



DŴR CYMRU
WELSH WATER

June Return 2004



Overview

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Introduction

This report provides an overview of Dŵr Cymru's performance in the year to 31 March 2004. It is addressed to the Director General of Ofwat and accompanies our annual June Return.

It covers levels of service and outputs for our water and sewerage activities, environmental performance, financial performance and overall progress against targets established at the last price review in 1999 and at the Interim Determination (IDOK) in 2000.

Summary for the year

Customer service delivery

- Compliance with drinking water quality standards "at the tap" as measured by the Operational Performance Index (OPI) improved to 99.8%.
- Compliance with bacteriological drinking water quality standards "at the tap" stable at 99.67%.
- Leakage targets achieved and water abstractions now 10% lower than in 1998.
- Properties at risk of low pressure (DG2) reduced to 0.018%, down from 0.03% in 2002/03.
- Unplanned interruptions to supply (DG3) reduced by a third to 0.035%.
- Properties at risk of sewage flooding (DG5) reduced from 297, in 2002/03 to 254 at the end of the report year (a net decrease 43 properties).
- Best ever performance in meter reading (DG8) maintained and steady improvement in customer contact centre performance.
- Compliance with environmental quality standards (numeric consents) at wastewater treatment works down slightly to 97.4%.

- Number of "Category 1 and 2" sewage related pollution incidents reduced to 9 in 2003, down from 13 in 2002.
- Bathing water quality; 98.7% compliance with "mandatory" standard and 83% with tighter "guideline" standard leading to 35 Blue Flag beach awards in 2003, 2 more than in 2002, around a third of the UK total.

Financial performance

- Key financial measures ahead of the targets published at the time of the Glas bond issue in May 2001.
- Earnings before interest, tax, depreciation and amortisation (EBITDA) £259 million an increase of £0.4m over the previous year.
- Net debt of £2,173 million now 84% of Regulatory Capital Value (RCV), down from 85%.
- Customer bill rebates worth £11 million in 2003/04 implemented.
- Overall, £1.2 billion AMP3 capital investment programme on track to deliver key outputs by 2005 on time and within budget.
- On course to meet or exceed target for Financial Reserves (RCV less net debt) of £400 million by March 2005.

- Water service operating costs are 3% lower, sewerage operating costs 1% lower than in 2002/03. Total operating costs were £10.6m behind the assumptions, included in the 1999 Final Determination.
- Capital investment for the year was £269m, some £38m more than assumed in the 1999 Final Determination.

AMP3 improvement outputs

- 610km of water mains renewed or relined in the year to improve water quality (S19 Undertaking on target).
- 20 Water Treatment Works schemes completed.
- 68 Wastewater Treatment Works improvement schemes completed (27 on the NEP list).
- 179 CSO schemes completed.
- Capital maintenance expenditure broadly in line with Ofwat 1999 Final Determination.

Competitive Procurement Plan

Our current asset operation, customer billing and contact centre management and capital alliance service partners continue to deliver good results. As detailed previously these contracts were awarded following a highly competitive process and provide strong incentives for cost efficiency and quality of service delivery against KPIs and stretch targets.

In May 2003 Dwr Cymru published three notices in the Official Journal of the European Union inviting organisations to express their

interest in the provision of Asset Operations, Asset Investment and Billing and Income services. These new service arrangements will take effect from April 2005 and will provide support for AMP 4 and beyond.

Progress against Monitoring Plan

In our Monitoring Plan, published in December 2000, we set out the minimum service standards we expected to achieve over the AMP3 period and the target levels we are aiming to achieve by 2005. This Overview provides a summary of our progress against these targets.

Performance against the Monitoring Plan

Water Service

| Performance Measure | Units | The 2005 Monitoring Plan Target | Previous Performance 2002/03 | Actual Performance 2003/04 |
|--|-------|---------------------------------|------------------------------|----------------------------|
| DG2 Properties below reference level for low pressure | No. | 1,828 | 410 | 242 |
| DG2 Properties at risk of receiving low pressure | % | 0.14 | 0.03 | 0.018 |
| DG3 Overall performance score (interruption to supply) | No. | 0.66 | 0.08 | 0.035 |
| DG4 Restrictions on water supply | No. | 0 | 0 | 0 |
| Trend in burst mains per 1,000km of main | No. | 194 | 208 | 194 |
| Distribution input not covered by S19 undertakings | % | 98 | 95.57 | 96.02 |
| Compliance with water quality regulations "at the tap" | % | 99.8 | 99.83 | 99.74 |
| Iron compliance "at the tap" | % | 97.7 | 98.81 | 99.09 |

Sewerage Service

| Performance Measure | Units | The 2005 Monitoring Plan Target | Previous Performance 2002/03 | Actual Performance 2003/04 |
|--|-------|---------------------------------|------------------------------|----------------------------|
| Properties flooded internally – excluding extreme / severe weather | No. | 310 | 169 | 172 |
| Total props subject to internal flooding (excluding extreme / exceptional weather) | % | 0.023 | 0.013 | 0.013 |
| Properties at risk of flooding | No. | 315 | 297 | 254 |
| Trend in sewer collapses per 1,000km of sewer | No. | 27 | 25.4 | 28.8 |
| Wastewater treatment works complying with numeric consents | % | 100 | 98.0* | 97.4* |
| Combined sewer overflows satisfactory | % | 81 | 66 | 77 |

* Performance is based on a revised definition (Ofwat reporting requirements 2002/03).

Quality and Environmental Compliance

| Performance Measure | Units | The 2005 Monitoring Plan Target | Previous Performance 2002/03 | Actual Performance 2003/04 |
|--|-------|---------------------------------|------------------------------|----------------------------|
| Percentage population equivalent served by compliant works (LUT) | % | >90 | 99.97 | 99.92 |
| Sewage sludge disposed of satisfactorily | % | 100 | 100 | 100 |
| Bathing waters – compliance with mandatory standards | % | 100 | 100 | 98.7 |
| Bathing waters – compliance with guideline standards | % | Stable | 83 | 83.2 |
| Number pollution incidents at CSOs and sewers (cat 1 & 2) | no. | 9 +/- 30% | 6 | 5 |

Customer Service

| Performance Measure | Units | The 2005 Monitoring Plan Target | Previous Performance 2002/03 | Actual Performance 2003/04 |
|---|-------|---------------------------------|------------------------------|----------------------------|
| DG6 Billing contacts responded to within 5 days | % | 99.2 | 99.99 | 99.99 |
| DG7 Written complaints responded to within 10 days | % | 99.46 | 99.7 | 99.85 |
| DG8 Bills based on company or customer meter readings | % | 99.7 | 99.96 | 99.96 |
| DG9 Received telephone calls answered within 30 seconds | % | 94.6 | 95.1 | 94.5 |

CHAPTER 1

Key Outputs and Service Delivery

Over the last year we have maintained our levels of service to customers and overall we are meeting our targets for water and wastewater quality improvement.

We carry out regular research with customers to understand their satisfaction with the services provided by Dŵr Cymru. Latest research shows that overall satisfaction with the Company's levels of service remains high.

Water Service

Interruptions to supply DG3

During the year 439 properties experienced unplanned supply interruptions lasting more than 6 hours, compared with 678 in the previous year. Correspondingly, Company performance as measured by Ofwat's "overall performance score" has improved this year to 0.035% (2003/04) from 0.08% in the previous year, continuing the trend of year on year improvement delivered since 1999. [3]

The number of unplanned supply interruptions lasting more than 12 hours has also reduced with 24 properties affected in 2003/04 as compared to 170 properties in the previous year.

During the year we have continued to invest significantly on a programme of mains renewal and maintenance.

Specifically we have focused on reducing response times to asset breakdown and on pressure management resulting in a decrease in the number of bursts per km of water main. We have, however, reported an increase in the number of

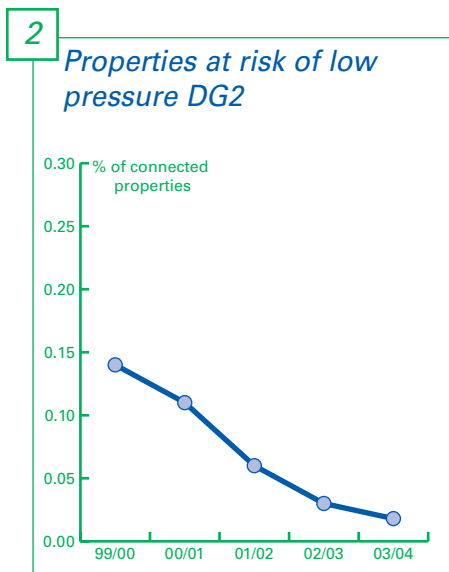
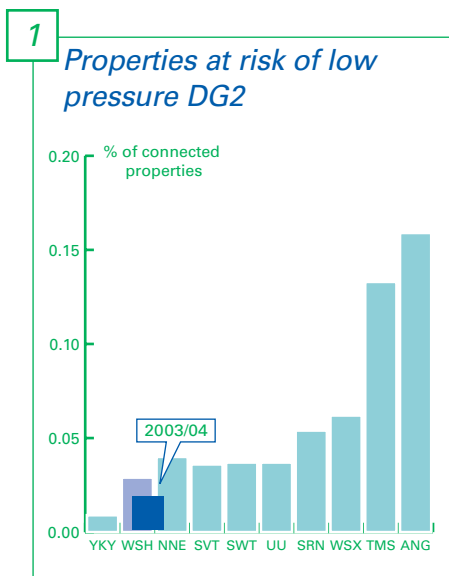
Low pressure DG2

In 1999 the company set itself a challenging DG2 target of 0.14% by 2005. By the end of the 2003/04 reporting year 242 properties or 0.018% received a supply below the reference level for low pressure. This compares with 410 properties in 2002/03 and 748 properties in 2001/02.

