

Your local
water
company

Our
performance
to date

Our vision
for the
future

Meeting
your
expectations

Our Proposed
Plan
2015-2020



Does our plan
meet your
expectations?

What
happens
now?



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Our Business Plan Consultation



Your local supply, on tap

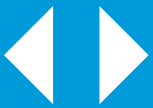
July 2013



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Your local water company

At Affinity Water, we are committed to being the leading community-focused water company. Using our expertise and knowledge, we will continue to provide you and your community with the best possible service and work with you to help shape the future of your water service.

Over the last 18 months, we have been developing our Business Plan for the period 2015 to 2020. It is vital that our plans reflect your priorities for your water service. We understand that in this tough economic climate our customers expect value for money from the service we provide.

In May 2013, we published our Strategic Direction Statement which set out our strategy to meet your expectations for your water service both today and for the next 25 years. We also published our draft Water Resources Management Plan which explains how we aim to manage our water resources over the next 25 years in the most effective and efficient manner, whilst taking responsibility for the impact we have on our local environment. This was developed by working with the Environment Agency, other regulators and neighbouring water companies to support the strategic planning of water resources for the southeast of England.

We are now ready to consult with you about our plans for the next five years. In this consultation, we have set out our Proposed Plan for 2015 to 2020. Alongside this, we present alternative levels of future investment so you can decide if our Proposed Plan will achieve the right balance between the service you receive, the price you pay and the pace of investment.

Thank you for taking the time to read our plans. Please take a couple of minutes to share your views with us by responding to this consultation.

Richard Bienfait
Chief Executive Officer

Proudly providing water to communities within the southeast of England

Responding to this consultation

We invite you to comment by **18 August 2013** on whether our Proposed Plan for 2015 to 2020 achieves the right balance between the service you receive, the price you pay and the pace of investment. We are also seeking your views on our measures of success and if they allow you to judge our performance. Finally we would like your opinion on the potential incentives we may adopt to ensure we achieve the performance we commit to deliver.

You can email your responses to haveyoursay@affinitywater.co.uk or post them to: Business Plan Consultation, Regulation Team, Affinity Water, Tamblin Way, Hatfield, AL10 9EZ.

Or respond online at www.affinitywater.co.uk/futureplans

The Customer Challenge Group

The purpose of the Affinity Water Customer Challenge Group is to advise and challenge the company as they develop their Business Plan. We are independent of the company. Our members are from a wide variety of organisations, including regulators, commercial businesses, local authorities, community groups and environmental groups.

We represent you, the customer, and want to make sure that your priorities are reflected in the company's proposals. Our role is to review the

customer engagement process that Affinity Water has followed and to ensure your views are considered as the company develops its Business Plan for 2015 to 2020.

We will submit a report of our findings to Ofwat, the water industry regulator, at the same time that Affinity Water present their Business Plan to the regulator.

We urge you to get involved and to share your views. Now is the time for you to have your say.

Robin Dahlberg
Chair of Customer Challenge Group



Our performance to date

To improve the performance and effectiveness of our business we have invested over £400 million in local infrastructure over the last five years. The improvements we have made help to ensure the service you receive is reliable, trustworthy and resilient.

Customer experience and satisfaction

The improvements we are making give you a better service and less reason to contact us. When things do go wrong we are much better at resolving problems first time.

Reliable assets and service

Improving the reliability of the assets we use to provide your service is critically important. Over the last two years our performance has improved in terms of burst mains, interruptions to supply and low pressure.

The performance of our assets tells us that we are maintaining and renewing them appropriately.

Water quality compliance

In 2012, we carried out over 210,000 tests on water leaving treatment works, at service reservoirs and at customers' taps as part of our regulatory monitoring programme. Our compliance with drinking water standards confirms that our drinking water continues to be of a very high standard. Overall compliance performance in 2012 was 99.95%.

