

Business Plan 2025-30

Executive Summary

PR24 BUSINESS
PLAN 25/30

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1. Introduction

At Welsh Water, we provide essential services to our customers every day of the week, all through the year. Our customers rely on us for their drinking water and daily water use in the home or at their business. Our vision is simple: to earn the trust of our customers, every day.

Our sewerage network and treatment works play a crucial role in protecting the environment from human activities, so that our customers do not have to worry about what happens to their wastewater. All of this is provided for an average household charge of around £1.50 a day.

Our world is changing and we must change with it.

This document sets out our Business Plan for 2025-30, itself part of a longer-term plan to ensure that we continue to provide high-quality, sustainable and resilient water and wastewater services long into the future.

Our world is changing and we must change with it. We have big ambitions to improve outcomes for the environment and the quality of services delivered to customers, minimising service failures. To achieve this we must also adapt to meet the challenges posed by the trends that are working against us, notably climate change.

Planning

Planning involves making tough trade-offs between investing to deliver long-term ambitions and keeping bills as low as possible for customers. Whilst we have a duty to respond to the legal obligations imposed by our regulators, particularly on environmental and tap water quality compliance, we recognise that society is also deeply concerned about these issues and wants to see them addressed as quickly as possible.

Our customers have indicated that the substantial increase in investment in our wastewater business in particular should not be postponed just to keep bills down. Equally for our part we will strive to

improve efficiency and do more for less, while carefully managing the impact on the affordability of water bills.

To make the required progress towards achieving our vision for 2050 we will need to stretch ourselves more than ever before.

This Executive Summary provides the background to our five-year plan, including how it fits into our vision for 2050. It then sets out a summary of the plan for 2025-30 in terms of what we will deliver, how much it will cost, and the impact on customer bills. The plan has been carefully developed through a collaborative process in Wales embodied by the PR24 Forum, which is led by the Welsh Government and includes all of our key regulators. It has also had widespread input from customers and wider stakeholders. After its submission in October 2023 the plan will be subjected to a rigorous process of challenge and scrutiny by Ofwat, before being finalised in December 2024.

Ambition

We are proud of the role we play in the Welsh economy and society, and our model as the only non-shareholder utility company in England and Wales. But to make the required progress towards achieving our vision for [2050](#) we will need to stretch ourselves more than ever before. We believe this plan responds with ambition to that challenge, and will ensure we continue to meet our obligation to 'earn the trust of our customers, every day', both tomorrow and for years to come.

Key highlights

- £3.5 billion capital investment programme (68% bigger than forecast AMP7 total).
- £1.9 billion of wastewater investment to protect the environment.
- Return to 4-star Environmental Performance Assessment.
- Investing to prevent 186 priority Storm Overflows causing harm to the environment.
- Pollution incidents cut by more than 13% from 78 to 68 per annum.*
- 10% reduction in leakage.*
- Tap water quality contacts cut by 43%.*
- Average bills up by 26%.* Social tariffs extended for eligible customers on low incomes.

* From 2025 forecast

Our biggest asset is our people, the 3,500 highly trained staff who are out in all weathers keeping things flowing smoothly.

A unique set of challenges

The characteristics of our operating area pose a unique set of challenges for us as a water company. While the high rainfall levels compared to eastern parts of the UK are a positive in terms of water resources, they also pose challenges in terms of flooding and the management of surface water and our wastewater networks.

Much of our population is highly dispersed in rural areas, meaning more kilometres of pipes and more treatment works per customer. Our water network, dominated by upland reservoirs and gravity-fed systems, means pipelines working under very high pressure, exacerbating the challenge in relation to mains bursts. We also have a long length of coastline and many small and ecologically sensitive rivers compared to other WASCs.

Over the past 20 years we have invested billions to deliver huge improvements to customers and the environment, meaning cleaner rivers and seas, a more reliable water network, and fewer service failures. In the last decade, thanks to efficiency, innovation, and lower financing costs, bills have been flat or declining in real terms.

Meeting expectations

Despite this transformation in the past, we recognise fully that there are key areas where we need to do more to meet the needs of the environment and the expectations of our customers and regulators.

It is clear from our interactions with customers and other stakeholders that the quality of water in our rivers and coastal waters is the most urgent challenge.

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2. Background

Welsh Water (Dŵr Cymru) provides water and wastewater services to 1.4 million households, businesses and others in most of Wales and some adjoining parts of England. We are the sixth largest of the 11 combined water and sewerage companies in England and Wales in terms of customers served.

The 'Glas advantage'

Since 2001 we have been owned by Glas Cymru, a single purpose non-shareholder company. The absence of shareholders has enabled us to invest additional funds of over £570 million for the benefit of society through accelerated investment to improve service delivery, and social tariffs to support our most vulnerable customers.

