

Business Plan
2020-2025

Empowering **customers**



**South West
Water**



**Bournemouth
Water**

Empowering customers

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This business plan is about **empowering customers** and giving them a new deal. Customers have helped inform this plan and will be able to share in our success and have more control in our business.

Empowering **customers**

their **say**
their **community**
their **plan**

+
their
stake

**new
deal**

Our business plan executive summary –

A new deal for our customers

We have built on our continuous engagement ever since the PR14 business plan was submitted. During that time we have reached out to all our customers and consulted on our aims and ambitions for the period to 2025 and beyond.

This has been our most extensive research yet, engaging with c.1 million customers with c.27,000 customers directly providing feedback to our proposals, alongside significant challenge from the independent WaterFuture Customer Panel (WFCP). The priorities we have built our plan around, are what our customers have told us matters most to them:

- **A resilient and reliable service**
- **A fair and affordable bill.**

In short, we have listened to our customers. This plan is for the customers and communities we serve. Our customers want excellent service and to be empowered to hold us to account on our commitments. This business plan is about empowering our customers and setting out a ‘new deal’ for them.

So what’s the new deal?

We are empowering our customers by:

- Offering them a **tangible financial stake in the business**
- Giving them **more power to hold us to account**
- **Addressing water poverty by 2025**
- Reflecting a **strong service and cost focus** in our culture, targeting stretching performance commitments.

We know from customer feedback that they want to see the benefits of success of the business fairly shared, which is why we have already pioneered the innovative WaterShare framework. We also know that customers want this framework to evolve. **Customers want a real stake in the business, comparable with investors.**

We will offer customers a stake and a say. As investors benefit from share ownership, we propose to extend WaterShare to mirror their benefits, dividends and capital. We are calling this WaterShare+ and in 2020 we will offer customers the option of a stake through the issuing of a ‘WaterShare’ share. We will commit to holding a customer Annual General Meeting where customers can vote and have their say. We will refine and finalise the scheme following feedback on our proposal.



All customers contacted to co-create the plan

SWW plan without inflation

2019/20	£477
2024/25	£418
	11% lower

88%
customer
acceptance

BW plan without inflation

2019/20	£139
2024/25	£127
	9% lower

92%
customer
acceptance

WaterShare+

Customer share ownership scheme proposed from 2020

Customer AGM

Our business plan executive summary – A new deal for our customers continued

We know that customers also want affordable bills and to ensure we are tackling water poverty.

Building on the successful integration of Bournemouth Water, **delivering a better comparator for the sector**, our plan to 2025 proposes further improvement in services. We are also targeting further significant efficiency across the whole business to keep bills as low as they can be. As a result, **South West Water customer bills are proposed to be lower in 2025 than they were fifteen years earlier, and lower than they are today.**

We are also planning to ensure all our customers have the option of receiving a measured bill by **metering all remaining unmeasured properties by 2025**. We want to make sure those who would benefit from having a meter get the option of having a lower bill, by providing them with a dual bill. It is then their choice.

We plan to deliver further challenging service commitments from a position of confidence, built on our strong track record of delivery. **All of our stretching PR14 commitments to 2020 are on track to be delivered.**

However, we know there are areas where we have more to do. Our impact on the environment from pollution incidents is a particular area of focus. Our plans have the necessary ambition to achieve and sustain a high level of environmental performance. This includes a partnership with the University of Exeter to deliver a new **Innovation Centre for Water, Waste and Environmental Resilience**, providing benefit not only for our customers but also the wider sector.

We want to reflect the high expectations our customers have in the way we do business. Our values set the tone for the way we do business and are embedded in our way of operating.

Our Board is focused on strong financial control, sound administration and good governance. We know our customers feel strongly about our financial contribution to the community, society and the broader environment. Our culture is customer driven, which is why we have:

- Pioneered our WaterShare framework of sharing gains with customers
- A responsible approach to corporation tax and a sustainable financing framework
- A transparent and clear policy for dividends and Executive pay.

This is a balanced, well evidenced plan that reflects our customers' priorities and enhances the communities we serve.

The Board has pledged to deliver this step change in our relationship with our customers, a new deal which will leave them **empowered**.

Successful merger, at the forefront of cost and service efficiency

In 2025 South West Water customer bills will be lower than 15 years earlier and lower than today

Water poverty addressed by 2025

Dual billing giving choice of bill

Sector leading service levels targeted

Lowest level of pollutions ever seen in the industry

Industry leading leakage levels

Strong Board leadership and customer driven culture

Innovation embedded in how we operate

Sustainable financial policies



Trusted



Collaborative



Responsible



Progressive

Our Board pledges to 2025

We will deliver efficiency, keeping bills as low as possible and address water poverty

Target zero customers in water poverty by 2025

In real terms average customer bills are forecast to fall by 11% (South West Water) and 9% (Bournemouth Water) by 2025

South West Water customer bills are forecast to be lower in 2025 than they were 15 years earlier and lower than they are today

Continue to focus on cost control and the use of innovation and markets to drive efficiency

We will provide outstanding customer service

Target excellent service performance across all areas and sector leading C-MeX performance

Meet stretching service performance commitments in the areas which matter most to customers

Continue to provide a resilient service for now and the long term, regardless of any challenges faced

Deliver major drinking water quality enhancement programme to deliver wide scale benefits for customers

We will deliver environmental leadership

100% wastewater compliance

Strive to eliminate harmful pollutions to the environment and reduce minor pollutions to record lows in the industry

Upstream Thinking programme improving 80% of our catchments

Targeting industry leading leakage, delivering 15% reduction from 2020

Our largest environmental improvement plan for 15 years to deliver region wide benefits for the environment and economy

Deliver our 2050 Environment Plan

Future new water transfer to promote resilience and efficiency



For more information, see [Board Assurance Statement](#)



We will empower our customers by giving them a stake and more of a say in our business

Share the benefits of success with customers fairly and transparently, developing our transformational WaterShare+ framework

Evolve our sharing mechanism for customers to continue to benefit from financing gains

Receive oversight from the independent WaterShare+ panel

Introduce a first of its kind customer share ownership option from 2020

Hold customer annual general meetings where customers can vote

Hold quarterly public customer meetings chaired by independent WaterShare+ panel

We will deliver our promises, supporting the regional economy and our communities

Invest over £1bn in the region to enhance the communities and environment we serve

Deliver key projects to protect rivers, bathing and shellfish waters for our customers, tourists and businesses who depend on them

Invest in two new water treatment works in the Bournemouth region

Extend our area of operation to include the Isles of Scilly

Provide new employment opportunities through our regional investments

Use our regional supply chain to support regional economic growth

Invest in people, skills and personal development, including our apprenticeship programme



new
deal

Board areas of scrutiny

Sharing success with customers

Bill level in 2024/25

Bill profile to 2024/25

Scale of affordability support

Addressing lessons learned from Storm Emma

Ambition on pollutions performance

Smart metering policy

Direct procurement and markets

Business plan navigation

This document is the South West Water (the combined entity of South West Water and Bournemouth Water) business plan to 2025.

A copy of this business plan, accompanying video and supporting information is published on our website www.southwestwater.co.uk/waterfuture.






This document contains key information about the business plan and how it relates to Ofwat’s initial assessment of plan (IAP) test areas.

More detailed information about each business plan test area is contained within individual ‘element of the plan’ documents.

Each ‘element of the plan’ document aligns to an individual test area containing detailed evidence and information on the specific IAP test area question. Links to further supporting information or evidence are provided where appropriate.

To aid navigation, a clear summary of all information relating to each test area and question is summarised in each ‘element of the plan’ document.

An illustrative example is provided below for the ‘targeting controls, markets and innovation’ IAP test area.










High quality plan features	Evidence & activities	Evidence location within plan
<p>CM 2</p> <p>How well does the company use and engage with markets to deliver greater efficiency and innovation and to enhance resilience in the provision of wholesale and retail water and wastewater services to secure value for customers, the environment and the wider economy; and to support ambitious performance for the 2020-25 period?</p>	<p>Innovating and embracing markets and change is in our culture, explicit in our values and applied across our systems, processes and people across our whole value chain. Markets have the potential to deliver significant benefits to customers – the biggest example of this has been seen in the merger of Bournemouth Water, delivering significant benefits that could only be delivered through a merger (capital market).</p> <p>At a cultural level, this has made us think about the products and services different areas of the business deliver, and who their customers are. This resulted in:</p> <ul style="list-style-type: none"> • The introduction of an ‘internal market’ between our water and wastewater operations for the supply and use of water. This has successfully driven reduced water use, improved efficiency and enhanced resilience by revealing the underlying costs and risks in each area • A new water resources website for market trading gives us the platform to bring in and engage with new third parties for water supply, supplemented by a clear bid assessment framework • Payment for ecosystem services for our Upstream Thinking environmental programmes • The development of a direct procurement framework and proposed 20MI/day transfer from our Bournemouth region to Southern Water is opened up to direct procurement. We believe this scheme will generate significant multi-million pound benefit to the South East through delivering a low cost water supply alternative • Successful entry and subsequent operation of non-household retail market. Improvements in data visibility and tracking of retailer service level agreements have benefited all aspects of our operation. 	 <p>Targeted Controls, Markets & Innovation</p>  <p>Water Resources Wholesale Revenue Control</p>  <p>Bioresources Wholesale Revenue Control</p>  <p>Securing Long-Term Resilience</p>  <p>Residential Retail Revenue Control</p>

Document map

Business plan to 2025

 <p>Business Plan (this document)</p>	 <p>WaterFuture Customer Panel Report</p>	 <p>Customer Summary</p>	 <p>Investor Summary</p>
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Elements of the plan

 <p>Engaging Customers</p>	 <p>Addressing Affordability & Vulnerability</p>	 <p>Delivering Outcomes for Customers</p>	 <p>Securing Long-Term Resilience</p>	 <p>Targeted Controls, Markets & Innovation</p>
 <p>Securing Cost Efficiency</p>	 <p>Aligning Risk & Return</p>	 <p>Accounting for Past Delivery</p>	 <p>Securing Trust, Confidence & Assurance</p>	 <p>Board Assurance Statement</p>

Revenue controls

 <p>Summary Appointee + Tables and commentary</p>	 <p>Water Resources Wholesale Revenue Control + Tables and commentary</p>	 <p>Network Plus Water Wholesale Revenue Control + Tables and commentary</p>
 <p>Network Plus Wastewater Wholesale Revenue Control + Tables and commentary</p>	 <p>Bioresources Wholesale Revenue Control + Tables and commentary</p>	 <p>Residential Retail Revenue Control + Tables and commentary</p>

Business plan to 2050

 <p>2050 Vision</p>	 <p>2050 Environment Plan</p>	 <p>Draft Water Resources Management Plan</p>	 <p>Drainage and Wastewater Management Plan</p>
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“

**Improving the service
and reducing the bills
is very welcome.**

”



Key features of our plan

Our 2020-25 plan has six key features:

✓ Engagement to empowerment

Further strengthening the relationship we have already established with customers through WaterShare+

WaterShare
WaterShare+

✓ Sharing more of our success and putting customers in control

Providing customers a tangible stake in our business and handing them power to influence what we do

Continued debt sharing mechanism

Customer share ownership plan

✓ Delivering our promises

Building on our strong track record of delivery and the trust that customers and stakeholders put in us to do what we say

All PR14 commitments delivered through transparent WaterShare governance framework

✓ Ambitious customer service, environmental and efficiency commitments

The stretching improvements we have set ourselves to deliver in the areas that matter most to our customers and stakeholders

Ambitious sector leading customer service targets aligned to strong incentives

✓ Addressing water poverty so bills are affordable for all

Delivering efficiency and expanding our industry leading toolkit to make water poverty a thing of the past

Water poverty addressed through innovative support programme

✓ Our special responsibility

Delivering outcomes for our customers, stakeholders and communities in a way aligned to our values reflecting our important duty as a provider and steward of essential services and assets for society.

