

OUR PLAN

EXECUTIVE SUMMARY
2020-2025



Dŵr Cymru
Welsh Water

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INTRODUCTION

WHO WE ARE

Welsh Water has been owned by Glas Cymru since 2001. Glas Cymru has no shareholders and therefore works solely to enhance the interests of the customers and communities that it serves.

We provide a vital public service to around 3.1 million people in Wales and neighbouring parts of England. We provide our customers with clean water that is safe to drink and take their used water away, treating it so that it can be returned to the environment. We recycle the organic material resulting from the wastewater treatment process, generating valuable electricity and gas, passing on the end product to farmers to enhance the productivity of their land.

Many of our customers are businesses that depend on a reliable supply of water, and developers with whom we work in providing the infrastructure required to support the needs of a growing population.

We also have an important wider role contributing to the well-being of society at large, including through our contribution to a better environment, our education programme and promoting access to the countryside, such as via our visitor centres.

Around 10% of our customers in the north east of our area are 'wastewater-only' customers, their water service being provided by Hafren Dyfrdwy (formerly Severn Trent Water and Dee Valley Water).

THIS DOCUMENT

This document summarises our business plans for 2020-25. It will be submitted to the industry regulator Ofwat in September 2018 for their 'PR19' regulatory review. The plan is set in the context of our long-term vision, Welsh Water 2050, which resulted from a major consultation exercise with customers and stakeholders on how we should respond to the key trends and challenges over the next 30 years. This provides a roadmap for each 5 year price control and ensures that our plans fairly balance the interests of current and future customers.

In the next section, we explain some of the background to our plans, including what makes Welsh Water uniquely-driven by its customers. Our business plan has taken the views of customers as its starting point and as the main driver of our decision-making. Each of the following sections then summarises, for each key area of activity, our current performance, what our customers have told us, and how our plans for the next five years and beyond deliver the outcomes customers have asked for.

WE PROVIDE A VITAL
PUBLIC SERVICE TO AROUND
3.1 MILLION PEOPLE IN WALES
AND NEIGHBOURING PARTS
OF ENGLAND.

OUR APPROACH TO PR19 AND WELSH WATER 2050

OUR VISION

Because we provide an essential public service on which the health of individuals and communities depends, it is vital that we protect the trust of our customers. This is why we work to a clear vision: "to earn the trust of our customers, every day". Our PR19 business plan has been designed to make real progress towards this vision, delivering better value for money for all the households, businesses and developers that we serve.

NOT FOR SHAREHOLDERS

Because we don't have shareholders, we are able to return any financial surplus to the benefit of customers – our 'customer dividends' – by reinvesting in the business for further performance improvements or risk reduction, or by returning the value directly to customers through our social tariffs. We regularly consult with customers as to how to apply our financial surpluses. During the current five-year investment period, AMP6, we expect to distribute some £150 million for the benefit of our customers, following extensive customer consultation in 2016 ("Have Your Say").

Given the above, we are as focussed on making profit as any shareholder-owned company so as to maximise these "customer dividends". We incentivise our management to achieve agreed objectives in the most efficient way possible, in particularly seeking to avoid incurring any net financial penalties on performance which would reduce revenues and, therefore, funds available for distribution to customers.

CUSTOMER ENGAGEMENT

As a genuinely customer-driven business, our customers' views, preferences and priorities are the foundation of our business plans. This is an ongoing process, and we are increasingly using our innovative, digital Customer Sentiment Map to improve our ability to bring together and analyse data from our daily operations, thereby enhancing our understanding of our customers and their needs.

We have also undertaken a major programme of customer engagement for PR19, involving around 40,000 customers. What this exercise has told us about the priorities and concerns of our customers has formed the basis of decision-making for our PR19 business plan.

CHALLENGING OUR PLANS

Our Board has been fully engaged in developing our plans from beginning to end, devoting significant amounts of its time to understanding the views of customers and challenging the plan

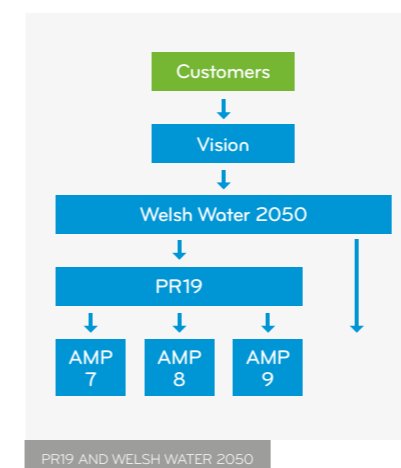
as it has evolved. Having considered these views, it set out early in the process a set of strategic parameters for our PR19 plans. It then ensured our plans meet these objectives, are both challenging and deliverable, are informed by international best practice, and are underpinned by a robust process of internal and external assurance.

The Customer Challenge Group (CCG) has provided an independent perspective on our customer involvement activities and has challenged us both on our engagement and on how these activities have influenced our plans. We have also discussed our AMP7 and Welsh Water 2050 plans with the independent Members of the Glas Group, who hold the Board to account in the place of shareholders, as well as with a 'PR19 Forum' of our Welsh regulators (Welsh Government, Natural Resources Wales (NRW), the Drinking Water Inspectorate (DWI), and the Consumer Council for Water (CCWater).

OUR LONG-TERM STRATEGY: WELSH WATER 2050

Our PR19 business plan is set firmly in the context of our long-term purpose which is "to become a truly world class, resilient and sustainable water service for the benefit of future generations." Following a major consultation exercise with customers and stakeholders, we published Welsh Water 2050 in March 2018. It sets out the eight major challenges that we expect to face over the next 30 years, and the 18 strategic responses required to address them.

In order to be responsive to the needs of both current and future customers, we intend to start delivering on this long-term commitment on a prioritised 'no regrets' basis over the next 10 years, at a pace which is considered affordable by our customers. Our chosen measures of success for PR19 cover each of these strategic responses, and will evidence the progress towards our long-term goals made possible by the investments, which include improved network resilience, environmental improvements, and dam safety. The progress achieved will form the basis of our management incentivisation.



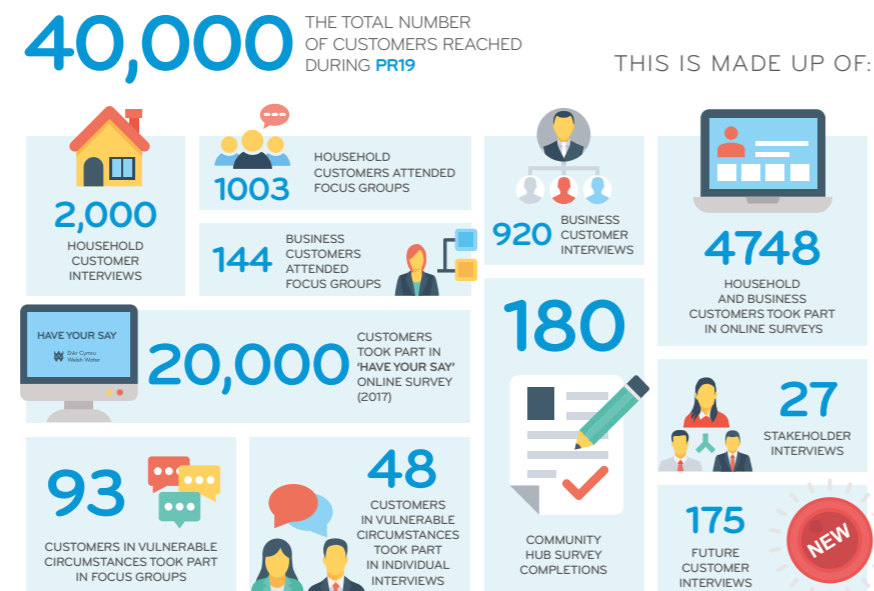
WELSH GOVERNMENT AND OTHER STAKEHOLDERS

In developing our PR19 business plan we have been guided by Welsh Government policy, as set out in A Water Strategy for Wales (2013) and its Strategic Priorities and Objectives Statement to Ofwat (2017). We have also had regard to the Wellbeing of Future Generations Act which, while it does not directly apply to us, sets a framework which we fully endorse for long-term planning in relation to the people we serve (both in England and in Wales) and the environment. We have, therefore, mapped our Welsh Water 2050 strategic responses against the Act's 'well-being goals' (see chart below).

In addition to the Welsh Government, we have met regularly with, and been challenged by, our other key stakeholders and taken account of their views. These include NRW and the Environment Agency (EA), the DWI, CCWater, and members of our Independent Environmental Advisory Panel (IEAP).

OUR BUSINESS PLAN IS SET FIRMLY IN THE CONTEXT OF OUR LONG-TERM PURPOSE WHICH IS 'TO BECOME A TRULY WORLD CLASS, RESILIENT AND SUSTAINABLE WATER SERVICE FOR THE BENEFIT OF FUTURE GENERATIONS.'

