Portsmouth Water

EXCELLENCE IN WATER. ALWAYS.

Business Plan 2025 to 2030

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Front cover image is the River Itchen.

SECTION 1

OUR BUSINESS PLAN

1. SUMMARY OF OUR BUSINESS PLAN FOR 2025-30

Our commitment for 2030 is **Excellence in Water. Always.**

Our investment

Our investment (totex) = **£347 million** (Excl. Havant Thicket Reservoir)

This is an increase of **£130 million** compared to the current period.

Our bill

Average customer bill in **2029-30 = £128** (before inflation)

An increase of **19%** – the equivalent of **40p per week**.

Remains the **lowest** bill in England and Wales.

Affordability and Acceptability

67% of customers said a **22% increase** would be very easy, fairly easy or neither easy nor difficult to pay.

All customers in water poverty will have access to **support by 2030**.

76% of customers said our plan is acceptable.

Our customers' priorities

- Maintain industry-leading low levels of interruptions
- Go faster on leakage
- Increase biodiversity
- Spread investment evenly across generations
- Support customers through metering

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Key investments

A smart metering programme for all customers

Enhancement investment of **£75 m**

Reduction in demand and leakage and creation of a smart network (by 2035).

(First water company to license Kraken Technologies' CRM system for proven tailored customer engagement and behaviour change).

IT systems

Base investment of **£7 m**

Upgrade of core customer and operational systems to increase efficiency and engagement – becoming first fully smart company by 2035.

Asset investment

Enhancement investment of **£33 m**

Installation of ultra violet and nitrate treatment and service reservoir recovery to protect water quality and increase resilience.

Water Industry National Environment Programme

Enhancement investment of **£4 m**

Investigation of catchments to determine future water supply strategy.

Digital and physical security

Enhancement investment of **£15 m**

Protection from cyber attack and physical threats at all treatment sites.

Deliver Havant Thicket Reservoir

The first new reservoir in a generation, creating sustainable, resilient supplies for the region.

What our plan delivers for customers

- **Improves** on industry-leading performance on interruptions and water quality contacts
- Continues **upper quartile** performance on customer satisfaction
- Reduces leakage by **a further 16%**
- Helps to **reduce** average consumption per person by **10%**

2. EXECUTIVE SUMMARY

We are proud to present our business plan for 2025-2030.

Our plan is ambitious but we believe realistically so, built on the foundations of our long history, ethos of 'Excellence in Water. Always' and strong customer engagement based on excellent service and low prices.

We have shown a forward-looking approach with the development of Havant Thicket Reservoir which will be a fundamental block in the evolving strategy for enhanced water supply for the South East.

Our plan is rooted in a clear long-term Vision, which reflects the four priorities we developed with our customers:

SECURE AND DELIVER WATER SUPPLIES WHICH ARE HIGH QUALITY, RELIABLE AND SUSTAINABLE

WORK IN PARTNERSHIP WITH OUR CUSTOMERS, COMMUNITIES AND STAKEHOLDERS

INVEST IN THE FUTURE TO MEET GROWING ENVIRONMENTAL CHALLENGES

ACHIEVE AFFORDABLE WATER FOR ALL. ALWAYS.

Clearly recognising the scale and pace of the challenges ahead, we are stepping up our investment and capabilities to maintain the excellence our customers expect.

The investment will be used to reduce leakage, fund a smart metering programme to help customers reduce their household use and protect the long-term security of water supplies and the environment.

We cannot afford to stand still, so our plan is ambitious and one we can deliver. To fulfil our statutory obligations, the core aspects are:

- Rolling out a smart metering programme for all our customers
- Upgrading our core IT systems to maximise efficiency and engagement
- Completing construction of Havant Thicket Reservoir to secure regional resilience
- Maintaining quality, resilience and security through asset investment.

We are increasing our investment to £347 million, an increase of £130 million compared to the current period. To fund this, bills will increase by £21 over the five years (19 per cent before inflation/30 per cent with inflation) and remain the lowest in England and Wales.

Listening to our customers

We have held extensive conversations with our customers during a focused two-year engagement programme, including vulnerable, minority, hard-to-reach, future customers, non-household and stakeholders.

Their feedback has played an instrumental role in shaping this plan and will continue to do so as this engagement remains embedded in our delivery.

We have adapted our plan to align with customers' views:

- bringing forward our commitment to halve leakage by 10 years to 2040
- maintaining our industry-leading position on interruptions
- spreading investment fairly across generations
- taking a more measured approach to achieving net zero
- deferring non-statutory investment to address concerns over affordability.

Our engagement is reflected in the fact that 76 per cent of our customers find our plan acceptable (with a further eight per cent unable to comment).

Affordable bills for all

We have worked very hard to make sure our bills remain affordable. We have focused on statutory obligations and our intention is to maintain the lowest bills in the sector.

Our average customer bill will increase in real terms by 40p per week.

Our forecast of average bills is shown below alongside Southern Water's proposed wastewater bill in our area, as shared in its Affordability and Acceptability Testing (AAT).

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Average Portsmouth Water bill	107	121	124	126	126	128
Average Southern Water bill (wastewater) *AAT	265	289	298	324	329	330

Portsmouth Water bill: Real prices. Deflated using November CPIH

While the increase on our water bill is modest, expected increases in the wastewater bill of Southern Water, are likely to be much more significant for our customers.

We originally tested a 22 per cent increase in our bills, alongside a 25 per cent increase in Southern Water's bills in the joint AAT. In response to our bill, 67 per cent said it would be very easy, easy or neither easy nor difficult to pay. When combined with Southern Water's wastewater bill, this fell to 52 per cent.

We took this feedback on the combined impact of the two bills into account and sought to minimise the impact for our customers by challenging our expenditure even further – reducing our bill increase from 22 per cent to 19 per cent.

We do still recognise some customers will find any increase challenging, so we are stepping up our assistance so all customers in water poverty have access to support by 2030.

Our track record

We are already trusted by our customers to deliver some of the highest standards of service in the sector for the lowest bills – our current bill is £117 compared to an industry average of £215.

We have the lowest level of interruptions, the lowest mains repairs and the lowest level of water quality contacts. We are also among the sector leaders for customer satisfaction as measured by C-MeX and D-MeX.

At PR19 we were judged the most efficient wholesaler (16 per cent below Ofwat's efficient benchmark) and our PR19 expenditure is in line with our forecasts. Our analysis suggests our efficiency leadership will be maintained. We have delivered 72 per cent of our 25 performance commitments to date, compared with a sector average of 65 per cent.

We have also proven our ability to step up through the development and delivery of Havant Thicket Reservoir, the first new reservoir in a generation and a £350 million strategic solution for the South East (our customers are not paying for this long-term asset, which will be funded by bulk-supply payments from Southern Water).

Our business plan builds on this success and will deliver significant improvements for the environment and those areas most important to our customers, funded through base costs.

Investing for the future

As outlined, to deliver our plan we will invest £347 million (totex):

Cost category	Water resources	Water Network+	Household Retail	AMP8 totex
Base costs	£37m	£152m	£29m	£218m
Enhancement	£8m	£121m	-	£129m
Totex	£45m	£273m	£29m	£347m

The largest increase is in our enhancement expenditure – more than £100 million higher than the current period – to deliver our statutory obligations.

The most significant expenditure is the efficient delivery of our Water Resources Management Plan. There is also enhancement expenditure to manage risks to drinking water quality, as agreed with the Drinking Water Inspectorate, and the environmental investigations required by the Water Industry National Environment Programme (WINEP).

Central to this is securing long-term sustainability, as the way we secure and supply water needs to change significantly. We face the potential loss of 180 million litres per day by 2075 (nearly our current average daily supply) due to abstraction sustainability reductions, impacts of climate change and population growth.

This is why the successful delivery of a smart metering programme is at the core of this plan, to change the way our customers engage with water and secure long-term sustainability.

Having been used to low-cost, plentiful water supplies, our customers have the highest average personal water use in the country (152 litres per person per day) and our meter penetration is low at 35 per cent. Smart metering represents a low/no regret scenario in all our water resource planning scenarios to reduce this to 110 litres per person by 2050.

The real-time data it will provide will also play a crucial role in driving down leakage – our customers' number one priority. With their support, we are committing to go faster than the Government's Plan for Water – halving leakage by 2040 rather than 2050.

Data-led engagement around water and energy use, will also significantly enhance our service for customers. We are the first water company to license Octopus Energy Group's award-winning Customer Relationship Management (CRM) platform to bring their expertise in the energy market to the water sector.

This partnership includes the creation of a Water Lab where we will design, develop and run trials of innovative approaches at pace. CCW is a fellow founding member and we will seek to tap into Ofwat's £100 million efficiency innovation fund to further learning for the sector.

An efficient plan

While our base expenditure (operating costs and capital maintenance) will increase in 2025-30 as we move to a higher point in our asset maintenance cycle and build more capability, we are confident we remain efficient compared to our peers.

We have taken independent advice on the likely efficient benchmark for PR24, based on Ofwat's published models and our costs remain consistent with upper quartile efficiency.

We have challenged ourselves hard to make sure all expenditure is essential and efficient. We went through a structured process to challenge our own bottom-up plans, removing expenditure which could be deferred on a risk-based assessment and absorbing new requirements (such as cyber risks) within base costs. We have removed the two draft Cost Adjustment Claims submitted to Ofwat in June 2023, in relation to our new Head Office and cyclical asset maintenance requirements.

We have not included any discretionary expenditure in the plan, except for a small allowance (<£2 million) for prioritised lead pipe replacement in 2025-30, linked to our metering programme, as our customers support the removal of lead, particularly in schools.

To account for the greater opportunity for leveraging efficiencies from a larger plan, we included a 15 per cent programme-level efficiency across all our enhancement and maintenance expenditure, with a larger 20 per cent stretch applied to our largest enhancement programmes. In addition, we have allowed for ongoing (frontier) efficiency of 1.0 per cent per annum across all wholesale costs, amounting to a further cost saving of almost 5 per cent by 2029-30.

Financing our plan

Our shareholders support our growth, with a recent injection of £170 million of new equity into our business and our Board is confident we have an appropriate level of financial resilience. Our plan is financeable and assumes financing costs in line with Ofwat's initial view of the cost of capital, with an uplift in line with Ofwat's policy to recognise the additional cost of debt faced by small companies.

For the Havant Thicket Reservoir price control, the standard cost of capital would not be appropriate as it assumes a significant proportion of 'embedded' debt (which reflects the cost of debt raised historically). We have therefore proposed an alternative cost of capital for Havant Thicket Reservoir, which reflects the specific quantum and timing of debt recently issued to deliver the project.

The costs and outcomes for the reservoir were agreed as part of the previous price review and updated in January 2023 as part of the agreed Cost Adjustment (CAM) process, following tender of the main construction contracts. This plan reflects the current plans for Havant Thicket, as reflected in the January 2023 CAM, as we continue to work collaboratively with Southern Water and Ofwat on the potential to recycle highly-treated wastewater into the reservoir to further boost resilience.

Delivering our plan

This business plan is a significant milestone in Portsmouth Water's evolution to deliver our future ambitions, maintain our commitment to excellence and help secure resilience across the South East in the face of significant challenges.

The step up in investment follows extensive, insightful conversations with our customers and constructive oversight and assurance from our Board.

We are evolving our delivery models so we have the capabilities, people, supply chain and delivery partners in place ready to deliver from 2025 and we have started market testing. We are building on the valuable lessons learnt from the delivery of Havant Thicket Reservoir and the investment behind our leading performance to date.

Our plan is stretching and achievable at an efficient and affordable cost to our customers and our proven track record shows we have the capabilities to deliver the outcomes our customers expect and those our environment needs.

Our Vision

Our Vision, against the backdrop of climate change and population growth, is to provide an affordable, reliable and sustainable supply of high-quality water for our customers.

By being smart in our approach we will work with our local communities to meet our goals while protecting and enhancing the environment for generations to come.

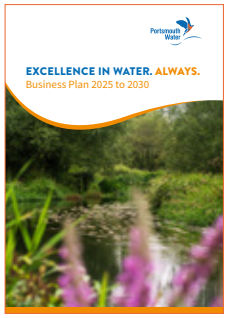
3. NAVIGATING OUR PLAN

This document is Portsmouth Water's overarching summary of its business plan for 2025-30.

More detailed information on each section of our plan can be found in our supporting documents. These are listed below, with links, and also signposted within this document.

A copy of this business plan and the supporting information is published on **portsmouthwater.co.uk/news/publications/business-plan-2025-2030**.

Business Plan to 2030



PRT01
EXCELLENCE IN WATER. ALWAYS.
Business Plan 2025 to 2030
(this plan)

FOR OUR FULL DOCUMENT NAVIGATION GUIDE CLICK HERE

Supporting Documents

PRT02
Delivering Havant Thicket Reservoir for Our Customers and the Region

PRT03
Engaging and Understanding Our Customers and Communities

PRT04
Delivering for Our Customers and Communities

PRT05
Delivering Outcomes for Our Customers

PRT06
Managing Our Resilience in the Long Term

PRT07
Our Investment Plan

PRT08
Delivering Our Investment Plan

PRT09
Securing Value for Money

Supporting Documents continued

PRT10
Innovation to Enhance Our Service Delivery

PRT11
Addressing Affordability and Vulnerability

PRT12
Accounting for Past Performance

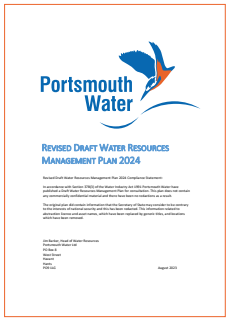
PRT13
Aligning Risk and Return

PRT14
Our People

PRT15
Board Assurance

Vision and Our Long-Term Plans

PRT16
Our 25-Year Vision (consultation version)



PRT17
Water Resource Management Plan(revised)

PRT18
Long-Term Delivery Strategy 2025-2050

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SECTION 2

SHAPING OUR PLAN

1. PORTSMOUTH WATER AT A GLANCE

A local company with a proud history of serving our customers for over 160 years

324,000

We provide clean drinking water to 324,000 homes and businesses in our area.

£117

On average our domestic customers are paying £117 in 2023/24 for their water supply.

740,000

Over 740,000 local residents use our clean drinking water every day. In addition we support additional numbers of tourist and migatory workers, as well as the resident population.

166 YEARS

We are proud to have served the local community since 1857.

183M LITRES

We serve the cities and towns of Portsmouth, Chichester, Fareham, Gosport, Havant and Bognor Regis. On average, each day we supply approximately 183 million litres of water.

3,387KM

Our area of supply has a network of over 3,387 km of underground pipes.

We provide drinking water only. We do not provide sewerage services; these are provided by Southern Water within our supply area.

2. OUR RESPONSIBILITY

Portsmouth Water has been supplying high-quality, reliable, affordable water to our customers in West Sussex and Hampshire for more than 160 years. We consistently deliver high levels of service for the lowest bill in the industry and our customers trust us to do so.

It's our responsibility to plan, invest wisely and evolve to make sure we can continue to meet and exceed these high standards in a changing and very challenging landscape.

Our purpose is to deliver '**Excellence in Water. Always**'. And this is what our plan will deliver tomorrow and in the long term, in line with our values – Excellence, Integrity and Future Focus.

At the heart of our plan is the evolution of our network to a fully smart platform and the installation of smart meters for nearly all our customers by 2035, supported by reliable assets and processes, all managed, operated and maintained by a skilled workforce.

The increase in expenditure we are proposing, relative to the current five-year period, is required to make sure we can deliver our statutory obligations.

The most significant is the efficient delivery of our Water Resources Management Plan to maintain security of supply. Our plan also includes enhancement expenditure to meet our statutory obligations to manage risks to drinking water quality, as agreed with the Drinking Water Inspectorate, and environmental investigations required by the Water Industry National Environment Programme (WINEP).

Who we are

Portsmouth Water supplies around 183 million litres of fresh, safe drinking water each day to around 740,000 people in around 324,000 homes and businesses in West Sussex and Hampshire – the equivalent of 70 Olympic swimming pools.

In the summer, supplies are greater to cater for the tourists visiting the coast, cities, and South Downs National Park. The businesses we supply include industry, defence establishments, agriculture, horticulture and varied commercial undertakings.

We also supply up to 30 million litres per day to Southern Water's customers in West Sussex and Hampshire through bulk supply agreements and we plan to increase this to 60 million litres per day when Havant Thicket Reservoir comes into operation. We're playing an increasingly key role as a regional supplier and as an integral member of the **Water Resources South East** group.

By 2075, our forecasts show we'll need to supply 209 million litres per day to more people – 957,000 people in around 450,000 homes and businesses.

The area we supply stretches from the River Meon in the west to the River Arun in the east. It includes towns and cities such as Portsmouth, Gosport, Fareham, Havant, Chichester and Bognor Regis.

Our water supplies are drawn from boreholes in the chalk landscape, springs and the River Itchen. This landscape also supports rare chalk streams and rivers such as the Ems, Meon and Lavant. Almost all our water supply today originates from the chalk aquifer under the South Downs.

We have one single supply zone with good interconnections around a central spine, which provides resilience in preventing interruptions to supply. We have the lowest level of interruptions in the country.

We have been owned by Ancala Partners, an independent mid-market infrastructure investment manager, since 2018. Our income last year was £45 million, and we have 262 employees.

We have a long-recognised record of delivering leading standards of service relative to our peers in the water industry – particularly in customer service, low interruptions and leakage.

All this is achieved with the lowest average water bill in the country (£117 average in 2023-24 compared to an industry average of £215) and we intend to maintain the lowest bills for our customers in the future.

We've only introduced restrictions once in the national drought of 1976.

Wastewater services in our area are provided by Southern Water.

Havant Thicket Reservoir

Havant Thicket Reservoir was at the heart of our last business plan and its development sees us expanding our role as a regional supplier of sustainable, affordable water to Southern Water.

It's the first new reservoir to be built in a generation and the additional supplies and resilience it will provide will play a key role in protecting the internationally-rare chalk streams, the Rivers Itchen and Test in Hampshire. The protection up to a 1-in-200-year drought will minimise the future need for water restrictions.

An environmentally-led project, the reservoir will store 8.7 billion litres of sustainable spring water which would otherwise flow out to sea in winter, and offer a new green, leisure facility for local communities.

It is the most ambitious investment initiated by our company in our 166-year history and signals our leadership in working in partnership with Southern Water and Ofwat on an innovative approach to water trading and co-funding, with the project ultimately funded by Southern Water customers through an 80-year bulk supply agreement. It's the first agreement of its kind, and one which opens the door to further lower cost water resource options.

Havant Thicket Reservoir was selected through the regional **Water Resources South East plan** and remains at the heart of its core best value pathway in the latest revised reiteration.

Located in the centre of Portsmouth Water's supply area, the reservoir will be used to supply Portsmouth Water customers, which will free up resources further west in our network to supply Southern Water's customers in Hampshire.

Positive progress

Since 2020, many major milestones have been successfully met in delivering the reservoir, providing efficiency and value for customers. These achievements include:

- Gaining planning permission for the reservoir and pipeline in 2021 in a hybrid application
- Signing an 80-year bulk supply agreement for 21 million litres of water a day (Ml/d) with Southern Water
- Appointing our main reservoir and main pipeline project contractors, under agreements worth £208 million, in line with market rates
- Securing £325 million in investments to construct the reservoir
- Obtaining approval from Ofwat on the updated costs for the reservoir scheme
- Establishing a structured network of community and stakeholder groups
- Completing sensitive clearance of woodland on the reservoir site and relocating 200 trees in a community partnership
- Appointing Hampshire and Isle of Wight Wildlife Trust to bring Southleigh Forest (which we own) under sustainable woodland management, as part of the reservoir scheme's comprehensive environmental plan
- Signing an agreement with local charity the Pigs Head Trust for an 80-hectare rewilding project at a local farm, again, as part of the reservoir scheme's environmental plan
- Constructing a trial version of the main reservoir embankment on the reservoir site, to help refine and finalise the engineering design
- Consulting on a new, less disruptive route and approach for the reservoir's pipeline
- Developing one of two key access routes, which will support the start of the main construction phase in Spring 2024.

The next steps for the reservoir during 2025-30 are outlined in our Future Water section and supporting document PRT02 Delivering Havant Thicket Reservoir

3. HOW WE ARE PERFORMING TODAY

We have a history of high performance and are committed to maintaining excellence for our customers.

As shown below, we are delivering well against many of the performance commitments in our last business plan and our customers have enjoyed consistently excellent service. We've been ranked in the top three companies for C-Mex and D-Mex in 2020-23 and our customers have experienced the lowest level of interruptions to their supply of any company in every year. We also have the best performance in the sector on mains repairs and water quality contacts.

Our performance provides clear evidence we are committed to and capable of delivering our customers' priorities, in line with our 2020-25 business plan.

At the last price review Ofwat assessed our proposed costs as being 16 per cent below the efficient benchmark based on their cost models. We've delivered totex that is broadly in line with our 2020-25 business plan forecasts, while delivering all our obligations, with a real reduction in bills between 2019-20 and 2024-25.

Our current bill for 2023-24 is the lowest in the industry at £117, compared to the next nearest of £140 (Bournemouth Water) and an industry average of £215.

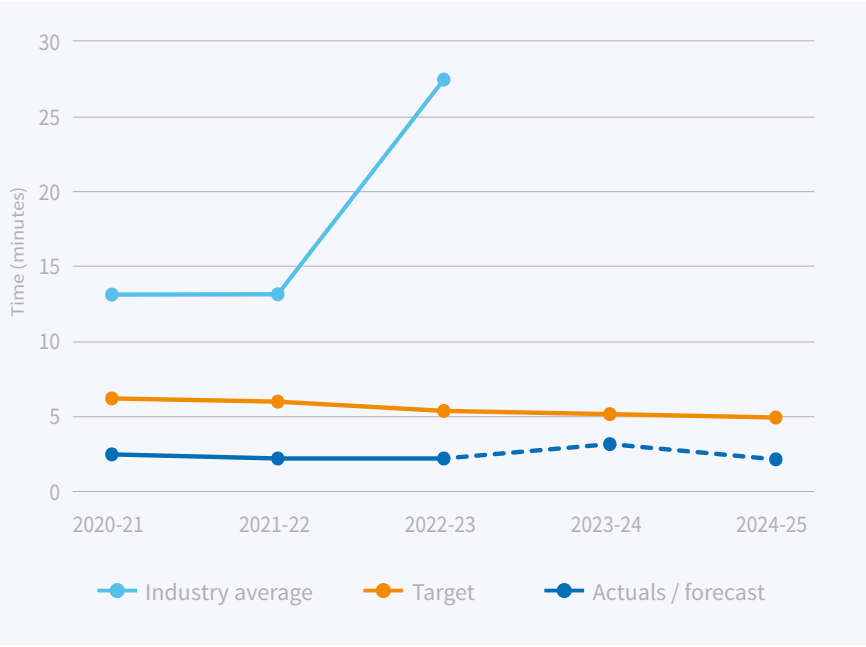
We have 25 performance commitments for 2020-25 (not including Havant Thicket Reservoir) – 15 financial and 10 reputational. We've delivered 72 per cent of these over the first three years of the regulatory period and below we show our performance against those which will be carried over into this business plan.

Performance commitments

Top performer

Water Supply Interruptions

This performance commitment measures the average time of supply interruptions which last beyond three hours, in minutes per property.

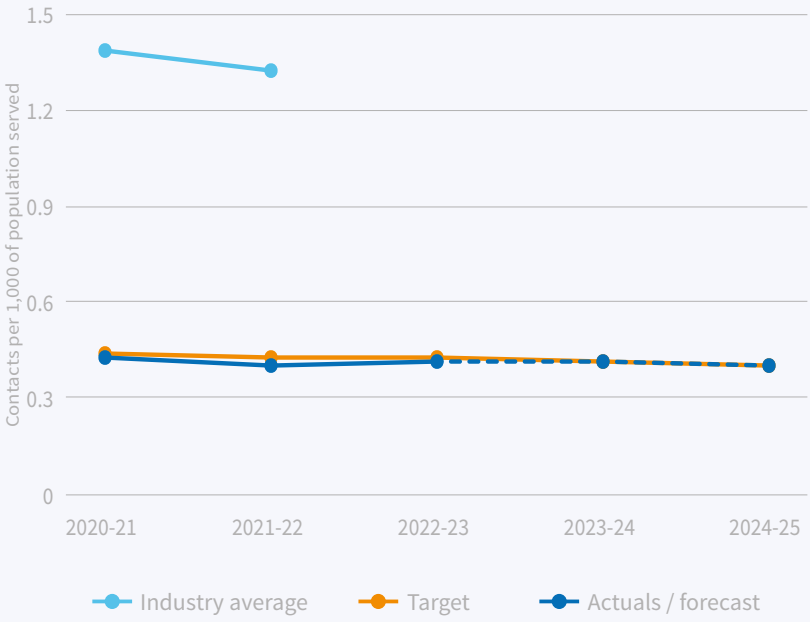


Performance against our supply interruptions target has been materially better than target in each year since 2020. Our performance is the best in the sector on this metric. Good management of planned and unplanned incidents when they do occur, including utilising the flexibility within our network to make sure customers can receive supplies from alternative sources, means we have very few incidents which last more than three hours.

This plan will deliver further reductions to maintain our sector-leading position, which our customers support.

Water Quality Contacts

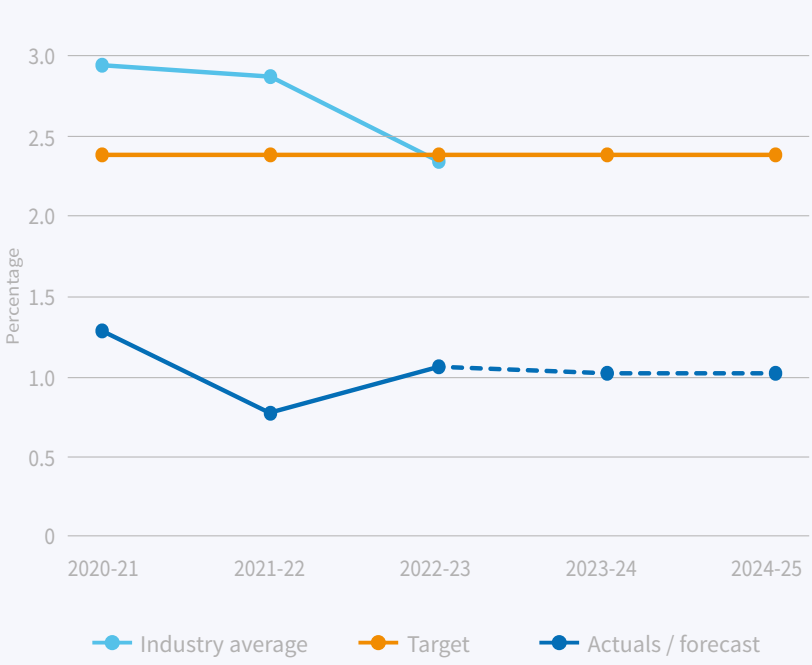
This performance commitment measures the number of times we are contacted by consumers due to the taste and odour of drinking water, or due to drinking water not being clear, reported per 1,000 population.



We've met or beaten our PR19 performance commitments for water quality contacts in each year and our performance has been consistently among the best in the sector. Our calm networks strategy seeks to make sure we operate our network in a manner that doesn't 'shock' the system, particularly when dealing with leakage and bursts. Shocks in the system can result in issues for customers such as discolouration or cloudiness, which can lead to water quality contacts.

Unplanned Outage

This measure is reported as the temporary loss of peak week production capacity in the year weighted by the duration of the loss (in days). It is normalised based on overall company peak week production capacity and reported as a percentage.

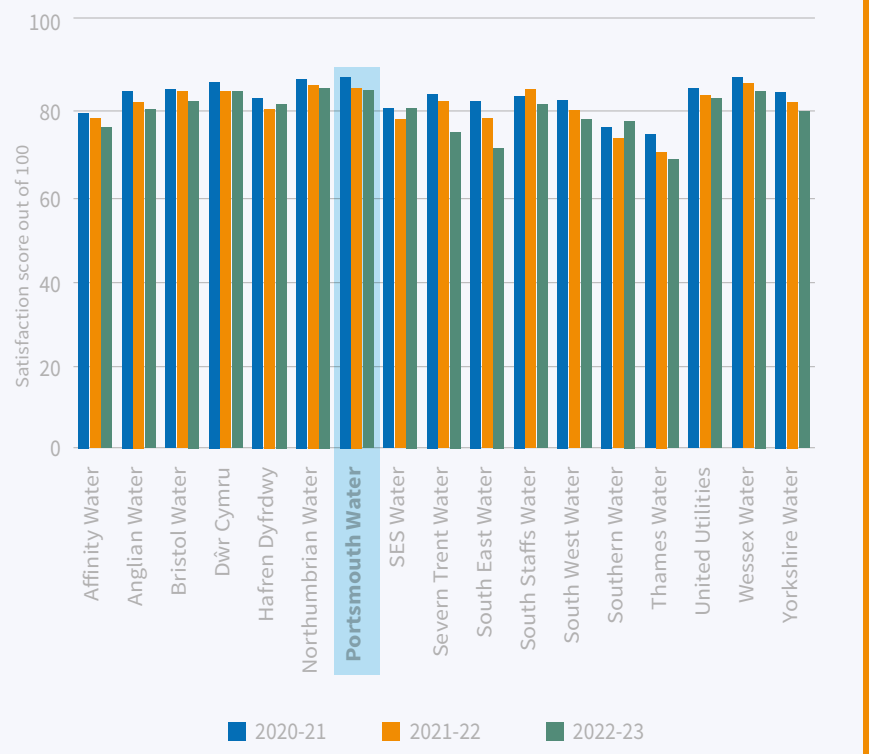


We've comfortably beaten our performance commitment in each year and expect to maintain unplanned outage at around 1 per cent of peak week capacity to 2025 – less than half the level of our target. This performance is around half the industry average and broadly in line with upper quartile performance (in 2022-23 four of 17 companies had better performance than us).

We will maintain our excellent performance from 2025 through continuation of our existing approach and targeted investment to improve the reliability and resilience of our water treatment works.

C-MeX

The customer measure of experience (C-MeX) is a measure of customer satisfaction. A company's C-MeX score is calculated as the weighted average of customer satisfaction (CSAT) scores from customer service (CS) and customer experience (CE) surveys.



Our C-Mex performance has been consistently in the upper quartile of companies, and we were the leading company in the sector in 2020-21. This demonstrates both the sustained trust our customers have in Portsmouth Water and the excellent standards of service we provide to customers who have a need to contact us.

Our high performance is borne out by CCW's complaints report where for 2020-21 and 2021-22, we had the lowest level of complaints per 10,000 connections of any company in the sector. CCW data for 2022-23 is not yet available, but we reduced the overall level of complaints from 731 in 2021-22 to 669 and we expect to be upper quartile again. *(CCW, the Consumer Council for Water)*.

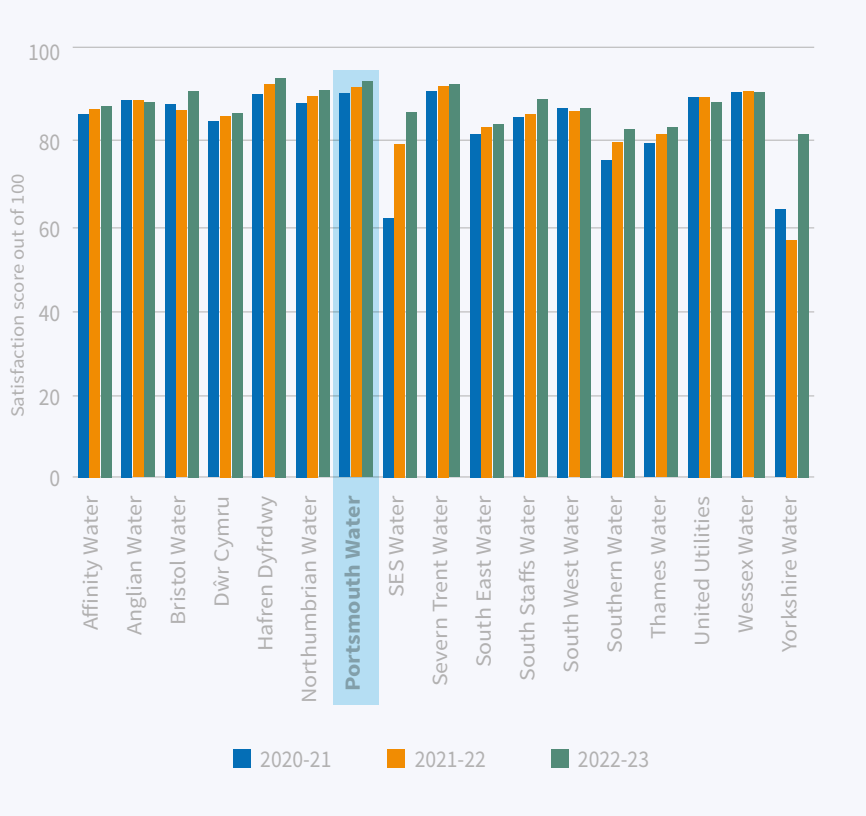
We participate in the Institute of Customer Services UKCSI measure which equally assesses a broad range of sectors around customer service performance. Customer surveys took place in Quarter 3 of 2022-23 where customers gave us a UKCSI score of 81.2. This performance is great when compared to the UK all sector average in July 2023 of 76.6 and a utility sector average of 69.5.

We recognise our smart metering programme has the potential to impact on our customers' perception of the service they receive. As an area with relatively low meter penetration and low bills, the impact could be greater for our customers than for those of other companies which had higher bills and higher existing levels of meter penetration. We're committed to rolling out our metering programme and providing customers with useful information about their consumption in a way they'll view positively, while maintaining our excellent core service.

As part of our programme, we'll offer a package of 'hypercare' for our customers before, during and following the meter installation – to support them on reducing their water use, finding and fixing leaks, and accessing additional support during the installation (e.g. emergency water supplies, information in a different language or braille).

D-MeX

D-MeX is a measure of customer satisfaction. A company's overall D-MeX score is calculated from satisfaction ratings provided by developer services customers who engaged with us and our performance against a set of selected Water UK performance metrics.

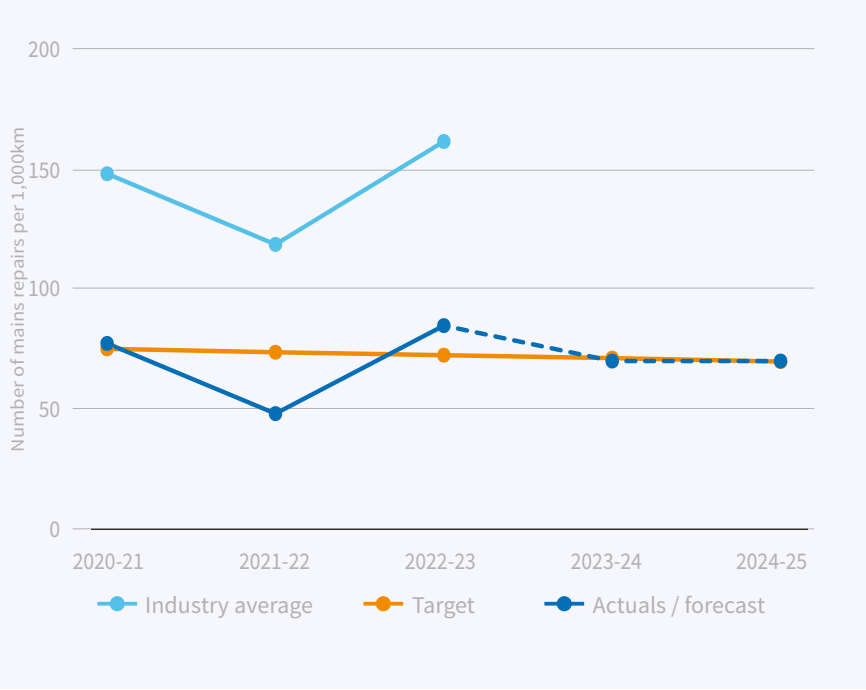


D-Mex was a new comparative measure introduced in 2020 to reflect the experience of developer customers in the sector. We're proud that, in line with our C-MeX performance, we have consistently achieved upper quartile performance in D-MeX, reflecting the close engagement and excellent standards of service we offer to our developer customers.

At or better than performance commitment level

Mains Repairs

This performance commitment measures the number of mains repairs per 1,000 kilometres of the entire water main network (excluding communication and supply pipes). A lower score is better as it means there have been less burst mains to repair.

