

## Anglian Water: Actions summary table

### Actions guidance

#### Company actions

We categorise actions that slow-track and significant scrutiny companies need to do as the following:

- **required actions** for companies which in general are required so that we can make draft determinations (or final determinations for some aspects of past delivery); and
- **advised actions** for companies to do by a specific date but that are not required for our draft determinations.

Each action has a unique reference. The prefix 'ANH' denotes the company Anglian Water. The central acronym references the test area where the action has been identified, please see the 'PR19 initial assessment of plans: Glossary' for a key of these acronyms. Actions whose numbers are preceded with an 'A' denote required actions and actions whose numbers are preceded with a 'B' denote advised actions.

#### Timings and required response

- **Required actions:** Slow-track and significant scrutiny companies should address all **required actions** by the date shown in the 'date required' column in the table below (the majority of these are by 10am on 1 April 2019). The response to actions should be set out by companies in their resubmitted business plans and data tables. The template action tracker should be completed with a short description of the response and relevant business plan and/or data table references and should be submitted by 10 am on 1 April 2019. We will review the response to these actions in our assessment of company submissions ahead of determinations.
- **Advised actions:** Slow-track and significant scrutiny companies should set out their response to their **advised actions** by the date shown in the 'date required' column in the table below. For advised actions due on 1 April 2019 companies should include details of their response in their actions tracker.
- **Actions tracker:** Each company must complete and submit the template action tracker by 10 am on 1 April 2019 for review. For additional guidance, please see the cover page of the template action tracker.
- **Assurance:**
  - Assurance must be provided where requested as part of an action.
  - Companies must indicate the assurance that they have undertaken for all changes to data tables.
  - Where Customer Challenge Groups (CCGs) have provided assurance this should be indicated. In some instances, we have stated where we expect companies to work with CCGs as part of their re-submission of (parts of) their business plans. Please use our PR19 methodology as the guide for where their assurance of the quality of engagement with customers may be required.
  - If additional assurance is not required, companies may still provide it if they deem it appropriate.

For all the detailed actions documents referenced in the table below, the template action tracker and glossary, please see the [initial assessment of plans webpage](#).

Anglian Water: Actions summary table

Test area	Action reference	Action type	Action	Date required
Engaging customers	N/A	N/A	None.	N/A
Addressing affordability and vulnerability	<b>ANH.AV.A1</b>	Required	All companies apart from Anglian Water have proposed a performance commitment for those who are struggling to pay or are at risk of struggling to pay. Anglian Water should propose a performance commitment relating to supporting customers that struggle to pay or who may be at risk of struggling to pay to help provide additional confidence that it will achieve its proposals.	1 April 2019
	<b>ANH.AV.A2</b>	Required	Anglian Water has stated that it will achieve the British Standards Institution (BSI) standard for inclusive services but has not provided a performance commitment or plan on how it will do so. Anglian Water should propose a performance commitment on achieving the BSI standard for fair, flexible and inclusive services for all and maintaining it throughout the 2020 to 2025 period.	1 April 2019
	<b>ANH.AV.A3</b>	Required	<p>Anglian Water has proposed a reputational performance commitment on Priority Services Register (PSR) growth (PR19ANH_22). It is proposing to increase its PSR reach from 1.5% in 2019/20 to 15% of households in 2024/25. This is a sector leading target. However, it has only checked 5% of PSR data over the past two years.</p> <p>We propose to introduce a Common Performance Commitment on the PSR: Anglian Water should adapt its performance commitment on Priority Service Register (PSR) growth (PR19ANH_22) to align with this proposed PSR Common Performance Commitment. This would involve making the performance commitment reputational and committing to checking at least 90% of PSR data every 2 years.</p> <p>For further information on the performance commitment definition, and reporting guidelines, please refer to 'Common performance commitment outline for the Priority Service Register ("PSR")', published on the initial assessment of plans webpage.</p>	1 April 2019
	Advised actions	Advised	No advised actions.	N/A
Delivering outcomes for customers	<b>ANH.OC.A1-65</b>	Required	The company has a number of actions in relation to its performance commitments, outcome delivery incentives and ODI risk/return package. Please see 'Anglian Water: Delivering outcomes for customers detailed actions'.	Please see dates in 'Anglian Water: Delivering outcomes for customers detailed actions'
	Advised actions	Advised	No advised actions.	1 April 2019
Securing long-term resilience	<b>ANH.LR.A1</b>	Required	The company should ensure that its common and bespoke performance commitments associated with operational resilience are clearly defined, sufficiently demanding for AMP7 and the long term, and supported by the right incentives. We expect the company to satisfy the relevant actions set out in relation in the outcomes areas ensuring a line of sight between risks to resilience and package of outcomes.	1 April 2019
	<b>ANH.LR.A2</b>	Required	The company should provide a commitment that it will, by 22 August 2019, prepare and provide to us an action plan to develop and implement a systems based approach to resilience in the round and ensure that the company can demonstrate in the future an integrated resilience framework that underpins the company's operations and future plans showing a line of sight between risks to resilience, planned mitigations, package of outcomes and corporate governance framework.	1 April 2019