- A prosperous Wales
- A resilient Wales
- A healthier Wales
- A more equal Wales
- A Wales of cohesive communities
- A Wales of vibrant culture and thriving Welsh language
- A globally responsible Wales



Category	Goal	Response 1	Response 2	Response 3	Response 4	Response 5	Response 6	Response 7	Response 8	Response 9	Response 10	Response 11	Response 12	Response 13	Response 14	Response 15	Response 16	Response 17	Response 18	
Drinking water	1: Safeguarding clean drinking water through catchment management																			
	2: Enough water for all																			
	3: Improving the reliability of drinking water supply systems																			
	4: Protecting our critical water supply assets																			
	5: Achieving acceptable water quality for all customers																			
	6: Towards a lead free Wales																			
Customers and communities	7: Working with customers and communities																			
	8: Ensuring affordability of services delivered to customers																			
	9: Supporting customers in vulnerable circumstances																			
	10: Addressing our 'worst service' customers																			
	11: Employer of choice																			
	12: Leading edge customer service																			
	13: Smart water systems management																			
Environment	14: Supporting ecosystems and biodiversity																			
	15: Using nature to reduce flood risk and pollution																			
	16: Cleaner rivers and beaches																			
	17: Protecting our critical waste water assets																			
	18: Promoting a circular economy and combatting climate change																			

WELSH WATER 2050 SUPPORTS WALES' WELL-BEING GOALS

A CUSTOMER-DRIVEN PLAN

CUSTOMER ENGAGEMENT

Over the last two years, initially to support Welsh Water 2050 and latterly the PR19 planning process, we have undertaken a major customer research programme, in addition to our ongoing customer engagement, to gather views relevant to our business planning decisions. In doing so, we have employed a wide range of methods, including some major innovations, such as a bilingual Facebook 'Chatbot' and customer vlogs. We also drew extensively on ongoing business data, such as customer complaints and contacts.

The results are reflected in the detail of our plan. However, certain key themes have emerged:

- affordability is a key concern for customers, but there is no overriding drive from customers to reduce the level of bills
- customers would not countenance any deterioration in service levels, even if this meant lower bills
- customers in general are prepared to pay to finance investment to ensure the long-term continuity of the essential services they receive, as long as this does not compromise overall affordability

- the greater the level of information customers have about the unique constitution of our company and our plans for the long-term, the greater is the overall level of trust in the company and support for our plans
- customers expect us to harness innovation and efficiency to keep down the cost to customers, whilst communicating effectively how these investments benefit both customers and the environment, and
- there is majority (but not universal) support for more help for those customers who are genuinely struggling to pay their water bills.

THE BOARD'S STRATEGIC PARAMETERS FOR PR19

Based on what our customers have told us, our Board determined a set of strategic parameters to be followed in developing the business plan:

- **affordability** – customers, as a whole, should see a reduction in the average bill in real terms, reflecting the reduction in the allowed level of profitability post-2020 (the "return on capital")
- **social tariffs** – Welsh Water should aim to expand its funding for social tariffs through its unique "customer dividend", to help more of those struggling to pay, while keeping the cost of the support from other customers at around current levels (in real terms)
- **long-term resilience** – should be enhanced, through a significant investment programme targeted at the most urgent strategic responses identified in Welsh Water 2050, covering drinking water, environmental protection and future service resilience

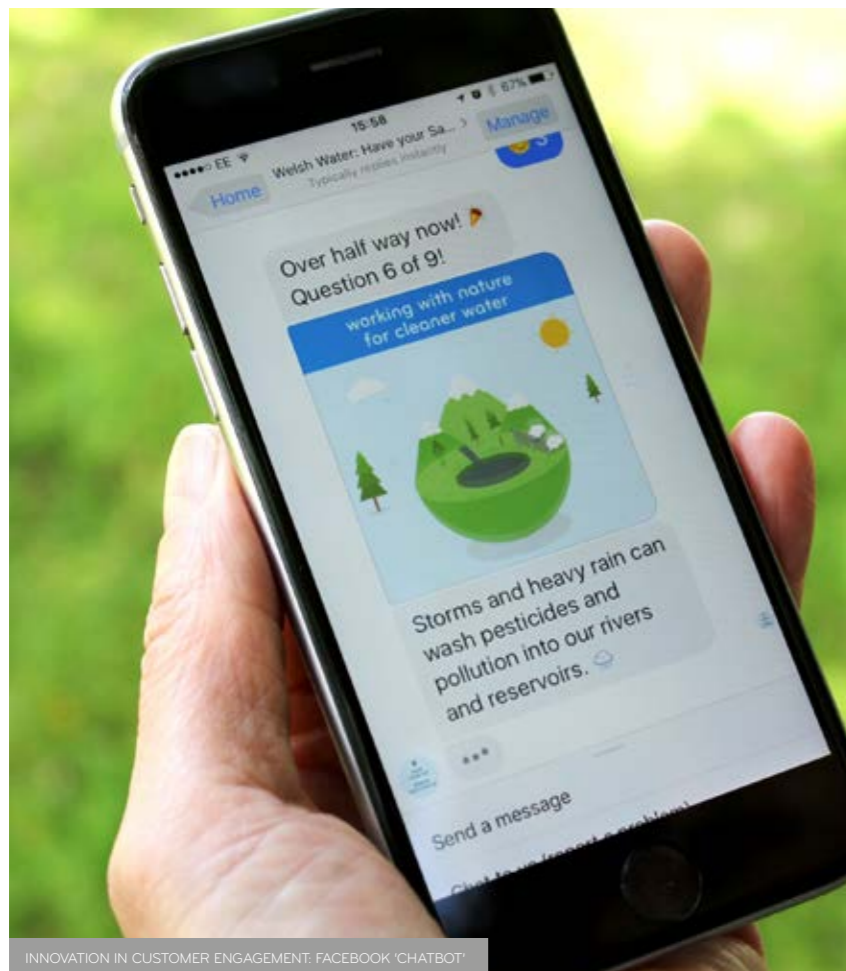
- **stretching performance targets** – must be set, in particular for service areas where our performance falls short of our customers' expectations, while ensuring all existing standards of drinking water quality, customer service and environmental protection are at least maintained
- **ambitious new service offerings** – should be developed, offering improved value for money across all customer segments – households, businesses and developers
- **innovation, efficiency and collaborative working** – should be maximised in the plan, while taking advantage of new market opportunities wherever appropriate, so we can deliver ambitious plans at an affordable cost
- **demand management** – should be a particular priority, promoted through innovative new approaches, working with customers and communities

- **customer-driven** – customers should be given an opportunity to choose between different packages of service and bills, through quantitative and qualitative market research carried out in the spring of 2018, with customers' overall preferences being reflected in the final plan
- **incentivise performance** – the plan will incentivise management and the business to drive improved outcomes for customers, with the benefit of all net "rewards" being used for the benefit of customers through a new "WaterShare" scheme, and
- **financial resilience** – maintained by keeping the gearing of the business at around 60%, safeguarding our access to funding from the financial markets even in the event of severe or combined-risk scenarios

DELIVERING FOR CUSTOMERS

We have prepared our plans on the basis of these parameters. The rest of this document sets out what we will deliver in each the various areas of service, summarising our record, the priorities of customers, and our plans for the next period and beyond. In order to deliver the agreed outcomes for customers we will implement a £2.3bn capital investment programme, the key components of which are shown in the table below.

At the end of the process, we commissioned independent research into the overall acceptability of the plan for customers, which found that 92% of our customers found the plan acceptable and 95% found it affordable, with consistently high support across all customer groups, including the "seldom heard" and business customers. Customers' perception of the value for money of our final plan increased by 16% to 81%, as compared to their view of the current service – reflecting our plans for lower bills, better service and more investment for the long-term.



INNOVATION IN CUSTOMER ENGAGEMENT: FACEBOOK 'CHATBOT'

Scheme	£m	Summary	Scheme	£m	Summary
Merthyr Treatment Works	91	First phase of two AMP project to construct a new water treatment works which can meet DWI requirements, initially replacing 3 ageing works.	National Environment Programme	370	Some 25 wastewater treatment works upgrades, plus 7 works combined to one new works for Gwili Gwendraeth catchment. 15 high risk catchments improved.
Zonal Studies	131	Work at 16 water quality zones targeting customer acceptability and customer minutes lost improvement, benefitting 920,000 people.	Sewer Flooding	61	Reduce incidents of internal and external sewer flooding of customer properties.
Dams and reservoirs	116	Improvements to spillways, pipes in dams and other issues at around 40 locations to address climate change requirements.	Growth	162	Population increase of 50,000, Developer Services and new meters.
Demand management and leakage reduction	90	Campaign of work at customers' houses and in networks to achieve a 15% reduction in leakage.	Systems and Technology	167	SMART networks, customer service systems and improved data analytics.
			Maintenance and other	1,130	
TOTAL capital investment: £2.3bn					

SELECTION OF KEY AMP7 INVESTMENT SCHEMES (COSTS PRE-EFFICIENCY)

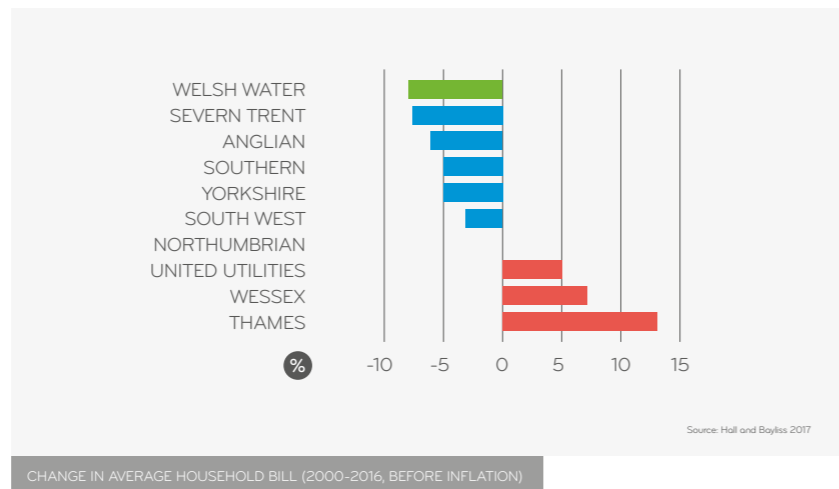
BILLS AND AFFORDABILITY

OUR RECORD

Keeping bills as low as possible is fundamental to earning and maintaining the trust of our customers. Since becoming a 'not-for-profit' company in 2001, our record on customer bills is the best in the sector, showing an 8% reduction relative to the Retail Prices Index (RPI) measure of inflation since 2000. By 2020 we will have kept the increase in the average household bill below RPI every year for a decade – the only water company in England and Wales to achieve this.

