PR19 Business Plan Presentation Pro-forma – August 2018 update

### Briefing for Ofwat Non-Executive Directors and senior leadership

As indicated in our final methodology for the 2019 price review (PR19) published in December, this pro-forma draws together high level information and key metrics from the business plan and explains the drivers behind the business plan, the key benefits for customers and the impact on customer bills.

The pro-forma has been developed to support discussion at the PR19 business plan presentations taking place during September-October 2018, and to ensure a consistent approach across companies to briefing Ofwat board members for these. The pro-forma will be provided to Ofwat Board members and senior leadership ahead of these presentations. These presentations will not form part of our initial assessment of business plans process, nor are a substitute in any way for business plans.

The presentations are scheduled for an hour, with a presentation of 15 minutes followed by up to 45 minutes for questions and discussion. These presentations provide an opportunity for companies to set out their business plans to Ofwat, including Ofwat Board members. **We do not expect companies to use this pro-forma as the basis for the presentation itself.**

For PR19, we expect companies to deliver an ambitious business plan that delivers on our four key themes of innovation, great customer service, affordability and increased resilience. We are expecting companies to challenge themselves in these areas, and this pro-forma and the business plan presentations provide an opportunity for companies to demonstrate how they are meeting this challenge.

### Guidance on completing the pro-forma

To support companies in completing this pro-forma, we have published guidance tables which include references to the relevant PR19 business plan tables to draw the information requested from. Where the information requested is not held in PR19 business plan tables, we have indicated where this should be drawn from by companies (for example, the PR14 final determination). The PR19 bill movement model has also been published in order to complete the bill movement waterfall chart (table 2.1).

### Submission of pro-forma to Ofwat

We expect companies to submit the completed pro-forma, guidance tables and PR19 bill movement model to Ofwat along with PR19 Business Plans by 5pm Monday 3 September 2018.

### Publication of the completed pro-forma

As outlined in our final methodology, to improve transparency we want companies to make their business plans available to us, companies, customers, stakeholders and other regulators. We therefore expect them to publish the whole of their business plans at the same time as they submit their plans to us in September 2018. We ask that companies publish their completed pro-forma, guidance tables and PR19 bill movement model alongside their business plans as well as submitting these to us on 3 September 2018.

If a company considers some information should not be published – because it is commercially sensitive information, for example – then the company will need to provide its stakeholders and us with strong, robust reasons that are specific to the information concerned.

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# 1.Background

## **1.1 Company pen pic**

***Anglian Water is a water and wastewater company located in England.***

**Please provide a short summary of the ownership structure of the company, including whether there have been any changes to this since 2014 [max. 150 words].**

***Anglian Water Services Limited (“AWS”) is the principal subsidiary of Anglian Water Group Limited (“AWG”).  In May 2018, a newly incorporated UK company - Anglian Water Services UK Parent Co Limited replaced Anglian Water Services Overseas Holdings Limited (a Cayman Islands company) as AWS’ immediate parent Company.  This change was made following the Company’s commitment to improve transparency in its financial structures.  No other changes have occurred since 2014.***

***AWG is owned by a consortium of investors: Canada Pension Plan Investment Board (32.9%), IFM Investors (19.8%), Infinity Investments S.A. (16.7%), Colonial First State Global Asset Management (“CFSGAM”) (15.6%) and Camulodunum Investments Ltd (“CIL”) (15.0%).  CIL (which is a joint investment vehicle for Dalmore Capital and GLIL Infrastructure) acquired the holding of 3i Osprey GP Limited on 21 February 2018.  CFSGAM sold 16.7% of their shareholding to Infinity Investments S.A. on 22 June 2018 leaving CFSGAM with a holding of 15.6%.***

## **1.2 List of attendees**

**Please provide the names and job titles of attendees for the business plan presentation meeting. Please note there is an opportunity to provide more detailed attendee biographies in Appendix 1.**

***Peter Simpson – Chief Executive Officer, Anglian Water Group***

***Alex Plant – Regulation Director, Anglian Water Services Limited***

***Scott Longhurst – Finance Director, Anglian Water Group***

***Craig Bennett – Chief Executive, Friends of the Earth acting in capacity as representative of independent Customer Engagement Forum***

