



South Staffs Water

# Customer Challenge Group

## Induction





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## 1. Introduction

At South Staffs Water, we believe we must listen and respond to our customers when they tell us what is important to them. We undertake regular market research to find out about their expectations and their views on their current services.

We are now building on our customer engagement programme and have set up a Customer Challenge Group (CCG) to help us develop our next business plan.

This document provides new members of the CCG with an introduction to South Staffs Water, the other core members of the group and some of the key issues in our current business plan.

### 1.1 What is the Customer Challenge Group (CCG)?

In the water industry in England and Wales, price limits are set for five-year periods by our economic regulator, Ofwat. In reaching their decisions, Ofwat relies on business plans put together by the water companies. These plans outline the investment required to meet statutory quality standards and customer service expectations.

For our next business plan, which will cover the period 2015-2020, South Staffs Water wants to ensure that we are taking full account of customers' views. We have therefore set up this CCG and will be involving this group in full and frank discussions about our plans.

The group will contain specialists and experts from some of our regulators, the Environment Agency (EA), Drinking Water Inspectorate (DWI) and Natural England (NE) and will be chaired independently by the National Chair of the Consumer Council for Water (CCW). We have also recruited a number of new members to the CCG to represent customers from across our region. The group will be independent and will feed back its own views of our plans to Ofwat. The group will run initially from April 2012 through to the setting of new price limits in late 2014.

The role of the group is to be a 'critical friend' to South Staffs Water, understanding the challenges, commenting on our investment plans and expressing their views about the issues and priorities. The group will consider business plan issues and wider issues, such as tariffs and service levels.

The group will have access to detailed information about how South Staffs operates and its proposed investment plans, but non-core members are not expected to be experts in water, engineering, or business issues such as finance or economics. This document forms the first part of a detailed induction to the water industry and South Staffs Water and the group will work to ensure that presentations and information is presented in a clear, jargon-free way.

**Further information about the group can be found in the document 'Customer Challenge Group – Listening to you'.**



## 2. About South Staffs Water

South Staffordshire Waterworks Company was formed in 1853 and has been supplying water services to the region ever since. In 2012, we will be supplying water to 1.2 million people across our region, through a network of 6,000km of mains. Almost half of the water we supply comes from underground boreholes and the rest from two major treatment works, one of which takes water from the River Severn and one which is fed by Blithfield Reservoir.

Our area of supply incorporates the Black Country conurbation and stretches up to Uttoxeter and Burton. We do not provide sewerage services; these are provided by Severn Trent Water.

### What we do:

- Supply 330 million litres of water every day
- Have an average water supply bill that is one of the lowest in the industry and, in 2012, is 25% below the national average

- Achieve a water quality performance of 99.99%
- Continually meet Ofwat's leakage targets
- We are one of the leading companies for operating cost efficiency
- During the current investment period (2010/15) we are spending £140m on investment to meet quality requirements and improve or maintain customer service
- Install around 10,000 new meters each year – 30% for new properties and 70% on customer request
- Replace around 60km of mains each year, equivalent to approximately 1% of the asset stock
- Deal with around 1,300 bursts on our network of water mains each year

## Finding out more

This document provides a brief introduction to South Staffs Water, our regulators and some of the key issues that will be discussed at the CCG.

Further information will be provided on issues that will be discussed at the CCG, as the meetings progress and discussions develop.

For those new members of the CCG who would like to understand more about South Staffs Water, we will be organising further information days, covering, for example, a trip to Hampton Loade, one of our water treatment works, opportunities to visit the contact centre, or spend time with an operational gang and briefings on key policy issues.

If you have any suggestions for induction briefings, please let us know.



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## 2.1 Vision and values

South Staffs Water has a vision and set of values which guide how we work and behave as individuals and as a company. They reflect the way that we approach our work and our customers on a daily basis, wherever we are, be it head office, on one of our sites, at a customer property, working outdoors or out on the road.

