

# Our strategic direction



[www.wessexwater.co.uk](http://www.wessexwater.co.uk)

**Wessex  
Water**  
a YTL company

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This document describes our overall purpose, the context in which we operate and how we will go about delivering for customers, wider society and the environment. It was last published in 2012. Along with our sustainability vision it is designed to inform both our water resources plan which runs to 2045, and our business plan proposals for service and environmental improvements to 2025.

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# Introduction

Ours is a position of great responsibility – we are entrusted with providing services that are essential to life and to the health of our local economy. It is our job to ensure that these services are resilient in the face of major social, political, economic and environmental changes.



These are challenging times, both in the water industry and beyond. This document describes how – with the support of an owner that is committed to the long-term – we are delivering today, planning for tomorrow and adapting for the future.

The challenges we face – some longstanding, some new, are described on page five. Our job is to meet those challenges in an affordable and sustainable way, and this demands continued innovation and ambition of the kind that we have demonstrated since this report was last published in 2012.

Most importantly, however, we are updating our priorities for customers and the environment, including commitments to meeting the needs of customers in vulnerable circumstances and making bills affordable for all.

The nature of the business we are in means that everything we do today has an impact on the future. To ensure success in the long-run, Wessex Water must also operate transparently, retain access to capital on reasonable terms, invest in our assets and continue to develop a diverse, skilled and motivated workforce.

We have had good success in building partnerships with others and we aim to build new and stronger partnerships in future to help us succeed – with our customers, with important sectors such as the farming community, and with other agencies such as the debt advice sector and environmental organisations. We will also always investigate the use of market-based approaches and implement them where this benefits customers.

We are committed to maximising collaboration with local communities; to working in ways that are smart, efficient and resilient, less resource hungry, more sustainable. Proactive, positive partnerships are the key to optimising water resources, water quality, land drainage and flood defence. These are significant issues, and we do not underestimate our responsibilities.

I am very confident that the talent and dedication of the people who work for Wessex Water, backed by a supportive owner, will enable us to succeed in delivering the strategic goals described here.

A handwritten signature in black ink, appearing to read 'Colin Skellett'.

Colin Skellett  
Chief executive

## **your say your future**

We welcome your contribution to the discussions that we continuously hold regarding the provision of water and environmental services to households and businesses and we actively want to stimulate debate. You can have your say by emailing us your questions, suggestions and feedback at [yoursay@wessexwater.co.uk](mailto:yoursay@wessexwater.co.uk)

# Who we are

Wessex Water is one of 10 companies licensed by the government regulator Ofwat as a 'regional water and sewerage undertaker'. We are owned by YTL Corporation, an integrated infrastructure developer with worldwide operations, and serve 2.8 million customers across the south west of England.

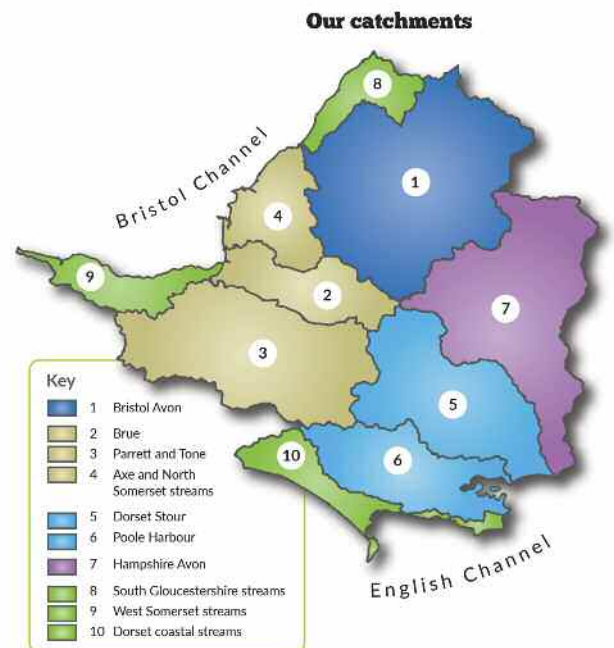
We are proud to deliver services that are essential to the health and wellbeing of the population, to the efficient functioning and growth of the regional economy, and to the protection of the local environment.

Our primary focus is on water and sewerage but we are increasingly taking a wider view, looking at how these activities sit within regional water catchments and working in partnership with others.

## Our region

Our area covers a diverse range of rural and urban communities, landscapes, wildlife habitats, activities and industries, and includes:

- the counties of Dorset and Somerset, most of Wiltshire, parts of Gloucestershire, parts of Hampshire
- the towns and cities of Bristol, Bath, Salisbury, Bournemouth, Poole and Taunton
- important river and coastal systems
- 48 designated bathing waters including the resorts at Bournemouth, Weymouth and beaches along Lyme Bay
- seven Areas of Outstanding Natural Beauty
- three designated UNESCO World Heritage Sites.