This has been delivered by continually challenging ourselves to innovate and deliver more for less. Our operating area includes some of the poorest areas of the UK. Wales lags behind the rest of the UK in terms of living standards and income growth. We therefore take our responsibilities on affordability very seriously.

Our social tariffs help those customers who struggle to pay their bill. The last three years has seen a rapid rise in uptake of our HelpU tariff, meaning we now have some 100,000 customers on social tariffs, by far the highest number in the industry. Our social tariff strategy has been informed by robust customer research, which has also endorsed the use of "customer dividends" to part-fund the lower tariffs.



CHANGE IN AVERAGE HOUSEHOLD BILL (2000-2016, BEFORE INFLATION)

CUSTOMER VIEWS

During the course of our research, it became clear that while value for money is a top priority for customers, there is recurring evidence customers in general are not in favour of cutting bills at the expense of performance, or future investment.

Regular customer research on a variety of specific decisions has shown that, in the context of an average bill profile falling in relation to inflation, a majority of customers would prefer to see money being spent on enhancing service, protecting the environment or supporting social tariffs, rather than further reductions in average bills.

INDUSTRY BILL CHANGES 2000-2016

Business customers are clear they expect the best possible value for money, but their priorities are service reliability and excellent customer services. Our developer customers consistently tell us that delivering new connections to them on time is their top requirement, so their wider delivery schedule is not interrupted.

In terms of affordability for those who struggle to pay their bills, our research at PR14 showed customers are willing to pay, on average, £15 a year extra on their bills to help fund social tariffs. However, while new research in 2018 shows there is majority customer support for further increasing social tariffs funding, there is a significant minority of customers who would not. We therefore presently plan to maintain the cross subsidy at the current level in real terms.

OUR PLANS

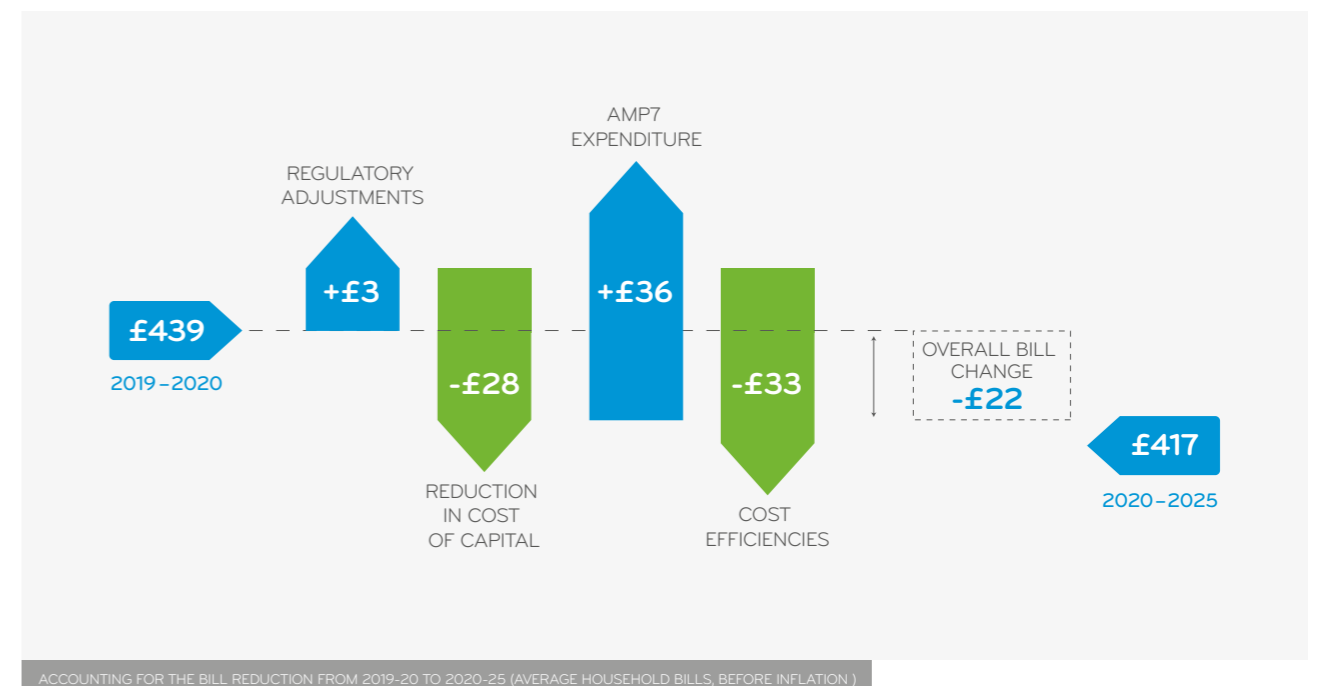
Our plan for 2020-25 is to cut customer bills by around 5% on average over the period in real terms, amounting to a reduction of £22 on the average household bill of £439 in 2019-20 (in 2017-18 prices), with commensurate reductions for non-household customers. This will be delivered alongside a £2.3 billion capital investment programme. Our forecast for AMP8 (2025-30) indicates that this bill reduction will be broadly maintainable over the long-term.

This means the savings from the lower allowed return on capital assumed for PR19 (reduced from RPI+3.5% to RPI+2.3%) will be passed through to customers directly as lower average bills, while performance enhancements and future resilience investments are effectively funded through demanding internal cost efficiencies and innovation.

At the same time, we will do more to help customers who are financially vulnerable, through an enhanced social tariffs strategy. We plan to increase the number of customers on our social tariffs from around 100,000 currently, to around 150,000 by 2025. Our plan reflects an expectation we will be able to use around £85 million of our "customer dividends", money that would elsewhere be paid to shareholders, to support this expansion in social tariffs, although this will depend on Ofwat's final determination.

We will also take steps to ensure we are targeting those most in need of support with our social tariff schemes, as part of our wider strategy for customers in vulnerable circumstances, and to work with a wide range of third parties to help us to provide a wide range of support to our hardest-to-contact customers, including advice on metering, water efficiency and benefit entitlement.

OUR PLAN FOR 2020-25 IS TO CUT CUSTOMER BILLS BY AROUND 5% ON AVERAGE OVER THE PERIOD IN REAL TERMS, AMOUNTING TO A REDUCTION OF £22 ON THE AVERAGE HOUSEHOLD BILL.



ACCOUNTING FOR THE BILL REDUCTION FROM 2019-20 TO 2020-25 (AVERAGE HOUSEHOLD BILLS, BEFORE INFLATION)

DRINKING WATER

OUR RECORD

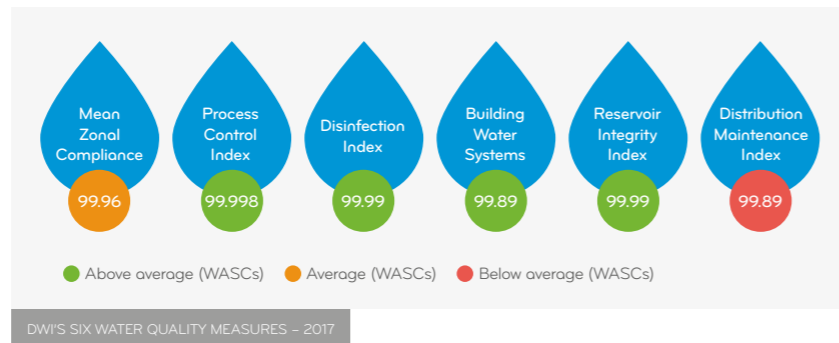
Providing a safe and reliable supply of water is the most vital aspect of our service to customers. Customers don't want to have to worry about the quality of their water when they turn the tap on, and this is as it should be. We have been working hard to ensure they can continue to take an excellent water supply for granted.

The safety of drinking water is paramount, and we have now regularly surpassed 99.9% sample compliance with the standards set by the DWI. This is a significant improvement on the position a decade ago, and we have worked hard to implement the lessons from water quality failures that have occurred in the past.

AREAS FOR IMPROVEMENT

Owing to a combination of soft water, manganese in water sources and a high proportion of iron mains, we still lag the rest of the industry in terms of discolouration, odour and taste incidents (3.19 contacts per 1,000 customers in 2017/18, which is significantly above the sector average). This has been a primary focus area in AMP6, over which we are investing some £130 million through our innovative 'Zonal Studies' approach which uses 'big data' analysis to prioritise investment in our network and deliver best value improvements, working closely with the DWI.