Our performance continues to be well above the average for the sector (0.018% of properties compared with the industry average of 0.06% for 2002/03). [1]

In total 1,299 properties have been removed from the DG2 register as a result of company action; this has involved targeted mains replacement and a continued focus on a rolling programme of pressure monitoring.

DG2 additions resulting from asset deterioration show a stable trend with 1013 property additions in 2003/04 as compared with 996 in the previous year. [2]



planned interruptions reflecting the relatively high level of mains refurbishment activity that has been undertaken on the network.

Despite the increase in activity levels our DG3 performance on all measures continues to be well above the sector average. [4](#)

Delivering the drinking water compliance programme

The company achieved a high level of water quality compliance during 2003 with performance against a number of key measures being best ever. This performance reflects both the continued improvements at Water Treatment Works, the substantial ongoing investment on water mains rehabilitation and improvements in operational procedures as defined in the Company's Quality Management System.

In the reporting year we have renovated some 610km of unlined iron mains achieving the Milestone 2 target for the S19 Distribution Undertaking, and we remain on target to achieve the AMP3 output.

In 25th December 2003 the revised standard for lead of 25ug/l came into force (this will reduce further to 10ug/l by 2014). Both Ofwat and DWI advocate that companies should adopt a policy of treatment for plumbosolvency at works to meet the interim standard before committing to a programme of lead pipe replacement. Since the start of AMP3 we have taken steps to comply with the interim standard

by either abandonment of works or by providing plumbosolvency treatment and control at 38 of our water treatment works. In addition, we have introduced a policy of replacing lead communication pipes in zones where the water mains are being replaced (rather than relined) as part of the quality improvement programme. In the reporting year we replaced a total of 854 lead communication pipes, down from 1064 in 2002/03 reflecting the overall shape of the S19 programme and against a nil allowance for this work included in the IDOK.

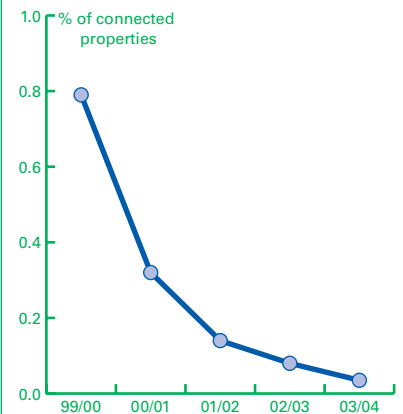
Overall compliance with drinking water quality standards "at customer taps" fell from 99.83% to 99.74% as a result of an increase in nitrite and PAH failures. Compliance with bacteriological standards also fell from 99.75% to 99.67%.

The "Operational Performance Index" ("OPI") covers six water quality parameters which reflect operational performance of water treatment works and distribution networks. Compliance on this measure improved from 99.79% to 99.81%, mainly as a result of higher compliance against the quality standard for iron which improved from 98.81% to 99.09%.

Performance against the six main parameters which comprise the OPI measure is shown in the charts overleaf. [5](#) [6](#) [7](#) [8](#) [9](#) [10](#)

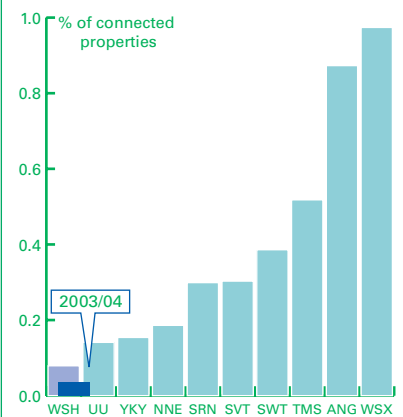
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Unplanned interruptions to supply DG3



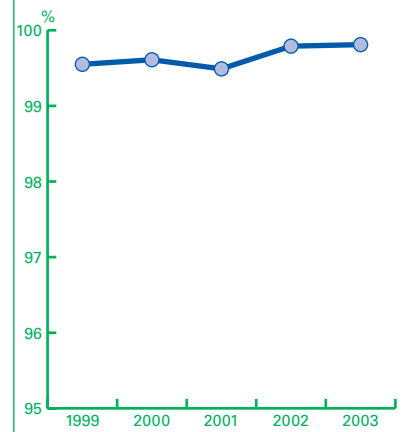
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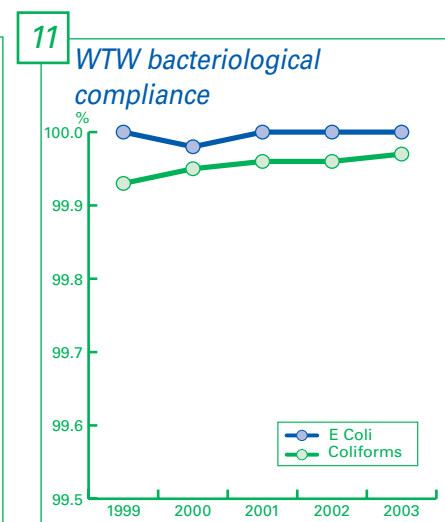
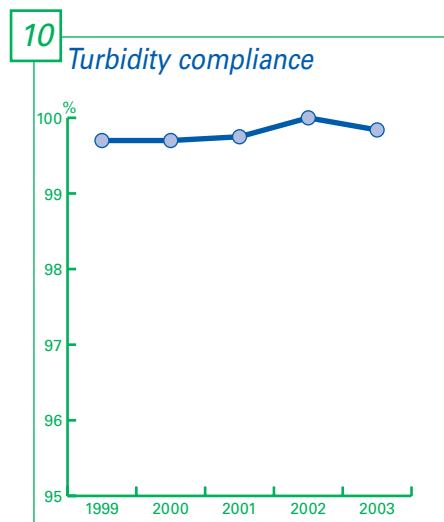
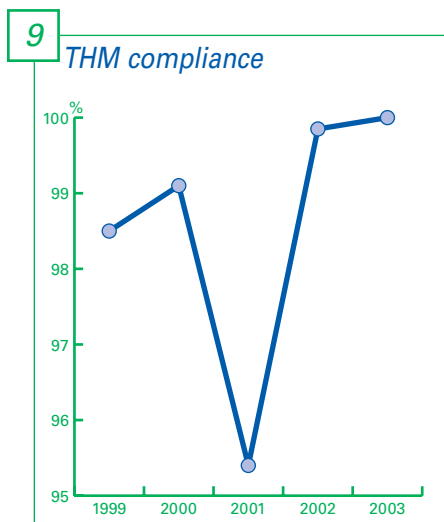
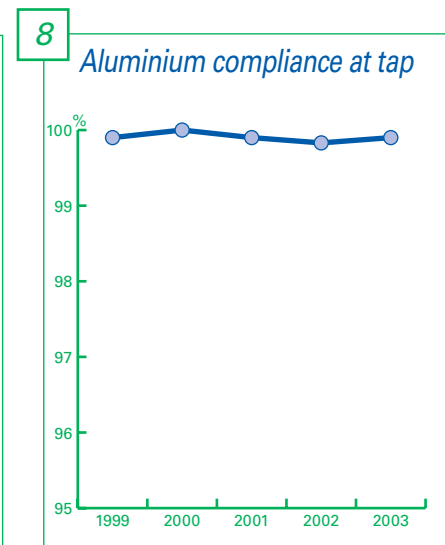
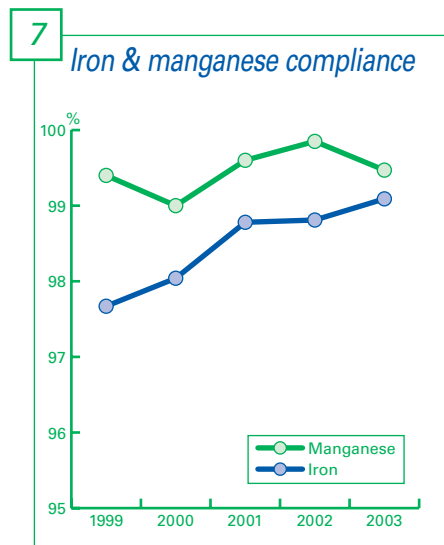
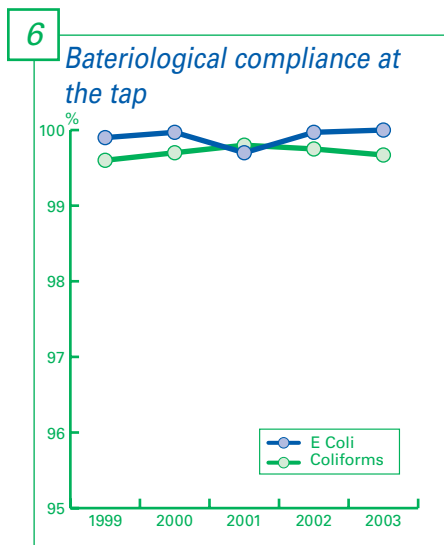
Unplanned interruptions (DG3)



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Overall compliance at the tap





Compliance for coliforms at water treatment works has remained high in the reporting year, with only 0.03% of Water Treatment Works samples containing coliforms in 2003. [11]

Service reservoir coliform compliance deteriorated although E.Coli compliance at these assets and at customer taps improved.