## Our mission

- To provide outstanding, sustainable water and environmental services

## Our aims

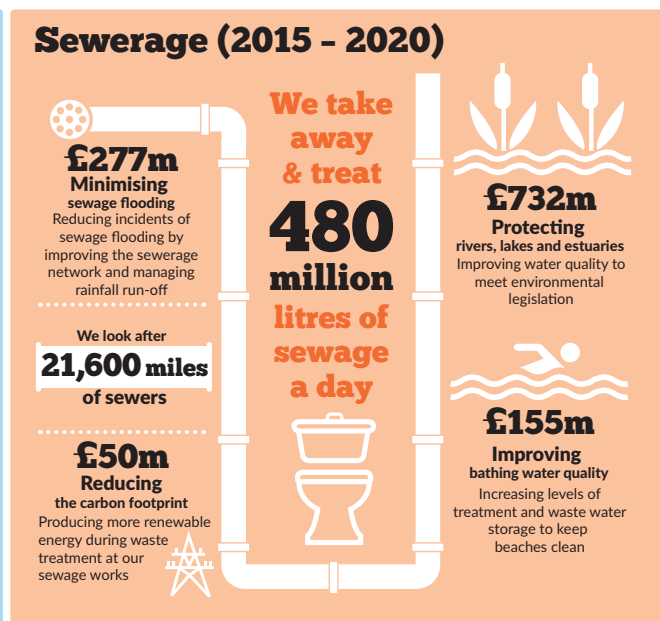
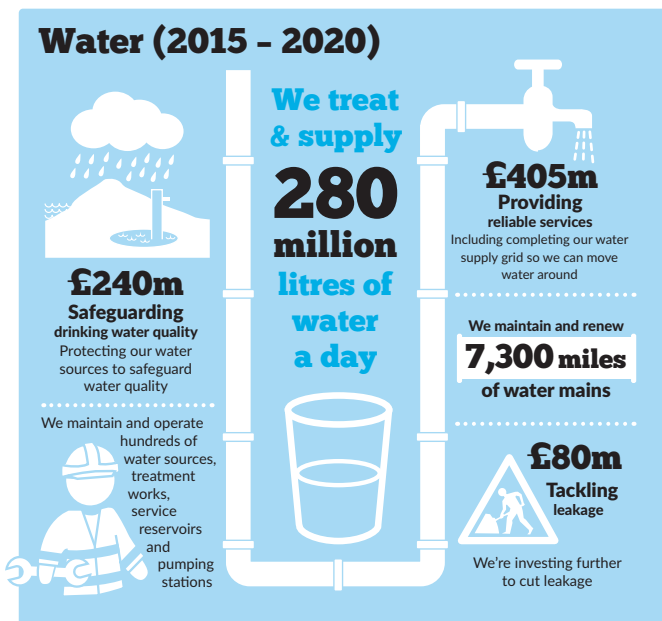
- To provide customers with excellent affordable services.
- To protect and improve the environment and contribute to wider society.
- To be a great place to work in which all employees can work safely and reach their full potential.
- To deliver the best possible returns to investors.



## Our values

- **Behaviours** – we respect and value everyone's contribution and always operate with integrity and openness.
- **Excellence** – we aspire to excellence in everything we do.
- **Service** – serving customers is at the heart of our business and we always go the extra mile.
- **Teamwork** – we are one team working together to deliver our mission.

## What we do



## How we operate

Our water and sewerage operations cover a wide range of activities, and within Wessex Water we have created a number of distinct business units that focus their efforts and expertise in specific areas.

**GENeco** are experts in energy generation and waste management and they use this to maximise the renewable energy we can extract from sewage sludge.

**Pelican Business Services** is a joint venture with Bristol Water which specialises in providing billing, account management and meter reading services.

**EnTrade** operates a reverse auction trading platform to reduce nutrient leaching from farmland which helps us to deliver environmental improvements at the lowest cost to our customers.

This approach helps us retain clear management focus and helps us to keep finding new ways of working that can deliver benefits to our customers our investors and the environment.

# Case study:

## GENeco – maximising the value of bioresources

**GENeco** – set up in 2009 to undertake sludge treatment and to maximise our generation of renewable energy – continues to reinvent waste management and has won many awards for its innovative approach.

Sewerage utilities traditionally focused on cost reductions to meet efficiency targets, tighter environmental standards and treatment requirements imposed by regulators.

GENeco's more entrepreneurial approach has enabled us to identify the value of sewage sludge to the energy and farming sectors, and ultimately, to improve efficiency of operations.

Today, GENeco's wider services range from food and liquid waste treatment to recycling of difficult to treat, biodegradable material. Treatment processes used by GENeco produce renewable energy and nutrient rich biofertilisers which offer a sustainable and cost effective alternative to inorganic fertilisers made from chemicals.



### GENeco's innovations:

- generates around 100GWh of renewable energy (combined gas and electricity)
- recycles more than 250,000 tonnes of bio-solids to land each year
- built and operates a 35,000 tonne per year food waste recycling facility.
- diverted 20,000 tonnes of previously untreatable material from the sewage treatment process away from landfill every year – an industry first
- completed the UK's largest gas to grid facility injecting biomethane derived from sludge and food waste digestion
- the Bio-Bus – the UK's first ever bus powered by gas generated during the treatment of inedible food waste and sewage was dubbed the 'poo bus' and sparked a global debate about how biomethane vehicles could significantly reduce air emissions and carbon footprints. The Office for Low Emission Vehicles (OLEV) has since awarded funding for more than 70 biomethane powered buses



# The challenges we face

As with any business we look to identify events and trends that will affect our ability to deliver. Here we highlight nine specific challenges – some longstanding, some new – to which we are responding. We are meeting these with affordable and sustainable solutions, through investment, innovation and the expertise of our teams.

## Resilience

The importance and topicality of ‘resilience’ has increased enormously in recent years, prompted by the near collapse of the banking sector, by the increased frequency of extreme weather events and by the possibility of malicious attack. Water and sewerage services are of strategic importance and their failure would impact on the region and its economy.

In the face of these stresses and systemic shocks we are putting in place measures to ensure the resilience of our services and the environment as well as to prepare for more predictable impacts such as population growth.

