

**Table D1 - Welsh Water - A summary of our Company Consultation Plan for the draft business plan submission to Ofwat - August 2003**

**OVERALL STRATEGY FOR 2005-2010 PERIOD AND MAIN STRATEGIC OBJECTIVES**

- Overall objective is to deliver best value water and wastewater services to customers.
- AMP4 requirements must balance demands for improvements against affordability considerations and legal obligations
- The final package of improvements must deliver the best possible solution for customers.
- Consolidation of existing achievements must not be jeopardised - maintenance is a priority.
- Draft Plan is published for consultation. Stakeholder input will shape final Business Plan.
- Proposals reflect challenging ambitions for step improvements in efficiency to secure better value.
- Initial "consultation package" of improvements reflects preliminary consultation, and offers tangible improvements across the board, including drinking water quality, environmental outputs, and sewer flooding.
- By 2009/10 Welsh Water aims to consolidate its position as one of the better performers in the sector, while reducing the gap between household bills in Wales and the average for areas in England.

**TOP QUALITY AND SERVICE IMPROVEMENTS IN 2005-2010 PERIOD**

- 1 Consolidation of high standards achieved over AMPs 1-3. Reduction in risk and frequency of service failures.
- 2 Step reduction in number of properties at risk of sewer flooding.
- 3 Completion of 10 year programme to refurbish unlined iron water mains.
- 4 Continued progress on tackling "unsatisfactory sewer overflows" to protect river and coastal water quality.
- 5 Further improvements to 213 wastewater treatment works to meet tighter discharge consents in order to meet the requirements of EU directives.
- 6 Lifting current planning constraints and support for economic development

**WHAT IS DRIVING THE CHANGES IN BILLS? (2002-03 PRICES)**

Maximum Average household bill in 2004-2005	£285
Targeted cost efficiency savings	-£23
Opening revenue shortfall in 2005	£7
Higher charge for asset maintenance	£7
Declining commercial and industrial sales	£10
Average Household Bill in 2009/10 - No Deterioration	£286
High priority customer service improvements	£14
Economic development supported	£6
Drinking water quality improvements	£16
Environmental quality improvements	£28
Maximum average household bill in 2009-2010	£350

**PRICE LIMITS AND EFFECT ON AVERAGE BILLS (2002-03 PRICES)**

	2005-06	2006-07	2007-08	2008-09	2009-10
<b>Proposed price limit</b>	9.4	4.8	4.3	4.1	3.1
<b>W Price limit (water service)</b>	8.9	4.7	4.4	4.1	3.2
1 Average measured household bill	86	88	91	93	95
2 Average unmeasured household bill	146	155	164	172	180
3 Average household bill	134	139	145	150	155
<b>S Price limit (sewerage service)</b>	9.8	4.8	4.2	4.1	3.1
1 Average measured household bill	100	103	105	108	110
2 Average unmeasured household bill	195	205	216	226	235
3 Average household bill	173	179	185	191	195

**ESTIMATE OF EXPENDITURE NEEDS (2002-03 PRICES)**

	Annual average for the 2005-2010 period (£/property/annum)
1 Total operating expenditure	138
2 Total capital maintenance expenditure	84
3 Total capital enhancement expenditure	101

For further information go to [www.dwrcymru.com](http://www.dwrcymru.com) or contact: [Richard.Fletcher@dwrcymru.com](mailto:Richard.Fletcher@dwrcymru.com)

Table D1 - Welsh Water - A summary of reference plan A - August 2003

PRICE LIMITS AND EFFECT ON AVERAGE BILLS (2002-03 PRICES)					
	2005-06	2006-07	2007-08	2008-09	2009-10
<b>Proposed price limit</b>	24.0	4.0	0.1	0.6	-0.2
<b>W Price limit (water service)</b>	23.3	3.8	0.1	0.5	-0.2
1 Average measured household bill	93	95	95	94	94
2 Average unmeasured household bill	163	171	172	175	176
3 Average household bill	148	153	152	152	151
<b>S Price limit (sewerage service)</b>	24.5	4.0	0.1	0.6	-0.2
1 Average measured household bill	109	112	110	110	109
2 Average unmeasured household bill	215	225	227	230	231
3 Average household bill	191	196	194	193	192

