particularly around pesticides
- > increase our monitoring of raw waters that are important for abstraction
- > continue to work with policy-makers including the government to ensure that water quality remains a priority after Brexit and that opportunities through CAP reform are realised
- > work with Catchment-Based Approach (CaBA) groups across our region to deliver local-led initiatives including river restoration. This includes exploring joint funding opportunities and community delivery of schemes where these afford best customer value.

Customers consider catchment management approaches important, stating that they are 'progressive' and 'inclusive'. In recent dialogue with our online community, once they had seen the evidence from our AMP 6 'Slug it Out' trials, 65 per cent of respondents were in favour of catchment management approaches including incentivisation, to protect water quality.

However, customers clearly stated that they expect to see these approaches as part of a multi-pronged strategy with the government also playing its part by enforcing polluter pays principles including banning harmful agricultural chemicals where necessary.



Facilitating growth

2.9 Our vision is for a fully integrated water and water recycling system which provides reliable, affordable and sustainable services for customers and business, while protecting the environment. We want this system to both facilitate and be resilient to the effects of population, housing and economic growth, climate change and severe drought; to minimise our water and carbon footprints; to enhance biodiversity and to increase the resilience of natural systems in our region, upon which we depend.

! Our customers tell us...

Our customers are concerned about population growth and new development. They feel that mitigating drought and flooding are especially pressing in light of the pressure on infrastructure associated with the long-term growth forecast.

Customers rank our ambition to enable sustainable economic and housing growth second of our four ambitions, after resilience (although customers link the two issues).

They want us to plan ahead, influence the planning system, and work in partnership with developers, policy-makers and environmental protection agencies on flooding, growth and water efficiency.

2.10 Our plans for balancing supply and demand for water are addressed in section 3, as there are significant investment choices to be made.

2.11 The investment needed to balance the supply and demand for water recycling services over the next 25-years is described in our Water Recycling Long-Term Plan (WRLTP), which we will publish in summer 2018. The plan considers risks from growth, climate change, and customer behaviours. It promotes sustainable solutions for maintaining reliable and affordable levels of service.

2.12 The timing of that investment involves cost and risk trade-offs between current and future customers and we have a responsibility to ensure services are provided for both. We must reconcile the need to keep current bills affordable with the need to plan for future challenges. The timing and scale of future needs are inherently uncertain, so we have developed long-term strategies that are adaptive to change and respond to the key indicators we monitor. This long-term view lets us identify solutions of least regret that are phased according to our confidence in the need for investment, and include opportunities to reduce risk in the long-term.

! Our water recycling plans at a glance

During AMP7 we will:

- > invest in least regret solutions that sit within long-term strategies to manage the risk to our service from growth
- > manage an adaptive programme of delivery using intelligence from key indicators, live modelling tools and relationships with local authorities and developers, to determine the optimal timing of solution delivery
- > consider integrating the 21st Century Drainage Programme (see Box) framework for drainage and wastewater management plans (DWMPs) into business as usual and PR24 Business Planning.

2.13 We know growth is one of the biggest challenges and opportunities for us – and one of the areas where we can do most to support our customers and our regions. We have a statutory duty to plan for growth so we can connect new properties to our networks. But we want to do more. That's why we've set ourselves the ambition to enable sustainable economic and housing growth.

2.14 However, the pace and exact location of housing growth is uncertain. So we have taken a risk-based approach to developing an appropriate investment strategy.

2.15 We are proud of our emerging Water Recycling Long Term Strategy, which we think leads the industry as an innovative means of providing more certainty and effectiveness in securing environmental protection while accommodating growth.

! 21st Century Drainage

We are fully engaged in the vision and delivery of the Water UK-led 21st Century Drainage Programme that is identifying the major risks for drainage in the future and providing options for how these risks could be addressed.

A more recent Water UK and Defra-led study seeks to develop a long-term planning framework for the production of drainage and wastewater management plans (DWMPs) by Autumn 2018. The approach we have taken to develop our WRLTP is aligned with the aspirations of the DWMP study.

How we will support customers in vulnerable circumstances

2.16 Our vision for 2025 is one where our customers can rely on targeted and effective support when they need it. A key part of our strategy is to get better at identifying when customers are in vulnerable circumstances and stepping in to help in the most effective way, suited to their particular circumstances.

! Our plans for supporting vulnerable customers at a glance

During AMP7 we will:

- > make the most of data to help us identify customers in vulnerable circumstances
- > build partnerships to help identify and target support for customers in vulnerable circumstances
- > promote the support we can offer to customers, including through partnerships
- > provide targeted and effective support which is flexible to the needs of the individual and not a one-size-fits-all approach
- > use an independent panel of vulnerability experts to challenge us.

Using data

2.17 Using customer data can help us to identify and offer appropriate support to customers in vulnerable circumstances; of course it goes without saying that we look after our customer's data and only use it in a way that we are allowed to do so. Our customer engagement has shown support for using data to improve customer experience, provided the clear driver is to help the customer and it is not used for other purposes. In AMP7 we will roll out innovative approaches to collecting and using data to help provide great customer service. For example, we will use deprivation data and key vulnerability data from the Office for National Statistics to help identify customers in vulnerable circumstances and target promotion of available support. Using speech analytics technology in our contact centres will help us to identify customers in vulnerable circumstances and provide proactive support at an early stage. Effective use of several data sources will help us to provide the right support when it is needed.

Working in partnership

2.18 Working with other organisations will help us develop a joined-up approach to providing customers with the support they need.

Our customers have shown support for partnering with organisations whose clients we are well placed to help. During AMP7 we will work with the energy sector to develop a single sign-up for our priority services register. This register will identify customers who may need extra support, for example when water supply is interrupted. We will also work with local councils to signpost customers using assisted bin collections. These and other approaches to working in partnership will help us to reach out to customers and understand how we can provide the right support.

Promoting the support we offer

2.19 Any of our customers could find themselves in vulnerable circumstances at any time. That's why we want our customers to be aware of the support available should they need it. Our engagement with customers has highlighted strong support for improving general awareness of the priority services register, water-saving devices and financial support. During AMP7 we will work with organisations that are in contact with customers in vulnerable circumstances to promote this support. This will include charities and public sector bodies that could help engage with customers who are harder to reach. We will also work with utility companies to identify how we can offer holistic support across water and energy. Doing this will help us to deliver a great service and help alleviate issues for those who are not currently aware of the available support.

Challenging our performance

2.20 Our customers have said that making use of independent expert challenge would provide us with an unbiased view of our performance and potential for improvement. We plan to use an independent panel of vulnerability experts to challenge and assess the delivery of our plans. Along with a measure of the increase in the number of customers on our priority service register, this will form the basis of an Outcome Delivery Incentive (ODI). This means if we get an unsatisfactory assessment from the experts, or don't sufficiently increase

the number of customers on the priority service register, we will receive a penalty. However, excellent performance will make us eligible for an outperformance payment.

