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9 August 2019

Dear Ofwat,

**Call for input into Ofwat's emerging strategy**

I write in response to Ofwat's request for feedback on its publication about the emerging strategy. This follows and expands on the feedback we provided in our recent discussion with John Russell and the letter in May 2019 from our CEO, Richard Flint, to Rachel Fletcher.

We observe broad consensus amongst a wide range of stakeholders on the challenges facing the water industry. As part of the sectoral response to these challenges, we welcome the general direction Ofwat proposes in its emerging strategy publication and we support the three 'aspirations' and the three 'shifts' that Ofwat suggests are required for the sector. There is strong alignment between Ofwat's emerging strategy and our long term strategy, *Not Just Water*, and our five Big Goals: Customers, Water Supply, Environment, Transparency and Bills. Our strategy can be found at [www.yorkshirewater.com/biggoals](http://www.yorkshirewater.com/biggoals).

Through our work over the last three years to develop and embed our new strategy, we have been establishing our approach and leadership role on many of the themes described in Ofwat's emerging strategy. We are keen to find more ways to share and discuss our mutual learning. We are also keen to support Ofwat and the sector in ensuring an effective response to the challenges by embracing the many opportunities arising from the remarkable consensus on the challenges the industry faces.

In the remainder of this letter we outline areas of our learning and some of the new approaches we have introduced as a result of our strategy. In the annex to this letter we provide our answers to your emerging strategy microsite questions. On our recent call with John Russell, he expressed interest in hearing more case studies so we include examples throughout our response.

## **Growing our social value and embracing our role as an Anchor Institution**

It is very positive to see the recognition of the concept of social or public value playing such a central part in Ofwat's emerging strategy. This concept plays a central part in our long term strategy. Since publishing our strategy last summer, we have taken important steps to embed this principle across all our activities. At Board level we established a new Social Value Committee in January 2018 to escalate our focus in this area. The Committee's performance is summarised in our latest Annual Report and Financial Statements (ARFS), starting on page 86. Through our 'integrated reporting' approach in the ARFS, the publication is designed to provide insight into how we are championing responsible business practices through everything we do. The report is available at [www.yorkshirewater.com/reports](http://www.yorkshirewater.com/reports).

We have embraced the concept of Anchor Institutions. These are large organisations whose role, purpose and permanence in a regional economy can make an extra contribution to inclusive growth in that region by working closely with similar institutions such as local authorities, hospitals and education establishments.

Anchor Institutions can increase their impact in many ways, for example by changing how they recruit to target marginalised communities, by ensuring that they have fair pay policies, by improving their diversity and inclusion, and by ensuring that they offer secure employment. They can also have an impact by, where possible, including Social Value in their procurement process ensuring that the employment principles are followed throughout their supply chain and by ensuring that local SMEs can win contracts which will promote local growth.

Other dimensions through which Anchor Institutions have the chance to contribute include the way in which they manage assets such as land and property, and their role as corporate citizens. Yorkshire Water is the first private sector organisation in Yorkshire to join existing Anchor networks in Leeds and Kirklees and we have set up a network in Hull through our *Living with Water* partnership. We will shortly undertake an assessment of our potential roles to better understand how we may contribute more. I would be happy to share the results of that assessment across the sector as there may be relevant learning for others.

Building on our commitment to open data, earlier this year we published our first workforce diversity report which showed the profile of our workforce, mainly by gender and ethnicity. We also published our ethnic pay gap alongside the statutory requirement to publish gender pay gap. Our data on the other protected characteristics under the Equality Act 2010 is not yet comprehensive, but our next priority is to improve our disability data and to work towards publishing a disability pay gap. Linked to this, we have engaged in a partnership with the Lighthouse Futures Trust to improve access to the workforce for people with learning disabilities. John asked to hear more about this partnership, so we provide more detail on page 4 of this letter.

Our intention is to work with other organisations in Yorkshire to contribute data to create a Yorkshire wide workforce diversity dashboard to better enable employers to work together to improve representation. We will be discussing with Water UK whether water companies could do the same across the sector. The water industry would then be the first to publish such comprehensive diversity data on an industry wide basis.