***John Hirst,CBE – Senior Independent Non executive director, Anglian Water Services Limited***

# 2. Key business plan metrics

PR19 key themes

**Please set out here how you consider the approach you have taken to your business plan is consistent with the key themes for PR19 of** innovation, great customer service, affordability and increased resilience. Where relevant, you may wish to additionally link this to information included elsewhere in this pro-forma **[max. **300** words].**

***Our long-term challenges were set out in our Strategic Direction Statement. Through more than 500,000 interactions our customers have driven our long-term goals and our plan. Our Plan is supported by over 80% of customers.***

***We achieved* ***top position on SIM in 2017-18,*** *are sector-leading on leakage, and reduced interruptions to supply, despite the freeze-thaw and hot dry spell. This plan drives further customer service improvements, improved digital systems,and a unique approach to alliancing, meaning that by 2025:***

* *****No*** *customers at risk of severe water restrictions in severe drought;***
* ***Internal sewer flooding incidents reduces by* ***24%****;***
* ***Duration of water suppply interruptions drops by* ***50%****;***
* ***Customers supplied by a single system drops from 46% to* ***14%****;***
* ***Aim for* ***no*** *serious pollution incidents***
* ***22% leakage reduction (from our frontier position)***

***On* ***resilience,*** *we published “A Framework for Resilience:PR19 and Beyond”; we chaired the Water UK Water Resources Long Term Planning Framework, a key input to the National Infrastructure Commission and pioneered multi-sector approaches to regional planning: Water Resources East.***

***Our Plan proposes a twin-track approach of enhancing water resources resilience through:***

* ***maximising demand management: further leakage reduction, smart metering and behavioural change, working with developers to reduce consumption in new homes.***
* ***supply side investments enable water to move around more easily.***

***On* ***innovation,*** *we do things differently to enhance efficiency across a large investment programme, helped by our Shop Window in Newmarket where we trial new technology, processes, and ways of working.***

***On* ***affordability****, we have reduced costs through innovation, stretching productivity and efficiency challenges..The scale of investments nonetheless drives a small increase in bills, under 1% over the AMP. We will deliver step changes in the level of support offered to those who may struggle to pay, or are otherwise vulnerable.***

**Table 2.1: Waterfall chart**

**This chart provides an overview of what is driving changes to bills between 2019-20 and 2024-25. The inputs to the waterfall chart are in price base 2017-18 year average CPIH deflated. We have published the** [PR19 bill movement model](https://www.ofwat.gov.uk/publication/bill-waterfall-model-updated-july-2018/) **in order for companies to developed the waterfall chart.**

| **Example table – inputs to example bill movement chart** |
| --- |
| **Inputs** | **£ per customer** |
| **2019-20 Bill** | **423** |
| **Changes between 2019/20 and 2024/25** |  |
| **Change in RCV**  | **23** |
| **Change in RCV run-off** | **21** |
| **Change in WACC** | **-16** |
| **Change in customer numbers** | **-19** |
| **Change in totex** | **38** |
| **Change in PAYG rate** | **-38** |
| **Change in other wholesale items** | **-9** |
| **Change in retail CTS** | **-3** |
| **Change in reconciliation items** | **3** |
|  |  |
| **2024-25 Bill** | **423** |



Explanation of movement in customers’ bills

**Please set out the key factors that are driving the movement in customers bills from PR14 to PR19 [max. 200 words].**

***Changes in customer bills are driven by: investment in resilience and environment; changes to PAYG and RCV run-off rates compared to PR14, and cost of capital and customer numbers.***

* *****RCV and Totex:*** *Overall net bill impact of +£61 (RCV=£23, Totex = £38) is due to increased investment in resilience and environmental programmes; this is, in part, compensated by innovation and efficiency gains that are returned to customers via a reduction to the RCV.***
* *****PAYG:*** *For AMP7, PAYG will equal the natural rate. This is a change from PR14 when the PAYG rate was 4% higher than our natural rate. This reduces customer bills by £38.***
* *****Run-off rate:*** *In line with the view of our customers, we have increased our RCV run-off rate towards the natural rate. This increases bills by £21***
* *****WaCC:*** *We have used Ofwat’s indicative WaCC. This reduces bills by £16***
* *****Reconciliation items:*** *Driven by recovery of rewards for strong SIM and ODI performance in AMP6***
* *****Customer numbers:*** *We have significant growth forecast in the region during AMP7 with 180k water connections and 210k sewerage connections expected. As more customers use the network, overall average bills fall by £19***