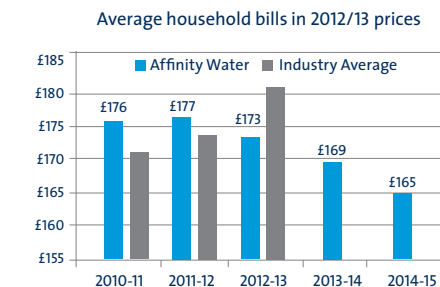
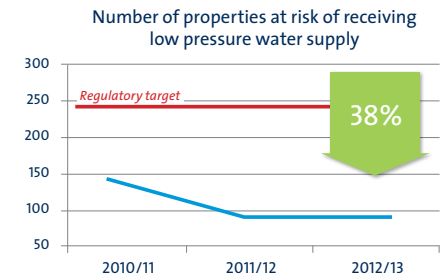
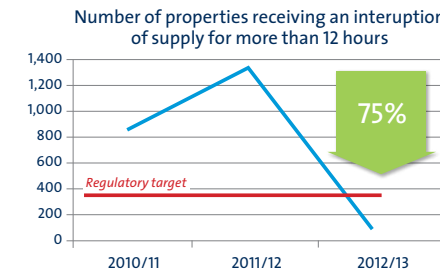
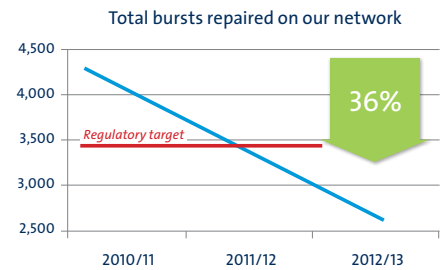
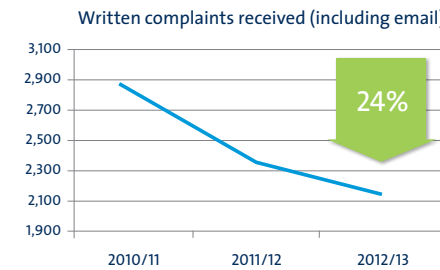
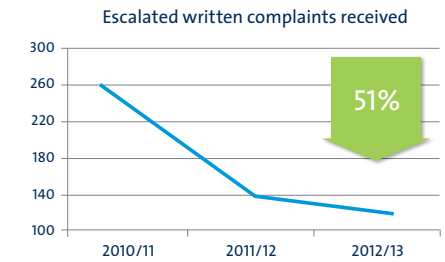
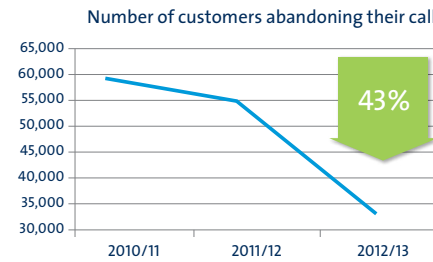
Leakage

Over the last three years we have invested to drive down the level of leakage from our network. We have achieved our regulatory target in each year of this five year period so far. The amount we are currently spending on repairing pipes is reducing leakage beyond the cost effective level.

Average water bills

Whilst improving our performance over the last three years, our average household bills have been increasing at a slower rate than the industry average household bill.

Average bills are based on data from each water company. The average household bill is, by definition, an average across all customers. All bills are shown in 2012/2013 prices.





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Our vision

To be the leading community-focused water company

We believe that by improving our understanding of our customers' expectations, both as individuals and communities, we can provide a resilient and sustainable water service which reflects what you value.

To achieve this vision, we will manage and operate our assets and our service at a community level.

The area we supply is made up of eight water resource zones. We consider that each zone provides a unique service to each community. Each community is named after a local river in that area of supply. Our plans will respect and take full account of the local environmental conditions within these communities.

In this consultation we explain the challenges we are facing and our plans to tackle them.

Our Key Challenge

We supply water to 3.5 million people in the southeast of England, a population that is estimated to grow by 15 percent over the next 25 years. Our area of supply is classified by the Environment Agency as subject to serious water stress. We recognise the need to reduce our abstraction to leave more water to improve the environment.

Our key challenge is ensuring that our customers have enough water whilst leaving more water in the environment.

We are planning to reduce our daily water abstraction over the next 5 years by 55 million litres per day and over the next 25 years by 77 million litres per day. This represents nearly 6 percent of our water available for

use. We believe this is necessary to reduce the environmental impact our current abstraction has on certain chalk streams and river catchments. There are very limited cost effective alternative sources of water for our supply area.

