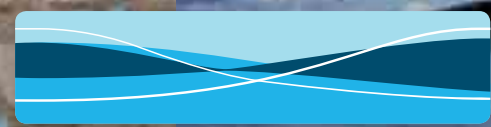
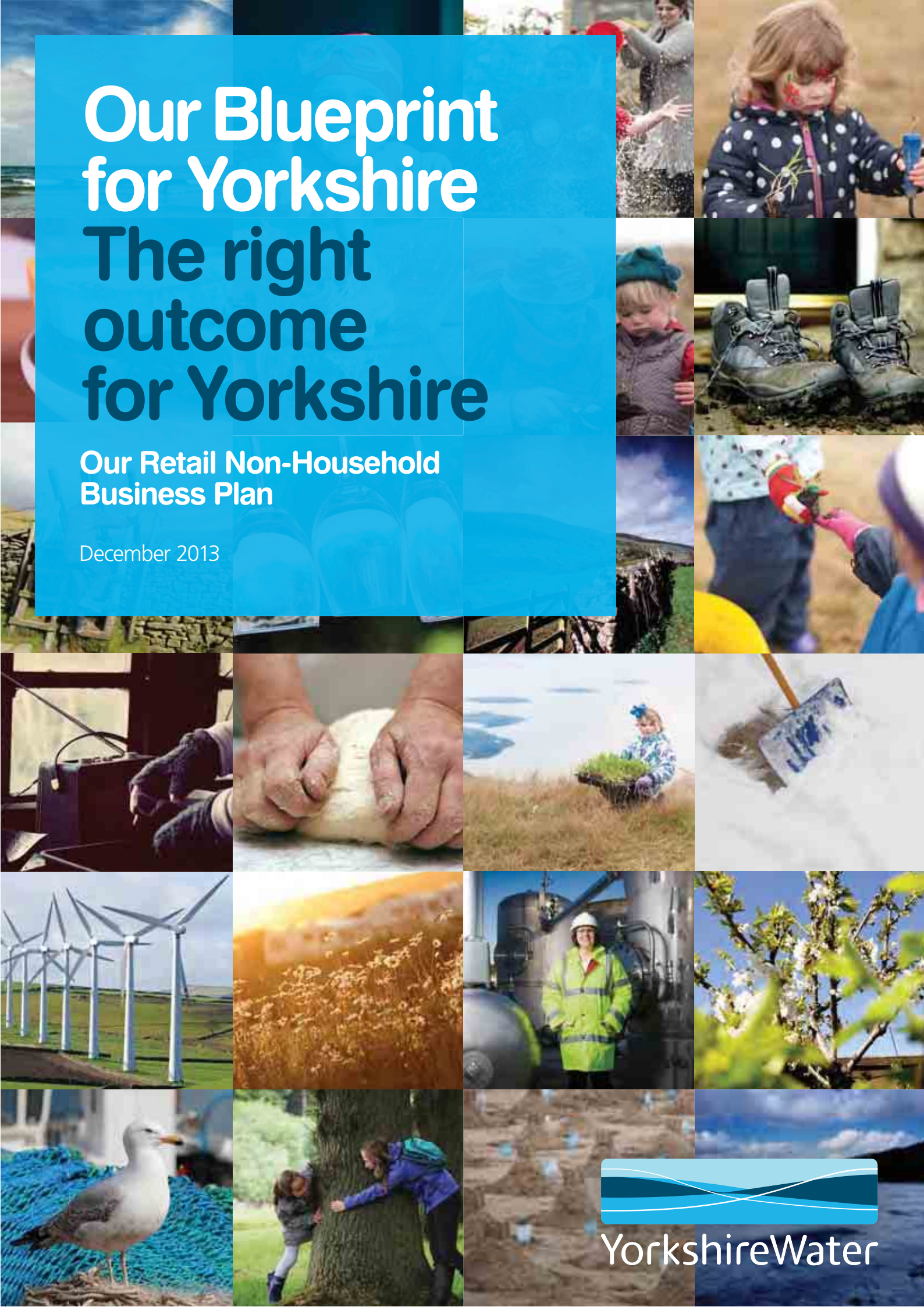


Our Blueprint for Yorkshire

The right outcome for Yorkshire

Our Retail Non-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



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

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 and we conducted in-depth research with roughly 1,700 non-household customers to understand their priorities. 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 that’s 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 Non-Household Business Plan forms part of our Blueprint. It provides a detailed overview of our proposed Retail Non-Household Business Plan for 2015-2020, and focuses on how we will deliver our retail priorities for business customers over the next five years in the context of our 25 year plan.

It sits alongside our Retail 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



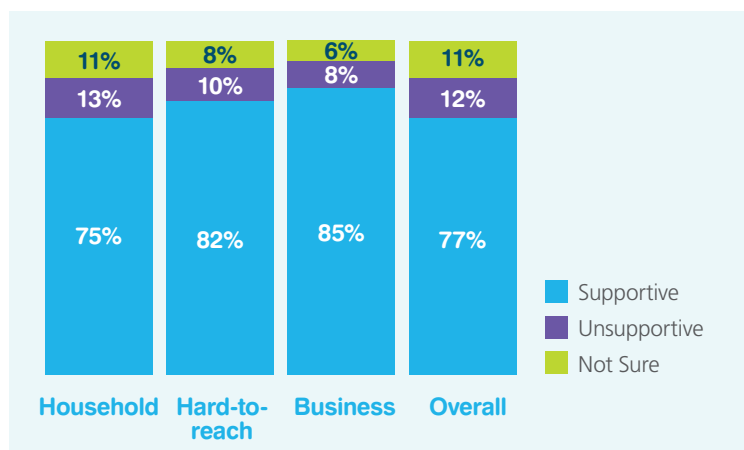
Pamela Rogerson
Director of Human Resources, Health and Safety

1. Summary of the plan

Our five year plan for 2015-2020:

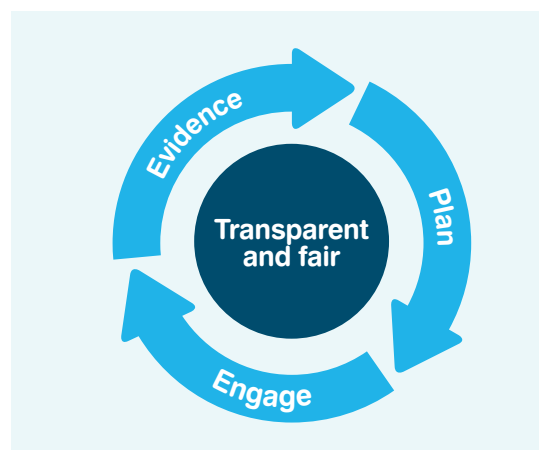
- Expands on our core plan for Yorkshire Water
- It plans to keep bills broadly stable
- Has no plans to seek further increases before 2020
- Was developed around our biggest ever programme of customer and stakeholder engagement
- Is supported by 85% of business customers surveyed
- Is fully assured and meets high governance standards
- Includes the costs of implementing retail competition
- 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



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

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. 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 non-household price control.

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

- Our retail business and the service it provides our non-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

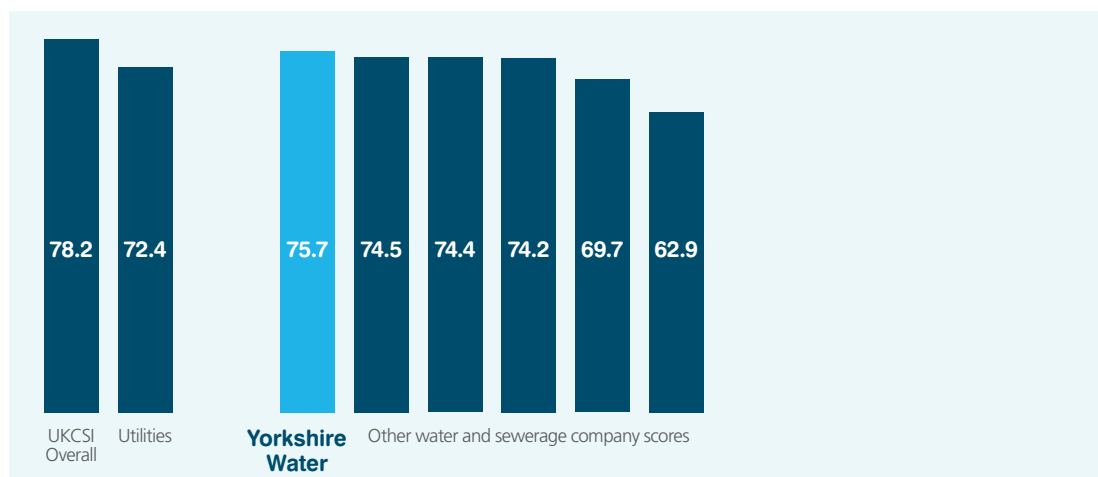
Our plan has been developed through an in depth and thorough programme of engagement with our customers and stakeholders. It has been an iterative process where we have gathered evidence on priorities and costs, built our proposals and tested our proposals with customers.

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 Non-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, 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.

We will continue to build strong and strategic relationships with our business customers to gain a better understanding of their preferences and using these, provide a service targeted to our customers' individual needs.

Finally, we're ensuring we continue to meet our customers' expectations by preparing for changes to the way we need to operate in line with retail competition. By having effective processes with the wholesale business we will be able to deliver on all our customer commitments.

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.

Affordability will remain a priority with a focus on continuing our efforts to minimise retail charges. We will work to maintain our industry-leading levels of bad debt collection, provide regular and accurate billing and additional support for high use customers.

As we approach 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 drive lower costs ourselves as well as 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 the water efficiency of our customers.

Figure 1D
Our proposed allowed returns
for the retail businesses

Retail control	Our proposed allowed margin
Non-Household retail control	1.25%

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. The provision of retail services is entirely covered by revenue from customers and not other borrowings.

We have proposed default tariffs that recover no more than our forecast non-household retail costs and proposed retail net margin. In developing our default tariffs, we have placed a great deal of importance on ensuring our tariffs are cost-reflective and do not unduly discriminate between any particular group of non-household customers. In terms of our proposed allocation of net margins, we have taken an approach which we consider best facilitates competition in the contestable market. However we also acknowledge that our proposals may not guarantee equal opportunities for all customers to participate in the market. We are strongly committed to achieving this and welcome discussions with Ofwat in this area.

Overall we believe our proposals will keep non-household customer bills as low as possible, while facilitating competition and ensuring the non-household retail business can be securely financed.

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. To ensure this, we have carefully considered any risks to the business and worked to maximise rewards and avoid penalties.

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.

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 Non-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 Non-Household Business Plan sit three other price control plans. These are Retail 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 [website at blueprintforyorkshire.com](http://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	8
2	About our Blueprint	The purpose of this document and an overview of the Price Review process	12
3	Serving Yorkshire	An overview of our business and our industry leading retail performance	14
4	Engaging customers and stakeholders	An overview of our customer and stakeholder engagement	22
5	Listening to customers and stakeholders	The results of the customer and stakeholder engagement process	26
6	Developing our Blueprint	An overview of the process behind developing our plan	32
7	The right outcome for Yorkshire	The key services and commitments we will deliver including how we will go about this	38
8	Financing the plan	Our financing plan to deliver the three retail outcomes for Yorkshire	74
9	A good plan for customers	Why our plan will benefit customers, stakeholders and the environment	80
10	A fair plan for customers	Why our plan provides a fair balance between customers, stakeholders and the environment	86
11	Delivering the plan	How we will make progress against the plan	90
12	What happens next?		94
13	Contact us		95

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.

The next 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 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 focused bespoke customer services for 135,000 businesses
- Is evolving to meet the challenges of operating in a competitive market while sustaining the level of service business customers expect
- Takes responsibility for supporting the businesses we serve in while remaining competitive ourselves

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



3.1 Serving our region

At Yorkshire Water our non-household retail business is all about delivering the level of service our business 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.

3.2 Serving our businesses

Our non-household retail business serves around 135,000 business customers 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, and their dedicated Business Customer Team serve our largest customers who have bespoke service requirements.

3.3 We're taking responsibility

Our non-household retail business sits alongside Yorkshire Water's household retail, wholesale waste water and wholesale water businesses, which collects, treats distributes and returns safely to the environment 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

Our Vision clearly indicates what we need to do for our retail customers. We need to work with the wholesale business to ensure they have access to reliable, consistent quality water, so they can operate their business with confidence. We need to guarantee their effluent is removed and treated responsibly. And we need to make certain this happens at a price customers can afford to pay.

3.4 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 businesses, as well as its 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. Business stress is likely to occur in circumstances such as extreme weather events or when a geographically focused service issue means additional resources are required to help ensure service is maintained in 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. We will continue to work as closely as we can with other areas of the regulated business (wholesale and household retail) to minimise any impact on services received by our customers. However we acknowledge with the full implementation of non-household retail competition, the relationship with the rest of our business will change in order to comply with Competition Law.

Working with the Wholesale Business

We depend on Yorkshire Water's wholesale business to provide reliable good quality wholesale water and waste water services to our customers. Effective 'level playing field' working relationships and a thorough understanding of the interactions necessary between us help both the wholesale business and ourselves to each provide the highest level of customer service.

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

- Meter replacement or provision (water and waste water meters)
- 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).