Choices for customers

- > Do you agree with our overall approach to supporting customers in vulnerable circumstances?
- > Which activities to support customers in vulnerable circumstances should we prioritise?

3 Investment choices

Your priorities

In this section, we set out the main choices available to us. There are some areas where we cannot offer choices. We must deliver our legal obligations. Further, if investment is too low, essential services will suffer and we will fail to address the growing risks from drought and flood. On the other hand, we must keep bills at fair and affordable levels and there are practical limits to how fast some things can change. So, we want to understand where your priorities lie and what sort of company you want us to be in 2025. There are choices about resilience to climate change, preparing for future environmental needs, cutting leakage, maintaining assets and how we support customers in vulnerable circumstances. Your responses, and those gathered across our customer and stakeholder engagement process, will shape the business plan we submit to our economic regulator, Ofwat.

A resilient business

3.1 Resilience is a central theme for the whole water industry. The government has charged Ofwat and companies with securing long-term resilience, including resilience to drought, and furthering the resilience of ecosystems that underpin water and wastewater systems. Our customers regard our resilience ambition as the most important of the four we agreed with them.

3.2 We have developed a framework to assess the resilience of our systems, operations and infrastructure to the challenges they face. We consider the big challenges of climate change,

population growth, and the need to protect the environment, and also the shocks and stresses that can affect our ability to maintain services.

3.3 Developed with Arup, our resilience framework helps us think about how we manage risks over the short-term alongside longer-term trends and lower likelihood risks. The framework builds on Ofwat's approach to 'Resilience in the Round' and best-practice resilience frameworks, for example the City Resilience Index (Arup for the Rockefeller Foundation 2016) and the Cabinet Office's definition of resilience. We will use this framework to test our current and future plans, to empower us to become a truly resilient water company.

OUR RESILIENCE FRAMEWORK



CUSTOMERS



Financial resilience

3.4 We need to be financially resilient to be sure we can continue to deliver our services. We manage our financial resilience through long-term financial planning, and transparent monitoring and reporting.

3.5 Our Board, with the full support of our shareholders, has taken significant steps to improve the financial resilience of the business, by cutting dividend distributions by around £300 million between 2015 and 2020. This reduces our dividends to around half the available capacity and will enable us to reduce our gearing during the course of AMP6.

Corporate resilience

3.6 Our governance, accountability and assurance processes help ensure we anticipate and plan for threats. Our business continuity plans are ISO 22301 certified and we take an 'all hazards' approach to planning. We work in close partnership with other agencies, stakeholders and customers to identify and manage threats.

Operational resilience

3.7 Operational resilience is the aspect of resilience most visible to customers. We have choices about resilience and risk: how far and how fast to move ahead on preparing for climate change, whether to continue to drive leakage even lower and on making sure the choices we make now are robust in a range of possible futures. We use all the tools available to us to make sure our operations are resilient and we provide a continuous service to customers. Sometimes, increasing resilience can lead to efficiencies and savings. For example, our work to reduce the energy we use, and increase the energy we generate, saves money and makes us more resilient to energy shocks.

3.8 At other times, increasing resilience comes at a cost, while failing to be resilient carries a risk. We need to understand the detail of how customers value resilience and under what circumstances they are prepared for us to take a risk. A major aspect of operational resilience for us is how resilient our water supplies are to climate change, drought and changes we expect to the amount of water we can take from the environment.

3.9 We are engaging in depth with customers and other stakeholders about this throughout the development of our Business Plan and our 25-year Water Resources Management Plan, but we summarise the issues and choices here. We launched our consultation on the Draft WRMP on 21 March 2018 and it runs until 1 June 2018. There are specific consultation questions that we are seeking your views on, in addition to other wider consultation issues. These questions

are summarised in the Customer Summary Report and the Executive Summary of the draft Water Resources Management Plan found [here](#).

Supply meets demand

3.10 Pressure on water supplies is increasing as a result of population and economic growth, climate change, and the need to reduce our abstraction in some areas to protect the environment. Although we have a surplus of water today, the impact of these pressures means we expect a large shortfall in the future. The combined pressures on our system mean we are facing a confirmed reduction in the water available to us of 307 mega litres per day (Ml/d), which is 28 per cent of the water that we put into supply during 2016-17. The scale of the challenge means carefully targeted investment is needed, both to reduce demand for water and develop new supplies.

Our customers tell us...

- > Our customers have already told us that increasing resilience is important.
- > They expect us to ensure supply meets demand; to plan for the long-term and build resilience to future challenges, including severe drought.
- > They are particularly concerned about standpipes, which they view as a gross failure and completely unacceptable in a modern society.

! Our plans for balancing supply and demand at a glance

Our strategy for ensuring that water supplies meet changing demand over the next 25 years is set out in our Draft WRMP 2019. We have developed a 'twin track' strategy to balance supply and demand. Our priority is to manage demand. We also propose carefully targeted investment to increase supply-side capacity

- > continue to drive down leakage at industry-leading rates
- > ambitious water efficiency programmes
- > integrating more of our water supply systems through a strategic grid, allowing us to move water to where it is needed
- > trading with Affinity Water and Severn Trent Water
- > a series of solutions that create new water resources.

Managing Demand

3.11 Our priority is to manage demand because it:

- > meets customer and government expectations
- > benefits the environment, by saving water that would otherwise be abstracted, and
- > is required to ensure the reliability, sustainability and affordability of water resources over the long term.

3.12 We have worked hard to reduce demand already. We put less water into supply today than in 1989, despite an increase in properties in our region of more than 34%. Our leakage performance is the best in the industry, with a 20% reduction since 2010-11. Our existing metering and water efficiency programme means that our customers are using less than the national average. We have one of the highest levels of metering in the industry and our customer base is close to being fully metered.

3.13 We are proud of this record but know that we need to continue to build on these past successes to meet the challenges of the future. We agree with Government, and our customers, that demand management has to be our priority and we will always look to make better use of what we have before exploring new supplies.

3.14 Our strategy centres on engaging with customers and driving down leakage. Water efficiency campaigns and initiatives have a huge role to play. Our strategy will see the continuation of our leading efficiency campaigns, Bits and Bobs and The Potting Shed. These free campaigns provide retrofit devices for use in customers' homes and gardens to help save water. We will also be using pioneering behavioural economics to look at reward mechanisms for water efficient customers and financial incentives for customers who want to replace larger fixtures and fittings in their homes – like toilets – with more efficient ones. Going further still, we will be working with developers to ensure new houses are as water efficient as possible, using new technology like greywater reuse and rainwater harvesting to save 80 litres per person a day in new developments.

