

# Investment priorities for PR09 - a Water UK perspective

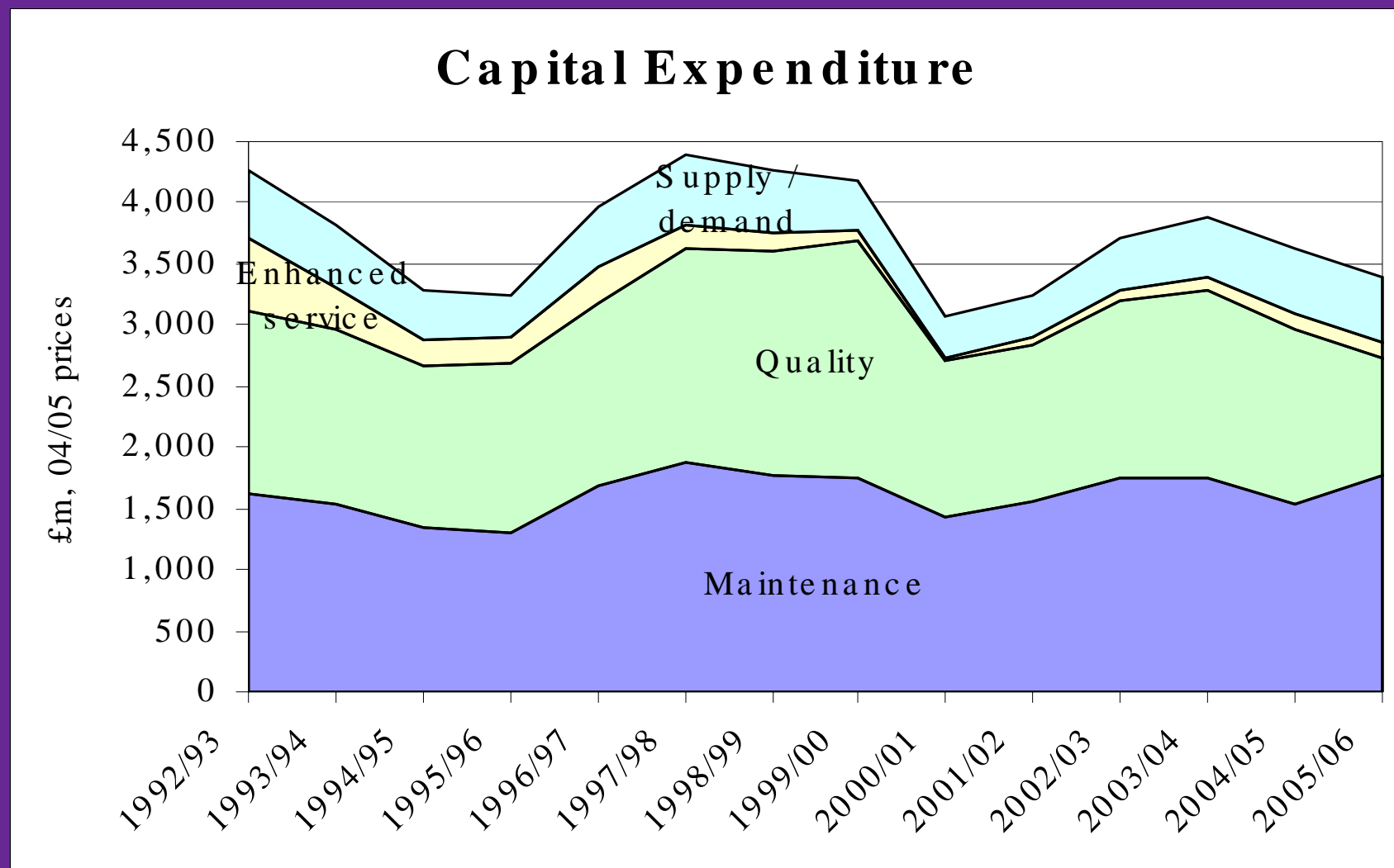
CIWEM Conference  
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# Regional diversity

