

# Price Review 2024

## Anglian Water's Business Plan for AMP8 (2025-2030)

October 2023



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# 1 Introduction to our AMP8 business plan

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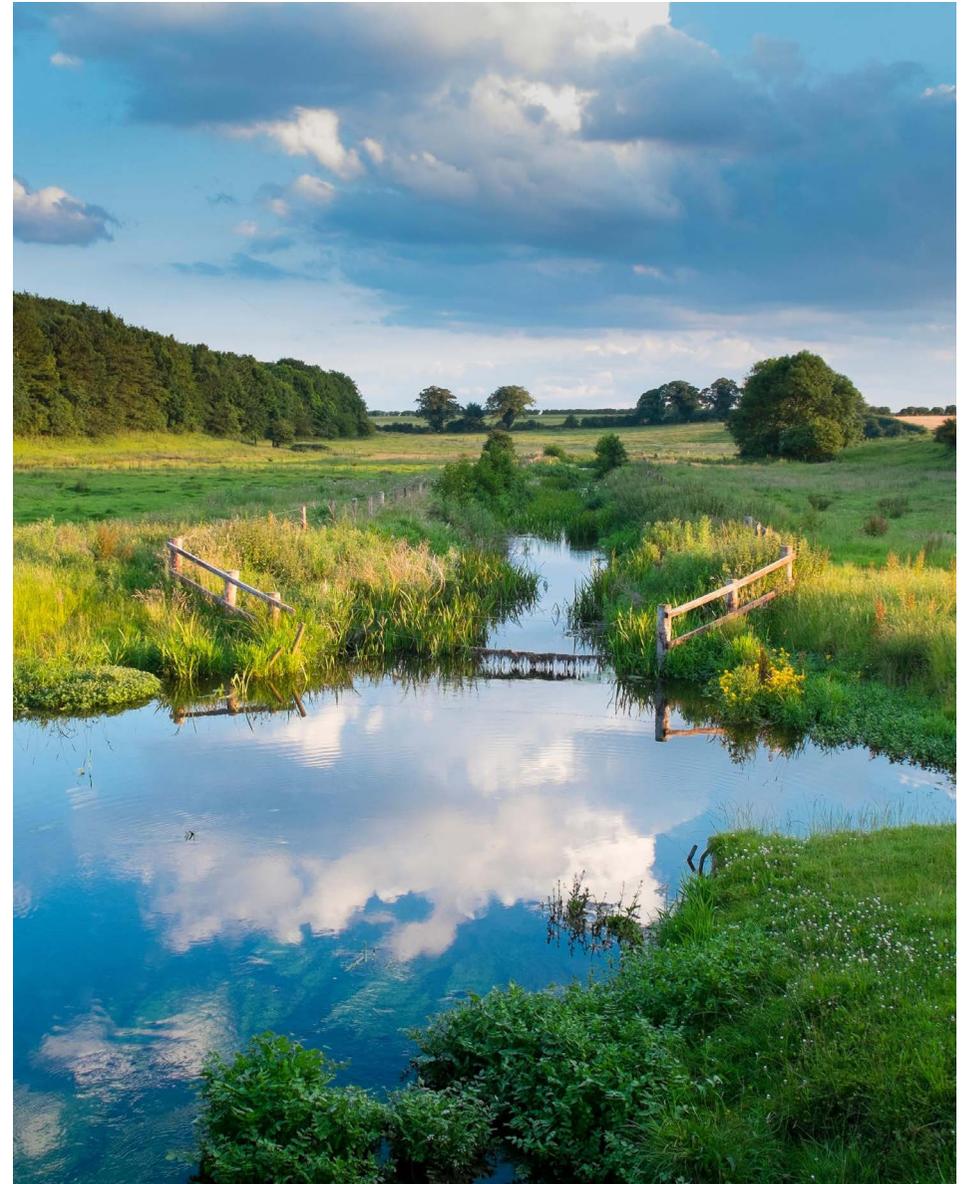
This executive summary provides an overview of our business plan for the regulatory period 2025-2030, known as AMP8.

Our AMP8 plan for the 2024 Price Review (PR24) is highly ambitious, designed to meet the challenges our region faces, today and into the future, alongside the growing expectations of our customers, wider stakeholders and our regulators.

We are an industry under scrutiny. Over the past year, our sector has made national headlines, with much of the public discourse centred on environmental protection. We operate in an increasingly volatile and unpredictable climate and our region is home to some of the world's most important and beautiful landscapes and habitats. To protect and enhance our region for generations to come, we need to think differently and plan well ahead.

We're already putting in the necessary steps. For example, Get River Positive, launched in 2022, seeks to significantly improve river health in our region. Since launch, we have developed landscape and catchment-scale projects across our region, supported inland bathing water designations, improved data transparency, engaged with local communities and environmental groups and much more. We're also taking early action to better understand and improve our pollution performance, for example, rapidly bringing in machine learning and improving our understanding of the vulnerabilities specific to our region. Our AMP8 plan contains unprecedented levels of investment in the protection and enhancement of the environment, much of which we intend to deliver in partnership with others.

Our region also has high levels of growth and significant economic ambition. Through our extensive customer and regional engagement programme, and independent research, we are clear on the challenges and priorities different parts of our region face. Overall, Eastern England receives the lowest rainfall levels across the UK, 75% of land is used for agriculture and we are home to four of the fastest-growing cities.



## This is a plan designed to enable Eastern England to thrive and prosper.

Our AMP8 plan is the next step in a journey across multiple investment periods and builds on our successful approach to delivery. Built around Ofwat's guiding principles and governance framework, our view remains long-term and adaptive. We take this long-term approach in pursuit of our purpose, underpinned by our 25-year Strategic Direction Statement, recognising that delivering for the long term in a sustainable way requires an adaptable, multi-layered plan. Our plan is balanced: it's deliverable, it's financeable, and importantly it's affordable for our customers, as we ramp up support for those who may struggle with household bills.

### Our 25-year Strategic Direction Statement



Our plan is worth over £9 billion. In 2025, excluding inflation, our bills will rise just 11p per day. By 2030, average bills will cost £1.57 per day, a total rise of 21p a day over the five year period.

### By 2030 we will:

Support **all customers** at risk of water poverty

Double our investment in the environment to **£4bn** to enable nature recovery

Use nature-based solutions to create an area **the size of 100 football pitches** of treatment wetlands along with **52 new** sustainable urban drainage schemes

Invest **£476m** to accommodate housing growth, with **700,000** more people expected to live here in the next 20 years

Reduce per capita consumption to **124 litres** per person per day while again reducing leakage to new industry-leading levels

Achieve a **70%** reduction in capital carbon against our 2010 baseline

Plan for **2 new reservoirs** with our Strategic Pipeline network extended to build further drought resilience and environmental protection

Increase capacity of our waste water network by **112 Olympic sized swimming pools**, reducing pollution risk and spills

Renew **695km** of vulnerable pipes to futureproof our water mains and sewers against climate impacts

Launch a new **Medical Needs Discount**, an industry-first, providing financial aid to those with specific medical needs at zero extra cost to any customer

 **73%** of customers surveyed accepted our plan

## 2 How the Board supports Anglian Water's AMP8 plan



**As a Board, we have shaped the development of our ambitious plan and our Long-Term Delivery Strategy (LTDS) to ensure we deliver across all statutory requirements.**

We will do this while keeping bill increases to a minimum, by rigorously challenging both the scope and cost of investment to ensure our plan is efficient, whilst delivering a service improvement.

Customers remain at the heart of our plan, as does ensuring we provide environmental and social value to the region by fulfilling our purpose.

We recognise the difficulties of raising bills in the present economic conditions. This is why we have included an unprecedented level of help to make bills resulting from this programme affordable for those who struggle to pay. We will go further, ensuring we have the capacity to support all customers at risk of water poverty, and, by introducing a new Medical Needs Discount, providing direct financial support to those with specific medical needs that create a higher water dependency. This will not be funded by any proposed increase in other tariffs, instead the costs will be met by significant new investment from our long-term shareholders who share our vision and support our purpose.

Our scale of enhancement is double that of our AMP7 enhancement investments. We are satisfied that it is deliverable, having put extensive mitigations in place, challenging ourselves with stretching cost efficiency targets that will see us bridge the gap in the plan to the tune of around £990 million. Furthermore, our track record on delivery gives us the confidence to be ambitious.

“As a Board we have reviewed the assurance process for our PR24 plan and Long-Term Delivery Strategy. We held nine deep dive sessions on the plan with management board and external assurance providers. This has enabled us to really challenge the development of the plan and understand the choices and assumptions that have been made. The positive feedback from our assurance providers gives our Board confidence the PR24 governance and programme management framework has been effective in developing a high-quality plan that will enable us to deliver social and environmental value and reflects our customers' priorities. I personally attended a meeting of the Independent Challenge Group where I was able to hear the positive challenge the management team received.”

**Zarin Patel, Chair of Audit Committee**

“Creating and enhancing natural capital in our region is a key priority for us. Our business plan proposals pave the way for a different way to deliver the environmental value we need to. Building on our successful partnerships with Water Resources East, the Norfolk Water Strategy, the Rivers Trusts and our flood partnerships work over the last two AMPs, we will ramp up partnership capacity in our region. Through these partnerships, we are building skills and delivering environmental improvements as well as building the case for wider investment in nature-based solutions. Nature-based solutions are a key part of our vision for the future: not only providing vital services to our customers and meeting the demands of our ever-growing population, but doing so in a way that benefits, wildlife, the environment and local communities too.”

