

Our Business Plan

2020-25

Alastair Lyons

Chairman

Mike Davis

Director of Regulation

Chris Jones

Chief Executive

Dan Davies

Head of Economic Regulation

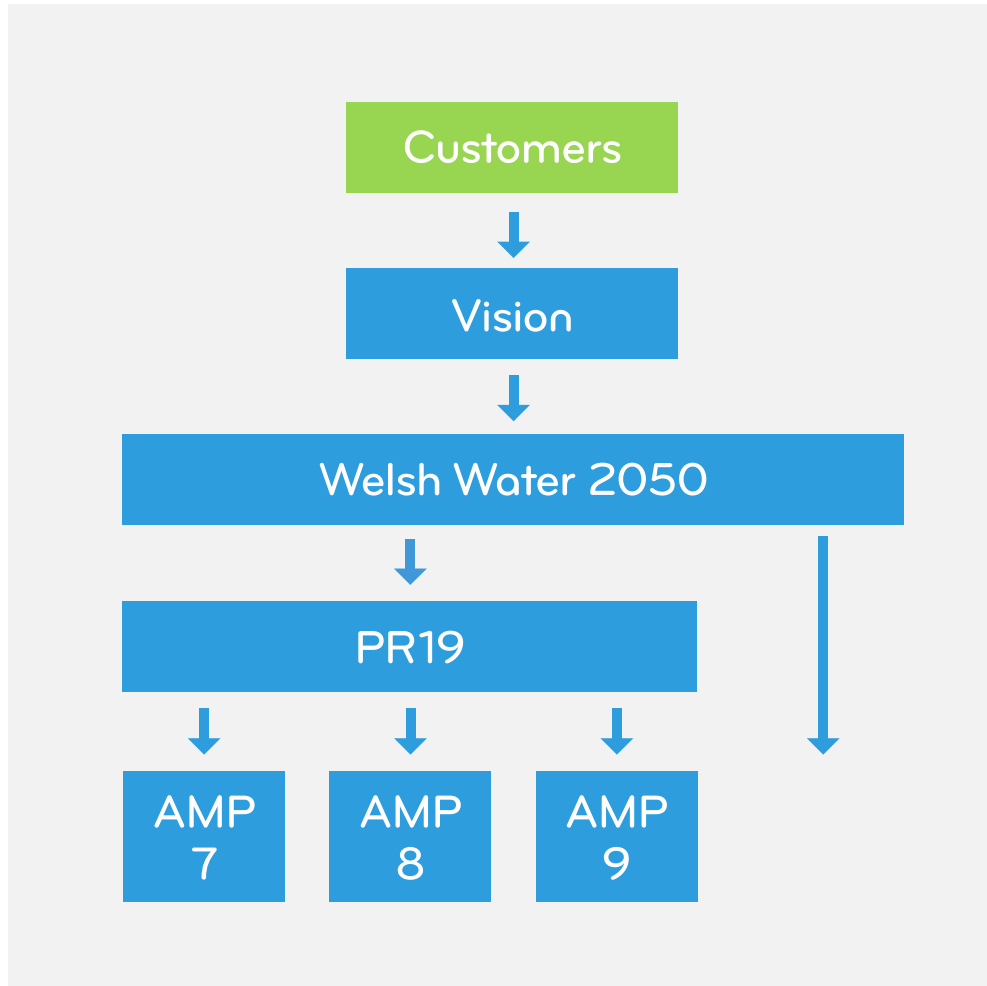
Peter Davies

CCG Chair

Alun Shurmer

Director of Customer Strategy and Communications

Board's approach to PR19



In September 2016, Board agreed that the Business Plan should:

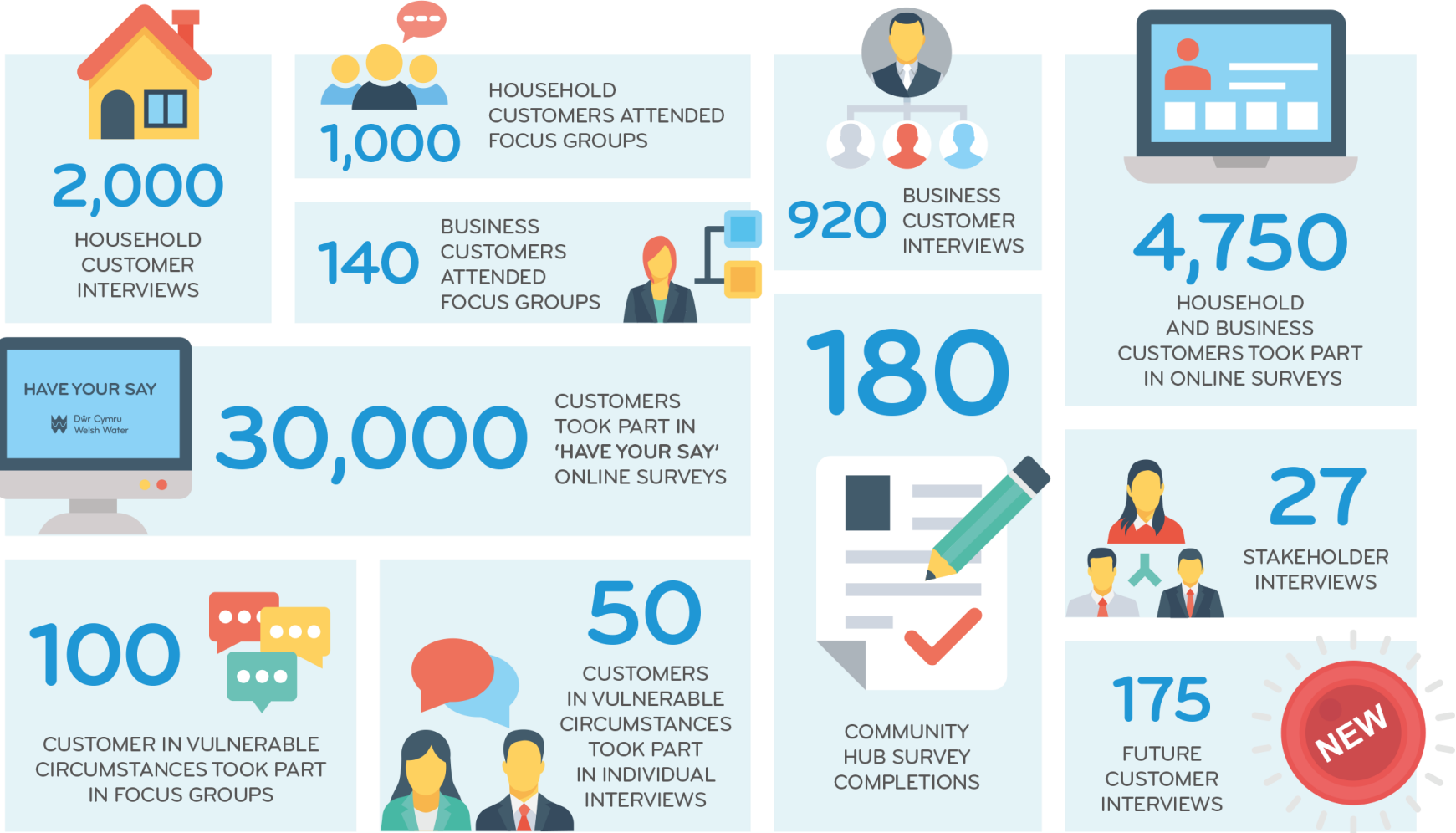
- Be driven by the views of customers
- Be developed in the context of a long-term plan (WW2050)
- Set ambitious targets to improve costs, service and resilience
- Harness innovation and new ways of working
- Have a particular focus on the needs of customers in vulnerable circumstances
- Incentivise management and the wider business through objective and stretching performance measures

PR19:

A business plan created with and for our customers

40,000 THE TOTAL NUMBER OF CUSTOMERS INVOLVED IN PR19

THIS IS MADE UP OF:



Key messages from customers

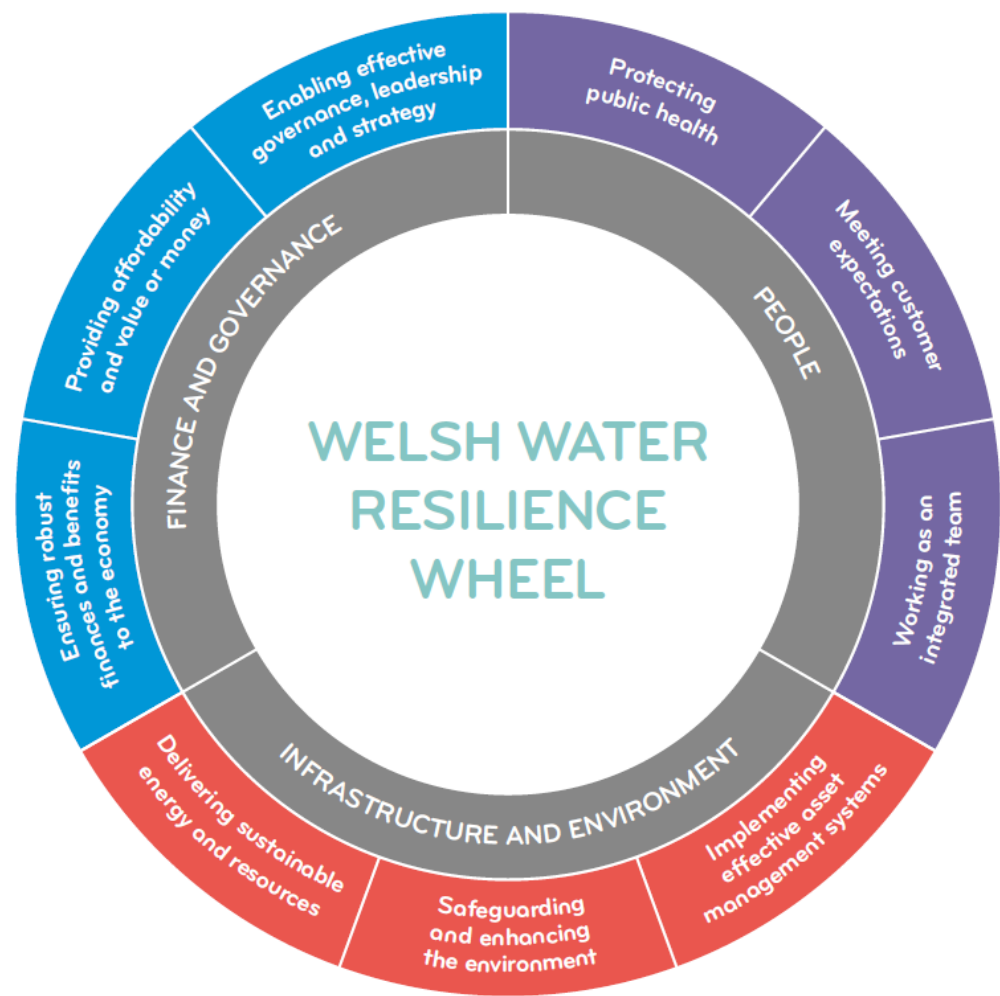
Our Business Plan 2020-25

40,000
customers
engaged

New channels
for hard
to reach
customers

- Affordability is key – not reducing bills
- Clean, safe water is a given
- No reduction in service is acceptable
- Continued support for social tariffs
- Support for investing for the long-term
- Want us to be efficient, innovative and visible in communities

Welsh Water 2050: Helping meet Welsh Government's Well-being Goals



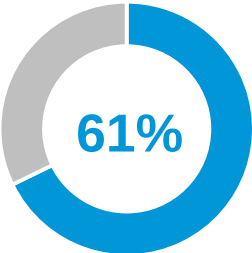
	WELL-BEING GOALS						
	A resilient Wales	A prosperous Wales	A healthier Wales	A more equal Wales	A Wales of cohesive communities	A Wales of vibrant culture and thriving Welsh language	A globally responsible Wales
1: Safeguarding clean drinking water through catchment management							
2: Enough water for all							
3: Improving the reliability of drinking water supply systems							
4: Protecting our critical water supply assets							
5: Achieving acceptable water quality for all customers							
6: Towards a lead free Wales							
7: Working with customers and communities							
8: Ensuring affordability of services delivered to customers							
9: Supporting customers in vulnerable circumstances							
10: Addressing our 'worst served' customers							
11: Employer of choice							
12: Leading edge customer service							
13: Smart water system management							
14: Supporting ecosystems and biodiversity							
15: Using nature to reduce flood risk and pollution							
16: Cleaner rivers and beaches							
17: Protecting our critical wastewater assets							
18: Promoting a circular economy and combatting climate change							



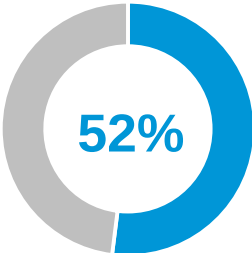
1. Affordability
2. Expand Social Tariffs
3. Long-term resilience
4. Stretching performance targets
5. Ambitious new service offerings
6. Innovation, efficiency and collaborative working
7. Demand management
8. Test options with customers
9. Incentivise performance
10. Financial Resilience