Our Proposed Plan seeks to replace these lost water resources by:

- Reducing leakage
- Working with customers to reduce consumption through metering and promoting water efficiency
- Bringing in new supplies from neighbouring companies

Leaving more water in the environment

The communities we serve



Community	Population	Households	Average water use (litres per person per day)
1 Misbourne	320,000	130,000	174
2 Colne	420,000	160,000	168
3 Lee	690,000	260,000	158
4 Pinn	920,000	330,000	173
5 Stort	280,000	110,000	167
6 Wey	520,000	190,000	168
7 Dour	160,000	70,000	134
8 Brett	160,000	70,000	115
Total	3,470,000	1,320,000	

Figures are for 2011/12. Figures have been rounded.



Meeting your expectations

We aim to provide a water service which meets your expectations now and in the future.

During our consultations in autumn 2012, our customers told us that they have four key expectations of us in providing their water service:



Our Proposed Plan sets out how we will meet your expectations between 2015 and 2020, whilst also considering longer-term challenges.

Measuring our success

We will measure our performance at both a company and community level and report our performance to customers annually so that you can consider whether we are providing a value for money service. We will establish measures of our performance and set out performance commitments to allow you to assess how well we are doing.

This consultation gives you information on the measures of success we are proposing and indicative performance commitments for our Proposed Plan. Over the coming months, as we develop this plan, we will create a series of incentives, including penalties and rewards, around these performance commitments. At this stage we would like to hear your views on our approach to incentives.



October 2012

- Consultation on our Strategic Direction Statement
- Pre-consultation on our draft Water Resources Management Plan

May 2013

- Strategic Direction Statement published
- Consultation on draft Water Resources Management Plan launched

July & August 2013

- Consultation on our Proposed Plan for 2015-2020

Our sustainable approach

We serve communities within the southeast of England – one of the fastest-growing, most economically active and environmentally-pressured regions in the UK. This means that our water supply is under significant stress.

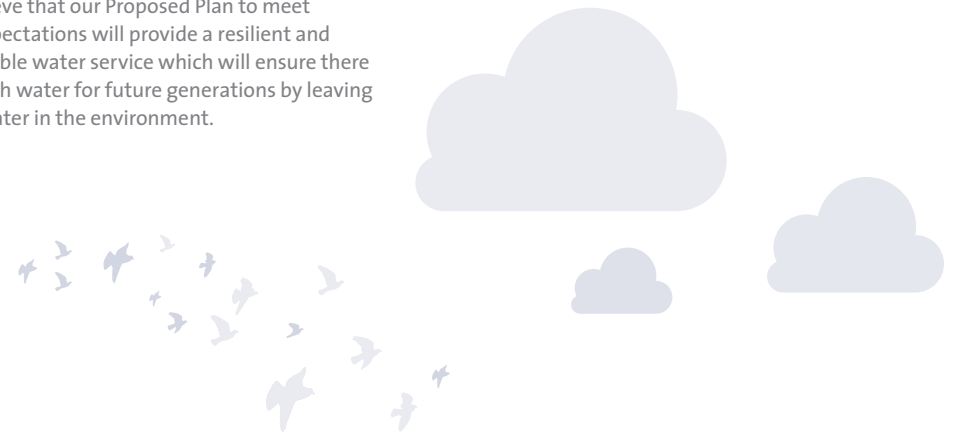
We need to ensure that the service we provide is resilient by making choices which consider wider social, economic and environmental issues. We must plan for future generations to receive high quality, efficient water services that are affordable, whilst ensuring that our operations have as little impact on the environment as possible.

We believe that our Proposed Plan to meet your expectations will provide a resilient and sustainable water service which will ensure there is enough water for future generations by leaving more water in the environment.

Local economic growth and development

We recognise that water is not only essential for public health, it is essential for economic growth and development. Our choices will help sustain our local communities and support our local economies.

Alongside our measures of success, we plan to report key performance indicators to give a broad perspective of company performance including environmental, social and economic performance.





Our sustainable approach

Maintaining our local environment

The environment in which we live and work is rapidly changing. Population growth, climate variability and increased demand for water will all place more pressure on the local environment.