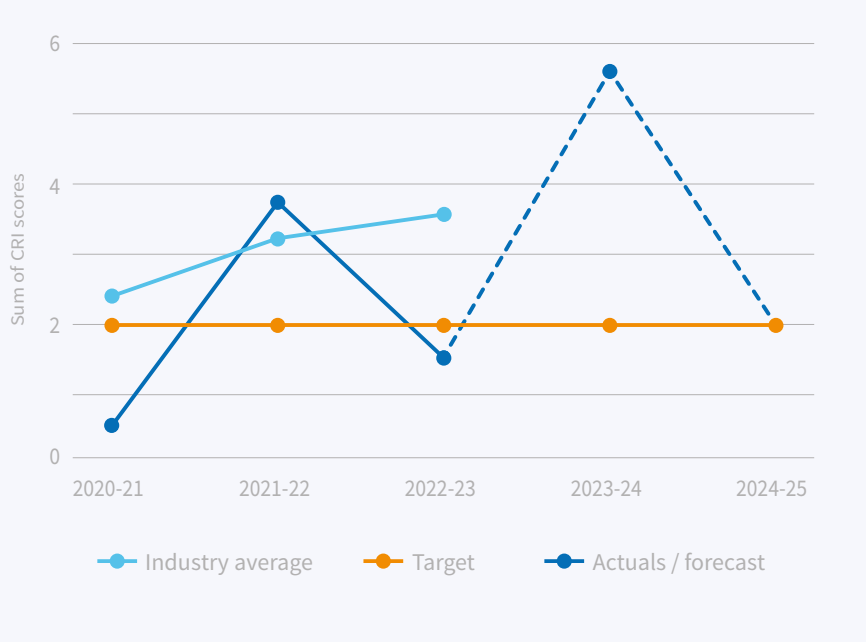


The mains repairs measure includes proactive repairs where we detect and repair leaks, so challenges in leakage can also negatively impact the mains repairs measure. This is partly reflected in our performance in 2022-23 where we exceeded our target for the first time, as we stepped up the level of repairs in response to elevated leakage.

Despite this increase, our mains repairs performance remains the best in the sector by a significant margin. While we incurred an ODI penalty in 2022-23, our performance remained the best in the sector and was around half the average of other companies. Our 2025-30 plan includes base investment to replace outdated and therefore problematic pressure reduction valves / control systems and we'll continue to target 'hot spots', using our enhanced asset management capabilities.

Water quality (Compliance Risk Index)

CRI is a measure devised by the Drinking Water Inspectorate to illustrate the risk arising from compliance failures. A CRI score is calculated for every individual compliance failure and the annual CRI for the company is the sum of the individual CRI scores for every compliance failure reported during the year.



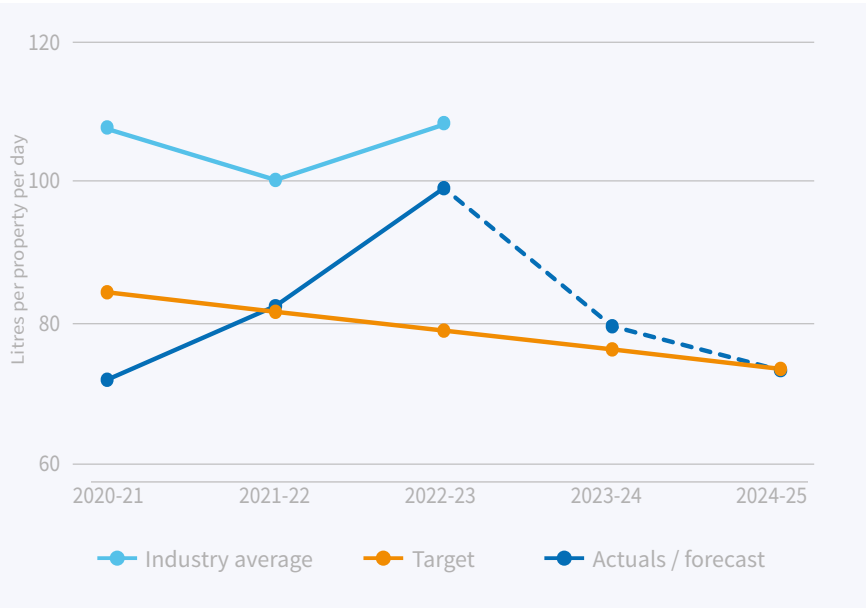
As the chart here shows, performance against the CRI metric is inherently variable between years, with excellent performance being achieved in years one and three of this period and the target not being met in 2021. Based on performance to date in 2023 we expect to exceed the ODI deadband and incur a penalty. However, our expectation is that our performance will be recovered in 2024 and we'll be within the ODI deadband.

Our performance was significantly better than the average in 2020 and 2022, but slightly worse than average in 2021.

Poorer than performance commitment level

Leakage

The leakage performance commitment is measured as a three-year rolling average reduction from a baseline of 2017-18 to 2019-20. For comparative purposes the graph shows leakage as an average measured in litres per property per day.



After an excellent start, which saw us deliver our 2023-24 target level reduction by year two, we experienced a significant deterioration in performance in 2022-23 due to extreme hot weather followed by freeze and thaw events in the winter.

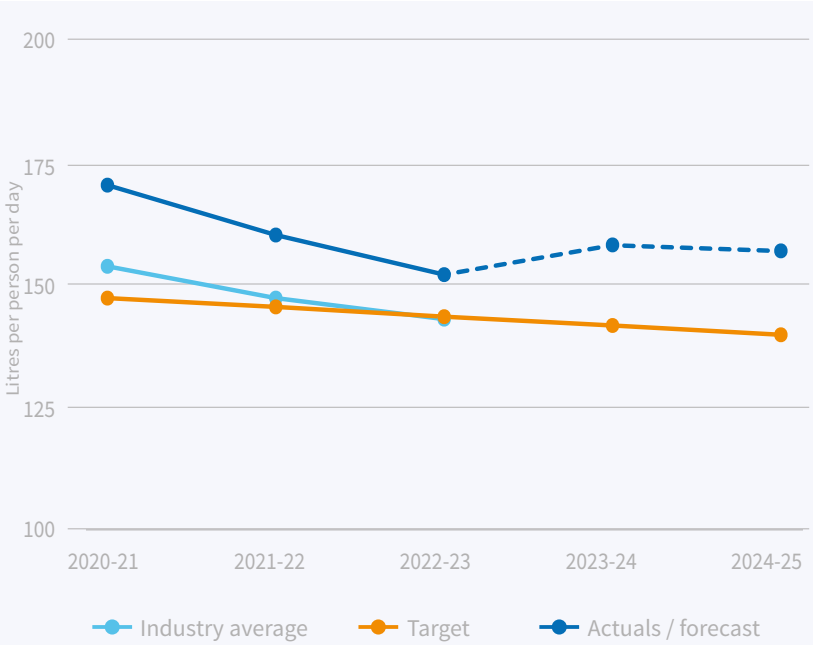
Our recovery plan is well underway and we expect to deliver in-year performance consistent with our target by 2024-25. We've successfully partnered with third-party companies to increase the number and scope of repairs we can undertake. We're also embarking on a programme to improve the use and quality of data to enhance our reporting and detection.

However, because our target is measured on a three-year rolling average basis (which means elevated leakage in one year impacts reported performance in the subsequent two years) we don't expect to recover our performance against our target.

Despite performance against the target in 2022-23, our performance remained in the upper quartile on a three-year average basis per property served, at 85 litres per property per day in 2022-23.

Per Capita Consumption

Per capita consumption measures daily household water consumption per person, in litres per person per day (l/p/d). Like leakage this performance commitment is also measured as a percentage reduction. For comparative purposes the graph shows per capita consumption in litres per person per day.



Our per capita consumption is above the target level set in 2019 as part of the last price review. The Covid-19 lockdown imposed in March 2020 resulted in a significant increase in household use in 2020-21, from 149.9 litres per head to 170.5 litres per head. This has since reduced significantly and in 2022-23 consumption was close to pre-pandemic levels at 152.2 litres per head. However, our three-year average remains well above the target level and there have been structural changes in water use because of changes in lifestyles following the pandemic.

Our universal smart metering programme in this plan will be a critical enabler to engaging our customers in reducing their demand, utilising the latest behavioural science and leveraging our pioneering partnership with Kraken Technologies to allow customers to make the connection between their water use, and their wastewater and energy bills, thereby enhancing the economic drivers for consumption reduction.

During this period, we've not been able to require customers to have a meter as our designation as an area of serious water stress dates from 1 April 2025. However, we have installed more meters than forecast, more than 36,000, through optant, change of occupier, void and empty boundary box installations, against our PR19 target of 24,270. This will take us to around 45 per cent meter penetration. We will engage with the circa 20,000 boundary box installation households to encourage them to opt to metered charges early ahead of the universal metering programme roll out in 2025.

Full details in supporting document PRT12 Accounting for Past Performance

4.THE WIDER CHALLENGES

Our plan is based on maintaining and improving our high performance and at the same time increasing our rate of investment; this is because the wider set of challenges we are facing require nothing less if we are to secure high-quality water services for customers into the future.

The challenges we face are local, regional, sector-wide and global and some are already here. Without appropriate action they pose risks to our security of supply, water quality, ability to manage shocks and stresses, digital and physical security and our overall ability to deliver our programmes.

Collaboration, innovation and increased efficiency will be key to us and our partners in meeting many of the challenges ahead. We set out the challenges which are driving this business plan and long-term ambitions below and demonstrate how we're meeting them in the rest of this plan.

Our Environment

Environmental drivers

Potential reductions to the volumes of water we take from the environment are one of our biggest statutory drivers for change, as identified through our WRMP and Long-Term Delivery Strategy (LTDS).

The supplies we currently rely on from springs, boreholes and underground sources in the chalk landscape provide excellent quality drinking water but also support a rare and valuable ecosystem. Therefore, these sources may no longer be available to us in the same capacity in the future. We also abstract chalk derived surface water from the River Itchen, one of the most famous chalk streams in the South East, which is subject to a wide range of biodiversity and ecological protections.

Taking water from these sources has the potential to impact on rivers, streams and the associated wildlife, so we'll be carrying out environmental assessments under the Water Industry National Environment Programme (WINEP) on all our sources to determine if changes are required.

We already expect we'll have to adapt to 'losing' between 39 and 122 million litres of water each day from our existing sources by 2050. To put this in context, our average daily supply today is 183 million litres of water (with potential ranges from 160 in winter and up to 240 in summer). We're planning to improve our efficiency in how we treat and distribute this water but we don't think this will be enough so we also plan to investigate options for alternative sources.

Climate change

This is a huge issue for every water company, not just Portsmouth Water. Our raw water supply system and network infrastructure rely on pre-climate change weather patterns to secure year-round availability of high-quality water supplies. In simple terms the relatively slow and steady autumn and winter rainfall on the fields of the South Downs replenishes the underground chalk aquifer, the source for all our raw water, which acts as a large underground natural reservoir. This simple reservoir system tops up in winter and depletes in the summer when water demands are higher. Climate change will continue to challenge our resources and environment as it brings large changes to weather patterns. Less water is likely to be available from our current sources if there is less reliable and much more intense rain, sources may become more easily contaminated during more frequent flooding and hotter, drier periods will increase demand for water. We've used updated UK climate predictions to generate our view of these effects, which we calculate could mean **we need to 'find' up to 14 million litres more water each day by 2075**.

Drought resilience

Along with all South East water companies, we're increasing drought resilience so we're only likely to need emergency drought restrictions such as standpipes once every 500 years on average by 2040. **To achieve this, we need to find an extra 13.1 million litres of water each day**.

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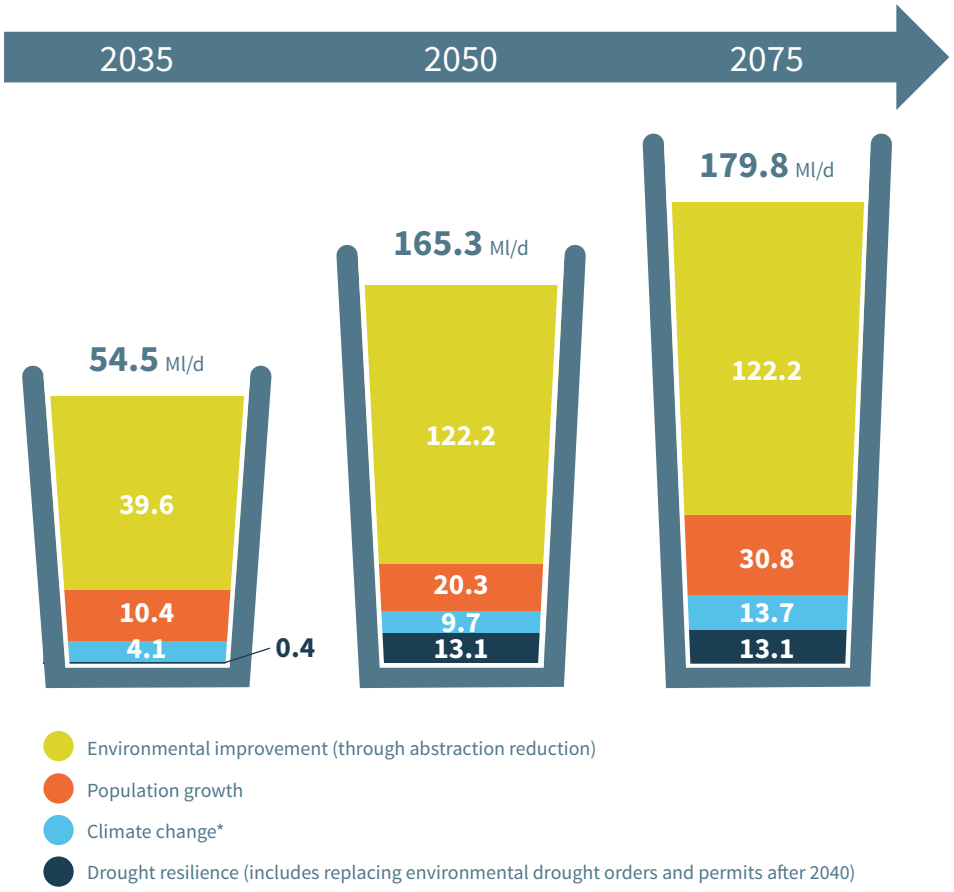
Population growth

We've considered a range of increases in the number of people living in our area over the next 50 years compared to our baseline of 2021-22 – ranging from just 8.7 per cent to nearly a third (30.4 per cent). We're also expecting between 52,000 and 140,000 new homes to be built. **This growth could create an additional need for up to 31 million litres of water per day by 2075** and it's our legal and social obligation to meet this need. Smart metering offers us the opportunity to engage our customers in the challenge of meeting as much of this shortfall through demand reductions as possible.

Together, the combination of environmental drivers, population growth, climate change and increased drought resilience add up to 180 million litres each day by 2075.

Our supply demand balance challenge



*Climate change represents how much water will no longer be available from our existing water sources. The impacts of climate change are also included in the three other areas.

Water quality

Increasing threats to water quality and emerging tighter quality standards require additional treatment and catchment approaches. We face an immediate issue with rising nitrate in the groundwater, particularly in Sussex, which can no longer be managed by blending high and low nitrate sources. We need to install nitrate removal equipment to manage nitrate levels until the benefits of catchment approaches are realised. Our catchment approach works in partnership with farmers and other land users to reduce nitrate reaching water sources in the first instance. We also need to continue preparations and investigations for tighter regulation around PFAs (Per- and Polyfluorinated Substances) and lead in water.

Our Infrastructure

Responsibility as a regional supplier

We're stepping up to take responsibility as a regional supplier to support the wider South East largely (but not solely) through the development of Havant Thicket Reservoir. Immediately upon construction, this will allow us to share more supplies with Southern Water and support permanent abstraction reductions on internationally rare chalk streams in Hampshire. With this extra responsibility of new supplies to our neighbours, comes a need to make sure our systems and networks can operate more efficiently to maintain the excellent levels of uninterrupted service our customers expect, and this includes our bulk supplies to Southern Water.

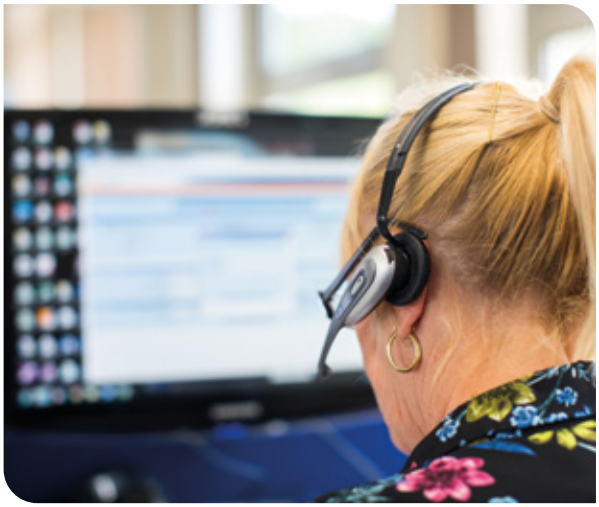
Asset health

Some of our treatment works are at the stage in our investment cycle where they need anticipated maintenance and enhancement to continue to operate as efficiently as possible and be resilient to the changing world. Works supplying at least a third of our customers require investment, particularly as supplies become less plentiful. While keeping bills low, we have an absolute need to increase investment in a proactive maintenance cycle to manage the wider challenges outlined above.

Our Customers

Customer expectations

We pride ourselves on our long history of close contact with the communities we serve. We have regular conversations with our customers and stakeholders, both as part of paid-for insight programmes, statutory consultations, day-to-day operations and direct customer interactions. Our knowledge base includes national research projects and covers different generations, bill payers and non-bill payers, non-household customers, vulnerable and hard-to-reach customers, as well as key stakeholders. Our customers have increasing expectations of their service providers and expect continuing value for money and the maintenance of our current high standards as a minimum. As we introduce our smart metering programme, we must make sure we continue to meet our customers' service expectations, coupled with robust support around affordability, vulnerability and accessibility.



Overall trust in the water industry is a challenge currently, against a backdrop of rising concerns about the release of untreated sewage into rivers, drought warnings and leakage. Research commissioned by Ofwat in 2022 showed declining trust in water companies and we are particularly vulnerable to declining trust in Southern Water as the service provider for wastewater in our region. Our customers have high levels of trust in our service, as evidenced in our customer service scores, and we must strive to maintain this to deliver our plan in partnership with them.

High water use and low value

Only 35 per cent of our household customers are supplied via a water meter, the lowest in England and Wales, so, coupled with low bills, our customers have not had a strong incentive to reduce water use nor had visibility of their water use. We currently have one of the highest average per capita consumption levels in the UK (152 litres per person per day in 2022-23). We were designated as an area of serious water stress for metering in 2021 so we need to move forward with a universal metering programme as efficiently and quickly as possible, while supporting customers.

Making this programme smart opens the door to the associated water saving, leak detection and innovative tariffs. Key to this is to stimulate changes in customer behaviour through communication of an understanding of the finite nature of water as an essential resource and the impact of high use on the environment. Nowadays, failure to wear a seatbelt in a car or smoking in a public place are considered as taboos. Profligate water use needs to be seen in the same way. Combining water data with energy data also adds to motivation around potential financial savings. Smart meters are the key to achieving this objective.

The Economy

Skills, people and supply chains

Our business plan is ambitious and encompasses investment in areas which are newer to us i.e. smart metering and digital optimisation and security. To deliver efficiently and maximise the benefits we need to recruit people with a diverse range of new skills, upskill our existing workforce, secure expertise in our supply chain and access goods in time. We will be competing in an environment already limited by Brexit and the Ukraine war, as well as longer-term issues, so we need to be agile and maintain our position as a favoured client and popular employer.

Cost of living

At a time when the water sector needs to step up its investment in infrastructure, resources and skills to maintain services in the long term, the country is struggling with a cost-of-living crisis. Our customers are already coping with increases in mortgages, rents, food, energy and day-to-day living, as well as facing a very significant increase in their sewerage bill from Southern Water. Striking a balance of inter-generational investment for the future and supporting vulnerable and struggling customers today is key and our plan demonstrates how we'll achieve this delicate balance, as well as how we'll provide support on reducing energy and wastewater bills through our smart metering and PCC reduction programme.

Financeability

Investment in infrastructure assets is typically funded through a combination of raising debt from lenders and equity investment from shareholders. We are fortunate to have the strong support of our owner Ancala and have recently secured £170 million of new equity investment from them which, unusually, has been subscribed to Portsmouth Water in advance of debt funding. In addition, with the support of Ancala, we now have in place £325 million of new debt facilities. These investments are mainly to support the construction of Havant Thicket Reservoir.

The rate at which we can raise funding in the financial markets is affected by the wider economic environment and having emerged from a historically low interest rate environment the costs of raising finance have increased significantly. We remain confident we have the necessary financing arrangements in place and sufficient financial resilience to fund our 2025-30 investment programme.

Read more in the Financing our plan section

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5. OUR CUSTOMERS AND COMMUNITIES

Our customers and communities rely on us to provide, safe, secure and reliable water whatever challenges lay ahead. We focus on strong engagement to help us understand their priorities, our region's needs and gain insight from others to help shape how we plan and deliver our future ambitions.

Engagement enables us to identify support, and concerns, for what we want to achieve as well as identify where we can work with partners and customers for more successful outcomes.

We've adapted and evolved from our PR19 approach to align with best practice regulatory guidance; we have embedded a strategy to robustly capture insight and employ this to shape our plan. Our strategy also increases future engagement with our customers as we build a more active relationship to deliver this plan.

We've integrated our learning and sought expert input from specialist research professionals which has enabled us to draw on their experience of other water company programmes, cross sector approaches and a wealth of expertise in developing strategies which fully reflect the views of our customers.

As a result, our customers have had a much stronger voice and influence in the development of this plan than in previous years.

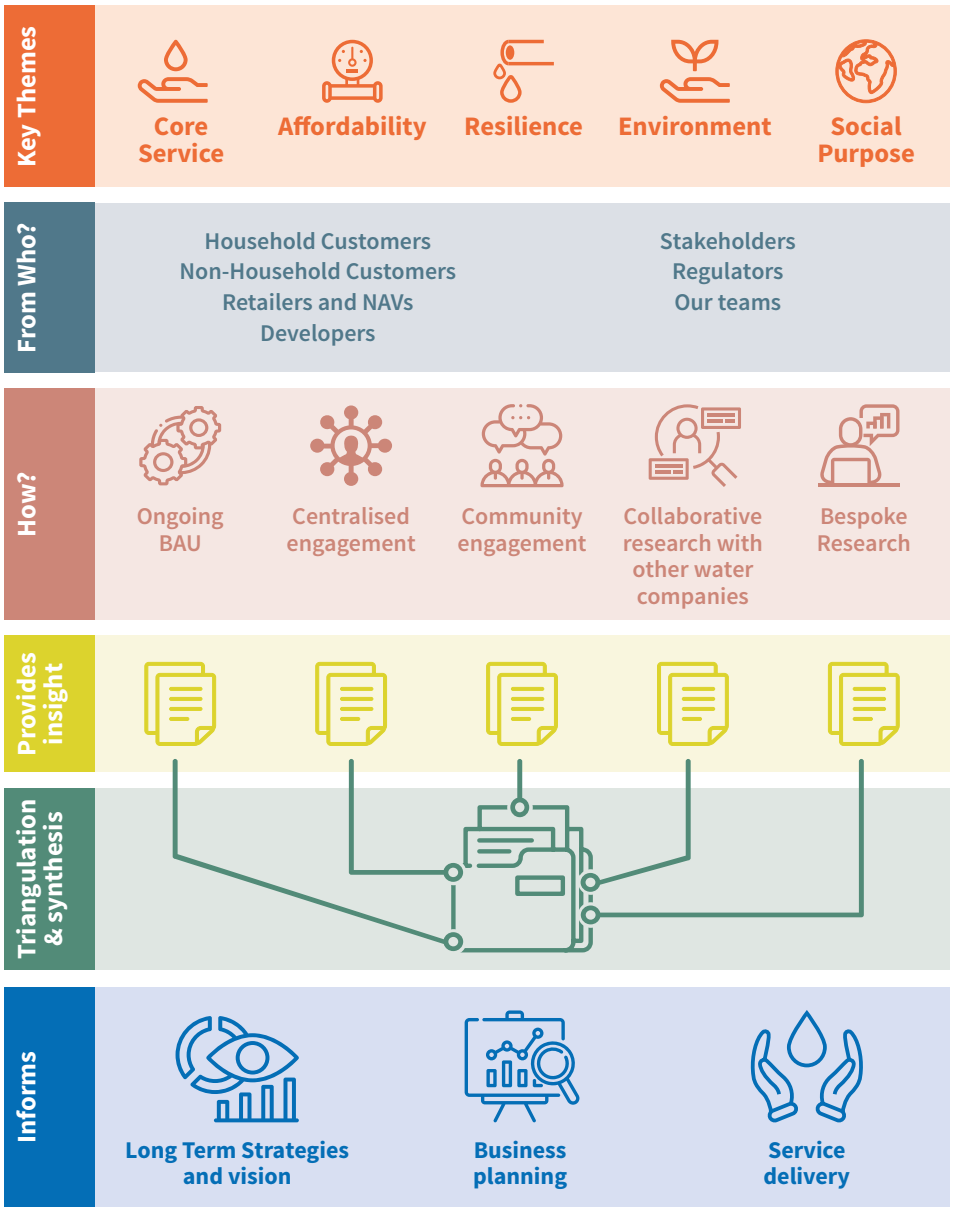
Our strategy

We implemented our new insight strategy in 2020, making sure it met our current and future needs and the changing relationship we want to create with our customers and communities.

The focus has been on expanding our insight gathering and providing an embedded approach to drive not just our business planning processes and strategies but also collaborating on our day-to-day service delivery, putting customer and community views at the heart of our plans and approaches.

We set overarching themes for gathering insight but also consulted with our customers and stakeholders through our priorities work to determine if these reflected their needs. The diagram on the next page shows our channels of engagement and process.

MAXIMISING COVERAGE OF ALL RELEVANT GROUPS



Our engagement strategy means we gather insight from a wide range of sources, including:

- **Ongoing business as usual** – we undertake ongoing engagement through day-to-day activities including complaints, debt analysis, our Customer Scrutiny Panel, cross sector work and direct on-going surveys of our customer base
- **Centralised engagement** – working with regulators and the water sector, we have centralised some key research elements for consistency and efficiency
- **Community engagement** – we work with community groups on a day-to-day basis through many of our teams, which provides a perfect opportunity to gather insight e.g. the farming communities for catchment management, local people and groups interested in the delivery of Havant Thicket Reservoir and vulnerability stakeholders, as well as housing associations and local councils
- **Collaborative research** – we've shared research findings with regional water companies as well as at national level
- **Bespoke research** – we've commissioned research with our partners where specific insights are needed.

Our approach to evidence gathering has also ensured we've been able to align with centralised research undertaken by Ofwat including:

- Outcome Delivery Incentive research (Performance Commitments, targets and rates)
- Customer Priorities.

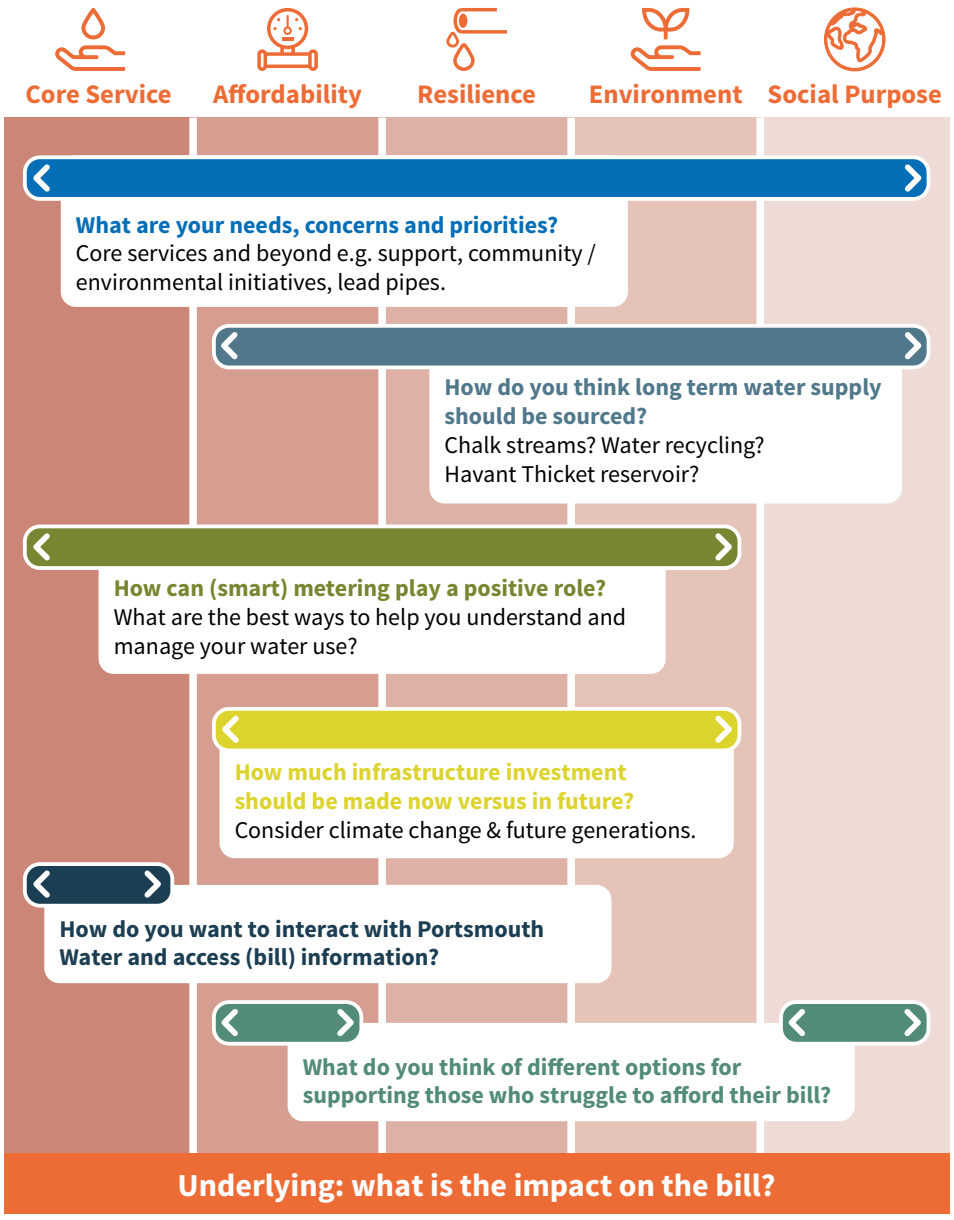
Our conversations

To support our activities, we created a set of conversations to drive understanding of our household and non-household customers.

- Conversation 1 – Customer needs, concerns and priorities
- Conversation 2 – Long-term water supply (options)
- Conversation 3 – Managing demand (water use and metering)
- Conversation 4 – How to invest (including sustainability investment)
- Conversation 5 – Interacting with us and accessing our services
- Conversation 6 – Affordability, including options for economically vulnerable customers.

Our conversation framework

Our conversations spanned five themes: the core service; affordability; resilience; environment; and social purpose. The figure below shows how our conversations covered each of these themes.



We set a programme of activities designed to gather insight effectively and efficiently around these conversations. The programme of activities was shaped and challenged by our Customer Scrutiny Panel, an independent group which was established in 2012 to scrutinise both our performance against targets, but also our approach to engagement and consultation with our customers and communities. The engagement programme that has informed our plan spans a range of methods and activities that include:

- Our **Customer Advisory Panel** (CAP) – a group of 25 informed customers for qualitative deep dives every quarter
- Our **Barometer** group – a diverse panel of 1,000 customers, segmented by age, gender and vulnerability, who undertake quarterly quantitative surveys
- **Stakeholder engagement** – with our stakeholder database, surveys and interviews
- **On-going focused customer target groups** – Portsmouth University students, customers in vulnerable circumstances, minority groups, future customers and non-households
- Our **Future Innovators Board** – a leadership development team within our business involved in supporting the development of our business plan with a particular emphasis on community partnerships and the views of younger staff members.

Our targeted insight work has also supported and complemented a series of wider public consultations on our developing plans:

- Draft Water Resources Management Plan
- Our 25-year Vision setting out our future priorities
- Plan Choices – choices for customers on inter-generational options and the quantity and pace of enhanced investment.

Your water, your say

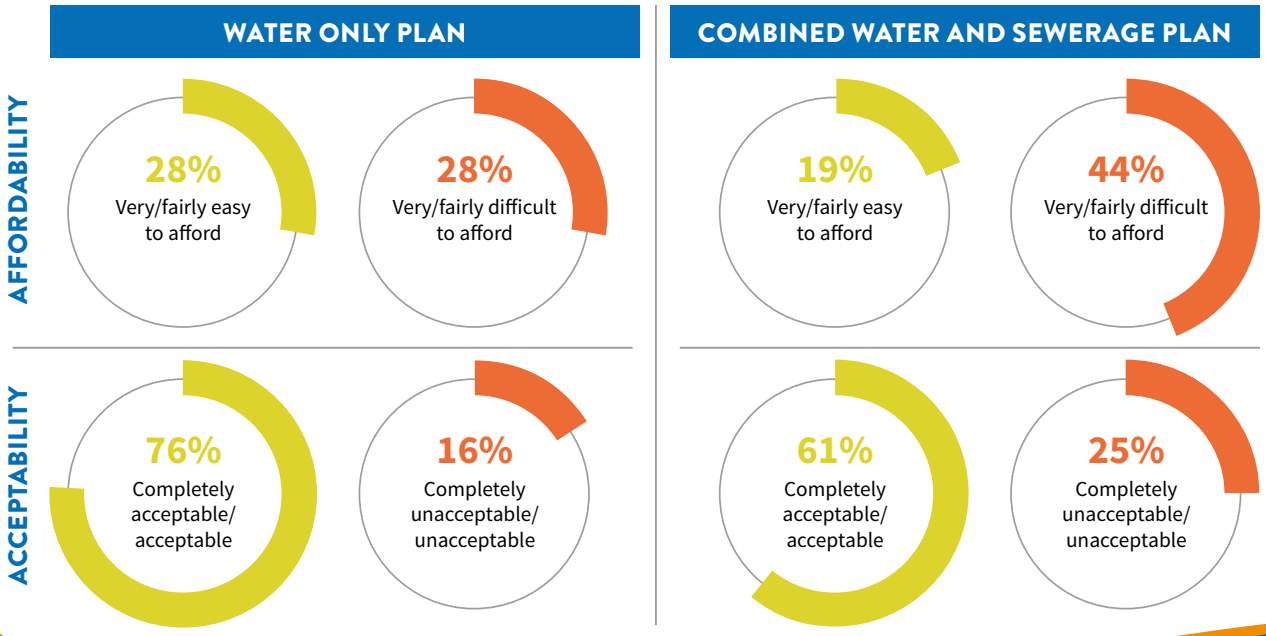
As part of Ofwat's PR24 requirements we also held a successful first 'Your water, your say' session in June 2023 attended by more than 100 customers and stakeholders. We presented the early thinking around our business plan and provided a platform and opportunity for our customers to ask questions and challenge our approach. We received positive feedback, with a push to do more to support vulnerable customers with disabilities.

Acceptability and affordability of our plans

We jointly commissioned Acceptability and Affordability testing research with Southern Water (who provide wastewater services to our customers) to obtain a collaborative view of customers affordability challenges so insight could be shared more effectively.

Indications show the cost-of-living crisis is affecting around 2 in 5 of the population with around 1 in 10 struggling to afford water and sewerage bills.

We originally tested a 22 per cent bill increase, with the outcomes on acceptability and affordability for our plan and combined with Southern Water summarised below (household and non-household combined totals):



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We know Southern Water's wastewater bill will have a more significant impact on our customers than the water element of the bill, because it is a bigger bill and projected to increase by a larger percentage. Nonetheless, in response to the feedback on affordability, we challenged our plan expenditure further and reduced the increase.

Read more about our customers' views on affordability and how we'll support those struggling to pay in the What our customers can expect and Affordability sections

Creating a comprehensive picture

These activities and the feedback from them centred around our six key conversations with customers as set out previously. We've drawn together a broad range of evidence from our numerous channels and approaches which has given us a greater understanding of the expectations of all our customers.

We implemented a standardised approach to triangulating the insight we obtained to ensure consistency. This developed into a six-stage process, depicted below, working with our strategic partners Blue Marble who are experts in this area.

Informing our plan

This approach enabled us to fully understand how the insight should be applied. The following table summarises our conversations, what we learned and how this was used to inform our plan:

Conversation 1: Consumer needs, concerns, and priorities

HOW WE DEVELOPED OUR CONVERSATIONS

We shaped our Vision priorities from qualitative and quantitative research; then tested them in qualitative and quantitative sessions, through a public consultation and with future customers.

We tested the phasing of bill impacts and investment in leakage, interruptions, lead and biodiversity in our Plan Choices consultation, qualitative and quantitative research and with vulnerable customers.

We further tested this with minority and hard-to-reach customers and in YWYS and AAT.

WHAT OUR CUSTOMERS TOLD US

Environment: preserving the local environment is important but seen as a medium priority; long-term plans should not be at the expense of the environment; go faster where cost effective to improve biodiversity.

Reliable service: ensuring efficiency means minimal leakage, preference for 2040 target to halve leakage; continuing to avoid long-term interruptions and long-term security of supply are critical.

Water quality: high levels of acceptability to improve performance at no additional cost on the bill.

Customer service: satisfaction is strong, but service touchpoints need updating; vulnerable customers value easy customer journeys and good communication.