3.15 By 2020, we aim to have 93% of households metered and 86% paying measured charges. (The difference results from our enhanced metering programme, where we compulsorily install meters, but then encourage the customer to switch to paying measured charges voluntarily.) Due to our high metering penetration, combined with our Drop 20 water efficiency campaign and retro-fitting programme, our average per capita consumption is below average.

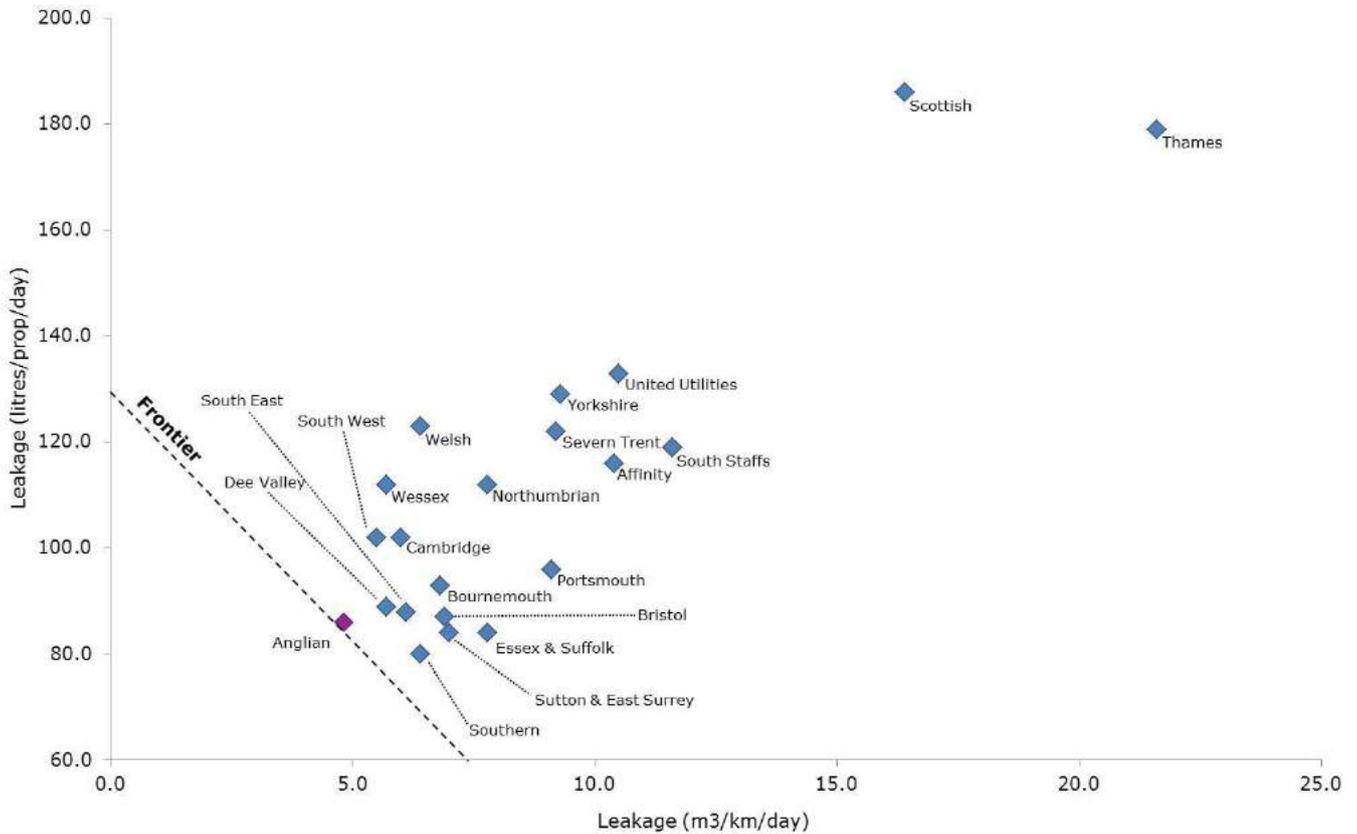
3.16 Taken together, our ambitious, cost-beneficial demand management strategy will more than offset the effects of growth, saving up to 43 MI/d by the end of AMP7 (2020-25), and 123 MI/d by the end of the planning period (2045). Our strategy does not result in an impact on the average customer bill as the costs are offset by the additional revenue from new connections.

Cutting leakage

3.17 Our leakage performance is industry leading. When assessed using the standard

composite measure of leakage both per property and per kilometre of pipe, we are the frontier company in England and Wales.

Our frontier leakage performance (2016-17)



3.18 We are currently working to an ambitious target to reduce our leakage to 172 MI/d by 2020. Our AMP5 target was 211 MI/d. We are proposing to drive down leakage even further. Our aspiration is to reduce it to 142 MI/d, which will shift the performance frontier in the industry and represents a level of performance previously unseen in this country.”

3.19 To achieve our ambition we will need to innovate, as well as using tried and tested methods. We are finding ways to prevent leaks, such as pressure management, as well as new ways to find and fix them. Our leakage strategy includes:

- > a reduction in Customer Supply Pipe Leakage, facilitated by smart meters
- > optimised water networks, in which bursts are prevented through better pressure management

- > improved and extended metering across our network, including mains, our raw water network and at reservoirs to help us understand where leaks are happening and stop them
- > intensive leakage detection teams that track down hard-to-find leaks and target areas with ageing pipes
- > an integrated leakage and pressure management system to bring together network information, making it easier to control leakage and target work.

Supply-side strategy

3.20 Our Draft WRMP 2019 also includes carefully targeted investment to increase supply-side capacity. These are long-term investments to be made over the next 25 years. This includes:

- > trading with Affinity Water and Severn Trent Water
- > fully integrating our northern, eastern and western water supply systems, allowing us to move water to where it is needed
- > a series of solutions that create new water resources.

