

Anglian Water 12A. OUR OUTLINE PLAN 2020 - 2025: SUMMARY



OUR OUTLINE PLAN 2020-2025 SUMMARY



A CONSULTATION SUMMARY

Welcome to our Outline Business Plan Summary. This is a summary of our full Outline Plan which sets out what we're planning to deliver over the 2020-2025 period. It is not our final plan, but an assessment of some key areas that we believe we need to focus on to continue to support customers, communities and businesses in our region. Through our refreshed Strategic Direction Statement, we have already agreed our long-term vision with our customers, setting out strategies for getting there, and our Outline Plan supports that longer term ambition.

Our Outline Plan addresses how we will invest to deliver the essentials and includes choices of how quickly we invest to reduce the risk of climate change. It also shows what investment choices would mean for bills and the outcomes we are proposing to deliver in return. Another important element of our plan explains how we will support customers in vulnerable circumstances and how we are consulting with customers and stakeholders to get as much feedback as we can.

We are proud of our track record and already lead the industry on leakage. We have delivered the biggest reduction in typical bills at twice the industry average at the last price review.

Our Board and shareholders are committed to improving transparency, trust and customer confidence. So we are clarifying our financial structures and placing public interest at the heart of our business, including making Independent Non-Executive Directors the majority of our Board. We are also reducing dividends, which will allow us to invest an extra £65million in resilience schemes by 2020 to improve the region's ability to deal with drought and flooding.

But now we must consider what future choices we make, and over what time period, to protect our future water supplies from growing risks, to safeguard the environment, and to keep bills affordable.

Recent decisions by Government mean that some of these choices are no longer ours to make. A statutory requirement for investment in natural environmental programmes that is more than four times the level of the programme we are currently delivering, and an obligation to bring forward that investment in a single five year period, means that we have less manoeuvrability when it comes to the levels of investment and, therefore, the profile of customer bills.

Where previously we were aiming to reduce bills, in order to support the Government's plans and meet these legal obligations we now must explore increasing average bills to allow for this investment.

There are choices that we can make and we are keen for our customers and stakeholders to help us shape those choices. By taking your views into account, we can be sure that our plan meets the needs of our customers, the wider public, and the environment today and in the future.

We've engaged with tens of thousands of customers across our region to form our Outline Plan. We want you to have your say before we submit our final business plan to Ofwat in September 2018.



Peter Simpson,
Chief Executive



WE INVITE YOU TO COMMENT DIRECTLY ON THIS PLAN, AND IN PARTICULAR ON THE FOLLOWING QUESTIONS:

- Should we invest at the higher end of the viable range of investment in the next five years to address the risks of **climate change** sooner, with a bigger impact on bills in the same period?
- Should we defer some investments to address the risks of **climate change** to a later point, in order to keep bills lower over the next five years?
- What are your views on the different possible **bill profiles** we have set out?
- Which **aspects of our service** do you think are most important?
- Do you agree that we should aim to **recover the expenditure** we make on our longer-life assets **in line with the average rate** at which those **assets depreciate**?
- Should we set ourselves a target to **reduce leakage even further** and continue to be the best performer in the industry on leakage?
- Do you agree with our overall approach to **supporting customers in vulnerable circumstances**?
- Which **activities to support customers in vulnerable circumstances** should we prioritise?
- Do you feel that this Outline Plan helps to move towards delivery of our **four long-term ambitions**?

The easiest way to feedback to us is using our engagement tool found at <https://ourplan.anglianwater.co.uk/>

We would also very much welcome comments and response to the 9 questions above. Please send these, by 9 May 2018, to stakeholderfeedback@anglianwater.co.uk.

IN 2017 WE UPDATED OUR STRATEGIC DIRECTION STATEMENT

Our customers and stakeholders helped us review and update our long term plan. Their contribution really helped us re-focus on the important things that mattered to them, including:

- making the east of England resilient to the risks of drought and flooding.
- enabling sustainable economic and housing growth.
- becoming a carbon-neutral business by 2050.
- working with others to achieve significant improvement in ecological quality across our catchments.