Affordability: is becoming more of a concern; customers want stable bills with intergenerational funding even investment profiles, with support for the vulnerable.

HOW THESE INSIGHTS HAVE INFORMED OUR PLAN

- Leakage ambition is brought forward from 2050 to 2040.
- Interruptions performance will continue to improve from our industry-leading position.
- Support for vulnerable customers is being increased via our social tariff; we will make sure it's easy for customers to access help.
- We'll continue to provide excellent customer service but our touchpoints will be modernised with the introduction of our new customer relationship management system.

Conversation 2: Long-term water supply

HOW WE DEVELOPED OUR CONVERSATIONS

Our dWRMP was informed by quantitative and qualitative research, including non-household, vulnerable and future customers.

Feedback from a public consultation and quantitative panels informed our revised WRMP.

We tested our options in YWYS and the acceptability of leakage and smart metering in AAT.

WHAT OUR CUSTOMERS TOLD US

Awareness of water resources: water stress is not well understood; customers expect population growth to increase overall demand.

Demand options: demand elements of the dWRMP are broadly supported, the lowest support (albeit still strong) is for smart metering (75%); the main concern was the effectiveness of it, the majority support it when better informed about the rationale.

Supply options: Havant Thicket is well supported along with water recycling; water transfers are the least preferred option after desalination. Customers want more information about Southern Water's Havant Thicket Reservoir water recycling scheme.

HOW THESE INSIGHTS HAVE INFORMED OUR PLAN

- Leakage remains a key focus with our long-term ambition brought forward.
- Increasing the level of engagement from customers is vital to the success of our demand reduction programme – we're partnering with Kraken to leverage their technical and smart metering expertise.
- Water transfers remain a long-term option but we'll continue to explore alternative sources.

Conversation 3: Managing demand

HOW WE DEVELOPED OUR CONVERSATIONS

We explored views on metering, water use and smart meters in quantitative panels.

Concerns and solutions were tested in quantitative research, with vulnerable and future customers and in our dWRMP and vision consultations.

Innovative tariffs, transition periods and support were explored.

We carried out dedicated research on the assumptions and required benefits of smart metering.

This was tested in YWYS and AAT.

WHAT OUR CUSTOMERS TOLD US

Universal metering: customers support metering providing safeguards are in place.

Smart metering: 7 in 10 support smart meters once the benefits are communicated; customer-side leak reduction is seen as a positive benefit but there's concern about paying more. Motives vary – some want to save water, some money. Customers support the plan but concerned about effect on vulnerable, digitally disengaged and struggling to pay customers. Lower support from high occupancy households.

PCC/behaviour: Portsmouth Water customers are less conscious of water use and more resistant to changing their behaviour; demand reduction is seen as risky.

HOW THESE INSIGHTS HAVE INFORMED OUR PLAN

- We are creating a 'hypercare' package of support for customers who need it during metering – with a focus on vulnerable customers, digitally disengaged, minorities and hard-to-reach customers.
- We will work with Kraken to use the latest behavioural science and customer segmentation to target campaigns. The Portsmouth Water / Kraken Water Lab will help us trial new techniques and tariffs quickly and we will work with CCW as a founding member.

Conversation 4: How will we invest

HOW WE DEVELOPED OUR CONVERSATIONS

Our level of ambition vs risk was informed by Conversation 1 insight.

We carried out a **public consultation and quantitative research** on our Plan Choices around investment phasing

This was tested in YWYS and AAT.

WHAT OUR CUSTOMERS TOLD US

General principles: customers prioritise ensuring reliable supplies and protecting local environment over low bills; customers don't want large increases in bills – they want to pay for future investments gradually.

Environmental / net zero targets: we need to invest to provide good quality water, less urgent than sustainable sources; customers are wary of impact on bills of net zero and prefer a medium investment option (net zero by 2040).

HOW THESE INSIGHTS HAVE INFORMED OUR PLAN

- Our LTDS balances the need for investment in the long-term resilience of our infrastructure with the immediate pressure on bills. We've deferred investment where it's possible for a smooth level of investment over time.
- We'll continue to drive towards net zero but not invest heavily in this – as a result we won't meet the Water UK commitment to (operational) net zero by 2030.

Conversation 5: Interacting with us and accessing our services

HOW WE DEVELOPED OUR CONVERSATIONS

We conducted bespoke research on customer interaction around smart metering and with vulnerable, future and minority customers.

WHAT OUR CUSTOMERS TOLD US

Channel preference: customers expect quick, effective, efficient, channel choice; they expect our website to cater for simple issues, but phone is still the most popular channel; billing is seen by some as due for modernisation.

HOW THESE INSIGHTS HAVE INFORMED OUR PLAN

- We'll continue to offer an excellent, personal service via traditional channels as we do today (evidenced by high levels of customer satisfaction).
- We'll utilise the capabilities of our new CRM system to offer customers a greater choice of how they engage with us and to provide them with useful, tailored information.

Conversation 6: Affordability including options for economically vulnerable

HOW WE DEVELOPED OUR CONVERSATIONS

We explored affordability early on in bespoke research with vulnerable, future and minority customers and on smart metering

We assessed affordability now vs in the future in our Plan Choices public consultation and in quantitative panels.

We tested the choices in YWYS and AAT.

We've tracked any shift in affordability responses throughout engagement.

WHAT OUR CUSTOMERS TOLD US

Affordability: overall affordability has worsened. Those on lower incomes are least likely to find a bill affordable, but some in middling brackets are also struggling with affordability. There are low levels of awareness of support schemes.

Social tariff: the great majority support the principle of a social tariff although a substantial minority don't think this should be solely funded by other customers. There is low awareness among minority groups of the social tariff.

HOW THESE INSIGHTS HAVE INFORMED OUR PLAN

- We will expand the reach of our social tariff, including reducing the threshold for eligibility and using new channels and data to proactively target our assistance.
- We will offer help to reduce water consumption in higher income households, ensuring the link between water, wastewater and energy bills is better understood.
- We re-evaluated our plan and reduced the increase in our average bill from 22 per cent to 19 per cent because of the affordability testing.

Read PRT03 Engaging and Understanding our Customers and Communities for the full detail on our engagement and its role

Chichester Town Centre

6. OUR VISION AND PRIORITIES

Our customers' views have played an integral part in the development of our long-term Vision which has shaped our approach and ambition for our Long-Term Delivery Strategy (LTDS) and this five-year business plan.

Coupled with a deep self-assessment of where we are today, and thorough consideration of challenges and opportunities for innovation and learning from others, we developed four key priorities, which we summarise as.

SECURE AND DELIVER WATER SUPPLIES WHICH ARE HIGH QUALITY, RELIABLE AND SUSTAINABLE

WORK IN PARTNERSHIP WITH OUR CUSTOMERS, COMMUNITIES AND STAKEHOLDERS

INVEST IN THE FUTURE TO MEET GROWING ENVIRONMENTAL CHALLENGES

ACHIEVE AFFORDABLE WATER FOR ALL. ALWAYS.

Together these will deliver **our Vision** for our customers, communities and the environment:

Our Vision, against the backdrop of climate change and population growth, is to provide an affordable, reliable and sustainable supply of high-quality water for our customers.

By being smart in our approach we will work with our local communities to meet our goals while protecting and enhancing the environment for generations to come.

At its core, our Vision means the experience our customers have will continue to lead the industry. It will also deliver on our purpose – Excellence in Water. Always – and will be delivered in line with our values – Excellence, Integrity and Future Focus.

Developing our priorities

How we will deliver on our priorities has been informed by our thinking, and our customers' thinking, on what the world could look like in 25 years' time and how much we need to build on our excellent foundations and continually evolve to stay ahead of the economic, environmental, technological and physical challenges ahead.

To achieve our priorities we will embrace innovative methods and technologies, collaboratively deliver solutions which benefit everyone and give our customers and stakeholders the information they need.

Below are a few examples of ambitions outlined in our Vision to deliver these priorities:

- Be at the centre of water resilience as a regional supplier
- Roll out universal smart metering to help customers make better decisions about their water use, while supporting those with no or limited access to IT
- Collaborate with communities to help all chalk streams in our area be classified as in good health by 2050
- Achieve net zero
- All pipes will be free from lead (customer and Portsmouth Water pipes)
- Water poverty won't exist (all customers in water poverty will have support options available to them by 2030).

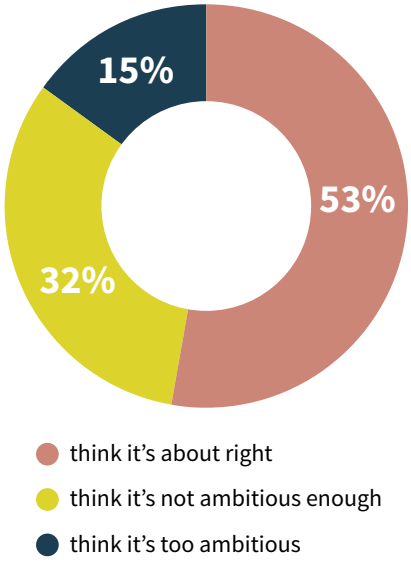
We have made a very small number of changes to our ambitions since we consulted on them in 2022, to make sure we are able to deliver on our commitments. Our core Vision and our four priorities remain the same. We'll publish an updated version of our Vision for customers and stakeholders by the end of 2023.

The support of customers

We published our Vision for consultation in 2022 and more than half of respondents felt our ambition was right, with a third seeking more ambition.

Customers' view on our draft Vision

We asked our customers about the ambitions in our Vision:



Customer choices

Our Vision laid the foundations for consultation with our customers on 'choices' they have in the future – how quickly and how far we go to deliver their priorities in some areas and how much they may be willing to pay on top of proposed bills to achieve this.

We asked for our customers' views (bill paying and future customers) on:

- Levels of service interruptions
- Rate of leakage reduction
- Rate of removal of lead pipes
- Level of biodiversity on our sites and partnership funding.

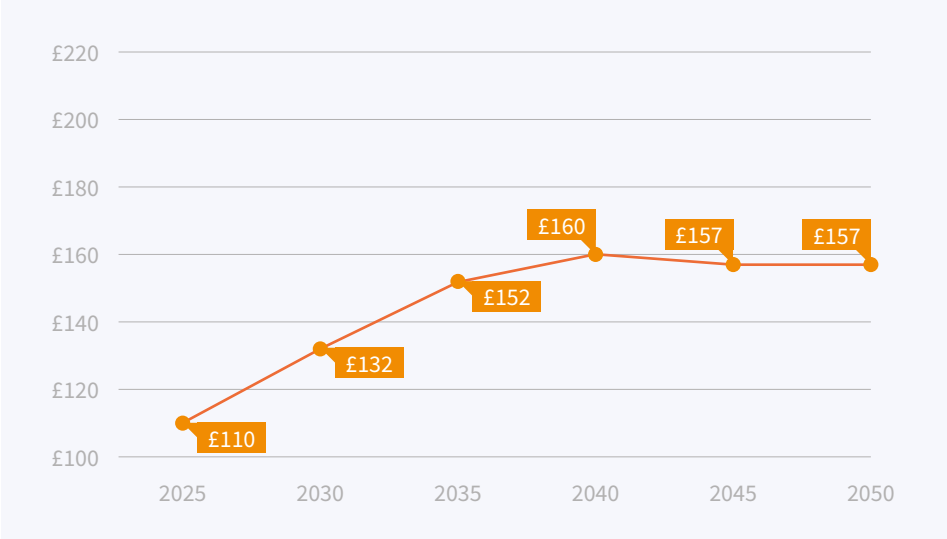
We carried out an open consultation through multiple channels as well as targeted insight with our customer panel, student panel and an in-community survey (1,336 respondents in total).

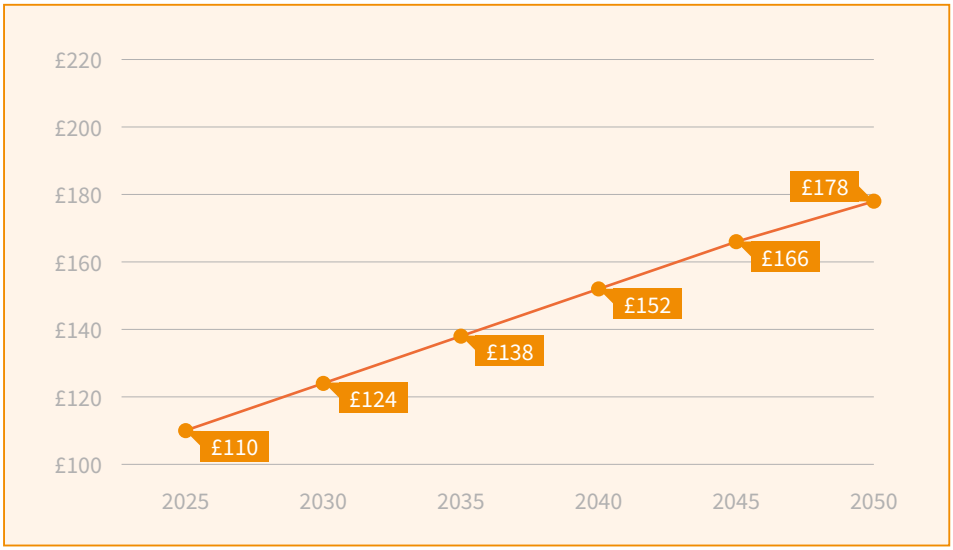
As a result of the feedback and our own investigations, in this plan we've included:

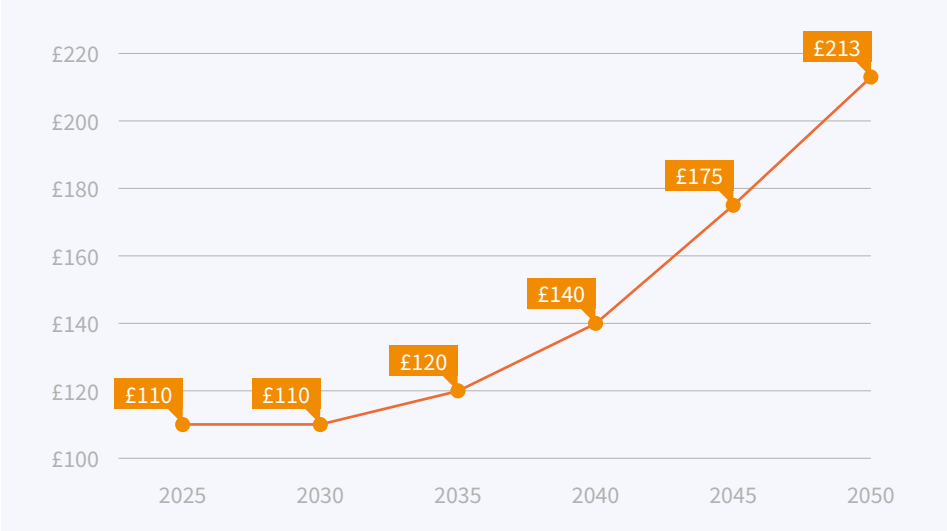
- Maintaining our current industry-leading levels of service for low interruptions to supply, rather than dropping back to industry average
- Halving leakage 10 years earlier than planned, by 2040, targeted at reducing customer-side leaks
- Further investigations into an efficient strategy to remove lead, alongside continued reactive lead replacement with a focus on schools
- Improving levels of biodiversity on key sites and doubling our funding for partners' work, to be funded by efficiencies.

As the risks to our resilience emerge over long timeframes and investment is required across multi generations we also asked our customers, both bill payers and future customers, for their preferences on bill profiles to support this.

They clearly indicated they don't want us to defer investment onto their children and grandchildren but would rather spread the costs between generations. Between 62 per cent and 68 per cent supported the middle option in our choices consultation as shown in the diagram below.



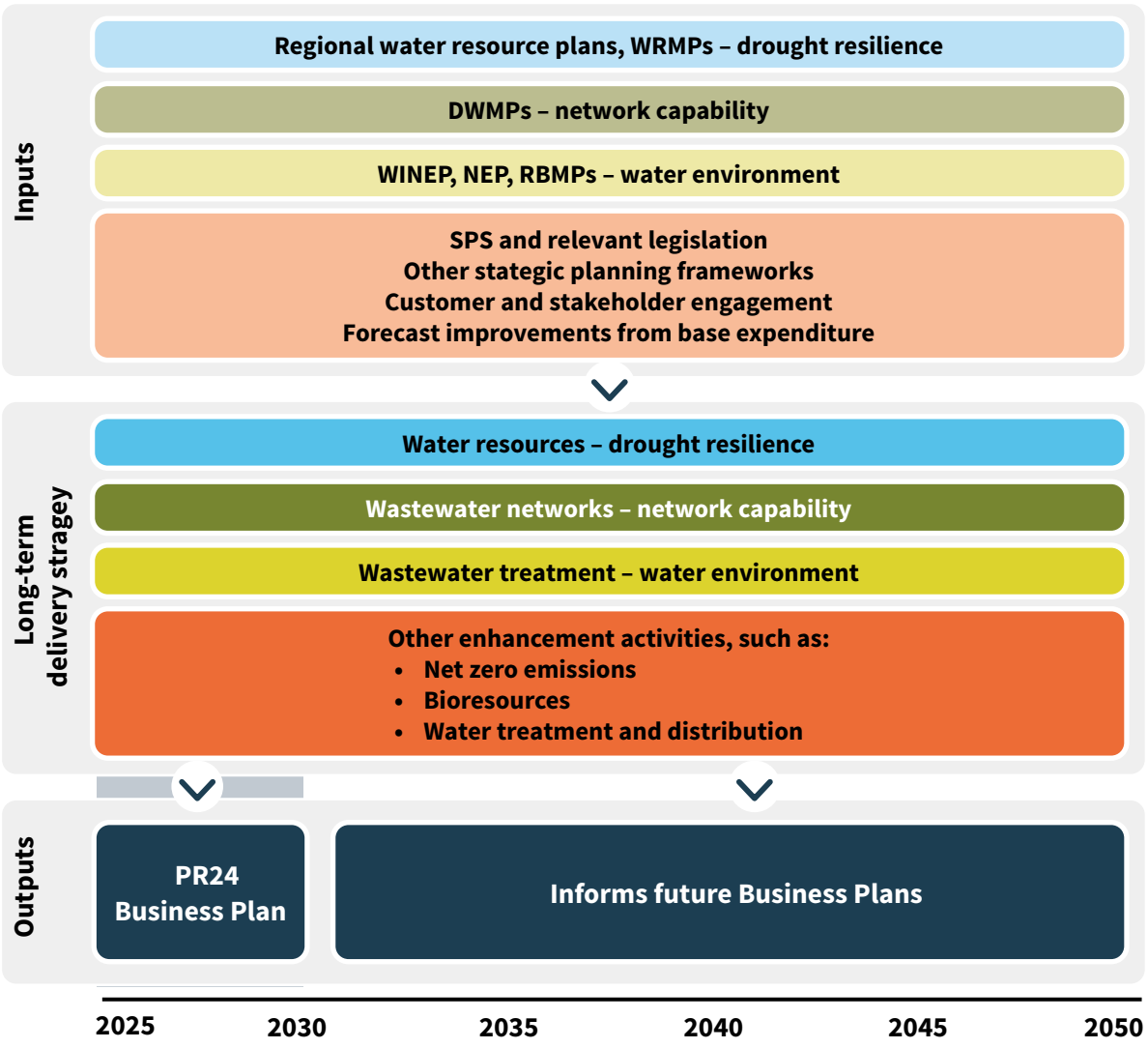




Delivering on our Vision and customer choices

The ambitions we share in our 25-year Vision were also shaped by our 50-year draft WRMP and we've brought these together in our long-term adaptive plans to meet our responsibilities to our customers and the environment.

Our Long-Term Delivery Strategy (LTDS) also considers our legal obligations, the challenges we're readying for, our customer preferences and investment outside our statutory plans, as shown below:

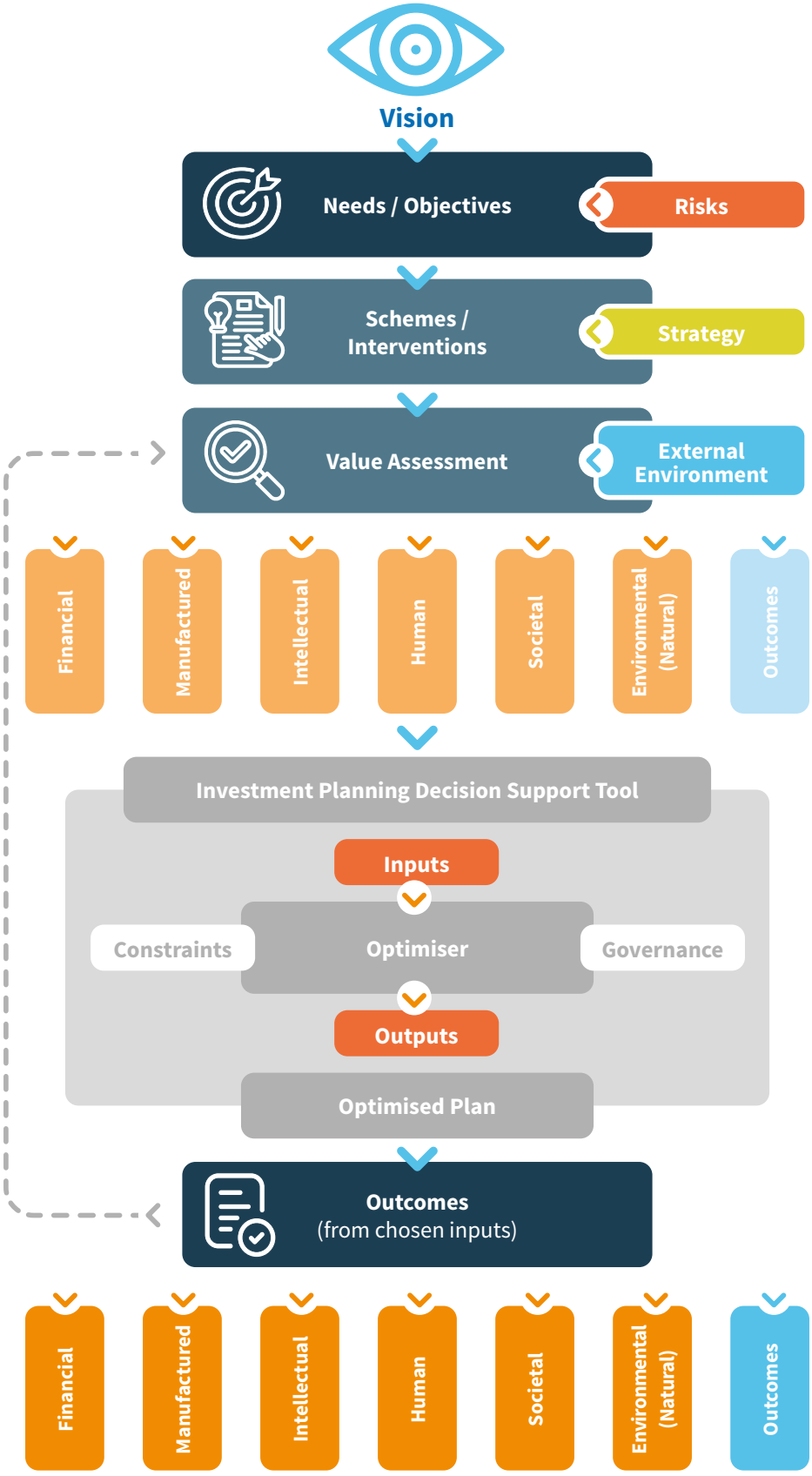


We adopted adaptive planning both in our dWRMP and LTDS to make sure we account for the uncertainty in our future and are fully prepared for a range of challenges.

By assessing our decisions against a range of plausible future scenarios, we were able to select a core pathway which represents the best value investment today for the maximum benefit and resilience tomorrow.

In many of the future scenarios we modelled, it is the timing at which we begin our strategic investments that is critical.

We have developed a new best value decision framework, which makes sure we make the right investment decisions at the right time to meet our adaptive pathways, while providing the best overall value for our customers. We'll use this framework for optimising our plans going forward, but our PR24 plan is based on the delivery of our statutory obligations, without any discretionary investment choices to be made within the overall envelope of customer affordability.


Vision
Needs / Objectives
Risks
Schemes / Interventions
Strategy
Value Assessment
External Environment
Financial
Manufactured
Intellectual
Human
Societal
Environmental (Natural)
Outcomes
Investment Planning Decision Support Tool
Inputs
Constraints
Optimiser
Governance
Outputs
Optimised Plan
Outcomes
(from chosen inputs)
Financial
Manufactured
Intellectual
Human
Societal
Environmental (Natural)
Outcomes

Our ambitions for 2030

It is our long-term thinking which has shaped the ambition in this business plan. It is an ambitious plan – with a focus on a smart evolution and increasing resilience to emerging challenges – but our ambition is balanced with affordability.

We will stretch ourselves, embrace innovation and push the boundaries of our performance.

The investment choices we have made will deliver the best outcomes for our customers and the environment, enabling us to deliver on our promises and continue to outperform our performance levels to deliver on our commitments.

Our ambitions are rooted firmly in the maintaining the excellence we already provide and building on the customer, community and performance embedded in our culture.

Our ambition lays in **transforming the way we engage with our customers** – through our smart programme and innovative platforms – and their evolving relationship with water.

It lays in the completion and operation of Havant Thicket Reservoir, the first reservoir in a generation, and an innovative new partnership for regional supplies, as well as its significant social and environmental benefits.

And it lays in going further and faster in those areas prioritised and supported by our customers – reducing leakage, maintaining our industry-leading position on interruptions to supplies and improving our environment.

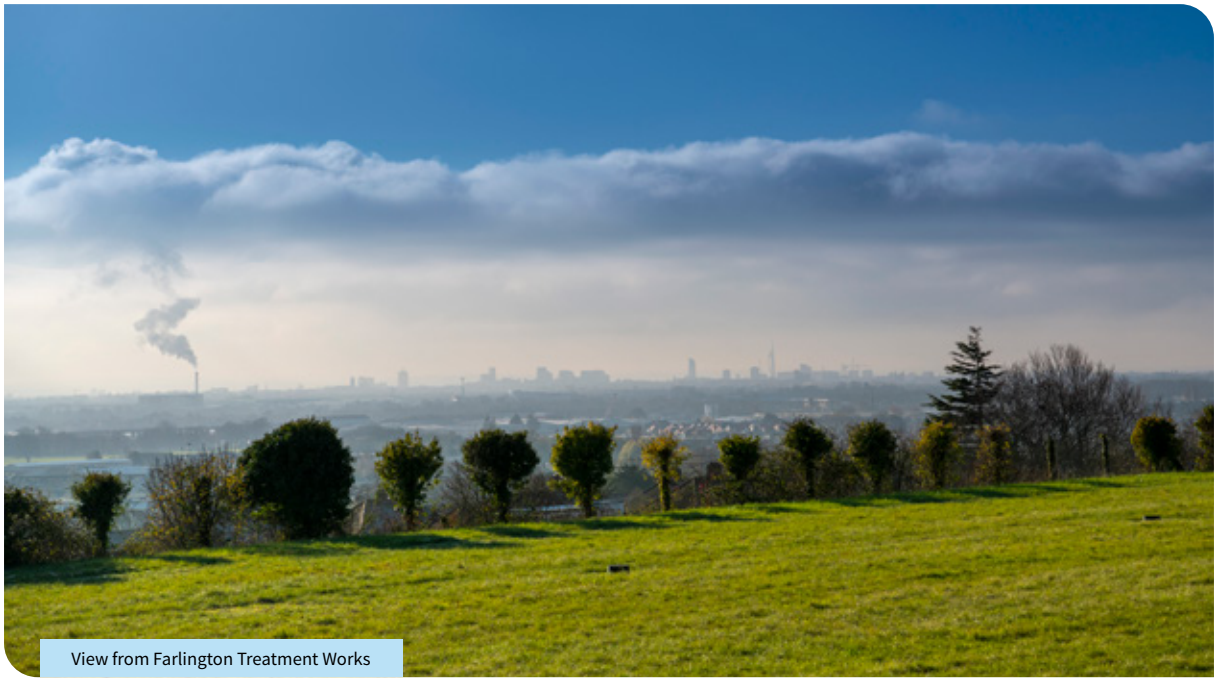
Our ambition is to maintain the steadfast excellence our customers expect and the trust they have in us to deliver this while being on the front foot with the continuous improvement required. And we will maintain the lowest bills in the sector and make sure water is Affordable for all. Always.

Read the full details of our long-term plans which have informed this business plan:

PRT16 Our 25-Year Vision

PRT17 Water Resources Management Plan

PRT18 Long-Term Delivery Strategy 2025-2050



View from Farlington Treatment Works

SECTION 3

WHAT OUR CUSTOMERS CAN EXPECT

WHAT OUR CUSTOMERS CAN EXPECT

Our customers can expect a company rooted in excellence, industry-leading efficiency, performance they can trust and the lowest water bill in the industry.

We have developed our performance commitments based on the investment pathway, our long-term ambitions and our customers' priorities, as outlined previously. These demonstrate what our customers can expect from us during 2025-30 and beyond.

Targets have been set to maintain our sector-leading position in supply interruptions, mains repairs and water quality contacts, as well as set us on course to deliver our long-term Vision. The one area where our performance is lagging, is per capita consumption. Reducing consumption through our smart metering programme is one of the core objectives of this plan and the targets are consistent with our WRMP. Our long-term ambition is consistent with meeting Defra targets on reducing customer use.

Performance Outcome	25/26	26/27	27/28	28/29	29/30	2035	2040	2045	2050
Interruptions to Supply Average number of minutes lost per customer for whole customer base for interruptions longer than three hours in hours/minutes/seconds	2 mins 11 secs	2 mins 9 secs	2 mins 8 secs	2 mins 6 secs	2 mins 5 secs	1 min 36 secs	1 min 15 secs	41 secs	0 secs
Customer priority: Secure and deliver water supplies which are high quality, reliable and sustainable Our customers told us they support spending more to keep our interruptions to supply levels as the most reliable in the country, with a service comparable to today, so we propose maintaining our industry-leading service while maximising the benefits from base expenditure – with a reduction of 10 seconds from where we are now.									
Water Quality Contacts (Number of contacts per 1,000 customers)	0.42	0.41	0.41	0.41	0.41	0.39	0.38	0.37	0.36
Customer priority: Secure and deliver water supplies which are high quality, reliable and sustainable We've had the lowest number of contacts related to water quality in the industry for the past five years. We've identified further improvements we can make which will mean contacts won't increase, despite a higher population and we'll retain our industry-leading position.									
Compliance Risk Index (CRI) (Number of contacts per 1,000 customers)	0 (Deadband 2)	0 (Deadband 2)	0 (Deadband 2)	0 (Deadband 1.75)	0 (Deadband 1.5)	1 (Deadband 1)	1 (Deadband 1)	1 (Deadband 1)	1 (Deadband 1)
Customer priority: Secure and deliver water supplies which are high quality, reliable and sustainable CRI is a measure designed to illustrate the risk arising from treated water compliance failures. We're proud of our strong previous performance, however, we know even a single compliance failure is too many so our target is zero. We agree with Ofwat's position to adopt a deadband, set at 2 to mirror this period, with a reduction towards 2025 as investment brings improvements.									
Leakage (Leakage in million litres per day on three-year average)	24.0	22.8	22.1	21.8	21.1	18.1	16.5	15.9	15.5
Customer priority: Secure and deliver water supplies which are high quality, reliable and sustainable **Customer priority**: Invest in the future to meet growing environmental challenges We're working towards halving leakage (from 2018-19) by 2040, 10 years ahead of the Government's target. To drive it down further we have three approaches: countering natural breakout from harsh weather and ageing network; pressure optimisation and reducing customer leaks as part of our smart metering programme.									
Biodiversity (Net change in biodiversity units / per 100 km2 of nominated land in water supply area)	0.38	0.53	0.62	0.62	0.62	0.62	0.62	0.62	0.62
Customer priority: Work in partnership with our customers, communities and stakeholders This biodiversity metric is new but we've performed strongly in previous measures. The significant range in sites owned by water companies means comparisons are not meaningful so we feel ambition to achieve our own target, agreed with relevant external stakeholders, is more realistic. Our commitment includes biodiversity gain on three of our water treatment sites where we've identified opportunity for net gain, as well as maintaining good ecological status on other sites.									
Discharge Permit Compliance (% of sites compliant)	100%	100%	100%	100%	100%	100%	100%	100%	100%
Customer priority: Invest in the future to meet growing environmental challenges The performance commitment measures the extent to which we meet our permits when we discharge water to the environment. We always aim to meet 100 per cent of our legal obligations and we have set the target to reflect this.									

Performance Outcome	25/26	26/27	27/28	28/29	29/30	2035	2040	2045	2050
Serious Pollution Incidents (Category 1 and 2)	0	0	0	0	0	0	0	0	0
Customer priority: Invest in the future to meet growing environmental challenges We aim for no serious pollution incidents from our activities and historically our performance has met this ambition. Our target is set at zero pollution incidents to reflect a continuation of this strong record.									
Per Capita Consumption (Litres per person per day – three-year average)	156.9	155.4	153.3	150.2	146.0	120.9	110.1	103.2	98.4
Customer priority: Secure and deliver water supplies which are high quality, reliable and sustainable **Customer priority:** Invest in the future to meet growing environmental challenges **Customer priority:** Work in partnership with our customers, communities and stakeholders Reducing personal water use has been challenging due to our low bills, low meter penetration and the impact of the Covid pandemic. Our PCC commitments align with our WRMP and will be achieved through our smart metering programme and associated water-saving support and engagement through audits and personalised data and gamification, with a key link to associated wastewater and energy savings.									
Business Demand Ml/d three-year average	29.8	29.2	28.5	27.7	27.3	26.9	27.2	27.3	28.0
Customer priority: Secure and deliver water supplies which are high quality, reliable and sustainable **Customer priority:** Invest in the future to meet growing environmental challenges **Customer priority:** Work in partnership with our customers, communities and stakeholders As part of our universal smart metering programme, we will make sure all non-household customers have a smart meter by 2030, to help them understand their water use and, with our help, manage their consumption more closely. Our targets reflect the benefits of metering and our ongoing water efficiency efforts.									
Operational GHG Tonnes CO2e (carbon dioxide equivalent)	7065	7058	6965	6761	6957	5649	5185	5043	4918
Customer priority: Invest in the future to meet growing environmental challenges This operational greenhouse gas emissions metric is a new performance commitment for PR24. Our PR19 bespoke commitment was similar and we're significantly outperforming the 5 per cent reduction by 2025. It forms part of our long-term ambition to reach net zero in support of the Government's 2050 timeline.									
Mains Repairs (No. per 1000km)	66.83	65.43	64.35	63.27	62.22	51.3	50.54	49.8	49.08
Customer priority: Secure and deliver water supplies which are high quality, reliable and sustainable We currently have the lowest number of mains repairs in the sector reflecting our stewardship of our networks. We'll make further improvements as part of our calm networks strategy and by leveraging the benefits of our network 'digital twin'.									
Unplanned Outage (Percentage of peak week production capacity)	2.30	2.25	2.15	2.09	1.69	1.42	1.14	0.87	0
Customer priority: Secure and deliver water supplies which are high quality, reliable and sustainable Our performance in avoiding unplanned outages at our works is among the best in the sector at under 1 per cent. We'll maintain this excellent level of performance, making sure our customers' supplies are not impacted by unplanned outages.									

Customer service performance commitments

For our customer service performance measures, C-MeX, D-MeX and BR-MeX, our target is to **remain Upper Quartile** from 2025-2026 through to 2050. These deliver on all four of our customer priorities.

C-MeX	We've performed very well to date, always within the upper quartile. We will stay upper quartile and as we introduce our smart metering programme, we'll make sure we continue to meet out customers' service expectations, coupled with robust support around affordability, vulnerability and accessibility.
D-MeX	We've performed very well on D-Mex to date, always within the industry upper quartile. We expect other companies to improve their performance in 2025-30, so we'll be stretching ourselves further to maintain our upper quartile performance, acting on constructive feedback from our developer customers this period.
BR-MeX	BR-MeX is a new measure for the satisfaction of retailers and business customers. We pride ourselves on our excellent service to all our customers, as evidenced in our C-MeX and D-MeX scores to date, so we're confident of upper quartile performance. Our challenge will be to make sure business customers recognise us as the wholesale supplier not the retailer.