Customer Expectations

**Please provide a brief summary of your understanding of your customers’ expectations and preferences for your business plan. [max 300 words]**

*We co-created this plan with our customers and had 500,000 interactions with them. They consistently tell us that their highest priority is a resilient supply of safe, clean water.  While customers are relatively relaxed about short term outages, there is reducing tolerance for longer term shortages, and decreasing acceptance of measures such as stand pipes and rota cuts.  Customers tell us we must not defer mitigating climate change risks in order to protect supplies.*

*Leakage continues to be an iconic issue, and through multiple channels, and by various customer segments is identified as the top issue customers want us to tackle, and the first priority to turn to when balancing supply and demand.  Customers are pleased to hear that we are frontier for leakage performance and want us to continue to push leakage downwards as far as we can.*

*Protecting the environment has also always been a high priority for customers.  Compared to previous business plans, there is increasing support for environmental improvements, particularly where these also benefit local communities.  For example, customers now have a higher priority for prevention of pollution incidents, and there is high support for our innovative natural capital solutions for phosphate removal.*

*Customers support our plan and view proposed bills as affordable.  The package of continuing to improve service levels, pushing the leakage frontier, mitigating climate change risk and increased environmental protection is seen as very good value for money. Customers want certainty over future bills and do not want any increased risk to service for what they view as absolutely essential to their daily lives.*

*Customers approve of the package of measures we are proposing to help people in circumstances that may make them vulnerable, including a preference to slightly increase the current cross subsidy from the wider base to fund these measures.*

**Table 2.2: Key business plan metrics**

| **Metric** | **PR14 (2019-20)****31 March 2020 estimate**  | **PR19 (2024-25)****31 March 2025 estimate** | **2019-20 to 2024-25** **% change****(leakage and PCC)** |
| --- | --- | --- | --- |
| **Number of residential water only customers (000s)** | **Unmeasured = 99.679**Measured = 175.324 | **Unmeasured = 88.089**Measured = 186.896 |  |
| **Number of residential wastewater only customers (000s)** | **Measured = 245.337**Unmeasured 617.722 | **Measured = 216.260**Unmeasured = 673.661 |
| **Number of residential water and wastewater customers (000s)** | **1,733.130** | **1,913.400** |
| **Total leakage (Ml per day)**Based on PR19 definition*,* annual average | **172** | **142.24** | **-17.30%** |
| **Leakage (cubic metres per km of main per day)**Based on PR19 definition, annual average | **4.4** | **3.5** | **-20.50%** |
| **Leakage (litres per property per day)**Based on PR19 definition, annual average  | **82.7** | **62.9** | **-23.90%** |
| **Per Capita Consumption (PCC)**Based on PR19 definition, annual average | **136.2** | **130.7** | **-4.04%** |
| **ODI RoRE range** | **0.70% outperformance**1.50% underperformance | **0.73% outperformance****1.50% underperformance** |  |
| **Appointee WACC (real RPI)** | **3.54%** | 2.40% |
| **Appointee WACC (real CPIH)** | **4.56%** | 3.40% |
| **Credit rating – actual financial structure** | **Baa1** | **Baa1** |
| **Metric** | **PR14 (2015-2020 Average)** | **PR19 (2020-25 Average)** |  |
| **Adjusted interest cover notional (see note 1)** | 1.46x | **1.45x**  |  |
| **FFO net debt notional**  | **8.57%** | **9.17%**  |
| **Metric** | **2017-18 Actual** | **PR19 (2020-25 Average)** |  |
| **Actual gearing** | 78.50% | 77.50% |  |
| **Adjusted interest cover actual** | 1.49x | 1.34x |
| **FFO net debt actual** | 6.76% | 7.11% |

