



## Introduction

We believe that this plan represents a step change for both our customers and our company, and it has been shaped by our customers. In building our PR19 plan our Board has been actively listening to what our customers want and expect.

We believe that this plan builds on what we do well and is driving the company to deliver exceptional improvements in service while keeping bills low, now and into the future. In this chapter you will see how we have:

- Significantly moved the nature of our conversations with our customers to make sure we really understand what they want and expect and make sure we deliver against it.
- Significantly improved our performance in key areas that impact on our customers with ambitious future targets that our customers support.
- Built on our strong efficiency track record to produce our biggest ever programme of efficiencies, delivered using innovation, markets and sustainable thinking to ensure that our service continues to improve and we offer good value for money now and into the future.
- Significantly strengthened our already leading approach to supporting customers who need extra help.

Our delivery during the current period has continued to be very strong. We have been able to generate some £230 million of capital efficiency savings, a substantial part of which we have already begun to reinvest to benefit our customers. We are projected to meet or exceed almost all of our 26 PR14 performance commitments. Our customers and stakeholders have told us that there is still more to do and we must improve not only what we deliver for customers but also how we deliver for the Yorkshire region as a whole.

Over the course of the last two years, we have completely changed the nature of our conversations with our customers. Rather than the traditional approach of talking to them about what we do as a company, our focus has been on understanding individual lifestyles and how they shape what customers want, need and expect from their water company. With the help, support and challenge from the Yorkshire Forum for Water Customers<sup>1</sup> (the Forum) and our new online community Your Water, we have been able to develop a much richer understanding of the diversity of Yorkshire's people, their individual needs and how best we meet these now and into the future.

Continuous customer, stakeholder and colleague engagement informs our day-to-day service delivery and this participation has been crucial to the development of our long-term strategy and our PR19 plan. Since 2015, the scale of our engagement has become the largest and most continuous we have ever undertaken; we have conversed meaningfully with almost 30,000 customers while developing and refining our PR19 plan.

We have also made sure that we understand the wider impact of what we do. We are examining our impact like never before, to shed new light on where we are doing well and where we need to improve.

We have developed and published our Total Impact and Value Assessment, identifying our impacts on our customers, Yorkshire's economy and environment. To help us ensure the affordability and resilience of our essential public services for both current and future generations, we have embedded a multi-dimensional scorecard within our business planning, called the six capitals. This directly looks at our impact on natural capital - the materials and services that we rely on from the environment - and social capital - our impact on society and our customers' trust in us.

Using all of these innovations and insights, we have revised our long-term strategy for the next 25 years. Responding to our customers' feedback, we will change the way we work to meet both customers' expectations and the complex long-term challenges that we face. Our strategy is based around five big goals.

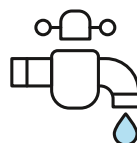
## OUR 5 BIG GOALS

Feedback from our customers and the Forum has been extremely positive, with strong recognition that these 5 Big Goals place customers at the heart of our business and show our commitment to working in new ways.

### The percentage of customers who either strongly supported or supported our Big Goals:



**94%**  
CUSTOMER  
BIG GOAL



**96%**  
WATER SUPPLY  
BIG GOAL



**95%**  
ENVIRONMENT  
BIG GOAL



**92%**  
TRANSPARENCY  
BIG GOAL



**95%**  
BILLS  
BIG GOAL

<sup>1</sup>The Yorkshire Forum for Water Customers is our customer challenge group. To find out more about the role of the Forum please visit our website [www.yorkshirewater.com/customerforum](http://www.yorkshirewater.com/customerforum).

## Our industry leading approach to resilience

Our customers do not have a choice in who provides their water services. We provide an essential public service and we must demonstrate that we are a dependable and resilient company. Ofwat quite rightly made resilience one of the key PR19 themes, recognising both that challenges from population growth and climate change are increasing, and the huge disruption caused by any loss of service. We are already a resilient company, with a proven track record for managing extreme events such as the harsh winter and dry summer in 2018. Our previous investments mean that we are one of the most drought resilient companies.

To ensure that we continue to maintain this strength, we have developed an industry leading approach to understanding our whole company resilience. Ofwat challenged companies to consider resilience in the round, emphasising the important role of financial and corporate resilience. Our approach builds on these elements, covering 16 different resilience systems across our assets and operations, as well as the corporate and financial elements highlighted by Ofwat.

The new framework gives us a thorough understanding of the internal and external environments where we operate and how they are changing. Consistent with areas of emphasis elsewhere in our plan, there is strong focus on working better with customers to become more water efficient, or to reduce the misuse of sewers. Overall, our governance structure, processes and programmes ensure a coherent and integrated approach to managing resilience risks and our PR19 plan continues to strengthen our resilience across the business.

## Delivering upper quartile cost efficiency and service delivery

Our track record in cost efficiency is very strong. Over a number of price control periods, we have consistently been assessed as a leader in cost efficiency. This is one of the main reasons why we have been able to deliver one of the lowest bills in the industry for our customers.

