Table D1 - [Company] - A summary of our business plan submission to Ofwat - April 2004

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

…A brief summary of the strategy and the reasons for it (including Minister's requirements for quality improvements and the account it has been possible to take of the views of customers…

The Company strategy is to build on the substantial achievements since 1999 as the foundation to satisfy all statutory obligations and in particular to take the next step to ensuring that all customers have sufficient water to meet their needs.

Satisfying statutory duty and addressing customer, and stakeholder, expectation is fundamental to the strategy and can be identified as the following key areas:

1. Resolution of the current supply demand balance deficit, having regard for the water resource position in south-east Kent and the environmental impact.

2. Progression to a position where there is enough water available and the capacity exists for its transfer between water resource zones, ensuring a positive Security of Supply Index (SoSI).

3. Discharging appropriate water quality obligations.

4. Maintaining existing high levels of service, without any deterioration.

5. Ensuring "a reliable and continuous supply" through appropriate investment in the infrastructure.

The Company Strategy includes no further quality programme in respect of S.19 or Lead. However, it does include for abstraction licence reductions in accordance with the Environment Agency NEP.

TOP 5 QUALITY AND SERVICE IMPROVEMENTS IN 2005-2010 PERIOD

…to achieve what improvement by when

1 Progress the current Supply Demand Balance deficit into surplus by 2007/8 and maintain position beyond AMP4.

2 Ensure that water available for use can be routed to the area of need through zonal transfer thus moving the Company to a positive Security of Supply Index (SoSI) position by 2007/8.

3 Progress application for Water Scarce status to enable a programme of selective metering to progress thereby satisfying Environment Agency strategy for “water resources in the future”.

4 Implementation of River Dour and Little Stour Alleviation of Low Flows (ALF) schemes by 2010.

5 Maintaining current levels of maintenance for both above and below ground assets to ensure that the infrastructure is able to deliver a “reliable and continuous supply” to our customers.

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

					Water	Sewerage
Average household bill in 2004-2005					139.18	NA
Less	(1)	past efficiency savings and outperformance			-14.83	NA
	(2)	scope for reduction through future efficiency improvement			-1.13	NA
Plus	(3)	maintaining base services			34.81	NA
		of which	*Water*	*Sewerage*		
		a) changes in revenue	*26.98*	*NA*		
		b) changes in operating costs	*0.83*	*NA*		
		c) changes in capital maintenance	*0.00*	*NA*		
		d) impact of taxation	*0.00*	*NA*		
		e) financing	*7.00*	*NA*		
	(4)	maintaining security of supplies to all customers			12.43	NA
	(5)	the impact of improvements in drinking water quality			0.00	NA
	(6)	the impact of environmental improvements			19.73	NA
	(7)	improvements in service performance			8.28	NA
Average household bill in 2009-2010					198.47	NA

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

		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Proposed price limit							
W	**Indicative price limit (water service)**	**3.2**	**8.3**	**8.3**	**8.3**	**8.3**	**8.3**
1	Average measured household bill	121.78	136.56	153.61	168.29	184.77	201.92
2	Average unmeasured household bill	165.96	182.06	200.96	226.72	255.21	289.63
3	Average household bill	139.18	147.95	159	171.28	184.42	198.47
S	**Indicative price limit (sewerage service)**						
1	Average measured household bill	NA	NA	NA	NA	NA	NA
2	Average unmeasured household bill	NA	NA	NA	NA	NA	NA
3	Average household bill	NA	NA	NA	NA	NA	NA

ESTIMATE OF EXPENDITURE NEEDS (2002-03 PRICES)

		Annual average for the 2005-2010 period (£/property/annum)
1	Total operating expenditure	96
2	Total capital maintenance expenditure	32
3	Total capital enhancement expenditure	50

For further information go to www.fdws.co.uk or contact enquiries@fdws.co.uk, or telephone Heather Jordan (01303)298822