****Note:** 1)Notional ratios exclude any impact of the legacy adjustments. When they are included, AICR improves to 1.54x and FFO net debt improves by 0.4% on average over AMP7.**

Commitment to financial resilience

**Please set out here how you will maintain commitment to financial resilience [max. 150 words].**

***We are responsible for ensuring the resilience of our services to meet customer needs in the long term and be able to recover from disruptions to operations and finances. The Board’s review of the viability of the company for the purposes of PR19 is an extension of our business planning process. This includes financial forecasting, robust risk management, regular budget reviews, scenario and stress test planning, strengthened by a culture and process of review and challenge. To further test our financial resilience, Arup carried out a maturity assessment and concluded that all financial resilience metrics score in the top two categories.***

***If business risks materialised which resulted in an unacceptable deterioration in the company’s financial metrics, principal actions would include: further reducing the level of shareholder distributions, potential shareholder equity injections, reviewing the financing structure and identifying further opportunities to reduce the company’s base or financing costs.***

***Table 2.3: RCV***

|  |  |  |  |
| --- | --- | --- | --- |
| ***Control*** | ***1 April 2020 (£m)******Opening RCV******2017-18 FYA (CPIH deflated)*** | ***30 March 2025 (£m)******Closing RCV******2017-18 FYA (CPIH deflated)*** | ***% growth*** |
| ***Water resources RCV*** | 193.413 | 227.702 | 18% |
| ***Water network Plus RCV***  | 2,728.885 | 3,435.112 | 26% |
| ***Wastewater network Plus RCV*** | 4,379.477 | 4,906.320 | 12% |
| ***Bioresources RCV*** | 320.530 | 320.501 | 0% |

***Table 2.4: Dividends***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Metric £m*** ***Outturn (nominal prices)*** | ***2015-16*** | ***2016-17*** | ***2017-18*** |  |
| ***Dividends (based on PR14 actual company structure)*** | ***£145.6m*** | ***£121.6m*** | ***£79.3m*** |
| ***Outturn (nominal prices)*** | ***2020-21*** | ***2021-22*** | ***2022-23*** | ***2023-24*** | ***2024-25*** |
| ***Dividends (based on PR19 actual company structure)*** | £22m | £4m | £0m | £3m | -£62m |

***Note:*** *AMP7 dividends reflect net position after taking account of equity injections.*

Dividend Policy

**Please provide a short statement here on your company’s dividend policy [max. 150 words].**

***Our base plan dividend yield is less than 4% on the notional capital structure. As we have committed to de-gear, shareholders have agreed to substantially reduce dividends they receive in the base plan. The majority of dividends that flow out to satisfy various covenants will be injected back as equity into AWS.***

***Where dividends are paid out of AWS, our policy is to identify the cash available for distribution, allowing for liquidity requirements in respect of funding operations, the capital programme and servicing debt. When assessing dividends, the Board also reviews performance in respect of customer and regulatory targets; gearing levels and projections over AMP7; employee interests including pension obligations; resilience including financial resilience; external factors, such as reduced liquidity in the markets linked, for example, to Brexit uncertainty. The Board consider this cash-based approach ensures the liquidity requirements of the business are met fully.***

# 3. Appendices

# Appendix 1: Company presentation attendee biographies

Please include biographies for all company presentation attendees, including the Customer Challenge Group Chair (if attending).

[Max. 100 words per attendee]

***Peter Simpson’s*** *career in the Water Industry has spanned eight countries across three continents and he has been Chief Executive of Anglian Water Group since October 2013. He was Chairman of Water UK from April 2012 to October 2013, and is a part President of the Institute of Water. Peter is a member of the Cambridge University’s Programme for Sustainability Leadership’s Climate Change Leaders Group, and also works with the Business in the Community as Chair of the Wellbeing Leadership Team and chairs the Water Taskforce as well as being part of the BiTC Circular Economy Team. Peter is a Chartered Water and Environmental Manager, a Chartered Scientist and a Chartered Environmentalist.*

