

# Planning our future together

September 2023

A summary of our business plan  
2025 – 2030

**Affinity Water**

# We are Affinity Water

We're the largest water-only supply company in the UK. We provide, on average, 950 million litres of water each day to a population of more than 3.83 million people across three supply areas in the southeast of England. We sub-divide our supply area into eight different communities – each named after a local river – which allows us to tailor our service to customers at a local level.

## What is our purpose?



We're focused on building our resilience and providing a long-term sustainable supply of high-quality water, while protecting our environment for our communities – now and in the future.

## What is our vision?



Our vision is to be the UK's leading community-focused water company.

## What is our mission?



Our mission is to provide sustainable, high-quality water and work together with our community to make better use of water and safeguard the local environment.

## How are we currently performing?

We have made considerable progress on delivering our plans from 2020 to 2025. Some of the highlights are:

- Industry-leading in performance measures we use for water quality and retailer satisfaction
- Achieved the largest reduction in leakage in the industry
- Significant reductions in abstraction from the chalk aquifers to protect our rivers
- Rapid progress on the new measures to improve how we work with property developers
- Step change in our understanding of low pressure issues

But we know that we cannot stand still and need to continually improve the services we provide for our customers, communities and the environment.

## How every £1 is spent

0p\*

**Our shareholders:**  
Dividends from our regulated business and interest on shareholder debt [based on 2022-23 costs]

31p

**Our infrastructure:**  
Investment to improve our pipes, pumps and water treatment sites

9p

**Local and central government:**  
Corporation tax, business rates, abstraction charges, employer's national insurance, Climate Change Levy and streetworks permits

27p

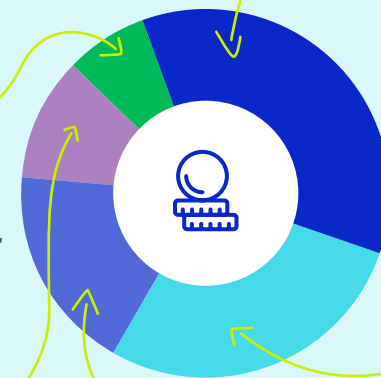
**Our suppliers for operating services:**  
Operational costs such as power and chemicals we use to clean the water we supply

12p

**Returns to our lenders:**  
Returns on money we've borrowed to improve services

21p

**Our people:**  
Wages, salaries and pensions



\*Shareholders have not received a dividend since 2018.



The Fair Tax Foundation is an independent, not for profit community benefit society. The certification scheme was launched in 2014 and seeks to encourage and recognise organisations that pay the right amount of corporation tax, at the right time and in the right place. Affinity Water has been accredited for the fifth year in a row.

# The challenges we face

## Our challenges

Over the next 25 years, we have a diverse range of increasingly unpredictable challenges to overcome. Our population is growing, which means the demand for water is increasing; and we are more susceptible to acute risks and hazards such as cyber-attacks, and more frequent and extreme weather events because of climate change. We also need to leave more water in the environment and abstract sustainably to protect our vulnerable chalk streams. As a result, we face more uncertain challenges coupled with higher customer expectations and we need to take increasingly new and innovative actions, and significant investment, to deliver the improvements our customers want, now and in the longer term.

We are committed to ensuring our business is sustainable in the long term. Our [long-term delivery strategy \(LTDS\)](#) ([link](#)) ensures we have planned ahead to protect water supplies further into the future, whilst we continue to deliver exceptional service to our customers.

## Our environment and our customer base

We operate in a supply area which is uniquely home to 10% of all globally rare chalk streams. Although we have sufficient water to serve our customers now, we cannot continue to abstract water from boreholes near these rare habitats in the longer term. We need to reduce abstraction from our chalk groundwater sources and have identified the reduction targets within our 'environmental destination'.

The ultimate purpose of these environmental destination targets is to restore sustainable river flows in the catchments in our area, but this will reduce the amount of water that we have to supply our customers. This reduction in supply availability is likely to be made worse by climate change and the impact of longer, drier summers (even though we expect wetter winters), which means our remaining groundwater sources will be exposed to increasing drought stress.