**Dame Polly Courtice, Chair of the Nomination Committee**

**Customers remain at the heart of our plan, as does ensuring we provide environmental and social value to the region by fulfilling our purpose.**

### 3 Our purpose

Anglian Water's purpose is to bring environmental and social prosperity to the region we serve through our commitment to Love Every Drop. It drives everything we do, from big strategic decisions to the day-to-day running of the business.

As a monopoly provider of a service which is fundamental to society, we are conscious of the weight of responsibility we bear to deliver safe, clean water and recycle it effectively and to protect and enhance our environment and enrich our communities. That responsibility drove us in 2019 to become the first utility to embed our purpose into our Articles of Association, locking public interest into the fabric of our business and the decisions we make each day.

We have taken this approach even further by leading, with the British Standards Institution (BSi), the development of a new Publicly Available Specification (PAS) for embedding purpose in organisations (PAS:808 2022). The new PAS has been sponsored by the UK Government.

One year on, we are the first company being assessed against PAS 808 by BSi, holding ourselves to account against this specification: using it to inform our ongoing work to put our purpose and environmental, social and governance considerations at the heart of everything we do. We published our initial findings in our Annual Integrated Report 2023.



Microsoft UK CEO, Clare Barclay, visits Stiffkey with us as part of our digital twin partnership

BSi recently concluded a nine-day (non-certified), organisational-wide assessment of Anglian Water to PAS808 Purpose-Driven Organisations; Worldviews, principles and behaviours for delivering sustainability - Guide. The assessment explored the extent to which the worldviews, principles and behaviours on purpose are embedded in the organisation. It sampled all levels and facets of the organisation; including some strategically important projects.

"The final report is still being completed but the initial feedback from the audit team is really positive. The provisional outcomes of the assessment have commended Anglian Water for the extent of maturity seen in relation to the embedment of the purpose-driven principles and behaviours defined by PAS808, but there will no doubt be opportunities for improvement."

Peter Hickmott, BSi Lead Auditor

## 4 Understanding the challenges facing Eastern England

Anglian Water is the largest water and water recycling company in England and Wales by geographic area. From the Broads of Norfolk to the hills of the Lincolnshire Wolds, fast-growing cities to the dramatic Suffolk coastlines, our region is highly diverse.

Eastern England will see considerable changes in the coming years. Many of these are already being felt today. Our increasingly volatile climate is placing pressure on homes and businesses, while our flat and low-lying region, with 28% of land below sea level, and lower than average rainfall, means we are prone to flooding and drought. Climate change also contributes to shrinking and swelling of the soils in this region especially, which we know has a significant impact on certain underground assets. Meanwhile, a growing population, drawn by our expanding cities and proximity to London, is placing further pressure on housing and infrastructure. Eastern England's total population is projected to rise by 8% over the next 20 years.



**14 diverse counties** in our region, all with differing environmental, social and economic needs



**Lowest rainfall** at 2.14mm per day, versus the national average of 2.85mm



**75% of land** in the East of England is used for agriculture, higher than any other region



**Home to 15% of England's population**

and four of the fast-growing cities Cambridge, Peterborough, Milton Keynes, and Northampton mean that by 2043, 700,000 more people will live here



**28% of land is below sea level,** putting us at risk of flooding whilst hotter than average temperatures make us prone to drought



**Businesses in the East are particularly water intensive,** e.g. food processing



We have long known about these pressures. Our Strategic Direction Statement (SDS) seeks to address them in the long-term.

As we plan for AMP8, we have gathered a detailed picture of the specific challenges among the 14 counties we serve, partnering with Capital Economics to develop a broad piece of analysis, Thriving East. On the back of Thriving East, we've run an extensive engagement programme with our region's stakeholders, discussing in-depth the local challenges that our research has exposed, their priorities and how we can work in partnership to get the best possible outcomes. This has helped us build a picture of how our investment plan can reflect the diverse challenges we operate in and around.

Our insight demonstrates the need for an ambitious business plan to deliver for the communities we serve – economically, socially and environmentally. PR24 presents us with the opportunity to tackle these challenges head on, recognising that without profound change, we will let down generations to come.

## Climate change

Water resources are becoming more precious. Our region already experiences the lowest rainfall in England. In England and Wales, the wettest places are in the Lake District which receive an average of over 3,000mm of rain a year, whilst in the western Scottish mountains, averages of over 4,000mm occur. Much of Eastern England receives less than 700mm per year and includes some of the driest areas in the country, such as Cambridge. Furthermore, temperature projections for the same period indicate that this region will be hotter than the national average, at 11.4 degrees compared to 11 degrees across the rest of the country.

We are already feeling the impact. In 2022, the Met Office recorded the hottest day on record (40.3 degrees) in Coningsby, Lincolnshire, while the drought created operational challenges in other parts of the UK.

Rising sea levels and more intense rainfall mean that at the opposite end of the spectrum, we are also at risk of flooding. Over the Christmas and New Year period in 2020/21, significant flooding affected large parts of Norfolk, with disastrous consequences for local communities. Our analysis shows that risks and impact of climate change varies greatly across our region.

Our plan will ensure we are even more resilient to these challenges in the future. In our plan, we are investing more than ever in securing water supplies against the risks of extreme weather, including targeted investment in water mains that are particularly vulnerable to climate change and specifically the shrinking and swelling of soils.

## Food security for the UK

Water security is essential to food security. Much of the nation's food production starts in Eastern England, with almost 75% of land used for agriculture – higher than any other region in the country. The Fens, spanning parts of Norfolk, Cambridgeshire and Lincolnshire, account for more than half of England's grade-one agricultural land, producing one-fifth of the country's crops and a third of its vegetables.

We have seen a significant increase in demand for water from industry as businesses seek to onshore production following the UK's departure from the EU. Our data shows that Lincolnshire faces challenges and opportunities in water consumption related to growth in agricultural and food production businesses. On average between 2015 and 2019, 5.4% of Lincolnshire's economic output came from the agriculture sector in comparison to 1.4% for the Anglian region, and 0.4% for England in total.



As we plan for our next five-year AMP period, (2025-2030) we have gathered a detailed picture of the specific challenges among the 14 counties in our region, partnering with Capital Economics to develop a broad piece of analysis, Thriving East.

## Better outcomes for nature and the environment

Eastern England is home to precious environmental habitats, and we must invest in their future prosperity. Our rivers and soils are not as healthy as they could be, and in their current state, they are not resilient to the future shocks and stresses of climate change.

## Managing population growth sustainably

We operate in a fast-growing region with high levels of economic ambition. Home to four of the UK's fastest-growing cities in the last decade: Cambridge, Peterborough, Milton Keynes, and Northampton. We want to facilitate an increase in new homes and businesses, and an accelerating green energy sector, but in a sustainable way.

By 2043, we will see the biggest growth in our region in comparison to other UK regions, with over 700,000 more people predicted to be living here. That population boom means a growing demand for reliable water supplies and water recycling services. Bedford, for example, has a 17% housing growth rate, the highest in the region.

## Supporting business growth

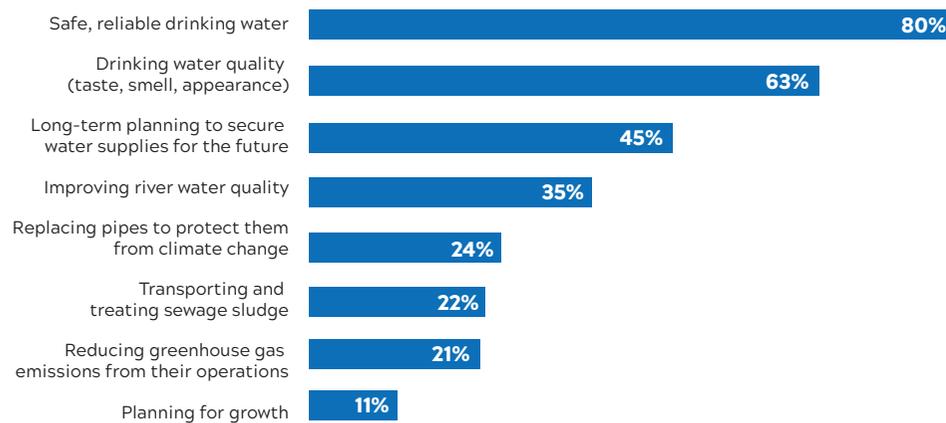
Our region will be an important player in future energy strategies, with Norfolk and Suffolk alone having the potential to supply half of the country's 40-gigawatt power target from offshore wind by 2040. There is also an opportunity to maximise hydrogen production from the water process, particularly at Bacton in Norfolk and the Humber Bank. Our conversation with Peterborough City Council highlighted their appetite for further development in the energy and waste sectors.



## 5 Understanding our customers' priorities

Our plan responds to what is important to our customers. Our customers repeatedly tell us that they want us to prioritise safe, clean water, for us to secure resources for the future in the face of climate change, to take care of the environment and to support the most vulnerable in society.

Figure 1: Ranking of customer priorities for capital investment (customer survey 2022/23)



These priorities are largely consistent with our previous insight. Our recent engagement with customers shows the importance of affordability and the environment has increased considerably since 2019.

Considering our region's challenges, evolving expectations on our sector, statutory drivers and our ambition to do more for the environment, our overall level of enhancement expenditure in AMP8 will double that spent over AMP7.

### We are doubling our investment in the environment to £4 billion.

The sheer scale and ambition of our AMP8 plan will require a long-term commitment from our shareholders, which will be echoed and felt across the wider industry.