We invest over £1 million a day in maintaining and upgrading the infrastructure that underpins the services we provide, across thousands of miles of pipes, and hundreds of treatment works and pumping stations.

Our biggest asset, however, is our people, the 3,500 highly trained staff who are out in all weathers keeping things flowing smoothly, or in the office ensuring customers get the great service they deserve.

There are also elements of our drinking water service where we are 'behind the pace' and are targeting big improvements. These areas, in particular drinking water quality compliance and water supply interruptions, are primary areas of focus in our plan, alongside the protection of the quality of water along our rivers and coasts. We are also very conscious of the challenges presented by climate change, and the emerging risks exposed by improved research and monitoring. We discuss these issues further in subsequent sections.

Collaboration

We are fortunate in Wales that we have strong collaborative frameworks, including the PR24 Forum, to enable us to tackle these challenges and work through the difficult trade-offs jointly with government, regulators and other stakeholders. The Welsh Government and Natural Resources Wales have responsibility for most of the relevant policy and regulatory decision-making, while the Drinking Water Inspectorate, the Consumer Council for Water and Ofwat continue to cover both England and Wales, but with a significant presence in Wales.

The Wellbeing of Future Generations (Wales) Act, the Environment (Wales) Act, the Welsh Government's [Strategic Priorities Statement](#) to Ofwat, and the PR24 Forum 'Strategic Steers' provide a clear guide to the policy objectives and approaches in Wales that underpin our plans.

3. The challenge on the environment

The environment in Wales is under threat as never before. The Climate Emergency declared by the Welsh Government in 2019 underlined the importance of everyone playing their part in reducing greenhouse gas emissions. Meanwhile, extreme weather events are becoming more frequent, with devastating floods hitting parts of Wales repeatedly, combined with more extended periods of dry weather in the summer.

In June 2021 the Senedd declared a Nature Emergency and called for statutory targets to be set to halt and reverse the decline in biodiversity. We are committed to playing our part in the government's

Nature Recovery Action Plan to increase the health and resilience of the ecosystems on which we all depend.

Taskforce

The health of our rivers and coastal waters in particular is a huge public concern and is a clear priority for the Welsh Government. Whilst this is something that can only be addressed by all those who contribute to the issue working together, we recognise that we have a leading role to play as set out in our [Manifesto for Rivers in Wales \(2023\)](#). We are fully involved in the Wales [Better River Water Quality Taskforce](#), established by the First Minister in 2022.

We have been clear that the current situation is unacceptable and have apologised publicly for any environmental harm that we cause linked to delivering our wastewater services.

Two key areas for the Taskforce are reducing the levels of nutrients, notably phosphates, in the most ecologically sensitive rivers, and the operation of Storm Overflows (SOs). We now have much better data on how and when SOs are operating, following the installation of monitors since 2015 on which we led the industry.

The resulting data has been met by an understandable outpouring of public and media concern. We have been clear that the current situation is unacceptable and have apologised publicly for any environmental harm that we cause linked to delivering our wastewater services. We are investing an additional £140 million in 2020-25, of which £100 million has been made available through our non-shareholder model.

Ecological benefit

The Welsh Government has been absolutely clear that the focus of investment should be on maximising ecological benefit. This is in contrast to the approach in England where government targets are articulated in terms of reducing the number of SO spills. Concentrating solely on spill numbers risks obscuring some important distinctions, and driving

sub-optimal decision-making as regards prioritising action and investment. We therefore fully support the Welsh Government's approach and have prepared our plan accordingly.

While many SOs are operating more frequently than customers expect, the majority are operating as designed and having a minimal impact on receiving waters due to high dilution levels.

We are working closely with the Welsh Government and regulators to establish the facts and determine where investment can have the maximum ecological benefit. We will make progress as fast as we can, while being fully transparent about our plans, about the pace of delivery, and the resulting performance. This is a complex issue, with significant implications for the level of customer bills over the long-term. We set out in this Business Plan the plan agreed with our regulators and the next steps.

These environmental challenges are set against a difficult economic outlook and a current cost of living crisis putting severe financial pressure on many of our customers.

Drought

In 2022 Wales saw the most severe drought since 1976. While the vast majority of customers did not experience restrictions on water use, the drought highlighted the long-term challenge of maintaining sufficient water resources over the long-term. We learned valuable lessons about how better to manage our water network to increase resilience and we have taken these fully into account in this plan.

These environmental challenges are set against a difficult economic outlook and a current cost of living crisis putting severe financial pressure on many of our customers. Water bills are a small but still important proportion of household outgoings, particularly for poorer families, and we will not increase water bills by any more than absolutely necessary.

However, there is no other source of income to fund investment, and our customers say they do not want us to postpone the investment needed to provide a

sustainable service over the long-term. Our focus must, therefore, be on ensuring that bills are affordable for all, providing appropriate support for those who have difficulty paying.