3.21 Making the system more joined up has many benefits.

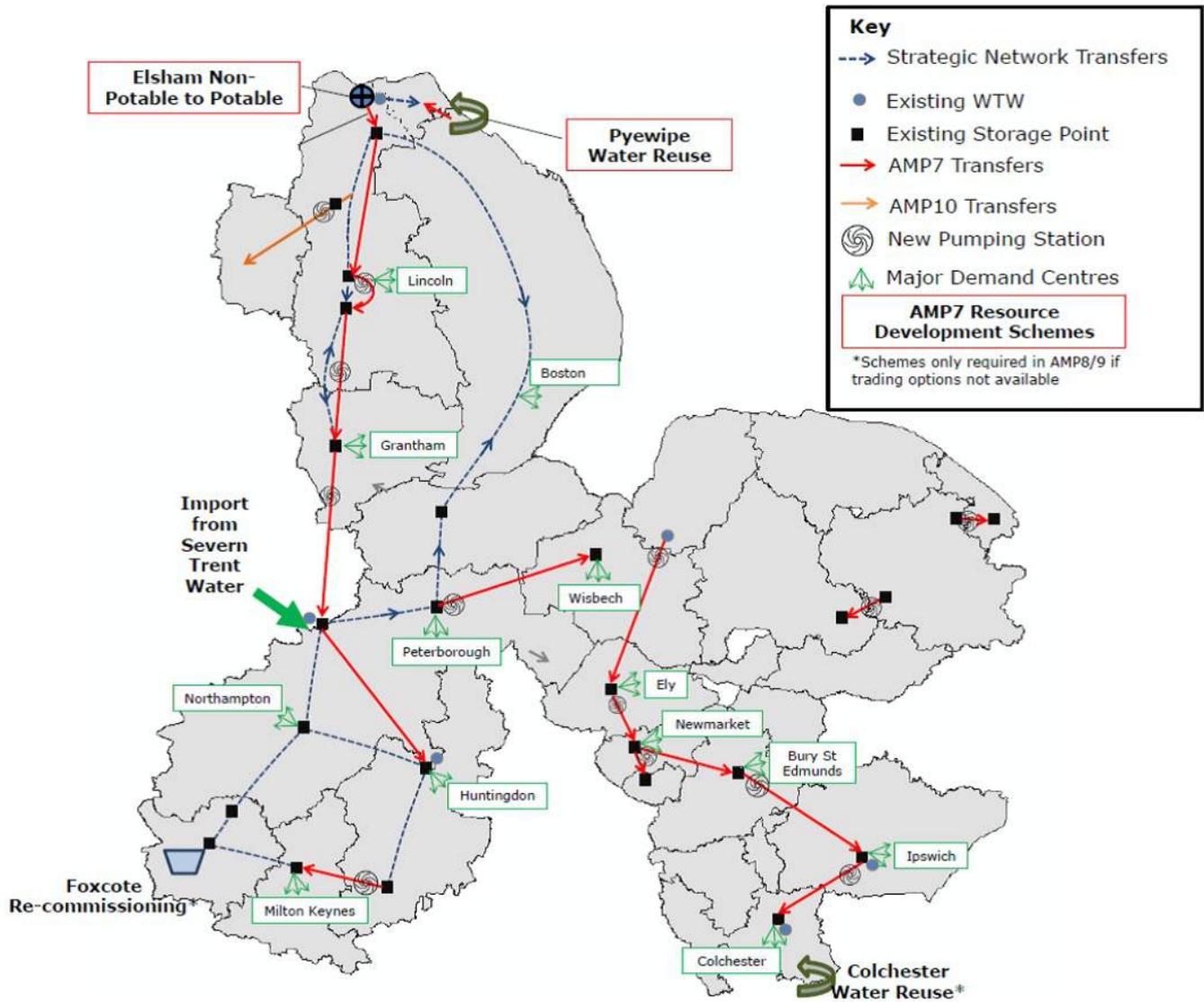
- > It allows us to make best use of existing resources by transferring water around our region, before developing new resources.
- > It builds flexibility into our supply systems, increasing resilience to unforeseen events and reducing the number of customers who are served by a single supply system.
- > It increases opportunities for trading and more efficient network operations.
- > It creates flexibility, giving us the capacity to meet very uncertain future needs. By increasing network connectivity in AMP7, we

will ensure we have the widest range of options available, because we can locate them anywhere suitable in the network, rather than necessarily close to the source of demand.

3.22 We are also proposing to develop new resources, including ways to treat and transfer surplus water in North Lincolnshire to deal with deficits elsewhere.

3.23 Our Board has recently taken the decision to invest an extra £65 million in resilience schemes not included in the our original business plan, by 2020. This will improve the region's ability to deal with drought and flooding and will be paid for through a reduction in dividends to shareholders. Part of this £65 million will be allocated to bring forward investment that was planned for AMP7 for creating the strategic grid. This will make supplies to communities in Lincolnshire more secure, at the same time as installing part of the infrastructure that will protect the wider region from drought in the future.

Draft WRMP supply-side options: preferred plan



! Our customers tell us...

Generally, customers prefer options that make best use of existing resources and infrastructure rather than those that involve developing new resources. They prefer demand management, particularly leakage reduction. Even when customers understand that our leakage performance is industry leading, and that reducing leakage does not reduce bills, they still see leakage as a priority for investment. Customers generally support smart meters and expect us to consider them.

Our customers expect us to conserve water before we ask them to save more water themselves, but they tell us that they are willing to carry on playing their part and reduce their consumption even more. Most of our customers have a meter, and see this as a fair way to pay for what they use and agree that having a meter can help them save water.

Reducing drought risk

3.24 Although thorough analysis of our vulnerability to drought has shown that our system is more resilient than we had previously understood, key parts of our supply system are vulnerable to severe drought, putting customers at risk of rota cuts and standpipes.

3.25 We do not believe that this level of risk is appropriate or acceptable. Customers have told us that such restrictions would be seen as a gross service failure. They would also force many schools and businesses to close, with a significant impact upon the regional economy. We are also concerned that severe restrictions are impractical to implement at a large scale. Even if we could solve the operational difficulties, it is very uncertain how much this would reduce demand.

3.26 As a result, our Draft WRMP 2019 is designed to ensure that no customers are at risk of severe restrictions as a result of severe drought by the end of AMP7 (2025).

Resilience to climate change

3.27 Climate change is one of the key strategic risks facing our business. A drier climate would mean less water for public water supplies, and increase the risk of drought. So, our Draft WRMP 2019 includes significant investment in AMP7 to mitigate the impacts of climate change.

3.28 This would not be cheap, however, and we know many of our customers are under financial pressure. It would be possible to defer some of this investment into AMP8 (2025-2030), which would reduce costs in AMP7. This is one of the areas where we will be guided by customers' preferences.

Adaptive planning

3.29 The Environment Agency has confirmed that we need to reduce the amount of water we take from rivers and groundwater in AMP7. This will need investment. It is likely that we will need to reduce abstraction further in AMP8, but we will not know by how much until 2023 at the earliest. So, we have not included any investment in our Draft WRMP 2019 for this.

3.30 We need to ensure that anything we are proposing to build in AMP7 is flexible enough to cope with these unknown future needs. We also need to deliver any required investment in the most efficient way possible.

3.31 Increasing the capacity of the selected transfer options would 'future-proof' our Draft WRMP 2019 against these potential reductions. This would increase costs in AMP7, but would allow us to meet AMP8 needs in the most cost-efficient manner.

