SOUTH WEST WATER - Explanation of the company's plan to deliver now and in the future

OVERALL STRATEGY FOR 2010-2015 PERIOD AND BEYOND

Delivering PureWater, PureService and a PureEnvironment

Your priority for bills	What we plan to do	
You have told us about your concerns over the level of water and sewerage bills within the region	We have no major schemes within our plan and wish to maintain the improvements delivered so far	We have put forward a plan with prices as low as possible in each year with no sudden price shocks. We have set ourselves challenging efficiency targets
Your priority for services		
Maintaining a safe water supply that is good for drinking, free of any unpleasant taste or smell and supplied at adequate pressure	We plan to reduce the risk of customers receiving discoloured water by a combination of additional water mains rehabilitation and our operational maintenance strategy	We plan to improve or treatment processes to remove those trace substances that can give rise to taste and odour
Ensuring that our wastewater treatment activities prevent pollution of the local environment	We are proposing targeted investment in sewer maintenance to reduce the likelihood of sewer blockages, flooding and pollution	We have taken climate change effects into account when preparing our plans
Controlling the amount of leakage from our pipes in between our works and your tap	We will maintain our level of leakage control and remain one of the industry leaders in this area	We will actively repair reported leaks within three days
Ensuring that the sewer system can cope with heavy rainfall to prevent flooding inside properties	We plan to reduce the number of properties at risk of flooding	We plan to undertake 6 Integrated Urban Drainage projects
Ensuring that all our activities have the minimum impact on habitats, plants and animals and on the local environment	We will work closely with land owners and farmers to reduce the effect of their activities on our water resources at 9 locations and investigate 17 others	We will promote the restoration of large areas of Exmoor to reduce the effects of climate change
Minimising the number of occasions when your supply of drinking water is interrupted, particularly for more than a few (three) hours	We will duplicate the most vulnerable sections of pipework where a burst would take the most time to fix	We plan to identify those types of pipe that are more likely to cause interruptions and plan a future replacement programme
Being able to contact a human being who will understand the problem and can sort it out	We will provide customers with the ability to contact us by whichever method suits them best	We will improve the way we handle contacts from our customers and increase the number of calls we resolve at the first point of contact
More metering to ensure everyone pays according to what they actually use	We will continue to offer customers the free option to switch to a metered account	We have no plans to introduce compulsory metering of customers, but will trial innovative tariffs
Helping customers with water conservation and recycling to avoid building new reservoirs	We plan to offer cistern displacement devices and detailed advice to help customers reduce their water consumption	We plan to help business customers implement water saving measures following a detailed water audit
Having sufficient water resources to avoid hosepipe bans	We have acquired two lakes in Cornwall to supplement our water resources	We have taken climate change into account when preparing our plans

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

Priorities	What we plan to do	
Customer service	We will provide customers with the ability to contact us by whichever method suits them best	We will improve the way we handle contacts from our customers and increase the number of calls we resolve at the first point of contact
Water quality	We plan to reduce the risk of customers receiving discoloured water by a combination of additional water mains rehabilitation and targeted process improvements	We plan to improve our treatment processes to remove those trace substances that can give rise to taste and odour
Security of supply	We have acquired two lakes in Cornwall to supplement our water resources. Demand management is a key action for us	We plan to identify those types of pipe that are more likely to cause interruptions and plan a future replacement programme
Control of leakage	We will maintain our level of leakage control and remain one of the industry leaders in this area	We will actively repair reported leaks within three days
Environmental quality and sewerage services	We have no major schemes within our plan and wish to maintain the environmental improvements delivered so far; we will continue to reduce pollution incidents	We plan to undertake 6 Integrated Urban Drainage projects to develop more sustainable drainage systems
Sustainability	We have taken climate change into account when preparing our plans	We have championed low energy, low carbon solutions
Landscape scale thinking	We will work closely with land owners and farmers to reduce the effect of their activities on our water resources at 9 locations and investigate 17 others	We will promote the restoration of large areas of Exmoor to reduce the effects of climate change.

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

				Water	Sewerage
Average household bill in 2009-10				191	263
Less	(1) past efficiency savings and outperformance			-6	0
	(2) maintaining base services			18	21
	of which	Water	Sewerage		
	a) changes in revenue	*13*	*13*		
	b) changes in operating costs to maintain current services to consumers	*13*	*14*		
Plus	*c) changes in costs of maintaining assets*	*5*	*10*		
	d) changes in impact of taxation	*2*	*3*		
	e) the change in the cost of capital	*-15*	*-19*		
	(3) maintaining and enhancing security of supplies to all customers			1	5
	(4) the impact of improvements in services			5	3
	of which	Water	Sewerage		
	a) drinking water quality	*4*	*0*		
	b) environmental improvements	*1*	*5*		
	c) Improvements in service levels	*0*	*-2*		
Less	(5) scope for reduction through future efficiency improvements			-9	-11
Average household bill in 2014-15				200	281

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

		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Proposed price limit		1.4	**7.1**	**3.5**	**3.0**	**1.8**	**1.8**
W	**Indicative price limit (water service)**	4.0	**6.3**	**3.0**	**2.4**	**1.2**	**1.8**
1	Average measured household bill	162	170	169	171	171	173
2	Average unmeasured household bill	264	287	313	329	342	357
3	Average household bill	191	198	201	202	200	200
S	**Indicative price limit (sewerage service)**	-0.7	**7.8**	**3.9**	**3.5**	**2.3**	**1.8**
1	Average measured household bill	209	223	223	228	230	232
2	Average unmeasured household bill	409	449	496	529	558	585
3	Average household bill	263	276	280	283	282	281

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	91	103
2	Operating costs to improve services to consumers and protect the environment	4	4
3	Cost of maintaining assets to deliver current services to consumers	55	80
4	Cost of improving assets to deliver improvements for the environment and consumers	25	40
		Pre tax cost of debt and post tax cost of equity basis (Vanilla)	**Fully post-tax basis**
5	Assumed cost of capital (%)	5.42%	4.76%

For further information go to www.southwestwater.co.uk