

# PR24 - our plans for the future



19 October 2023



# Today we'll cover

10:00 – 10:10 **Welcome and safety briefing**  
Linda McCormack and Sean Moyser

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10:10 – 10:30 **A plan with purpose**  
Peter Simpson

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10:30 – 10:45 **PR24 – the size and shape of our plan**  
Darren Rice

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10:45 – 11:00 **Building our plan**  
Steve Buck

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11:00 – 11:15 **Break**

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11.15 – 11:30 **Funding our plan**  
Fraser Campbell

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11.30 – 11:40 **Cost of equity and cost of debt**  
Wayne Young

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11:40 – 12:05 **Q&A**

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12:05 – 12:45 **Lunch**

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12:45 – 15:15 **Tour and market stall rotation**

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15:15 – 15:25 **Back in the room**

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15:25 – 16:00 **Reflections and final Q&A**

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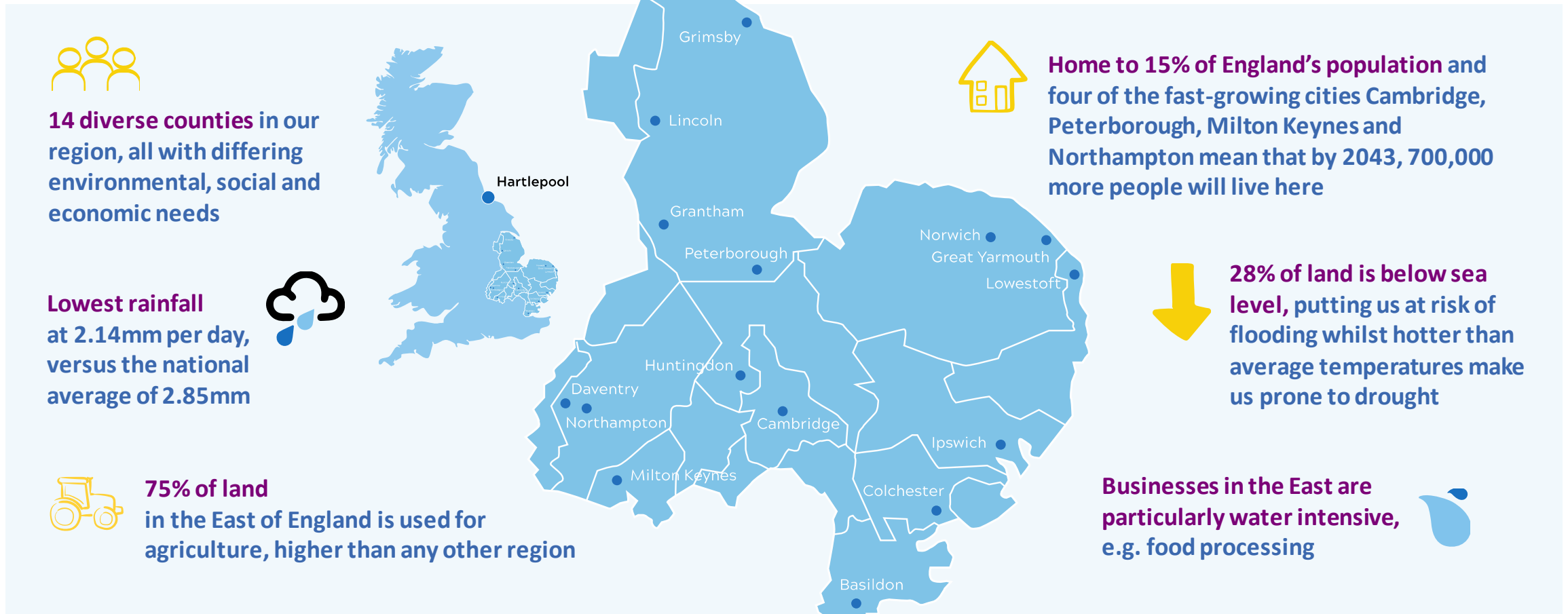
# A plan with purpose

**Peter Simpson**

Chief Executive



# The unique challenges in Eastern England





# Enabling social and environmental prosperity in Eastern England

## Our 25-year Strategic Direction Statement



Resilient to the risk of drought and flood



Work with others to achieve significant improvements in ecological quality of catchments



A carbon neutral business



Enabling sustainable economic and housing growth

Our plan is worth over £9 billion. In 2025, excluding inflation, our bills will rise just 11p per day. By 2030, average bills will cost £1.57 per day, a total rise of 21p a day over the five year period.



### By 2030 we will:

Support **all customers** at risk of water poverty

Double our investment in the environment to **£4bn** to enable nature recovery

Use nature-based solutions to create an area **the size of 100 football pitches** of treatment wetlands along with **52 new** sustainable urban drainage schemes

Achieve a **70%** reduction in capital carbon against our 2010 baseline

Reduce per capita consumption to **124 litres** per person per day while again reducing leakage to new industry-leading levels

Invest **£476m** to accommodate housing growth, with **700,000** more people expected to live here in the next 20 years

Plan for **2 new reservoirs** with our Strategic Pipeline network extended to build further drought resilience and environmental protection

Increase capacity of our waste water network by **112 Olympic sized swimming pools**, reducing pollution risk and spills

Renew **695km** of vulnerable pipes to futureproof our water mains and sewers against climate impacts