The abstraction of water from local sources can have a range of impacts on the water environment. We will work with the communities we serve, our regulators and the Government to leave more water in the environment to support local rivers.



Sustaining our local communities

Water is essential for life. It is important that the water service we provide is resilient so that future generations continue to have the access to high quality water that our customers have today.

We expect the population we supply to grow by at least 15 percent by 2040. Over the next five years, we will invest in our assets to support this growth and protect our service for future generations. We will prioritise the health and well-being of our communities in everything we do.



Supporting our local economies

Our Proposed Plan seeks to ensure the availability of water, to support the growth and development of commerce and employment within our communities.

Our people are essential to improving the service you receive and we will continue to employ and invest in local people who understand local issues, including UK based call centres.

We have invested over £400 million in local infrastructure over the last five years. We will support local organisations to help maintain the economic sustainability of the communities we serve.





Our Proposed Plan 2015-2020

We are seeking your views on our proposals for providing your water service during the period of 2015 to 2020 to ensure that it meets your expectations.

In December 2013, we will submit our Business Plan to our regulator, Ofwat, for review. In this plan we will explain the level of investment we propose to carry out for the period 2015 to 2020, the efficiencies we plan to achieve and the level of customer bills needed to implement our plan. Our proposals will be focused on achieving the right balance between the service you receive, the price you pay and the pace of investment.



Establishing the pace of future investment

To deliver a sustainable water service and meet your expectations we need to make decisions now about the pace of future investment.

Our Proposed Plan seeks improvement in the service you currently receive and tackles our water resources challenge of leaving more water in the environment. We will reduce our current abstraction whilst ensuring our customers have enough water both during 2015 to 2020 and beyond.

Alongside this, we present alternative levels of future investment so you can decide if our Proposed Plan achieves the right balance between the service you receive, the price you pay and the pace of investment. The alternative investment levels will mean:

Investing at a slower pace - This would maintain the service you currently receive and would go some way to tackling our water resources challenge. Beyond 2020 this pace of investment could lead to a less reliable service, would leave less water in the environment and will increase costs for future generations.

Investing at a faster pace – This will seek to further improve the service you currently receive and would tackle more quickly our water resources challenge. Beyond 2020, this pace of investment would lead to a more reliable service, would leave more water in the environment and will reduce costs for future generations.





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What else will affect the price you pay?

Inflation

We have presented potential changes in bill levels for the period 2015 to 2020 in current prices, that do not include general inflation.

Inflation is the general rise in prices and wages over time. Your bill will rise or fall each year in line with general inflation as measured by the Retail Prices Index (RPI).

Cost of finance

For illustrative purposes in order to calculate the indicative bill impact, we have assumed an industry cost of finance in the region of 4.5% real, pre-tax debt and post tax equity basis.

Sewerage charges

We are responsible for supplying water to your community. The collection and treatment of your waste water is managed by your sewerage provider.

The choices presented in this consultation only affect the amount you pay for your water service. The amount you pay for your sewerage service could also increase in the 2015-2020 period because of investment choices made by your sewerage services provider.



Our proposals at a glance

Customer expectation	Measure of success	Our Proposed Plan
Making sure our customers have enough water	Leakage	10% reduction
	Average water use	7% reduction
	Water available for use	6% improvement
Supplying high quality water you can trust	Compliance with water quality standards	No change
Minimising disruption to you and your community	Unplanned interruptions to supply over 12 hours	5% reduction
	Number of burst mains	15% reduction
	Affected customers not notified of planned interruptions	15% reduction
Providing a value for money service	Planned work taking longer to complete than notified	10% reduction
	Community survey	

	Slower pace of investment	Our Proposed Plan	Faster pace of investment
2014/2015 average household bill	£165	£165	£165
Making sure our customers have enough water	+ £0.45	+ £4.60	+ £6.40
Supplying high quality water you can trust	+ £2.00	+ £2.00	+ £2.00
Minimising disruption to you and your community	+ £0.55	+ £2.60	+ £10.80
Providing a value for money Service	- £5.50	- £5.50	- £5.50
2019/2020 average household bill	£162.50	£168.70	£178.70
Estimated change in average household bill by 2019/2020	-£2.50	+ £3.70	+£13.70



Making sure our customers have enough water

We need to reduce the amount of water we use to leave more in the environment. We will work with you and your community to achieve this.