A key challenge in our PR19 plan has been to maintain our excellence in cost efficiency, while simultaneously delivering a step change in the services that matter most to our customers. We have achieved this using money saved through working efficiently (outperformance) and embracing innovation and new markets.

Ofwat have challenged companies to deliver upper quartile performance in each year. We have used our current cost outperformance to start the necessary work immediately. With the agreement of both the Forum and our Board, we have reinvested some £230 million to kick start our PR19 plan for leakage, supply interruptions, internal sewer flooding and pollution incidents. We are on track to meet or exceed our PR14 targets for all four of these measures, but we have started a programme of activities designed to achieve upper quartile performance as soon as possible.

The activities we have identified are not one off adjustments or more of the same, they represent a fundamental change in how we deliver our services, ensuring these become business as usual and the efficiency gains identified are sustainable now and into the future. For example, we are the first water

company to adopt an open data policy, publishing all our performance data and carrying out “hackathons” to encourage expert data analysis and external ideas for specific improvements. This has already helped us identify new approaches to ‘data visualisation of sound’ which is being used to help us detect leaks for efficiently.

Cost efficiency is also a key focus for our PR19 plan. We are particularly pleased that by embracing the potential of new markets, we have been able to address our one area of historic weakness relating to bioresources costs. As the needs of our industrial customers have changed, we have been able to invest in new technology to reduce costs and increase the energy output from our bioresources assets. We have also anticipated the potential of the new market by undertaking a major market testing exercise. By combining the results of the market testing and the new technology, we will be able to reduce our bioresources costs by 23%.

Our efforts on PR19 costs have by no means been limited to bioresources. We have started a programme of transformation and innovation to ensure that we continue to deliver great value for money. We have benchmarked ourselves against peers and other industries, and the net result is that we will deliver efficiencies of around 14% across our wholesale Network Plus price controls and 10% on our Residential Retail price control. In total, we have some £800 million of efficiencies that we will deliver for our customers during the PR19 period.

## Delivering a step change in key performance areas

We are significantly improving our performance in key service areas that are most important to our customers:

- Our leakage will reduce by 40% between 2018-25, reducing our impact on the environment and increasing our resilience.
- We will reduce internal sewer flooding by 70% between 2018-25, reducing our impact on customers.
- We will reduce pollution incidents by more than 50% between 2018-25, reducing our impact on the environment.
- We will reduce interruptions to supply from 7 minutes to 2 minutes or less, reducing our impact on customers.

These service improvements have already begun, funded by reinvestment of outperformance approved by our Board and the Forum.

Our ambition is not limited to these four areas. We are already close to the frontier on per capita consumption (a key measure for long term resilience), but our target is to push the frontier with a further 9% reduction. As part of our response on leakage, we are going to increase the number of supply pipe repairs by over 30%. And on doubtful debt in retail, despite the high levels of deprivation in Yorkshire, we are targeting a further 6% reduction, strengthening our position as one of the industry leaders.

To complete the picture on our package of performance commitments, where it is possible to improve substantially, for almost two thirds of the performance commitments not already mentioned, we are targeting at least a double-digit percentage improvement, with an average improvement of 24%.

The Forum and the Board have been involved at every step of the development of our performance commitments and outcome delivery incentives, challenging and strengthening them to ensure they reflect what our customers want.

Our customers strongly support our performance commitment and outcome delivery incentive package, with 86% finding the performance levels, incentives and bill profile acceptable. Our customers recognise that we have worked hard to understand what they want, and that we will deliver it as soon as possible. They have had the ultimate say on which performance commitments are included and where financial out and underperformance payments are appropriate.

We have heard the message that it is not just what services we deliver, but how we go about it. Customers feel there is more they can do to contribute too, either by making small changes to their behaviour or by getting more involved in the wider activities offered by us and our partners. We also recognise that we need to develop our skills supporting customers to get involved.

### Our environmental programme

We know that improving the environment is important to our customers, and our plan includes our largest ever environmental programme to meet the obligations that we are given under the water industry national environment programme. The programme represents almost 20% of our proposed totex, and is some three times larger than at PR14. It will deliver a broad range of environmental improvements, with particular focus on the removal of phosphorus from river water. We will be aligned to the obligations defined by the Environment Agency, and will need to deliver by 2025 (subject to our ongoing conversations with Defra). To meet the new standards we will need to invest at 80 of our wastewater treatment works.

The scale and timing of the environmental programme is still somewhat uncertain. Final decisions on designation of rivers to be improved, and the timings to be followed will be taken by the end of 2019. We are working hard with the Environment Agency and Ofwat to make sure that the programme we are required to deliver can achieve the largest possible benefits, at the lowest possible cost for our customers. If timings allow, we plan to use innovative new ecological approaches to phosphorus removal which will use natural catchment based solutions that deliver wider benefits. If the scale of programme is reduced, we will apply the unit cost adjustment mechanism as soon as possible to ensure that our customers pay no more than necessary.