### **Delivering and building on the new Public Interest Commitments (PIC)**

It is pleasing to see Ofwat recognising the potential contribution of the PICs that the industry has signed up to. In Yorkshire, we see the commitments as more than just a chance to demonstrate aspects of the social and environmental contribution of the sector. Rather we believe that they are the first step to engaging our customers in setting really challenging ambitions for PR24 and AMP8.

To this end, once we have worked through our own operational approaches to achieving our share of the commitments, we will commence an innovative engagement with our customers to create a joint enterprise with them to ensure that delivering our PICs will be a Yorkshire-wide enterprise rather than just Yorkshire Water. This process will start in the Autumn and will include co-creation workshops across the county to be followed up by a series of citizens' juries and other deliberative techniques which will be new to us. The intention is to create a genuine contract with Yorkshire to deliver the commitments and to create a partnership which will take us into the following five year period and beyond. We will be inviting Ofwat colleagues to attend the workshops and other events which will run from September through to next March.

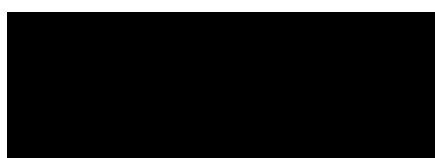
### **Helping shape the emerging strategy and industry response**

We would like to engage with Ofwat through the course of the summer and autumn to contribute to the final strategy, and then carry on into 2020 to support preparations for an ambitious and effective PR24. We would welcome further discussion about how we can best support Ofwat in embracing practical activity towards the new strategy, for example by sharing further evidence and case studies, by convening the sector and others on priority issues, or by developing and piloting innovative approaches that could be introduced at PR24.

As an immediate next step, following the recent call with John Russell, my colleague Gordon Rogers, our Head of Sustainability, will be in touch very soon on the agreed action to explore how Ofwat and Yorkshire Water could co-convene a workshop with others in the sector to further explore the themes of Ofwat's emerging strategy and our 'Not Just Water' strategy. Additionally, in September we will respond to Ofwat's thoughts on driving transformational innovation in the sector.

Should you wish to discuss any matters relating to this in further detail, I would be grateful if in the first instance you would contact our Regulatory Strategy Manager, Colin Fraser at:

Yours sincerely,



Wendy Kimpton

Head of Regulation

## **Case study - Helping to improve access to employment for all parts of our communities**

As large employers within their regions, water companies can play a positive role in helping social cohesion by embracing the strengths of being diverse and reflecting the society they serve. At Yorkshire Water, we have worked in partnership with two organisations, the Lighthouse Futures Trust and Barnardo's, to run internships and work placements with young people who struggle to gain experience of employment through conventional routes. The internship programme with the Lighthouse Futures Trust has been operating since 2016 for students with autism or a related communication disorder. Under a carefully designed programme, the students take up real jobs in Yorkshire Water for up to a year, supported by a dedicated job coach. The students also have time to study for a work skills qualification and undertake team working to develop their skills in a working environment. This has resulted in great feedback and benefits for the students, including many securing jobs with us or others. We have also seen operational benefits where the student's skills and abilities have helped bring fresh insight and different ways of working.

### **Case Study – Supported internship programme with the Lighthouse Futures Trust**

We were struck by the recent statistic that found only 6% of adults with learning disabilities in England were in paid employment. In response, we have established a partnership with the Lighthouse Futures Trust to challenge this through their disability internship programme for students with autism. The programme consists of a year-long work placement in real jobs the business requires, alongside studying for a work skills BTEC qualification. We have found this approach gives the students a far greater chance of securing paid employment in the future.

We have taken many young people through our internship programme since 2016 and are pleased that we have been able to offer some of them permanent roles in the business that they would otherwise have had great difficulty accessing. In addition, we know many of the other students have gone to employment with other organisations.

Yorkshire Water was the first water company to certify to the National Equality Standard, which recognises good practice in equality, diversity and inclusion. We plan to continually widen our recruitment pools, for example exploring ways to target communities which are traditionally hard to reach.

