



Your local supply, on tap

# Our Business Plan for 2015-2020

December 2013



Proudly providing water to communities within the southeast of England



Since its formation in July 2012, the Customer Challenge Group (CCG) has advised and challenged Affinity Water during each stage of the creation of its Business Plan for 2015-2020.

We are completely independent of the company and our members comprise household and business customers, as well as representatives from regulators, local authorities, community and environmental groups. We closely monitored the company's comprehensive consultation, with a broad cross section of customers and stakeholders. We examined how the company interpreted the results so that the

Business Plan reflects customers' views. I have also met with the Board of Affinity Water on a number of occasions to update them on our work and to share any concerns that had been raised about the company's plans.

We have submitted our own independent report of our findings to Ofwat at the same time that this Business Plan was presented.

**Robin Dahlberg**  
Chair, Customer Challenge Group

## Welcome

At Affinity Water, we are committed to being the UK's leading community-focused water company. Using our expertise and knowledge, our people aim to provide our customers and their communities with the best possible water service.

Our customers are at the heart of our Business Plan. We are acutely aware of the economic pressures facing many of them. We have worked hard to balance the cost of increased statutory obligations with keeping customers' bills affordable whilst maintaining our high quality service. To help offset these cost pressures, we have committed to meeting challenging efficiency targets. This means that customers' bills, on average, will fall by 0.7%, before inflation, each year over the 5 years from 2015. In 2014/15, the average household bill will be £165.20. This will fall to £159.50, before inflation, by 2020.

We have undertaken extensive research with our customers to ensure we have understood and reflected their views in our plans. Our customer engagement was carefully structured and independently assured. I want to take this opportunity to thank the 12,500 plus customers that have taken the time to contribute to our Plan.

Water is a precious, finite resource and we need to appreciate its value and use it more efficiently. Our Plan reflects the importance of the environment from which we abstract our water. We will reduce the amount of water we abstract from our groundwater sources by 42 million litres per day by 2020. We are going to be increasing investment in our infrastructure to more than £500 million between 2015/16 and 2019/20 to ensure that future generations will continue to have sufficient high quality water to meet their needs.

Our Plan responds to the significant social and environmental challenges we face. Water is vital for public health, and is also essential for economic development. We have an important role to play in supporting our local economies and regional growth. Collaborative working with neighbouring water companies has helped us to support the strategic planning of water resources for the southeast of England. We will continue to work in partnership with them.

Our Board has demonstrated strong leadership in developing our Business Plan. It has focused on what matters to our customers and has ensured this is taken into account in our Plan. This has resulted in a high quality plan that meets our customers' expectations and complies with our legal and regulatory obligations.

The independent Customer Challenge Group has monitored closely our engagement with our customers and stakeholders and how we interpret the results of the consultation. We have worked closely with Defra and the Consumer Council for Water, as well as the Environment Agency and the Drinking Water Inspectorate to ensure our Plan meets all our statutory obligations.

**Richard Bienfait**  
Chief Executive Officer





## Our Plan at a glance

- Customer bills will go down over the next five years by 0.7% per year, before inflation
- We will maintain high quality drinking water
- We will reduce leakage by 14% – the equivalent of 27 million litres per day
- We will reduce the amount of water we take from the environment by 42 million litres per day
- We will encourage our customers to use less water:
  - We will meter 280,000 properties by 2020 and give those customers a choice to keep paying non-metered charges for up to two years to make the transition easier for them
  - We will provide advice and water saving devices to support our customers in reducing their water use
- We will implement a targeted programme of lead pipe replacement to meet more stringent legal standards
- We will promote our social tariff to support those least able to pay their bill
- We will make £106 million of efficiency savings in our running costs\* to keep bills as low as possible over the next five years
- We will invest in increased flexibility in our network so we can transfer water more effectively around our communities
- We will make ourselves accountable to our communities for our performance