## 2.2 Our Mission Statement

**Working together to provide the best service and value for money of any water supplier in the UK.**

*To deliver this, we will build upon our reputation for excellence by working together with all our stakeholders to achieve continuous improvement. Employees will achieve their full potential as we create opportunities for development, personal growth and individual recognition.*

## 2.3 Our Vision

**We will anticipate customer and partner needs and deliver high standards of service in all we do. Shareholders will see us as a sound long-term investment in return for which we will provide strong dividends, growth and sustainability.**

*We will know we have achieved this when our communities see us as a responsible organisation that promotes creative and considerate use of our resources and contributes to a better quality of life.*

## Our Core Values

**Excellence** - We adopt a positive approach to our own self-development and constantly strive to achieve excellent results. We show openness to new ideas and different ways of working by being flexible and embracing innovation.

**Respect** - We act with integrity, trust and honesty showing respect and loyalty to our colleagues. We openly recognise and acknowledge the achievements of others.

**Service** - We take pride in doing our best and treating customers as top priority. We aim to provide an exceptional service in all we do by being responsive, straightforward and committed to delivering on our promises.

**Responsibility** - We take responsibility for the work of the Company, and the impact it may have on the environment or our colleagues, by being aware of the consequences of our actions and maintaining a productive work-life balance.



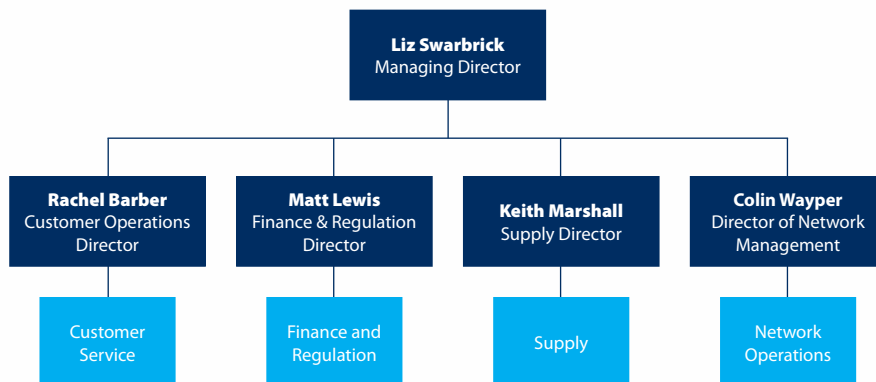
### 3. Our business

South Staffs Water is a subsidiary of South Staffordshire PLC, which is part of the Alinda Infrastructure Fund. This \$7 billion fund invests in infrastructure assets across the globe and is managed by Alinda Capital Partners LLC.

South Staffordshire PLC owns South Staffs Water and Cambridge Water, along with a number of other related businesses.

**South Staffs Water is structured as follows:**

#### Organisation structure



■ Indicates member of Executive Team

We employ around 400 staff and also work with group companies to provide services to customers. Our head office is in Walsall.





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## 3.1 Our strategy

For the last price review in 2009 we set out our 25-year strategy in our Strategic Direction Statement. The purpose of this document was to set out our direction of travel in the long term for regulators, customers and other stakeholders and feed into the development of our PR09 business plan. We consulted with our stakeholders on the key issues which formed the basis of the SDS and their expectations of South Staffs Water over the next 25 years.

In our first SDS, our over-arching strategy fell into three key areas: Carbon; Customers; and Costs. We referred to these as the “3Cs” and they guided our thinking and planning. You can download a copy of our SDS from our website: [http://www.south-staffs-water.co.uk/publications/community\\_environment/strategic\\_direction\\_statement.pdf](http://www.south-staffs-water.co.uk/publications/community_environment/strategic_direction_statement.pdf)

### The key long-term objectives set out in our last SDS were:

- To be regarded as a local, caring water company, whose performance is amongst the best in the industry;
- To maintain the serviceability of our assets;
- To ensure sustainable investment in our infrastructure and systems; meeting today's standards while protecting services for future generations;
- To remain recognised as a highly efficient company and make further efficiencies for the benefit of customers and other stakeholders;

- To promote a workforce culture that encourages innovation;
- To reduce our carbon footprint;
- To strengthen our culture of responsibility and integrity and our engagement with our communities; and
- To keep bills as low as possible for customers.