Customers, particularly businesses, also expect a reliable supply, and we have reduced the average duration of supply interruptions from 42.5 minutes per customer in 2011-12 and aim to reach 12 by 2020. However, this remains above some other companies, due in particular to our high operating input pressure, and we are targeting further improvements in the next period.



CUSTOMER VIEWS

Clean, reliable and safe water is taken as a given by customers. Avoiding extended supply interruptions (more than 3 hours) is a service priority for customers. However, the majority have not experienced an interruption, so support for investment to improve performance is limited. This also applies to water quality contacts (taste, odour and colour), where there is some support for performance improvements.

OUR PLANS

Ensuring the sustainability of our upstream water sources is a key priority in our Welsh Water 2050 vision, so one of our flagship programmes for AMP7 will be our Brecon Beacons Mega Catchment concept. We will work with farmers, landowners, NRW and other stakeholders in this area, which provides water to about one third of our customers, to protect and improve raw water quality and support our performance targets for the water coming from customer taps.

To address tap water quality issues, we will continue to invest through our Zonal Studies approach over the next 10 years to 2030. This will achieve a reduction in customer contacts from 2.4 contacts (per 1000 customers) in 2020 to 2.0 by 2025. This investment will also improve the dependability of

the water service for customers, reducing interruptions to supply by 33%, from 12 minutes per customer to 8 minutes by 2025.

We also plan to start work on a major new water treatment works in the Merthyr Tydfil area, to be delivered over the next two AMPs. This will deliver DWI required improvements to water treatment, together with multiple benefits to customers in our most populous region by improving reliability, making the supply system more resilient in the face of deteriorating raw water in the catchment. It will also reduce our running costs over the longer term by replacing a number of ageing works. Following a comprehensive optioneering assessment, the Merthyr treatment works was identified as the lowest whole-life cost solution to deliver the DWI's regulatory requirements and to respond to the long-term challenges in this part of our network.

All of these improvements will be delivered while maintaining very high standards of drinking water quality, targeting 100% compliance with the DWI's Compliance Risk Index measure throughout the period. We will also continue to make progress towards our Water 2050 goal of contributing to a 'lead-free Wales' by replacing 7,000 lead customer-side supply pipes.

ENVIRONMENTAL IMPROVEMENTS

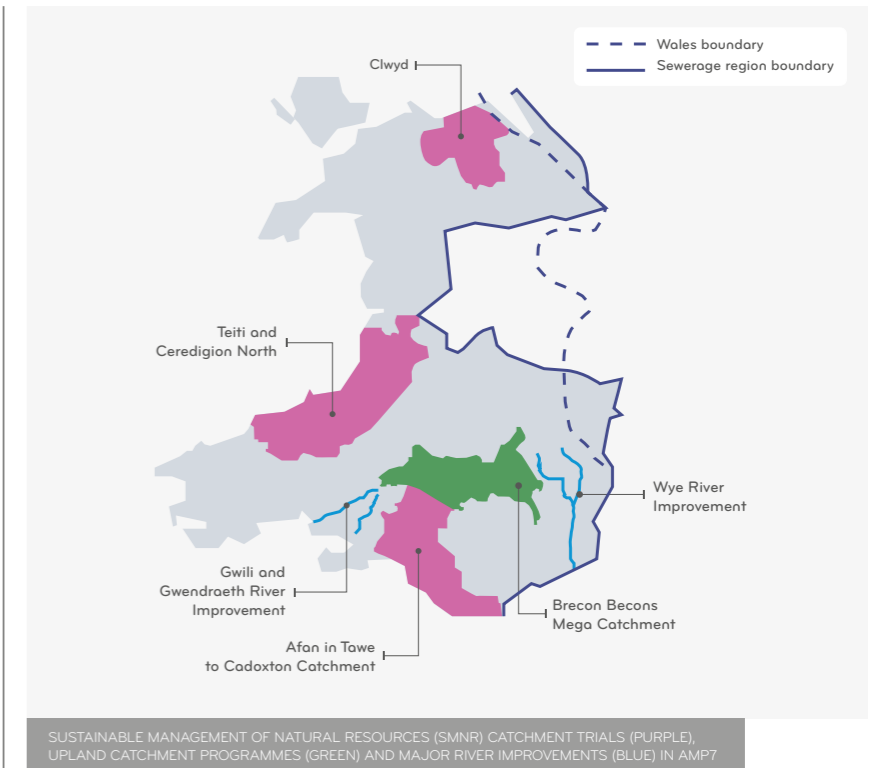
OUR RECORD

We take our responsibility for the environment every bit as seriously as our commitments to customers. Working closely with NRW and the Environment Agency, we have invested heavily in recent years to improve the quality of rivers and bathing waters around Wales. Wales now has 47 Blue Flags, more per mile of coastline than anywhere else in the UK.

Since 2010, we have made major strides in reducing pollution incidents, moving from towards the bottom of the industry league table (with 196 incidents in 2011-12) to one of the top performers, with 112 incidents in 2017-18, and we intend to reduce this number further.

Sewer blockages are a significant cause of pollution. Our strategy to reduce their number includes our "Let's Stop the Block!" public education campaign and the use of data analytics to target remediation work on our assets. The number of internal sewer flooding incidents has fallen markedly over the last five years, meaning we are now one of the best-performing companies by this measure. We are also delivering reductions in external sewer flooding – which are lower in their impact but far more common.

Our RainScope approach to sustainable drainage is now an internationally-recognised leader, both in improving the natural environment and protecting our wastewater network against the impact of climate change. Meanwhile we are continuing to reduce our carbon emissions by increasing energy generation on our sites. In 2017, we secured a new energy contract which means all our sites are now powered by electricity from renewable sources.



AREAS FOR IMPROVEMENT

We were disappointed that our wastewater treatment works compliance performance dipped marginally in 2017-18 and we dropped to a two-star NRW environmental performance rating. It is a constant challenge to ensure all of our treatment works, which number more than 800, perform as they should and there is some variation year-to-year caused by weather conditions and other factors. However, we recognise we need to do better here, and are redoubling efforts to ensure we achieve, and indeed exceed, previous performance levels in the future.

CUSTOMER VIEWS

Customers value the natural environment and recognise the importance of our work in this area. Improvements in recent decades mean most customers have no experience of pollution incidents, but they still see them as unacceptable when they occur.

Customers expect us to work with other bodies to improve the environment, seeing improving environmental standards as a joint responsibility. Climate change is becoming a more pressing issue in the minds of customers, and they expect us to play our part in mitigating its effects and reducing our carbon emissions.

We will continue to work with our Independent Environmental Advisory Panel of key stakeholders to challenge our planned work and facilitate partnership working.

OUR PLANS

Customers tell us that sewer flooding is the worst service failure that they can suffer, so our plan commits us to further reductions in both internal and external flooding incidents, while targeting in particular those customers who suffer repeat problems. We plan to deliver further significant reductions in pollution incidents, from 112 in 2017-18 to 90 by 2025.

We have agreed a substantial National Environment Programme (NEP) with Natural Resources Wales (NRW) and the Environment Agency which will improve the quality of some 400 kilometres of river.

At the same time we will continue to roll out our RainScope programme to priority catchments, helping to reduce releases of stormwater now and in the future so as to prepare for the long-term impacts of climate change. By 2025 we expect to be generating around a third of our energy needs through our own energy generation activities. We will undertake four Sustainable Management of Natural Resources (SMNR) pilot catchments as part of our NEP, to find sustainable and more cost-effective solutions to achieving improved ecological quality.

We are also progressing well with the first 'Mego Catchment' management programme in the Brecon Beacons with NRW and other environmental stakeholders, supporting sustainable catchment approaches to our investments for AMP8 and beyond.

RESILIENCE

OUR RECORD

Strengthening resilience so our customers can depend on their water and wastewater services, both now and in the future, is a major feature of our PR19 business plan. Resilience is not just about assets our plan follows the 'whole-business' approach to resilience captured in the Welsh Water Resilience Wheel, developed in association with Arup Consultancy as part of our Welsh Water 2050 work.

'Our Sustainable Future', first published in 2007, set out our plans for the next 25 years. As a result of investments over the past 10 years, we have a more flexible and 'smarter' water network that allows us to move water faster to where customers need it, and to detect bursts more quickly so we can respond faster.