[yorkshirewater.com/about-us/newsroom-media/autism-awareness-week-2018](http://yorkshirewater.com/about-us/newsroom-media/autism-awareness-week-2018)

[lighthousefuturestrust.org.uk/case-study-patrick-at-yorkshire-water](http://lighthousefuturestrust.org.uk/case-study-patrick-at-yorkshire-water)

## **Yorkshire Water response to the call for information on the Ofwat emerging strategy**

We provide responses to the emerging strategy consultation questions below.

**Q1 Based on the draft in our discussion document, what do you think should be included in a shared vision for the sector? What are the collective aspirations it needs to achieve?**

We believe the vision should be based on the common understanding of the challenges we face as a sector from companies, regulators, governments, customers and the voluntary sector as well as the duties and objectives Ofwat has been given by UK and Welsh Governments. We feel there is a strong consensus over what these challenges are, particularly a priority in responding to climate change. The supporting draft aspirations are broad enough to cover appropriate responses to the challenges. However, the aspirations need to give space for innovation, and local, regional and national differences. The final vision should build on the remarkable alignment to set the longer term ambitions whilst retaining the effective current regulation.

**1. *Delivering everyday excellence – the standard of service needs to be continually rising and customer's changing expectations must be met.***

Key to this aspiration is the understanding of customers current views of our service and identifying what customers value and want, at a community and personal level. Many of our customers priorities do align with those of the Government, regulators and customer advocacy bodies, yet some are shaped by local or regional influences. The vision and strategy at a sector level should recognise local, regional and national differences, and should enable companies to understand and deliver service excellence in a way that continues to meet needs and priorities which can be quite personal to customers.

**2. *Stewardship for the future – companies need to share responsibility for thinking and planning for the long term. They need to look after the systems, relationships, investment and reputation to ensure a sustainable future and protect and enhance the environment.***

As a major land owner we are long term custodians of some of the most attractive and sensitive land in Yorkshire and indeed the whole country. Our land strategy will expand our various land management programmes to better protect and restore the land we own and we will influence management of other land owners. There are multiple benefits of such catchment management to reduce pollution of water sources and degradation of our upland and lowland catchments. The use of our six capitals approach informs the interventions and improvements delivered under our land strategy by accounting for the impact and progression across all capitals. Examples of our current progress in natural catchment management lead us to have confidence the approach is scalable and importantly sustainable.

3. **Value for individuals and for society** – water needs to be affordable and through delivering water and wastewater services companies need to deliver value for customers, communities and the environment.

We agree that delivering value for customers, communities and the environment is fundamental to the vision for the sector. It is important that as we strive to address the climate and growth challenges, the value we deliver must be affordable for future generations also.

**Q2. Should water companies be encouraged or incentivised to consider wider public value in what they do? What does this phrase mean to you, and should Ofwat take a role in making that change happen?**

As we outlined at the start of this letter, we have embraced our role as an Anchor Institution, observing and acting on a wide range of ways in which a water company is well placed to grow the public value it creates by working innovatively and collaboratively to get the most from its assets and operations. We have taken this approach because this can deliver substantial benefits for customers, the environment, and for our business. Critically, an increased focus on wider public value in the water industry is integral to protecting and growing the stakeholder trust that we fundamentally rely on. We would therefore welcome further encouragement and incentives to support companies in recognising and growing this value.