4. Setting the long-term ambition

Our five-year Business Plan for 2025-30 is set in the context of the long-term challenges and our ambition for 2050. We have worked with Hafren Dyfrdwy, the Welsh Government and our key regulators to develop a Wales Water Sector Vision. This shows the kind of water sector we want to be, and the service we will provide, now and in the future.

Future generations

Our long-term mission as set out in Welsh Water 2050 is "to deliver a world-class, resilient and sustainable water service for the benefit of future generations." Never has this ambition been more important given the challenges we see all around us. Welsh Water 2050, published in 2018, set out the long-term trends affecting our activities, and the 18 Strategic Responses that we need to implement to respond to those challenges and opportunities over the long-term.

In 2022 we published our five-yearly review of that document, taking into account the major events and developments of recent years. The Welsh Water 2050 Review highlighted in particular the need to invest for the future, given the growing evidence of climate change as manifested in extreme weather events and their impact on both our environmental and drinking water services.

Our AMP8 plan represents part of a long-term strategy to 2050 and beyond.

Alongside this Business Plan, and in line with Ofwat guidance, we have developed our Long Term Delivery Strategy (LTDS) which builds on Welsh Water 2050, setting out in detail the investment needed to improve service and respond to long-term trends, as well as the outcomes and performance

commitments that we plan to deliver to 2050. This brings together all our long-term plans into one place and spells out how we would respond to the key risks and uncertainties facing the business.

Adaptive planning

The LTDS confirms that if we are to deliver our ambitions for 2050, given the challenges we face, investment will have to increase not just in the next five years but over the longer term as well. This step up in investment will need to be appropriately phased in order to ensure we and our partners have the capacity to deliver the capital projects required while managing the impact on customer bills.

We have prepared the strategy in line with the principles of adaptive planning, which helps to ensure that we are not spending customers' money until we have sufficient certainty about the requirements and the best way of delivering the long-term solution.

Best value

Whatever the future holds, we are committed to providing the best possible value to our customers, in the way that we assess investment options and deliver solutions. The Business Plan has been built up using multi-capital valuations wherever possible so as to take account of the wider benefits of different solutions, including greenhouse gas emissions and the impact on biodiversity and other environmental impacts over the long-term.

Our customers expect us to do the right thing for the long-term, and free from any short-termism imposed by shareholders we can genuinely commit to this approach. The AMP8 Business Plan, however, represents a significant increase in investment from previous periods, almost exclusively driven by statutory or other regulatory requirements, and includes minimal discretionary expenditure, this to minimise the impact on bills.

Joint Vision for the Water Sector in Wales

We will establish the water sector in Wales as a model of **effective collaboration** for delivering **excellent performance** against the backdrop of the climate and nature emergencies.

We will work with communities, stakeholders and regulators to **co-create and deliver solutions in the most efficient way over the long-term** having taken full account of the needs of our customers, the environment and society. We will seek to reflect the diversity of the people we serve in our workforce.

We will both engage and inform customers, helping them to play their part in addressing future challenges. We will always be responsive to their changing needs and expectations, paying particular attention to customers in vulnerable circumstances.

We will deliver **excellent drinking water quality**, working in catchments to protect raw water quality. We will **upgrade our network** to ensure it is fit for the future and resilient to current and future threats.

We will support a **thriving environment** in our rivers and seas by effectively managing and treating wastewater, upgrading treatment and network capacity where required and dealing with changing rainfall patterns. We will achieve net zero carbon emissions and seek to go further.

We will harness **innovation** and adapt to the world as it changes, while keeping bills as affordable as possible. We will provide a world-class, resilient and sustainable water service for future generations.

5. Protecting and improving the environment

Wales is famous for its dramatic landscapes, beautiful countryside, iconic rivers and coastlines, and thriving farming communities. It welcomes millions of visitors every year to enjoy the natural environment and experience its culture, thereby supporting rural incomes and local businesses across Wales. Protecting and enhancing this precious inheritance is critical for its own sake, but also for supporting livelihoods and social wellbeing more generally.

Our Business Plan for 2025-30 is entitled: "Stepping Up to the Challenge". Nowhere is this more relevant than in our plans to do more to protect the environment, in particular to reduce materially the impact of our operations on river water quality. We fully recognise and share the increasing public concern relating to the health of rivers and we will not shy away from this challenge. We also need to play our part in facilitating housing and commercial development where there are constraints created by river nutrient levels.

We will target the storm overflows having the biggest impact, and ensure none are causing ecological harm by 2040.

Commitment

Our customers tell us that they care deeply about the environment and are concerned about the problems that they see. Whilst restructuring the existing sewerage system will require multi-AMP investment, as set out in our Long Term Delivery Strategy, our plan for the next five years represents a step change in our commitment to the environment. At the same time we must respond to the need to improve tap water quality, make progress on climate change adaptation, and stay on track to achieve net zero carbon.