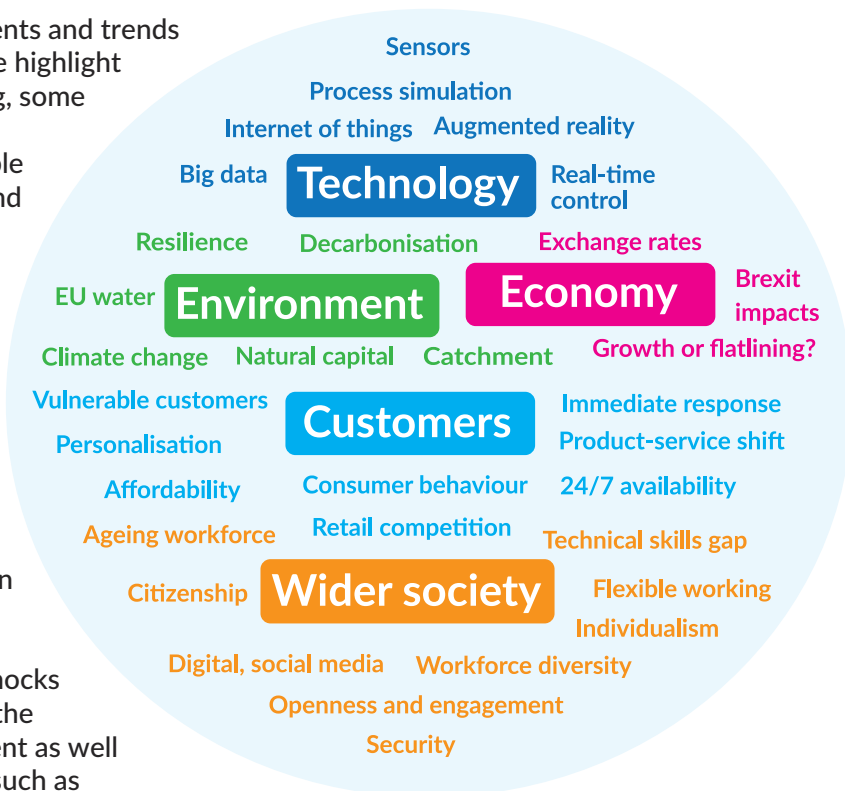
## The long-term health of our assets

We have been entrusted with a vast network of sewers, water mains and other infrastructure across our region constructed over the past 200 years. Through better ways of working the services we deliver have consistently improved, but our asset replacement rates have not kept up with the rate of deterioration. We need always to be mindful of the legacy we leave to future generations.

We have invested significantly in the past 25 years to improve drinking water and environmental standards, and the assets that this has created will also need to be protected for the long term.

## Affordability and vulnerability

Household budgets are stretched. The Office for Budget Responsibility considers that average earnings will be below their 2008 level until 2021 and, with most analysts downgrading long-term growth forecasts in the light of the decision to leave the EU, we cannot just continue to do more of the same and place the burden on consumers to pick up the tab.



Customer vulnerability isn't new, but we have ensured that our understanding of the issues, causes and consequences of vulnerability has improved. Affordability is, of course, a primary issue, but not the only one. As a business we are taking responsibility for identifying where customers are vulnerable and ensuring wherever possible that our services are responsive, accessible and appropriately priced.

## Changing customer expectations

With the advance of IT, customers generally have much higher expectations of service delivery. They tend to be very satisfied with our services and tell us that they do not necessarily expect their water company to be at the leading edge. However we must respond to the needs of our younger and future customers whose expectations of how they should receive and consume our services will be very different – including the full range of web-based, electronic and social media options.

## Governance

Cynicism about corporate behaviour and culture remains high and as a private provider of a public service we have a special responsibility to ensure we are accountable and transparent, and demonstrate the highest standards of corporate governance and conduct.

## Changing legislation

The Brexit decision potentially gives the UK greater choice around environmental standards and how expenditure in the wider water catchments is allocated and timed. The Common Agricultural Policy and the application of the Water Framework Directive are specific opportunities for the country to make decisions that help balance the sometimes competing objectives of service resilience, environmental resilience and affordability. We know that we will need to respond positively to this situation so that both customers and the water environment benefit from any changes.

## Attracting and developing skilled labour

Our success to date has been achieved through our outstanding staff, but a number of factors will challenge our access to high quality, skilled labour in the near future: an ageing workforce; large scale infrastructure projects within our region that compete with us for the people with the technical skills we need; and the uncertainty over availability of overseas labour.

## Investor confidence

The sector as a whole has also been successful in attracting investment at ever lower costs and this has benefited customers in the form of lower bills. Continued access to low cost finance is essential if we are to continue delivering improvements for customers and the environment. We should be careful to avoid the assumption that the almost continuous reduction in financing costs since privatisation can be sustained in the long run.

Equally we cannot assume that capital providers will always be willing to invest in water assets if the risk/reward balance is more beneficial elsewhere. As we look to take more market-based approaches it is up to us to demonstrate to investors the potential risks and the available rewards.

## Retail competition

As competition for providing billing services is extended, our relationship with the people and organisations who use our services is changing. We will need to work hard to retain the trust of those who use our services and avoid becoming a silent service provider.

We also need to deliver excellent services to new customers such as independent retailers, and make sure that we are fair in our dealings with them.





# Our performance

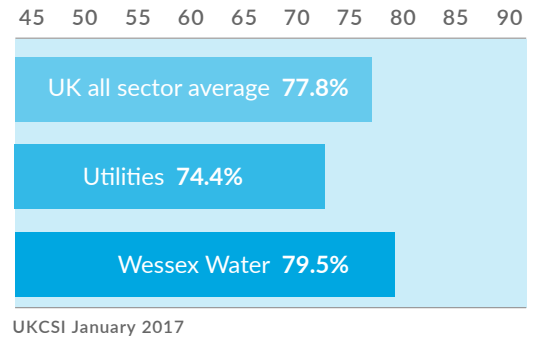
Since privatisation in 1989 we have invested more than £5 billion and as a result, across our region:

- water quality is the best that it has ever been
- we have had no restrictions, such as hosepipe bans, for more than 40 years
- discharges from our sewage treatment works meet much tighter standards, leading to better river and bathing water quality and improvements to the aquatic ecology
- water use has fallen despite a fast-growing population.

We get the basics right and we think that this puts us on a sound-footing as we plan to take more innovative approaches to meet the challenges ahead.

Our mission is 'to provide outstanding, sustainable water and environmental services'. Each year, Ofwat and the Environment Agency assess how our performance compares to other water companies in the key areas of customer service and environmental performance and so we have independent proof of our success in delivering against this promise.

## UK customer satisfaction index 2017



We also look outside of the water industry when we assess the quality of service that we provide. The Institute of Customer Service assesses how customers view each of their main service providers. The results of their survey show that, on average, our customers rate their dealings with Wessex Water as better than those they have with other service providers.

We've made major efficiency improvements and we have passed these savings to customers. Because of the amount of money that we re-invest in our infrastructure, bills have increased, but remain on average well below 2% of household disposable income. We've led the water industry in developing social tariffs for the most vulnerable, and offer the widest range of assistance in any sector through our tailored assistance programme (TAP).

Treating customers with care, leading our field and contributing to the community are three key hallmarks of a trusted company. When we asked 900 customers in an online survey in 2016, just one in 20 felt that these characteristics did not apply to Wessex Water.

