OFWAT

News release

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Ofwat holds bills down for customers

- Proposed average bill to go down by £14 by 2015 -
- Investment of almost £21 billion over five years-

Ofwat today published draft proposals for the prices water and sewerage companies can charge their customers between 2010 – 15. Its proposals will see household bills remaining broadly stable until 2015.

Every five years Ofwat sets limits on the prices water and sewerage companies in England and Wales can charge their customers. Its draft proposals follow the submission of water companies' final business plans in April.

The regulator's scrutiny of companies' business plans will see the average household water and sewerage bill reduced by around four per cent or £14 to £330 by 2015.[1] This is before inflation is considered.

Companies will still be able to invest extensively. Almost £21 billion will be pumped into helping maintain and improve services to consumers. The proposals will build on the progress made over the last 20 years since privatisation, allowing companies to carry on delivering a safe, reliable supply.

Flooding in 2007 highlighted the risk extreme weather conditions pose to water supplies. The proposed investment will see this risk reduced for around ten million people.

More than £4 billion will be invested in maintaining and improving drinking water quality, as well as protecting the environment. This will help deliver cleaner wetlands, rivers and beaches.

Regina Finn, Ofwat Chief Executive Officer said:

> "We understand times are hard and we have listened to what customers have told us. They want a safe, reliable water supply at a reasonable cost.
>
> "People can shop around for the best deal on many things, but not water. That's why we've challenged the companies' plans rigorously to ensure that customers get the best value for money from the £21 billion of investment.
>
> "Our proposals allow the companies to build on the successes of the past, keep bills broadly stable and create a better environment.
>
> "Our decisions allow efficient, well run companies to invest in the right place at the right time for the right price."

Companies, customers and interested parties now have the opportunity to present their views on Ofwat's proposals. Final limits on the prices companies can charge will be published in November. New bills will then come into effect in April 2010.

Ofwat's proposals will allow companies to ensure customers continue to see improvements and receive a safe, reliable supply of drinking water. Benefits would include:

- Over 10,000km of water mains being improved or replaced – more than the equivalent of London to Cape Town.
- Extreme events such as flooding can severely disrupt water supplies. Around 10 million people would benefit from investment to guard against them being without water.
- A reduction to national leakage levels of around 70 million litres a day by 2015. This extra saving would be enough to fill the auditorium of the Royal Albert Hall around 300 times every year.
- Addressing sewer flooding problems for more than 5,600 properties.
- Improve 130 water treatment works and 520 sewage treatment works to maintain and improve the environment and drinking water quality.
- Maintain or improve more than 2,700km of rivers to meet EU environmental standards.
- Improve water quality in more than 55 wetlands and bathing waters.
- Investment in renewable energy sources to reduce carbon emissions and cut operational costs by around £8.5 million a year. The electricity generated would be equivalent to the amount required for around 90,000 homes.

Ms Finn said:

> "We've reduced bills, whilst allowing extensive investment of almost £21 billion. Everyone will see real benefits as a result of our proposals.
>
> "Not only will customers continue to receive a safe, reliable supply of water, but we have worked closely with our partners to ensure our environment gets a better deal too.
>
> "Events such as flooding can seriously affect water supplies. We need to help guard against that. Investment over the next five years will help keep the taps running by reducing the risk of supply interruptions for around 10 million people.
>
> "But it doesn't stop here. Once we finalise prices in November, we will continue to hold companies to account by making sure they deliver on their investment promises. Should they fail to do so we will take action."

Ofwat's challenge sees average bills around 12 per cent or £45 lower by 2015, compared to what companies wanted.

