

**Three Valleys Water - Explanation of the company's plan to deliver now and in the future****OVERALL STRATEGY FOR 2010-2015 PERIOD AND BEYOND**

...A brief summary of the plan and the reasons for it (including how this fits with the strategic direction statement). What will the consumer see?

Our business plan is directly linked to our purpose described in our strategic direction statement. The investments we propose advance the five objectives we set out as being necessary to fulfil our strategic intentions

**1. We will meet demand for water by normal means in all but extreme circumstances**

Metering encourages customers use water carefully so we can make sure there is enough water for everyone by increasing meter penetration to 67% by 2015 and targeting 90% by 2020. Our vision is that every meter will be capable of being read electronically using Automated Meter Reading (AMR) by 2020. AMR allows us to bill more accurately and efficiently than ever before and lets us offer better information to customers about their consumption. We will control leakage from our pipes, offer assistance to our customers with fixing leaks on their supply pipes and continue to promote water efficiency so that we make the best use of scarce water resources in our region.

**2. Water must be of the right quality**

We will invest in additional water treatment processes at seven sites to ensure that our water will be of the right quality.

**3. We will have the right care for the environment**

Our business plan investments will help mitigate the effects of climate change by reducing greenhouse gas emissions. We will complete nine environmental studies to see if we need to change the volumes or locations where we take water in order to protect local rivers.

**4. Minimising disruption to supplies**

We will increase the rate of renewal of distribution mains to 148km each year as well as investing to replace deteriorating trunk mains and galvanised iron pipes. This will reduce the number of burst water mains, directly reducing the number of supply interruptions. With fewer burst pipes to manage, we will be able to improve our response times for those bursts that do occur, so that we restore supplies more quickly in more cases. Water supplies would be severely disrupted if our assets succumbed to civil emergencies such as floods, so our plan includes investment to improve the resilience of our supply system to these events.

**5. Water must be affordable**

To keep water services affordable, we are only proposing investment where it is essential to safeguard water services. We have also projected efficiency improvements in our plan. This means that our customers' water bills are no higher than they need to be. We will continue to offer our Watersure tariff to cap the bills of our most vulnerable metered customers. In the medium term we plan to introduce new pricing systems so that customers will have lower bills if they avoid using water for discretionary purposes such as garden watering. This will help customers who are careful water

**QUALITY AND SERVICE IMPROVEMENTS IN 2010-2015 PERIOD AND IN THE LONGER TERM**

...to achieve what improvement by when and the longer term strategy for quality and service improvements. What will this deliver for consumers?

There will be enough water to meet customers' demand by normal means, in all but extreme circumstances.

Our aim is that no tap water samples fail to meet the high standards policed by the Drinking Water Inspectorate - 100% mean zonal compliance by 2015 and beyond.

We will mitigate climate change by reducing our carbon dioxide emissions

We will invest to renew 740km of distribution mains by 2015, 20 km of trunk mains and all galvanised iron communication pipes when we encounter them during planned works. This will reduce the number of burst pipes. Fewer bursts mean we will be able to respond more quickly to pipe failures when they do occur. So we will be able to cut the numbers of our customers suffering interruptions to supply longer than 6 hours by 25% compared to 2007/08

We will improve our processes and the ways we communicate with our customers so that we can resolve more customer service enquiries first time. Our aim is that by 2015 we will have reduced the number of avoidable contacts by a quarter compared to 2008/09. Meeting more of our customers' expectations for service first time means that we expect to reduce written and telephone complaints.

**WHAT IS DRIVING THE CHANGES IN BILLS? (2007-08 PRICES)**

		Water	Sewerage
Average household bill in 2009-10		149	-
<b>Less</b> (1) past efficiency savings and outperformance		0	-
(2) maintaining base services		11	-
of which		Water	Sewerage
<b>Plus</b>	a) changes in revenue	-4	-
	b) changes in operating costs to maintain current services to consumers	6	-
	c) changes in costs of maintaining assets	13	-
	d) changes in impact of taxation	0	-
	e) the change in the cost of capital	-3	-
	(3) maintaining and enhancing security of supplies to all customers	10	-
	(4) the impact of improvements in services	3	-
	of which	Water	Sewerage
	a) drinking water quality	2	-
	b) environmental improvements	1	-
c) Improvements in service levels	0	-	
<b>Less</b> (5) scope for reduction through future efficiency improvements		-5	-
Average household bill in 2014-15		167	-

**PRICE LIMITS AND EFFECT ON AVERAGE BILLS (2007-08 PRICES)**

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
<b>Proposed price limit</b>	0.4	10.0	-2.0	2.2	1.2	1.5
<b>W Indicative price limit (water service)</b>						
1 Average measured household bill	132	145	143	146	147	149
2 Average unmeasured household bill	155	168	165	169	174	178
3 Average household bill	149	163	160	162	165	167
<b>S Indicative price limit (sewerage service)</b>	-	-	-	-	-	-
1 Average measured household bill	-	-	-	-	-	-
2 Average unmeasured household bill	-	-	-	-	-	-
3 Average household bill	-	-	-	-	-	-

**ESTIMATE OF EXPENDITURE NEEDS (2007-08 PRICES)**

		Annual average for the 2010-2015 period (£/property/annum)	
		Water	Sewerage
1	Operating costs to maintain current services to consumers	92	-
2	Operating costs to improve services to consumers and protect the environment	3	-
3	Cost of maintaining assets to deliver current services to consumers	56	-
4	Cost of improving assets to deliver improvements for the environment and consumers	27	-
		<b>Pre tax cost of debt and post tax cost of equity basis (Vanilla)</b>	<b>Fully post-tax basis</b>
5	Assumed cost of capital (%)	5.54%	4.92%

For further information go to:

[www.3valleys.co.uk](http://www.3valleys.co.uk)