Whilst respecting the need for a level playing field, we will work as closely as we can with the wholesale businesses to ensure they can understand the potential impact of the quality of their service on our customer service outcomes and undertake the part they need to play in achieving the required outcomes we want for our customers.

The default retail services we will undertake for our business 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 manage effective interaction with our wholesale businesses by developing Service Level Agreements (SLAs) and setting performance expectations which support each area of the regulated business in the delivery of services which meet customers' needs.

We recognise that these SLAs will be replaced by industry codes and agreements following the opening of the market for non-household retail in 2017 as discussed in greater detail under Section 3.6; Addressing future challenges and Section 7.3.6; Retail Competition. These codes and agreements will ensure that all retailers compete in Yorkshire on a level playing field and will ensure that our wholesale businesses provide the same information, pricing and levels of service to ourselves as they would to any other retailer.

Working with Retail Household

We recognise the UK government's expectation in their impact assessment, that household customers, who cannot choose their water retailer, should be expected to benefit from "spillover" efficiencies and sector improvements driven by competition in the retail market for non-household customers. The types of benefits that could spillover include a reduction in call centre costs and also lower billing costs. These benefits could occur through improved and more accurate billing systems which would generate savings in the form of less reissuing of bills and fewer customer complaints. We therefore intend to review and seek opportunities as appropriate for the transfer of benefits and learning between our regulated retail businesses to ensure flow through of appropriate benefits to household customers in Yorkshire.

Figure 3B

Our retail 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"> • 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

3.5 Driving industry leading retail services

It's always been our aim to provide industry-leading retail services. We know the skills and experience needed to provide a great 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 specific areas of expertise.

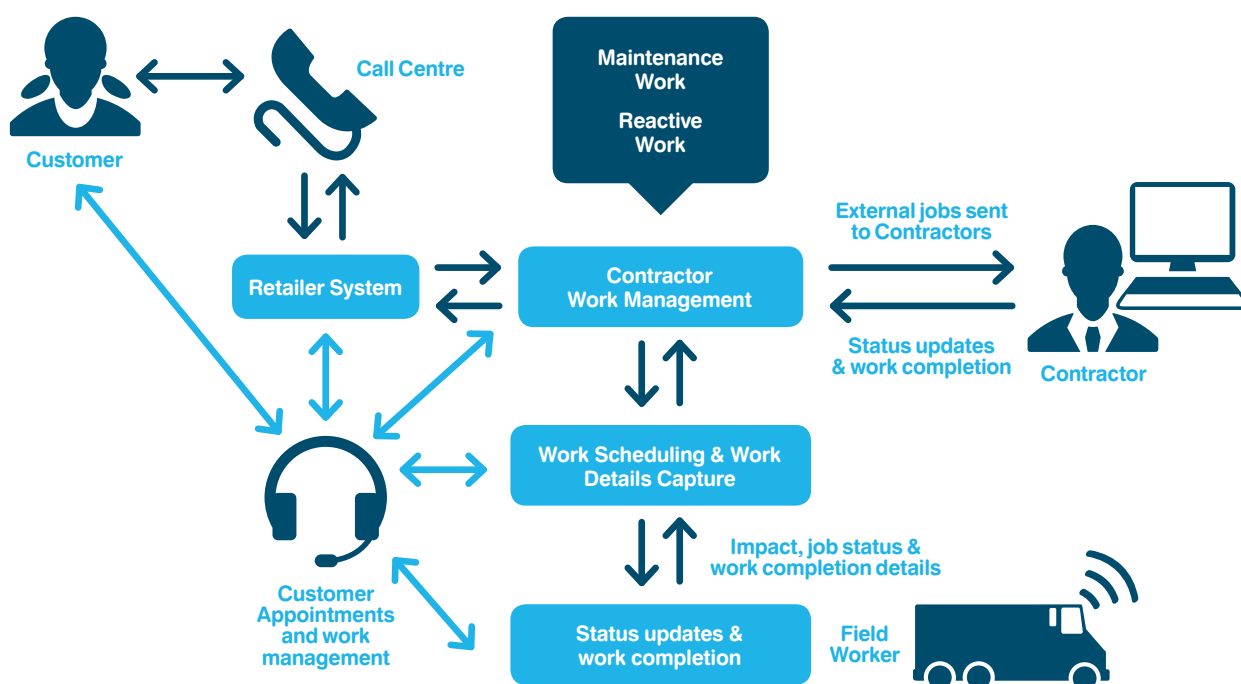
In 1993 Yorkshire Water created its Business Services Department with the objective of supporting our larger business customers with a team of dedicated account managers who provide a single point of contact at Yorkshire Water. Together with the ability to engage appropriate expertise from across the whole of our business when needed by the customer, this team also provide supported access, for our larger customers, to added value services such as on-site leakage detection and repair, water efficiency audits and specialised flow monitoring services. These services are also made available where requested to our wider business customer base.

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

We obtain customer insight through a range of different methods to ensure we can meet the changing needs of our customers. We hold the Customer Service Excellence standard which is a testament to our commitment to place customer service at the heart of the 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 a wide variety of sources to develop successful customer solutions. Figure 3B shows a list of some of the programmes of work, our achievements and awards that recognise our success.

Figure 3C
Integrated Customer and Operational Management System



Integrated Customer and Operational Management System

An appropriate example of our industry leading approach to service can be seen in our 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.

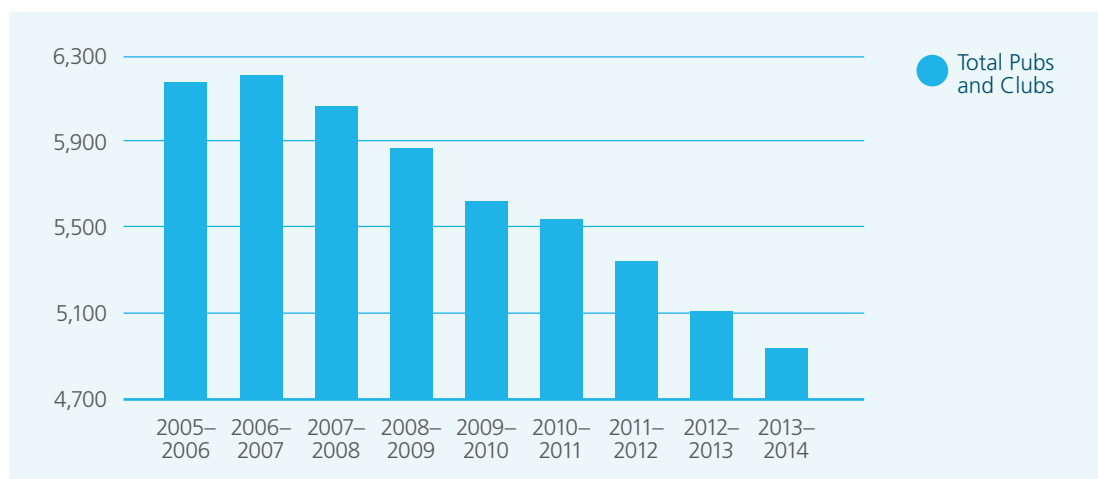
ICOM is a connected system of working processes which allow us as a retailer to communicate customer enquiries and needs effectively with our wholesale business. It enables interactions between wholesale and retail elements as per figure 3C above, for instance from the retailer handling the customer 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.

3.6 Maintaining industry leading retail services

Despite a track record of excellent service, we cannot be complacent. The world of retail is changing and we need to change with it. Customer expectations around levels of service continue to increase and we endeavour to engage with our customers during our business planning to best understand this. The economic climate is forecast to see little improvement in the immediate future, and our customers, particularly small businesses, have told us they require bills to stay at the lowest possible level in these tough and uncertain times. Finally, as an industry we're facing changes to the way we will be required to operate. In 2017 as retail competition is introduced, we will become just one of a number of retailers competing for the business of our existing customers in Yorkshire. These changes, which will require us to reconsider how we utilise integrated resources and processes such as ICOM are discussed further in Section 3.6.

Figure 3D
Pub and club closures from 2005/6 to 2013/14



To meet these challenges we're continuing to work to better understand our customers, their needs and expectations, and provide a targeted service accordingly. We're doing all we can to keep customer bills as low as possible and support them during this difficult period by maintaining industry-leading low levels of bad debt, regular and accurate billing and the promotion of water efficiency initiatives. Finally we're working to understand and influence the new retail market in order to minimise implementation and running costs and create a market which delivers the greatest possible benefit to customers for the long-term.

We've put significant effort into embedding ICOM across the whole Yorkshire Water business to deliver a considerably improved service for our customers. We don't want to see the benefits of integration diminish through the introduction of competition and are looking into how our businesses should interact from 2017 to deliver the planned benefits of competition without compromising the service you receive.

3.7 Addressing future challenges

To understand the future challenges we will face Yorkshire Water commissioned studies to expand our thinking about what the world might look like in 25 years' time. This will help us plan how to achieve our plans over the next 25 years and how Yorkshire Water would have to adapt and respond to external challenges and influences.

The challenges that will most impact our retail non-household plan are:

- Affordability
- Regulatory and legislative changes.

Affordability

Affordability is a significant economic and political challenge that we currently face and will continue to face over the next 25 years. With upward price pressures on wholesale water costs and other customer overheads, the number struggling to pay their bills is set to grow.

In addition, pressures on household spending are likely to negatively influence the success of our business customers. A concern is that declines or changes in public spending may continue to affect our business customers, and this in turn affects us. A noteworthy example can be seen in the decline of pubs and clubs in recent years. Yorkshire has seen a net closure of 1,372 sites between the years 2005/06 and 2013/14. In March 2013 we had 4,934 occupied pubs and clubs versus a considerably greater 6,184 just eight years ago.

The fact that affordability is a real issue has been confirmed by feedback from our business customers, who tell us they are struggling in this tough economic climate. For this reason our Business Plan for 2015-20 submission focuses on keeping water bills at an affordable level for our business customers. Keeping bills low is good for our customers' businesses, which is good for ours.

Further information on how we are helping businesses pay their bills can be found in Section 7.4; We keep your bills as low as possible.

Regulatory and Legislative changes

Perhaps the most significant challenges our non-household retail business is facing are those posed by 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 our industry provides 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 wholesale sewerage network for treatment and disposal. However, business customers will be able to choose whether they continue to buy these services via Yorkshire Water's retail business or from an alternative water retailer of their choice.

We know all our business customers are different, with individual needs and values, and we have over the last twenty years sought to provide them with a range of services they have told us they want. We support the Government's proposals to allow choice and look forward to the challenge of operating within a competitive market, and continuing to provide excellent retail services to our business customers in Yorkshire.

Defra has confirmed that competition will not be extended to household customers in the near future, however, they do anticipate spillover benefits to household customers from non-household retail competition. In order to facilitate this objective, we will work with our household retail business to share best practice and ways of working as appropriate within the confines of competition law.

3.8 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 without 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 and 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

Yorkshire Water's 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 business 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 1,700 business 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 200 key external stakeholders at our stakeholder conference and through our contact programme briefings
- Was transparent in presenting the impact of inflation on business customers' bills
- Received 85% acceptance from business 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 views⁵. 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 we've undertaken relevant to the development of this retail non-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 as 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
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 aimed 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.

We know that many of our business customers have different and individual values and needs and therefore will have different views to our domestic customers. As such, it was important to ensure that business customers were given the opportunity to provide their views on our plans and we estimate that by the time we have submitted this plan to Ofwat in December 2013, we will have spoken to approximately 1,700 business 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
- 135,000 business customers through their bills, 1,000 of which were also emailed directly about the plans
- 28,267 customers via 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 collaborating 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 85% of business customers surveyed.

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 non-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 everyday lives, but is typically taken for granted. However, any loss or reduction in water and/or sewerage service levels is unthinkable. Customers have experienced affordability issues on the back of rising costs whilst income has, 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.

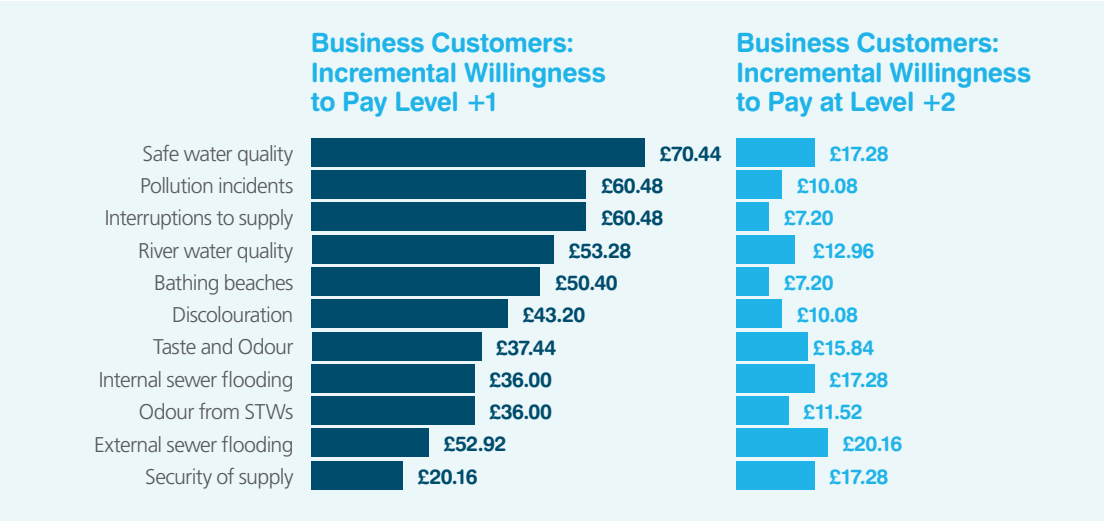
The ‘Valuing Water’ research is typically household customer focused. Despite this, throughout the PR14 research programme business customers, in particular small and medium enterprises (SMEs), have shown very similar views to those of domestic customers.