These strong performance and trust indicators provide a sound foundation for our business, and give us the confidence to explore innovative ways to improve services. We believe that this will increasingly be to the benefit of our customers and to the environment.

### Ofwat's customer service score (SIM)

### The Environment Agency's performance assessment (EPA)

2016	1st	Industry Leading
2015	1st	Industry Leading
2014	1st	Above Average
2013	1st	Above Average
2012	1st	Industry Leading
2011	1st	Industry Leading

Rank out of 10 water and sewerage companies in England and Wales

# Our priorities

We engage regularly with our stakeholders via focus groups, surveys and expert panel discussions, and continuously by capturing customers' views as they interact with us.

These priorities – including a new area of focus, 'engaged communities' – have emerged from this two-way dialogue and the understanding it has given us of what is most important to our customers, partners, staff and regulators.

## Affordable bills

### Action points:

We will continue to offer our customers a choice of tariffs and, for those on low incomes, we will help them afford their ongoing charges and repay their debt by offering a wider range of schemes and low rate tariffs, combined with independent debt advice for those in the greatest need.

We will continue to target further assistance at groups who are most likely to go without essentials to pay their water bills.

We will actively assist as well as promote the wiser use of our services, using evidence from behavioural science to maximise the benefits.

To keep bills affordable in general we will need to steer a path between asset intensive approaches and less resource hungry options such as catchment management, make greater use of market approaches and always seek opportunities to innovate.

### Outcome:

Affordable bills for all our customers along with wiser and more efficient use of our services.



## Excellent service for customers

### Action points:

We will continue to go the extra mile for our customers and make sure our staff are skilled, empowered and confident and have the right tools to deal with all contacts first time, particularly those from customers who find themselves in vulnerable circumstances.

We will continue to evolve our communication channels to make them accessible for all and our self-service capability, which will be particularly important to meet the needs of our younger generation. This will be underpinned by sector-leading service guarantees.

We will commit to the same excellence in service for business customers such as property developers and licensed retailers.

We will strive to remain the most efficient retailer in the water sector and explore new markets where we can add value.

### Outcome:

An exceptional service experience which is inclusive and accessible to all customers.



## Tackle leakage

### Action points:

Our aim is for leakage to become an unimportant issue for both our customers and the environment.

We know that younger customers are less concerned about leakage than those who remember the mid-90s. Since then leakage has fallen consistently and we target the fixing of reported leaks within a day.

We will build on this success by:

- always reducing leakage where the value of the benefits outweigh the costs
- actively seeking new ways to reduce leakage in less disruptive and more cost-effective ways, repairing leaks as quickly as possible, keeping customers informed by email, text or smartphone app
- using new equipment and technology to improve the speed of detecting leaks and deliver cost-effective repairs
- increasing our resilience by targeting our water mains replacement and refurbishment programmes at those sections most likely to leak due to their age, pipe material and location
- increasing the number of customers who have a water meter, making it easier to detect leaks on customers' pipes
- checking for leaks on customers' own pipework when fitting meters
- explaining to customers how we balance the costs and benefits of reducing leakage.

### Outcome:

Water leakage reduced in a sustainable way so it becomes an unimportant issue for customers and the environment.

## Excellent quality drinking water

### Action points:

We will proactively maintain our water treatment works and distribution system using the latest technology in order to maintain excellent quality drinking water.

We will use catchment management to protect sources of raw water from contamination wherever feasible.

In addition to ensuring high levels of compliance we will manage risks to water quality by using source-to-tap drinking water safety plans.

We will continue to work closely with WRAS, the water fittings agency, on customers' plumbing and promoting WaterSafe (the industry approved plumber scheme). The use of appropriate materials will be a key focus as a significant proportion of water quality failures can be attributed to domestic plumbing and service pipe issues such as lead pipes, copper plumbing and nickel in taps.

We will continue to replace lead pipes in combination with phosphate dosing, a process that safely coats the inside of lead pipes.

We will continue to reduce customers' concerns about the appearance, taste and odour of their water through a combination of targeted rehabilitation of water mains and improved availability of information for customers who experience problems.

### Outcome:

Safe, wholesome and pleasant drinking water which complies with mandatory standards and supports the wellbeing of our customers and communities.



## Resilient services

### Action points:

We will annually assess our resilience in relation to our business, assets, services and the wider environment.

We will set targets to ensure that objectives and working practices are aligned, and make sure we learn from events.

We will identify further opportunities to work at a wider catchment level to increase the resilience of our resources.



We will also:

- actively promote and assist changes in customer behaviour that can add resilience to our services and to the environment
- develop our risk management processes to facilitate targeted investment in the areas at greatest risk now and in the future
- engage with our customers to understand their resilience priorities and target our investment to meet them
- invest in up to date cyber security systems
- improve incentives for developers to build in greater resilience at a local level
- work with flood risk authorities to share data and plans, and protect our assets from flooding
- ensure that our future water resources plans have adequate headroom and allowances for population growth and climate change
- form partnerships with neighbouring companies and other organisations which have an impact on our water catchments, to build resilience into our services and to the ecosystems that provide our resources.

### Outcome:

High quality, reliable and secure services to customers and the environment in the face of acute shocks and gradual stresses.

## Minimise sewage flooding

### Action points:

We will counter the impacts of climate change, population growth and misuse of our sewers by:

- reducing blockages caused by inappropriate matter ending up in the sewers
- producing customer information and education campaigns
- lobbying manufacturers and retailers of products that do not conform to 'flushable' standards
- working with the government on appropriate legislation to counter sewer misuse
- prioritising alternatives to conventional extra storage solutions to help reduce flood risk
- working with other flood risk management authorities such as local authorities, Highways England and the Environment Agency to deliver partnered solutions where several parties share responsibility
- investing where lack of capacity in our sewers has caused flooding, minimising the risk of a property flooding again
- providing additional capacity in the sewer network by separating out surface water, by preventing groundwater from infiltrating, by building more storage and through the storage and reuse of greywater.

### Outcome:

The risk of sewage flooding kept to a minimum.

## Protect rivers, lakes and estuaries

### Action points:

We will maintain watercourses in good condition, with our abstractions, discharges and runoff kept within sustainable environmental levels.