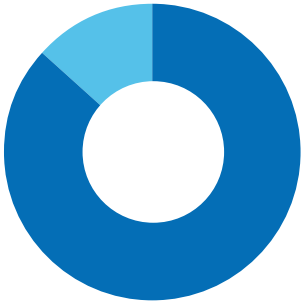
See Answerable to our customers for our Outcome Delivery Incentives around these performance commitments

Click here for contents page

How we'll fund the delivery of our performance commitments for customers

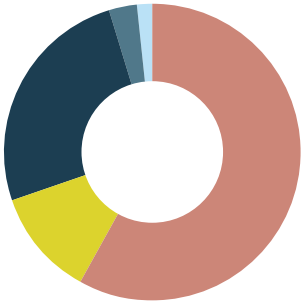
Our plan for 2025-30 is a total investment of £347 million (totex). This includes:

£218 million base costs to make sure we can maintain our excellent performance and reliability to date

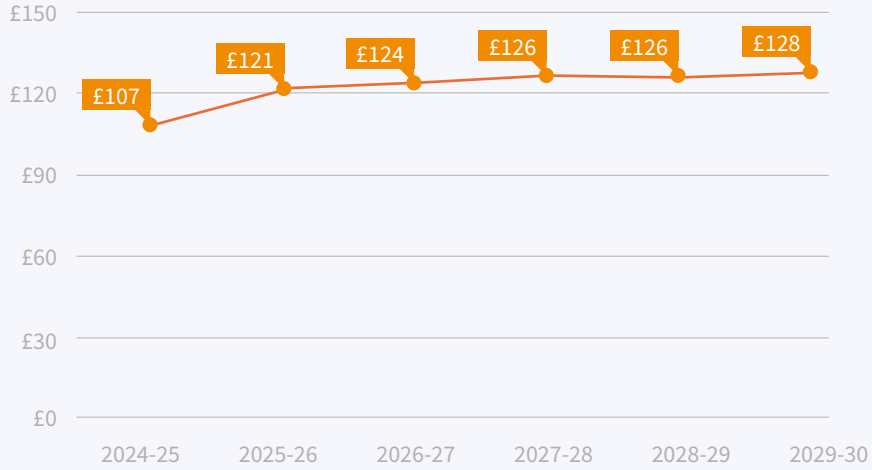


- **£189 million** of wholesale costs
- **£29 million** of retail costs

£129 million for enhancement investment



- **£75 million** for our smart metering programme to lay the foundations to meet our future ambitions and priorities
- **£15 million** to enhance the physical and cyber security of our assets
- **£33 million** to protect drinking water quality
- **£4 million** investigating the sustainability of our water sources (WINEP)
- **£2 million** to replace lead pipes at homes and schools



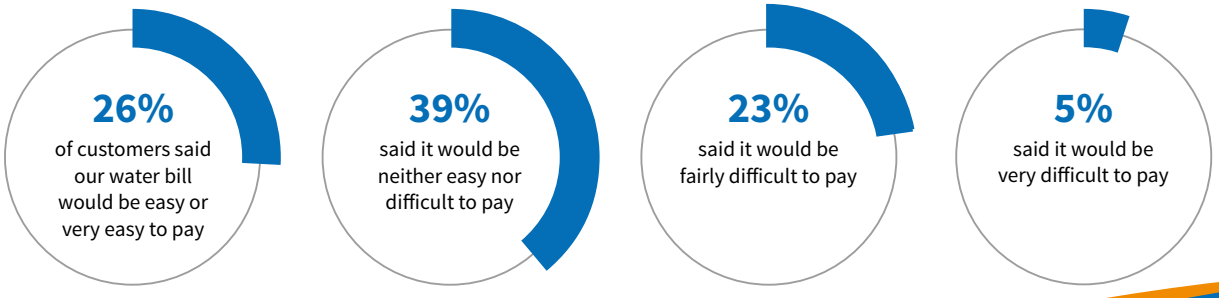
To support this investment, an average bill for our customers will be £128 without inflation by 2030 from £107 in 2024-25. This is an increase of 19 per cent (before inflation) and about 40p per week. With inflation the increase is 30 per cent.

Real prices. Deflated using November CPIH

This includes £3 per year to fund our social tariff, which was supported by customers in our insight work and £1.08 per year to support a company-specific adjustment to the allowed return on debt (supported by 88 per cent of customers).

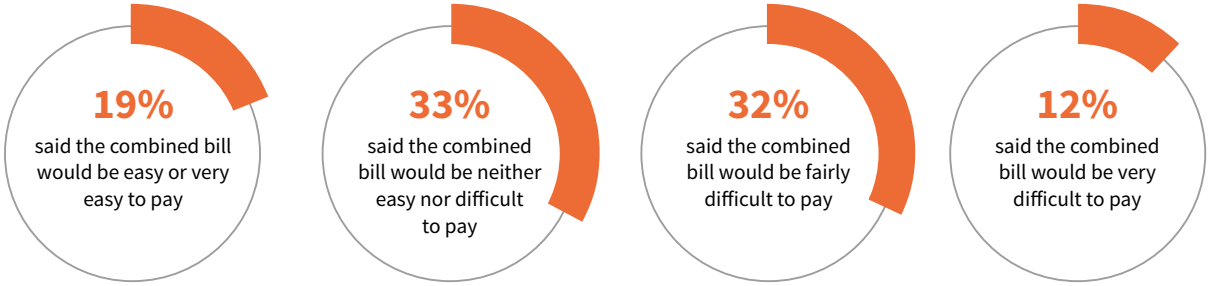
We originally tested a 22 per cent bill increase with customers in our Affordability and Acceptability Testing, with the outcomes outlined below:

Our affordability testing showed:



(3% said they didn't know)

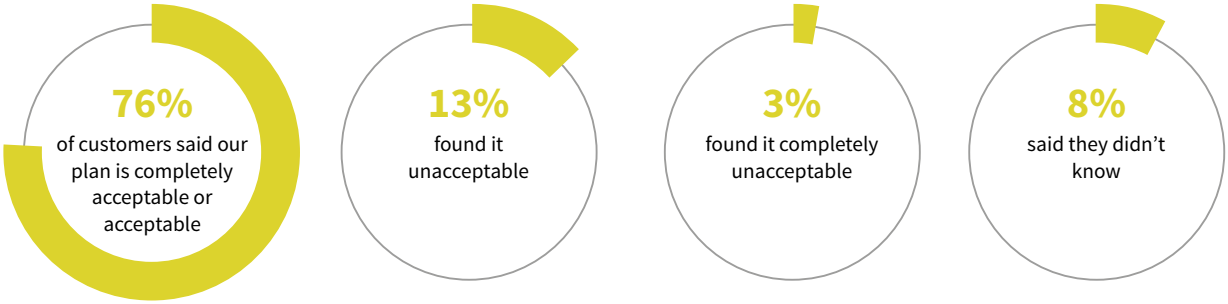
When considered in conjunction with Southern Water's wastewater bill, our customers said:



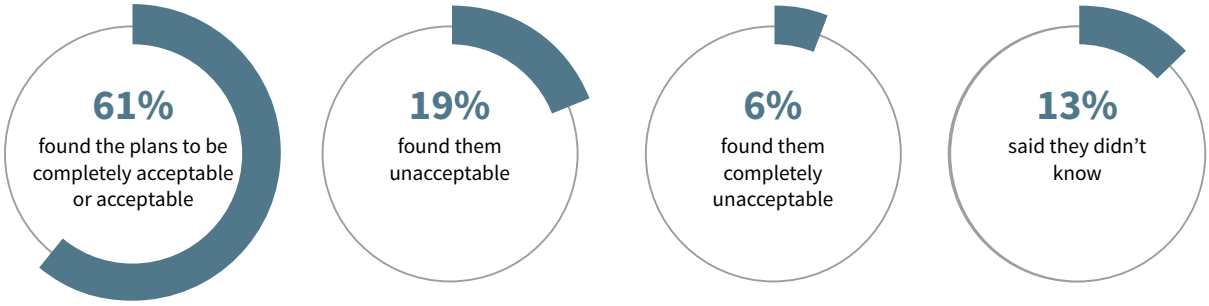
(3% said they didn't know)

See our Affordablity section for more information on our customers' views on affordability and how we're proposing to support those struggling to pay

In terms of acceptability of our plan, our customers said:



When considered in combination with Southern Water's plan:



We know Southern Water's wastewater bill will have a more significant impact on our customers than the water element of the bill, because it is a bigger bill and projected to increase by a larger percentage. Nonetheless, in response to the feedback on affordability, we challenged our plan expenditure further and reduced the increase to 19 per cent, as outlined above.

In engaging with our customers around the benefits of smart metering, we know it will be critical to make clear that £1 saved on their Portsmouth Water bill will, typically, save a further £2 on their energy bill as well as £2 on their Southern Water wastewater bill. Our 'Triple Promise' will form a central theme to how we engage with our customers to help them be aware of and take up the opportunities to save money and be more efficient. We'll also make sure customers struggling to pay have easy access to support.

Read more about What our customers can expect in PRT05 Delivering Outcomes for our Customers

SECTION 4

MAINTAINING EXCELLENCE

1. OUR EVOLUTION

Portsmouth Water is a company very much in transition, evolving to continually improve and maintain our excellence in a changing world. Building on our history of leading customer service, efficient costs and reliable high-quality supplies we are stretching our sector-leading performance and investments to make sure we can continue to meet our customers' expectations.

To deliver on the performance commitments and ambitions we've outlined for our customers and environment we've embarked on a challenging programme of evolution. This is designed to support and continue our history of excellence and forms the backbone of this business plan and our long-term delivery strategies.

This five-year business plan is the first step. We have mapped our 25-year Vision priorities to form the four key pillars of evolution which guide our continuous improvement, as shown below:

Our journey is already underway, as we evolve into a smart company and progress delivery of the first large-scale reservoir in decades, stepping up to become a more significant regional supplier of water in the medium term.

The ambition in this business plan for enhanced investment and deepening of our relationship with our customers is vital to laying the foundations to deliver our longer-term priorities in the most effective and efficient way.

As we outline in our rWRMP and LTDS, the challenges facing our business are changing dramatically as we shift from an historic availability of plentiful, good quality groundwater to a future requiring much greater water efficiency. In the long term we'll also move from being a regional exporter of water to an importer, all while increasing resilience to a wider array of risks.

To maintain our top performance, customer satisfaction and low bills, there is no option to standstill. As we set out in our 25-year Vision, if we don't adapt, we risk restrictions to water supplies, damage to the environment and unsustainable services for our customers and the environment.

We need to adapt to take further advantage of opportunities, innovative methods and modern digital technologies, to collaboratively deliver solutions which benefit everyone, and give our customers and stakeholders the information and opportunities they need to work with us.

Our purpose remains as it always has been: Excellence in Water. Always.

As described earlier, our evolution and continuous improvement is based on four pillars developed through our Vision:

FUTURE WATER

Securing sustainable sources of water for the future

CONNECTED FUTURE TODAY

Connecting more closely than ever before with our customers with whom we share the environment

ASSETS FOR THE 21ST CENTURY

Maintaining high-quality resilient services

AFFORDABILITY AND ENHANCING ENVIRONMENTAL AND SOCIAL VALUE

Co-creating solutions with our communities which deliver all our priorities

These pillars form the core of our business plan and we'll expand further on each in this section.

While its regulatory arrangements sit largely outside this plan, a key component of the Future Water pillar is our growth as a regional supplier as we deliver and operate Havant Thicket Reservoir in an innovative partnership securing resilient supplies for the South East.

Also fundamental to our evolution are the people who develop and deliver our services. We need to develop and harness new skills to deliver our continuous improvement, while maintaining our personal interactions with customers and our historic knowledge of our operations and communities.

Read more in the Deliverability of our Plan section

River Itchen

2. FUTURE WATER: SECURING SUSTAINABLE SOURCES OF WATER FOR THE FUTURE

The Future Water pillar of our business plan makes sure we can continue to supply high-quality water to our customers in a way that is sustainable for future generations. To do this we must make the most efficient use of the water resources we have today and make sure we have sufficient, sustainable sources for the future.

Our smart metering programme is at the heart of our Future Water strategy and is covered in detail here and in the Connected Future Today section.

Key investments to support this pillar between 2025-2030 are shown below:

Investment cases	Purpose	Totex	Base v enhancement
Water Source Protection including WINEP (Water Industry National Environment Programme)	To investigate the sustainability of our abstractions as required by the WINEP	£4m	Enhancement
Reducing Customer Side Demand	To help our customers use less water by providing them with data via smart meters	£75m	Enhancement
Leakage Reduction	To continue to reduce leakage in line with our WRMP and long-term commitment to halve leakage by 2040	£10m	Base

Sustainable sources

Havant Thicket Reservoir formed the cornerstone of our previous water resource management plan and business plan. Completion of the reservoir remains a key challenge for our business in 2025-30 and we set out the next steps for the programme below. Alongside this, we must now focus firmly on being even more efficient with the supplies we have and adapting to changes to ensure we have sustainable sources of raw water.

While an instant, plentiful supply of high-quality drinking water is the cornerstone of modern life and public health – so is a healthy environment supporting wide biodiversity.

For centuries, the chalk downs and rivers of the south coast have provided plentiful supplies of high-quality reliable water for our customers.

Restrictions on how much water our customers could use have only been introduced once in our 166-year history, during the national hosepipe ban in the drought of 1976. And so far, we've been able to absorb stresses, shocks and environmental pressures to operate efficiently, at the industry's lowest price to customers.

Now our rWRMP and LTDS clearly demonstrate the way we source and supply water in the short and long term needs to change significantly if we are to continue to deliver excellent service to our customers while protecting the local environment.

View towards Portsmouth

Our Future Water pillar describes the steps we're taking, and the investment we need to make, to maintain leading levels of service while reducing our impact on the environment, as we and our customers make this significant shift in our relationship with water.

The environment must be at the heart of our decisions and we're committed to improving it for our communities and future generations. It's the right thing to do socially, but also the right thing for the sustainability, longevity and efficiency of our business.

Sustainability for us is finding the right balance between being able to source water to keep our customers in supply and healthy, while also improving the environment – all without prohibitive cost to anyone and with the support of customers.

As we outlined in **Our Responsibility**, the environment we're working in is changing and therefore we are changing, adapting and embracing new ways of working and new technology to build on our programme of excellence to move forward.

Regional resilience

Our previous section on Havant Thicket Reservoir clearly evidences how we're stepping up to play a key role as a regional supplier in an innovative new partnership.

Our approach to Future Water is again developed through regional planning and, for the first time, is fully integrated with the solutions for the whole of the South East of England (**the Water Resources South East plan**).

This adaptive regional plan has considered the future needs and challenges of the whole area and the climate and environmental emergency facing us all.

Its modelling has identified the best value set of options to continue to supply all 19 million customers across the South East, including the needs of other sectors such as farmers and energy suppliers, while also delivering the most benefit to people and the environment.

Unprecedented collaboration between companies and advanced forecasting techniques mean the regional plan has different options available, compared with the set we could have used if we'd developed a plan in isolation.

This collaboration means supplies are much more likely to be shared across a wider area, enhancing the resilience for all customers in the South East.

It's within this context, we've developed our own adaptable rWRMP and LTDS and our Future Water strategy for this business plan, to deliver on our 25-year Vision.

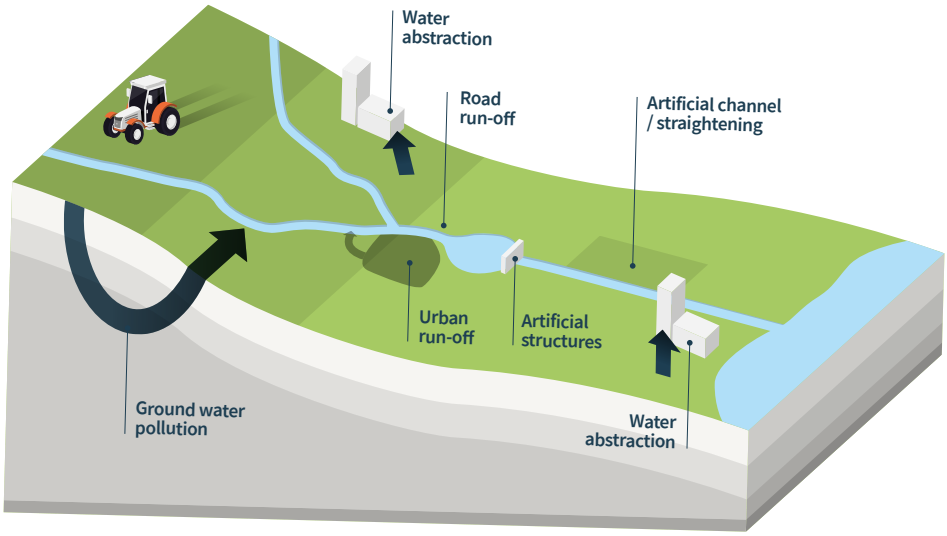
Read PRT17 Water Resources Management PRT18 Long-Term Delivery Strategy 2025-2050

Read the regional Water Resources South East Plan at wrse.org.uk

Drivers for change

The condition of our environment is not ideal. And with the pressures of climate change and population growth if we do not step up our pace of evolution then it's going to get worse. We cannot do it alone, but our unique relationship with the local freshwater environment gives us an influential role to play in securing its sustainability for the future.

Our supply area includes sensitive environments and rare chalk streams such as the Ems, Meon and Lavant. Despite their quality and designations, our catchments are often heavily modified by human activity, impacted by urbanisation, rural land use and storm drainage as well as abstractions for both public water supply and agriculture, as shown to the right.



Between 2025 and 2035, we'll be carrying out environmental assessments on all our river catchments, led by the statutory Water Industry National Environment Programme (WINEP) and as part of the core pathway of our rWRMP. These studies are likely to conclude we'll need to reduce the amount of water we can take from these catchments.

Our work to date to inform our rWRMP estimates we may have to adapt to 'losing' between 39 and 122 million litres of water per day from our existing supplies by 2050. This potential loss is the most significant driver for our Future Water. This range was agreed following 12 months' work with the Environment Agency and Natural England and satisfies the WRMP planning guidelines and the core best value scenario in our plan.

The scale of this loss could be reduced if environmental improvements to our freshwater environment could be made through interventions which make our catchments more resilient, such as nature-led schemes to restore rivers and improve the landscape they sit in. Our investigations are critical to determining if this approach is possible and effective.

Read more detail in PRT07.05 WINEP and Protecting the Environment

Some of the shortfall might also be made up by improvements to our current distribution network allowing us to move water more freely into sensitive areas from less sensitive ones.

Delivering WINEP and determining the scale of the changes is the first critical step in our plan from 2025, shaping our core pathway and investments for future years.

We plan to investigate the impact of all 21 of our sources, which fall into 10 catchment systems, between 2025 and 2035. Between 2025 and 2030, this includes sources in nine priority catchments, such as Walderton, West Meon, Northbrook, Slindon and the River Itchen sources, with the remaining one catchment (Havant and Bedhampton Springs) being investigated by 2035.

The fundamental question the WINEP evaluation asks is: "Including the added resilience nature-led or catchment-wide interventions could bring, how much water can we take from a catchment without having a deteriorating impact on the environment."

Our business plan for 2025-30 includes enhancement expenditure of £4 million for these investigations.

Investment	AMP8 totex	Base / Enhancement	Statutory / Discretionary	Associated investment case
WINEP investigations	£4m	Enhancement	Statutory	PRT07.05

Our investigation programme will consider all the elements needed to achieve **good ecological status or potential** for these catchments under the Water Framework Directive – water quantity, water quality and habitat quality (in stream, margins and catchment).

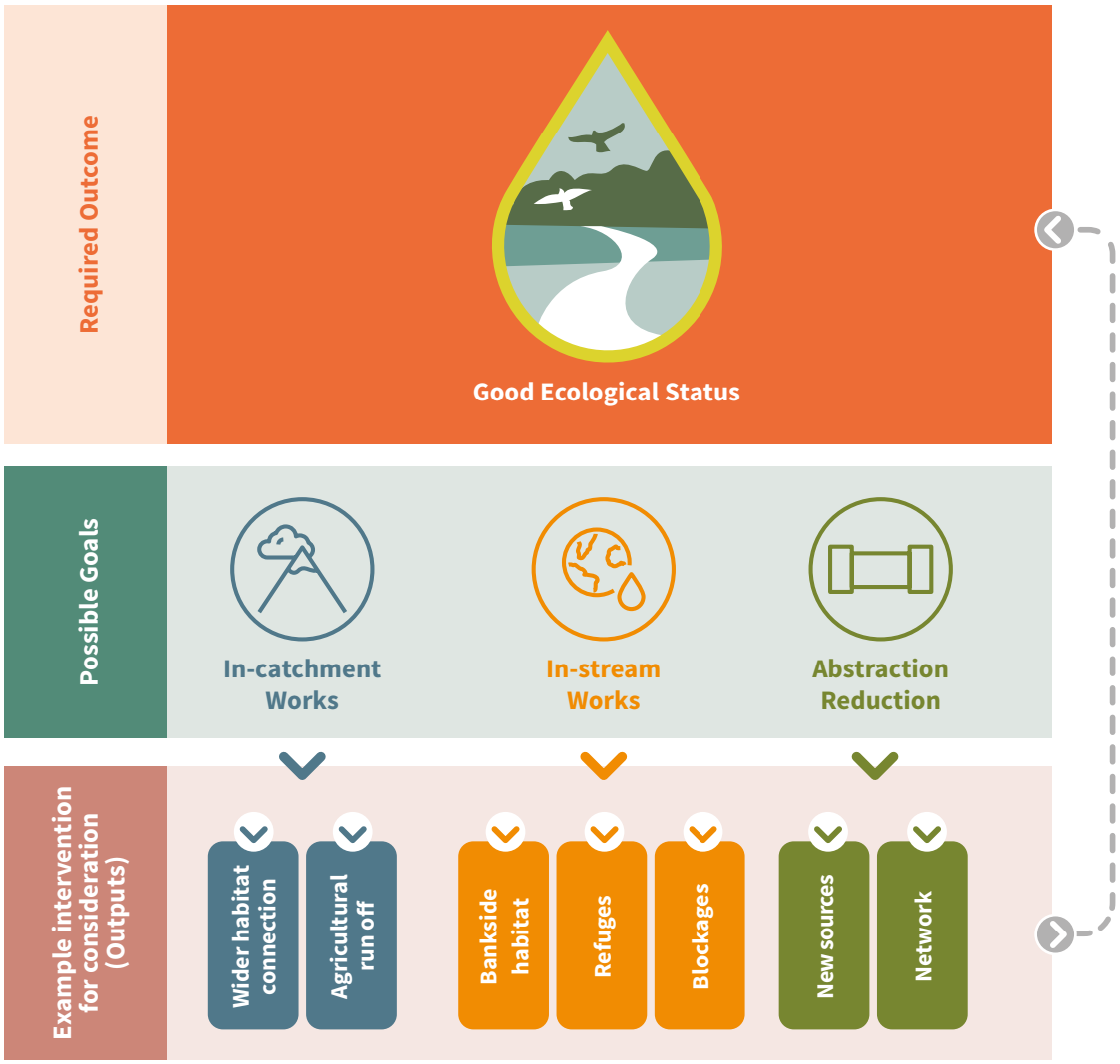
The results of our investigations are a vital first step in developing the most efficient long-term plans to maintain resilient, sustainable, high-quality supplies while improving our local environment for our customers, communities and nature. They will be thorough and carried out soon after 2025 so the findings can be considered in our next water resource and business plans.

The results will be the catalyst for our future investment in water-saving programmes, new sustainable sources of water, a smarter network and partnership programmes to improve and protect our environment. They represent one of the key decision points in our LTDS and will influence which pathway we follow.

We've already started our investigations into the River Ems catchment in an early-start programme and are working closely with the Arun and Rother River Trust (ARRT) Catchment Partnership to create a 10-year river restoration plan. This has included a survey with more than 200 stakeholders local to the river to understand their use of the Ems, and their perceptions and interest in the restoration plan.

Lagoon at Itchen Treatment Works

The diagram below illustrates our approach to the investigatory elements of our WINEP programme:



Potential large-scale reductions in the amount of water we can take in specific locations are going to have the biggest impact on our future sources, but the impact of climate change, population growth and the need to show increased resilience to severe droughts (moving to 1:500-year likelihood from 1:200 for emergency drought orders such as rota cuts and standpipes) are also factored in our planning.

Read more in the wider challenges chapter in Our Responsibility section

Alternative Future Water

As we investigate our alternative future pathways to maintain industry-leading reliable supplies, action is underway now to meet the demands of today and prepare for the view of the future we're planning for.

What are our alternative sources of water? And are they sustainable? Through the WRSE regional plan and our rWRMP (revised in 2023) the best value options for our customers and the environment have been selected for the next five years. These are 'least regret' and allow for flexibility to adapt, whatever the future brings. They are set out below.

More efficient use of water from existing sources

The more water everyone uses, or is lost through leaks and treatment processes, the more we need to take from the environment. So, if our customers use a little less, we redouble our leakage reduction efforts and invest to maintain more efficient assets, the less we'll need to take from the environment or find from new sources.

Leading by example

We've made huge strides in reducing the water lost to leaks through our network of nearly 3,400 kilometres of mains and service pipes in recent years.

To challenge ourselves further and build on our commitment to transparency with our customers, we will create a new measure of our own water efficiency from source to tap.

We'll calculate the amount of water it takes to deliver a 500ml glass of water at the tap.

We'll share this information with customers and our operational managers at a local level to show how the losses are built up and make commitments to drive them down, sharing our journey with customers as they embark on their own water-saving changes.

This will be made possible by our IT transformation detailed in **Assets for the 21st Century**, timely investment in our treatment works and pumping stations and harnessing innovative techniques to find and reduce leaks.

Driving down leakage

As with all water companies, we've made a **Public Interest Commitment** to triple the rate of sector-wide leak reduction by 2030, allowing us to halve leakage by 2050 and meet the target in the government's Plan for Water. For us this means reducing it from 32 million litres per day in 2017-18 to 16 million litres by 2050. This is enough water to supply a town the size of Bognor Regis every day.

Our customers and stakeholders have told us very clearly that **driving down leakage is one of their top priorities** so in our 25-year Vision we have committed to achieving this goal early – by 2040.

In our Plan Choices consultation in Spring 2023, more than 74 per cent of respondents supported this, opting to halve leakage early by 2040. We didn't ask customers about reducing leakage earlier than 2040, as to achieve a 50 per cent reduction any earlier would require a significant increase in expenditure which would unnecessarily increase bills at a time when affordability is a concern.

Our Acceptability Testing also saw 47 per cent of participants chose leakage as their priority for investment, above water quality and interruptions to supply.

CUSTOMER QUOTE

"I believe reducing leakage should be the highest priority, as this has a direct link to climate change - both through wasted energy use and through wasting clean water which is becoming increasingly precious as the planet warms."

Our smart programme, outlined below, will offer many more touchpoints to detect leaks early, particularly those smaller and household leaks which are currently harder to find.

In addition, we're looking to trial other innovative approaches. Satellite imagery and infraRed fly over are two leak detection methods which have proved successful in other companies, particularly in rural areas and on trunk mains.

We're proposing annual, summertime sweeps on the distribution network to detect points of interest for subsequent ground-based evaluation. We'll also continue to equip our technicians with the latest mobile and handheld technology to correlate and identify the location of leaks.

Supported by multiple new approaches, we believe we'll be able to maintain our current detection rate of leaks, despite them becoming smaller and harder to find, as we become more proficient at finding them.

We're also committed to working with our delivery partners to identify new repair techniques which minimise disruption to highways and our customers and the operation of our network. We are partners in an Ofwat-funded innovation project looking to use the National Leakage Research Centre to identify safe and effective repair techniques, such as in pipe linings.

We carried out a trial with 1,000 customer households in which we provided home leak alarm devices, 'Leakbots'. The trial demonstrated an overall saving of 30 litres per person per day through a combination of leak detection (found in 24 per cent of homes) and nine litres per person per day through high use alerts – attributed to internal plumbing losses. We plan to offer 2,500 devices to customers during 2025-30 to help reduce leaks and save water in households ahead of the transition to smart meters for all.

Leakage performance commitment

Performance Outcome	25/26	26/27	27/28	28/29	29/30	2035	2040	2045	2050
Leakage (Leakage in million litres per day on three-year average)	24.0	22.8	22.1	21.8	21.1	18.1	16.5	15.9	15.5

Customer priority: Secure and deliver water supplies which are high quality, reliable and sustainable
Customer priority: Invest in the future to meet growing environmental challenges

We're working towards halving leakage (from 2018-19) by 2040, 10 years ahead of the Government's target. To drive it down further we have three approaches: countering natural breakout from harsh weather and ageing network; pressure optimisation and reducing customer leaks as part of our smart metering programme.

Our business plan for 2025-30 includes expenditure to reduce leakage in line with our rWRMP and long-term commitment to halve leakage by 2040. This is included entirely within our base costs, so will not impact customer bills.

Investment	AMP8 totex	Base / Enhancement	Statutory / Discretionary
Leakage reduction	£10m	Base	Statutory (WRMP)

Water use, smart metering and connected customers

Rolling out a universal smart metering programme for our household and non-household customers and transforming their connection with us and their water is a fundamental cornerstone of this business plan and our long-term resilience strategies.

Despite a series of interventions, our household customers currently use more water than most in the country, around 152 litres per person per day. The Covid pandemic and lockdown saw an increase in household water use of around 12 per cent and delayed our plans to install 27,500 new water meters by 2025. This higher household water use has endured to some degree post the pandemic.

We're now back on target against our WRMP for personal water use and will have 30,000 new meters in the ground by the end of 2023, compared to a PR19 projection of 20,000. But there's much more to do, and our three-year rolling average PCC target is still affected by the increases during and post the pandemic.

Smart evolution

It's our ambition to become the first fully smart water company in the country within 10 years. Our move to smart technology, and the IT which supports it across our entire network and customers, is a fundamental cornerstone of our evolution to maintain resilience. We are developing a versatile system with the ability to integrate nationally in the future.

Only about a third of homes we supply currently have a water meter. Our programme will increase this to 94 per cent by 2035, and our current intention is to install 130,000 meters in the first five years.

Some properties are uneconomic to meter due to the reconfiguration of pipes which would be required to meter with our current technology, but we'll keep innovating and aim to reach 100 per cent over time so we have a full data set for our area. Homes which already have meters will have theirs replaced with smart ones, as will all non-household customers by 2035.

We're able to take this action following the reclassification of our supply region as being 'seriously water stressed for metering' by the Government in 2021.

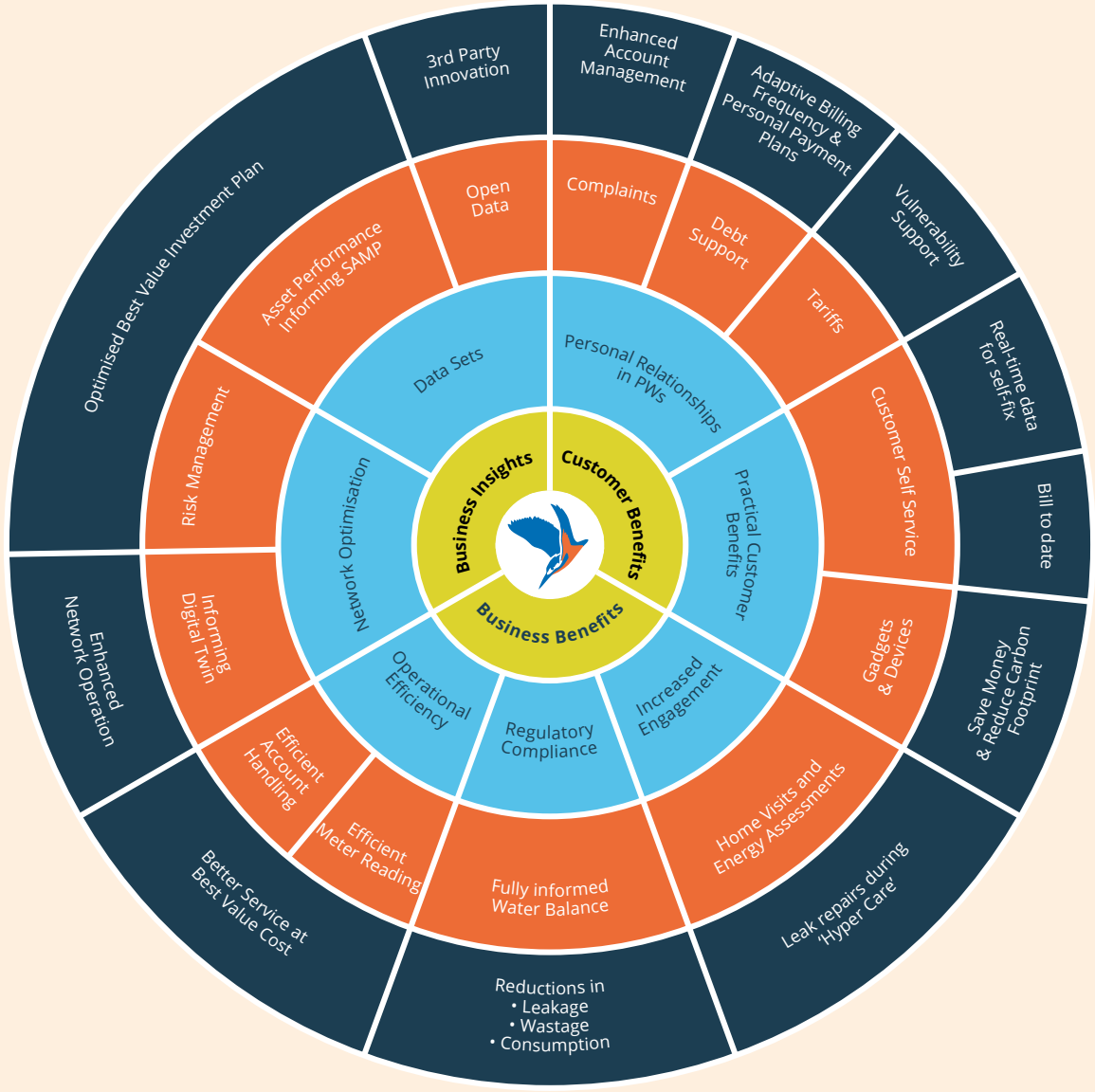
We forecast our smart metering programme will realise immediate benefits, reducing domestic water use by an average of 12 per cent – the equivalent of nearly 20 litres per person per day – in the first nine months after installation. This will come from a reduction in water use, prompted by potential cost savings to customers on their water and wastewater bills and energy costs. This is a realistic assessment based on savings demonstrated by other companies for both conventional meters and smart meters and taking account of our low bills (data published by Thames Water, Anglian Water, Yorkshire Water and Severn Trent Water).

Further short-term savings will come from detecting and repairing internal leaks – which we estimate affect roughly one in 20 properties. In the longer term, savings will come through incremental behaviour change and we're adopting proven technologies from energy to help us achieve this, as well as trialling new innovative approaches relevant to water.

As shown in our rWRMP, by 2075 we expect to save up to 8.5 million litres per day overall; that's water we'll no longer need to take from the environment. Smart metering delays the need for alternative sources, which would be more costly and energy intensive. Our smart metering programme is a vital part of our core pathway to reduce personal water use to 110 litres per person per day by 2050.

Benefits of a smart metering programme

The benefits of a smart metering programme and smart network for our customers and our environment are multiple. We have developed and categorised these into three core segments, business benefits, business insights and customer benefits. All three demonstrate the value of smart metering and can be further broken down as shown in the diagram below:



In June 2023 Frontier Economics carried out a cost-benefit analysis of water metering roll-out options over a 40-year time horizon. It showed a smart metering programme would deliver benefits of £209 million, compared to costs of £154 million (NPV) – £1.36 of benefit for every £1 of cost incurred. Comparatively, a roll-out of conventional meters would deliver benefits of £90 million, compared to costs of £88 million – £1.01 benefit for every £1 cost incurred. While both provide benefits of reducing demand, the smart programme offers improved leakage detection and network management. Read more in **PRT07.06.01 Report - WSM WDM roll-out - CBA findings**.

Customer views on smart metering

Our insight shows metering is supported by our customers, with 73 per cent of customers and stakeholders expressing overall support for metering for everyone, when considered in the context of the pros and cons of other water resource options.

Qualitative research also revealed similar views, where customers felt metering was seen as a fair basis for bills, especially in the context of the long-term environmental challenges facing the water sector. In contrast, concerns were raised over the environmental impact of desalination and water recycling.

At the same time, customers did raise some concerns about the programme, including:

- potential affordability challenges for some and the need for safeguards
- problems experienced with smart energy meters
- fears over intrusiveness.

In our targeted research with vulnerable customers, they proposed a slower implementation where needed, with an option for a longer transition between being unmetered and metered to allow more time to build trust in the technology and adjust to a metered bill.

Other ideas put forward included bespoke innovative and social tariff communications to provide greater help in choosing the best tariffs, innovative tariffs targeted at helping those who are vulnerable, and additional support for larger families and those who are more heavily reliant on water use due to health issues.

In our targeted insight with minority audiences, the Muslim group in particular were nervous about being put onto smart water meters, due to perceived high-water use associated with their faith.

Our further insight showed smart metering is preferred to conventional metering, with 73 per cent of customers stating they would engage with a smart meter if one were installed, primarily motivated by saving money on their water and energy bills. Additional benefits identified as important by customers include rapid identification of leaks within the property, helping the local environment and biodiversity by taking less water from natural sources and accurate bills.

These concerns and desire for benefits are at the forefront of our minds as we develop our delivery programme and initiatives to address them. We'll test our proposals with customers as we progress. We recognise smart metering, if not delivered in the right way, could cause significant disruption to customers, complaints and dissatisfaction and we're committed to learning from others' experience in and beyond our sector to not let this happen and maintain our upper quartile customer satisfaction.