! Choices for customers

- > Should we set ourselves a target to reduce leakage even further and continue to be the best performer in the industry on leakage?
- > Should we invest at the higher end of the viable range of investment in the next five years to address the risks of climate change sooner, with a bigger impact on bills in the same period?
- > Should we phase some investments to address the risks of climate change, in order to keep bills lower over the next five years?

Investing for tomorrow

3.32 We serve the largest area of any water and water recycling company in England. And we manage a lot of critical infrastructure with thousands of miles of water pipes and sewers and a great many treatment works, pumps and water towers. Keeping these assets in good condition is vital to providing our essential services and is part of our resilience strategy. Healthy assets are our primary defence against disruptive hazards. As they age, their performance can decline, increasing the risks of failures such as burst pipes and sewer collapses.

3.33 We extend the life of assets where we can, through innovation and evolving best practice, but they will eventually need replacing. Very rapid improvements in performance would be prohibitively expensive due to the huge scale of our operation, and the age of many of our assets. So far, customers have not given this as a priority. We maintain assets at levels that give us good service and resilience. We target improvements at the issues that have greatest impact on customers.

3.34 We want to understand these impacts in detail. We know that work to prevent and repair failures can also be inconvenient and frustrating, particularly when it involves road closures and traffic disruption. So we are engaging with our communities to get under the skin of these issues. For example, we want to understand whether short, intense traffic disruption is

preferable to lower-level, longer-lasting disruption and which aspects of service matter most.

! Choices for customers

We want to understand your priorities for our performance. Through our customer engagement channels, we are exploring the relative priority customers give to these aspects of our service:

- > Water mains bursts
- > Sewer collapses
- > Water Treatment Works and Water Recycling Centre compliance
- > External sewer flooding
- > Properties at risk of low pressure
- > Unplanned asset outages

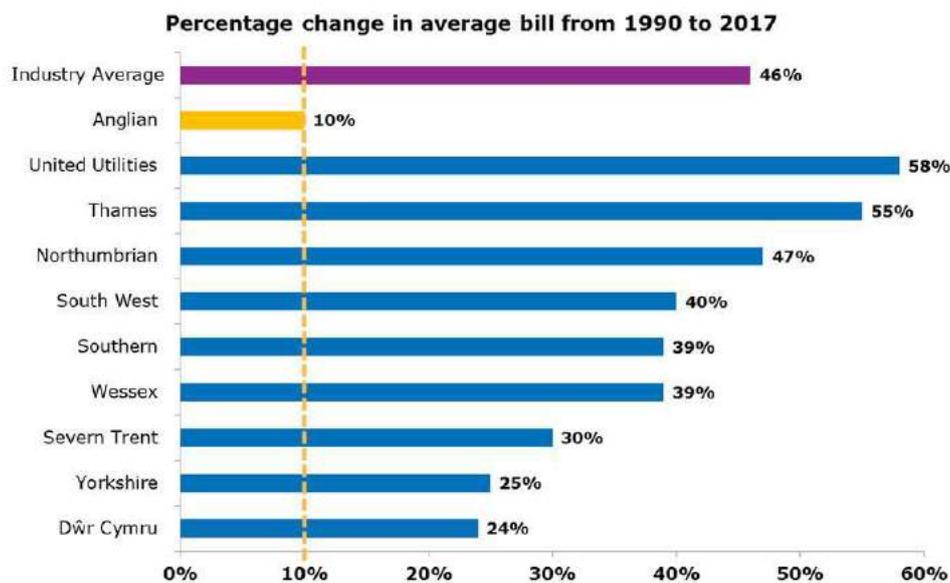
Which aspects of our service do you think are most important ?

4 Bills and affordability

4.1 While wanting to ensure we deliver the right level of investment to meet current and future needs, we are also very aware of continued pressure on household budgets and incomes, particularly for some of our customers.

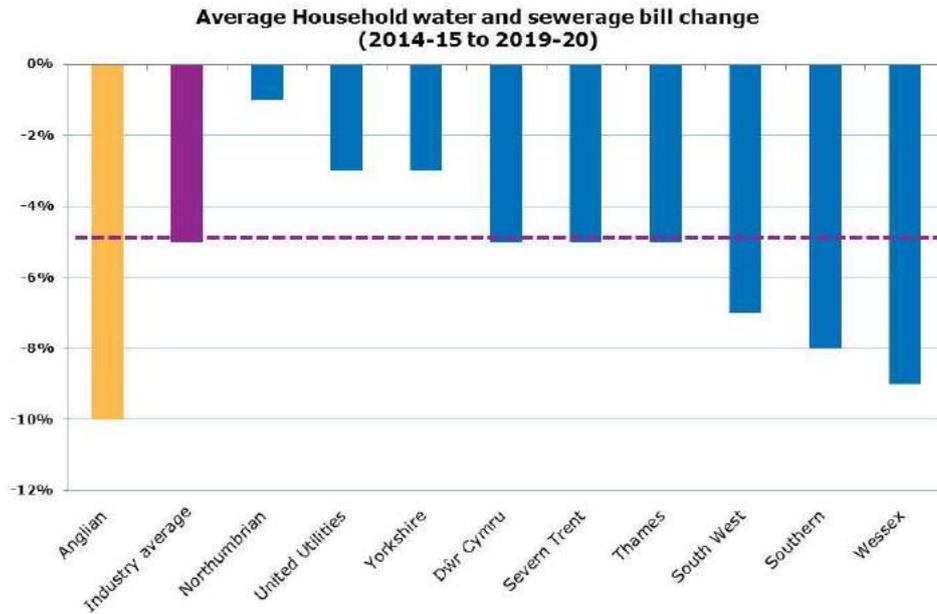
4.2 We are proud of our track record in this area. Looking back to 1990, we have kept bill increases to a minimum over this period.

4.3 Our customers' bills have gone up by 10% in real terms since 1990, compared to an industry average of 46% and nearly 60% for some companies. This is despite delivering very significant investments across our region which have transformed the service our customers receive and improved the quality of our environment substantially, including for our beaches, rivers and protected sites.



Source: Water bills-affordability and support for household customers, House of Commons Library Briefing Paper CBP06596, August 2016

4.4 For the period 2015-2020, we reduced our average bill by 10 per cent in real terms. This was the largest reduction of any Water and Sewerage company and twice the industry average.



4.5 We are passionate about ensuring that future bills remain affordable for all, and about providing a range of support for customers who may be affected by changing circumstances that make them vulnerable in different ways. Our actions here include identifying and supporting customers who are struggling to pay and taking new approaches to help people avoid getting into debt difficulties.

4.6 The choices that we and our customers make about the scale and timing of our activities will affect our plan for 2020-2025 and ultimately the level of bills. There are a number of areas where choice is limited. For example, customers and wider stakeholders expect us to continue to provide excellent customer service and to invest to both maintain our assets and improve the environment. Customers have told us these remain vital. The scale and phasing of the statutory requirements under the WINEP programme will also impact both our ability to make discretionary choices and the level of customer bills. Similarly, the allowance that Ofwat makes for the costs we incur in raising capital has an impact on bills and is set by the regulator.