Bacteriological Compliance - 2004

| | Coliforms | E.Coli |
|--------------------|-----------|--------|
| WTW | 99.97% | 100% |
| Service Reservoirs | 99.88% | 99.99% |
| Zones | 99.67% | 100% |

Maintaining serviceability to customers

In addition to continued improvement in customer levels of service we have reported a decrease in the number of bursts on our mains network. This may be the result of experiencing a mild and frost free winter and a relatively high rate of renewal for unlined iron water mains, asbestos mains as well as continuing to focus on pressure management.

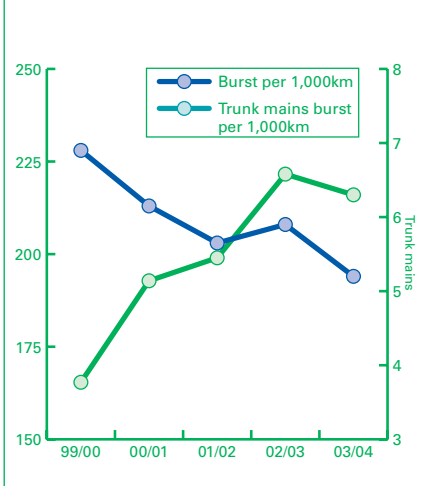
In 2003/04 the mains burst rate (per km) was some 6.7% lower than in 2002/03, with a total of

194 bursts per 1,000km. The Company's monitoring plan target for burst reduction was 15% over the 5 year period from the 1999/00 baseline (228). Over the first four years of this regulatory period the burst rate has been reduced by almost 15%. [12] [13]

Our mains refurbishment programme is steadily improving our compliance with the water quality standard for iron. Out of the Company's total of 160 zones, 24 experienced sample failure against the water quality standard for iron at least once during the

12

Water mains burst rate



year, which continues the trend of steady improvement. [14]

We have reported to DWI that 99.09% of samples from customers' taps, in 2003, were compliant within the required standard of 200 ug/l iron per litre.

Sewerage Service

Sewer Flooding DG5

Reducing the risk of sewage flooding is a priority for Dŵr Cymru. Of the £41m reinvestment of targeted savings announced in November 2001, £23m was directed towards accelerating work to reduce the risk of sewage flooding for some 250 properties which have been flooded more than once following very heavy rainfall. This takes our total planned AMP3 spend to £36m on alleviating sewage flooding problems and this will deliver over 600 solutions, which is around twice what was allowed for in the Final Determination and included in our Monitoring Plan.

During the reporting year we carried out investment schemes to remove the risk of sewage flooding from 40 properties on the "at risk, register (ARR)" and we removed a further 7 properties from the ARR as a result of better information being available following re-investigation. In addition, a further 75 properties were removed from the "HO Severe" risk register.

The average cost per property expressed on a like for like basis has reduced from £58,000 reported in 2002/03 to £54,000 in the report year mainly reflecting

an increased focus on reducing the risk of flooding to properties at risk during severe storm periods, these being generally less expensive to rectify than those properties which remain on the ARR.

During the year a total of 4 properties have been added to the register and so the total number of properties on the Company's "at risk register" at the end of the reporting year was 254, a net decrease of nearly 15% (43 properties) compared with 2002/03. [15]

Since March 2000 we have fixed over 800 problems and the DG5 "at risk register" is now at its lowest ever level.

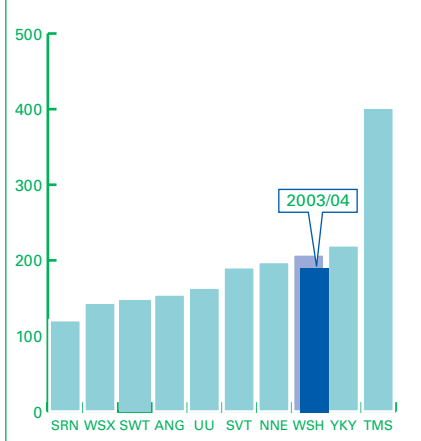
We have prioritised work throughout the year to address problems at properties where flooding has occurred most frequently. Significantly, the number of properties remaining on the "at risk register", with a "2 in 10" (properties at risk of flooding more than twice in 10 year) risk of flooding, has reduced from 90 last year to 72 in the reporting year.

The underlying DG5 performance (ie excluding properties flooded during exceptional weather) has remained broadly stable over the report year. The percentage of properties that experienced flooding (all causes) was 0.016% in 2003/04. [16] [17]

Although we are addressing properties which we know to be at risk, each year new incidents occur where flooding has not been experienced before. It is a high priority for the business, for the

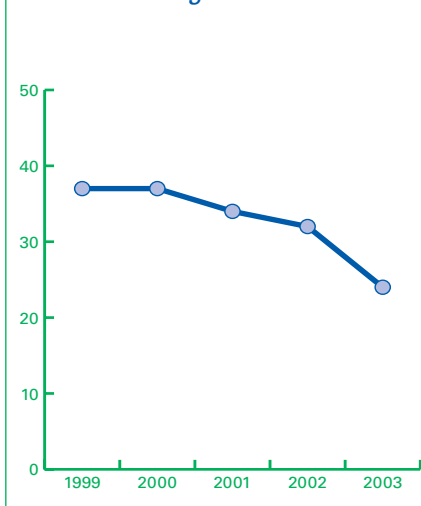
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Water mains burst rate

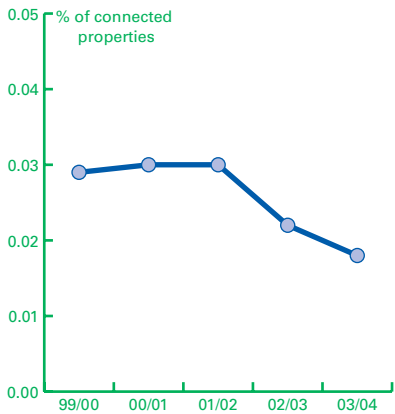


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Zones failing iron standard



15 Sewer flooding "at risk register" DG5



remaining part of AMP3 and in AMP4 to identify these vulnerable areas in advance of any problems occurring.

Delivering the quality enhancement programme

At the start of the current AMP3 period 2000-2005 the Company had some 3,000 intermittent discharges at sewage treatment works, sewage pumping stations, and within the sewerage system.

We commenced the 2003/04 reporting year with 766 (includes five incorrectly claimed in the 02/03 report year) unsatisfactory intermittent discharges identified on the Environment Agency (EA) list and we have dealt with 179 of these in the year against a business plan target of 142 ¹⁸

In the year we completed a total of 68 identified quality outputs (continuous discharges) of which 27 are on the NEP to be completed in the report year and 41 are scheme outputs completed early. We have also partially completed 6 schemes.

In the first four years of AMP3 we have completed a total of 126 scheme outputs benefitting a population equivalent of 1,995,504. Of this total 74 were scheduled for completion in years 1-4 (benefitting a population equivalent of 881,895) against an NEP target of 91 schemes with a population equivalent of 1,005,504. The delays of the 17 outputs originally scheduled for completion in Year 1-4 have been caused by circumstances beyond our control e.g. planning and

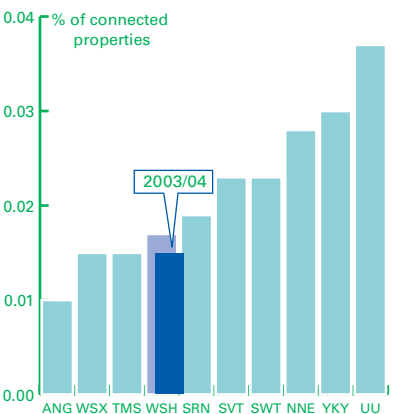
land use constraints or have been delayed with prior agreement between the Company and the EA where further investigation has been required.

We recognise the importance of delivering the appropriate level of environmental improvements each year in order to keep the overall programme on track.

To mitigate the impact of these delays we have accelerated, and completed early, 52 additional scheme outputs from Years 5 and 6 with a total population equivalent of 242,527 as well as partially completed a further 10 schemes.

In the AMP3 period up to 31st March 2004, scheme outputs completed on wastewater treatment works have therefore delivered 112% of the population equivalent identified on the NEP. We are confident of meeting our agreed five year NEP target outputs by the end of year 5.

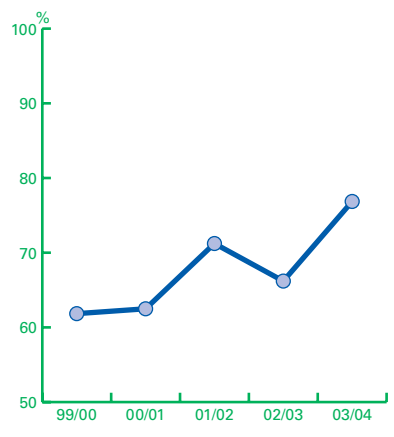
16 % Properties flooded (all causes)



17 % Properties flooded DG5



18 % Satisfactory Intermittents



Maintaining Serviceability to Customers

Over the AMP3 period the Company has targeted a 25% reduction in the rate of sewer collapses; aimed at bringing the number of collapses per 1,000km of sewer down to 26 per 1,000km by 2005.

In the reporting year we have reported an increase in the number of sewer collapses from 25.4 per 1,000km in 2002/03 to 28.8 per 1,000km in 2003/04, although as Figure 19 illustrates the there has been an improving trend in the number of collapses since 1999.

The collapse rate remains significantly higher than the sector average (approximately 13 / 1,000km) ^[19]

During the year we have renovated / replaced 24 km of sewers (including refurbishment of sewers under the CSO programme of work).

