



Our Blueprint for Yorkshire

The right outcome for Yorkshire

**Our Retail Household
Business Plan**

December 2013



YorkshireWater

The world is changing
– and so are we.
We've got a plan,
which we're calling
our Blueprint
for Yorkshire.



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Foreword



Over the past two years we've undertaken our biggest ever, industry leading, consultation to find out what customers and stakeholders really want from us. More than 30,000 of our customers took part in an online survey designed to understand their priorities and we conducted in-depth research with roughly 6,700 household customers.

We also worked with an independent customer forum to ensure that our plans represent a reasonable balance of our customers' views. We listened and acted on the results of this engagement and as a result we're using their priorities to shape the direction of our business. This is a plan built around customer and stakeholder priorities. A plan which is owned by Yorkshire Water and all members of our Board.

Investing for the future

Earlier this year we published 'Our Blueprint for Yorkshire – the next 25 years' which explains the journey we will need to take to deliver these priorities, meet our vision and ensure we are playing our part in the continued success of the Yorkshire region.

This Retail Household Business Plan forms part of our Blueprint, focusing on how we will deliver our retail priorities over the next five years in the context of our 25 year plan.

It sits alongside our Retail Non-Household, Wholesale Water and Wholesale Waste Water Business Plans and provides a view of our well-evidenced and assured plan, focusing on customer priorities, explaining what we intend to deliver, the amount we propose to invest and how this will impact customers, stakeholders and the environment.

Thank you for taking the time to read our Blueprint. We hope you are as excited about the future as we are. We believe that this is the right outcome for Yorkshire. Right for customers, right for the environment, and right for the long-term sustainability of our business.



Jonathan Harding
Head of Customer Service,
Yorkshire Water Services

Yorkshire Water's board commitment to 'The right outcome for Yorkshire'

Board Assurance Statement

Introduction

The Yorkshire Water Board (the Board) members confirm that Yorkshire Water (the Company) has produced a high quality business plan for the period 2015-2020.

This assurance statement, in line with Ofwat's Business Planning Expectations, explains the Board's ownership of this plan and why we consider it to meet the criteria set out to define 'high-quality'.

The plan is designed to deliver good outcomes for customers and the environment whilst ensuring we continue to meet our statutory obligations. It is written in the context of our 25 year vision of delivering 'The Right Outcome for Yorkshire'.

The plan has been developed through close working and liaison with other regulators; namely the Environment Agency, the Drinking Water Inspectorate and Natural England. The plan follows the planning assumptions, guidance and information notes issued by regulators and is built on the basis of Defra's Statement of Obligations. The Board confirms that the plan includes the activity and investment to meet the requirements of the National Environment Programme, the Drinking Water Enhancement Programme and the Water Resource Management Plan.

Board Governance

The Board confirms that sufficient, transparent governance has been put in place to develop a high quality plan.

To ensure alignment with strategic objectives we have implemented a governance structure early in the process, defining roles and responsibilities of the Board and other key groups in developing our plan. This structure is shown diagrammatically in the governance section of our core business plan.

There have been monthly dedicated Board meetings and workshops to shape our plan which have been fully minuted, recording the Board's leadership and decisions on the plan.

The Board has appointed a Regulation Committee comprising the executive directors and relevant senior managers. The prime purpose of the Regulation Committee is to oversee the overall management and direction of arrangements for the Periodic Review process and to report matters to the Board.



Outcomes and Customers

The plan throughout is shaped by the feedback on customer priorities that we have received from customer engagement and the Customer Challenge Group (known in Yorkshire as the Customer Forum).

- Our service valuation work has been independently designed, assured and implemented and described by industry experts as 'state of the art'.
- To reflect customers' views fully our Outcomes, measures of success and delivery incentives have all been developed and tested with customers.
- Extensive acceptability testing has been carried out on the plan with all elements of our customer base. Over 77% are supportive of the plan, exceeding the acceptability threshold set by CC Water. This support was achieved whilst showing openly the impact of RPI on bills and before further savings of £6 per year on bills.

The Customer Forum has provided independent challenge on our approach to customer engagement, ensuring that the plan delivers good outcomes for customers and the environment. It has been fully involved throughout our service valuation, customer engagement and acceptability testing activity.

The final report produced by the Customer Forum submitted directly to Ofwat provides evidence that the views of customers and representatives on the Customer Forum have been fully embedded into our plan.

The Independent Chair of the Customer Forum stated in September 2013 that we "have a clear mandate from the customer base to proceed with the current plan" and that the Forum "will support the approach we have taken".

Business Plan Projections and Estimates

To satisfy ourselves that our plan is accurate and efficient, we have instigated extensive processes of assurance on all elements of the plan. We have engaged as auditors Atkins (our former reporters) and PwC (our statutory auditors) (together "the Business Plan Auditors") and have mirrored the approach used in our Risk and Compliance Statement process, which is ISO9001 certified.

The Board confirms that these processes and internal systems of control are sufficient to ensure the plan has been fully reviewed. The feedback received from this assurance, as well as from the Customer Forum, gives us confidence that the costs are not inflated and that it is an accurate submission, not a 'bid'.

As our Business Plan Auditors also assure our Risk and Compliance Statement, we are confident that the plan has been challenged within the context of our AMP5 performance and expenditure. They have confirmed that the plan contains truthful and complete information about the differences between planned and actual expenditure in AMP5.

Our internal and external assurance processes are explained fully within the plan with the external assurance statements attached in the evidence base

Yorkshire Water has a Competition Compliance policy which has been reiterated to employees during the development of our plan. We have introduced appropriate separation of our retail and wholesale businesses to comply with competition law throughout the regulatory changes.

We have seen no evidence to change our belief that our plan was developed independently of other companies and competitors.

Risk and Reward

The Board confirms that the plan shares risk and reward fairly between customers and shareholders.

It should be noted that we believe that the current framework for allocating and mitigating risks works well and do not propose any major changes. It ensures risks are allocated to those best placed to manage them. It is important for current cost incentives to continue as they have driven companies to become more efficient and ensured that efficiencies are passed back to customers. We believe that the Outcome Delivery Incentives (ODIs) will further enhance the current set of service performance incentives.

The overall risk to Yorkshire Water and subsequent reward for managing that risk is reflected in the allowed returns. To assess these we have used the well-established CAPM approach which is considered the best available method for assessing reward based on the risk to the company. In addition to this we have used advice from leading economic consultants, First Economics, and appropriate comparators.

Our scenarios and risk modelling show that where a risk is shared between customers and investors, each party's exposure to risk and reward is fairly balanced. Potential reward earned by investors is proportionate to the level of risk to which they are exposed.

The scenario and risk modelling has been externally audited, peer reviewed and has used industry leading techniques and practices to understand uncertainty in our plan – we have demonstrated 95% confidence that we will be able to deliver our plan in all years of AMP6.

The key elements of risk and reward have been agreed following extensive Board level discussion of the available information.

Leadership and Corporate Governance

The Board confirms that Yorkshire Water complies with the relevant conditions of appointment under the Water Industry Act. This is reviewed and stated annually in our Annual Report, our Risk and Compliance Statement and our Control Risk Self-Assessment.

We have recently reviewed and confirmed our compliance with the relevant parts of the 'UK Corporate Governance Code' (the Code). This is documented in the Yorkshire Water Annual Report (the Report) for the year ended 31 March 2013 (pp 38-43). It describes how the Company demonstrates effective corporate governance, operates transparently and how the Board provides strong leadership to the Company. The Report provides an explanation of how the Company applies the Code and where appropriate an explanation of any departures from the Code provisions has been provided. The Company has complied with the provisions of the Code except as disclosed in the Report. The Report also includes significant additional disclosures in relation to the Company's corporate structure, senior management remuneration and its tax position.

In addition the Board has reviewed the principles of "Board leadership, transparency and governance" as set out in a consultation document from Ofwat dated 19 September and the subsequent Information Notice IN 13/13. In his letter of 28 October 2013 to Ofwat, the Chairman confirmed that the Board will develop a governance code for Yorkshire Water in compliance with the principles and in accordance with the timetable set out in the consultation as requested.

The Board has also provided strong leadership in both the development of our strategic plan and the day to day operation of the Company.

Assurance Of PR14 December Data Submission

In addition to the assurances on our plan the Board also confirms that it has sufficient processes and internal systems of control to fully meet its obligation for the provision of information to Ofwat in the December Data Tables Submission 2013, which forms part of the PR14 business plan submission.

So far as the Directors are aware there is no relevant information of which the Company's Business Plan Auditors are unaware. The Directors have taken all of the steps that should have been taken in order to make themselves aware of any relevant audit information and to establish that the Company's Business Plan Auditors are aware of the information.

The process for completing the PR14 December Submission is aligned with our annual reporting process which is certified to ISO 9001:2008. This represents best practice as it is both long-established (since 2007) and externally verified.

In particular the Board has taken note of the following:

- The PR14 December Submission 2013 process and key issues raised by the Business Plan Auditors have been reviewed by the Yorkshire Water Price Review Steering Group
- That the process undertaken includes audit checks and challenges by data providers, data managers, senior managers, Executive Directors, the Regulation Team, Yorkshire Water Price Review Steering Group and the Business Plan Auditors
- The considerable dialogue between the Company's Business Plan Auditors to understand any issues raised by the data, all of which are satisfactorily resolved
- The text of the PR14 December Submission 2013 adds explanation to and explains assumptions behind the data submitted where necessary.

Signed by Yorkshire Water Services Limited Board of Directors



Kevin Whiteman
Chairman



Richard Flint
Chief Executive



Liz Barber
Finance and Regulation Director



Martin Havenhand
Independent Non Executive Director



Charles Haysom
Director of Production



Roger Hyde
Independent Non Executive Director



Michelle Lewis
Director of Corporate Communication



Stuart McFarlane
Company Secretary



Nevil Muncaster
Director of Asset Management



Helen Phillips
Director of Customer Service and Networks



Kath Pinnock
Independent Non Executive Director



Anthony Rabin
Independent Non Executive Director



Pamela Rogerson
Director of Human Resources, Health and Safety

1. Summary of the Plan

Our five year plan for 2015-2020:

- Expands on our core plan for Yorkshire Water
- It plans to keep the average household bill at £351, below the industry average with household retail costs making up £28 (8%) of the bill
- Has no plans to seek further increases before 2020
- Was developed around our biggest ever programme of customer and stakeholder engagement
- Is supported by 75% of household customers and 82% of hard to reach customers
- Includes a package of measures to support vulnerable customers and those who find it difficult to pay
- Is fully assured and meets high governance standards
- Includes the risk of increased bad debt through the introduction of welfare reforms being retained by the Company through the period
- Is set in the context of a longer-term plan of ongoing service improvement through efficiency.

Figure 1A
Customer acceptability testing
results – support for the plan

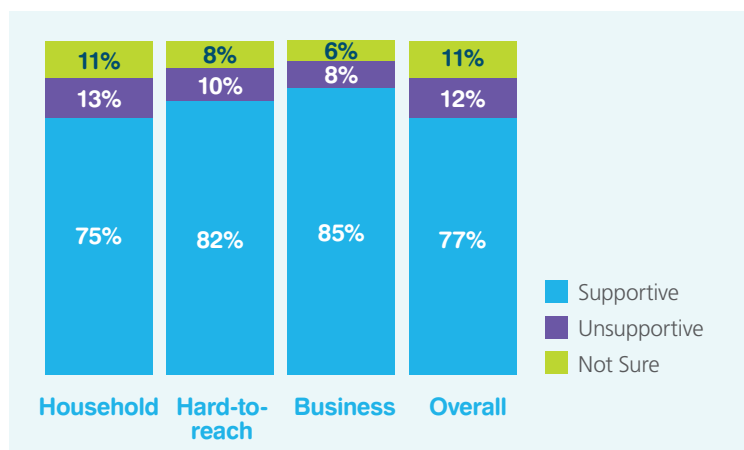
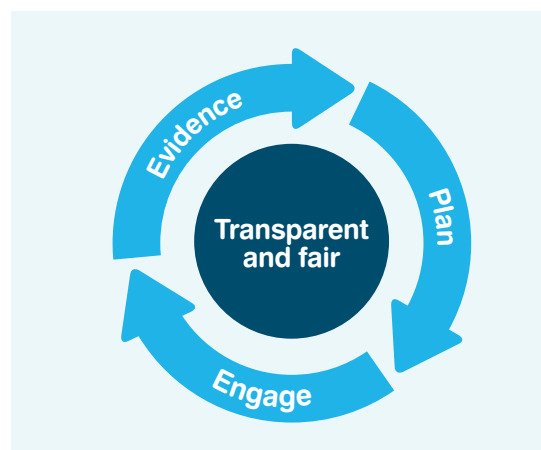


Figure 1B
Our approach to developing
'The right outcome for Yorkshire'



Every five years the price review process determines the prices a regulated water company can charge its customers for the following five year period. In this price review Ofwat has introduced changes to the way in which we set prices, moving away from one plan which achieves a series of named outputs to four revenue controls which identify customer-driven outcomes.

This document is one of a suite which make up our Blueprint; the right outcome for Yorkshire, and represents our plans for the retail household price control.

In this part of our Blueprint we will tell you about:

- Our retail business and the service it provides our household customers,
- Our industry leading, best practice customer and stakeholder engagement,
- The three retail outcomes our customers want us to work towards,
- What retail services we plan to deliver,
- How we're working to keep bills as low as possible,
- The benefits for customers and stakeholders
- Why it's a good, fair and well-balanced plan.

1.1 A supported plan

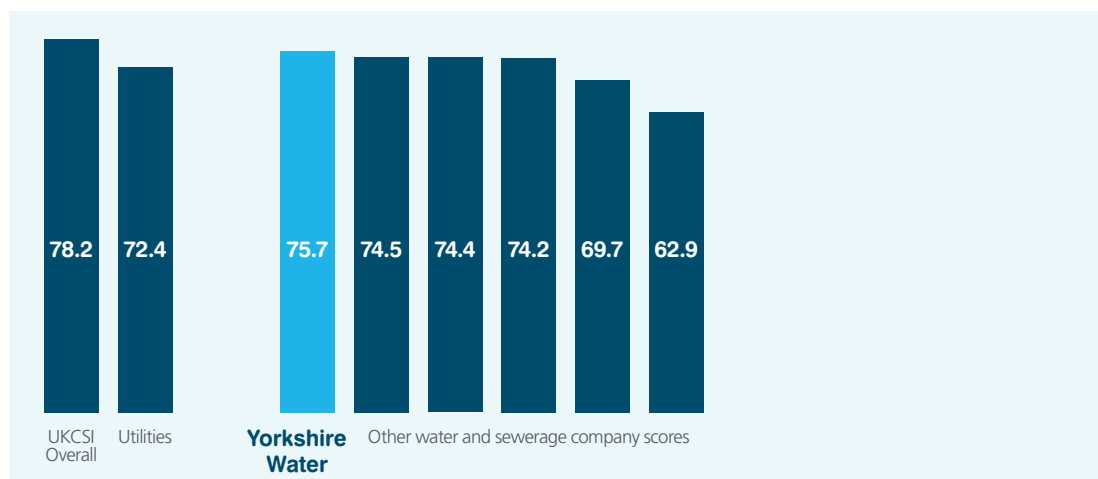
Our plan has been developed through an in depth and thorough programme of engagement with our customers and stakeholders. It has been an iterative process where we have gathered evidence on priorities and costs, built our proposals and tested our proposals with customers.

In 2012 'Valuing Water' and 'Willingness-to-Pay' studies provided information on where customers place most value on our services. This informed us of our customers' likely outcome priorities, which we tested and refined with customers in 2013. Customers told us there were seven outcomes we need to focus on. They helped us to shape the measures of success and incentives in delivering those outcomes. Three of these outcomes form the foundation of the Retail Household Business Plan.

- We provide the level of customer service you expect and value
- We keep your bills as low as possible
- We understand our impact on the wider environment and act responsibly.

Through all of this research, customers said that we need to keep getting the basics right in delivering core water and waste water services, that we need to be responsible in the way we treat customers and the environment and that we need to keep our prices affordable. Customers also told us that in the current economic climate, they do not want prices increasing above inflation. We've faithfully reflected all of this in our plan, 'The right outcome for Yorkshire'.

Figure 1C
UKCSI, January 2013, UK Customer Satisfaction Index (UKCSI)



1.2 Our five-year retail business plan

Our retail plan for the five years from 2015 focuses on maintaining the high levels of service our customers have come to expect and value, and making improvements where our customers feel this is necessary, while balancing this with low bills and an efficient service.

Customer Service

It's always been our aim to provide industry-leading retail services to our customers and we intend to continue to provide and build upon this over the next five years.

Our plan delivers an increased focus on our customers, putting their interests at the heart of our service delivery and building a customer-centric culture through our Customer Promise:

We are easy to deal with

We will fix it first time

We are helpful and friendly.

By altering our approach to the way we provide our service we aim to continue improving performance and to shorten the time to resolution if issues do emerge, without impacting on prices. By looking at processes as customer journeys, our colleagues will be putting themselves in the place of a customer and providing the level of service that they themselves would expect.

Affordability

We're proud of the fact that our customers consider the water and sewerage services they receive from Yorkshire Water value for money. In line with our intention to keep bills as low as possible, we'll continue to work with the wholesale business on our customers' behalf to minimise bills, for instance by providing support in reducing water consumption.

We'll also be helping customers with affordability by continuing our industry-leading efforts to minimise bad debt and retail charges for paying customers. We're continuing our innovative approach to understanding our customers and their financial circumstances through credit reference agency data sharing. Together with our promotion and targeting work with local charities and support agencies, this helps us target customers who may be struggling to pay with the best means of support, whether that's through flexible payment plans, budgeting advice, water efficiency initiatives or our Helping Hands affordability schemes.



We've undertaken research with our customers into social tariffs, and while it was recognised that support is necessary, they did not feel that social tariffs were the most acceptable method at present. We will continue to monitor customer views and if in the future this changes, we can introduce tariffs to support more vulnerable customers.

As we approach the opening of the retail market in 2017, we'll also be taking this opportunity to start benchmarking ourselves against other retail companies, in order to be more efficient and drive lower costs in the wholesale business.

Environmental Impact

We plan to reduce our environmental impact through energy and waste minimisation at our retail offices, engagement with our colleagues and influencing the water efficiency of our customers.

Figure 1D

Our proposed allowed returns for the retail businesses

Retail control	Our proposed allowed margin
Household retail control	1.00%

Figure 1E

Average household bills from 2015–2020 (real – 2012/13 price base) Data taken from December submission figure A1 (lines 11–14) Please note comparisons of retail only bills do not exist for 2014/15.

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Average retail household bill – water	-	£14	£14	£14	£14	£14
Average retail household bill – sewerage	-	£14	£14	£14	£14	£14
Average combined household retail bill	-	£28	£28	£28	£28	£28
Total household bills (inc wholesale)	£351	£351	£351	£351	£351	£351

1.3 Impact on customer bills

As discussed under Affordability above, we've done our very best to make costs acceptable to customers. In order to keep providing our services to customers we need to generate sufficient income to cover our expenditure to make improvements to service.

Ofwat confirmed they would use an Average Cost to Serve (ACTS) approach to set retail controls for all household customers and incentivise companies to become more efficient in delivering their retail services to households. The retail costs we have included are based on our 2012/13 regulatory accounts. These costs have been updated in line with the latest Ofwat guidance and expected changes in our regulatory environment and customer base since 2012/13. As retail household controls will not be indexed by RPI we have included cost escalation and productivity forecasts, based on estimates provided by First Economics.

We have also proposed a net margin of 1.00% on revenues for retail household controls. Our proposed retail net margin falls within the range of returns set for retail price controls in the energy sector. Our proposals will keep household customer bills as low as possible while ensuring the household retail business can be securely financed.

Our forecast of household retail costs and proposed retail net margin have resulted in customer bills that remain broadly stable over the period before inflation.

1.4 Sharing risk and reward

Our plan has been created to benefit our customers and to allow our company the flexibility to deliver its service. The significant risk facing household retail services comes from proposed introduction of welfare reforms and the potential impact on income from the WaterDirect scheme. We expect the Company and its shareholders to bear the whole financial exposure from this risk during the period.

1.5 The right outcome for Yorkshire

We believe this is a fair plan that has been based on customer and stakeholder priorities, rigorously challenged by customer and stakeholder representatives through the independent Customer Forum, and is fully assured and owned by the Board of Yorkshire Water.

It is built on sound estimates of efficient costs, risk and reward are shared and measures are in place to measure uncertainty. As a result, it means we have no plans to seek a further increase in bills before 2020.

We recognise that despite this, paying may still be a challenge for some customers and we will continue to support them with our industry-leading programmes of cost management, debt management and flexible payment arrangements.

2. About our Blueprint

At Yorkshire Water, we have a plan for the future and that plan is called Blueprint.

2.1 Our Blueprint

This document provides a detailed overview of our proposed Retail Household Business Plan from 2015-2020. In it we'll tell you about:

- Who we are and what we do
- How we consulted our customers and stakeholders
- How we built our plan around what we heard
- What retail services we propose to deliver
- How much it will cost and how we will deliver it
- The benefits for customers, stakeholders and the region
- Why it's a good, fair and well-financed plan.

Alongside this Retail Household Business Plan sit three other price control plans. These are Retail Non-household, Wholesale Water and Wholesale Waste Water. We've also produced a summary of our five and 25 year plans and a Yorkshire Water overview.

We've written this document to meet the needs of regulatory experts and well informed stakeholders, as well as for customers who may be less knowledgeable about the water industry. In doing this we have tried to avoid regulatory or technical terms and have included a glossary on our website at blueprintforyorkshire.com to help explain any specific terms used.

We are actively embracing proportionate regulation and consequently more technical, detailed information is located in the supplementary annexes and documents or where appropriate, has been made available directly to the water industry regulator, Ofwat. This additional information is aimed at readers with a specialised interest. Unless otherwise indicated, all figures in this document are in 2012/13 price base.

This document is split into the following sections:

Chapter	Title	Content	Page
1	Summary of the plan	An overview of our business plan for 2015-2020	10
2	About our Blueprint	The purpose of this document and an overview of the Price Review process	14
3	Serving Yorkshire	An overview of our business and our industry leading retail performance	16
4	Engaging customers and stakeholders	An overview of our customer and stakeholder engagement	24
5	Listening to customers and stakeholders	The results of the customer and stakeholder engagement process	28
6	Developing our Blueprint	An overview of the process behind developing our plan	36
7	The right outcome for Yorkshire	The key services and commitments we will deliver including how we will go about this	42
8	Financing the plan	Our financing plan to deliver the three retail outcomes for Yorkshire	84
9	A good plan for customers	Why our plan will benefit customers, stakeholders and the environment	90
10	A fair plan for customers	Why our plan provides a fair balance between customers, stakeholders and the environment	96
11	Delivering the plan	How we will make progress against the plan	100
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2.2 What is the Price Review?

Currently, in England and Wales, household customers and most business customers receive their water and waste water services from a licensed company. Only very large business customers are able to choose their retail supplier. Because competition is limited, the water industry regulator Ofwat regulates water and sewerage companies such as Yorkshire Water through a 'price control' mechanism which is currently reviewed every five years. The price review process gives us the opportunity to review the needs of our customers, the environment and our statutory obligations and balance these with the need to make sure that we can deliver a quality service as a financially stable business.

This price review is known as PR14 and will ultimately set the prices we can charge our customers for the period 2015-2020. Ofwat intends to set us four individual price controls: wholesale water, wholesale waste water, retail household and retail non-household. However, customers will continue to receive one bill covering the whole service which we provide.

We submitted our plans to the water industry regulator Ofwat as part of the PR14 price review process on 2nd December 2013. Ofwat will announce their initial assessment of our plan

in spring 2014 and in late 2014 we expect to finalise how much we will charge customers for the next five years. The new prices will apply from the 1st April 2015.

We think our plan for the next five and 25 years is the right one for our business, for the environment and for our customers and stakeholders. The reason we're so confident about our plan is that it has been created by listening to the views, needs and aspirations of the people of Yorkshire, and it puts their needs at the heart of everything we intend to do. In the next section, you can read about why we are so passionate about serving Yorkshire, its people and its environment.

3. Serving Yorkshire

We're proud to serve the Yorkshire region – from Whitby in the north to Chesterfield on the edge of Derbyshire in the south; and from Bridlington on the east coast to Ingleton in the west.

Our Retail business:

- Is part of Yorkshire Water, an integrated, regulated company that delivers efficient wholesale and retail services to the Yorkshire region
- Works in partnership with our wholesale functions to deliver an integrated service for customers
- Is built on a long-standing foundation of delivering excellent retail services for customers
- Is about delivering Is evolving to meet the challenges of population growth and maintaining affordability through the difficult economic circumstances
- Takes responsibility for customers' needs and delivering the level of service customers expect and value and keeping customer bills as low as possible.

Figure 3A
Yorkshire Water region showing
operational boundaries for
water and sewerage services



3.1 Serving our region

At Yorkshire Water our household retail business is all about delivering the level of service our customers expect and value and keeping their bills as low as possible.

We do this through the management of customer sales, billing and payment handling, the management of meter reading, provision of customer-facing water efficiency initiatives and the investigation and resolution of leaks on customer side pipes. How we deliver these retail services is discussed throughout this document.

Our household retail business serves a population of 5 million households and we are proud of our people and the customer service they offer. Our colleagues are highly experienced in working on our customers' behalf to ensure their expectations are met, their calls are answered and their issues are resolved, 24 hours a day, 365 days a year. We do this largely through our contact centre, run by our sister company Loop Customer Management. Loop's multi-skilled operators answer more than 1.8 million domestic and business customer calls a year

3.2 We're taking responsibility

Yorkshire Water's household retail business sits alongside its wholesale water business, which collects, treats and distributes around 1.26 billion litres of water for the people of Yorkshire every day.

The long-term sustainability of Yorkshire's water resources and environment is fundamental to the long-term sustainability of our whole business and we recognise this in our vision of

Taking Responsibility for the Water Environment for Good

Taking Responsibility

Caring for the water environment and always doing what's right for customers

For the water environment

Playing a bigger role in looking after the water environment

For good

Finding the best and most sustainable way to proceed in the long term

3.3 Working across Yorkshire Water

To provide excellent retail services to our customers, it's essential that we have an effective working relationship with Yorkshire Water's wholesale business, as well as the non-household retail business. The outcomes our customers have told us they want from our retail business are discussed in Section 7 of this document and more broadly within the Yorkshire Water Business Plan. They rely on the provision of an excellent service from all aspects of Yorkshire Water and we'll work as closely as we can with the other parts of the business to help us meet our performance commitments.

This is particularly the case during times of business stress. We will continue to work closely with all other areas of the regulated business (wholesale and non-household retail) to minimise any impact on services received by customers. Business stress is likely to occur as a result of extreme weather events or when geographically focused resources are required to help ensure service is maintained in other challenging circumstances. In reality, this means we will make flexible use of our own resources across the whole of Yorkshire Water, to mitigate the impact of extreme or unforeseen events on continuous delivery of wholesale services to customers.



Working with the wholesale business

We are dependent on Yorkshire Water's wholesale businesses to provide reliable, good quality wholesale water and waste water services to our customers. Effective working relationships and a thorough understanding of these interactions help us to jointly provide the highest level of customer service.

Some of the services we depend on the wholesale business to provide include:

- Meter replacement or provision
- New development connections
- Wholesale tariff billing and information
- Excellent customer service in delivery of wholesale activities
- Wholesale product information, including business customer service provision and Industrial Waste consenting
- Provision of service information (real time reactive, proactive and general information).

We will work as closely as we are permitted with the wholesale business to ensure they both understand and undertake the part they need to play in achieving the required outcomes we want for our customers. We will also help the wholesale business understand the potential impact of the quality of their service on Yorkshire Water's overall outcomes.

