

Table D1 - Anglian Water and Hartlepool Water - A summary of our business plan submission to Ofwat - April 2004

OVERALL STRATEGY FOR 2005-2010 PERIOD AND TOP 5 STRATEGIC OBJECTIVES

In preparing our Final Business Plan for 2005 – 2010, Anglian Water's strategy reflects the views and feedback from our customers and other stakeholders.

We aim to:

- provide best value water and wastewater services to our customers
- maintain and improve service levels to customers while keeping prices as low as possible
- meet water quality and environmental standards and to improve our performance where supported by the principles of sustainable development
- deliver appropriate and sustainable returns to our investors so that the company maintains the ability to attract capital, and
- develop and retain high calibre people with the commitment, capability and enthusiasm to deliver an efficient public service.

In 2002 we enhanced the ringfence around Anglian Water which allowed us to reduce the cost of financing the business, providing secure access to capital funding and leading to lower customer bills.

Despite significant capital investment and upward cost pressures, we have constrained the rise in prices so that (in 2002 - 2003 prices) the average customer bill will rise by £47 over the five years, or, an average of 3.3% each year.

In striking the balance for our customers, we have made difficult choices over the scale and pace of investment. However, we believe we have found a balance that provides customers with extremely high standards at the best possible prices and provides a fair return to investors.

TOP 5 QUALITY AND SERVICE IMPROVEMENTS IN 2005-2010 PERIOD

1. Maintain the high standards achieved to date.
2. Alleviate sewer flooding for the majority of 'at risk' properties in the region.
3. 25 schemes to maintain high quality drinking water standards.
4. Reduce nutrients in 85 discharges to further improve the quality of river water quality and habitats.
5. Provide first time sewerage for up to 86 villages to alleviate environmental problems with existing arrangements.

WHAT IS DRIVING THE CHANGES IN BILLS? (NOTIONAL MID YEAR 2002-03 PRICES)		Water	Sewerage
Average household bill in 2004-2005		118	166
Less	(1) past efficiency savings and outperformance		(6)
	(1a) savings as a result of enhanced ringfencing of AWS	(5)	(10)
	(2) scope for reduction through future efficiency improvements	(5)	(6)
Plus	(3) maintaining base services	36	22
	of which		
	a) changes in revenue	6	5
	b) changes in operating costs	4	3
	c) changes in capital maintenance	7	7
	d) impact of taxation	17	3
	e) financing	3	4
	(4) maintaining security of supplies to all customers	3	1
	(5) the impact of improvements in drinking water quality	3	
	(6) the impact of environmental improvements	1	10
(7) improvements in service performance	0	2	
Average household bill in 2009-2010		151	180

PRICE LIMITS AND EFFECT ON AVERAGE BILLS (NOTIONAL MID YEAR 2002-03 PRICES)

		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Proposed price limit		2.5	5.4	2.0	4.7	5.2	5.9
W	Indicative price limit (water service)	2.3	11.8	4.0	6.5	5.4	6.1
1	Average measured household bill	98.07	106.83	111.54	116.95	121.15	126.70
2	Average unmeasured household bill	142.50	160.78	165.31	175.69	185.72	198.09
3	Average household bill	117.87	129.65	133.26	139.50	144.62	151.26
S	Indicative price limit (sewerage service)	2.6	2.0	0.6	3.4	5.0	5.7
1	Average measured household bill	138.79	136.22	137.77	140.57	145.36	151.55
2	Average unmeasured household bill	200.00	201.84	201.42	209.16	220.76	234.89
3	Average household bill	166.36	164.22	163.61	166.92	172.69	180.03
Total average household bill		284.23	293.87	296.87	306.42	317.31	331.29
Percentage rise in average bill %		N/A	3.5	1.0	3.0	3.6	4.4

ESTIMATE OF EXPENDITURE NEEDS (NOTIONAL MID YEAR 2002-03 PRICES)

		Annual average for the 2005-2010 period (£/property/annum)
1	Total operating expenditure	134.64
2	Total capital maintenance expenditure	74.87
3	Total capital enhancement expenditure	81.10

For further information go to www.anglianwater.co.uk