Board's parameters adapted by listening to customers and CCG

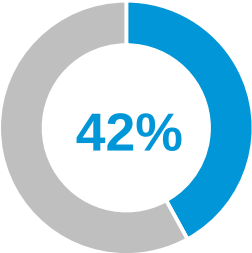
Social Tariffs additional cross-subsidy



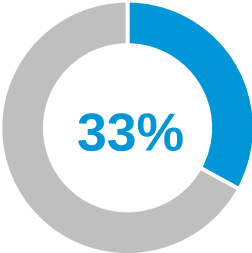
Extra £3 pa
Acceptable



Extra £6 pa
Acceptable

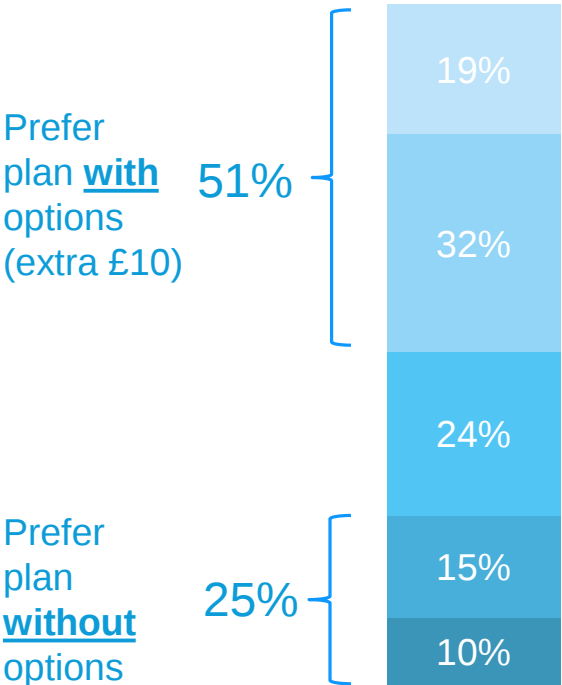


Extra £9 pa
Acceptable

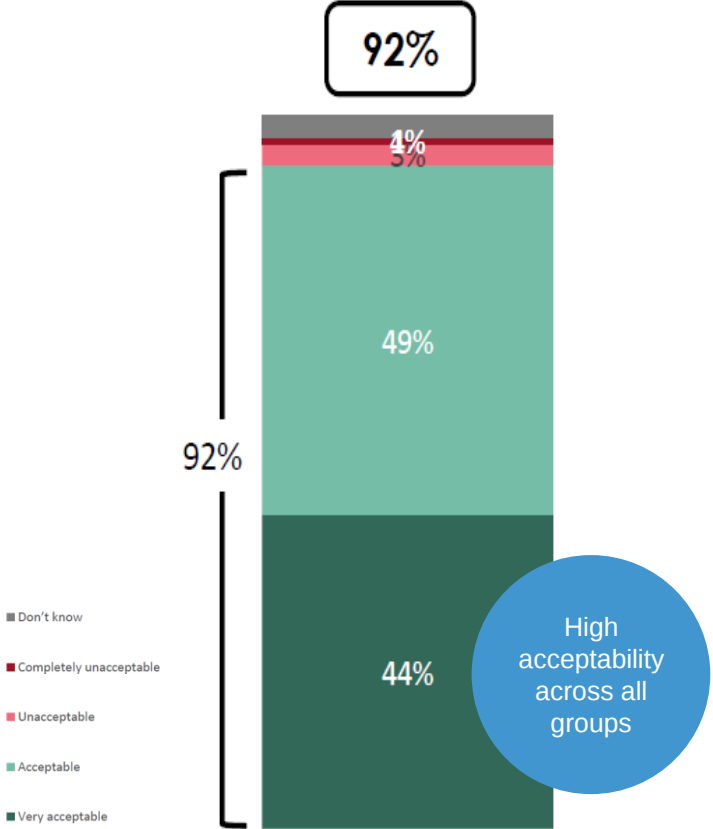


Extra £12 pa
Acceptable

Options testing – improved service offerings

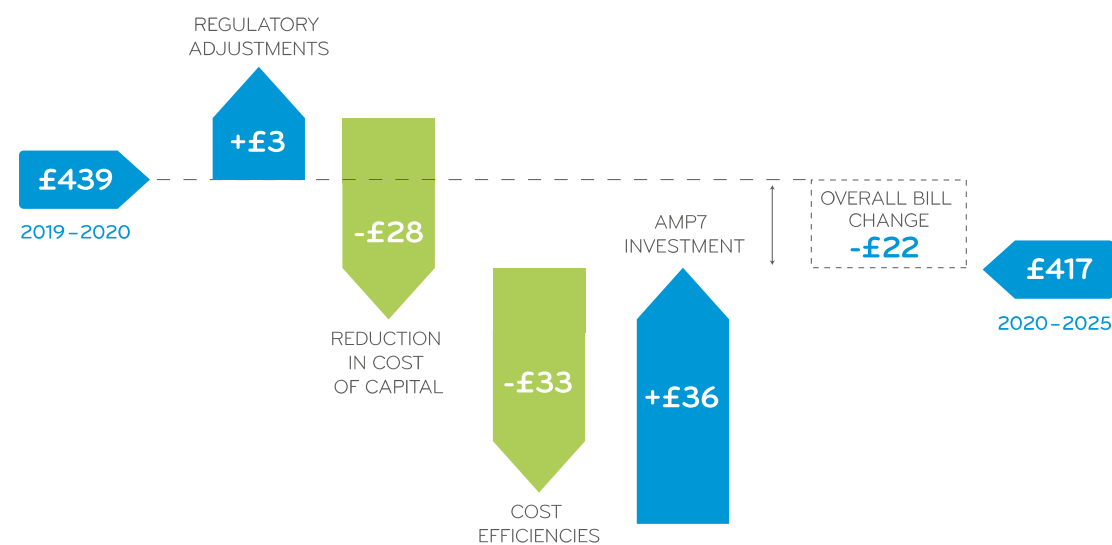


Acceptability Testing



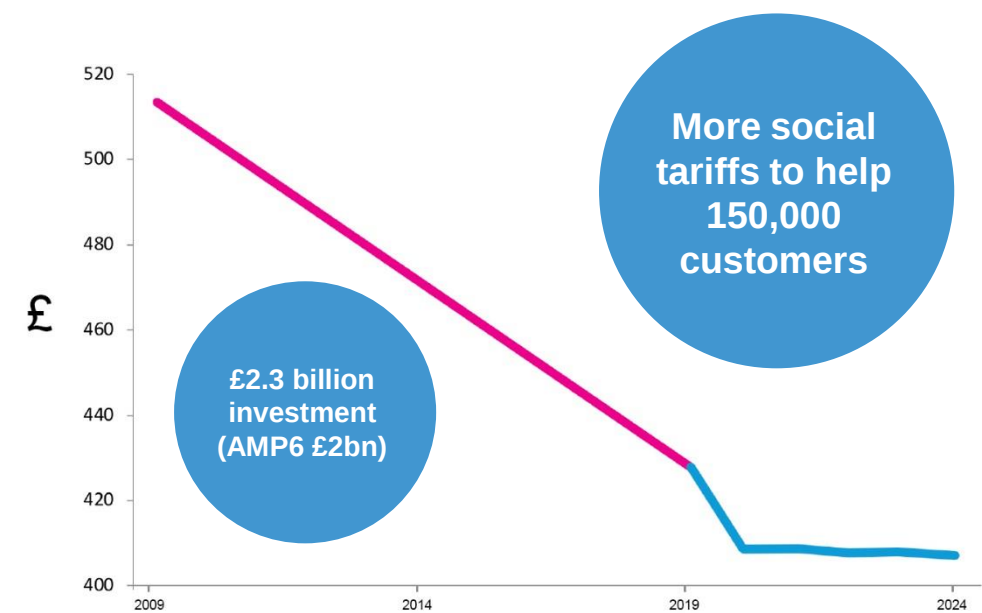
The building blocks of our plan

Accounting for the bill reduction

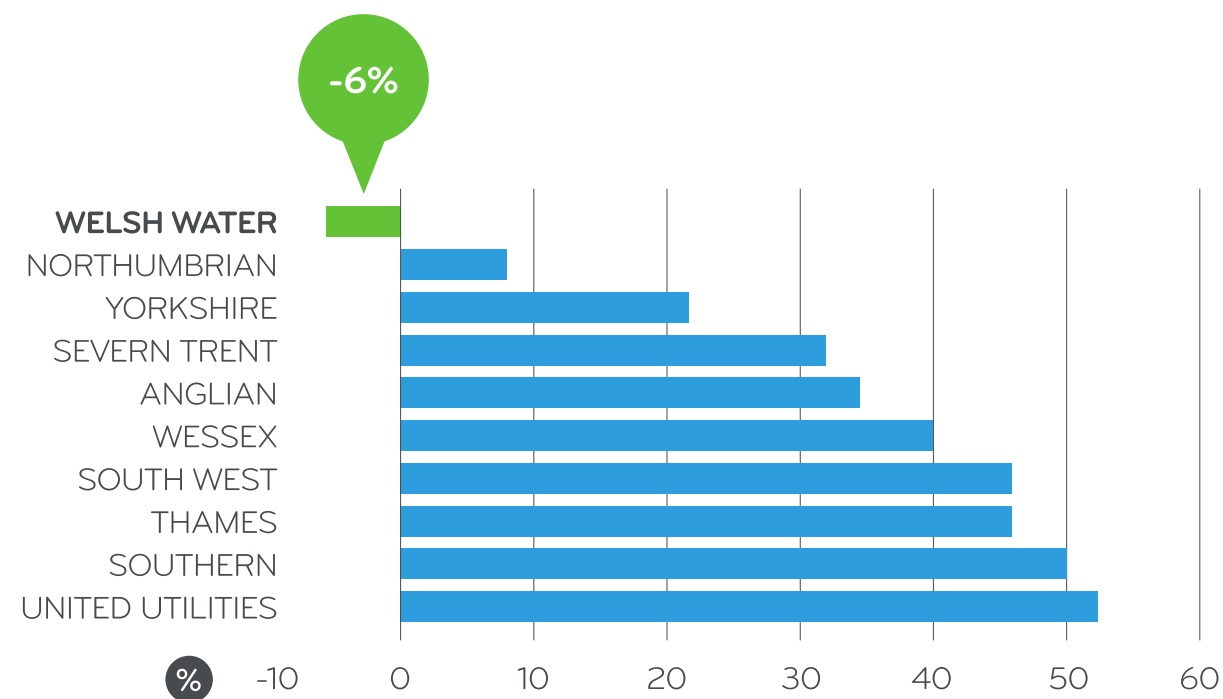


(at 2017/18 prices)

Welsh Water Bill profile 2010-2025



(real terms)



% change in operating expenditure in AMPs 3, 4 & 5 (before inflation)

- 1. Further 12% reduction in operating & maintenance costs by 2025
- 2. Capital investment unit costs to reduce by 12% by 2025
- 3. Total Totex saving of £300m in AMP7
- 4. Reduced Retail costs (by 13%) through lower bad debt & more digital channels
- 5. Stretching performance targets
- 6. 1.5% penalty and 1.2% reward RoRE range
- 7. Promoting market mechanisms – bioresources and water resource trading

A plan for today's customers and future generations

Our Business Plan 2020-25

1. Benefits for today's customers

- £22 reduction in average household bills (5%)
- Company to fund 50% increase in social tariffs to help 150,000 customers
- Service targets generally at “upper quartile”
- Sector leading targets for trust and satisfaction
- Expand priority service register fourfold to 100,000
- Free supply pipe leak repairs (unlimited)
- “Waterfair” scheme for customers with repeat problems
- New GSS scheme for developers
- New surface water removal incentive scheme
- Lead supply pipe replacement for 7,000 homes

A plan for today's customers and future generations

Our Business Plan 2020-25

2. Benefits for future generations

- RainScape – 10 priority catchments
- LandScape – 23 catchment management schemes
- Comprehensive remediation of 17 priority water networks
- Major new water treatment works for south Wales
- £370m National Environment Plan – improves 400km of rivers
- New Dam Safety Requirements – 29 priority reservoirs
- Water Resource Management Plan to 2050