The Company's monitoring plan states that we should have replaced or renewed a total of 105km of critical and non-critical sewer by the end of the report year and a total of 150 by the end of 2004/5. To date we have achieved 96.1km and we do not expect to achieve the Monitoring Plan target by the end of the period. This is mainly because the CSO programme was expected to provide a large proportion of this renovation and replacement. To date, the programme has predominantly addressed aesthetic problems where typically

screening is applied to existing discharges rather than providing additional capacity and renewal of sewers.

Our sewer network contract partners have continued to undertake a programme of desilting, cleaning and inspection. A total of 102km of CCTV investigations have been carried out during the year further improving our understanding of asset condition and helping to direct investment.

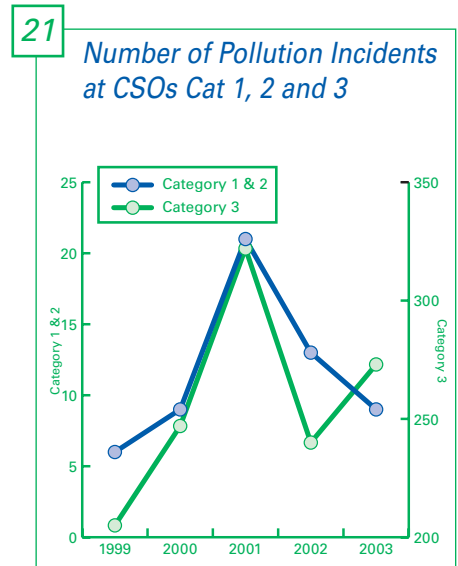
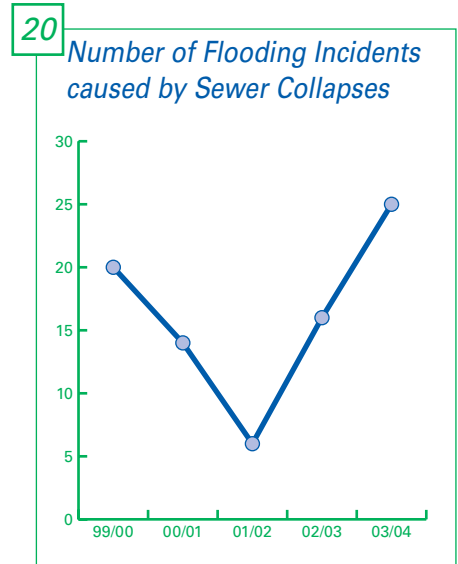
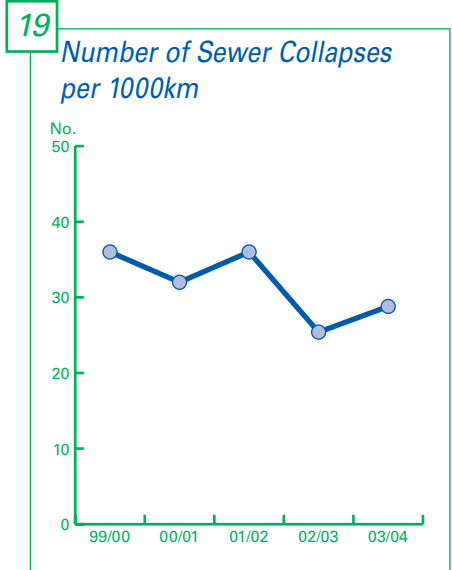
As well as reporting an overall increase in collapse rates we have also reported an increase in the number of flooding incidents resulting from sewer collapses. ^[20]

We have reported a total of 9 Category 1 and 2 pollution incidents of which 5 were associated with combined sewer overflows and foul sewers (Cat 2).

With the inclusion of 273 Category 3 incidents the total number of sewage related incidents was 282 for the year. Of this total 201 were caused by CSOs and foul sewers, which compares to a figure of 179 for 2002. ^[21]

Number of Pollution Incidents associated with CSOs and Foul Sewers during 2003.

| Incident Category | No. of incidents associated with CSOs | No. of incidents associated with Foul Sewers |
|-------------------|---------------------------------------|--|
| 1 | 0 | 0 |
| 2 | 2 | 3 |
| 3 | 112 | 84 |
| Total | 114 | 87 |



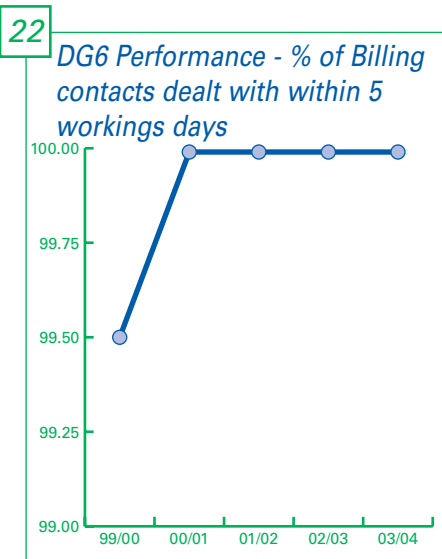
Compliance at wastewater treatment works with numeric consents was 97.4% in calendar year 2003, down from 97.9% in calendar year 2002, caused by compliance problems at one additional works during the report year, which reflects the sensitivity of this measure. Four works failed "look-up" with the result that 99.92% of "equivalent" population was served by 'look-up" compliant works in calendar year 2003.

Customer Contact

Billing contacts DG6

During the reporting year we handled over one million queries and requests concerning bills, an increase of some 2.3% compared with 2002/03. Of the total over 160,000 were written contacts and just over 877,000 were telephone contacts.

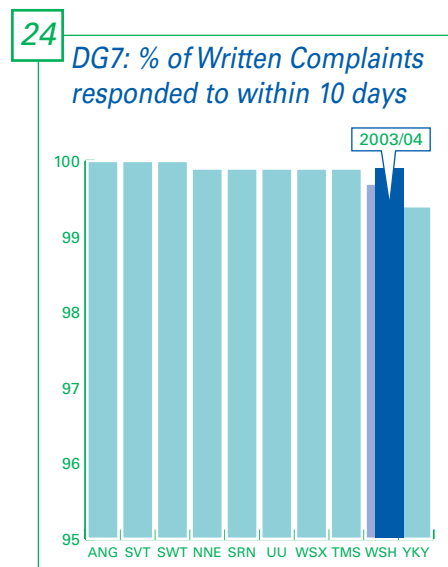
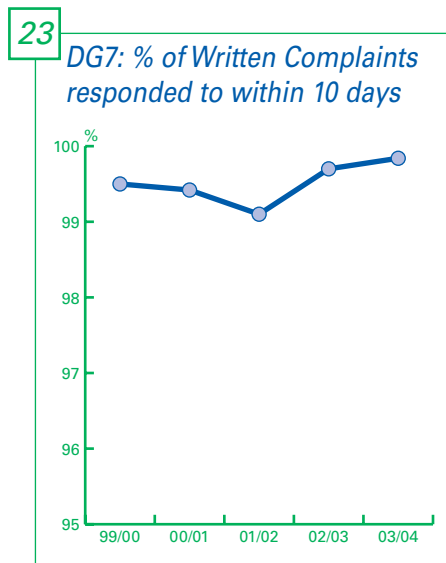
We dealt with 99.99% of billing contacts within a five day period, in line with 2002/03. 22



Written complaints DG7

In the reporting year we responded to 10,207 written complaints compared with 13,271 in 2002/03. This is a decrease of 23% and we have also reported an improvement in the DG7 performance from 99.7% to 99.84%. This performance is now above the monitoring plan target for 2005 set at 99.5%. 23 24

The decrease in the number of complaints reported has occurred mainly in the customer accounts area of the business, which accounts for 80% of the total number of complaints received.

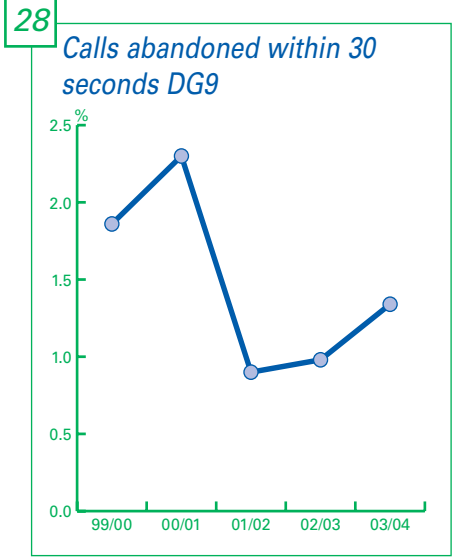
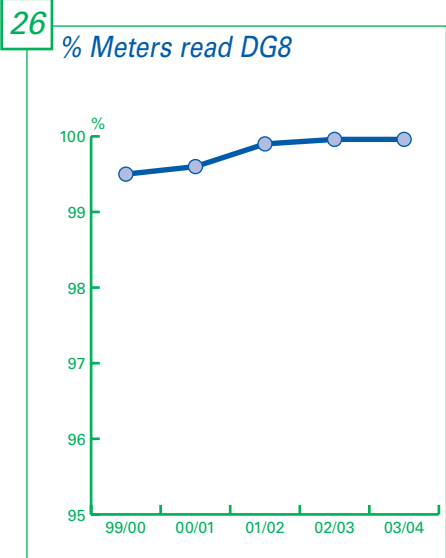
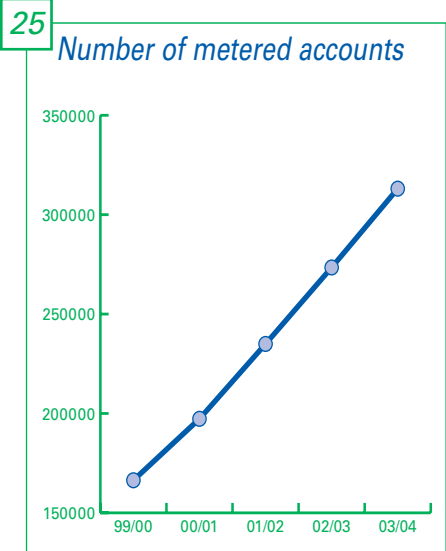


Meter reading DG8

During 2003/04 we maintained our best ever DG8 compliance, with 99.96% of metered accounts being read during the year. The number of meter readings has increased from 249,242 in 2002/03 to 278,334 in 2003/04. 25 26

In addition, we have reported only 280 meters that have not been read by the Company for two years, well within the Ofwat target of <0.15%.