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
Business 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.

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	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)	2.0%
	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.**

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

- **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 stakeholders⁷.

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 Non-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 told us that they have experienced noticeable changes to their expenditure in the past few years and small businesses are particularly concerned about the impacts price increases will have on them.

"Keep prices down as much as they can"

"It worries me that if the water rates go up it will affect business like me which are small and struggling to survive"

Views from two of our Non- Household customers

Due to the economic climate, we found that customers in general are now more aware of the size of their water and waste water bill and business customers specifically are becoming increasingly aware of their usage by volume. Customers told us that their water bill is one of the smaller bills and generally considered to be reasonable, although they have some concerns regarding affordability as they experience rising costs alongside a struggling economy.

Despite financial 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.

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.

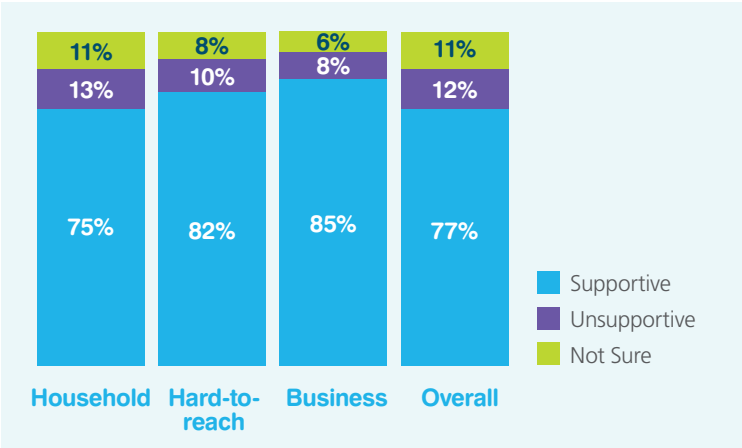
5.5 The right outcome for Yorkshire

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).

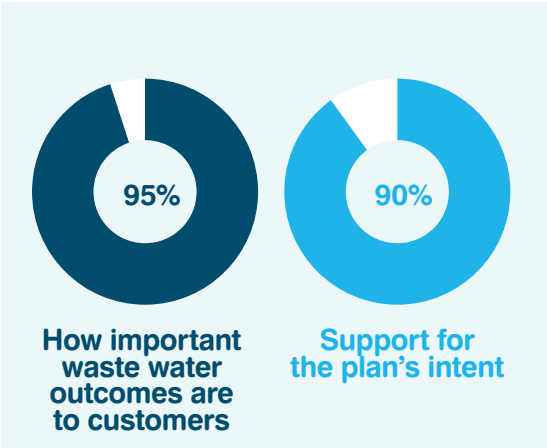
The Customer Forum told us that they considered the results of the Acceptability Testing to be well above the 70-75% range recommended by the Consumer Council for Water (CC Water). "Our view would be that you have a clear mandate from the customer base to proceed with the current plan... We will commend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

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



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 non-household plan responds to that; our plan delivers the improvements our customers want while keeping non-household bills as low as possible.

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

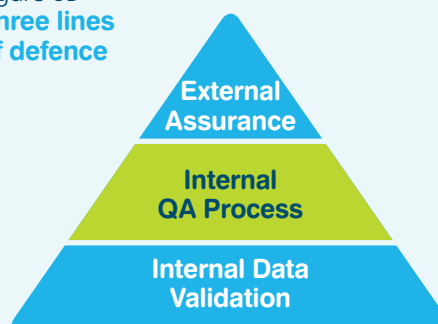
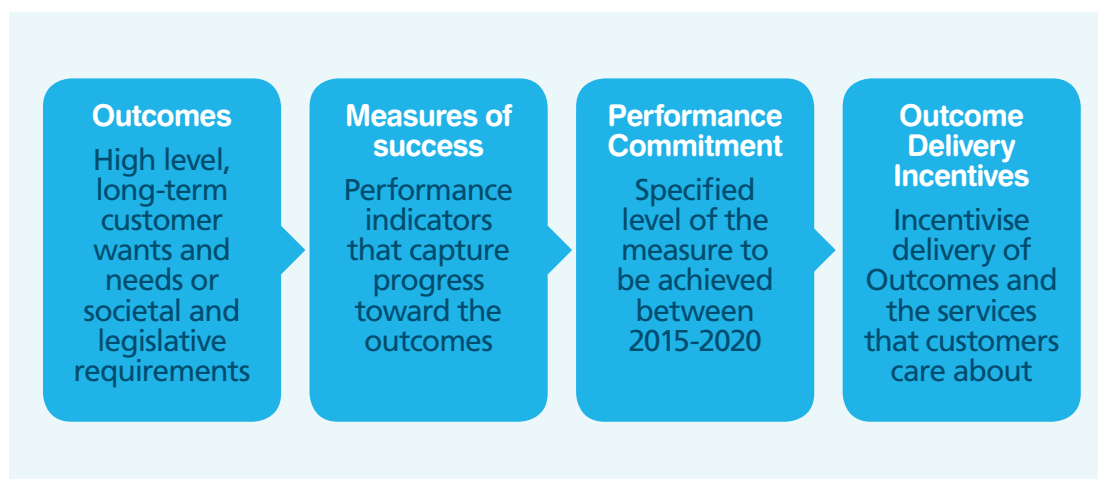


Figure 6C

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 the 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.

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.

Our customer feedback

We receive feedback from business customers through satisfaction surveys such as our SIM replica research and Customer Voice and for our largest-use customers, directly through their account managers. We used this feedback to help us develop our Customer Promise, which focuses 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 on customer priorities 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, our response times and being helpful and friendly. Our strategy is to improve performance in these areas through a more proactive approach.

Customer Voice is a method we use to proactively solicit real-time customer feedback. The solutions to customer issues are then 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 make billing services available digitally (Section 7.3.4; Communicating with our Customers) is an example of how we recognise what is required to deliver a service which meets customer expectations.

Account managed customers have told us that the essential services they need include a reliable supply that doesn't interrupt their business production and which is of the right quality. Low bills are almost equally important to them during this difficult economic time when many of our customers are struggling. As a result we communicate to our non-household customers how we're using their money and have an Affordability Strategy aimed at keeping bills low.



Although historically SIM has been used to represent the views of non-household customers, from 2015 the application of SIM will be limited to household-only customers. In the future, we will be working to find new ways of soliciting feedback from the businesses we serve.

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, expectant and less forgiving when things go wrong. The use of digital channels and media will continue to grow. Customers 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

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 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 have calculated non-household default tariffs 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 200 business customers across the Yorkshire region. We gained 85% support from those surveyed, clearly demonstrating that business 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 and Business Customer Team 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 non-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	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)	2.0%
	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 our business customers.

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

7.2 Retail Non-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 non-household business plan focuses on contributing directly towards achieving three regulatory outcomes and six measures of success. We plan on investing £21 million in customer service and £20 million on minimising bills for non-household customers over the next five years.

The outcomes we are proposing are based on the preferences of our customers and stakeholders. We believe that these outcomes are as applicable to business customers as any other customer we serve. Perhaps even more so, because we appreciate that for their business to be successful, non-household customers need to be confident of receiving a consistently great service at a price which is known, together with consistent wholesale water and wastewater services.

At the time of writing, we are awaiting the passage of the Water Bill through parliament. Once enacted, it is likely that the market for retail services for all non-household customers will be opened in 2017. We welcome this opportunity for our business customers to be able to procure the services they individually require and we aim to ensure that in a competitive environment Yorkshire Water continues to offer attractive services which our customers value.

Until 2017, we will continue to be the provider of retail services for most non-household customers and as such, we believe it's essential to make performance commitments to our non-household customers to demonstrate what we will deliver. We are therefore proposing to apply our outcome commitments across both retail price controls – household and non-household. We will continue to track our performance against these measures throughout 2015-2020, in recognition that customers who have the option to switch retailer will have even more need to have visibility of the performance of Yorkshire Water.

The following sections look at each of the three retail 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 £21 million over the next five years on services that make us easy to deal with and even more customer focused
- By building strong relationships with customers and tailoring our services to customer needs
- By preparing for changes to the way we need to operate in a competitive market.



Figure 7B

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

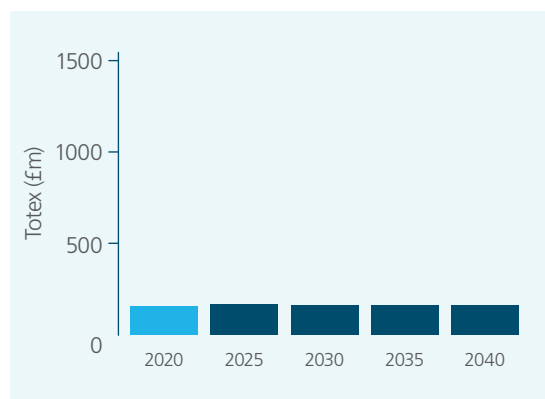
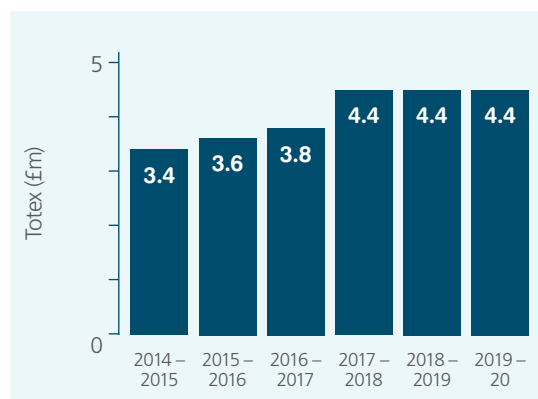


Figure 7B shows expenditure for both household and non-household customers

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 is equally important that customers experience better service when they communicate and interact with us. 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 to run their business effectively 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 working to exceed their expectations.

Customers told us that they value an independent assessment of the level of service we provide. That's why we're proposing to measure progress towards the long-term outcome through comparison against other water and sewerage companies' customer service via the independent CCWater Customer Satisfaction survey. We also plan to look into alternative ways of soliciting business customer views, such as focussed commercial market research to best understand what level of service they expect from their retailer.

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 Water will benefit through:

- A range of service options dependent upon each customer's individual needs
- 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 with billing and managing their account
- An efficient incumbent retailer with industry leading cost to serve.

Figure 7D

Outcome plan summary

Price Control	Retail Non-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 total non-household costs	51%					
Measures of Success	Payments for Service failure The number of Guaranteed Standards of Service payments we make			Overall customer satisfaction Using the CCWater Annual Tracking Survey		
Units	Number			%		
Target 2019/20	Reduction from 2014/15 baseline performance			Improvement from 2014/15 baseline performance		
Incentive Form	Reputational			Reputational		
Total Forecast Expenditure £m, 2012/13 prices	£20.6m					
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	3.4	3.6	3.8	4.4	4.4	4.4

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

As above, we are proposing to measure our success against this outcome to give our business customers confidence we will provide a great customer service together with consistent wholesale water and wastewater services. We are proposing to keep two of the measures used for household customers, although we acknowledge that these may no longer be appropriate once the market opens.

These measures are explained in greater detail below:

- **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, which will therefore reduce the number of failures and number of associated payments we have to make to customers as a result of poor service. This is a measure which reflects the number of failures to all customers; household and non-household.

- **CCWater Customer Satisfaction Survey** – this measures 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 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.



Rather than hard targets these measures are a fixed point for us and our customers to compare our performance against. We're aware that once the market fully opens these figures may not be applicable, for instance if CCWater should choose to remove non-household customers from its survey. There's also a risk that with a changing customer base the numbers may not be feasible and the intention is for performance to be driven by competition.

The incentives associated with these measures are reputational. While we have not assigned direct financial incentives, 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. Furthermore, failure to achieve our objectives may, after 2017, cause dissatisfied customers to switch to an alternative retailer with a direct impact on revenue.

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; a pledge to our customers that we will endeavour at all times to provide the best levels of service. We're also working to ensure customers can access services in the way they choose and that they always receive the same high level of customer experience through any channel, whether it be face-to-face, over the phone or online.

We already have strong relationships with our largest non-household customers developed through our account managers. We're going to be engaging even more with all types of commercial customers to build ever stronger links and gain a better understanding of what services different types of businesses really value.

We're working to provide a targeted service through different service teams based on the complexity of our customers' needs, and assisting our customers in the areas they tell us are their priorities, such as demand management.

Finally, we're ensuring we continue to meet our customers' expectations by preparing for changes to the way we need to operate in the future. We're building new processes to allow us to manage retail competition; facilitating customer switching, defining minimum levels of service, making sure we keep existing and new customers informed of all our services and managing new types of enquiries. By having effective processes with the wholesale business we will be able to deliver on all our customer commitments.