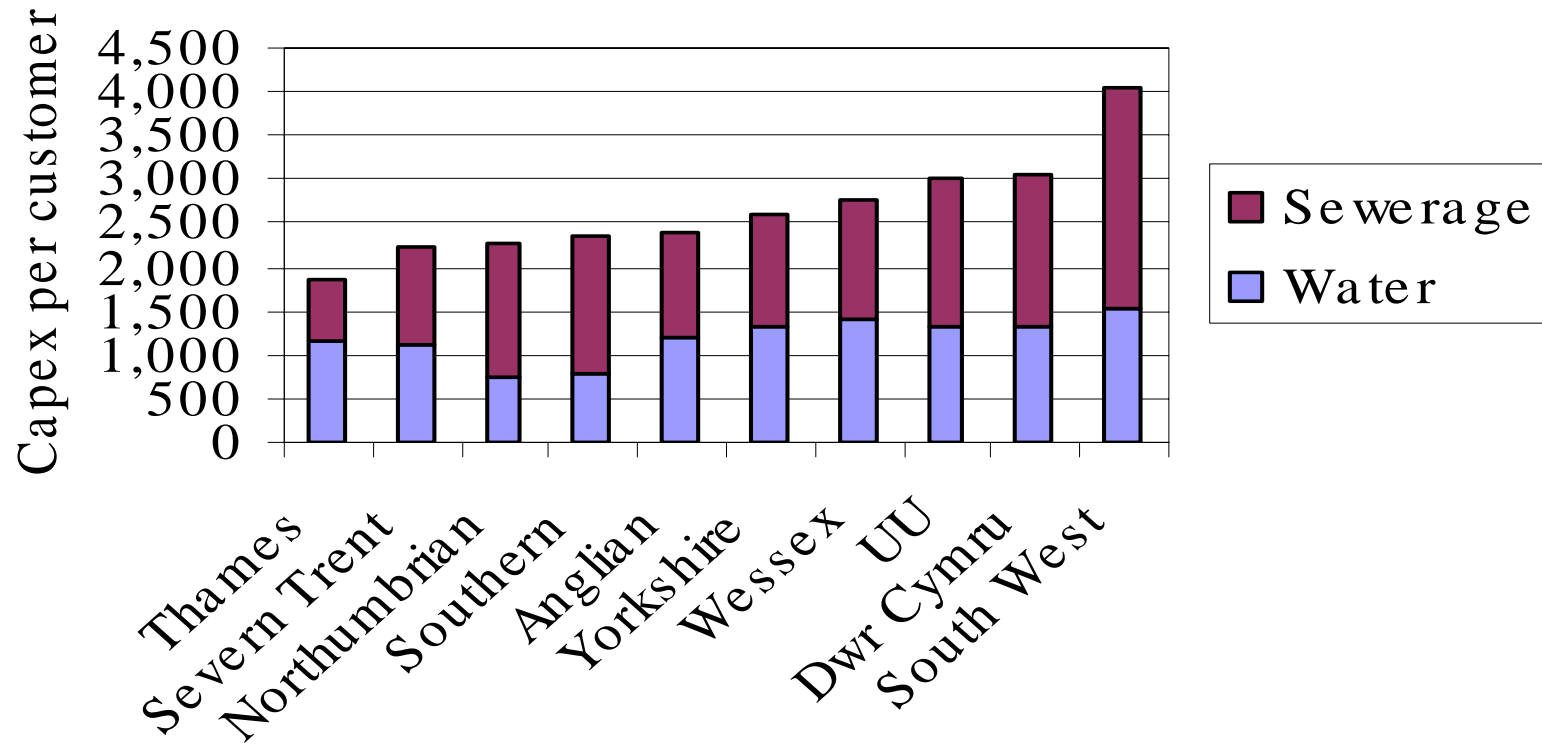
- A diversity of investment pressures
- Diverse regional impacts and priorities eg
  - Water resources
  - Phosphorous removal
  - Nitrates
  - Water Framework Directive
  - Habitats
  - Climate Change
  - Population growth
  - Affordability