## Our Plan meets our customers' expectations:

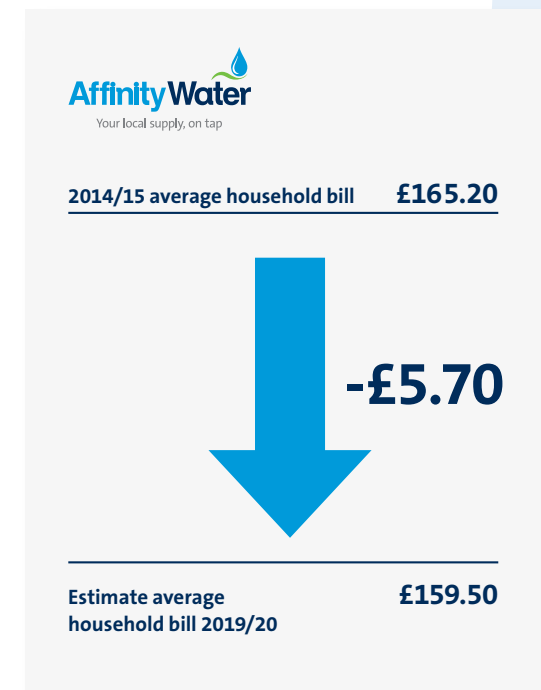
*Making sure our customers have enough water, whilst leaving more water in the environment*

*Supplying high quality water you can trust*

*Minimising disruption to you and your community*

*Providing a value for money service*

## Impact on customer bills



Prices are before inflation. The bill you receive from us may also include charges from your sewerage provider for the treatment and disposal of wastewater.

## What happens next?

Our economic regulator, Ofwat, will review this Business Plan and our proposed bill levels for 2015-2020. Ofwat will announce the outcome of their review by January 2015

\*Running costs includes operating expenditure and capital maintenance expenditure.



# About us

We supply water to 3.5 million people living and working in southeast England, providing them with over 900 million litres of water every day. We are privileged to be the supplier of this essential public service and to be a steward of this precious resource for future generations.

## With this privilege comes an important responsibility to:

- Listen to our customers and make sure the service we provide meets their needs
- Be open with our customers and accountable to them for the service we provide
- Minimise the impact we have on the local environment
- Ensure future generations will have access to enough high quality water
- Ensure our plans represent value for money

Our Business Plan sets out what we will achieve during 2015-2020. Our extensive customer engagement has been critical in developing what we are going to do and our customers are highly supportive of our proposals. We have listened to what they have said and acted on their feedback.

## 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.*

We are working with our communities, our regulators and the Government to manage the impact of taking water from sensitive habitats and to maintain flows in local rivers.



## Sustaining our local communities

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

We expect the number of households we supply to grow by at least 6% by 2020. Over the next five years, we will invest in our assets to support this growth and protect our service for future generations.



## Supporting our local economies

*Our Plan ensures 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. We will continue to employ and invest in local people who understand local issues. We will maintain our UK-based call centres.

*We will invest over £500 million in local infrastructure in the five years from 2015/16*





“ We welcomed the opportunity to work with Affinity Water on metering and other water efficiency initiatives. The Affinity Water programme has significantly reduced demand in a water scarce area, laying the basis for sustained water saving. ”

David Brazier, Kent County Council, Cabinet Member for Transport and Environment

## Leading community-focused water company

Our vision is to be the UK’s leading community-focused water company.

By understanding our customers’ expectations of us, we will provide a sustainable and resilient service which our communities value. The choices we are making will help sustain local communities and support our local economies.

The area we supply is made up of eight water resource zones. This allows us to provide a unique service to the community in each zone. We have named each community after a local river to strengthen the link between our customers, the service we provide and important local water sources. We will manage our service at a local level and the decisions we take will reflect local environmental conditions.

We want to build and maintain the trust and approval of our customers and to do this we will be open about our performance. Our customers will be able to keep track of how we are doing and what this means for them through regular communication which will be published at a company and community level.

It is important that we continue to engage actively in our local communities. We have formed strong partnerships with community and environmental groups, local authorities and elected representatives. We believe that these partnerships will help ensure that the decisions we take are right for each community.



### Working in the community

Our Environment and Education Centre in Hertfordshire welcomes more than 6,000 visitors and we visit over 7,000 pupils in schools each year.

Our award winning Education Team provides a series of interesting and informative courses for young people, where they learn about the importance of water and the environment.



# Track record of strong performance

Our past performance shows we can be trusted to deliver.

