

SUMMARY REPORT ON THREE VALLEYS WATER DRAFT BUSINESS PLAN

This one-page summary for the Public Domain addresses the Ofwat guidance and is a clear succinct statement describing the Reporter's scrutiny and opinion on the Three Valleys Water Draft Business Plan (DPB).

Company process

The Financial Director (FD) had overall responsibility for preparation of the DBP, liaison with the Board and preparation of the public domain summary. Completion of individual Tables (or parts of Tables) and commentaries are assigned to data contributors and the information provided by them was subject to review by Line or Senior Managers prior to audit by the Reporting team. A Project Manager was appointed for the DBP who co-ordinated the data preparation, collection and entry into the information capture system (ICS). The process was overseen by a PR09 Steering Group chaired by the FD, which met monthly to guide the project and to enforce actions to ensure that the project remained on target and met the required objectives. A PR09 Decision Group was also chaired by the FD and met every two weeks to review draft contributions and to make recommendations to the Board. There was a full Board meeting on 24th July (attended in part by the Reporter) although both preparation of the DBP and audit work were behind original schedules at that stage. There was a subsequent Board Sub-Committee meeting on 7th August (again with the Reporter present) for the Board to formally endorse the DBP.

In broad terms, the process has been effective in producing a coherent plan and public summary document. However, the Company did make a number of late changes to the DBP which hampered the audit process and resulted in some inconsistencies between Parts A, B and C of the DBP.

Consistency of public domain summary with the DBP

The numerical information and the supporting text in the public domain summary are consistent with the DBP. The Reporter's main concerns with the strategy are that the proposed leakage target is steady throughout AMP5 and this does not reflect the projected savings in supply pipe leakage through the metering programme or the leakage benefit from the mains renewal programme which is primarily targeted at stabilising bursts and interruptions to supply. Secondly, the metering programme is being introduced at a rate dictated by policy, not by resource requirements. The proposed rate of metering may not be optimal.

The main drivers of the changes in bills are the capital maintenance of both infrastructure and non-infrastructure assets and the proposed metering strategy. The Company also notes that there is a material impact from catch-up on operating costs mainly caused by the increase in power costs.

Company co-operation

The Company's preparation of the DBP fell behind the original programme. However, the DBP was submitted on schedule by the Company. The scheduling meant that the Reporting Team were unable to review and audit certain sections of the plan until quite late in the process with the result that some sections have not been provided with the degree of scrutiny originally envisaged in the audit plan. Other than these scheduling issues, the Reporting team has received the full co-operation of the Company and the Reporter has been invited to two Board meetings to provide feedback on the audit.