Launch a new **Medical Needs Discount**, an industry-first, providing financial aid to those with specific medical needs at zero extra cost to any customer

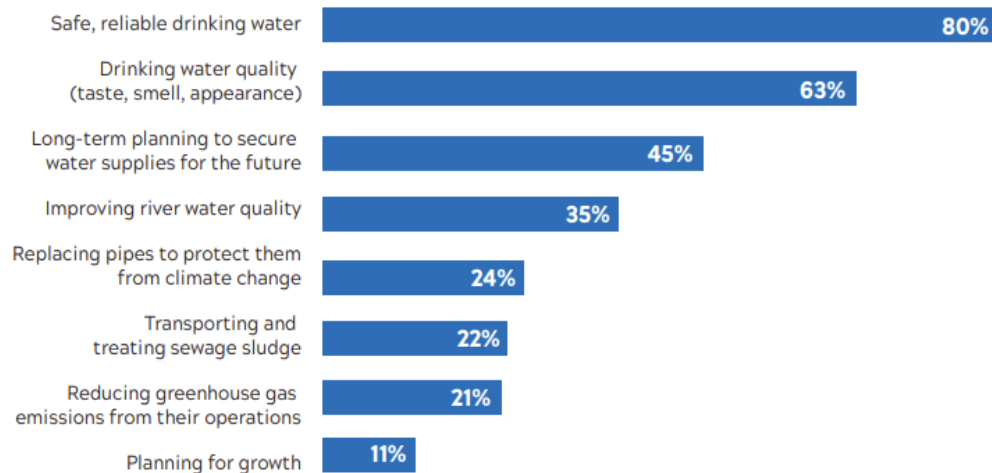


**73%** of customers surveyed accepted our plan

# Understanding our customers' priorities

## Our plan responds to what our customers tell us is important

Figure 1: Ranking of customer priorities for capital investment (customer survey 2022/23)



- **Safe, clean water**
- **Secure resources for the future**
- **Take care of the environment**
- **Support the most vulnerable in society**

### Engaging with our customers

We are constantly engaging with customers, with over

**1 million**  
direct customer  
contacts a year

**387**  
customer  
panels

**100,000**  
responses to our  
customer feedback  
surveys

**Customer  
Board**

**Independent  
challenge group**

**Your  
water  
your  
say**

# Holding ourselves to account

Our **purpose** is to bring environmental and social prosperity to the region we serve through our commitment to Love Every Drop.

**Led the way:** British Standards Institution (BSI), the development of a new Publicly Available Specification (PAS) for embedding purpose in organisations (PAS:808 2022)

The provisional outcomes of the assessment have commended Anglian Water for the extent of maturity seen in relation to the embedment of the purpose-driven principles and behaviours defined by PAS808.

**Peter Hickmott | BSI Lead Auditor**

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# The size and shape of our plan