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

Yorkshire Water's retail business serves approximately 135,000 business customers. As a company we do all that we can to ensure business customers receive a level of service that meets their expectations, at a price they are willing and able to pay. As the retail service provider our role is to work with the wholesaler to ensure that this happens.

We also take the time to recognise that all commercial customers are not the same; they have different expectations and different requirements in terms of services needed, and that's why we have several approaches to serving businesses.

All of our commercial customers receive an excellent service through our 24-hour contact centre, which was recently voted the top utility provider by the UK Customer Service Index (UKCSI). This centre serves both our household and our non-household customers, meaning that both benefit from best practice services and service improvement schemes.

We also support business customers through a range of optional services dependent on individual customer needs. These range from consolidated billing through to leakage detection support and water efficiency and treatment advice. These services are available to all of our customers but are proactively offered to those we feel would most benefit from them, usually our high consumption customers with increased retail support requirements.

For our largest-use business customers we have a small team of dedicated Account Managers who form the Yorkshire Water Business Customer Team within the Business Services department. Our account managers offer a single point of contact at Yorkshire Water together with the ability to engage appropriate expertise when needed by the customer.

7.3.3.1 Our Approach to Customer Service

We know our customers value effective customer service. Our recent research into company outcomes supports this. Our long term-goals are to be a leading customer service provider and a company that business customers will choose to continue engaging with, and purchase their water and waste water services from.

We ensure we provide this excellent level of service by knowing our customers, by providing a service that's targeted to their expectations and values and by delivering on our commitments.

Knowing our Customers

In order to understand the service our customers require we have engaged in dialogue with them regarding our business plans and have successfully invited customers to participate in their development. We have specifically targeted large businesses and small and medium-sized enterprises (SME) through face-to-face focus groups, face-to-face in-depth interviews and over the phone questionnaires, in order to assess their thoughts on, and support for, our future plans.

The Business Customer Team has also done extensive work to understand account-managed customers, different industries, needs and sizes of businesses. Extensive customer research has been undertaken alongside additional customer visits. Our account managers work with a portfolio of business customers to build strong relationships in order to better understand the customer's business operations and their retail, water and waste water needs.



Targeted Service

We make commitments to our customers around the level of service they expect accordingly, as laid out in our Customer Charters and delivered through our Customer Promise.

By law we must meet minimum standards of service, otherwise customers are entitled to compensation from us. Over time we have added to and enhanced our list of promises and based on customer insight, now offer a wider range of commitments. We further supplement our commitments to our largest customers with promises laid out in our Business Customer Charter. We will aim to continue liaising closely with the wholesale business to ensure these are met.

To ensure we deliver on our commitments we require every colleague to play their part. In order to achieve this we're building a long-term culture of customer service at Yorkshire Water, 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

Delivering on our Commitments

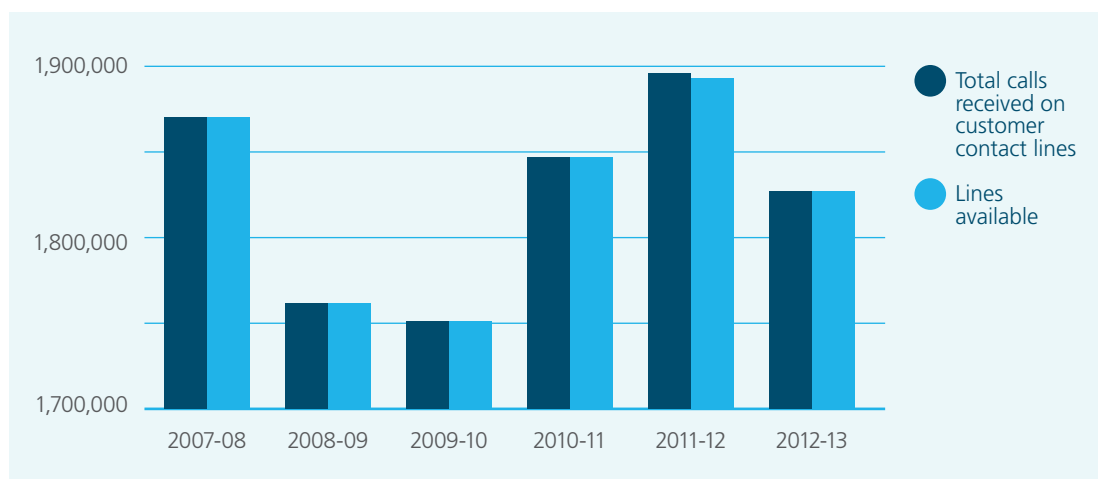
We know that delivering on our commitments is essential in the eyes of every customer.

In particular, given the introduction of retail competition for all business customers in 2017, we want to continue to be open and honest with our customers. We will let our customers know how we're performing, at least annually, and will share updates on the introduction of competition where possible. We also want to retain customers and will be assisting those customers most affected by the changes to understand their options

By implementing even more effective working arrangements to ensure the retail and wholesale businesses are able to deliver the services our customers require, as well as building and maintaining strong and strategic relationships with business customers, we will keep working towards our long-term goals of excellent customer service. We aim to be a leading customer service provider and a company that customers will choose to continue engaging with.

Figure 7E

Annual calls received on customer contact lines



7.3.3.2 Our Customer Promise

In order to help achieve this customer service ambition we've been developing a promise to all our customers that's more than just a series of statements. It's our pledge to them that we will endeavour at all times to provide the highest 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.

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.

In order to ensure we meet our Customer Promise statements, we're developing a Customer Service Improvement Programme. Developments accelerated through this programme have already been improving the quality of service for our customers and there are plenty more still to come.

Further information on our Customer Promise and our Customer Service Improvement Programme can be found in the Retail Household Business Plan under Section 7.3.3; Supporting our Customers.

7.3.3.3 24 Hour Contact Centre

Our contact centre operated by our sister company Loop Customer Management has been providing excellent customer service contact handling to our 135,000 business customers since April 2000. Loop answers more than 1.8 million customer calls a year, with a real person and the majority of these calls are answered in less than one second. Figure 7E shows the number of combined non-household and household customer calls we've received in the last six years and the capacity we've had available for answering them, which has been sufficient even under periods of business stress such as the floods of 2007 and the harsh winter of 2010/11.

Loop serves its customers 24 hours a day, 7 days a week, 365 days a year and has a great reputation for delivering a high standard of service by customers' preferred media. Loop has a proven record in debt collections performance and has been independently verified as the leader in the water sector for the past 14 years.

The operators at Loop are multi-skilled, which means our customers get straight through to the right person who can handle their enquiry, whatever its nature – retail, or operational water or waste water. We aim for Loop to answer the majority of our customer queries first time and are working with them to continually improve first time resolution through training, root cause analysis of issues and process re-engineering through a continuous improvement approach.

Within Loop, the Key Customer Team provides additional support for those customers with increased retail support requirements. This team provides a single point of contact for all enquiries, including all billing enquiries (water, sewerage and trade effluent) and debt recovery, making it simple for customers to get the information they need.

7.3.3.4 Bespoke Services

As mentioned above, we offer all business customers a range of bespoke services to provide them with the support they expect and value. Due to the increased requirements of our larger customers, relevant services are offered proactively by our Business Customer Team, dependent upon the services we feel they would benefit from most. Where any other business customer feels they would benefit from these services, requests are made through our contact centre and we do our best to facilitate the required services.

Further information on our Customer Promise and our Customer Service Improvement Programme can be found in the Retail Household Business Plan under Section 7.3.3; Supporting our Customers.

Billing

We provide a quality service to customers by meeting their billing requirements.

For business customers with complex billing requirements we use a bespoke billing system which offers flexible tariffs and billing frequencies. We promote electronic and consolidated billing to help business customers reduce costs and help with energy management. This has been particularly successful with multi-site customers. We are continually reviewing the format of our bills to ensure invoices are clear and understandable and we offer numerous payment options such as BACS, direct debit and faster payments.

Consolidated billing

One of our large customers based in Leeds was receiving over 4,000 invoices each year thanks to having over 1,000 properties.

At their request we have changed their billing arrangements so we receive and process their bills and they now receive and pay just 12 monthly consolidated invoices each year, dramatically reducing the business customer's administration requirements and also reducing the costs to us and our customers through saved time and administration fees.

Meter Reading

We ensure that our customers receive a regular and appropriate level of meter reading. As discussed in Section 7.4.3; Our Affordability Strategy, we appreciate the importance of accurate bills and for our largest customers, meter readings are generally taken monthly to ensure this is the case.

We go even further by proactively monitoring customer consumption for anomalies with the meter reading, for instance unusually high or low usage. Where we feel this may be caused by a 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.

In providing support in the identification and eradication of customer-side leaks we are providing our customers with a valued service, helping to keep bills as low as possible and minimising our impact on the environment.

Developer Services

Management of the application process for new connections for both household and non-household properties is a non-household retail activity. The wholesale business is forecasting in its plan a significant increase in the number of new connections over the period from an actual number of 9,116 in 2013/14 through to a forecast of 25,958 in 2019/20. The non-household retail plan therefore includes for the resources necessary to process a corresponding increase in the number of applications from 2,503 in 2013/14 up to 7,127 by 2019/20.

Essential Work and/or Emergency Situations

Planned work or essential works by the wholesale business to improve, maintain or repair its Yorkshire-wide infrastructure and assets is a huge undertaking for their contract and service partners. Where works are planned that we believe may impact on our business customer operations our Community Engagement Team work to keep the customer informed at all times and liaise with the wholesale business or their service partners to minimise the impact wherever possible.

We maintain records of our non-household customers' specific demands so that in the event of the wholesale business informing us of an unexpected incident or emergency situation, we can easily see who will be affected and take appropriate actions to help the customers manage and maintain their business operations.

We will ensure that we maintain ongoing and timely communications between our customers and Yorkshire Water's wholesale business. Our account managers make sure all necessary actions are taken to minimise detrimental impacts upon the customer's operations as far as possible.

7.3.3.5 Yorkshire Water Business Customer Team

A small team of dedicated Account Managers form the Yorkshire Water Business Customer Team who work closely with our larger business customers who use more than 10,000 cubic metres of mains water per annum.

These account managers offer a single point of contact to the business customers they work with and determine the level and type of service the customer requires, whether it's assistance in meeting their regulatory obligations, support in reducing their water consumption or advice on day-to-day operations. The account managers will liaise with appropriate contacts on the customers' behalf in order to deliver these requirements to expected levels.

Examples of this collaboration with teams and colleagues across the wider business include:

Quality and Regulations

Where a customer requires information, assistance or guidance on any water or waste water related matter our account manager will work with, and call upon the expertise of, appropriate members of the relevant team to meet the customer need.

For instance, our account managers will act as the point of contact with the wholesale business to secure accurate and appropriate advice to business customers on regulatory requirements, help to resolve any issues or effect any changes that may be identified on the customer's site.

Water Supply Regulations

The Water Supply (Water Fittings) Regulations 1999 place a legal duty on every business customer to ensure their water systems are satisfactory, and set out national requirements for the design, installation, materials and maintenance of water fixtures and fittings to meet this requirement. The purpose of the regulations is to prevent waste, misuse, undue consumption, erroneous measurement and, above all, contamination of water supplies. Each water company is responsible to the Government for the enforcement of the regulations, and our Yorkshire Water Business Customer Team works closely with customers to ensure this is the case.

Business Solutions

When requested we will coordinate and facilitate discussions with Yorkshire Water service partners to deliver a range of products and services including:

- Leakage detection and repair,
- Flow and pressure monitoring,
- Water efficiency audits,
- Alternative sources of water,
- Large infrastructure work,
- CCTV and drainage connectivity surveys.

Set against an ever changing landscape and increasing customer expectations, this account managed service has been successfully delivered for 21 years, strengthening our relationships with customers and the region.



7.3.4

Communicating with our customers

7.3.4.1 Introduction

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. 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 visitors to Yorkshire Water's website every year, with many of our customers wishing to self-serve for information rather than calling us directly. Furthermore, social media is also now a regular channel through which we interact with customers.

With approximately 135,000 business customers, we recognise we have a diverse range of customers. We therefore appreciate that offering a range of communication options is critical to ensuring we are able to provide them with the right information, at the right time, in the right place.

That's why we give all business customers the option to access the same communication channels used by our domestic customers, as well as providing additional contact options for our customers with more bespoke needs.

7.3.4.2 Our Long-term Approach to Customer Communications

Our long-term aim is for our communications to build trusting relationships with our business 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 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 businesses so that they feel engaged and 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, for instance tone, language and format.
- To provide a comprehensive self-service experience when customers want to engage through digital channels such as 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 more external reporting on how we're performing, including our progress against our customer service performance.

By being open and communicating effectively with our customers we will be able to provide the right level of service specific to each customer.

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



7.3.4.3 Understanding our Customers

Understanding customer needs and how they manage their operations is important to us. That's why we take steps to engage with our customers about the service we provide, improvements for the future and the way they want to hear about them.

In order to understand what service our customers want, we've been engaging with large industrial and commercial businesses (I&C) and small and medium-sized enterprises (SME), as mentioned in Section 7.3.3; Supporting our Customers. In doing this, our account managers play a crucial role by interacting with Yorkshire businesses on a day-to-day basis, gaining an understanding of their customers, different industries, needs and sizes of business in addition to personal preference.

