



South Staffs Water

incorporating



Guide to our PR19 business plan

South Staffs Water
(incorporating Cambridge Water)



1. Contents of our business plan submission

This document summarises the structure of our PR19 submission and signposts the appropriate sections of Ofwat's IAP test pro-forma. Our total business plan submission as submitted to Ofwat on 3rd September 2018 comprises:

Business plan:

1. Guide to our PR19 business plan

This short business plan guide, outlining the content of the submission and referencing Ofwat's initial assessment of business plan tests, along with a list of appendices.

2. Our PR19 business plan (pdf and Word versions)

Our main business plan document (pdf and Word formats supplied) which incorporates our executive summary.

3. Board assurance of our PR19 business plan

Our Board assurance statement.

4. Appendices (79 files)

The full list of appendices is at the end of this document, which have been loaded onto Ofwat's sharepoint site in a 'Appendices' folder within the 'Business Plan' folder.

Models and data:

5. Business plan data tables (5a) and table commentary document (5b)

A set of business plan tables using the 25th June 2018 published template, with accompanying commentary.

6. Financial model (3 versions labelled 6a to 6c)

A completed financial model (3 versions) using version 14h published on 18th July 2018, and our balance sheet feeder model (6d).

7. Initial assessment of business plan pro-forma

An initial assessment of business plans pro-forma, using the version published on 8th August 2018.

8. Our business plan presentation pro-forma (8a), tables (8b) and bill movement model (8c)

Our PR19 business plan presentation pro-forma using the version published on 3rd August 2018, along with the associated guidance tables and PR19 bill movement model.

2. Structure of our main business plan document

Main business plan

Our main business plan document is approximately 200 pages long and starts with forewords and introductions, followed by our Executive Summary. Sections 1 through 6 are structured around our Outcomes themes. We then finish with a section on our governance and assurance.

The outline contents of our main business plan are as follows:

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| Foreword from Sir James Perowne | 4 |
| Introduction from Phil Newland | 5 |
| Executive summary | 6 |
| Chapter 1: Making water count – now and in the future | 12 |
| Chapter 2: Putting customers at the heart of our plan | 66 |
| Chapter 3: Connecting with our community | 90 |
| Chapter 4: Delivering a class-leading service | 111 |
| Chapter 5: Protecting our environment | 140 |
| Chapter 6: A reliable and trusted business | 161 |
| Chapter 7: Governance and assurance | 184 |

Cost adjustment claim

Please note that we have made revisions to our cost adjustment claim first submitted in May 2018. Please refer to our appendix A33 for the latest version.

3. Signposting to Ofwat’s initial assessment of business plans tests

We have completed and separately submitted Ofwat’s initial assessment of business plans pro-forma. The summary below is based on this template. The template provides more specific signposting, whereas here we have focussed on the key themes.

Clearly we cannot replicate in this short summary the full extent of our activity that has been covered in our 200 page business plan and our additional supporting appendices, however we hope that it provides a flavour of how we are addressing these issues in our plan.

| IAP test | Our plan |
|--|--|
| Engaging customers | <p>We have directly engaged with 40,000 customers as part of our PR19 and WRMP engagement programme, and drawn on other data sources also, such as our customer insight from within the business and wider data from external sources, such as our triangulation of customer valuations.</p> <p>For all of our engagement we have undertaken both qualitative, focus group based work and larger quantitative surveys. We’ve engaged with and had a great deal of support from our Customer Panel on this journey, which has helped shape the engagement we have carried out.</p> <p>Section 1.3 of our main business plan discusses our broad engagement programme and describes the journey from foundation research through to final acceptability testing. There are also several appendices which cover the detailed outcomes of our research.</p> |
| Addressing affordability and vulnerability | <p>Section 3.2 of our main business plan discusses how we are keeping bills affordable for all of our customers. We are proposing an innovative bill profile which maintains an average residential bill of no more than £144 in nominal terms until 2024/25. This means that bills can only go down from this level or return to it, not above it. Customers have told us they value bill stability and think in nominal terms about their bills.</p> <p>Section 3.3 of our main business plan shows what we will do to help customers who find themselves in vulnerable circumstances. We are continuing with our financial support schemes which include a social tariff, and we are introducing a new Extra Care scheme for customers on the priority services register who need additional support. We’ve ensured these promises will be kept by adopting performance commitments for them, both of which are financially incentivised.</p> |
| Securing long term resilience | <p>In section 1.6 Delivering resilient and reliable water services we discuss our approach to quantifying resilience in the round. Our resilience lens looks wider than just operational resilience, and presents where we consider we are currently with regards to a more rounded view of resilience and where we will be at the end of the planning period, based on our investment and proposed customer promises. We discuss in further detail in our cost adjustment claim the specific work at the treatment works which will secure our operational resilience.</p> |
| Targeted controls, markets and innovation | <p>In Section 5.3, securing resilient resources over the long term – partnership working and water trading we discuss our involvement with Water Resources East and our Bid Assessment Framework explaining how we will engage with third parties to identify efficient supply and demand side solutions.</p> |

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| Securing cost efficiency | In section 6.3 Running and efficient business we outline how we effectively manage our cost bases and how we consider that we are upper quartile efficient when looking at our base operating costs. |
| Aligning risk and return | In section 7.1 we set out how we have assessed our financeability under both the actual and notional capital structure. We have also identified the key risks facing the business and, it's likely impact and how we would manage this. |
| Accounting for past delivery | In section 1.2. Accounting for current performance we discuss our performance both in terms of financial and service to customers along with how we used any lessons learnt to help to deliver our future plans. |
| Securing confidence and assurance | <p>Section 7 of our main business plan provides detail on the full range of governance and assurance that we have carried out in the development of our business plan.</p> <p>We have undertaken a wide range of internal and external assurance on various components of our plan including our performance commitments, our financeability and stress testing and our operational resilience and plans for asset maintenance and enhancement.</p> <p>Our Board has carefully considered and challenged both our business plan and the long-term plan and analysis that has led to it. This plan reflects our Board's strategy. So, our Board is happy to provide assurance that our plan is ambitious, innovative and of high quality. Our Board's assurance statement is part of our total business plan submission.</p> |