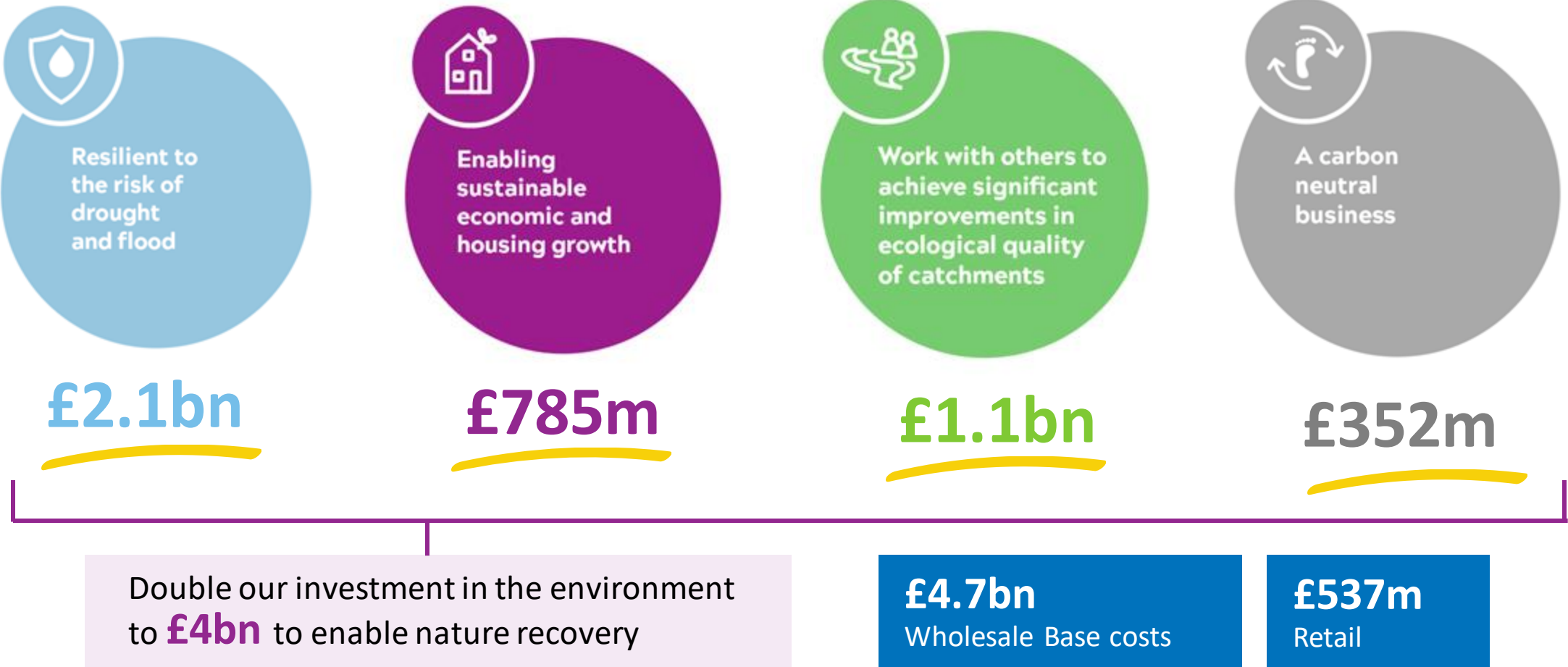
**Darren Rice**

Regulation Director





# What our AMP8 plan will deliver for Eastern England



Double our investment in the environment to **£4bn** to enable nature recovery

**£4.7bn**  
Wholesale Base costs

**£537m**  
Retail

# What our AMP8 plan will deliver for Eastern England

**£2.1bn**



**73%** of customers surveyed accepted our plan



## Our proposed investment for 2025-30

	WRMP		DWMP	WINEP
Water quality	Interconnectors	Strategic regional options	Reducing flooding risk	Storm overflows and FFT
<b>£210m</b>	<b>£534m</b>	<b>£233m</b>	<b>£61m</b>	<b>£517m</b>
Resilience	Supply side improvements			
<b>£308m</b>	<b>£256m</b>			

## Our proposed improvements for 2025-30

Reducing spills from overflows	17%	Compliance for water quality	100%	Supply interruptions	50%	Reducing external flooding	4%
Reducing internal flooding	21%	Reducing WQ contacts	8%	Climate vulnerable mains (PCD)	8.4%	Reducing mains repairs	8%
Sewer collapses	Stable						

# What our AMP8 plan will deliver for Eastern England

**£785m**



Enabling sustainable economic and housing growth

**73%** of customers surveyed accepted our plan ✓

## Our proposed investment for 2025-30

	<b>WRMP</b>		<b>DWMP</b>	<b>WINEP</b>
Onsite housing growth	Metering	Leakage	Growth at WRC	Bathing waters
<b>£251m</b>	<b>£137m</b>	<b>£35m</b>	<b>£164m</b>	<b>£38m</b>
	Demand side improvements			Nutrient Neutrality
	<b>£22m</b>			<b>£138m</b>

## Our proposed improvements for 2025-30

Reducing leakage	8%	Reducing Per Capita Consumption	6%	Improving bathing waters	6%	Business demand	Stable
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# What our AMP8 plan will deliver for Eastern England

**£1.1bn**



Work with others to achieve significant improvements in ecological quality of catchments

**73%** of customers surveyed accepted our plan



## Our proposed investment for 2025-30

First time sewerage

**£59m**

### WINEP

Advanced WINEP

**£26m**

Chemicals removal and investigations

**£63m**

Monitoring

**£264m**

Water WINEP

**£51m**

Investigations

**£24m**

Nutrient and sanitary parameters

**£638m**

## Our proposed improvements for 2025-30

Reducing total pollutions

**41%**

Improving river water quality

**15%**

Biodiversity units created

**22**

Reducing serious pollutions

**100%**

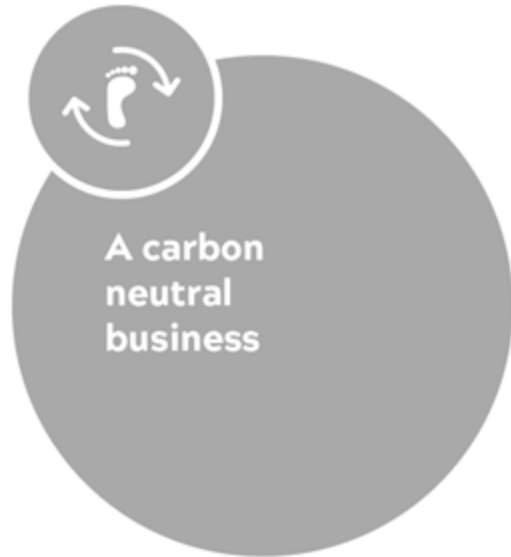
Permit compliance

**100%**



# What our AMP8 plan will deliver for Eastern England

**£352m**



**73%** of customers surveyed accepted our plan ✓

## Our proposed investment for 2025-30



## Our proposed improvements for 2025-30



# What our AMP8 plan will deliver for Eastern England



Resilient to the risk of drought and flood

**£2.1bn**




Enabling sustainable economic and housing growth

**£785m**



Work with others to achieve significant improvements in ecological quality of catchments

**£1.1bn**



A carbon neutral business

**£352m**

Double our investment in the environment to **£4bn** to enable nature recovery

**£4.7bn**  
Wholesale Base costs

**£537m**  
Retail

# Building a balanced plan

**Steve Buck**

Chief Financial Officer



# Affordability

## Keeping bills affordable whilst driving efficiency

- **£990 million removed** from our plan

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- Rise of 15.5% during AMP8 – one of the **lowest in the industry**

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- Bills **2.7% lower** than they would have been

## By 2030 we will support all customers at risk of water poverty

- Support **300,000** customers predicted to be in water poverty, including a **50% discount for 230,000**