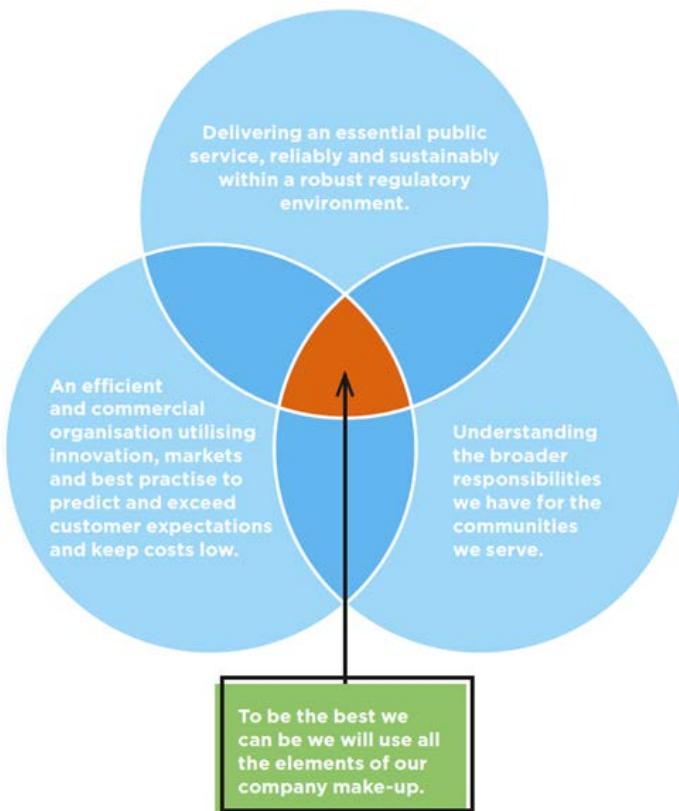
We use the term Social Value in Yorkshire Water, defined to mean ‘the benefits delivered by an organisation to the society it serves’. We described in our letter how the Board have established a new committee to increase our focus and governance on the priority area of Social Value.

To support our focus on growing Social Value, we have adopted the six capitals approach. Our approach helps us understand our total impact, both positive and negative, and is shaping our decisions and investment choices. We have published a series of six capitals case studies and detailed methodologies, including our first Total Value Impact Assessment (TIVA) which gave us a rich understanding of Yorkshire Water’s impact on the region to help shape our long term strategy. This can be found at [www.yorkshirewater.com/capitals](http://www.yorkshirewater.com/capitals).

We continue to develop and embed the six capitals approach, having recently updated our human capital assessment to help inform our people strategy – this will soon be published on our website. To help inform Ofwat’s strategy, capitals approaches offer ways to measure and monitor an organisation’s Social Value, and therefore may help with incentives. Additionally, capitals-style assessments are maturing traditional approaches to cost-benefit assessment to support more sustainable outcomes that ensure best and long term value for our customers.

The customer challenge group, the Yorkshire Forum for Water Customers, has welcomed our increased focus on the impact we have on customers, communities, businesses and the environment, and our plans to further grow the value we deliver for citizens and society.

Through our assessment of our impacts and our greater recognition of our influential and vital role within the communities we serve, we developed a simple model to explain our company approach and help shape our long-term strategy. Richard Flint referred to the model in his letter of 24 May and we provide it again here for ease.



The model highlights that a water company's different roles can be complementary, with each role incorporating strengths that only together ensure the best service and value to customers. For example, the drive of a good commercial organisation for efficiency, innovation and long term financial security, combines well with the focus on consistently great public service and wider commitments to serve the needs of our diverse communities.

We now use this model to inform how we deliver our duties to our customers, stakeholders and the environment. Many of our recent examples of sectoral leadership are based on this model and our conclusion that we must continue to recognise and deliver wider public value for customers now and into the future. For example, this led us to: substantially increase investment to achieve upper quartile sectoral performance in key service areas; lead the sector in closing our Cayman Island companies; and, launch our Sustainable Finance Framework and issue our first, and the world's first, sterling Sustainability Bond which is purposefully designed to be a holistic rather than project-based approach and which recognises the need to consider and balance both environmental and social priorities. Our Sustainable Finance Framework can be found at:

<https://www.keldagroup.com/investors/sustainable-finance/>.

The definition of public or social value cannot be static. Our research and insight into the lifestyles, needs and hopes of our customers demonstrates there can be areas of common priorities and expectations, such as wanting a secure supply of water and avoiding service failures that impact on their lives. Yet also customers want us to understand their own personal needs and wants from our services.

In addition to our customer insight, we build into our strategy and planning the public value priorities of Government, our regulators and customer interest bodies, such as CCWater, societies and charities. These are dynamic and change over time, reflecting evolving public interest and the political choices of the period.

As such, Ofwat's approach to encouraging companies to deliver greater social and environmental value and set strategic long-term expectations needs to be flexible. The reporting and measurement regimes used, and any reputational and financial incentives set must have flexibility designed in – recognising the prevailing national priorities can evolve, whilst making allowances for the regional priorities determined by customers and stakeholders. We believe the measurement and application of incentives based on assessment of value should be developed with the support of companies and other stakeholders.