# Trends in recent investment



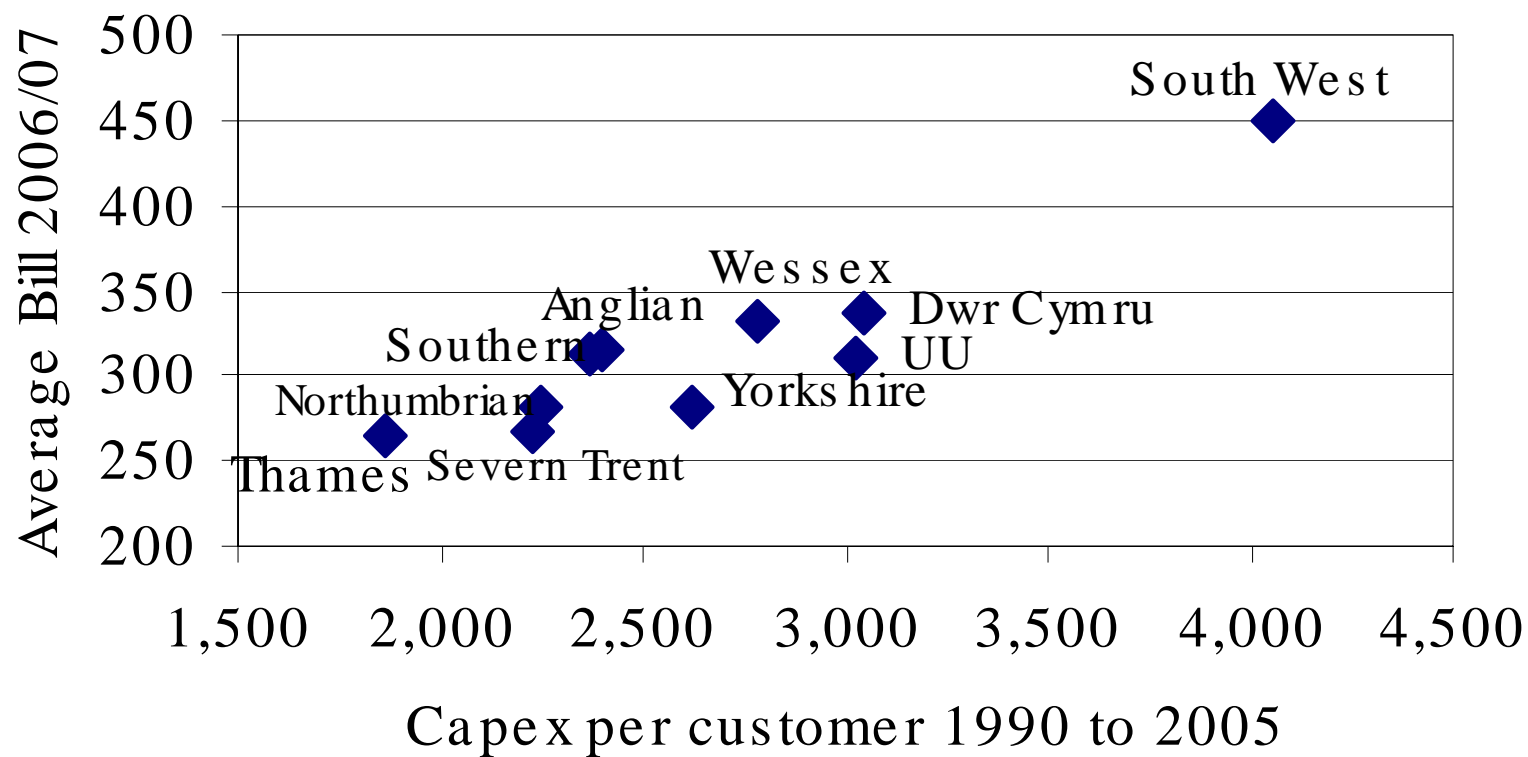
# Past investment by WASC

## Capex 1990 to 2005



# A shift in the burden of investment?

## Bills and Capex



# ‘Taking ownership’ of our business plans’

- Yes please!
- Business Plans must reflect the long-term and our own local assessment of our customers priorities
- There *are* choices to be made about priorities and about how we implement directives
  - How fast?
  - What first?
  - What are customers willing to pay for?
- Regulation must be more flexible



**one size will not fit all**

# Common Themes

- Sustainability
- Putting customers first
- Constraints on investment
  - Affordability
  - Financing
- The continuing pressure for investment
  - The EC machine

# Theme 1: Sustainable development

- Sustainability
  - A long term outlook
  - Balance between economic, social and environmental objectives
    - Holistic and integrated policy and regulation
    - Stakeholder engagement
- Implications
  - Setting price limits in a longer term context