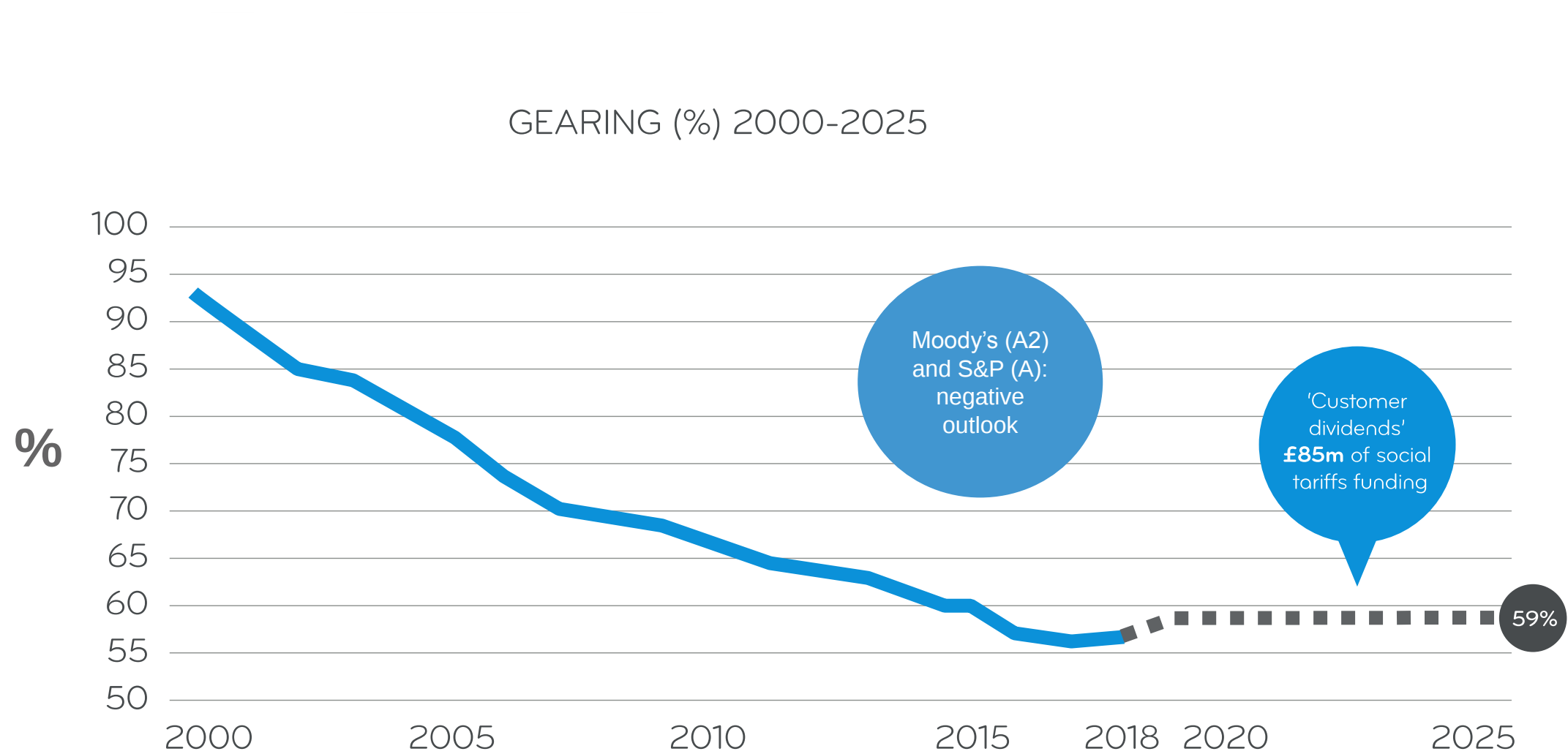
A plan for today's customers and future generations

Our Business Plan 2020-25

3. Innovation, collaboration and efficiency

- Record £74 million for innovation and research
- Project Cartref – new “stopwatch” technology to reduce customer leakage (1/3 of total) and behaviour change to promote demand management
- Water Resilient Communities – co-delivery across all our well-being goals
- Brecon Beacons Mega Catchment – following Catskills model in New York
- RainScape cuts costs of compliance with EU Directives from £650m to £130m
- “WaterShare” scheme will return ODI rewards to customers







This report demonstrates the scale of engagement the CCG has had with the Company throughout the process of developing the plan. The plan has been influenced by customers and the contribution of the CCG throughout its development.

It is the CCG's view that the Company has been successful in securing an understanding of the representative views of its customer base, and that this evidence has been used to develop the performance commitments and customer bills in the business plan. The final acceptability testing demonstrates strong support for the plan that meets customers' expectations, representing improved value for money.



The CCG's push for ambition in the plan recognised the necessary balance between addressing the affordability needs of the customer base in Wales and the need to make progress against the ambitions of Welsh Water 2050, in line with customers' expectations. The plan sets out to deliver a reduction in bills and increased investment levels with stretching efficiency targets to keep costs low. The CCG will continue to challenge the Company to be ambitious through innovation and the participation of customers in delivering solutions.

Our plan is an ambitious but affordable step towards our Welsh Water 2050 vision with:

- 5% reduction in bills (in real terms),
- more help for customers in vulnerable circumstances,
- higher standards of service for customers and the environment, and
- increased investment in long-term service resilience,
- paid for by tough efficiency targets, innovation, collaboration and new ways of working.