Our customers tell us they value a single point of contact that they can communicate with directly. They want someone to take responsibility for managing any queries or issues around the clock, to communicate with the relevant department within our business and to have a contact for urgent issues. Customers also tell us they appreciate the advice offered by our account managers, whether this is face-to-face, over the phone, through emails or via organised events.

For our larger I&C customers we have a specific communications and engagement plan, which incorporates the design and delivery of important quarterly seminars and the messages we feel our customers would most benefit from. The seminars are organised throughout the year to meet customer demand and the subjects are tailored to customer requests.

Multi-Channel Communications

Given the diversity of the businesses we serve we utilise a range of communication methods, from traditional letters to the use of website and social media. We aim to keep adapting to meet these demands and stay ahead of what our customers are asking for over the following years.

Our dedicated account managers work to build strong and strategic relationships with our largest customers, as well as providing a direct route through which any communications will pass. They take responsibility for information being delivered promptly, to the right person, and for supporting our customers to understand the impact of it.

For some of our customers, we have also started asking for their communication preference, particularly in terms of how they want us to get in touch with regards to billing.

7.3.4.4 Meeting our Customers' Expectations

Due to the variation in business type, size and level of communication desired, we offer differing levels of interaction to suit our business customers' requirements.

Contacting Customers by Post

Many of our customers receive letters and bills by post, although currently we promote electronic billing to help customers reduce costs and minimise energy impacts. We send some 1.5 million letters and bills to business customers every year.

Alongside bills, we also communicate other topics with our customers, for instance changes to business annual charges and the way in which this money will be invested. We send out copies of our Customer Charter, which details the promises and guarantees made to customers, in addition to information and advice on having a metered water supply.



Communications by Phone

As mentioned earlier, all of our business customers have access to Yorkshire Waters' contact centre, which answers more than 1.8 million customer calls a year, in person and, for the majority, in less than one second. Our operators are multi-skilled which means that a query raised by phone can often be answered first time. Account managed customers are provided with a bespoke phone number that provides direct access to the Business Services team.

Out of hours, contacts are currently directed to the control room where the duty manager can respond to emergency queries, which means that customers benefit from access to Yorkshire Water 24 hours a day.

Providing Online Communications

Website and Self-Service

It is no longer acceptable for information to be available only during office hours. There is an expectation that customers should be able to access information and services themselves at a time that suits them, and that we should support our customers in finding it.

We have enhanced Yorkshire Water's website and the ease with which customers are able to self-serve in line with these expectations. Customers can access information about Yorkshire Water 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.

Our website also supports a dedicated area specifically designated for non-household customers. It provides extensive support and information to assist Yorkshire businesses and advise on the products and services we can

arrange, mechanisms for water saving as well as how to calculate water and sewerage charges for the following year.

We also solicit customer feedback through our online Business Customer Survey, which asks for opinions on how we should invest customer money and what service would most benefit their businesses.

Yorkshire Water will improve the customer experience and capacity for all customers to self-serve by launching a new Yorkshire Water website in Spring 2014. This will include specific developments to the dedicated business services area, such as making improvements to:

- Paperless billing
- Updating of account information, which will make it easier for customers to tell us about change of address, to make payments and to access their meter readings
- Providing information of value to the customer, for instance consumption trends, graphs, and sample strengths.

Billing

At Yorkshire Water we want to make engagement with us as easy as possible, and this extends to customer bills. That's one of the reasons why, for our business customers with bespoke billing needs, we provide access to our multi-skilled Key Customer Team. The team provide a 'one stop' shop for all enquiries, including all billing enquiries and debt recovery, providing a simple and speedy point of information for customers to get what they need.

Once raised, queries are owned by just one team member, meaning that our customer receives a single point of communication and a clear and consistent message. We'll also make every effort to contact customers by their preferred method, with the majority opting to use email.



Our customers are offered flexible billing frequencies thanks to our bespoke billing system, which means they can hear from us as frequently, or infrequently, as they require. They also have a choice of options around how to respond; we offer numerous payment options such as BACS, direct debit and faster payments.

Currently we promote electronic billing to help reduce operating costs and minimise the impact on the environment. As noted earlier, our customers are showing an increasing preference for online communications.

Web Chat

Web Chat is a relatively new method of online communication, which allows customers to communicate with us at a time which suits them. It has recently been launched to Yorkshire Water's household customers with great success, 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 Web Chat allows us to reach a more diverse range of customers.

Web Chat is also available for the majority of our business customers. However, customers who require a response specifically from the Key Customer Team currently need a call back from a colleague in the relevant area. We hope to improve this in the near future so that all of our business customers can enjoy the same immediate benefits from Web Chat as our domestic customers do.

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.

Twitter

We now provide our customers with updates on service and provide a customer service helpline through Twitter using the hashtag @YWHelp, which provides updates on service in addition to proactive tweets to customers experiencing issues in their area. 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 below.

Figure 7F
Customer contacts via Web Chat since launch.

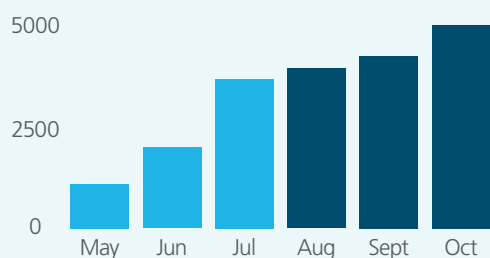
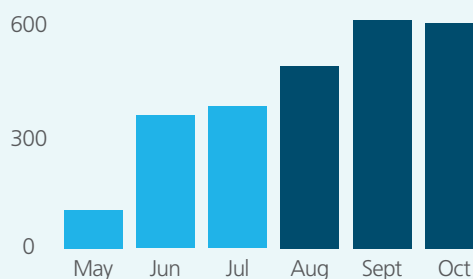


Figure 7G
Number of Yorkshire Water tweets since launch in March 2013.



We also use social media in a very interactive way. Customers are now providing us with feedback on any issues they come across, for example, photographs and footage of burst water pipes. This enables us to pass this information to our wholesale business which enables their operational teams to find and fix issues more efficiently and ultimately benefit our affected business customers sooner.

In turn we are able to feedback to customers on what we've done with the information they provided and the solution we've put in place, demonstrating that we value and act on their feedback.

In addition, we have recently set up a Twitter account targeted specifically at our account managed customers. This provides an alternative method for these customers to contact us, and gives us a further outlet for us to broadcast news and updates. The twitter handle is @YorBusiness and though still in its infancy, it is a useful tool for advertising services, advice, seminars and for customers to ask us questions or raise issues.

Last year, we used this new technique to advertise our Taking Responsibility for Business Awards, mentioned in more detail below.

Water Efficiency Seminar (in conjunction with the YPO)

Our latest seminar presented best practice methods for managing water resources and reducing demand, ranging from flow monitoring and understanding consumption and how to avoid peaks and leaks, to efficiency audits across site. It even covered alternative sources of water such as rainwater harvesting and grey water reuse. Through this seminar we communicated ways that our customers can reduce their bills and benefit the environment through lowering consumption.

The event was a huge success and was fully booked two weeks in advance, suggesting that our customers value this method of communication.

Mobile Applications

The Yorkshire Water website is now accessed by 27% of all customers through mobile devices. Based on this insight, we have just launched phase 1 of our first mobile application.

This provides information to household and non-household 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 service issues.

Meeting Customers Face to Face

Our Business Services team have two distinct approaches for communicating with account-managed customers, dependent on the objective of the communication. If the goal is to broadcast a notification, we utilise account manager visits and emails, as well as Twitter and the Yorkshire Water website.

When we need to engage with our customers to ensure they understand a message, and to respond to their feedback or questions, we will conduct account manager visits and deliver it in person, or host seminars and events. For instance, changes in policy will be provided directly and promptly to the right person within an organisation, along with an explanation of the impact of that communication and support in managing it if required.

Business Services run a series of seminars throughout the year to meet customer demand, with themes tailored to customer requests. Popular topics for our business customers usually fall under the banners of water efficiency, competition, fats oil and grease (FOGs), waste water treatment or seasonal messages such as winter readiness. We know that customers value these seminars, as they are requested by customers regularly and attendance remains strong regardless of topic or location. Feedback from the events is always positive and often includes requests for future seminars.

These seminars are open to all account managed customers. Slides and notes produced as a result of the event can be shared with any business customers who ask for them. In the future, we intend to continue the seminars and make them more accessible to a broader range of customers.

Taking Responsibility For Business Awards

We used an innovative approach to communicating Yorkshire Water's strategic business objectives to our business customers last year by hosting our first "Taking Responsibility For Business Awards".

The awards were conceived by our Business Services Team to help engage with our key customers to gain their support in achieving Yorkshire Water's vision of 'Taking responsibility for the water environment for good'. The awards recognise the contribution many of our business customers make towards a sustainable Yorkshire, and provide an opportunity for them to recognise and showcase their effort, performance and innovations, in the company of their peers, especially where linked to their sustainable use of, and reduced impact on, water demand or discharges.

Nearly 60 entries were received for the 2013 ceremony across six categories and the awards event provided an opportunity for our business customers to meet and share best practice.



7.3.5

Vulnerable customers

Water is an essential resource for all of our customers and is necessary for the day-to-day operations of their business. At the very least, all businesses are required to provide drinking water to their employees as a basic welfare facility.

Despite this, we have some customers who are more sensitive than others. A business customer may be considered vulnerable if they are particularly unable to adapt to a loss in supply. This could be for reasons around continuity of production and quality of supply, or for businesses classified as emergency services which include Hospitals, Care Homes and the Fire Services.

7.3.5.1 Our Long-term Strategy

As described above, water is important to all businesses, but to some it is more critical than others. At Yorkshire Water we aim to manage the fear of customers losing supply by having a robust and well-maintained delivery system which will serve our customers in times of need.

However any functional system needs maintaining. Consequently, we work hard to proactively inform customers of any pre planned work by the wholesale business or possible issues and react immediately to unexpected ones. For our vulnerable customers we also ensure they have an effective plan to keep them working during any unplanned outage, in order to allow them to continue providing the level of service that our customers expect.

7.3.5.2 Emergency Planning

Emergency Plans can be prepared for sensitive or vulnerable customers which include such things as site plans, emergency contacts, bottle drop points and temporary alternative water supplies. These plans are drawn up in consultation with

the customer, saved on a central database so that they can be shared by all parties, and reviewed regularly to ensure they are up-to-date and that any changes to the site are taken into account

When experiencing a problem, our customers can get in touch with us through their own dedicated account manager, who handles all requests from a given business and will therefore be familiar with the site.

Emergency Plans typically capture the following information;

- Alternative supply
- Storage capacity, if any
- Site Plans
- Fire Fighting details – including Hydrant and Hose details
- Water drop off points
- Key contacts
- Tankering points where water needs to be brought to site
- Numbers of Personnel/Patients/Inmates on site

We ensure that our sensitive customers are recorded on Yorkshire Water's Odyssey database, which means the existence of sensitive customers can be easily seen by the wholesale business alongside their full water and waste water network.

Making emergency plans allows us to respond to a loss in supply in as short a time as possible and assists us in getting the wholesale business to quickly restore to our customers the level of service they expect and value.

We will always encourage the wholesaler to return supplies to normal as quickly as possible by re-zoning supplies, and where necessary, prioritising sensitive customer supplies.



7.3.6

Retail competition

As we have already said, the water industry is changing.

The UK Government's vision for the future of water management is to introduce reforms that support a resilient water sector, in which water companies are more efficient and customer focused, and in which water is appropriately valued.

Today's largest water users, representing about two percent of all non-household customers, are currently eligible to choose their retail supplier for water services. However, there are limited retailers in the market and minimal benefits of switching, resulting in very few customers choosing an alternative provider to their local water company.

As introduced in Section 3.6, the Government want to improve the range and quality of services offered to business customers as part of the proposed industry reforms. By expanding the scope of retail competition in the water sector by 2017, all business customers in England will be able to choose which company provides their water retail services. In this context, retail services are those customer-facing services introduced in Section 3.1, for example: meter reading, billing, payment handling, billing queries, debt management, demand management and disconnections.

Changes will be implemented through legislation that remove barriers to new companies entering the market and incentivise real competition for retail services in the sector, while fostering greater innovation and efficiency. The reforms will aim to create a market where both existing water companies and new entrant participants operate on a level playing field, and create incentives that will drive the sustainable use of resources and fair, transparent, innovative and keener tariffs for both wholesale and retail services for the majority of business customers.

The legislation which will enable these changes is, at the time of writing, about to have its second reading, and is expected to become law in the next Parliamentary session.

It is not yet certain exactly how the new retail market for business customers will work, as a number of key decisions are yet to be made by both Government and our regulator. However, enough is known for us to begin making plans for some changes that will result in Yorkshire Water operating independent wholesale and retail functions in the future.

We intend to ensure that our non-household retail business is fully prepared for the market opening in 2017, while continuing to be in a position to provide our business customers with all the services they require through this period of change.