***Alex Plant*** *is Director of Regulation. He was previously Director, Regulation at Royal Mail and Executive Director at Cambridgeshire County Council and CEO of Cambridgeshire Horizons, the not-for-profit organisation overseeing growth in the county. He also held various roles in Whitehall, including on competition and regulation policy at HM Treasury, and was Head of Economic Policy and International Aviation at the Civil Aviation Authority. He is a Board Member at the Centre for Cities and Cambridge Ahead, and former Chair of the Uniform Network Code Committee for the GB Gas Industry.*

***John Hirst CBE*** *was appointed to the Board and as the Chairman of the Audit Committee on April 2015. He was appointed as Senior Independent Non-Executive Director in January 2016. John is also Non-Executive Director of a number of other companies, as well as Chairman of SUDEP Action, IMIS Global Limited and White Square Chemical Inq. He is also a Trustee of Epilepsy Research UK. John was Chief Executive of the Met Office from 2007 to 2014 and the Group Chief Executive of Premier Farnell plc, after roles spanning a 19 year period at Imperial Chemical Industries plc.*

***Scott Longhurst*** *was appointed Group Finance Director of AWG in November 2004. In January 2010, Scott was also appointed Managing Director of the Group’s non-regulated businesses. Prior to joining AWG, he spent most of his career with Shell and TXU Corporation working in Europe, the Far East, the Middle East and USA.*

*Scott is a Fellow of the Institute of Chartered Accountants in England and Wales and a founding member of HRH The Prince of Wales Accounting for Sustainability CFO Leadership Network. He is also a Non-Executive Director and audit chair of Infinis Energy Management Limited.*

***Craig Bennett (representing the Customer Engagement Forum)***

*Craig Bennett is Chief Executive Officer (CEO) of Friends of the Earth and Honorary Professor of Sustainability and Innovation at University of Manchester Alliance Manchester Business School.*

*He has been described as “one of the country’s top environmental campaigners”, and by The Guardian as “the very model of a modern eco-general”. He was recently listed as one of the UK’s top “social media CEOs”.*

*Prior to Friends of the Earth, Craig was Deputy Director at the University of Cambridge Institute for Sustainability Leadership (CISL) and Director of The Prince of Wales’s Corporate Leaders Group on Climate Change (from 2007 to 2010). He maintains his links with The University of Cambridge, as Policy Fellow at the Centre for Science and Policy (CSaP), and as a Senior Associate at the Cambridge Institute for Sustainability Leadership (CISL).*

# Appendix 2: Business plan executive summary

Please provide a copy (in file formats that can be opened in word) of the executive summary for your business plan.

*See attached Executive Summary document.*

# Appendix 3: CCG report executive summary

Please provide a copy (in file formats that can be opened in word) of the executive summary from the CCG report on your company.

*Please see attached the executive summary from the report on Anglian Water of our Customer Engagement Forum (our CCG).*

# Appendix 4: Current operational performance

Table 4.1: PR14 Performance Commitments

Please indicate in the table below which PR14 performance commitments have been met and which have not been met over the PR14 period. This table is not for Service Incentive Mechanism (SIM) data, for which table 4.2 has been provided. For financial ODIs please also indicate total forecast outperformance payment or underperformance penalty for the PR14 period.