Strong Board values, WaterShare ethos and customer focused culture

“

I really appreciate South West Water have come back to me and asked for my feedback.

”



Engagement to empowerment

Our 2020-25 business plan is based on a step change in our engagement with customers and a deeper understanding of their priorities and preferences.

Our engagement approach includes:

- A WaterShare framework and oversight by an independent panel facilitating greater scrutiny of performance with customers, promising them greater visibility and involvement in decisions about benefit sharing
- Seeking numerous and wide ranging customer views to inform the plan, and through co-creation workshops on how best to deliver it
- A new, innovative, interactive and personalised video sent to all 'MyAccount' users (c.50% of our customer base) to inform long-term water resource planning
- Best practice and innovative behavioural economics engagement techniques applied across our entire customer base, enhancing the robustness of our research data.

We have already seen our relationship with customers change as a result of the introduction of our innovative performance sharing and reporting framework, 'WaterShare', established in December 2013. This delivered a transparent and consultative framework (overseen by an independent WaterShare panel), enabling a more holistic and transparent view of our performance, demonstrating how benefits are accrued in a proportionate way, giving legitimacy to our outperformance.

We believe this has been a major step to greater transparency and openness with our customers, a fundamental requirement for all providers of essential public services.

WaterShare has been the central theme of our engagement with South West Water customers for the last five years. Whilst the sharing of benefits has only applied to South West Water customers, the review and scrutiny of performance and engagement with customers has also been undertaken by the independent Customer View Group (CVG) in Bournemouth.

Engagement with customers is central to all of our thinking and our plans are grounded in what customers tell us matters the most to them.

As a result, we have produced a plan that sets performance targets and incentives that robustly reflect customers' priorities and values, both now and in the long term, and taps into their appetite for wider participation in efficient and sustainable delivery at an individual and community level.

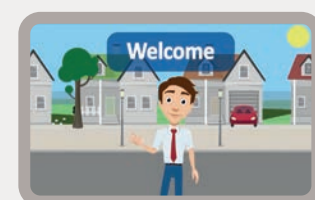
WaterShare has changed our relationship with customers

Innovative customer engagement embedded into everyday business



For more information, see **Customer leakage and co-creation workshops**

greenredeem



Our interactive water resources video

WaterShare



For more information, see **Proposals and Choices 2020-2025**

Engagement to empowerment continued

Our plan firmly embeds customer engagement as an ongoing, two-way and continually evolving process that provides information for the improvement of services and the enhanced transparency and accountability of our performance.

Continuous customer engagement and participation in the business – moving from engagement to empowerment.

Customer engagement is at the heart of our operation and day to day business. Our PR14 customer research and engagement was groundbreaking, and one of the reasons we achieved such high customer acceptance of our plan (84%).

We have retained this core principle for PR19, but significantly extended and improved the range of evidence used. The step change in the process for PR19 has several powerful elements:

- Development of surveys and research methods that are engaging and appealing to customers
- Cross checking of the core Willingness to Pay survey evidence by drawing on a wider set of data to provide 'triangulated' values for use in the cost benefit analysis underpinning our proposed service improvements
- Changing the 'conversation' with customers on specific topics, making them more understandable
- Drawing younger members of the community into the engagement process to ensure future customers' voices are heard and used
- Ensuring the voice of vulnerable customers is heard through specific focus groups and discussion on specific needs
- Using our extensive communication capability to reach out to customers, through a comprehensive 'Get into Water' campaign, raising awareness, informing, educating and inviting customers to provide feedback and participate in our research.

Results

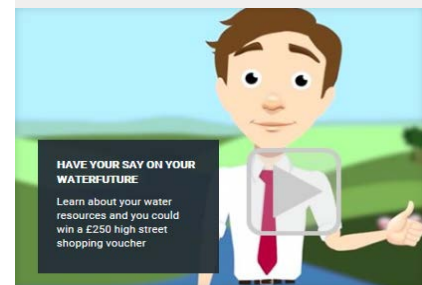
All of the research that we have undertaken has put the customer at the heart of the plan. The final checks and tests on what we have heard, and how we have reflected this in our plans, has been our acceptability testing.

In the quantitative testing phase, 92% of households in our Bournemouth Water region found the plans to be acceptable (79% at PR14). With inflation added acceptability is still high at 80%.

For South West Water customers the acceptability of the plan is 88% (84% at PR14). With inflation added acceptability is still high at 80%.



For more information, see [Engaging Customers](#)



For more information, see [Ofwat PR19 Customer Engagement Meeting](#)

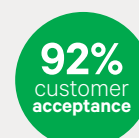


For more information, see [ICs Triangulation report](#)

Step change in conversations – making sure everyone has a voice



Record high customer acceptance of our plan Bournemouth Water



Engagement to empowerment continued

These results unequivocally demonstrates a high level of support for the balance of service, investment and bills in our plan.

We also tested our plans with the £50 government contribution removed.

Customers currently receive a £50 contribution from government towards their bill. Whilst we have tested customer acceptability at a higher bill level, and 80% still find the plan acceptable, once customers are told this is because of the lower or removed government contribution the acceptability levels drop significantly (59% in real terms and 46% in nominal).

Challenge and accountability

Our customer engagement, the design and implementation of our research and the assessment of results has been closely overseen by our Board, as well as the independent WaterFuture Customer Panel (WFCP) and expert peer reviews of our key studies and overall approach.

Key challenges from the WFCP and our responses are highlighted below:

- ?** **Has adequate weight been applied to the customers of Bournemouth Water and South West Water?**

→ All engagement and research activities are split proportionately between customers of both regions, with separate research undertaken with both groups of customers
- ?** **What are the plans for improving pollution incident performance?**

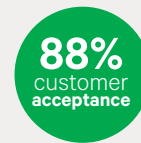
→ South West Water presented an ambitious pollutions improvement strategy, which is already underway
- ?** **Is the company doing enough on biodiversity?**

→ We worked with the WFCP to develop a new innovative biodiversity scorecard to drive our performance in this area
- ?** **How will the company address the uncertainty over the retention of the £50 government contribution post 2020?**

→ Throughout all engagement with customers, the uncertainty of the £50 contribution post 2020 has been made clear. There is strong support for our plan, but customers find the removal of the contribution unacceptable. The Board has pledged to flex affordability support to mitigate any potential affordability impact on our customers, should the government remove the £50 contribution.

The extensive review and challenge has helped to develop a business plan based on customer views. The WFCP has submitted their own separately assured report to Ofwat.

Record high customer acceptance of our plan
South West Water



For more information, see [ICS Acceptability report](#)

Board directly involved in customer engagement

WaterFuture
Customer Panel

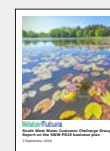
Bournemouth Water
Customer View
Keeping customers at the heart of the company

South West Water
WaterShare

WaterFuture
REaV sub group

WaterFuture
LREI sub group

426 challenges during 55 meetings



For more information, see [WaterFuture Customer Panel Report](#)

- ✓ **Well evidenced**
- ✓ **Balanced**
- ✓ **Affordable**
- ✓ **Acceptable to customers**
- ✓ **In line with legislation and regulation**

“

Good idea overall.
Will make people feel
they are part of the
company.

”



Sharing more of our success and putting customers in control

We will transform our relationship with customers by sharing more of our success, offering them a stake and a greater say in the business.

The key features in our plan which will drive this transformation are:

- £20m of accrued benefits from the PR14 WaterShare mechanism will be offered to South West Water customers in the option of 'shares'
- A first of its kind, customer share ownership scheme will be introduced from 2020 allowing customers (including those of Bournemouth Water) to share in the success of the company
- Customers will receive a share of company profits just as shareholders do and receive annual reports and financial statements
- Customers will have additional powers through attending a customer annual general meeting (AGM), voting on the appointment of WaterShare panel members and attending quarterly public meetings
- WaterShare principles will be enhanced with continued sharing of benefits with customers encompassing outperformance on the cost of embedded debt from 2020, adding to benefits to be shared post 2020.

WaterShare has been central to our engagement with South West Water customers since 2014. Whilst the sharing of benefits has only applied to South West Water customers, the review and scrutiny of performance and engagement with customers has also been undertaken by the independent Customer View Group in Bournemouth.

Transparency and openness about delivery are fundamental requirements for our customers.

Since 2015 our performance has been reported to customers through the WaterShare scorecard and framework, overseen by the independent WaterShare panel. Throughout the year regular meetings take place with the panel to review and scrutinise our progress against agreed performance commitments and promises made to customers.

Benefits resulting from our performance are discussed with them through focus groups and regular surveys to ascertain their preferences on how they would like to receive the benefit.

Options discussed with customers every year include:

- Re-investment in improving services for customers

c. £20m unique benefits expected to be shared with customers by 2020

Evolved cost of debt sharing mechanism to 2025

Customer share ownership scheme

Customer AGM

WaterFuture

Customer Panel

**Bournemouth Water
Customer View**
Keeping customers at the heart of the company

**South West Water
WaterShare**

#MoreOfWhatMatters
Every five years we submit our investment plans, known in the industry as a 'Price Review'. The next Price Review is in 2019 and it will determine prices for the period 2020-2025. In March 2018 we'll be publishing our proposals and all customers will be invited to 'have your say'.
Steve Meakin chats about the role of the WaterFuture Customer Panel. Find out more about WaterFuture on our website
<https://www.southwestwater.co.uk/waterfuture/>



For more information, see
**Accounting for
Past Delivery**

Key features of our plan
[southwestwater.co.uk/waterfuture](https://www.southwestwater.co.uk/waterfuture)

Sharing more of our success and putting customers in control continued

- Reduction in customers' bills
- Deferral of benefits for the future.

These discussions have driven our decisions for benefits sharing. Customers preferred c.£3m re-investment in improving services in 2015/16 and a c.£3m revenue pass back through a bill reduction in 2016/17. For 2017/18, deferring the benefit was preferred in order to secure a larger, more meaningful payment in the future.

Customers also expressed an interest in receiving the benefit in the form of equity shares.

In the context of this business plan, we have reviewed our established WaterShare approach in order to see whether there are any other areas where we could continue to embed our sharing of outperformance benefits.

One key principle we unilaterally adopted is that we would ensure any 'unearned' gains would be given back to customers. Our WaterShare mechanism allows us to do this for changes in market assumptions for both the cost of new debt and taxation. We are pleased to see that Ofwat has adopted this in the base methodology for PR19 for the benefit of all customers.

We believe we can go further with this approach.

Our voluntary proposal for PR19 is that a mechanism consistent with our sharing principles of adjusting for market based assumptions can be used to share net financing outperformance relating to debt raised in previous regulatory periods.

Using the regulatory assumption of 25% of new debt raised over each of the previous regulatory periods (PR04 and PR09) could result in financing outperformance that could be available to share with customers through to 2025 as and when debt is fixed.

We believe this approach is consistent with our principle of sharing 100% of 'market unearned gains' with customers whilst still preserving the incentives for management to efficiently raise finance and investors to appropriately bear risk in this area.

We will also continue to apply our wider approach to truing up risks embedded in our WaterShare mechanism, to ensure that customers do not pay for uncertainty and risk in base prices ahead of a risk materialising.

This approach continues to be supported by our customers and has been endorsed by the WaterFuture Customer Panel.