As part of our preparation for PR14 and the development of our next business plan, we will be reviewing and refreshing our SDS. We will involve the CCG in this process and look forward to hearing and discussing your views and priorities.

In formulating our next business plan, Ofwat has tasked companies with developing, through consultation with customers and other key stakeholders, a set of key outcomes which customers support and are willing to pay for. These outcomes must fit within the framework of the SDS, which sets out the direction of travel over the next 25 years. South Staffs must also present information on the costs, risks and benefits for each outcome, to enable customers and other stakeholders to make informed choices and the CCG will be critical in this process.



### 3.2 Capital investment 2010-15

During the period covered by our current business plan, the basis for the price limits set by Ofwat for the period 2010-15, we will be investing £140 million. This equates to £51 per property in our area, for each year of the five-year period.

Our capital expenditure plans fall into the following categories:

**Ensuring a balance between supply and demand:** Between 2010 and 2015, we will be spending £16.1 million in this area, mainly on managing leakage from our pipe network and installing meters in new homes (on a change of occupier and for those customers who request one). This area of expenditure also includes the costs of laying mains and making connections for new homes and businesses.

**Improving the quality of water and investing to meet new statutory requirements:** Thanks to the significant levels of investment in this area since 1989, we will only need to spend £2.3 million on water quality schemes during this five-year period. This expenditure mainly relates to replacing lead communication pipes (the pipes that go from our mains to the customer's property) and we are focusing spend on those properties where our data suggests that, at current levels, water supplied through these pipes might fail the new standards for lead which will come into force in 2013. There are a few other small-scale investment projects in this area which will improve the security of our infrastructure and assets.

**Maintaining our underground assets:** We will be spending nearly £50 million during 2010-15, to maintain our infrastructure. We know that customers want us to spend money on reducing leakage from our network and ensuring that they receive a reliable service. Our plans involve focusing on those mains most susceptible to bursts and leaks.

**Maintaining our overground assets:** During 2010-15, we will be investing nearly £74 million to maintain overground assets, including expenditure on improving boreholes, replacing pumps and pressure monitors, replacing and repairing a number of roofs at our service reservoirs and office expenditure, such as investing in new IT systems and maintaining our fleet of service vehicles.

#### Other customer benefits from our 2010-15 investment programme

Our investment plan for 2010-15 was developed taking regard of the areas customers told us are important to them and, in addition to the improvements outlined above, will deliver the following key customer benefits:

- Improved customer service – we are making it easier and quicker for customers to contact us with operational and billing queries and increasing the range of payment options available.
- Continued investment to ensure that our services can cope better with extremes of weather, such as floods, droughts and severe winters.



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- Continued replacement of water mains at a stable rate into the long term, to preserve security of supply and reduce leakage.
- Improved IT systems which will improve efficiency, for example by improving work scheduling and response times to burst mains and other leaks.
- A reduced carbon footprint, achieved by focusing on reducing energy usage and working with customers to improve water efficiency.
- Improved debt management. Increased levels of bad debts eventually lead to bill increases for all customers and our customer research showed that customers support work in this area, such as designing new tariffs to help customers with affordability problems, supporting the charitable trust and working with local organisations such as the Citizens Advice Bureau.

## 3.3 Bill impacts

The price limits determined by Ofwat for the period 2010-15 result in an average increase of 0.6% above inflation for each year of the five-year period.

By the end of the period, compared to other companies, South Staffs Water's average household bill will be the third lowest in England and Wales and 22% below the national average.

## 4. Performance to date

Until June 2011, we reported our performance to the regulator each year in a report called the June Return. Since the last price review, which set price limits for 2010-15, we have submitted one June Return to Ofwat, reporting our performance in the first year of the five-year period.

The June Return has now been replaced by a series of regulatory key performance indicators (KPIs). For 2011-12, these KPIs have been set out by Ofwat, along with the definition of how they are to be measured. They are illustrated on the opposite page.

We will report our 2011-12 performance against these KPIs by 15 July 2012 and share the results with the CCG.