Note: Release continues with tables on following page

Table A: Draft proposals – expected average annual household bills

	Expected Average annual household bills (£)										
	2009-10			2010-11			2014-15			Change (since 2009-10)	
Company	**Water**	**Sewerage**	**Total**	**Water**	**Sewerage**	**Total**	**Water**	**Sewerage**	**Total**	**Total**	**Change %**
Water and sewerage companies											
Anglian	172	216	389	166	213	379	158	198	356	-32	-8%
Anglian Water	173	216	389	167	213	380	159	198	357	-32	-8%
Hartlepool Water	127		127	124		124	125		125	-2	-2%
Dŵr Cymru	171	233	404	164	231	395	151	217	368	-35	-9%
Northumbrian	147	167	314	154	163	317	158	162	320	6	2%
Northumbrian	131	167	298	138	163	301	139	162	301	3	1%
Essex & Suffolk	169		169	178		178	184		184	15	9%
Severn Trent	152	152	305	159	142	302	148	133	281	-24	-8%
South West	205	283	488	200	276	476	192	266	458	-30	-6%
Southern	131	249	380	137	236	372	134	238	373	-7	-2%
Thames	183	121	303	185	115	300	173	130	304	0	0%
United Utilities	171	206	377	170	184	353	168	191	359	-17	-5%
Wessex	202	210	412	203	199	402	212	191	403	-9	-2%
Yorkshire	154	178	331	149	175	325	147	179	326	-5	-2%
WaSC average (weighted)	**166**	**181**	**347**	**167**	**172**	**339**	**161**	**173**	**333**	**-13**	**-4%**
Water only companies											
Bournemouth & W Hampshire	133	-	133	136	-	136	133	-	133	<1	<1%
Bristol	157	-	157	151	-	151	151	-	151	-5	-3%
Cambridge	121	-	121	117	-	117	110	-	110	-12	-10%
Cholderton	212	-	212	204	-	204	189	-	189	-23	-11%
Dee Valley	128	-	128	129	-	129	125	-	125	-3	-2%
Folkestone & Dover*	197	-	197	186	-	186	177	-	177	-20	-10%
Portsmouth	93	-	93	86	-	86	80	-	80	-13	-14%
South East	169	-	169	170	-	170	160	-	160	-10	-6%
South Staffordshire	124	-	124	123	-	123	121	-	121	-3	-3%
Sutton & East Surrey	165	-	165	161	-	161	152	-	152	-13	-8%
Tendring Hundred*	175	-	175	169	-	169	154	-	154	-20	-12%
Three Valleys*	160	-	160	158	-	158	142	-	142	-18	-11%
WoC average (weighted)	**150**	**-**	**150**	**148**	**-**	**148**	**139**	**-**	**139**	-11	-7%
Industry average (weighted)	**163**	**181**	**344**	**163**	**172**	**336**	**157**	**173**	**330**	**-14**	**-4%**

*The three companies noted have announced that on 1 July 2009 they changed their names to reflect their position as Veolia group companies. For clarity, we use their old names throughout this document.

All figures are quoted in 2009/10 prices.
Some totals may not add up due to rounding.

Table B: Comparison between companies' final business plan (FBP) proposals and Ofwat Draft Determinations (DD) – average household bill in 2015

Company		Company Business Plans	2009 Draft Determination	Difference (%)
		Average Bill by 2014-15 (2009-10 prices)		
Water and sewerage companies				
Anglian*		401	356	-11
	Hartlepool (water only)	145	125	-14
Dŵr Cymru		403	368	-9
Northumbrian**		357	320	-10
	Northumbrian area	340	301	-11
	Essex and Suffolk area (water only)	206	184	-11
Severn Trent		318	281	-12
South West		517	458	-11
Southern		426	373	-12
Thames		356	304	-15
United Utilities		404	359	-11
Wessex		434	403	-7
Yorkshire		352	326	-7
WaSC average (weighted)		**376**	**333**	-11
Water only companies* **				
Bournemouth & W Hampshire		158	133	-15
Bristol		202	151	-25
Cambridge		129	110	-15
Cholderton		231	189	-18
Dee Valley		140	125	-10
Folkestone & Dover		226	177	-22
Portsmouth		105	80	-24
South East		208	160	-23
South Staffordshire		145	121	-17
Sutton & East Surrey		210	152	-27
Tendring Hundred		199	154	-22
Three Valleys		174	142	-18
WoC average (weighted)		**176**	**139**	-21
Industry average (weighted)		**375**	**330**	-12

*We did not require Anglian to provide a bill for the Anglian area only as part of its business plan submission. This is for the average bill for both regions.
**This is the combined average bill for both the regions of Northumbria and Essex and Suffolk
***These relate to water only bills
All figures are quoted in 2009/10 prices.
Some totals may not add up due to rounding.