Our ambitions, particularly on river water quality, are supported by our customers, however, they don't believe they should be achieved at any cost. Customers quite rightly want us to ensure a sensible balance between ambition and affordability. We have worked with regulators including Ofwat, Defra, the Environment Agency and others, and our Board, to ensure that bill increases are fair.

Since privatisation, **our bills have risen little more than 10% compared to an industry average increase of 40%**

(both excluding inflation)

Where we have needed to increase charges, we have matched this with a strong package of support for vulnerable customers.

Last year, in response to the cost-of-living crisis, **we supported more than 334,000 customers**

with discounts, temporary payment plans, debt support schemes, payment breaks and hardship funds.

**Our AMP8 plans will see us build even further on our help and support for customers in vulnerable circumstances, increasing our support for our customers at risk of water poverty.**

## 5.1 Engaging with our customers

We are constantly engaging with customers, with over

**1 million**

direct customer contacts a year

**387**

customer panels

**100,000**

responses to our customer feedback surveys

It is our mission that customers have a great experience during every interaction with us. We continually build our understanding of our customers' needs to make their experiences more personalised, so that in future, our services are even more customer centric.

Our PR19 customer engagement programme was awarded an 'A' rating by Ofwat. For PR24, we refined our approach.

**Over the past two years, we carried out almost 35,000 in-depth engagements with our household customers and over 2,500 engagements with our non-household customers, specifically on our AMP8 plans.**

This builds on and complements the work and insight from Thriving East and the conversations we have had with regional councils, local stakeholders, charities and social enterprises. Collectively, these have enabled us to build an incredibly detailed picture of the unique challenges each of our customers face.

We continue to facilitate open discussions with our customers on their priorities, encouraging them to challenge our approach to achieve better outcomes. The Independent Challenge Group has been central to challenging the ambition of our plan to reflect our customers' views.

**“Anglian Water is to be commended for establishing an Independent Challenge Group, to scrutinise its approach to customer and stakeholder engagement and business planning. It is my pleasure to Chair the Independent Challenge Group. We haven't given the company an easy ride during the business planning process and have offered robust challenge across a number of areas – many of which have led to improvements in the plan.**

**Overall, we believe that Anglian Water's Business Plan for AMP8 (2025-2030) represents an important step forward in the company's aim to deliver safe, clean water and recycle it effectively and to protect and enhance the environment and enrich communities.**

**We believe that there is good evidence Anglian Water's customers will support the overall approach adopted in this business plan. Customers have long demonstrated strong support for investments, despite the 'cost of living' crisis, although customers are understandably keen for this to be done as efficiently and effectively as possible by the company”.**

**Craig Bennett, Chair of the Independent Challenge Group**

Furthermore, in June 2023, we hosted our first 'Your Water, Your Say' meeting. The highly engaging session, created and designed by Ofwat and run by an independent facilitator, gave customers a chance to hear about our future plans and ask questions. We re-established our Customer Board, facilitating discussions between customers and our Management Board on a variety of topics important to our customers, including bill increases.



## 6 Our vision for 2050: Strategic Direction Statement

**Our long-term vision propels us to do even more for our customers and the environment. We have consistently advocated a long-term approach, and we support Ofwat's view that we should establish a long-term, visionary plan. Our Strategic Direction Statement (SDS) was developed in 2007 to provide a clear framework for planning for the following 25 years.**

Our SDS was refreshed in 2017, following extensive consultation with customers and our Customer Engagement Forum, where we co-created four ambitions. Our Board reviewed these in 2021, concluding they remained right for our business and our customers, and to enable delivery of the social, economic and environmental ambitions of the region in line with our purpose. Our SDS remains relevant and will continue to guide and inform us on our journey to becoming a global exemplar for a purpose-led business.



Figure 2: Anglian Water's 25-year ambitions



## Our vision for 2050



### Eastern England will be resilient to drought and flooding

- All of our customers will have at least two sources of water supply
- Two new strategic reservoirs will supply 625,000 properties across our region
- Our customers never experience internal or external sewer flooding
- Rota cuts and standpipes are consigned to history as we have a 1 in 500-year resilience to drought
- Storm overflows are no longer required
- Surface water is prevented from entering our waste water network through innovative partnership working and nature-based infrastructure
- Integrated, multi-sector water management systems, embedded within smart cities and communities are the norm
- The risk of exposure to lead in drinking water supplies will be eliminated



### Working with others, we will have delivered significant improvements in ecological quality across our catchments

- Pollutions are consigned to history
- We will enable early delivery of government targets around river health: there will be no additional Reasons for Not Achieving Good Ecological Status (RNAGs) associated with our operations
- River health across the region will be continuously monitored
- Water Recycling Centres and our waste water network will have the same approach to risk management and control as drinking water assets, 'failing safe' to prevent any impact on the environment
- Our region will be regarded as an international exemplar for the use of nature-based solutions to solve water security issues
- We will be 'nature positive': our operations will actively enable nature recovery and biodiversity enhancement
- We will cease all abstraction from chalk aquifers and other sensitive habitats, unless our abstraction provides a positive benefit (e.g. reducing flood risk)
- No effluent will be discharged into the marine environment, it will be reused to support environmental enhancement or to support sustainable growth
- Land and water planning will be undertaken together, with soil health considered alongside river health
- Environmentally damaging substances such as PFAS (forever chemicals) and microplastics will be eliminated at source
- No blockages will occur in our network as a result of customer or food service establishment behaviour



## We will be a net zero carbon business

- We focus on eliminating waste and the root causes, leading to reduced chemical and energy use in our management of the water cycle
- Our global leadership on net zero has enabled us to focus on eliminating waste and the root causes, leading to reduced chemical and energy use in our management of the water cycle
- Our operations enable other sectors (particularly agriculture, and the wider transport and energy sectors) to be closer to net zero through innovative use of waste materials such as treated sludge and effluent
- Our treatment processes do not emit greenhouse gases such as methane and nitrous oxide
- We invest in carbon markets only where we can stack and deliver other environmental benefits
- We have ambitions to move beyond net zero and become a carbon positive business, reducing rather than contributing to the UK's emissions



## Enable sustainable economic and housing growth in the UK's fastest-growing region

- We will have capacity to support all customers at risk of water poverty
- We are a water neutral region. Customers will have reduced their consumption by 25% compared to 2020, and leakage levels will have reduced to globally leading levels
- The region will have the capacity to support the water demands for new businesses
- Planning requirements will mean that all new housing and commercial developments are built to deliver international best practice around water efficiency
- Coastal and inland bathing water locations thrive due to their excellent water quality
- Water and drainage capacity is considered at least 10 years ahead of major housing and non-household development

**Our ambition is to achieve our long-term vision as quick as our resources allow. Like all businesses, we must strike a balance between the deliverability, affordability and financeability of our ambition and plans.**

We are confident that by 2050, we will be the water company our future needs, building on our strong track-record on delivery. Our current Water Industry National Environment Programme (WINEP), being delivered through to 2025, is one of the biggest environmental programmes in the sector. So far, more than 300 schemes have been delivered early, including making early improvements to bathing water quality, and installing more storm tanks at water recycling centres to reduce storm overflow spills.

**We are investing more than £3 billion in the region through to 2025, with £1.7 billion already invested, making us one of the biggest private investors in Eastern England and contributors to restoring and enhancing the region's environment.**

Our consistency in delivering back-to-back record periods of capital investment, coupled with the strength and maturity of our capital alliance partnerships, supports us in our capital delivery, providing assurance we can scale up and deliver the anticipated increase.

This is testament to our position of financial resilience. In Ofwat's most recent assessment of company performance and financial resilience, we were an upper quartile performer and top four water and sewerage company. Our shareholders have long-been committed to our purpose, and over the past few decades, have invested in schemes that did not go into our Regulated Capital Value, receiving no return on these investments.

### **Shareholders' long-term commitment to our purpose**

Our owners are long-term shareholders who provide resolute support for the business. In 2014, our shareholders funded the new East Hills Water Treatment Works for Norwich. The treatment works were the centrepiece of Anglian Water's 'Norwich Resilience Scheme', to improve security of water supply to Norwich and the surrounding area. The total cost of the scheme was £15.2 million. This was not customers' money but an investment from Anglian Water's owners, using their own funds.

Similarly, shareholders also funded a major resilience scheme in Peterborough, dualling key assets to provide more than one source of supply in the event of an interruption. Again the scheme saw shareholders invest tens of millions of pounds of their own funds to do this, with no cost to customers.

More recently, shareholder investments are driving new approaches to environmental enhancement and river health, with our Get River Positive campaign being entirely funded by our owners at no cost to our customers. This has enabled us to leverage around 60% match funding from partners and has provided a blueprint for our Advanced WINEP proposals for AMP8. Our owners have also funded a key environmental initiative to reinstate the natural meandering features in the upstream catchment of the River Stiffkey.

And there are far more examples of our shareholders supporting us to deliver on our purpose. In 2019, they wholeheartedly supported the changes to our Articles of Association, injecting funding when RPI went negative, and are funding our new Medical Needs Discount scheme, an industry-first that comes at no extra cost to customers. Our shareholders represent the very definition of patient capital, having taken their first dividend since 2017 in the summer of 2022.