During the report year we have implemented a series of initiatives to improve the performance associated with internal meter reading. These included new working practices and improved job scheduling. Our customers' responses to these initiatives have been positive.

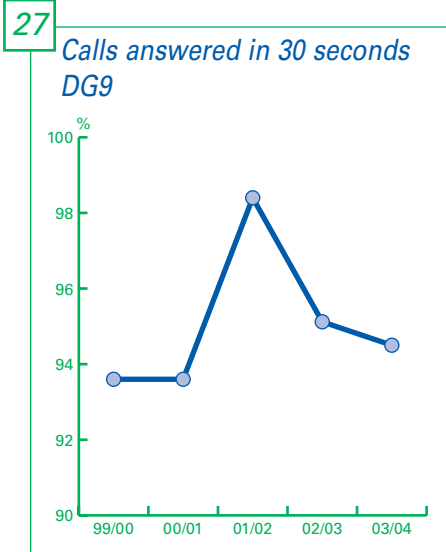


Telephone contact DG9

During the reporting year over one million calls were received on the principal advertised customer contact points. This represents a 2% increase compared to 2002/03.

The average time taken to answer telephone calls from customers was 6 seconds with 94.5% of calls being answered within 30 seconds. This performance remains within Ofwat's "acceptable" category.

27 28



Health and Safety

Our health and safety management system applies to all the major contract partners who work with Dwr Cymru Welsh Water to deliver services to water and sewerage customers. In the report year we made excellent progress in managing health and safety performance across our business.

In general terms we assess the health and safety competence of contractors prior to appointment, we set proactive performance targets and monitor against this monthly to promote continuous improvement and robust health and safety practice. In addition to monthly reporting, we also have an innovative process of internal cross-auditing in addition to external, and independent, auditing of health and safety performance. Where we have significant incidents these are subject to thorough investigation and review to ensure that lessons are learned, across all Contract Partners.

During the year we have continued to develop the processes by which we monitor the performance not just of individual contractors, but also of the alliance of natural business groups that deliver services to our customers. This relatively unique way of working, under which Contract Partners voluntarily work together to deliver jointly agreed health and safety targets and objectives, has made a major contribution to improve the overall performance of our business.

This year we are able, for

the first time, to report our overall performance as all areas of business activity has been subject to our monitoring process throughout the whole of financial year 2003/4.

Overall the proactive health and safety targets have been met in full and this has played a major role in reducing the number of accidents within the business.

The number of reportable incidents was down by over 40% year on year, which is an excellent start to meeting our overall objective of reducing the overall number of reportable incidents to 15% below 2002/03 levels by March 2005, and to further reduce this to 30% below 2002/03 levels by March 2010. Within the Welsh Water Capital Alliance an even greater challenge has been set, to reduce reportable incidents by 20% by March 2005. In 2003/4 the number of non-reportable incidents was 14% down year on year. However, there was an increase in the number of Dangerous Occurrences in 2003/04 to 4, compared to 2 in 2002/03.

Chapter 2:

Financial Performance Measures

Glas Cymru's financial performance during the year was satisfactory with all financial measures being ahead of the forecasts made in the "Glas Cymru Bond Prospectus" in May 2001.

The following summarises the financial position for the year and actual performance against financial projections for both Dŵr Cymru and Glas Cymru.

Dŵr Cymru

Turnover in the year to 31 March 2003 was £463.1m, some 1% higher than in the previous financial year. Income from measured customers increased over the report year reflecting an increase in consumption brought about by the exceptionally hot weather.

The average domestic customer bill in 2003/04 was £277, as compared with £304 in the year 1999/00.

We have continued to make steady progress in managing costs. Operating expenditure for the water service was £114m which, in real terms, is some 3% less than 2002/03 but £3.8m above that forecast in the Final Determination.

Operating expenditure for the sewerage service was £98.4m, which is 1% lower than in 2002/03, but is in line with business plan projections and is £6.8m higher than that forecast in the Final Determination.

Capital expenditure during the year was £120m for the water service and £148m for the sewerage service, a total of £268m (net of infrastructure

contributions).

This figure was some £38m more than assumed for 2003/04 in the Final Determination (including IDOK and using Ofwat's November 1999 inflation assumptions).

The current five year AMP3 capital investment programme 2000-2005 is budgeted to cost £1.175bn in total (which is public domain). This figure includes the reinvestment of £41m for additional high customer value outputs announced in November 2001.

Investment spend in the first four years has been £955m, some £39m behind what was assumed in the Final Determination (including IDOK and using Ofwat's November 1999 inflation assumptions used to calculate the Company's RCV).

We have overcome the restrictions on our mains refurbishment programme (which was delayed by the outbreak of Foot and Mouth disease) and are now on course to deliver all the reprofiled targets for the regulatory period. During the report year we have experienced delays to some wastewater

treatment schemes but where possible we have brought forward additional schemes, from years 5 and 6, for early completion.

In addition, the total capital maintenance expenditure for both water and sewerage services is in line with the total allowed for in the Final Determination.

Glas Cymru

Operating cashflow (EBITDA) was £259m, an increase of £0.4m over the previous year. This is broadly equivalent to the forecast for the equivalent period made in the bond issue prospectus in May 2001.

On 11 March 2004, Ofwat published an updated calculation of Regulatory Capital Value (RCV) for Dwr Cymru as at 31 March 2004 of £2,594m at outturn prices. The level of net debt was £2,173m. Financial "reserves" (RCV less net debt) as at 31 March 2004 were therefore £421m, up from £349m at the start of the year. This compares to a forecast level of financial "reserves" at 31 March 2004 of £340m which was made in the bond prospectus in May 2001.

Net debt as at 31 March 2004 represents 84% of RCV, down from 85% at the start of the year.

Net interest payable (including indexation) during the period was £143.2m, up 11% on the previous year due to the increasing level of net debt over the period and increased indexation costs.

EBITDA interest cover over the year was 2.2 times equivalent to that in 2002/03.

Profit before tax for the year was £44m, including certain non cash items such as amortisation of negative goodwill of £47m.

The tax credit for the period was £1.7m, which wholly relates to deferred tax in accordance with FRS19. There is no current tax charge for the period due primarily to the tax allowances arising from the capital investment programme.

Chapter 3:

Key Supporting Information

Under Welsh Water’s competitive procurement policy, specialist service providers undertake most of the day to day operation of assets and service delivery. Over the first 4 years of the current regulatory period we have delivered sustained improvements in services to customers and also enabled a better environmental performance that has led to our region having some of the highest quality rivers and coastal waters in the UK.

The largest element of operating expenditure is undertaken by United Utilities. They report expenditure over the various functional expenditure categories in line with Ofwat definitions.

Overall operating expenditure for the water and sewerage services was £211.8m. Total operating expenditure is £17m above that assumed in the Final Determination.

Allowing for inflation and the operating cost impact of new treatment works, this represents an improvement in underlying cost efficiency of around 2% in real terms. As reported last year operation of the new Cardiff Wastewater Treatment Works alone cost the Company some £5m over the course of its first year

The operating expenditure position at the end of the year

in respect of the four principal outsourced contracts is shown in the Table 1.

Water

Operating expenditure by purpose

Analysis of water operating expenditure shows a reduction per property served in 2002/03 of over 3% in real terms, compared with last year.

Total water service operating expenditure for the year was £113.4m, a comparison with last year and the Final Determination is shown in Table 2.

Capital expenditure

At the end of the third year of AMP3 the Company had met its key output targets including undertakings agreed with the DWI.

A breakdown of capital expenditure during the reporting

Table 1 - Operating expenditure by principal contracts

£000

| | |
|--------------------------------|--------|
| United Utilities (Operations) | 98,148 |
| Thames (Customer Contact) | 18,912 |
| Severn Trent (Labs & sampling) | 7,940 |
| Various (Sewerage Network) | 9,338 |

| <i>Table 2- Operating Expenditure Water Service (£m)</i> | <i>Ofwat allowance for 2003/04 – FD (Outturn)</i> | <i>Previous Year Opex 2002/03 (Outturn)</i> | <i>Actual Year Opex 2003/04 (Outturn)</i> |
|--|---|---|---|
| Base | 101.3 | 106.7 | 106.6 |
| Enhanced Service | 0.0 | 0.3 | 0.3 |
| Supply & Demand & IDOK | 2.0 | 1.8 | 2.0 |
| Quality & IDOK | 2.8 | 4.2 | 4.5 |
| Total Water Service (£m) | 106.1 | 113.0 | 113.4 |

year is shown in Table 3.