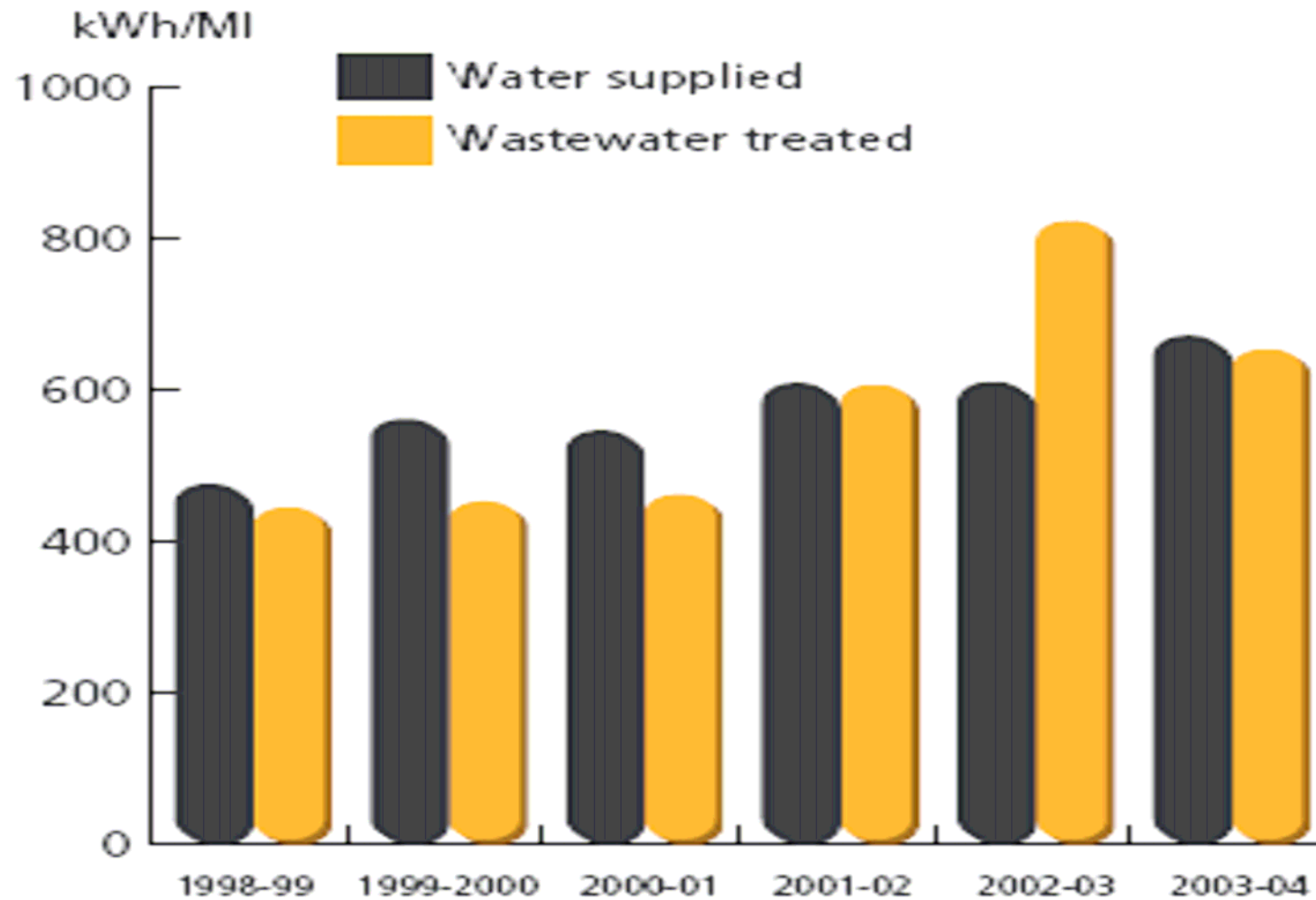


HOW?