We will favour an innovative, low carbon programme to improve the water environment with catchment management at its centre and much more integrated management of land and watercourses.

We will help to improve river flow where needed and will work to improve the quality and ecology of rivers through investment in sewage treatment works, catchment management and control of pollutants at source.

We will use data about our rivers to reduce spills from combined sewer overflows that are a risk to the environment, where this is cost beneficial.

We will continue to gain a greater understanding of the occurrence and impacts of a wider range of existing and emerging chemicals in sewage.

We will continue to protect water sources through catchment initiatives and look for wider applications for improving watercourses and land use with novel methods such as nutrient trading.

### Outcome:

Watercourses in good condition, with our abstractions, discharges and runoff maintained within sustainable environmental levels.

## Reduce carbon footprint

### Action points:

We will reduce our carbon footprint with the long-term aim of achieving carbon neutrality and generating our own renewable energy, by:

- avoiding emissions through catchment management
- leakage reduction and smarter environmental permitting
- enhancing energy efficiency using better data analysis and process modelling
- generating renewable energy involving anaerobic digestion
- investigating the potential of solar or wind installation and trials of novel energy storage methods.

### Outcome:

Achieving carbon neutrality in the long term and generating our own renewable energy.



## Improve bathing waters

### Action points:

To help keep bathing waters in good or excellent condition that all can enjoy, we will:

- monitor our sewer overflows
- invest to keep surface water and groundwater out of foul sewers to reduce the risk of spills from overflows
- model river catchments and establish where best to act to reduce pollution risks
- improve the efficacy of disinfection processes
- work to raise awareness among beach users about how to keep beaches clean.

While we are not in a position to completely control the quality of bathing waters in our region, we will ensure that our assets and activities support the achievement of bathing water quality standards.

### Outcome:

High standards of bathing water quality that all can enjoy.



## Engaged communities

### Action points:

We will encourage individuals, households and community groups to engage with their local water environment and actively support the delivery of our aims.

We will develop delivery partnerships with our customers and communities so that we can achieve outcomes in the most cost beneficial ways.

We will use new technology to form and reward online communities that are willing to create more resilience in our networks.

We will expand our work with trusted third parties to help deliver on shared aims.

We will further develop our stakeholder engagement work and promote a greater sense of citizenship among the people we serve.

We will become more visible and active in our communities, educating people about the wiser use of our services and supporting our employees who wish to make wider contributions to society.

### Outcome:

Individuals, households and community groups that are engaged with their local water environment and actively supporting the delivery of our aims.



## How we measure our progress

We measure our progress against each of these priorities and thereby assess our success over the long term.

We do this by setting detailed measures and targets – the number of leaks fixed within a day, or the volume of water saved through water efficiency measures, for example. Some of these are already formally agreed with our regulators up to 2020, and we have committed to reimburse our customers should we fail to deliver on these targets. Each year we publish our performance against these targets.

We are currently considering appropriate targets for 2020 onwards. We want these to be ambitious, to stretch us fully and to provide good value for customers, so we are reassessing the values that customers place on these priorities and the costs of achieving them. We will consult on the outcome of this over the coming year.



# Ensuring long-term success

While the 10 priorities already outlined drive our immediate actions, the nature of the business that we are in means that we always consider and act in the interest of future generations alongside current stakeholders.

Our sustainability vision is published separately. It covers all of the priorities and outcomes set out within this document, but also describes in greater detail our aspirations in relation to:

- making positive contributions to the biodiversity of our region
- environmentally sound asset management
- resource efficiency
- positive land management.

Our sustainability vision is available online: [www.wessexwater.co.uk/ourvision](http://www.wessexwater.co.uk/ourvision)

It also covers the following three areas on which our long-term success will depend.

## Access to capital and investment in assets

The long-term sustainability of our finances is important to the economy of our region and essential if we are to continue to attract the finance to invest in our infrastructure, maintain high standards of service to customers, contribute to environmental improvement and play a part in overall social wellbeing.

We have consistently outperformed the targets set by our regulator and we have shared those savings with customers in the form of a customer dividend, investing in issues that matter most to customers, such as reducing sewage flooding, increasing our support for debt advice and improving resilience of supply.

Moving forward, the more predictability there is in terms of regulation the more that investors can regard water companies as a good investment and an acceptable risk.

As a sector we need to be clear about where the balance of risk and rewards lies. This balance may need to change in some parts of our business, where there is greater use of markets and competition in future, and this may attract different investors to the sector.

Ambitious and innovative approaches carry greater risk, and we need to explain to investors how their success will be rewarded. We will retain and build on the close links we have with the financial community and regulators.

## Our workforce

Delivering on our key priorities for investors, customers and the environment is inextricably linked to our people, and our ability to provide them with a great and fulfilling place to work.

That is why we encourage and reward employees for their contribution to achieving our aims through a wide range of staff reward programmes.

These include GEM (going the extra mile); Eureka, which recognises and puts into practice ideas which will benefit the company in terms of saving costs, improving compliance or generally making our staff's working lives easier; and the annual staff awards ceremony which celebrates the achievements of teams and individuals across the entire business.



**Staff excellence**

Our staff will have the appropriate skills, knowledge and competencies and their potential to be realised. There will be clear communication to and between staff, resulting in a well-informed workforce, a company culture that reflects our values and individuals who are fully engaged in the company's work and its aims.

**Staff safety and wellbeing**

Staff will be helped and supported in maintaining their physical and psychological wellbeing, with protection for our workforce and anyone who may be affected by our daily operations.

**Staff treated fairly**

Everyone will be treated with dignity and respect; all current and potential employees will have the same opportunity to succeed; rewards will be fair for all staff on the basis of their contribution to the business.

## Transparency and accountability

Transparency and accountability help foster the trust that is essential if we are to build on our partnership approach to delivery. It is only with this trust that we can foster a sense of shared responsibility for the water environment that will help overcome the challenges we face in the most sustainable ways.

We will therefore continue to be accountable and transparent in our operations, policy and strategy to our stakeholders. We will report our performance honestly and openly and be open to challenge.