In 2002/03 we delivered the following major outputs from our Water Service investment programme:

- **Water treatment works:** 20 schemes completed achieving all targets for the year. Schemes which were originally delayed at six sites due to Foot and Mouth disease and planning constraints have now been completed. Work has been focused on compliance with quality requirements including removal of lead, cryptosporidium and pesticide removal at Broomy Hill WTW.
- **Water mains programme:** 610km of water mains refurbished to improve water quality and reliability of supply. We have caught up with the slippage in the programme caused by access restrictions during the foot and mouth outbreak in 2000/01 and met the Milestone 2 original target for December 2003.
- **Leakage reduction:** Leakage identification and prevention work has achieved a reduction of average leakage per day from 234MI to 231MI this year.
- **New assets for new development:** 79km of new water mains to serve new development.
- **Water supply asset maintenance:** Investment to maintain the performance of water treatment works, service reservoirs, impounding reservoirs, water pumping stations at over 268 sites and 45km of water mains.

| <i>Table 3 Capital Expenditure by Purpose Water Service (£/M)</i> | <i>Ofwat allowance for 2003/04 in Final Determination (Nov 99 assumption)</i> | <i>Previous Year Capex 2002/03 (Outturn)</i> | <i>Actual Year Capex 2003/04 (Outturn)</i> |
|---|---|--|--|
| Base - Infrastructure | 25.6 | 29.8 | 28.3 |
| Base - Non Infrastructure | 32.1 | 39.3 | 32.7 |
| Enhanced Service | 0.0 | 0.0 | 0.0 |
| Supply & Demand & IDOK | 16.9 | 10.8 | 13.2 |
| Quality & IDOK | 25.3 | 27.0 | 45.8 |
| Total | 99.9 | 106.9 | 120.0 |

** Total Capex for water and sewerage (2003/04) was £271 million gross of infrastructure contributions.*

Table D requires the Company to identify any water treatment works where maintenance investment in the year has exceeded 25% of the MEA value of the work.

This threshold is too high and does not reflect the amount of capital maintenance actually carried out by the Company.

During the reporting year we have carried out capital maintenance at 61 of our 97 water treatment works, with 17 works having more than £100k invested during the year and of these 8 works had over £250k invested. Expenditure did not exceed the 25% MEA value in any single water treatment works.

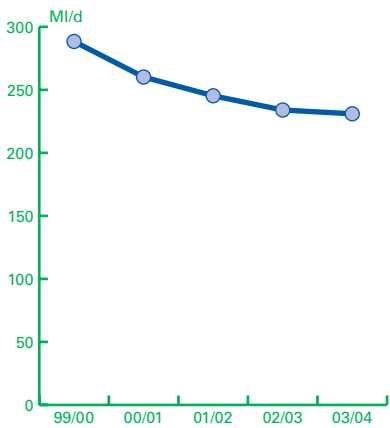
Maintenance work has also been undertaken at 137 service reservoirs and 139 water pumping stations during the report year.

Expenditure in excess of 25% of the MEA value of individual assets is reported on 1 service reservoir and 24 pumping stations.

During the year we renewed a total of 478km of water mains, which includes 413km of water mains renewed to meet the DWI S19 undertaking and 65 km

29

Total Leakage ML/d



renewed under prime purpose maintenance, and we relined 197km of unlined iron water mains. In the first four years of AMP3, relining has accounted for some 35% of the S19 mains refurbishment programme.

Leakage

Last year we made further progress to reduce leakage in our region. The annual leakage figure for the reporting year is 231MI/d, which is 4MI/d below the Ofwat target for 2003/04.

The rate of leakage was 8.5m³/km/day, down from 8.7m³/km/day in the previous year.

Our leakage performance is in line with the rest of the sector, although in a number of resource zones leakage remains above estimated Economic Level of Leakage (ELL) and work is under way to reduce leakage further. 29

Distribution input and water delivered

Mainly as a result of leakage reduction, we have reduced the amount of water we need to abstract by around 10% since 1998.

The average distribution input for 2003/04 was 876MI/d. During the reporting year we have carried out a programme of work to verify the accuracy of meters measuring input to the distribution system and this too contributed to the lower leakage figures reported.

30

Metering

During the year an additional 31,772 customers have chosen to switch to a measured charge saving an average of 41% on their previous unmeasured bill. 46,984 surveys have been processed resulting in 27,861 actual meter fits. There have been 3,911 cases where it has been impractical to fit a meter and these customers have been allowed an Assessed Measured Charge (AMC).

Since April 2000 we have undertaken 168,277 customers surveys resulting in 102,264 actual meter fits and 10,112 AMCs making a total of 112,376 customers switching from an unmeasured to a measured charge. The Company now has 17.5% of it's total households on a measured charge.

GSS – Payments

The total number of GSS payments made by the Company in the reporting year relating to the water service, both automatically generated and claimed was 32 (excluding Enhanced GSS).

GSS payments are categorised as follows

| Reason for GSS Payment | No. |
|--------------------------|-----------|
| Planned Interruptions: | 22 |
| Unplanned Interruptions: | 10 |
| Total | 32 |

Sewerage

Operating expenditure by purpose

Total sewerage service operating expenditure for the year was £98.4m. A breakdown is shown in Table 4.

Capital expenditure

Total sewerage service capital expenditure for the year was £148.2m. A breakdown is shown in Table 5

Capital works activity

We are currently on target to achieve the agreed regulatory outputs within the overall capital investment allowance included in the Final Determination.

Last year we delivered the following outputs from our Sewerage Service investment programme:

- **Wastewater treatment works:** 68 identified quality outputs of which 27 are identified on the NEP to be completed in the report year and 41 are scheme outputs completed early.
- **Sludge:** Continuing work at 18 of our 36 sludge centres across Wales to meet HACCP requirements for sludge recycling to agriculture.
- **Section 101a:** To date in AMP3 we have completed 23 first time sewerage schemes against a target of 25. In the report year we have completed 2 schemes. We plan to complete all 25 schemes by December 2004 and to deliver an additional 4 projects in AMP3.
- **CSOs:** 555 schemes completed. to date in AMP3 with 179 schemes completed during

| Table 4 Operating Expenditure Sewerage Service (£m) | Ofwat allowance for 2003/04- Final Determination (Outturn) | Previous Year Opex 2002/03 (Outturn) | Actual Year Opex 2003/04 (Outturn) |
|--|---|--|--|
| Base | 64.7 | 71.5 | 72.6 |
| Enhanced Service | 0 | 0.3 | 0.3 |
| Supply & Demand | 1.9 | 0.5 | 0.6 |
| Quality & IDOK | 22.2 | 21.6 | 24.9 |
| Total Sewerage Service | 88.8 | 93.9 | 98.4 |

| Table 5 Capital Expenditure Sewerage Service (£m) | Ofwat allowance for 2003/04 – Final Determination (Nov 99 assumption) | Previous Year Capex 2002/03 (Outturn) | Actual Year Capex 2003/04 (Outturn) |
|--|--|---|---|
| Base - Infrastructure | 16.3 | 26.4 | 20.3 |
| Base - Non Infrastructure | 22.7 | 41.3 | 29.4 |
| Enhanced Service | 1.3 | 8.3 | 3.2 |
| Supply & Demand | 6.3 | 4.4 | 8.2 |
| Quality + IDOK | 107.0 | 79.6 | 87.1 |
| Total | 153.6 | 160.0 | 148.2 |

* Total Capex for water and sewerage (2003/04) was £271 million gross of infrastructure contributions.

the report year. Major works undertaken at Afan, Llanelli, and Western Valley sewers.

- **Sewer flooding:** Removed 47 properties from the "at risk register" and a further 75 properties were removed from the HO Severe risk register.
 - **New sewers and other sewer refurbishment:** 69km of new sewers laid and 24km of sewers refurbished in the year. A programme of CCTV surveys is being undertaken ahead of further investment.
 - **Asset maintenance:** Work carried out at over 300 sites to improve asset quality and serviceability and ensure compliance with consents.
- The total sludge disposed of during the reporting year was 79.7ttds. All sludge was disposed

of satisfactorily and 72% was treated to the enhanced standards.

Table D requires the company to identify any sewage works, intermittent discharges, sludge treatment works, pumping stations and sea outfalls where maintenance investment has exceeded 25% of the Modern Equivalent Asset Value (MEA) of the asset. However, this is an extremely high threshold and is unlikely to reflect the amount of capital maintenance carried out by the Company.

Capital maintenance has been carried out at 214 treatment work, 7 CSO sites, 18 sludge centres, 58 pumping stations and 7 outfalls during the report year. Work with a value in excess of 25% of MEA was completed at 1 site only.

Sustainable Procurement

As stated previously Dwr Cymru supports the principles outlined in the British Water "Guide to Sustainable Procurement" and the Confederation of Construction Clients "Charter". In 2003 the Capital Alliance Strategic Group (Board of Management) endorsed the objectives of the British Water "Guide to Sustainable Procurement".

Dwr Cymru currently operates in an alliancing manner with its key service delivery partners for the provision of the vast majority of its external goods and service requirements. Most of these arrangements were put in place in 2001 and the Company has been working collaboratively with its current partners in reviewing and developing their supply chains. The Capital Alliance has established a number of Business Improvement Teams (BITs) made up of representatives from across the partners and their supply chains: -

- Communications
- Procurement & Hire
- Conservation Best Practice
- Commissioning & Handover
- IT
- Measurement & Reporting
- Design Management
- Stakeholder Management
- BEM Improvement
- Programme Management
- Streetworks
- Commercial Management
- Quality Review
- Risk Management

Of particular interest is the Procurement & Hire BIT that has been established across the Capital Alliance partners and Operations partner (UU), led by a tier one supplier. The vision is to establish the Alliance as preferred customer in the market and the mission is to develop a common procurement policy and strategy to achieve best value. The goals of this BIT include working more closely with the supply chain and instigating Alliance standard terms and conditions for all, reflecting Dwr Cymru's collaborative procurement strategy throughout the supply chain.