## Adapting our approach for the challenges ahead

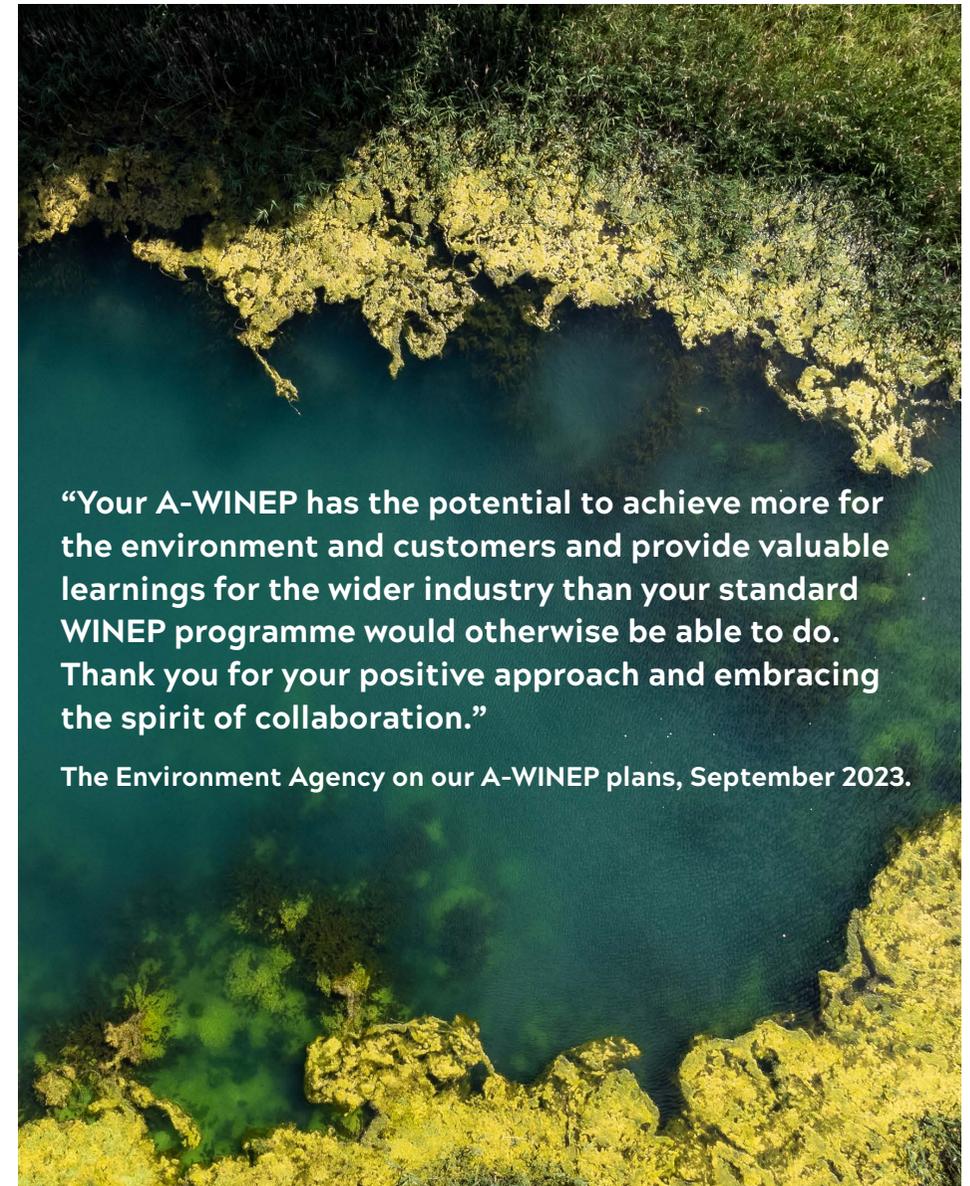
To ensure a good start to AMP8, we are developing new approaches aligned with Ofwat’s expected methodologies, including the introduction of the LTDS, which we’ve welcomed throughout.

We are trialling new digital technologies and new ways of working with other key players to achieve landscape-scale results. For example, through our Advanced Water Industry National Environmental Programme (A-WINEP) and associated ‘Partnership Centre for Excellence’, we will deliver greater benefits for the environment and society than any one player could deliver alone. In the process, we will generate evidence that focusing on outcomes and collaboration will deliver more for society than traditional methods.

Alongside our existing alliance-based approach, we are also developing new ways of collaborating with environmental organisations, communities and citizen scientists. We take a place-based approach to understand the outcomes most important to local communities in a specific area. To achieve broader environmental outcomes, we will help create detailed catchment plans alongside other key players. We believe we will achieve most by aligning our own investment with other funding such as agricultural grants, environmental markets, and wider corporate and philanthropic finance.

**For example, our work with Norfolk County Council, the Nature Conservancy and WRE will establish Norfolk as a global reference point for nature-based solutions to water security challenges.**

We have developed governance models which allowed the blending of different funding sources to achieve landscape-scale benefits in line with the objectives of all the partners. We believe we can achieve more from such approaches in AMP8.



**“Your A-WINEP has the potential to achieve more for the environment and customers and provide valuable learnings for the wider industry than your standard WINEP programme would otherwise be able to do. Thank you for your positive approach and embracing the spirit of collaboration.”**

**The Environment Agency on our A-WINEP plans, September 2023.**

# 7 What our AMP8 plan will deliver for Eastern England

## 2050 ambitions



Resilient to the risk of drought and flood



Enabling sustainable economic and housing growth



Work with others to achieve significant improvements in ecological quality of catchments



A carbon neutral business

## Our proposed investment for 2025-30

WRMP		DWMP		WINEP	
Water quality <b>£210m</b>	Interconnectors <b>£534m</b>	Strategic regional options <b>£233m</b>	Reducing flooding risk <b>£61m</b>	Storm overflows and FFT <b>£517m</b>	
Resilience <b>£308m</b>	Supply side improvements <b>£256m</b>				
Onsite housing growth <b>£251m</b>	Metering <b>£137m</b>	Leakage <b>£35m</b>	Growth at WRC <b>£164m</b>	Bathing waters <b>£38m</b>	
	Demand side improvements <b>£22m</b>			Nutrient Neutrality <b>£138m</b>	
First time sewerage <b>£59m</b>			Advanced WINEP <b>£26m</b>	Chemicals removal and investigations <b>£63m</b>	Monitoring <b>£264m</b>
			Water WINEP <b>£51m</b>	Investigations <b>£24m</b>	Nutrient and sanitary parameters <b>£638m</b>
Net zero <b>£153m</b>	Circular economy <b>£199m</b>				

## Our improvements for 2025-30

Reducing spills from overflows <b>17%</b>	Compliance for water quality <b>100%</b>
Reducing internal flooding <b>21%</b>	Reducing WQ contacts <b>8%</b>
Reducing external flooding <b>4%</b>	Supply interruptions <b>50%</b>
Reducing mains repairs <b>8%</b>	Climate vulnerable mains (PCD) <b>8.4%</b>
Sewer collapses <b>Stable</b>	
Reducing leakage <b>8%</b>	
Reducing Per Capita Consumption <b>6%</b>	
Improving bathing waters <b>6%</b>	
Business demand <b>Stable</b>	
Reducing total pollutions <b>41%</b>	Improving river water quality <b>15%</b>
Reducing serious pollutions <b>100%</b>	Permit compliance <b>100%</b>
	Biodiversity units created <b>22</b>
Reducing emissions (water) <b>2%</b>	
Reducing emissions (water recycling) <b>3%</b>	
Lower carbon concrete <b>20%</b>	

**73%** ✓  
of customers surveyed accepted our plan

The following table provides specific examples of what we want to achieve under each of our strategic objectives, both for the end of AMP7 (2025) and AMP8 (2030). This merely scratches the surface. In our plan, we include the full list of metrics and targets.

 <b>Make Eastern England resilient to the risks of drought and flooding</b>		
	<b>Where we expect to be by 2025 – AMP7 milestones</b>	<b>Where our AMP8 Business Plan will take us by 2030</b>
<b>Drinking Water Quality</b>	Our drinking water quality will continue to be among the best in the industry.	Continued investment in drinking water quality enhancement reducing risk from chemicals like nitrates, lead and PFAS (so-called ‘forever chemicals’).
<b>Strategic Infrastructure</b>	<p>Construction of our new strategic pipeline to manage drought complete.</p> <p>Designs for two new significant reservoir systems complete, informed by tools such as Systematic Conservation Planning.</p>	<p>Expansion of our strategic pipeline to connect more of Suffolk and Norfolk.</p> <p>Reservoir construction commences before 2030.</p> <p>We begin reusing treated effluent from our Colchester works.</p> <p>Enhanced levels of climate resilience of vulnerable water mains and sewers.</p>
<b>Managing storm water</b>	<p>The hydraulic capacity of our waste water network increased to the equivalent of seven Olympic-sized swimming pools.</p> <p>Event duration monitors installed at 100% of our storm overflow locations.</p> <p>A further 50 of our permitted storm overflows will be permanently removed.</p> <p>Our Flood Partnership approach will attenuate and reduce the amount of impermeable area from entering our waste water network during rainfall events, increasing flood protection at over 2,000 properties.</p>	<p>Further investment in storm tanks and other grey infrastructure, where we are increasing capacity by the equivalent of 112 Olympic-sized swimming pools, will further reduce storm spills.</p> <p>Sustainable Urban Drainage Schemes (SuDS) using nature-based solutions in place across 52 catchments, reducing flood risk.</p> <p>Storm spill frequencies reduce by a further 17% by 2030, ahead of government targets.</p> <p>We continue to remove overflows from our system where practicable.</p> <p>Enhanced levels of climate resilience of vulnerable water mains and sewers.</p> <p>Southend and Great Yarmouth become international exemplars as we increase the flooding resilience to over 13,500 properties.</p>
<b>Landscape-scale planning</b>	The Future Fens: Integrated Adaptation (FF:IA) programme in partnership with the Environment Agency, Water Resources East (WRE) and local authorities fully funded with a clear long-term programme.	FF:IA regarded as a national exemplar for landscape-scale integrated water management and resilience planning. A second landscape-scale opportunity will be advanced.