Our governance structures and processes will continue to be complementary to our sustainability goals, and we will continue to operate with the highest levels of probity and ethics in our affairs.

We are being proactive in our relationships with regulators and other agencies and initiatives such as catchment permitting are evidence of the positive outcomes that can arise when we work together.



# How we will deliver

It is now close to 30 years since our industry was privatised. Monopoly provision of water supply and sewerage services has delivered better tap water, healthier rivers and cleaner bathing waters. In that same period, however, bills, energy use and our carbon footprint have risen.

While Wessex Water's legal duties are constrained to certain activities, we have increasingly found that working in partnership with other agencies, authorities and landowners within the water catchment often delivers better outcomes at lower cost both financially and in terms of carbon.

In the formation of this forward looking statement of our strategic direction we have questioned whether the standard model has run its course and whether other approaches could enable us to deliver more for customers and the water environment, at less cost.

## Positive partnerships

Our strategy is to build positive partnerships with all of those who play a role in managing water environments.

We have a long history of working with farmers to help protect our water sources from pesticides and other pollutants, and we are extending these approaches into areas such as river water quality.

We plan to work more closely with customers and communities, promoting and assisting changes to the way they use our services that will leave them more resilient in the long-run.

It's important that we form stronger partnerships with environmental regulators and charities that will enable us to achieve common goals at the lowest cost.

## Case study:

### Positive partnerships – sewer misuse and promoting behaviour change

The creation of so-called 'flushable' products is currently unregulated and the consequences of this rapidly growing market are pushing up water and sewerage bills as well as causing misery for thousands of our customers every year. We have been tackling this problem head on by campaigning against the manufacturers and retailers of 'flushable' products and taking up the issue with those who are able to resolve the issue at source, such as the Advertising Standards Agency, Trading Standards and the government.

Working collaboratively with other water and sewerage companies and environmental charities, we have been working hard to raise awareness of this issue and get it resolved. And it's not just the UK that suffers from the problem – a position statement against 'flushable' products has been signed by nearly 300 organisations from more than 20 countries worldwide.



## Market-based approaches

Our view is that the only natural monopoly within the sector is the ownership of our water mains and sewers. Opening up the operation, building and financing of future assets to markets creates opportunities for us outside our current boundaries.

We have already innovated to achieve customer and environmental benefits in different ways. Early successes include the development of a strong catchment management team and our creation of GENeco to deliver waste treatment services. We are embracing retail separation and have, more recently, made significant headway in developing systems for catchment-based sewage effluent permitting and nutrient trading.

Further separation of the value chain will help to identify areas where there can be competition, but the use of market-based approaches is not limited to these areas. Indeed, the remaining monopoly business can also use market based approaches in its interactions with others in the water environment to find the lowest cost methods of delivering the required outcomes.

We would not promote competition and market measures purely for their own benefit. Indeed, for competition the benefits for consumers must clearly outweigh the costs, and markets within our business will be focused on delivering outcomes and meeting obligations more effectively.

## Case study:

### EnTrade – innovating with market approaches to deliver improvements

Poole Harbour is a notable water body with numerous environmental designations. However, nutrients in the water – particularly nitrogen – can promote the growth of algae under certain conditions and this, in turn, can adversely affect biodiversity.

In 2008 we spent £12 million installing nitrogen removal at Poole sewage treatment works, reducing our annual nitrogen discharge by 927 tonnes.

Similar projects could be implemented elsewhere, but we have also taken the opportunity to put forward alternative, innovative methods. Our catchment advisers, for example, are extending their work with farmers in the area and we estimate that 15 tonnes of nitrogen leaching was avoided in 2016 simply by calibrating fertiliser sprayers nearby.

In 2016, we also successfully devised and trialed a nutrient trading system called EnTrade. This is an online platform where farmers offer, for a price, to grow winter cover crops such as oil radish that absorb nitrogen from topsoil that would otherwise

be bare, and reduce leaching. Cover crops can also improve soil quality and structure while preventing soil erosion.

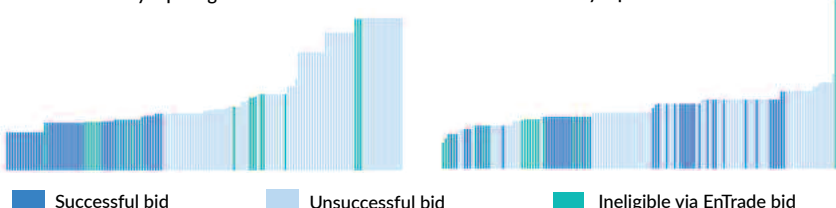
EnTrade automatically estimates the nitrogen saved by each bid, based on the crop type and sowing date, and tells us the most cost-effective way of meeting our targets.

During the trial, 19 farmers placed 147 bids, saving 48 tonnes of nitrogen in total. The combined cost is nearly one third less than previous catchment management work and less than a quarter of the cost to add nitrogen removal at Dorchester sewage treatment works.

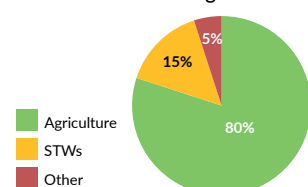
The trial also created a market price for nitrogen reductions – in itself an interesting development. As well as further nitrogen auctions, we are exploring whether EnTrade can be used for biodiversity, phosphorus and sediment management and whether it can influence investment decisions and the allocation of funding to different activities that affect the health of river catchments.

Bids ordered by £ per kg of N

Bids ordered by £ per hectare



Poole Harbour Nitrogen load



Looking ahead, wherever possible we will:

- develop delivery partnerships with our customers and communities and other organisations within our region
- develop market-based approaches where these result in clear benefits to customers and the environment, where returns are commensurate with risk
- work with others in our own and neighbouring catchments to deliver environmental and resilience outcomes at least cost to consumers.

This will lead to a more complex picture of interactions but one that delivers more sustainable benefits.

Across all three approaches, it is clear that we need to think in fresh terms about how to engage the public and other interested parties. This challenge has been underlined by the growth of social media in recent years and the reality that most of the issues we face cannot be solved by our actions alone.

We believe we have a good base on which to work. We already have strong partnerships with regulators, local authorities, community groups and other people gathered around specific interests. But there is, of course, much more that can be done.