We've opened a dialogue with insurance companies, some of whom already offer leak detection devices (such as the 'Leakbot' already mentioned) in return for lower household insurance premia. Smart meters would perform a similar function, avoiding the need for new devices.

Read more about our customers views on smart metering in PRT03 Engaging and Understanding our Customers and Communities

Read more about our plans to effectively engage with our customers in the Connected Future Today section

Our Smart Customer Journey

Installing a smart meter and analysis of the consumption data will inform targeted water efficiency and customer engagement interventions, increasing the demand reduction achieved from metering. The data collected also opens the door to innovative, personally tailored water-saving tariffs as part of our future water resource management planning, with associated demand savings, and supporting affordability.

We'll offer a package of 'hypercare' for our customers before, during and following the meter installation – to support them on reducing their water use, finding and fixing leaks, accessing additional support during the installation (e.g. emergency water supplies, information in a different language or braille).

We've developed our customer journey in two distinct phases:

Phase 1: Pre-installation and the install

1 – Communicating 'The Need' Ensuring customers know:

- Why we are installing meters
- The benefits of meters
- The impact on our environment
- Our long-term water strategy
- What they can do to help

2 – Targeted Communication

Help customers understand pressures in their local area and why it's important to reduce our consumption.

Help them connect with our needs and empower them to make a difference.

3 – Detailed Communication

Provide specific details about their smart meter installation including:

- Where
- When
- How
- What

Give them details on what to expect on the day of install

4 – The Installation

Make sure customers receive a consistent and controlled installation journey.

Work with delivery partners to make sure installs are delivered with due care and attention.

Should issues arise, make sure they are dealt with there and then on site whenever possible.

Phase 2: Post-installation and ongoing support

5 – Proactive Hypercare

Make sure customers know how to access their smart data.

Provide How Tos, FAQs and push key messages.

Empower customers to engage with their consumption digitally.

6 – Reactive Support

Provide enhanced care for queries, complaints or concerns.

Support customers with any leaks identified through the smart meter.

Provide additional advice and guidance to increase adoption and engagement with their new data.

7 – 1st Bill Support

Design our customer-first 'smart' bill to include helpful hints and tips, additional messaging and prompts on how they can engage. (Transitional bill)

Include tailored insights into their consumption and usage habits with hints and tips to reduce usage.

8 – Ongoing Communication

Create gamification activities to support local communities to engage with water usage including:

- Compare to others
- Events and community goals
- Impacts changes have on our environment.

Our journeys are designed end-to-end; however, the unique tone, artefacts and engagement styles pre-installation and during installation differ greatly from the post-installation messaging, so we have strategically uncoupled these phases. Further detailed design work will be undertaken to design each of these phases from a people, process, and customer perspective. We'll work with CCW as we design our engagement journeys.

Read more about our plans for smart metering in PRT07.06 Reducing Customer Side Demand (Universal Smart Metering)

As we plan our metering journey, we'll purchase occupancy and socio-economic data at a household level and layer this on our existing customer data to inform our approaches. This segmentation will be further refined through the multiple customer touchpoints which will follow as part of the installation and aftercare.

Our metering journey will offer a transitional billing period between non-metered and metered bills and information about additional support for those struggling to pay their water bill or adjusting to an increase through the change to metered charges, e.g. large households in low rateable value homes.

Working with customers directly, we anticipate our package of water-saving support will include:

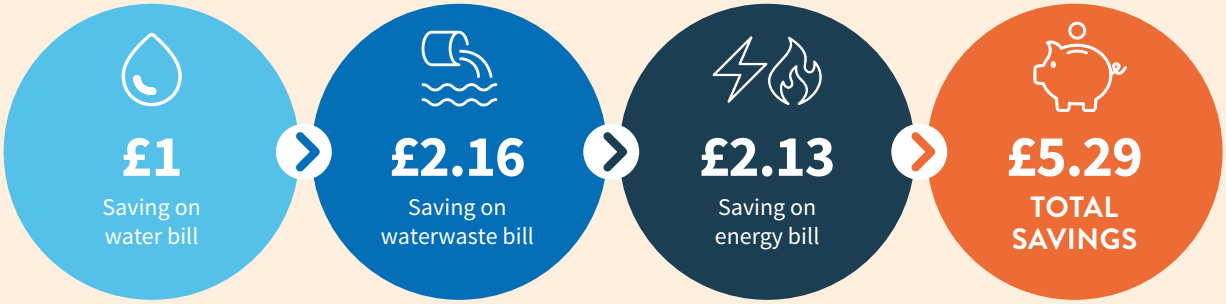
Health Report	Doorstep Support	Leakage repair
Nightline report: • Leaky loos • Supply pipe leak • Internal plumbing losses Relative consumption view • Comparison with similar homes • Water efficiency advice tailored to usage	Handy hints and tips Water saving devices Leaky loo test kits App navigation Sign up to alerts Sign up to campaigns	Small scale (e.g. dripping tap) self help and advice Significant leaks – find and fix response: • Home investigation (internal plumbing) • Customer supply pipe leak test (external) • Fixing service for economically viable repairs based on a fair cost principle

This approach will be supported by our agreement to adopt Kraken Technologies CRM – the first water company to do so. It will go live for all our customers by 2025 which means we'll be able to support their services for the smart metering programme and aid better communication by understanding demographics at a household level.

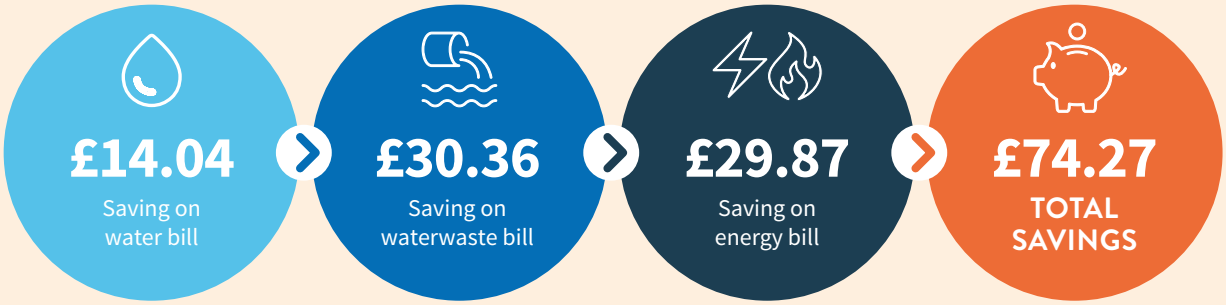
Following installation, the combination of data from smart meters and the Kraken CRM will support us to connect our customers with their personal water use through data, visualisation and messaging in an engaging way. Our innovative approaches will continue to support customer choice around how and when they wish to engage.

The Kraken Technologies partnership will also open the door to making the connection between water and energy through our innovative approach to open utility data sharing. (Octopus Energy Group has about 30 per cent market share of energy customers in our supply area to enable data sharing).

Potential savings on customer water, wastewater and energy bills for each £1 of water savings per year: (assumes all water savings achieved from heated water)



Potential savings per year for customers following installation of a smart meter, leakage alerts and water-saving audits and advice (based on an average 12 per cent initial saving)



The engagement we can generate with customers and the impact we can have on supporting them to reduce their consumption is vital to delivery of our long-term strategy.

We'll learn more about the segmentation of our customers as we plan the smart metering journey and the implementation of Kraken Technologies' system will help us continually build on this, so we have deeper insight into what motivates individual customers.

Read more about our plans to effectively engage with our customers in the Connected Future Today section

Water labelling

Our plan also assumes the Government will introduce compulsory water labels by 2024 for white goods, such as washing machines, dishwashers, toilets and taps and we'll support our customers to make informed choices when replacing water-using goods.

On-going support for unmetered customers

Our unmetered customers and those with conventional meters will continue to benefit from water-saving information and leakage tools, and we'll continue water audits for high users on conventional meters, until they are moved on to smart meters and bespoke information tailored to their data.

We're planning 1,000 water audits per year from 2025 to 2028, 900 in 2029 and 800 in 2030. By targeting high users for home audits (top 10 per cent of users), our forecast savings will be 60 litres per property per day for overall behavioural and use benefits and we'll have sufficient properties in scope to achieve this saving.

Engaging non-digital customers

Another key priority is to make sure our customers not able to benefit from bespoke personal data through digital platforms continue to be supported through our existing industry-leading customer channels, with tailored information offered at regular intervals.
We recognise some of our customers do not wish to engage digitally or are not able to for reasons including vulnerability, data poverty or access to technology or skills. Customers will be able to choose to engage with us using more traditional methods and access and utilise data in similar ways to those digitally enabled.

To retain this capability for our customers:

- Our customer service agents will have full access to information and data to allow them to either discuss these with customers directly on the phone or send information through non-digital channels.
- We'll proactively message our customers through non-digital channels.
- We'll utilise our retail field services team to undertake face-to-face visits with customers who need them.

Non-household customers

Smart meter data will also support us in engaging more effectively with non-household customers and their retailers on their water use and leakage. We've learned from other water companies that significant savings can we made at commercial premises (Thames Water and Affinity Water's water neutral project), and we will develop a comprehensive engagement package to proactively engage on leakage and water efficiency.

We have about 16,000 non-household customers on our network who use about 30 Ml/d. Of these, about 10 per cent use 80 per cent of the water. Working with retailers, we'll proactively carry out 20 water use and leakage audits per year on non-household premises, targeting the top 10 per cent of highest users. This is anticipated to reduce demand by 3.4 Ml/d by 2030.

The audits will provide customers with general advice and guidance as well as on-site support, help with finding and fixing leaks and installing water-saving gadgets and urinal controls. The advice and support will be tailored to industry types and through partnership arrangements with MOSL we'll seek to use their up-to-date benchmarking data to support this approach.

We already know that many smaller non-household customers may have water use requirements similar to households, so may be better supported by our household packages, and smart meters will provide the data and insight to inform this. We'll explore making an online engagement platform (akin to GetWaterFit which we currently use) available to all businesses.

We will work collaboratively with retailers on delivery of our non-household water efficiency plans. We have planned trials in 2024 to refine our approach to delivering this work from 2025. We'll share the outcome of our trials and final approach with regulators and MOSL.

Portsmouth

We also plan to visit 20 schools per year for efficiency and leakage audits, coupled with plumber support for fittings and fixes. These will be supported by educational activities and could be tied in with our prioritised lead reduction strategy, which focuses on schools and nurseries in 2025-30.

Leakage reduction from smart meters

Smart metering will also enable us to find and tackle unknown leaks on customers' pipes, as they give visibility of continuous flow or night flow (when legitimate use is low) and the possible existence of leaks, which will allow us to effectively communicate with customers to encourage repairs.

We plan to create a new Consumption Review Team, skilled in the analysis of metered data to support this work; this team will engage directly with customers in three key areas:

- **Continuous flow** – ongoing flow indicates a customer network or behavioural issue – our approach will enable the customer to fix the problem through our customer engagement.
- **Leaky loo or trickling taps** –high use or continuous flow may also be an indicator of potential faulty appliances that will allow targeted campaigns providing customers with Leaky Loo strips or tests to establish if they have a problem. (Leaky loos can waste up to 400 litres per day or the equivalent of having another family staying in the property.)
- **Free leak repair** – we'll continue our policy of one free supply pipe repair per household, with an additional hardship fund to support repairs and leak allowances for vulnerable customers. This approach encourages customers to find and fix leaks quickly.

Other water wholesalers' (Thames Water and Yorkshire Water) metering programmes have demonstrated that between eight per cent and 10 per cent of customers show continuous flow once a meter is fitted. With much of the continuous flow being identified as leakage (customer-side), proactive management of these instances has been highly beneficial not only in reducing water demand, but also in improving customer satisfaction.

Early adopters of smart metering, such as Anglian Water, reveal nearly 80 per cent of customers who are notified of a leak, repair it within six months.

Our current water balance shows that up to half of leakage is attributable to customer supply pipes (the pipe which connects a property's internal plumbing to our water network and is owned by customers) so potential savings of 4 Ml/d are expected by 2035.

Our picture of these leaks will become clearer as the smart rollout unfolds and we gather more accurate data.

The data we'll be able to gather from smart meter coverage will prove invaluable as we align this with improved monitoring of our own network and more agile operational technology to improve efficiency and performance. Our water balance will become more robust and we'll more easily be able to identify poor performing areas of our network.

Identifying lead pipes

The metering programme also provides a unique opportunity to gather accurate information about the prevalence and location of lead pipes at households and non-households. This will be fed into risk assessments, help us identify hot spots and inform our long-term ambition for all homes to have access to water without lead by 2050.

Read more about our lead strategy in the Enhancing environmental and social value section and in PRT07.07 Lead Strategy Implementation

Affordability

At the heart of our smart programme is the key task of making sure water remains accessible and affordable for all as our customers transition to paying for the water they use based on metered charges.

We cover this in our Affordability and Connected Futures Today sections

Performance commitments on reducing demand:

Performance Outcome	25/26	26/27	27/28	28/29	29/30	2035	2040	2045	2050
Per Capita Consumption (Litres per person per day – three-year average)	156.9	155.4	153.3	150.2	146.0	120.9	110.1	103.2	98.4
Customer priority: Secure and deliver water supplies which are high quality, reliable and sustainable **Customer priority:** Invest in the future to meet growing environmental challenges **Customer priority:** Work in partnership with our customers, communities and stakeholders Reducing personal water use has been challenging due to our low bills, low meter penetration and the impact of the Covid pandemic. Our PCC commitments align with our WRMP and will be achieved through our smart metering programme and associated water-saving support and engagement through audits and personalised data and gamification, with a key link to associated wastewater and energy savings.									
Business Demand Ml/d three-year average	29.8	29.2	28.5	27.7	27.3	26.9	27.2	27.3	28.0
Customer priority: Secure and deliver water supplies which are high quality, reliable and sustainable **Customer priority:** Invest in the future to meet growing environmental challenges **Customer priority:** Work in partnership with our customers, communities and stakeholders As part of our universal smart metering programme, we will make sure all non-household customers have a smart meter by 2030, to help them understand their water use and, with our help, manage their consumption more closely. Our targets reflect the benefits of metering and our ongoing water efficiency efforts.									

Investment	AMP8 totex	Base / Enhancement	Statutory / Discretionary	Associated investment case
Reducing Customer Side Demand	£75m	Enhancement	Statutory (WRMP)	PRT07.06

Improving our network

Saving water is the cornerstone of the early years of our long-term rWRMP and this business plan, but we're also progressing options to increase the resilience of our supplies:

Havant Thicket Reservoir – next steps

Havant Thicket Reservoir will bring increased resilience to the South East through bulk supplies to Southern Water and will support our customers in emergencies and drought.

The key next steps to delivering the reservoir in 2025-30 are:

- Gaining revised planning consent for the draw off tower and improved fill/empty pipeline route
- Gaining approvals for the east – west transfer reinforcement pipeline (Farlington to Nelson)
- Progression of activities to facilitate integration with the Hampshire Water Transfer and Water Recycling Project (HWTWRP) (see below)
- Construction of the reservoir and pipelines
- Creation of the visitor amenities and wetland
- Progression of the 80-hectare rewilding project
- Filling and commissioning.

The reservoir remains a cornerstone of our rWRMP and LTDS and we're committed to its transition from construction to operation. Following construction and commissioning, we'll be establishing an operational team to support our water supply commitments to the region.

Wastewater recycling

Since the reservoir gained planning permission, Southern Water has progressed a plan to increase the output of the reservoir by topping it up with recycled water – wastewater which has been treated to secondary standard at a local works, before then undergoing further extensive tertiary treatment. This would allow the reservoir to provide more water – particularly during drought.

As mentioned above, the proposals are known as the Hampshire Water Transfer and Water Recycling Project (HWTWRP) and are part of Southern Water's wider 'Water for Life Hampshire' programme to secure the additional water resources it requires to meet its Section 20 legal obligations to reduce abstraction on the River Itchen and River Test.

It's a long-term approach and could increase the supply from the reservoir by up to a further 90 million litres per day, with water from the reservoir pumped directly to one of Southern Water's Hampshire treatment works via a new pipeline.

The HWTWRP is again identified in the Water Resources South East draft regional plan and is being progressed through the Regulators' Alliance for Progressing Infrastructure Development (RAPID) gated process for the development of new strategic water infrastructure.

During 2025-30, we'll be working with Southern Water to explore this option further, particularly engaging with our own customers, communities and stakeholders to discuss acceptability and any impact on the original reservoir project. Our customers could receive the recycled water, blended with spring water, in a drought or emergency, or in long-term future supply scenarios, so it's critical we engage with them fully at this stage.

In the interests of time and efficiency, we've entered into an agreement with Southern Water allowing them to fund adaptations to the reservoir programme which would future proof the recycling scheme, should it be progressed and approved under a Development Consent Order. The agreement covers development activities, such as planning and design, being undertaken to enable the HWTWRP later if permission is granted. This agreement doesn't cover any capital works.

Following discussions with Southern and Ofwat, it has been agreed the additional capital works needed to achieve the alignment of the two projects will be carried out by Portsmouth Water. We're looking ahead to the execution of a second Cost Adjustment Mechanism (CAM) process with Ofwat in early 2024 to provide the flexibility to incorporate these alignment works.

Some Portsmouth Water customers and stakeholders have expressed concern about the water recycling scheme and we've undertaken extensive engagement to gain meaningful insight into our customers' views. In line with our values we have committed to open and honest transparent communication about the project and the key questions raised by customers and stakeholders as it develops.

We've established a dedicated water recycling stakeholder group, made up of members of our long-standing Havant Thicket Reservoir Stakeholder Advisory Group and other community representatives. We're planning to share our communications plan and materials to gain feedback and input and support transparent communication of the key facts relating to the water recycling. In undertaking this engagement work we find ourselves at the leading edge of the customer debate around recycled water and we are actively sharing our experiences with the other water companies who have plans to use this technology in the future.

Incorporation of the HWTWRP project may have an impact upon our planned completion dates, potentially leading to the completion of commissioning in the early 2030s. We'll have more certainty as the alignment activities progress in 2023-24.

Our Performance Commitment for Havant Thicket Reservoir has two key delivery milestones:

- Dry commissioning by September 30, 2026
- Wet commissioning by June 30, 2029.

We're reviewing our programme to assess the full impact the additional activities will have on our current performance commitment targets. Once the full impact assessment has been completed, we will liaise with Ofwat to determine and agree revised targets.

Read more in PRT02 Delivering Havant Thicket Reservoir

Resilience at works and processes

Our long-term adaptive planning indicates that making better use of existing supplies, as outlined above, and delivering Havant Thicket Reservoir, will meet projected demand to 2035, before new sources of water are required.

However, due to climate change and other pressures we will have less 'spare' capacity in our system than previously, so it's important our networks are working as effectively as possible and are as reliable as possible to avoid an increase in interruptions to service.

This means we must invest in our treatment works and pumping stations in a timely fashion to maximise resilience.

Read more in the Assets for the 21st Century section

Improving a booster station

After completion of Havant Thicket Reservoir, we can also increase resilience through upgrading a booster station in West Sussex, scheduled for 2039-40. This will allow us to release 4.1 million litres per day of additional water into our network and is made possible by the completion of the reservoir and an increase in supplies in a particular area of our network. Every customer we supply is already downstream of a treated water service reservoir, so no customer is solely reliant directly on one source.

Next steps after maximising supplies

Following these early steps, and informed by the outcomes of our WINEP investigations, the future becomes more challenging. During 2025-30, we'll continue to explore new options to make sure we're always ready to meet demand.

In our current rWRMP the longer-term options currently identified on our core pathway are:

- Significantly reducing our current and future exports to Southern Water from 2040, as our own needs increase and Southern Water accesses new sources.
- Receiving water from Southern Water from 2040, into Hampshire. This is reliant upon the development of the South East Strategic Reservoir Option (SESRO) and increased use of recycled water (highly-cleaned wastewater) into Havant Thicket Reservoir to boost supplies.

We are also looking ahead at options to investigate for our unconstrained list for WRMP29, which will feed into the next WRSE regional plan. We will actively investigate these in 2025-30:

- Further reconfiguring of our network to move water more effectively from its source to where it's needed for additional resilience – especially in response to new developments.
- Moving abstractions further downstream within the catchment to keep more water in rivers for longer, at the same time working in local partnerships to improve the status of the catchments.
- Nature-led solutions to support catchments, abstractions and water quality and provide additional deployable output.
- Water recycling – putting highly-cleaned recycled wastewater into Havant Thicket Reservoir to boost our own supplies.
- Desalination – recycling sea water for drinking water.

All options will be evaluated in terms of their ability to provide sustainable, reliable water, their environmental impact, carbon emissions, deliverability, costs and customer preferences, and as part of the wider regional solution through the WRSE best value modelling.

On-going investigations and consultation into these options will form a key part of our business activities from 2025 as we update our long-terms plans.

Securing our current sources

As important as sourcing the quantities of water our customers require, is the need to make sure the water is of the quality our customers desire and expect. Water quality was chosen as customers' second priority (36 per cent) in our Acceptability Testing, after leakage (47 per cent).

As the Drinking Water Inspectorate states in its 2023 letter to the Government accompanying its 2022 annual report (CIR2022-Letter-to-Minister-England-Public.pdf (dwi-content.s3.eu-west-2.amazonaws.com), the impacts of climate change, resource availability and emerging parameters of concern will make treating water abstracted from our environment more difficult.

We address risks to water quality through on-going updates to our Drinking Water Safety Plans – comprising our risk assessments and risk management approach to all the steps in the water supply process from catchment to customers' taps.

We are horizon scanning to make sure we anticipate threats to our water supply which would either take our supplies away or require additional carbon and chemical intensive treatment processes to treat them.

Prevention is better than cure, so we will continue our investment in working with farmers and landowners to protect our sources from pollutants, such as nitrate, through a catchment first approach; and we will also install treatment where we need to so we can maintain production from our sources.

Read more in the Assets for the 21st Century section

This is vital to ensure continuity of reliable supplies and quality our customers can trust.

The understanding of the prevalence of PFAS chemicals (Perfluoroalkyl and polyfluoroalkyl substances) in the environment is becoming clearer and we'll continue our sampling programme for these and, as methods improve, we'll carry out a catchment audit to identify potential sources.

We will participate in, and learn from, on-going research by UKWIR (UK Water Industry Research) on emerging pollutants, including microplastics, PFAS, pharmaceuticals and endocrine disrupters, and be ready to implement additional measures proactively should a need be identified.

As the DWI seeks to revise the Water Supply (Water Quality) Regulations 2016, we'll work closely with them to understand and plan in a timely manner to meet tighter or new standards.

CASE STUDY

We're collaborating with a student at Portsmouth University on a project to undertake initial micro and nano plastic sample collections and analysis which will provide baseline data for further studies by Portsmouth Water.

Find more detail in:

PRT17 Water Resources Management Plan

PRT02 Delivering Havant Thicket Reservoir

PRT07 Our Investment Plan

PRT07.05 WINEP and Protecting the Environment

PRT07.06 Reducing Customer Side Demand (Universal Smart Metering)

3. CONNECTED FUTURE TODAY

Our second pillar delivers on our priority to co-create and to work in partnership with our customers, communities and stakeholders to achieve the outcomes outlined in this plan. This is key to unlocking reduction in water use through our smart metering programme.

This is the basis for the transformation of our relationship with our customers – engaging them on a much more individual and personal level, putting them in control and empowering them to take positive action on their water use and bills.

As the data we collect helps us learn more about our systems, we'll support customers to learn more about the value and sources of their water and the benefits they can realise.

Creating engaging partnerships with our customers, stakeholders and communities will be instrumental in delivering the outcomes required for the sustainable future of our region.

The key investment supporting this pillar of our programme, is our smart metering programme. Under this pillar we will also be investing in IT improvements and facilitating more creation and use of Open Data.

We recognise that smart metering is a significant undertaking, and we don't underestimate the effort and rigour required to engage our customers in the installation, reducing their water use and acting on leaks; all the while maintaining our industry-leading C-MeX performance.

To support this, we've gone beyond our sector to harness the innovation and proven success of Octopus Energy Group's Kraken CRM system for all our customers. Harnessing this tried and tested technology and using engagement methods from the wider utility sector will open the door to the multiple benefits we need to achieve.

Investment cases	Purpose	Totex	Base v Enhancement
Reducing Customer Side Demand	To help our customers use less water by providing them with data via smart meters	£75m	Enhancement
IT Improvements and Open Data	To upgrade core IT systems and enhance our digital capabilities	£7m	Base

We already have a great relationship with our customers and communities and have achieved upper quartile performance in the customer measure of experience (C-MeX) every year this period. Last year we were placed second. We've also achieved upper quartile performance in D-MeX – the quality-of-service measure for developers.

We know we must take this strong performance to another level by embracing new but proven technology which will enable our customers to understand their relationship with water, the environment and importantly with us. We're ready to meet these challenges and in doing so will achieve our outcomes outlined in this plan.

Linking our customer sensors (smart meters) and our network sensors (pressure, flow and DMA meters) provides us with a great opportunity to offer a 'community view' of our network and how it's performing for customers and communities. It will provide more information to our internal teams and create opportunities for community-linked engagement.

Southsea, Portsmouth

Customer and community views

The purpose of these modernised systems is to create two key focuses for the future – a customer view and a community view.

Customer View

With a focus on providing customers with information, data and visuals relating to individual circumstances.

Community View

Providing information which can be used to develop schemes for schools, towns and counties with aggregated data for the area.

Our plan is also to deliver new customer systems which will enable digital platforms and data to provide customers with exciting and engaging information, personalised to them and their community through continually refined and dynamic customer segmentation.

At the same time, we will make sure no customer is digitally left behind and can still participate through more traditional channels, either as well as, or instead of, digital channels, by offering an omnichannel experience. Crucially we will also make sure all data is secure, protected and responsibly handled, meeting our legal obligations and best practice standards. We will be compliant with the requirements for Data Access and Privacy as per the UK General Data Protection Regulation and Data Protection Act 2018. We employ our own GDPR expert who will be closely involved with the smart metering programme.

The first tranche of the underpinning investment in our smart metering programme and supporting systems is included as enhancement expenditure in our business plan for 2025-30. The programme will continue into 2030-35, with all currently non-metered customers having a smart meter by 2035.

Investment	AMP8 totex	Base / Enhancement	Statutory / Discretionary	Associated investment case
Reducing Customer Side Demand	£75m	Enhancement	Statutory (WRMP)	PRT07.06

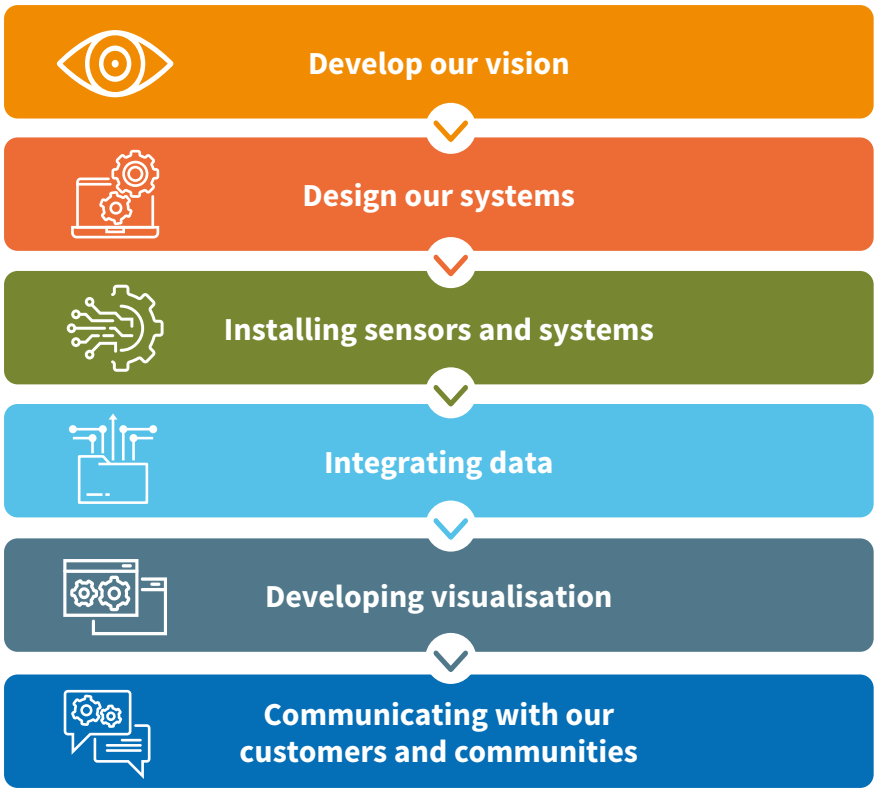
Ofwat made clear in its decisions relating to 'Green Economy Recovery' in 2021 that a smart strategy is key to delivering future outcomes for the water sector. Following a challenge laid down to the industry by the then Secretary of State for the Environment in 2022, additional funding was agreed for us to start our smart metering journey early so we can lay the foundations to be 'smart ready'. By ready, we mean ready to hit the ground running to commence delivery of the smart infrastructure from 2025.

The Kraken Technologies partnership

Between now and 2025, we're implementing modernised customer systems with the ability to manage and present smart meter data, along with customer engagement approaches and the new Kraken Technologies communication platform to deliver tailored services and messages supported by the latest thinking in behavioural science.

These will mean at the start of our metering programme in 2025 we will already be more connected to our customers and able to gain meaningful insight and customer segmentation data to support the roll out.

The figure below shows our roadmap to delivery of our connected future vision.



We are the first company outside the energy sector to license Kraken Technologies' customer platform (part of the Octopus Energy Group – the UK's most awarded energy supplier for customer service).

The technology, based on advanced data analysis and machine learning, has already streamlined customer service in energy retail around the world. We believe it will enable us to deliver the best overall service in the water sector to our customers, with more efficient and transparent services driving better outcomes.

The Water Lab – innovation at pace

The licence agreement with KrakenTechnologies also includes the development of a 'Water Lab' to trial and innovate new approaches to customer service and delivery with Octopus Energy Group. With the support of a design expert and engineers we'll be able to swiftly facilitate trials with staff and community champions to answer key questions and determine which ideas and opportunities should be progressed further. We want to accelerate innovation on technology and customer offerings using smart meter technology – including novel tariffs and incentives around water use.

This general approach will support us to evaluate the effectiveness of various approaches at a fraction of the standard time and cost. We intend to utilise the Water Lab concept to develop bids for a share of Ofwat's £100 million water efficiency fund for initiatives which can deliver demonstrable outcomes to lower water use through behaviour change and technological interventions. CCW is engaged as a founding member of the Water Lab to support the development of solutions to challenges common to all companies in the sector and we'll open it up for involvement by other participants with an interest in the challenges, including:

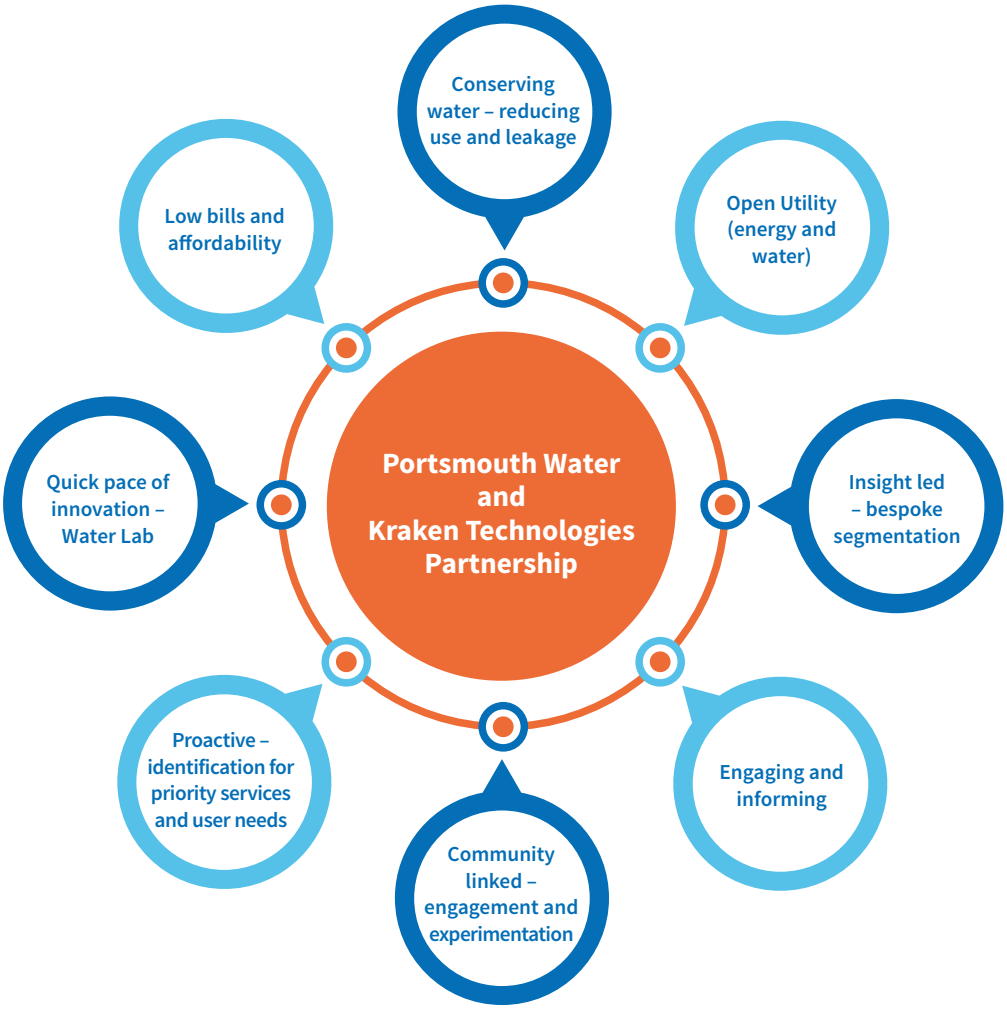
- Other water companies
- Energy companies (Retailers and Distribution Network Operators)
- Regulators (Ofwat, Ofgem)
- Stakeholders
- MOSL
- Non-Household retailers.

Using Kraken Technologies' energy experience, we'll look to overcome the barriers of limited information, comprehension of use and limited experience in delivering behaviour change.

Benefits of the partnership

We know we face a particular challenge in realising the maximum benefits from our smart metering programme, due to our low bills and low level of customer contact (due to high satisfaction). Hence, we are engaging the external thinking and expertise of Kraken Technologies which has proved such a huge success to date in the energy sector and guarantees us the availability of the tools we need to deliver.

The range of Kraken Technologies-led benefits is summarised in the figure below.



The partnership with Kraken Technologies will support us in:

Conserving water – reducing water use and leakage

- Crafting consumption-linked engagement around saving money, saving the planet, helping those in need (learning from proven savings and demand reduction in energy) – targeted to match customers' motivations.
- Visualisation of data and gamification to make it more engaging.
- Providing personalised, near real-time actionable insights into use (from the smart meters and other data sources) – including social comparisons such as similarity to other homes in the postcode or of similar size.
- Providing transparency on improving and worsening household water use, motivating customers to beat their own use (based on improved data about individual circumstances such as occupancy, garden areas, hot tubs and pools).
- Observing and actioning information on residual and outlier use (meter data) and water temperature change as a surrogate flow measure (Leakbots).

We've already started trials with customers to better understand the behavioural influences of comparisons with neighbours – an approach many recognise from energy bills and other sectors, such as recycling campaigns.

Open utility (energy and water)

- Creating a more visible link with other utility data and the impact on combined bills e.g. energy and wastewater – this is central to delivering and reducing the risk on PCC reduction, given the low level of savings from just the water bill.
- Capitalising on Kraken Technologies' existing market penetration across Octopus, EON, EDF and Bulb to couple energy and water analytics through the shared model.
- Supporting our and Kraken Technologies' journey towards net zero and renewable energy.
- Offering a holistic view of savings – e.g. 'based on your water and energy consumption, we think you can save £££s a year by doing x, y, z.'

Insight-led bespoke segmentation

- Harnessing data to target our campaigns with high consumption households.
- Offering personalised 'nudges' to customers e.g. regarding water use, updating contact details, updating direct debits.
- Synthesising data from internal and external sources to maximise the relevance of customer communications.

Engaging and informing

- Keeping in touch with customers in a meaningful way.
- Making information available in an omnichannel experience.
- Supporting customers to make choices about how they interact – promoting digital channels while also enabling non-digital e.g. voice channels.
- Making sure human support is available as and when required.

Community linked engagement and experimentation

- Engaging customers to sign up as a community for goals e.g. water use in hot weather, protecting local streams such as the River Ems, through existing interested community groups.
- Incentivising water saving for community reward e.g. equipment for local groups and schools.
- Encouraging communities to spot and report leaks.
- Delivering community trials through the Water Lab to gather real evidence on ideas and motivations.