# Setting prices in a longer term framework

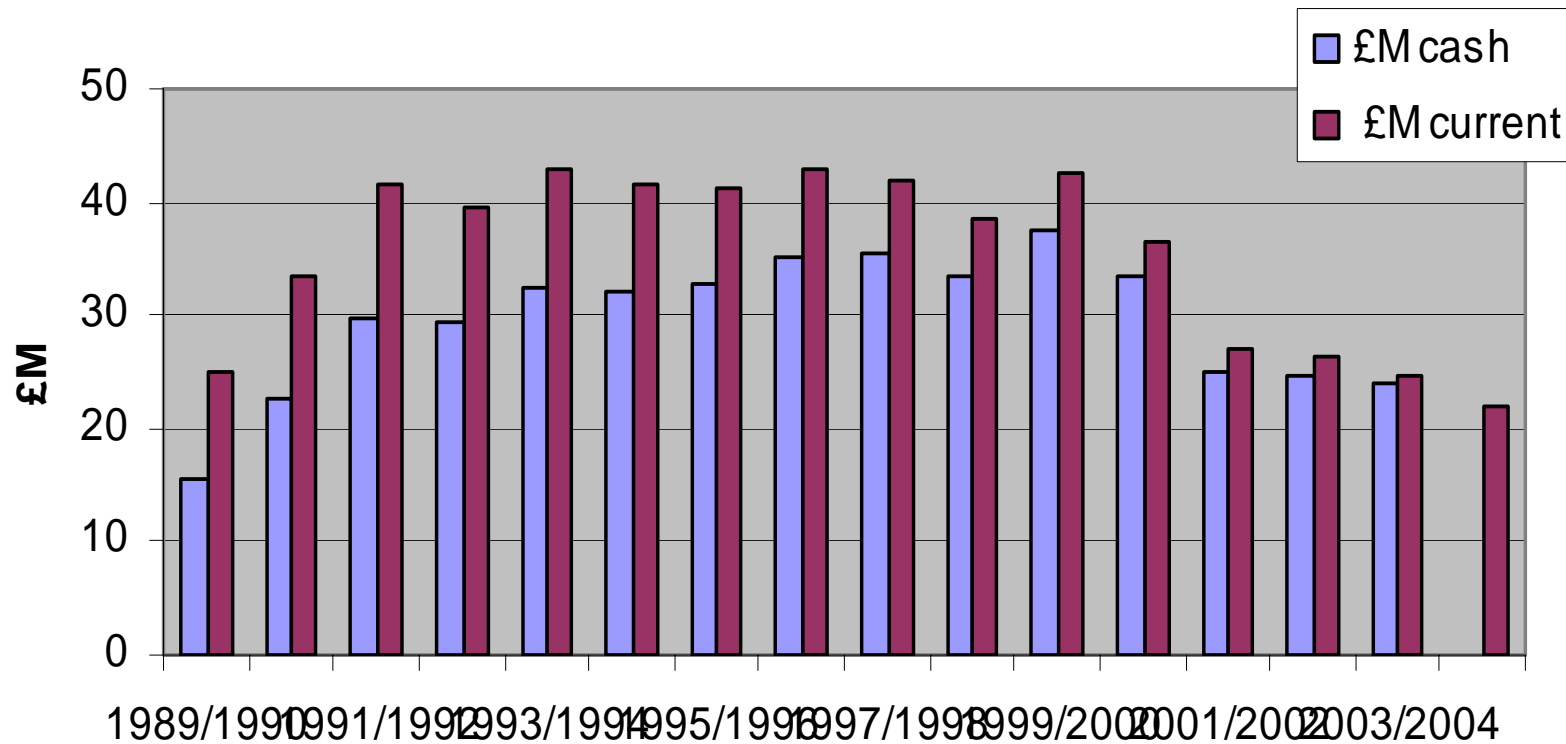
- Long term planning
  - 25 year company planning and strategic outlook
  - longer term commitment to outputs by regulators
  - EA sector plan
  - Ministers long-term strategic vision for water
- Explicit recognition of risks and uncertainties
  - Scenario planning
  - Twin track approaches
  - No regrets
- Climate change
- Commitment to Innovation and R and D

