

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, Ian Cartwright-Taylor, of WS Atkins Consultants Limited, am appointed as the Reporter for Three Valleys Water and I and my team have audited the material parts of Three Valleys Water's 2003 Draft Business Plan. I have submitted my full Report to the Director General and the Directors of Three Valleys Water; this document summarises my opinions as they relate to the information set out by Three Valleys Water in its one-page public summary. These opinions are based on our audits and on the extent to which those audits represent the Company's Draft Business Plan.

Overall Strategy and Top 5 Strategic Objectives

The overall strategy is firmly supported by the Directors of Three Valleys Water.

Three Valleys Water's Draft Business Plan includes expenditure to meet the key objectives set out in the Summary. The provision of a secure and reliable supply is a key plank of the Company's strategy. Three Valleys Water plans to maintain the quality of its service to customers, whilst at the same time, improving its speed of response. The assets are to be maintained at levels that are expected to preserve the present levels of service and overcome current difficulties with controlling leakage.

Proposed Price Limits & Effect on Average Bills

The average Increase in Price Limits (the K factor) over the period 2004/05 to 2009/10 will be 36.5%. 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. Three Valleys Water has assumed some efficiencies in each of these areas.

Top 5 Quality and Service Improvements in 2000-2005 Period

Capital and operating costs have been included in the Business Plan to meet each of the stated improvements. Allowances have been made for some efficiencies in future costs.

A substantial programme of work is included in the Draft Business Plan. This includes an increase in the renewal rate of the Company's distribution system, the development of resources and transfer schemes to improve security of supply including an extensive programme of domestic metering and continuing to meet potable water quality standards in the face of deteriorating raw water quality.

What is Driving the Changes in Bills?

Three Valleys Water presents figures for each of the five categories reducing or increasing the bills. These figures are derived from the Company's Financial Model and are not directly exposed within the Draft Business Plan.

D.2 Company Process

The Company has prepared the draft Business Plan in a quality controlled manner in accordance with its QA procedures. The company has provided my team and I with extensive and timely access to carry out our work. As a result of the tight Ofwat timetable though, we have only been able to reconcile material items in the final tables submitted with those seen at audit.

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.