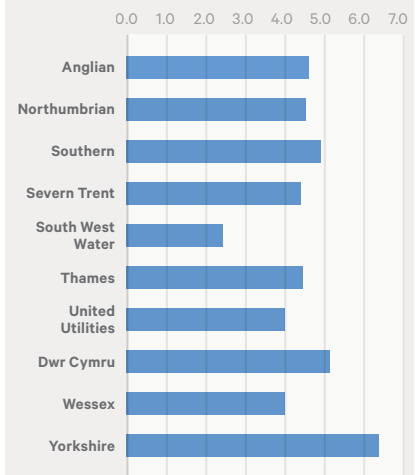
2019 /20	TOTAL	CUSTOMER	SHAREHOLDER
WaterShare	→	↓	↓
PERFORMANCE	Cum. Em	Cum. Em	Cum. Em
Driving cost base efficiency	300	150	150
Delivering outcomes	20	10	10
Other factors	20	20	-
Total	340	180	160
SHARE			
Net costs carried forward	-	-	-
Benefits available	340	180	160
Total	340	180	160



For more information, see [Aligning Risk & Return](#)

Lowest cost of debt in the sector

Nominal cost of debt (%)



'Unearned gains' returned to customers



For more information, see [WaterFuture Customer Panel report](#)

Sharing more of our success and putting customers in control continued

As our voluntary sharing mechanism has been successful and we are forecasting net benefits to share with customers, we have undertaken customer research to understand how customers would like to receive these financial benefits.

We have discussed bill reductions (immediate and deferred), monetary rebates, reinvestment in services and the option of being given an enduring 'financial stake' in the business.

South West Water, being a subsidiary of the listed company, Pennon Group Plc, can also consider the option of enabling customers to own a true equity stake.

From customer research we have undertaken so far we ascertained that whilst 77% of customers do not own shares or have a financial stake in any company, 79% believe share ownership would be a positive step.

It is seen as being a positive step as:

- Customers interests are intrinsically aligned with investors – customers would receive a share of the company profits as and when shareholders do, in addition to owning a valuable capital stake
- Customers would have a direct say in the business through general meetings.

We have therefore concluded that despite the lack of familiarity of share ownership, there is perceived value in it. Many customers were aware of schemes that are available for employees and believe these are positive.

Our Board commitment is to offer as an option, alongside bill reductions, rebates and reinvestment, a financial stake in the business, which is either a direct equity share of Pennon, or a share like scheme for South West Water, which will mirror the properties of an equity share. Feedback on our proposals will help us refine the final option.

Irrespective of whether customers decide to opt for the financial stake in the business, the Board is also committing to:

- Having **quarterly public customer meetings** chaired by the independent WaterShare+ panel
- Holding a **customer AGM**, with customers voting on the election of WaterShare+ panel members.

Our customers already have a say in our business through the extensive engagement we have with them every day. As new shareholders, we believe this will be enhanced by giving them a tangible stake and additional control in our business, empowering them to hold us to account.

We believe this approach transforms the relationship with customers from engagement to empowerment.



For more information, see
[WaterShare principles](#)
[WaterShare package](#)

77% of customers surveyed do not own shares

79% of customers support customer share ownership plans because they want to share in our success

87% of customers offered shares would keep them

WaterShare share dividend of £20m to be given to South West Water customers in 2020

Customers will be offered a tangible stake in our business

WaterShare+

“

All I wish is that South West Water continue to provide a reliable service for the best price.

”



Delivering our promises

We have transformed the services our customers rely on, undertaken major improvements of our assets to protect the public health and the natural environment and, in turn, helped to underpin the vibrant, growing economy of a region with unique characteristics and an enviable quality of life.

The investments we have made ensure a reliable and resilient service will be maintained to customers even in the face of extreme weather events. Recent examples, demonstrating our resilient operation, are seen in our responses to the extreme cold weather, wind and snow 'Storm Emma' brought to our region during March 2018 and the drought and record high demand for water seen during the summer of 2018.

Through extensive Board governance and oversight, ensuring all employees in our business are focused on delivering for customers, we are on track to deliver all of the stretching PR14 commitments on service, cost and bills which were agreed with our customers. The continuous monitoring of cost and service performance has resulted in the annual outperformance of the risk and return package (RoRE), achieving net rewards across the basket of outcome delivery incentives (ODIs), surpassing the performance of industry peers.

The extra oversight and scrutiny the WaterShare panel and Customer View Group have provided since the PR14 business plans were submitted in 2013, has ensured we are regularly held to account and remain focused on delivering all aspects of what we promised customers.

We pride ourselves on delivering what we tell our customers, building confidence with them that we can be trusted to deliver what we say.

All of the PR14 business plan pledges made by the South West Water Board of Directors are on track to be delivered:

Keep price rises well below inflation – each year average household customer bills have been kept below inflation. The average household customer bill in 2019/20 will be lower than it was 10 years earlier.



Deliver efficiency through innovation to keep costs and customers' bills as low as possible – totex savings targeted at PR14 have been outperformed through our continuous focus on cost efficiency, innovative ways of working and the successful merger and subsequent integration with Bournemouth Water.



Share the benefits of success fairly between customers and investors – our WaterShare mechanism has operated successfully since being established during PR14. £20m of additional customer benefits are anticipated to be shared with customers in 2020.



Strong Board leadership



Trusted



Collaborative



Responsible



Progressive

For more information, see



Resilience



South West Water
response to Storm Emma

A business focused on providing excellent customer service

Passionate, engaged employees

WaterFuture
Customer Panel

Bournemouth Water
Customer View
Keeping customers at the heart of the company

South West Water
WaterShare

WaterFuture
REaV sub group

WaterFuture
LREI sub group

Delivering our promises continued

Make significant improvements to frontline customer services – service response times are very good and we have a high success rate for resolving customer issues at the first attempt. Our SIM performance is our best ever, with the 2020 target being delivered two years early. ✓

Deliver service and environmental improvements – all stretching performance commitments targeted at PR14 are on track to be delivered, including industry leading drinking water and bathing water quality. ✓

Support sustainable regional growth – we have collaborated with partners and suppliers to invest in improving the environment our regional economy depends on. ✓

All of the key customer and stakeholder commitments made in our PR14 business plan are also on track to be delivered by 2020.

Ambitious cost efficiency targets have been met

- Operating cost efficiencies and capital efficiencies have been delivered through innovative ways of working, the iOPS programme and Bournemouth Water synergies realised through the integration of two efficient companies. In addition to base efficiencies, an additional c. £300m totex efficiency savings are therefore anticipated, keeping **customer bills low and our business at the forefront of efficiency**.

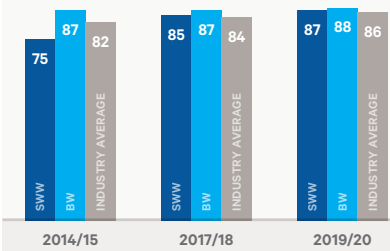
Stretching service level targets have been delivered

- Reducing pollutions to the environment including zero category 1 and 2 pollutions
- Our best ever customer service levels as measured by SIM. 2020 targets have been delivered two years ahead of schedule
- 100% wastewater treatment compliance in 2017 (descriptive works)
- 100% drinking water quality in Bournemouth Water in 2016/17
- 100% bathing water compliance
- Industry leading leakage levels and new water efficiency savings.

Bournemouth Water integration

- On track to deliver £27m of savings to share with customers as a result of the integration of Bournemouth Water
- Efficiencies that are unique to an acquisition of this kind
- Combining the two businesses means that customer bills will reduce by c. £6 in 2020
- Better comparator and benchmark for the sector (service and cost) benefiting all customers

Service Incentive Mechanism (SIM)



For more information, see **Annual Performance Report 2018**

For more information, see

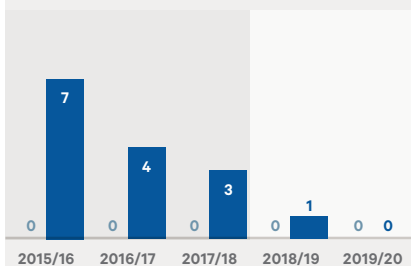


Securing Cost Efficiency



Innovation

Pollution incidents – cat 1 and 2 (number)



Integration with Bournemouth Water

- ✓ Wholesale and retail synergies of £27m
- ✓ Sharing of best practice
- ✓ Return of small company premium
- ✓ Better industry comparator

Delivering our promises continued

- Improved resilience across the region and sharing of best practice to support the best ever customer satisfaction scores in both areas
- Notable successes in debt collection and SIM performance for South West Water
- Bournemouth Water customers benefiting from return of small company premium, a social tariff, enhanced systems and central control functionality from South West Water's iOPS programme.

Entered non-household retail market successfully

Successful entry into the retail non-household competitive market, interaction with market participants thereafter and transfer of learning to household business benefiting customer service.

Learning and taking action

We are redoubling our efforts to ensure we meet expectations in those areas that are the most challenging for us. For example, for pollution control we have agreed an improvement strategy with the Environment Agency, part of an overall Environment Plan to 2050.

This has already resulted in a 19% reduction since 2015 and we are confident in our ability to bring the number of incidents down further by 2020, far exceeding our PR14 business plan commitments.

Our water supply interruptions performance is generally very good. However, we were adversely impacted by the 1 in 60 year event (Storm Emma) in February and March 2018. Prior to that event performance was on track to meet the performance commitment for that year. Multipurpose vehicles had already been purchased to provide a rapid response to complex bursts in order to reduce the risk of customer supplies being interrupted. Although statistically it is not anticipated that another 1 in 60 year event will occur again during this regulatory cycle, improvements and investments have been made to better protect customers from the risk of their supplies being interrupted by extreme weather.

Setting ambitious targets

Our achievement of these stretching commitments has provided a strong platform enabling us to develop the outcomes, performance commitments and incentives with confidence and to deliver even more of what matters most to customers to 2025 and beyond.

Committing to the right stretching level of performance has also been the subject of in-depth consultation with our customers and stakeholders to establish targets with the appropriate levels of both challenge and incentive.

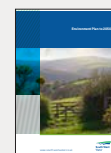
Significant retail savings delivered



For more information, see [Securing Long-Term Resilience](#)

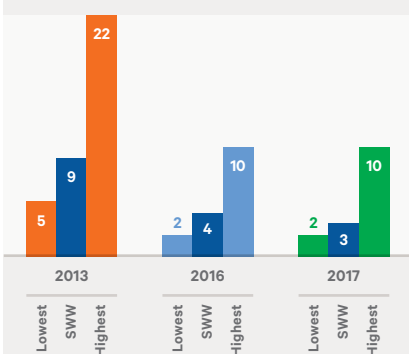


For more information, see [Residential Retail Revenue Control](#)



For more information, see [2050 Environment Plan](#)

Pollution incidents – cat 1 and 2 (number)



For more information, see



[Engaging Customers](#)



[Delivering Outcomes for Customers](#)

“

I would like to see a green environment, clean safe water supply, reduction in waste and profits passed onto customers in lower bills.

”



Ambitious service, environmental and efficiency commitments

We are targeting ambitious performance levels across all areas of our business. We aim to be sector leading in the areas where customers value the service most.

At the heart of our plan is our goal to deliver a high quality, efficient and affordable service to our customers, focused on what matters most to them, meeting all our statutory obligations in the context of the unique natural environment in which we operate. We are proud of our track record of delivery and our plan to 2025 sets far reaching targets.

From top to bottom of the organisation, our customer driven culture and governance supports the delivery of stretching targets and Executive and staff incentive schemes are aligned to their achievement.

Our industry leading research and engagement programme ensures that our performance commitments are:

- Consistent with the interests of our consumers - today and in the longer term
- Based on results from cost benefit analysis and our assessment of upper quartile sector performance
- Aligned with legislative obligations and economic to deliver.