WHAT IS DRIVING THE CHANGES IN BILLS? (2002-03 PRICES)	
Maximum Average household bill in 2004-2005	£285
Targeted cost efficiency savings	-£23
Opening revenue shortfall in 2005	£7
Higher charge for asset maintenance	£7
Declining commercial and industrial sales	£10
Average Household Bill in 2009/10 - No Deterioration	£286
High priority customer service improvements	£12
Economic development supported	£5
Drinking water quality improvements	£14
Environmental quality improvements	£26
Maximum average household bill in 2009-2010	£343

ESTIMATE OF EXPENDITURE NEEDS (2002-03 PRICES)	
	Annual average for the 2005-2010 period (£/property/annum)
1 Total operating expenditure	142
2 Total capital maintenance expenditure	87
3 Total capital enhancement expenditure	99

KEY ASPECTS OF REFERENCE PLAN A FOR 2005-2010	
<ul style="list-style-type: none"> <li>- Welsh Water has generally adopted Reference Plan assumptions. Differences therefore mainly relate to the contents of the investment programmes.</li> <li>- In addition, in line with Ofwat requirements, bills rise more sharply in 2005/06 to achieve "bankability over all five years. In the Consultation Plan Welsh Water has achieved bankability only in 2009/10.</li> <li>- Reference Plan A incorporates only quality investments which are "essential and clear". It would cover fewer improvements at wastewater treatment works, it would deal with fewer sewer flooding problems, but would deal with more unsatisfactory intermittent discharges from the sewer network.</li> <li>- Reference Plan A involves an investment programme of the same size as the Consultation Plan. However, the Company judges that it would deliver fewer environmental benefits than the integrated approach adopted for the Consultation Plan.</li> </ul>	

Table D1 - Welsh Water - A summary of reference plan B - August 2003

PRICE LIMITS AND EFFECT ON AVERAGE BILLS (2002-03 PRICES)					
	2005-06	2006-07	2007-08	2008-09	2009-10
<b>Proposed price limit</b>	24.7	7.2	0.6	1.0	0.2
<b>W Price limit (water service)</b>	24.0	7.0	0.5	0.9	0.2
1 Average measured household bill	94	98	98	98	98
2 Average unmeasured household bill	164	178	180	184	186
3 Average household bill	148	158	158	159	158
<b>S Price limit (sewerage service)</b>	25.3	7.3	0.6	1.1	0.3
1 Average measured household bill	110	115	115	115	114
2 Average unmeasured household bill	217	234	237	241	243
3 Average household bill	192	203	202	202	203

WHAT IS DRIVING THE CHANGES IN BILLS? (2002-03 PRICES)	
Maximum Average household bill in 2004-2005	£285
Targeted cost efficiency savings	-£23
Opening revenue shortfall in 2005	£7
Higher charge for asset maintenance	£7
Declining commercial and industrial sales	£10
Average Household Bill in 2009/10 - No Deterioration	£286
High priority customer service improvements	£15
Economic development supported	£5
Drinking water quality improvements	£15
Environmental quality improvements	£40
Maximum average household bill in 2009-2010	£361

ESTIMATE OF EXPENDITURE NEEDS (2002-03 PRICES)	
	Annual average for the 2005-2010 period (£/property/annum)
1 Total operating expenditure	142
2 Total capital maintenance expenditure	89
3 Total capital enhancement expenditure	133

KEY ASPECTS OF REFERENCE PLAN B FOR 2005-2010 PERIOD AND TOP 5 STRATEGIC OBJECTIVES	
<ul style="list-style-type: none"> <li>- Welsh Water has generally adopted Reference Plan assumptions. Differences therefore mainly relate to the contents of the investment programmes.</li> <li>- In addition, in line with Ofwat requirements, bills rise more sharply in 2005/06 to achieve "bankability over all five years. In the Consultation Plan Welsh Water has achieved bankability only in 2009/10.</li> <li>- Reference Plan B includes all environmental improvements put forward by the Environment Agency, whether associated with "statutory" or "policy" drivers.</li> <li>- As a result, it would involve a significantly higher investment programme by over £200m.</li> <li>- The Company believes that the substantial increases in bills necessary to finance Reference Plan B are unlikely to be acceptable to customers and other stakeholders.</li> </ul>	