Having been presented with our final plan, customers' views of value for money increased by 16% (to 81%).

Further information and case studies

Measures of Success

MoS	17/18 Outturn	2024/5 Target
Interruptions to supply	43 mins/property*	8 mins/property
Acceptability of drinking water	2.8 contacts per 1,000	2 contacts per 1,000
Leakage	173 ml/d	143 ml/d
Pollution incidents	112	90
Internal sewer flooding incidents	297	273

Generally at “upper quartile” for whole sector

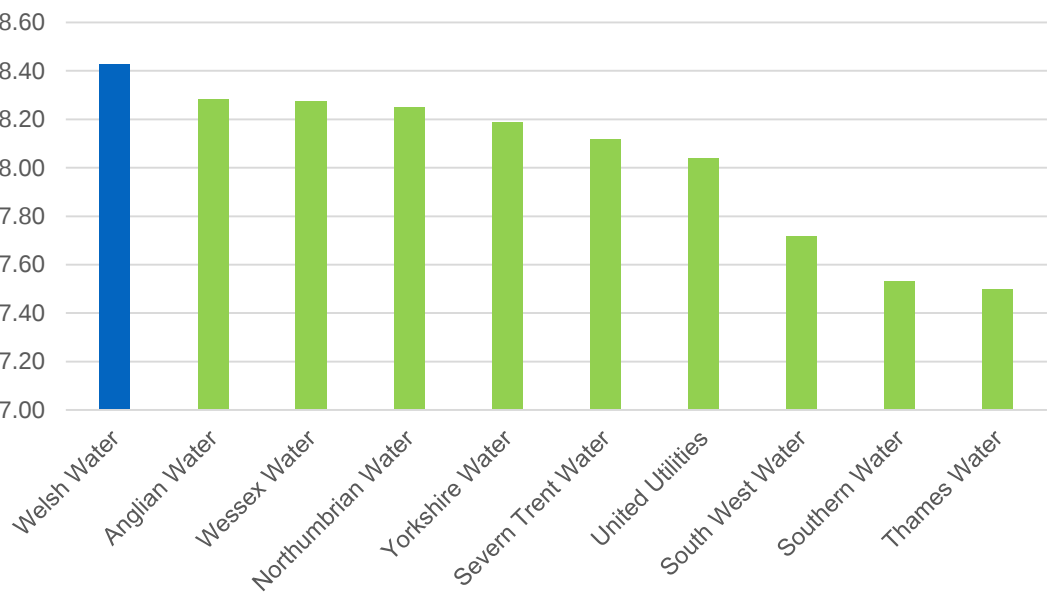
Aligned with key customer priorities

47 in total: including resilience measures

*NOTE: Significant impact of Storm Emma

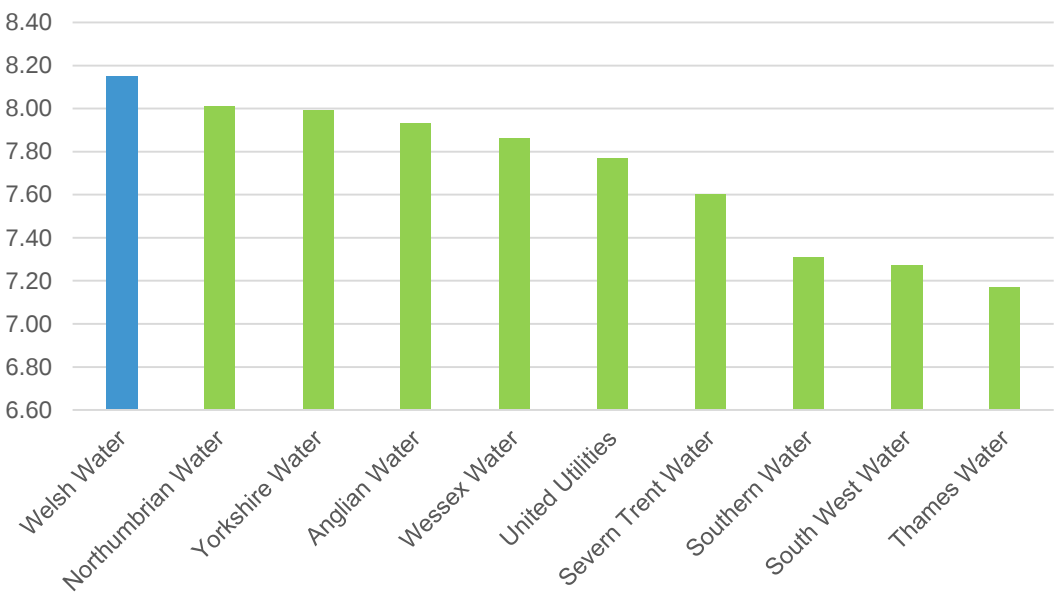
Customer trust and satisfaction

C-Mex/Pilot - Combined Satisfaction Score

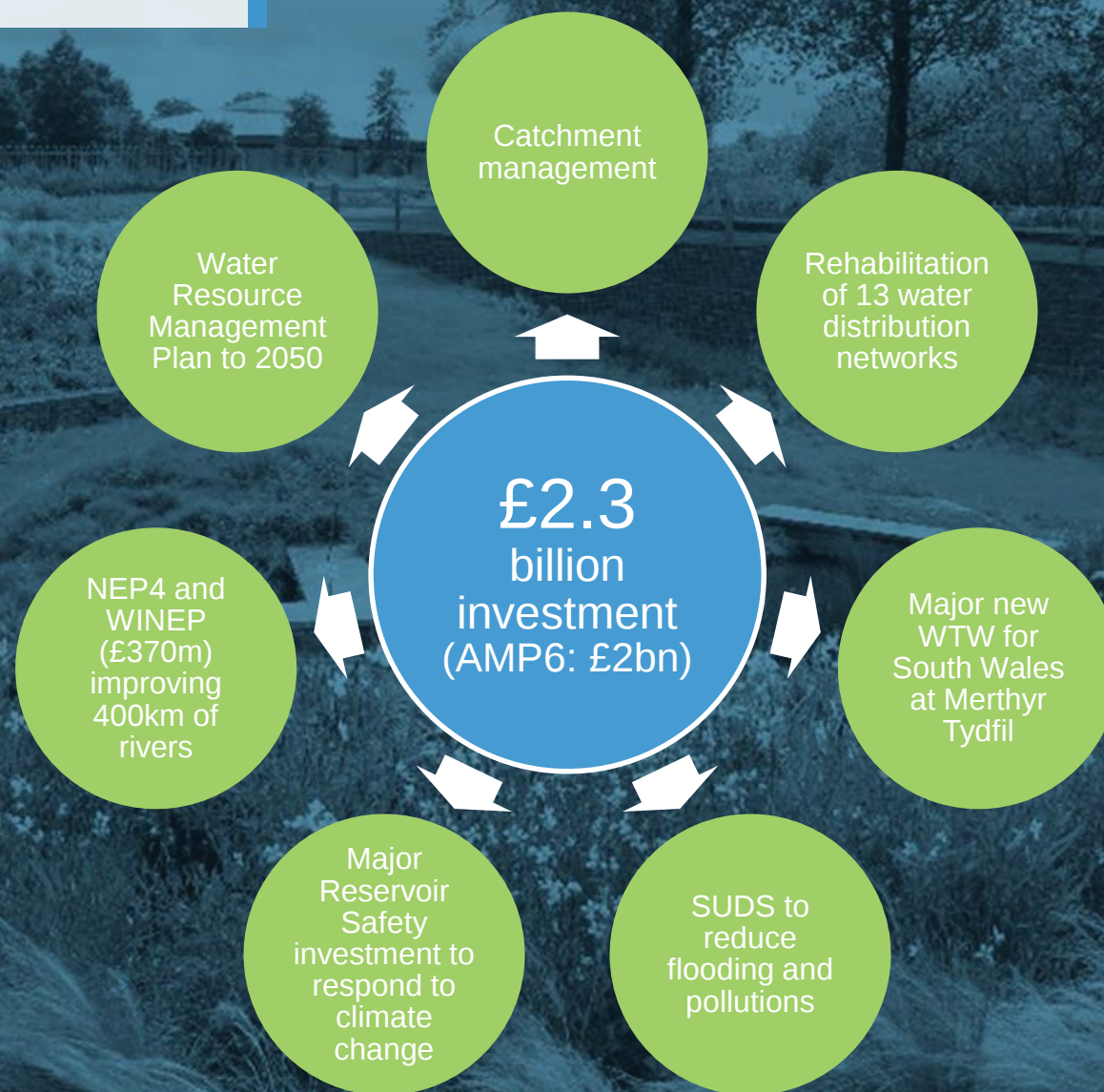


SOURCE: OFWAT

CCWater Customer Trust



SOURCE: CONSUMER COUNCIL FOR WATER



Working together with customer and stakeholders

Our Business Plan 2020-25



Innovation Case Study:

RainScape

Our Business Plan 2020-25

- Retrofitting of sustainable urban drainage schemes (SUDs) into industrial era towns – internationally recognised
- Llanelli, West Swansea and Grangetown area of Cardiff.
- 10 priority urban catchments in AMP 7 – including central Cardiff and Newport
- Loughor estuary cost of £130 million (versus £650 million for traditional, engineering solution)



Innovation Case Study:

Project Cartref

Our Business Plan 2020-25

- Targeted intervention to fix leaks on customer properties – tap & toilet, water efficient devices
- Lead pipe replacement & lead solder advice
- Identify areas of high consumption; use “stopwatches” to measure flow from individual houses (more accurate and cheaper than meters)
- Fix customers’ problems for free and provide wider water efficiency advice



Working Together Case Study:

Rhondda Fach Water Resilient Community

Our Business Plan 2020-25



Customer Offerings Case Study: Vulnerable Customer Strategy

Our Business Plan 2020-25



100,000 customers signed up to our Priority Services Register by 2025



150,000 customers supported by our range of social tariffs by 2025



Establish multi-utility forum to improve priority services across Wales, Herefordshire and Deeside



Regular surveys of customers to gauge satisfaction with our services



At least five new water resilient communities created



Establish an annual conference to share good practice and help define priorities



New scheme to help customers return from hospital



Help for all customers in financial difficulty