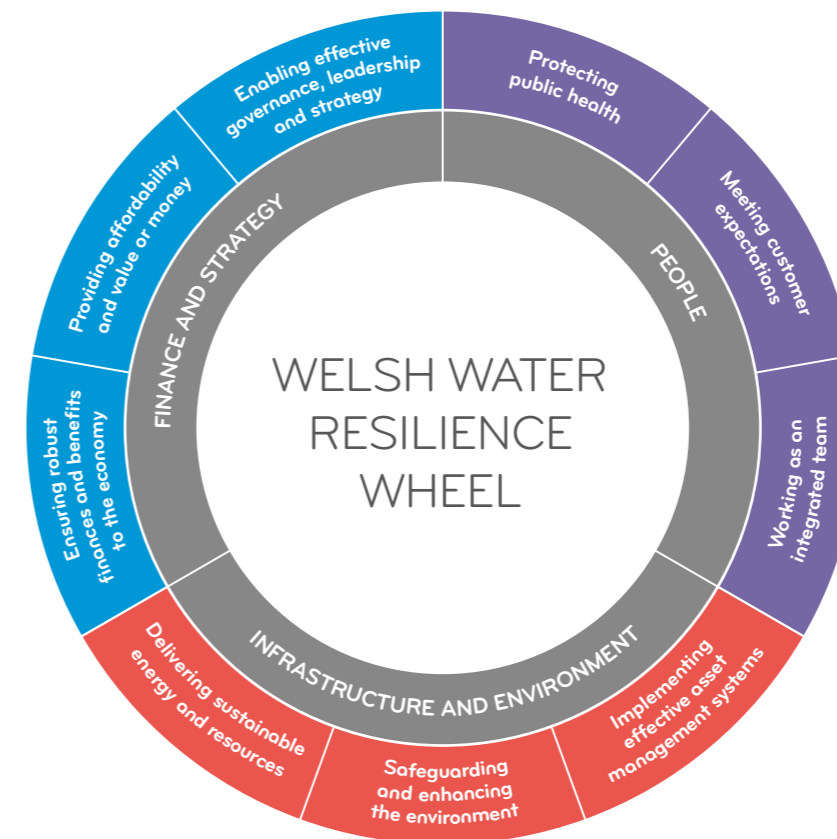
We have invested to protect our critical assets from failures and strengthened physical and cyber security. We are also making better use of data and analysis to understand the causes of sewer flooding and pollution incidents, and to target remedial investments.

Our Water Resources Management Plan sets out our long-term plans to ensure our water resources are sufficient, and we have started to work on equivalent long-term drainage plans to assist with planning on the wastewater side of the business.

AREAS FOR IMPROVEMENT

The two severe weather events in early 2018 of Storm Emma, closely followed by a widespread freeze/thaw, tested the resilience of our emergency response plans. Whilst we were able to maintain uninterrupted supply for the substantial majority of our customers these events did result in highly regrettable, sustained supply interruptions for a small proportion of connected properties. Some 70% of affected customers told us that they were satisfied with the way we handled things, with 10% dissatisfied. We have analysed what caused the problems in the particular communities most affected and are already well advanced in implementing the specific actions that will improve our response next time this happens, particularly around local communications, remote monitoring and management of vulnerable customers.

We discuss separately in separately, below, our approach to financial resilience.



PONTSTICILL RESERVOIR

CUSTOMER VIEWS

We know our customers generally take the availability of clean, safe drinking water as a given. When there is a problem it can come as a shock. Customers expect us to do our best to help and to communicate clearly what is happening. Our research indicates that short outages are tolerable for most customers, but longer ones cause a major inconvenience, and they tell us that incidents of sewer flooding are the worst service failure that they can suffer.

Our research indicates that the more customers are informed about the long-term challenges we face, the more supportive they are of the investments required to respond. Our Welsh Water 2050 Have Your Say consultation involving 20,000 customers gave support to our proposals to address these challenges, showing that customers are genuinely concerned about the state of the public service and environment that they will leave to future generations.

Strategic Response	Related AMP7 plans (examples)
1. Safeguarding clean drinking water	Brecon Beacons Mega Catchment
2. Enough water for all	Water Resources Management Plan and reservoir safety requirements
3. Improving the reliability of drinking water supply systems	Major new treatment works in south east Wales
4. Protecting critical water supply assets	Upgraded treatment works control systems
5. Achieving acceptable water quality for all customers	Zonal Studies programme to replace and rehabilitate key iron mains
6. Towards a lead free Wales	Total of 7,000 lead pipes replaced, prioritising vulnerable customers
7. Addressing our 'worst served' customers	Worst-served customers reduced by 15% for Water Services and for Wastewater Services
8. Employer of choice	Ongoing improvements to training and diversity programmes
9. Leading edge customer service	New appointment tracking service
10. Smart water business	Enhanced monitoring and automation to reduce flooding and water outages
11. Ensuring affordability for our customers	Increasing customers on social tariffs to some 150,000 and keeping bills down for all
12. Supporting customers in vulnerable circumstances	Four-fold increase in numbers on priority services registers
13. Working with customers and communities	Implementing 'Water Resilient Community' concept in 5 more low-income areas
14. Supporting ecosystems and biodiversity	Implementation of first statutory biodiversity strategy
15. Using nature to reduce flood risk and pollution	Further roll out of RainScope programme to divert rainwater from sewers
16. Cleaner rivers and beaches	418km of river improved towards 'good' status
17. Protecting critical wastewater assets	New treatment works replacing 7 old ones in Gwili-Gwendraeth catchment
18. Playing our part in the supply chain, the local economy and the circular economy	Additional 12 GWh energy saving by 2025

WELSH WATER 2050 STRATEGIC RESPONSES AND AMP7 INVESTMENT

OUR PLANS

In line with the views of customers, we are planning to take a measured 'make a start' approach towards meeting our long-term resilience needs. We are not putting off tough decisions on what needs to be done, but are starting now on what customers tell us are the priorities on a 'no regrets' basis, while recognising that delivering the long-term plan will require game-changing innovations. Taken as a whole, our investment programme will deliver a significant improvement in resilience, increasing our ability to protect customers from the impact of extreme events, and to recover quickly when they occur, both now and in the future.

Our Water Resources Management Plan will ensure that we have sufficient water for our customers over the long-term. This includes investing in our Victorian-era dam infrastructure to meet new regulatory requirements and ensure they remain fit for the future, in the face of more extreme climate change scenarios for future severe storm events.

We will also implement wider plans to strengthen resilience across all aspects of our Resilience Wheel, with a particular emphasis in the next AMP on our people, our corporate systems and our preparedness for extreme operating conditions.

OUR RECORD

Whilst Wales has higher rainfall than many parts of the country, we take an approach to promoting water efficiency, reducing demand and cutting leakage which is as challenging as any other company.

We have delivered the biggest leakage percentage reduction in the industry over the last five years. This has been achieved by applying innovation, better use of analytics and metering, and smart network management, rather than simply replacing old mains pipes.

We have a strong track record of working with our customers to educate them about the importance of water efficiency, and to provide tools to help them reduce water use in the home. We believe that children are the best ambassadors for behaviour change in the home on water use. Our education programme for primary schools includes a 'Toothbrush Challenge', and children coming to our education centres learn about the value of water.

We perform water audits for schools and other non-household customers. A recent water audit at the Principality Stadium in Cardiff helped them to save around £20,000 per year.

AREAS FOR DEVELOPMENT

Progress in reducing leakage has to-date been achieved largely through 'find and fix' in our distribution network. We now need to do more with customers on their properties to tackle leaks and reduce demand. Then, in the longer-term, we will need to tackle leakage on our large trunk mains.

WELSH WATER 2050 STRATEGIC RESPONSES AND AMP7 INVESTMENT

DEMAND MANAGEMENT, WATER EFFICIENCY AND LEAKAGE REDUCTION



PRINCIPALITY STADIUM, CARDIFF

photoeverwhere.co.uk

CUSTOMER VIEWS

Customers are very clear that they consider leakage to be unacceptable, and something which undermines trust and confidence in the industry. When the costs of leakage reduction are explained, this is understood by customers as an important factor, but there remains a sense that 'something must be done'. Customers support an approach of reducing demand in the home by providing advice and education, while also providing practical support to help reduce water use.

OUR PLANS

We are proposing a 15% reduction in the volume of leakage by 2025. Based on information from trials in this period using innovative 'stopwatch' detection technology we believe this can be achieved by focusing on leakage on customer owned pipes and inside properties.

Under our new Project Cartref (Home) programme, we will work with government energy schemes and community groups to offer a free 'tap and toilet' fix service as well as free customer supply pipe repairs. This will also help to improve water efficiency.

Water efficiency is also encouraged through our longstanding behavioural change campaigns, reducing demand by offering free water saving devices and free meter installation. Customers are able to opt to have a meter installed at any time, often saving them money. Alongside the installation of meters on all new properties, this means that the proportion of metered customers is increasing over time (and is now around 50%). We also always evaluate metering as an option when looking at how to address supply deficits in our Water Resources Management Plan.



LEAKAGE PER PROPERTY PER DAY 2010/11=100

EFFICIENCY

OUR RECORD

Welsh Water has the best record of operating cost reduction in the industry (according to available Ofwat data) since we became a not for shareholder company in 2001.

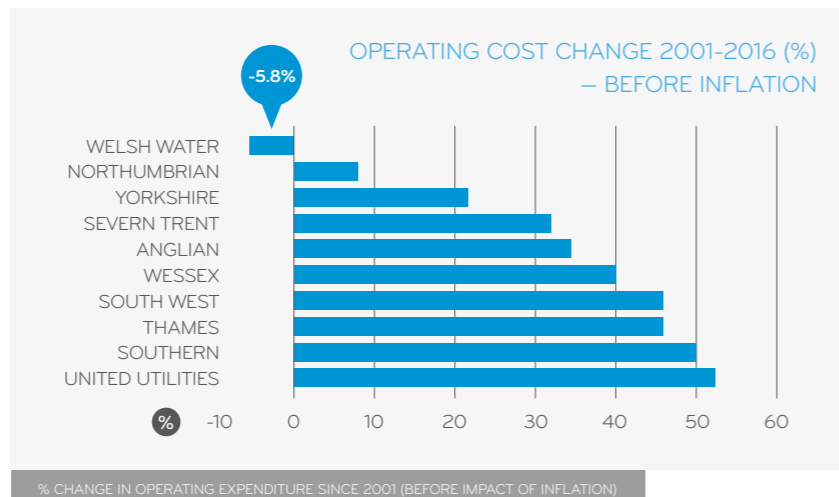
This is being achieved hand in hand with our ongoing programme of research and innovation, and by an approach to the management of our assets that delivers best value solutions on a whole life cost basis.