Anglian Water: Actions summary table

Test area	Action reference	Action type	Action	Date required
	<b>ANH.LR.A3</b>	Required	The company should also provide a commitment to work with the sector to develop robust forward looking asset health metrics and provide greater transparency of how its asset health indicators influence its operational decision making.	1 April 2019
	<b>ANH.LR.A4</b>	Required	The company's assessment of financial stress scenarios extends only to 2025. The company should commit to demonstrating that its assessment of financial resilience extends beyond 2025 in its next Long-Term Viability Statement.	1 April 2019
	<b>ANH.LR.A5</b>	Required	Please explain how the company has taken account of the risks associated with: <ul style="list-style-type: none"> <li>• long term financial resilience associated with possible downgrade to its credit rating given the negative outlook;</li> <li>• requirements to refinance subordinated debt;</li> <li>• any application of the gearing outperformance mechanism for PR19; and</li> <li>• outline associated risk management/mitigation approaches identified by the company to provide assurance on long term financial resilience.</li> </ul>	1 April 2019
	<b>ANH.LR.B1</b>	Advised	No advised actions	N/A
Targeted controls, markets and innovation	<b>ANH.CMI.A1</b>	Required	The company's plan does not provide sufficient explanation for the sludge production volume forecasts. The company should provide further evidence around how the sludge volume forecast was calculated, including any assumptions made or adjustments to model outputs.	1 April 2019
	<b>ANH.CMI.A2</b>	Required	The proposed split of fixed and variable revenues for the bio-resources revenue control has not been sufficiently evidenced, particularly where cost lines are partly incremental and partly fixed. We are also intervening to ensure that the bioresources revenue adjustment is set on a broadly comparable basis to avoid setting revenue controls that may distort the development of trades. We will set out our view in the draft determinations based on the updated tables bio 1, Bio3 and Bio4. We will treat the funding of the 2020 RCV (run-off, returns and tax) as fixed for these purposes, along with revenues to recover local authority rates; some fees; and a proportion of direct and indirect costs of bioresources treatment and transport.	1 April 2019
	<b>ANH.CMI.A3</b>	Required	The company should provide a commitment to provide a detailed work programme by end August 2019 to assure us that the company will deliver appropriate drainage and wastewater management plans. The programme should ensure that the company can prepare and consult on its first drainage and wastewater management plan no later than the summer of 2022 to enable revised plans to be prepared in early 2023 to inform PR24 business plans.	1 April 2019
	<b>ANH.CMI.A4</b>	Required	The company has provided a bid assessment framework that has many elements of good practice but where we have identified specific concerns. These include, but is not limited to, areas where the process outlined for the assessment of third party bids appears to favour the assessment of in-house options without justification. The company should make a change to the bid assessment framework document in response to our feedback published in the associated information notice, including addressing the issue of potential discrimination.	15 July 2019
	<b>ANH.CMI.A5-A9</b>	Required	For DPC, the company is required to provide further evidence to support the decisions that determined why some schemes were not suitable for DPC. The list of schemes and the required evidence is detailed in 'Anglian Water: Direct procurement for customers detailed actions'.	1 April 2019