7.3.6.1 Our Long-term Strategy

At Yorkshire Water we are working with industry stakeholders to understand and agree how best to structure the new retail market, in order to create greatest benefit to customers and the environment for the long-term. Our goal as a provider of retail services is to continue to provide the best value and highest level of service possible to our business customers so that, given the choice, customers will opt to continue to be supplied by Yorkshire Water. We also want to ensure that if a customer does decide to switch supplier, the process of changing is as efficient on our part as possible.

- We will achieve these goals by working to keep customer bills as low as possible and encouraging sustainable water management in our region through:
- Providing default retail services at the lowest possible cost

- Working as appropriate with the wholesaler to make their operations as cost-effective as possible, to help reduce the wholesale costs we incur on behalf of our customers.
- Advising and assisting customers in reducing their demand and identifying opportunities for recycling and re-use
- Developing access to a range of competitively priced services tailored to the needs of our customers.

While we are confident that as a retail business we currently comply with all of our regulatory requirements, the introduction of increased competition and market rules will require all water companies to make changes to their businesses in order to meet the requirements of a new market framework. We are therefore designing an appropriate operating structure for our business to ensure the services we provide in the new market are provided, and priced, on a fair and transparent basis.

7.3.6.2 Our Approach

Yorkshire Water will continue to be the provider of retail services today and in the future for the majority of our business customers; those who tell us they are satisfied with the quality, range and price of retail services we provide.

- During the transitional period up to 2017, Yorkshire Water has three key objectives. We will:
- Continue to operate and provide reliable, industry-leading retail services at the lowest price, as discussed in other areas of Section 7
- Engage with customers to understand what retail services they want from Yorkshire Water in the future
- Develop systems and processes necessary to operate efficiently in the market in 2017.

Using existing and new engagement channels where necessary, we will continue to ask our customers for their views on the range, quality and price of services they receive from us. We will use this information to focus our future product development in the areas our customers value most.

To comply with the regulatory and legal standards that ensure a fair and transparent competitive market, we must take action to more clearly separate our existing retail activities from Yorkshire Water's wholesale functions so that we can operate entirely independently of Yorkshire Water's wholesale business in the market. Our objective is to create a degree of independence of our business functions that is in compliance with competition law, while minimising the market implementation and running costs that could impact on customer bills.

In support of the industry's aspirations, we are actively involved in the Government and Regulator sponsored Open Water Programme, developing the changes through this transitional period to 2017 when the market opens up to all business customers. We aim to use our experience to influence the likely direction of forthcoming changes, allowing the development of a competitive market that will be beneficial for the majority of customers. We are therefore putting processes in place to prepare for the occasions when one of these eligible customers might want to choose an alternative supplier, while continuing to develop our products and services offering to meet the increasing needs of all our business customers and minimise numbers of customers wishing to switch suppliers both now and after 2017.

7.3.7 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 the changes required to facilitate a competitive retail market.

The Government, Ofwat and the industry are still working to resolve a number of areas where further clarification is needed on how the market may operate. These policies, processes and rules are currently being defined and we are working closely with all stakeholders to positively influence these decisions. We will then reflect the output in our own delivery programme. Delays in the passing of legislation or creating the regulations and market codes could all influence the date and costs of implementation.

An inevitable consequence of increased competition in the retail market and the provision of genuine choice for existing customers is that our customer base will change. A number of Yorkshire Water customers will for a variety of reasons switch their retail provider from Yorkshire Water to an alternative retailer in the market. A reduction in the number of retail customers could cause a loss of economies of scale. A change in our customer base could have an impact upon the proportion of our customers with the ability to pay. Both of these factors would in turn influence our cost to serve.

Our retail strategy will seek to identify the most advantageous match between the services our customers want and need and the skills and capabilities of our organisation. Having understood which customer sectors are the most appropriate, we will only actively compete to retain those customers we are best suited to satisfy.

7.4

We keep your bills as low as possible

We will keep your bills as low as possible by:

- Investing £20 million over the next five years
- Delivering our affordability strategy
- 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 7H

**25 year investment profile for the outcome
'We keep your bills as low as possible'**

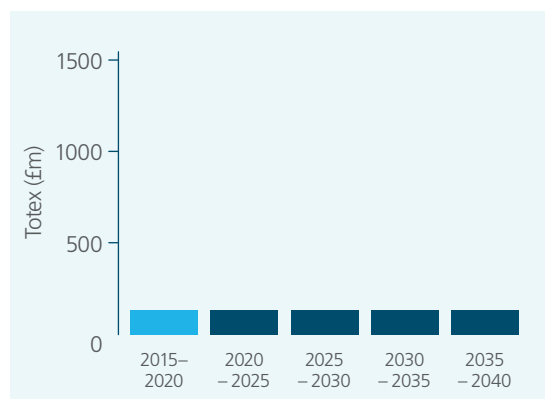
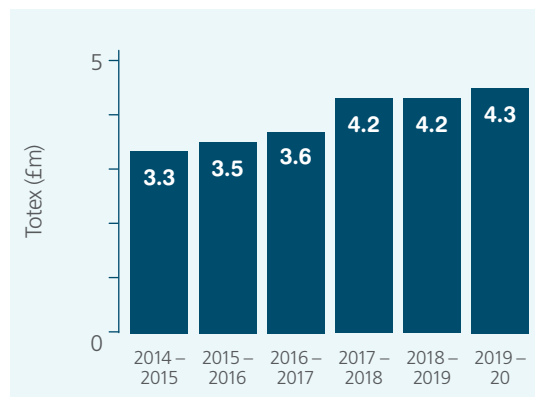


Figure 7H shows expenditure for both household and non-household customers

Figure 7I

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 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 through water efficiency advice, flexible payment methods and debt management schemes.

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 while 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 keeping bills broadly stable in this retail plan as we recognise the importance of making customer bills as predictable and affordable as possible.

7.4.1 Five-year outcome objectives

Water is an essential resource for all of our customers and this outcome is about ensuring we provide it at a rate customers can afford to pay. That's why we aim to keep customer bills as low as we possibly can.

We understand that for our customers water can be a significant cost to their business and we work hard to ensure they get value for money. We keep bills as low as possible and consequently ensure the money paid goes towards the things they value most; investment in maintenance and assets which ensure a constant and reliable service.

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 on the topics they value, such as understanding water demand and being more efficient with usage.
- Be able to afford a continued water supply.

Figure 7J
outcome plan summary

Price Control	Retail Non-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 total non-household costs	49%					
Measures of Success	Cost of Bad Debt to customers (expressed as percentage of average bill).			Value for money (CCWater Annual Tracking Survey)		
Units	%			%		
Target 2019/20	2.0			Improvement from 2014/15 baseline performance		
Incentive Form	Reputational			Reputational		
Total Forecast Expenditure £m, 2012/13 prices	£19.8m					
	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
	3.3	3.5	3.6	4.2	4.2	4.3

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

As above, we are proposing to measure our success against this outcome to give our business customers confidence we provide value for money. We are proposing to keep two of the measures used for household customers, although we acknowledge that these may no longer be appropriate once the market opens or if CCWater should choose to remove non-household customers from its survey.

These measures are explained in greater detail below:

- **Cost of bad debt to customers** – the cost to each bill paying business customer of those who do not pay their water bill. The cost includes 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 the value for money of the 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.

We intend to keep the cost of bad debt to non-household customers at 2% of their combined bill, a lower figure than for household customers as the cost of bad debt is typically lower for business customers. For our non-household customers this figure was calculated by comparing the cost of bad debt against an estimated average bill calculated using income forecasts and total business customer figures from our annual Risk and Compliance statement. For the Value for Money (CCWater Survey) our aim is to improve on previous performance.



Rather than hard targets these measures are a fixed point for us and our customers to compare our performance against. We're aware that once the market fully opens these figures may not be relevant, there's a risk that with a changing customer base they may not be feasible and the intention is for performance to be driven by competition.

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 help business customers reduce their water consumption which makes up a significant proportion of the charge.

Customer affordability will remain a priority with a focus on avoiding a build-up of bad debt, providing regular and accurate billing and additional support for high use 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.

7.4.3

Our Affordability Strategy

In relation to business customers, affordability at Yorkshire Water is all about providing a service at a rate that customers can afford to pay.

Water is an essential resource for all customers. For some of our largest business customers, water expenses can make up a significant proportion of their overhead. For many smaller businesses though, usage is lower than in the average domestic household. Regardless of size, we understand how important a constant supply of water and waste water services are for our customers, and we do all we can to ensure they can afford to continue to receive it.

As part of our regulatory outcomes we aim to keep non-household bills as low as possible by generating a secure, optimal income stream. A major challenge to this is the cost resulting from non-payment of bills, widely known as bad debt.

Bad debt is the amount of money we are unable to collect from those customers who do not or cannot pay their water bill. Ultimately, when some customers are unable to pay, this cost of supplying their services gets spread among those paying customers, increasing their bill. We mitigate this by acting quickly to avoid a build-up of debt, and are recognised as industry-leading at debt recovery. Comparisons against other companies show that for non-household customers levels of bad debt are the lowest in the industry, measured as 0.94% of turnover in 2012/13, compared to an industry average of 1.73%.

7.4.3.1 Our Long-term Strategy

A financially strong Yorkshire Water is good for everyone. It means we can deliver our services to customers at an affordable price, while showing fair returns for our investors and being able to fund our business and investment plans for the future.

Our strategy for achieving this is by firstly ensuring that wherever possible, customers pay their bills, to avoid bad debt making bills more costly for other customers. We will also endeavour to bill customers regularly and accurately, to support budgeting and avoid over-payment.

Secondly, we will assist customers in minimising any unnecessary use of water through the provision of information on for example; demand management, leakage identification and rectification and identifying opportunities for recycling or re-use.

We understand water can be a key cost for customers and we work hard to make sure our customers get value for money. We keep bills as low as possible and consequently ensure the money paid goes towards the things they value the most. In taking these measures we also aim to ensure we remain in a really competitive position when the retail market expands in 2017; by providing reliable industry leading retail services at the lowest price.

Individual elements of our strategy to make our water services affordable for our non-household customers are as follows:

7.4.3.2 Bad Debt

Can't Pay Customers

We appreciate that some of our business customers find it challenging to pay their bills sometimes.

If any of our business customers find themselves in difficulty, we encourage them to contact us so we can try to help them. We have a skilled Commercial Debt Team dedicated to helping business customers who are struggling to manage their payments. This specialised team will work with our customers, providing a personal touch on a case-by-case basis to find a suitable solution.

Where appropriate, we can offer flexible payment terms, for instance weekly or monthly instalments, which make the costs more manageable.

A commercial property with high consumption started to get into financial difficulty in 2012. Our commercial debt team quickly picked up on this account and spoke to the customer at length, understanding the problems the customer was facing and how the small income and nature of the business was affecting the chance of receiving payments.

We took ownership of the account and kept in regular contact, allowing us to establish a working relationship with our customer. Our approach meant that payments were being received on a monthly basis.

Since December 2012 when the account reached a debt total of £13,700.00, we have received a total amount of £18,000 in payments which has cleared a large amount of the arrears and also ensured the current charges are paid to stop our customer falling back into debt.

Without this rapid, consistent approach and monthly contact, this account and possibly the viability of the business would be in a very different position.

Won't Pay Customers

We find that our business customers rarely miss payments without a reason. In most of these instances our customers are struggling with their finances, and where this is the case we always try and work with them to come to a solution as above. Our proactive recovery process means that arrears rarely have the chance to develop.

Where all of these options have been exhausted, or where the customer is not making efforts to resolve the issue, cut-off and court action is used as a last resort. The disconnections process is rarely necessary but the firm strategy ensures bad debt is kept to a minimum, and the cost of unpaid bills does not impact on other customers' bills.

When a disconnection is necessary, we act rapidly to prevent a build-up of debt. Despite this, our rate of disconnections is particularly low, a fact of which we are very proud of. As an example of this, in quarters one and two of this year (2013/14), we were required to disconnect 62 business customers out of a total of around 135,000.

A business customer from Hull has 19 separate meters and asked if these could move from quarterly to monthly billing. The customer provides all monthly readings on the same day each month and receives their bill accordingly.

The regular charges have helped our customer budget more effectively and compare usage in a given month across all their sites. They have also found it easier to spot any anomalies in water consumption, which might for instance indicate a burst.

Monthly meter reading

For some of our large commercial property meters we will take monthly readings to help our customers manage their payments more effectively.

Where large volumes of water and waste are involved, we recognise it is particularly important to provide bills which are reflective of actual use. Where estimation of bills can result in a small deviation from actual usage for small users, in larger users this difference in expense could be significantly greater.

In providing bills based on actual, regular meter readings, we are helping our customers to manage their finances, and preventing them paying more than necessary at times when this would be particularly detrimental to their business.

We have moved all of our largest use customers to monthly meter reading for water and trade effluent.

7.4.3.3 Regular and Accurate Billing

We have a track record of working with our customers to understand the level of support they require, which ranges from a named contact with specialist billing arrangements to being supported through our main contact centre. As needs change, we are enhancing our systems to meet these changing demands, such as moving towards online communication channels like Webchat and online billing as mentioned earlier.

In general, the technical support we provide is greatest for our larger customers, who traditionally have multiple sites and bills. However, we aim to provide regular and accurate billing routinely to all of our business customers, who are able to access any of the services below upon request.