We also have a diverse, growing customer base residing in one of the most densely populated, economically active regions in the UK, and we currently have the highest demand for water in the country per person, at 157 litres per day on average (compared to a national average of 145 litres).

## Our long-term environmental ambition

As a result of the high population growth in our region we anticipate a 10% increase in demand by 2050. At the same time, our commitment to sustainable abstraction, coupled with climate change, means our supply availability is reduced. We will therefore need to address the balance between our supply and demand over the long term by:

- Reducing leakage by 50% from the 2017/18 baseline, by 2050
- Reducing daily 'per person consumption' in a dry year to 110 litres by 2050, and business demand by 18 million litres per day by 2050
- Delivering the strategic regional water resources across our region, which are scheduled for preparatory work between 2025 and 2030 and delivery from 2030 to 2035 and beyond

## Our affordability ambition

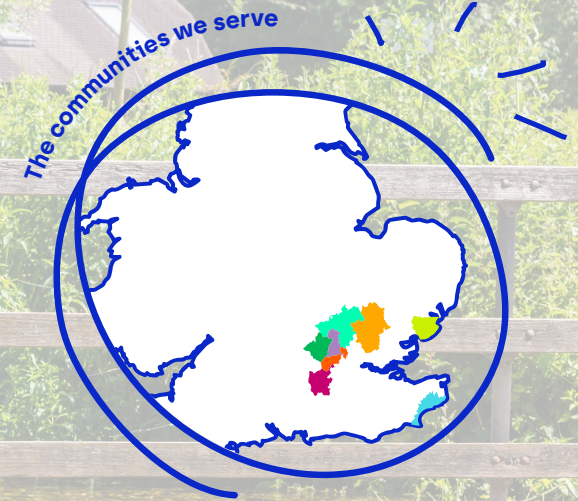
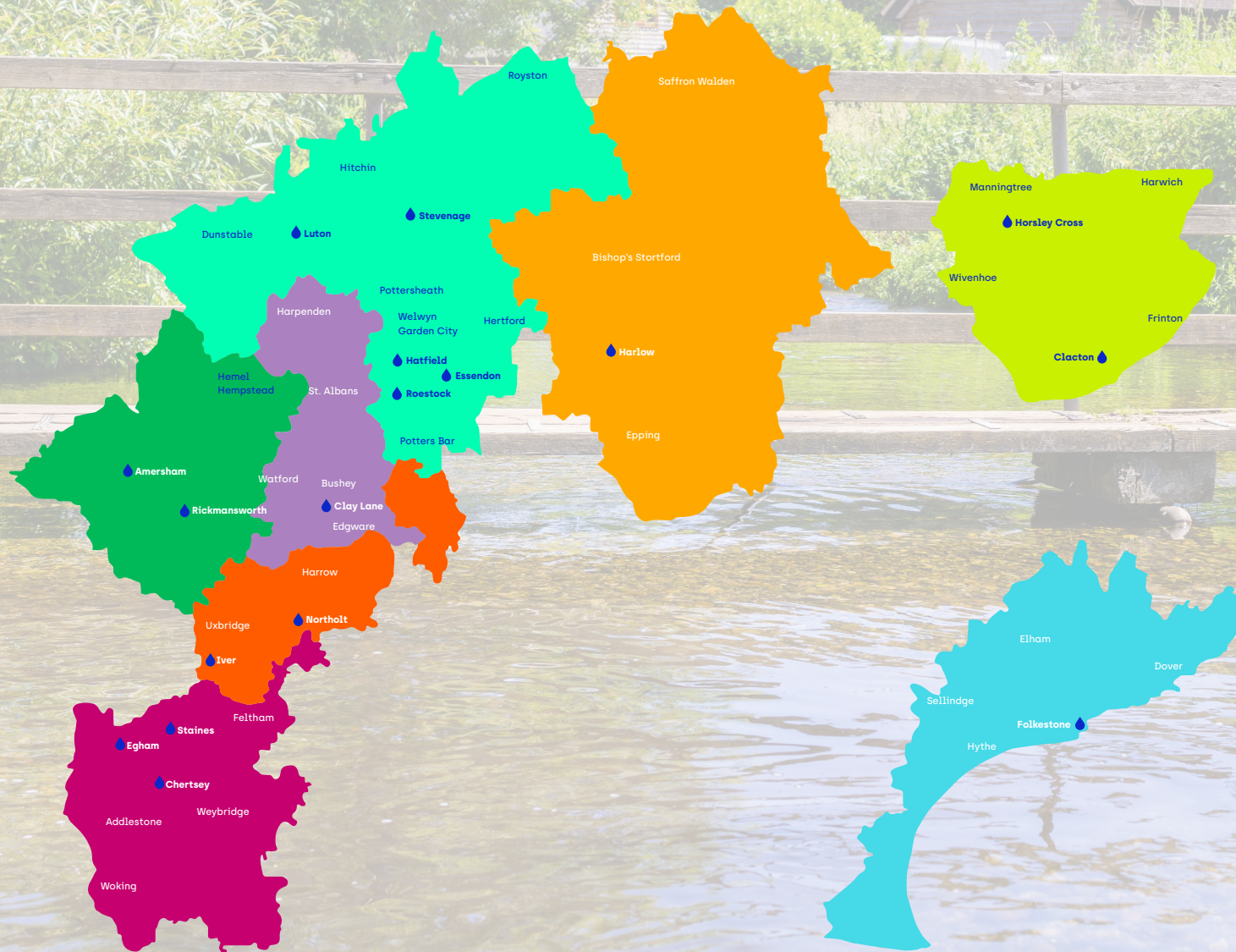
To secure our water supply and meet our ambitious sustainable abstraction goals, we will need to invest in our infrastructure. We know the cost-of-living crisis and high inflationary environment is challenging for customers at the moment, so we are working really hard to keep bills as