The base retail services we will undertake for our customers will comprise:

- Meter reading
- Billing
- Contact management (telephone, letter, email etc)
- Collection of wholesale and retail charges
- Debt management
- Customer side demand management
- Customer behaviour influencing and communications to avoid sewer abuse
- Communication of service information to customers (real-time reactive, proactive and general information)
- Network call handling.

Between 2015 and 2017 we propose to address these points of interaction with the wholesaler by developing Service Level Agreements (SLAs) to facilitate ways of setting performance expectations which allow each area of the regulated business to best meet customers' needs.

Working with Retail Non-Household

We recognise the UK government's intention that household customers, who cannot choose their water retailer, should benefit from efficiencies and sector improvements driven by competition in the retail market for non-household customers. This means we need to understand how we can work with our regulated Retail Non-Household 'business' to ensure that, without compromising compliance with Competition Law, we can facilitate transfer of benefit. We anticipate this could be in the areas of IT development (systems and infrastructure), customer relationship management and information handling procedures.

Figure 3B

Our achievements and awards over the last 10 years

2004	<ul style="list-style-type: none"> • Loop wins Contact Centre of the Year at the National Customer Service Awards • Yorkshire Water are Utility Company of the Year for the third consecutive year
2005	<ul style="list-style-type: none"> • Yorkshire Water comes top in Ofwat's Overall Performance Assessment which benchmarks companies' all-round operational and customer service
2010	<ul style="list-style-type: none"> • Yorkshire Water recorded the lowest number of written complaints for the second year running out of all water and sewerage companies • CCWater's tracking research found that nationally, Yorkshire customers are most satisfied with the value for money for their water and sewerage services.
2012	<ul style="list-style-type: none"> • Full credit data sharing is implemented to understand more about our customers and improve our collections performance. • Loop is voted the Top Employers for Working Families Award for supporting the work-life balance of all its employees • Loop is also recognised in the Sunday Times top 100 Best Companies to Work For. This is the 8th successful year • Yorkshire Water and Loop launch new innovative contact mediums for customers. These include Web Chat, Customer Voice SMS feedback, Social Media and an Online Billing portal.
2013	<ul style="list-style-type: none"> • A mobile application is launched, which provides customers with information about water quality, incidents and frequently asked questions • Awarded the 'Water Team of the Year Award' at the Utilities & Telecoms Awards • Customers recognised us as giving the best service of utility companies in the UKCSI survey • Best Utility Provider 2013 by the WOW awards

3.4 Driving industry leading retail services

It has always been our aim to provide industry-leading retail services. We know the skills and experience needed to provide a great a customer experience are different to those needed by our wholesale businesses to collect, treat and distribute water and to treat and dispose of Yorkshire's waste water. That's why we have structured our people and our business to focus on their specific areas of expertise.

In April 2000, we established Loop Customer Management, a sister company to Yorkshire Water. With independent colleagues and its own Board, Loop focuses on delivering world class award-winning retail services for Yorkshire Water and all of its household and non-household customers.

We hold the Customer Service Excellence standard, which is a testament to our commitment to place customer service at the heart of our business. It demonstrates our aim to understand what customers want, and to deliver this with continuous improvements to service.

Over the years we have used insight from all available sources to develop successful customer solutions and ensure we can meet the changing needs of our customers. Figure 3B shows a list of some of the programmes of work and the achievements and awards that recognise our success.

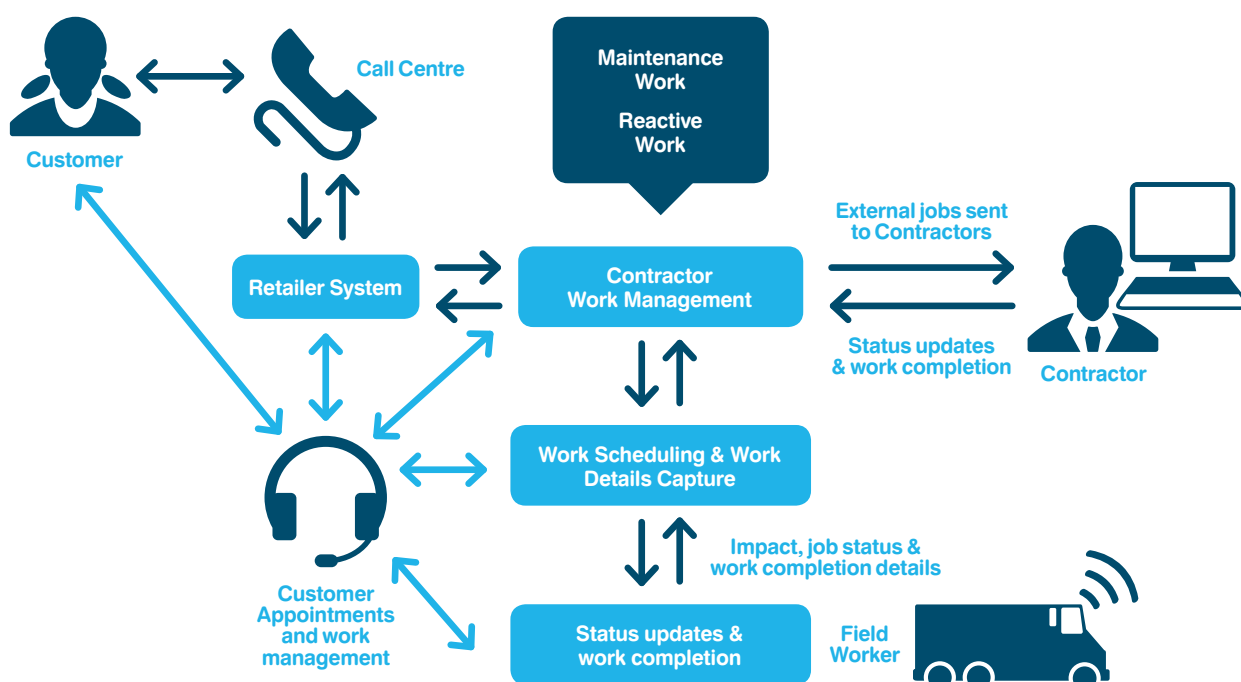
Integrated Customer and Operational Management System

An appropriate example of our industry leading approach to service can be seen in our revolutionary integrated customer and operational management system (ICOM), introduced in 2001. Yorkshire Water was the first water company to introduce ICOM to its business operations, and in doing so, revolutionised the way the water industry operates.

ICOM is a connected system of working processes which allow us as a retailer to communicate customer enquiries and needs effectively with our wholesale business. It enables interactions between wholesale and retail elements as per figure 3C above, for instance from the retailer handling the customer call to the wholesaler arranging and carrying out work and finally to feedback being returned to the customer. By having this integrated approach, we are able to provide the most effective, efficient service to customers.

In 2003 our ICOM system received one international and two national Customer Service Awards.

Figure 3C
Integrated Customer and Operational Management System



3.5 Maintaining industry leading retail services

Despite Yorkshire Water's track record of excellent customer service, the world of retail is changing and we need to change with it. Firstly, customer expectations around levels of service continue to rise, and we are committed to continually engaging with our customers to best understand what their service expectations are. The difficult economic climate is forecast to see little improvement in the immediate future, and our customers therefore want their bills to stay at the lowest possible level. Finally, as an industry we're facing changes to the way we will be required to operate in the future. These changes are discussed further in Section 3.6.

To meet these challenges, we're taking a fresh approach to how we provide retail services to our 5 million household customers. We've developed a customer promise which puts the customer at the heart of everything we do and are making sure we get things right by looking at Yorkshire Water's services from their point of view. We're developing new ways of engaging with the region such as live web chats and Twitter, and are using these to reach a wider range of customers, including those who need additional support. Finally, we're doing all we can to keep customer bills as low as possible. We're doing this by working to resolve bad debt through Helping Hands customer support schemes, providing financing advice and partnering with credit reference agencies, and reducing customer usage by promoting water efficiency initiatives.

3.6 Addressing future challenges

To better understand these and other future challenges, Yorkshire Water commissioned investigations² to expand our thinking about what the world might look like in 25 years' time. The aim was to help us plan how to achieve our objectives over the next 25 years and how Yorkshire Water would have to adapt and respond to these external challenges to our retail business.

Future challenges to our retail business include a predicted increase in population, concerns over affordability, changes in availability of key skills and the impacts of regulatory and legislative changes. Some headline statistics are shown below.

In 25 years' time:

- Population growth – we expect 855,000 more people to live in our region
- Households growth – we predict 500,000 more households in Yorkshire
- Population demographic – 26% of our population will be aged over 65, up from 18% today
- Affordability – 1 in 3 will struggle to pay our bills, up from 1 in 4 today
- A future of equals – customers will engage with us on their terms
- Open business – customers will value transparency and expect information to be readily available
- Societal demands – we will have a more environmentally literate customer base.



The challenges we feel will most impact our retail household business plan are discussed in more detail on the following page.

Population and Household Growth

A key challenge for us over the next 25 years is population growth. Our research shows us that over the next 25 years, Yorkshire's population will increase by 17% to approximately 5.8 million. We will also see an increase in the number of households by approximately 20% to almost 3 million.

The population demographics of our region are also set to change over the next 25 years. For example, currently 18% of the Yorkshire population is over the age of 65 but by 2036, this is due to increase to almost 26%. As a business we need to respond to this demographic change and especially consider the needs of a more elderly and potentially more vulnerable population base. Our population base in Yorkshire is also forecast to become more ethnically diverse. As a business we need to ensure that we are able to respond and deliver excellent customer service to an increasingly diverse customer base and we will also benefit from recruiting from a greater and more diverse population.

To see how we are preparing for a diverse and more vulnerable population please see Communicating with Customers and Vulnerable Customers in section 7.

Affordability

Affordability is a significant economic and political challenge that we currently face and will continue to face over the next 25 years. Households spending more than 3% of their disposable income (after housing costs) on water and sewerage bills are defined as being in 'water poverty'. With upward price pressures on wholesale water costs and other household expenditure, combined with real living standards continuing to fall, the number of households in water poverty is set to grow.

Our research showed that in the Yorkshire region, some 470,000 households are in water poverty (using the 3% water poverty measure). While other factors combine to determine water poverty, we know that if water bills rise in real terms by 1% a year, the number of households in water poverty will rise by a third in our region over 25 years. If bills were to rise by 3% per year over the same period, this would lead to a doubling of those currently in water poverty. For this reason our Business Plan for the 2015-20 submission focuses on keeping water bills at an affordable level for our customers.

Our research also shows us that there are three key indicators of a household in water poverty:

- **One adult household** – households with only one adult are over 4 times more likely to be in water poverty
- **Income Support** – households receiving income support are 2.8 times more likely to be in water poverty
- **Water meter** – metered households are only half as likely to be in water poverty.

This information helps us to target assistance and metering at particular households, further information on which can be found in the Demand Management and Affordability sections of this document in section 7.

Availability of Key Skills

Having the right skills and education for our colleagues is an area we've identified as crucial to delivering our business plan. Our people really are our greatest asset when it comes to delivering retail services.

Two of the key areas to focus on for the future are:

- Getting close to customers is key, and meeting customer expectations will require additional skills and greater diversity in our workforce.
- The staff we employ generally stay for a long time. This is welcome for many reasons but also means we need to work to add to their skills, ensure the skills remain relevant to our future needs and that all staff are engaged in the business.

This research has informed our sustainability work in, for example, focusing on up-skilling our workforce and recruiting from a more diverse base.

Regulatory and Legislative changes

We're also experiencing challenges because of changes to the way our industry operates. In recognition of the changing world, the UK government is working to reform the water industry and the way we are regulated.

The Water Bill, which is progressing through Parliament, will bring more flexibility to the way we provide customers with water and waste water wholesale and retail services. It's intended to deliver efficiencies to keep bills down, address resource deficiencies, and ensure customers receive the services they want and need.

The Bill will open up a competitive market for retail services to all business customers. This is currently planned for 2017. After this date, business customers will continue to receive water produced and distributed by Yorkshire Water's wholesale business and will still discharge their waste water to Yorkshire Water's sewerage network for treatment and disposal. However, business customers will be able to choose whether they continue to buy these services from our retail business or from an alternative retailer of their choice.

Defra has confirmed that competition will not be extended to household customers in the near future. However, they anticipate flow-through benefits to household customers from non-household retail competition. In order to gain benefit for our domestic customers from this objective, we will work with our non-household retail business to remain well-informed about best practice and ways of working, as appropriate within the confines of competition law.

3.7 How are we responding to these key challenges?

This five year business plan builds on these and other informed forecasts and helps us take a number of steps towards meeting our long-term vision of 'Taking responsibility for the water environment for good', by seeking to respond to the long-term challenges we'll face using the regulatory outcomes developed with our customers.

Our plan for 2015-2020 builds on our legacy of industry-leading service performance. High levels of customer service, coupled with lower than average bills provides a springboard to deliver the right outcome for Yorkshire.

We're passionate about serving Yorkshire. We're passionate about delivering the best service for its people too. That's why we embarked on our biggest ever programme of customer and stakeholder engagement; to understand what they really want from us and ensure we built a plan around their views that we challenge ourselves to deliver. You can read about our approach to customer and stakeholder engagement in the next section.



4.

Engaging customers and stakeholders

Our Retail Household plan, part of our Blueprint, is about keeping our promises and listening to all our customers. That's why we've worked closely with them to develop our plan.

Our customer and stakeholder engagement strategy:

- Has been robustly challenged by the independent Yorkshire Customer Forum
- Is cited as 'industry-leading and best practice'
- Engaged customers in all aspects of the plans' development and in deciding the overall content and cost of our plan
- Carried out in-depth research with 6,700 household customers
- Engaged with 160 hard to reach customers
- Reached 1.9m of our customers through our wider Blueprint for Yorkshire campaign
- Captured views of over 30,000 customers through on-line and face-to-face surveys
- Engaged with 208 key external stakeholders at our stakeholder conference and through our contact programme briefings
- Was transparent in presenting the impact of inflation on customers' bills
- Received 77% acceptance from customers surveyed.

4.1 Introduction to our customer and stakeholder engagement

We embarked on our biggest ever programme of customer and stakeholder engagement to understand what they really want from us and to ensure we built a plan around their views. This research was undertaken by the Yorkshire Water business to develop a deeper understanding of customer priorities for service and overall acceptability to inform the whole of our business plan.

This section provides an overview of the customer and stakeholder engagement undertaken relevant to the development of this retail household plan.

Overall 77% of customers who took part in our in-depth research support our plan (75% of household and 85% of business customers). This exceeds the benchmark of 70-75% support set out as acceptable by the Consumer Council for Water, and our support among hard to reach and business customers is categorised as an example of excellence.

Since the customer research we undertook for the last price review in 2009 (PR09), the national economic outlook has changed considerably. We wanted to understand how this had affected our customers, both from an economic and a financial perspective. We designed a customer engagement strategy which went beyond just understanding customers' willingness-to-pay for future water and waste water services. We wanted views from a regionally representative sample of customers to ensure our plan provides resilient and sustainable outcomes in the long-term, and that we meet our legal obligations as a water and waste water company, at a price which is acceptable to our customers.

To ensure we delivered a representative and transparent customer engagement programme for Price Review 2014, we worked with an independent Customer Forum, which helped us make sure our research strategy was robust and legitimate and that the results have been properly reflected in the Blueprint.

4.2 Yorkshire's independent Customer Forum

Ofwat's paper 'Involving customers in the price setting process', identified the need for companies to engage with and gain customer support for business planning and the price review process. This is something we have always tried to do. To ensure that the customer engagement process was conducted legitimately and robustly, Ofwat asked companies to establish Customer Challenge Groups (CCGs). These were set up to ensure that customers' views and opinions were considered throughout the price review process and are fairly represented in final business plans. While Ofwat asked companies to establish the structure and membership of each CCG, these groups ought to be independent from the company and chaired by an independent representative.

The CCG in Yorkshire is known as the Customer Forum and is an independent group of invited experts, who represent the needs of customers and of the environment. It is structured so that the diversity of our customer base is fairly represented. The diverse range of organisations helps to ensure that challenges are robust and comprehensive. Each organisation has different interests and varying needs in terms of engagement.

The organisations that make up Yorkshire's Customer Forum are detailed below:

- Andrea Cook, Independent Chair
- Local Government Yorkshire and Humber
- Confederation of British Industry
- Natural England
- Citizens Advice Bureau
- Drinking Water Inspectorate
- Consumer Council for Water
- Environment Agency
- Federation of Small Businesses
- Age UK
- Yorkshire Water Environment Advisory Panel
- Independent Academic

Appendix 2 at the end of this document has more information about the role of the organisations that constitute the customer forum membership.

The Customer Forum has met twelve times, and during that time has been involved in shaping our customer research programme and providing feedback on our plans. An extensive list of specific challenges has been captured on the research programme throughout the price review process, as well as the challenges made directly by the Customer Forum members in meetings.

Figure 4A
PR14 customer research activities

Research Engagement	Timing	Objective
Valuing Water	November 2011 – March 2012	To understand customers' views and opinions on the value of water now and in the future and in preparation for PR14, and understand their financial position today compared to research undertaken for PR09.
Service Valuation (Willingness to Pay)	May – August 2012	To identify priority areas of service among our customers and within this, to ascertain customers' 'willingness to pay' for specific levels of service improvement achievable under each priority area.
Service Failure Severity Study	August – October 2012	Within priority areas identified through Service Valuation, this study aimed to understand the value customers place on changes in the severity of specific service level failures.
Outcomes	February – May 2013	Building on the results from Service Valuation this study aim to derive customers' priorities in the development of long term outcomes for the business; to identify appropriate performance measures which customers understand and support; and, to explore opinion on appropriate outcome delivery incentives.
Investment Choices and Acceptability Testing	May – October 2013	Building on the results of Service Valuation and Outcomes, we developed our proposals for 2015-2020. This iterative study provided customers with four opportunities to feedback on our Blueprint proposals. It included choices to not only maintain current performance and meet statutory obligations, but also to improve our performance for; flood resilience, sewer flooding, river water quality, energy generation via renewables and sludge. This study gave customers a clear view on the expected impact of inflation. The results ensure customers' views have been fairly and properly represented in the development of the Business Plan and that it is affordable.

We have captured these challenges via the minutes recorded at the Customer Forum meetings and through a separate log of challenges. These challenges have been shared and discussed with the Customer Forum's independent report advisor throughout the price review process. You can view the Customer Forum minutes and report at our website blueprintforyorkshire.com.

Throughout the business planning process, the Customer Forum has been involved in every aspect of our customer research programme, challenging us to:

- Be clear and transparent in the way we present information to customers
- Make sure our sampling fairly represents the demographics of the region
- Make sure we give hard to reach and vulnerable customers an opportunity to contribute
- Ensure that we interpret the results of the research properly and reflect it faithfully in our plan.

In the next section we will summarise our in-depth customer research.

4.3 Research and Acceptability Testing

In developing our business plan we recognised the importance of our customers and how their views, opinions and behaviours differ from those of the research conducted at the last price review submitted in 2009. At that time the economic landscape was very different and we wanted to understand how customers' economic and financial situations had altered prior to conducting our specific price review customer research.

In 2010, we refined our research strategy that put customers at the heart of our planning process. The figure above provides an overview of the core activity we have undertaken with our customers throughout the PR14 process. We estimate that by the time we have submitted this plan to Ofwat in December 2013, we will have spoken to over 6,700 household customers including 160 'hard to reach' customers. To ensure we have fairly reflected future customers' views in the business plan, we also consulted with young non-bill payers throughout the outcomes and Acceptability Testing research programmes.

Figure 4A summarises the customer research engagement we have conducted for PR14 business planning.

4.4 Wider engagement with customers and stakeholders

Yorkshire Water's external engagement plan was designed to complement the customer research work carried out as part of acceptability testing and aimed to give as many of our customers as possible the opportunity to share their views.

The PR14 engagement plan has been the biggest single public engagement programme ever undertaken by Yorkshire Water. Throughout this campaign we estimate we have reached 1.9 million customers in some way (66% of our bill payers), made customers from across the region, from all social profiles, aware of our future plans and given them the opportunity to have their say on it. Our approach has been to encourage customer and stakeholder feedback on our plan through the use of traditional media stories, social media, paid-for media, presentations and face-to-face events. Please see Appendix 3 for more detail on our wider engagement campaign.

Our campaign reach included:

- Over 300,000 customers who have had the opportunity to meet with us face-face at customer events
- 28,267 unique visits to our Blueprint for Yorkshire website
- 29,862 customers who have returned surveys
- Around 200,000 customers who received an email newsletter
- 437,938 customers who received a summary of the plans through their doors
- 250,709 people who have viewed our Yorkshire Water family experience videos
- Approximately 200 key external stakeholders who we engaged with face-to-face at our stakeholder conference and through our contact programme briefings
- 1.9 million customers through the media, advertising, events and direct mail letters supporting the capital programme.

Customer insight was used to localise the campaigns to ensure that information presented to local people was as relevant as possible and to reach as many customers as we could across our region. We have used innovative techniques such as Experian Mosaic data to understand the profile of our customers so that we can tailor the type and content of our communications to audiences in each area. One example of this is the way in which we ran our campaign in Skipton, where we identified that a high proportion of our customers in this area are farmers. The campaign in Skipton was therefore tailored to contain bespoke information developed to help farmers see the relevance of our plans, discussing issues pertinent to them such as catchment management and flooding.

To ensure our plans are reflective of our region, we also consulted regional experts with a different perspective on our customers' needs. These included Members of Parliament, Local Authority Leaders, regional and environmental representatives such as Visit Yorkshire and groups which represent our hard-to-reach customers. In July 2013 we shared our vision for the future at a Blueprint for Yorkshire stakeholder conference. This was a fantastic opportunity to share our vision for the future with our key partners and to obtain their feedback on our plans for the next five and 25 years.

4.5 Working with regulators

We have a long history of successfully collaborating successfully with our quality regulators and stakeholders to develop balanced plans that meet the needs of the customer and the environment as well as our statutory requirements.

The Consumer Council for Water were involved in the development of our plan from the outset. In addition to their representation as part of the Customer Forum, separate briefings were undertaken to capture their input. They were also involved in the wider stakeholder engagement programme. During all stages and aspects of our customer research the Consumer Council for Water provided challenge, ensuring that our research was robust.

By talking to our customers and giving them the chance to have their say on our plans, we've learned a great deal about what matters most to them. They've helped us identify three clear long-term retail outcomes that they want us to work towards achieving in the next 25 years.

In the next section, we summarise in more detail what we heard from our customers and stakeholders and what we believe we must do to meet our statutory obligations.

5.

Listening to customers and stakeholders

This section summarises what we heard from our customer research and stakeholder engagement activities and what we believe we must do to meet our statutory obligations.

We heard our customers and stakeholders tell us that:

- We need to keep bills stable and affordable without compromising core water and sewerage services
- We need to provide a level of customer service they expect and value
- We need to keep bills as low as possible
- We need to be fair and transparent in the way we do business
- Our plan for 2015-2020 is the right outcome for Yorkshire
- These are the right outcomes, measures of success and outcome delivery incentives for Yorkshire
- Is supported by 75% of household customers and 82% of hard to reach customers

Figure 5A
Service areas tested for service valuation with customers

Water Services	Waste Water Services	Environmental Services
Drinking Water Quality	External Sewer Flooding	Pollution Incidents
Discoloured Water	Internal Sewer Flooding	River Water Quality
Taste and Odour of Drinking Water	Odour from Sewage Treatment Works	Bathing Water Quality
Interruptions to Supply		
Security of Supply		

Our retail household plan has been developed through an in depth and thorough programme of engagement with our customers and stakeholders. It has been an iterative process where we have gathered evidence on priorities and costs, built our proposals and tested these with customers.

In 2012 ‘Valuing Water’ and ‘Willingness to Pay’ studies provided information on where customers place most value on our services. This informed us of customers’ likely outcome priorities which we tested and refined with customers in 2013. Customers told us there were three retail outcomes we need to focus on, and they helped us to shape the measures of success and incentives in delivering those outcomes. These outcomes are the foundation of our Blueprint: the next 25 years and this five year business plan. The following sections outline the main headlines from these studies.

5.1 Valuing Water

In order to prepare for PR14, it was important to understand if our customers’ views, opinions and behaviours differed to that of PR09. The economic landscape of the price review process in PR09 was very different to that of PR14, and we knew it was important to understand our customers’ economic and financial situation before conducting specific price review customer research. Valuing Water was an extensive customer research study undertaken between November 2011 and March 2012. This study provided the foundations to PR14 business planning.

Customers told us that water was an essential part of their everyday lives, but something they typically take for granted. However, any loss or reduction in water and/or sewerage service levels is unthinkable to them.

Customers have experienced affordability issues on the back of rising costs for food, petrol, energy bills and insurance etc. while their incomes have, at best, remained static.

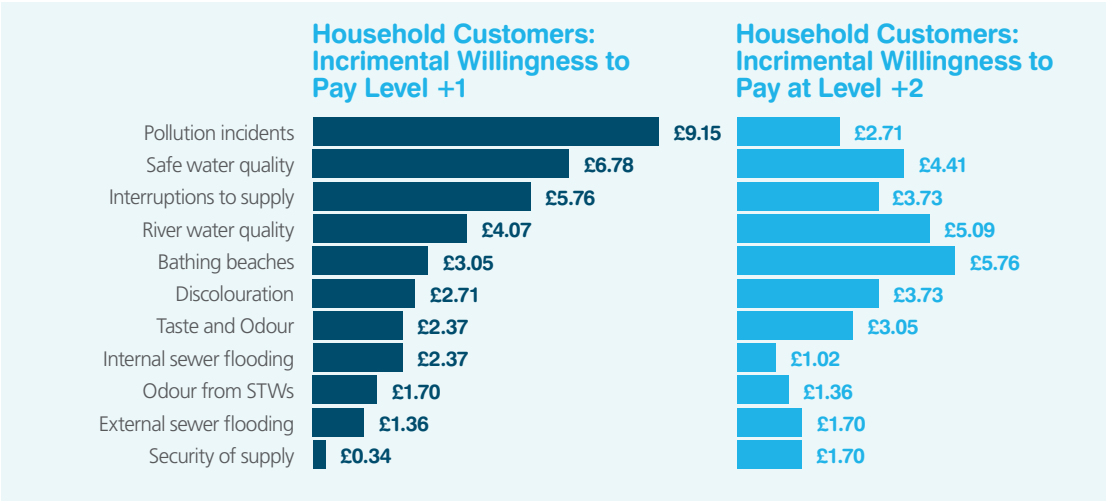
Despite this, customers told us that there was no appetite for reducing water and waste water service levels in return for a lower water bill. Conversely, there was very little willingness to pay any more to ensure current service levels, although they were resigned to the fact that, if the water bill were to go up, customers would simply have to pay. Throughout this research, customers told us that they receive good levels of service for both water and waste water and that they would want to maintain this level of service if it meant keeping bills low. The findings of this research helped us frame the next phase of research known as Willingness to Pay.

5.2 Service Valuation – Willingness to Pay

In determining the five year price charged to our customers, we include information on investment required, and information on customer preferences and demand, i.e. willingness-to-pay for increases in the levels of service measures, and willingness-to-accept bill reductions for reductions in the same measures in the business planning process. To justify any investment beyond statutory requirements, Willingness to Pay must exceed economic costs; to justify any reduction in service measures (subject to a minimum legal standard being met) Willingness to Accept must be less than cost savings.

We undertook this research activity with over 2,500 domestic and business customers to establish customers’ priorities for levels of service provision.

Figure 5B
Household customer Value for improved levels of service



In general, customer feedback from this study was comparable to the feedback received in the Valuing Water research. Customers told us that we provide a high quality service, and this was due to the fact that very few customers had experienced problems with the service in the past. Therefore customers felt they took the service for granted. When customers were presented with current levels of service they were typically perceived as being at an acceptable level and often exceeded peoples’ perceptions. Despite this, customers felt that we should still strive to improve, although as observed in the Valuing Water research, there was little willingness to pay for improvements amongst domestic and business customers.