Service

We achieved our highest ever performance on the key industry measure of customer service. The Institute of Customer Service named us the 'most improved' in the utility sector and amongst the top five most improved organisations across the entire UK Customer Service Index. We were also awarded their 'Service Mark' accreditation.

Our service improvements have, in part, been enabled by sharing best practice following the integration of Bournemouth Water. To maintain our momentum we are targeting ambitious performance levels by 2025, amongst which are:

- **Sector leading customer service as assessed by C-MeX**
- **Tailored services for vulnerable customers**, especially during operational incidents
- **The fewest instances of internal sewer flooding** by the roll-out of a region wide sewer blockage behavioural change initiative (Love Your Loo)
- **Region wide water efficiency behavioural change initiative** (Greenredeem) supporting an industry leading per capita consumption target

£1 billion investment

Excellent customer service

Environmental leadership

Forefront of efficiency

For more information, see



Engaging Customers



Delivering Outcomes for Customers



WaterFuture Customer Panel Report



The Institute of Customer Service



brightnavigator



greenredeem

Ambitious service, environmental and efficiency commitments

continued

- **Significantly reduced risk of supply interruptions** through increased interconnectivity and community specific resilience improvement projects
- **No water restrictions** and a surplus available to trade
- **Increased protection from flooding and drought** through further deployment of our flagship Upstream and Downstream Thinking programmes.

Our performance commitments have been informed by developing our understanding of the high level patterns of vulnerability across our region and in local communities to enable us to better target promotional activities for our Priority Services Register. This also helps us to identify organisations to build partnerships raising awareness and improving access to the available support and our tailored services.

This in turn has helped us understand where there are communities which may be less resilient to operational incidents and enables us to better respond to the needs of vulnerable customers during planned and unplanned events through partnering with organisations such as the British Red Cross.

Environment

Our operations and investments have contributed to wide-scale improvements to the rivers and coastal waters of the region. During 2020-25 we will continue that journey as we understand that a healthy environment is vital for the long-term sustainability of the services we provide to customers. From the water we use to supply customers with drinking water, to the rivers and coastal waters that receive the treated wastewater from customers, the health of the environment is central to the resilience of the services we provide.

Our plan sets out our activities and performance commitments for the environment, and how in meeting them we will deliver a more resilient and better quality service to our customers. Our key targets are:

- **Zero serious pollutions**
- **Lowest number of minor pollutions in the industry**
- Industry leading wastewater compliance
- Improving and maintaining the number of high quality bathing and shellfish waters
- Further **15% reduction in leakage** levels with no overall incremental expenditure increase or impact on customer bills
- Protecting our river systems and expanding our industry leading catchment based programmes
- Delivery of long-term drainage and wastewater management plans.

For more information, see



Draft Water Resources Management Plan



Drainage and Wastewater Management Plan

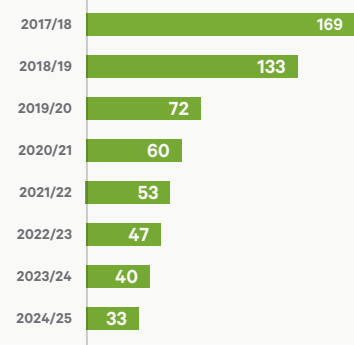


Community resilience improvement projects



For more information, see **2050 Environment Plan**

Pollution incidents – category 1 – 3 (number)



For more information, see **Upstream Thinking**

Ambitious service, environmental and efficiency commitments

continued

Expenditure and efficiency

We continue to lead the sector in cost efficiency, delivering RoRE outperformance, totex savings and financing with the lowest effective borrowing costs in the industry.

We are determined to sustain our outperformance momentum and to remain at the forefront of cost efficiency for the water sector. Across all wholesale and retail activities we have examined best practice in our own industry and elsewhere to identify where savings can be made. The integration of Bournemouth Water will realise c. £27m of synergy benefits and these have been instrumental in our totex outperformance during 2015-20. The recurring benefits of the integration will continue to underpin our goal to maintain our cost efficiency leadership in the sector.

Our 2020-25 plan will deliver significant total expenditure efficiency savings, maintaining our position at the forefront of the industry. Key themes for cost efficiency remain innovation, partnership working, behavioural change initiatives and the adoption of new technology, consistent with our core values. The key efficiency initiatives in our plan are:

- **3.0% per annum operational expenditure efficiency**
- **5% total capital expenditure efficiency**
- Energy efficiency and renewable energy projects
- **Resilient Service Improvement project** – focusing on a right first time approach to service delivery and driving out the cost of poor quality or service failure
- **Two new strategic water treatment works in Bournemouth** – using advanced technology to deliver highly efficient treatment solutions, replacing antiquated legacy processes
- South West **Innovation Centre for Water, Waste and Environmental Resilience** – working in partnership with the University of Exeter to identify, develop and implement sustainable long-term solutions for the sector.

We foresee the need for competitive market growth in the industry. Our approach to innovation is holistic, working with partners and promoting new markets where these add value. We have already started the market process for both water resources and bioresources ahead of 2020. We are working towards a direct procurement scheme for a water transfer from Bournemouth Water to Southern Water, which is under review. We are also promoting internal markets, applying the Ofwat PR19 model to our operation. This helps to reveal the value of water internally within our vertically integrated business and incentivise water efficiency and leakage reduction.

For more information, see



Securing Cost Efficiency



Totex, ODIs and innovation submission to Ofwat

Sustainable green finance framework

For more information, see



Targeted Controls, Markets & Innovation



Securing Long-Term Resilience



For more information, see **UK research partnership investment fund: Innovation Centre for Water, Wastewater and Environmental Resilience**

Direct procurement scheme for water transfer to Southern Water



If we can't make water affordable for everyone in this country, then we've got something awfully wrong, because it's an essential for life.



Addressing water poverty so bills are affordable for all

We will address water poverty for our customers by 2025.

We want all our customers to receive a bill that is affordable and value for money, and to receive the highest levels of service regardless of their circumstances.

South West Water customer bills are forecast to be lower in 2025 than they were 15 years earlier – achieved through the delivery of stretching efficiency targets.

We have a long track record of providing innovative solutions to address affordability and vulnerability. This reflects our regional circumstances, characterised by lower than average incomes and higher than average bills, leading to specific exposure to water poverty which has been rising nationally since 2000.

We recognise that many factors can influence customer vulnerability, potentially making it hard for them to access our services. Often these customers can be hard to reach. We offer an adaptable and inclusive approach to our service provision for vulnerable customers, tailoring services to each individual.

Underpinning our approach we have built a strong and extensive network of partnerships and links with third parties. This is a powerful way of furthering our work in this area.

We will continue to enhance our industry leading affordability measures to secure our strategic objective of affordable bills for all and addressing water poverty by 2025.

Our overall strategy is based on providing financial support, empowering customers, helping to change behaviours and ensuring they can easily access schemes suitable to their circumstances.

Overall affordability now and in the long term

Our customers have told us that keeping bills low is a key priority for them. Our research shows they are concerned about the effect of inflation on their incomes. Looking ahead, whilst average incomes may rise, this may not be the case for all customers.

For both South West Water and Bournemouth Water, customer bills are projected to be lower in 2025 than today.

For South West Water customers, bills are already lower today than they were in 2010 meaning that in 2025 they will be lower than 15 years earlier. On average, the bill trajectory will mitigate upward pressure on water poverty due to disposable income pressures, and still help support a reduction in water poverty if incomes do rise.

In 2025 customer bills lower than 15 years earlier and lower than today

Water poverty addressed by 2025

35% of customers worried that incomes are rising by less than inflation



For more information, see

Tackling Water Affordability in Partnership

- Social tariff
- Dedicated affordability team
- WaterCare+
- Restart
- Freshstart
- Social housing partnerships
- Data sharing and analytics
- Water affordability app

£43

per week

additional benefits realised for those eligible through WaterCare+

12

partnerships with Social Housing Providers

Addressing water poverty so bills are affordable for all continued

At the same time we are proposing to deliver an enhanced package of services and outcomes in line with customer preferences, to ensure we continue to provide a value for money service.

We have tested what our customers think of the affordability, value for money and acceptability of our plans.

This plan supports our customer wishes not to burden any generation by deferring investment or allowing services to deteriorate.

Acceptability of our plan is at 88% (South West Water) and 92% (Bournemouth Water) demonstrating that we are engaging and listening to what our customers are telling us. There are high levels of support for all investment areas and a bill that, for the majority, is affordable. However we are committed to increasing the level of financial support available to ensure bills are affordable for all. We plan to make water poverty a feature of the past through the expansion of our support measures.

We have also consulted with younger members of the population – our future customers – to understand their perceptions of the affordability of our services and in turn inform our plans.

Affordability for those struggling to pay their bill or at risk of struggling

Our plans to tackle affordability comprise a range of measures, enhancing our existing toolkit ensuring our customers will be able to afford their bill:

- **Dual billing** – ensuring unmetered households can see what their bill would be if they were metered, offering them a choice of bill. We believe as many as 10,000 customers will reduce their water bill significantly just by switching
- **Targeted water and energy efficiency advice** and installation of water efficiency devices – ensuring a positive impact on customer bills and our long-term water resource position by reducing demand
- Continuation of **income maximisation checks** (c. 15,000 customers supported in identifying unclaimed benefits they are entitled to since 2007) – bringing on average, £43 per week of additional income into the household
- We will **remove the benefits cap**, allowing all customers in water poverty to access our social tariff
- Help reduce outstanding debt through **behaviour changing schemes** e.g. Restart and a continuation of the Freshstart fund which grants financial assistance
- Wider deployment of our **innovative WaterCare App** providing quicker access to our support measures and priority services register

WaterCare programme recognised by Walker review as innovative package of support and recommendation that others follow suit

‘Water Guru’ at Bournemouth Citizens Advice jointly funded with Wessex Water



Dual billing for all unmetered customers giving them a choice

Extension of our WaterCare social tariff offering up to 50% reduction on bills

Region wide deployment of WaterCare App



WaterCare advisor with app

Addressing water poverty so bills are affordable for all continued

- Reinforcement of existing partnerships with social housing providers and Citizens Advice and the expansion of access points will ensure customers are able to receive help easily.



“Citizens Advice Plymouth are proud to continue partnership work with South West Water and we are delighted that South West Water are at the forefront of the industry continuing to find solutions to tackle vulnerability and affordability in their future business plans.”

Daniel Gill, Citizens Advice

We also collaborate extensively with partners and other agencies to identify customers who may be in vulnerable circumstances including struggling to pay their bill. This includes third party organisations like MIND who help us develop our understanding of issues that may affect customers through their provision of frontline training to our staff since 2016.

Ahead of the industry wide data sharing agreement between water and energy sectors (2020) we will have established data sharing agreements with Distribution Network Operator’s to enable sharing of consented customer data.

Despite our established focus on efficiency and support for customers who struggle to pay their bill we know there will be some customers in our region who will still find their bill unaffordable. This is why we are proposing the enhanced measures in our plan to 2025.

Our analysis shows that up to 14% of customers would remain in water poverty (as defined by water and sewerage bills comprising more than 5% of disposable income) if we do not act to resolve the issue.

We believe this is unacceptable and **we are setting ourselves the ambitious target of addressing water poverty in our region by 2025.**

Our overall strategy is based on providing the right levels of financial support, empowering customers, helping to change behaviours (water usage and payment habits) and ensuring they can easily access schemes suitable their circumstances.

86%
of social households in our region reached through partnerships

16,000
older customers and carers reached through partnership working

7,000
customers helped through the Water Debt Gateway



“

**It is crucial that companies
act in a way that does not
burden future generations...**

”



Our special responsibility

We have a special responsibility not only to deliver our promises to customers and the services they expect, but to do so in a way characterised by partnership and our values of trust, accountability, responsibility and a progressive attitude.