In the recent British Water member's survey of Contractual Approach, Attitude, Professionalism, Impact on Supply Chain, Policies and Communication (Situation Survey 34-Water Company Performance), Dwr Cymru secured a joint second place rating reflecting the positive view of the British Water members.

The Company is midway through a competitive procurement process to appoint Asset Operations and Asset Investment partners in a new integrated alliance, reflecting both OPEX and CAPEX expenditure, to take effect from April 2005. The procurement process has embodied the key principles of the Guide to Sustainable

Procurement in the Water Industry. A Pre-qualification process has been undertaken to cover the "Statement of Interest, Health and Safety, Financial Status and Track Record". The Enquiry process has been managed electronically to improve speed and accuracy, the number of suppliers invited to tender, information supplied and requested has been commensurate with the expected value and scope of supply and check point Technical, Commercial and Tender Administration areas have been covered as appropriate.

Going forward through the selection process we will be closely reviewing the tenderers proposed supply chain and supply chain methodology in order to ensure the sustainability of their proposals. Dwr Cymru intends to build on the lessons learnt and the successes of the existing alliance arrangements and in particular recognises the need for a strong leadership in supply chain management to bring further benefits to suppliers, partners and Dwr Cymru customers.

Chapter 4:

Efficiencies

Operating efficiencies

Dŵr Cymru's operating costs are 6.5% lower in real terms compared to 1997/98 levels.

Operating costs for the year were £212.4m, which is in line with our published forecasts but some £10.6m higher than the figure assumed in the Final Determination

Allowing for inflation and the operating cost impact of new treatment works this represents an improvement in underlying base cost efficiency of around 2% in real terms as compared to 2002/03.

Capital efficiencies

Dŵr Cymru undertook a thorough review of the capital investment programme following the change of ownership in May 2001. The published target for delivery of the AMP3 capital expenditure programme is £1,175m before capital contributions. This assumes additional efficiency savings compared to those assumed in the Final Determination in the order of 5%. Dŵr Cymru's Capital Alliance is working well and good results have been achieved to date. Delivering the AMP3 capital investment programme on time and within budget remains a key challenge for the Company.

Chapter 5: Competition

Dŵr Cymru Policy

In 2002, the Government consulted on its proposals for extending competition in the water industry. These proposals were contained in the Water Bill which was introduced into Parliament in February 2003. The Water Act received Royal Assent in November 2003.

We support the Government's provisions as set out in the Act. In particular, we welcome the recognition that the water and sewerage business is an essential public service, and that a balance has to be struck between development of competition and other Government objectives, including quality and affordability.

Competitive procurement

Our current asset operation, customer billing and contact centre management and capital alliance service partners continue to deliver good results. As detailed previously these contracts were awarded following a highly competitive process and provide strong incentives for cost efficiency and quality of service delivery against KPIs and stretch targets.

In May 2003 Dwr Cymru published three notices in the Official Journal of the European Union inviting organisations to express their interest in the provision of Asset Operations, Asset Investment and Billing and Income services. These new service arrangements will take effect from April 2005 and will provide support for AMP 4 and beyond.

A large number of responses were received and a Pre-qualification process for each service commenced in late July 2003. Invitations to Tender/ Business Enquiry documents were issued to pre-qualified Applicants for Asset Operations, Asset Investment and Billing and Income respectively and this stage of the competitive procurement process culminated in the submission of proposals in late January 2004. A detailed evaluation of the qualitative and commercial proposals has been undertaken and a reduced list of tenderers has progressed through to the next stage. Dwr Cymru wishes to ensure that it does not preclude tenderers from offering the most cost and technically effective way of delivering the services to our customers. Tenderers have been invited to submit their proposals for innovative or efficient delivery of services and to contribute to the establishment of the optimum incentivisation framework that will reward sector leading performance.

The performance of our service partners undertaking the outsourced asset operation, customer billing and contact centre management continues to deliver improved results.

These contracts were awarded following a highly competitive process and provide strong incentives for cost efficiency and quality of service delivery against KPIs and stretch targets.

The Capital Alliance, which undertakes delivery of the

AMP3 capital investment programme, is continuing to deliver good results

A regional based reorganisation has taken place to enhance working efficiency and assist in the sharing of best practice across the alliance.

Preparations have commenced for the competitive re-tendering of the main service delivery contracts, asset operations, asset investment and income and billing.

The new arrangements will take effect from 1 April 2005 and will provide support for AMP4 and beyond. We will continue our current practice of establishing strongly incentivised contracts which reward our partners for delivering sector leading performance and our procurement strategy is designed to ensure we enable the most capable and competent operators in the marketplace to deliver the best combination of value for money and quality of service for our customers.

It will also deliver predictable costs and transparent market pricing which will provide an additional source of regulatory information.

Network access

Dŵr Cymru's Network Access code was published in August 2000. It was not updated during the reporting year.

Inset Appointments

There has been no activity relating to new inset appointments during the reporting year.

Chapter 6:

Board Endorsement

On 4 June 2004, the Board of Dŵr Cymru duly endorsed this Overview of the June Return 2004. The Reporter attended the Board Meeting for this matter.

Table A

Water Service - Key Outputs and service delivery

| Description | | Units | Base Year | Report Year-2 | Report Year-1 | Report Year |
|---|---|-------|-----------|---------------|---------------|-------------|
| | | | 1997-98 | 2001-02 | 2002-03 | 2003-04 |
| Service Outputs and Performance | | | | | | |
| DG2 - Water pressure | | | | | | |
| 1 | Problems solved through company action | nr | 1,217 | 1,815 | 1,764 | 1,299 |
| 2 | Percentage of properties receiving low water pressure | % | 0.10 | 0.06 | 0.03 | 0.02 |
| DG3 - Supply Interruptions | | | | | | |
| 3 | Overall performance score | nr | 2.29 | 0.14 | 0.08 | 0.03 |
| DG4 - Restrictions on water use | | | | | | |
| 4 | % population - hosepipe restrictions | % | 0.0 | 0.0 | 0.0 | 0.0 |
| 5 | % population - drought orders | % | 0.0 | 0.0 | 0.0 | 0.0 |
| DG6 - Billing contacts | | | | | | |
| 6 | Percentage dealt with within 5 working days | % | 97.7 | 100.0 | 100.0 | 100.0 |
| DG7 - Response to written complaints | | | | | | |
| 7 | Percentage dealt with within 10 working days | % | 98.9 | 99.1 | 99.7 | 99.9 |
| DG8 - Bills for metered customers | | | | | | |
| 8 | DG8 Bills for metered customers – performance | % | 99.7 | 99.9 | 100.0 | 100.0 |
| DG9 - Telephone contact | | | | | | |
| 9 | Percentage of received calls answered within 30 seconds | % | 90.03 | 98.45 | 95.12 | 94.53 |
| DELIVERING THE DRINKING WATER COMPLIANCE PROGRAMME | | | | | | |
| 10 | Distribution input affected by S19 undertakings (or ADs after 2003) | MI/d | 234.920 | 179.818 | 40.127 | 32.713 |
| 11 | Water treatment works - completion of prescribed works improvements | nr | | 10 | 35 | 20 |
| 12 | Distribution - total quality improvement work to fulfil undertaking | km | | 467.0 | 410.8 | 586.0 |
| 13 | Distribution - total lead communication pipes replaced | 000 | 13,788 | 3,901 | 1,064 | 854 |
| MAINTAINING SERVICEABILITY TO CUSTOMERS | | | | | | |
| 14 | Mains bursts per 1000km | nr | 249 | 203 | 208 | 194 |
| 15 | Nr of zones failing for iron | nr | 60 | 40 | 31 | 24 |
| 16 | Nr of WTWs where enforcement action is being considered: coliforms standard | nr | | 0 | 0 | 0 |
| 17 | Percentage of determinations at water treatment works containing coliforms | % | 0.37 | 0.04 | 0.04 | 0.03 |

Table B**Sewerage Service - Key Outputs and Service Delivery**

| Description | | Units | Base Year | Report Year-2 | Report Year-1 | Report Year |
|---|---|-------|-----------|---------------|---------------|-------------|
| | | | 1997-98 | 2001-02 | 2002-03 | 2003-04 |
| KEY OUTPUTS AND SERVICE DELIVERY | | | | | | |
| DG 5 - Properties at risk of flooding | | | | | | |
| 1 | Removed by company action | nr | | 26 | 95 | 40 |
| 2 | % of total domestic properties subject to internal sewage flooding | % | 0.05 | 0.07 | 0.02 | 0.02 |
| DELIVERING THE QUALITY ENHANCEMENT PROGRAMME- SEWERAGE SERVICE | | | | | | |
| 3 | Sewerage improvements: % of satisfactory intermittent discharges | % | | 71.22 | 66.19 | 76.85 |
| 4 | Sewerage improvements: number of intermittent discharges improved | nr | | 148 | 205 | 179 |
| 5 | STW Improvements: Population equivalent served by improved STWs | 000s | | 592.00 | 252.00 | 199.00 |
| 6 | STW Improvements: Number of enhanced sewage treatment works | nr | | 22 | 22 | 68 |
| MAINTAINING SERVICEABILITY TO CUSTOMERS | | | | | | |
| 7 | Sewer collapses per 1,000km | nr | 35 | 36 | 25 | 29 |
| 8 | Nr of pollution incidents at CSOs and foul sewers (categories 1,2 and 3) | nr | 359 | 223 | 179 | 201 |
| 9 | Percentage of sewage treatment works failing numeric consents | % | 2.80 | 1.76 | 2.13 | 2.60 |
| 10 | Percentage of P/equivalent served by non compliant works failing LUT consents | % | 0.00 | 0.03 | 0.03 | 0.08 |
| 11 | Properties flooded in the year (overloaded sewers) | nr | 292 | 806 | 102 | 82 |