To establish customers’ willingness to pay for changes in water and waste water services (as well as changes in the severity of specific service level failures), we asked them to trade-off different levels of service across the eleven service measures. This approach allowed us to estimate the percentage change in bill that customers would be willing to pay to receive an improvement in service. As expected, customers were on average willing to pay higher bills for improvements in services that went well beyond statutory levels and willing to accept bill reductions for reductions in service levels (after which services levels would still be greater than the minimum permitted levels). However, while customers valued improvements in services across all service areas, it was observed that the overall value was 50% less than that at PR09⁶.

These results of customers’ service valuation estimates were taken forward into the development of outcomes and our investment prioritisation analysis for wholesale service delivery.

5.3 Seven outcomes for Yorkshire

This price review is different from previous reviews in that it moves away from regulator-driven programmes of defined outputs to one that allows us to set our own unique outcomes based on engagement with our stakeholders and customers. We set out to deliver outcomes aimed at addressing the short, medium and long term challenges we face e.g. climate change, weather volatility, population growth etc. For us, this meant developing a set of outcomes which built upon the views of our customers from the Valuing Water and Willingness to Pay research, whilst meeting the legislative requirements set out by the government and regulators.

Our customers prioritised the aspects of service most important to them, with clean, safe drinking water being the most important aspect, while measures to protect the environment were of lesser importance.

6 – It is important to understand that the willingness to pay values derived from the study should not be considered exclusively. The values form part of the wider net benefit activity which informs the wider capital investment planning process.

Figure 5C
Hierarchy of importance of aspects of service



Figure 5D

Performance commitments, targets and incentives

outcome	Measures of success	Performance commitment
We provide the level of customer service you expect and value	Customer service	Improvement*
	Number of Service Commitment failures	Reduction*
	Overall customer satisfaction (CC Water Annual Tracking Survey)	Improvement*
We keep your bills as low as possible	Cost of Bad Debt to customers (expressed as percentage of average bill)	3.1%
	Number of people who we help to pay their bill	Information made available
	Value for money (CCWater Annual Tracking Survey)	Improvement*
We understand our impact on the wider environment and act responsibly	Energy generated through renewable technologies	12%
	Waste diverted from landfill (re-used and recycled)	94%*

*Performance Commitment at end of period.

This is consistent with previous customer comments that water is essential for life and therefore should be treated as the highest priority. Waste water services are seen as a basic sanitation need. Customer services and affordable bills make the services viable. If customer services are not in place customers are not able to receive bills or contact the company. If prices are not affordable, customers cannot afford to pay. Protecting the environment is seen as a 'nice to have' once all other (more essential) needs are met. However, this is still very important to customers.

Based on what customers told us, we worked with them to identify seven long-term outcomes from an initial list of 21 draft outcomes and agreed with the customer forum, which will form the core of our five-year plan and our future direction. These are:

- **We provide you with water that is clean and safe to drink**
- **We make sure that you always have enough water**
- **We take care of your waste water and protect you and the environment from sewer flooding**
- **We protect and improve the water environment**
- **We understand our impact on the wider environment and act responsibly**
- **We provide the level of customer service you expect and value**
- **We keep your bills as low as possible.**

The Retail Household Business Plan will contribute directly towards delivering three of these regulatory outcomes:

- **We provide the level of customer service you expect and value**
- **We keep your bills as low as possible**
- **We understand our impact on the environment and act responsibly.**

Our customers told us that these are the right outcomes for Yorkshire. They describe the high level things which customers want and need us to deliver over the long-term. They reflect what's important to them and are presented in the order in which our customers told us they value them. Every outcome we presented to customers was fully supported by a majority of the respondents throughout our consultation and no omissions were identified.

Measures of Success and Outcome Delivery Incentives

Delivering long-term customer-focused outcomes is not a new requirement for Yorkshire Water. We've always aimed to deliver our customers' key needs and wants while focusing on our wider role as a responsible business.

We think it's vital for us to be able to show and measure how we are doing against these long-term outcomes. That way, our customers can see how we are delivering the things which are important to them, and whether we are improving or maintaining performance or even deteriorating over time. We worked with our customers and stakeholders to identify the right measures of success for each outcome to ensure the whole package represents customer needs and the specific needs of regulators and stakeholders.



Some of these are quantitative, and some are qualitative. Our customers told us they preferred ‘hard’ targets, i.e. ones which are not subjective. For qualitative measures they favoured independent surveys, rather than ones commissioned by Yorkshire Water.

We are confident that our proposed performance commitments cover all areas of investment as well as statutory, legal and environmental obligations. However, a number of incentives and penalties have also been developed in consultation with our customers and will take the form of either reputational or financial incentives or penalties. The three outcomes applicable to the Retail Household Business Plan carry reputational incentives.

In deciding which is most appropriate, we have considered, among other things, whether penalties exist elsewhere, the extent to which performance is within our control, and the level of importance to customers. Our customers have told us that this incentive package is how they can hold us to our word and encourage us to strive for better performance.

In summary, we heard our customers tell us that these are the right outcomes for Yorkshire. We heard that the measures of success reflect what’s most important to them and are the right measures against which they can assess our performance. We also heard that this is the right incentive package against which customers can hold us to our word and encourage us to strive for better performance.

A detailed breakdown of how we will achieve our outcomes and the associated measures of success through our long and short-term plans can be found in Section 7; The right outcome for Yorkshire.

5.4 Customer Support for ‘The right outcome for Yorkshire’

Customers have told us throughout our research programme that they’ve experienced noticeable changes to their household expenditure in the past few years, while their incomes have remained virtually static in that time.

“I haven’t had a pay rise in the last three years.”

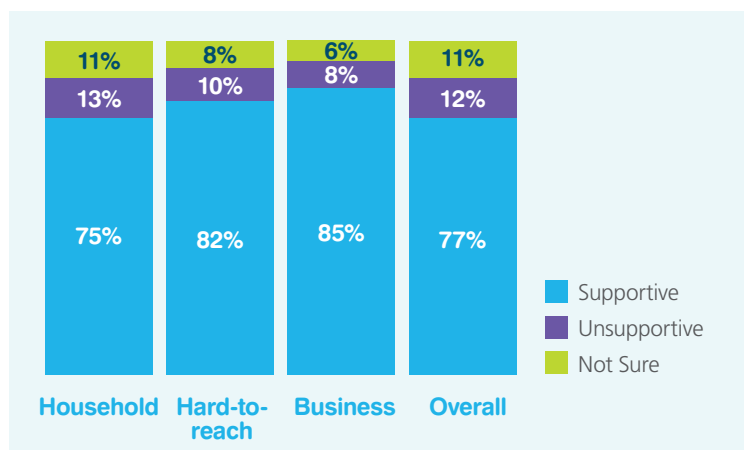
Household customer
Whitby

Due to the challenging economic climate, we found that customers are now more generally aware of the size of their water and waste water bill, although awareness of usage by volume is virtually non-existent. They also told us that their water bill is one of the smaller household bills and was generally considered to be reasonable, although they have some concerns regarding affordability as they experience rising costs alongside static incomes.

Despite household spending pressures, the customers we asked still expect the same or even better level of water and waste water services from us. Lowering service levels in return for a lower bill was considered unacceptable. It would be a backward step, for example to increase the risk of flooding, pose health risks and reverse the legacy of service improvements that have been made to date.

Figure 5E

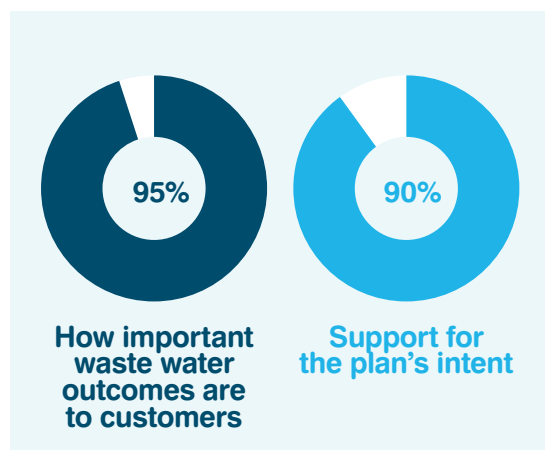
Customer acceptability testing results – support for the plan



Nb. Numbers do not sum to 100% due to rounding

Figure 5F

How important outcomes are to customers and support for the intent of the plan



To ensure we have reflected this feedback in the development of our business plan we undertook a large survey with customers to gauge the level of support for our plan (Acceptability Testing). Throughout 2013, we worked with the Customer Forum and customers to ensure what we were proposing in the plan reflected their priorities. This activity also tested whether customers understood the content of the plan e.g. did they understand the reason for the research and was the content presented clear.

5.5 The right outcome for Yorkshire

In September 2013, we tested our final plan, based on feedback gathered throughout the process with over 800 household customers and 200 business customers across the Yorkshire region. The plan outlined the level of investment we propose to make between 2015-2020. The results of this acceptability testing are outlined in figure 5E.

Overall 77% of our customers surveyed supported our plan (76% of domestic customers, 82% of hard to reach customers and 85% of business customers surveyed said were supportive of the business plan).

The Customer Forum told us that they considered the results of the Acceptability Testing to be well above the 70-75% range recommended by the Consumer Council for Water (CC Water). "Our view would be that you have a clear mandate from the customer base to proceed with the current plan... We will commend the approach you have taken." Andrea Cook, Chair of the Customer Forum, September 2013.

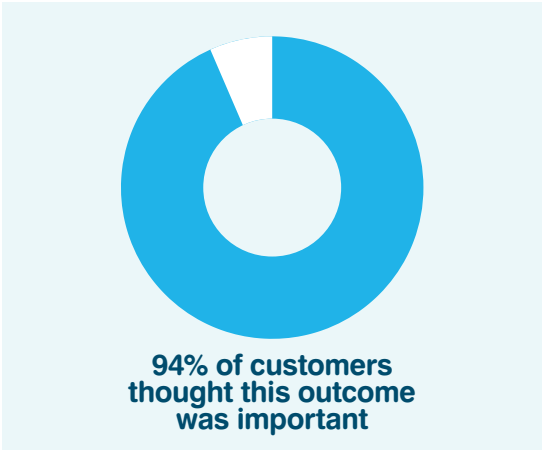
Further to the customer research programme, we undertook an extensive communications programme with customers to understand the level of importance they placed on our outcomes. We spoke to approximately 30,000 customers during 2013. Customers told us that the outcomes were important to them, averaging 4.72 out of 5 (95%). They also agreed with the intent of our plan, with an average score of 4.52 out of 5 (90%).

Throughout our customer engagement programme we have heard customers tell us that they don't want their bills to rise between 2015-2020, but neither do they want us to compromise core services or allow our performance to deteriorate. We also heard them tell us that they want the surety of prices remaining stable over the next five years. This confirms that we have listened, interpreted and developed a plan which reflects the views of our customers.

In summary, we heard our customers say that our business plan is the right outcome for Yorkshire. These are the right outcomes, and the right levels of performance at an acceptable price.

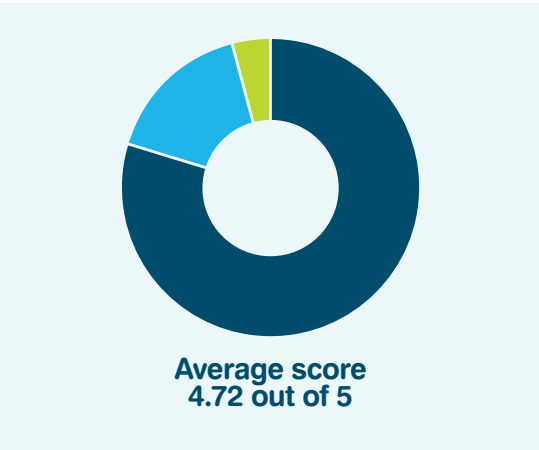
The level of importance customers placed on each of our outcomes

Figure 5G
You receive the level of customer service you expect and value



Customer answers to survey questions about our outcomes

Figure 5J
Question 1 – How Important to you is it that you always receive the level of customer service you expect and value



Key

- Very Important
- Important
- Fairly Important
- Marginally Important
- Not Important

Figure 5H
We will ensure our customers' bills are the lowest possible price

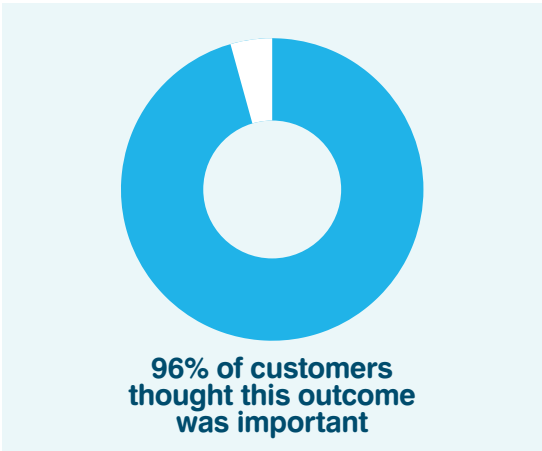


Figure 5K
Question 6 – We understand the impact we have on our environment and act responsibly

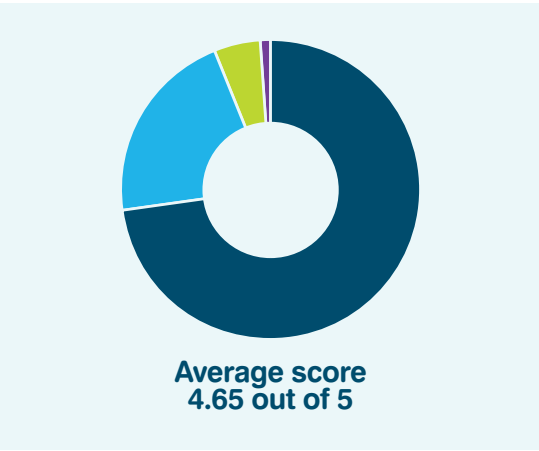


Figure 5I
We understand the impact we have on our environment and act responsibly

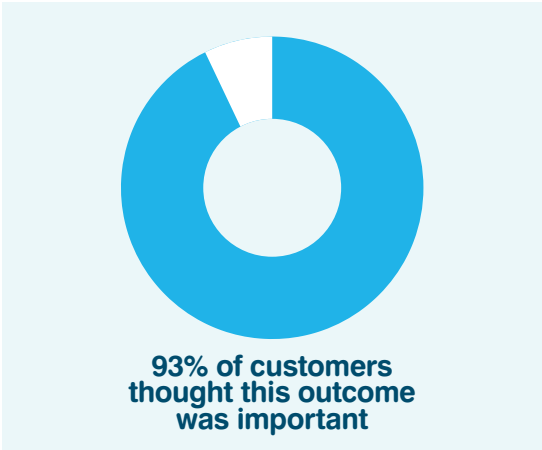
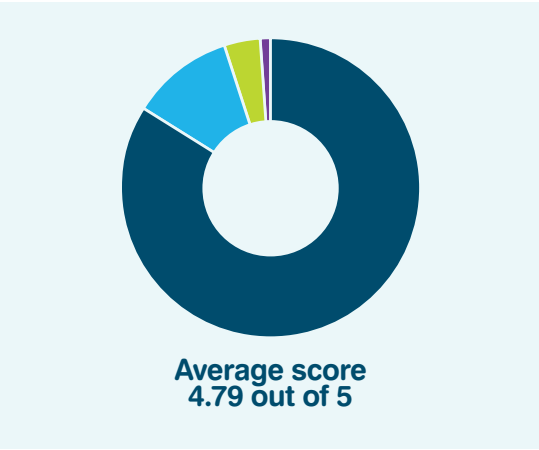


Figure 5L
Question 7 – We will ensure our customers' bills are the lowest possible price





5.6 An overarching need to keep prices low

We've always focused on striking a balance between what customers have told us they want us to deliver and what we need to charge them for those services. From the research we have carried out it has never been clearer that we must manage prices to customers during these difficult economic times. Our retail household plan responds to that, our plan delivers the improvements our customers want and keeps their bill in line with inflation.

We're pleased that our customers and stakeholders support our plans and that the Customer Forum approves of the direction we're taking. Our customer-focused outcomes give us a clear sense of direction together with a set of objectives against which we can measure and demonstrate our progress. We have heard a consistent message that we must manage the cost to customers. The next section describes how we have used our customer and stakeholder views faithfully and built our plan around what they told us.

6.

Developing our Blueprint

We've worked hard to develop our Blueprint. Here's how we've balanced what our customers want and need, the future challenges our business will face and the need to keep bills as low as possible.

We developed 'The right outcome for Yorkshire' by:

- Assuring our plan by replicating our ISO9001 certified Risk and Compliance Statement annual reporting process
- Working closely with customers, stakeholders and the Customer Forum to develop a set of meaningful outcomes and delivery incentives
- Faithfully reflecting customers' priorities in our plan
- Interpreting customer views and research to create our Customer Service Strategy
- Accurately reflecting the component retail costs to help drive efficiency in future retail activities.

Figure 6A

Assurance approaches applied to the business plan

Level of Assurance	Type of Assurance
Internal Data Validation (1st line)	<p>Detailed validation of data, models and systems through:</p> <ul style="list-style-type: none"> • Technical Approaches • Check and review process for developing and applying cost models • Reviews of data sets to identify missing data / outliers • Sampling of data to check risk and cost assumptions <p>Accountable managers provided assurance statements to our Board, confirming completeness, accuracy & appropriateness of information provided to develop the plan.</p>
Internal Quality Assurance (2nd Line)	<p>Ensuring business cases are as robust as possible through review and cross business challenge. Documented quality assurance/challenge process of our asset management processes and business plan. Cyclical reporting to PR14 Steering Group to highlight key risks and action plans that need to be delivered.</p>
External Assurance (3rd Line); Technical	<p>Independent review, challenge and audit of business cases and tables by appointed Reporter, Atkins</p>
External Assurance (3rd Line); Financial	<p>External review of our financial data tables by PricewaterhouseCoopers</p>
Customer Engagement	<p>Independent analysis and peer review by leading experts in the field (e.g. ICS Consulting, Newcastle University, University of California)</p>
Customer Forum	<p>Responsible for challenging us to ensure that our customer research is robust and legitimate. Ben Haywood-Smith (SMC) producing their final report to submit to Ofwat.</p>
Other	<p>Engaged specialists to provide assurance to the plan e.g:</p> <ul style="list-style-type: none"> • ICS have assured our risk processes, and our approach to Outcome Delivery Incentives. • We have used Cranfield University to review our Risk and Reward approach and our scenario analysis has also been independently reviewed by an expert in the field, Dr Marc Kennedy of the Food and Environment Research Agency

6.1 Governance and Assurance of our plan

We are committed to preparing an open, accurate and well justified business plan which reflects our customer priorities and is owned by our Board. We have made sure that throughout the price review process the data and information we have used to construct our plan is fully assured and built on sound, robust data to provide confidence to the Board, Customer Forum and Regulators in the processes we have followed. Assurance is essential to establishing confidence in our plan and we have continued to seek this through both internal and external challenge during the planning and submission process.

Our assurance process has followed the format of our Risk and Compliance Statement, which maintains certification to ISO9001 standard. This uses a 'three lines of defence' principle, and represents best practice. Our processes were also approved by our Group Audit Committee providing additional assurance to The Yorkshire Water Board.

However due to the complexity of our plan we have also used a range of quality assurance approaches relevant to the different areas of the plan as described above.

Figure 6B
Three lines of defence

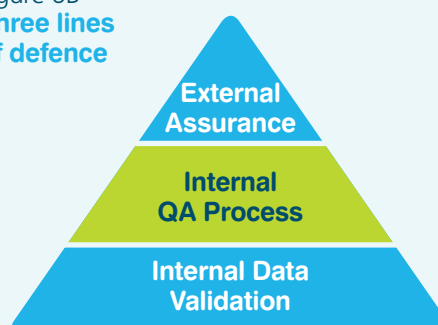
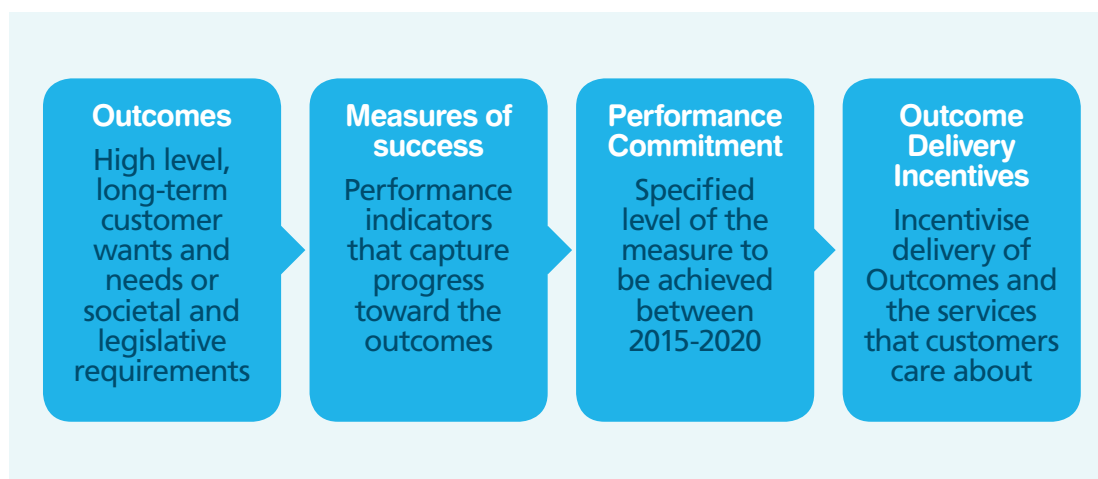


Figure 6C

Process followed to develop our Outcome Delivery Incentive Package



6.2 Developing our Outcome Delivery Incentive Package

Our Outcome Delivery Package has been developed in consultation with customers and stakeholders and undergone challenge and review by our independent Customer Forum. The package consists of our outcomes for Yorkshire, measures of success and delivery incentives as discussed earlier in Section 5.3.

The Outcome Delivery Package is designed to ensure we:

- Show we are doing the best we can to deliver the best service for customers at least cost
- Identify what we will do in return for revenues over the next 5 years
- Measure our performance against our commitments
- Hold ourselves to account for any shortfalls
- Are clear about any rewards we earn for providing meaningful service improvement over and above our commitments.

Figure 6C details the process we followed to develop our Outcome Delivery Incentive Package.

Our customer feedback

Our own SIM replica research and Customer Voice programme has provided insight into what drives customer satisfaction. This has helped us to develop our Customer Promise, which focusses on being easy to deal with, enabling first time fixes and being helpful and friendly to our customers. There is clear consistency between these statements and opinions developed in a number of other organisations and by service experts.

The SIM survey results demonstrate that satisfaction is driven by how we keep customers informed, response times and being helpful and friendly. Our strategy is to improve performance in these areas through a more proactive approach.

The solutions to customer complaints are identified through our daily hub meetings and information is analysed to identify themes based on the root causes. The concerns raised by customers have helped us understand what's important to them. Our change to the way we manage waste services (Section 7.33; Supporting our Customers) is an excellent example of how we recognise what's required to deliver a service which meets customer expectations.

6.3 We provide the level of customer service you expect and value

Our Blueprint has been designed around our customers' expectations. This section explains how we did this by creating our customer service strategy using a combination of insight from our customers, academic studies and benchmarking.



External research and studies

To understand the future needs of our customers we have consulted with and considered the research carried out by a number of sources.

Key anticipated customer developments fall into three main categories:

- More demanding customers
- Fast paced growth of digital channels and media
- Importance of data and personalisation.

We anticipate that customers will become more demanding, informed, assertive and expectant and less forgiving when things go wrong.

The use of digital channels and media will continue to grow. Over 85% of UK households now have a broadband connection and this is expected to increase to 90% by 2016. 92% of customers own a mobile phone, 40% of which are smartphones and 1 in 5 UK customers are turning to social media to complain, and expect a response in 48 hours.

Customers generate lots of data online and are open to sharing it on their terms. They expect a personalised service and communication, which means that our routine services should be automated and include proactive help and advice.

Our plan addresses customers' current needs and gives us the flexibility to generate innovative solutions for future demands. Our Customer Service strategy is aligned with current academic thinking and based on feedback from our customers. Our plan tackles their current needs and takes into account how these may change in the future.

6.4 We keep your bills as low as possible

As mentioned earlier, we've been working to balance the service that customers need with what they are willing to pay. This section gives an overview of how we calculate costs and how we've ensured that customers will consider this affordable.

The costs behind this plan have been calculated by reflecting the components of retail cost:

- Base operating costs – these have been assessed and will continue at the same level as the current year, with consideration of material adjustments up or down for known changes
- Efficiency and input price pressures (costs) – we have assessed how our costs will change over the next five years due to external price pressures not wholly within our control, together with how efficient we expect to be within our retail operations
- Intervention costs – these are planned one-off costs which are required to enable continued or enhanced delivery of service. Typically these are costs to replace our IT systems or infrastructure, fleet and equipment
- Retail returns – more detail on this is provided in Section 8.

Intervention costs related to the maintenance of retail assets to ensure the flow of service to customers are optimised by inclusion in our Management and General (M&G) programme. These costs are excluded from the wholesale plan and reflected in this retail plan as retail intervention costs. They have been calculated based on considerable information such as asset performance, costs associated with replacing or rehabilitating these assets and customer priorities.



Retail expenditure makes up 5% of Yorkshire Water's total M&G programme and consequently we have not included in this report detail of the Investment Programme.

A full explanation of how we've calculated the average cost to serve can be found in Section 8; Financing the plan, which also includes any movements on base costs. This approach has maintained a balance between keeping customer bills at a steady level over the next five years while maintaining good levels of service, both of which are important outcomes for customers.

In September 2013, we tested our final plan with over 800 household customers across the Yorkshire region. We gained 75% support from household customers generally, and 82% from hard to reach customers surveyed, clearly demonstrating that household customers support the plan. For information on their response, please see Section 5.5; The right outcome for Yorkshire.

6.5 Distinguishing retail

As mentioned in other sections of this document, we've worked very hard to develop an effective plan that represents customer views and balances the needs of our business. One particular challenge has been the need to separate wholesale and retail functions.

Historically, we have always tried to make the provision of all our services as integrated as possible in order to provide the best and most efficient service. Consequently the move to four revenue controls and the promise of retail competition requires a whole new way of thinking across our business.

For the purposes of business planning, those services carried out by our contact centre Loop cover the main definition of retail services. However, there are some teams across Yorkshire Water who also fall into this category. We have followed RAG4 Accounting Separation definitions in the development of our retail costs for the household plan.

Our business planning process is proven, robust and well-evidenced. The output of this is the plan we propose to deliver between 2015-2020. Having established our Blueprint for Yorkshire with the help of customers and stakeholders, we've also been careful to ensure that it's measurable, accountable, quality assured and properly costed. In the next section, you can read a more detailed summary of the key services and performance commitments, targets and incentives we've set ourselves against each of our outcomes, together with the cost to deliver our plans.



7.

The right outcome for Yorkshire

Our Blueprint is about delivering the services our customers value. Here are the outcomes they told us they want us to work towards:

We will deliver three Retail outcomes for Yorkshire:

- That reflect the priorities that our customers and stakeholders told us they need and value
- By measuring our progress against defined targets
- By incentivising ourselves against reputational outcome delivery incentives
- By penalising ourselves to benefit customers when we don't or can't deliver our performance commitments.