A large part of our plan is about delivering the essentials:

- Maintaining excellent drinking water quality
- Safely recycling used water

- Supporting housing growth
- Providing trusted high-quality customer service
- Meeting our obligations to protect the environment, on which our services depend.

These essentials need significant on-going investment. We're constantly looking for better and cheaper ways to deliver our service and we are one of the most efficient companies in the sector which is why we have been able to lower bills beyond our peers.

We also have legal obligations to deliver environmental improvements and help meet the environmental targets set out in legislation. The Environment Agency sets out the actions we need to take to meet our environmental obligations in the Water Industry National Environment Programme (WINEP).

The scale of investment needed to deliver these improvement programmes makes up a large part of our overall investment plan. The proposed WINEP programme is significantly larger than in the past and is larger in our region than in others. Between 2020-2025, we expect to invest around four times as much as we planned to in 2015-2020.

In some areas, we have real choices about how we manage risks and how fast we improve service and resilience. We want to understand where our customers' priorities lie and what sort of company they want us to be in 2025.

KEY AREAS WE'D LIKE YOU TO THINK ABOUT

The balance between the pace of resilience investment and bills.

Should we invest at the higher end in the next five years to address resilience as much as we can, or invest at the lower end to keep bills lower now? For example, we expect climate change to mean less water is available in the long term, but we could defer some actions until we have greater scientific certainty about the impacts.

The rate we recover expenditure.

Do you agree that we should aim to recover the expenditure on longer-term assets in line with the average rate at which those assets depreciate?

Service.

Which aspects of service linked to our assets do you think are most important?

Leakage.

Should we set ourselves a target to reduce leakage even further and continue to be the best in the industry?

Supporting the vulnerable.

Do you agree with our overall approach to supporting customers in vulnerable circumstances? Which activities to support them should we prioritise?

Our long-term ambitions.

Do you feel this plan helps to move towards the delivery of our long-term ambitions set out in our Strategic Direction Statement?

Water efficiency.

Water efficiency campaigns and initiatives have a huge role to play and we're planning £21million investment on this between 2020-2025.

Smart Meters.

Between 2020-2025 we will invest £180million installing smart meters across our region.

Climate change

We have adopted the Environment Agency's 2017 method for calculating climate change impacts. It would, however, be possible to defer these impacts, and associated investment, until 2029-30.

We will continue to improve our services in these essential areas by:

- protecting and improving water quality at source, across our distribution system and inside the home.
- moving to become a leader in customer service, using digital technologies and better customer insight to provide trusted, effortless and personal customer service.
- continuing to work with the Environment Agency (EA) and other stakeholders to reduce the impact of our operations on the environment and deliver our statutory responsibilities under the Water Industry National Environment Programme.
- meeting the needs of local communities by supporting housing growth.