# A sharp increase in energy intensity



# A sharp fall in R and D investment

## R&D investments by the WSPLCs

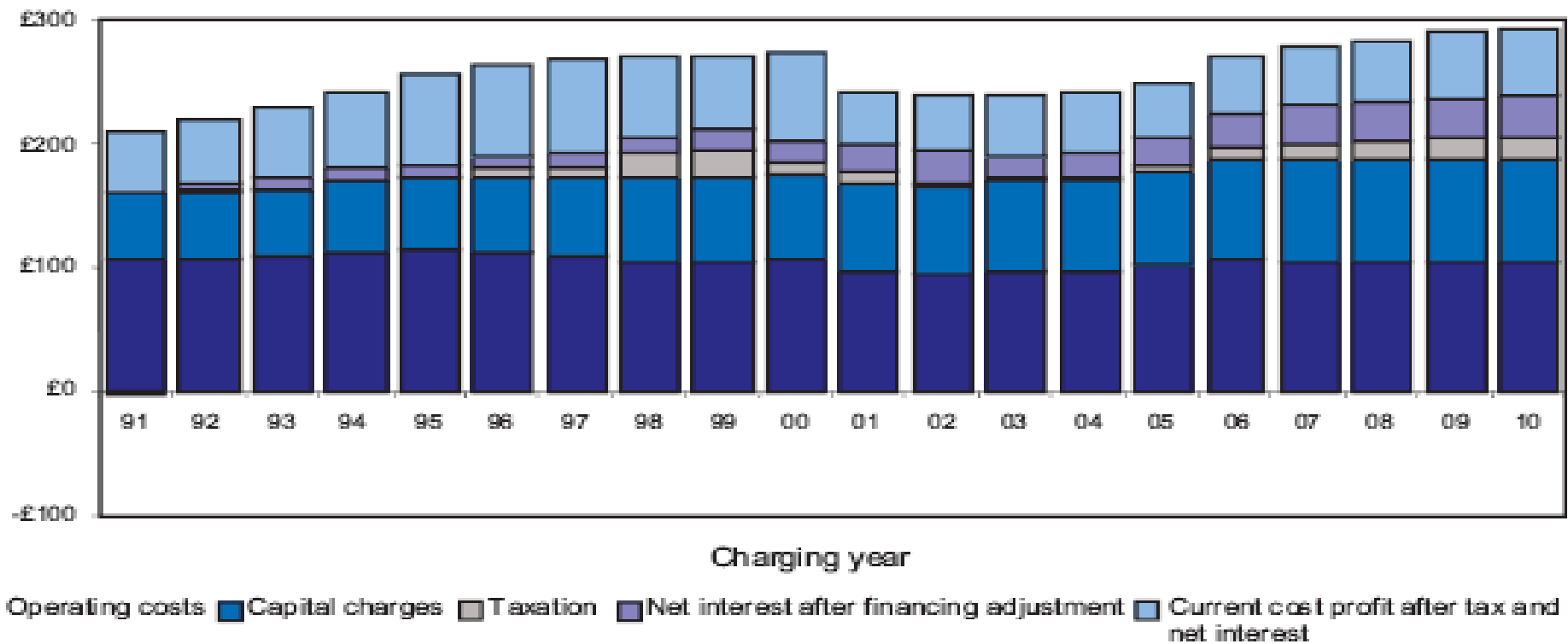


## Theme 2: Putting customers first

- need to constantly evaluate what consumers want
- PR04 joint national customer research
  - A joint exercise between stakeholders – gave legitimacy
  - Highlighted customer priorities
    - Crucial elements of service – underpinning calls for higher investment in maintaining networks
    - Environment also important
  - Contributed to more recognition of maintenance needs and issues like sewer flooding which matter to customers
  - Need to build on this for PR09
    - But local studies also and
    - Need to engage not just survey customers

# Theme 3: Constraints – affordability & financing

**Figure 5 Components of the average household bill 1991-2010**



# Theme 4: The continuing pressure for investment

- Directives
  - Environmental liability
  - Groundwater
  - Priority Substances
  - Sewage sludge
  - Soil Monitoring
  - IPPC
  - Drinking Water
  - Flood Risk management
- Communications
  - Mercury
  - Biodiversity
  - Drought Management
- Waste Management Policy

## You think it's all over.....

- Thematic Strategies
  - Marine environment
  - Sustainable Use of Pesticides
  - Urban Environment
  - Sustainable use of natural resources
- CAP reform
- Chemicals – REACH
- Other eg
  - Green paper on European Energy Efficiency
  - Sustainable Development strategy
  - Climate change strategy....

# Conclusions

- deciding priorities for investment will be even more of an issue in future - affordability and financing constraints
- a fundamental need to maintain our assets – customer service is key
- major uncertainties and pressures eg population and climate change
- an important role as environmental stewards
- a need for a fair allocation of responsibilities between sectors
- we must move on from a 5 year mentality and short term cost cutting
- focus on innovation for more sustainable outcomes.



This is a challenge for all stakeholders

**Thank you for listening**