| No. | ID(eg W-A1) | Performance commitment | 2015-16PCL met?[[1]](#footnote-2) | 2016-17PCL met? | 2017-18PCL met? | 2018-19PCL met?(forecast) | 2019-20PCL met?(forecast) | Cumulative ODI(outperformance payment or underperformance penalty)£m to 4 decimal places2012-13 prices, net of tax |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **15/16-17/18 Actual** | **18/19-19/20****Forecast** |
| 1 |  W-A2  |  W-A2: Water supply interruptions  | Yes | Yes | Yes | Yes | Yes | 12.1350 | 5.6720 |
| 2 |  W-A3  |  W-A3: Properties at risk of persistent low pressure  | - | - | Yes | - | Yes | 0.0000 | 6.0000 |
| 3 |  W-A4  |  W-A4: Water quality contacts  | Yes | No | Yes | Yes | Yes | 0.0000 | 0.0000 |
| 4 |  W-B1  |  W-B1: Value for money perception - variation from baseline against WaSCs (water)  | Yes | Yes | Yes | Yes | Yes | 0.2750 | 0.0000 |
| 5 |  W-C1  |  W-C1: Percentage of population supplied by single supply system  | - | - | - | - | Yes | - | 0.0000 |
| 6 |  W-C2  |  W-C2: Frequency of service level restrictions (hosepipe bans)  | - | - | - | - | Yes | - | - |
| 7 |  W-D1  |  W-D1: Security of Supply Index (SoSI) - dry year annual average  | - | - | - | - | Yes | - | - |
| 8 |  W-D2  |  W-D2: Security of Supply Index (SoSI) - critical period (peak) demand  | - | - | - | - | Yes | - | - |
| 9 |  W-D3  |  W-D3: Per property consumption (PPC) (litres/household/day reduction)  | - | - | - | - | No | - | -7.7700 |
| 10 |  W-D4  |  W-D4: Leakage - three-year average  | Yes | Yes | Yes | Yes | Yes | 7.7250 | 12.8750 |
| 11 |  W-E1  |  W-E1: Percentage of SSSIs (by area) with favourable status  | - | - | - | - | Yes | - | - |
| 12 |  W-E2  |  W-E2: Environmental compliance (water)  | - | - | - | - | Yes | - | 0.0000 |
| 13 |  W-F1  |  W-F1: Operational carbon (% reduction from 2015 baseline)  | - | - | - | - | Yes | - | - |
| 14 |  W-F2  |  W-F2: Embodied carbon (% reduction from 2010 baseline)  | - | - | - | - | Yes | - | - |
| 15 |  W-G1  |  W-G1: Survey of community perception  | - | - | - | - | No | - | - |
| 16 |  W-H1  |  W-H1: Water infrastructure  | Yes | No | Yes | Yes | Yes | -0.5580 | 0.0000 |
| 17 |  W-H2  |  W-H2: Water non-infrastructure  | Yes | Yes | Yes | Yes | Yes | 0.0000 | 0.0000 |
| 18 |  W-I1  |  W-I1: Mean zonal compliance (MZC)  | Yes | Yes | No | No | No | 0.0000 | 0.0000 |
| 19 |  S-A2  |  S-A2: Properties flooded internally from sewers - three-year average (reduction)  | - | - | - | - | Yes | - | 8.6400 |
| 20 |  S-A3  |  S-A3: Properties flooded externally from sewers - three-year average (reduction)  | - | - | - | - | Yes | - | 0.0000 |
| 21 |  S-A4  |  S-A4: Percentage of sewerage capacity schemes incorporating sustainable solutions  | - | - | - | - | Yes | - | - |
| 22 |  S-B1  |  S-B1: Value for money perception variation from baseline against WaSCs (wastewater)  | Yes | Yes | Yes | Yes | Yes | 0.2500 | 0.0000 |
| 23 |  S-C1  |  S-C1: Percentage of bathing waters attaining excellent status  | - | - | - | - | Yes | - | 0.0000 |
| 24 |  S-C2  |  S-C2: Percentage of SSSIs (by area) with favourable status  | - | - | - | - | Yes | - | - |
| 25 |  S-C3  |  S-C3: Pollution incidents (category 3)  | Yes | Yes | Yes | Yes | Yes | 8.9495 | 4.5030 |
| 26 |  S-C4  |  S-C4: Environmental compliance (wastewater)  | - | - | - | - | Yes | - | 0.0000 |
| 27 |  S-D1  |  S-D1: Operational carbon (% reduction from 2015 baseline)  | - | - | - | - | Yes | - | - |
| 28 |  S-D2  |  S-D2: Embodied carbon (% reduction from 2010 baseline)  | - | - | - | - | Yes | - | - |
| 29 |  S-E1  |  S-E1: Survey of community perception  | - | - | - | - | No | - | - |
| 30 |  S-F1  |  S-F1: Sewerage infrastructure  | Yes | Yes | Yes | Yes | Yes | 0.0000 | 0.0000 |
| 31 |  S-F2  |  S-F2: Sewerage non-infrastructure  | Yes | Yes | Yes | Yes | Yes | 0.0000 | 0.0000 |
| 32 |  R-A1  |  R-A1: Qualitative service incentive mechanism (SIM) score  | Yes | No | Yes | Yes | Yes | - | - |
| 33 |  R-A2  |  R-A2: Service incentive mechanism (SIM)  | - | - | - | - | - | - | - |
| 34 |  R-A3  |  R-A3: Customer Satisfaction Index prepared by UK Institute of Customer Service  | - | - | - | - | Yes | - | - |
| 35 |  R-B1  |  R-B1: Fairness of bills perception - variation from baseline against WaSCs  | Yes | Yes | Yes | Yes | Yes | 0.4250 | 0.0000 |
| 36 |  R-B2  |  R-B2: Affordability perception - variation from baseline against WaSCs  | Yes | Yes | Yes | Yes | Yes | 0.5000 | 0.0000 |
| 37 |  R-C1  |  R-C1: Operational carbon (% reduction from 2015 baseline)  | - | - | - | - | Yes | - | - |
| 38 |  R-C2  |  R-C2: Embodied carbon (% reduction from 2010 baseline)  | - | - | - | - | Yes | - | - |
|  |  R-D1  |  R-D1: Survey of community perception  | - | - | - | - | No | - | - |
| **Total cumulative financial ODI** | **29.7015** | **29.8710** |