affordable as possible and providing support to those who need it. We will need to extend the reach of our social tariff and anticipate increasing the number of customers who will benefit from it from 90,000 to around 150,000 by 2030.

**Our business plan sets out to address these challenges and deliver on our purpose: to provide high quality drinking water for our customers and take care of the environment for our communities, now and in the future.**



# Where we operate



# What is this document for?

## This is a summary of our business plan for 2025 to 2030.

When we set out our long-term ambitions to 2050 in our Strategic Direction Statement (SDS), we highlighted the challenges we face and the huge opportunities for society, our company and the wider water sector, to enable us to create value for our customers. This has set the framework under which we have developed our business plan.

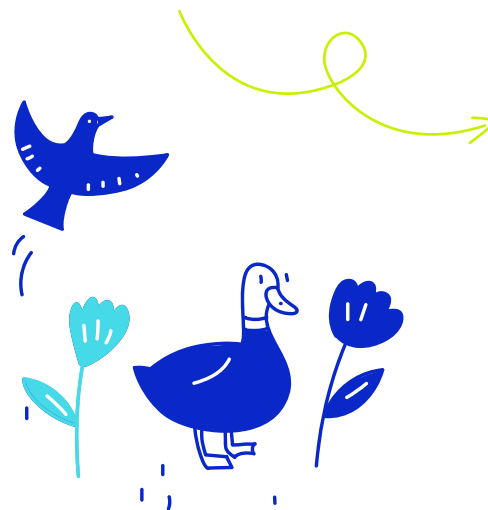
What our customers want shapes what we do, and our business plan focuses on the first five years of that journey, from 2025 to 2030. It reflects new requirements from our regulators and the feedback we've had from our customers and our stakeholders and this has driven the pace and scope of our plan and our long-term ambitions. This document provides a summary of what we have proposed in our business plan and highlights the main features, including affordability for our customers with respect to their bills.

In the following pages, we summarise the main proposals in our business plan and how we intend to address these challenges through innovation, efficiency, and developing partnerships, to deliver an excellent service for our customers and communities.

## Our long-term ambitions

Our long-term ambitions are focused on four key areas: the environment, resilience and our customers and communities.