Our plan for the environment goes as fast as we believe is possible if it is to be deliverable, affordable, and financeable. Our ambition is to achieve more for less through innovative new approaches, both on our own and working with partners.

River water quality

Total wastewater investment to protect the environment is £1.9 billion over five years, compared to £1 billion in AMP7. The expenditure will be focused on where it can make the biggest difference in terms of environmental benefit. It will also be an important enabler to support new social housing and commercial development that is a key objective of the Welsh Government.

The vast majority of the planned enhancement investment is required to meet our regulatory obligations under the National Environment Plan (Wales), and the Water Industry National Environment Plan (for our areas in England). This includes our obligation to protect biodiversity and Sites of Special Scientific Interest (SSSIs), by which we will replace the South East Coastal sewer main between Magor and Newport at a cost of £78 million.

We have been working for some time with Natural Resources Wales (NRW) and others to develop a long-term approach to investigating and tackling the impact of our 2,300 SOs on the environment. The approach is based on the data available from the monitors on all SOs installed since 2015, and the more recent and continuing ecological impact assessments of high spilling SOs.

This information will allow us to target SOs causing the most harm first, and maximise ecological benefit. We are not simply targeting a reduction in the number of spills, as so doing may make minimal difference to the environment. Investing in SOs are part of a wider programme of work to improve river water quality in Wales, notably by reducing phosphorous levels.

We will:

- Deliver our part of the Wales Phosphate Summit Action Plan by drastically reducing phosphorous discharges into rivers in Special Areas of Conservation, achieving 90% of the reduction required to eliminate harm to these rivers caused by phosphates from wastewater treatment works discharges, on an agreed 'fair share' basis.
- Meet our commitment set out in our Manifesto for Rivers in Wales by tackling the Storm Overflows that are having the biggest environmental impact, moving 186 SOs from the 'high' or 'severe' harm categories to the lowest category, with the proportion of SOs causing no harm increasing from 53% to 61% by 2030, and to 100% by 2040.
- Reduce the number of pollution events (category 1, 2 and 3) we cause from 89 in 2022 to 68 in 2029, and tackle those assets that cause growing risks of 'serious' pollution incidents (category 1 and 2), including the South East Coastal sewer main.
- Return to a 4-star Environmental Performance Assessment rating.
- Collaborate with our regulators and partners to trial catchment-based permitting systems, and market-type mechanisms, to achieve the maximum improvement in river water quality from the best value source.

6. Safe and high-quality drinking water

Clean and safe water for drinking and for household or business use is essential for daily life and a core part of our mission. We take a 'source to tap' approach to ensuring tap water is great quality every day, covering everything from the uplands where rainwater falls, to the pipes taking water into customer properties.

Trust and confidence

The safety and quality of tap water is closely monitored and enforced by the Drinking Water Inspectorate (DWI) so that customers can have full trust and confidence in what comes out of the tap. The Compliance Risk Index (CRI) measure is designed to quantify risks based on numbers of sample failures. Despite improvements in 2022, we need to improve our performance on CRI, with to a

range of issues including bacteriological failures at water treatment works and maintenance of treated water reservoirs affecting recent performance.

Our plan will ensure progress on drinking water quality compliance risk is sustained to 2030 and beyond.

A Drinking Water Recovery Plan is being implemented, which includes a focus on cleaning and inspection of tanks, with the aim of bringing performance back into line with expectations by 2025. The Business Plan will ensure this progress is sustained to 2030 and beyond, with measures including investment to reduce the presence of iron linked to cast iron pipes.

Discolouration

Performance on tap water discolouration incidents continues to present a challenge, with proportionately more contacts from customers on this issue than other companies. This is a complex issue, related to the changing quality of raw water in our reservoirs, high flows in the network in dry periods, and the interaction of compounds in the water with pipe materials.

One of the principal causes is the level of manganese, a naturally occurring substance in the water, which we are planning to reduce with targeted investment at water treatment works, whilst at the same time managing the quality of raw water in the catchments. However, sustained improvement is not achievable without an acceleration of the replacement of old mains made of cast iron. Our Business Plan therefore includes a further investment of £150 million to replace some 100 kilometres of cast iron mains with modern pipe materials.

Lead

Quality at the tap is also affected by the water supply pipes on customers' properties and owned by them. While these are not water company responsibility, we have the expertise and capability to support a societal effort to address the damaging legacy of lead water supply pipes. In AMP8 we will continue to replace customers' lead supply pipes for free as part of a long-term programme, while seeking ways to do so more cost effectively.