4.7 For other areas which impact on bills there is more choice, as set out in previous chapters. For example, decisions regarding the scale and pace of:

- > dealing with the impacts of climate change on the availability of water resources
- > delivering our ambitious water demand reduction strategy, including shifting our leakage performance beyond our existing industry-leading position.

4.8 The impact on bills is a function of both the level of investment and the proposed period of time over which these costs are recovered.

4.9 In providing services to our customers we use a range of assets. These vary in terms of the type of assets (e.g. our network of water mains, our water recycling centres and the office for our Operational Management Centre) and length of time we expect the assets to last. Asset lives can vary significantly. For example, the useful life of one of our reservoirs will be far longer than the useful life of a pump used to deliver water to our customers.

4.10 When considering future bill levels, there are choices between the level of investment, both to maintain existing assets and to deal with

future challenges, such as continuing to improve the environment or reducing the risk of drought in the future.

4.11 We should also consider the intergenerational impacts that choices we make for this plan will have. Put simply, how much should current customers meet the costs of addressing resilience, and how much should this be left to future customers?

The balance between current and future customers

The pace at which we recover the costs of investing in and maintaining our assets compared to their useful lives will have an impact on customers' bills.

For example, consider we were proposing to make an investment in an asset we expected to operate for 10 years. We could choose to recover these costs over a period shorter than the useful life, over the same period as the useful life, or over a longer period of time. Recovering the costs over a longer period would mean that existing customers would benefit from the investment and pay less through their bills. Future customers would also benefit but would pay a higher proportion of the costs through their bills.

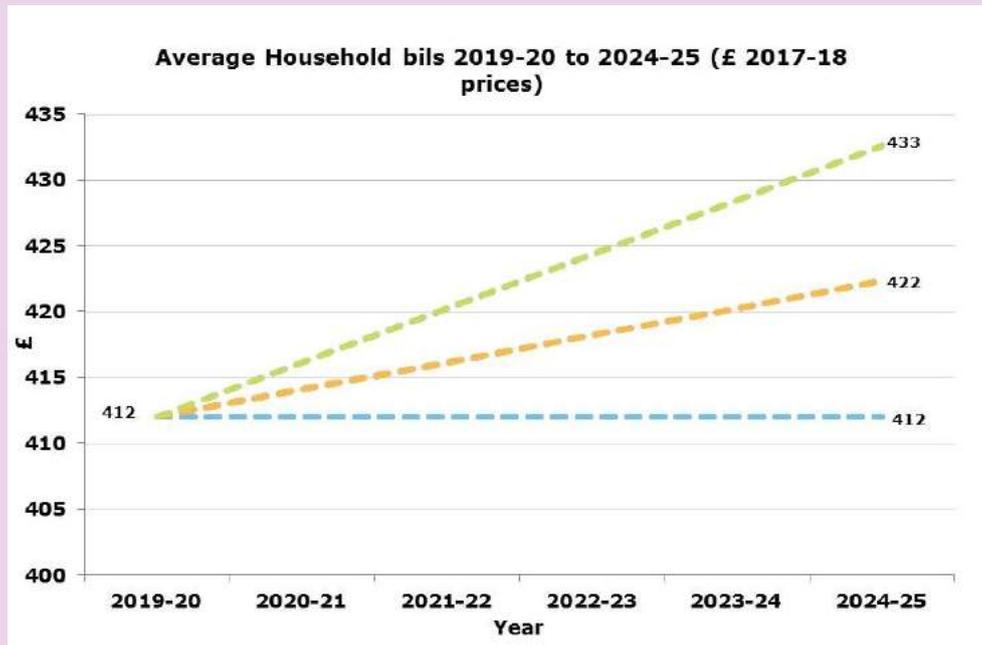
4.12 Previously, to help current customers manage their bills, we have spread the recovery of the costs of some investments over a longer period. This helped keep bills low at a time when the wider macroeconomic environment placed a significant burden on customers' overall cost of living.

4.13 As part of this Outline Plan, we are seeking views on both investment choices and the period of time over which we recover these costs. Both these factors impact on existing and future customers' bills. We think it is important to understand customers' views on both these aspects, particularly as the risks the investment is intended to manage are very long term such as dealing with the impacts of climate change.

Potential AMP7 bills

4.14 Based on the investment options set out in section 3 of this Outline Plan there is a range of implications for bills. These range from a forecast increase in average annual bills, in real terms, from 2019/20 to 2024/25 of £21 reflecting the scale of the WINEP programme and if we invest more in the next 5 year period to address resilience risks more quickly, to maintaining bills flat if we invest less, including the deferral of some of the resilience expenditure into the earlier part of the 2025-2030 period.

! Bills at a glance



4.15 The final choices made here will directly affect our performance and the management of risks we face in the next five years, as well as bills. Through this consultation and other on-going engagement we want to understand customers' and stakeholders' views on this critical issue.

4.16 When our Plan is finalised, we will ensure that customers and others can see what is being delivered against the choices made. We will be held to account for delivery of our plan through public reporting against the performance commitments we agree with customers and the regulator as part of our outcomes and incentives package, which we set out in the next section.

! Choices for customers

What are your views on the different possible bill profiles we have set out?

Do you agree that we should aim to recover the expenditure we make on our longer-life assets in line with the average rate at which those assets depreciate?

Affordability for all, for the long term

4.17 As a provider of essential services, we must make sure that our bills are affordable now and in the long term. We will help those who struggle to pay. Affordability is not the only issue that could mean our customers find themselves in vulnerable circumstances. We set out our approach to supporting customers in vulnerable circumstances in Section 2.

How we will help make our bills affordable

4.18 We know that some customers struggle to pay or may be at risk of struggling to pay their bills. For these customers we will:

- > identify customers to are struggling to pay and help them find assistance, whether that is through our own Care Centres, our Social Tariffs or from other organisations like Citizens Advice and Step Change
- > install meters and promote measured charges to customers who would benefit from lower / more affordable concessionary tariffs
- > fund and operate an assistance fund, matching and settlement schemes to help rehabilitate customers who have arrears and show a willingness to pay.

! Our customers tell us...

- > Our customers have shown where we can do more to match their expectations and their circumstances.
- > For example, those in flexible and part-time work want flexible payment schedules given they may not be in a position to pay their bill at the same time each month.

4.19 Helping customers avoid falling into debt

4.20 Working with customers, we have developed new ways to help customers to pay. We will:

- > identify vulnerable groups and customers with affordability issues who may benefit from concessionary tariffs
- > consider customers' circumstances in the round, for example by helping them maximise their income benefits
- > offer a wide range of ways to pay and different payment plans and more frequent bills to suit customers' individual circumstances.

