

## Reporters Report – One Page Summary

Tendring Hundred Water Services (THD) submitted their PR09 draft business plan to Ofwat on 11<sup>th</sup> August 2008. This plan has been scrutinised by the Reporter's team.

The business plan sets out THD's plans to renew over 30km of water mains to maintain its assets and prevent further supply interruptions, replace inferior communication pipes to continue to achieve its leakage targets, construct a new water storage reservoir for the Dovercourt area to maintain its assets and achieve greater security of supply to the Horsley Cross Area and, continuation of its metering strategy.

THD's draft business plan is consistent with its Strategic Direction Statement and the company's metering strategy.

THD has produced a robust and well-founded business plan. THD had to comply with new challenges in its business planning process in PR09, to ensure it was proposing cost beneficial schemes and to also ensure carbon emissions were taken into consideration in the planning process. A Cost Benefit Analysis was completed on 60% of the planned value of the Investment Programme for the largest value schemes.

As a small company, THD rely on close communication between staff and managers to be efficient and effective. They do not require sophisticated processes and procedures. However, our audit trail has shown some variability in the clarity of the linkage between the selected Capital Investment Programme and the good-quality, comprehensive, supporting information.

The "Willingness to Pay" survey conducted by THD in 2008, showed that customers were willing to pay extra on their bills for, among other things, "Water Saving Efficiencies" and to avoid "Supply Interruptions". These results helped shape the capital investment programme proposed. We have concluded that there is a strong basis for the planned Investment Programme within the draft business plan. Much of the work is planned to be implemented through an integrated installation programme for pipework and meter renewals within the Clacton area, where much of the asset renewal is required and the greatest density of THD population base is located. The Automatic Meter Reading Programme stills requires further scrutiny to ascertain whether the benefits outweigh the costs and is therefore value for money for THD's customers.

THD has a low level of leakage, one of the lowest in the industry and THD intends to maintain their leakage levels at or below these levels for the foreseeable future. Their draft business plan includes measures to ensure the company meets these leakage targets.

The company has reassessed the condition and performance of its entire asset base as part of the PR09 Business Planning process in accordance with Ofwat's requirements.

The company's approach to estimating its capital expenditure is supported by various unit cost studies carried out for its Cost Base.

Despite a planned increase in staffing levels to ensure excellent customer service and their planned improvements to their business processes, THD have identified where there is some scope for operational cost efficiencies, accounting to 0.42% by 2015, which have been incorporated in their plan. The plan also assumes a 0.5% per annum efficiency in the delivery of the capital programme.

The customers will see an improved level of service achieved through targeted base maintenance of their existing assets.