AREAS FOR IMPROVEMENT

Our retail costs, including in particular the cost of bad debt, are higher than the industry average, largely because of the higher levels of economic deprivation in our area. At the last price review our retail business was faced with the challenge of reducing costs by 30% by 2020. While we forecast a gap of £8m to remain in the final year of AMP6, huge strides have been made in improving the efficiency of the operation. Innovations have enabled us to reduce bad debt costs from 4.2% of turnover in 2013/14 to 3.0% in 2017/18, a 28% improvement, and we will drive these down further by 2020.

CUSTOMER VIEWS

Affordability remains a key concern for our customers, so they rightly expect us to drive efficiency improvements continually. Support for our plans and investments depends on being able to demonstrate to our customers that we are challenging ourselves to deliver the best-possible value for money. While our customers back support for customers who genuinely struggle to pay, they expect us to be rigorous in collecting from those who won't pay.



OUR PLANS

Our plan includes an ambitious target to further reduce our costs by around 12% in real terms by the end of the period 2020-25. This will be achieved by a range of cost saving initiatives and innovations, including a challenging reduction in central support costs benchmarked against companies in the industry and in other sectors. Overall we will reduce our total costs by around £300 million (10%) over the next five years as compared to our current level of costs.

The efficiency targets in the wholesale business are underpinned and supported by our Capital Alliance of leading engineering and design companies, which harnesses worldwide best practice to find the optimal solution, while maximising efficiency through a stable supply chain and a defined forward programme of work. The Alliance is also incentivised to find further cost savings, the benefits of which will be passed through to customers.

Our investment management systems and processes incorporate optioneering in design to ensure best value solutions for the delivery of the desired outcomes for customers and our Board reviewed how this approach has been applied in practice to our key AMP7 investments. We engaged KPMG to review our direct procurement (DPC) methodology and to support us in developing a robust approach in adopting the Ofwat framework and facilitating the process, which required input from key subject matter experts across our company. At this stage there appear to be no schemes which would benefit from this approach, but we will keep this under review as we move forwards

Our retail business will see further transformation, including harnessing a range of digital capabilities to improve efficiency, particularly in the targeting of debt recovery action, and support for those customers who are struggling to pay. This plan will reduce the retail cost base by £6.4 million (13%) between 2020 and 2025 (before the impact of input price pressures).

INNOVATION

OUR RECORD

Innovation is firmly embedded across the business at Welsh Water. Heads of Service managers are accountable for the innovation required to deliver on their objectives, supported by Innovation Champions across the business. Our Innovation Laboratory (iLab) process fosters new ideas, prioritises investment, and monitors progress, while our annual Innovation Conference attracts experts from a wide range of partners including universities, research organisations, consultancies and capital delivery partners, helping to bring the latest technologies and ideas to the business from around the globe.

Examples of innovation over the last five years range from the design and patenting of new tools to clear sewer blockages more effectively, to a 360-degree 'igloo' that allows operators to 'virtually' walk around new treatment works, while still at design stage. Our pioneering RainScope work to divert surface water away from sewers has been widely-recognised, and is leading to major cost savings for customers as well as environmental and social benefits. Our pilot catchment projects working with partners to improve raw water quality have been widely welcomed by our stakeholders. We have also significantly enhanced our data collection and analysis capability.

We are investing some £39 million across our innovation portfolio in AMP6, including a £10 million research and technology budget, leading to a range of efficiencies, new business processes, a reduced environmental footprint, and improvements in service to customers. A total of 90% of colleagues feel they are empowered to make improvements and drive change within their roles, according to our latest employee engagement survey.

CUSTOMER VIEWS

Our customers expect us to innovate to keep costs and bills down and they recognise the need to invest in research and development to achieve this and meet future challenges. Customer support for our long-term investment plans is contingent on being challenged to keep pace with competitive industries in terms of innovation and efficiency. The work of our Independent Environmental Advisory Panel, made up of over 25 stakeholders, is helping to shape our science, catchment and research priorities.

OUR PLANS

We recognise that our plans for 2020-25 will only be affordable for customers if we use innovation to drive down costs and improve efficiency in the business, and our objectives set out in Welsh Water 2050 will only be deliverable if we develop and harness 'step change' technologies to meet the challenges we face.

Our plan therefore includes a record £74 million for research and innovation, with projects in all parts of the business. It includes around £45 million on environmental and catchment investigations to determine the most efficient, collaborative solutions to achieve longer-term environmental outcomes. We will improve the way we collect and analyse data to drive innovation, while working with leading organisations in other sectors and other countries to learn from best practice.

Our plans to deliver better performance and more resilience depend on us extending the approach to innovation we have developed during AMP6 in this period, which covers areas such as catchment management, data science, dam maintenance, sustainable drainage, customer research and involvement, community partnerships and the 'Zonal Studies' programme.



SOPHIE HOWE, THE FUTURE GENERATIONS COMMISSIONER FOR WALES

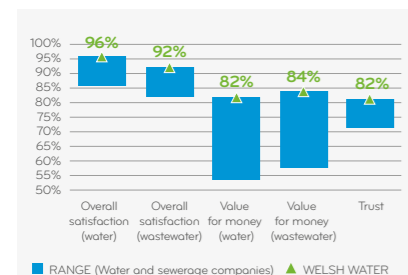
CUSTOMER SERVICE

OUR RECORD

Given our non-shareholder model we put particular emphasis on metrics such as customer satisfaction and customer trust, and challenge ourselves to be consistently among the best performing companies in the industry. Over the past five years we have been the top performer in the Consumer Council for Water research for all the key measures of customer satisfaction, value for money and customer trust.

We take our role in supporting economic growth and development in Wales seriously. Our record for business customer satisfaction is also industry leading according to CCWater research, with consistent satisfaction levels at around 90%. However, we are well aware that our non-household customers are not able to switch retailers, unlike those in England (except for our very largest water customers) and we will therefore be setting as our objective for them to receive standards of service and value for money comparable with the best in the sector.

Our developer services team continues to provide industry leading performance to this important customer group. We are generally amongst the top performing companies based on the WaterUK Levels of Service ranking and have been since April 2015 for both water and sewerage related services.



WELSH WATER SCORES HIGHEST IN THE INDUSTRY ON ALL CUSTOMER SERVICE MEASURES

CUSTOMER VIEWS

As technological advances enable innovation and improvements in customer service in other industries, we know our customers' expectations of the levels of service we provide are rising continually. Customers expect to be offered a range of contact channels, and we will continue to offer this and adapt as technology continues to evolve. Customers expect us to be proactive in our communications when there are service problems – and to develop a more personalised service, while protecting their private data.

OUR PLANS FOR HOUSEHOLD CUSTOMERS

As a customer-focused company we will continue to target industry-leading performance on customer satisfaction and trust in the next period. But we will go further than the basic service by delivering new service offerings to customers including:

- Free repair of leaking or damaged customer supply pipes (no longer limited to one repair every three years).
- "WaterFair" - not charging customers suffering repeated service failures, such as low pressure or sewer flooding. We will also commit to reducing significantly by 2025 the number of customers on these 'worst served customers' registers.
- Project Cartref (Home) - a new 'tap and toilet' repair scheme, working with customers to reduce demand, cut leakage and save customers money.

- Replacing free of charge around 7,000 lead supply pipes where we find them, or as part of a targeted strategy of engagement with vulnerable households and communities.
- A 'WaterShare' scheme to return any financial net rewards from outperformance to customers and the environment.

OUR PLANS FOR NON-HOUSEHOLD CUSTOMERS

Business and developer customers will benefit from many of the new services offered to customers outlined above. But we will continue to survey our business customers regularly and hold regional workshops for businesses and for developers to listen to their concerns and seek further ways to improve. We will work with them to co-create value added services for businesses (such as water efficiency and electronic billing) and build on our industry leading policies and practices for developers. Business customer satisfaction will be one of our key measures of success and we will be aiming to maintain our sector-leading performance.

In addition for developers, we will:

- implement a new guaranteed service standards scheme for developer services customers, with automatic compensation if we miss our service standards;
- offer a unique surface water removal incentive scheme; and
- provide a priority service for development applications which could remove "bed blocking" in a local hospital or care home.

CUSTOMERS IN VULNERABLE CIRCUMSTANCES

OUR RECORD

We are committed to providing appropriate support to customers who have particular needs. We believe this is particularly important in Wales where, on a number of indicators, we have a higher proportion of customers in vulnerable circumstances.

As set out above under the section on affordability, we have a strong record of supporting customers who are in difficult financial circumstances. Alongside this support, we have been doing more to understand how we can extend the reach of our services in other non-financial areas.