We will:

- Bring our tap water quality compliance (CRI) score back into line with the rest of the industry by 2025 and sustain this, ensuring we meet the regulatory notices and guidance issued by the DWI.
- Reduce the number of "acceptability of water" contacts from 1.75 per 1,000 customers (forecast) in 2025 to 1.0 in 2030 by managing raw water quality, reducing levels of manganese at treatment works, and replacing some 100 kilometres of cast iron mains with new pipe materials.
- Replace 7,500 lead pipes between customer properties and our network to safeguard health and support Welsh Government aspiration for a 'lead-free Wales'.
- Work with farmers and other land managers in upland catchments to prevent deterioration of raw water entering our reservoirs.
- Pursue further research with our academic partners (including Cardiff and Aberystwyth Universities, and the Centre for Ecology and Hydrology) to better understand the change in raw water quality over time, its causes and triggers, and how we can meet this challenge through better forecasting and treatment processes.

that we will, therefore, out-turn AMP7 with a performance of around 8 minutes. This will still lag smaller water only companies with more integrated networks, who are better able to achieve the regulatory target of 5:00 minutes.

We are determined to close this gap, and despite our larger and more disparate network will set ourselves a regulatory target of 5:00 improving to 4:30 by 2030 with the help of resilience investment of £66 million to replace asbestos cement (AC) mains. These mains are bursting more and more frequently, due to a range of factors including age and ground conditions. AC is the primary pipe material in West Wales which experiences significant spikes in demand stimulated by tourism.

We will invest an extra £66 million to protect asset health by replacing mains materials which are bursting more frequently due to a range of factors including changing ground conditions.

Freeze-thaw

We understand the highest priority of our customers in this area to be mitigating the risk of major extended interruptions to communities large or small, by building more resilience into our networks over the long-term and implementing the learnings from major events such as the freeze-thaw of December 2022. Here, again, we need the support and cooperation of customers, as many of the issues that occurred then were caused by bursts on customer-owned pipes. We include in this plan £51 million of investment to strengthen resilience with new network interconnectors, as part of the long-term strategy in this area.

Water resources

Underpinning all of the above is the need to ensure the availability of sufficient water supplies over the long-term, as the climate changes. Our [Water Resources Management Plan](#) is the strategic planning framework that ensures this. Our modelling shows that we should be able to balance supply and demand mostly through incremental measures such as reducing leakage and encouraging customers to

7. A secure and reliable water supply

Customers should be able to rely on water being available whenever they need it, now and in the future.

Customers on the whole do not cite short-term supply interruptions as a major concern but they can be a major inconvenience when they do occur. When mains burst and supplies are affected we work hard to get customers back on supply as quickly as possible, while making bottled water available and delivering it to vulnerable customers.

Supply

Our regulatory target is to achieve an 'average minutes lost' score of 5:00 minutes by 2025, from 17:46 in 2020. This level of improvement is challenging with recent performance being affected by a few major bursts, not helped by the unusual weather conditions in 2022. We anticipate

use less water, without major investment. The priority therefore is ensuring that our historic estate of dams and reservoirs remains fit for purpose over the long-term, and capable of meeting the challenges of climate change in line with the latest regulations.

We will:

- Achieve a supply interruptions average 'minutes' lost target of 4.5 minutes.
- Reduce by 10% the leakage in our network, and help customers address leaks in their homes and businesses.
- Work with customers to bring down household consumption per capita by 7% by 2030.
- Accelerate our long-term metering programme, which will provide better data on water use for customers, without moving to compulsory metering. By 2030 we aim to have 78% of our household customers on meters, compared to a forecast 51% in 2025.
- Invest £66 million to replace 174 kilometres of ageing asbestos cement mains pipes.
- Invest £51 million to connect supply zones, building more resilience against the increasing background risk of low probability, high risk incidents that threaten supplies.
- Continue with our long-term dam maintenance and upgrades programme. The upgrades programme increases safety of 29 priority dams at a cost of £79 million.

8. Wider environmental and social value

As one of the biggest companies in Wales, a major energy user, and a provider of essential public services, we have a responsibility to society to contribute to tackling the climate and nature emergencies. Although we are not legally a 'public body' we adhere to the Well-being of Future Generations (Wales) Act, and our plans support the achievement of the seven Well-being Goals.

Carbon neutral

Our wastewater operations are fundamentally concerned with reducing society's impact on the environment. That is not, however, our only impact and we also have ambitious objectives in this plan

to minimise the footprint of the water supply by tackling environmental leakage, minimising abstraction from rivers, and bringing down energy consumption used in treating and pumping water.

Beyond core service delivery we do much more to contribute to societal and environmental well-being. We aim to become a carbon neutral company by 2040, including embedded carbon, which will mean finding ways to deliver our major capital investment programme in low carbon and nature friendly ways. As a major landowner and user, we can have a real impact on the nature emergency too and are working closely with NRW and others to boost biodiversity and protect and enhance peatlands. Our partnership work in upland water catchments helps to protect ecosystems from the impacts of diffuse pollution.

