

Periodic review 2004

Newsletter

August 2004

Setting water and sewerage price limits for 2005-10: Draft determinations

The Office of Water Services (Ofwat) is a non-ministerial government department led by Philip Fletcher, the Director General of Water Services. We are responsible for the economic regulation of the water and sewerage industry in England and Wales.

We set price limits that enable well-managed companies to maintain a high level of service and to deliver essential improvements. We have just announced draft determinations for water prices that will affect your water bills for the five years from April 2005.

Our decisions strike a balance between enabling efficient companies to deliver a good service to you, the need to protect and enhance the environment and drinking water quality and the need to be fair to all customers. We believe our decisions mean you will continue to receive a safe and reliable service now and in the future.

But increasing costs and new obligations for the companies mean an increase in bills is unavoidable for customers of most companies. Under our draft decisions price limits would rise by 3.1 per cent (before inflation) on average each year over the five years with a steeper rise in 2005/06 of 7.6 per cent. This means the average bill in England and Wales will increase from £249 in 2004/05 to £282 in 2009/10.

This is half the average increase in price limits sought by the water companies in plans they submitted to us in April this year.

The companies' plans included substantial environmental and water quality improvement work asked for by Government Ministers. After scrutinising the plans, we have not included some schemes that failed to meet our criteria or appeared to offer very poor value for money.

We have listened to research that has told us what customers' priorities are and what you are willing to pay for.

The proposed increases would bring these **benefits to you:**

- All essential water services safeguarded – more work to maintain pipes, sewers and treatment works for the future.
- Safe, reliable drinking water – more improvements in water quality and security of supply.
- Environment – further big investment to protect and improve river and coastal water quality.
- Sewer flooding – 8,200 more households to be protected against the risk of sewer flooding in their homes.

We will continue to encourage the companies to be more efficient to ensure you pay no more than is necessary.

This is not our final decision. We are now inviting responses to our draft decisions by 13 October and Ministers will give final guidance in September. We will make a final decision on 2 December.

New price limits will take effect from 1 April 2005.

Please see the tables overleaf for details of each company's proposed price limit and the resulting average bills. There is wide variation between the companies and not all customers' bills would be the same. The actual amount charged to customers is part of a range of charges decided by each company and approved by Ofwat.

For more information on the draft decisions on price limits and for a summary of key information relating to your water company, please go to our website at www.ofwat.gov.uk or call us on 0121 625 1361. You can also send an e-mail to enquiries@ofwat.gsi.gov.uk or write to us at:
Ofwat, Centre City Tower, 7 Hill Street, Birmingham B5 4UA.



Average expected household bills (£)										
Water and sewerage companies	2004-05			2009-10			Change ¹			
	Water	Sewerage	Total	Water	Sewerage	Total	Water	Sewerage	Total ¹	%
Anglian	122	172	294	137	166	303	15	-6	9	3
Hartlepool (water only)	94	-	94	106	-	106	12	-	12	13
Dŵr Cymru	123	163	286	147	190	337	24	27	51	18
Northumbrian	100	132	232	107	137	244	7	5	12	5
Essex & Suffolk (water only)	132	-	132	143	-	143	11	-	11	9
Severn Trent	116	105	221	130	127	257	14	22	35	16
South West	126	231	357	168	250	418	42	19	61	17
Southern	91	168	259	106	197	303	15	29	44	17
Thames	113	98	211	145	99	244	32	2	34	16
United Utilities	133	136	269	145	170	315	13	34	47	17
Wessex	126	151	277	164	168	332	38	17	55	20
Yorkshire	117	126	243	132	147	279	16	20	36	15
WaSC average (weighted)	118	132	250	137	147	284	19	15	34	14

Water only companies										
Bournemouth & W Hampshire	107	-	107	119	-	119	12	-	12	11
Bristol	108	-	108	120	-	120	12	-	12	11
Cambridge	91	-	91	98	-	98	7	-	7	8
Cholderton	147	-	147	153	-	153	6	-	6	4
Dee Valley	107	-	107	104	-	104	-3	-	-3	-2
Folkestone & Dover	143	-	143	166	-	166	22	-	22	16
Mid Kent	131	-	131	133	-	133	2	-	2	2
Portsmouth	77	-	77	76	-	76	-1	-	-1	-1
South East	129	-	129	145	-	145	16	-	16	12
South Staffordshire	91	-	91	103	-	103	11	-	11	12
Sutton & East Surrey	127	-	127	136	-	136	9	-	9	7
Tendring Hundred	162	-	162	152	-	152	-10	-	-10	-6
Three Valleys	118	-	118	134	-	134	16	-	16	13
WoC average (weighted)	113	-	113	124	-	124	11	-	11	10

Industry average (weighted)	117	132	249	135	147	282	18	15	33	13
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¹Change totals may not add up due to rounding.

Draft price limits for 2005-06 to 2009-10 (%)						
Water and sewerage companies	2005-06	2006-07	2007-08	2008-09	2009-10	Average
Anglian	2.4	-0.6	2.3	1.2	2.1	1.5
Dŵr Cymru	13.2	2.4	3.0	2.6	1.5	4.5
Northumbrian	4.3	2.0	1.5	0.0	0.0	1.5
Severn Trent	10.4	4.5	1.3	0.8	0.8	3.5
South West	12.5	8.0	2.8	2.8	2.3	5.6
Southern	7.5	4.1	1.8	5.1	1.7	4.0
Thames	12.8	1.3	0.0	0.1	0.0	2.7
United Utilities	1.8	5.6	4.2	3.5	2.2	3.5
Wessex	7.4	3.9	4.6	3.3	2.0	4.2
Yorkshire	4.7	3.7	2.4	2.8	2.7	3.3
WaSC average (weighted)	7.4	3.2	2.2	1.9	1.4	3.2

Water only companies						
Bournemouth & W Hampshire	14.4	0.6	1.8	-0.5	-2.4	2.6
Bristol	11.1	2.4	1.5	0.6	-2.2	2.6
Cambridge	9.3	1.0	-0.1	-0.2	-0.7	1.8
Cholderton	5.4	-0.8	0.5	-2.0	-0.1	0.6
Dee Valley	4.3	-1.7	0.2	0.0	-0.2	0.5
Folkestone & Dover	8.5	3.3	2.4	1.4	1.2	3.3
Mid Kent	4.1	0.1	1.4	-0.6	-1.2	0.7
Portsmouth	-3.5	-1.2	0.8	1.3	0.0	-0.5
South East	13.8	2.0	0.8	0.1	-1.3	2.9
South Staffordshire	7.4	2.4	1.2	0.6	0.9	2.5
Sutton & East Surrey	8.8	1.5	0.8	-1.4	-1.6	1.6
Tendring Hundred	-4.3	-1.2	0.5	-0.5	-1.2	-1.4
Three Valleys	14.2	1.3	0.8	-1.0	-0.6	2.8
WoC average (weighted)	10.2	1.3	1.0	-0.2	-0.9	2.2

Industry average (weighted)	7.6	3.1	2.1	1.8	1.2	3.1
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All figures exclude inflation.

More information on the figures included in these tables is available on our website www.ofwat.gov.uk

Look at this table to see what average water and sewerage bills would be for each company. Figures for both services need to be added together to give a total bill. For customers taking services from two different companies, find the relevant figures in the table and add them together. The percentage increase in bills can be seen at the end of each row in the table.

Use this table to see what draft price limits Ofwat has set for each water and sewerage company. There is a higher increase in the first one to two years for each company which reflects the build-up of company costs. These price limits are significantly less than the companies asked for in business plans submitted to us in April this year. They govern the range of charges companies can make to customers.