

## Summary table - Three Valleys Water PLC - A summary of our business plan submission to Ofwat - April 2004

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

Customers tell us that they value the safety and reliability of their water supply above all. Our plan sets out the actions we need to take now to ensure that present and future customers will have a safe, continuous and reliable water supply that represents good value for money.

#### Our Key Priorities

##### Maintaining the Pipe Network

In the past, we have not renewed our pipes at a fast enough rate, which has resulted in high rates of pipe bursts and made it tougher to control leaks. Our customers suffer from high rates of bursts in some areas. We need to invest now, to increase the pipe renewal rate, targeting our work to those neighbourhoods where customers suffer most. We plan to renew 148km of mains, or 1.0% of our network per year. We are phasing the change in the level of work over two years to reduce the impact on water bills, but we cannot delay these essential works any longer than that.

##### Having Enough Water

The balance between supply and demand is already tight. Climate change and pollution threaten our water resources and substantial new housing development is in prospect. We must act now to safeguard supplies, so propose a twin track approach to develop water resources whilst also encouraging careful water use. We will invest to develop underused resources, improve our ability to transfer water across our region to where it is needed most and reduce leakage to make best use of water resources. We also plan to increase meter penetration to 43% by 2010 and 63% by 2015 to reduce demand. To increase metering, we will continue to provide a meter free of charge to any customer who chooses one and we will also extend metering to new houses and to properties when residents move home.

##### Improving Water Quality

We must maintain the already very high quality of water we put into supply. In the next few years we plan to install new water treatment equipment at five sites to deal with pesticides, nitrates and bromates detected in the source water. We will meet the new, tougher standards for lead by optimising existing orthophosphate treatment, but we will also replace lead pipes with pipes made from modern materials as we carry out our routine maintenance work.

##### High Customer Service

We want to maintain our high standards of customer service and find ways to improve them even further. The proposals in this programme will safeguard future service to customers.

##### System Security

Our business plan includes a programme of engineering works to improve the resilience of the water supply system to emergencies

### TOP 5 QUALITY AND SERVICE IMPROVEMENTS IN 2005-2010 PERIOD

- 1) Increase investment in maintaining the underground assets, doubling the rate of renewal of water mains, targeting work at the zones where customers suffer most from high and repeated bursts.
- 2) Enhance water treatment at five sites to meet water quality standards for nitrates, pesticides and bromates
- 3) Increase household meter penetration to 43% by March 2010 to encourage careful use of water and contribute to security of supply
- 4) Invest in mains to improve transferability of water across our supply area, and develop underused sources to improve security of supply
- 5) Improve the resilience of our water supply system against emergencies

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

Average household bill in 2004-2005		114.83	-
Less	(1) past efficiency savings and outperformance	0.17	-
	(2) scope for reduction through future efficiency improvements	-1.74	-
(3) maintaining base services		28.31	-
of which		Water	Sewerage
Plus	a) changes in revenue	0.45	-
	b) changes in operating costs	1.87	-
	c) changes in capital maintenance	17.89	-
	d) impact of taxation	5.44	-
	e) financing	2.65	-
(4) maintaining security of supplies to all customers		9.62	-
(5) the impact of improvements in drinking water quality		3.46	-
(6) the impact of environmental improvements		0.64	-
(7) improvements in service performance		0.00	-
Average household bill in 2009-2010		155.28	-

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

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
<b>Proposed price limit</b>	<b>0.4</b>	<b>15.0</b>	<b>13.0</b>	<b>2.9</b>	<b>1.7</b>	<b>1.5</b>
<b>W Indicative price limit (water service)</b>	<b>0.4</b>	<b>15.0</b>	<b>13.0</b>	<b>2.9</b>	<b>1.7</b>	<b>1.5</b>
1 Average measured household bill	100.60	118.44	136.10	142.98	148.51	153.96
2 Average unmeasured household bill	126.73	149.43	173.50	183.68	192.33	201.13
3 Average household bill	114.83	131.36	147.67	151.40	153.47	155.28
<b>S Indicative price limit (sewerage service)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1 Average measured household bill	-	-	-	-	-	-
2 Average unmeasured household bill	-	-	-	-	-	-
3 Average household bill	-	-	-	-	-	-

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

	Annual average for the 2005-2010 period (£/property/annum)
1 Total operating expenditure	75.31
2 Total capital maintenance expenditure	41.62
3 Total capital enhancement expenditure	23.44