Figure 7A

Performance commitments, targets and incentives

outcome	Measures of success	Performance commitment
We provide the level of customer service you expect and value	Customer service	Improvement*
	Number of Service Commitment failures	Reduction*
	Overall customer satisfaction (CC Water Annual Tracking Survey)	Improvement*
We keep your bills as low as possible	Cost of Bad Debt to customers (expressed as percentage of average bill)	3.1%
	Number of people who we help to pay their bill	Information made available
	Value for money (CCWater Annual Tracking Survey)	Improvement*
We understand our impact on the wider environment and act responsibly	Energy generated through renewable technologies	12%
	Waste diverted from landfill (re-used and recycled)	94%*

*Performance Commitment at end of period.

7.1 Introduction

The previous sections of our Blueprint talks about how we built our plan. It explains how we've worked to understand the separation of wholesale and retail businesses, how we've calculated costs to ensure they're as low as possible and how we've identified the services that will most benefit customers.

Our Outcomes section provides an explanation of what we are proposing these services will look like.

7.2 Retail Household outcomes for Yorkshire

Outcomes are the long-term objectives which our customers told us they want us to deliver through our activities. Based on what customers told us, we identified seven long-term outcomes, which will form the core of our five-year plan and our future direction. These seven outcomes are outlined in Appendix 4.

The retail household business plan focuses on contributing directly towards achieving three regulatory outcomes and eight measures of success. We plan on investing £133 million in customer service and £117 million on minimising bills for household and non-household customers over the next five years.

The outcomes we are proposing are based on the preferences of our customers and stakeholders.

The following sections look at each of these three outcomes in turn, what we are proposing to deliver under each one over the next five and 25 years and how we will meet their associated measures of success and performance commitments.

7.3

We provide the level of customer service you expect and value

We provide the level of customer service you expect and value:

- By investing £800 million over the next 25 years to provide core customer services and improving our service offering year on year
- By investing £133 million over the next five years on household services that make us easy to deal with, becoming even more customer focused and supporting vulnerable customers
- By embedding our customer service improvement programme
- By tailoring our services to customer needs
- By becoming a leader in customer service and being recognised by SIM.



Figure 7B

25 year investment profile for the outcome ‘We provide the level of customer service you expect and value’

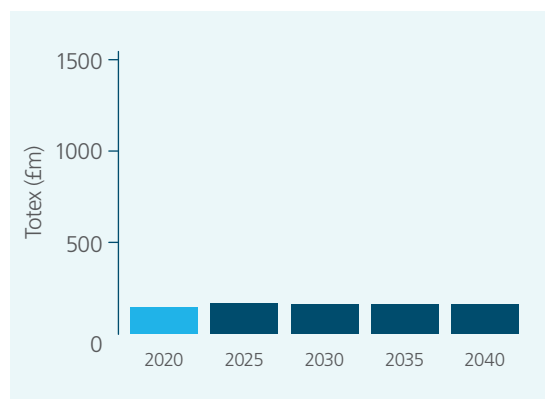
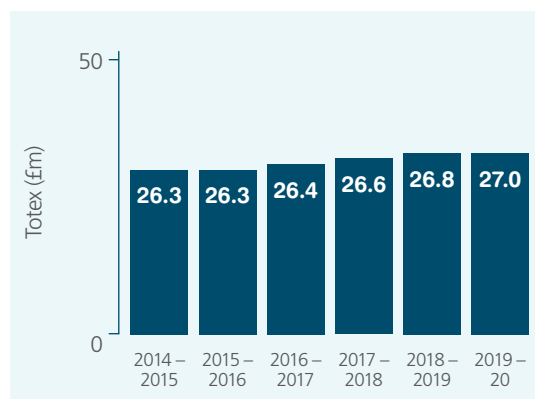


Figure 7B shows expenditure for both household and non-household customers

Figure 7C

5 year investment profile for the outcome



As we invest in service and environmental improvements over the next 25 years we recognise that it's equally important that customers experience continually improving service. We plan to invest £800 million over the next 25 years, on behalf of both household and non-household customers, in evolving and improving essential customer services by:

- Addressing problems before they affect our customers
- Expanding the number of ways in which our customers can communicate with us, when they need to
- Resolving more of our customers' issues and complaints first time
- Being friendly, professional and helpful.

7.3.1 Five-year outcome objectives

Great customer service is about treating each customer uniquely according to their needs. It's about making sure customers can access the services they require and in the way they choose. It's about ensuring that they always get the level of operational and customer service expected, regardless of how they contact us. Finally, it's about recognising the occasions when this doesn't happen, doing all we can to resolve the situation and being open to feedback and complaints. The long-term outcome means putting customers at the heart of everything we do and exceeding expectations.

This means developing our current thinking to ensure we always deliver great operational and customer service, and continue to adapt to ever changing customer needs. We need to be absolutely transparent about what customers can expect from us and be sure to deliver on our promises. If things go wrong we own and solve the problem every time through a friendly, professional and helpful service.

This Outcome is all about putting customers at the heart of our business. In taking a customer-centric approach to the way we do things Yorkshire will benefit through:

- More proactive communications which prevent customers needing to report problems
- A simpler and swifter experience when they do contact us, and through the route they choose
- A faster resolution with customers kept updated through to completion
- Customer feedback solicited and used to improve our service
- Continued support for vulnerable customers
- Help for customers in managing their water demand and being more efficient with usage.

Figure 7B and 7C provides a summary of this outcome and how we will work towards it over the next five years.

Figure 7D
outcome plan summary

Price Control	Retail Household					
Outcome	We provide the level of customer service you expect and value					
Deliverables	Delivering great customer service all the time, every time.					
Contribution to the your average household retail bill	53%					
Measures of Success	Customer Service measure Ofwat's Measure of Customer Service: the Service Incentive Mechanism		Payments for Service failure The number of Guaranteed Standards of Service payments we make		Overall customer satisfaction Using the CCWater Annual Tracking Survey	
Units	Score		Number		%	
Target 2019/20	Improvement from our 2014/15 baseline performance		Reduction from 2014/15 baseline performance		Improvement from 2014/15 baseline performance	
Incentive Form	Reputational		Reputational		Reputational	
Total Forecast Expenditure £m, 2012/13 prices	£133.1m					
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	26.3	26.3	26.4	26.6	26.8	27.0

As per figure 7D, we are proposing to measure our success against this Outcome using three measures. These are explained in greater detail below:

- **Customer Service** – using the Qualitative element of the current Service Incentive Mechanism (the current Ofwat Measure of Customer Service). This measure, assessed by our regulator Ofwat, indicates the level of our customers' concern with company service and how well we deal with our customers when they contact us.
- **The number of Service Commitment failures (Guaranteed Standards of Service, GSS)** – this is the number of times we have failed to meet the required minimum level of service defined by the GSS Regulations. The goal will be to improve our service to reduce the number of failures and associated payments we have to make to customers as a result of poor service. This is a measure which reflects the number of failures in relation to all customers, both household and non-household.
- **CCWater Customer Satisfaction Survey** – the percentage of overall customer satisfaction with Yorkshire Water's drinking water and sewerage service. It's an independent survey carried out by CCWater as an annual survey of consumer views on water and sewerage services in England and Wales.



Our aim is to increase customer satisfaction and improve our scores of Customer Service and for the CCWater Survey compared to previous years. We also intend to reduce the occasions we fail to meet the required minimum level of service, and consequently the number of service commitment failures.

The incentives associated with these measures are reputational. While we have not assigned direct financial incentives it is worth noting that indirect financial incentives and penalties apply; improved customer service results in more satisfied customers and fewer associated costs, while reducing the number of GSS payments to customers will present financial savings.

7.3.2 How will we achieve this outcome?

In order to deliver the level of service customers expect and value, we're implementing a Customer Promise across Yorkshire Water. This is a pledge to our customers that we will endeavour at all times to provide the best levels of service.

We're re-designing our processes as customer journeys, looking at them through the eyes of a customer, and training our staff to ensure a customer service orientated culture is embedded at all levels of the business. We're placing an increased focus on customers, their individual needs and support requirements and being more proactive in the way we approach issues. Finally, we're developing our communication channels to let customers engage with us how, when and where, they want to.

Further information on how we will achieve this outcome is spread over the following few pages under; Supporting our Customers, Communicating with our Customers and Vulnerable Customers.

To move to our next outcome please see We keep your bills as low as possible.

Further information on how we will achieve this outcome is spread over the following few pages under; Supporting our Customers, Communicating with our Customers, Vulnerable Customers and Retail Competition.

To move to our next outcome please see 'We keep your bills as low as possible.'

7.3.3

Supporting our customers

Great customer service is about going the extra mile.

At Yorkshire Water, not only do we want to deliver the level of service that our customers expect from us, we want to exceed their expectations. And our research tells us that customer expectations are changing.

Customers expect more from their water provider today, and tell us they compare the experience from their utility providers with all their other service providers. We therefore aim to ultimately benchmark ourselves against all service providers to deliver the best possible customer experience.

We'll continue to measure our performance against Ofwat's qualitative measure of customer service, the Service Incentive Mechanism (SIM). We intend to be industry leaders and will compare our satisfaction score within the SIM to other water companies. We're also investigating measuring our performance against the UK Customer Service Index (UKCSI).

As a nationally recognised survey carried out by the Institute of Customer Service, this seems the most appropriate benchmark measure to track our progress in the future. Our research will tell us if this is the right outcome measure, and if it's accepted by our customers we'll aim to be in the top quartile nationally.

Our own insight and independent research through the Consumer Council for Water will also help us to understand if we're providing water and sewerage services to our customers' satisfaction. We listen to what customers tell us and adapt our services accordingly.

Our ambition to be a leader in customer service is one of the many reasons why we're committed to putting our customers at the heart of everything we do, exceeding their expectations every time, valuing and supporting our colleagues so they can better support our customers, and making sure we deliver on our promises.

7.3.3.1 Our Approach to Customer Service

At Yorkshire Water we know the importance of good customer service to our customers. We want our 'Blueprint for Yorkshire' to take account of the needs of our customers as well as the environment, now and in the future. We've been consulting with our customers on our Blueprint, as it's important to hear the views of people who will be affected. We want to where our customers think our service needs to be improved. By giving their views they'll directly influence where we spend their money over the next five years and beyond.

Our strategy is to turn our customers into fans of everything we do through our people and processes. We aim to design our customer experience so that it's even more customer-centric and proactive. And we will give our customers a choice of ways to communicate with us.

Yorkshire Water's customer service ambition is considerable, and is embodied in our Outcome "We provide the level of customer service you expect and value". In order to achieve this we're building a long-term culture of customer service, which is supported by our Customer Promise statements:

We are easy to deal with

We will fix it first time

We are helpful and friendly.

Our ambition to be a leader in the SIM satisfaction survey and the UKCSI are just two ways we're demonstrating our long-term commitment to supporting our customers. Some of the other things we're doing for our customers are outlined on the following pages.

7.3.3.2 Our Customer Promise

Yorkshire Water's Customer Promise isn't just a series of statements. It's a pledge to our customers that we will endeavour at all times to provide the best levels of service, whether that's through our personal approach, the swiftness of resolution or how simple it is to get the help they need.

For our customers, this means several essential things:

We are easy to deal with

- Our processes are straightforward
- We make it easy for customers to contact us in a way that suits them
- We present a consistent brand across all touch-points
- We utilise the latest technology

Good service in action:

Worried about work going on outside her house, an elderly and partially sighted customer called the Customer Services team. She wanted to find out what was happening and how this might impact her home. Gail took the call and told the customer about the work Yorkshire Water was doing in the area. However she didn't stop there.

Sensing the lady's anxiety, Gail called back regularly to update our customer on progress. Gail also arranged a visit from members of the team working in the area, so that they could explain in person what they were doing.

Gail's efforts to go the extra mile didn't go unnoticed. Once the work was over, our customer called back to thank Yorkshire Water and sent Gail a bunch of flowers.

We will fix it first time

- We focus our people on delivering great customer service
- We actively seek customer feedback and measure customer satisfaction – our purpose is to satisfy customers
- We take ownership of customer problems and see it through to a satisfactory conclusion – keeping them informed at every stage
- We understand customers' personal needs

We are helpful and friendly

- We will provide a helpful friendly service whenever customers deal with us
- Customers can speak to a person, in Yorkshire, who will help them, 24 hours a day, 365 days per year
- We will respond quickly and work to published service levels.



Our intention is to meet these promises and continually improve. We will set ourselves challenging targets to improve our performance and demonstrate this by sharing our targets with customers and publishing how we're doing.

We want to have strong relationships with our customers and build trust. We welcome feedback from customers and want them to inform us when we get it wrong. Sometimes we won't agree with our customers. If they disagree with the outcome of their complaint, we believe they have a right for an independent review and we welcome the introduction of an alternative dispute resolution scheme.

7.3.3.3 Customer Service Improvement Programme

To meet our Customer Promise statements we're developing a Customer Service Improvement Programme. This has already been improving the quality of service for our customers and there are plenty more improvements still to come. See some of the steps we've been taking, and our customers experiences of our service, below.

7.3.3.4 People and Processes

We're taking measures to improve colleague training and the way we do things to give the best possible experience to our customers. In every interaction, we want to put customers at the heart of everything we do.

We will give our employees the skills to give a great customer experience

Turning our Customers into Fans

During 2013/14 our customer facing and non-customer facing employees and service partners have been getting involved in customer service training called the Fan Experience. This aims to put customers at the heart of everything we do and focusses our people on delivering great customer service.

We believe this will make a difference in how we interact with our customers in all aspects of our service, from plant operators to telephone call handlers.

WOW Awards

Employee engagement is an essential factor in our drive to improve customer service. Our colleagues are recognised through nominations from customers through the WOW awards. These are statements provided directly from our customers to individuals or teams who have interacted with them. This helps to foster a customer-centric culture within the business. Our success was recognised in November 2013 when we were announced as the Best Utility Provider 2013 by the WOW awards.

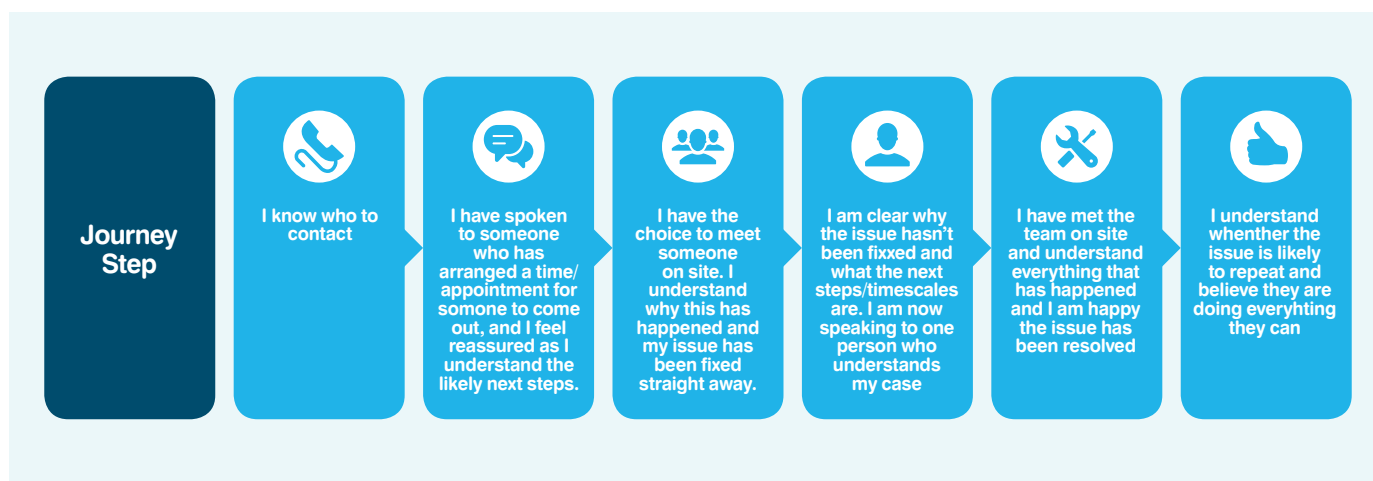
Doorstep Experience

We're providing our customer-facing colleagues with training on 'doorstep behaviours' to ensure we think about our customers and how we interact with them.

We want our colleagues to be aware of how they should treat customers, and the impact their actions can have when we see customers in their homes. We've approached this through team talks, developing a customer service handbook, videos which demonstrate the customer doorstep experience and improved calling cards.

This will ensure we will provide customers with

Figure 7E
A potential customer journey



a helpful, friendly service whenever they deal with us. Customer feedback so far suggests this is working. We've seen an improvement in customer satisfaction scores (please see customer voice below for how these are gathered) from 4.38 out of 5 in April 2013 to 4.56 in September the same year, with frequent favourable comments about the individual the customer has spoken with.

My Skills

We are introducing My Skills; a new approach to training which will enable all our colleagues to give an excellent level of customer service.

My Skills is about building an accurate picture of what skills our colleagues need to do their jobs, about ensuring people are safe and competent in their role and about inducting new starters in a really professional way. It will also ensure that all our colleagues have a level of customer service training that's appropriate to their role.

In ensuring Yorkshire Water employees have the skills they need to carry out all aspects of their role we plan to increase the chance of a 'first time fix' and the quality of service our customers receive.

We will design our processes around the customer.

Customers have told us that where they have had a poor experience with us, one of the key reasons is an inefficient process with unsatisfactory 'hand-offs' between colleagues. This results in them having to make repeated calls to us.

In response, we want to make our processes straightforward and more customer-focused. We're starting to think of these as customer journeys as shown in figure 7E, looking at them through the eyes of the customer and focusing on the points of interaction.

Our desired outcomes are ways of working that minimises the number of colleagues managing a case, where issues are resolved quickly and where customers are kept informed when a first time fix isn't feasible.

7.3.3.5 Customer-Centric and Proactive

Historically we've relied upon our customers to tell us how we're performing operationally. Our customers tell us when they're experiencing a problem and we do our best to respond quickly and effectively. However, it's our ambition to be more proactive. In future, we want it to be us keeping our customers informed of what's happening, rather than them telling us.

We will proactively keep our customers informed.

Developing ways to proactively communicate with our customers is key to keeping them informed and reduces their need to have to contact Yorkshire Water, thereby providing a better customer experience. With growing customer expectations around information being available when and where customers need it, proactive communications are an area of increasing focus for us.

Further information on how we proactively engage with customers can be found in our Retail chapter on Communicating with our Customers.

We will focus on our customers and understand their personal needs.

Another way we're approaching good customer service is by speaking to our customers, actively seeking their feedback and acting upon it to deliver the best possible level of service specific to each customer's personal needs.

New Ways of Working in Waste

Here's an example of how we've improved in dealing with an external flooding incident.

Customers were telling us that the waste service they were getting for external flooding was not good enough. This was resulting in customer satisfaction scores for waste that put us in 7th place compared to other water and sewerage companies for 2012/13.

We challenged our wholesale service provider to improve and in response they've changed the way customers are looked after fundamentally.

At our suggestion the wholesaler has moved from a nine to five service Monday to Friday to a 7 day a week, 7 am to 10 pm service offering, allowing us to provide a faster response time to our customers experiencing any form of waste issues.

They've also increased the level of service provided. We send a team who will find and fix the customer problem and clean up any mess in a single visit. This involves clearing a blockage, investigating the cause and where appropriate, raising further work to resolve it there and then. Our customers scored us 4.66 out of 5 on our last customer satisfaction survey compared to 4.23 prior to the changes.

We think this is a great change to the way we operate. It shows how we listened to what our customers told us and demonstrated the benefits of working with the wholesaler to make this improvement.

Customer service story:

When Darren was reading a customer's external water meter, he realised that their usage was much higher than normal. He knocked on the customer's door and went beyond his normal role, explaining the situation and offering to check for leaks in her property. In doing so Darren discovered a burst pipe under the floorboards. He called a plumber and the leak was fixed that day.

Close the Loop

'Close the Loop' is a process we use to ensure that our customers are completely satisfied with the way we've helped them, that they fully understand the resolution that has been put in place and any outstanding queries are handled before we close a case.

We do this by calling back all of our operational contacts when a piece of work has been completed, and making sure any issues are fully resolved through our case management/ complaints process.

We also collect this information through a text messaging process called Customer Voice. For more information on this please see our Channels of Choice section below.

Customer Relationship Management System (CRM)

We are currently developing a new CRM system. This will give our service teams access to customer history when dealing with a case, allowing them to tailor their response based on personalised information.

This will mean when customers contact us we get it right first time, whether that's resolving complaints or carrying out work at their property. We will also have a better idea of how they like to be contacted or billed, based on previous preferences, and have a clearer view of what's happening in a given area.

7.3.3.6 Channels of Choice

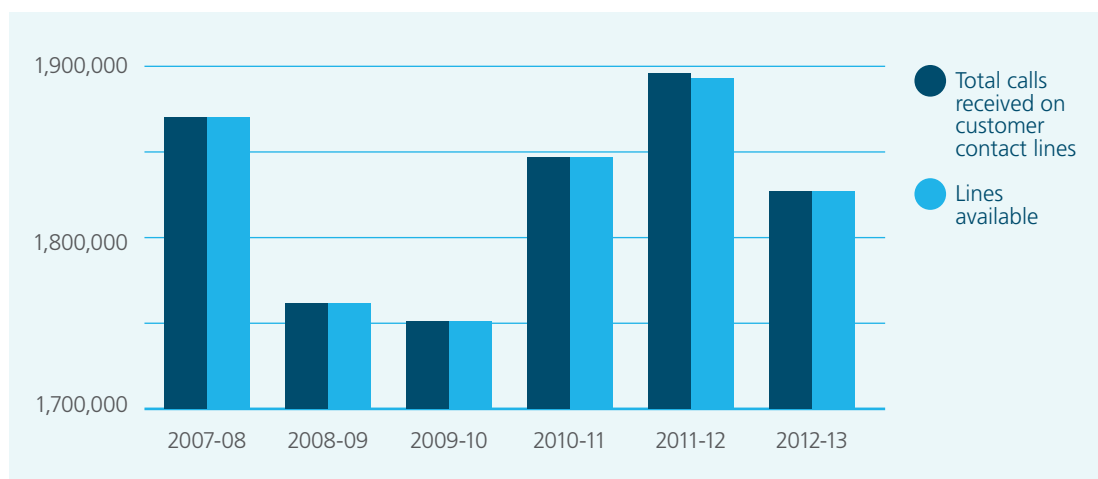
We make it easy for customers to contact us in the way that suits them

Our approach to communications is to give customers multiple channels to choose from when they contact us. We want to use the latest technology while maintaining other channels to encourage all customers to feel engaged, including:

- Customer Voice
- Website and Self-Service
- Mobile Applications.

Figure 7F

Annual calls received on customer contact lines



This is just a brief introduction into some of the ways we make it easy for customers to contact us. Further detail can be found in Section 8.3.6; Communicating with our Customers.

7.3.3.7 Providing an Excellent Service. Everyday.

Providing an excellent customer experience is about more than the “new” plans for the next 5 years. It’s also about continuing what we’ve been doing, and doing it really well.

Here are some of the other retail services we offer; just a few of the many ways we provide the level of service customers expect and value:

Meter Reading

Our automated meter reading programme means the vast majority of domestic meters are automated, so we seldom need to gain access to a customer’s property.

We read meters on average twice a year and the system we use highlights any anomalies with the reading, for instance unusually high or low usage. The Automatic Meter Reader (AMR) data tells us if there are any ‘flow days’, which means there has been constant usage of over 8 litres/hour for 24 hours.

Where we feel this may be caused by leak we will proactively contact customers to see if there is an explanation for the change in usage. Where this is not the case, we will suggest ways to test for leaks or other issues and if necessary, advise on remedial action. This helps us to identify any queries as early as possible and work with the customer to resolve issues promptly.

The data we capture is also used to help resolve any issues customers may have about their bills and can also help customers to understand their patterns of usage, as we now have monthly reading data.

Our proactive approach will be enhanced in future. As our data increases we can monitor daily flow information to identify potential leaks or high usage. We can then contact customers and provide additional information on bills.

Customer Contact Centre

Our contact centre answers more than 1.8 million customer calls a year. We answer with a real person and the majority of our calls are answered in less than one second. Figure 7F shows the number of customer calls we’ve received in the last six years and the capacity we’ve had available for answering them.

Our customers tell us they love speaking to a person not a machine. Our operators are multi-skilled and aim to answer the majority of our customer queries first time as we know from satisfaction scores that customers want their query resolved straightaway, wherever possible.

We are working to continually improve our first time resolution through training, root cause analysis of issues and process re-engineering through our continuous improvement approach.

7.3.4

Communicating with our customers

Customer needs and expectations around communication have changed significantly over recent years and will continue to change in the future.

There has been a shift in the way customers want to communicate. Office hours are no longer sufficient to meet our customers' needs. They want information and services to be available when and where they need it. In many cases, customers prefer to do this through digital channels rather than by phone. For example, we now receive some 1.6 million visits to our website every year, with many of our customers wishing to self-serve for information rather than calling us directly. Social media is also now a regular channel through which we interact with customers.

With 5 million customers within Yorkshire, we have a diverse range of customer expectations, needs and preferences that we need to consider to ensure that we make engaging with us the best possible experience.

7.3.4.1 Our Long Term Approach to Customer Communications

Our long term aim is for our communications to build trusting relationships with our customers. Key to this is understanding and exceeding their expectations. Our customer service promise provides the framework for how we'll achieve this:

- **We are easy to deal with,**
- **We fix it first time**
- **We are helpful and friendly.**



Our specific key long-term aims are:

- To understand customer segments, their needs and changing expectations and use this to engage with them in relevant, meaningful ways
- To continue to give customers a choice of ways to contact us. We'll provide the right choice of communication channels so that our customers can engage with us how they choose, when they want to, and receive a consistently high level of service. To support this we'll need to understand emerging technologies and continue to adapt and stay ahead of what our customers are asking for
- To provide the right types of personalised/ tailored communications for different customer segments so that they feel engaged and that their views are valued
- To ensure all communications are easy to understand and accessible. All Yorkshire Water communications will follow the same consistent Yorkshire Water house style (e.g. tone, language, format)
- To provide a comprehensive self-service experience when customers want to engage through digital channels like our website.

We know customers have growing expectations around how transparent businesses should be about their operations and performance. That's why we will be more open and transparent about our business with more external explanation of the way our business operates and external reporting of how we're performing, including our performance against our customer service performance.

For more information on our Customer Service Promise please see chapter 7.3.3 on Supporting Our Customers.

7.3.4.2 Understanding our Customers

Our 5 million customers within Yorkshire have a diverse range of needs and preferences. So it's vital that our communications are useful, accessible and relevant for all of them.

We're trialling an online Communications Customer Panel as a new method of gathering feedback about our communication methods. The panel is currently composed of between 40 and 50 customers and began this year with annual billing communications, looking at their suitability and what improvements could be made. We'll be extending our solicitation of customer feedback to all of our key communication areas to ensure they're relevant to our customers. We're also increasing the panel to include customers who don't have access to online communications and vulnerable customers, to ensure we include every customer group.

We're using our understanding of customers to implement communication techniques like customer segmentation, where customers are divided into subgroups based upon their needs and preferences. This enables us to send more tailored and targeted communications – helping us ensure that we meet their individual expectations. We are set to extend this to all our key customer communications in the future.

We will be creating a new approach to customer insight and research with a new customer insight and research function aimed at joining up everything we know about customers to build a stronger understanding of their needs and preferences.

We will need to extend our understanding of the needs and preferences of our key customer segments. Information Technology will play a key role in helping us ensure we have the right systems to capture and store this information and create a single view of our customers. Customer data is also key, and we will aim to collect more of this through our Call Centre and other communications channels.

Multi-Channel Communications

Given the diverse range of our customer base it's essential for us to communicate using the appropriate channels. That's why we employ a wide variety from traditional means such as letters and bills through to digital channels like Twitter and Facebook.

Our current campaign 'Our Blueprint for Yorkshire' aims to get customer views on what's most important to them about the service we provide. To ensure we reach as many customers as possible we've tried to ensure the channel choice for communications reflects the preferences of all of our customers.