As a provider of essential services for our unique region in the South West we want to reflect the high expectations our customers have in the way we do business. Our values set the tone for the way we do business and are embedded in our way of operating.

What's also important is to ensure that we carry out our responsibilities in the way that our customers consider are the characteristics of a good socially responsible company. Our customers tell us that being a responsible company to them means:

- **Sharing profits and success**
- **Being open and transparent**
- **Being a responsible employer**
- **Paying a fair share of taxation**
- **Reducing waste and plastics**
- **Supporting vulnerable customers**
- **Investing in the environment and community.**

Our Board is focused on strong financial control, sound administration and good governance. We know our customers feel strongly about our financial contribution to the community, society and the broader environment.

Our special responsibility to customers and our communities is led by our Board and defines how we operate:

- Offering customers a stake and a say in the business through a first of its kind **customer share ownership scheme**
- Applying our innovative WaterShare principles to introduce a new **sharing mechanism for outperformance on the cost of embedded debt**
- Contributing to society through a responsible approach to tax
- Pioneering a sustainable financing framework which integrates commitments to environmental and social objectives into a variety of funding opportunities
- Transparent and clear policy for dividends and Executive pay which is grounded in the delivery of our commitments to customers
- Independent oversight from the WaterShare+ panel
- Outcome Delivery Incentive (ODI) Board led governance and incentive framework driving business performance



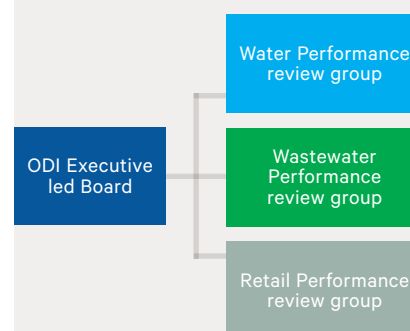
For more information, see [Engaging Customers](#)

Financially resilient business



For more information, see [South West Water Tax Strategy](#)

Board led customer driven culture



Effective ODI governance framework ensures delivery for customers

Our special responsibility continued

- Strong financial control, sound administration and good governance
- Providing a critical role in supporting regional economic growth by maintaining high quality services, providing jobs and support for key regional sectors such as agriculture, tourism and fisheries.

Our Board has challenged management across all aspects of this plan to target the best possible outcome for customers and the environment.

Key challenges from the Board	Response from the Executive
Ambition on pollutions performance	Enhanced pollutions strategy implemented targeting the lowest number of pollutions ever seen in the industry
Bill level in 2024/25	Further stretch efficiency targets applied in between customer consultation and final business plan
Bill profile to 2024/25	Bill profiles smoothed further where possible to achieve stability of bills throughout 2025
Addressing lessons learned from Storm Emma	Monthly report to Board on progress against lessons learned and targeted community resilience improvement plans
Scale of affordability support	Board pledge to address water poverty for our customers by 2025
Smart metering policy	Metering policy updated to reflect any new or replacement meters should be digital and all customers on the PSR should be prioritised for digital replacement
Direct procurement and markets	Potential direct procurement scheme with Southern Water post 2025 and internal water resources market being developed for 2020
Further sharing of success	Customer share ownership scheme and 'enhanced' debt sharing mechanism

We have a special responsibility to our own people – our first priority is the health, safety and well-being of all our teams. We continually invest in our staff and provide opportunities through, for example, apprenticeships to ensure we continue to deliver services now and in the future.

Having teams that embody our values of trust, collaboration, responsibility and a progressive attitude ensures that we produce the right outcomes for society.

In doing so we seek to deliver our service in a way which is welcomed by society, rather than one which attracts criticism. We therefore want our customers to be central to our decisions about strategy, investment, operations and service delivery.

An example of this is how we engaged with our customers and considered their views as part of the decision to take responsibility for water and wastewater services on the Isles of Scilly to bring the service standards to that of the mainland (subject to NAV application).

For more information, see



Securing Trust, Confidence & Assurance



Board Assurance Statement

Bills proposed to be lower in 2025 than they are today



For more information, see **KPMG Direct Procurement for Customers**

WaterShare+



Trusted



Collaborative



Responsible



Progressive



For more information, see **Isles of Scilly research**

Our special responsibility continued

Our customers already considered the Isles of Scilly part of the South West region and improvements in services and environmental protection for remote communities are viewed positively with the wider benefits recognised.

We recognise that our responsibilities extend beyond customers, stakeholders, our employees and investors; we have a duty to protect the environment in which we operate and are committed to be at the forefront of developing water, waste and environmental resilience.

Working with Exeter University we are developing a centre to deliver integrated and world-leading, trans-disciplinary research with the water and waste sector, and its supply chain. The centre will pioneer holistic approaches and 'whole systems' understanding to develop cost-effective and future proof solutions for the sector.

We know that genuine transparency about how we operate, our performance, decision making and strategy planning as well as taking accountability are key to building trust and confidence with our customers.

Furthermore, our customers require the ability to influence and control what we do – holding us to account so that their priorities are addressed for their benefit and the communities in which they live and work.

In preparing our plans we have undertaken a wide review of resilience – our resilience in the round – to ensure that we can deliver reliable services regardless of the challenges we face. Again, our historic and recent performance is excellent, even in the face of extreme challenges, but with emerging and uncertain challenges ahead we will continue to invest to protect this record and ensure resilient services in the long term.

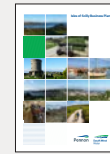
Maintaining the efficiency of our service remains paramount, underpinning the affordability of our service provision. We are seeking to maintain our industry leading efficiency position during 2020-25 by delivering further efficiency initiatives, the selection of the most effective and affordable solutions and by driving further cost saving challenges to our business.

We consider our special responsibility to be the basis of a 'customer contract' and can be evidenced in the way our Board seeks to direct our business and the inclusive way in which we plan, deliver and review our activities with customers, regulators and stakeholders.

Building from a strong track record in this regard, we are developing new and progressive features into the way in which we deliver for society in our plans to 2025 and beyond.

We consider that our approach represents a new deal for the industry.

For more information, see



Isles of Scilly business plan



2050 Environment Plan



UK research partnership investment fund: Innovation Centre for Water, Waste and Environmental Resilience

For more information, see



Securing Long-Term Resilience



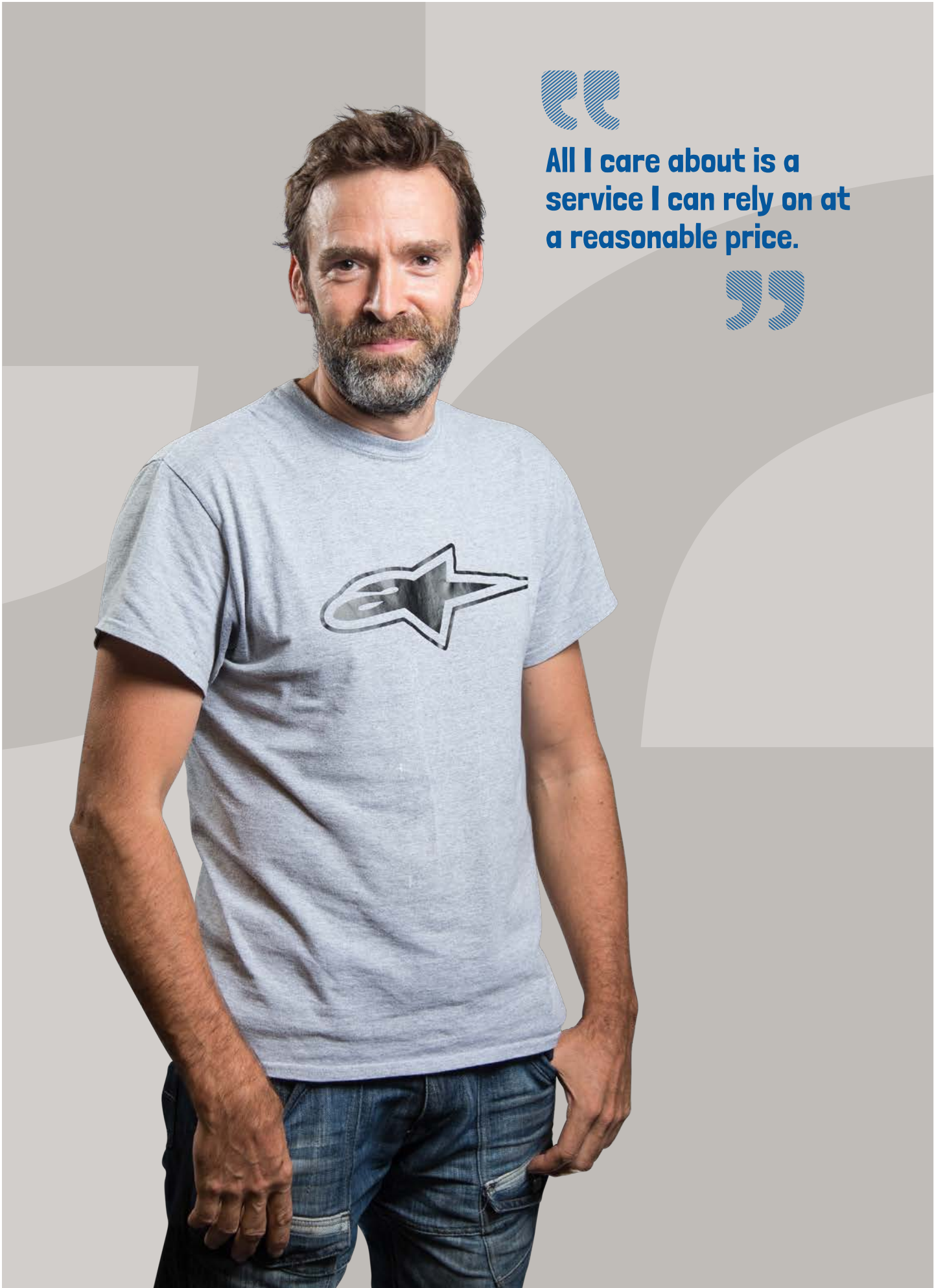
Securing Cost Efficiency



Targeted Controls, Markets & Innovation



Key features of our plan
southwestwater.co.uk/waterfuture



“

All I care about is a service I can rely on at a reasonable price.

”

What the plan will cost – households

Recognising the current economic climate and that our customers have historically faced higher than average wastewater charges, we have strived to keep any rise in bills as low as possible to 2025.

By challenging ourselves to make efficiency savings through innovation, the use of cost effective new technologies, measures to reduce our energy consumption and ensuring we continue to attract low rates of finance we are able to significantly offset the forecast rise in inflation and the costs of making improvements in our customers' priority areas across the South West Water and Bournemouth regions.

If the 2019/20 South West Water average bill rose with inflation, it would rise to £621 by 2024/25. Our proposed bill will be £82 lower at £539 (before the £50 government contribution).