Table C

Expenditure & Financial Performance Measures

| Description | | Units | Base Year | Report Year-2 | Report Year-1 | Report Year |
|--|---|-------|-----------|---------------|---------------|-------------|
| | | | 1997-98 | 2001-02 | 2002-03 | 2003-04 |
| TOTAL EXPENDITURE | | | | | | |
| 1 | Total operating expenditure - water service | £m | 125.526 | 116.437 | 113.027 | 113.597 |
| 2 | Total capital expenditure (excl. adopted and nil cost assets) - water service | £m | 97.026 | 93.476 | 106.959 | 120.031 |
| 3 | Total operating expenditure - sewerage service | £m | 83.911 | 90.278 | 93.823 | 98.389 |
| 4 | Total capital expenditure (excl. adopted and nil cost assets) - sewerage serv | £m | 180.317 | 110.350 | 160.056 | 148.231 |
| CURRENT COST ACCOUNTS - PROFIT & LOSS | | | | | | |
| 5 | Total turnover | £m | 440.739 | 453.554 | 457.640 | 463.091 |
| 6 | Current cost operating costs (including CCD & IRC) | £m | -339.207 | -332.694 | -357.432 | -361.348 |
| 7 | Current cost operating profit | £m | 104.332 | 123.660 | 102.408 | 102.413 |
| CAPITAL BASE & POST TAX RETURN | | | | | | |
| 8 | Capital Value Year End (outturn) | £m | 1,467.514 | 2,125.440 | 2,362.261 | 2,594.189 |
| 9 | Total net debt | £m | 654.200 | 1,867.200 | 2,006.100 | 2,162.890 |
| 10 | Post tax return on capital | % | 7.49 | 5.92 | 4.56 | 4.56 |
| KEY FINANCIAL INDICATORS | | | | | | |
| 11 | Interest Cover | ratio | 3.92 | 1.35 | 1.07 | 0.87 |
| 12 | Gearing (D/D+equity) | ratio | 0.40 | 0.75 | 0.76 | 0.78 |
| 13 | Cash Interest Cover I (EBITDA) | ratio | 8.29 | 4.83 | 1.48 | 2.09 |
| 14 | Cash Interest Cover II (EBIDA) | ratio | 8.06 | 4.83 | 1.48 | 2.09 |

Table D
Water Service - Key Supporting Information

| Description | Units | Base Year | Report Year | Report Year | Report Year | |
|--|---|-----------|-------------|-------------|-------------|--------|
| | | 1997-98 | 2001-02 | 2002-03 | 2003-04 | |
| OPERATING EXPENDITURE/PROPERTY ANALYSIS | | | | | | |
| 1 | Base Service – Operating expenditure/property served | £/prop | 93.57 | 84.93 | 81.01 | 80.82 |
| 2 | Enhanced Service – additional operating expenditure/property served | £/prop | 0.00 | 0.25 | 0.25 | 0.26 |
| 3 | Supply/Demand Balance – additional operating expenditure/property served | £/prop | 0.00 | 0.83 | 1.38 | 1.50 |
| 4 | Quality enhancements – additional operating expenditure/property served | £/prop | 4.65 | 2.69 | 3.16 | 3.49 |
| 5 | Water Service – total operating expenditure/property served | £/prop | 98.22 | 88.70 | 85.80 | 86.07 |
| CAPITAL EXPENDITURE/PROPERTY ANALYSIS | | | | | | |
| 6 | Base Service- capital maintenance expenditure/property served (infra and non-infra) | £/prop | 36.58 | 41.73 | 52.47 | 46.29 |
| 7 | Enhanced Service – additional capital expenditure/property served | £/prop | 0.68 | 0.09 | 0.03 | 0.00 |
| 8 | Supply/Demand balance - additional capital expenditure/property served | £/prop | 14.53 | 5.75 | 8.23 | 9.97 |
| 9 | Quality Enhancements – additional capital expenditure/property served | £/prop | 24.12 | 23.65 | 20.47 | 34.68 |
| 10 | Water service – total capital expenditure/property served | £/prop | 75.91 | 71.22 | 81.20 | 90.95 |
| CAPITAL WORKS ACTIVITY | | | | | | |
| 11 | Number of existing water treatment works refurbished for maintenance. | nr | | 0 | 1 | 0 |
| 12 | Capacity of refurbished water treatment works for maintenance | MI/d | | 0.000 | 0.200 | 0.000 |
| 13 | Mains relined | km | 1.00 | 131.84 | 219.02 | 196.80 |
| 14 | Mains renewed | km | 368.63 | 392.82 | 274.02 | 477.78 |
| 15 | Total mains relined and renewed | km | 369.63 | 524.65 | 493.04 | 674.58 |
| WATER BALANCE | | | | | | |
| 16 | Distribution input | MI/d | 987.00 | 893.91 | 882.80 | 876.38 |
| 17 | Total leakage | MI/d | 329.42 | 245.22 | 233.62 | 231.30 |
| 18 | Water efficiency savings - leakage and consumption reduction | MI/d | 5.26 | 3.36 | 3.22 | 2.86 |
| 19 | Water delivered | MI/d | 854.28 | 766.65 | 753.05 | 742.99 |
| METERING | | | | | | |
| 20 | Meter optants installed and charged on | nr | 8,572 | 25,650 | 26,690 | 28,485 |
| 21 | Selective meters – installed and charged on | nr | 0 | 441 | 1,057 | 960 |
| 22 | Percentage of households metered. | % | 4.89 | 11.91 | 13.27 | 16.58 |
| 23 | New properties connected during the year | 000 | 8.110 | 10.000 | 9.490 | 10.020 |
| OTHER KEY SUPPORTING INFORMATION | | | | | | |
| 24 | GSS - Total number of payments made: water and sewerage service | nr | 1,799 | 929 | 289 | 237 |
| 25 | Customers on the special needs register | nr | | 2,164 | 2,261 | 2,442 |
| 26 | Total revenue outstanding < 48 months as % of annual forecast revenue | % | | 21.43 | 20.52 | 20.01 |
| 27 | Average connected properties - water | 000 | 1,278 | 1,313 | 1,317 | 1,320 |

Table E
Sewerage Service - Key supporting information

| Description | Units | Base Year | Report Year | Report Year | Report Year |
|-------------|-------|-----------|-------------|-------------|-------------|
| | | 1997-98 | 2001-02 | 2002-03 | 2003-04 |

OPERATING EXPENDITURE/PROPERTY ANALYSIS

| | | | | | | |
|---|--|--------|-------|-------|-------|-------|
| 1 | Base Service – operating expenditure/property served | £/prop | 58.70 | 54.80 | 53.69 | 54.72 |
| 2 | Enhanced Service – additional operating expenditure/property served | £/prop | 0.00 | 0.14 | 0.20 | 0.25 |
| 3 | Supply/demand balance – additional operating expenditure/property served | £/prop | 0.00 | 0.28 | 0.35 | 0.48 |
| 4 | Quality Enhancements – additional operating expenditure/property served | £/prop | 6.14 | 12.79 | 16.21 | 18.78 |
| 5 | Sewerage service – total operating expenditure/property served. | £/prop | 64.84 | 68.01 | 70.45 | 74.22 |

CAPITAL EXPENDITURE/PROPERTY ANALYSIS

| | | | | | | |
|----|--|--------|--------|-------|--------|--------|
| 6 | Base Service – capital expenditure/property served (infrastructure and non-infrastructure) | £/prop | 27.06 | 30.22 | 50.85 | 37.48 |
| 7 | Enhanced Service – additional capital expenditure/property served | £/prop | 1.45 | 1.98 | 6.25 | 2.43 |
| 8 | Supply/Demand Balance – additional capital expenditure/property served | £/prop | 1.20 | 4.39 | 3.31 | 6.18 |
| 9 | Quality enhancements – additional capital expenditure/property served | £/prop | 109.64 | 46.52 | 59.78 | 65.73 |
| 10 | Sewerage service –Total capital expenditure/property served | £/prop | 139.35 | 83.11 | 120.19 | 111.82 |

CAPITAL WORKS ACTIVITY

| | | | | | | |
|----|--|-----|-------|------|-------|-------|
| 11 | Sewers renovated | km | 8.88 | 2.10 | 15.52 | 11.71 |
| 12 | Sewers replaced | km | 7.19 | 3.50 | 47.55 | 12.16 |
| 13 | Total sewers renovated and replaced | km | 16.07 | 5.60 | 63.07 | 23.87 |
| 14 | Number of sewage treatment works refurbished for maintenance | nr | | 0 | 0 | 1 |
| 15 | P.e. of refurbished sewage treatment works for maintenance | 000 | | 0 | 0 | 0 |

OTHER KEY SUPPORTING INFORMATION

| | | | | | | |
|----|---|------|--------|--------|--------|--------|
| 16 | Volume waste water returned | MI/d | 576.37 | 571.58 | 560.47 | 566.29 |
| 17 | Total sewage sludge disposal | ttds | 29.2 | 65.3 | 83.0 | 79.7 |
| 18 | Average connected properties – sewerage | 000 | 1,294 | 1,328 | 1,332 | 1,326 |