We are ambitious, and envisage promoting and developing further partnerships and market-based approaches to delivering service resilience that reduce overall costs to customers.

## How we can work together

Collaboration is absolutely critical to our ability to deliver outstanding water and environmental services. A key element of our Strategic Direction Statement is to foster a partnership approach and this requires a high level of trust in us from all of the communities and stakeholders with whom we interact.

We will do this by:

- continuing to operate to the highest levels of probity and ethics in our affairs, including our tax affairs
- being active and visible in local communities – rather than a silent provider of utility services
- getting the basics right and being transparent and accountable to our customers by reporting our performance openly and honestly

- harnessing IT to give customers better information and more control of their use of our services as an integral part of delivering community-based solutions to common problems
- treating our employees with integrity and respect and providing a healthy, safe workplace for all
- working with trusted third parties and fostering collaboration as we have with Citizens Advice, NGOs and our Catchment Panel, which have shown that we can forge closer links with other stakeholders
- doing what we say we will do, and treating customers and stakeholders with integrity and respect.

## Our key partners

These are the key groups and bodies on whom we are dependent, and the principles on which we believe our industry can flourish.

### **Government and policy makers**

Government is best placed to enable the sector to balance the needs of current and future generations and protect the vulnerable. We need strong and consistent policy guidelines for ourselves and our regulators on the wider long-term priorities of the region in which we operate, and our role in helping achieve them.

### **Economic regulators**

Economic regulation should continue to be evidence based and proportionate. It must also be consistent and predictable, allowing investors to make rational decisions with regulatory risk reduced to a minimum. Economic regulation should be pro-market where it is in the best interests of consumers and should identify and reward innovation and ambition where this has wider benefits.

Clear incentive based regulation delivers great benefits to customers in the long run. Regulators should be willing to celebrate success as well as holding companies to account where they have failed to deliver on their promises. And, when there are opportunities for co-delivery within a catchment at lowest total cost, we need flexibility even though it may affect customer bills.

### **Environmental regulation and regulators**

Following the UK's decision to leave the EU there are new opportunities to take a different approach to environmental regulation. We need to keep delivering environmental improvements that are cost beneficial.

We should continue the trend towards more risk-based, proportionate regulation. Also, greater flexibility around timescales and would help ensure that the delivery of improvements remains cost beneficial. This will give us greater scope to trial the more innovative solutions, while not precluding a return to resource intensive, higher carbon footprint approaches if necessary.

## **Case study:**

### **Catchment permitting – partnering with environmental regulators**

#### **The issue**

Too much phosphorus in rivers and streams can lead to algal blooms, which in turn reduce oxygen levels in water. The usual practice is to strip out phosphorus at sewage treatment works, often by adding a coagulant such as ferric sulphate. However, elevated phosphorus remains one of the main reasons why only a quarter of the rivers and streams in the Bristol Avon catchment have good ecological status.

#### **How do we remedy this?**

More chemical treatment is an option. But, at £0.5m per additional tonne of phosphorus removed, the cost of upgrading treatment works can be disproportionate. This was recognised by the Environment Agency who agreed that we should look at the overall tonnage of phosphorus entering the Bristol Avon and its tributaries from our sites, explore more innovative approaches and decide where each is best employed.

We identified 24 sewage works that have the greatest influence on phosphorus levels in the water environment, and also those with the most scope for the application of alternative approaches. Then we agreed the amount of phosphorus to be removed across these sites as a group, rather than on a site by site basis. There are two benefits from this. This means we can try more innovative methods that don't yet have the same guarantee of success as the standard solution. It also encourages us to maximise the phosphorus we remove from each asset, rather than simply meeting the regulatory target for individual sites.



#### **The benefits**

By 2020 there will be new investment and/or operational changes at all 24 sites, and our overall discharge of phosphorus will be reduced by 46 tonnes to 216 tonnes per year across the catchment.

This approach will cost £20m less than the traditional method.

Without this novel approach, there would have been significantly less phosphorus removal in the Bristol Avon catchment during 2015-20 as it was deemed not to be cost beneficial at many sites according to criteria for investment to comply with environmental legislation.

The Environment Agency is now encouraging other water companies to look at similar proposals and it's possible that it could not only be combined with other methods such as nutrient trading, but also used to deal with other environmental pressures.

### Customers and communities

The water sector needs partnership and collaboration with customers and communities if we are to deliver sustainable service and environmental improvements.

We want to play a leading role in increasing the value that our customers and communities place on water systems. Some of the issues we face now and in the future are too big for us to tackle on our own using traditional delivery mechanisms.

By working with customers who value the natural catchments around them and demonstrating how this aligns with the services we provide and the infrastructure we look after, we can deliver greater and faster progress towards outcomes that they have told us are important to them. We recognise that we have not yet given sufficient priority to these issues and so we will need to be proactive in our engagement strategies.

We need consumer bodies to hold us to account for delivery, but also to support our engagement strategies, helping explain how our approaches are in line with customers' views and interests.

### Investors

Continued access to low cost sources of finance which we will require in order to maintain and

enhance our assets is essential. Therefore, we must actively retain the continued support of investors.

As the water value chain becomes more separated there may be opportunities for investors with different risk/reward appetites to enter the water sector. Additionally, there may be greater opportunities to invest in regulated assets that deliver wider catchment solutions, or across traditional water company boundaries and borders.

### Non-governmental organisations

There are many active NGOs with an interest in the successful delivery of our mission.

Many of these organisations have high levels of trust in the wider community and this has helped in the delivery of our affordability objectives when these trusted third parties have been willing to advise us, as well as publicly participate in the solutions.

If we are to retain the trust of our customers we need to foster new partnerships with similar organisations, particularly environmental NGOs, that will help deliver solutions affecting customer behaviour and their use of our services.

## Case study:

### Forming partnerships with trusted third parties in the debt advice sector

Customers who need the most support from us are required to seek independent debt advice. This can be face to face, online or over the telephone.

Our early partnership work with a local Citizens Advice Bureau led us to develop the industry's first social tariff, Assist.