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  - Bills no more than **5%** of disposable income

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  - Our owners will fund a new **Medical Needs Discount**

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  - Data sharing with local authorities and other services to **support vulnerability** even further
- Expand our Extra Care service to more than **650,000** customers

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  - **Doubling** the cross subsidy (£12 to £24) available to support customers through our social tariff

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  - Smart meter rollout complete, helping customers **lower bills** by saving water



# Deliverability

## Our planned enhancement spend for AMP8 is almost double that of AMP7

- Supply chain and alliance partners on board
- 85% of work already under a form of agreement
- New 'net zero' training facility
- 7,000 new jobs



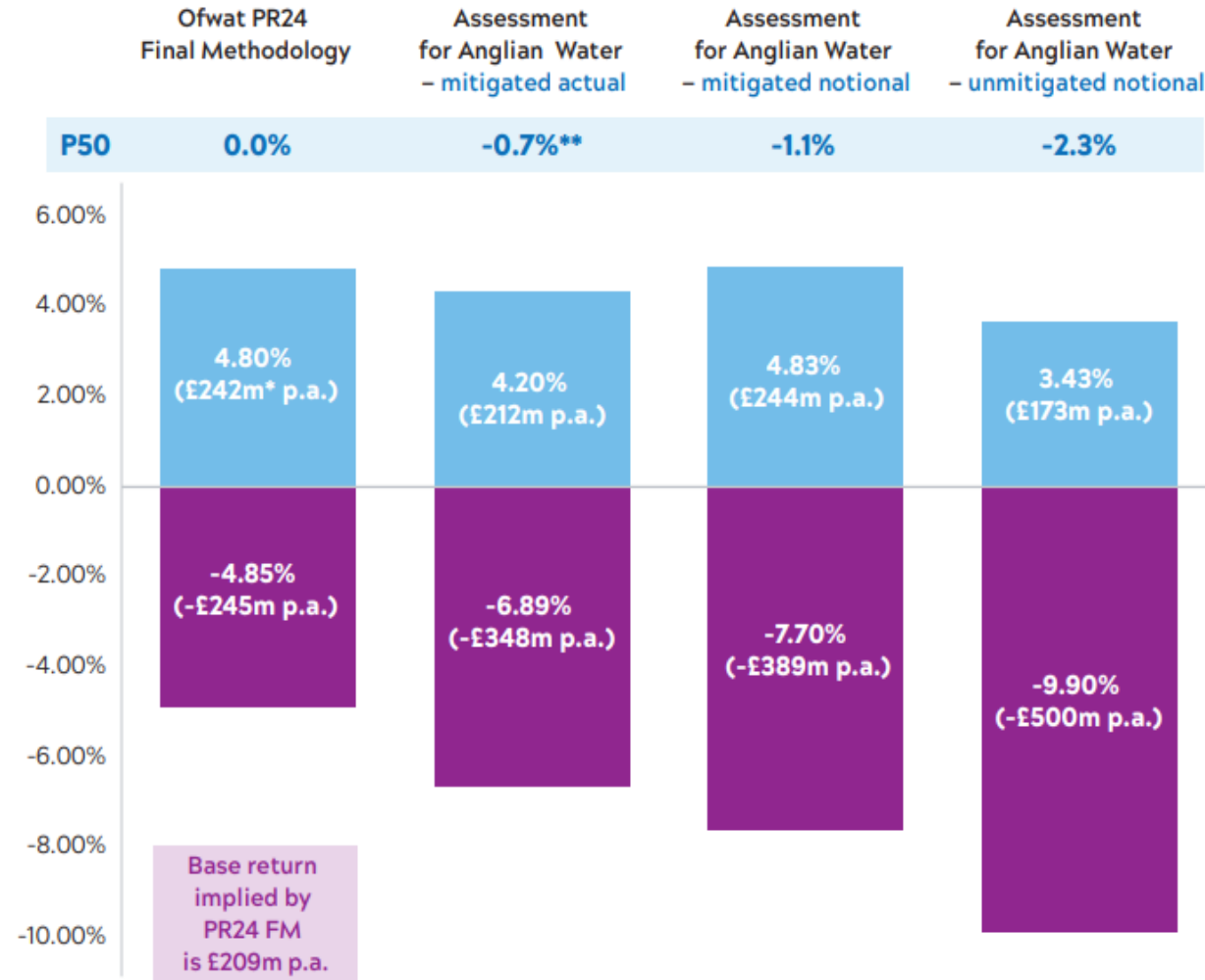
Support from across our alliances for our AMP8 business plan

### Building a successful AMP8 delivery plan:

Anglian Water, alliance partners and KPMG working together to risk assess AMP8 delivery:



# Financeability and financial resilience



\*£m impacts are stated in FYA CPIH 2022/23 real terms

\*\*Actual company impact adjusts for under-funding of embedded financing costs

# Funding our plan

Fraser Campbell

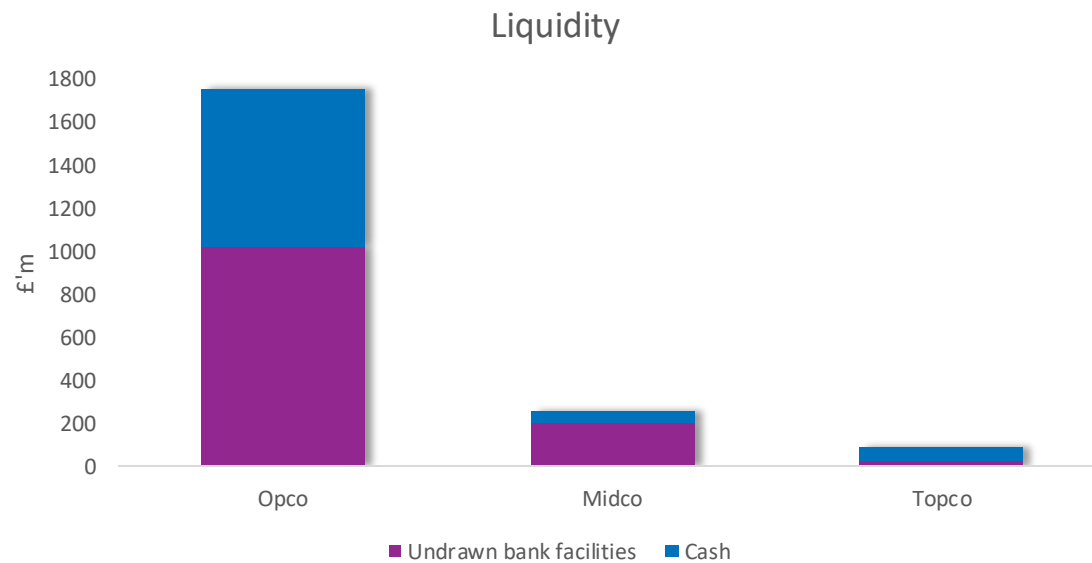
Group Treasurer



# Group well positioned going into AMP8

- Strong liquidity following £860m opco bond raising in June 2023
- No further debt or equity funding required in AMP7
- Opco and midco EMTN programmes renewed
- Current position:

- Opco (AWS):  $\geq$  £1bn of undrawn revolving bank facilities and  $\geq$  £700m of cash
- Midco:  $\geq$  £250m of undrawn bank facilities/cash
- Topco:  $\geq$  £80m of undrawn bank facilities/cash



## Before end of AMP7 we may choose to:

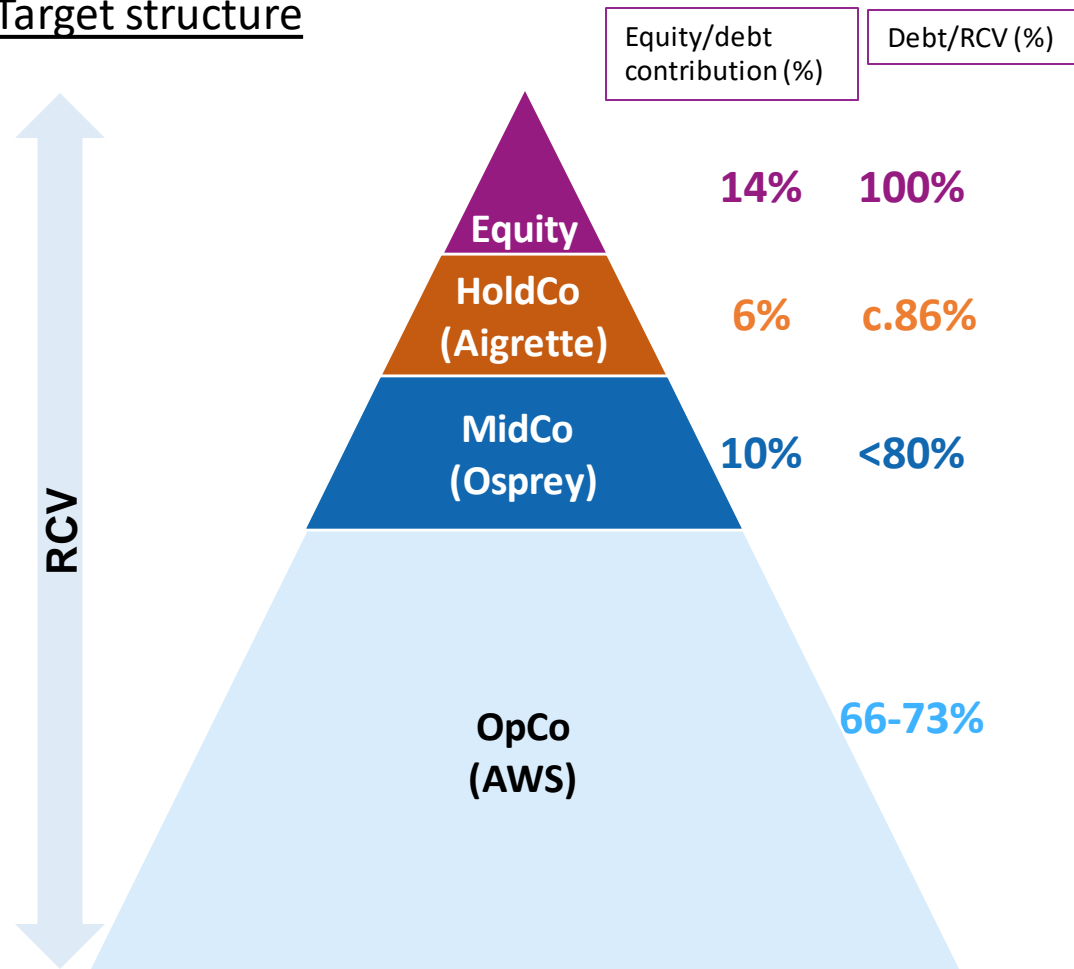
- increase revolving credit facilities reflecting larger group size
- accelerate AMP8 funding