In the future, these KPIs will develop to reflect our agreed outcomes and priorities. The CCG will be involved in developing and agreeing performance outcomes and the associated KPIs which will be used to communicate performance delivery in 2015-2020.





High-level areas	Indicators
Customer experience	<b>SIM</b> – A measure of the level of customer concern with a company’s service and how well the company deals with them.
	<b>Supply interruptions</b> – the number of hours lost due to water supply interruptions for three hours or longer, per property served.
Reliability and availability	<b>Serviceability - water non-infrastructure</b> – an assessment of the recent historical trend in serviceability to customers, measured by movements in asset and service performance indicators.
	<b>Serviceability - water infrastructure</b> – as above
	<b>Leakage</b> – the sum of distribution losses and supply pipe losses measured in megalitres per day (Ml/d)
	<b>Security of supply index (SoSI)</b> – the extent to which a company is able to guarantee provision of its levels of service for restrictions of supply.
Environmental impact	<b>GHG emissions</b> – a measure of the annual operational GHG emissions of the regulated business.
	<b>Pollution incidents (water)</b> – the total number of serious pollution incidents in a calendar year emanating from a discharge or escape of a contaminant from a water company asset related to a water-related premises.
Financial	<b>Post-tax return on capital</b> – current cost operating profit less tax as a return on regulatory capital value.
	<b>Credit rating</b> – a measure of the company’s ability to comply with its licence requirement to maintain an investment grade credit rating.
	<b>Gearing</b> – Net debt as a percentage of the total regulatory capital value at the financial year end.
	<b>Interest cover</b> – a measure of how easily a company can pay interest on its debt – used as an early warning signal of a potential credit rating decline.





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## 4.1 Performance in 2010-11

Key performance highlights reported in our last June Return (JR11), the latest full year for which data is available, include:

- Our new leakage target was achieved, despite the harsh winter.
- The new water efficiency target was also achieved.
- Asset serviceability indicators remained stable.
- An enhanced metering programme commenced successfully in the year – we are now undertaking change of occupier metering and are carrying out significantly more meter replacements.
- The number of customers experiencing prolonged supply interruptions (DG3) was at an all-time low.
- The Company made good progress in securing operating and capital efficiencies.
- In terms of financial performance, turnover was less than the Determination, progress on operating cost efficiencies saw opex below the Determination, and overall profit was less than the Determination expectation. Pre tax returns were 6.92% compared to 7.17% assumed in the Final Determination at PR09.
- The SIM rankings (a new method of measuring customer service) by the Company on the qualitative element were disappointing, although improvement towards the end of the year was seen.
- The level of abandoned telephone calls (customers hanging up before they reached a customer service advisor) was disappointing but we are working hard to address this issue.
- Surprisingly, fewer customers than forecast chose to opt for a meter.
- The levels of bad debt continued to increase. In 2010/11, the amount of household customer revenue that had been outstanding for up to 48 months was £13.6m, an increase of 15% on 2009-10. This is in spite of significant work by South Staffs to help customers manage debt and the continued operation of the independent charitable trust.



## 5. Customer engagement

At South Staffs Water, we have a long tradition of listening to our customers and working closely with all stakeholders.

We work closely with stakeholders on operational issues. This includes, for example, close liaison with Local Authorities on planning issues, so that we can be sure we are able to meet future demand for water, and on traffic management issues, so that we can try to minimise the disruption caused by our maintenance and improvement work.

We also undertake regular customer research to find out our customers' views of our current services and their expectations. In the last price review, we also undertook 'willingness to pay' research to find out where our customers' priorities for investment lay and how much they were willing to pay for specific improvements in service, such as reliability, pressure, taste, odour and colour.

In addition, last year we created a 'customer voice' team, which is responsible for engaging with customers. They have undertaken research with customers to find out what they think South Staffs' brand and values are and also call customers who have had an interaction with us to find out what they thought of the service they received and if they have recommendations for improvement.

We have also recently rewritten all of our customer literature to improve the levels of information and the clarity with which we communicate.

For PR14, however, we want to develop this engagement programme to include engaging with customers more deeply on our strategy and plans. The CCG will play a pivotal role in this process, discussing our strategy directly at our regular meetings and also considering the type of research we should undertake with the broader customer base.