We aim to become a carbon neutral company by 2040, including embedded carbon, which will mean finding ways to deliver our major capital investment programme in low carbon and nature friendly ways.

Well-being

Our Community Fund supports local groups looking to enhance their communities across our area. In 2022 alone, over 252 charities and organisations from all around Wales and Herefordshire benefited.

In 2023 we opened a new visitor and recreation centre in north Cardiff to add to our existing four centres at reservoirs across Wales, providing the public with access to nature and top-class recreation facilities. Our Community Fund has donated over £450,000 to support local initiatives across Wales since its launch in 2017. We continue to deliver education programmes on the water cycle to school children, moving to online sessions during the pandemic.

In this Business Plan we set out details of our long-term goals to step up our contribution to achieving Wales's environmental and societal goals.

We will:

- Reduce total greenhouse gas emissions to net zero by 2040.
- Work in partnership with our stakeholders to improve biodiversity on our land holdings by restoring degraded habitats.
- Welcome over 900,000 visitors a year to our visitor and recreation centres and provide 80,000 children a year with information on the water cycle through our education programme.
- Continue to lead on collaborative efforts to better understand how society can tackle environmental efforts fairly and effectively, such as our recent work on pollution source modelling, the results of which we have made publicly available to all sectors.
- Continue to contribute actively to the river Nutrient Management Boards recognising that river water quality can only be tackled by all concerned working in partnership.
- Accelerate efforts, through research and trials, to find new ways to operate more sustainably. Our long-term objective is for nature-based and catchment solutions to become the default, and we will continue to work with our regulators to seek the regulatory innovation and flexibility required to enable this.

9. Excellent customer service

Our customer service vision is "to earn the trust of customers, every day". Our reputation with our customers is vital, not just as a matter of pride, but because we need their trust and cooperation to meet the challenges ahead.

We are a strong performer on Ofwat's industry household customer service measure, C-MeX, having achieved a top five placing in each of the last four years 2019-23. Our ambition is to be one of the best performing companies in England and Wales, every year.

All customers, including business and developer customers, equally deserve great service and we are determined that they receive it. Our average business customer satisfaction score was 88% (4.4/5) over the last 3 years, and we will strive to retain and

improve on that strong position going forwards. We also strive to provide great service to our diverse developer customers, particularly given the additional regulatory requirements and constraints on developers in Wales.

Changing expectations

To maintain the highest levels of service, our whole business needs to work together effectively, from call handlers through to the operational teams. Customer expectations are changing, as technology raises the bar across the retail and services sector. This plan continues to invest to deliver against these changing expectations, at no additional cost to customers, moving more customers into a seamless digital engagement, while maintaining alternative channels for those who prefer to pick up the phone.

In the last five years we have quadrupled the number of customers on our Priority Services Register.

Customers with additional needs

As a provider of essential services, we have a duty to meet the requirements of our customers in vulnerable circumstances or with particular needs. In the last five years we have quadrupled the number of customers on our Priority Services Register. And as of the end of May 2023 we are supporting 133,000 customers by offering them a lower bill through social tariffs (including the Water Sure scheme).

Our work with other utilities, local authorities and partner organisations is crucial to increase awareness of our priority services register and maximise opportunities to share data, so that we can proactively identify customers that need additional support from us. We will continue to train our people to recognise the signs that customers may be vulnerable and empower them to take the decisions needed to ensure that every vulnerable customer gets the help they need.

Businesses

Our non-household customers range from small shops to local authorities and huge industrial sites. Unlike the situation in England where retail services are subject to market competition, we are able to

provide a fully integrated service to the majority of these customers across both wholesale and retail. We are committed to ensuring that our business customers receive a service at least as good as the best available in England.

Great customer service means doing the basics well but also going above and beyond in line with our vision. Our Business Plan explains how we are doing this in areas such as social tariffs, additional services for vulnerable customers, and fair bills for customers suffering repeated service failures.

We will:

- Maintain upper quartile performance on the C-MeX household customer experience measure.
- Maintain our record of strong customer satisfaction from non-household customers, ensuring we meet their diverse needs while matching the best levels of customer service available in England.
- Aim to be a top performing company on developer customer satisfaction.
- Ensure that our services remain accessible to all customers, retaining our Wales-based contact centre so that our customers can always call and speak to a real person in English or Welsh who can help them.
- Expand our online service provision and ensure that we quickly embrace new customer service technologies that can deliver better outcomes and value.
- Tackle causes of nuisance and poor customer satisfaction such as odour problems at Swansea WWTW, and 'worst served customers' for flooding.