**Market conditions will be key factor in decision making**



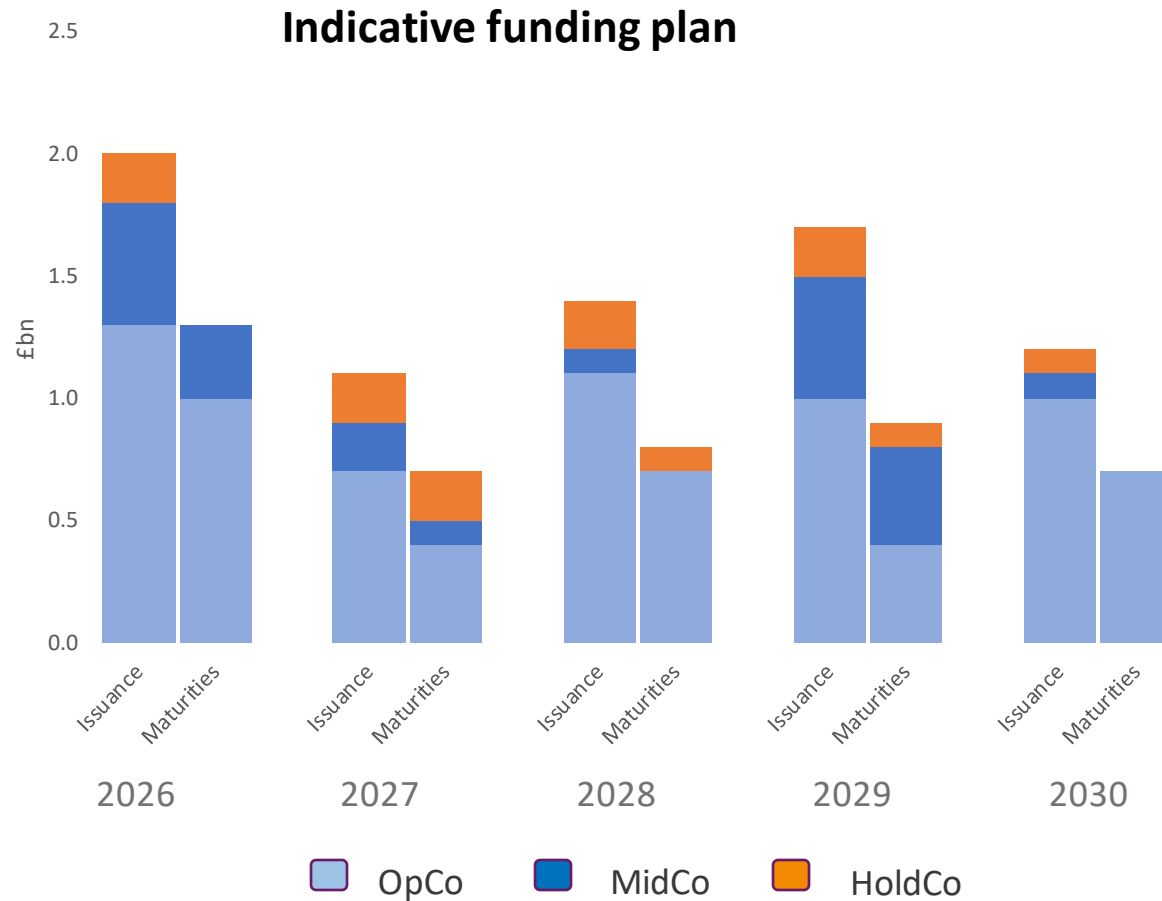
# AWG Group Structure and target ratings unchanged

## Target structure



- Strong shareholders - pension funds, infrastructure funds and sovereign wealth funds, supportive of our AMP8 plans
- Focus on maintaining strong investment grade credit at OpCo, investment grade credit rating at MidCo
- OpCo ratings of A-/A3/A-, well above FY25 minimum Ofwat BBB flat (neg outlook) dividend lock-up rating
- OpCo DB pension – deficit recovery plan due to complete by 2026
- Fitch MidCo rating is BBB – stable outlook
- MidCo DB pension – buy-in moving to buy-out