### Great service for all our customers and specific help for those who need it most

We take our societal responsibilities seriously; most of our customers cannot choose their water supplier so it is essential that our bills are fair. We use our data to ensure we are proactively supporting customers who need our help. Our residential retail plan demonstrates how we are using data and technology to tailor the services we provide, to give choice in how and when people contact us and minimise customer effort to contact us. We have already added flexibility to the ways customers can get in touch, for example web chats and call backs.

In our PR19 plan we are going significantly further by harnessing technology from other industries to allow our customers to contact us when and how they want. We will improve our digital offering so that customers can access our services, select convenient appointment slots, track progress of jobs and inform us of any specific needs via their mobile devices – just like they can with various other delivery services.

We know a lot of customers want to adopt more digital ways to contact us. Our aim is to have at least 50% of customers' contacts via digital channels by 2025, but we will of course retain a telephone service, as some customers prefer this.

To help all our customers, we will ensure they are on the best tariff for their lifestyle. We will use our new data and analytic approaches to review customer accounts every year, proactively contacting customers who we believe would benefit from being on a different tariff.

Enhanced data analysis is also the key to helping those who are struggling to pay. We are leading the way in the water industry in how we use data to proactively identify customers who may find it difficult to pay their water bill. We are doubling the amount of money we contribute to social tariff support, and we are working with Rotherham Citizens Advice to create a way to help people with debt to get back on their feet, this will be extended across the region. This initiative covers not just their water bill, but also other debts they may have, helping them regain control.

We interact with our customers every day; we visit their properties, speak with them on the phone and interact through digital channels. We see that some customers can be in situations where they cannot look after themselves or they may be at risk of harm in some way. We are taking a broader role in society to ensure that, where we have engaged with our customers they are safe and free from harm. We are the first water company to recruit a safeguarding lead to support all customers and help keep them safe. To identify at risk customers early, we have partnered with West Yorkshire Police and Yorkshire Fire and Rescue. Through this partnership we receive staff training to help identify those at risk and how to refer them to the right organisations.

### Explaining our average bill profile

There are five key factors that have shaped the projected bill:

1. The reduction in the allowed cost of capital by Ofwat and change of inflation measure to the more accurate consumer price measure, together reduce bills by around £19.
2. We are expecting to outperform a number of our PR14 targets and the resulting outperformance payments will increase bills by £5.
3. There are several upward pressures on costs arising from our drive to deliver upper quartile service delivery, the continued growth of the population in Yorkshire and external costs such as energy and chemicals. Taken together, these would increase bills by about £14 if it were not possible to offset them.
4. We have started a programme of transformation and innovation which has more than offset these upward pressures, this reduces bills by £15.



5. We are also facing several opex cost pressures that we have been unable to offset. These cover changes to how we account for software licences, increased expenditure on cyber-security, costs arising from the impact of the traffic management act – for when we undertake roadworks, and recent increases in business rates. These costs amount to some £100 million and increase bills by £7.

Based on this we would have been on track to deliver our customers a bill reduction of about £8. However, the sixth factor, the scale of the water industry national environmental programme (WINEP) means that this is no longer possible. If the scale of the WINEP does not alter, even after we have applied specific targeted efficiencies, we believe the impact will equate to some

£23 on bills. As a result, our overall bill impact is expected to be an increase of around £14<sup>2</sup>. Our customers support our plan and find the proposed bill acceptable.

We understand that affordability is a key concern and that bill increases are never welcome. If the scope of the WINEP can be reduced, this will be passed on to our customers.

To make sure our customers can accept our proposed bill, our PR19 plan and costs have been shared with customers. A great number of residential customers, 86%, find the bill costs acceptable. Customers feel that while the WINEP is undoubtedly large, they are comfortable to pay for the improvements to the environment.

## Concluding thoughts

The Forum has played a vital role in the creation of our PR19 plan. We would like to thank the Forum and its sub groups for their commitment, expert advice and challenge, both in our day-to-day business and in the creation of this plan.

Our Board has been integral to the development of the PR19 plan and own the delivery of the plan. They have overseen a comprehensive programme of assurance to provide confidence in the quality and deliverability of the plan, and this is reflected in their assurance statement. We can also confirm that we have complied with Ofwat's new requirements regarding dividend policy, performance related pay and sharing of financial outperformance, and that the plan is financeable.

We have also considered our plan carefully from a regulatory perspective. As a result, it is strongly aligned with each of Ofwat's themes and it delivers a fundamental shift in our performance, efficiency and use of innovation.

Most importantly, the plan is based on a strong understanding of the needs and wants of customers and stakeholders, the duties and responsibilities we must meet, and our impact on Yorkshire in the widest sense. The plan is designed with our customers and stakeholders at its heart, and it makes sure we are sustainably delivering value for money, protecting the environment and keeping bills affordable.

<sup>2</sup> Over the five year period