## 6. Future challenges for the water industry

The water industry faces significant challenges going forwards. The Government and other stakeholders have recognised this and, after a series of consultations and discussions, Defra published its vision for the water sector in December 2011, in a document entitled Water for Life.

The document highlights the following key challenges for the water industry:

- Climate change and population growth will place an increased strain on water resources going forwards – some parts of the UK already get less rainfall per person than many Mediterranean countries.
- Climate change will also lead to more flooding and storm events and the sector must ensure it is resilient and able to maintain supplies.
- Too much water is being taken from rivers, leading to a review of abstraction licensing, the mechanism which controls how water companies and others, such as farmers, take water from rivers.



- Water bills are becoming less affordable, particularly in the South West. Companies must address affordability through tariffs and other measures.
- Competition and innovation must feature more strongly in the water sector. The Government plans to introduce more competition by reducing the threshold of water use at which a customer can choose to switch supplier, eventually to cover all businesses.
- Companies must manage their assets and performance now, while taking a long-term view and ensuring their service is sustainable.

The Government will take forward the actions outlined in the paper, working with Regulators, companies and other stakeholders and introducing new legislation as required.

## 7. Our Regulators and other interest groups

The water industry is heavily regulated, under a system introduced when the industry was completely privatised in 1989. Should we say that this was mainly due to a lack of competition and draw further attention to how economic regulation is changing and customer engagement has become key?

The main regulators are set out below, alongside an outline of their roles in the price review process:

### **Department of Environment, Food and Rural Affairs (Defra)**

Defra sets the overall water and sewerage policy framework in England. This includes:

- standard setting
- drafting of legislation
- creating special permits (e.g. drought orders)

Defra also provides guidance to Ofwat on social and environmental issues before each price review and is the sponsoring department for the Environment Agency and the Drinking Water Inspectorate.

### **European Union**

Sets European water, wastewater and environmental standards. The Environment Agency and Drinking Water Inspectorate work to translate these standards into outputs for water and sewerage companies.

### **Ofwat (Water Services Regulation Authority)**

Ofwat is the economic regulator of the water and sewerage sectors. It:

- protect the interests of consumers, wherever appropriate by promoting competition
- makes sure that the water companies properly carry out their functions
- ensures that the water companies can finance their functions.



Ofwat also:

- promotes economy and efficiency
- contributes to the achievement of sustainable development.

Ofwat sets the price limits for companies in England and Wales every five years. In doing this, they work with Defra and the other Regulators, as well as receiving business plans from each water company which sets out what they believe they need to undertake in each five-year period to meet legislative requirements and customers' service expectations.

Ofwat also sets targets for companies to become more efficient at delivering their services and investment programme, targets for leakage, water efficiency and customer service levels, as well as considering financial issues, such as how much return investors will expect to receive on their investment, in order that they will invest in companies and help fund the investment programme.

### **Environment Agency (EA)**

The EA is the environmental regulator of the water and sewerage sector. They are the principal adviser to the government on the environment, and the leading public body protecting and improving the environment of England and Wales. They work in partnership with a range of other organisations to:

- reduce flood risk
- promote sustainable development
- secure environmental and social benefits.

The Environment Agency also has responsibility for managing abstractions from rivers in England and Wales. They regulate how much water a water company, or other abstractor, for example, a farmer, can take from a river and charge a licence fee for abstraction rights.

The EA works with water companies and the Government to ensure that water companies deliver on their Water Resource Management Plans, plans which detail how they will balance supply and demand over the medium term and which have to be approved by Government.

During price reviews, the EA works with Ofwat to ensure that adequate funding for resource management projects is allowed in price limits. In the most recent review in 2009, the EA helped to secure over £4.4 billion of investment in environmental improvements that will benefit river and bathing water quality.

As part of the price review, the EA develops the National Environment Programme (NEP) in consultation with water companies and other stakeholders. The NEP sets out the environmental improvement schemes which will ensure that water companies deliver on their commitments, including those set by EU Directives, such as the Water Framework Directive (WFD) and Habitats Directive and national targets. The Environment Agency monitors water companies to ensure that these schemes are delivered.