Table 4.2: PR14 Service Incentive Mechanism (SIM) Performance

| SIM Performance | 2015-16 | 2016-17 | 2017-18 |
| --- | --- | --- | --- |
|
|  |
| Total annual SIM score (out of 100) | 85 | 86 | 88 |

|  |
| --- |
|  |

# Appendix 5: PR19 proposed performance commitments

Table 5.1: Common Performance Commitments

| No. | Common performance commitment[[2]](#footnote-3) | ID (eg W-A1) | 2019-20forecast performance level(where relevant) | 2024-25proposed performance commitment level | ODI type | In period /end of period ODI | **2019-20 to 2024-25****% change**(leakage and PCC PCs) |
| --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | **Water quality compliance** – the DWI’s Compliance Risk Index (CRI), a score greater than or equal to zero, where zero is least risk | PR19ANH\_3 | 3.54 | 0 | Non-financial |  |  |
| 2 | **Water supply interruptions** – average supply interruption greater than 3 hours (minutes per property) | PR19ANH\_4 | 11:00 | 05:34 | Financial – out and underperformance | In period |
| 3 | **Mains bursts** – number of water mains bursts per 1,000 kilometres of total length of mains | PR19ANH\_11 | 125.7 | 123.6 | Non-financial |  |
| 4 | **Unplanned outage** – proportion of unplanned outage of the total company production capacity (%) | PR19ANH\_12 | 1.74% | 1.74% | Financial –underperformance | In period |
| 5 | **Leakage** – megalitres per day (Ml/d), three-year average | PR19ANH\_5 | 177 | 166 | Financial – out and underperformance | In period | -6.21% |
| 6 | **Per capita consumption** – average amount of water used by each person that lives in a household property (litres per person per day), three-year average  | PR19ANH\_6 | 136.2 | 130.7 | Financial – out and underperformance | In period | -4.04% |
| 7 | **Risk of severe restrictions in a drought** – percentage of the population the company serves that would experience severe supply restrictions (e.g. standpipes or rota cuts) in a 1-in-200 year drought | PR19ANH\_9 | 18.83% | 0% | Non-financial |  |  |
| 8 | **Treatment works compliance** – % compliance with environmental permits at water and wastewater treatment works (EA’s Environmental Performance Assessment definition) | PR19ANH\_14 | 98.9% | 99% | Financial –underperformance | In period |
| 9 | **Internal sewer flooding** – number of incidents per year (sewerage companies only) | PR19ANH\_7 | 1.7 | 1.31 | Financial – out and underperformance | In period |
| 10 | **Sewer collapses** – number per 1,000 kilometres of sewer (sewerage companies only) | PR19ANH\_13 | 6.1 | 5.5 | Financial –underperformance | In period |
| 11 | **Pollution incidents** – category 1-3 pollution incidents per 1,000km of sewerage network, as reported to the Environment Agency and Natural Resources Wales (sewerage companies only) | PR19ANH\_8 | 29 [per 10,000 km of sewer] | 21 [per 10,000 km of sewer] | Financial – out and underperformance | In period |
| 12 | **Risk of sewer flooding in a storm** – percentage of population at risk of sewer flooding in a 1-in-50 year storm (sewerage companies only) | PR19ANH\_10 | 9.75% | 9.75% | Non-financial |  |