5 Outcomes

5.1 As a natural monopoly service provider it is vital we help our customers to understand the service they receive in return for paying their water and sewerage bills. We need to understand which aspects of our performance matter most to our customers. We do this by first agreeing the high-level outcomes that we'll deliver and then the particular standards or targets that we will achieve.

5.2 We have a detailed engagement programme to work with customers to set our performance commitments and understand the levels of rewards and penalties customers want to see. This document gives high-level overview.

Measuring success

5.3 Our outcomes underpin all of our work: our business planning; the way we report and are rewarded for our performance; and the way we work day to day.

5.4 In our SDS we reviewed our outcomes with our customers. We took this opportunity to update our outcomes to stretch ourselves further and reflect how central our people are to delivering everything we do. Our customers want us to use smart technology and focus sharply on improvement. They want us to stay open and transparent in our actions, putting customers first.

5.5 To measure our performance against these 10 outcomes, we are proposing a package of performance commitments as part of our business plan. These performance commitments act as pledges to our customers and stakeholders about the service levels we will measure ourselves against. We are testing the detail of our service level targets (known as performance commitment levels) with customers in parallel to this Outline Plan through our online community. The performance commitment levels will influence the levels of investment included in the final business plan.

5.6 Our proposed performance commitments include a mix of measures common which all companies are expected to have (such as leakage and the customer measure of experience (known as C-MeX)) and a range of bespoke measures we are developing with customers which capture the specific priorities of our region and needs of our customers and stakeholders. Examples of our proposed bespoke measures include the level of support we provide to customers in vulnerable circumstances and coastal water quality. Some of these common measures will take over from performance commitments we developed for our 2015-2020 business plan.

Our customers tell us...

Leakage is an emblematic issue for customers. Customers regard leaks as a waste of a precious natural resource and worry that leaks lead to higher bills. In research conducted as part of our SDS, leakage was an area customers felt should be given more prominence in our ten outcomes.

We have sought customer views on the full list of common and bespoke measures and tested how easy the descriptions of these measures are for customers to understand.

Of the bespoke measures customers have told that their priorities are reducing external flooding from sewers, providing support to vulnerable customers and improving coastal water quality.



THE OUTCOMES OUR CUSTOMERS EXPECT AND OUR PERFORMANCE COMMITMENTS



Key

£ Financial Incentive

A+ Reputational Incentive



Wrench A+
Mains bursts per 1,000km

Wallet A+
Managing void properties

Wrench £
Reactive mains bursts
Unplanned outage
Sewer collapses per 1,000km
Treatment works compliance
Properties flooded externally from sewers
Properties at risk of persistent low pressure

Snowflake A+
Risk of severe restrictions in a drought
Risk of sewer flooding in a storm

Snowflake £
Percentage of population supplied by single supply system

Footprint A+
Operational carbon
Capital (embodied) carbon

Plant £
Pollution incidents
Bathing waters attaining excellent status
Abstraction Incentive Mechanism
Water Industry National Environment Programme

Plant A+
Natural Capital

Bar chart £
Supporting customers in vulnerable circumstances

Glass A+
Compliance Risk Index
Compliance Risk Index (2) - Supply Points

Glass £
Compliance Risk Index (1) - Water Treatment Works
Compliance Risk Index (3) - Service Reservoirs
Compliance Risk Index (4) - Water Supply Zones

Quote £
Water supply interruptions
Properties flooded internally from sewers
Customer Measure of Experience (C-MeX)
Developer Measure of Experience (D-MeX)
Non-Household Retailer Satisfaction

Wrench £
Per Capita Consumption
Leakage

Leading performance

5.8 Through our performance commitments we are challenging ourselves to deliver excellent service in the areas that matter most to our customers, stakeholders and the environment. Across our performance commitments we will be targeting improving levels of service or at the very least maintaining levels of performance while maintaining bills at affordable levels.

5.9 In a number of areas, we will be setting targets that would see us among the best-performing companies in the sector.

5.10 A particular area of focus for us is reducing leakage. We are currently the best-performing company in the UK in this area but we want to go further. Ours is one of the driest regions of the UK, receiving two-thirds the annual average rainfall. Since privatisation we have prioritised reducing leakage and managing customer demand to minimise the amount of water we extract from the environment and

ensure the reliability, sustainability and affordability of our water resources over the long term.

5.11 We are proposing to set a performance commitment level beyond where we forecast the industry upper-quartile performance will be at the end of the AMP and which would see us drive leakage below the lowest levels currently seen in the UK. We believe that delivering frontier-shifting performance should qualify for enhanced incentives and we have plans in place to share learning from our innovative techniques with others in the industry. Helping to improve the industry's performance on leakage benefits water customers and the environment across the UK.

Choices for customers

- > Should we set ourselves a target to reduce leakage even further and continue to be the best performer in the industry on leakage?

Our performance measures

Measure	Common measure	Type	Description
Delighted Customers			
Water supply interruptions	Y	£ -/+	Planned or unplanned interruptions to your water supply for periods of three or more hours.
Properties flooded internally from sewers	Y	£ -/+	Sewer flooding occurs when sewage escapes from a pipe, through a manhole, from a drain or by backing up in a toilet. This performance commitment is the number of properties affected by internal sewer flooding.
Customer Measure of Experience (C-MeX)	Y	£ -/+	A measurement from a number of different sources showing how satisfied household customers are with the services they receive from us.
Developer Measure of Experience (D-MeX)	Y	£ -/+	We deal with property development companies ensuring that new homes and business premises are connected to the water and waste water network. This is a measurement from a number of different sources showing how satisfied developers are with the services they receive from us.
Non-household retailer satisfaction		£ -/+	Non-household customers are now able to switch companies for the 'retail' element of their service. This means that companies other than Anglian Water can offer billing, innovation and other services to businesses in our area. We still continue to deliver the water to these customers' premises and take waste water away. This measure is the level of satisfaction these retailers believe they receive from us.

Safe, clean water

Compliance Risk Index	Y	£ -	We work hard with stakeholders and businesses operating in our area to minimise the potential risk of harmful substances entering the water supply. For example ensuring unacceptable levels of pesticides or chemicals do not enter the water supply. This measure has been developed by the Drinking Water Inspectorate and seeks to monitor their performance in this area. It is made up of four sub-components based on where water quality sampling occurs: water treatment works, supply points, service reservoirs and water supply zones.
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Resilient business

Risk of severe restrictions in a drought	Y	Rep.	During exceptionally dry periods customers may experience restrictions to their water usage and/or supply. For example the imposition of hosepipe bans or in more extreme cases the use of standpipes and temporary interruptions to supply. This measure looks at the percentage of our customers at risk of these restrictions once in every 200 years.
Risk of sewer flooding in a storm	Y	Rep.	During extreme rainfall periods there is a risk that wastewater can escape from our pipes and cause flooding in open areas or inside people's homes. This measure looks at the percentage of customers at risk of suffering these impacts during a storm that would occur on average once in every 50 years.
Percentage of population supplied by single supply system		£ -/+	Some customers are connected to only one water treatment works or water source. Because there are no alternative sources for these customers, they face an increased chance of an interruption to their water supply should something go wrong with the water treatment works or water source that supplies them.