Between 2010 and 2013, we have continued to meet our regulatory commitments. We have improved the performance of our network and enhanced our customer service operations. We have invested significantly to provide our customers with a high quality service, whilst keeping bills as low as possible.

### Since 2010 we have:

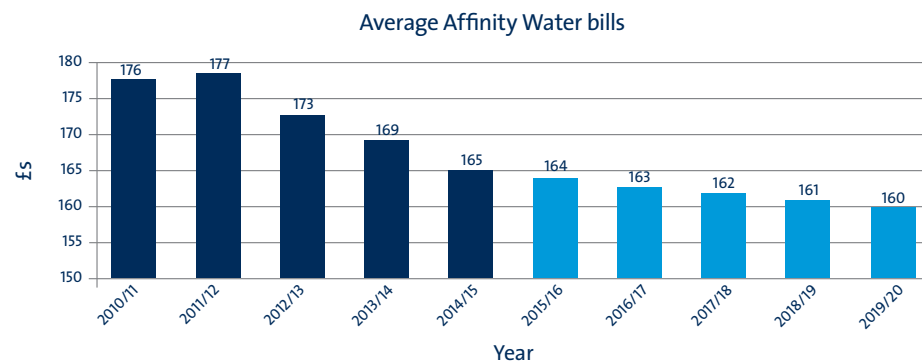
- Consistently outperformed the targets for reducing leakage set by our regulator, Ofwat
- Provided high quality drinking water, assured by the 600,000 water quality tests we have undertaken
- Reduced the number of properties experiencing an interruption of supply of more than 12 hours by 75%
- Reduced the total number of bursts on our water mains by 36%

### Voice of the Customer

Our Talkback programme receives responses from 50,000 customers every year. We have taken on board this feedback from customers and our people and changed our processes to improve the customer experience.

### Community Operations Team

We have created a new team who manage our water network in our communities. Members of our Community Operations Team have strong community links and bring extensive local knowledge to our operations.



The average household bill is, by definition, an average across all customers. All bills shown are in 2012/13 prices.

Between 2015/16 and 2019/20, we will invest over £500 million while our average bill will fall by 0.7% per year, before inflation.



# The future challenge

We operate in areas that the Government has designated as being under serious water stress.

This is where high demand for water can lead to underground water supplies being over-exploited and rivers drying up. Less predictable weather patterns associated with climate change could lead to unprecedented drought if we experience three consecutive dry winters.

Around 60% of our water supply comes from underground sources and it needs to be replenished each year by winter rainfall. We do not have significant storage for untreated water. Our high dependency on groundwater sources means we are particularly affected by drought and pollution events. Our supplies are vulnerable to the impact of population growth and planned sustainability reductions in abstractions.

We have a responsibility to operate in a sustainable way. We have agreed with the Environment Agency that we will reduce the amount of water we abstract by 42 million litres per day by 2020. We will leave more water in the environment whilst meeting the supply needs of a growing population.

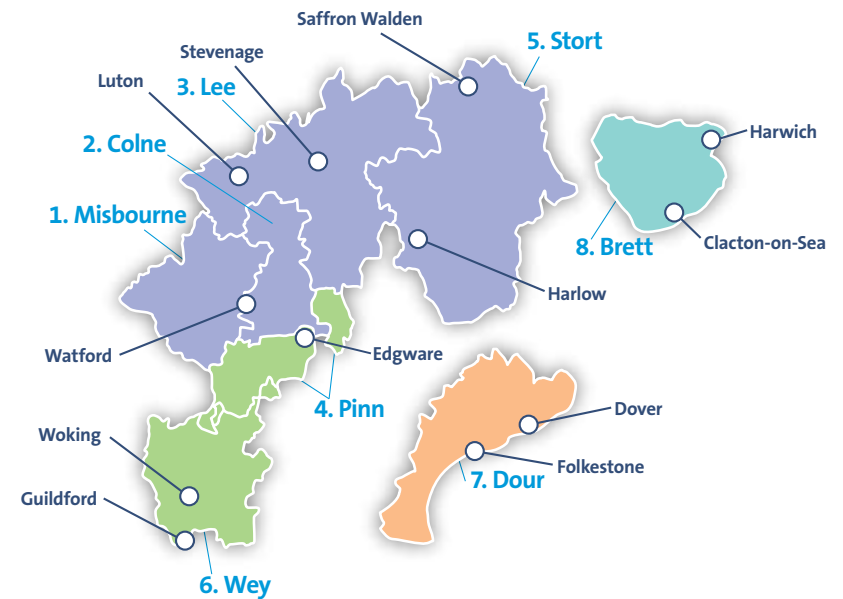
We can only meet this challenge by working with our customers to leave more water in their environment