Our business plan is the first step towards achieving those ambitions.



### Environment

Leave the environment in a sustainable and measurably improved state.

- End unsustainable abstraction from chalk groundwater sources
- Achieve Net Zero for operational emissions by 2030 and all carbon by 2045
- Deliver a net gain in Natural Capital



### Customers

Deliver what our customers need, ensuring affordability for all.

- Exceed customers' expectations for drinking water
- Personalise our services to support different needs and wants
- Take care of our vulnerable customers and keep bills affordable



### Resilience

Be prepared for change, and resilient to shocks and stresses.

- Ensure a resilient supply of water for our customers
- Ensure our physical assets are resilient for the long term
- Ensure our people, processes, suppliers and finances remain resilient



### Communities

Work with our communities to create value for the local economy and society.

- Build trust and transparency
- Enhance environmental and social health to provide value to our communities
- Reduce our impact in the water environment for all



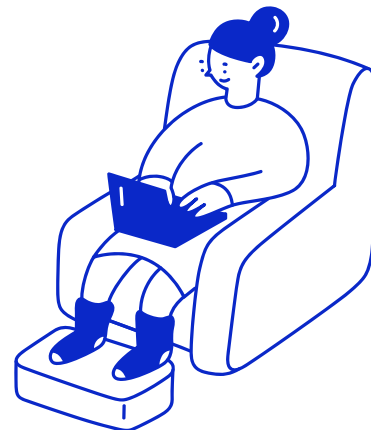
# Our **customers** have helped shape our business plan

**We have undertaken our largest ever programme of research and engagement with customers and stakeholders to develop and support our business plan.**

This included commissioning our own innovative research to deeply understand our customers' views and values, and a programme of collaboration with our regional partners and national groups to understand our customers in the wider context. As a result, we have engaged with 380,000 customers throughout the development of our business plan, along with our 'business as usual' engagement that happens every day.

## 380k

customers engaged about our plan



## How did we engage?

We have engaged in a variety of ways including direct emails, social media posts, online surveys, in-person focus groups, discussions and surveys with our water community group, and wide-reaching consultations. We also ran a live 'Your water, your say' event to reach out to customers and inform them about our business plan. We have discussed topics such as what our customers' priorities are and how much they value the different services we provide, where they think we should invest more, how we should communicate and how we should support those in vulnerable circumstances.

## What our customers want from our business plan

### A reliable, clean water supply

- Our customers have told us they want a clean, safe, reliable and plentiful supply of water so they don't need to worry when they turn on their taps.
- Concerns over future supply aren't at the top of their minds, but there is awareness of an aging infrastructure, rising population, and climate change. Customers want to be assured that we are making plans for the future.

### Be fair

- Our customers want us to fix the leaks and reduce water wastage.
- Our customers are concerned about the impact of bills on vulnerable customers and don't want bill changes to negatively impact them.
- Our customers want fair, progressive billing and charging structures that support paying for what you use, and charging more to those who use the most water.



### Be more proactive

- Our customers have told us they want us to do more to protect and restore the environment and they want us to go beyond the statutory minimum regulations.
- When it comes to customer service, they don't want to have to contact us but if they do it needs to be easy, for example, through an app.
- Our customers support the use of smart meters to keep them informed.

### Be more transparent

- Our customers want us to have more contact with schools and spread the word about urgent issues such as the environment and water supply, through a wider education and engagement programme.
- Our customers understand why we need to raise prices, but are more likely to accept them if we can demonstrate that we have invested in what we say we have.



## Who challenges what we do?

Our activities and the levels of service we provide are subject to independent scrutiny and regulation by a number of bodies including Defra, Ofwat, Drinking Water Inspectorate (DWI), Environment Agency (EA) and Consumer Council for Water (CCW). But we also receive additional challenge from our Independent Challenge Group (ICG). Our ICG have been with us at every step of the process in developing our plan, ensuring we are delivering high quality research and taking customer views into account to deliver what our customers and stakeholders need and expect.