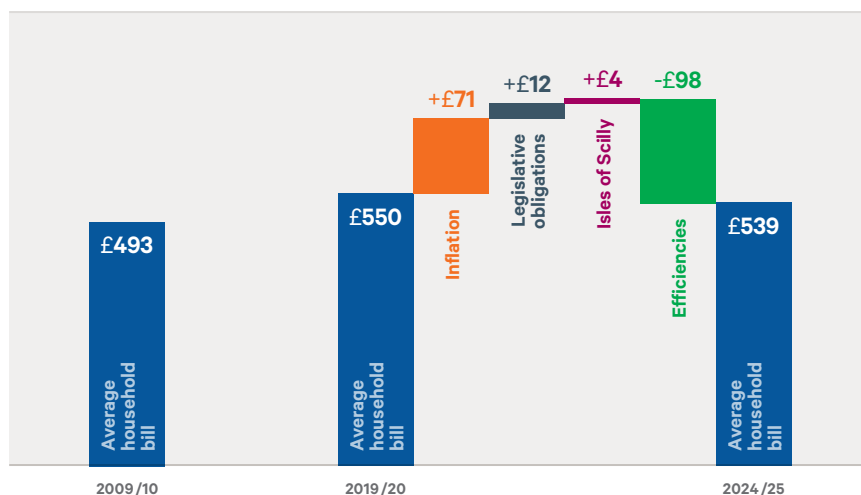
If the 2019/20 Bournemouth Water average bill rose with inflation, it would reach to £160 by 2024/25. Our proposed bill will be £15 lower at £145.

South West Water

At £539 the average 2024/25 South West Water household bill represents a 11% drop in real terms from 2019/20. Our research shows that this price is both affordable and acceptable to the vast majority of customers and it allows us to make the investments necessary to fulfil our legislative obligations and environmental responsibilities.

2024/25 average household bill

South West Water – gross of £50 government contribution



For more information, see



Targeted Controls, Markets & Innovation



Appointee Summary

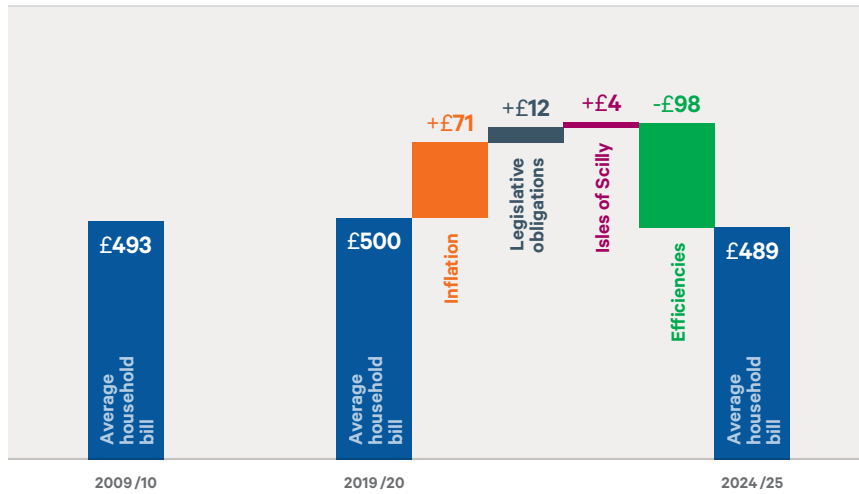
11% real reduction in bills

In 2025 customer bills lower than 15 years earlier and lower than today

What the plan will cost – households continued

2024/25 average household bill

South West Water – net of £50 government contribution

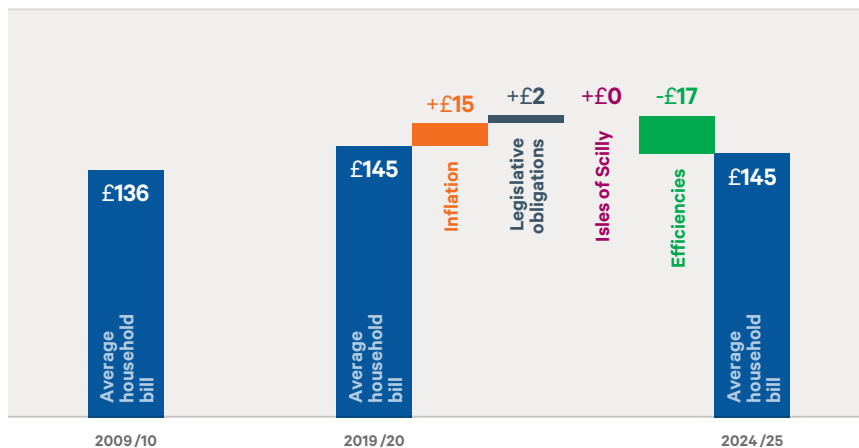


Bournemouth Water

At £145 the average 2024/25 Bournemouth Water household bill represents a 9% drop in real terms from 2019/20. Our research shows that this price is both affordable and acceptable to the vast majority of customers and it allows us to make the investments necessary to fulfil our legislative obligations and environmental responsibilities.

2024/25 average household bill

Bournemouth Water



What the plan will cost – households continued

Average household bill in 2019/20

South West Water's journey began in 1989 with the privatisation of the water industry. Since then the charges paid by customers have allowed us to invest in radically improving the region's drinking water and wastewater services and bring them in line with tighter legislative standards.

The average 2019/20 bill reflects the legacy of that investment and its resultant service level. This includes the delivery of:

- **Excellent drinking water quality**
2019/20 forecast: 100% (Mean Zonal Compliance)
- **High levels of wastewater treatment compliance**
2019/20 forecast: 100%
- **Industry leading leakage**
2019/20 forecast: 84Ml/day (South West Water) and 20 Ml/day (Bournemouth Water)
- **High bathing water quality**
2019/20 forecast 100%

2019/20 average bills

£500

South West Water (net)

£550

South West Water (gross)

£145

Bournemouth Water

2019/20 South West Water bill forecast to be lower than 2009/10

Inflation

Inflation is the rate of increase in prices for goods and services. There are a number of different measures of inflation in use. The inflation number quoted is Consumer Price Index including housing costs (CPIH). This is forecast to be, on average, 2% during 2020-25.

Inflation is forecast to add £71 and £15 respectively to the average South West Water and Bournemouth Water household customer bill by 2024/25.

Inflation is important for a number of reasons because it has a direct impact on people's incomes (as some companies use the level of inflation to set annual pay rises and pensions are normally linked to inflation indices) and also their cost of living.

Recently, due to the economic uncertainty resulting from issues like Brexit, many pay settlements have fallen behind price rises. This results in households facing increases in the cost of bills but no real increase in income. In a region where affordability has long been an issue for our customers our plans are designed to keep bill increases to an absolute minimum to help mitigate this pressure, as well as smoothing bills to 2025.

Inflation

£71

South West Water

£15

Bournemouth Water

What the plan will cost – households continued

Enhanced service levels and legislative drivers

Our plan for 2020-25 is designed to deliver improvements to support outcomes which will benefit customers, stakeholders and the environment.

The extensive research and engagement with our customers and stakeholders helped shape our plans and deliver service improvements and legislative drivers across our eight outcomes. This includes the delivery of:

- **Excellent drinking water quality**
2024/25 forecast: industry leading water quality standards
- **High levels of wastewater treatment compliance**
2024/25 forecast: 100%
- **Industry leading leakage**
2024/25 forecast: 15% reduction
- **High bathing water quality**
2024/25 forecast: 100%.

Delivering enhanced service levels and legislative obligations across these areas for customers adds £12 and £2 to an average household customer bill by 2024/25 for South West Water and Bournemouth Water customers respectively.

For each outcome we have developed performance commitments to track their delivery. Each performance commitment also has a specific target that we are aiming for through the various activities, investments and improvements described in our plan.

Our performance commitments have been tested with our customers and stakeholders throughout the development of our plan including through our 'Proposal and Choices' customer consultation published in March 2018.

Legislative obligations

£12

South West Water

£2

Bournemouth Water

For more information, see



Engaging Customers



Delivering Outcomes for Customers

What the plan will cost – households continued

Net efficiencies and costs of financing

It is vital that our plans represent value for money – this is something we continue to target through our focus on innovation and our drive to improve efficiency in every area of the business. This ensures customers' bills are kept as low as possible and cost pressures such as the increasing cost of energy and business rates are mitigated.

We have a strong record of delivering large operating and capital efficiency savings since privatisation while significantly improving service to customers. We are close to the frontier of efficiency in the industry but we have challenged ourselves to deliver further efficiency, continuing the pace throughout 2020-25, whilst still delivering the services our customers expect.

The key areas of efficiency delivery in our business plan are focused in the following areas:

- **Targeted investment specifically on improving customer service systems at no extra cost to customers**
- **Operational ways of working and an extension of our innovative iOPS and RSI initiatives (optimising ways of working to enhance operational resilience)**
- **Energy procurement and usage through targeted investment in energy efficiency and generation schemes**
- **Reducing the cost of bad debts by our improved debt management strategy**
- **Efficient and sustainable long-term financing strategy.**

Our efficiency initiatives will reduce customer bills on average by £98 for South West Water and £17 for Bournemouth Water.

Efficiencies

£98

South West Water

£17

Bournemouth Water



For more information, see **Targeted Controls, Markets & Innovation**



For more information, see **Securing Cost Efficiency**

Sustainable gearing levels

What the plan will cost – households continued

Average household bill in 2024/25

The average household bill in 2024/25 is forecast to be £539 (£489 after the £50 government contribution) for South West Water and £145 for Bournemouth Water. Efficiencies will more than offset the impact of inflation and enhanced service level investments.

Affordability for some of our customers is a real issue in our region and a business plan for the next five years which asks them to pay bills which are rising at a higher rate than their income is unacceptable.

Within the planned bill increase we can still deliver a substantial level of investment to maintain and improve our services to customers.

South West Water customers' bills are forecast to be lower in 2024/25 than 15 years previous (one of the South West Water Board pledges). This passes on efficiency savings to customers as early as possible – a real help in challenging economic times.

We tested different bill profiles to 2024/25 with our customers to see how they would like to be billed during that time. They told us that they would prefer to see a smooth bill profile where it was initially reduced then increasing smoothly to 2024/25.

Customers have told us that:

- **Price rises should be no more than inflation**
- **Reductions in bills should be passed on as quickly as possible but only if price rises remain steady thereafter.**

Our plan has been carefully balanced year on year to reflect these preferences.

2024/25 average bills

£489

South West Water (net¹)

£539

South West Water (gross²)

£145

Bournemouth Water

SWW net bill with inflation

2019/20	£500
2024/25	£489

80%
customer
acceptance

SWW gross bill with inflation

2019/20	£550
2024/25	£539

70%
customer
acceptance

BW plan with inflation

2019/20	£145
2024/25	£145

80%
customer
acceptance

¹ After £50 government contribution

² Before £50 government contribution

“

It is crucial that companies act in a way that is ethical and fair.

”



Financing the plan

We have seized the opportunity in this plan to deliver improved services to customers and the environment at prices that are considered to be acceptable to customers.

Despite forecasting to deliver nearly £300m of totex efficiencies, we have challenged ourselves to be even more innovative and efficient to achieve a fair balance of risk and reward between investors and customers. We are planning to reduce base returns to investors, but the incentive framework allows for additional returns if we deliver more.

We have delivered meaningful reductions in bills over the last period. To 2025 we are proposing that there is a real reduction in bills of 11% (excluding the impact of inflation) for South West Water and 9% for Bournemouth Water customers.

For customers, we need to consider the bills they actually receive – with inflation. Average household bills will be lower in 2025 than they are today.

We know this is important to our customers at a time when there are real pressures on the cost of living. We also know we need to continue to support our most vulnerable customers when they are struggling which is why we are proposing to expand the availability of the support measures we have in place.

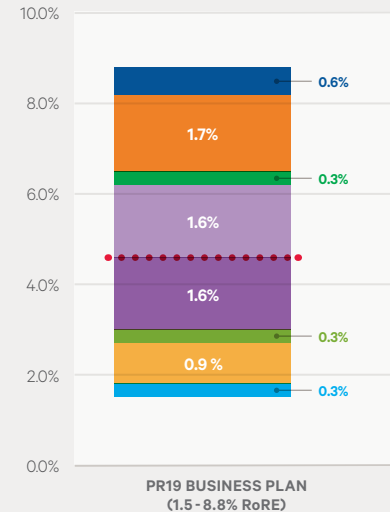
To enable this we have challenged ourselves to look for more efficient and effective ways of delivering operationally and financially. We have proposed returns to investors which are reflective of our embedded efficient financing. Our proposed capital structure and gearing levels will be managed at the optimum level which supports the required flexibility to manage arising risks.