Table 1: Anglian Water AMP7 and AMP8 commitments



## Work with others to achieve significant improvement in ecological quality across our catchments

	Where we expect to be by 2025 – AMP7 milestones	Where our AMP8 Business Plan will take us by 2030
<b>Pollution reduction</b>	<p>We seek to eliminate serious pollutions and reduce the total number of pollutions by 19%.</p> <p>We use innovative technologies to better monitor and reduce asset failures which lead to pollutions.</p> <p>We reduce the risk of unflushable materials and fats, oils and greases entering our sewer network through enhanced partnership working.</p>	<p>We further reduce the total number of pollutions by 40%.</p> <p>We prevent further pollutions through our sensor network supported by AI and machine learning.</p> <p>We meet Government targets on installation of final effluent and continuous river water quality monitoring, sharing the data transparently to reduce the risk of pollution.</p>
<b>Improving the health of rivers</b>	<p>Our phosphorus programme will improve river health across 104 waterbodies, including 165 confirmed, probable, or suspected Reasons for Not Achieving Good Ecological Status (RNAGs).</p> <p>At Water Recycling Centres with new/existing permit limits for phosphorus, we will have reduced levels entering river and streams in our region by 53%, compared to the end of AMP6.</p> <p>Further environmental improvements delivered through the tightening of ammonia limits at six Water Recycling Centres.</p> <p>10 rural communities will be connected to the main sewerage network for the first time, reducing risk to the environment.</p> <p>A suitable catchment for a pilot partnership around green social prescribing identified, seeking to improve health outcomes and reduce the concentrations of prescription pharmaceuticals at our treatment works.</p> <p>All groundwater abstraction licences will be capped where practicable to historical peak volumes, resulting in 85Ml/D potential less abstraction than at the start of AMP7.</p> <p>1,531km of rivers and streams will have been improved through water quality improvements, with an additional 1,057km protected from the effects of water abstraction.</p> <p>As part of the Government Plan for Water, our proposed investments will be shared with our catchment partnerships.</p>	<p>Our aim is to remove all RNAGs associated with our operations and work in partnership to enable other sector's RNAGs to be reduced.</p> <p>Phosphorus entering rivers and streams in our region will have reduced by up to 25%, compared to the end of AMP7, contributing to achieving Environment Act 2038 target.</p> <p>A further 17 rural communities will be connected to the main sewerage network for the first time.</p> <p>Collaboration with the EA on our Chemical Investigation Programme will see us embed actions into Catchment Plans to achieve good chemical status of rivers and streams. We seek to use approaches such as green social prescribing.</p> <p>Abstraction from environmentally sensitive sites will reduce by a further 89 Ml/D. We expect to close a further two sources in the Norfolk Broads.</p> <p>We build on our work in AMP7 to further improve rivers and streams in our region.</p> <p>We are a critical, trusted delivery partner in all Catchment Plans across our region.</p>
<b>Increasing biodiversity and enabling nature recovery</b>	<p>Our capital programme will deliver on our voluntary Biodiversity Net Gain commitment, maximising the potential from nature based solutions, layering benefits, such as carbon and nutrient reductions, creating new habitats and going beyond 10% on Biodiversity Net Gain statutory obligation.</p> <p>Our planned investments will be mapped into Local Nature Recovery Strategies (LNRS), through close work with Natural England and local authority partners.</p> <p>The purchase of our first Biodiversity Net Gain units at Wendling Beck in Norfolk marks our entry into the environmental credit marketplace.</p>	<p>We innovate to ensure that our capital programme delivers greater than the statutory minimum, of 10% Biodiversity Net Gain, layering benefits, such as carbon and nutrient reductions, creating new habitats.</p> <p>We continue to build strong partnerships with Natural England and local authority partners as a key enabler of LNRS.</p> <p>Our role in environmental markets will leverage greater value for the environment.</p>
<b>Working in partnership</b>	<p>Our Get River Positive programme will have leveraged at least 60% match funding. Innovative delivery models for nature-based solutions will be embedded.</p> <p>As part of Get River Positive, we will be a key partner in a series of catchment and landscape-scale partnerships exploring multiple ecosystem services.</p> <p>Effective governance models agreed to leverage greater investment in nature-based solutions at scale, as part of our Norfolk Water Strategy.</p>	<p>Our A-WINEP Partnership Centre of Excellence established, leveraging over 70% match funding, enabling greater environmental benefits at no additional cost to customers.</p> <p>The Norfolk Water Strategy is independently governed and delivers nature-based solutions at scale, using blended finance sources. The Nature Conservancy will regard Norfolk as an international exemplar.</p>



## By 2030, be a net zero carbon business and reduce the carbon in building and maintaining our assets by 70%

	Where we expect to be by 2025 – AMP7 milestones	Where our AMP8 Business Plan will take us by 2030
<b>Carbon reduction</b>	Our capital (embodied) carbon will have reduced by 65% against a 2010 baseline. Our operational carbon will reduce by 10% against a 2020 baseline.	Our capital carbon will be reduced by a further 5%, to 70% against our 2010 baseline. A 20% reduction in the carbon from concrete will be achieved. Our operational carbon for our water assets will be reduced by a further 2.2%* and for water recycling assets by 3.2%* against our 2025 baseline.
<b>Low carbon infrastructure and nature-based solutions</b>	17.5 new hectares of treatment wetlands will be delivered at water recycling centres across the region, reducing the need for carbon intensive infrastructure.	We will deliver at least a further 54 hectares of treatment wetlands giving us a total of 100 football pitches worth across our region.
<b>Supporting renewable energy</b>	15% of our electricity requirement will be delivered from renewable sources generated at our own sites through combined heat and power technology, wind and solar.	We use 100% renewable energy*. 25% of our electricity will be delivered from renewable sources generated at our own sites. Three sludge treatment centres will be upgraded to export biogas to the grid.
<b>Fleet decarbonisation</b>	25% of our small vehicle fleet will be electric. 10% of our diesel HGVs to run on liquefied natural gas (LNG).	The majority of our small vehicles will be replaced with electric equivalents. We gradually move towards lower carbon HGVs, using electric batteries or alternative low carbon fuels.
<b>Process emissions</b>	Our monitoring data contributes to global understanding of process emissions. Insights from Ofwat’s Water Breakthrough Challenge are embedded in our approach to carbon reduction.	Investment at 17 of our largest sites reduce fugitive emissions, driving down our overall process emissions. Further rounds of Ofwat Innovation bids, including climate change mitigation projects will further expand industry understanding.
<b>Offsetting approaches</b>	A minimum of 1,500 trees planted as part of the wider water industry commitment. We invest in regenerative agriculture projects focussed on carbon sequestration and soil health.	As well as tree planting we seek carbon offset opportunities such as sea-grass and saltmarsh restoration, with wider benefits such as flood resilience and biodiversity improvements. Our understanding of carbon markets will be mature and delivering broader benefits.
<b>Taking a circular economy approach</b>	Our Circular Economy Strategy increases the amount of waste materials we recycle and re-use. Large-scale pilots around alternative treatment processes for our treatment sludges in place, supporting our and other sectors’ net zero ambitions. Hydrogen production using treated effluent trialled.	Our Circular Economy Strategy innovates across sectors to turn waste streams into further high-value, low-carbon opportunities, including hydrogen production from treated effluent.

\*These reduction figures are based on PR24 Ofwat methodology.



## Enable sustainable economic and housing growth in the UK's fastest-growing region

	Where we expect to be by 2025 – AMP7 milestones	Where our AMP8 Business Plan will take us by 2030
<b>Demand reduction</b>	<p>Per Capita Consumption (PCC) in our region will be 132 litres per person a day, a 5.4% reduction since 2020.</p> <p>Leakage at a new record low of 164 ML/d (a 11.6% reduction on a three-year average basis).</p> <p>Half of all household and business customers will be benefiting from smart meters.</p> <p>We run a pilot with a leisure facility to eliminate the use of mains water for irrigation, working closely with the EA to develop effective permitting.</p>	<p>PCC reduces further to 124 litres per person a day, a 6% reduction on AMP7.</p> <p>Leakage reduces to 152 ML/d (an 8% reduction), representing industry-leading levels.</p> <p>Our smart meter roll out for household and non-household customers is complete.</p> <p>Clear water efficiency standards in place with national and local government for new developments, including a retrofit approach.</p> <p>We work with retailers to support businesses to be even more water efficient.</p> <p>We support the leisure and sports industry to become even more sustainable and water efficient.</p>
<b>Delivering growth commitments</b>	<p>Investment in new capacity and network connectivity will enable sustainable growth across our region.</p> <p>Strong engagement with national and local government to gain a clear understanding of long-term growth ambitions, for example around Cambridge, Norwich and in Essex.</p> <p>Proactive engagement with Local Planning Authorities will ensure growth is sustainable from a water and carbon perspective.</p>	<p>We continue building on strong partnerships and relationships with national and local government and other key stakeholders to support the region's economic and housing growth ambition sustainably.</p>
<b>Multi-sector regional planning</b>	<p>Our work with Water Resources East (WRE) supports our understanding of the future water needs for other sectors, in particular, agri-food and energy.</p>	<p>We support regional planning through WRE, providing further insight into future multi-sector water demand.</p>
<b>Bathing and shellfish water quality</b>	<p>96% of our bathing waters will be classified as Good or Excellent.</p> <p>We confirm no link to our operations for the remaining 4%.</p> <p>At least six inland bathing water locations designated with our support.</p> <p>9 projects completed supporting the improvement of shellfish waters in our region.</p>	<p>100% of coastal bathing waters will be classed as Good or Excellent.</p> <p>Further inland bathing water locations will be designated with our support.</p> <p>We continue improving bathing water quality.</p> <p>A further 35 projects to improve shellfish waters in our region.</p>
<b>Nutrient neutrality</b>	<p>Our Accelerated Infrastructure Delivery Plan will reduce nutrient loading in rivers in the River Wensum catchment and the Norfolk Broads.</p> <p>Norfolk Environmental Credits (our joint venture with Norfolk local planning authorities) will be actively trading in environmental markets.</p>	<p>Catchment permitting approaches embedded to reduce nutrients in sensitive habitats.</p> <p>Wider catchment approaches involving nature-based solutions in place across the region.</p>

## 8 Building our AMP8 plan



**In building our AMP8 plan, we have consistently maintained a strong focus on affordability, financeability and deliverability, while being cognisant of the external pressures faced by our region and the expectations of our customers, our stakeholders, and our regulators.**

Building flexibility into the plan is vital. If the last five years have taught us anything, it's that long-term planning over multiple AMPs and agility in delivery are essential if we are to continue to adapt to ever-changing costs driven by global uncertainty.

