

REPORTERS ONE PAGE REPORT ON THE COMPANY'S DRAFT BUSINESS PLAN

Introduction

On the 8th August 2008 Dwr Cymru Welsh Water (the Company) presented its draft business plan to the Water Services Regulation Authority (Ofwat). This is scrutinised by an independent person, "the Reporter". This short report summarises the findings of the Reporter.

Consistency of the Company's public domain report and full submission

The Company commenced the preparation of its draft business plan in Autumn 2007 and has spent considerable time and effort since then on its preparation. The Company presents an outline of its report in the summary published on its website. This has been reviewed by myself and in my opinion is consistent with other parts of the draft business plan.

Other comments on the draft business plan

In order to fulfil its functions the Company has to meet statutory obligations, maintain its existing assets and give a high standard of service to its customers while endeavouring to minimise price rises. In its commentary the Company indicates that in real terms it does not plan to raise bills in the business plan period.

In its report the Company indicates the main quality and service improvements that it plans to make in the period 2010 to 2015. A significant part of the Company's plans entail minimising risk to water quality, increasing efficiency, reducing its carbon footprint and reducing flooding from its sewers. It has been particularly pleasing to see that the Company has been proactive in developing new procedures for managing its assets to ensure that risks to its customers are minimised and that maintenance of its assets, which form a significant part of its total costs, are carried out in a cost effective manner.

Inevitably in a process which is looking ahead to the year 2015 there will be areas of uncertainty. Nevertheless I believe that the Company has made reasonable judgements as to its future needs in reaching its conclusions. I believe that current areas of uncertainty will be reduced as the Company moves on to develop its final business plan in April 2009.

The Company set up a special project organisation to prepare its business plan. I have seen that the senior management of the Company has been fully involved in developing the plan and at all times the Board has been engaged in the process. I believe that the process employed by the Company to prepare its draft business plan was well founded.

At all times I have had the full co-operation of the Company which has included full access to its calculations and supporting information. Inevitably there have been changes, some at late date, which have made adherence to Ofwat's programme difficult for all parties. However, this has not precluded me undertaking my duties in a professional manner.