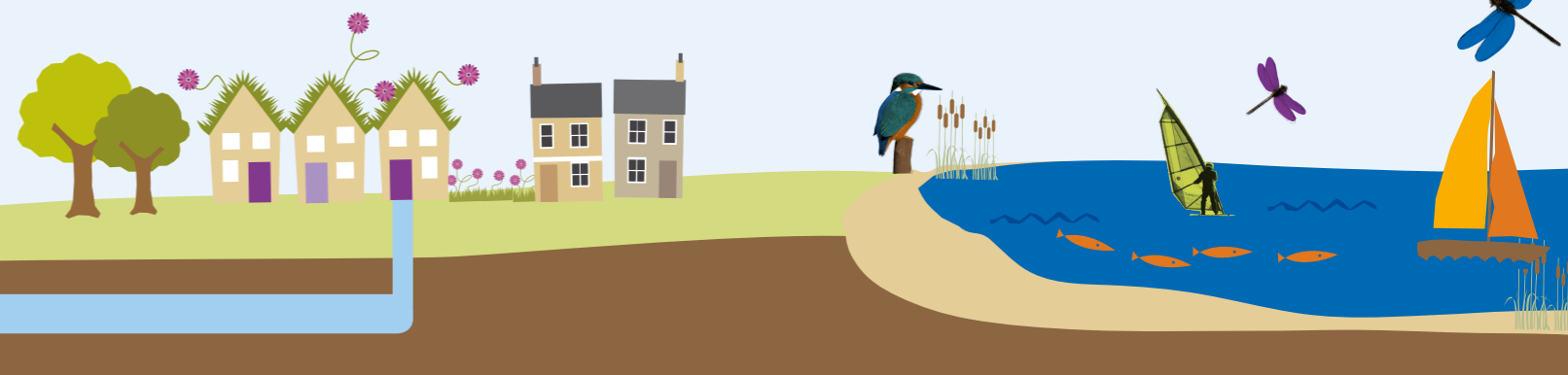
Our plans for balancing supply and demand over the next 25 years are set out in our draft Water Resources Management Plan, and include:

- Continuing to drive down leakage at industry-leading rates.
- Ambitious water efficiency programmes.
- Integrating more of our water supply systems through a strategic grid, allowing us to move water to where it is needed.
- Trading with Affinity Water and Severn Trent Water.
- Solutions that create new water resources.

FACILITATING GROWTH

Between 2020-2025 we will:

- invest in an integrated water and water recycling system providing reliable, affordable and sustainable services for customers and business, while protecting the environment.
- facilitate sustainable economic and housing growth supporting the vision and delivery of the Water UK-led 21st Century Drainage Programme identifying and addressing the major risks for drainage in the future.
- use intelligence from key indicators, live modelling tools and relationships with local authorities and developers, to improve how we help to support growth in our region.



CUSTOMERS IN VULNERABLE CIRCUMSTANCES

Between 2020-2025 we will:

- aim to ensure our customers can rely on targeted and effective support when they need it.
- use trusted data to identify customers in vulnerable circumstances.
- build partnerships to identify and target support for customers in vulnerable circumstances.
- promote the support we can offer to customers, including through partnerships.
- provide targeted and effective support which is flexible to the needs of the individual and not a one-size-fits-all approach.
- use an independent panel of vulnerability experts to challenge us.

CUTTING LEAKAGE

We are currently working to an ambitious target to reduce our leakage to 172 megalitres per day by 2020. We are proposing to drive down leakage even further with an aspiration to reduce it to 142 megalitres per day, a level previously unseen in this country. Should we set ourselves a target to reduce leakage even further and continue to be the best performer in the industry?

CUSTOMERS BILLS

Our customers' bills have gone up by 10 percent in real terms since 1990, compared to an industry average of 46 percent and nearly 60 percent for some companies. This is despite significant investment across our region which has transformed the service our customers receive and improved the quality of our environment substantially, including our beaches, rivers and protected sites.

Between 2015-2020 we reduced the average bill by 10 percent in real terms.

The choices that we and our customers make about the scale and timing of our activities will affect our plan for 2020-2025 and ultimately the level of bills.

The scale and phasing of the statutory requirements under the WINEP programme will also impact both our ability to make discretionary choices and the level of customer bills.

Based on the investment options set out our Outline Plan there is a range of implications for bills. These range from a forecast increase in average annual bills, in real terms, from 2020 to 2025 of £21 reflecting the scale of the WINEP programme and if we invest more in the next 5 year period to address resilience risks more quickly, to maintaining bills flat if we invest less, including deferring some of the resilience expenditure into the earlier part of the 2025-2030 period.



WHAT'S NEXT?

We will be collecting feedback from stakeholders, businesses, customers and our regulators through various engagement channels, including our online community, to help us formulate our final business plan.

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