We would be happy to share our learning from the development and deployment of our six capitals approach to valuation of our contribution to Yorkshire, and how this can be embedded in company decision making. We can provide examples where we have already made progress, such as in the application of our land strategy and our approach to natural catchment management solutions.

**Q3. Do you think long term aspirations and targets will be effective in driving the sector forwards? What should they cover and how should they work in practice?**

We agree it is judicious and necessary to consider long-term aspirations and targets beyond the conventional 5-year price review cycle, both in terms of dealing with the far-reaching and long term climate challenges and population growth, resilience in the round and also considering the impacts the sector has on current and future customers and the environment.

We welcome the approach proposed under the '**Creating a better future**' shift in working with others to set strategic long-term targets.

We also welcome the acknowledgement of the stretching goals set in the water industry's PICs. Such commitments, and our work on delivering wider and deeper value, recognise our fundamental reliance upon the environment and the climate and biodiversity emergency we face as society. We believe working with others to achieve very challenging goals that contribute to greater value beyond operational resilience and service excellence, will further bolster the legitimacy of the sector. Along with our approach to greater openness and

transparency, we can then leverage our collective and local power as influencers and conveners for action in many critical areas with policy makers, communities, NGOs, industry and investors.

We welcome the approach proposed under the '**Encouraging private enterprises to deliver public value**' shift with a stronger focus on delivering value for communities and the environment, through which the industry can rebuild trust.

We believe companies should own the aspiration to create more public value as they carry out their role in delivering essential water and wastewater services.

#### The aspiration: Transforming societal value we deliver

We know that financial transparency and legitimacy are essential to a private company delivering essential public services. Whilst we have delivered significant financial efficiency to help keep water bills low for customers at the same time as securing large-scale investment to modernise infrastructure and improve services, some of our stakeholders have questioned our complex financial structures and levels of profit. We have responded by simplifying our financial arrangements and being even more transparent, and we continue to focus on this area.

In our answer to the last question we discussed our six capitals approach. We have also embedded the six capitals approach in our decision-making framework (DMF) to ensure that every investment decision considers overall benefit. This is a tool that helps us consider possible solutions by measuring benefits across the six capitals using a broad range of metrics, each based on latest best practice and sound, nationally recognised criteria – for example using the Government's data on the cost of carbon and HSE data on the cost of an injury to an individual, their employer and to wider society. This approach enables us to evidence and measure the impact of our activities across the six capitals and make investment decisions that are optimal in the round.

#### The aspiration: Securing value for communities

We work in partnership in many areas with other organisations, local authorities and NGOs. Much of this work includes significant elements that deliver wider benefits to society and communities without comprising the delivery of our core services. Indeed, by seeking out the wider benefits, there is often greater long-term value for both the company and our partners. It is an area where we set an innovative performance commitment 'working with others' in the current AMP to stimulate culture change within the company and incentivise innovation and collaboration.

Recent examples include wider value to the communities through our Living with Water Partnership in Hull. Most of Hull sits below the high tide level and it is the second most vulnerable city after London for flooding. The Partnership comprises the Environment Agency (EA), Hull City Council, the East Riding of Yorkshire Council and Yorkshire Water, working collaboratively to deliver visionary integrated water system solutions that help build thriving resilient communities.

The Partnership has recently secured nearly £0.6m of grant funding to create three new jobs to raise awareness of flooding and to carry out training in how to reduce flood risk in Yorkshire.

#### **Case study: Living with Water Partnership – pathfinder flood resilience funding**

The Living with Water Partnership has been a highly visible and inclusive programme for the City of Hull led by key organisations and authorities who all have a significant stake in ensuring Hull is resilient to flooding into the future and that it becomes an international exemplar for living in harmony with water.

The Partnership secured £574,000 grant funding for a pathfinder flood resilience project which will fund three new education posts that will benefit the wider Yorkshire Regional Flood and Coastal Committee area.