For instance, traditional communication methods like bill messaging, bill inserts and direct mail have allowed us to send messages direct to customer homes. Events in large city centres have enabled us to contact busy commuters, while smaller market town events have reached our more rural customers. Our digital campaign uses customer demographics and profiling to ensure that adverts appear on sites our customers are visiting. Using Video on Demand we are able to convey messages in more engaging video formats for our customers. Finally, we are also engaging directly with community groups across the region through our Speakers Panel presentations, which our colleagues deliver.

To date this activity has provided customers with a multitude of opportunities to see or hear our Blueprint campaign, and approximately 30,000 customers have completed surveys to share their views.

7.3.4.3 Giving our Customers Choice

We aim to give our customers choice in how they want to communicate with us. That's why we're working hard to maintain traditional communication methods such as letters and face-to-face events, in addition to exploring new avenues of media.

Contacting Customers in their Homes

Customer letters and bills remain a key channel of choice for our customers. We send some 6 million letters and bills to domestic customers every year. It is important to remember these are the only channels that many customers have access to. Consequently, written communications continue to feature as our primary customer contact channel.

We aim to review all of our written communications to ensure alignment with our Customer Service Promise and Plain English guidelines.

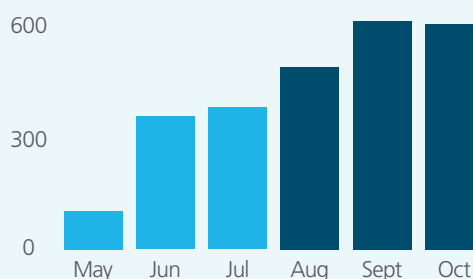
Communicating with our Customers through Social Media



Twitter

We now provide our customers with updates on service and provide a customer service helpline through Twitter, using the hashtag @YWHelp. From its launch in March 2013 to date, we have grown from zero to a community of over 650 followers and have sent over 1308 proactive service related tweets to customers. Our increasing usage of Twitter with our customers can be seen in figure 7G.

Figure 7G
Number of Yorkshire Water tweets since launch in March 2013.



Examples of Twitter feedback from our Customers:

"Really impressed by Yorkshire Water. Got charged by my bank because they overcharged me, and they refunded me the fee with no fuss @ywhelp"

"I tweeted them 27 minutes ago and they've already fixed it, despite it being 9.30 at night. Seriously, wow. Thanks @ywhelp!"

Facebook

We're currently reviewing the potential to use Facebook to provide additional customer services for those who choose to self-serve, for instance paying a bill or providing meter readings through the site.

We've seen the growth of video and an increasing customer demand for information videos through channels such as YouTube. This is an area we have capitalised on. We have an established YouTube channel through which we regularly promote information and help videos to our customers.

An example is last year's winter weather campaign, for which we developed videos to help customers avoid frozen pipes through pipe lagging. Information and self-help videos will continue to be a growth area we will build on to make information as accessible as possible to our customers.



Website and self-service

We currently have almost 67,000 customers using online billing and some 1.6 million visits annually to our website. Website usage is growing at rate of approximately 10% per annum. This means our customers can access information about our business wherever and whenever they like. They can also interact with a number of services through our website such as managing their account, providing meter readings or Web Chat with one of the customer service team.

We have used customer insight from our current website users to explore a number of areas to inform the scope for the new website. For example, we've looked at what customers frequently search for, the journeys they take through the website and the pages they visit. We are also considering their future needs and looking at new technologies to ensure the website continues to meet their expectations into the future. Our key aims for the new website include:

- Enabling customers to interact with our website in the most effective way possible; making it fast and easy to use and ensuring visitors can find what they need
- Improving the provision of existing website services and self-serve functionality, in addition to adding new services
- Improving website content and functionality
- Future-proofing the website so that unforeseen future customer needs can easily be met.

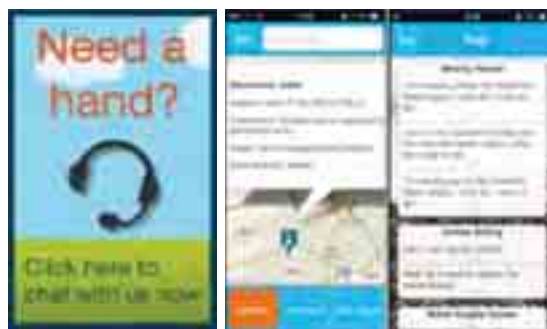
Web Chat

We have extended our service to include Web Chat, which allows customers to communicate with us online at a time which suits them. This is a relatively new method of communication which we launched in May 2013 and has proved popular, with over 20,000 customer chats to date and around 90% of customers satisfied that their queries were answered. Interestingly, roughly 10% of customers who used this channel have said they wouldn't have contacted Yorkshire Water had this channel not been available, showing that it allows us to reach a wider range of customers.

Figure 7H
Customer contacts via Web Chat since launch.



We have dedicated teams within our Customer Service centre who now manage Web Chat and Twitter customer service interactions and this is a growth area for the next five years.



Here are some of our customer comments after experiencing Web chat:

“Very good. I use this type of communication often as I’m at work and can’t use phones all the time due to work. Today was quick, efficient, friendly and I got what I needed thanks.”

“I really like the live chats. They are really helpful. Sometimes on the phones you feel a bit stressed so it’s easier to say what you want.”

“It was a quick and efficient service that answered my query to my complete satisfaction in less than 3 minutes.”

Mobile Applications

27% of customers now access the Yorkshire Water website through mobile devices. Based on this insight, we have just launched phase 1 of our first mobile application. This provides information to customers about water quality, incidents, a digital question and answer function and contact information. Future phases will enable customers to submit a meter reading, pay bills and report leaks.

7.3.4.4 Proactive communications

Developing ways to proactively communicate with our customers is key to keeping them informed and reduces their need to have to contact us, thereby providing a better customer experience. With growing customer expectations around information being available when and where they need it, proactive communications are an area of increasing focus for us.

Managing Operational Incidents

We use a combination of press and broadcast, social media and direct contact to interact with customers about incidents around the clock.

We recently launched @YWhelp, mentioned in our Twitter section above, to alert customers to arising issues and incidents often before they have experienced a problem. For example, where there’s a water mains burst we tweet location details and the expected duration of disruption to help customers plan their journeys. We have also had great success in using other media accounts with large Twitter audiences, for example BBC news, to relay incident updates to our customers.

Handling Customer Issues

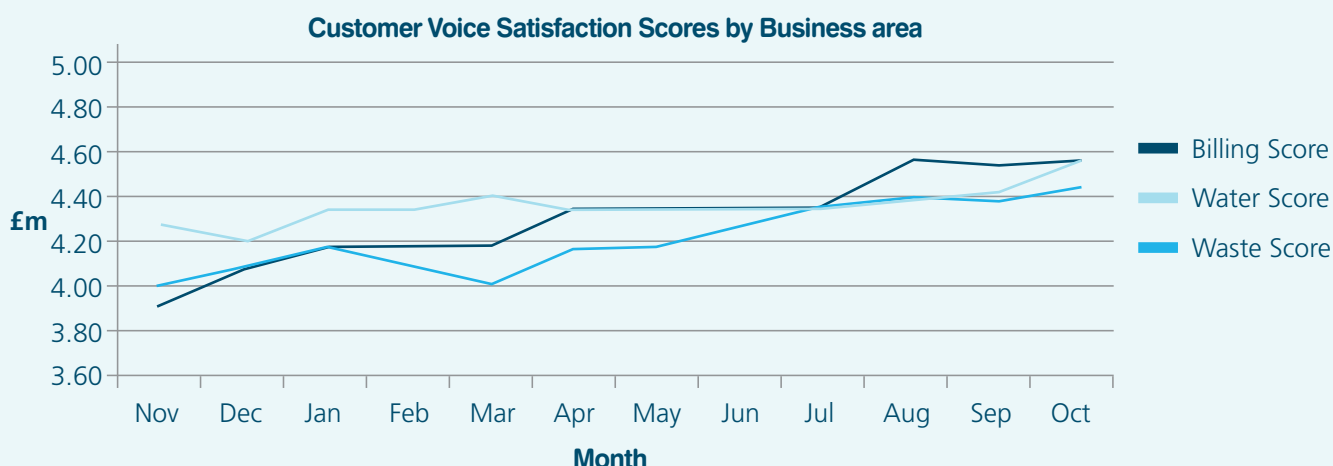
We also use social media to proactively deal with customer issues before they get in touch. We now use Hootsuite software to track conversations about Yorkshire Water in the digital environment. This enables us to identify ways we can provide support, particularly with regards to our customers experiencing problems, based on conversations through social media that have not been reported to Yorkshire Water.

This means we can start communicating with customers without them even needing to call us. It provides an efficient, accessible service 24 hours a day. It also means we can provide an enhanced level of service for those customers that would not normally call an issue in, or don’t like or are unable to use the phone.

We ensure we have up-to-date information on our IT system integrated with the wholesalers’ known as ICOM, discussed in Section 3.4; Driving industry leading retail services. This allows us to respond to our customers immediately, provide the most relevant information and often resolve a call the first time.

Figure 71

Customer Voice satisfaction scores and targets split by billing, water and waste



Customer Voice

We launched Customer Voice in November 2012 as a proactive method of soliciting customer feedback during or following a piece of work, for instance at handover points in a process. Customers can give us real time feedback about a service or the individuals providing it, which allows us to rapidly react to a problem without customers having to call in to report it.

In the past we've received customer feedback that we didn't keep customers informed and that we took too long to resolve things. We listened and modified our services and ways of working and now our customers are seeing the benefits.

Since the beginning of the year, customer satisfaction scores have seen a brilliant upward trend across all areas as seen in figure 71, and this is as a result of not just collating data but acting upon it.

Currently the results of Customer Voice are published internally and fed back to colleagues where relevant, allowing us to recognise and improve aspects of our service as individuals and as a company or team. This is one further way we're focusing our people on delivering the level of service our customers expect.

We hope to take this further by getting a live feed of customer feedback onto our webpage, to demonstrate that we're listening and taking on board their feedback to improve our services.

In Autumn 2013, we launched a new proactive text messaging service, Incident Blaster, to inform customers about incidents in their area. This will enable us to pro-actively contact a large volume of customers instantly about an incident that might affect them, and will be an important addition to our future communications mix.

A customer contacted us last week reporting a bad odour in her home. We asked our service partner Drainsaid to visit the customer and investigate the problem.

There were no signs of sewage leakage so we arranged a visit from a clean water technician to see if a water leak was causing water to pool and stagnate. A text message was sent to the customer who replied that they were dissatisfied "Cause I've got a baby and some1 in hospital and nowt has been done yet". After receiving this message we called the customer, reassured her that there was a further visit planned for the same day, and to ensure we resolved this quickly a more technical drains inspector would attend with the clean water technician to do a joint investigation. The customer was happy, the investigation went well and the stagnant water was pumped out to remove the smell.

In the past we would not have been able to identify that the customer was dissatisfied, presuming our quick service was adequate, and the customer might have had to ring in again or even put pen to paper to write a complaint letter. Having a mechanism for getting real time comments and a process to act upon these is seeing great benefits across the operational business.

7.3.5

Vulnerable customers

A customer may be vulnerable through a serious medical condition, health, age, mobility, disability or sight or hearing difficulty. They may be unable to safeguard their personal welfare if they don't have access to our services. Criminals also sometimes use the "Water Board" name to enter homes and target the vulnerable.

At Yorkshire Water we take these issues seriously. We do what we can to protect those who need help and to ensure they are kept informed of the services we offer. This is done through our Helping Hands scheme, which delivers tailored additional support services to those who request them.

The increase in the number of customers registered on our Helping Hands scheme demonstrates how seriously we see our role in protecting those who are vulnerable. In 2012/13 the number registered on our scheme grew from 6,487 to 17,938. We intend to continue this growth, this we will do at no extra cost to customers. We will continue to monitor the additional services we offer, asking customers how we're doing and ensuring we match their expectations.

7.3.5.1 Our Long Term Strategy

Our aim is to be a leader in the SIM; providing an excellent customer service and effectively delivering the services customers value.

These services need to be suitable for all customers, whatever their needs, now and in the future. As our customer base ages we expect more customers will need help with our services. Between the years 2011 and 2036, we expect an increase in customers over the age of 65 from 18% to 25.7% of the population. Additional support needs to be available to all, and customers need to know how to access it.



Best service story

An elderly customer called our customer service centre about a meter she was due to have fitted in her home. She was very concerned about the prospect of having technicians coming into her property and clearly didn't feel safe. Seamus contacted the technicians before they went out on the job to explain the customer's situation and anxiety. After the installation, Seamus received feedback from the customer. She complimented the team who had visited her for their professionalism and said that she felt safe the whole time.

Our aim is to continue to promote our Helping Hands scheme, continuing the rate of growth in people registered for our services. We're building partnerships with specialist organisations as they have the expert knowledge to inform us of new technology and innovative solutions for our customers. Audits from organisations such as Action on Hearing Loss and Action for Blind People help us understand what will be required from us in the years to come. We've also started to use credit reference information to help target those who need help the most.

We receive contacts from customers by telephone, email and letter on a daily basis. We also visit people's homes to deliver our services. We'll make the most of these opportunities to understand our customer's needs.

For more information on our work with credit reference agencies to help our vulnerable customers, please see section 7.4.3; Our Affordability Strategy.

7.3.5.2 Helping Hands Services

To make dealing with us as easy as possible, we offer Helping Hands services which provide additional support to our customers.

- **Communication** – We offer help by reading bills and other information over the phone or sending it in different formats including large print and Braille. Those with hearing difficulties can use our Minicom service. Helping Hands members can also nominate a friend or relative to receive their correspondence.
- **Keeping you safe** – Where a customer is concerned about security when people knock on the door we can offer a free service for our staff to use a password when they visit. All our staff carry ID cards so customers can check a caller is genuine.
- **Your water meter** – If a customer needs help understanding their usage we can take additional meter readings, or increase readings to every quarter.
- **Your water supply** – Interruptions to supply can be particularly inconvenient if customers have a serious illness or disability, so we'll help by providing bottled water. If the customer is a home dialysis patient we will make contact when we need to shut off the water supply and discuss their needs with them.

Best service story

Robert was scheduled to read the meter of a customer with significant mobility problems. Access to her property had to be arranged through the customer's daughter who lived some distance away.

During his visit, Robert identified that the customer would benefit from having an automatic meter reader (AMR) installed so readings could be taken remotely and suggested this to her. When it came to installation, he fitted the AMR himself rather than arrange for a separate job in the future.

The customer was grateful for the effort that Robert made and called Yorkshire Water to pass on her praise.

7.3.6 Risks to "We provide the level of customer service you expect and value"

Despite all the measures we are putting in place, we still foresee several challenges to our provision of excellent customer service, posed largely by changing customer expectations, an evolving customer base and changing technology and environment.

As discussed under this outcome, customer expectations are changing and we're doing our best to adapt with them. In the future, we expect this to continue and we'll need to keep adjusting our approach accordingly. Changing attitudes towards water providers or utility companies in general could also result in a loss of trust in our sector, requiring even greater transparency in the way we operate. It could also alter customer perceptions of service, necessitating an increased level of service to achieve the same score.

We've taken into consideration how Yorkshire's population is continually changing and growing, and that our customer base is getting older. We also have a diverse range of community groups and vulnerable customers. This presents a challenge in how we evolve and adapt our approach and communications to meet a diverse range of needs.

We also expect this to have an impact upon the number of customers needing support with our services in the future, as provided by our Helping Hands Scheme. We are building partnerships with specialist organisations to understand what will be required from us in the years to come. We have also started to use credit reference information to help target those who need help the most.

Technology and communications are continually evolving. We only have to look at the impact of social media as a recent example of this and how it has changed the way people interact. This presents a challenge to ensure we're ready for these changes and that we understand the benefits they can bring to customers and how to best utilise them. Finally, we are measuring our success in achieving this outcome largely on Ofwat's measure of customer service, the Service Incentive Mechanism (SIM). SIM is under consultation and as such, there is a risk that the way excellent service is measured and consequently our ability to meet it, will change. There is also a query around how the SIM score will be influenced by the separation of retail and wholesale functions, as the retail measure is so heavily influenced by the wholesale service.

For more information on retail competition please see Section 3.6.5; Regulatory and Legislative Change.



7.4

We keep your bills as low as possible

We will keep your bills as low as possible by:

- Investing £117 million over the next five years
- Delivering our affordability strategy
- Continuing to help vulnerable customers through a programme of Helping Hands payment support schemes
- Understanding our customers' financial circumstances to differentiate between customers who can't pay and customers who won't pay
- Working in partnership with advisor groups like Citizens Advice Bureau and local Credit Unions
- Offering water saving advice and the option to switch to a metered service free of charge
- Continuing to monitor customer views on implementing additional social tariffs
- Striving to keep bills affordable through cost savings
- Generating a secure, optimal income stream
- Maintaining our industry leading position in the recovery of bad debt.



Figure 7J

25 year investment profile for the outcome ‘We keep your bills as low as possible’

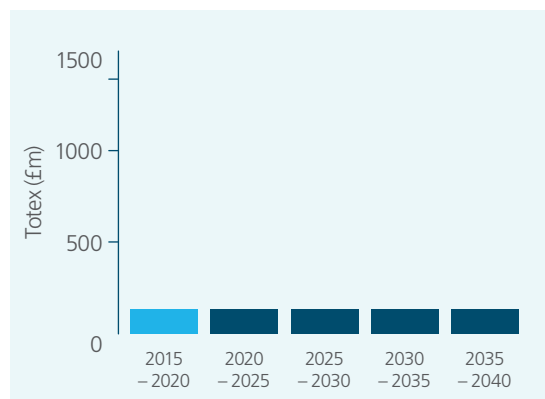
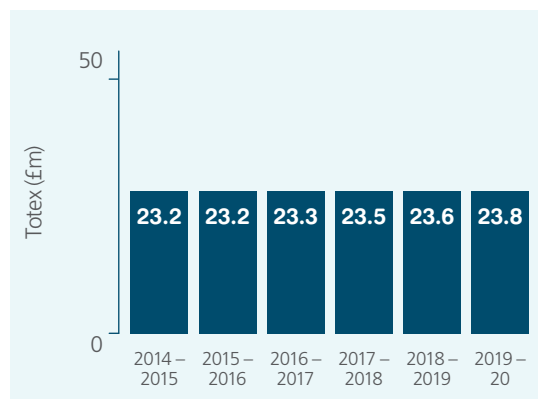


Figure 7J shows expenditure for both household and non-household customers

Figure 7K

5 year investment profile for the outcome



In building our retail plans for the next 25 years we’ve carefully considered the impact that the cost the economy and a trend of increasing household expenditure could have on customers’ ability to pay their bills. We plan to keep customer bills as low as possible by:

- Working to minimise costs from the wholesaler and those for retail service provision
- Recognising that some customers may have difficulty in paying their bill and providing support where needed.

We estimate that the overall cost of delivering Yorkshire Water’s full and essential services over the next 25 years will be £20.8 billion. This includes delivery of all our customers’ outcomes, both retail and wholesale, over the long term, driving 100% compliance with statutory and regulatory standards and permits, further protecting customers from the impacts of sewer flooding, driving up customer service standards, making our operations more sustainable, and all whilst keeping bills as low as possible.

Yorkshire Water has attempted to phase all of this activity such that the profile of investment is as smooth as possible over the 25 years, avoiding extreme spikes in expenditure which could in turn lead to spikes in customer bills. We have included the work the wholesale business has done on levelling bills as we recognise the importance of making customer bills as predictable and affordable as possible.

7.4.1 Five-year outcome objectives

We know that affordability is a real issue for some customers on low incomes, and a proportion are struggling to pay their bills. With 24% of Yorkshire households in water poverty (Kelda in 2036), we know this is likely to extend beyond just water bills. That’s why we aim to keep customer bills as low as we possibly can, and are planning to keep bills at the same price in 2020 as they will be in 2015 before inflation.

This outcome is all about helping our customers to be able to pay. We will do this by ensuring that customers’ bills reflect the best possible service at the lowest possible price and by making the value of the bill reflective of the customer’s needs and wants. We will ensure every customer receives an accurate bill and we will help to support vulnerable customers.

Through a better understanding of our customers and their financial circumstances we will be better able to target the right customers with the best means of support.

Furthermore, where we know customers can pay but won’t, we will take appropriate action to recover the amount due, to ensure that others don’t have to cover the cost of other customers’ debts in their bills.

This outcome is about working to provide our customers with bills they are willing and able to pay. In doing this customers will:

- Value the service they receive
- Pay for a service they want and need
- Receive help and advice in paying their bills.

Figure 7L
outcome plan summary

Price Control	Retail Household					
Outcome	We keep your bills as low as possible					
Deliverables	Delivering our services to customers at a price they're willing to pay. Maintaining a financially strong Yorkshire Water					
Contribution to the your average household retail bill	47%					
Measures of Success	Number of people who we help to pay their bill		Cost of Bad Debt to customers (expressed as percentage of average bill).		Value for money (CCWater Annual Tracking Survey)	
Units	Number		%		%	
Target 2019/20	Commitment to make information available		3.1		Improvement from 2014/15 baseline performance	
Incentive Form	Reputational		Reputational		Reputational	
Total Forecast Expenditure £m, 2012/13 prices	£117.4m					
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	23.2	23.2	23.3	23.5	23.6	23.8

7K provides a summary of this outcome and how we will work towards it over the next five years.

As 7K, we are proposing to measure our success against this outcome using three measures:

- **Help to pay bills** – the number of people who we help pay their bill. This includes the number of people we help through Watersure, Resolve, Community Trust, Water Direct, arranging non-standard payment arrangements, the number of people who opt to have a domestic meter, the number of water efficiency products we provide and the number of times we offer debt advice to customers.

- **Cost of bad debt to customers** – the cost to each bill paying customer of those who do not pay their water bill. The cost includes cover the cost of interest on revenue that is not collected, debt written off and debt management costs, expressed as a percentage of the average annual bill.
- **Value for money** – the percentage of customers satisfied with value for money of water and sewerage services they receive from Yorkshire Water as surveyed by CCWater in the annual survey of consumer views on water and sewerage services in England and Wales.



Our aim is to maintain our support to customers in paying their bills at 2015 levels until the end of 2019/20, ensuring that customers can continue to benefit from our support schemes. We intend to keep the cost of bad debt to household customers at 3.1% of their combined bill and, for the Value for Money (CCWater Survey) our aim is to improve on previous performance. The incentives associated with these performance commitments are all reputational. However the cost of bad debt and the income generated through schemes that help customers pay both have financial impacts on our business.

7.4.2 How will we achieve this outcome?

We will always be clear about our retail charges. The wholesale business are currently below industry average with regards to water and waste charges and we will continue to look for efficiencies in both of these. We will also continue to business customers reduce their water consumption to reduce metered bills.

Customer affordability will remain a priority, with ongoing support for those who can't pay, and a clear approach to those who won't. We'll continue to help vulnerable customers through the Yorkshire Water Community Trust, Resolve and the national WaterSure schemes.

The affordability of bills is a concern to many households in Yorkshire. Affordable bills are important to everyone. However, 'affordable' can mean different things to different people. While only a small number of our customers struggle to pay their bills, the impact affects all customers as the cost of unpaid bills is borne by those who do pay. It's important that we are proactive in promoting water meters to customers who will benefit from them and also promoting schemes that help struggling customers.

We run a financially sound business with a clear plan and the understanding and support of Ofwat and our customers for what we do.

Further information on how we will achieve this outcome is spread over the following few pages under Our Affordability Strategy and Demand Management.

To move to our next outcome please see We understand our impact on the wider environment and act responsibly.

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7.4.3

Our Affordability Strategy

Yorkshire Water will do all it can to ensure that customer's bills reflect the best possible service at the lowest possible price. However, this alone cannot protect those who are most vulnerable.

We know from research undertaken by our consultants (Kelda in 2036) in 2012 that 24% of Yorkshire households are in water poverty, spending more than 3% of their disposable income on water and sewerage bills. Independent research indicates affordability is a real concern to customers and is likely to continue. In 2013 the Consumer Council for Water's Annual Tracking Survey showed that 65% agreed that our charges were affordable. At Yorkshire Water we see it as our responsibility to protect those who are most in need of support.

A financially strong Yorkshire Water is good for everyone. It means we can deliver our services to customers at a price they are willing and able to pay. It attracts investment which means we're able to spend more than the income we receive through customer bills on maintaining our infrastructure and improving our services. Without this investment, our customer bills would increase significantly. Finally, it allows us to fund

our business and investment plans for the future. As part of our regulatory outcomes we aim to keep bills as low as possible by generating a secure, optimal income stream.

A major challenge to this optimal income stream is the cost of non-payment of bills, widely known as bad debt. Bad debt is the amount of money we struggle to collect from customers who don't or cannot pay their water bill. Unlike the energy sector, water companies aren't legally permitted to disconnect households who don't or cannot pay their water bill. This means we face a bigger challenge to collect the money we are owed. It's estimated that bad debt costs paying customers in England and Wales an average of £15 per customer in 2012/13. In Yorkshire this is just £11 because we work extremely hard to reduce the impact of bad debt on customer bills. We are recognised as industry-leading in debt recovery. Our drive to understand our customers helps us to differentiate between those who 'can't pay' and those who 'won't pay.'

7.4.3.1 Our Long Term Affordability Strategy

Our strategy aims to protect customers and collect income effectively. It's important that this is based on sound principles that deliver the outcomes our customers want and need.

In June 2012, the Department for Environment Food and Rural Affairs (Defra) published guidance allowing companies to bring forward social tariffs permitting cross-subsidy between customers. We undertook research in 2012/13 to understand the impact of introducing a social tariff and to establish how acceptable this was to our customers. (social tariff ev base). While they recognised that support is necessary, they weren't convinced that social tariffs were the most acceptable method of support. We will continue to monitor customer views on social tariffs, and if in the future this view changes, we can introduce tariffs to support more vulnerable customers. Our affordability strategy is based on customer feedback and delivers the best overall package of support, keeping bills at the lowest level possible for everyone.

The following statements reflect the principles for our long term strategy:

- Our affordability strategy is customer-led
- Customers are treated fairly and as individuals
- We have strong relationships with partner organisations
- Vulnerable customers do not pay more than necessary
- Payment arrangements enable customers to pay
- Communications are clear and transparent
- Support is accessible to all
- Schemes of support are provided to customers when they most need it
- Customers have choice and are able to help themselves
- Unnecessary costs are not added to bills unless customers refuse to pay
- Water efficiency is encouraged.

7.4.3.2 Knowing our customers

At Yorkshire Water we want to know our customers as individuals. The ability to understand their financial circumstances helps us differentiate between those who 'can't pay' and 'won't pay'. It also helps us to target the right customers with the best means of support.

Unlike other water companies, we have full membership of credit reference agency data sharing to improve our decision making to recover unpaid bills. Our scorecard tool helps us predict customers' ability to pay. It also helps us identify those who won't pay, so that we can take the most appropriate action to collect the unpaid charges. Good payers also benefit from sharing their payment history; building a positive credit history gives them access to high street credit and fraud protection that they may otherwise not have.

On every contact with our customers we capture details that complement the data received from credit reference agencies. This richness of data comparison leads to very positive decisions, both for our customers and for ourselves. Since we started data sharing we've reduced our enforcement by half, significantly reducing the amount of court fees placed on vulnerable customers' accounts. We have also increased the help we offer through our hardship schemes, ensuring our collection rates have not dropped. We have plans for further improvements through increasing partnerships with both local Credit Unions and debt charities.

For more information on our data sharing please see our case study, Water Team of the Year.

7.4.3.3 Support Packages

At Yorkshire Water our experience is that the majority of our customers want to pay for their services, but sometimes get into situations which can make it difficult for them to do so. When this is the case we have a range of solutions to help them. These Helping Hands support packages are monitored to ensure they match customers' needs and we work closely with customer stakeholder groups to understand the most effective ways to deliver the best customer support possible. Independent research by the Institute of Customer Service in March 2013 found Yorkshire Water to be the best utility in the UK for customer satisfaction.

