

## D The Company Plan for Future Services (Public Domain)

### D.1 Company Summary -Table D1

#### Introduction

As part of the regulatory process, water companies' submissions to the Director General of Water Services are audited and reported on by a Reporter. I, John Brindley, of WS Atkins Consultants Limited, am appointed as the Reporter for Southern Water and I and my team have audited Southern Water's 2003 Draft Business Plan. I have submitted my full Report to the Director General and the Directors of Southern Water; this document summarises my opinions as they relate to the information set out by Southern Water in its one-page public summary. These opinions are based on our audits and on the extent to which those audits are representative of Southern Water's Business Plan.

#### Overall Strategy and Top 5 Strategic Objectives

Southern has set out in this draft Business Plan its proposals to continue to manage its business through the coming regulatory periods. The Company's overall strategy is to ensure that present and future customers have a reliable and sustainable service. The Plan provides for the continuing maintenance of the infrastructure, including proactive refurbishment in some selected areas to address underlying trends that are now becoming apparent. Works are proposed to meet the growing demand for the Company's services. These rely on Southern's plans to continue its good performance on leakage and extending its coverage of domestic metering. Studies are also planned to prepare for the increased resources that will need to be built during the following regulatory periods. Flooding from sewers is to be reduced and the Company is working on this in consultation with WaterVoice. Environmental improvements form a major part of the investment needs, replacing water abstractions and improving wastewater discharges in environmentally sensitive areas.

The major wastewater treatment works for Brighton & Hove and Margate & Broadstairs are planned to be built in the period after being delayed by difficulties in obtaining planning permission and acquiring the land. Southern consider it a priority to complete these outstanding obligations. The cost of these works is included in the draft Plan. Some of the costs are uncertain at this stage and will be further refined before the final Plan.

#### Proposed Price Limits & Effect on Average Bills

The average Increase in Price Limits (the K factor) over the period 2004/05 to 2009/10 if the company's plan is implemented will be 34%. The Effect on Average Bills has been correctly extracted from the Draft Business Plan.

#### Projected Expenditure Needs

The annual average expenditures on Operation, Capital Maintenance and Capital Enhancement have been correctly extracted from the draft Business Plan. Southern has made broad efficiency assumptions for the purposes of this draft Plan and will consider further the scope for efficiency for the final Plan.

#### What is Driving the Changes in Bills?

Southern presents figures for each of the categories reducing or increasing the bills. These figures are derived from the Company's Financial Model.

### D.2 Company Process

The Company has prepared the draft Business Plan in an effective manner; the Plan is an integral part of the Company's long term planning processes. The company has provided my team and I with extensive and timely access to carry out our work and, in my view, the Company has studied options and carried out cost effectiveness analyses to a level of detail appropriate for the development of its plans at this draft stage of the process.