The resulting profile of revenues and customers’ average bills results in a plan which is both affordable and financeable to 2025.

This section sets the financial context of our plan. In it we explain how we:

- Aim to keep bills affordable to customers
- Ensure that we can finance our plan
- Test our plan’s financeability and affordability under different scenarios.

RoRE



- Financing reward
- Financing risk
- Totex savings
- Totex overspend
- C-MeX / D-MeX outperformance payment
- C-MeX / D-MeX underperformance penalty
- ODI outperformance payment
- ODI underperformance penalty
- Cost of equity

For more information, see



Securing Cost Efficiency



Addressing Affordability & Vulnerability



Targeted Controls, Markets & Innovation



Innovation

Financing the plan continued

Finance is provided from three sources: customer bills, borrowing from debt finance providers and raising money from equity finance providers (shareholders).

The balance of funding from these sources has been carefully considered for the 2020-25 period. The aim is to balance:

- The funding we need from customers' bills
- The long term financing requirements for the service and environmental improvements we are delivering in the long term.

Affordability

Our extensive customer research has helped develop our understanding of customers' priorities and their preferences for investment options along with the impact of these on future bills.

Customers have told us that whilst they would want lower bills they would not want this to be the result of a deterioration in service. Also, if bills were to increase they would not want one generation to exclusively shoulder the burden of costs.

We have used this feedback to consider how the cost of investment and outcomes should be shared between current and future customers – as such we believe our plan balances our statutory obligations and stakeholder requirements with our customers' needs whilst remaining affordable.

Bill impacts

Average bills for our customers are expected to reduce (in real terms) over the period to 2025 by 11% and 9% for South West Water and Bournemouth Water customers respectively.

Economic climate

Recognising the current economic conditions and the pressure any price increases would have on customers in the near future, we have sought to keep bills as low as possible.

Customers in vulnerable circumstances

Whilst the outlook for the wider economic position remains uncertain, we understand that the situation for some of our customers remains tough.

In response to this we are proposing that both South West Water and Bournemouth Water average customer bills will not be higher in 2024/25 than they are in 2019/20.

We already have a range of schemes to assist those with genuine affordability issues. We have already assisted over 51,000 customers through our various water poverty affordability initiatives.



For more information, see [Engaging Customers](#)



For more information, see [Investment Summary](#)

2024/25 average bills

£489

South West Water (net)

£539

South West Water (gross)

£145

Bournemouth Water

SWW plan without inflation

88%
customer
acceptance

2019/20 **£477**

2024/25 **£418**

BW plan without inflation

92%
customer
acceptance

2019/20 **£139**

2024/25 **£127**

Financing the plan continued

Our engagement and research with customers has identified that they support our assistance to those customers who struggle to pay their bills. As a result our plan will enhance our current offering of schemes to support vulnerable customers through our own WaterCare advisors but also our partnerships with social housing providers, increasing the support offered. The services offered include:

- **Dual billing for all remaining unmeasured properties** – offering customers a choice of bill
- **Continuation of our WaterCare+ scheme** – with particular emphasis on income maximisation checks
- **Greater water and energy efficiency**
- **WaterCare Social tariff** – for 2020 we will be expanding the criteria to help customers whose bill to income ratios remain over 5% after other measures have been applied. Discounts of up to 50% are given to eligible customers
- **ReStart scheme** – helps customers to reduce their debt through the incentivisation of regular payment patterns
- **WaterSure tariff** – for those in receipt of means-tested benefit or tax credit
- **Fresh Start Fund** – for one-off hardship cases.

Attracting and securing finance

It is essential that we continue to attract and secure the finance we need to undertake improvements to the service we provide at minimum cost to our customers.

Funding from finance providers will continue to be required for the 2020-25 period. We expect to require additional finance and to refinance maturing debt. In order to raise finance in a cost effective manner there must be confidence that the returns our funders receive on their investments are secured and that we can meet our financing charges.

Achieving that confidence enables us to attract lower costs of financing, therefore ensuring customers pay the minimum amount necessary for the service they receive over the long term.

For this plan, we have considered the returns that are required for the wholesale business activities as well as returns that would be appropriate for the retail activities of the business, and we believe these are consistent with Ofwat's assumptions in their PR19 methodology.



For more information, see **Tackling Water Affordability in Partnership**

- **Social tariff**
- **Dedicated affordability team**
- **WaterCare+**
- **Restart**
- **Freshstart**
- **Social housing partnerships**
- **Data sharing and analytics**
- **Water affordability app**

Financing the plan continued

Returns for wholesale business activities

We have reviewed and considered, with the help of independent analysis, Ofwat's guidance for the cost of capital.

We believe Ofwat's position is broadly aligned with our own (although at the lower end of our range), and as such we have prepared the business plan on the basis of the cost of capital and retail net margins in Ofwat's PR19 final methodology document.

We plan to continue to finance our activities in a way which is designed to maintain our key financial ratios (particularly debt/RCV gearing and interest cover) at a level consistent with an investment grade rating.

Our modelling indicates that we should be able to fund our requirements with additional debt while maintaining the required financial ratios, and the company does not therefore expect to raise additional equity (apart from retained earnings) over the period from 2020-25.

The cost of debt allowance assumed for PR19 is significantly lower than that of PR14 and reflects the wider economic environment with interest rates at an unprecedented low level and the embedded debt secured efficiently by South West Water for the long term.

Returns on regulated equity

Whilst lower base returns on equity are assumed within our plan, overall returns could be higher dependent on performance. The delivery and operational risks are borne by equity shareholders and, at the upper end of the range, the incentives available are endorsed by customers, for delivering more in an efficient and effective way.

Testing financeability and affordability

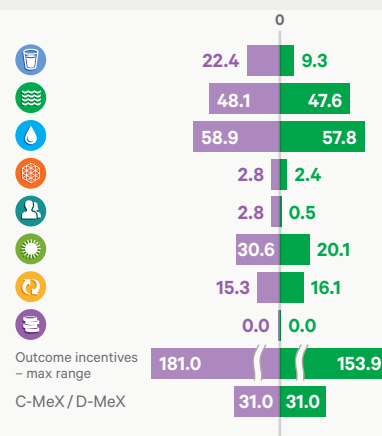
We have considered the key financial ratios and financeability of our overall business, balanced with customer affordability.

Key financial ratios used are those consistent with rating agency assessments for a strong investment grade rating as well as those which are embedded within existing and current market debt instruments.

Overall the plan's metrics are consistent with a strong investment grade rating, and our existing debt covenants.

We have considered the areas within the regulatory framework when preparing our plan.

South West Water outcome delivery incentives (£m)



-  Clean, safe and reliable supply of drinking water
-  Reliable wastewater service
-  Available and sufficient resources
-  Resilience
-  Responsive to customers
-  Protecting the environment
-  Benefiting the community
-  Fair charging and affordable bills for all

Financing the plan continued

Key areas of sensitivity are:

- **RCV run-off rate** – the cost of our current assets and future investment which are included annually within customer bills
- **Pay-as-you-go ratios** – ‘fast money’ which appears in customers’ bills in the short term, largely through operating costs and maintenance.

We have used run-off rates and pay-as-you-go ratios which align with how costs in our plan would naturally fall.

Risk sharing between investors and customers

We have tested our plan’s financeability and affordability under different scenarios, identifying key risks and testing against ranges of possible outturns on cost and revenue drivers, operational performance, and the impact of regulatory and outcome incentives.

We have identified areas of risk within our plan and have tested these areas of uncertainty thorough our scenario testing to quantify the financial impact of such measures. The key areas considered are linked to our corporate risk register and cover areas such as:

- Customer demand
- Cost pressures
- Changes in general economic conditions
- Extreme weather impacts such as flooding and drought
- Outcome delivery.

There is a balance to be struck between shielding customers from risk and the returns that would be required from investors to do so. We and our customers believe we have got the balance right.

Our plan has appropriately identified the key risks we face and considered the impact of these on the financeability and affordability of our plan. We have considered these measures at both the business level and within each revenue control to ensure each plan is individually self-financing.



For more information, see [Aligning Risk & Return](#)

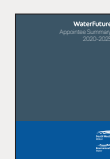
Financing the plan continued

The indicative building blocks driving the revenue requirement are noted below.

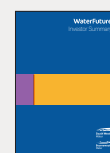
Outturn prices	2020/21 £m	2021/22 £m	2022/23 £m	2023 /24 £m	2024/25 £m
PAYG (operating costs incl. retail and IRE)	258.0	263.2	262.2	262.7	263.1
Pension deficit repair costs ¹	10.1	10.5	-	-	-
RCV run-off (incl. post 2020 additions)	176.9	179.7	182.9	186.2	188.9
Financing costs					
Return on RCV	97.6	100.4	103.6	106.7	109.4
Residential retail margin	4.3	4.4	4.3	4.4	4.4
Tax	18.2	19.0	20.5	20.3	19.7
Revenue legacy adjustments	(9.5)	(9.7)	-	-	-
Total building block revenue	555.6	567.5	573.5	580.3	585.5
Grants & contributions recognised in revenue	9.5	9.7	9.7	10.1	10.1
Total appointee revenue	565.1	577.2	583.2	590.4	595.6
Capital expenditure	189.6	204.4	210.1	203.0	186.4
PAYG ratio	58.5%	57.2%	56.1%	57.0%	59.1%
Regulated Capital Value	3,465.2	3,545.7	3,632.8	3,711.8	3,775.4
Notional interest charge	89.9	92.4	93.8	94.9	95.6
EBITDA interest cover	3.67	3.72	3.68	3.66	3.64
Base dividends	55.0	56.7	58.4	60.2	62.1

¹ End of Trustee agreed deficit recovery plan in 2022

- PAYG and run-off rates reflective of underlying cost profiles and asset lives
- Pension deficit repair costs aligned with our agreed funding schedule (completed in 2022)
- Returns consistent with Ofwat's base cost of capital assessment
- Taxation reflective of an effective rate of 15%
- Interest costs reflective of cost of capital and rising in line with debt requirements
- Dividends rebased reflecting lower returns to 2025.



For more information, see [Appointee Summary](#)



For more information, see [Investor Summary](#)

**Financial forecast
stress tested**

**Financially resilient
business**

Summary of our plan to 2025

Performance commitments	Incentive type	Forecast 2019/20	2024/25 level	Beyond 2025
Compliance with water quality (Compliance Risk Index score)	£-	3.21	0	0
Duration of interruptions in supply (minutes per property)	£+/-	00:07:43	00:04:41	00:00:32
Number of mains bursts (number)	£+/-	2,640	2,401	2,401
Unplanned outage at water treatment works (%)	£+/-	1.04	1.04	1.04
Taste, smell and colour contacts (no./1,000 population)	£+/-	1.77	1.33	0.89



Clean, safe and reliable supply of drinking water

Providing an uninterrupted supply of fresh clean water that not only meets the highest water quality standards but is also free from unwanted taste, colour or smell.

Performance commitments	Incentive type	Forecast 2019/20	2024/25 level	Beyond 2025
Internal sewer flooding incidents (number)	£+/-	135	109	42
External sewer flooding incidents (number)	£+/-	1,808	1,123	958
Sewer collapses (number)	£+/-	309	249	202
Sewer blockages (number)	£+/-	7,800	6,500	2,500
Odour contacts from wastewater treatment works (number)	£+/-	238	196	156
Numeric compliance (%)	£-	100%	100%	100%
Descriptive compliance (%)	£-	100%	100%	100%
Total WWTW compliance (%)	Rep	100%	100%	100%
Compliance with sludge standard (%)	£-	100%	100%	100%



Reliable wastewater service

Ensuring our customers can rely on us to remove and dispose of wastewater safely and efficiently, and that the likelihood of sewer flooding on customers' property is minimised.