To respond to this, as noted above, we are investing significantly in resilience in the water network in AMP8, for example by increasing the rate of AC mains replacement and enhancing our ability to move water between supply zones. On the wastewater side the focus is on rising mains, which pose a growing risk to environmentally sensitive areas.

Everyone who works for Welsh Water, or on our behalf, has a fundamental right to return home safely at the end of each day.

We have statutory duties as operators of critical national infrastructure (CNI), and have to meet the requirements of the Security and Emergency Measures Direction (SEMD). Upgrades to sites including those newly designated as CNI will see investment of £23 million in AMP8. Our security programme will strengthen protection against intruders, reducing the risk of harm to members of the public and of damage to assets or the water supply.

Flooding

Our PR24 plan is part of a long-term programme to ensure we are managing these risks appropriately and remaining resilient, with a particular focus on climate change adaptation.

We have seen a number of major flooding events in Wales since PR19, notably storm Dennis in February 2020 and storm Christoph in January 2021. We successfully minimised the impact on services to customers, but will invest £5 million to protect critical water treatment works from flooding before 2030, and embark on a longer term programme for flood protection of wastewater treatment works in AMP9 and beyond.

Cybersecurity

Cybersecurity attacks are another growing threat. Under the Networks & Information Systems Regulations we are considered an Operator of Essential Services, and are required to meet the evolving guidelines and regulations on cybersecurity. We will continue to invest as necessary to manage this risk and protect customer data, including by

10. Resilience and security

Everything we do is intended to ensure the continuity of service to customers and prevent harm to the environment – and to recover quickly and put things right when things go wrong. 'Resilience' therefore encompasses all of our operational activity, plus the mechanisms that underpin financial and corporate resilience. In addition we are increasingly concerned with the prevention and mitigation of low probability high-impact threats, particularly where risk levels are increasing over time.

improving our threat detection and response capabilities, and have £11 million in our plan to enhance security measures against cyberattacks.

Safety

Providing a reliable and resilient service depends on our employees, who work in incredibly challenging conditions during periods of bad weather to maintain services to customers. The current high vacancy rate in the economy is a reminder of the importance of being a great employer in order to attract and retain the talent and loyalty that we need over the long-term.

We believe that everyone who works for Welsh Water, or on our behalf, has a fundamental right to return home safely at the end of each day. We are striving to achieve an injury-free environment and have a long-term health, safety and wellbeing improvement strategy. We will continue to make progress in AMP8 towards zero lost time injuries by eliminating hazards and minimising health and safety risks.

We will:

- Invest £157 million to strengthen the resilience of the water supply system.
- Invest £131 million to reduce the background risk of serious pollution incidents.
- Invest £23 million to upgrade security and other arrangements at our sites, to meet CNI and SEMD requirements.
- Invest £5 million by 2030 to protect all critical water treatment works from 1 in 30 year storm flooding.
- Prepare a long-term programme of investment to protect wastewater treatment works from flooding as the climate changes.
- Invest £11 million to enhance our systems and cybersecurity capabilities while remaining agile to respond to new threats.
- Continue to refine and develop our Resilience Framework to ensure we deliver a world-class service covering all elements of resilience.

11. Efficiency and innovation

Like most other businesses, we are currently dealing with an inflationary cost environment which is posing a major challenge to the bottom line. While soaring energy prices have had a limited direct impact on our energy costs so far owing to our successful hedging strategy, they have fed through into other key inputs such as chemicals, and the impact on AMP8 could be significant. The challenging cost environment has been exacerbated by the additional costs expended to deal with extreme weather, particularly on the water supply side.

Innovation is crucial both to meeting the cost challenge and delivering on our long-term ambitions against the background of a changing climate and growing customer expectations.

Technology

Given the increase in costs in this period, the backdrop of customer hardship and the step up in investment needs, we will have to go above and beyond in the next period to ensure that we are delivering services in the most efficient way possible. Our Business Plan includes a commitment to reduce operating costs by £42 million per annum cost by 2029/30 (11%) and are developing a flagship programme to achieve this. Accordingly we will be seeking to adopt innovative technology and find better ways of working, including through closer collaboration with partners and stakeholders.

Innovation is crucial both to meeting the cost challenge and delivering on our long-term ambitions against the background of a changing climate and growing customer expectations. During AMP7 we have strengthened our relationships with other water company innovation and research professionals, universities and research companies. The new centre of excellence for innovation in the water industry - Spring Innovation - has provided additional opportunities for collaboration.

Our Innovation Strategy, refreshed in 2022, sets out how we will maximise the four key enablers of innovation: resources, co-creation and communication, processes and systems, and people and culture. We have been engaged in Ofwat's Innovation Fund since its launch in 2020, leading on 4 and supporting 24 other projects as of August 2023.