### **Drinking Water Inspectorate (DWI)**

The DWI is the drinking water quality regulator. They check that the water companies in England and Wales supply water that is safe to drink and meets the standards set in the Water Quality Regulations. They do this by:

- checking the tests that water companies carry out on drinking water
- inspecting individual companies.

The DWI also helps to interpret European legislation for the industry and agrees what investment is required to meet the standards, working with water companies as they are preparing their business plans.

DWI participates fully in the price review process, in respect of the requirements in a company's Business Plan for a drinking water quality programme. The water companies identify improvement schemes they consider are required to meet statutory obligations, DWI challenges the justification for those schemes and then puts the agreed drinking water quality programme in place by using various legal instruments, usually Undertakings under section 19 of the Water Industry Act 1991.

Throughout the review process, Ofwat must work with key stakeholders i.e. quality regulators (DWI and the Environment Agency), and Government and WAG. However, it is Government (Ministers) that make final decisions on the drinking water quality and environmental quality programmes.

Therefore, DWI and EA make ministerial submissions on the scale, scope and pace of the quality programme. Ministers take advice from Ofwat on the key issue of whether the proposed programme is affordable. Ofwat can challenge Minister's decision on what should be included in the quality programmes and so funding is not automatically approved. There is a separate but parallel exercise with WAG and Welsh companies.

### **Consumer Council for Water (CCWater)**

CCWater represents consumers within the water and sewerage sectors. They also investigate consumer complaints that have not been satisfactorily resolved by the water companies.

At each price review, CCWater takes the lead in representing customers' views to the water companies as they prepare their business plans. They also undertake research with customers to find out their expectations of service and report to Ofwat their views on each company's draft business plan.

During the last Price Review, CCWater chaired a series of meetings between companies and Regulators, known as Quadripartite group meetings, to discuss issues related to the companies' Strategic Direction Statements and Business Plans. These meetings were the precursor to the new Customer Challenge Groups, which have now been extended, in terms of both their scope and membership.



## **Natural England**

Natural England's purpose is to protect and improve England's natural environment and encourage people to enjoy and get involved in their surroundings. For water, this involves promoting biodiversity and working with stakeholders on catchment management issues.

Natural England's role in the PR09 process was to ensure that water companies investment programmes ensured they can deliver their statutory obligations for Natura 2000 sites, SSSIs and Biodiversity Action Plans (BAPs). Natural England also promoted climate change mitigation and adaptation and the use of sustainable methods for tackling water quality and water-resource problems at source, through catchment-based approaches that deliver multiple objectives. Natural England expects to play a similar role in the 2014 Periodic Review, PR14.

## **Competition Commission**

Their role is to make sure that there is healthy competition between companies in the UK for the benefit of companies, customers and the economy. In the water and sewerage sector they investigate proposed company mergers, and are also the body of appeal for some disputes between Ofwat and the water companies, such as Ofwat's determination of price limits.

## Glossary

Although we will make every effort to avoid using jargon and other technical terms, there are all sorts of acronyms, regulatory and water-specific terms which you may come across. The key terms are set out below:

<b>AMP5</b>	Asset Management Plan for 2010-15.	<b>Non-infrastructure assets</b>	Mainly surface assets, such as water treatment works, pumping stations, company laboratories, depots and workshops.
<b>AMP6</b>	Asset Management Plan for 2015-20.	<b>Notified items</b>	Any item notified by Ofwat to the appointed water company as not having been allowed for (either in full or in part) in the determination at the most recent price review. Changes to notified items can trigger an interim determination of the K factor (IDoK).
<b>CAMS</b>	Catchment Abstraction Management Plans.	<b>Opex</b>	Operating costs, that is, day-to-day spending on running the services, for example, staff costs and power.
<b>Capex</b>	Capital expenditure.	<b>Ofwat</b>	Economic Regulator of water companies.
<b>CBA</b>	Cost Benefit Analysis.	<b>PCC</b>	Per Capita Consumption.
<b>Cost of capital</b>	The minimum return that providers of capital require to prompt them to invest in or lend to the appointed water companies given their risk.	<b>PR04</b>	Periodic Review in 2004, or Price Review in 2004 for the period 2005-10.
<b>CHP</b>	Combined Heat and Power.	<b>PR09</b>	Periodic Review in 2009 for period 2010-15.
<b>CRC</b>	The Government's Carbon Reduction Commitment scheme.	<b>PR14</b>	Periodic Review in 2014 for period 2015-20.
<b>CCW</b>	Consumer Council for Water.	<b>RCV</b>	Regulatory Capital Value.
<b>DBP</b>	Draft Business Plan.	<b>RAV</b>	Regulatory Asset Value.
<b>DEFRA</b>	Department for Environment, Food and Rural Affairs.	<b>Reporter</b>	A specialist consultant who audits a company's June Return and Business Plan and provides a report to Ofwat on its findings.
<b>Drought Plan</b>	Under the Water Act 2003, each water company is required to develop and publish a drought plan, setting out how they would maintain supplies to customers in the event of a drought.	<b>RPI</b>	Retail Price Index - inflation measure.
<b>DWI</b>	Drinking Water Inspectorate – the quality regulator (part of DEFRA).	<b>SCP</b>	Small Company Premium (to the cost of capital) - a premium on the basic cost of capital that Ofwat allow for the appointed water only companies so that they can maintain access to the capital markets.
<b>EA</b>	Environment Agency (part of DEFRA).	<b>SDB</b>	Supply/Demand Balance.
<b>ESL</b>	Enhanced Service Levels, e.g. to address sewer flooding or low-pressure areas.	<b>SDS</b>	Strategic Direction Statement – 25 year strategy/projection.
<b>FBP</b>	Final Business Plan.	<b>SEMD</b>	Security and Emergency Measures Direction 1998 – Government requirement for companies to ensure that they have the capability of supplying water by alternative means should normal piped supplies fail.
<b>Gearing</b>	A company's net debt expressed as a percentage of its regulated capital value.	<b>Serviceability</b>	The capability of a system of assets to deliver an expected level of service to consumers and to the environment now and into the future.
<b>IDOK</b>	Interim Determination of K – changes to price limits between price reviews. An interim determination allows companies to seek revised price limits if specified outputs required of a company change such that the total impact on the company, in net present value (NPV) terms, amounts to 10% of company turnover. The specific items that can be considered are detailed in each company's Licence (as relevant changes of circumstances) or defined at a price review as notified items.	<b>SIM</b>	Service Incentive Mechanism. A new measure of customer service which measures the experience of customers who have contacted their water company to make a complaint or report a service failure, as well as for more routine transactions such as paying their bill or other enquiries.
<b>IRE</b>	Infrastructure renewal expenditure that forms part of the charge to accounts when averaged over 15 years, relating to mains replacement activity.	<b>SSSI</b>	Special Site of Scientific Interest.
<b>JR</b>	June Return – a report submitted by each company to Ofwat which sets out performance against targets on an annual basis.	<b>TMA</b>	Traffic Management Act.
<b>K factor</b>	The percentage amount by which a water company can increase (or decrease) prices. Ofwat sets a K factor for each year of the five-year AMP period. The K factor is added to RPI to arrive at the total bill increase or decrease.	<b>Water Framework Directive (WFD)</b>	A European Directive to provide a coordinated approach to water management with the European Union (EU) by bringing together strands of EU water policy under one piece of framework legislation.
<b>KPI</b>	Key Performance Indicator.	<b>WoC</b>	An appointed water only company. WoCs provide water but not sewerage services.
<b>M&amp;G</b>	Management & General – a category of expenditure in the Business Plan.	<b>WRc</b>	Research based consultants.
<b>Meter optants</b>	Consumers who opt voluntarily to have a meter installed in their property.	<b>WRMP</b>	Water Resource Management Plan – a plan produced by each water company setting out how it plans to balance supply and demand over a 25 year period.
<b>MNI</b>	Maintenance Non-Infrastructure capital investment for most assets that are not the underground pipe network.	<b>WRZ</b>	Water Resource Zone.