The initiative will encourage greater uptake of property-level flood resilience measures (flood doors, hard floors, raised electrics) across the Yorkshire Regional Flood and Coastal Committee area. The pathfinder flood resilience project funding from Government will also establish a community hub and learning laboratory in the centre of Hull at Wilberforce Sixth Form College, working with existing projects and initiatives in the area, and provide staff to deliver a scale apprentice training programme.

Building greater resilience into homes, businesses and infrastructure forms one of the core themes of the EA's draft Flood and Coastal Risk Management Strategy, preparing for increased climate risk over the next 100 years.

We observe significant potential to create new value for communities through the exploration of new markets for waste and alternative sub-potable water supplies, such as in industrial cooling processes. For example, we are currently trialling sub-potable water use in concrete production working with a large customer and academia. We are also exploring waste heat and water reuse at the sustainable homes and business development on land at our Esholt wastewater treatment site (mentioned in our May letter to Rachel Fletcher). The homes will be ultra-low water use, targeting 80 litres per person per day.

#### **The aspiration: Sustainable future water resources and operational resilience**

Resilience is a clear priority for the sector, particularly in response to the threats from climate change and extreme weather. We welcome the focus on resilience throughout the emerging strategy, consistent with the methodology for PR19. This includes further thinking on how to stimulate and support collaborative, multi sector solutions. We believe this represents a positive evolution of Ofwat's work in this area.

The Ofwat strategy publication rightly references long-term water supplies as a key focus and aim to address the aspects of the climate and population challenges – and a twin track approach of accessing new or alternative supplies whilst driving down average demand through greater control of leakage and greater water efficiency with customers. Climate change also presents significant threats with the increased frequency and severity of weather events, which we may consider today to be extreme. There is and will be an

expectation of society that the sector and associated agencies will be ready to deliver the required step change in operational resilience and preparedness to mitigate the worst effects of increasingly common severe weather and coastal flooding, through resistance, redundancy and rapid recovery.

Addressing the resilience gap is one of the key issues facing the UK water industry. Better resilience planning in future will be crucial, particularly given the context of the long-term sustainability, operating and financial challenges facing the industry.

Through the PR19 process, Ofwat, Yorkshire Water and other companies have further developed their approaches to the measurement and management of resilience. It will therefore be useful as PR19 completes, for the sector to reconvene its national working groups on resilience to share latest developments and explore how the industry can further mature its approach and standardise them as far as appropriate. We would be happy to work with Ofwat to explore such opportunities. As part of this, we will share the progress we have made through our work with resilience experts at Arup to develop a systems-based resilience framework, and the subsequent introduction of our Risk and Resilience Committee to mature our governance. Our framework can be found at [www.yorkshirewater.com/resilience](http://www.yorkshirewater.com/resilience).

In addition to improving our corporate measurement and management of resilience, we have also continued to focus on practical improvements to the resilience of Yorkshire's water and waste water services. One example is the step-change approach to our land strategy, where we are not only much more actively focused on how land management approaches can help (or hinder) service resilience, but also how such approaches can grow social value more broadly through a wide range of benefits.

#### Case study: Natural flood management

The Calder Valley has a long history of flooding and we identified the land above our Gorpley reservoir in the Calder Valley as somewhere that we could implement natural flood management measures. In partnership with the White Rose Forest, and working with local community groups, volunteers and schools, we will plant around 200,000 trees over 200 hectares of land around the reservoir and its lower slopes. We will also restore poor blanket bogs on the moor tops.

The project will help slow the flow of water down the catchment and help alleviate flood risks to the Calder Valley itself. Further benefits of this approach include capturing carbon in the blanket bog and new trees, enhancement of the local habitat and support for biodiversity.

This approach is being explored for wider use and we are looking to contribute to the creation of a Northern Forest stretching from Liverpool to Hull.

**Q4. Do you think we're focusing on the right areas in which to drive transformational change, as we've set out on pages 26-29? E.g. innovation, the natural environment, customer relationships.**

We agree the immediate and long-term challenges facing the sector are significant and the vision rightly requires an ambitious response. In terms of the proposed areas of focus by Ofwat, we agree these are all relevant.

We welcome the approach proposed under the '**Driving transformational change**' shift in setting incentives and using other tools to speed up change in the sector.