Performance commitments	Incentive type	Forecast 2019/20	2024/25 level	Beyond 2025
Water restrictions placed on customers (number)	£+/-	0	0	0
Leakage levels (MI/d)	£+/-	117.8	100.2	89.6
Per capita consumption (litres/person/day)	£+/-	137.2	128.7	120.3



Available and sufficient resources

Preventing restrictions on water use and managing and delivering the region's supplies as efficiently as possible.

Performance commitments	Incentive type	Forecast 2019/20	2024/25 level	Beyond 2025
Replacement of dumb meters with AMR (Number of meters being replaced by AMR to enable improved customer insight on water usage/leakage)	Rep	138,800	245,964	412,287
Number of customers on one of our support tariffs (Number of customers on support tariffs as of 31 March each year)	Rep	25,094	50,000	80,000
Voids for residential retail (Voids %)	Rep	0.93	0.84	0.84
% of customers who find their water bill affordable (%)	Rep	86.5%	100.0%	100.0%



Fair charging and affordable bills for all

Fair charging and affordable bills for all – keeping our costs as low as possible to keep our bills affordable and offering support to those who need help with their bills.

£- Penalty only

£+/- Reward and penalty

Rep Reputational

Performance commitments	Incentive type	Forecast 2019/20	2024/25 level	Beyond 2025
Drought risk (% of population that would experience severe supply restrictions in a 1 in 200 year drought)	Rep	0	0	0
Flooding risk (% of population at risk of sewer flooding in 1 in 50 year storm)	Rep	31.7	28.3	15.0
Resilience in the round – wastewater (number)	£+/-	0	100	235
Resilience in the round – water (number)	£+/-	740	540	127



Resilience

Making sure our water and wastewater services are resilient to a range of risks and we are able to respond quickly and effectively to extreme events.

Performance commitments	Incentive type	Forecast 2019/20	2024/25 level	Beyond 2025
C-MeX (tbc)	£+/-	N/A	tbc	Industry leading
Operational contact resolved first time – water (%)	£+/-	96.6%	95%	100%
Operational contact resolved first time – wastewater (%)	£+/-	95.5%	95%	100%
D-MeX (tbc)	£+/-	N/A	tbc	Industry leading
Customer overall satisfaction (%)	Rep	91%	93%	95%
Customer satisfaction with value for money (%)	Rep	65%	75%	80%
Increase number of customer details checked every 2 years (tbc)	£-	72%	100%	100%
Number of customers on the PSR register (number/10,000 connections)	Rep	215.3	677.0	1,000.0
Overall satisfaction of services received on the PSR (%)	Rep	68%	93%	95%



Responsive to customers

Dealing with customer requests, problems and queries quickly and efficiently, and ensuring the service our customers receive represents value for money.

Performance commitments	Incentive type	Forecast 2019/20	2024/25 level	Beyond 2025
Number of pollution incidents cat 1-3 (waste only) (number)	£-	72	33	13
Number of pollution incidents cat 1-3 (water only) (number)	£-	0	0	0
Biodiversity – compliance (number)	Rep	3	0	0
Biodiversity – prevent deterioration (number)	Rep	N/A	112	222
Biodiversity – enhancement (number of hectares)	£+/-	63,209	113,209	313,209



Protecting the environment

Minimising our impact on the world around us and taking steps to protect and enhance it where possible.

Performance commitments	Incentive type	Forecast 2019/20	2024/25 level	Beyond 2025
Bathing water quality (number)	£+/-	0	0	0
Abstraction incentive mechanism (megalitres)	£+/-	N/A	365.0	365.0



Benefiting the community

Having a positive long-term effect on people and quality of life in the region.

“

I would rather start planning for the future now and have a gradual bill increase than pay a sharp increase later on.

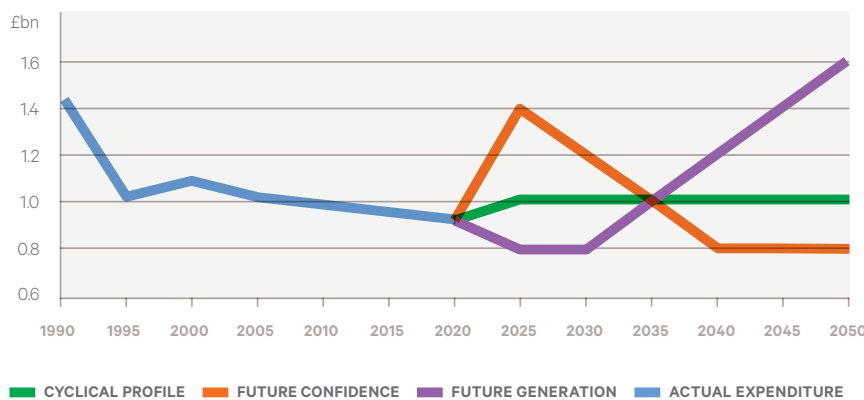
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Beyond 2025

By 2025 we expect to have delivered significant improvements to the water and wastewater services in our region with many areas of sector leading performance. Great customer service and satisfaction levels will follow suit.

In September 2017 we published our 2050 Vision and explained the choices that exist about how and when improvements in service could be delivered through an investment programme that amounted to £6-9billion – at least equivalent to historic levels. There were choices (presented below as different investment scenarios) over the pace of delivery of this investment programme and these are illustrated below:



These different profiles all deliver the same outcomes by 2050 with the phasing of delivery and risk profiles being the differentiators between the scenarios. Any step change in service improvements may increase costs and, therefore, we must make continued improvements and efficiencies, and deliver innovation, to keep costs as low as possible. We must invest to ensure our assets and our workforce continue to deliver the water and wastewater services which improve lives and allow businesses to thrive.

Our plan for 2020-2025 is best represented by the cyclical profile illustrated above.

In some areas, it is vital to invest sooner rather than later because not doing so will run the risk of our infrastructure failing to cope with the extra demands we foresee and make it more difficult to deliver the improvements our regulators and customers will expect. Sitting and waiting is likely to lead to increased costs and steeper price rises in decades to come as well risk undermining the region's drive for renewed economic growth whilst promoting its natural capital.



For more information, see **Our Vision 2020-2050**

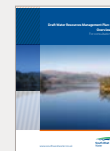
For more information, see



2050 Environment Plan



Investment Summary



Draft Water Resources Management Plan



Drainage and Wastewater Management Plan

Beyond 2025 continued

In March 2018 we published our Proposal and Choices 2020-25 customer consultation and outlined our proposals for the timing of these investments with options presented for accelerating or deferring investments – by balancing levels of risk with customer priorities. Responses received agreed with the proposals set out in the consultation, although affordability was still an issue for some customers and therefore the investment programme included in this business plan is constrained to £1,056m in 2020-25 to balance service, affordability and financeability constraints. An unconstrained investment programme would have required more than double the amount of investment being identified and this is neither affordable nor financeable.

Thousands of investment choices were considered using net cost benefit, ensuring current service levels were maintained (a key priority for our customers) and legislative requirements were chosen. Enhancements to service levels were considered in those areas that customers valued most such as leakage and bathing waters.

As a result of this process we are confident that our investment programme for 2020-25 offers a high degree of cost benefit and value for customers (constrained to an affordable level both for customers and the company).

Investments in 2020-25 are focused in those areas that deliver the most benefit to customers, stakeholders and the business.

This investment programme is higher than 2015-20 primarily as a result of investment in the Isles of Scilly to bring the service standards to that of the mainland (subject to NAV application). This level of legislative investment continues beyond 2025.

In the years that follow we envisage further expanding the holistic approach we are pioneering in terms of the catchment-focused management of both drinking water and wastewater as we believe this is the most sustainable long term solution for many of the challenges we face. We will continue to focus on the following priorities:

- A focus on customers – water companies must protect customers and consider affordability issues
- An emphasis on sustainable environmental activities (in areas such as abstraction, water trading, catchment management, flooding and drainage)
- The need to maintain the confidence of finance providers – to stimulate innovation and growth.



For more information, see [Proposals and Choices 2020-2025](#)



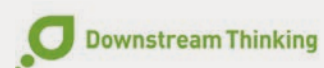
For more information, see [ICS Triangulation report](#)



For more information, see [Delivering Outcomes for Customers](#)



For more information, see [Isles of Scilly business plan](#)



Beyond 2025 continued

The requirements placed on South West Water by government and regulators that affect customers' bills will continue to evolve over time, so we will need to continually review our plans beyond 2025. What further investments are needed and their timing may change to take into account priorities, the needs of finance providers and the wider impact on customers' bills.

Looking further ahead, there may be factors as yet unknown that will have a potential effect on our services in future decades. We do not yet know the full implications of climate change and how our weather patterns may be affected. We do not know what global or regional economic, social or environmental events or shifts may occur, like Brexit, that could have a knock-on effect on our operations.

By the same token, as we have experienced in the last five years, there could be new developments in technology and communications with the potential to revolutionise the industry and take us in new, previously unforeseen directions.

The one certainty is that we will continue to run our business in the best interests of the people, communities and environment of our region, making strong financial decisions and playing a key role in the regional economy through the people we employ and the services we provide.

As legislation and standards change we will continue to work with our regulators and stakeholders to make the necessary improvements while safeguarding the investments already made. On a strategic level we will continue to target efficiency through innovation, recognising that having the commitment to adapt and improve is essential for future success.

Perhaps most importantly we will ensure that the dialogue we have with those we serve is maintained. The transformational journey we have undertaken with our customers does not end in 2020.

It is our intention to build on the engagement we have already had to empower our customers and continue to ensure they play an even more active role in shaping and delivering the services on which lives and businesses in our region depend.



For more information, see [Water industry strategic environmental requirements \(WISER\)](#)



For more information, see [National Infrastructure Commission report](#)

For more information, see



[UK research partnership investment fund: Innovation Centre for Water, Wastewater and Environmental Resilience](#)



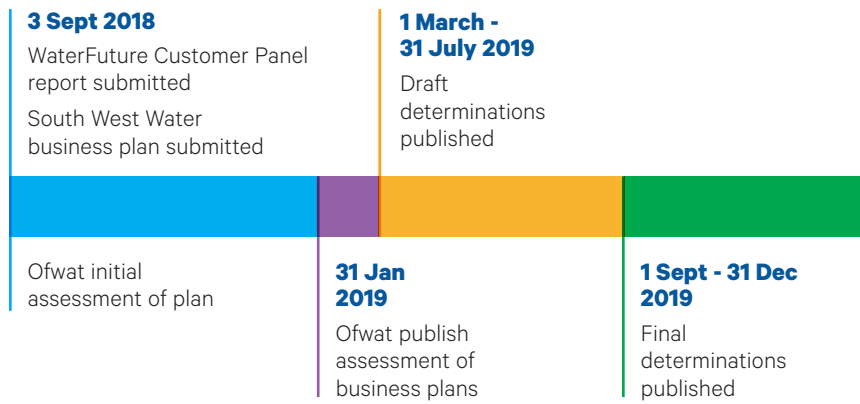
[Securing Long-Term Resilience](#)



[Resilience](#)

What happens next?

The timetable for the 2019 Price Review is illustrated below:





new
deal



South West
Water



Bournemouth
Water

South West Water Limited, Peninsula House, Rydon Lane, Exeter EX2 7HR, Registered in England No 02366665

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