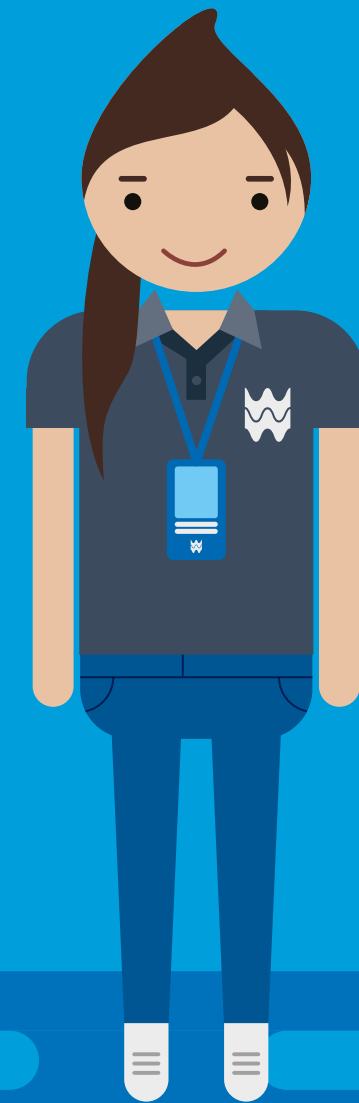
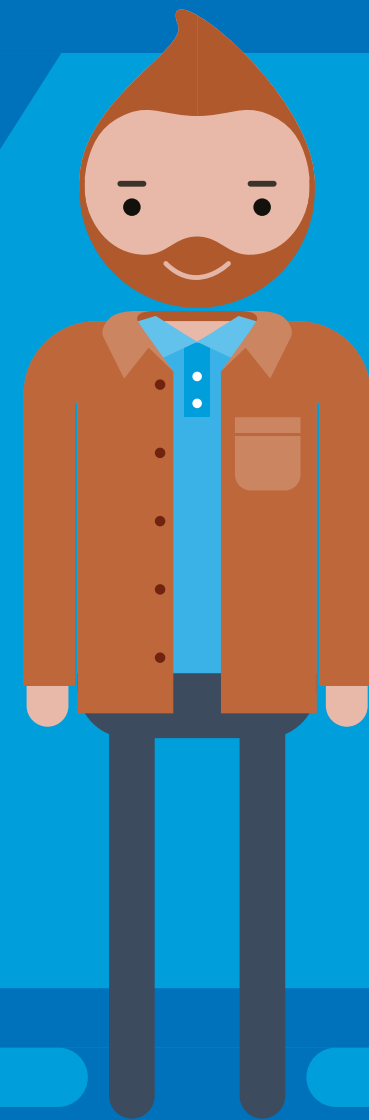
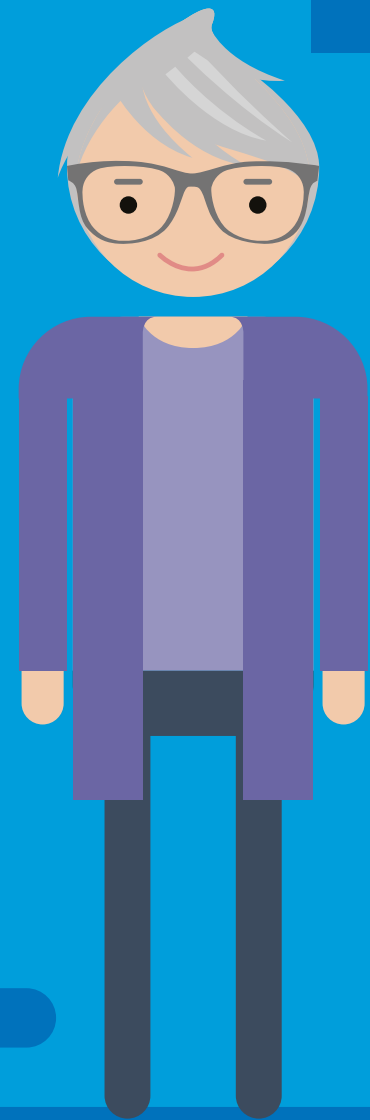
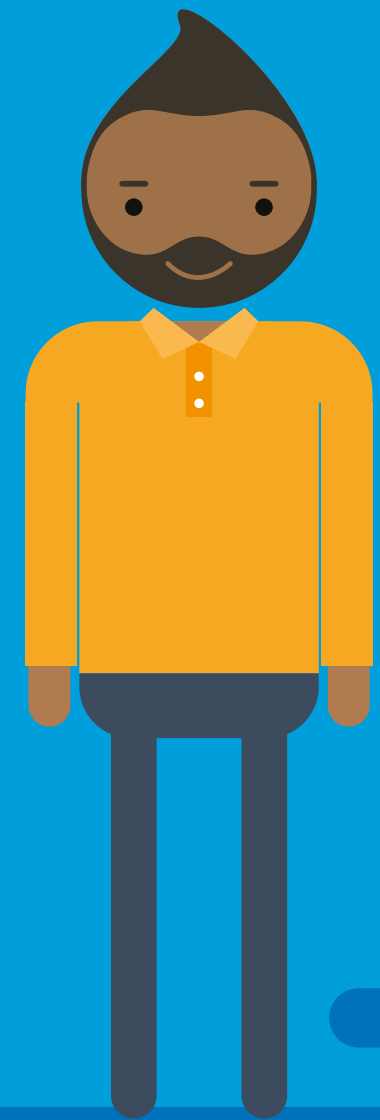