The challenges we face

- Our key challenge is ensuring that our customers have enough water whilst leaving more water in the environment, as described on page 5
- Increased climate variability has the potential to reduce the water resources available to us and increases the risk of droughts
- Our customers have one of the highest rates of water use in England and Wales which places significant pressure on the availability of water
- Preserving our water sources for the future

Our proposals to meet your expectation

During 2015 to 2020, we will be focusing on:

- Reducing the amount of water we lose from our network through leakage by carrying out more leakage detection and pipe repair activity, and management of pressures
- Reducing demand for water by installing 80,000 meters a year on a compulsory basis, community-by-community, so that our customers only pay for the water they use; this will also help us detect leaks
- Helping our customers to use water wisely and reduce their bills by offering information on their water use and water saving devices
- Increasing our ability to move water across our supply area by investing in key trunk mains which will reinforce our supplies between communities
- Minimising the effect of our operations on the environment by reducing abstractions from a number of sources to improve flows and environmental habitats in local chalk streams
- Making the best use of water resources within the southeast of England by continuing to work with neighbouring water companies and the Environment Agency

Our customers have told us that our plans should focus on:

- Reducing the amount of leakage from our network
- Helping customers to use water more efficiently and to reduce the amount they use
- Leaving more water in the environment



Making sure our customers have enough water

Our measures of success

To enable you to judge our performance in meeting your expectations we propose to use the following measures.

	Why is this important?	Incentives	
1	Leakage (million litres per day)	Reducing leakage from our network means that we lose less water from our pipes when delivering water to your property	Financial rewards and penalties
2	Average water use (litres per person per day)	By being aware of the amount of water we use we can become more efficient and use less	Financial rewards and penalties
3	Water available for use (million litres per day)	We will abstract less water (see page 5) so need to improve the reliability and effectiveness of our assets to maintain supply	Non-financial

Potential 2019/2020 average household bill impact



2020 Indicative Performance

Measures of success	Current target	Slower pace of investment	Our Proposed Plan	Faster pace of investment
Leakage (million litres per day)	195	No change	10% reduction	15% reduction
Average water use (litres per person per day)	164*	4% reduction	7% reduction	10% reduction
Water available for use (million litres per day)	1,270**	4.5% improvement	6% improvement	7.8% improvement

* 2011/12 performance as presented in our Draft Water Resources Management Plan consultation
 ** Current performance

Q1

Do these measures enable you to judge our performance?

What do you think about our approach to incentives for meeting this expectation?

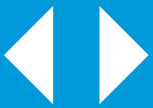
Q2

Would you find it more useful to know the average water use per person or per household?

Q3

Does our Proposed Plan achieve the right balance between the service you receive, the price you pay and the pace of investment? If not, please say why.

Respond online at www.affinitywater.co.uk/futureplans



Supplying high quality water you can trust

We will continue to provide you with high quality water you can trust.

The challenges we face

- Drinking water quality standards are becoming more stringent over time and this means that we must do more to maintain compliance with the UK standards
- Deposits of minerals can build up in our pipes over time which can cause your water to become discoloured
- Changes in manufacturing and agricultural practices can introduce chemicals into the natural environment which can affect the quality of untreated water
- Some pipes in our network are made of lead which can potentially be harmful

Our proposals to meet your expectation

During 2015-2020, we will be focusing on:

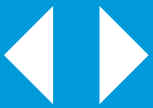
- Ensuring your water is of the highest quality by continuing to use a wide range of treatment processes and investing in our treatment works
- Identifying potential risks to the quality of your water by continuing to test the water throughout our network and at customers' taps

- Replacing lead pipes where there is a potential health risk
- Ensuring that your water does not become discoloured by continuing to invest in our pipes and by carrying out mains flushing
- Maintaining and improving the quality of our ground water sources and rivers by expanding our work with local communities and farmers to avoid the introduction of potentially harmful chemicals into the water supplies including pesticides
- Monitoring the health of our rivers and water environment by carrying out biodiversity studies
- Researching financial and environmental implications of softening water, to inform our future plans

Our customers have told us that our plans should focus on:

Maintaining the high quality of their water





Supplying high quality water you can trust

Our measure of success

To enable you to judge our performance in meeting your expectations we propose to use the following measure.