Partnerships

We are the only water company to have a strategic Memorandum of Understanding with the Natural Environment Research Council (NERC). We also have a strategic partnership with Cardiff University and are progressing a range of well leveraged initiatives with them. This partnership working has enabled a number of secondments into the business for catchment studies and ensures that NERC research calls are focused on our needs and the needs of the wider water sector.

Overall we are working with over 100 partner organisations and have leveraged £95 million of Research and Development funding so far in AMP7. The Innovation Fund is increasing in size to £300 million during AMP8 and there will be a new £100 million funding scheme focused on water efficiency. We will be seeking to exploit all available opportunities to find more effective ways of tackling the challenges that we face, sharing the learnings with the wider sector, and reducing costs to customers.

We will:

- Achieve reductions in our operating costs of £42 million a year by 2030.
- Target an upper quartile position in the industry on wholesale operations and base maintenance costs.
- Implement findings of the research and investigations funded in AMP7 to allow us to optimise value delivered in AMP8 and beyond.
- Seek to leverage the opportunities from the Innovation Fund and the new Water Efficiency Fund.
- Hold a biennial Innovation Conference to celebrate success, explore emerging opportunities and develop new partnerships.
- Build on our Memorandum of Understanding with the Natural Environment Research Council (NERC) and with Cardiff University.

12. Bills and affordability

With our Long Term Delivery Strategy we have taken a 25-year view of the challenges ahead and the investment needed. It has made clear that significantly more investment is needed not just now but over the long-term, which will need to be phased so that it is deliverable, affordable, and financeable.

AMP8 will see a step change in levels of investment, the vast majority of which is obligatory expenditure needed to meet new statutory environmental standards, maintain regulatory compliance, protect the safety of our dams and reservoirs, and adapt to climate change.

Bills

This will present a significant challenge in terms of financing and capital delivery. We have looked carefully at this and are confident that the plan, whilst challenging, is deliverable and financeable.

Whilst innovation and efficiency will help to keep costs down, paying for this investment will have an inevitable impact on our customers, who have become used to flat or falling water bills in real terms over the last 10-15 years. We have consulted widely with customers on this, and the majority accept that increased investment is necessary, and do not wish to see this postponed.

The typical household bill is to rise by 26% in real terms by 2030 compared to 2025.

Average bills for household customers will increase from a forecast £463 in 2024/25 to £581 in 2029/30 (in 2022-23 prices, that is, not accounting for the impact of inflation), an increase of 26%. While this is a significant shift, we believe the water and wastewater service we provide remains good value for money. Our Business Plan has been optimised to deliver a 'best value' package of benefits to customers and the environment over the long-term that are necessary and should not be deferred.

Affordability

In our research, before they were given details of the investment the proposed bill increase would make possible, 47% of customers said the proposed bills

will be 'difficult to afford to pay' compared to 15% who said they would find it 'easy'. However, when asked whether the plan was acceptable after having been given information about the performance and investment in the plan, an overwhelming majority (84%) said it was. 80% of customers saying they were struggling financially also considered the plan to be acceptable. We consider this a strong endorsement of our plan overall.

To assist with the affordability concerns, we will be continuing and enhancing our sector-leading social tariffs, which provide a flat lower bill for eligible customers facing financial hardship. Our HelpU tariff is currently set at £277 - a 40% discount on a typical household bill of £463. We currently have 97,000 customers on HelpU, and a further 35,000 on Water Sure Wales.

Our generous approach to social tariffs is made possible by our not-for-shareholder model. In AMP8 we will contribute £13 million a year towards social tariffs, which combined with the cross-subsidy from the generality of customers. This will provide us with the capacity to accommodate the anticipated increase in unemployment over the next few years, which we expect will result in demand for our social tariffs rising to 190,000. We will also aim to insulate customers on HelpU from the general increase in bills as far as is possible within the available financial envelope.

We have recently launched a new 'Cymuned' (Community) scheme to support working customers who are struggling financially and need short-term help with their bill. This is the first scheme of its kind in the industry. This is just one example of how we are seeking to respond to customers' needs, depending on the economic environment, and we will continue to do so whatever happens in the next five years.

Balance

Overall, we believe our plan strikes the right balance between ambition and affordability. We must step up our response to the current and future challenges and make progress towards the ambitions for the water sector in Wales over the next 25 years. On the other hand, we must also recognise the financial pressures on customers, and limit bill increases as much as we can, while ensuring our service remains affordable for all over the long-term.

In reaching this decision we have been guided by the views of the Wales PR24 Forum, with whom we have discussed our proposal. The Forum has acknowledged the requirement to increase investment and hence raise bills, while managing the impact over time and providing support to those most sensitive to price rises. Our [Independent Challenge Group](#) has amplified the voice of customers in ensuring that we put forward a plan that is stretching and in line with the priorities of customers as well as those of regulators and other stakeholders.



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