Pro-active identification for priority services and user needs

- Identifying customers for priority services and other users e.g. if they are on a Priority Services Register (PSR) for an energy or wastewater supplier or receiving benefits, asking if they're happy to be added to our PSR and outlining the benefits this would bring.
- Flagging elderly customers or those who may need extra support or live alone, with alerts to nominated individuals if there is no recorded water use.
- Suggesting to customers they may qualify for our social tariff or other forms of support.
- Informing customers that they may have a leak.
- Automating services, such as moving customers to a braille bill if required when they join the PSR, or offering customers special tariffs if conditions are met.
- Providing information on updates to service such as supply interruptions.

The ability of smart meters to detect if a household uses no water and prompt an alert to a nominated family member was really positively received during insight with minority audiences, either for themselves (if they lived alone) or for vulnerable relatives (e.g. elderly parents) – they could see the benefits and reassurance this would provide.

Quick pace of innovation – Water Lab

- Trialling ideas, such as innovative tariffs, through the Water Lab and scaling up those that work quickly.
- Experimenting with approaches using evidence from other sectors.
- Gathering real evidence on ideas which do and don't work.

Low bills and affordability

- Keeping our cost to serve low through automation and self-service e.g. moving house details or swapping tariff (potentially reducing cost to serve by 40 per cent based on the experience in energy).
- Keeping bad debt costs low through activities such as automated billing or payment pauses.
- Using automation and AI to eliminate repetitive, mundane tasks, allowing teams to focus on important tasks which are crucial to delivering outcomes.

Supporting the smart meter transition for customers

The current 35 per cent of metered households, and non-households, have little visibility of the link between how they use water, their bill and their impact on the environment.

But when 94 per cent of homes have access to smart technology by 2035 (new smart meters and replacement/upgrade of dumb meters), utilising the potential of the Kraken Technologies' system and other channels, we can create a 'wow' customer experience – an experience which goes beyond customers' expectations.

This will be a step change for customers and it's important we support them on this journey with customer-friendly approaches based on behavioural science to make sure we can create a win-win scenario – maximising outcomes for customers and maximising our reduction of water use.

Supporting the metering installation

Kraken Technologies' system will also be critical in supporting the physical roll-out of our smart meter installation programme:

- **Roll-out sequencing** – Kraken Technologies' ability to store and interrogate customer data (such as on engagement, consumption and priority services) and property data (occupancy, size and third-party attributes like valuation) will help us define our optimal smart meter roll-out sequence.
- **The smart meter journey** – customers will be able to opt in for a smart meter via a mobile app and consumer portal, allowing them to book and manage installation appointments themselves.
- **Identifying customers needing priority services more quickly** – we can make sure customers who need it receive appropriate additional support during the meter installation.

Integrating systems

We'll also be working with Kraken Technologies to further develop existing software tools (related to but separate from the CRM roll out) to increase efficiency and secure better outcomes for customers. This includes:

- **Navigator** which helps track and improve community engagement through a single app to deliver:
  - Organised PSR walk routes for bottled water delivery.
  - High-consumption property visits.
  - Void property identification.
  - Identifying properties with leakage.
- **Hydra** which provides a fully integrated field force platform to manage field services and provide an end-to-end solution for customer queries.

Our target for our customer performance commitments for C-MeX, D-MeX and BR-MeX in 2025-30 is to be upper quartile. We've performed very well to date on customer service and always within the industry upper quartile. We'll stretch ourselves to maintain this position as others improve.

Innovative tariffs

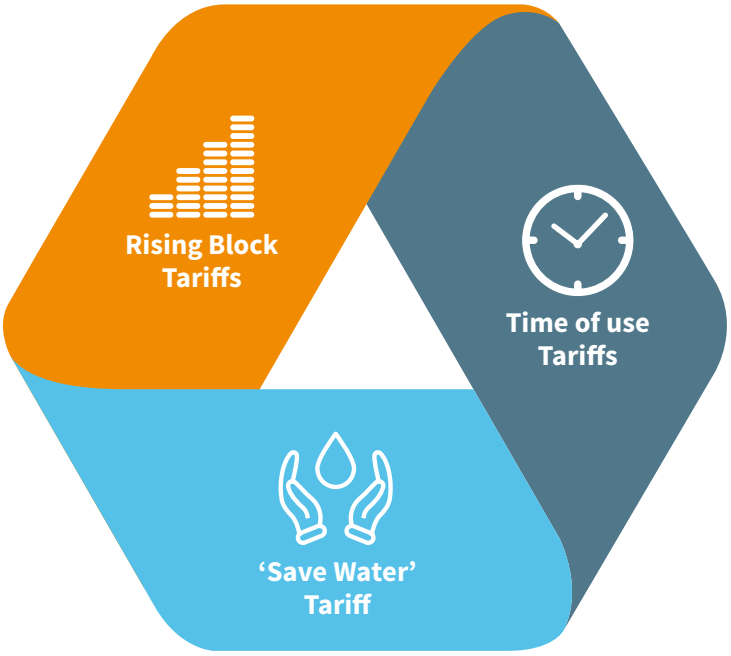
Smart meter implementation, Kraken Technologies' CRM and a more engaged customer base will allow us to implement more innovative tariffs to engage and challenge our customers to be more vigilant about their water use – when it's used and how it's used.

Examples of innovative tariffs which could stimulate significant changes in customer behaviour are shown in the diagram below:

Modelling undertaken for us by Frontier Economics suggests rising block and time of use tariffs could reduce demand by between one per cent and four per cent, with a further three per cent to five per cent reduction through a promoted 'Save water' tariff. We will test these before 2025 to understand their viability, working with Kraken Technologies through our Water Lab partnership.

We intend to take an adaptive approach and use available household income and occupancy data to support our modelling around tariffs, consumer protection and customer incentivisation.

We have partnered with Frontier Economics, who are industry leaders in supporting these activities, and this relationship will help us adapt to changing external environments and our own 'on the ground' experience of switching customers from unmetered to metered charges.



Business customer and retailer satisfaction

It's not only households who will benefit. In the non-household market, the MOSL Strategic Panel's Interim National Metering Strategy for the Non-Household Market called on all water companies to provide smart meters in 2025-2030 to enable businesses to implement demand reduction strategies through the enhanced data and awareness which smart metering brings.

Smart meters and the associated data will also provide a significant opportunity to improve the service between wholesalers and retailers and NHH customers, as BR-MeX is introduced. The provision of more accurate data will enable:

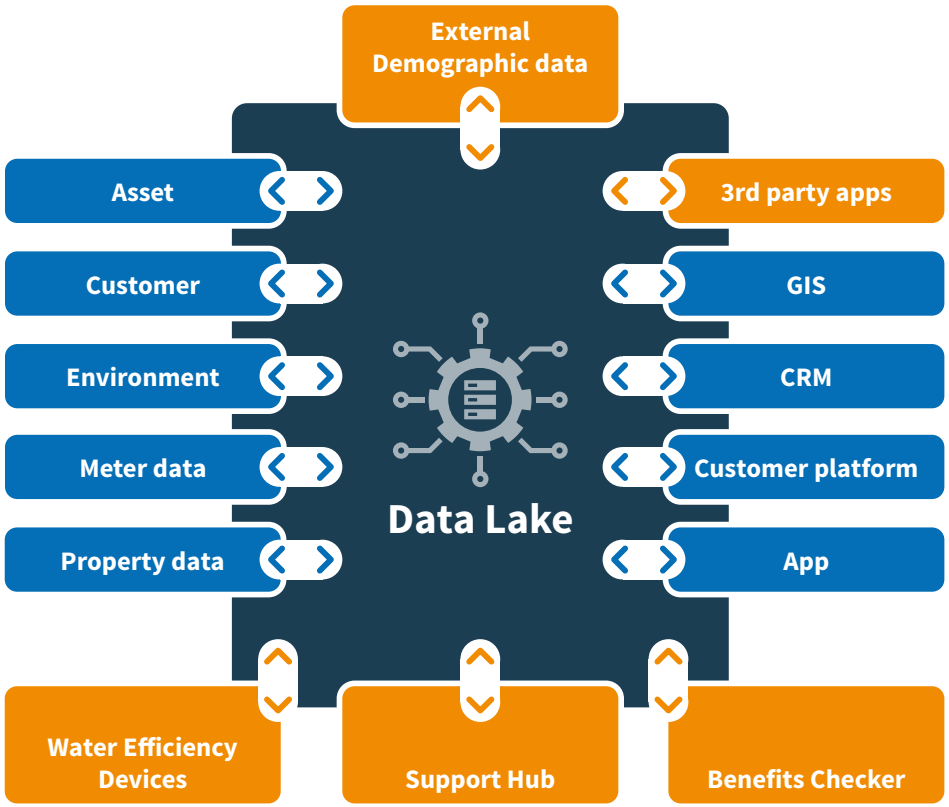
- Local businesses to become more efficient and support the local economy.
- Water retailers to offer more innovative tariffs based on real and accessible data.
- Water retailers to bill more accurately rather than on estimated monthly tariffs.
- Greater water efficiency and leakage services and opportunities.
- Improvement of the voids process for more efficient and fairer billing.

Opening the bigger picture

Our ambition is to continually drive more granular data and visualisation through the smart programme, through our network and through third party sources, such as the Environment Agency to provide meaningful insight to our customers and communities.

This will allow us to add social value in areas such as the impact of water use on energy consumption and impact on the local environment and sources.

Our systems will also enable us to focus on community use and impacts. The illustration below shows how this could come together:



Changing our operating model

We will fundamentally change our Operating Model to make sure we're gaining the full benefits of our new systems and approach for customers. We will:

- Launch regional support teams who will have expert knowledge of the demographics, economic challenges and contact volumes of their area.
- Focus on first contact resolution, empowering our frontline specialists to resolve queries efficiently and to the highest quality. Our water specialists will have end-to-end ownership of customer queries.
- Develop a new Strategy and Performance team to focus on the continuous improvement of our system and people performance as well as data, analytics and insight.

Our new CRM has Continuous Improvement and Quality Management systems embedded, so all users can flag improvements and problems. This provides a great way of easily capturing and managing Continuous Improvement and Quality Management.

Learning journey

We, our customers and wider society are in a rapidly changing period in terms of the gathering and use of data. It's a period of learning and one which requires good relationships and trust as a starting point, which we already have.

Enabling our customers and communities to build a relationship with water is critical to delivering our customers' priorities for the next 25 years and it's only through informed, transparent partnerships that we can improve our services as outlined and meet our ambitious targets.

We'll engage extensively with our customers as we roll out our new systems and approaches and be agile in our deployment to respond to feedback.

Read more in PRT07.06 Reducing Customer Side Demand (Universal Smart Metering)

4.ASSETS FOR THE 21ST CENTURY: MAINTAINING HIGH-QUALITY, RESILIENT SERVICES

The third pillar of our business plan is to make sure our infrastructure assets remain fit for the additional challenges we face because of climate change, less spare capacity in our region and rising customer expectations.

We must also make sure we address threats to our raw water quality from increased nitrate and other contaminants and protect against cyber and physical security risks. To support our continuous improvement we recognise we need to make a step change in our asset management capabilities.

Key investments to support this pillar between 2025-2030 are shown below.

Investment cases	Purpose	Totex	Base v Enhancement
Raw Water Deterioration Protection - Cryptosporidium Treatment	To reduce the risk to water quality from cryptosporidium through installation of UV facilities	£15m	Enhancement
Raw Water Deterioration and Drought Capacity Enhancements - Nitrate Treatment	Address a rise in nitrate levels in raw water through treatment and further blending	£15m	Enhancement
Isolation and Recovery of Service Reservoirs	Improving the resilience of supplies via improvements to our service reservoirs	£3m	Enhancement
eCAF (Cyber Assessment Framework) and SEMD (Security and Emergency Measures Directive) – Implementation	To protect against cyber-attack and provision of physical security across all water treatment sites	£15m	Enhancement

Our current performance reflects significant investment to date in our underground network. We have shown leading performance on interruptions, mains repairs, leakage, customer service and water quality contacts, which our customers want to continue.

However, the spare capacity and resilience we've historically relied on to see us through shocks and stresses is reducing for many reasons and we've reached a point in our cycle of investment where we need to invest to remain resilient to today's and tomorrow's challenges and maintain the excellence our customers expect.

Read more in PRT06 Managing our Resilience in the Long Term and PRT07 Our Investment Plan

We need to renew, protect and optimise most of our 21 treatment works to deliver the resilient water supplies we have committed to in our Vision. These represent the core pathway in our LTDS and deliver on many of our customers' priorities.

Having clearly demonstrated in the past how investment in our underground network has translated into efficiencies and leading performance, we're targeting more investment in our above ground treatment processes and plants, including the digitalisation and security of our systems.

We don't have an option to stand still to meet our current and future commitments. The world is changing, the environment water companies operate in is changing and our customers' expectations are changing. Therefore, we are evolving our approach to meet these challenges at the right time.

Reliability from source to tap

We need our assets to be as reliable and efficient as they can be to maintain wholesome, reliable supplies for our customers. Some of our works are reaching the end of their design lifespan and require timely investment to offset risks to security of supply, particularly in the context of emerging risks to raw water quality, (e.g. rising nitrate) and increasing regional supplies.

Our plan puts us on the front foot to prepare for future challenges and tackle those which are emerging today. All 21 of our treatment works operate effectively today, allowing our customers to enjoy high-quality safe drinking water, but all will require investment, ranging from complete rehabilitation to minor modifications to protect quality and reliability of supply for customers.

Nearly a third of the water we supply on an average day is processed through four of our 21 treatment sites – these four reach the end of their designed life cycle between 2025-35.

We will renew the critical membrane process facilities at these four works during the next two AMP periods to bring them up to 21st century standards, backed with a comprehensive maintenance programme, to significantly increase resilience.

Historically we could maintain supplies if one of these works was out of operation for a prolonged period or put under pressure due to increased demand, thanks to the large amount of spare capacity in the network. However, while we can confidently maintain our 1-in-200 year resilience and one-in-20 year service levels for Temporary Use Bans, our headroom is reducing. This pressure will grow as our supply and demand balance becomes tighter and climate change impacts more on demand, as experienced in the extreme weather in 2022 and 2023.

In the same vein, through a comprehensive review of our assets, risks and performance, we have identified a need to make the temporary ultraviolet (UV) treatment process permanent at one site to address an increased risk of cryptosporidium in some sources of raw water. We will also install connection points at other treatment works, based on risk assessment, and procure an emergency mobile UV treatment facility so plant can be deployed quickly should the need arise, to keep works operational and compliant round the clock. Such an approach means we can respond nimbly to emerging risks without the risk of unnecessary investment in permanent plant at these sites.

This will help avoid having works out of action for long periods if cryptosporidium is detected, which again becomes more likely with changes in climate and weather patterns.

Investment	AMP8 totex	Base / Enhancement	Statutory / Discretionary	Associated investment case
Raw Water Deterioration Protection - Cryptosporidium Treatment	£15m	Enhancement	Statutory (DWI)	PRT07.02

A third element of our resilience enhancement investment is in nitrate removal projects to manage a significant rise in nitrate in our Sussex area, supported by the Drinking Water Inspectorate for inclusion in our plan. Currently we blend sources to reduce levels, however this is no longer sufficient given the rising trend, and we need to take further action until levels can be reduced in the longer term through our extensive catchment approach.

The projects include a nitrate treatment plant (our first) and infrastructure to support further blending, as well as a drought capacity improvement scheme at a works in West Sussex, which is vital to meet our commitment to a 1-in-200 year resilience to emergency restrictions.

Investment	AMP8 totex	Base / Enhancement	Statutory / Discretionary	Associated investment case
Raw Water Deterioration and Drought Capacity Enhancements - Nitrate Treatment	£15m	Enhancement	Statutory (DWI)	PRT07.03

Read more in PRT07.03 Raw Water Deterioration and Drought Capacity Enhancements

We run a catchment management programme across all our catchments including:

- Capital grant schemes – providing funding to farmers for nitrate precision application equipment
- One-to-one best practice advice with landowners and farmers
- Payment for Ecosystem Services (PES) – funding to implement in-field measures to reduce nitrate leaching into groundwater
- Farming Cluster Group meetings
- Stakeholder engagement workshops
- Pilot trials.

We will continue and build on this catchment approach alongside our investment in infrastructure.

INNOVATION CASE STUDY: DEFUSING THE NITRATE TIME BOMB

We and other water companies work closely with farmers to reduce nitrate inputs but we don't have a detailed knowledge of where to focus efforts for efficient, rapid results. With funding from Ofwat's Catalyst Fund we're leading on a project to develop modelling software to predict concentrations of nitrate throughout the chalk landscape. This will make sure we can better target our interventions to deliver efficient nitrate reduction, reducing treatment costs and energy consumption, as well as protecting habitats and biodiversity. This supports our WINEP programme and will be deployed between 2025 and 3035.

A further resilience investment, under guidance from the Drinking Water Inspectorate, is to install service reservoir by-pass facilities, variable speed drives to existing booster pumps, control panels and further automation at 13 service reservoirs. This will help keep customers in supply should the reservoirs become contaminated and will support our cleaning and maintenance regime (which we expect to become more intensive as reservoirs grow older).

Investment	AMP8 totex	Base / Enhancement	Statutory / Discretionary	Associated investment case
Isolation and Recovery of Service Reservoirs	£3m	Enhancement	Statutory (DWI)	PRT07.04

Other critical investments which are funded through base costs include:

- Installing 10 monitoring boreholes to improve our catchment knowledge – this work will enable us to react proactively to potential contaminants and variations in raw water quality before the contaminants reach our sources.
- Replacing underground cesspits on sites not connected to mains drainage with above ground storage to remove a contamination risk.

Our investment is about future-proofing our assets, removing single points of failure, and learning more about our environment so we are better informed and can make timely and efficient interventions to maintain supplies.

Read more in PRT07.04 The Isolation and Recovery of Service Reservoirs

This work supports our delivery of the following performance commitments:

Performance Outcome	25/26	26/27	27/28	28/29	29/30	2035	2040	2045	2050
Water Quality Contacts (Number of contacts per 1,000 customers)	0.42	0.41	0.41	0.41	0.41	0.39	0.38	0.37	0.36
Customer priority: Secure and deliver water supplies which are high quality, reliable and sustainable We've had the lowest number of contacts related to water quality in the industry for the past five years. We've identified further improvements we can make which will mean contacts won't increase, despite a higher population and we'll retain our industry-leading position.									
Compliance Risk Index (CRI) (Number of contacts per 1,000 customers)	0 (Deadband 2)	0 (Deadband 2)	0 (Deadband 2)	0 (Deadband 1.75)	0 (Deadband 1.5)	1 (Deadband 1)	1 (Deadband 1)	1 (Deadband 1)	1 (Deadband 1)
Customer priority: Secure and deliver water supplies which are high quality, reliable and sustainable CRI is a measure designed to illustrate the risk arising from treated water compliance failures. We're proud of our strong previous performance, however, we know even a single compliance failure is too many so our target is zero. We agree with Ofwat's position to adopt a deadband, set at 2 to mirror this period, with a reduction towards 2025 as investment brings improvements.									
Unplanned Outage (Percentage of peak week production capacity)	2.30	2.25	2.15	2.09	1.69	1.42	1.14	0.87	0
Customer priority: Secure and deliver water supplies which are high quality, reliable and sustainable Our performance in avoiding unplanned outages at our works is among the best in the sector at under 1 per cent. We'll maintain this excellent level of performance, making sure our customers' supplies are not impacted by unplanned outages.									

Resilience to external threats

Crucial to the resilience of our future water supplies is the protection of our assets from both physical and digital threats.

We will upgrade our Operational Technology (OT) systems to make sure we can meet expected standards of digital security, including cyber, and operational security and capability. As criminals become more sophisticated, we need to remain at least one step ahead.

Our plan includes an enhancement investment case for all site-based security to comply with eCAF (Cyber Assessment Framework) and SEMD (Security and Emergency Measures Directive) requirements by March 31, 2028, as directed by the Drinking Water Inspectorate.

We will develop a new set of standards, policies and procedures and trial this at a key site, ahead of rolling out the programme further. This includes upgrading the Programmable Logic Controllers to provide improved capability and digital security.

Our works are often remote and we also propose to enhance physical security, driven by the SEMD requirements, including:

- Introducing a card or biometric system to automatically record authorised entry and exit to access controlled areas.
- Installing or enhancing video surveillance systems, such as CCTV.
- Improving intruder detection systems to reservoir access hatches.

Our plan for 2025-30 includes enhancement expenditure of £15 million to deliver our statutory requirements under eCAF and SEMD.

Investment	AMP8 totex	Base / Enhancement	Statutory / Discretionary	Associated investment case
eCAF (Cyber Assessment Framework) and SEMD (Security and Emergency Measures Directive) – Implementation	£15m	Enhancement	Statutory	PRT07.01

Read more in PRT07.01 Security Resilience and eCAF Compliance at Operational Sites

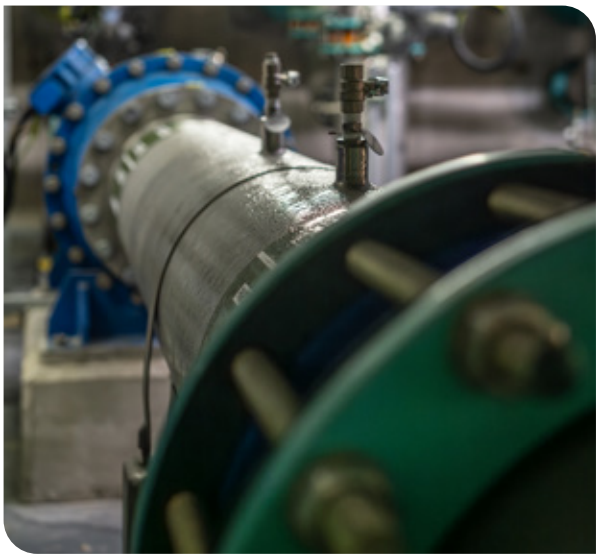
Smarter investment

Our strategy is very much focused on investing at the right time to be prepared with assets fit for the future so we are resilient to rising threats over the next 25 years.

Coupled with this investment, we're developing a robust asset management policy to strengthen the link between future investment and asset health.

We've set up a core team in a standalone department dedicated to improving our asset management maturity and are extending and embedding best practice ISO55000 asset management processes.

This has been informed by a self-assessment which was later reinforced by the Ofwat Asset Management Maturity Assessment (AMMA). To follow best practices in investment optimisation, prioritisation and planning, there is clearly a need for improvement. The first steps on the improvement journey have already been taken (see below) but there is more to do.



In 2022, we invested in the Copperleaf® Decision Analytics Solution tool which has provided a platform to capture all the potential investments we could make and allows them to be scoped, costed, valued and organised. We're able to use the insight of Copperleaf, within our wider asset management framework, to consider investments in the round and make quantifiable decisions in the long-term best interests of our customers and environment.

Copperleaf, and our new supporting asset management processes, will be further developed during 2025-30 to optimise and prioritise the investment identified in the LTDS and support decisions around any emerging investment needs. We are also looking to embed better risk management processes into the support tool.

This intelligence will help ensure most of our maintenance activity moves from being reactive to proactive and preventative – increasing the life of our assets and lowering operational costs.

This step change in our asset management capability will be funded from our base cost allowances. Our base costs include totex of £3 million in 2025-30.

Investment	AMP8 totex	Base / Enhancement	Statutory / Discretionary	Associated investment case
Asset management development	£3m	Base	Discretionary (base costs)	n/a

Smarter networks

We've historically invested significantly in our underground network and our performance and efficiency reflect this. We intend to maintain our current, industry-leading performance, as expected by our customers.

In our Spring 2023 Plan Choices consultation, around three-quarters of respondents wanted their supplies to either:

- stay as reliable as they are today (the most reliable in the country with the number of households likely to be without water for three hours in any year 1-in-100, compared to an industry average of 1-in-20);
- or go further with no households experiencing interruptions longer than three hours.

Our plan is to renew 44km of mains between 2025 and 2030, targeting mains through several key and relevant criteria, including the worst historic records of bursts.

A significant step forward in the efficient management of our network is the development of a digital twin – a full network model calibrated in near real time, using live data from our network.

Flow and pressure are priorities for our customers and the digital twin will complement our existing district metered area (DMA) monitoring, fixed acoustic network and pressure monitoring network to give an early warning of any anomalies, including leaks or bursts.

We'll be aware of issues much earlier and be able to take swifter action – reducing losses and restoring supplies more quickly.

We have partnered with Inflowmatix to develop the digital twin network model and will complete phase one of its development by 2025, with further development planned during 2025-30. It will give detailed insight into where our network would benefit from further zonal pressure management and we'll use this insight to increase the number of areas with targeted local pressure management schemes.

These areas will receive Smart PRV controllers which allow smart flow tracking and remote control – a new but proven innovative technology which makes use of sophisticated algorithms.

If we can maintain steady operating pressures within a 'calm' network and avoid sudden pressure and flow changes then these assets are put under less stress and are less likely to burst.

We also plan to expand our fixed acoustic leak detection network with the latest generation of acoustic sensors which work more effectively on plastic pipes. Half our mains network is plastic and it's much harder to use acoustic methods on these materials as the sound of the leak doesn't travel far.

However, we've helped to significantly improve the capabilities of acoustic loggers through work with research universities and an innovative supply chain, while also investigating non-acoustic methods of leak detection.

The insight available through advanced sensors and monitoring will be made available to field staff, supporting them to operate our assets more efficiently.

This work supports our delivery of the following performance commitments:

Performance Outcome	25/26	26/27	27/28	28/29	29/30	2035	2040	2045	2050
Interruptions to Supply Average number of minutes lost per customer for whole customer base for interruptions longer than three hours in hours/minutes/seconds	2 mins 11 secs	2 mins 9 secs	2 mins 8 secs	2 mins 6 secs	2 mins 5 secs	1 min 36 secs	1 min 15 secs	41 secs	0 secs
Customer priority: Secure and deliver water supplies which are high quality, reliable and sustainable Our customers told us they support spending more to keep our interruptions to supply levels as the most reliable in the country, with a service comparable to today, so we propose maintaining our industry-leading service while maximising the benefits from base expenditure – with a reduction of 10 seconds from where we are now.									
Leakage (Leakage in million litres per day on three-year average)	24.0	22.8	22.1	21.8	21.1	18.1	16.5	15.9	15.5
Customer priority: Secure and deliver water supplies which are high quality, reliable and sustainable **Customer priority**: Invest in the future to meet growing environmental challenges We're working towards halving leakage (from 2018-19) by 2040, 10 years ahead of the Government's target. To drive it down further we have three approaches: countering natural breakout from harsh weather and ageing network; pressure optimisation and reducing customer leaks as part of our smart metering programme.									
Mains Repairs (No. per 1000km)	66.83	65.43	64.35	63.27	62.22	51.3	50.54	49.8	49.08
Customer priority: Secure and deliver water supplies which are high quality, reliable and sustainable We currently have the lowest number of mains repairs in the sector reflecting our stewardship of our networks. We'll make further improvements as part of our calm networks strategy and by leveraging the benefits of our network 'digital twin'.									

Smart evolution

As shown above, assets for the 21st century is not just about physical structures. It's about technology, data, insight and the environmental, social and financial value they bring.

We are working towards fully smart systems across our company, supported by the digital twin, and our ambition is to be the first fully smart water company within 10 years.

The outcome will be to deliver smarter, more responsive assets and access to a wealth of new data and insight to transform the relationship we and our customers have with water. In the future this is likely to lead to a much greater role for Artificial Intelligence (AI), something we've already started to look at and are convinced will deliver huge value.

Head office

Included in this plan is the replacement of our head office. The current building was built in 1967 and a recent study commissioned into its condition indicated it would not be economically beneficial to undertake the significant repairs required.

After considering several options, the Board decided the most economic option would be for the business to relocate to a new purpose-built office on an alternative area of the current head office site and sell the land occupied by the current building for social housing development, to offset the costs of the new build. Refurbishing the existing building has been estimated at more than double building the new purpose-built facility and delays would risk catastrophic failures at the current site.

The new building will be designed to optimise performance and reflect best practice in office design and sustainability. Its development will significantly assist our transition towards net zero, with solar generation, electric car charging, rainwater harvesting and energy optimisation and provide a more collaborative and supportive base for employees.

This is a significant undertaking for the business and this type of atypical expenditure is not reflected in Ofwat's base cost models. In June 2023 we submitted a draft Cost Adjustment Claim to Ofwat to fund these atypical costs. Based on the overall affordability of our plan for customers, we have taken the decision to withdraw the claim for additional funding for this investment and will instead fund it through our base cost allowance. This is dependent on base cost allowances within our expectations.

Investment	AMP8 totex	Base / Enhancement	Statutory / Discretionary	Associated investment case
Head Office replacement	5m	Base	Discretionary	n/a

This investment will particularly support our performance commitment below:

Performance Outcome	25/26	26/27	27/28	28/29	29/30	2035	2040	2045	2050
Operational GHG Tonnes CO2e (carbon dioxide equivalent)	7065	7058	6965	6761	6957	5649	5185	5043	4918

Customer priority: Invest in the future to meet growing environmental challenges

This operational greenhouse gas emissions metric is a new performance commitment for PR24. Our PR19 bespoke commitment was similar and we're significantly outperforming the 5 per cent reduction by 2025. It forms part of our long-term ambition to reach net zero in support of the Government's 2050 timeline.

Read more in:

PRT06 Manging our Resilience in the Long Term
PRT07 Our Investment Plan
PRT07.01 Security Resilience and eCAF Compliance at Operational Sites
PRT07.02 Raw Water Resilience Enhancements (Disinfection)
PRT07.03 Raw Water Deterioration and Drought Capacity Enhancements
PRT07.04 The Isolation and Recovery of Service Reservoirs

5. AFFORDABILITY AND ENHANCING ENVIRONMENTAL AND SOCIAL VALUE

The final pillar of our plan is how we'll make the step change to meet the challenges of the future while keeping bills affordable for all and going further to deliver enhanced environmental and social value for our customers and our region.

Affordability – an affordable plan

We recognise our services need to deliver great value for money and that sometimes our customers need extra support in several areas.

In our Vision we commit to provide an affordable, reliable and sustainable supply of high-quality water for our customers and our priority is to make water Affordable for all. Always. We've also committed to all customers in water poverty having support options available to them by 2030.

Definition of water poverty: We define water poverty in line with the definition used by Water UK(*). That is, the proportion of households who spend more than 5 per cent of their disposable income after housing costs (adjusted to reflect household size) on their water and wastewater bill. As we only supply water, we have calculated our measure based on 2.5 per cent.

* www.water.org.uk/sites/default/files/wp/2020/08/Measuring-Water-Poverty-using-a-bills-to-income-metric-Final-Report.pdf

We currently have the lowest water bill in England and Wales and we're one of the most efficient and best performing companies. We have committed to keeping customers' bills as low as we can.

At the same time, we must invest wisely to make sure we can continue to deliver the high standards of service our customers expect and go further in those areas where customers have expressed a willingness to support faster progress or more investment.

Our water bill for 2025-30

Our proposed average water bill for 2029-30 is £128 (before inflation), an increase of £21 (or 19 per cent) on our 2024-25 bill of £107. The increase with inflation is 30 per cent.

Customers payments will fund an investment of £347 million (totex) between 2025 and 2030; further investment will be spread over multiple five-year investment periods to share the cost across generations, as preferred by our customers.

Our forecast of average bills is shown in the table below (before inflation), alongside those of Southern Water's proposed wastewater bill for our customers (as shared in its Affordability and Acceptability Testing (AAT)).

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Average Portsmouth Water bill	107	121	124	126	126	128
Average Southern Water bill (wastewater) *AAT	265	289	298	324	329	330

Portsmouth Water bill: Real prices. Deflated using November CPIH

We carried out Affordability and Acceptability Testing (AAT) with our household and non-household customers in summer 2023, using a common methodology defined by Ofwat to allow comparisons across water companies. This testing was done in collaboration with Southern Water, as the wastewater provider in our area.

Customer affordability: 67 per cent said our original proposed 22 per cent increase would be very easy, easy or neither easy nor difficult to pay. When combined with Southern Water's wastewater bill, this fell to 52 per cent.

While the increase in our water bill is modest, expected increases in the wastewater bill of Southern Water, the wastewater provider in our area, are likely to be much more significant for our customers.

Following the testing, we took the combined impact of our water and Southern Water's wastewater bill into account and sought to minimise the impact for our customers by challenging ourselves even harder on efficiency.

Read more in supporting documents PRT11 Addressing Affordability and Vulnerability and PRT03 Engaging and Understanding our Customers and Communities

Having originally tested a 22 per cent increase in our bills in the joint AAT with Southern Water, and in response to the feedback, we challenged our expenditure even further to reduce the increase to 19 per cent to further aid affordability.

We remain committed to water being affordable for all, so after ensuring we're efficient across the board, our focus is on offering support to those struggling to pay their water bills and making sure all help and support is easily accessible.

How we're supporting customers today

We're making good progress on our affordability commitments for 2020-25:

- We remain the lowest cost water service provider in England and Wales ensuring customer affordability remains high.
- We achieved our target for identifying vulnerable customers for our Priority Services Register (strongly linked to affordability) two years earlier than planned.
- We increased the minimum income threshold for our social tariff from £18,000 to £21,000 to match Southern Water's scheme (wastewater supplier in our area).
- We implemented an agreement with Southern Water to share data on social tariff applications, so customers only need apply once.
- We've already reached our 2025 targets for the number of customers we are supporting through our social tariff.
- Our community partnership teams are making good progress in building partnerships with community organisations, following the disruption of Covid.
- Measures of customer awareness of available help, from CCW's annual surveys, are generally good based on our customer base and need.

Despite this good progress, we're not, currently meeting our expectations on vulnerability stakeholder satisfaction. Our target in our annual stakeholder survey is 85 per cent for overall satisfaction and we're currently at 77 per cent. We're moving in the right direction as our score in 2021-22 was 70 per cent and we're bolstering our community partnership teams to provide more information and develop further partnership solutions around vulnerability, affordability and water efficiency. We'll explore this further through our Water Lab partnership with Kraken Technologies.

Making our charges fair and supporting those who are struggling

Our approach to developing our charges for customers makes sure affordability is at the core while also supporting customer behaviours which will allow us to deliver our long-term outcomes of affordable, reliable, sustainable supplies.

Our plans are ambitious, based on the need to maintain high standards of delivery and make further improvements over the next 25 years, and we have balanced our proposed enhanced investment with our future service levels and customers' bills.

Step one: Evaluating the number of customers in water poverty

Our plan uses water poverty and our affordability testing as measures of affordability. Currently, 2.8 per cent of our customer base are in water poverty and we expect to see this increase to 3.4 per cent by 2030 as bills increase to fund our investment. To tackle this, we'll increase the reach of our social tariff. Coupled with our move to metering, this will reduce water poverty by 0.9 per cent leaving us a residual water poverty position of 2.5 per cent.

It's clear from our own modelling and Water UK's that eradicating water poverty entirely will be challenging, due to the level of discounts required. In addition, our customers are unlikely to wish to support customers financially who have a high income but are technically in water poverty due to high water use.

Our strategy will be to help all customers in water poverty through appropriate support, including discounted tariffs, third party hardship funding and debt support, along with water efficiency, home audits and device fitting to reduce bills.

Step two: Metered bills and innovative tariffs

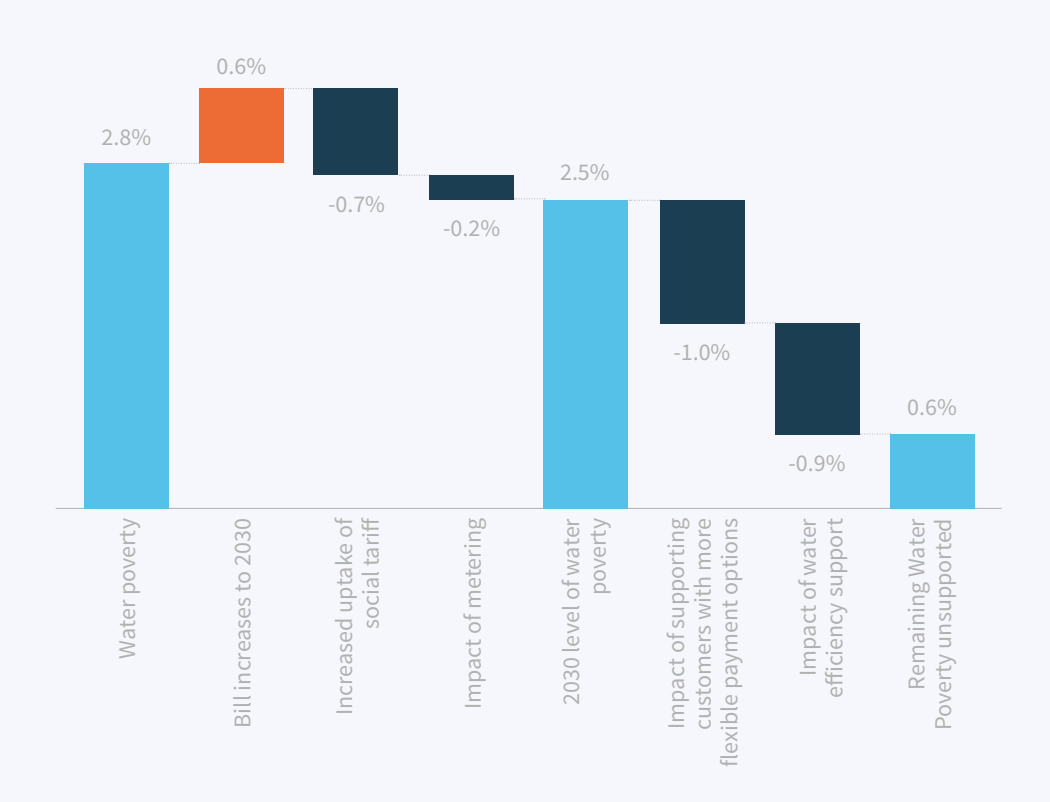
As we roll out our metering programme, our innovative tariff strategy will support our targets to reduce personal water use. It will also promote greater fairness between those using water purely for essential use and customers using large quantities of water for non-essential purposes. Our intention is to focus on more affluent customers, who are not eligible for financial support, with tools and devices to support them to reduce their use and bills.