Supply meets demand

Per Capita Consumption	Y	£ -/+	This measure looks at how successful we have been helping customers reduce the amount of water they use in their homes. This could be through education programmes or helping with water efficiency devices or equipment.
Leakage	Y	£ -/+	This measure looks at our performance in reducing leakage across the network – both on our pipes and on customers' premises.

Flourishing environment

Pollution incidents	Y	£ -/+	Occasionally wastewater gets into rivers and causes pollution. We work hard to ensure this doesn't happen and this performance commitment looks at the number of incidents each year.
Bathing Waters attaining excellent status		£ -/+	The quality of water around beaches in our region, measured by the Environment Agency (EA).
Abstraction Incentive Mechanism		£ -/+	We have licences to take water from rivers and lakes without adversely affecting the environment. Although we only remove water from sites where we have been granted licences, there are some sites that might be more environmentally sensitive than others. This measure looks at our efforts to reduce the abstraction of water from these more sensitive sites.

Natural Capital Rep. Our activities have the potential to impact positively or negatively on the natural environment. For example, our work to improve river water quality can have an impact on improved quality of flora and fauna. Conversely, if we need to build a new water treatment works this could have a negative impact on the environment. This measure would be a 'balance sheet' of these activities showing over time whether we are having a positive or negative impact on the natural environment overall.

Water Industry National Environment Programme £ -/+ The WINEP is set by the EA and consists of environmental improvement schemes that ensure we and other water companies meet European and national targets related to water. This performance commitment would look at our delivery of schemes included in the WINEP.

Investing for tomorrow

Water mains bursts per 1,000km Y Rep. The number of total mains bursts per 1,000 km of pipes.

Reactive water mains bursts £ - The number of mains bursts per 1,000 km of pipes that are identified by the public.

Unplanned outages Y £ - Sometimes water treatment works are not able to perform at the capacity for which they were designed. In most instances customers are not affected by this reduction in capacity. However, these unplanned outages are measured against these instances to provide a picture of the long term resilience of water treatment works.

Sewer collapses per 1,000km Y £ - The number of sewer collapses per 1,000 km of pipes.

Treatment works compliance Y £ - The Environment Agency (EA) monitors Anglian Water's performance at its water and wastewater treatment works. Anglian Water needs to comply with the consents given by the EA. There are rare occasions where they might fail to comply – this could be due to a failure on-site or a trader accidentally putting something into the water supply or wastewater system

Properties at risk of persistent low pressure £ -/+ Persistent low pressure can affect taps, showers and boilers. For example, it could take a long time to fill a sink or bath and a normal shower system may not work properly. This performance commitment measures our progress in reducing the number of properties affected by this issue.

External sewer flooding £ - Sewer flooding occurs when sewage escapes from a pipe, through a manhole, from a drain or by backing up in a toilet. External flooding affects gardens and public spaces. This performance commitment is the number of properties affected by external sewer flooding.

Positive impact on communities

Supporting customers in vulnerable circumstances £ -/+ An independent assessment of how well we are serving customers in different vulnerable circumstances. This will include customers in financial difficulties, those with a range of mental or physical disabilities, etc. Vulnerable circumstances can be temporary or permanent. We will also measure the increase in the number of customers on our priority services register.

Fair charges, fair returns

Managing void properties	Rep.	There are a number of residential and businesses properties connected to the water network which are unoccupied. As we don't collect any bills from these sites, we have to collect more from other occupied properties so it is important to identify when sites are no longer vacant and start billing them as soon as possible. This performance commitment looks at our performance in minimising the number of properties registered as vacant but which are in fact occupied.
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A smaller footprint

Operational carbon reduction	Rep.	We seek to reduce the carbon emissions that result from our day-to-day activities. This performance commitment tracks our success to delivering our long-term goal of being carbon-neutral by 2050.
Capital (embodied) carbon reduction	Rep.	We seek to reduce the carbon emissions as a result of work carried out constructing and operating our assets. This performance commitment tracks our success to delivering our long-term goal of being carbon-neutral by 2050.

Next steps

5.12 We will be testing the detail of our performance commitment levels and how we have set them with customers through our online community, in parallel with the engagement on our Outline Plan.

6 How we are consulting with customers

6.1 We invite you to comment directly on this plan, and in particular on the following questions:

1. Should we invest at the higher end of the viable range of investment in the next five years to address the risks of climate change sooner, with a bigger impact on bills in the same period?
2. Should we phase some investments to address the risks of climate change to a later point, in order to keep bills lower over the next five years?
3. What are your views on the different possible bill profiles we have set out?
4. Which aspects of our service do you think are most important?
5. Do you agree that we should aim to recover the expenditure we make on our longer-life assets in line with the average rate at which those assets depreciate?
6. Should we set ourselves a target to reduce leakage even further and continue to be the best performer in the industry on leakage?
7. Do you agree with our overall approach to supporting customers in vulnerable circumstances?
8. Which activities to support customers in vulnerable circumstances should we prioritise?
9. Do you feel that this Outline Plan helps to move towards delivery of our four long-term ambitions?

6.2 The easiest way to feedback to us is using our engagement tool found at <https://ourplan.anglianwater.co.uk/> launching on 9 April 2018. We would also very much welcome comments and response to the 9 questions above. Please send these, by 9 May 2018, to stakeholderfeedback@anglianwater.co.uk.

6.3 We are also consulting and engaging as widely as possible, to give us a rich understanding of our customers' expectations of us, and their experiences of our service. We

have an online community of 500 customers with whom we can get into details, for example around the key investments in the plan, proposed performance commitments, financing levers and associated bill profiles.

6.4 Our Customer Board and our Customer Engagement Forum will challenge us throughout our businesses-planning period.

6.5 We are also holding focus groups and public events, social media activities and formal acceptability research.

6.6 We also engage with developers and water retailers to better understand their needs and improve our service to them.

6.7 We will be engaging with our key stakeholders too – not only to gather their thoughts, ideas and views on what's important to them, but also to share our customer engagement approach with them.

6.8 We believe this will give us the deepest and richest understanding of our customers we have ever had and transform our business: how we think, how we operate and how we deliver.



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