We are delighted that we have since developed genuinely successful partnerships with the wider debt advice sector and other organisations supporting vulnerable customers such as Citizens Advice, StepChange, National Debtline (Money Advice Trust) and Talking Money. We signpost, provide links to, and fund these agencies. This means that customers don't just work with us to calculate a sustainable offer of payment, but also receive holistic debt advice and income maximisation.

We also work with housing associations, local councils, foodbanks, job centres, care organisations, Age UK, Advice UK, Children's Centres and local advice networks to help promote our affordability support to those customers who are hardest to reach.

We support a number of community based financial literacy and money management projects through our Money Matters awards and, more recently, we have been funding local outreach services in our most deprived areas.

These partnerships not only help our assistance schemes to function, but help us continuously tailor our approach as the financial pressures on our customers' change over time.



# Ideas for structural change

While top down reforms have had a positive impact on the water industry, we believe that the most sustainable solutions will continue to come from our own partnerships and initiatives.

The structural model illustrated here takes this approach a step forward. It suggests the creation of a licensed 'catchment system operator' within the regulated utility business as a means to deliver a more coherent approach to water system management. This system operator would identify what needs to improve in each catchment, taking into consideration water resources, environmental water quality, land drainage and flood defence. They would then have a duty to procure the outcomes at arm's length and at lowest whole life cost.

## Defining the outcomes

The desired outcomes would be identified through strong engagement with panels representing consumers and environmental interests and statutory bodies.

## Regulated activities

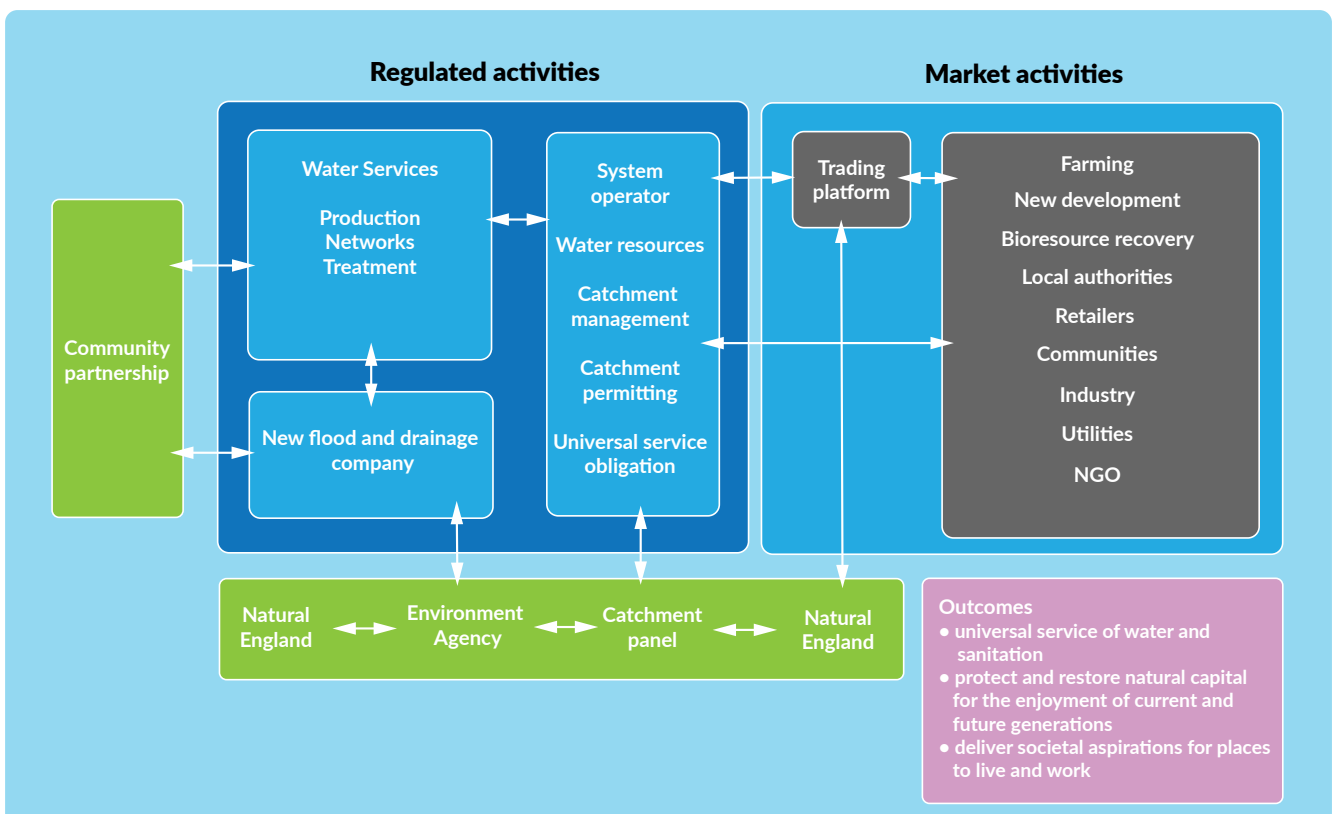
The water utility, and alongside it a new flood company (perhaps created as a joint venture with the Environment Agency) would bid to deliver capital heavy investment, privately financed at low rates through the certainty of a RAB (regulatory asset based) model and/or with the government acting as the counterparty.

## Market activities

Competing against these asset-heavy solutions would be buyers and sellers of services who can deliver local outcomes through more innovative solutions, including demand-side solutions and the creation of capacity at a local level. In some circumstances these outcomes could be facilitated through a trading platform, such as EnTrade (see our EnTrade case study on page 17).

## A structure for success

### How the water industry could look in the future



# Next steps

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In this document we have set out our key priorities for the future, based on wide and continuous conversations with our customers and stakeholders. We have also set out the strategy by which we will deliver, focusing wherever possible on forming partnerships with others and harnessing market forces where they can help deliver more cheaply.

If you would like further information on our vision to become a truly sustainable company you can find out more in our sustainability vision which is available on our website:  
[www.wessexwater.co.uk/ourvision](http://www.wessexwater.co.uk/ourvision)

We are now developing our priorities and investment plans for the period to 2025. We would be pleased to hear from you if you have any comments on this document or our future investment plans.

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