# Appendix 6: Expenditure

Table 6.1: Totex

|  |  |  |  |
| --- | --- | --- | --- |
| Total expenditure | Price Base | PR14 final determination 2015-2020 | Proposed for PR19 2020-2025 |
| Water network plus (£m) | 2017-18 FYA (CPIH deflated) | 1990.935 | 2479.150 |
| Water resources (£m) | 2017-18 FYA (CPIH deflated) | 334.855 |
| Wastewater network plus (£m) | 2017-18 FYA (CPIH deflated) | 2931.921 | 2827.793 |
| Bio resources (£m) | 2017-18 FYA (CPIH deflated) | 500.951 |
| Residential retail costs | Outturn (nominal prices) | 377.388 | 414.752 |

Table 6.2: Direct Procurement for Customers (DPC) proposals

|  |  |  |
| --- | --- | --- |
| No.  | Project name  | Total project cost (£m)2019-20 to 2049-50 2017-18 FYA (CPIH deflated) |
| 1 | South Lincolnshire Reservoir – Enabling Activities  | 42.946  |
|  |  |  |

# Appendix 7: Trust, confidence and assurance

Please explain how the company’s full Board has demonstrated that its governance and assurance processes will deliver operational, financial and corporate resilience over the next control period and the long term.

Please explain how the company’s full Board has assured themselves that the business plan will enable trust and confidence, including how the company’s Board has taken account of the decisions Ofwat set out in its decisions for PR19 business plans to [put the sector in balance](https://www.ofwat.gov.uk/wp-content/uploads/2018/07/Benefit-sharing-decision-statement-FINAL-for-publishing.pdf).

[max. 400 words]

*Our Board has been fully engaged in the development of this plan and has confidence in its quality, the depth and breadth of customer engagement that has shaped it and the assurance processes underpinning it. They believe the plan is deliverable, recognizing it will nonetheless be very stretching.*

*Board members have developed our plan, with PR19 being discussed at Board meetings since January 2016.*

*All elements of our Plan have been challenged and scrutinised internally and by third parties, who have provided expertise to help develop our proposals. External assurance providers reviewed our business planning processes and methodologies, our information and data, and gave feedback to the Board, prior to their approval of our plan.*

*We have developed a holistic resilience framework which allows us to test operational, financial and corporate resilience against a matrix to understand both short and long term risks. This has been applied to the investment proposals in our Plan.*

*Business management systems are key to the on-going resilience of the Company. We maintain a framework of policies, procedures and processes to manage how everyone works, to achieve consistency and ensure that we meet required standards of performance.*

*The Board is committed to ensuring that customers and other stakeholders trust and have confidence in us as we continue to serve our region responsibly. Our Board took swift action in response to concerns about the legitimacy of the sector, leading to a number of actions having already been taken to improve trust and confidence.*

*We removed our dormant Cayman Islands subsidiary, ensured an inter-company loan was re-paid to simplify our accounts and changed the composition of the Board so that Independent Non-executive Directors are in the majority. In addition, investors have agreed to reinvest £165 million during AMP6 that would previously been available as a dividend.*

*The Board challenged the Company to identify higher efficiency levels to ensure the investment programme is at a level that ensures bill increases are kept to a minimum. Acknowledging the scope of work required to deliver WINEP and WRMP obligations, they still wanted bills to be kept as low as possible to remain affordable for our customers, in the context of customer engagement research showing that over 80% of customers supported an increase in bills of at least 2.5% to deliver investments in resilience and environmental improvements.*

1. **PCL met? - i**f the performance commitment level (PCL) for the reporting year was met, or is forecast to be met, enter ‘Yes’. If the PCL for the reporting year was not met, or is forecast not to be met, enter ‘No’. If a PCL has not been set for the reporting year enter "-" (hyphen). [↑](#footnote-ref-2)
2. This table includes all PR19 common performance commitments with the exception of C-Mex and D-Mex, as the design of these is different. [↑](#footnote-ref-3)