We note there can be a perception that though innovation research and trialling is constructive, the sector is relatively slow to widely adopt new techniques and technologies at scale. We will review Ofwat's proposals for an innovation fund or a post-AMP innovation incentive with interest.

We believe the emphasis on ensuring our ecosystems and natural resources are managed sustainably is valid and could go further in recognising the benefits to the UK beyond the stewardship of water resources and protection of the environment from pollution.

In conjunction with forming a shared vision with impact and resonance beyond the sector, we consider it crucial to work collectively as companies, regulators and governments to create a clear and overt public imperative to ensure the affordable resilience of our services and mitigation of wider impacts in the changing climate and for a growing population (i.e. water efficiency and flood management).

We need not only understand and mitigate the service impacts of these twin challenges but play our part in addressing the wider and existential threats climate change presents nationally and globally which will impact our customers through the environment (flooding, pollution, degradation of biodiversity) and pressure on infrastructure (damage, loss of service, isolation of assets).

Looking externally, the energy sector, driven by the UK commitment to legally binding greenhouse gas emissions reduction targets, has worked closely with the transport and heat industries to shape the debate beyond the challenges to service resilience into a national agenda to advance 'decarbonisation' solutions. Government intervention and regulation has understandably played a significant role, in particular working to ensure the preferred market-based mechanisms can get ready to deliver the scale and pace of change needed.

The strategy for our sector should recognise the many ways we can positively contribute to the greenhouse gas position of the UK, from the restoration and protection of peatland (both in our stewardship and beyond) to addressing the carbon emission intensity of our constructed assets and operational activities both directly and through our extensive supply chains. The Water UK PICs make key pledges to address significant risks and issues faced by customers and the environment. We must ensure these do not run counter to the future regulatory strategy and policy frameworks.

We are pleased there is no reference to plans to revert to prescriptive command and control type policies from Government or Ofwat. Rather policy frameworks, market design and

regulation are the tools by which policymakers and Ofwat seek to drive investment in water, wastewater and sustainability projects which are compatible with policy objectives.

We believe there should be similar focus given to the required transformative change to deliver long term flood and drainage management plans. From accelerating the rollout of SuDs to flood mitigation work outside our immediate sector, to creating homes that are more resilient to flooding and developments that contribute to improving the capacity of sewerage and surface water networks in order to provide greater protection from extreme weather and population growth.

**Q5. How do you think we could evolve our approach to price controls, building on the conversation on page 36?**

We agree the price review regime will remain an important tool for delivering value for customers, the environment and for holding companies to account for their commitments and performance. We are pleased that Ofwat is considering how five-year performance aligns to the delivery of medium- and longer-term aspirations, and whether the provision by companies of indicative outcome performance commitments to 2035 in PR19 is sufficient to check alignment with performance delivery in the short term.

We note with interest how the price review could be redesigned to account for the greater role foreseen for markets across the wholesale value chain. We are currently preparing to respond to Ofwat's call for views and information on a potential future water resources bilateral market.

We are interested in Ofwat's points about the extent to which the scope of activities such as vulnerability, corporate, financial and operational resilience and innovation are considered more effectively pursued outside the price review process in future. Certainly, there could be opportunity to streamline the price review process, yet with the development of performance commitments and related outcome delivery incentives in some of the areas of activity highlighted, we would welcome the opportunity to discuss with Ofwat its thinking on how companies would be made to account for their approach outside the current framework.

We welcome the focus on continuing to use customer insight to shape our business plans into the future, and the aim to improve the robustness of customer willingness to pay analysis for new commitments that could have significant impact on customers' bills.

Regarding the current fast track approach and how that evolves to differentiate between the process for companies with a strong track record in living up to the aspirations of the vision, we would welcome the addition of a track record in delivering to the commitments the company made to its customers. These commitments should still reflect customers own priorities, suitably assessed at a company or more granular level, rather than being wholly reliant on national survey results.

As we have stated earlier in this response, we would be happy to help Ofwat and other companies consider natural capital accounting methods and could work with Ofwat this year in convening a workshop or working group to look at best practice in this area.

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