**The ICG is a group of independent subject experts, industry regulators and independent members, with an independent Chair. It scrutinises and constructively challenges Affinity Water on:**

- The quality of its engagement with customers and the wider communities and stakeholders
- The extent to which customer priorities are reflected in what the company does
- The company's delivery against those priorities

## What have we changed as a result of the feedback?

**We have ensured:**



Our Water Resources Management Plan (WRMP) prioritises demand-side reductions and leakage first while securing a range of strategic options to protect supplies in the future



Our work on biodiversity will extend our existing collaborative partnerships



Our plans to reduce abstraction from chalk aquifers will go beyond what is legally required



We extend our lead replacement plans to proactively focus on customer pipes as well as our own pipes

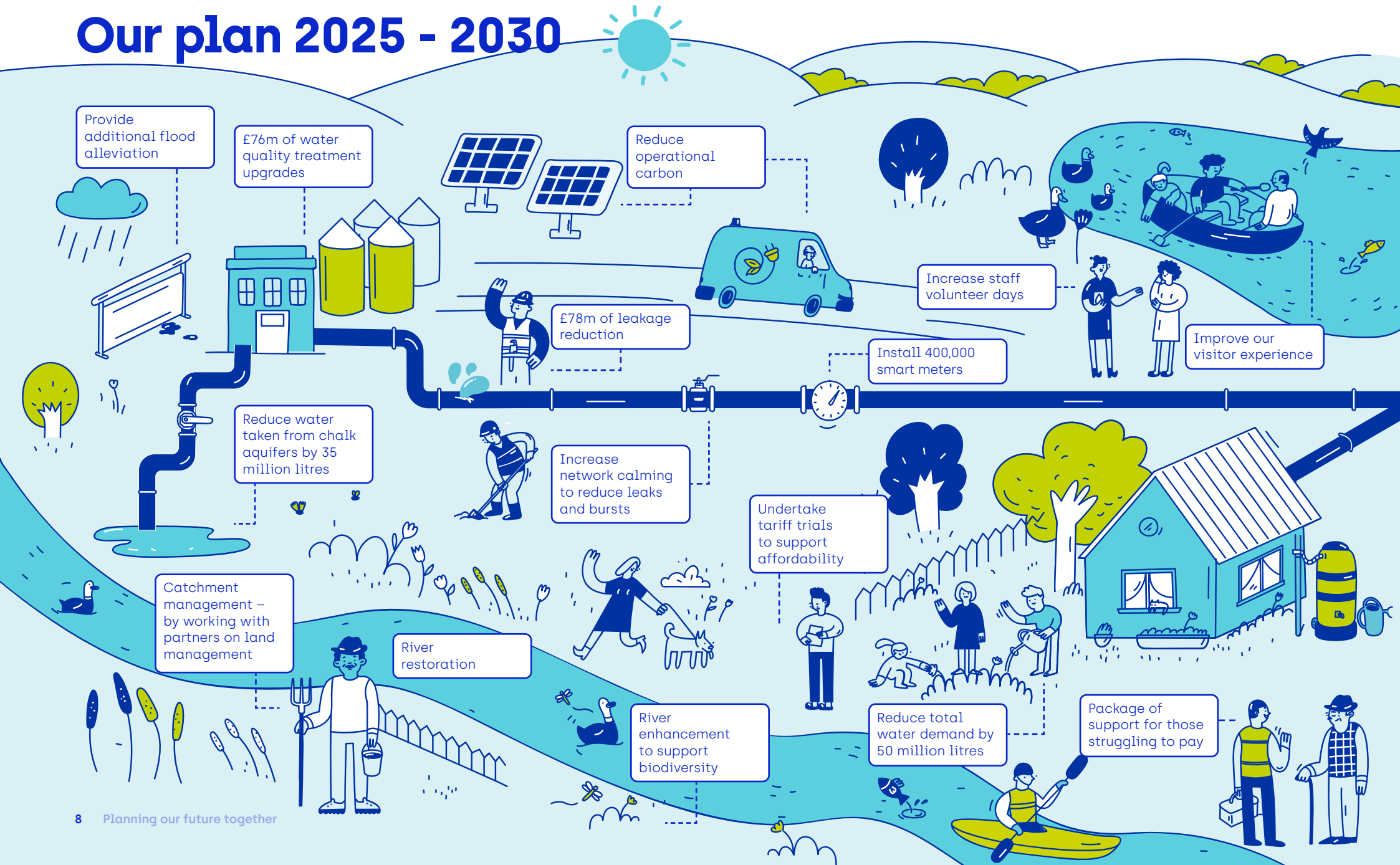


We will pace our delivery on 'net zero' to ensure we optimise new technologies



We have a mix of support options to help reduce costs and improve services for those more vulnerable in our communities

# Our plan 2025 - 2030





# Investing for the future

## What will we invest from 2025 to 2030?

We will invest a total of £2.12bn between 2025 and 2030. This is a 19% increase from 2020 to 2025, and it reflects new regulations and the priorities for investment highlighted by our customers.

Investment in 2025-30 compared with 2020-25



- Operating our service day to day
- Investments to meet new regulations and improve services



## Measuring how we are doing

It is important our customers and regulators know how well we are delivering on the plans we have set out and what our ambitions are. You can find out more about the ambitions in our business plan and the performance commitments we have made [here](#). We look at our performance commitments in more detail on page 10.

We have included three bespoke commitments. These are areas our customers have told us are important but aren't covered by the cross-industry measures we will be reporting against, and include:



**Low pressure** – this is an area of concern flagged by customers who have had issues with it in the past. We have included this performance commitment in recognition of its importance to our customers.






**An Abstraction Incentive Mechanism or AIM** – we have included this because reducing abstraction from our most sensitive catchments is of intrinsic importance to our long-term plans.



**A Whole Life Carbon performance commitment** – this provides us with a holistic measure of reducing embedded carbon\*.

\*Embedded carbon refers to the greenhouse gas emissions arising from the manufacturing, transportation, installation, maintenance, and disposal of building materials.

# Our performance commitments 2025 - 2030

| Our Ambition Statements  | Key Outcome   | Type    | Performance Commitment                          | Reward/ Penalty | Measure   | 2024/25 Target       | 2025/26 Target       | 2029/30 Target      | Improvement |
|--|---|---------|---|-----------------|---|----------------------|----------------------|---------------------|-------------|
| Leave the environment in a sustainable and measurably improved state |    | Common  | Leakage   | Both            | % Reduction from 2019-20 baseline                             | 20%                  | 20%                  | 31%                 | 11%         |