We'll make sure customers who have above average use for a particular reason, e.g. health and wellbeing, are protected and not penalised. This includes larger families, disabled and other vulnerable consumers, who we'll identify through our existing segmentation knowledge, additional ONS data and insight gathered through the implementation and use of our new CRM, in partnership with Kraken Technologies.

Step 3: Support tariffs

We'll continue to provide a broad range of support for customers who still struggle to pay. We'll keep the current £21,000 threshold for financial support under review and seek to remain aligned with Southern Water's support thresholds.

Our strategic impact will help us to reduce the burden on those who are in water poverty. The impact of these interventions, based on our modelling, is shown below. We will innovative new ways to support those in the remaining 0.6 per cent, potentially through the Water Lab.



Click here for contents page

The move to metered charges

Moving from unmetered to metered charges will have an impact on our customers. While low occupancy large houses are likely to benefit, smaller homes with low rateable value and high occupancy could see significant increases.

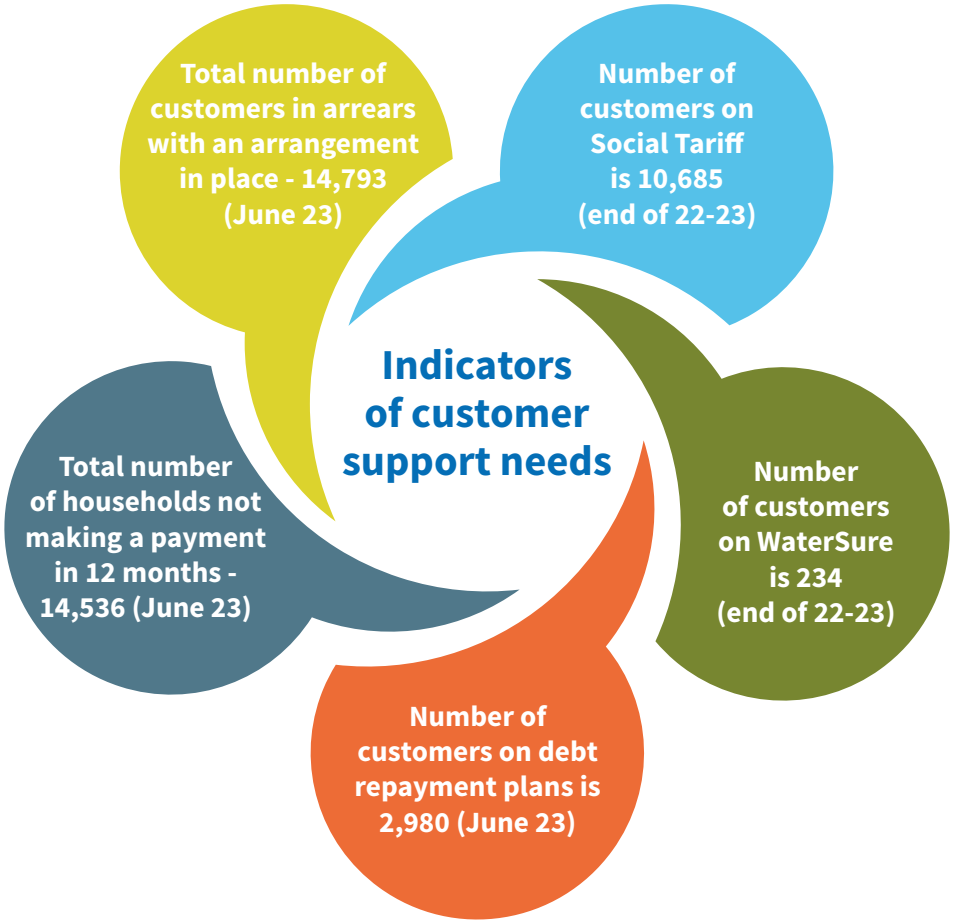
We're committed to supporting customers through a transition billing period, as well as with support such as home audits and water efficiency devices to help them reduce their water use. Customers will be able to continue to pay unmetered charges for 12 months, with visibility of what their bills would be on metered charges. Households who would be better off on metered charges will be able to opt to pay these earlier. The move to metering will also provide an invaluable touchpoint to identify households who are eligible for additional financial support and priority services.

Ensuring everyone is supported

Our research and insight have focused on understanding how our current customer base is experiencing affordability.

Engagement through our Barometer Survey (a panel of 1,000 representative customers) showed 66 per cent of customers found their water and wastewater charges affordable. This coincided with increasing home energy costs, the energy price cap featuring in the media and worry about a cold winter. By early 2023 we saw affordability of water and sewerage had recovered to and exceeded all 2022 responses with 76 per cent of customers agreeing these bills were affordable. However, our latest survey showed a steep decline down to 60 per cent by August 2023.

During this period, we've seen some worsening of customers falling into arrears. Our continuing approach to supporting customers who are struggling through mechanisms like payment breaks, flexible payment plans and increasing our social tariff eligibility has meant our good debt performance has continued. This coupled with the low bill has significantly supported our customers. The diagram below illustrates the range of our customers' support needs:



More recently Ofwat's Cost of Living trend analysis has shown an increase of 8 per cent in customers (23 per cent in total) who said they were struggling with paying their water bill (customers surveyed in March 2023 compared to March 2022).

Our ambition for all customers in water poverty

To provide the right tariff support for our customers we plan to:

1. Extend our social tariff reach

We'll continue to be adaptive to our customers' needs, particularly during the current cost-of-living crisis. Our social tariff currently provides support for more than 10,000 households and our target by 2030 is to support 27,500 households. This is in line with our modelling of the number of customers in need and provides more than £821,000 of discounted support.

We commit to aligning with the industry on a minimum level of support for customers, however our plan already goes well beyond this and is supported by our customers.

Insight with 400 of our bill-paying customers showed 70 per cent regarded a cross subsidy of £3 on bills as acceptable to increase support for customers struggling to afford their bills. This was based on consideration of a range of increases from 50p to £3 (in comparison, 69 per cent supported a £1 increase in 2015).

2. Increase the reach of WaterSure

As our metering programme rolls out, we'll focus on protecting customers whose essential use is higher than average, e.g. for health reasons, so we expect more customers to benefit from our capped WaterSure tariff.

We currently have only 238 customers on our WaterSure tariff. This is low for two reasons:

- it is a metered tariff and only a third of our customers have a water meter.
- many of our disabled consumers are also eligible for our social tariff which provides a larger discount than WaterSure so we'll always apply our social tariff for these customers.

Our target is to have 500 customers benefitting from the WaterSure tariff by 2030 as our meter penetration increases, although it's likely most customers will receive a larger discount from the social tariff.

3. Improve awareness

As the economic climate becomes more challenging, we'll further extend support to customers who are not used to asking for help, are not keen to ask or are not aware of what is available.

We'll continue to use annual customer surveys to provide specific company measures relating to awareness, alongside our own surveys with local stakeholders and customers.

Our annual vulnerability stakeholder survey provides valuable insight into the support we offer customers and how well we're working with local communities. We propose to continue undertaking this survey and we have a target of raising satisfaction by 5 per cent by 2030. In 2022-23 we achieved 77 per cent satisfaction but we will deliver an improvement from our baseline 2024-25 satisfaction survey.

4. Continue company-funded schemes

There is a strong correlation between our customers who are in debt and those in water poverty. We'll continue our matching payment scheme to engage with customers who are struggling to pay and match the payments they can make for a set time. We'll extend the eligibility to increase the number of customers being supported from c.500 per year to 1,250 per year and increase annual support from £281,000 in 2022-23 to £821,000 by 2030.

5. Make support easy to access

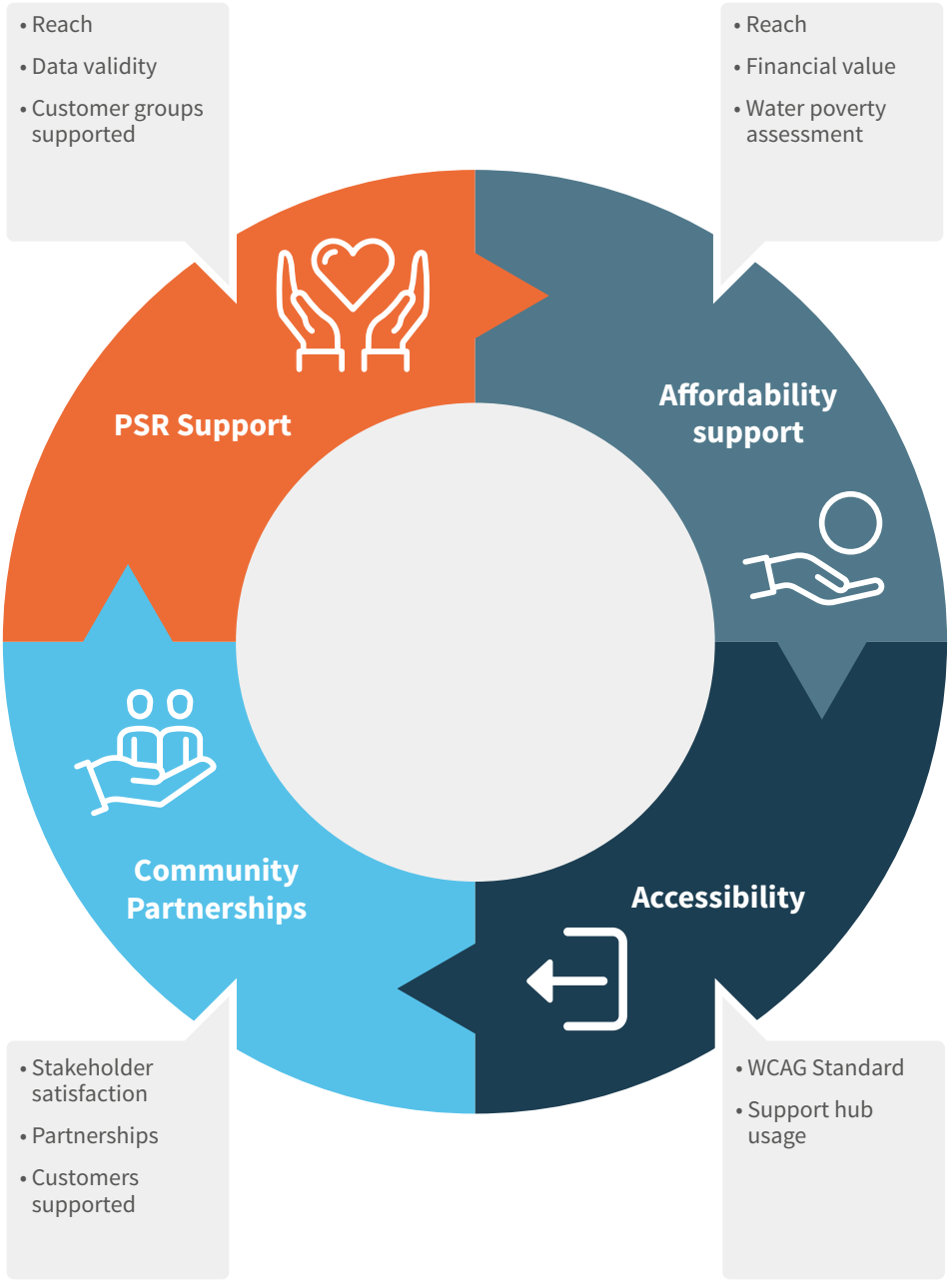
The link between customers knowing what support is available and receiving the support is their ability to easily access that support. We will:

- Make sure our digital platforms are easy to use for those with additional needs. We'll support this through achieving AA level in the international standard Web Content Acceptability Guidelines and providing appropriate tools, such as Recite Me – a digital overlay on our website which enables customers to change text size, font, colour and language to improve accessibility.
- Maintain our industry-leading customer service support and channels for customers who don't have or don't wish to use digital channels.
- Create 'warm spaces' at our premises and beyond where customers can benefit from face-to-face interaction and support on bills, services and water and energy savings.
- Use our community partnerships so community stakeholders can register customers for support directly through a support hub.

- Explore opportunities to share data with local and national partners to help directly target and register eligible customers we're not already aware of.
- Grow our community team to focus on the key drivers of water poverty, including vulnerability, water efficiency and affordability.

Measuring affordability for all

Our targets are our key measures of success and will provide visibility of whether we are supporting our customers. For transparency, each year we'll report publicly on the following:



We will also measure our success through the wide-reaching BSI ISO 22458:2022 inclusivity standard.

Read more in PRT11 Addressing Affordability and Vulnerability

Enhancing environmental and social value

The second element of this pillar is how we'll enhance environmental and social value through our activities and investments. This includes our commitment to improving biodiversity and working towards net zero.

We support the UN Sustainable Development goals and Ofwat's six public value principles and this business plan and our long-term strategies consider how we'll play our part in delivering these. We want to continue to be recognised as a good corporate citizen and as an organisation which helps and collaborates with our local communities so they thrive.

Investment	Purpose	Cost	Base v enhancement
Biodiversity	Provision of grants to partners to improve our local environment	Funded through efficiencies	Base
Net zero	Make progress towards becoming carbon neutral by 2050 in line with Government targets	Funded through efficiencies and non-regulated business	Base
Lead	Replace lead pipes with a focus on schools and nurseries	£2 million	Enhancement

Community Partnership

We developed our Community Partnership in 2020 as a corporate strategy to draw together existing and planned activities undertaken in partnership with our communities. The partnership is led by employees who are members of our Future Innovators Board, which supports younger staff in giving valuable input into the future role of the company.

Under the partnership, we make pledges on the future, community, environment and core services and the purpose is to engage further with our communities, learn more about specific needs and create wider partnerships to help support these collaboratively.

Working in partnership – Havant Thicket Reservoir

We created a stakeholder forum to support the development of Havant Thicket Reservoir in 2004 and its members played a key role in shaping the reservoir plan. The forum now has 80 members, including regulators, council members and officers and community and environmental groups. It has an independent chair and includes members who initially opposed the scheme and now work in partnership with us. The group provides scrutiny as the reservoir is delivered. It's a successful model of community delivery we will employ across future investment.

Read more in supporting document PRT04 Delivering for our Customers and Communities

Greener, Fairer, Safer

Building on our Community Partnership, we have introduced a framework to consider our delivery of social and environmental value – Greener, Fairer and Safer. This will help us plan and report on our initiatives coherently across the business. It is based on our understanding of the expectations of our customers as explored through our engagement strategy.

Making our region greener

UN Sustainability Goals

The key elements of our greener value are enhancing biodiversity and transitioning towards net zero.

Enhancing biodiversity

Enhancing biodiversity is a priority and we'll take steps to achieve this on our sites, as well as working with partners to improve the environment, biodiversity and water quality in areas we don't own.

In our 2023 Plan Choices consultation, more than 60 per cent supported our 'highest' option for biodiversity – to improve the environment at key sites we own by 2030 and double the amount available each year in grants to £100,000. Our grants help partners improve the environment through activities such as creating new wildflower meadows and ponds, looking after woodlands and undertaking surveys. We've included this activity in our base costs and plan to fund it through efficiencies in our programme.

Investment	AMP8 totex	Base / Enhancement	Statutory / Discretionary	Associated investment case
Biodiversity	Funded through efficiencies	Base	Discretionary	n/a

CUSTOMER QUOTE

"We need to invest in our environment now and not leave it to be a bigger problem later, at a higher cost and with a more complex solution."

We're also enhancing our delivery by:

- Our in-house botanist carrying out more baseline assessments and vegetation monitoring
- Continuing to plant rare species plants and trees where appropriate
- Selecting new plants to support local wildlife, particularly rare wildlife
- Providing biodiversity assessments and monitoring for all renewable energy activities.

Havant Thicket Reservoir

Havant Thicket Reservoir is an environmentally-led project with multiple long-lasting environmental benefits for our customers and communities. The key driver is to reduce abstraction from globally-rare chalk streams, the River Itchen and River Test. The project also supports the creation or restoration of more than 200 hectares of woodland and woodland pasture – including expansive rewilding projects in nearby Southleigh Forest and at a local farm in partnership with the Pig Shed Trust, a charitable trust employing innovative natural approaches. We're also creating an ecologically important wetland on the reservoir and improving watercourses in the local area.

Our catchment management programme

By improving catchment water quality we can reduce our treatment processes in the long term, resulting in a reduction of both chemicals and energy use.

Between 2025-30, our catchment programme will continue to focus on improving water quality by:

- Preventing leaks from heating oil tanks (commercial and household) resulting in pollution incidents.
- Reducing nitrate spikes and leaching in farming and equine activities.
- Providing funding for biodiversity works in the catchment to drive nature-based solutions.

Measuring our success

Our plan includes a performance commitment on biodiversity which focuses on delivering biodiversity gains on three of our water treatment sites.

Our performance commitment for biodiversity is:

Performance Outcome	25/26	26/27	27/28	28/29	29/30	2035	2040	2045	2050
Biodiversity (Net change in biodiversity units / per 100 km2 of nominated land in water supply area)	0.38	0.53	0.62	0.62	0.62	0.62	0.62	0.62	0.62

Customer priority: Work in partnership with our customers, communities and stakeholders

This biodiversity metric is new but we've performed strongly in previous measures. The significant range in sites owned by water companies means comparisons are not meaningful so we feel ambition to achieve our own target, agreed with relevant external stakeholders, is more realistic. Our commitment includes biodiversity gain on three of our water treatment sites where we've identified opportunity for net gain, as well as maintaining good ecological status on other sites.

We will also publish a broader range of quality measures including:

- Calculation of biodiversity net gain and improvements on our sites from 2026 (sustain biodiversity on 90 per cent of sites and improve biodiversity on 10 per cent).
- Uptake of our increased biodiversity grant scheme (£500,000).

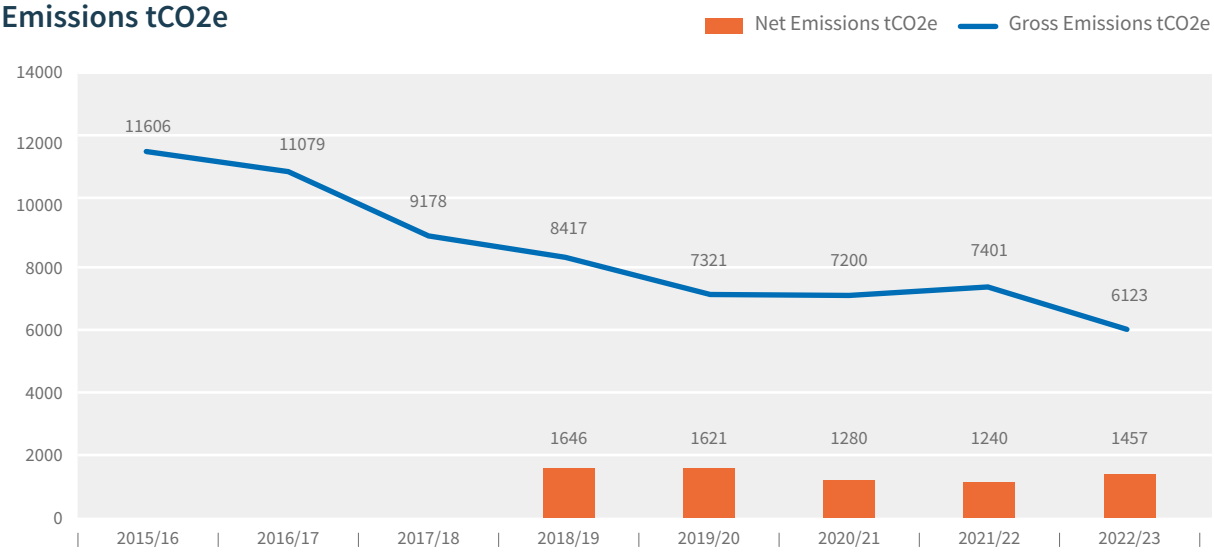
Alongside this, we will develop our approach to Natural Capital Accounting to support the work we do across the environment in our community.

Our carbon reduction programme

We know our customers want us to deliver high-quality, net-zero services as part of our long-term delivery strategy and we aim to be net zero by 2040.

Since 2015-16 to 2022-23 based on our 2020-25 performance commitment, we've already reduced our gross tCO2e by 47.21 per cent and our net tCO2e by 10.11 per cent.

Emissions tCO2e



Source is Portsmouth Water annual report 2022-23

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We previously signed up to the water sector Public Interest Commitment (PIC) to be net zero by 2030, which looks more holistically at how we would deliver and measure net zero.

Our 2040 target is less ambitious, however, it's a complex area and our original commitment of 2030 would require significant investment and enhancement activities which are not strongly supported by our customers.

Our research has shown our customers have concerns about the high cost of achieving net zero and this has increased over time:

- Customers on our qualitative Customer Advisory Panel opted to become fully carbon neutral by 2040, rather than 2030, when shown comparative costs – £300 million for 2030 and £50 million by 2040.
- In a quantitative Barometer survey considering the prioritisation of long-term ambitions, reaching net zero gained the second lowest support.

Our approach reflects Ofwat's approach for companies to act within the available funding.

Performance target for PR24

A new Operational Greenhouse gas (GHG) emissions performance commitment has been introduced for PR24 and has a wider scope, including chemicals and Well-to-Tank emissions (an average of all the GHG emissions released into the atmosphere from the production, processing and delivery of energy).

It doesn't allow for positive attribution of low carbon energy procurement or offsetting to be netted off from the reported value and is location-based rather than market-based.

Our performance commitment for operational GHG is below:

Performance Outcome	25/26	26/27	27/28	28/29	29/30	2035	2040	2045	2050
Operational GHG Tonnes CO2e (carbon dioxide equivalent)	7065	7058	6965	6761	6957	5649	5185	5043	4918

Customer priority: Invest in the future to meet growing environmental challenges

This operational greenhouse gas emissions metric is a new performance commitment for PR24. Our PR19 bespoke commitment was similar and we're significantly outperforming the 5 per cent reduction by 2025. It forms part of our long-term ambition to reach net zero in support of the Government's 2050 timeline.

The current impact of these changes in our measurements on our 22-23 position is:

Reporting Method	Gross Footprint 2022-23 (tCO2e)	Net Footprint 2022-23 (tCO2e)
Public Interest Commitment	6,444	1,393
Performance Commitment	8,446	8,446

Our roadmap to net zero

Our plan to reach net zero, due to our size and scale, is to be a 'fast follower' of emerging solutions and technologies to support us to reach our 2040 target. Our journey is currently based on:

- Delivering our rWRMP reductions in demand through smart metering – thereby reducing electricity consumption (our programme increases vehicle mileage to install the meters, but we're already experimenting with electric vehicles).
- The material decarbonisation of the grid.

It takes account of increases in energy emissions in other areas, predominantly the additional treatment activities we are introducing to improve water quality.

Meeting our Vision

We will also maintain our more holistic view of net zero through the scope of the original industry Public Interest Commitment, and through our day-to-day business. Under this wider approach we'll focus on good procurement of green energy, including renewable electricity, and good quality offsets with our group companies.

Incorporating green energy procurement and offsetting results in a very different trajectory than the performance commitment, as shown below:

Trajectory 3 (PIC) (tCO2e)	21/22	22/23	30/31	40/41	50/51
Net footprint (tCO2e)	1094	1410*	838	0	0

*The 2022-23 increase is due to inclusion of refrigerants, increased third party milage (in the supply chain), increasing natural gas use and generator diesel.

To achieve this, we will:

Enhance our values framework to make decisions which minimise growth in operational emissions, particularly around the River Itchen discharge scheme and nitrate removal.

Reduce the amount of water we abstract, treat and pump by accelerating our leakage programme and working with our customers to reduce demand, leveraging smart meters and our new CRM capabilities to support behavioural change.

Decarbonise by transitioning to an all-electric fleet from 2026 and extending charging infrastructure to all sites. We aim to have 40 EV vehicles and look to convert our Heavy Goods Vehicles (HGVs) and emergency generators to hydrogenated vegetable oil by 2030.

Move away from using Granular Activated Carbon (GAC) for taste and odour removal at our main river abstraction – reducing emissions by about 75tCO2e per year.

Become more energy efficient by improving the efficiency of our processes and investigate converting our UV treatment to LED. We also plan to build a new more sustainable head office, reducing emissions by more than two thirds.

Secure long-term renewable energy supplies by creating and purchasing local, green, community energy, in collaboration with our group investors. We've developed genuine local purchase through solar panels on our sites, which avoids transmission across the grid. This keeps customer bills lower by selling unused power to the grid at a premium rate. It also reduces the risk of national grid emissions not becoming fully decarbonised.

CASE STUDY: SOLAR AND BATTERY

We plan to deploy large scale solar and battery technology at larger sites to support the use of on-site renewably generated energy as well as reduce the need to store diesel to generate emergency power. A 150MW battery at our largest site will capture grid and locally-produced solar energy and support long-term resilience with an 11Kv private 'micro grid' to move low carbon energy to where it's needed.

Harness in insetting opportunities e.g. implementing nature-based solutions such as reforestation, creating renewable energy and supporting regenerative agriculture within our value chain and group.

Improve our awareness and skills to identify opportunities to drive change across our business.

We'll increase our focus on benchmarking (within the sector and externally) to identify opportunities for earlier delivery in tested environments and identify financially neutral opportunities which will reduce our emissions and pay back by 2030.

To increase openness and transparency we'll focus our reporting on the following:

- Grid emissions
- Energy management
- Fleet management
- Onsite renewable generation
- High-quality offsets as well as insets within the group.

CASE STUDY: WELBORNE GARDEN VILLAGE

Welborne Garden Village is a new community of 6,000 homes being built sustainably in Hampshire – the biggest private housing development of its kind in the UK. We're developing a concept to use stored water from a nearby service reservoir to provide low carbon heating and hot water for the whole village via a heat exchanger and ambient loop network. This will use considerably less energy than traditional heating methods and be very low carbon. It's the first scheme of its kind in the country.

Making our region **safer**

UN Sustainability Goals

As a community-focused company we strive to deliver value by making our communities safer. During 2025-30, we will extend our support for vulnerable customers, particularly through our smart metering programme and target the removal of lead pipes.

Supporting customers in vulnerable circumstances

In 2022-23, we listed the highest percentage of customers on our Priority Services Register (PSR) in the sector and our ambition is to maintain this position, with 14.5 per cent additional households supported by 2030.

Our smart metering programme and Kraken Technologies' operating system will help us achieve this, alongside our on-going in-person community engagement.

We'll improve the benefits for those on our PSR who need additional medical support:

- **Temporary Use Bans** – exclude those with mobility needs from drought restrictions (those who would struggle to adapt)
- **Leak repairs** – increase support for supply pipe leaks, fixing at our cost, even after a first free repair
- **Enhanced communications** – provide more focused communication through our new Kraken Technologies system to help avoid anxiety and challenges, e.g. during interruptions to supply or street works.

Smart metering gives us the opportunities to help support our customers beyond our core services. For example, alerts can be raised when high-risk customers record no water use, triggering text notifications to their nominated supporters.

Replacing lead supply pipes

Until the 1960s lead was commonly used for pipes in our network and homes. It was banned for new pipes because it can impact the health and development of very young children.

Currently, we use harmless chemical additives to reduce traces of lead in drinking water and we replace lead pipes which belong to us when we find them and support our customers to replace theirs – recommending WaterSafe-approved contractors.

We've included enhancement investment of £2 million in this plan, for on-going trials and research into lead and reactive replacement of lead pipes when we encounter them in our daily operations, with a particular focus on replacing lead pipes at schools and nurseries.

Our long-term vision is for all homes to have access to water with no lead by 2050. We asked our customers in our Plan Choices consultation whether they supported this timeline or longer, given the potential additional cost. The feedback was mixed so we'll carry out more research during 2025-30 on the most efficient way of removing lead. We'll also learn more about the number of lead pipes at customers' properties as we roll out our smart metering programme.

Investment	AMP8 totex	Base / Enhancement	Statutory / Discretionary	Associated investment case
Replacement of lead pipes, with a focus on schools and nurseries	2m	Enhancement	Discretionary	PRT07.07

Read more in supporting document
PRT07.07 Lead Strategy Implementation

Click here for contents page

Making our region **fairer**

UN Sustainability Goals

Our plan strives to make our region fairer, with a focus on affordable bills for all, fair water use and education and employment opportunities.

Fair water use, affordable for all

We maintain our ambition to be the lowest cost provider of water in England and Wales while meeting our customers' expectations for a high-quality service.

We will introduce tariffs to support behavioural change to use less water alongside our smart metering and connected data communications. These will support a fairer recovery of costs from customers, with those who use more than is essential paying more.

We recognise the impacts this may bring and we'll have appropriate protection measures to support affordability and vulnerability.

We will provide our customers with financial protection by:

- Adapting our financial support to meet the changing external financial environment.
- Exploring innovative tariffs for those less able to use less e.g. disabled customers.
- Offering home audits to vulnerable customers who may need to be careful about their water use, so they are part of the solution without compromising their health.

Read more in our Affordability section

Supporting local education

We have an extensive and long-standing community education programme, which we'll build on, maximising opportunities around Havant Thicket Reservoir and smart metering. We will:

- Continue our exciting activity for primary school children each year as sponsor of a local STEM Fair, to inspire children in the STEM subjects.
- Build on our on-going relationship with the education team at Staunton Country Park, introducing children to the importance of water, we've already reached more than 30,000 children through this partnership.
- Continue to provide local university students with opportunities to gain experience, particularly in our biodiversity and environmental work.
- Further develop our partnership with Portsmouth University, raising awareness of water-related issues, gathering their insight and carrying out water efficiency trials in student accommodation.

A resilient workforce

We recognise the need to maintain a capable, well-trained, fairly-treated and resilient workforce which is reflective of the communities we serve. We aim to recruit our employees locally where possible and offer extensive training and development to support career paths. Specifically during 2025-30, we will:

- Narrow and close the gender pay gap.
- Continue to increase company diversity (gender and disability) by providing development and support to under-represented groups.
- Continue to upskill our employees, including funding further and higher education.
- Support continued promotion of modern apprenticeships locally.

Safe and fairer reporting

We'll develop a mechanism to report our work using a social return on investment to measure and benchmark our ongoing social and relationship value (predominantly our work in vulnerability, affordability and water efficiency).

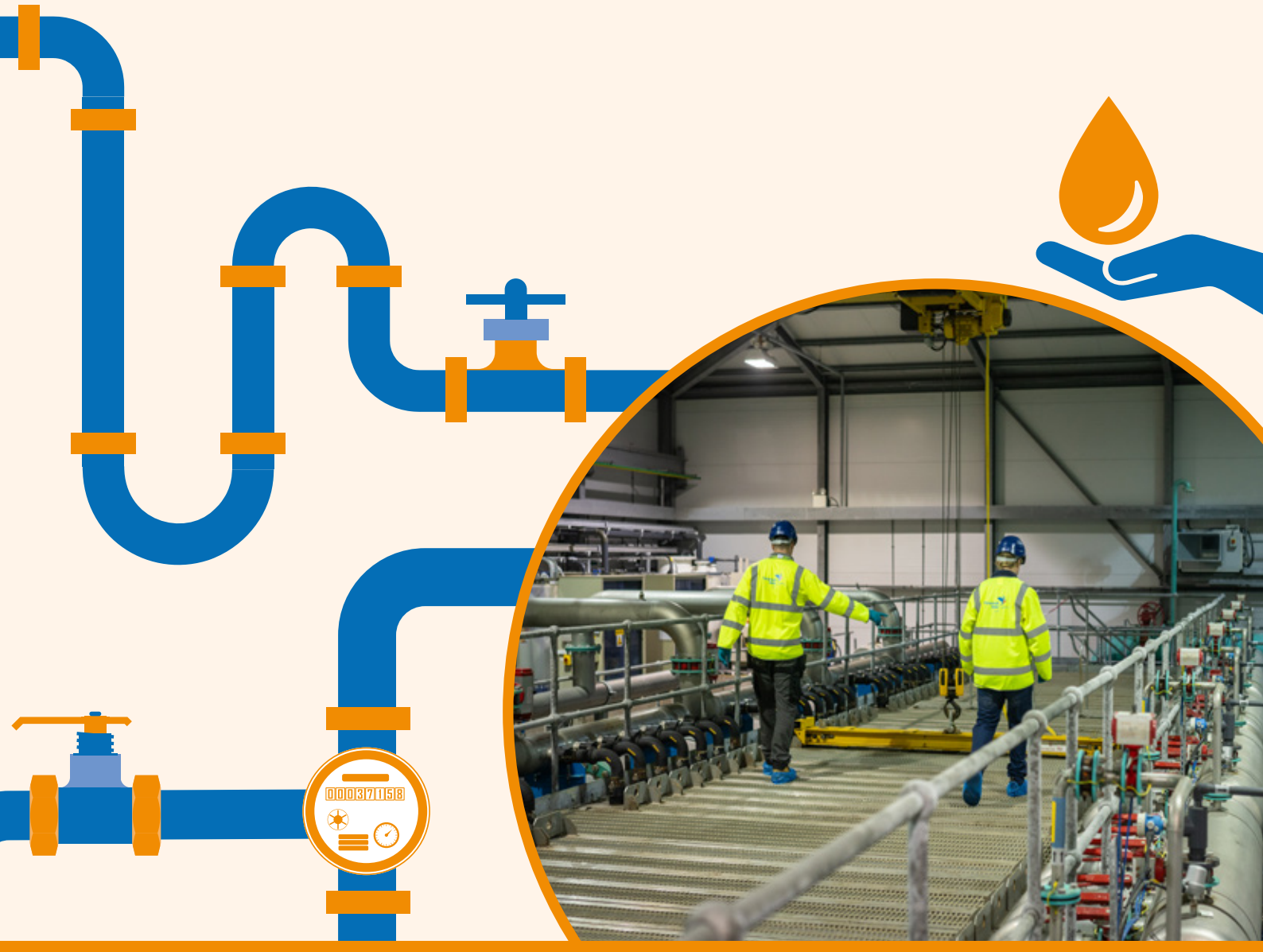
Maximising social value: Havant Thicket Reservoir

When delivered, Havant Thicket Reservoir will create enhanced public access to green spaces and activities for local communities, with a focus on education. It will include a wetland with bird-watching facilities, visitor centre and a 5-km network of footpaths, cycle routes and bridleways. This public leisure hub will offer opportunities to engage more closely with customers on water use, tariffs, leakage and community projects. It's also supporting growth and creating at least 50 jobs during construction.

Read more in supporting documents PRT04 Delivering for our Customers and Communities And PRT07.07 Lead Strategy Implementation

SECTION 5

DELIVERING OUR PLAN EFFICIENTLY



DELIVERING OUR PLAN EFFICIENTLY

Wholesale costs

Our plan includes wholesale totex of £318 million. This is split between base costs (botex) and enhancement as follows:

Cost category	Water resources	Water Network+	AMP8 totex
Base costs	£37m	£148m	£185m
Enhancement totex	£8m	£121m	£129m
Developer services, 3rd party and Grants & Contributions	£-m	£4m	£4m
Total wholesale expenditure	**£45m**	**£273m**	**£318m**

Source: Table CW1 plus accelerated investment (post-RPE and frontier shift)
Note: Excluding Havant Thicket Reservoir expenditure

Base expenditure

Base expenditure, or botex, covers the day-to-day running costs of the business and the maintenance and renewal of our existing assets. Our plan includes botex of £185 million for 2025-2030, which represents an increase of 18 per cent compared to the current regulatory period. The key components of our botex are shown below, compared with the forecast actual expenditure in the current period:

Cost category	Botex 2020-25	Botex 2025-2030
Opex	£118m	£120m
Capital maintenance	£38m	£64m
Botex	**£156m**	**£185m**

Note. Excludes 3rd party services and developer services. Gross of Grants & Contributions. Post RPE and frontier shift (Table CW1)

The increase in costs reflects the significant areas of new expenditure which are essential to make sure we can continue to deliver excellence for our customers. These include:

- Enhancement of our asset maintenance capabilities.
- Investment in cyber security to protect our critical information systems.
- Critical maintenance activity, which for a company with a small asset base, is more variable between periods.
- Delivery of continued improvements in service to customers, including leakage reductions and further reductions in the level of interruptions.