Stepping up to the challenge: Our plans for 2025-2030

YOU
SAID

WE
DID



INTRODUCTION

Water is vital for life – for our health, for the environment and for the economy. It is a resource that requires careful management so that there is a plentiful supply of safe, clean drinking water for our customers but also that what is abstracted, treated and returned to the environment is done so with minimal impact. Ensuring this is done at an affordable price for today's customers without storing up problems for future generations whilst also meeting tightening standards and raising customer expectations is a difficult challenge.

The Water Sector is heavily regulated and works in five-year investment cycles where companies set out their proposals and indicate how much it will cost customers and how it will impact their bills.

Since our last business plan was approved in 2019, there has been significant change – from the global pandemic and Brexit, to the cost-of-living crisis and the war in the Ukraine. The world has changed significantly as have customer perceptions. The focus on environmental concerns – especially river water quality – has also increased significantly over the past three years which has become a considerable focus of our business plan for 2025-2030.

As we've developed our Business Plan, we've conducted customer research and also heard from customers directly. In April 2023, we held a "Your Water, Your Say" public meeting where customers could ask me and senior management team about any of our plans or their own issues and concerns.

This document summarises how we've responded in our Business Plan to the challenges raised by our customers – You Said, We Did.

Our vision is to earn the trust of customers every day, we can only do that by listening to our customers views, their needs, their concerns, and responding accordingly whilst also ensuring our plans remain affordable, financeable and deliverable. Unfortunately, we aren't able to do everything that all our customers and stakeholders want us to do – it would simply be unaffordable, unfinanceable and undeliverable. We're confident, however, that this plan will deliver improved performance and take a significant step towards our long-term 2050 vision – bringing significant benefits for today's customers and future generations.

Peter Perry

Chief Executive Officer



THE ENVIRONMENT

Customers' challenges raised at "Your Water, Your Say" event

Concerns about river water quality and discharges from combined storm overflows (CSO) into waterways.

Criticism of level of phosphates entering rivers.

Concern about potential impact of pollution on local communities.

What does our customer research tell us about customers' views on the environment?

Our customers tell us that they care deeply about the environment and are concerned about the problems that they see.

They do not wish to see the necessary investment postponed despite its inevitable impact on bills.

Many customers agreed with the statement that "I have become more aware of the natural environment around me" than they were before the Covid-19 pandemic.

Protecting rivers and sea and reducing pollution was one of the core overarching areas of responsibility customers expect us to deliver and expect us to go further on.

You said, We did: between 2025 and 2030, we will:

Invest £1.9 billion in the environment – 85% more than 2020-25

Focus expenditure on where it can make the biggest difference in terms of environmental benefit.

Ensure investment is an enabler to support new social housing and commercial development that is a key objective of the Welsh Government.

Target CSOs causing the most harm first, and maximise ecological benefit. 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 Combined Storm Overflows (CSOs) on the environment.

Invest in CSOs as part of a wider programme of work to improve river water quality in Wales, notably by reducing phosphorous levels. We are not simply targeting a reduction in the number of spills, as so doing may make minimal difference to the environment.

Reduce Phosphorous discharges to sensitive (SAC) rivers to agreed ecologically sustainable levels by 2032 and eliminate all ecological harm from operation of storm overflows by 2040.