	Why is this important?	Incentives	
1	Compliance with water quality standards (%)	Your water will be of a high quality and comply with UK drinking water standards, enforced by the Drinking Water Inspectorate	Non-financial

Potential 2019/2020 average household bill impact



2020 Indicative Performance

Measure of success	Current target	Slower pace of investment	Our Proposed Plan	Faster pace of investment
Compliance with water quality standards (%)	99.95%*	No change	No change	No change

* Current performance

Q1

Does this measure enable you to judge our performance?

What do you think about our approach to incentives for meeting this expectation?

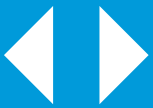
Q2

Are there any other measures that would help you to judge our performance in meeting this expectation?

Q3

Our approach to meeting this expectation is the same regardless of the pace at which we invest as we will not compromise on drinking water quality. Do you agree with our approach? If not, please say why.

Respond online at www.affinitywater.co.uk/futureplans



Minimising disruption to you and your community

We will continue to provide a reliable water service by managing the condition and performance of our assets, so that they are resilient to future challenges.

The challenges we face

- Our network of pipes is 16,500km long and needs to be repaired and renewed, however this is expensive
- More variable climate conditions can put immense pressure on our network of pipes
- Most of our pipes are located in the road and we must achieve a balance between the work we carry out repairing and renewing these pipes and disruption to the local community
- Protecting our assets, not only from natural disaster such as flooding, but also from theft, vandalism and other security risks

Our proposals to meet your expectation

During 2015 to 2020, we will be focusing on:

- Reducing the number of interruptions to our service by investing in renewing and repairing our network of pipes
- Resolving assets failures quickly and effectively by investing in proven asset management technology to allow our community teams to be deployed earlier
- Improving the consistency of the water pressure across our network by installing more effective monitoring equipment
- Improving our communication about possible disruption to your service by investing in proven digital technology to enable you to access information more easily
- Investing in security at our operational sites



Our customers have told us that our plans should focus on:

- Providing an uninterrupted service
- Maintaining the pressure of their water supply
- Improving communication of actual or possible disruption





Minimising disruption to you and your community

Our measures of success

To enable you to judge our performance in meeting your expectations we propose to use the following measures.

		Why is this important?	Incentives
1	Unplanned interruptions to supply over 12 hours	Our assets failing can cause significant periods of disruption to our customers	Financial rewards and penalties
2	Number of burst mains	Burst mains disrupt our service to you and repairing them can cause disruption to your community	Financial rewards and penalties
3	Affected customers not notified of planned maintenance	We understand that it can be disruptive to you if we fail to notify you about work we are planning to carry out	Penalty – compensation payments
4	Planned works taking longer to complete than notified (properties)	If we take longer to complete our work than we had planned, this is likely to cause you further disruption	Penalty – compensation payments

Q1

Do these measures enable you to judge our performance?

What do you think about our approach to incentives for meeting this expectation?

Respond online at www.affinitywater.co.uk/futureplans

Q2

Does our Proposed Plan achieve the right balance between the service you receive, the price you pay and the pace of investment? If not, please say why.

Potential 2019/2020 average household bill impact



2020 Indicative Performance

Measures of success	Current target	Slower pace of investment	Our Proposed Plan	Faster pace of investment
Unplanned interruptions to supply over 12 hours	320	320	305	290
Number of burst mains	3,635	3,635	3,100	2,900
Affected customers not notified of planned maintenance	110*	110	95	85
Planned works taking longer to complete than notified	550*	550	500	400

* Current performance



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Providing a value for money service

We will seek to achieve an acceptable balance between the service we provide and the price we charge you.