Recognising the wider pressure on customer bills, we've absorbed these additional cost pressures within our base costs rather than seek additional enhancement funding.

This is reflective of our position as one of the most efficient companies in the sector (as demonstrated by Ofwat's cost benchmarking) which enables us to use the 'headroom' between Ofwat's view of efficient botex and our existing costs to absorb these cost pressures.

Despite the increase compared to 2020-25, we're confident our botex remains efficient compared with our peers in the sector. At PR19 our business plan costs were 16 per cent below the efficient benchmark as determined by Ofwat's cost modelling.

To satisfy ourselves our costs remain efficient, despite the increase compared to 2020-25, we commissioned an independent view from Frontier Economics of the likely cost allowances, based on Ofwat's potential modelling suite, published as part of the PR24 process.

As shown below, our costs are within the range of efficient upper quartile botex, as modelled by Frontier Economics:

Cost category	Efficient benchmark	Business plan costs
Botex	**£182-212m**	**£185m**

Source: High-level forecast of Portsmouth Water PR24 allowances, Frontier Economics

In deriving our bottom-up view of botex, we have assumed a significant future efficiency opportunity on our larger capital maintenance programme, which has been costed using our current framework contracts.

To account for this opportunity, we have applied an efficiency stretch of 15 per cent, which we believe will be achievable through bundling of larger programmes of work (including within our significantly larger enhancement programme).

The costs modelled by Frontier Economics did not take account of either the scope for the whole sector to become more efficient over time ('frontier shift') or costs that may increase by more than the general rate of inflation which is allowed for in price limits (Relative Price Effects or RPEs).

Regulatory precedent over a significant number of years and across regulated sectors suggests a rate of around 1 per cent per annum is considered an appropriate rate of frontier shift to assume in price controls. At PR19 Ofwat used a figure of 1.1 per cent per annum.

Given the significant pressure on customer bills from 2025 we think it's right we show ambition in this area and challenge ourselves to continue to seek out further efficiencies, even from our efficient base.

We have therefore applied a further frontier shift assumption of 1 per cent per annum to both our base and enhancement costs, in line with regulatory precedent and the CMA's conclusion in its PR19 price determinations. We believe this is deliverable through optimisation of existing activities, utilising our enhanced asset management capabilities and technology, as well as through our commitment to innovation – as demonstrated through our innovative partnership with Octopus Energy Group and Kraken Technologies.

Cost category	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Wholesale totex						
Pre frontier shift	£56.5m	£71.5m	£66.4m	£61.9m	£59.8m	£316.1m
Post frontier shift	£56.0m	£70.1m	£64.5m	£59.5m	£56.9m	£307.0m
Post frontier shift	**£0.6m**	**£1.4m**	**£1.9m**	**£2.4m**	**£2.9m**	**£9.2m**

Note. Net totex. Table CW1 and CW1a

We've chosen not to include any allowance for relative price effects. While we've seen significant above-inflation increases in several cost areas, such as chemicals and material costs, in this period, we believe it's appropriate for companies to manage the risks associated with these price movements, rather than pass the risk to customers.

The one exception is energy costs, where we believe an ex-post true up mechanism, based on an index of market prices, may be appropriate to reflect the materiality of energy costs for water companies and the current volatility in energy markets which makes forecasting these especially challenging.

Enhancement expenditure

Our proposed enhancement expenditure, which represents the costs of meeting new service standards or complying with new statutory obligations, is £129 million (including £11m of early start funding), which is a significant step up from our forecast enhancement expenditure for 2020-25 of £26 million.

The key components of our enhancement programme are shown below:

Scheme	AMP8 totex	Statutory / Discretionary	Driver
eCAF (Cyber Assessment Framework) and SEMD (Security and Emergency Measures Directive)	£15m	Statutory	eCAF / SEMD
Raw Water Deterioration Protection – Cryptosporidium Treatment	£15m	Statutory	DWI
Raw Water Deterioration and Drought Capacity Enhancements - Nitrate Treatment	£15m	Statutory	DWI
Isolation and Recovery of Service Reservoirs	£3m	Statutory	DWI
Water Source Protection Including WINEP (Water Industry National Environment Programme)	£4m	Statutory	WINEP
Reducing customer demand (smart metering)	£75m	Statutory	WRMP
Lead pipe replacement	£2m	Discretionary	DWI
Total enhancement expenditure	**£129m**		

Post RPE and frontier shift. Includes Accelerated Investment for reducing customer demand (smart metering)

As the table shows, we've restricted our 2025-30 enhancement programme to delivery of our statutory obligations (including our WRMP) with just one exception, the retention of a small allowance of £2 million in relation to replacement of lead service pipes, which we expect to identify as we roll out our metering programme. This approach is guided by our customers' views on affordability and the profile of bills over time.

All our enhancement schemes have been costed using either current framework agreements (e.g. our current metering contract) or by securing competitive quotes (e.g. our WINEP investigations programme).

As for botex, recognising the larger programme we'll be delivering in 2025-30 provides significant opportunity to bundle more work and secure more competitive pricing, we've applied a programme level efficiency stretch of 15 per cent to our bottom-up costs, with a higher stretch of 20 per cent applied to the largest enhancement programmes where the opportunity is the greatest. We believe this is ambitious but deliverable.

In line with this approach, we've also applied a 1.0 per cent frontier shift assumption to all our enhancement costs, demonstrating our ambitious approach to delivering efficiently for our customers.

We've worked closely with Arcadis in the development of our long-term enhancement programme, which is derived from our LTDS. They've provided external challenge, in areas such as optioneering of solutions, giving us more confidence we have the right solutions.

We've also benchmarked our enhancement costs against Ofwat's cost models from PR19, giving us confidence our cost estimates are consistent with upper quartile efficiency.

Retail costs

Cost allowances for the retail price control are based on a total cost-to-serve assessment, comprising operating expenditure, depreciation of retail assets and recharges from wholesale. Our total retail cost to serve is £29 million, broken down as below:

Cost category	AMP8 totex
Customer services (incl. network services and shared services)	£19.8m
Doubtful debt provision	£2.6m
Recharges	£5.3m
Depreciation, rates and other	£1.2m
Total retail expenditure	**£28.9m**

During 2025-30, as part of our smart metering programme, we'll deliver a new Customer Relationship Management system (reflected in the recharge from Wholesale).

We've partnered with Kraken Technologies to deliver their first CRM system in the water sector and this partnership will help us deliver more efficient customer service while maintaining excellence in service for our customers (as reflected in our upper quartile C-MeX performance).

Set against this opportunity, we understand the switch from a largely unengaged, unmetered customer base, to a fully metered one will increase demand on our customer service functions.

Below we show the breakdown of our forecast Retail operating expenditure compared with our total costs for the current regulatory period. Overall costs are £6 million higher than in the current period, with the largest increases relating to the recharge from Wholesale in respect of the new smart meter-enabling IT systems, and an increase in customer services costs, that largely reflects a higher level of allocation of IT costs.

Cost category	2020-25 total	2025-2030 total
Customer services	£21.4m	£19.8m
Doubtful debt provision	£1.9m	£2.6m
Recharges	£0.6m	£5.3m
Depreciation, rates and other	£0.9m	£1.2m
Total retail expenditure	**£24.8m**	**£28.9m**

As we did for wholesale botex, we commissioned an independent view from Frontier Economics of the likely cost allowances, based on Ofwat's published retail cost models. As shown below, our costs lie below the range of efficient upper quartile botex, as modelled by Frontier Economics:

Cost category	Efficient benchmark	Business plan costs
Retail cost to serve	**£30-32m**	**£28.9m**

Note: costs are pre-RPE and frontier shift

We haven't applied a frontier shift assumption to our retail costs. This is because the structure of the price control already requires companies to absorb all inflationary pressures as the cost allowances are not increased each year by CPIH as they are for wholesale activities. Given the significant proportion of Retail costs that are employee related, absorbing all cost pressures requires significant ongoing efficiency savings to be made.

Read more in supporting document PRT09 Securing Value for Money

SECTION 6

DELIVERABILITY OF OUR PLAN

DELIVERABILITY OF OUR PLAN

This business plan is a significant milestone in Portsmouth Water's evolution to deliver our future ambitions and maintain our commitment to excellence. Our values of Excellence, Integrity and Future Focus are central to how we'll deliver this plan.

We understand the scale of future challenges, we know what we need to do to address them and we are gearing up our capabilities to do so.

Our planned investment in 2025-30 is more than £100m greater than in 2020-25. To maximise value from this investment, we've already started to evolve our organisation and delivery models, having learned lessons from the delivery of Havant Thicket Reservoir and the investment which has led to our leading performance to date.

We are adapting our models to meet the challenges we know are ahead, such as rising material and labour costs and supply chain issues driven by Covid 19 and the Ukraine war, as well as delivery of a much larger programme amid rising demand in both the water sector and other sectors.

We are a small, agile company and are determined to maximise the benefits of the investment we will make over the next five years including smart meters, a new customer relationship management system, an upgraded Geographic Information System, a network digital twin model and the Copperleaf investment tool.

We're starting on a strong footing. We're consistently assessed as one of the most efficient companies in the sector and our last plan was significantly below Ofwat's efficiency benchmark.

We lead industry performance in many areas, proving we can deliver effectively, and consistently meet most of our performance commitments for customers and the environment.

Our customers trust us and are accepting of our plans, with an overall acceptability rating of 76 per cent, for this plan.

Read more about our leading industry performance in the How we are performing today section

While our investment programme represents a significant increase for Portsmouth Water, it is comparatively small in UK terms – about 10 per cent the size of the larger water companies' programmes. Therefore, we can be more agile, making the plan more manageable and deliverable.

To deliver our programme efficiently and secure future resilience, we are focusing on expanding the breadth of our employees, skills, supply chain and delivery processes.

Extending our existing partnerships and developing new ones will be a cornerstone of our delivery model. We are collaborating on Havant Thicket Reservoir with Southern Water and are exploring joint procurement opportunities with other local water only companies such as SES and South East Water.

Continuing to build on local existing partnerships on delivery of our catchment management and biodiversity programme will also be important to embedding nature-based solutions in our long-term future and sustainability of sources.

More local community partnerships will be instrumental in the successful delivery of our smart metering programme and affordability support and we're building on good relationships.

Read more detail in supporting document PRT08 Delivering our Investment Plan

Gearing up our capabilities

We've carried out extensive self-assessment and evaluation in recent years to prepare for the step up in investment that is required, including a root and branch review of our delivery model with consultants Arcadis.

We're aligning the business around the workstreams identified in our pillars so by 2025 we'll be ready to deliver from day one, with a plan to create maximum value for our customers and communities.

Our enhanced service delivery model is based upon the principles of the Intelligent Client, a model supported by the Water Industry Forum (now part of British Water) as one of two most suited to the water industry. This model means we retain responsibility for the ownership, management and delivery of services, using the supply chain to support service delivery as necessary. Under this model, the key areas we're already progressing include:

1. Creating a central Programme Management Office (PMO) to control and govern our larger capital delivery programme, including ring-fenced PMOs for the CRM upgrade and smart metering programme.
2. Enhancing our core engineering and environmental capabilities.
3. Further developing our social and governance capabilities.
4. Exploring additional outsourcing options.
5. Increasing procurement and commercial capability and expanding our commercial and contract management expertise, with specific focus on expertise to support the smart and IT workstreams.
6. Opening the tender process for additional delivery partners.

CASE STUDY: HAVANT THICKET RESERVOIR

Our ability to step up and deliver an ambitious programme is evidenced through Havant Thicket Reservoir. It is a project which has required significant financing, project management, supply chain expertise, major procurement, partnership delivery and supportive customer, community and political relationships – all of which we have delivered. Our intention is to use this expertise and experience to act as a springboard to evolve to deliver our broader ambitions in this plan.

Developing our people

Our procurement, contracts and delivery strategies will be key to delivering best value for our customers and to support these we are broadening our procurement expertise.

A significant part of our investment is in new technology and our smart transformation, so we're sourcing the skills to procure this, manage it and to train our workforce to use it to its maximum potential.

We are growing our permanent employee base and investing in training for our existing teams. This will enable us to internalise some of the specialist capabilities we currently purchase externally, such as engineering, cyber and security technologies, so we become a better-informed client. More specialist skills are also being targeted for delivery of our WINEP investigations and expansion of our catchment management and biodiversity programme.

Historically, our employees have come from our local communities and have been long serving. As the workforce becomes younger and more mobile, we're modernising our offering to make sure we can recruit and retain the talent and knowledge we need to deliver in the long term.

We'll continue with interventions that re-design roles, produce alternative workforce and service delivery models, create opportunities for multi-skilling and knowledge sharing and develop new career pathways, along with more flexible and hybrid working arrangements to retain and attract sector specific skills and experience.

We're implementing a talent acquisition strategy to enhance our employer brand by showcasing the people behind the company and their contributions to its success, supported by a new dedicated inhouse talent acquisition team to help reduce dependency on recruitment agencies.

We've already increased our headcount by 25 per cent in the last few years, to meet changing needs and to support our major projects and change programmes including Havant Thicket Reservoir, CRM and smart metering. And we're building on our track record in the development of traditional and non-traditional training pathways.

In early 2023, we reached a milestone of drawing down more than £500,000 from the apprenticeship levy digital account to develop our people. This is being used to enhance our operational workforce capability which is essential to support key elements of the Investment Plan and the operational and maintenance requirements that will follow. We believe our level of utilisation of the levy is among the highest in the sector.

Read more in supporting document PRT14 Our People

Developing our supply chain

We recognise the challenges of increased expenditure and supply chain constraints, including the attractiveness of proposition, limited traditional supply chain capacity, cost and inflationary pressures, and how our management of them will affect our ability to deliver our plan.

We've considered previous investment cycle approaches, held preliminary discussions with our supply chain, engaged with sector wide research and focus groups and sought direction from industry-leading contract and procurement specialist, Arcadis.

Based on this, we've developed an understanding and approach which we're already applying to the procurement of our delivery partners and supply chain. Our process starts with early market engagement to help understand how we can make the respective propositions sufficiently attractive to the market while providing the most effective and efficient outcome.

In doing so we're seeking to understand how we can structure contracts to deliver best value for our customers, with an appropriate allocation of risk, and that maintains the required performance levels and outputs. This will support us to develop proposition-specific contract and procurement strategies that support effective and efficient delivery.

Our process then goes into more formal market engagement with an appropriate procurement route. This is aligned to the generic approach we've used to procure our delivery partners and supply chain for Havant Thicket Reservoir and is a proven process.

Delivery partners

We have good experience of the different routes to market for the key elements of our plan and the respective benefits and disadvantages each brings. For example, we've used term service contracts, design and build and conventional construction contracts, framework agreements (single and multiple supplier), bespoke and specialist contracts, and management contracts. We also have extensive knowledge of other contracting routes to market including partnerships and alliances.

Our approach to delivering our investment will include the establishment of Framework Agreements with several delivery partners and bespoke procurement for specialist projects/ programmes of work.

We'll develop a Framework Agreement for major work with a minimum of two delivery partners and include options to pre-select for work packages as well as run mini competitions. This approach will ensure we can manage risk and ensure the most efficient costs on the major project and programmes.

We'll also develop a Framework Agreement for minor works based upon a call off which is likely to suit locally-sourced Tier 2/Tier 3 suppliers.

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We've already commenced a bespoke procurement event to secure a delivery partner(s) for our Operational Technology upgrade work, which must be complete by March 2028, in recognition of the likely industry-wide call on resources and technology and the challenging timeframes.

For delivery of our WINEP programme, we're seeking a single delivery partner with specific expertise in water resources studies, given the complexity and breadth of skills required. We are preparing for this procurement with a view to starting delivery early in 2024-25.

Opportunities for energy and carbon reduction will remain at the heart of our procurement strategies as we move towards our long-term target of net zero.

Smart metering

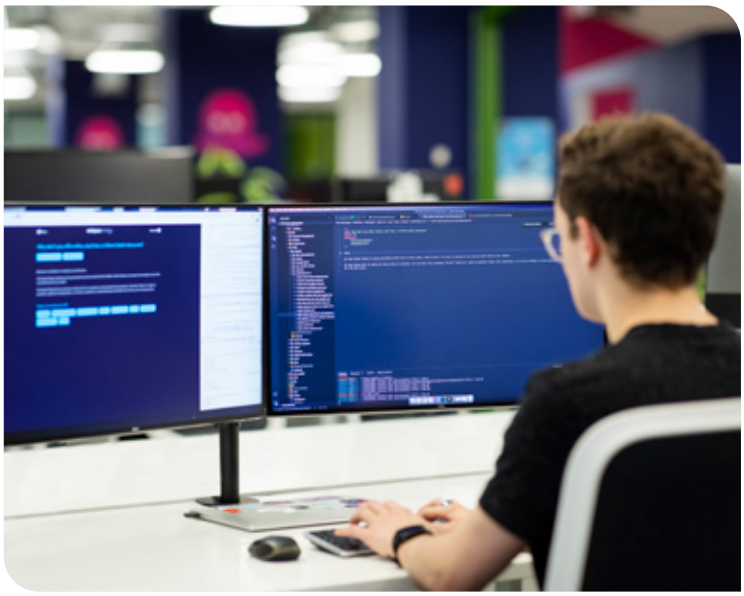
The smart metering programme is the largest element of our enhanced investment and we've received approval from Ofwat for accelerated investment. This means we can engage in procurement early and hit the ground running and be 'smart ready' by 2025.

As a vital component of our LTDS and rWRMP, our approach is one that includes multiple investment periods, up until 2075 in some cases.

As previously stated, our intention is to run the smart programme as a ring-fenced project with its own PMO. We have already engaged with the market and other client organisations to develop our understanding of perceived best practice and the most efficient approach to delivery.

Informed by this we've established an overarching contract and procurement strategy which identifies the lotted contract approach we'll take within a ring-fenced programme managed by the PMO.

We're consolidating the delivery team and have already licensed Kraken Technologies' CRM system, in an innovative new partnership for the water sector, which will be live for the start of meter installation. This is a good example of demonstrating our ability to attract and secure leading and innovative supply chain delivery partners who are keen to work with us as "one of the most forward-thinking utility companies in the UK, committed to improving the water industry through better customer experience and products," (as described by Kraken).



We're aware of supply chain issues which may feature across the sector for the purchase of smart meters. Relative to the size of the sector our requirements are small and our purchasing leverage may not be sufficiently robust if demand outstrips supply.

To combat this, we'll include the smart meter purchase in a Goods and Services contract alongside communications infrastructure and data provision. This enables us to utilise our supply chain's purchasing power to manage the risk to delivery.

While the installation of the meters is only part of the process, the customer journey and associated added value from water use and leakage reduction require very specific focus and mapping to support all customers as individuals and gain maximum benefits.

Universal metering is a critical opportunity to engage directly with all our customers. We'll make sure we maintain their trust and experience of leading service, as well as engage them on this not-to-be missed opportunity in the delivery of our long-term objectives.

Support for vulnerable customers, those transitioning to a higher bill, high water users and those with limited or no digital capabilities will underpin our programme as it's fully defined in readiness for delivery from 2025.

We're learning lessons from companies who have already rolled out universal metering programmes in the water sector and smart metering in the water and energy sectors to refine our plans. We're developing our plans to meet our outcomes and making sure we have a clear understanding of the impact of change on communities and customers. This includes the impact of changing bills and making sure support mechanisms are in place, in line with our water poverty strategy.

Read more in PRT07.06 Reducing Customer Side Demand (Universal Smart Metering)

Learning and innovation

Fundamental to delivery of efficient investment and our long-term resilience is continual learning, from our own activities and others, and supporting the development and implementation of innovative solutions.

We're a relatively small business in the UK water sector, yet we're outperforming our larger peers in many areas. We've had to innovate and be nimble as technologies and regulations change to achieve this.

To meet future challenges, we recognise we need to become more focused on how we approach and target innovation and maximise benefits from initiatives such as Ofwat's innovation fund and the forthcoming water efficiency fund. We recently commissioned an external review of our current approach and culture around innovation to help us develop a future innovation framework. The framework will allow us to focus innovation to minimise our overheads and target investment (time and money) into areas which give the best outcomes for customers because they either prevent a large increase in cost or enable an improvement in performance.

We've clarified the role of innovation in delivering our priorities as:
Discover and develop innovative ideas and approaches, big or small, across all functional areas and implement selected opportunities to deliver real benefits which enhance Portsmouth Water's service and performance.

The development of the Water Lab with Kraken Technologies will play a key role in trials and opportunities for innovation as we develop, deliver and roll out our smart metering programme.

We're also leveraging the services that Spring, the water sector innovation Centre of Excellence, is bringing. We've worked closely with them in the design and development of their service offerings to further enable collaborative working and accelerate delivery of the value our innovation plans are targeting.

Read more in PRT10 Innovation to Enhance our Service Delivery

Following support from our customers we've committed to reducing leakage by half by 2040, ten years earlier than originally planned. We believe we can achieve this and we'll trial new methods of detection which would be more efficient over a longer time to bring down leakage even earlier than the 2040 target.

Our lead removal programme is all about learning and developing a longer-term plan and targeting those customers most vulnerable to lead. During 2025-30, we'll start replacing lead pipes to the first internal tap of schools and nurseries, while also gathering important experience and knowledge for future and more broad universal replacement.

Find out more in supporting documents:
PRT08 Delivering our Investment Plan
PRT10 Innovation to Enhance our Service Delivery
PRT14 Our People

SECTION 7

FINANCING OUR PLAN

FINANCING OUR PLAN

To deliver this plan for our customers, including the necessary step up in investment, it is critical that we can raise finance at reasonable rates, which in turn depends on maintaining a resilient financial structure and being able to meet appropriate financial ratios.

Financial resilience

Portsmouth Water has a resilient capital structure and is well positioned for the step up in investment in 2025-30.

During 2020-25, we have secured all the financing required to support construction of our largest project, Havant Thicket Reservoir. This includes £170 million of new equity commitments from our shareholders to support construction of the reservoir, as well as the requirements of our Water Resources Management Plan, WINEP and water quality investment.

We have secured £280 million of debt funding, including a £75 million CPI-linked bond, and £205 million of flexible bank facilities, including funding from the UK Infrastructure Bank (opening a path for further water sector support). Further liquidity is available within our group structure to be drawn as intercompany loans or equity.

We plan to raise additional finance to support the non-Havant Thicket growth and refinance £205 million of credit facilities expiring in 2029. We are also due to refinance our long-term Artesian loans in 2032.

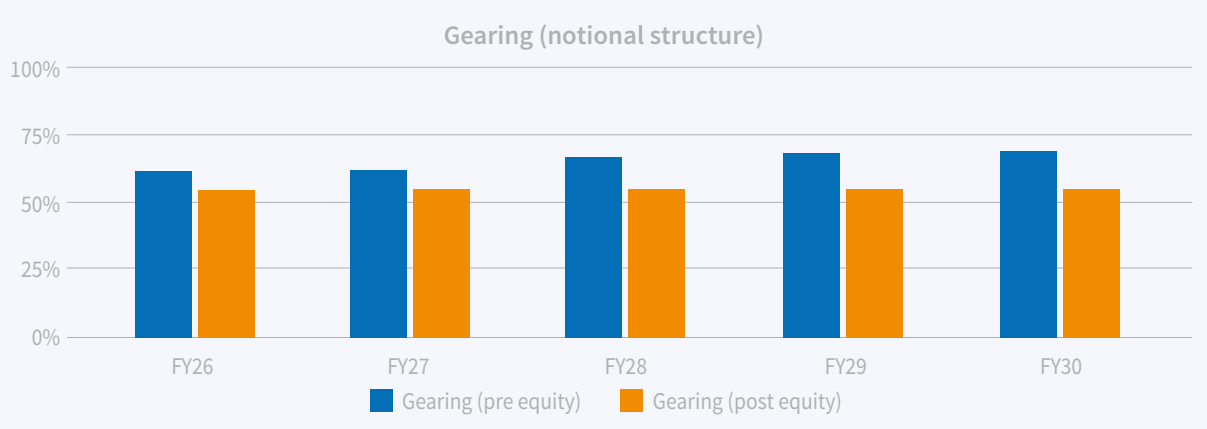
The Board has considered the financing strategy for 2025-30 as part of the PR24 assurance. The refinancing will consider the equity requirements for PR29. Our PR24 plan has been submitted in line with the agreed funding from the Havant Thicket Reservoir Cost Adjustment Mechanism Final Determination.

We are currently speaking to Southern Water and Ofwat about a change of scope to the Havant Thicket Reservoir scheme to increase the capacity of the pipeline to accommodate water from Southern Water's Hampshire Water Transfer and Water Recycling Project (HWTWRP). This increased scope requires a second Cost Adjustment Mechanism application and will result in a requirement for additional equity (based on the notional and actual company). Our investors Ancala have confirmed that equity is available to support further growth.

Financeability in 2025-30

We currently hold a Baa2 Stable credit rating with Moody's. Our PR24 business plan targets credit metrics in line with Baa1 rating, but our expectation is our rating will remain at Baa2 due to the scale of the Havant Thicket Reservoir scheme relative to Portsmouth Water's RCV. Moody's rating assessment methodology effectively creates a ceiling rating of Baa2 through construction due to the scale of annual investment relative to the Portsmouth Water RCV in the peak construction years.

On a notional company basis, we have assumed £93 million of new equity in 2025-30 to keep our gearing in line with the 55 per cent guidance throughout 2025-30. Our notional company plan meets the credit metrics for a Baa1 Moody's rating. We have not assumed any other financeability adjustments to pay-as-you-go (PAYG) and run-off rates. PAYG and run-off are calculated in line with the natural business plan opex and capex ratios and asset lives to maintain a balanced position on financeability and affordability.



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We have assessed our actual company financeability based on the equity and debt financing secured in 2023. We anticipate entering 2025 below the notional gearing level of 55 per cent due to the provision of upfront equity, with gearing increasing towards the end of the period. The plan meets Baa1 Moody's rating metrics but again we anticipate this will result in a Baa2 rating due to the rating ceiling during the construction of Havant Thicket Reservoir.

2025-30 Cost of capital

Our plan reflects a weighted average cost of capital of 3.37 per cent for the retail and wholesale controls. Allowed returns have been set in line with the PR24 final methodology 'early view' guidance for the retail and wholesale controls. We have included a small company premium in line with the guidance. This is supported by our customers, who value being served by a small local company rooted in the community (£1.08 premium supported by 88 per cent of customers).

We anticipate that the cost of equity will be reviewed to consider updated market data. It is our expectation that the cost of equity adequately rewards investors for risk to ensure the sector remains attractive to investors; this is particularly the case given need for equity support for future investment and taking into consideration returns on alternative investment markets. Our expectation is that any revision to cost of equity is reflected in both controls (Portsmouth Water and Havant Thicket Reservoir).

We have reviewed the change in cost of debt benchmarks since the final methodology was published and expect the final cost of capital to be updated to reflect the latest view of market data to align with the cost of debt index methodology.

We have proposed a bespoke cost of capital of 4.13 per cent from 2025 for the Havant Thicket Reservoir price control. This reflects a higher cost of debt to reflect the timing and quantum of financing required to deliver the scheme and is based on expert third party advice from First Economics and NERA. We are not proposing a different cost of equity for the Havant Thicket Reservoir control. NERA Economic Consultants proposed a higher asset Beta recognising the degree of construction risk. We did not include this in our proposed cost of capital as we think the risk should be considered over the life of the asset.

We have also proposed that the cost of debt index for Havant Thicket Reservoir is amended to recognise the absence of embedded debt in the 10-year control and to align weighting with the RCV profile and debt requirements. This is consistent with the methodology used to evaluate the bespoke cost of debt for Havant Thicket Reservoir.

Dividend policy

Our dividend policy maintains a provision for a 4 per cent base yield on equity. The assessment process for adjusting dividends to reflect performance for customers and the environment is outlined transparently in the dividend policy published annually in our Annual Performance Report.

The policy is used as a mechanistic guide to enable our Board to assure and approve dividend distributions and covers all distributions to shareholders including inter-company interest and loan repayments. The mechanistic approach aims to provide transparency for customers on the assessment of dividends.

Our plan assumes a 4 per cent base dividend yield as our investors have committed equity up front to support the Havant Thicket Reservoir project and wider investments. The dividend yield has been adjusted to reflect actual regulatory gearing, reducing dividends as company gearing is above the notional gearing structure.

Further equity support for the change to the Havant Thicket Reservoir scope is anticipated. Any further equity requirements will be supported through reducing dividends or securing further equity from investors in line with the provisions of our policy.

Executive pay

Through this period, with the support of Deloitte, we have reviewed our policy on executive pay and performance-related pay. All company employees now have a performance-related pay structure aligned to delivering performance for customers and the environment.

Greater than 60 per cent of measures in the short-term and long-term components of executive pay are aligned to delivery for customers and the environment. Targets have been reviewed for 2023-24 to include new measures on totex and health and wellbeing, and the weighting of financial and personal objectives has been reduced. Stretching performance targets for 2025-30 will be set once the PR24 outcome is known. Performance will be linked to outperformance on performance commitments or to upper quartile performance in the absence of specific performance commitments. The Remuneration Committee will assess overall performance in the round, not just specific metrics.

To strengthen controls on executive pay we are introducing specific underpinning, malus, and clawback clauses in our executive director contracts from 2023-24 onwards.

Voluntary Sharing Mechanisms

Our plan proposes a customer sharing mechanism on ODI rewards where 5 per cent of net rewards are shared with customers. Customer research findings tells us we should concentrate on delivering value in areas that feel relevant to the core business. Supporting customers who are struggling (both financially and due to health vulnerabilities) and protecting the environment are the main areas that we believe are most appropriate. The ODI reward sharing mechanism will increase funding to our Arrears Assist programme to target help to customers who are struggling with affording their household bills.

We are not proposing any additional sharing mechanisms on tax and financing costs. Because of the size of our investment programme, we do not expect to pay tax in 2025-30 and there is limited scope for financing outperformance. The legacy Artesian debt structure will limit our ability to outperform the cost of debt allowance until it is refinanced in 2032 and higher levels of index-linked debt limit financing gains in high inflation environments.

Understanding risk in our plan

To ensure our plan is financially resilient and there is an appropriate balance between risk and reward we have modelled a range of upside and downside scenarios to enable us to quantify the level of risk in terms of the Return on Regulatory Equity (RoRE).

Ofwat's guidance for PR24 suggests that an appropriate range for RoRE, commensurate with the allowed cost of capital for the sector, is between +4.8 per cent and -4.9 per cent. Our modelling suggests the range in our plan is between +3.0 per cent and -5.4 per cent. So, compared to Ofwat's guidance we expect less scope for outperformance, and broadly the same risk of underperformance as Ofwat assume.

Our assessment has considered the specific risks the company faces on the Havant Thicket Reservoir control and considers the wider risk and opportunities around our performance commitments. We have evaluated the risk and reward at whole company level but considered the range excluding the Havant Thicket Reservoir control.

For this analysis we have set our outcome delivery incentive (ODI) rates using Ofwat's methodology but based on company rates rather than industry averages. This is because our low Regulatory Capital Value is an outlier, meaning the risk associated with our ODIs for shareholders and customers would be magnified. Using Ofwat's average rates our RoRE range would be +6.3 per cent/-8.4 per cent which reflect a wider range of risk and reward relative to current allowed return on equity.

Read more in supporting document PRT13 Aligning Risk and Return

SECTION 8

ANSWERABLE TO OUR CUSTOMERS

1. OUTCOME DELIVERY INCENTIVES

In this business plan we make several specific commitments to our customers about the performance we'll deliver for them and the local environment. If we don't deliver on these performance commitments our customers must be able to hold us to account.

Each year we'll report transparently to our customers and stakeholders on how we have performed against our targets, both through our Annual Performance Report and via our website. We're committed to being completely open and transparent about our performance. This is essential to retain our customers' trust at a time when the sector is under intense scrutiny. We'll also explore with our customers what additional information they would find useful about our performance and through what channels.

If we don't meet the targets associated with our performance commitments, we think it's right we should face a financial penalty. Therefore, all our performance commitments for 2025-30 have predefined penalties associated with failing to meet our targets. Where we do need to pay a penalty, we'll reduce customers' bills in subsequent years to reflect the value of the penalty incurred.

In some cases, where customers have told us they want us to continue improving performance, we'll also earn a reward if we perform better than the challenging targets we've committed to delivering. Where we do beat our targets, this will result in a small increase in customer bills.

The table below sets out the reward/penalty rate that will apply to each of our performance commitments. The rates are shown per unit of performance. To calculate the total reward or penalty the unit rates are multiplied by the difference between our target and our actual performance.

Performance Commitment	Indicative ODI rate	
	£m	Units
Customer contacts about water quality	0.775340	The number of times the company is contacted by consumers due to the taste and odour of drinking water or because the drinking water is not clear, reported per 1,000 population.
Compliance Risk Index (CRI)	0.077137	A CRI score is calculated for every individual compliance failure at water supply zones, supply points and treatment works, and service reservoirs. The annual CRI for a company, for any given calendar year, is the sum of the individual CRI scores for every compliance failure reported during the year.
Water supply interruptions	0.084790	The average number of minutes lost per customer for the whole customer base for interruptions that lasted three or hours or more.
Mains repairs	0.029561	Mains repairs: the number of mains repairs per thousand kilometres of the company's entire water main network (excluding communication and supply pipes).
Unplanned outage	0.337198	Unplanned outage: measures the unplanned loss of peak week production capacity and reports this loss as a percentage of the overall company peak week production capacity.

Performance Commitment	Indicative ODI rate	
	£m	Units
Serious pollution incidents	0.420398	Number of serious pollution incidents.
Discharge permit compliance	0.069618	The discharge permit compliance metric is reported as the percentage of wastewater treatment works (to treat and dispose of sewage) and water treatment works (for the water supply service) in line with their numeric discharge permit conditions.
Leakage	0.146822	Leakage: Percentage reduction of three-year average leakage in Ml/d from 2019-20 baseline. Incentive payments relate to performance changes expressed in Mega litres/day (Ml/d).
PCC	0.107600	PCC: The percentage reduction of three-year average PCC in litres per person per day (l/person/d) from the 2019-20 baseline. Incentive payments relate to performance changes expressed in litres/person/day (l/p/d).
Business demand	0.146822	Business demand: The percentage reduction of three-year average business demand in Ml/d from the 2019-20 baseline. Incentive payments relate to performance changes expressed in Mega litres/day (Ml/d).
Biodiversity	1.609067	Biodiversity: Measured through net change in biodiversity units / per 100 km2 of nominated land in water supply area.
Operational Greenhouse Gas emissions	0.001084	Operational Greenhouse Gas emissions are measured in reduction in tonnes of CO2e (carbon dioxide equivalent) from 2021-22 baseline.

Calibrating rewards and penalties

For the 2025-30 period, Ofwat has developed a common methodology for setting the value of rewards and penalties in relation to delivery of performance commitments. This common approach seeks to achieve consistency and fairness for both customers and companies.

However, because we are a small company with a low asset base per customer (as measured by our Regulatory Capital Value), this common methodology results in rewards and penalties which are materially greater than Ofwat intended. This could result in penalties far larger than our peers for similar performance; or, where we outperform against our targets, our customers would pay significantly higher rewards than those of other companies.

We don't think that is right for our customers or us. We've therefore taken a decision to adopt ODI rates based on Ofwat's company-specific analysis for Portsmouth Water, rather than those based on the average unit rates across all companies. This means the risk faced by our customers and us in relation to performance is more closely aligned to Ofwat's intended outcomes.

Read more in supporting document PRT05 Delivering Outcomes for our Customers

2. OUR BOARD ASSURANCE

The Portsmouth Water Board has participated and challenged at all stages in the development of this business plan for 2025-30 and assessed and understood the extended future by being involved in and helping to shape the Long-Term Delivery Strategy.

They have ensured the plan considers customer and stakeholder wishes and will deliver significant improvements against key performance commitments, in particular the ones highlighted by customers as the most important to them – leakage, supply interruptions, mains repairs and per capita consumption (PCC).

Board Assurance statement

In the opinion of the Portsmouth Water Board appropriate governance and assurance processes have been put in place to enable it to satisfy itself that:

- The systems, approach to risk management, and internal controls and processes in place to develop the data and information on which the plan has based its decisions are appropriate and effective.
- The plan will deliver operational, financial and corporate resilience over the next control period and long term.
- The business plan is deliverable and will enable the company to meet its statutory and licence obligations, now and in the future.
- The assumptions that underpin the plan have been tested and the impact of alternative assumptions considered.

The Board has considered the detailed assurance requirements set out in Table 10.2 of Ofwat's PR24 methodology. Based upon the governance and assurance process that it has undertaken it is satisfied that the submission meets these requirements. Evidence of the Board's scrutiny of these matters, on which this assurance statement is based, is provided in the accompanying document PRT15: Board Assurance.

Approved by:

Christopher Deacon
Chairman

Angela Smith
Non-Executive Director

Bob Taylor
Chief Executive Officer

Lara Stoimenova
Non-Executive Director

Chris Milner
Chief Financial Officer

Chris Loughlin
Shareholder Director

Read more in supporting document PRT15 Board Assurance

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