|  |   |         | Per capita consumption                          | Both            | % Reduction from 2019-20 baseline                             | 12.5%                | 12%                  | 16%                 | 4%          |
|  |   |         | Business demand                                 | Both            | % Reduction from 2019-20 baseline                             | n/a                  | 11%                  | 11%                 | n/a         |
|  |   |         | Biodiversity                                    | Both            | Biodiversity units per hectare                                | New for 2025/26      | 0                    | 2.70                | n/a         |
|  |   |         | Operational GHG emissions                       | Both            | Tonnes of CO2e  | New for 2025/26      | 55,477               | 55,859              | n/a         |
|  |   |         | Discharge permit compliance                     | Penalty Only    | % Compliance  | New for 2025/26      | 100%                 | 100%                | n/a         |
|  |   |         | Serious pollution incidents                     | Penalty Only    | Number of Cat. 1 & 2 incidents                                | New for 2025/26      | 0                    | 0                   | n/a         |
|  |   | Bespoke | Whole life carbon                               | Both            | % reduction against baseline                                  | New for 2025/26      | n/a                  | 14%                 | n/a         |
|  |   |         | Abstraction incentive mechanism                 | Both            | Reduction in Ml of abstraction across selected sources        | 0                    | 0                    | 0                   | n/a         |
| Be prepared for change, and resilient to shocks and stresses         |   | Common  | Mains repairs                                   | Both            | Number of repairs per 1,000km of mains                        | 142                  | 140                  | 132                 | 7%          |
|  |   |         | Unplanned outage                                | Both            | % Of peak week production capacity                            | 2.54                 | 2.46                 | 2.14                | 16%         |
| Deliver what our customers need, ensuring affordability for all      |  | Common  | C-MeX   | Both            | Score /100  | League Table         | n/a                  | n/a                 | n/a         |
|  |   |         | Water supply interruptions                      | Both            | Time per property per year                                    | 00:05:00             | 00:04:40             | 00:03:40            | 25%         |
|  |   |         | Compliance risk index                           | Penalty Only    | Numerical Score [Deadband of 2.0]                             | 0 [Forecast of 1.09] | 0 [Forecast of 1.09] | 0 [Forecast of 0.9] | 17%         |
|  |   |         | D-MeX   | Both            | Score /100  | League Table         | n/a                  | n/a                 | n/a         |
|  |   |         | Customer contacts about water quality           | Both            | Number of contacts per 1,000 population                       | 0.67                 | 0.67                 | 0.67                | 0%          |
|  |   |         | BR-MeX  | Both            | Score /100  | League Table         | n/a                  | n/a                 | n/a         |
|  |   | Bespoke | Average time properties experience low pressure | Penalty Only    | Average time per property that pressure is below 15m per year | 02:42:10             | 01:55:56             | 01:43:43            | 36%         |