### Acknowledging uncertainty

The environment we operate in continues to be ambiguous, and to help manage this we've included uncertainty mechanisms in our plan. This will ensure we can respond to volatile and material cost drivers and understandable changes in evolving policy which affect investment in AMP8. These mechanisms help us keep bills low, as we only need to seek funding if risks materialise.

We have undertaken research and analysis using different scenarios to develop an adaptive AMP8 plan that puts us on the right course to meet our long-term ambitions in a changing future. Our Strategic Direction Statement states what we want to achieve, and our Long-Term Delivery Strategy (LTDS) determines how we will get there.

Our LTDS shows continuity of strategy between AMPs and takes into consideration our suite of forward-looking planning frameworks: connecting the dots between our ambitions and how we deliver them. We have used Ofwat's common reference scenarios: technology, demand, climate change, and abstraction reduction, to test our future plans. This enables us to create a core pathway to 2030 and beyond, and a set of alternative routes should circumstances change.

**We have looked to the future through a variety of lenses including digital, innovation, partnership-working and place-based approaches, to ensure we have considered every possible solution.**

Achieving our vision will require unprecedented transformation of our organisation, our sector, and associated industries. The Ofwat Innovation Fund and Breakthrough Challenges have been pivotal in showing us possibilities. These critical investments and opportunities have enabled us to work among the best thought leaders in our industry to influence new ways of working for the sector. Since its launch we have led on five projects, received more than £17.3 million in funding, and contributed to a further 13 projects as a supporting partner. We also see Ofwat's H2Open initiative, to build an open, trustworthy, data ecosystem, will be another way we can achieve better, industry-wide outcomes.



## 8.1 Affordability

### Keeping bills affordable whilst driving efficiency

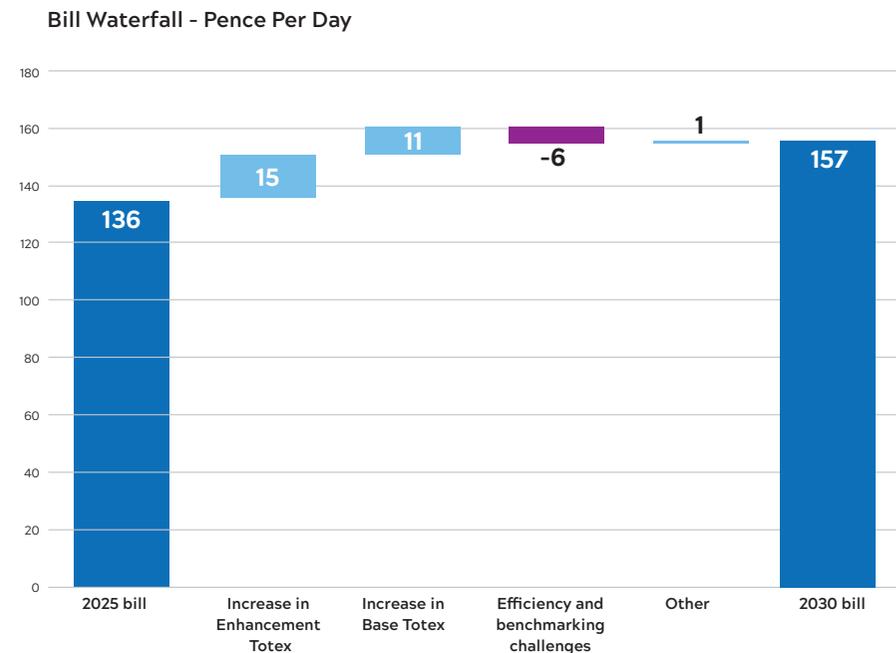
During AMP8 our average household bill will rise by 15.5%. Ensuring that our proposed investment programme is affordable for customers, and running our business efficiently go hand in hand, and because of the challenge we set ourselves, by 2030 customer bills will be 2.7% lower than they would have been otherwise.

As it stands, to maintain the level of service we offer now, we will need to invest significantly more into our operations because of the challenging nature of our region, which is only going to become more difficult as the climate becomes ever more volatile. Our ambition is to offer a better service than we do today, in areas customers want, despite the external challenges. And our customers want this too – 73% of those surveyed found our plan acceptable.

We welcome government targets for our sector to do more, but also believe that we must go further and faster whilst seeking to minimise the cost for our customers. To ensure our long-term plan is financially viable, we must think beyond 2030: we cannot be constrained by the methods and tools that we know and have in today's context. That's why we have increased our focus on efficiency across both base and enhancement investment and worked hard to minimise bill increases by challenging the scope and cost in everything we do.

We are, however, still left with a significant OPEX challenge in AMP8 driven by our environmental obligations. The high level of environmental ambition we are striving for comes at a cost. As an example, we will face a large increase in pumping costs associated with our strategic pipeline and greater chemical and sludge handling costs from our considerably larger phosphate removal programme. We are exploring ways to reduce these costs.

Figure 3: Household bill breakdown



The overall level of enhancement expenditure in AMP8 is almost entirely driven by statutory programmes which are twice the size in comparison to AMP7, and although this increased investment is crucial and largely supported by customers and stakeholders alike, we recognise raising bills in the current economic conditions will be difficult. We are committed to supporting all customers at risk of being in water poverty by the end of AMP8, which is why we have included an unprecedented level of help in our plan for those struggling to pay, or who are vulnerable in other ways, building further on our sector-leading AMP7 package.

This targeted help, along with proposals to double the cross-subsidy from the present £12 to £24, has strong support from customers and stakeholders. This will result in discounts of up to 50% for 230,000 customers, with more support available for another 70,000 customers across all our concessionary tariffs.

In another industry first, a new Medical Needs Discount, funded by our owners, will provide direct financial aid to those with specific medical needs (which create a high-water dependency, for example, those requiring vital medical equipment like home dialysis) without adding to the bill increases for other customers.

As a result of this additional customer and shareholder support, and by ensuring we are baking efficiency into all aspects of our plan, we'll be able to provide direct financial support to customers in water poverty in AMP8, as well as increasing support for many more through increased flexibility in managing their accounts.

This builds our long-standing legacy of supporting customers when they need us most. In 2022, in addition to achieving the new ISO for Customer Vulnerability (22458), we maintained our certification for the British Standard for Inclusive Service Provision; a clear demonstration of our commitment to supporting vulnerable customers and making access to that support as easy as possible.

**During AMP7, we have consistently outperformed our ODI targets for helping customers struggling to pay, with the proportion of customers on our Priority Services Register twice the industry average.**

## Collaborating to support charities on the frontline of the cost of living crisis

The Business in the Community (BITC) East of England Leadership Board, chaired by our Chief Executive Peter Simpson, brings together business leaders to identify ways to support communities across the region.

Through engagement with charities, grant makers and social enterprises, the Leadership Board has sought to understand how businesses in the East of England can support local people through the cost of living crisis. We, along with our fellow board members and wider partners, have developed a programme of support and education which is being piloted with a cohort of twenty charities (mostly from the Norwich area).

The flagship programme is a Community Skills Academy made up of training webinar modules, to enable cost of living focused charities to increase their capacity and knowledge to support more vulnerable people. The intention is to create a replicable and scalable model which could become a blueprint to roll out nationally, as part of the BITC's national work on place-based regeneration.



BITC East of England Leadership Board, charities and social enterprises come together to identify ways to support communities in the East.

## Driving enhancement and base efficiency

As a monopoly provider, we recognise the huge importance of ensuring our plan is cost efficient, especially when we are asking customers to pay more.

Alongside this, we have listened carefully to the findings of the Competition and Market Authority's PR19 Final Determination, which suggested our base costs were not as efficient as they should be. Because of this, we have built our AMP8 plan using stretching efficiency assumptions to develop the base plan.

As the starting point in determining the Botex within our plan, we have used Ofwat's preferred suite of models to benchmark our base costs. We have also included a limited number of cost adjustment claims, including one for energy which is the biggest single cost increase not reflected in the models, and particularly affects us given the low-lying nature of our region. The resulting modelled allowance gives us a total efficiency challenge against our bottom-up assessment of c£314 million on base costs.



