

1999 Periodic Review - Summary of Business Plan Submission to Ofwat - April 1999

Company: South East Water plc

Service: Water Supply

OVERALL STRATEGY AND KEY OBJECTIVES FOR THE PERIOD 2000-2005

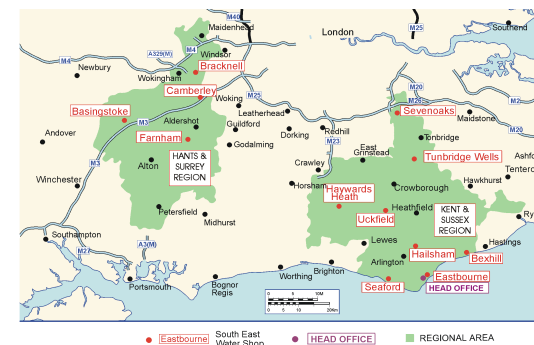
The company is proposing a programme of expenditure to meet the latest water quality standards and to develop new resources, whilst at the same time managing demand through metering, leakage control and water efficiency programmes.

Extensive customer research has indicated that customers support this strategy within a framework of stable prices. The research also indicated that almost 50% of customers are prepared to pay an additional £10 per year to contribute to the additional costs of these improvements.

The key objectives for the five years from April 2000 are:-

- *Delivering drinking water which meets the latest quality standards*
- *Maintaining a balanced supply of water to meet new demands for housing development*
- *Maintaining high standards of customer service*
- *Developing agreed environmental solutions to restore certain river flows and wetlands*
- *Reaching and sustaining economic levels of leakage*

MAP OF SUPPLY AREA



BASE DATA 1997/98

Population Served :	1.4 million
Properties supplied :	571,000
Water treatment works:	65
Kilometres of water main:	10,000

THE TOP 5 QUALITY IMPROVEMENTS IN THE PERIOD

1. Maintain quality of water with regard to public health
2. Improving the water distribution system
3. Reducing the risk from cryptosporidium
4. Compliance with the new lead standards
5. To meet the requirements of the revised Drinking Water Directive and associated UK legislation

PROPOSED PRICE LIMITS AND EFFECT ON AVERAGE BILLS

		2000-01	2001-02	2002-03	2003-04	2004-05
1	Proposed Price limit (Water Service)	2%	2%	2%	2%	2%
2	Average Household Bill (today's prices)	£133.15	£132.93	£133.71	£134.55	£134.70
3	Average Household Bill paid	£138.83	£140.47	£143.03	£146.03	£148.69

PROJECTED EXPENDITURE NEEDS

	Annual average for the AMP3 period (£/property/annum)
1 Total Operating Expenditure - annual average	£82.82
2 Total Capital Enhancement Expenditure - annual average	£49.15
3 Total Capital Maintenance Expenditure - annual average	£28.77

RETURN ON CAPITAL

	Annual average for the AMP3 period
1 Return on capital - (post tax) (%)	

WHAT IS DRIVING THE CHANGES IN BILLS

Average household bill in 1999-2000	£134.83
Less	
(1) passing on past out-performance	£5.50
(2) challenging targets for future efficiency improvements	£4.25
(3) the impact of improvements in water quality	£4.28
Plus	
(4) improvements in service performance	£0.00
(5) Maintaining security of supplies to all customers	£5.34
Average Household Bill in 2004-2005	£134.70

For further information , visit the company website on : www.southeastwater.co.uk