# Significant £7.5bn AMP8 issuance

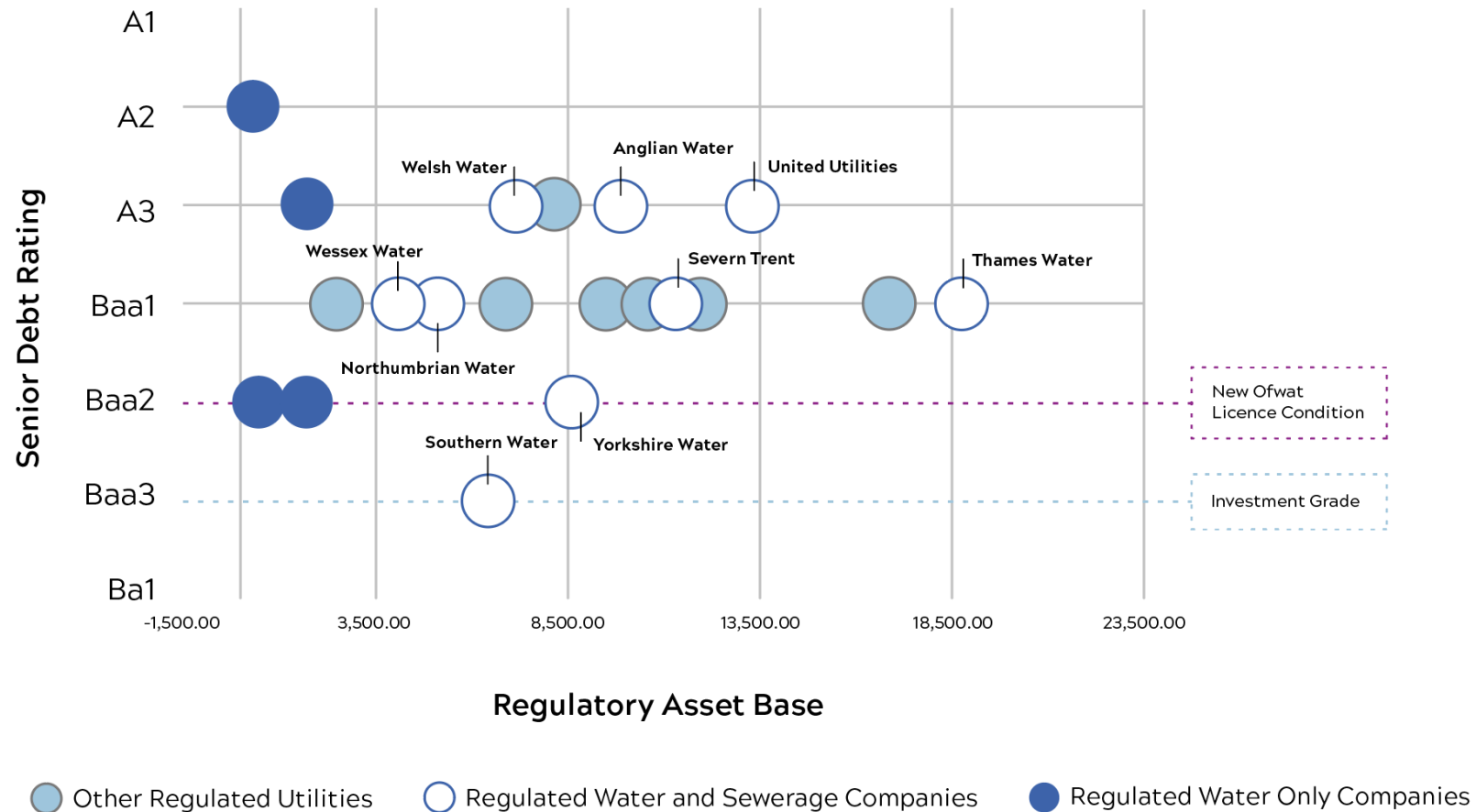


- AMP8 funding requirements are significant throughout each year of the AMP
- Actual funding will likely vary depending on market conditions/potential acceleration in AMP7
- We plan to source funds from a variety of different markets including:
  - sterling, euro and Canadian bond markets
  - US private placement funds
  - Asian markets
  - bank loan market

# Strong financial position relative to our peers



## Regulated Utility Debt Ratings



# Strong ESG credentials, core to our purpose

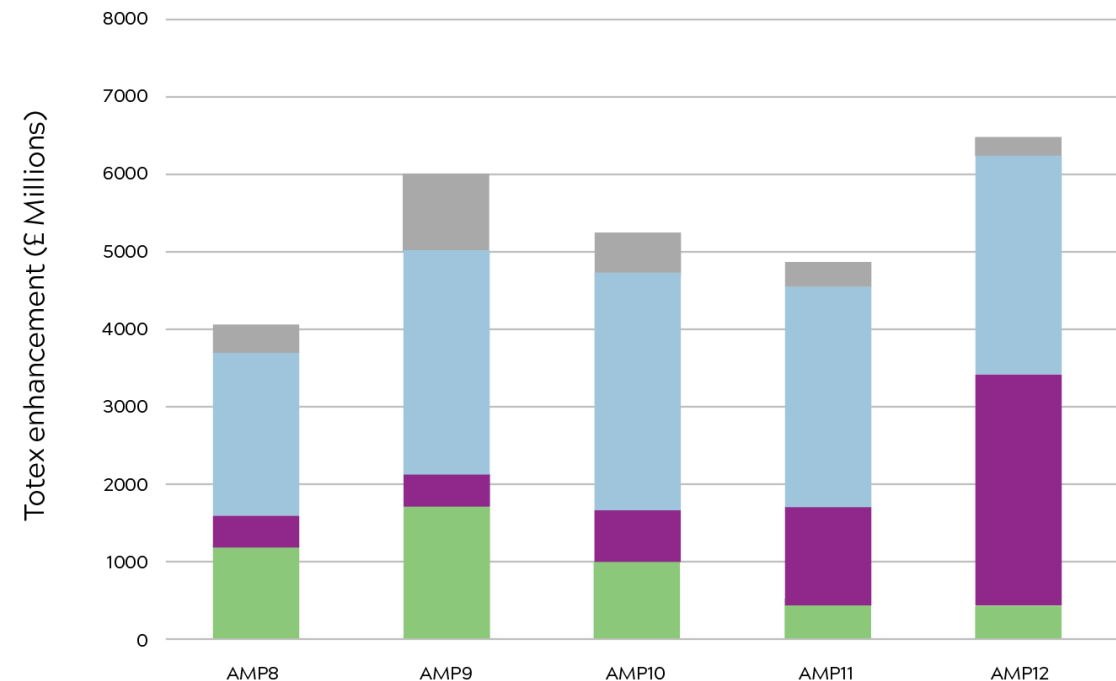
## Our ESG plans align to:

- organisation purpose on enabling social and environmental prosperity in Eastern England
- AMP8 plans
- 25 year strategic direction statement

- Since 2017, all OpCo funding raised under framework agreement either sustainability linked debt/proceeds used for defined green expenditure
- Revised framework agreement to be issued in November with updated sustainability benchmarks aligned to our core values, including carbon KPIs and PSR reach
- Performance is assessed annually in our Sustainable Finance Impact Report (SFIR)

## Recap on our 25-year Strategic Direction Statement, and spend profile

### Core pathway





# Sustainable Finance Impact Report (SFIR) demonstrates strong track record

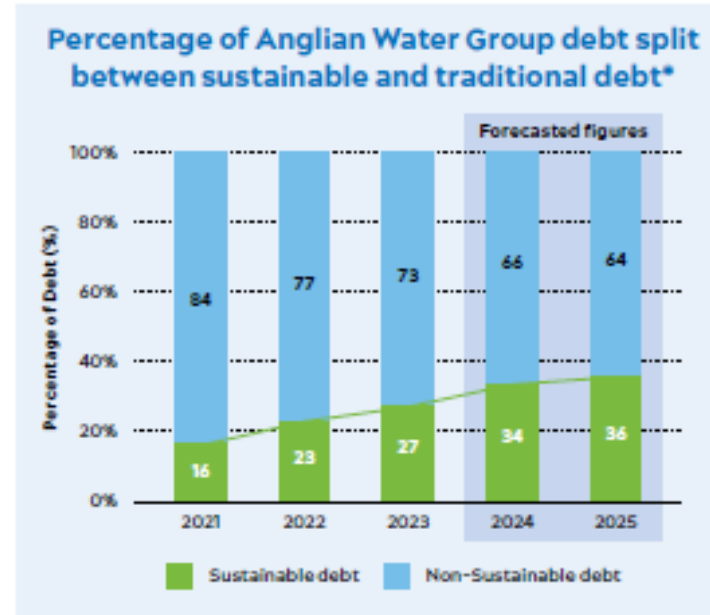
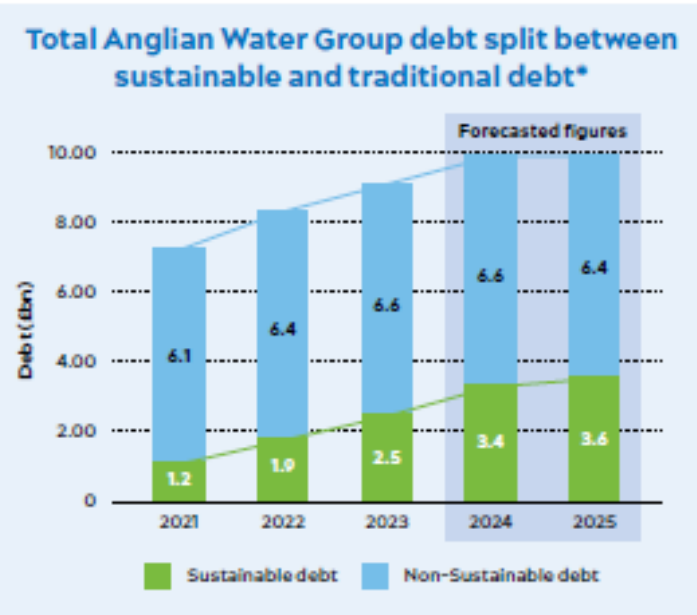
With all new opco debt issuance comprising sustainable debt since 2017, proportion continues to increase year on year

A good example of a green bond fund deployment is shown below

## Super Green

### Biodiversity Bond 2026 \$35 million

Issuer	AWSF
Currency	USD
Amount \$	35 million
£ equivalent	25.5 million
ISIN	XS2382155013
Issue date	15 Sept 2021
Maturity date	15 Sept 2026
Coupon	1.16%



\* Totals include indexation for inflation-linked debt.

For more information, talk to our expert Alessandra Mogorovich, over lunch.



# Cost of equity and cost of debt

**Wayne Young**

Group Financial Controller



# Relationship between cost of equity and cost of debt

Ofwat WACC rate of 3.29% from the Final Methodology in plan

3.29% is calculated from Sept 22 market data and using latest market data indicates an increase of c.30bps

On this basis the notional company is financeable as long as it is able to attract the required equity funding to maintain notional gearing

The actual company is financially resilient due to the balance sheet resilience following our degearing in 2021

WACC rate presented by Ofwat challenged, as it does not allow an appropriate return on equity given the risk profile of AMP8 (mechanistic adjustment)

We consider that a WACC rate of at least 4.04% is appropriate

**Q&A**





# Setting PR24 up for success

**Peter Simpson**

Chief Executive



# Reflections and Q&A



Thank you 