United Utilities

DRAFT BUSINESS PLAN **D1 A/B**

Table D1 - United Utilities - A summary of reference plan A - August 2003

PRICE LIMITS AND EFFECTS ON AVERAGE BILLS (2002-03 PRICES)			2005-06	2006-07	2007-08	2008-09	2009-10
Proposed price limit		%	10.40	10.40	10.50	10.60	10.70
W	**Price limit (water service)**	**%**	**6.3**	**6.3**	**6.3**	**6.3**	**6.3**
1	Average measured household bill	£	112.40	118.79	125.32	131.22	137.78
2	Average unmeasured household bill	£	134.55	145.10	156.25	167.57	179.73
3	Average household bill	£	126.76	134.89	143.23	151.24	159.70
S	**Price limit (sewerage service)**	**%**	**13.7**	**13.7**	**13.7**	**13.7**	**13.7**
1	Average measured household bill	£	128.20	144.35	160.56	178.25	198.31
2	Average unmeasured household bill	£	152.55	177.43	202.93	231.84	265.20
3	Average household bill	£	142.86	163.37	183.74	206.21	231.60

WHAT IS DRIVING THE CHANGES IN BILLS? (2002-03 PRICES)			
Average household bill in 2004-2005		£	243.00
Less	(1) Past and future efficiency savings	£	-22.00
Plus	(2) Higher bad debt, pension costs and tax changes	£	28.00
	(3) drinking water quality improvements	£	29.00
	(4) environmental improvements	£	94.00
	(5) service performance	£	13.00
	(6) security of supply	£	6.00
Average household bill in 2009-2010 (W3 + S3)		£	391.00

ESTIMATE OF EXPENDITURE NEEDS (2002-03 PRICES)		Annual average for the 2005-2010 period (£/property/annum)
1	Total operating expenditure	127.78
2	Total capital maintenance expenditure	79.91
3	Total capital enhancement expenditure	164.72

KEY ASPECTS OF REFERENCE PLAN A FOR 2005-2010 PERIOD AND TOP 5 STRATEGIC OBJECTIVES

The package of quality and service improvements in Reference Plan A is very similar to that in the United Utilities Plan. Reference Plan A therefore includes the same top 5 quality and service improvements identified in table D1-CPS. The United Utilities plan does, however, include more investigative work to try to get better value for money by improved targeting of future investment.

Table D1 - United Utilities - A summary of reference plan B - August 2003

PRICE LIMITS AND EFFECTS ON AVERAGE BILLS (2002-03 PRICES)			2005-06	2006-07	2007-08	2008-09	2009-10
Proposed price limit		%	13.00	13.00	13.20	13.40	13.60
W	**Price limit (water service)**	**%**	**7.5**	**7.5**	**7.5**	**7.5**	**7.5**
1	Average measured household bill	£	113.64	121.36	129.20	136.52	144.71
2	Average unmeasured household bill	£	135.98	148.34	161.66	175.48	190.45
3	Average household bill	£	128.10	137.85	148.04	158.11	168.82
S	**Price limit (sewerage service)**	**%**	**17.5**	**17.5**	**17.5**	**17.5**	**17.5**
1	Average measured household bill	£	131.65	154.00	177.70	204.31	235.46
2	Average unmeasured household bill	£	158.86	191.31	227.04	269.40	319.91
3	Average household bill	£	148.41	175.79	205.10	238.89	278.35

WHAT IS DRIVING THE CHANGES IN BILLS? (2002-03 PRICES)			
Average household bill in 2004-2005		£	243
Less	(1) Past and future efficiency savings	£	-26
Plus	(2) Higher bad debt, pension costs and tax changes	£	19
	(3) drinking water quality improvements	£	30
	(4) environmental improvements	£	165
	(5) service performance	£	11
	(6) security of supply	£	5
Average household bill in 2009-2010 (W3 + S3)		£	447

ESTIMATE OF EXPENDITURE NEEDS (2002-03 PRICES)		Annual average for the 2005-2010 period (£/property/annum)
1	Total operating expenditure	128.84
2	Total capital maintenance expenditure	87.35
3	Total capital enhancement expenditure	288.81

KEY ASPECTS OF REFERENCE PLAN A FOR 2005-2010 PERIOD AND TOP 5 STRATEGIC OBJECTIVES

Reference Plan B represents a far more extensive package of quality improvements than is included in Reference Plan A or the United Utilities plan. It includes quality outputs that the government has identified as needing particular examination befo re they can be included in the outputs to be delivered between 2005 and 2010. This is reflected in the very much higher level of investment in Plan B compared to either the United Utilities plan or Reference Plan A.

The main strategic objectives within Reference Plan B are the same as those in the United Utilities plan and Reference Plan A. However, Reference Plan B would require a far larger programme of work on the company's wastewater treatment works and sewerage network; almost 180 works would be affected, serving a population equivalent to almost 7.7 million people, along with far more extensive improvements to sewer overflows.

The research conducted thus far for this review of water company prices has found only a modest willingness amongst customers to pay higher bills for quality improvements. It therefore seems extremely unlikely that customers would be willing to support an investment programme on the scale envisaged by Reference Plan B.

The scale of this programme, if implemented in full, would mean construction activity likely to cause widespread disruption across the region and place severe strain on available engineering resources.