For example, we recognised that the bottom-up costs for our first-time rural sewerage programme (where households ask to be connected to our sewerage network for the first time) was high in comparison to the benchmark from PR19. Consequently, we have reduced the requested cost in our plan by almost 50% in this area, to align more closely with external benchmarks.

We have also assumed ambitious 'frontier shift' improvements of 0.8% per annum in AMP8 (and 1% per annum for the final two years of AMP7). This is at the top of the plausible range of productivity improvements and has been applied to both our base and enhancement costs.

**In total, by stretching ourselves to be efficient, we have removed £990 million out of our plans.**

**80%**  
of our enhancement  
costs have been  
externally benchmarked

**Historic  
industry costs**  
We have benchmarked and  
adjusted costs against historic  
data from across the industry

**4,399 cost models**  
Our AMP8 plan has been  
benchmarked and adjusted  
against thousands of our  
own historic cost models

**Upper Quartile**  
We're aligned to Ofwat's  
upper quartile suite of  
econometric models

## 8.2 Deliverability

The sheer scale and ambition of our investment programme inherently creates a delivery challenge. Our planned enhancement spend for AMP8 is almost double that of AMP7 and is largely driven by investment to meet statutory obligations.

AMP8 enhancement costs have doubled, and as large-scale asset investment ramps up across our sector (and across UK plc as a whole), additional pressure on shared supply chains will continue. Because of this, and knowing we needed a step change in our approach if we are to deliver our ambitious plan, we worked closely with our partners and external consultants like KPMG and Stantec to build extensive delivery risk mitigation strategies into our plan from the outset.

This work highlighted a challenging macro-market picture for construction in the water sector. Critical areas identified for successful delivery are building trust between the supply chain and the client, appropriate and flexible commercial models, and high-quality contractual management. Insight also showed that regulatory flexibility in timelines for investigations and solutions will enable better mobilisation.

Taking a step-by-step approach, we looked extensively at the scale of our AMP8 plan, evaluating where we are now against where we need to be, identified the gaps and considered risks in the round. This resulted in seven core delivery strategies, built using robust insight and evidence, which will enable successful delivery of our AMP8 plan (dependent on the scope and scale of our plan being accepted in full at Final Determination). We already have 85% of the work required in AMP8 under a form of Agreement.

### Building a successful AMP8 delivery plan:

Anglian Water, alliance partners and KPMG working together to risk assess AMP8 delivery:



Support from across our alliances for our AMP8 business plan

## Our seven mitigation strategies:

**Optimise programme plan** ensuring work peaks, dependencies and capacity constraints are identified. Works packaged and sequenced to manage complexity and resource allocation.

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**Strengthen relationship-based approach with alliances** through early and ongoing engagement with alliance partners and supply chain companies. Bring a partner 'off the bench' to enhance capacity and capabilities in new areas such as nature-based solutions by April 2024.

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**Enhance delivery governance and management structure** to align with the optimised programme plan. The structure will have defined roles, responsibilities, and streamlined decision-making.

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**Increase supply chain resilience** by providing early visibility of the programme to suppliers, to align capabilities, resources, and plans. Continue to monitor vulnerabilities in the supply chain, develop contingency plans and address potential disruptions or delays in the supply chain.

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**Strengthen internal capabilities** to manage increased work. Identify resourcing gaps and continue developing a strategic workforce plan.

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**Set up new agreements, partnerships and alliances** by assessing internal capacity, and working with external delivery partners to provide expertise, resources, and experience.

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**Continuously review and manage risks** through a holistic and dynamic view of emerging risks and an enduring risk management plan. Promote a proactive risk management culture and regularly monitor for early identification and prompt resolution of risk.

Embedded within all strategies is a continual process of investing in people and technology. We will continue to exploit and implement digital solutions that support and enhance delivery certainty and outperformance, as well as investing in continual learning, employee development and promotion, and support in enabling key supply chain capability and expertise.

Our sector-leading alliancing model puts us in a uniquely strong position, along with the partnership working we've carefully nurtured across our region throughout previous AMPs. Alongside this, we're exploring new ways of building and maintaining large assets using digital systems and technology through initiatives like Project 13. This is an industry-led movement designed to improve the way high performance infrastructure is delivered. The Project moves away from transactional business models in favour of more collaborative operating models and is now being adopted by some of the UK's largest infrastructure owners. Anglian Water and its @one partners were very early adopters of Project 13, and this has enabled us to approach our enormous investment programme in a different, more streamlined way.

Importantly, we've already started our AMP8 delivery, through Accelerated Infrastructure Funding and proposed transition expenditure.

To further aid deliverability, we have sought to use our LTDS to identify opportunities to phase some investment over multiple periods, including through to 2035. We will do this while meeting all of our regulatory obligations and seeking to exceed government targets wherever possible.

We are also working with our supply chain to expand and develop our collective capabilities around newer regulatory delivery mechanisms such as the use of Direct Procurement for Customers (DPC) for our Colchester re-use scheme, and the Water Industry (Specified Infrastructure Projects) (English Undertakers) Regulations 2013 (SIPR) for our two new reservoirs.

## A workforce for the future

**We cannot deliver our ambitious plan without a great team of people. To ensure we have a sustainable workforce across our organisation, and our alliances can support us in delivering our ambitions, we are developing a strategic workforce plan.**

As demand grows, it's more important than ever to consider our early careers community, how we bring the next generation into the sector and the type of skills we want to develop, to ensure the future needs of our business and our industry are met.

The Anglian Water Alliances partners already have a range of activities to help us attract the right people from the diverse community we serve. For example, the Collaborative Skills Programme sponsors full-time courses in Construction and Engineering at four colleges in some of our most deprived communities. Through this programme, there is an offer to go into apprenticeships within our Alliance organisations. Over the next AMP we will create thousands of jobs and support over 800 apprentices, many of them into green jobs.

We've also set up a Construction Training School, which recruits candidates based on behaviours rather than technical ability. This opens us up to a wider range of candidates; for example, ex-armed forces personnel, people with convictions, the long-term unemployed and those ready for a career change.

Plans are proceeding for a £4million 'net zero training centre' at the College of West Anglia in Wisbech. Anglian Water Services and all its alliance partners are contributing £2million, the full range of corporate sponsorship to get this off the ground and deliver a range of outputs relating to modern green skills.

This long-term planning for future workforce resource, in collaboration with our alliance partners, not only creates a sustainable pipeline of talent but also aligns with our purpose to deliver social prosperity across our region.

**“Skanska, as a long-term partner of Anglian Water, is confident in the deliverability of this plan. Through the integrated alliance model, we have been involved in its development and have well established programme management protocols that give us effective visibility of the work bank. This enables us to create robust resource management plans that give us the assurance that we can commit to our shared outcomes.”**

Thomas Faulkner, Executive Vice President, Skanska

**“Our long-term working relationship with Anglian Water and Partners supports our commitment to deliver the future AMP8 demands and challenges. We continue to embrace the Alliance principles with integrated partner relationships built on trust and collaborative behaviours. The approach supports our ability to continuously seek different ways of working to deliver positive benefits and outcomes for all our stakeholders.”**

Joanne Theobald, Performance Development Director, Public Sewer Services and Public Water Services.

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## 8.3 Financeability and financial resilience

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### Our shareholders are long-term investors, committed to delivering our stated purpose.

To deliver what we need for our customers and the environment, our plan must be financeable. We also have to demonstrate our business is financially resilient. We have assessed this on the basis of both the actual and notional capital structure.

#### Notional capital structure

Our plan is financeable on the basis of the notional capital structure – assuming the notional company can attract equity investment.

In line with Ofwat’s guidance, we have assessed whether our plan is financeable based on the notional capital structure with gearing of 55% and Ofwat’s ‘early view’ on the allowed return on capital. Within this assessment, we assumed that the notional company would restrict dividends to 2% of equity RCV during AMP8 and that it would be able to attract sufficient equity investment at the cost set out in Ofwat’s ‘early view’ to finance the high growth in RCV seen in our plan.

The financeability of AMP8 plan for notional capital structure is dependent on attracting sufficient equity investment at the cost set out in Ofwat’s ‘early view’ on the allowed return on capital.

Notwithstanding our shareholders long-term commitment, we retain significant concerns that Ofwat’s ‘early view’ is unlikely to be sufficient to attract the necessary equity, without which the notional company would not be financeable and is not financially resilient to shocks.

To enable companies to attract equity investment, we recommend a range of methodological changes to the cost of capital estimation. As the risks embedded in the PR24 Final Methodology are skewed downwards, we consider a premium on the cost of equity allowance would be required to ensure that the price control is a fair investment proposition.

#### Actual capital structure

We have extensively tested our plan and are confident that based on the actual capital structure, the company is financially resilient to a range of downside scenarios.

#### Notional Financial Resilience

Notional Financial Resilience illustrates the magnitude of downside risk under the methodology. Our robust risk analysis shows that the notional company is exposed to a higher level of downside risk than assumed by Ofwat and as a result, we’ve proposed a number of mitigation measures. However, even then, the equity buffer in the form of the return of equity allowance is insufficient to absorb that level of downside risk and the notional company is not financially resilient to those risks.