We have a Priority Services Register which is used, for example, to ensure vulnerable customers are prioritised in delivering bottled water during supply interruptions. Currently there are 26,000 customers on this register, which is a comparatively large number in contrast to other water companies. But we believe this is only a small proportion of those customers likely to need special help and with whom we want to engage.

We offer a range of services to accommodate the particular needs of customers, including braille bills, text phone services, and the ability to request a visit by one of our representatives to discuss the customer's bill in person.

We are currently piloting a new community-based approach to addressing vulnerability in the economically-challenged Rhondda Fach area of the South Wales Valleys. We anticipate this work will generate insights into the particular issues and challenges for customers in vulnerable circumstances by creating a 'Water Resilient Community' that is replicable in other similar areas.

CUSTOMER VIEWS

We undertook customer research in 2017 aiming to define and understand better the needs of vulnerable customers in our area. We found that our current handling of customers in vulnerable circumstances is highly regarded by customers and stakeholders, but there are many customers who are eligible for support but are not receiving it. We need to build greater awareness amongst customers of our priority services and affordability support.

OUR PLANS

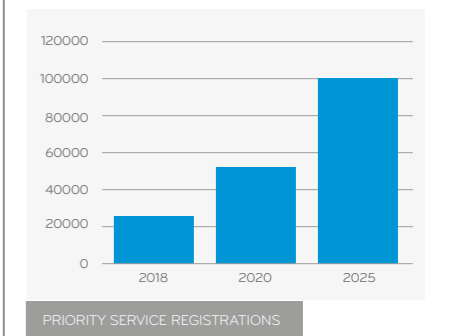
We plan to publicly launch our new strategy for customers in vulnerable circumstances, "Supporting Our Customers", in the autumn of 2018. It builds on this customer research, together with feedback from key stakeholders and learnings from other utilities and agencies to identify customers likely to need our help, developing a recent public pledge made with Western Power Distribution and Wales and West Utilities to share information. With these and other initiatives we aim to increase the number of customers on our priority service register from 26,000 in 2018 to 100,000 by 2025. We will also improve the support that we provide, based on customer feedback from and engagement with over 180 partner organisations

Recognising that we depend on our frontline staff to take the appropriate action when dealing with customers in vulnerable circumstances, we will build on our successful training programme to help staff recognise the many signs of vulnerability such as mental health issues or visual impairment, and provide them with the knowledge and skills to ensure these customers receive the support they need.

These initiatives will be supported and aligned with the expansion of our social tariffs programme detailed in the Affordability section above.



SUPPORTING CUSTOMERS IN VULNERABLE CIRCUMSTANCES



PRIORITY SERVICE REGISTRATIONS

COMMUNITY AND PARTNERSHIPS

OUR RECORD

Welsh Water is dependent on a wide range of partnerships to provide a resilient and high-quality essential public service for the future. Examples include partnerships with universities (through Welsh Water 2050 and our resilience work), other utilities (to support vulnerable customers), farmers (on pesticide reduction), and environmental organisations (many of which sit on our Independent Environmental Advisory Panel).

We particularly recognise the role of customers – not just as consumers but as active participants in delivering a sustainable and affordable service. Around 62,000 children each year come and visit our education Discovery Centres, or are visited at their school by our award-winning education team, teaching them about what we do and how they can help to create a better environment for all, particularly by encouraging improved water efficiency at home.

We now receive almost half a million visits a year to our four major recreation centres across the areas we serve. Our newest visitor centre at Llandegfedd Reservoir in south east Wales was opened in 2015, our West Wales centre at Llys y Frân is undergoing a major upgrade, and we plan to open a new facility in Cardiff by 2020.

Our colleagues are our frontline interface with customers and communities. In recognition of this, in 2017 we launched a Community Fund to allow employees' fundraising activities to be match-funded to support health, wellbeing or the environment in their local communities.

Our approach to delivery of our capital programme, working closely with our Capital Alliance since 2015, in particular to increase efficiencies in project delivery, is yet another way in which partnership underpins the day-to-day delivery of great value for money service to our customers. We are now extending this concept with a new Network Alliance of contractors to support the maintenance of our network, resulting in similar efficiency savings.

CUSTOMER VIEWS

Our Rhondda Fach 'Water Resilient Community' pilot project is helping us to better understand community needs. This is an area in which many customers are in circumstances which make them vulnerable, and in which we have a major and disruptive water mains replacement programme. We are working closely with third parties in the community to build long-term trust and develop solutions that help us to reach those in greatest need. The feedback from customers and partner organisations has been overwhelmingly positive.

OUR PLANS

Partnerships, with organisations, communities and customers, are fundamental to delivering our ambitious plans for 2020-25 and beyond. From our catchment improvement plans to supporting vulnerable customers, we will build on existing collaborations and develop new ones in support of our objectives. We will target an additional five Water Resilient Communities in areas of special need by 2025 – aligned with our water networks investment schemes.

Our education and visitor centres help to build customer trust and wider understanding of our work, and that in turn helps us to involve our customers better to drive both performance and efficiency. We are, therefore, aiming to almost double the number of visits to our recreation centres between 2018 and 2025 to 830,000 visits a year, and increase the number of children reached through the education programme to 75,000 over the same period.

We will continue to work with our supply chain, particularly local businesses, to help support the local economy while ensuring high quality products and the highest health and safety standards.

THE JOURNEY SO FAR...

<p>FACEBOOK LIVE EVENT ATTRACTED 4,500 VIEWS.</p>	<p>£10,900</p> <p>COMMUNITY FUND</p> <p>28 LOCAL ORGANISATIONS AND GROUPS HAVE BEEN SUCCESSFUL WITH OUR COMMUNITY FUND - £10,900 SO FAR.</p>	<p>ENVIRONMENTAL LESSONS GIVEN TO OVER 2,300 CHILDREN.</p>
<p>278</p> <p>WE HAVE SIGNED UP AN ADDITIONAL 278 CUSTOMERS TO OUR SOCIAL TARIFFS - AVERAGE ANNUAL SAVING OF OVER £67K.</p>	<p>81</p> <p>IDENTIFIED 81 NEW CUSTOMERS TO ADD TO OUR PRIORITY SERVICE REGISTER.</p>	<p>WORKED WITH OVER 20 LOCAL ORGANISATIONS AND GROUPS.</p>

RHONDDA FACH WATER RESILIENT COMMUNITY - PROGRESS SO FAR

FINANCIAL RESILIENCE

OUR RECORD

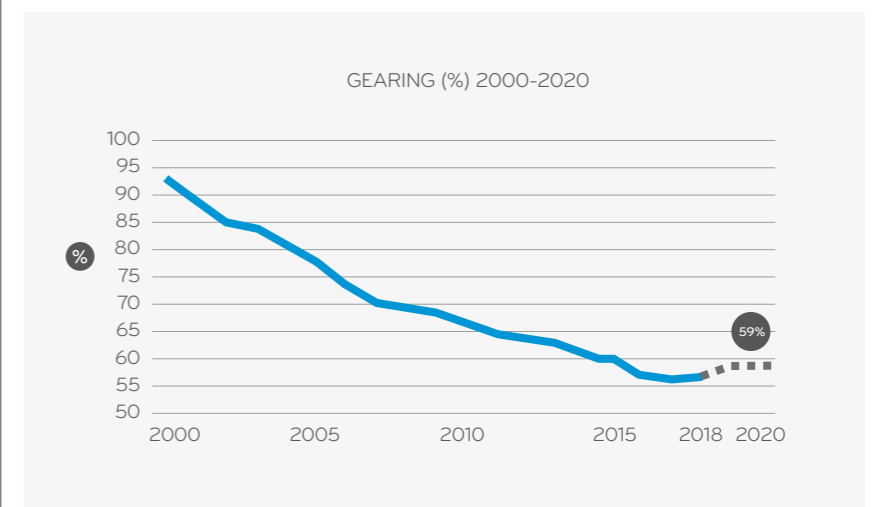
Since Glas Cymru was created in 2001 we have brought down our gearing ratio (debt: RCV) from 93% in 2001 to 71% in 2010 and 57% as of April 2018, temporarily below our targeted level of 60% gearing. We consistently attract the best credit ratings in the industry, thanks to our low gearing, our consistently strong operational performance and our ownership structure. This allows us to raise finance in debt markets at the lowest interest rates in the sector – without shareholders we depend on these markets for our financial resilience. We pass on the associated cost savings back to customers.

CUSTOMER VIEWS

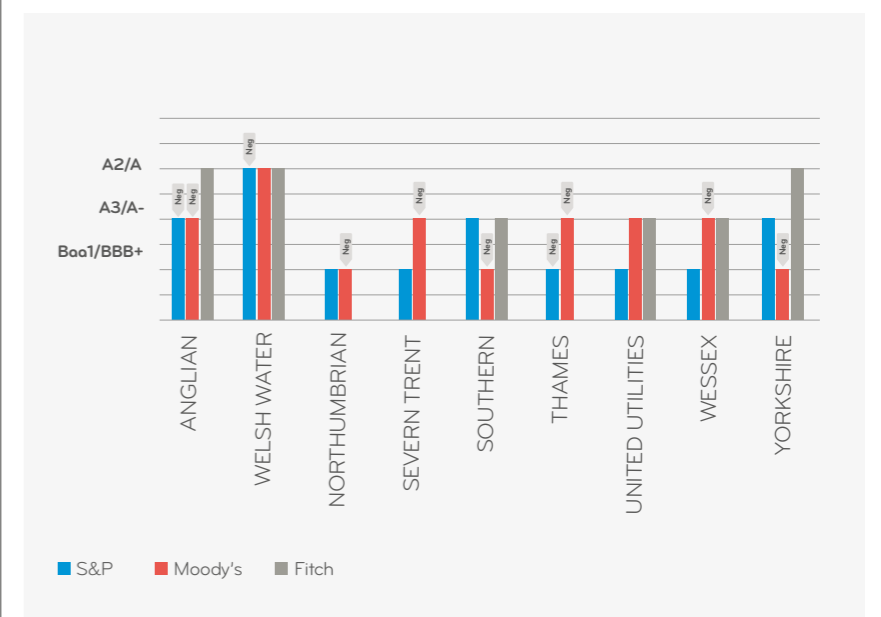
Customers expect a secure service, good value for money, and prefer predictable and stable bills. Achieving this requires secure, long-term finances and a company resilient to financial shocks.