Anglian Water: Actions summary table

Test area	Action reference	Action type	Action	Date required
	<b>ANH.CMI.A10</b>	Required	The company should explain how it will work together with neighbouring companies to explore strategic water resource options and knowledge sharing on demand-side measures with regional planning groups	1 April 2019
	<b>ANH.CMI.B1-2</b>	Advised	<ul style="list-style-type: none"> <li>The company should provide further information on potential bioresources trades with other companies.</li> <li>The company should consider how it can collaborate with other companies to maximise the opportunities for research to address common challenges (eg leakage detection, water efficiency and wastewater treatment processes) rather than companies progressing research independently.</li> </ul>	1 April 2019
Securing cost efficiency	<b>ANH.CE.A1</b>	Required	<p>We provide our view of efficient costs for the company along with our reasoning. We expect it to address areas of inefficiency, or lack of evidence, in the revised business plan. Where appropriate, we expect it to withdraw investment proposals if either:</p> <ul style="list-style-type: none"> <li>the need for investment is not compelling; or</li> <li>there is no need for a cost adjustment claim beyond our existing cost baseline.</li> </ul>	1 April 2019
	<b>ANH.CE.A2</b>	Required	There is significant investment proposed in delivering the internal interconnection programme and therefore the company is required to propose an outcome delivery incentive in order to ensure customer protection for efficient delivery. The company should provide evidence to justify the level of the performance commitment and the outcome delivery incentive (ODI) rates proposed, in line with our Final Methodology. We expect to receive evidence of customer support for outperformance payments, where proposed, and that the incentive rates proposed are reflective of customer valuations.	1 April 2019
	<b>ANH.CE.A3</b>	Required	<p>Strategic regional solution development - We have identified from the plans that at least one strategic supply solution is required over the next 5-15 years to secure drought resilience in the south-east. The strategic regional solution development allocation is to allow the delivery of consistent and transparent investigations, planning and development of strategic options with the overall aim of optimum solutions being construction ready by 2025.</p> <p>The company's allocation is made on the basis of having clear deliverables and customer protection for the gated delivery of the development of an eastern regional solution/transfer. The following actions are required to ensure the efficient delivery of this development programme.</p> <ul style="list-style-type: none"> <li>In conjunction with the other companies involved, jointly propose methods for collaborative working including setting up the joint working group for individual schemes, and how consistent assumptions and decisions will be made within these groups and between them.</li> <li>Provide more detail on the gated process, the deliverables, timings and expenditure allocations at each gate.</li> <li>Propose ODI-type mechanisms to allow allocated funding to be recovered by customers in the event of the scheme not progressing through each gate and for the non-delivery or late delivery of outputs.</li> </ul>	1 April 2019
	<b>ANH.CE.A4</b>	Required	We note the company's proposal that 10% of the costs of any Amber WINEP scheme for which ministers do not confirm the need, be retained by the company to cover any initial spend made prior to the decision not to proceed with the scheme. The company should submit evidence to justify this scale of retention and identify what actions the company is taking / intends to take to minimise the possibility of abortive expenditure and why this risk could not be eliminated with appropriate scheduling. To further inform our view of the reasonableness of the company's proposal it should provide assumed expenditure profiles (capex and opex) for each of the Amber schemes included in its investment plan and give a breakdown of this expenditure between the lines in business plan tables WS2 and WWS2.	1 April 2019
	<b>ANH.CE.A5</b>	Required	There may be significant impacts in terms of investment or type of investment as a result of the metaldehyde ban. The company should investigate and agree with the DWI the scale and timing of any potential changes compared to its submitted plans. Significant changes and uncertainty may require an outcome delivery incentive to protect customers in the instance of expenditure not being required. Should the company propose a performance commitment and outcome delivery incentive, the company should provide evidence to justify the level of the performance commitment	1 April 2019

Anglian Water: Actions summary table

Test area	Action reference	Action type	Action	Date required
			and the outcome delivery incentive rates proposed, in line with our Final Methodology. We expect to receive evidence of customer support for outperformance payments, where proposed, and that the incentive rates proposed are reflective of customer valuations.	
	Advised actions	Advised	No advised actions	N/A
Aligning risk and return	<b>ANH. RR.A1</b>	Required	The company should provide further evidence of how the Board has assured itself that the company remains financeable on its actual capital structure given the statement in the business plan that it does not meet its S&P target.	1 April 2019
	<b>ANH. RR.A2</b>	Required	The company should provide further evidence to explain why there are positive values for both upside and downside values for Totex (including uncertainty mechanism) or restate its RoRE downside	1 April 2019
	<b>ANH.RR.B1</b>	Advised	The company should provide further evidence to explain how the RoRE assessment takes account of Anglian Water's systems approach to resilience.	1 April 2019
Accounting for past delivery	<b>ANH.PD.A1-6</b>	Required	The company has a number of actions in relation to the detail in some of its PR14 reconciliations. (Please see 'Anglian Water: Accounting for past delivery detailed actions').	Please see dates in 'Anglian Water: Accounting for past delivery detailed actions'.
	<b>ANH.PD.B1-2</b>	Advised	The company should develop and provide further evidence to support the continuous improvement and deliverability of incidents handling. (Please see 'Anglian Water: Accounting for past delivery detailed actions').	Please see dates in 'Anglian Water: Accounting for past delivery detailed actions'.
Securing confidence and assurance	<b>ANH.CA.A1-ANH.CA.A6 and ANH.CA.A9</b>	Required	The company is required to restate a number of forward looking Board assurance statements. Please see 'Anglian Water: Securing confidence and assurance detailed actions.'	1 April 2019
	<b>ANH.CA.A7</b>	Required	On dividend policy the company is required to confirm that it is committed to adopt the expectations on dividends for 2020-25 as set out in 'Putting the sector in balance' to include: <ul style="list-style-type: none"> <li>clear Board commitment to publish detail on dividend policies in the APR and to signal changes to stakeholders; and</li> </ul>	1 April 2019

