

Bournemouth & West Hampshire Water - Explanation of our plan to deliver now and in the future

Overall strategy for 2010 - 2015 and beyond

The foundations of our strategy and plan reflect the views of our customers about what they want and expect to receive, both now and in the longer term. To these views, we have added our own knowledge of the obligations we face, and our plans arising from long experience as a water supplier.

Our strategic planning approach can be summarised in a number of key themes:

Reliability of the water supply - It is fundamental that we ensure a reliable, value-for-money water supply to all customers, meeting all the obligations placed on us in providing an essential public service.

Drinking water quality - Closely related to reliability, the water we supply must meet all the legal and regulatory standards of quality and safety. We aim to achieve 100% compliance in drinking water quality, although this may be difficult to achieve because of problems with customers' pipes and fittings.

Managing the demand for water - An important focus for us is the application of a number of tools to manage demand, including the promotion of customer metering and water efficiency, and leakage control. By doing so we can postpone the need for new water resource development, which we acknowledge will be difficult in this locality because of the sensitivity of the water environment.

Asset robustness and resilience - We must ensure that all our assets are designed and maintained in such a way as to protect the reliability and quality of the supply. In our case, this will entail increased activity in renewing and replacing water mains, and further links between key assets.

Sustainability - By operating in a sustainable way today we can ensure that future generations will also be able to operate without compromising the quality of the service.

Cost reduction - We have reduced our costs of operation in recent years, and we will continue to strive to make efficiencies. This is likely to become more difficult in the face of rising cost pressures.

Corporate governance - It is essential that we operate to, and can demonstrate that we operate to, high standards of integrity, compliance and corporate governance.

Consistency and continuity - Our customers are generally satisfied with our performance and approach, and expect us to deliver our commitments consistently, and to build on them in the future.

Quality and service improvements in 2010 - 2015 and the longer term

- 1 Increase mains renewal activity to 15 km each year in AMP5 and then to the long-term sustainable level of 26 km each year from AMP6
- 2 Keep non-infrastructure and general asset maintenance broadly at its present level
- 3 Provide additional treatment for cryptosporidium at Woodgreen WTW
- 4 Improve asset and service robustness and resilience by a number of schemes, especially mains links, to reduce the risk of supply interruptions and similar service failures
- 5 Continue with demand management measures, especially household metering, leakage control and water efficiency to postpone the need for any new resource development schemes
- 6 Keep customer service levels broadly as at present, taking incremental opportunities for improvement where possible
- 7 Explore the potential for developing cost-beneficial renewable energy sources, and reduce energy consumption where possible

What is driving the changes in bills? (2007/08 prices)

Average household bill in 2009/10 (£)		125
<i>Plus</i>	1	Maintaining base services
		<i>a) changes in operating costs</i>
		<i>b) changes in cost of maintaining assets</i>
		<i>c) changes in impact of taxation</i>
		16
	2	Maintaining and enhancing security of supply
		4
	3	Improvements in service
		<i>a) drinking water quality</i>
		<i>b) enhanced service levels</i>
		2
		2
Average household bill in 2014/15 (£)		147

Note - totals may not agree due to rounding

Price limits and effect on average bills (2007/08 prices)

		2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
W	Indicative price limit (%)		12.6	2.9	1.8	1.4	1.3
	Average household bill (£)						
1	Measured household	125	135	138	140	142	143
2	Unmeasured household	132	159	164	168	171	173
3	Average household	125	140	144	145	146	147

Estimate of expenditure needs (2007/08 prices)

		Annual average 2010 - 2015 (£/property/annum)
1	Operating costs to maintain current services	93
2	Operating costs to improve services	1
3	Cost of maintaining assets to deliver current services	42
4	Cost of improving assets	18
5	Assumed cost of capital (%):	
	- Pre-tax cost of debt, post-tax cost of equity basis (vanilla)	5.90
	- Fully post-tax basis	5.21