Reduce the number of pollution events (category 1, 2 and 3) we cause from 89 in 2022 to 68 in 2029.

Return to 4-star Environmental Performance Assessment on ongoing basis.

Reduce greenhouse gas emissions by 90% by 2030 against a 2010 baseline, and to zero by 2040.

Improve biodiversity on our land holdings including through peatland restoration (100 acres improved from unfavourable to favourable condition), and habitat restoration (at least 30% improvement in status of protected sites and priority habitats by 2030).



36,000km of sewers

Over 828 wastewater treatment works

2,300 combined storm overflows

60% of our sewer network is combined including surface water drainage as well as sewage

9% of rivers in Wales classified as "bad" or "poor" compared to over 20% in England

River water quality is impacted by many different sources



AFFORDABILITY

Customers' challenges raised at "Your Water, Your Say" event

What level of support will be provided for those struggling to pay bills?

How is the company balancing affordability for customers now against also ensuring adequate investment so we don't store up problems for the future?

Why are Welsh Water bills being amongst the highest in England and Wales?



What does our customer research tell us about customers' views on Affordability?

Customers are concerned about the impact of the increasing cost of living and that bills are difficult to afford

Without understanding how their bills are spent and what improvements they can expect, around half of customers think increased bills will be "difficult to afford to pay"

Having been presented with information about the performance and investment in the plan, 84% said overwhelmingly that the plan was acceptable.

Customers do not wish to see investment postponed, even at the expense of higher bills. They do not want to add to the burden for future generations.

You said, We did: between 2025 and 2030, we will:

Continue and enhance our sector-leading social tariff, HelpU, which provides a flat lower bill for eligible customers facing financial hardship. HelpU currently represents a 43% discount on the typical household bill.

We will contribute £13 million a year towards social tariffs, which combined with the cross-subsidy from the generality of customers, 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.

Continue to provide a wide range of financial assistance options, and to work with the wider sector and CCW (Consumer Council for Water) on how to maximise the impact of social tariffs.

Increase average bills for household customers will by £5 a month in 2025 raising to £10 per month in 2029/30 before inflation (compared to today's average household bill). For the full year that equates a rise from £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%.

Strike 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.



Why are Welsh Water's bills higher compared to other companies?

Whilst our bill is currently the second highest in the sector, the drinking water element of the bill is amongst the lowest in the sector, but the wastewater element of the bill is significantly higher. Whilst there was significant investment pre-privatisation in the treatment of sewage discharged to rivers and therefore paid for by taxpayers, the treatment of sewage discharged to the seas was only dealt with post-privatisation and therefore paid for by customers. Companies with the highest proportion of coastal cities, towns and communities have the highest wastewater bills.

WATER SUPPLY AND TAP WATER QUALITY

Customers' challenges raised at "Your Water, Your Say" event

What are the company's plan to ensure future resilience against events such as drought?

What technologies are Welsh Water considering to help with drought and reduce our environmental footprint?

Why should customers help save water when leakage levels are above what some customers feel as acceptable?

How can transferring water to other parts of the UK benefit Wales?

What does our customer research tell us about customers' views on the water supply and tap water quality?

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.

However, customers see reducing the risk of major water supply interruptions as a key priority and more important than keeping bills as low as possible.

Customers therefore want us to focus on preventing major supply interruptions in the future by focusing on resilience over the long-term, ensuring our network assets remain fit for purpose, and ensuring security of water resources.

Customers consider tap water quality to be a 'hygiene factor' - meaning that a high quality service, and safe drinking water, is a basic expectation of the water company.

Views expressed by customers suggest that as long as water is safe to drink and incidents of discolouration are at a low level, improving tap water quality further is not a major priority for customers.

You said, We did: between 2025 and 2030, we will:

Achieve a supply interruptions average 'minutes' lost target of 4.5 minutes.

Reduce by a quarter the leakage in our network (against 2019-20 baseline), and help customers address leaks in their homes and businesses.

Work with customers to bring down household consumption per capita by 7% by 2030 (against a 2019-20 baseline).

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 51% in 2025.

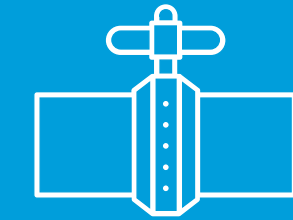
Connect supply zones, building more resilience against the increasing background risk of low probability, high risk incidents that threaten supplies.

Help household customers to reduce water usage and step-up activity to support reductions in business demand.