### This challenge is intensified because:

- Many of the world's precious chalk streams flow through our supply area and our abstraction can damage their biodiversity
- We provide water in one of the fastest growing, most economically active regions in the UK
- Our customers are amongst some of the highest water users in the country
- The number of households in our supply area is expected to increase by around 6% between 2013 and 2020

### Where will we increase metering?

- Zones 1, 2, 3 and 5 90% from 2015 to 2020
- Zones 4 and 6 90% from 2020 to 2025
- Zones 7 93% already metered
- Zones 8 Currently 80% metered. We will encourage customers to switch to a metered charge over the next 10 years





## Customer engagement and our commitments for 2015-2020

We have spent 18 months communicating with, and listening to, our customers on our Business Plan. We have done this in a range of different ways, including face-to-face workshops, online panels and web-based and paper surveys.

Our communication and engagement has been carefully planned and independently checked to make sure we reach out to different groups within our communities.

We have benefited from the creation of an independent Customer Challenge Group to challenge us on our engagement plan.

We have received responses from more than 12,500 customers

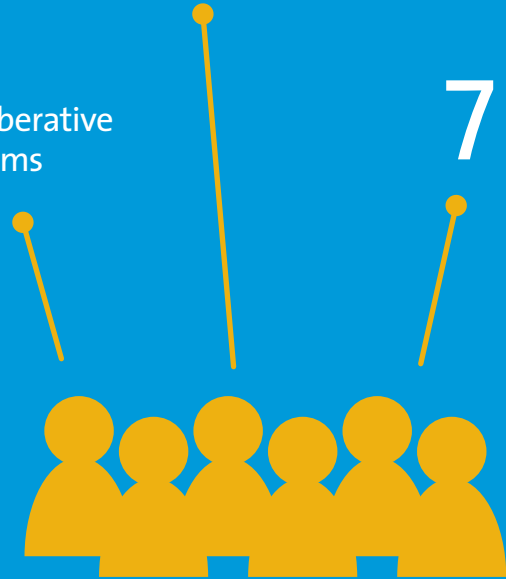
### Customer consultation

- Our Let's Talk Water campaign reached an estimated **1.5 million** customers
- Over **300,000 customers** reached through social media

4 Large scale face-to-face and telephone surveys

6 Deliberative forums

7 Online panels



40 Focus groups in 25 locations

LET'S TALK WATER

Customer consultation has received over 4,000 responses



Interactive questionnaires





## Meeting your expectations

We have listened carefully to our customers and improved our understanding of what they seek from our service. Our consultation and engagement has told us that our customers and stakeholders have four key expectations:

- Making sure our customers have enough water, whilst leaving more water in the environment*
- Supplying high quality water you can trust*
- Minimising disruption to you and your community*
- Providing a value for money service*

These expectations have formed the basis of our Business Plan.





## Our Business Plan consultation in summer 2013

We set out our proposed plan and two alternatives in summer 2013: one with a slower pace of investment and one with a faster pace of investment. These plans provided our customers with more information about delivering the outcomes associated with each expectation.

**More than 9 out of 10 of our customers would accept a plan with a £3.70, before inflation, bill increase by 2020.**

We know that economic conditions are tough and some customers are struggling with the increased costs of living. Our Plan reflects these affordability issues and keeps bills as low as possible by focusing investment on the things customers prioritise.