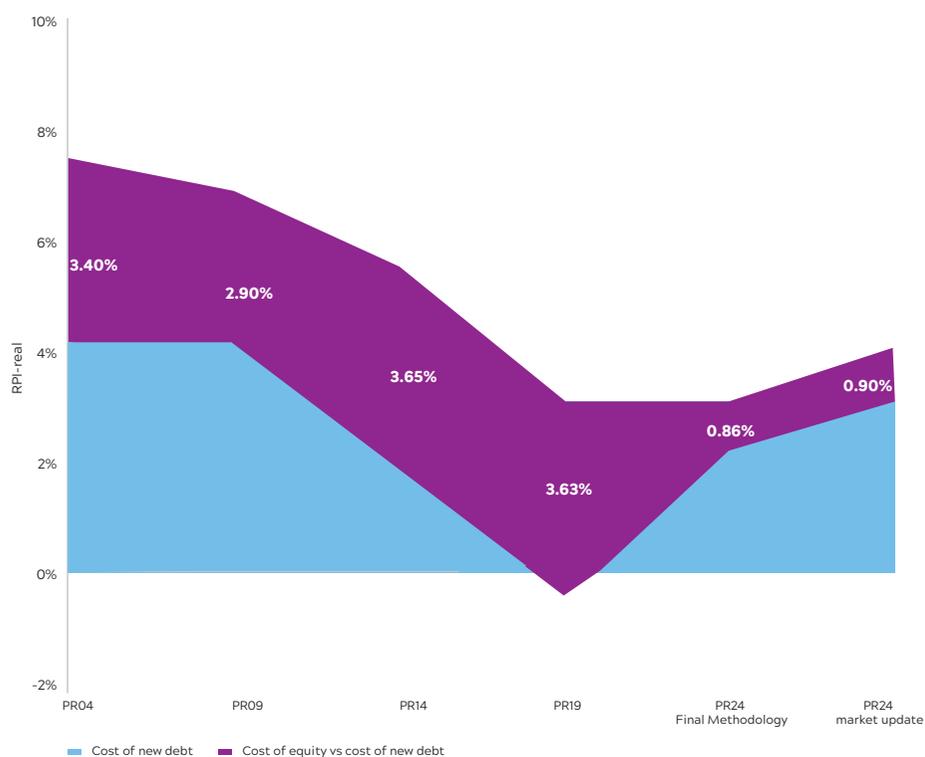


## Relationship between cost of equity and cost of debt

There is uncertainty over the terms on which Anglian Water, as well as other regulated companies, will be able to access capital in AMP8. Specifically, when the allowed cost of equity and the allowed cost of new debt are compared, the spread between them creates an incentive for an investor to provide equity capital at greater risk.

That spread has significantly fallen over the previous 20 years, reducing the incentive for equity investors to invest (see figure below). When considering the same spread at the risk premia level and adjusting the equity premium for the notional gearing, the differential is still very low.

Figure 5: The spread between cost of equity and cost of new debt allowances in Ofwat price determinations



To enable companies to attract equity investment, we recommend a range of methodological changes to the cost of capital estimation

- Methodological changes to both the cost of equity and the cost of debt allowances.
- A range from 4.04% to 4.76% for the rate of return allowance, which should further be adjusted upwards for the premium on the allowed return on equity as a compensation for the negative skew in risks.
- Consideration should be given to increasing the retail margin to ensure a fair return on the capital employed in the retail business.

## Dividend policy

Our dividend policy reflects the requirements of our licence and provides for fair dividends which reflect the performance of the business and its financial resilience. This dividend policy, subject to amendment as required in the future, will apply to the AMP8 period.

## Executive pay

We have updated our AMP8 Executive pay policy reflecting Ofwat's recent guidance on performance-related pay. This continues to ensure there is a clear, transparent link between the potential rewards for executives and the results delivered efficiently against our purpose, for customers and for the environment.

## 8.4 Overall balance of risk and return

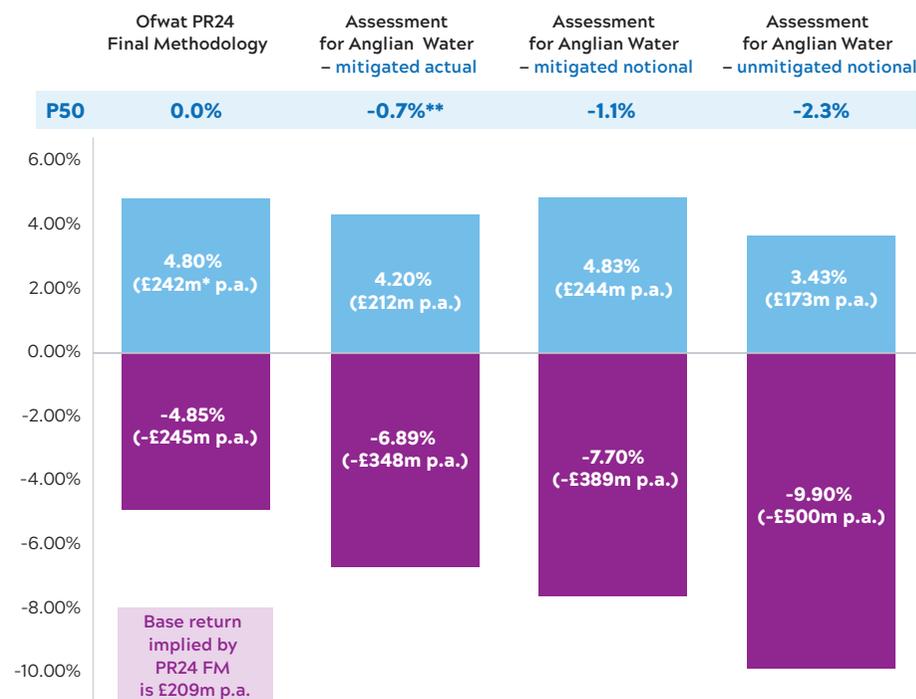
In giving its assurance on the overall plan, our Board has carefully considered the overall balance of risk and return. As currently calibrated in the Final Methodology, the notional company has a significant asymmetric downward skew on the risks it faces.

The most material of the downside risks relate to a combination of the delivery risk associated with a step change in capital programme, the introduction of price control deliverables, an asymmetric ODI regime and cost of embedded risks. This change in the risk landscape is not sufficiently captured in the PR24 Final Methodology. Ofwat's analysis indicates downside exposure on RoRE for the notional firm of 4.85%, which is significantly lower than our estimate of 7.7% (post mitigations) to 9.9% (unmitigated).

As a result, in the development of our AMP8 plan, we have sought to propose a more appropriately balanced risk range. This is reflected in our approaches to price control deliverables, Totex cost estimates and the design of our overall ODI package, see chapter 8 Our Commitment to Customers.

Post these mitigations, there remains limited upside and a continued downside skew to the risks faced under both actual and notional capital structures. This high-risk exposure has consequences to the level of equity buffer required and could further limit scope for the notional firm to attract and retain new equity.

Figure 6: Return on Regulatory Equity



\*£m impacts are stated in FYA CPIH 2022/23 real terms

\*\*Actual company impact adjusts for under-funding of embedded financing costs

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## 9 Setting PR24 up for success

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We are focused on delivering a plan which is affordable, deliverable and financeable and which supports the delivery of the right outcomes for our customers and our region. Much of that success depends on a collaborative, and long-term approach between companies, regulators and shareholders.

**To set PR24 up for success we ask that Ofwat:**

**Redresses the balance of risk and return.** The current balance presents a real risk to the appetite of high quality and long-term shareholders into our business and the sector. To attract equity in the sector it is crucial that this asymmetry is corrected.

**Addresses the problems with the current proposed WACC rate.** The current rate poses a real risk to the appetite of high quality and long-term shareholders into our business and the industry. This is vital for the long-term financial viability of the sector as a whole. Once these long-term investors are gone, we cannot bring them back. We look forward to working with Ofwat on the evidence we have provided to develop its thinking ahead of the final determination.

**Continues to work with us, other regulators and Defra** to identify opportunities to phase investments. As the increased investment in our plan is heavily driven by statutory drivers, this continued engagement is vital in ensuring the affordability and deliverability of our plans, and other companies' plans.

**Acknowledges that uncertainty remains in companies' plans** (for example, due to evolving statutory drivers) and provide the means for companies to adapt their submissions ahead of Draft and Final Determinations when things change during the Price Review process. For those areas where uncertainty will persist beyond the Price Review process and into AMP8, we ask that Ofwat makes use of uncertainty mechanisms for the benefit of customers.

**Views our plan as a whole and not on a component-by-component basis.** This is important in several areas including the cost benchmarking that we have applied to the plan as a whole and the underpinning economic analysis that supports it. It's also a crucial lens for the 'what base buys' assumptions for our ODIs and for the interplay this has with capital maintenance funding from our base allowance.

**Carefully considers the approach to setting performance commitments.**

The experience from AMP7 suggests that the performance expectations set at PR19 have exceeded what companies can achieve, even with overspending allowances. Where there is compelling evidence for some variation in incentive rates, this should be allowed. The need for consistency in incentive rates is important but should be balanced against other considerations.

**Ensures regulatory oversight is tightly focused on those areas which are in customers' interests.** For example, overly prescriptive Price Control Deliverables (PCDs) risk penalising companies for doing the right thing in response to uncertainties and developments that emerge during the AMP. PCDs should focus on returning funding to customers where companies show signs of intentional non-delivery of allowed investment.

**Provides companies, markets and the public with transparency on the PR24 process after companies submit their plans.** Ourselves, other companies, markets and stakeholders want to ensure we can play our part in getting the best outcomes out of PR24. Timely and open communication on the PR24 process will support this engagement.

As we prepare for the next AMP, our industry has a once-in-a-lifetime opportunity to lay the groundwork to create a legacy for future generations. In working together to address the challenges we face, we must be careful not to unwittingly stymie our ability to create a future-focused, efficient and environmentally sound industry; one which inspires confidence for customers, stays ahead of climate change and population growth, and ensures flowing taps and flourishing environments for generations to come.



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