# Our customers' bills and affordability

**We have continually challenged ourselves to make sure our customers' bills are fair and as low as they can be. However, we have clearly heard from our customers and stakeholders that we need to protect the precious chalk stream habitats by reducing abstraction, while ensuring we can provide a reliable water supply for our customers now and in the future. This will require the building of new pipes and resources which has driven up the investment needed.**

Ensuring that bills are affordable means we are always looking at providing new ways to help our broad range of customers and meet their individual needs.

## Average customer bills by 2030

|      |      |
|------|------|
| 2025 | £192 |
| 2026 | £203 |
| 2027 | £209 |
| 2028 | £210 |
| 2029 | £215 |
| 2030 | £217 |

In 2023, we are trialling 'WaterSave', a rising block tariff with 1,500 customers in the Stevenage area, to gain new evidence of the effects of such tariffs on affordability and water use behaviour, and we plan four further trials between 2025 and 2030.

We have developed a four-layer affordability strategy, designed to ensure we have taken every action we can to keep bills as low and as fair as possible, before asking our customers to take action. We also provide tools to help customers reduce consumption, and therefore bills.

We have summarised some of the key points in our action plan.

It is set out in more detail in Chapter five of our business plan [here](#).

### Ensure our bills in 2025 to 2030 are the lowest they can be by:



- Challenging the costs we have used to develop our investment programmes to be as efficient as possible
- Planning investment on a just-in-time basis, minimising early investment that would affect 2025 to 2030 bills

### Change our tariffs to deliver fairer bills by:



- Extending our social tariff to 150,000 customers and adopting any new national social tariff so no customer receives less support as a result
- Continuing with tariff trials to help make bills fairer

### Provide tools for customers to reduce bills and consumption by:



- Increasing our customer supply pipe leakage allowance for those on social tariffs
- Installing 400,000 smart meters by 2030 and providing online ways for customers to understand and manage their use

### Help households with the cost of living by:



- Enhancing our 'benefits maximisation' service to make sure all eligible benefits are claimed
- Using our own and external data, proactively identifying customers in or at risk of experiencing financial pressure

# What happens next?

**We have submitted our plan to Ofwat [the economic regulator] on 2 October 2023 and await their assessment.**

To find out more about our plans please visit our [engagement site](#) where we publish a number of detailed documents to support our submission.

You can also join us in person at our live 'Your water your say' event on 18 October 2023 and hear more from the Affinity Water team about our plans. [Click here to register.](#)



## Here's the timetable:



**2 October 2023**

Business plan submitted to Ofwat



**18 October 2023**

Live 'Your water your say' event



**May/June 2024**

Draft determination by Ofwat



**December 2024**

Final determination by Ofwat



**April 2025**

Delivery of our final business plan