Table C: Draft price limits for 2010-11 to 2014-15

	Annual price limits					
Company	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**Average[1]**
Water and sewerage companies (WaSC)						
Anglian	-0.9	-0.9	0.9	0.8	1.3	0.2
Dŵr Cymru	-1.4	-1.4	-1.0	-1.0	-0.9	-1.1
Northumbrian	2.0	3.4	0.3	-0.3	-0.6	0.9
Severn Trent	-1.7	-1.7	-0.7	-1.7	-1.6	-1.5
South West	0.0	0.0	1.4	0.8	2.1	0.9
Southern	-2.9	0.0	1.8	2.3	-1.0	0.0
Thames	-1.4	0.0	3.8	-0.1	1.6	0.8
United Utilities	-6.3	0.3	0.6	0.7	1.8	-0.6
Wessex	-2.1	-2.1	1.0	0.9	3.0	0.1
Yorkshire	-2.0	-2.0	0.5	1.6	2.3	0.1
WaSC average (weighted)	**-2.1**	**-0.5**	**1.0**	**0.3**	**0.8**	**-0.1**
Water only companies (WoC)						
Bournemouth & W Hampshire	2.5	1.3	-1.3	-0.4	2.5	0.9
Bristol	-2.9	0.0	2.2	0.3	-1.4	-0.4
Cambridge	-3.6	-3.6	-0.2	-1.0	-1.2	-1.9
Cholderton	-0.7	-1.8	-4.1	-0.2	-1.1	-1.6
Dee Valley	-0.2	-0.2	-0.6	-0.4	-0.7	-0.4
Folkestone & Dover	-5.0	0.0	0.1	5.2	-1.9	-0.4
Portsmouth	-8.7	-2.6	-2.8	-1.7	-0.9	-3.4
South East	0.2	0.2	0.0	-1.0	0.4	0.0
South Staffordshire	-1.2	0.0	1.5	-0.5	-1.4	-0.3
Sutton & East Surrey	-2.9	-2.9	0.4	0.3	-2.1	-1.5
Tendring Hundred	-3.4	-3.4	-1.9	-1.8	-1.8	-2.5
Three Valleys	-1.7	-1.7	-3.0	-3.2	-2.3	-2.4
WoC average (weighted)	**-1.7**	**-0.9**	**-0.7**	**-1.2**	**-1.1**	**-1.1**
Industry average (weighted)	**-2.1**	**-0.5**	**0.9**	**0.1**	**0.6**	**-0.2**

* The average for the price limits is the geometric average of the annual price limits.

Notes to Editors

1. The average household bill is, by definition, an average across all customers. Individual customers' bills may be more or less than the average because of their particular characteristics, for example, whether they have a water meter. Changes to customers' bills will vary according to which company supplies them. Some customers receive their water services from one company and receive their sewerage services from another.

2. The Water Services Regulation Authority (Ofwat) is the economic regulator of water and sewerage companies in England and Wales. It exercises its powers in a way that it judges will protect the interests of consumers, promote value and safeguard future water and sewerage services by allowing efficient companies to carry out their functions properly, and finance them.

3. For more details about the price review process and Ofwat's draft decisions, please visit www.ofwat.gov.uk .

4. Ofwat's draft proposals will allow companies to build on the successes of the last 20 years. Since privatisation, £80 billion of investment across England and Wales has seen significant improvements in service delivered. These include:

   - Leakage down by around a third since its peak in the mid-1990s.
   - Around 339,000 fewer customers at risk of lower pressure – a reduction of 99% since 1989.
   - The proportion of properties at highest risk of sewer flooding has reduced by more than 75% in the last 10 years – more than 20,000 properties.
   - Drinking water quality in England and Wales is comparable with the best in Europe. In 2008 99.96% of drinking water met quality standards.
   - In 1990, only around 78% of England and Wales's bathing waters met the minimum standards. In 2008 this figure had risen to 97%.

5. Proposed bill changes have been rounded to the nearest whole £ (for example, a change of £3.82, will be written as an increase of £4). Some % totals may therefore not add up due to rounding

6. Media enquiries to Ofwat Press Office on:

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