4. Appendices

Alongside our plan we have provided additional appendices which cover further detail of specific parts of our plan, or provide additional information as support, for example our research outcomes. The full list of appendices is:

| Appendix number | Appendix name |
|-----------------|--|
| Appendix A01 | Customer engagement approach |
| Appendix A02 | Identifying customer priorities |
| Appendix A03 | Valuing service improvements |
| Appendix A04 | Reshaping the customer experience |
| Appendix A05 | Defining the customer promise |
| Appendix A06 | Validating the business plan |
| Appendix A07 | PR19 data triangulation study - SSW WRMP |
| Appendix A08 | PR19 data triangulation study - CAM WRMP |
| Appendix A09 | Establishing customers' priorities - 1 |
| Appendix A10 | Establishing customers' priorities - 2 |
| Appendix A11 | WRMP and long-term plan customer engagement |
| Appendix A11.1 | WRMP methodology statement |
| Appendix A12 | Metering uptake study |
| Appendix A13 | Willingness to pay wave 1 full report |
| Appendix A13.1 | SSC Peer Review WtP Research Methodology by Ariel Bergmann |
| Appendix A13.2 | SSC WTP Peer Review Wave 1 by PJM |
| Appendix A13.3 | South Staffs WTP PR19 Method Statement |
| Appendix A13.4 | SSC technique changes report |
| Appendix A13.5 | SSC PR19 Pilot Methodology Note |
| Appendix A14 | Willingness to pay - wave 2 |
| Appendix A14.1 | SSC WTP Peer Review Wave 2 by PJM |
| Appendix A14.2 | SSC WTP Wave 2 Method Statement |
| Appendix A14.3 | SSC technique changes report - wave 2 |
| Appendix A15 | Engagement with hard to reach customers |
| Appendix A16 | Customer segmentation and proposition testing |
| Appendix A16.1 | Customer segmentation methodology statement |
| Appendix A16.2 | Customer segmentation focus groups |
| Appendix A17 | Customer journeys engagement |
| Appendix A18 | New connections market customer engagement |

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| Appendix A19 | Non-household retailer engagement |
| Appendix A20 | Developing a customer-friendly bill |
| Appendix A21 | Young Innovators' Panel |
| Appendix A22 | Customer support for Performance Commitments and ODIs |
| Appendix A22.1 | Performance Commitment Workshop workbook |
| Appendix A22.2 | Performance Commitment on-line survey |
| Appendix A23 | Business plan acceptability and bill affordability engagement |
| Appendix A23.1 | Business plan acceptability methodology statement |
| Appendix A24 | Customer service tracker 2018 |
| Appendix A25 | PR19 WRMP and WTP data triangulation study |
| Appendix A25.1 | PR19 WRMP and WTP data triangulation sheet |
| Appendix A25.2 | Triangulation Peer Review of Approach - Giles Atkinson |
| Appendix A25.3 | Triangulation Peer Review of Report - Giles Atkinson with PJM Final Response |
| Appendix A26 | Performance commitments |
| Appendix A27 | Arup report on resilience |
| Appendix A28 | Forecasting AMP 8 bills |
| Appendix A29 | Capital investment to deliver a class-leading service |
| Appendix A30 | Our approach to asset health outcomes |
| Appendix A31 | Jacobs report on direct procurement |
| Appendix A32.1 | DWI correspondence Ashwood |
| Appendix A32.2 | DWI correspondence Cookley Kinver |
| Appendix A33 | Cost adjustment claim final submission |
| Appendix A33.1.1 | DWI correspondence Hampton Loade |
| Appendix A33.1.2 | DWI correspondence Seedy Mill |
| Appendix A33.2 | Decision making framework modelling report |
| Appendix A33.3 | Decision making framework model summary |
| Appendix A33.4 | WRMP customer engagement |
| Appendix A33.5 | Costain report on special factors market testing |
| Appendix A33.5.1 | Hampton Loade WTW budget estimate |
| Appendix A33.5.2 | Seedy Mill WTW budget estimate |
| Appendix A33.5.3 | Costain appendices B1-G2 |
| Appendix A33.6 | Explain market research cost adjustment claim engagement report |
| Appendix A33.7 | Arup cost adjustment claim CBA report |
| Appendix A33.8 | Cost adjustment claim proposed delivery timeline |
| Appendix A35 | Jacobs report on Monte Carlo analysis |

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| Appendix A36 | Jacobs assurance |
| Appendix A37 | WISER submission response (South Staffs incorporating Cambridge) |
| Appendix A38 | Board assurance of our PR19 business plan |
| Appendix A39 | PR19 Data Table and Financial Model commentary |
| Appendix A40 | Bidding assessment framework |
| Appendix A41 | Bad debt best practice |
| Appendix A42 | Debt management system Echo |
| Appendix A43 | UK customer satisfaction index report |
| Appendix A44 | PWC retail services efficiency benchmarking |
| Appendix A45 | Retail development |
| Appendix A46 | Equifax proof of concept |
| Appendix A47 | Independent internal audit assurance report |
| Appendix A48 | Manage disruption for SSW |
| Appendix A49 | Water resources annualised unit cost model |
| Appendix A50 | SSC accounting for past delivery |
| Appendix A51 | Assurance documents (combined) |

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