Consolidated Billing

We offer consolidated billing to our customers with multiple sites within our region.

Business customers with multiple properties would typically receive many bills from energy providers and other water companies which would be delivered at different times and frequencies, dependent on their individual arrangements. However, for business customers in Yorkshire, our Key Customer Team has provided, for several years, consolidated billing services which reduce the costs to us and our customers, through savings in time and administration costs.

Assessed Volumetric Charge

Occasionally, we are unable to produce an accurate bill because of metering issues. This can sometimes happen where a property has been split without our knowledge and new commercial customers do not yet have a meter. Assessed volumetric charge is an innovative solution we recently introduced to ensure customers receive a bill where there is no precise alternative.

A customer in Castleford had unusually high usage identified through information downloaded from our automated meter reading device on their meter. The site is used on a seasonal basis so the consumption does fluctuate, making the leakage harder to identify. When the high trend persisted we proactively alerted the customer who then went on to carry out an investigation. They discovered leakage on their supply pipe which had potentially been there for some time.

Our customer had not previously claimed for an allowance due to leakage so the claim was very straight forward. An allowance was made on this account for £9,173.24, reducing the customer's balance from £10,891.61 to £1,718.37.

We gathered meter readings following the repair to ensure that the consumption levels had reduced and found this to be the case, confirming that the leakage has now been repaired.



7.4.3.4 High Usage

One of our main strategies for reducing non-household bills is to help our customers reduce their use of water and waste water services. Further information on the water efficiency support offered to business customers is given in Section 7.4.4; Demand Management.

With higher volumes of water we acknowledge that there is a reduced unit cost to supply our customer and we pass this benefit on to the customer accordingly to help our high usage customers further reduce their bills as described below

Variable Tariffs

In recognition of the economies of scale, we provide our larger business customers with large user tariffs, which reduce the rate charged for the provision of water and waste water services.

The reduction applies to customers using in excess of 50,000m³ per annum, and is automatically applied to their bill. There are three bands above the normal rate:

Band 1 50,000 m³ to 250,000 m³

Band 2 250,001 m³ to 3,000,000 m³

Band 3 Over 3,000,000 m³

Of our 135,000 business customers, 141 fall in Band 1, 32 in Band 2 and 2 in Band 3.

Burst Allowances

We recognise that sometimes, through no fault of our customers, a bill might be unacceptably high. This can happen where a burst has occurred on a customer supply pipe and considerable water has escaped before the burst can be repaired.

To prevent our customers' bills being unaffordable, we offer a burst allowance or discretionary write-off where appropriate. Our staff receive training in how to effectively negotiate a settlement that is satisfactory to both Yorkshire Water and our customer. All circumstances are taken into consideration when making a decision – no one rule fits all.

While we advise customers to monitor their own usage, it usually takes a large leak to prompt this behaviour. In offering a single burst allowance we keep bills affordable while highlighting the need to monitor consumption patterns.

Our aim is that each customer will be more aware of their own water consumption and be able to identify problems much quicker in future.

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.

As a company we actively promote water saving techniques to our non-household customers and encourage a culture of water conservation. By ensuring that water is used efficiently we help manage the risks on this resource and the impact on population growth and climate change. Perhaps more importantly for our customers, we also save them considerable money on their bills. The services we provide around proactive and reactive leakage detection and repair and water conservation activities are estimated to save businesses 7.5 million litres of water a day - that's nearly £7 million a year Yorkshire businesses are cutting from their overheads.

In providing this service to our business customers, and supporting them in efficient water use, we are ultimately ensuring that we are securing supplies 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 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, and
- We understand our impact on the wider environment and act responsibly.

Yorkshire Water's strategy for the non-household retail business is to continue to work with our business customers to achieve these outcomes through the implementation of demand management. We will ensure we provide an excellent level of service by knowing our customers and tailoring our approach to water efficiency around their specific needs.

7.4.4.2 Support Packages

We already provide varying levels of support to our business customers, dependent on business needs. For all customers we send water efficiency leaflets with their bills, advising how to save water and money through simple behavioural changes that they can implement at little or no cost themselves. We also advise how to apply for a free water saving pack, which provides advice on how to reduce consumption through day-to-day activities, and includes free water saving items like tap inserts and Flushsavers.



Some of our larger usage business customers may have more complex and specific needs. We will provide advice and support on the options which may help a business to run its water services more efficiently, and our account managers will proactively suggest services where we think it's appropriate and will bring benefits to our customers' business.

Often this advice requires customers to access a suite of added value services which are beyond those services Yorkshire Water are funded to provide and are therefore deemed non-regulated and chargeable services. We have a range of partners that can provide these services if requested by customers. Examples are given in brief below.

Customer-Side Leaks

Leaking pipes waste a vital resource, increase bills and can cause expensive damage to properties and site infrastructure.

Should a business customer suspect they have a leak or excessive unaccounted for usage on their site then we will initially provide advice over the telephone. After the initial consultation the customer may request for further leakage services, for instance leak detection, repair or even internal plumbing.

Similarly, when carrying out meter reading we have a system which highlights any anomalies, for instance higher than normal consumption. Where we feel this may be caused by a leakage issue, we will proactively contact customers to see if there is an explanation for the change in usage.

Flow Monitoring Services

The installation of a flow monitoring service helps businesses to better understand their water use and identify areas where water is being wasted due to inefficiency or leakage. We can provide advice on whether a business would benefit from this and how to get the greatest advantage from the technology.

Water Efficiency

We can arrange for water efficiency audits to be carried out for our business customers. These audits give businesses a complete picture of their site water and effluent usage and highlight opportunities to reduce their carbon footprint.

Alternatively, we can provide water conservation advice and self-audit information.

We promote the installation of water conservation products and offer discounted water saving products through partners, for instance urinal controls, push taps, showerheads.

We offer support to businesses to organise water conservation or environmental awareness days on business customer sites, including the provision of free water saving devices such as shower timers, saver flushes and tap inserts.

Finally, we get involved with winter campaigns to help businesses protect their pipework from bursts or freezing.

For more information on the seminars we offer please see Section 7.3.4; Communicating with our Customers.

Recycling and Re-use

In order to minimise waste and reduce bills we also promote water recycling and re-use.

This takes a variety of formats ranging from the use of technologies such as rainwater harvesting through to providing waste minimisation seminars promoting behavioural change or supporting bill analysis to identify ways to save money and reduce usage.

7.4.4.3 Risks to 'We keep your bills as low as possible'

Uncertainty in the changing economic and regulatory climate pose potential challenges to us and our ability to keep bills as low as possible. Ofwat's commissioned report by PricewaterhouseCoopers suggests the UK economy will go through a period of only very modest recovery between 2015 and 2022, with a corresponding change in unemployment.

An ongoing challenging economic climate could result in more businesses closing, increasing the debt shared among customers and increasing our cost to serve. Similarly as discussed earlier under Retail Competition, a change in our customer base as profitable customers potentially shift suppliers will result in lower benefits of scale and a higher proportion of less profitable customers to serve, both of which will increase our cost to serve.

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.

7.5.2 How will we achieve this outcome?

We plan to reduce the environmental impact of our non-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 focused 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 waste 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.

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 Kelda’s 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 significantly 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 our 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 using this technology across the whole of Yorkshire Water including our non-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 our 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 focussing 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

want 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.

4.5.3.2 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'.

For all of our customers we promote electronic billing to reduce waste and water efficiency initiatives. We currently have almost 1,300 business customers using our standard online billing system and we would like to focus on increasing this in future years.

Our approach to demand management is to build a culture of water conservation with our non-household customers through promotion of water conservation activities such as proactive and reactive leakage detection and repair. By ensuring that water is used efficiently we help manage the risks on this resource and the impact on population growth and climate change. Helping our customers to use less will also lower their water bills and means that we reduce our impact on the environment through reduced abstraction from rivers and reservoirs.

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

Over the next five years we will invest £41 million to deliver these three retail outcomes that our customers told us they want and need and we 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

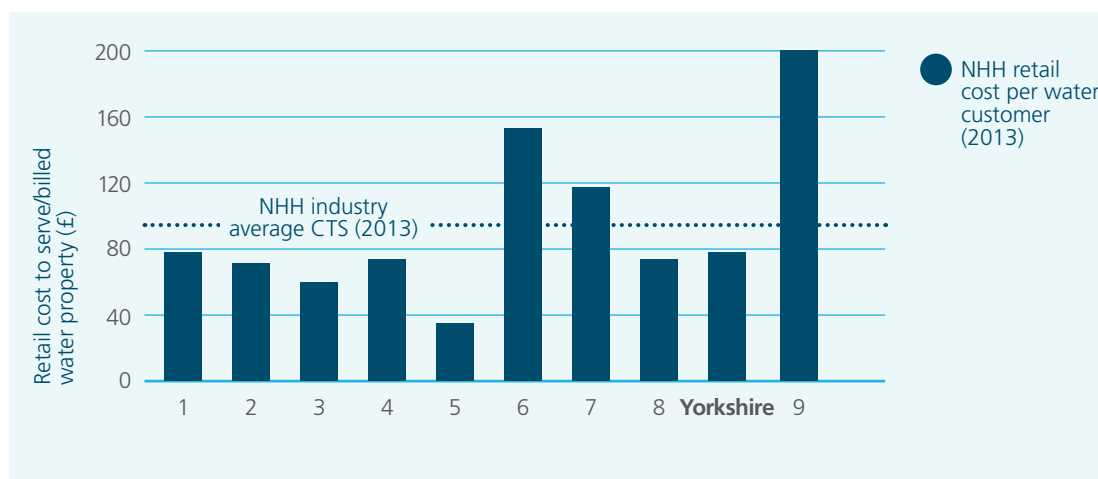
We are proposing to carry out our Blueprint while aiming to keep customer bills broadly stable over the 2015-2020 period.

We will finance the provision of our services by:

- Effective and efficient management of revenue recovery to maintain financial viability
- Focusing on transparent default tariff proposals
- Operating with a 1.25% retail margin to create a financeable and competitive retail service offering
- Contributing to overall bills that are held down in line with inflation.

Figure 8A

YWS estimate: total retail operating cost per NHH billed for water (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.

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 Non-household retail costs

Historically Yorkshire Water has low costs for serving its retail non-household customers. Analysis of the published 2012/13 regulatory accounts showed Yorkshire Water as below the industry average cost to serve for non-household customers.

This section of our business plan outlines our approach to assessing the information required to set the default tariffs for our non-household customers.

In light of the final business plan methodology and further guidance from Ofwat, we have carefully reviewed the retail non-household costs within the 2012/13 regulatory accounts. We have paid particular attention to the methodology regarding the costs associated with developer services, and the requirement to mirror the Scottish retail market. We have reallocated costs relating to developer services from the retail non-household controls to wholesale water and waste water controls accordingly. Our retail developer service costs are now reflective of only the retail services provided by developer 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	3.4	3.4	3.4	3.2
Productivity improvement	0.3	0.3	0.3	0.3	0.3	0.3	0.3

Movements on base costs

In assessing our future retail costs our starting point was 2012/13 regulatory accounts. We have also considered changes in our regulatory environment and customer base. This has included the cost associated with:

- Retail competition and the cost of implementation
- Increasing level of new connections
- Overall decline in non-household customers.

Retail non-household operating expenditure is forecast to increase over AMP6. This is primarily driven by the costs of implementing retail competition for non-households in 2017. We are also forecasting an increase in new connections, in line with the water resource management plan. This will lead to an increase in the costs of the retail developer services activities that we undertake (e.g. administration of new connections). Whilst we anticipate this will also drive increased meter reading costs, this is largely offset by an overall decline in the forecast number of non-household customers.

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 3.4% for the retail non-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.

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

Figure 8C

Breakdown of retail non-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)	6.547					
Atypical	0.215					
Adjusted base year	6.762	6.762	6.762	6.762	6.762	6.762
Additions to base – Metering	0.024	0.024	0.024	0.024	0.024	0.024
Additions to base – Developer Services	0.000	0.100	0.174	0.300	0.372	0.428
Additions to base – Competition	0.000	0.330	0.550	1.695	1.669	1.669
Total pre RPE	6.786	7.216	7.510	8.781	8.827	8.883
Cost escalation	0.404	0.676	0.976	1.474	1.836	2.211
Productivity	-0.021	-0.046	-0.074	-0.119	-0.154	-0.192
Total projected outturn	7.169	7.846	8.413	10.136	10.509	10.902
Deflation to 2012-13 prices using business plan RPI	-0.447	-0.731	-1.034	-1.547	-1.888	-2.228
Total at 2012-13 prices	6.723	7.115	7.378	8.589	8.621	8.674

Figure 8C above shows our forecast retail non-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.

The next section outlines our proposed default tariff structures and charge elements.

8.4 Default tariffs

Our approach

Retail controls for non-households will be set using a default tariff approach. In developing our default tariffs, we have placed a great deal of importance on ensuring our tariffs are cost-reflective and recover no more than our non-household retail costs and our proposed net margin. We have also endeavoured to allocate costs and margins in such a way that will avoid any significant bias to any particular market segment, with the intention of enabling as many customers as possible the opportunity to benefit from participation in the contestable market.