Every household is different and each customer has different needs and expectations. Our schemes are designed to help customers with affordability issues and are tailored to include all customer circumstances. Some of the schemes can be combined to deliver the most effective method of support. The aim is to provide the most appropriate way to help households based on their individual circumstances.

Helping customers with special needs is important if we want to ensure our services are accessible. From April 2012 to March 2013 our Helping Hands register increased from 6,487 to 17,938. We expect this to continue to increase the numbers of older customers, or those with sight or hearing difficulties who receive tailored services. For more information on Helping Hands, please see our Vulnerable Customers theme.

Water Team of the Year

Yorkshire Water have been awarded the Water Team of the Year Award at the Utilities & Telecoms Awards 2013*. Our customer friendly approach has helped us achieve the lowest collections cost across the UK's water industry.

Alongside our other support packages, our adoption of data-sharing and credit assessments lets us evaluate every customer's ability to pay. This means we can identify and safeguard our most vulnerable customers – including the elderly, infirm, long-term sick, those with disabilities or with low incomes – and adopt policies to ensure all are treated fairly and appropriately.

The move benefits all domestic customers by ensuring fast, accurate and comprehensive customer insight is available. As a result £2 million in arrears was recovered in full within a matter of weeks. The cost of litigation and enforcement action has been halved, which has saved us £1 million to date. The analysis also helps improve the credit profiles of our customers with so-called 'thin files' – whether they're young people with a relatively brief credit history as consumers, or pensioners who have spent a lifetime managing their personal finances diligently, shunning any form of credit.

Alongside Experian, industry regulator Ofwat and consumer watchdog (Consumer Council for Water), we've worked to create a set of guidelines – Water Industry Guidance on Data-Sharing** – that can be employed by the industry and govern the use of credit assessment by water companies. This is a UK first and an invaluable tool that's helping the rest of the UK's water industry to responsibly deploy credit assessment for all of their customers. Since its launch, our efforts in tackling bad debt have seen us improve our position as the industry's outstanding performer and helped to drive down overall figures across the sector as whole.

The vast majority of our customers are reliable, pay on time and in full – but in common with all walks of life some face changing circumstances from time to time. Now billing systems can be quickly adapted according to an individual's circumstances.

Below we give a brief overview of our flexible payment plans, budgeting advice and the following individual affordability schemes:

- WaterSure
- Resolve
- Community Trust
- Water Direct



Flexible payment plans

There are various flexible payment methods, which include options on how to pay and when to pay that suit each customers' circumstances. These are available to all customers, and as technology moves on we are constantly tracking the suitability of further payment methods such as mobile technology.

Budgeting Advice

We work with a number of different adviser groups who provide help and support to vulnerable customers including CAB, MIND, Christians Against Poverty and many smaller Debt Advice groups. We have pilots with both local Credit Unions and the charity Step Change to further support this initiative. This is provided to both customers who approach us and those we proactively identify through data sharing with Credit Reference Agencies.

We liaise closely with adviser groups, visiting them directly to share information about the schemes we have to support our customers, and share any concerns to improve our service.

We also attend North Eastern Discussion Forum (NEDF; a branch of MALG Money Advice Liaison Group), which includes representatives from both Adviser groups and Creditors. Through this forum we are able to share best practices for helping our mutual customers.

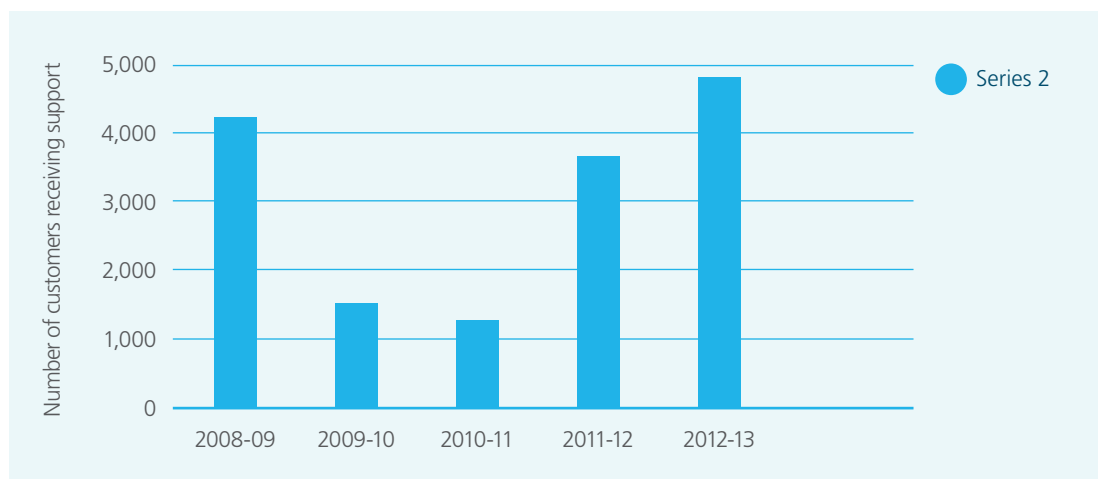
MALG produced an industry guide for best practices for dealing with customers in debt with Mental Health issues – we have embraced this guide and incorporated these guidelines into our working practices and training.

Recently we have started to work with StepChange and are looking to provide a point of contact for customers in multiple debt situations. We're looking at possible telephone referrals and signposting from our literature and Website.

In 2012- 2013 we handled almost 1,500 written contacts from the CAB and around 3,500 written contacts from other adviser groups.

Figure 7M

Customers receiving support from our WaterSure scheme



WaterSure

This is a scheme that protects metered customers with unavoidably high water use. It helps customers who are in receipt of benefits and have either a large family (3 or more children under 19 living in the household) or a medical condition causing them to use high volumes of water.

The WaterSure scheme caps bills at the average water bill value, ensuring customers do not reduce their water consumption because they are worried about paying for it. The scheme provides an average reduction in the bill of approximately £330, which is then subsidised by other customers.

Between the years ending March 2009 and March 2013, customers on the scheme have almost doubled from 2,702 to 4,630.

Resolve

The Resolve scheme offers customers an opportunity to clear their debt by maintaining a payment arrangement, which will result in Yorkshire Water making a corresponding write-off of the remaining arrears. To qualify, customers must have arrears of at least £500 and have a low income.

3,841 customers were using this scheme at the end of June 2013. Approximately 90% of all customers who complete the Resolve scheme continue to make regular payments and avoid getting back into serious arrears.

Resolve

An example of the level of support provided can be seen for one of our customers Mrs H, who contacted us for help in September 2012. £2,178 was owed on her account, which had been through the collections process and was due to be sent to external debt collectors. The customer had not made any payments for 3 years.

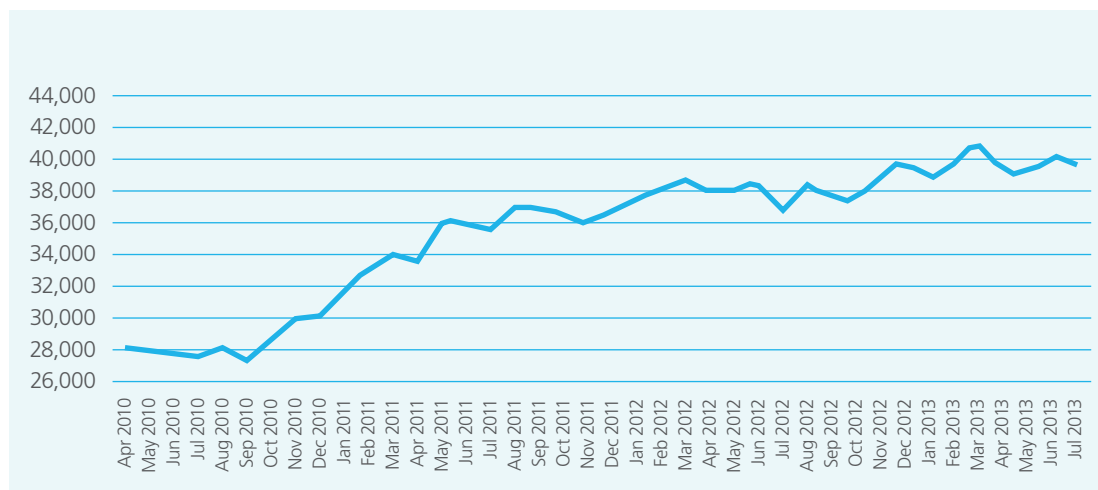
Mrs H contacted us and said she was suffering from cancer, was in and out of hospital and had financial difficulties. One of the team took ownership of this account and offered to place her on the Resolve scheme. The customer was requested to pay £35 per month.

Since on the Resolve scheme our customer has paid every single month and has received her quarterly rewards. Following her experience with us Mrs H telephoned to say that she was very grateful for the help we have given her and would be willing to share this to publicise our help.

Mrs H has now received her final reward, as she has paid on time for 12 months and is now up to date with her bills.

Figure 7N

Customers using the Water Direct scheme



Community Trust

Community Trust is an independent charity we run which targets help to customers with the greatest financial hardship where no other scheme can help.

Customers with water arrears and at least one other priority debt for mortgage, rent, Council Tax, gas or electricity can apply to have a balance of up to £750 in value written off. 1,698 customers benefitted from this scheme in the financial year 2012-13, with the majority of awards going to single adults and lone parents.

The scheme is promoted by our staff where they feel that the customers may be eligible, on our website and through regular contacts/presentations with Citizen Advice Bureaus and local advice charities.

Water Direct

Water and sewerage charges are collected directly from the customers' benefits when they are in arrears. This helps customers to budget their finances.



7.4.4

Demand management

Water is one of life's essentials. We all need to play our part to help ensure that we can continue to enjoy this most precious resource.

Our household customers currently use an average of 135 litres of water every day. As a company we promote the benefits of water saving to our household customers to help them lower their water bills. We do this by promoting water efficiency initiatives, metering and customer supply pipe leakage repairs. By ensuring that water is used efficiently we also help manage the risks on this resource, the impact on population growth and climate change and our impact on the environment through reduced abstraction from rivers and reservoirs.

In encouraging our customers to reduce demand in their homes we are working towards ensuring a secure supply of water for customers of the future.

7.4.4.1 Our Long Term Strategy

Demand management is about providing a service to our customers that helps them get the most out of their water supply over the long-term. It's about saving metered customers money year on year through reducing their usage. Finally and perhaps most importantly, it's about ensuring a secure supply of water for our customers of the future.

The theme of demand management therefore impacts three of our regulatory retail outcomes, as supported by our customers:

- We provide the level of customer service you expect and value
- We keep your bills as low as possible
- We understand our impact on the wider environment and act responsibly.

We will also be contributing to our wholesale business outcome of:

- We make sure that you always have enough water.

Yorkshire Water's strategy for the household retail business is to continue to work with our customers to achieve these outcomes through the implementation of demand management.



7.4.4.2 Water efficiency

We are committed to promoting the benefits of water efficiency to our customers and we do this through the following methods:

Provision of cistern devices to household and non-household customers – we provide water saving devices to individual households, businesses and community groups

Water saving packs – household customers can request free water saving packs. including a flow reducing showersave, cistern displacement device, shower timer, tap inserts and self-audit leaflet. Customers can select which products they would like to receive

Household retrofit water saving devices – our website contains a link to an external website where customers can purchase water saving devices to retrofit their homes. A number of retrofit devices are also given away to customers requesting water saving devices at events

Promotion and sales of water butts to customers – discounted water butts are available to customers through our website

Behavioural change – we encourage behavioural changes through:

- Water efficiency information on our website including a water use calculator
- Water efficiency tips and self-audit leaflets
- The Green Classroom school pack, which provides lesson plans and work books to help schools teach the subject of water. We also offer schools visits to our education centres at three operational sites, where children can learn about water cycle, the environment and how we ensure Yorkshire has a constant supply of fresh drinking water.

Water usage investigations – site usage investigations are carried out by our customer service and conservation teams. If internal leaks are identified and fixed as a result of the site visits we consider that efficiency savings have been made.

Water efficiency campaigns – we promote the water efficiency message through interactive customer campaigns. Our aim is to raise awareness and to encourage the use of water saving devices and behavioural change. The campaigns are developed by our Communications Team to maximise the use of media and customer interaction, taking the water efficiency message to a wider audience.

The key messages of our campaigns are that:

- Water efficiency is easy and everyone can save water through simple lifestyle changes
- Predictions are for drier summers, therefore water saving will be increasingly important
- Water efficiency is important all year round, even when it's raining.

7.4.4.3 Supply-pipe Leakage

Supply pipes are customer-owned pipes which run between the boundary of the street and a customer's home. Customers are responsible for repairing leaking supply pipes.

At Yorkshire Water it's our policy to raise customer awareness of supply pipe ownership and give them options to manage the associated responsibility. Under our current policy we'll initially repair a leaking supply pipe free of charge for household customers to ensure that supply pipe leakage is kept to a minimum. This contributes to a reduction in demand. Further repairs are at the customer's own expense for the two years following repair.

We are currently looking to determine the best way to support domestic supply-pipe leakage by establishing the best option for all our customers.

7.4.4.4 Metering

Water meters provide the opportunity for customers to pay for the amount of water they use, rather than a set annual charge regardless of their usage. Customers typically benefit from further savings seen after the installation of a meter, due to the greater financial incentive to use less water. These savings are a major contribution to water efficiency.

Where customers would be paying much less based on a meter, they have the opportunity to switch free of charge. This is publicised through multiple channels and provides choice to all customers who may not already be metered. We give information and advice to those on low incomes who would otherwise continue to pay higher bills than necessary. We're also working with partner organisations such as Citizens Advice and Age UK to target customers who might benefit from this offer.

Currently around 45% (end of 2012/13) of our household customers have a metered supply, and we expect this to increase by an average of 40,000 properties per year between 2015-2020, partly as a result of increased promotion.

Proactive Meter Reading

When carrying out meter reading we have a system, which automatically highlights any anomalies in usage, for instance higher than normal consumption which may be the result of a leak.

Where we feel this may be caused by a leak we will proactively contact customers and work to keep their usage and bills at a minimum. More information can be found on this in Section 7.3.3.7 under Providing an Excellent Service. Everyday.

7.4.5 Risks to "We keep your bills as low as possible"

Unemployment in Yorkshire and the Humberside is consistently higher than the national average. Yorkshire has also been hit hard by 'underemployment', where people are in work but cannot increase their hours. Information from the Office of National Statistics suggests that around 10% of the workforce want to increase their hours.

Equally concerning is the outlook for household disposable income as a result of high inflation and low income growth. The Office for Budget Responsibility reported in March 2013 that household disposable income is falling with inflation higher than household income.

A key risk to affordability in Yorkshire are changes to the Welfare system. Several changes have been made during 2013, such as the removal of council tax benefit, introduction of the under-occupancy charge and a below inflation rise in benefit value. Further changes are planned with the implementation of Universal Credit, and this brings a new risk. Universal credit will be paid monthly, directly to the individual. This arrangement will be new to many customers who are used to being paid fortnightly and having deductions for their water bill taken directly. This, along with challenges on the value of the payment, present affordability risks to these customers in particular.

Water debt has dropped down the priority list for taking direct deductions, behind government debt such as rent, fines, council tax as well as both gas and electricity. This presents a risk to the value of deductions currently paid direct from the Department for Work and Pensions (DWP) to Yorkshire Water.



7.5

We understand our impact on the wider environment and act responsibly

We will understand our impact on the wider environment and act responsibly through:

- Energy and waste minimisation at our retail offices
- Engagement with our colleagues on ways they can reduce their impact on the environment
- Helping customers to understand the implications of their water use.





7.5.1 Five-year outcome objectives

Yorkshire Water's Vision is 'taking responsibility for the water environment for good' and, as a retail function, we want to do our bit in contributing to this.

Through minimising our impact on the environment we will deliver the following benefits:

- Reduced environmental impact through reduced waste to landfill, reduced greenhouse gas emissions and responsible energy consumption
- The Yorkshire region's carbon footprint is reduced
- Increased colleague awareness of their environmental impact
- Increased customer engagement towards our Vision of 'taking responsibility for the water environment for good'.

At current we do not have any costs allocated to retail services for this outcome. However we plan to look at ways to drive efficiency in the use of energy and other resources which would benefit the wider environment through our day-to-day operations.

Renewable energy – The percentage of our household retail business energy needs that we generate through renewable technology from all sources. While we have no plans to look into this at present, we recognise it may be something we need to consider in the future.

Waste diverted from landfill – The percentage of the waste from all our operations that are diverted from landfill through re-use and recycle.

7.5.2 How will we achieve this outcome?

We plan to reduce the environmental impact of our household retail business through energy and waste minimisation at our retail offices, engagement with our colleagues and the water efficiency of our customers. This is discussed in greater detail below.

Further information on how we will achieve this outcome is spread over the following few pages under Minimising our Impact.

To move to our next section please see Financing the Plan.

7.5.3

Minimising our Impact

At Yorkshire Water our Vision is ‘taking responsibility for the water environment for good’.

As a retail business, the impact we have on the environment is minimal in comparison to the wholesale business. Our activities are largely limited to customer sales, billing, payment handling and provision of customer services. However, there are still ways in which we can make a difference and we endeavour to do this wherever possible.

7.5.3.1 Our Approach

We will endeavour to mitigate our impact on the environment in whatever way we can. To do this we have focussed on the areas we have an impact; energy and waste minimisation at our retail offices, engagement with our colleagues and the water efficiency of our customers.

Energy and Waste

Within our offices we are trying to minimise our energy consumption and the amount of waste we send to landfill. Here are some of the measures we have already taken and we hope to keep making improvements in the future.

- One of our largest areas of energy use is in powering office lights and machines. We now turn our main office lights on roughly two hours later than previously, and use smaller sets of lighting to provide adequate light for the few colleagues present at that time.
- We’ve also adjusted our heating and venting system from a timer to automatic, based on sensing internal and external temperatures to reduce unnecessary heating around the office. We believe this has made considerable savings on the energy used in our Loop offices. Unfortunately we are unable to compare our usage like for like and quantify these savings due to the effects of around 150 additional colleagues joining us on site.
- To reduce waste to landfill we carry out recycling on-site including paper, cardboard and polystyrene. In 2012 Loop’s percentage of waste recycled averaged at 91% and is slightly higher at 92.65% so far in 2013.



7.5.2.2 Colleague Awareness

We want all our colleagues to live and breathe our Vision of 'taking responsibility for the water environment for good'. To this end we've launched a colleague engagement campaign called CO₂llaborate.



CO₂llaborate to use less' is a behavioural change campaign aimed at engaging colleagues in taking responsibility and recognising their individual role in our energy consumption.

We've been encouraging colleagues to:

- Switch off lights and computer monitors before they go home to save energy.
- Print fewer pages to help us cut down on paper usage and wastage. Colleagues operate a follow-me printing scheme which reduces the number of sheets printed and forgotten at the printer. Since its introduction in April 2013, follow-me printing is thought to have reduced waste printing by 30% across Yorkshire Water.

- Use WebEx and drive to fewer meetings to cut down on our transport emissions. We've introduced the use of WebEx in our offices as an alternative to travelling to face-to-face meetings. This videoconferencing technology means colleagues are able to effectively communicate online, thereby significantly reducing the miles needed to carry out their role. Approximately 78,860 miles are thought to have been saved through this technology across the whole of Yorkshire Water including our household retail business between April 2012 and September 2013.
- Consider alternative methods to driving to work. In response to colleague feedback we've made arrangements with West Yorkshire Passenger Transport Executive, which enables colleagues to purchase discounted annual MetroCards, encouraging the use of buses and trains across West Yorkshire. We also encourage colleagues to car share by partnering with an online lift sharing database provider and providing a guaranteed car parking space for lift-sharers.
- Give more consideration to energy and waste at home. We provide advice on how colleagues could save energy and cut bills at home through our CO₂llaborate energy and carbon quiz. We also ask colleagues to make a pledge to do one thing differently to save energy and reduce carbon and offer the chance to be a part of our Energy and Carbon Task Force.

As part of this campaign, and in support of Yorkshire Water's Environmental Management System, our colleagues undergo an electronic environmental awareness training course to help them understand the main environmental issues we face as a company. This focuses particularly on energy use, how to reduce our usage and how we can all make a difference. As part of the training, we seek colleagues' energy saving ideas, whether they are in the office or site-based.

As mentioned above, currently CO₂llaborate has been focusing on areas of largest energy consumption, but future plans will ideally involve having greater involvement with our retail business. Plans for the future include developing a CO₂llaborate pod on our Intranet, which will provide a one stop shop for all colleagues who are looking for information about CO₂llaborate. It will also hold our live energy consumption data from Yorkshire Water's main office site, Buttershaw. Over time it is hoped the pod will be used to start feeding back to colleagues regarding their pledges and e-learning suggestions.

7.5.2.3 Customer Engagement

Raising awareness of environmental impacts isn't limited to our colleagues. At Yorkshire Water we try and engage customers and get them involved in our attempts to protect the environment and work towards our Vision of 'taking responsibility for the water environment for good'.

We promote electronic billing to all of our customers to reduce waste and water efficiency initiatives. We currently have almost 67,000 household customers using online billing and would like to increase this in the future.

Our approach to demand management is to promote water saving to our household customers through promotion of water efficiency, metering and customer supply pipe leakage repairs. By ensuring efficient use of water we help manage the risks to this resource and the impact on population growth and climate change. Helping our customers use less will also lower their water bills and reduce our impact on the environment through reduced abstraction from rivers and reservoirs.

For more information on our water-saving efforts, please see our chapter on Section 7.4.4; Demand Management.

Over the next five years we will invest £250 million to deliver these three retail outcomes that our customers told us they want and need, and have chosen to do all of this while ensuring the average bill rises by no more than inflation.

Providing a great customer service while ensuring bills remain affordable requires a delicate balance. But it's one we're confident we can achieve. In the next section we'll explain how we intend to finance our plan to do this.



8.

Financing the plan

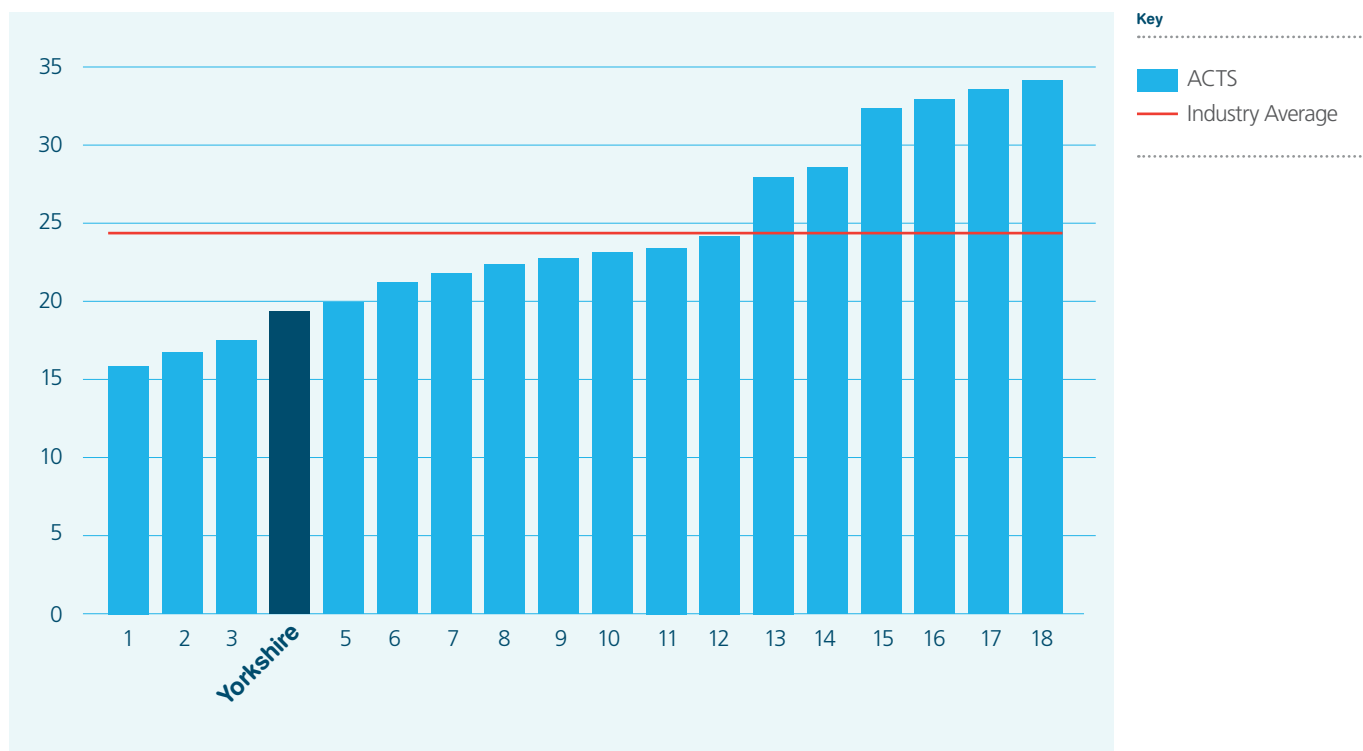
We are proposing to carry out our Blueprint while aiming for customer bills which won't increase by any more than the rate of inflation.

We will finance the provision of our services by:

- Effective and efficient management of revenue recovery to maintain financial viability
- Focusing on driving efficiency in the average cost to serve
- Operating with a 1% retail margin to create a financeable and competitive retail service
- Contributing to overall bills that are held down in line with inflation.

Figure 8A

An indicative view of our average cost to serve for unmeasured customers (2012/13)



8.1 Introduction

In funding our outcomes, we've done our very best to make costs acceptable to customers. It's why we've worked to keep bills level over the next five years.

In order to keep providing our services to customers we need to generate sufficient income to cover our expenditure to make improvements to service. The provision of retail services is entirely covered by customer bills and not by other borrowing.

This section provides an overview of our financial strategy, our forecast costs and efficiencies and our proposed returns.

8.2 Our financial strategy

We aim to deliver our plans by generating a secure, optimal income stream and by keeping bills as low as possible. It's essential for Yorkshire Water and the industry as a whole to remain financially viable. Returns need to be set to provide the financial stability required to deliver the current service and any service improvements which customers are willing to pay for.

8.3 Average cost to serve

This section of our business plan outlines our approach to assessing the information required to set the average cost to serve (ACTS) for Yorkshire Water.

In the final methodology, Ofwat confirmed they would use an ACTS approach to set retail controls for all household customers. ACTS is the assessment used by Ofwat to determine the cost of providing retail services to customers and is used to incentivise companies to become more efficient in delivering their retail services to households. Historically, Yorkshire Water has a low ACTS and has consistently been below the industry average. Figure 8A shows the indicative average retail cost to serve for the industry, using Ofwat's preferred method of assessment.

Overview of assessment of household retail costs

The average cost to serve is calculated by dividing the total costs of providing a retail service to household customers by the number of household customers. The cost of providing a retail service to household customers is presented within Yorkshire Water's published regulatory accounts, where total operating costs are split by activity.

We have carefully reviewed the retail household costs included within the 2012/13 regulatory accounts in light of the final business plan methodology and subsequent additional guidance from Ofwat. Following this review, we have reallocated costs relating to scientific services as a wholesale activity. This follows IN13/10 Change to company business plan guidance for the 2014 price review – costs of scientific services.

Figure 8B

First Economics' estimate of average input price inflation (nominal, % per annum) and rates of on-going productivity improvement (% per annum)

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Average
Units	%	%	%	%	%	%	%
Average price input inflation	2.6	3.2	3.3	3.3	3.3	3.3	3.2
Productivity improvement	0.3	0.3	0.3	0.3	0.3	0.3	0.3

In light of the final business plan methodology and subsequent additional guidance from Ofwat, we have carefully reviewed the retail household costs included within the 2012/13 regulatory accounts. Following this review, we have reallocated costs relating to scientific services as a wholesale activity. This follows IN13/10 Change to company business plan guidance for the 2014 price review – costs of scientific services.