OUR PLANS

Our plans for 2020-2025 are consistent with maintaining our level of gearing at around 60%, and we expect to be able to maintain strong 'investment grade' credit ratings over at least the next two AMP periods, albeit potentially at lower ratings than we currently achieve, given generally tighter financial ratios (resulting mainly from the reduced return to capital in AMP7). We have modelled a range of financial sensitivities and potential mitigating actions, and expect that, even in combined stressed scenarios, we will be able to preserve investment grade credit ratings over the 10 years to 2030. Such scenarios could, however, reduce our scope to return benefits to customers, in particular by funding social tariffs.



REDUCTION IN GEARING SINCE 2000



WATER INDUSTRY CREDIT RATINGS ('NEG' = NEGATIVE OUTLOOK)

HOW WE WILL DELIVER OUR PLANS

ADAPTING TO NEW OPPORTUNITIES

As we progress through the next period, new opportunities will emerge to deliver value for our customers. We will seek out and exploit these opportunities as a way of keeping bills as low as possible, particularly by taking advantage of the ability to work with neighbouring companies and third parties, as long as there is benefit to our customers and no risk of harm to the environment. In particular, we are already exploring opportunities from the development of markets in bioresources and water resources. We are engaged in active discussions on potential new water trading arrangements to support UK-wide water supply initiatives and we have identified potential opportunities for mutually beneficial trades in bioresources.

We will be responsive to future changes in the regulatory and policy environment, and assess new commercial opportunities, the profits of which would be passed back to customers.

CAPITAL INVESTMENT

Delivering on our ambitious plans for the next period means implementing a large and challenging programme of capital investment. We will invest around £2.3 billion over the next five-year period, as against some £2 billion in the current one. This will be achieved by working with our Capital Alliance partners to use worldwide innovation and best value solutions. This investment programme will be provided to our partners well in advance, therefore avoiding the 'peak and trough' cycles of the past and enabling a stable supply chain to deliver lower unit costs.

INCENTIVISING DELIVERY

Following research with customers and discussions with the Customer Challenge Group, we have designed a range of appropriate incentives that will earn a financial reward where we outperform against our targets, and a financial penalty if we fail to deliver on our key commitments. However, responding to our customers' views, we will adopt a "WaterShare" scheme, to return any net rewards to customers – half via lower average bills and the other half via "customer dividends". We will continue to consult with customers, regulators and the CCG on how best to return value to customers, for example by cutting bills, extra funding for social tariffs, or investments in service or resilience.

Both customers and the CCG had reservations about the concept of financial rewards and penalties associated with ODIs and their applicability to Welsh Water. This is because our non-shareholder model means that rewards from higher bills will be returned to customers in full and penalties will reduce the amount available to fix the underlying service problem. Our proposed package of rewards and penalties is towards the lower end of Ofwat's indicative range, which we believe is consistent with our customers' views. Our management incentive scheme will ensure that the business is appropriately incentivised to deliver the performance that in turn earns ODI rewards and avoids penalties.

OPENNESS AND TRANSPARENCY

We hold ourselves to the highest standards of openness and transparency in the implementation of our plans. We will publish our performance against our plans on an annual basis, in a clear and accessible format that makes it easy for customers to see how we are doing and how we have spent their money. We will set out the return of the WaterShare scheme and our other 'customer dividends', along with the details of executive remuneration, showing how their incentives are clearly linked to performance. Our performance report will be subjected to rigorous independent audit to ensure customers and stakeholders can have confidence in the accuracy of our reporting. We will engage the CCG and CCWater in regular discussions about our performance, our ongoing programme of customer involvement and our customers' priorities for further improvement.

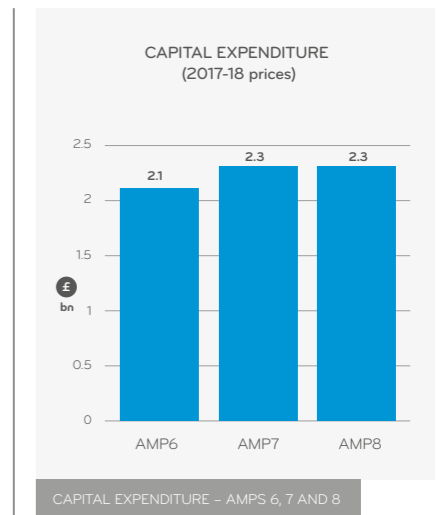
APPROACH TO MANAGING RISK

Our Board has a clear and structured approach to identifying and managing risks across the business. Working with the Executive, it has analysed and challenged the key risks to delivery of the PR19 plans, and has put in place measures to mitigate those risks. Crucially, the Board has considered carefully the ability of the business to continue to finance its activities under a challenging range of financial and economic scenarios, and is confident the business is financially resilient over the long-term.

LONGER-TERM PLANS

The next price review period covers 2020-25, but we are already planning for 2030 and beyond. Our plan is set in the context of our long-term strategy, as published in our Welsh Water 2050 document, including performance commitments to 2030 – and in most cases as far as 2050. We have also prepared a preliminary financial plan to 2030, to ensure our commitment to reducing bills while improving performance is sustainable over the longer term.

This financial plan postulates an AMP8 investment programme of some £2.3 billion, reflecting known environmental priorities under the National Environment Programme (NEP), as well as emerging water and service resilience agendas – which we have discussed with NRW, the Environment Agency and DWI. We currently believe this programme could be financed with only marginal increases in customer bills in real terms between 2025 and 2030, as long as we can continue to identify incremental opportunities for efficiency and innovation.



WORKING TO PUT OUR CUSTOMERS FIRST

BOARD ASSURANCE

The Board is satisfied this business plan constitutes a high quality plan. It has stretching targets for customer service, support for customers in vulnerable circumstances, for environmental performance and for cost efficiency, together with improved long-term service resilience and value for money for customers. The Board has provided detailed leadership of all aspects of the business plan throughout its development. This has included the following steps:

- The Board set the approach to PR19 at the outset of the process in September 2016, requiring the plan to be driven by the views of customers and to be developed in the context of a long-term vision for Welsh Water in 2050
- In December 2017, the Board set the strategic parameters for the business plan, based on the extensive first phase of our customer engagement programme, ensuring the plan strikes the optimal balance for customers between investment requirements for service improvements and resilience, and affordability for customers, both over the next five years and longer term
- The Board has ensured the targets set are challenging and deliverable, reflecting the criteria set by Ofwat, customer views, and historical and comparative information

- The company has engaged directly with the CCG and other key stakeholders, including NRW and the DWI, during the development of the plan. Executive and non-executive Board members have also attended customer engagement sessions and reviewed extensive customer research findings, to develop a personal understanding of customers' needs and priorities
- The Board has reviewed its plan against Ofwat's expectations, as set out in its detailed methodology statement, and found it to have met the requirements for a high quality plan. The Board has also had the benefit of external assurance from the Reporter and our Auditors on key aspects of the plan and supporting data, where appropriate
- Our plans fully take into account the Welsh Government's Strategic Priorities and Objectives Statement, as well as the Water Strategy for Wales. Our long-term planning approach in Welsh Water 2050 is closely aligned with the Well-being of Future Generations (Wales) Act and has been publicly endorsed by the Welsh Government Environment Minister
- At the end of the process, the Board commissioned independent customer research into the overall acceptability of the plan for customers, which concluded that 92% of customers found the plan acceptable and 95% found it affordable (including those who considered it would be 'affordable at a stretch'), with consistently-high support across all customer groups.

Having reviewed the main delivery risks and also the financial and corporate resilience of the business to a range of severe and combined risk scenarios, the Board is satisfied that the business plan is financeable and deliverable.

We will continue to publish comprehensive performance information each year, together with open disclosure of our policies for 'customer dividends', gearing, executive remuneration and long-term financial viability. By acting at all times as an independent company which follows the UK Corporate Governance Code, we will further build trust amongst our customers and stakeholders, in a way that is very appropriate for the provider of an essential public service.

"INDEPENDENT CUSTOMER RESEARCH INTO THE OVERALL ACCEPTABILITY OF THE PLAN FOR CUSTOMERS CONCLUDED THAT 92% OF CUSTOMERS FOUND THE PLAN ACCEPTABLE AND 95% FOUND IT AFFORDABLE"



THE BOARD OF GLAS CYMRU



Dŵr Cymru
Welsh Water