Anglian Water: Actions summary table

Test area	Action reference	Action type	Action	Date required
			<ul style="list-style-type: none"> <li>commitment to transparency about how the dividend policy in 2020-25 takes account of obligations and commitments to customers for the dividend policy that is applied in 2020-25 and when determining dividends.</li> </ul> <p>Please provide an update on the steps you are taking to fully meet the expectations as set out in our putting the sector in balance position statement.</p>	
	<b>ANH.CA.A8</b>	Required	<p>On executive pay the company is required to confirm that it is committed to adopt the expectations on performance related pay for 2020-25 as set out in 'Putting the sector in balance' to include:</p> <ul style="list-style-type: none"> <li>visibility and evidence of substantial linkage or executive remuneration to delivery to customers;</li> <li>clear explanation of stretching targets and how they will be applied;</li> <li>clearer explanation of how the policy will be rigorously applied and monitored;</li> <li>commitment to report how changes, including the underlying reasons, are signalled to customers; and</li> <li>commitment to publish the executive pay policy for 2020-25 once it has been finalised.</li> </ul> <p>Please provide an update on the steps you are taking to fully meet the expectations as set out in our putting the sector in balance position statement.</p>	1 April 2019
	<b>ANH.CA.A10</b>	Required	The company is required to provide a revised financial model and data tables on 1 April 2019. Please see 'Anglian Water: Securing confidence and assurance detailed actions.'	1 April 2019
	<b>ANH.CA.B1</b>	Advised	The company has an advisory action regarding its financial model. Please see 'Anglian Water: Securing confidence and assurance detailed actions.'	1 April 2019

## Securing cost efficiency

The tables below set out your performance on cost at different services and for different cost types. Costs are in £m of 2017-18. We index wholesale controls with consumer price inflation (CPIH). We do not index retail controls.

### Costs by control

Costs	Water resources	Network + (water)	Bioresources	Network + (wastewater)	Residential retail	Company level
<b>Business plan totex (£m)</b>	324.0	2,582.6	488.6	2,949.5	407.6	6,752.3
<b>Our view of totex (£m)</b>	267.7	1,934.3	310.8	2,578.1	403.4	5,494.4
<b>Efficiency challenge (£m)</b>	56.3	648.3	177.8	371.4	4.2	1,257.9
<b>Efficiency challenge (%)</b>	17.4%	25.1%	36.4%	12.6%	1.0%	18.6%

### Costs by residential retail, water and wastewater

Costs	Residential retail	Wholesale water	Wholesale wastewater	Company level
<b>Business plan totex (£m)</b>	407.6	2,906.6	3,438.1	6,752.3
<b>Our view of totex (£m)</b>	403.4	2,202.0	2,888.9	5,494.4
<b>Efficiency challenge (£m)</b>	4.2	704.6	549.2	1,257.9
<b>Efficiency challenge (%)</b>	1.0%	24.2%	16.0%	18.6%

### Costs by base, enhancement and residential retail

Costs	Wholesale base costs			Enhancement costs			Residential retail	Company level
	Water	Wastewater	Total	Water	Wastewater	Total		
<b>Business plan base/enhancement costs (£m)</b>	1,711.6	2,162.4	3,874.0	1,194.9	1,275.7	2,470.7	407.6	6,752.3
<b>Our view of base/enhancement costs (£m)</b>	1,412.2	1,799.8	3,212.0	789.8	1,089.2	1,878.9	403.4	5,494.4
<b>Efficiency challenge (£m)</b>	299.4	362.6	662.0	405.2	186.6	591.7	4.2	1,257.9
<b>Efficiency challenge (%)</b>	17.5%	16.8%	17.1%	33.9%	14.6%	24.0%	1.0%	18.6%

Efficiency challenge (%) = efficiency challenge (£m) divided by business plan totex.

Note, the costs in the tables do not include pension deficit repair costs (for which we make an allowance in accordance with our policy set out in Information Notice 13/17) and third party costs. The costs are gross of grants and contributions.

Key areas where we disallow enhancement costs.

- **Wholesale water:** Supply-demand balance -£214m; New development and growth -£92m; metering -£22m; and lead reduction -£15m.
- **Wholesale wastewater:** Growth -£92m; WINEP storm tank capacity -£32m Sludge growth -£28m; WINEP P removal -£15m.

We make an additional allowance of £10m for development of strategic regional water supply solutions.