We have assessed whether any of our operating expenditure and depreciation should be excluded from ACTS, using the assessment criteria provided in the final business plan methodology. One difference noted is that the lack of compulsory metering in our region, due to Yorkshire not being a water-stressed area. This makes our meter reading activities appear less efficient. However, we don't consider that the costs we face have a materially different impact upon us than they do upon other companies, or that they are beyond our management control. We have therefore not proposed any exclusion to our cost to serve.

We've also taken the following steps to assessing our future retail costs:

Assessment of household retail costs

Our starting point for assessing the expected 2013/14 retail household costs was our 2012/13 regulatory accounts. These expected costs have been updated in line with the recent Ofwat guidance, to give our base year costs for 2014/15, as shown in figure 8B.

Our starting point for assessing the expected 2013/14 retail household costs was our 2012/13 regulatory accounts. These expected costs have been updated in line with the recent Ofwat guidance, to give our base year costs for 2014/15, as shown in figure 8C.

In assessing our future retail costs we have considered changes expected in our regulatory environment and customer base since 2012/13.

This has included the cost associated with:

- Loss of economies of scale and scope through separation of retail price controls
- Increasing level of meter penetration, driven by domestic meter optants and new connections. More information on metering costs is provided in the following pages under Metering expenditure.

Retail household operating expenditure will increase steadily over AMP6 in line with the changes to the customer base and the separation of retail price controls between households and non-households. The 200,000 DMOs expected during AMP6 will result in additional costs of meter reading and account management. The increase in new connections, as projected in the water resource management plan, will increase meter reading and account management costs.

In addition, we have commissioned First Economics to provide estimates of price input inflation and productivity growth that are relevant for a retailer in the water industry. These estimates are shown in figure 8B for the period 2014-20.

The estimates provided by First Economics indicate that there is price input pressure of between 2.6% and 3.3% for the retail household business over the period 2014-20. This represents an average cost pressure of 3.2% over the same period.

The report also estimates rates of on-going productivity growth for a retailer within the water industry. The evidence here shows that a frontier retail company will be able to improve productivity by 0.3% per annum over the period 2014-20. This means that the price input pressure will be partially offset by continuing annual operational productivity improvements for the retail non-household business.

Figure 8C

Breakdown of retail household forecast costs (Total costs taken from figure R3)

£m	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Base year (2013/14 expected outturn)	48.611					
Atypical	1.151					
Adjusted base year	49.762	49.762	49.762	49.762	49.762	49.762
Additions to base – Metering	0.179	0.354	0.729	1.175	1.674	2.198
Additions to base – Loss of econs of scale	0.000	0.134	0.134	0.265	0.265	0.265
Total pre RPE	49.941	50.250	50.625	51.202	51.701	52.225
Cost escalation	3.000	4.710	6.553	8.536	10.636	12.804
Productivity	-0.155	-0.320	-0.498	-0.692	-0.901	-1.126
Total projected outturn	52.787	54.641	56.681	59.046	61.436	63.903
Deflation to 2012-13 prices using business plan RPI	-3.289	-5.089	-6.970	-9.012	-11.040	-13.059
Total at 2012-13 prices	49.498	49.551	49.711	50.035	50.396	50.844

As a leading company, we have taken into account both the estimates of input price inflation and productivity growth in forecasting our household retail costs. As retail will not be indexed by RPI we have included this cost escalation and productivity assumption into the retail household revenue requirement.

Figure 8C above shows our forecast retail household operating costs over the period 2014-20, including the breakdown of movements on base costs. The total projected outturn has then been deflated to 2012/13 prices using the business plan RPI as set out below.

Metering expenditure

The additional costs associated with serving a metered customer over an unmetered customer is a key component of the ACTS assessment. The total cost of metering includes both the cost of meter reading and the incrementally higher cost of account management (e.g. call handling, payment handling, billing etc.) for a measured customer.

The cost of meter reading will be impacted both by the number of metered properties and the manner in which the meters are read. Throughout AMP5 (2010-15) a meter replacement programme has been underway to replace traditional water meters with new Automatic Meter Reading (AMR) units. The impact of this replacement programme is to reduce the cost of meter reading going forwards. Therefore future meter reading costs have been adjusted from the 2012/13 position by:

- Reducing the on-going cost to reflect the efficiency of reading AMR units rather than manual units

- Increasing the cost to reflect the additional new meter connections and existing customers switching from an unmeasured tariff to a metered tariff (DMOSs)
- Reflecting the transfer of staff time from retro-fitting AMR units to meter reading.

The additional incremental cost of providing an account management (contact centre, billing and payment handling) service to metered customers has been calculated by identifying the total cost of these activities from the regulatory accounts and apportioning between measured and unmeasured customers based upon relevant drivers for each cost type. For example, billing costs have been apportioned based upon number of bills issued and contacts and complaints have been apportioned based on number of calls received.

The total cost of serving household customers, split into measured and unmeasured, could then be divided by the number of measured and unmeasured customers to identify a cost to serve one measured customer and a cost to serve one unmeasured customer. The difference between the two numbers provides the incremental cost to serve a measured customer. This incremental cost was then multiplied by the number of measured customers to identify the extra cost to Yorkshire Water of serving metered customers.

The sum of the total incremental cost to serve measured customers and the cost of meter reading provides a total cost of metering.

Figure 8D

Retail household forecast metering expenditure (£m). Data taken from December submission figure R3 , lines 15-17)

	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Total retail metering expenditure – water only customers	0.201	0.223	0.230	0.242	0.257	0.273	0.291
Total retail metering expenditure – sewerage only customers	0.225	0.249	0.255	0.268	0.284	0.301	0.319
Total retail metering expenditure – water and sewerage customers	4.806	5.353	5.540	5.863	6.248	6.681	7.131

Figure 8E

Unique household customer numbers

Unique customer numbers	Units	dp	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Households connected for water only – unmetered	000	3	62.800	59.340	57.243	55.257	53.050	50.622	48.304	46.207
Households connected for water only – metered	000	3	39.848	43.111	45.418	47.725	50.343	53.360	56.402	59.347
Households connected for sewerage only – unmetered	000	3	73.430	70.712	68.212	65.846	63.216	60.322	57.561	55.062
Households connected for sewerage only – metered	000	3	39.800	44.081	46.440	48.799	51.476	54.564	57.671	60.682
Households connected for water and sewerage – unmetered	000	3	1058.648	1016.038	980.134	946.121	908.328	866.756	827.074	791.171
Households connected for water and sewerage – metered	000	3	822.660	872.805	919.501	966.215	1019.213	1080.302	1141.889	1201.503
Total households connected	000	3	2097.186	2106.087	2116.948	2129.963	2145.626	2165.926	2188.901	2213.972

The forecast metering expenditure for retail household is shown in figure 8D.

Unique household customer numbers

The final methodology confirmed that the denominator in the ACTS assessment would be unique customer numbers adjusted for economies of scope. We agree that this will ensure that the assessment is fair for all companies regardless of whether they are water and sewerage, or water-only, companies.

We have calculated our unique household customer numbers in accordance with the guidance provided by Ofwat. Our forecast number of unique household customers is shown in figure 8E. This is in line with the water resource management plan.

8.4 Allowed retail returns

The need for long term stability

The water industry is a long-term industry requiring a long-term approach to financing its functions, including the provision of retail services. Our proposed retail outcomes, which have been developed with and accepted by customers, show there's a need to continue delivering a level of customer service that customers expect and value while keeping bills as low as possible. It's vitally important that these retail functions can be financed through a net margin that remunerates investors for the risks faced, while ensuring the outcomes are achieved.

Figure 8F

Our proposed net margin for the retail business

Retail control	Our proposed net margin
Household retail control	1.00%

Figure 8G

Average household bills from 2015–2020 (real – 2012/13 price base) Data taken from December submission figure A1 (lines 11–14) Please note comparisons of retail only bills do not exist for 2014/15.

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Average retail household bill – water	-	£14	£14	£14	£14	£14
Average retail household bill – sewerage	-	£14	£14	£14	£14	£14
Average combined household retail bill	-	£28	£28	£28	£28	£28
Total household bills (inc wholesale)	£351	£351	£351	£351	£351	£351

There is considerable uncertainty when making an assessment of appropriate retail net margins, particularly given the lack of precedents in the water industry.

The sections that follow outline our evidence-based assessment of allowed retail household returns. We detail our approach to assessing allowed retail household returns in the evidence base.

Proposed Allowed Retail Returns

For our retail household business we are proposing an allowed return of 1.00% on retail revenues. Our assessment of an appropriate net margin has been undertaken for the retail household business on a stand-alone basis. The proposed net margin covers the financing of working capital and remunerates planned future investment in retail assets, ensuring that an efficient retail business can be financeable.

In arriving at this proposal we have used both empirical and anecdotal evidence from First Economics report on 'Setting the Allowed Margin for Retail Price Controls – A report for Water UK'.

We have considered the regulatory precedents on the level of net margin made by retailers providing similar services, which was provided in the First Economics report. In particular we have looked at the net margins on turnover in the energy sector, which range between -2.1% and 5.7% (based on previous energy retail control decisions and long-term retail returns in the GB energy market). Our proposed net margin is within this range. While there is evidence that energy retailers in Great Britain have earned returns towards the top end of this range more recently, we believe our proposals will keep household customer bills as low as possible while ensuring the household retail business can be securely financed.

Figure 8F shows our proposed allowed return for the household retail control.

8.5 Impact on Customer Bills

Our forecast of household retail costs and proposed retail net margin have resulted in customer bills that remain broadly stable over the period (before inflation).

Our business plan reflects our balanced approach and meets our long-term outcome of keeping bills as low as possible while ensuring the retail business remains financeable on a standalone basis. Average household bills are set out in figure 8G.

Our plans to meet the future involve considerable challenges. We believe our financing plan allows us to meet these while ensuring that our bills remain affordable for our customers.

The next section explains why our plans represent a good deal for customers.

9.

A good plan for customers

We believe our Blueprint is a well-developed, aspirational plan which will benefit customers, stakeholders and the environment.

This is a good plan for customers because it:

- Provides for the continuation of our great customer service as recognised by the Institute of Customer Services
- Focuses on providing services that are responsive to customers' needs
- Supports vulnerable customers and those who have difficulty in paying
- Has support from the Customer Forum
- Keeps bills down in line with inflation.



We have worked hard to develop our Blueprint. Sections 3-6 of this plan have described how we've consulted with customers and listened to what they want and need. It's also explained how we've taken into account the future challenges our business will face and how we've incorporated all this into our plans. Section 7 has shown how we plan to achieve our customers' desired outcomes and section 8 has explained how we'll finance all this.

We believe it's a good plan because it's an accurate representation of what our customers want, balanced with the current and future economic, financial and regulatory pressures we must anticipate and plan for in order to continue providing our services. Finally, it has taken into account our past performance and used this to inform the areas we excel at and where we need to improve.

9.1 A plan built on customer views

The views of 6,700 household customers informed this plan. They told us they wanted us to focus on delivering core services while maintaining bills at as low a rate as possible. They articulated this to us through a series of outcomes, upon which our plan is built.

Throughout all of our engagement activity we have opened our processes, procedures, results and conclusions from our research to scrutiny from the Customer Forum, which has ensured that we make faithful interpretation of our research and that we build our plan in line with customer and stakeholder needs. We tested our plans with customers. Over 90% said they agreed with the intent of our Blueprint.

9.2 Our Blueprint delivers

Our plan delivers an increased focus on our customers, putting their interests at the heart of our service delivery. By altering our approach, it aims to continue our trend of improving customer service and to shorten the time to provide a resolution if customers experience problems, without impacting on prices. By looking at processes as customer journeys, our colleagues will be putting themselves in the place of a customer and providing the level of service that they themselves would expect.

In line with our intention to keep bills as low as possible, we're also helping customers with affordability by continuing our industry-leading efforts to minimise bad debt for paying customers. We've been collaborating with other water companies and are excited about the development of a national landlord portal to help minimise bad debt and improve the quality of our records caused by moving tenants.

We hope to see legislation to make the use of this portal mandatory for landlords and will be taking measures to promote it within our region.

We're also continuing our innovative approach to understanding our customers and their financial circumstances through credit reference agency data sharing. Together with our promotion and targeting work with local charities and support agencies, this helps us target customers who may be struggling to pay with the best means of support, whether that's through flexible payment plans, budgeting advice or individual affordability schemes. We've undertaken research with our customers into social tariffs and while it was recognised that support is necessary, they did not feel that social tariffs were the most acceptable method of support. We will continue to monitor customer views and if in the future this changes, we can introduce tariffs to support more vulnerable customers.

Figure 9A
SIM overall scores



9.3 Historical performance

We have a proven history of providing excellent retail services to our customers. While this is the first price review where retail services have been given such scrutiny, at Yorkshire Water we like to think we've been doing this for considerably longer. This section outlines the high quality customer service we have already been providing and, where customers have felt improvements could be made, how we've gone about addressing these.

What we already do well

We recognise that the skillset needed to provide excellent customer service and priorities required to necessitate a customer-centric culture are different to those needed by the wholesale business. That's why, in April 2000, we were one of the first companies to establish a separate retail entity, through our sister company, Loop. With independent colleagues and its own Board, Loop focuses on delivering world class retail services for Yorkshire Water, meaning that our customers benefit from an experienced and focused team of service professionals.

Our service performance is improving year on year and we aim to be a leader in SIM amongst other Water and Sewerage Companies (WASCs). Our billing and income record has been strong historically, reflected in our consistently leading performance in this aspect of our SIM score. Recently our SIM performance has also improved in all service areas, resulting in an industry best position in quarters two and three with scores of 4.71 and 4.69 out of 5 as shown by figure 9A.

We've also received recognition for excellent customer service through the UK Customer Service Index (UKCSI), where we were recognised as giving the best service of the utilities by customers in January 2013 as per figure 9B.

We have a great track record of debt recovery and collection and are considered highly efficient in the way we operate. We are industry leading in debt recovery and our doubtful debt costs (which include bad debt write offs) as a percentage of turnover are the lowest out of the WASCs at 2.06% for household customers. This is against an WASC average of 3.93%. We also have the lowest bad debt cost per household at £11 compared to an WASC average of £15 for 2012/13 figures. In the assessments undertaken for PR09 (2010-15) we were assessed for operating expenditure to be the benchmark company for water and a lower band A for sewerage. As we have continued to deliver further Opex savings, we consider ourselves to still be a frontier company for operating efficiency.

We have an extremely low level of customer complaints, deal with the vast majority within 10 working days and were industry leading compared with other WASCs in 2010 with 33 complaints per 10,000 connections. We always make sure we respond to customers and within promised deadlines as shown by figure 9C. We also provide good value for money and high levels of customer satisfaction as assessed by the Consumer Council for Water (CCWater) in their annual survey with a score of 70% in 2012. We intend to keep providing this value to customers and have proposed using an improving score in this survey as a measure of success for our outcome 'We keep your bills as low as possible'.

Figure 9B
UKCSI, January 2013, UK Customer Satisfaction Index (UKCSI)

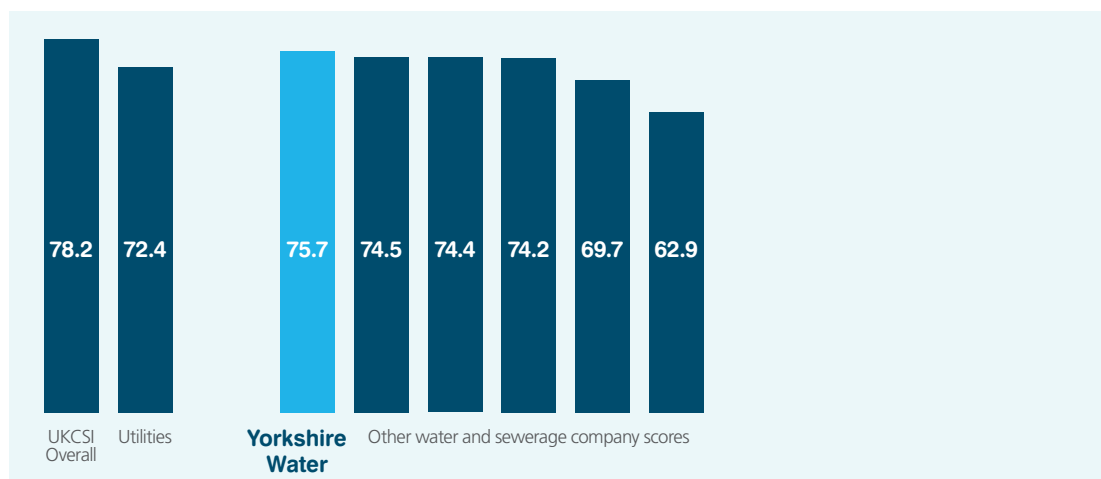
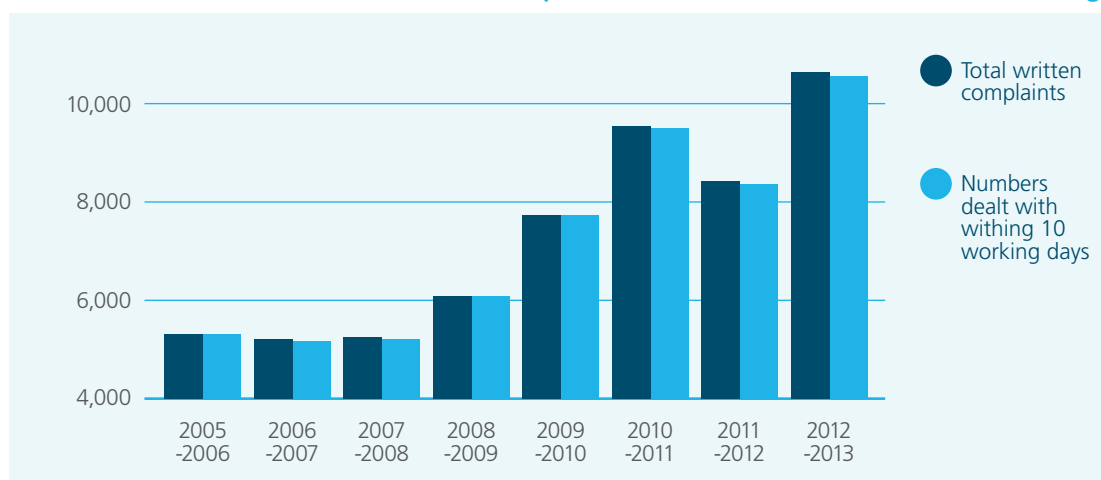


Figure 9C
Household and non-household written complaints and those answered within 10 working days



Finally, we have an excellent reputation in how we treat our employees. Loop really is a great place to work as verified by the prestigious Sunday Times, 100 Best Companies to work for list and also The National Customer Service Awards, who announced Loop winners of the ICS Best Customer Service Employer 2010. For a list of awards please see our website.

We believe that satisfied employees results in satisfied customers and this can be seen reflected in Loop being the first ever non-public sector organisation to achieve the Charter Mark for Service Excellence. The importance of our employees is discussed in greater detail in Section 11; Delivering the Plan.

As part of our Blueprint we will continue providing these quality services that customers rate highly and value.

Where we're making improvements

We're aware that from time to time service levels can slip, and where this is the case have always endeavoured, or are endeavouring, to resolve this. Improvements we have already made and are in the process of making include:

- Response times
- Understanding customers' financial circumstances
- Personalised case management
- New ways of working in waste.

Response times

Our customer research and Ofwat surveys tell us that the most important ways to ensure customer satisfaction are speed of response, keeping customers informed and being helpful and professional.

To improve our performance in this area we have introduced management processes such as case management, close the loop and proactive communications to improve our engagement with customers. We've brought in more employees to help us answer customer calls quickly and effectively and consequently 50% of our customers only have to wait one second before their call is answered.

Understanding customers' financial circumstances

At Yorkshire Water we endeavour to know our customers as individuals, which is supported by credit reference agency data sharing. The ability to understand our customers' financial circumstances helps us differentiate between those who 'can't pay' and 'won't pay', in addition to allowing us to target the right customers with the best means of support.

Prior to this we had a one-size fits all approach to bill collections, which was often less effective and more expensive. Our new approach enables us to reduce the number of unpaid bills and reduce the bad debt passed on to our paying customers.

Personalised case management

As discussed in our Supporting our Customers section, where customers have had a poor experience with us, this is frequently caused by an inefficient process, with unnecessary hand-offs between colleagues. We also know customers value a personalised response.

That's why we're expanding our case management process to more customers, providing a single point of contact to manage their query, keeping customers informed throughout.

New ways of working in waste

Customers have told us via complaints and customer feedback that the waste service they were getting for external flooding wasn't good enough. We challenged our wholesaler and in response they've fundamentally changed the way customers are looked after. At our suggestion, the wholesaler has increased the level of service provided and their operating hours, allowing us to provide a faster response time to customers experiencing any form of waste issues. Further details of our New Ways of Working in Waste can be seen in Section 7.3.3; Supporting our Customers.

9.4 There's no increase in bills

Our bills are some of the lowest in the industry at £351 for an average household customer in 2014/15. Our plan means that we will not be increasing the average bill by any more than inflation right through to 2020. We have tested this proposal with our customers and they have told us that they support our plan to deliver the outcomes at a price that rises only with inflation.

After accounting for all the costs we can foresee we are able to provide a quality service while keeping bills in Yorkshire low. We think, and our customers have told us, that's a good deal for them.

In the next section, we explain why this is a fair plan for our customers because it ensures that in return for delivering improvements and keeping their bills low, it also allows us to remain a financially stable business that's attractive to investors and stakeholders.



10.

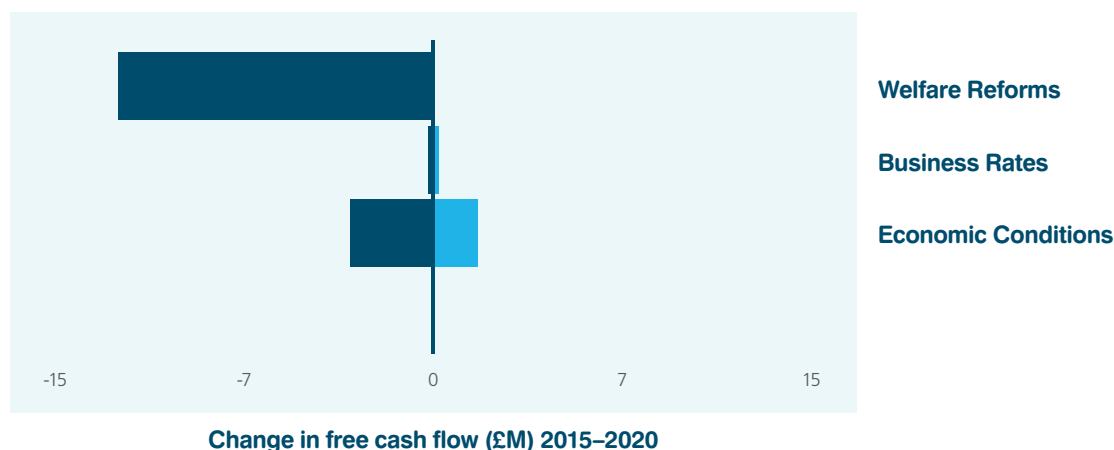
A fair plan for customers

Our Blueprint is built on robust assessments and efficient costs, allowing us to deliver a balanced plan that is good for customers, stakeholders and the Company.

This is a fair plan for customers because:

- It's built on efficient costs with a reasonable margin to create a low-cost, financeable business
- The balance of risk is sitting with the Company where it is best able to be managed
- We are taking on the challenge of managing those risks through continued focus on helping customers to pay and managing bad debt
- We view efficient retail activity as good business so we're only proposing reputational incentives to drive performance.

Figure 10A
Change in free cash flow (£m) 2015-2020



Our plan has been created to benefit our customers and to allow our company the flexibility to deliver its service. To ensure this, we have carefully considered any risks to the business and worked to maximise rewards and avoid penalties. Below we discuss our approach to risk and reward, any outstanding risks or notified items and how we think incentives encourage fair business practices.

10.1 Risk and Reward

At Yorkshire Water we think the current overall framework and mechanisms for allocating and mitigating risks have worked well and we don't propose any major changes to them. We'll continue to respond to all incentive mechanisms to meet our outcomes for customers, and thereby maximise rewards and avoid penalties.

Framework for risk and reward

The current regulatory framework includes a number of mechanisms for mitigating or allocating risks and rewarding companies that deliver services efficiently. We believe the majority of mechanisms have, to date, provided a good balance for allocation of risks and rewards between companies and customers. These include:

- Review of costs and prices on a five year basis
- A mechanism for the reopening of prices in specific and exceptional cases once thresholds have been met (e.g. interim determinations)

Overall we consider the mechanisms within the current framework ensure that risks are allocated to those best placed to manage them. The mechanisms also ensure that the rewards gained from the efficient delivery of services are shared between companies and customers, in a way that reflects the risk allocation.

10.2 Managing uncertainty

There are a small number of items where the uncertainty of outcome is beyond the control of Yorkshire Water, which if included within the plan at present would potentially lead to conservative and inefficient costs being passed through to customers. The main cost to effect the retail household part of our business is the introduction of Welfare Reforms. The full list of factors that have a significant effect on our household retail business are:

- Welfare reforms
- Business rates
- Economic conditions.

Figure 10A shows the effect on free cash flow (expenditure minus income) these factors that affect our retail household expenditure and income could have. The dark blue half bar represents a decrease, and the light blue half bar an increase, in free cash flow due to each factor. The full bar represents either an 80% confidence interval or realistic upside and downside cases for the impact on free cash flow.



Welfare reforms

The main risk facing our household retail business is the effect of the current welfare reforms, and we have included this risk as a notified item in our submission. Currently we collect a portion of our revenue through the Water Direct scheme. This is a scheme that allows us to collect payment directly from benefits for customers who have failed to pay their bills. The current government's welfare reforms will affect both the payments we obtain through this scheme and is likely to also affect the number of customers falling into arrears. In terms of welfare reforms, the factors that could affect the amount we collect from Water Direct are as follows:

1. The place of water bills on the priority list could change, this could mean that the amount of money we can collect from each customer will decrease due to them having other, higher priority debts such as rent
2. The number of benefits we can collect from will increase, this is increase the number of customers from whom we can collect bills directly from their benefits
3. The reduction in benefits for some customers already on low incomes, and the potential increased difficulty of budgeting, is likely to increase the number of customers we have in arrears.

We have estimated that the net impact of these changes could result in increased arrears of £5m per annum. It is unlikely that we would write-off all of these additional arrears, instead we would use one of our existing schemes to vulnerable customers. The most likely candidate is our resolve scheme whereby if a customer commits to paying some of their arrears we will write-off the same amount. This results in a 50% write-off of a customer's arrears.

In addition to the additional money written off it is likely that we will have increased staff costs to handle the changes. The scenario contains additional write-offs and additional expenditure on staff costs.

It is very hard to calculate the exact effect these changes will bring, and it's for this reason we have entered this as a notified item. The analysis undertaken is a sensitivity analysis rather than a full uncertainty analysis. The overall risk analysis shows that the risk is not symmetrically balanced. Instead we are more likely to see an increase in expenditure than a decrease. Much of this increase in expenditure is due to the fact that rather than believing that welfare reforms will result in an increase in the revenue collected, we believe they could result in a decrease.

In summary in AMP6 a larger portion of cost uncertainty and risk is borne by our shareholders than by our customers. We believe this is a fair balance to shareholder returns.