Reduce the number of "acceptability of water" contacts from 1.75 per 1,000 customers in 2025 to 1.0 in 2030.

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.



Water transfers

We recognise the serious water resource challenges faced by many regions of the UK from climate change and population growth, and will explore ways in which it could contribute to possible solutions, provided that:

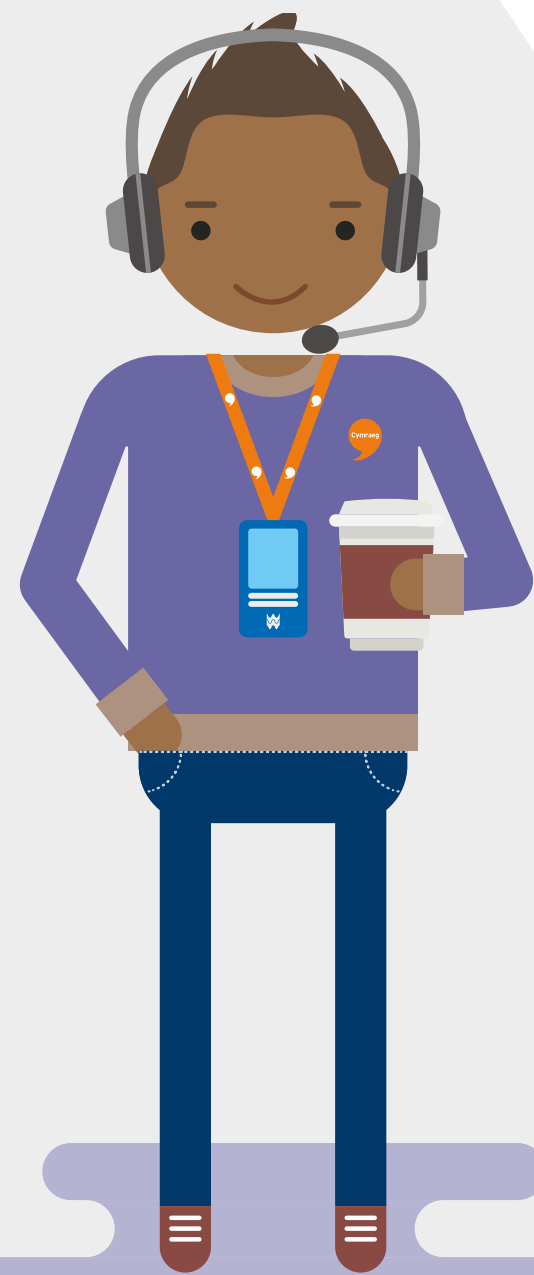
- ✓ there is no compromise to the security of water supply to its customers both today and in the future;
- ✓ there are no adverse impacts on the environment and communities in our area;
- ✓ any water provided by Dŵr Cymru generates appropriate economic value for our customers and for Wales.

CUSTOMER SERVICES

Customers' challenges raised at "Your Water, Your Say" event

How will Welsh Water provide Welsh Language services?

How will the company also provide help for business customers?



What does our customer research tell us about customers' views on the Customer Services?

Welsh Water is one of the top performing companies for customer service (as measured by Ofwat's Customer Service measure, C-MeX).

Customers expect good customer service and communication from their water company.

Good customer service is about keeping up with digitisation, not least because our customers have become more digitally focused by necessity through the pandemic.

Customers do not see a need for large increases in investment in customer service and just want the basics done well.

You said, We did: between 2025 and 2030, we will:

Maintain upper quartile industry customer satisfaction scores.

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.

Maintain our Customer Led Success culture programme, ensuring that our people have the skills and confidence to meet customers' growing expectations.

Focus on how we use new technology to provide customers with more choice and control over their services, while making our digital customer service offering simple and easy to use for customers.

Support implementation of the progressive metering strategy including the introduction of technology which will help customers understand their usage and identify leaks earlier.

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 the use of automation for transactional contacts, so that customers get an immediate response to their query.

Introduce new billing and payment technologies (such as dual billing capability, Open Banking, mobile app).

Tackle causes of nuisance and poor customer satisfaction such as odour problems and 'worst served customers' for flooding.

Welcome over 900,000 visitors a year to and recreation centres and provide 80,000 children a year with information on the water cycle through our education programme.



3.1 MILLION

We serve 3.1 million people

1.4 MILLION

1.4 million household customers

147,000

147,000 customers supported to pay their bills