The challenges we face

- Achieving the right balance between the level of service which you will receive and the price you are willing to pay
- Establishing the right pace of investment to deliver a sustainable water service which will benefit future generations

Our customers have told us that our plans should focus on:

- Providing better information to allow them to judge whether their service represents value for money
- Explaining potential bills in terms of services

Our proposals to meet your expectation

During 2015 to 2020, we will be focusing on:

- Reducing the cost of our assets failing by improving our targeted maintenance programme
- Improving our performance and reducing cost by investing in proven technology
- Improving our energy efficiency by using more efficient pumps to abstract, treat and move water around our network both reducing cost and carbon emissions
- Improving our procurement practices to reduce the cost of the goods and services that we buy
- Making it easier for you to contact us, over the phone, on our website and through other digital or social media
- Providing better information on how we are spending your money and the service which you receive for the price you pay





Providing a value for money service

Our measure of success

To enable you to judge our performance in meeting your expectations we propose to use the following measure.

		Why is this important?	Incentives
1	Community survey	Understanding whether the service you receive represents value to you and your community	Non-financial

Q1

Does this measure enable you to judge our performance?

What do you think about our approach to incentives for meeting this expectation?

Q2

Are there any other measures that would help you to judge our performance in meeting this expectation?

Q3

Does the information in this consultation help you to judge if our Proposed Plan provides a value for money service?

Respond online at www.affinitywater.co.uk/futureplans

Efficiency savings made by 2020



We will continue to drive efficiencies within our business as part of our day to day activities. During 2015 to 2020, we will expect to achieve efficiency savings which will reduce the cost impact of our Proposed Plan on bills by around £5.50. This will ensure that our customers' bills are as low as possible for the service they receive.





Does our Proposed Plan meet your expectations?

Q1

Does our Proposed Plan achieve the right balance between the service you receive, the price you pay and the pace of investment? If not, please say why.

Q2

Do our measures of success enable you to judge our performance?

Q3

Are there any other measures that would help you to judge our performance in meeting your expectations?

Respond online at www.affinitywater.co.uk/futureplans





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The right pace of investment?



		Slower pace investment		Our Proposed Plan		Faster pace investment	
2014/2015 average household bill	-	-	£165	-	£165	-	£165
Making sure our customers have enough water	Leakage	No change		10% reduction		15% reduction	
	Average water use	4% reduction	+ £0.45	7% reduction	+ £4.60	10% reduction	+ £6.40
	Water available for use	4.5% improvement		6% improvement		7.8% improvement	
Supplying high quality water you can trust	Compliance with water quality standards	No change	+ £2.00	No change	+ £2.00	No change	+ £2.00
Minimising disruption to you and your community	Unplanned interruptions to supply over 12 hours	No change		5% reduction		10% reduction	
	Number of burst mains	No change		15% reduction		20% reduction	
	Affected customer not notified of planned interruptions	No change	+ £0.55	15% reduction	+ £2.60	25% reduction	+ £10.80
	Planned work taking longer to complete than notified	No change		10% reduction		25% reduction	
Providing a value for money service	Community survey	-	- £5.50	-	- £5.50	-	- £5.50
2019/2020 average estimated household bill	-	-	£162.50	-	£168.70	-	£178.70
Estimated change in average household bill by 2019/2020	-	-	- £2.50	-	+ £3.70	-	+ £13.70



Finalising our Proposed Plan for 2015-2020

July & August 2013

- Share our Proposed Plan with customers and stakeholders and review feedback

September to November 2013

- Full review of all customer feedback
- Updating our plans to reflect customer priorities

December 2013

- Submit our Business Plan to our regulator, Ofwat for review
- The Customer Challenge Group submit their final report to Ofwat

2014

- Continuous dialogue with Ofwat who will review our plans to ensure that they deliver the level of service which our customers wish to receive

2015

- New price limits take effect from 1st April 2015
- We will begin to report on our measures of success to customers on a regular basis

What happens now?

We will continue to engage with our communities to ensure that our future plans meet your expectations.

In December 2013, we will be submitting our Business Plan to our regulator, Ofwat. In this plan we will propose the level of investment which we are seeking for the period 2015 to 2020, along with our performance commitments. Our proposals are focused on achieving the right balance between the service you receive, the price you pay and the pace of investment.

Please take a few moments to share your views on our Proposed Plan so that we can ensure that we achieve the right balance.

Responding to this consultation

We invite you to comment on our Proposed Plan for 2015 to 2020 by **18 August 2013**.

You can email your responses to haveyoursay@affinitywater.co.uk or post them to:

Business Plan Consultation
Regulation Team
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