In order to ensure we meet these objectives and are compliant with competition law we have undertaken a robust cost allocation exercise and considered a number of approaches to allocating margins. However, while we have taken an approach which we consider best facilitates competition in the contestable market, we also acknowledge that our proposals may not guarantee equal opportunities for all customers to participate in the market. We are strongly committed to achieving this and welcome discussions with Ofwat in this area.

Default Tariff structures

In the final PR14 methodology, it was confirmed that the preferred approach to determine the different customer types, for which default tariffs are set, was to use each company's proposed tariff structures. It was also indicated that the proposed tariff structures were likely to be based on company's existing tariff structures.

Figure 8D
Retail application charge (£)

Retail charge	2015/16	2016/17	2017/18	2018/19	2019/20
Retail application charge (£)	103.90	103.27	102.56	102.28	102.15

Figure 8E
Our proposed default tariff for 2015/16 – 2019/20

Charging year	Charge element	Units	Measured (0-50MI/a)	Measured (50-250MI/a)	Measured (250-3000MI/a)	Measured (>3000MI/a)	Unmeasured
2015/16	Fixed charge	£/customer	60.82	107.49	111.36	157.03	47.79
	Variable charge	pence/ wholesale bill	0.657	0.657	0.657	0.657	0.657
2016/17	Fixed charge	£/customer	62.62	111.02	114.90	160.64	48.95
	Variable charge	pence/ wholesale bill	0.658	0.658	0.658	0.658	0.658
2017/18	Fixed charge	£/customer	71.37	126.05	129.93	175.70	55.35
	Variable charge	pence/ wholesale bill	0.662	0.662	0.662	0.662	0.662
2018/19	Fixed charge	£/customer	71.35	125.89	129.77	175.53	55.39
	Variable charge	pence/ wholesale bill	0.662	0.662	0.662	0.662	0.662
2019/20	Fixed charge	£/customer	71.54	126.06	129.94	175.65	55.57
	Variable charge	pence/ wholesale bill	0.663	0.663	0.663	0.663	0.663

In line with the guidance provided by Ofwat, and with the aim of minimising incidence effects, we are proposing to rollover our existing tariff bands as part of our default tariff proposal. These tariff bands are as follows:

- Measured 0-50ML/a
- Measured 50-250ML/a
- Measured 250-3000ML/a
- Measured >3000ML/a
- Unmeasured

The proposed tariff bands apply to all non-household customers (i.e. water and sewerage, water only and sewerage only). We consider this to be appropriate since a single retail service is being provided to these customers, in contrast to wholesale services, which are split between water and waste water. Our proposed tariff structures mean that the band in which a non-household lies will be based on the higher of their water, sewerage or trade effluent consumption.

Default Tariff – charge elements

Our proposed default tariffs consist of the following charge elements, which apply to each tariff band:

- A fixed charge per non-household customer (£ per customer per annum)
- A variable charge (£) based on the size of the wholesale bill (pence per £ of wholesale bill per annum)

The fixed and variable charges for each tariff band are shown in Figure 8P.

In addition the proposed default tariffs comprised a retail application charge (£) for new connection applications. These proposed charges for 2015/16 to 2019/20 are shown in Figure 8D above.

8.5 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 our customers, show that there is a need to continue delivering a level of customer service that customers expect and value, while keeping bills as low as possible. It is vitally important that these retail functions can be financed through a net margin that remunerates investors for the risks faced, while ensuring that these outcomes are achieved.

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 returns.

Proposed Allowed Retail Returns

For our retail non-household business we are proposing an allowed return of 1.25% on retail revenue. Our assessment of an appropriate net margin has been undertaken for the non-household business on a stand-alone basis. The proposed net margins cover the financing of working capital and remunerate 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 and while there is evidence that energy retailers in Great Britain have earned returns towards the top end of this range more recently, we consider the proposed returns to be sufficient to facilitate competition in the contestable market.

Figure 8F
Our proposed allowed return for the non-household retail business

Retail control	Our proposed net margin
Non-Household retail control	1.25%

Figure 8F above shows our proposed allowed return for the non-household retail control. The allowed return for the non-household retail control reflects the additional risks faced by the non-household price control through the introduction of competition in April 2017.

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 business 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
- Provide continued personalised services for our business customers
- Has support from the Customer Forum
- Keeps bills broadly stable.



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

Approximately 1,700 business 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. It aims to continue our trend of improving customer service and to shorten the time to resolution if customers should experience problems by altering the way we approach a situation 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.

SIM will no longer be used as a measure of satisfaction for business customers from 2015/16. Despite this we still intend to offer all the service enhancements and benefits to business customers as we do to drive domestic performance measures.

Figure 9A
SIM overall scores



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 at minimising bad debt for paying customers. We're making it as simple as possible to pay by offering a range of payment options, consolidated billing and regular and accurate billing. We're also working to reduce our customers' bills through cutting down water usage by providing water efficiency advice and audits and by reducing leakage.

We are reacting to the ongoing legislative change to ensure we are prepared and our customers are able to benefit from a competitive retail market.

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.

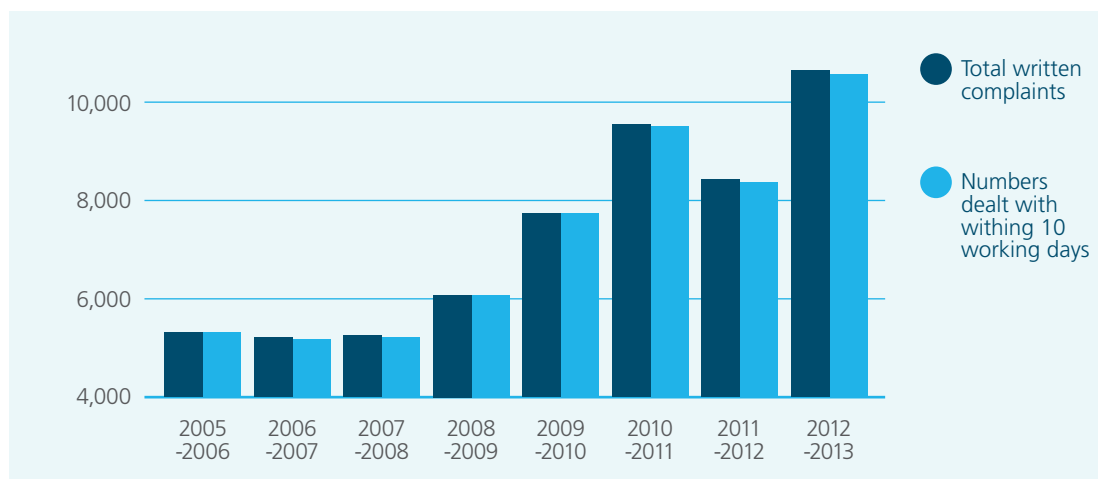
That's why, in 1993 we established the Business Customer Team to provide a market leading and unique level of service for our customers with specific retail requirements, and in April 2000, we were one of the first companies to establish a separate retail entity, through our sister company, Loop. With 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 our billing and income record has been strong historically, reflected in our consistently leading performance in this aspect of the 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 in figure 9A.

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 0.94% for non-household customers. This is against a WASC average of 1.73%.

Figure 9B

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



In the assessments undertaken for PR09 (2010-15) we were assessed for operating expenditure to be a benchmark company and as we have continued to deliver further Opex savings, we consider Yorkshire Water to still be a frontier company for operating efficiency.

We also have an extremely low level of customer complaints, deal with the vast majority within 10 working days and were industry-leading in this area 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 9B. 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% for sewerage and 72% for water 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'

Finally, we have an excellent reputation for 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 to be winners of the ICS Best Customer Service Employer 2010. For a list of awards please see our website.

We firmly believe that satisfied employees results in satisfied customers and this approach is 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 and value very highly.

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
- Personalised case management
- Online billing
- 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.

Online billing

Research told us that customers are increasingly preferring certain services, such as billing, to be provided via digital channels. Most business customers already had access to this service, but we are increasing the scope of online billing to include our system which facilitates more complex arrangements, such as consolidated billing and variable tariffs.



Personalised case management

Where customers have had a poor experience with us, a frequent cause is 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, and keeping customers informed throughout.

The personalised service provided by our account managers has also evolved to meet the changing demands of our customers. In recent times, customers have increasingly asked us for support to reduce their bills and our colleagues have stepped up to provide this.

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 the Household Business Plan under Supporting our Customers.

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
- It clearly sets out our tariff proposals for the opening of a competitive market
- We view efficient retail activity as good business so we're only proposing reputational incentives to drive performance.



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. These items are mainly related to changes in our operating structure and the number of non-household customers we have. The two primary reasons for changes in this number are:

- Changes in the total number of business in our operating area
- The introduction of competition for business customers in 2017, meaning that customers can choose to have their retail services provided by someone else.

The exact effect of both these factors is difficult to predict.

The number of businesses in our operating area is affected by the economic climate, it would be usual to expect more businesses in a strong economy. We have carried out a simple analysis of how uncertainty in industrial demand would affect Yorkshire Water as a whole. We estimate that changes in industrial demand due to a strong economy could raise our income by around £1million a year, and changes due to a weak economy would lower our income by around £1million a year. However, much of this increase and decrease is due to changes in revenue so would be effectively cancelled out over the whole of AMP6. We have very little control over the number of businesses in Yorkshire.

To some degree the number of customers we retain when retail competition is introduced is within our control. If the retail service we provide is excellent we would expect to retain more customers than if it were poor.

However, certain segments of the market such as UK-wide, multi-site retailers are highly likely to switch to new entrant water retailers in order to gain the advantages of one supplier and one bill for all their GB-wide water needs. Yorkshire Water's incumbent retail business will not be able to offer a UK wide service, and so approximately a third of our customer base could be at risk of switching to an alternative retail provider.

We do not yet know the exact structure, operating model, rules and codes the competitive market for retail services will adopt, so it is difficult to accurately assess the implementation and future operating costs. Instead we have analysed a number of different strategies we could take to competition. Within our PR14 submission we have included the minimum costs for complying with our legal obligations in terms of ensuring our retail non-household business is appropriately independent from our other regulated businesses. There is a risk that our cost estimates are inaccurate due to the fact we do not yet know the final requirements.

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.

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 service organisations to enhance our service offering**
- **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

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.

Working with Service Partners

We've built working relationships with service partners to deliver the best level of service to our customers.

We're able to effectively coordinate and facilitate discussions with service partners to deliver a range of additional service products and services to meet the needs of customers.

Having an effective working relationship also means we can provide the best support to customers, for instance, working to minimise disruptions to business operations during planned or essential maintenance and repair work carried out by service partners.

Future Partnering

We look forward to extending our partnering approach with the opening of a competitive retail market. We envisage partnering with credit reference agencies to influence our retention strategy and enhance our service. We also plan to continue partnering with external organisations to ensure accuracy of billing for our largest customers.

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.

Innovative Communications

We've been using an innovative approach to engage our commercial customers on our business goals through hosting the first Taking Responsibility For Business Awards.

The awards were created by our Business Services Team to help engage with our key business customers around our company Vision of 'Taking responsibility for the water environment for good'. They recognise the efforts our customers make towards the sustainability of the Yorkshire region and provide an incentive for them to have pride in their effort, performance and innovations, especially linked to their use of and impact on water.

Assessed Volumetric Charge

In 2012/13 we introduced an assessed volumetric charge to assist business customers with budgeting. This charge is used to produce an estimated bill prior to us being able to provide customers with a meter, and ensures customers can still receive a bill where there is no precise alternative.

Future Innovation

As we move closer to 2017 the strategy of Yorkshire Water's retail business will change. We expect lots of exciting and innovative approaches to enhance our retention strategy.



11.5 Adapting to an open retail market

Recognising in the early 1990's that competition and customer choice would at some point become an inevitable part of our industry, we knew we had to change. We decided then to develop a service ethos and offering which was so ahead of our peers, that even in the event that our customers were given a choice of supplier, they would continue to choose Yorkshire Water.

Feedback from many of our account managed customers tells us that because of our strong track record of innovation and service delivery, when they are given this choice in 2017, their preference is to stay with Yorkshire Water. Although such feedback validates our historical approach, it does not create complacency, it simply reinforces the desire our people have to provide the business community of Yorkshire with the greatest service they experience from any of their suppliers.

Yorkshire Water thrives on a challenge and adapting our retail business to be successful in a truly competitive market will be great for our customers and is right up our street.

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 Wholesale Water plan for the next five years. We hope that 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 02 December 2013. Ofwat will announce its 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 come into force on 01 April 2015. We will continue to update customers and stakeholders on our progress and publish our final determination of prices and what it means for them in a clear customer guide in 2015.

In the meantime, we will continue to work closely with the Customer Forum to ensure that 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 customer 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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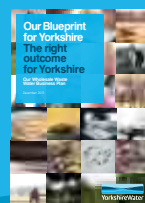
The Yorkshire Water Business Plan

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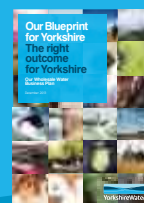
The summary of our five year plan

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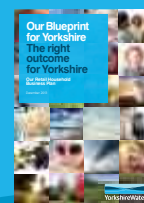
The Wholesale Waste Water Business Plan

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The Wholesale Water Business Plan

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The Retail 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
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Follow us on twitter
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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




Our non-household business plan – Appendix 3

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

Our non-household business plan – Appendix 3

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 non-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	