### Our customers told us:

- They want us to prioritise maintaining high standards of drinking water quality and reducing leakage
- They want us to leave more water in the environment
- They do not want to see an improvement in the service if this means higher bills
- They are largely supportive of universal metering as the fairest way to pay, but reducing leakage is a greater priority for them
- They want us to make cost efficiencies and provide them with a value for money service

## We have changed our Plan to reflect what customers have told us:

- We will reduce leakage by 14%, not 10% as we originally proposed
- We will slow down the pace of investment and target universal metering in 280,000 properties not 400,000, focusing on the most water-stressed communities
- We will maintain the stability of our network to provide a reliable service
- We will introduce new commitment measures to reflect the importance of our environmental sustainability reductions and the importance of maintaining high quality drinking water







“It’s time we all worked together to save water and the environment, we must think of the future and what we are leaving our children. If not, our world is unsustainable”

“I think this questionnaire was well written and designed. Thank you for actively seeking my input”

“I think it would benefit any utility provider to explain to their customers what their money is paying for”



## Our final Plan for 2015-2020

Customers' Expectations	Our Commitments
 <p>Making sure our customers have enough water, whilst leaving more water in the environment</p>	<p><b>Reduce leakage by 14% – 27 million litres a day</b> A stretching target for reducing leakage in the network, to reflect the importance our customers place on it</p>
	<p><b>Reduce average water use by 7%</b> Supporting our customers to enable them to reduce their consumption by offering water efficiency advice and introducing universal metering for 280,000 households in the most water-stressed communities</p>
	<p><b>Improve the water available for use by 4%</b> Increasing flexibility in our network so we can transfer water more effectively around our communities</p>
	<p><b>Abstraction Incentive Mechanism</b> Ofwat will review our sustainability performance and compare this with other water companies</p>
	<p><b>Sustainable abstraction reductions of 42 million litres a day by 2020</b> Improving our efficiency in supply and reducing the demand for water will enable us to leave more water in the environment</p>
 <p>Supplying high quality water you can trust</p>	<p><b>Compliance with water quality standards</b> Maintaining the high quality of your water by investing in our treatment works, sampling across our network and preserving the quality of our water sources</p>
	<p><b>Customer contacts about discolouration</b> Understand and respond to local concerns about water aesthetics</p>
 <p>Minimising disruption to you and your community</p>	<p><b>Unplanned interruptions to supply over 12 hours</b> Targeted investment in strategic mains to limit prolonged disruption to supply</p>
	<p><b>Number of burst mains</b> Investing in our network to maintain service levels</p>
	<p><b>Affected customers not notified of planned maintenance</b> Keeping our customers updated when we have to carry out planned maintenance</p>
	<p><b>Planned works taking longer to complete than notified</b> Effectively planning and carrying out necessary maintenance to our assets to minimise disruption</p>
 <p>Providing a value for money service</p>	<p><b>Service Incentive Mechanism</b> Delivering a service which meets our customers' expectations</p>
	<p><b>Value for money and affordability survey</b> Ensuring that we are providing the service which our customers and communities value, and that we help those who may struggle to pay</p>

Average bills will fall by 0.7% per year, before inflation. We will achieve £106 million of efficiencies in our running costs

## Accountable to our customers and our communities

Continuous customer engagement sits at the heart of our business. We will continue to be fair, open and transparent with our customers, local organisations and stakeholders. We will be open about our governance, our profit levels and how much we contribute to local economies and pay in taxation.

Our communication and engagement will:

- Deliver open and transparent communication with our customers and stakeholders, demonstrated through our corporate governance and accountability reporting
- Promote genuine dialogue with stakeholders
- Keep customers and stakeholders informed about our progress against our agreed performance commitments at a community level
- Provide opportunities for customers and stakeholders to challenge us and our performance
- Ensure that we prepare future business plans with a clear understanding of our customers' priorities

We envisage that our engagement and communication programme will include the following elements:

- Annual stakeholder forum events in each of our eight communities, led by our Executive Team
- Regular e-bulletins sent to community leaders and elected representatives. This will provide an update on community issues and review our performance against our agreed commitments
- Transparency against our commitments. We will publish our performance against our agreed commitments on a monthly basis on our website
- Publish an annual report of our performance at a community and company level
- Regular customer surveys to assess value for money. This is a key measure of success that we will be developing during 2014/15



For more information, visit our website  
[www.affinitywater.co.uk/futureplans](http://www.affinitywater.co.uk/futureplans)