Business Rates

The business rates payable apportioned to our retail household business is around £0.2million a year. We expect a revaluation to occur in 2017, although it is possible that this will not occur. The effect of any revaluation on the amount we pay is uncertain. For this reason we have included business rates as a notified item at PR14, and asked that this cost is not included as part of our cost performance assessment. To assess our possible exposure we have developed a number of possible revaluation scenarios, our range of net expenditure is based on these scenarios. Our estimated 80% confidence interval is that our AMP6 rates spend would be between £0.047M less or £0.063M more than currently accounted for in our PR14 submission.

Economic conditions

The state of the economy affects us in a number of different ways. A strong economy generally leads to increased growth in the number of households and higher rates of energy cost. A strong economy will also lead to a higher base inflation rate, which will increase the amount we pay in reducing our pensions deficit. The overall effect of the economic conditions is that a weaker economy will lead to a decrease in retail household operating costs. However, we have not accounted for the possibility of increased bad debts due to a weaker economy.

10.3 A plan built on efficient costs

Our plan is based on efficient operations and efficient costing, meaning that customers are asked only for those returns necessary to finance business operations. Our customers have helped us define our measures and associated incentives, which will drive great service and customer outcomes.

Our history of delivering efficiency improvements is reflected in our starting point for assessing costs. Our robust approach to investment planning furthers this.

Yorkshire Water has a long and distinguished history of delivering robust balanced business plans that avoid padding and gaming.

Incentives

The new and existing incentive mechanisms are designed to encourage water and sewerage companies to deliver their services efficiently. The current regulatory framework uses financial and reputational incentives to incentivise companies to deliver services efficiently. The incentives ensure that the benefits or rewards of efficient delivery of services are shared between companies and customers, and the allocation of rewards reflects this allocation of risk.

Incentives for service performance

A pertinent incentive to our retail business is the Service Incentive Mechanism (SIM), which provides a clear incentive for companies to deliver excellent customer service. We recognise that the potential rewards offered through SIM for excellent customer service are predominantly reputational rather than financial, at least in the short term.

Companies that are able to improve their relative customer service performance receive the reputational benefit via a higher SIM score and league position, while households benefit through improved customer service. We consider this to be a 'win-win' for the company and the customer and therefore support the decision to continue to use this incentive mechanism for all household customers.

In addition to SIM, we have also proposed a set of outcome delivery incentives, which are described in Section 7; The right outcome for Yorkshire

Understanding the risks involved in achieving our plans and having a strategy in place to identify and deal with them will be key. As will the performance related incentives for managing the risks and achieving the outcomes.

In the next section, we look at the role our colleagues will play in delivering our plans. Making sure we recruit, retain, train and reward the right people, and work with the right partners, over the next 25 years is an important part of our plans.

11.

Delivering the plan

Our people really are our greatest asset when it comes to delivering retail services. We also recognise the importance of partnering and innovation to provide the best service for customers.

We need all of these things to deliver our Blueprint.

We will deliver our plan and make our progress visible to our customers by:

- **Employing and developing a skilled, customer-focused workforce to drive up standards of service**
- **Working in partnership with other agencies in the region, so that we continue to help those customers most in need**
- **Developing innovative solutions to deliver benefits for our customers and stakeholders**
- **Monitoring our progress and publishing an annual performance statement.**

11.1 Holding ourselves to account

You'll know we're delivering our Blueprint when you contact us, meet us, see us or even just enjoy our water.



Customers told us they value a transparent business and we intend to remain this, through monitoring and reporting our progress towards our outcomes. We will do this by publishing an annual performance statement, which will clearly set out our commitments, our measures of success and our performance against these. We will be clear about actions we are taking to address areas of risk or concern as well as highlighting the service we've delivered within the year. This will take a similar form to the current Risk and Compliance statement and KPI report, which we currently publish in July each year.

To underpin our commitment to transparency, we'll continue our rigorous approach to reporting of information and maintain our ISO accreditation for our annual process. For each measure we maintain clear reporting definitions and processes, which are reviewed and improved each year. We maintain a 'three lines of defence' approach to assurance, meaning that we check and validate our information, and then subject it to review by an independent party. Finally our Board confirms the performance by making a Board statement.

This ensures we can be confident of a consistent and true performance record.

11.2 Our People

To deliver on our promises we need the very best people working for us. Top quality staff are at the very heart of our business and have a central role to play in the achievement of our plans. We're immensely proud of our people and the service they provide. We employ just over 3,000 staff across the region in our Yorkshire Water and Loop contact centre operations, with the biggest concentration being based in Bradford, Leeds and Sheffield.

At Loop, where the majority of our retail colleagues are based, we wholeheartedly believe that ensuring our employees are happy and feel supported at work is key to providing excellent customer service for our clients.

We are well known for our forward thinking human resources operation and understand that our people are our greatest asset. We invest heavily in training and development and constantly review and improve our policies for the benefit of all who work here. Testament to this is our low level of staff attrition, which is well below the contact centre industry standard. Our employees enjoy working for Loop and the average length of service for our contact centre employees is 6 years, meaning we have experienced staff dealing with customer queries.



Young Professional of the Year

This year one of our colleagues, Sidra Ayaz, was named Young Professional of the Year at the European Call Centre and Customer Service Awards 2013 in London.

Sidra was up against more than 100 people from a wide range of companies and fought off competition from young professionals from John Lewis Partnership, Capita Manchester Operations and Transform Sandwell to take the glittering title.

Sidra manages a team of 16 who deal with customer complaints at Loop. Jonathan Harding, managing director of Loop said: "We are so proud of Sidra and the example she sets on a daily basis, so it's a fantastic endorsement of her skills and enthusiasm that she has been recognised as outstanding amongst her peers. At work Sidra is dedicated, thorough and always thinking of ways to make things better for the customer. She embodies the way we like to work at Loop, combining fun with hard work. She is a credit to our organisation and very deserving of this prestigious award."

The judges also credited entrants, saying "We had a very high standard of submissions this year and the stories of exceptional customer service have been nothing short of inspirational. It was very difficult to whittle down the entries, however, the brightest stars have ultimately made their way to the top."

Planning ahead

Agility in our business is vital to our capacity to respond to emerging challenges. In 2015-20 we aim to build on our understanding of how we can most effectively and efficiently use the skills of all our colleagues, so that we can be even more agile in responding to customer needs.

We know that it's important to attract and retain highly talented people. We all make a difference to the success of the business and we recognise that our organisation needs to be as diverse as the society we serve. We place a big emphasis on development of our colleagues in order to address our current and future capability gaps as well as build organisational capability.

11.3 Partnering Approach

To help us deliver a high quality service and deliver on our promises we also partner with a number of carefully selected and trusted partner companies and organisations who carry out some aspects of the work on our behalf. We make sure they share our ethos, work to the same high standards and are just as committed to the end result as we are.

Partnering on Vulnerable Customer Schemes

One of our aims is to provide continued support to vulnerable customers through our Helping Hands scheme. We're building partnerships with specialist organisations as they have the expert knowledge to inform us of new technology and innovative solutions for reaching our customers. We've been using audits from organisations such as Action on Hearing Loss and Action for Blind People to help us understand what's required from us in the years to come. We've also started to use credit reference information to help target those who need help the most.



Partnering on Affordability

We've built working relationships with partner organisations such as Citizens Advice and Age UK to most effectively target customers that would benefit from our Affordability schemes.

11.4 Innovation

Innovation is one of our core principles and we are leading the industry in developing innovative solutions that challenge and improve the way we do things for our customers and stakeholders.

We innovate because we want to continue delivering exceptional results for our customers and stakeholders now and in an increasingly unpredictable future. Being able to adapt to future changes in the region caused by factors like population growth, climate change and a challenging economic environment for our customers is critical to our continued success.

Innovating to reduce Bad Debt

At Yorkshire Water we endeavour to minimise bad debt to keep customer bills as low as possible. One of the ways we're doing this is by taking an innovative approach in order to understand our customers' financial circumstances. Knowledge gained through credit reference agency data sharing helps us differentiate between those who 'can't pay' and 'won't pay', in addition to allowing us to target the right customers with the best means of support.

For more information on our data sharing please see Section 7.4.3; Our Affordability Strategy.

You'll know we're delivering our Blueprint when you contact us, meet us, see us or even just enjoy our water.

We believe that this is the right outcome for Yorkshire. Right for customers, right for the environment, and right for the long-term sustainability of our business.



12. What happens next?

Thank you for taking the time to read our plan for the next five years. We hope our plan inspires you about the future of Yorkshire's water.

In addition to this plan, we have produced a summary of our five and 25 year plans, as well as our main Yorkshire Water Business Plan, plus a plan for each of the other three price controls we will operate. We have also published key documents that have contributed to the development of our plans. Please feel free to view these documents by clicking on the links below or visiting our website Blueprintforyorkshire.com.


We submitted our plans to Ofwat on 2nd December 2013. They will announce their initial assessment of our plan in spring 2014, and in late 2014 we expect to finalise how much we'll charge customers for the next five years.

The new prices will come into force on the 1st April 2015. We'll continue to update you on our progress and will publish our final determination of prices and what it means for customers in a clear customer guide in 2015.

In the meantime we'll continue to work closely with the Customer Forum to ensure we listen and respond to customers' views and use them to shape the direction of our business. We believe our plan is well evidenced and balances investment in their priorities and the environment, at a price customers are willing and able to pay. We have consulted with customers and other stakeholders every step of the way in developing the Right outcome for Yorkshire and welcome any further feedback you may wish to share with us.



**Our Blueprint for Yorkshire
The next 25 years**

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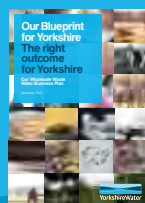
The Yorkshire Water Business Plan

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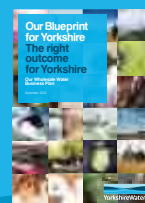
The summary of our five year plan

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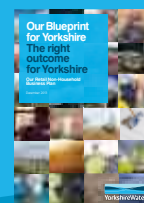
The Wholesale Waste Water Business Plan

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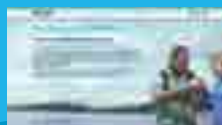
The Wholesale Water Business Plan

 [View this document online](#)



The Retail Non-household Business Plan

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Supporting Documents

 [View supporting documents online](#)

13. Contact us

Want to find out more about our Blueprint for Yorkshire?



Visit our website
blueprintforyorkshire.com



Write to us
Yorkshire Water Services
Western House
Halifax Road
Bradford BD6 2SZ



Email us
blueprint@yorkshirewater.co.uk



Call us
0845 1 24 24 24



Speak to one of our online team
yorkshirewater.com/contactus



Find us on facebook
facebook.com/yorkshirewater



Follow us on twitter
[@YorkshireWater](https://twitter.com/YorkshireWater)

Other useful Links

Yorkshire Water
yorkshirewater.com

Ofwat
ofwat.gov.uk

Consumer Council for water
ccwater.org.uk

Environment Agency
environment-agency.gov.uk

Drinking Water Inspectorate
dwi.defra.gov.uk

Natural England
naturalengland.org.uk

Appendix 1

Customer Forum Membership

Organisation	Representing	About the Organisation/Individual
Independent Chair	Chair of the Forum	Chairs the forum, ensuring that Yorkshire Water is properly challenged over the quality of its engagement with customers, the integrity of interpretation of customer views and the proper inclusion of customer views in Yorkshire Water's business plan. The chair is responsible for issuing a report, on behalf of customers, to Ofwat on the development and acceptability of Yorkshire Water's business plan
Andrea Cook		
AgeUK	Domestic Customer Representative	Aims to improve later life for everyone through its information and advice, services, campaigns, products, training and research. It works for a world where, amongst other things, older people are equal citizens with equal rights, have enough money for a secure and decent life, have access as consumers to the products and services they need at a price they can afford, have the opportunity to live healthier longer lives and to enjoy a sense of well-being and live in homes and neighbourhoods that are safe and comfortable and which enable them to lead fulfilling lives
Citizens Advice Bureau	Domestic Customer Representative	Aims to provide the advice people need for the problems they face and improve the policies and practices that affect people's lives. It provides free, independent, confidential and impartial advice to everyone on their rights and responsibilities. The bureau values diversity, promote equality and challenge discrimination
Local Government Yorkshire and Humber Region	Local Government Representative	Represents the Yorkshire & Humber Local Authorities, and is currently Cabinet Member for Planning, Transport & Sustainability at City of York Council. They are also an active member on the Yorkshire & Humber Regional Flood & Coastal Protection Committee
Confederation of British Industry	Business Customer Representative	Aims to deliver results for business by lobbying and campaigning by keeping business interests at the heart of policy in Westminster, the devolved administrations, across the UK regions and internationally. It works to deliver benefits for consumers and communities
Consumer Council for Water	Customer Representative	Representing water and sewerage consumers in England and Wales, its job is to make sure that the consumers' collective voice is heard in national water debate and that consumers remain at the heart of the water industry. It will take up consumers' complaints if they have tried and failed to resolve issues with their water companies
Consumer Council for Water	Customer Representative	Representing water and sewerage consumers in England and Wales, its job is to make sure that the consumers' collective voice is heard in national water debate and that consumers remain at the heart of the water industry. It will take up consumers' complaints if they have tried and failed to resolve issues with their water companies

Organisation	Representing	About the Organisation/Individual
Drinking Water Inspectorate	Regulator Representative	Aims is to help protect public health and maintain public confidence in drinking water through independent, effective and proportionate regulation of the quality of drinking water supplies, and by providing independent technical advice on all aspects of drinking water quality. Its main job is to check that the water companies in England and Wales supply safe drinking water that is acceptable to consumers and meets the standards set down in law
Environment Agency	Regulator Representative	Aims to protect and improve the environment, and to promote sustainable development. It plays a central role in delivering the environmental priorities of central government. It's job is to create a better place for people and wildlife and to do it in an environmentally sensitive way
Environment Advisory Panel	Environment Representative	Previous Vice-Chair of and Chair of Yorkshire Water's independent Environment Advisory Panel and has a good understanding of the environmental issues and challenges that YW faces having participated in the PR09 and PR14 planning. Awarded an OBE for Services to the Environment. Pat Minister-appointed chairman of the statutory Environment Agency's Fisheries, Ecology and Recreation Advisory Committee for the North East & Yorkshire regions. Is the Managing Director of Tyne Team Ltd, a consultancy business providing innovative services to public and private sector on rural issues, sustainable communities and environment conservation. Current honorary appointments include the elected chair of chairs for the Regional Rural Affairs Forums, leading the chairs' interface with ministers and government, and also serving on the Rural Development Programme England performance monitoring committee. Serves as elected chair of North East Rural Affairs Forum as well as serving as vice chair of the North East Regional Development Board, the SustaiNE board, and the North East Commission for Rural Health, as well as acting an adviser to the regional committee of the Country Landowners Association. Previous relevant professional experience includes Chief Executive of Northumberland Wildlife trust and Area Manager for the National Trust
Federation of Small Businesses	Business Customer Representative	Aims to be the most effective organisation promoting and protecting the interests of the self-employed and small business owners within the UK. Formed in 1974, it has 200,000 members and is committed to delivering a wide range of high quality, good value business services to members
Natural England	Regulator Representative	Its remit is to ensure sustainable stewardship of the land and sea so that people and nature can thrive. It has a responsibility to see that England's rich natural environment can adapt and survive intact for future generations to enjoy. It provides practical advice, grounded in science, on how best to safeguard England's natural wealth for the benefit of everyone
University Professor	Independent Academic	Has specific interest in the areas of water security and water balance. Research interests focus on environmental management, with particular emphasis on the following fields: resource assessment, natural hazards, microbial dynamics, water colour processes and control, catchment planning and risk, decision support systems, and water demand assessment. Previous research experience also includes diffuse pollution assessment and forecasting, biofuel futures in the energy economy and alternative disputes resolution
Strategic Management Consultants	Report Advisor to the Forum	Although not a member of the Forum, the report advisor provides technical support in documenting the challenge the forum has undertaken and producing the report to Ofwat



Appendix 2





Wider stakeholder engagement programme





The table below summarises the wider engagement activities that we have undertaken for PR14 business planning.





Engagement Project	
Through the eyes of a Yorkshire Family	<p>To engage our customers in our daily operations and plans for the future we decided to do this through the eyes of a Yorkshire Family who were encouraged to talk about their water usage and their aspirations for the future. During summer 2013 we took the family out on a series of experience days to show-case the wide range of services which we provide.</p> <p>The experience days were filmed, both by ourselves and by the family. We made extensive use of social media, especially twitter, to promote their experiences and used the video footage of the four experience days to help promote our plans on our website and at events. The videos promoting the experiences of our Blueprint Family have been viewed to date by 385,673 people.</p>
Awareness raising through existing campaigns	<p>Yorkshire Water has for many years run a number of campaigns that interact with customers to raise awareness such as our water efficiency and sewer flooding campaigns.</p> <p>The PR14 engagement campaign has utilised both of these campaigns to raise awareness about the services we provide and the value customers get from their water bills and to highlight how customers can share their views about our plans.</p>
Speakers' panel	<p>As part of strengthening our engagement with customers we have proactively attended meetings of local organisations such as community groups, parish councils, residents groups and businesses to present information about the price review process and highlight how customers can share their views on our plans. This programme has reached 55 local groups and approximately 1,100 customers.</p>
Education visits	<p>We also want to hear from our customers of the future and have encouraged feedback through our education tours for primary school children using a video booth at Esholt Education Centre to capture children's views.</p>
Face-to-face Events	<p>We held events in a wide range of our towns and cities as well as in market towns across the region such as Market Weighton, Hawes and Maltby. We have also attended a number of shows and festivals including the Great Yorkshire Show and the North Yorkshire County Show to talk to customers about what we as a company do, the price review process and how customers can get involved. Staff attending the events was briefed on recent and future planned investment in the area, so that when talking to customers we were able to tailor our discussions to what the future really means for that area.</p>
Online advertising	<p>We also promoted some of the key messages from 'Blueprint: The right outcome for Yorkshire' through targeted online advertising.</p>
Wider stakeholder engagement	<p>To ensure our plans are reflective of our region, we also consulted Members of Parliament, Local Authority Leaders, regional and environmental representatives such as Visit Yorkshire and Groups which represent our most vulnerable customers. In July 2013 we shared our vision for the future at our Blueprint for Yorkshire stakeholder conference. This was an opportunity to share our vision for the future with our key partners and to get their feedback on our plans for the next 5 and 25 years.</p>





Appendix 3



-  – Reputational incentives/penalties based on how we perform against a target that reflects customers' perceptions of the company.
-  – Financial incentives/penalties determined by our performance against a target.




Price Control		Outcome		
Wholesale Water		We provide you with water that is clean and safe to drink		
Measure	Unit	Definition	Performance Commitment (2020)	Incentive type and value £k / unit
Drinking Water Quality (Overall Compliance)	%	The overall compliance with the Drinking Water Inspectorate's drinking water quality standards Number of fails for parameters with a numeric standard expressed as a percentage of the total number of determinations with a numeric standard. Reported by calendar year in the following year, i.e. 01 Jan 15 – 31 Dec 2015 reported in 2015/16.	99.96	
Significant drinking water events which require corrective action.	Number	The number of potentially significant events notified to the DWI under the Water Industry (Suppliers' Information) Direction 2009, that have the potential for negative impact on public confidence in the water supply, for which the DWI has required us to take corrective action. The number is the number of events identified by the DWI requiring further action at the time of reporting, i.e. at Annual Compliance Statement, published in July annually. (DWI are taking a long time to close out some occurrences; the assumption is made that these occurrences do not require further action due to the elapsed time period). Reported by calendar year in the following year, i.e. 01 Jan 15 – 31 Dec 2015 reported in 2016	6	
Drinking water complaints (taste, odour and discolouration)	Number	The number of times customers contact us about discolouration, taste and odour.	9015	 -£2.1 / +£1.8
Long term stability and reliability factor: Water quality	Classification: Deteriorating / Stable / Improving	An overall assessment of long term stability and reliability for water quality based on a basket of indicators. Assessment is based on the recent historical trend of the indicators.	STABLE	 -max 10% Totex for outcome

Price Control		Outcome		
Wholesale Water		We make sure that you always have enough water		
Measure	Unit	Definition	Performance Commitment (2020)	Incentive type and value £k / unit
Leakage	MI/d	The sum of distribution losses and supply pipe losses. This includes any uncontrolled losses between the treatment works and the customer's stop tap. It does not include internal plumbing losses.	287.1	 -£60.9 / +£30.4
Water supply interruptions	Minutes	Number of hours lost per property served in the year with supply interruption greater than three hours (irrespective of whether it was planned, unplanned or caused by a third party). Per property is the number of connected properties (domestic and non-domestic) for water supply. This includes properties which are connected but not billed (for example, temporarily unoccupied) but excludes properties which have been permanently disconnected. A group of properties supplied by a single connection should be counted as multiple properties. They should only be treated as a single property if a single bill covers all properties in the group. An interruption starts when water is unavailable from the first cold tap in a property and finishes when the supply is restored to the tap.	14.9	
Water use	Litres per head per day	The average water consumption per head of population in measured and unmeasured households in a dry year. (Household consumption only)	138	
Long term stability and reliability factor: Water network	Classification: Deteriorating / Stable / Improving	An overall assessment of long term stability and reliability for the water networks based on a basket of indicators. Assessment is based on the recent historical trend of the indicators.	STABLE	 -max 10% Totex for outcome



Price Control		Outcome		
Wholesale Waste Water		We take care of your waste water and protect you and the environment from sewer flooding.		
Measure	Unit	Definition	Performance Commitment (2020)	Incentive type and value £k / unit
Internal flooding incidents	Number	<p>Total number of incidents of internal sewer flooding of homes and businesses in the year.</p> <p>Includes any incident of internal flooding to normally occupied buildings and includes schools, offices, commercial premises and public buildings. Out buildings and buildings used primarily for storage are excluded. The measure includes incidents due to other causes, including blocked and defective gullies and overloaded sewers in rainfall events up to and included 1 in 30 year return period, incidents in exceptional rainfall events are excluded. All incidents are included, including damp/wet only patches. Incidents of flooding via the sewers caused by high river levels, inundation due to surface run-off or overflowing watercourses are excluded.</p> <p>The measure excludes assets transferred to Yorkshire Water in October 2011, because there is not enough data on this asset base to allow meaningful analysis.</p>	927	 -£136 / +£35
External flooding incidents	Number	<p>Total number of incidents of areas affected by external flooding in the year</p> <p>Includes property curtilage, highways, car parks, footpaths, public open space, fields, agricultural land, woodland and flooding to buildings not defined as internal flooding. The measure includes incidents due to other causes, including blocked and defective gullies and overloaded sewers in rainfall events up to and included 1 in 30 year return period, incidents in exceptional rainfall events are excluded. All incidents are included, including damp/wet only patches. Incidents of flooding via the sewers caused by high river levels, inundation due to surface run-off or overflowing watercourses are excluded.</p> <p>The measure excludes assets transferred to Yorkshire Water in October 2011, because there is not enough data on this asset base to allow meaningful analysis.</p> <p>External flooding from assets transferred in 2011 will be evaluated separately to allow review of whether the information is sufficiently stable to allow inclusion in the AMP7 consideration.</p>	Commitment is to develop measure to allow performance commitment consideration in AMP7	
Pollution incidents	Number	<p>Total number of Category 1-3 pollution incidents caused by an discharge or escape from any YW waste water asset each year (this covers all consented and non-consented intermittent events, but not continuous discharges).</p>	260	
Long term stability and reliability factor: sewer network	Classification: Deteriorating / Stable / Improving	<p>An overall assessment of long term stability and reliability for the waste water networks based on a basket of indicators. Assessment is based on the recent historical trend of the indicators.</p> <p>The measure excludes assets transferred to Yorkshire Water in October 2011, because there is not enough data on this asset base to allow meaningful analysis.</p> <p>Performance of assets transferred in 2011 will be evaluated separately to allow review of whether the information is sufficiently stable to allow inclusion in the AMP7 consideration.</p>	STABLE	 -max 10% Totex for outcome

Price Control		Outcome		
Wholesale Water & Wholesale Waste Water		We protect and improve the water environment.		
Measure	Unit	Definition	Performance Commitment (2020)	Incentive type and value £k / unit
Length of river improved (against WFD component measures)	Km	<p>The length of river in the Yorkshire Water region improved during 2015-2020 against WFD component measures.</p>	479	
Solutions delivered by working with others	Number	<p>The number of intervention solutions delivered through working with multi agencies, organisations or individuals.</p> <p>This does not include YW R&D activity or any delivery by / with YW contractors, including ADU, R&M or other framework contracts.</p> <p>The intervention can be delivered through various arrangements to count for this measure, e.g. joint funding, partnership and shared resources.</p>	Commitment to make information available	 +3% scheme outturn
The amount of land we conserve and enhance	Hectares (ha)	<p>The amount of land that we conserve and enhance e.g. Biodiversity 2020, Ancient Woodlands, SSSI etc. Includes YW and non-YW land.</p>	16349	
Recreational visitor satisfaction measure	Qualitative	<p>An assessment of customers' satisfaction with the current facilities and access to the recreational sites.</p>	Qualitative	
Number of Yorkshire's designated bathing waters that exceed the required quality standard	Number	<p>A count of the number of beaches where the requirements of the EU Bathing Water Directive are exceeded, based on EA bathing water samples taken at designated bathing beaches.</p>	15	
Long term stability and reliability factor: waste water quality	Classification: Deteriorating / Stable / Improving	<p>An overall assessment of long term stability and reliability for the waste water quality based on a basket of indicators. Assessment is based on the recent historical trend of the indicators.</p>	STABLE	 -max 10% Totex of outcome

Price Control		Outcome		
Wholesale Water, Wholesale Waste Water, Retail Household & Retail Non-Household		We understand our impact on the wider environment and act responsibly		
Measure	Unit	Definition	Performance Commitment (2020)	Incentive type and value £k / unit
Energy generated through renewable technologies	Percentage	The amount of energy Yorkshire Water generates through its renewable technology expressed as a percentage of total energy consumption.	12	
Waste diverted from landfill (re-used and recycles)	Percentage	The amount of waste from all Yorkshire Water activities (office, operational or construction) that is recycled or re-used as a percentage of total waste produced.	95	

Price Control		Outcome		
Retail Household & Retail Non-Household		We provide the level of customer service you expect and value.		
Measure	Unit	Definition	Performance Commitment (2020)	Incentive type and value £k / unit
Customer service - measured by qualitative element of Service Incentive Mechanism	Score	The Ofwat measure of customer service satisfaction - SIM.	Improvement from our 2014/15 baseline performance	
Service Commitment failures	Number	The total number of GSS (Guaranteed Standards of Service) events, including enhanced GSS events. Excludes company customer charter events / payments.	Reduction from 2014/15 baseline performance	
Overall Customer Satisfaction (CC Water Annual Tracking Survey)	Percentage	The reported value for Overall customer satisfaction determined by the Annual CCWater Tracking Survey.	Improvement from 2014/15 baseline performance	

Our household business plan – Appendix 3

Price Control		Outcome		
Retail Household & Retail Non-Household		We keep your bills as low as possible.		
Measure	Unit	Definition	Performance Commitment (2020)	Incentive type and value £k / unit
Cost of bad debt to customers (expressed as percentage of average bill)	%	The cost to bill paying customers to cover bad debts that cannot be collected and so must be written off, expressed as a percentage of the average annual bill. This includes the collection and revenue activities for managing the debt.	3.1	
Number of people who we help to pay their bill	Number	Number of customers who are assisted to pay their bill through Water Sure, Resolve and the Community Trust, plus the number of those who take up a water meter as a result of targeted advice following identification of an affordability issue (customers should not be double counted).	Commitment to make information available	
Value for money (CC Water Annual Tracking Survey)	Percentage	The reported value for Value for money determined by the Annual CC Water Tracking Survey.	Improvement from 2014/15 baseline performance	