



South Staffs Water

PRESS RELEASE

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SOUTH STAFFS WATER ANNOUNCES PUBLICATION OF ITS DRAFT BUSINESS PLAN FOR 2010-15

Summary: In order to continue to provide a reliable water supply of the highest quality coupled with high levels of service it is necessary that, over the next five years (2010-15), the average household bills for South Staffs Water customers will rise in total by 11%, excluding inflation, a total increase of £13 per household. This is largely due to significant increases in power prices. Our current average household water bill of £115 is therefore expected to be £128 in 2014-15. This £13 increase over 5 years is equivalent to an average increase of £2.60 a year. The bulk of the increase is in 2010-11, with a projection of falling water bills in real terms from 2013-15. Capital investment per property will increase by 30% to £66 per year.

South Staffs Water provides customers with high levels of service at the lowest possible price, with our current average household water bill 25% less than the national average. In addition to this, we strive to provide a clean, reliable water supply of the highest quality. In order for us to continue operating our business in this way in the future, we have today submitted our Draft Business Plan, covering the period from 2010 to 2015, to our Regulator, Ofwat. The Draft Business Plan is the initial submission of the 2009 Price Review and is an assessment of many of the detailed issues we aim to address during the five-year period.

There are many challenges facing us over the 2010-15 review period, which will need considerable investment in order for us to be able to continue to run our business effectively. These include:

- Responding to rising energy prices – power costs account for 20% of our running costs based on current market prices. Large volumes of power are used by water companies to pump water, which is very heavy, around the network. The geography of our area means that we use more electricity than other companies relative to our size – the towns we supply are at much higher elevations than our water resource locations.
- Adapting to climate change – reducing our carbon footprint is one of the major challenges facing the industry in the future. Mitigating its effects will require investment in many areas, including increased metering, further efficiencies in our use of power and reduced leakage.

- Network resilience and asset maintenance – our network needs to be adaptable to change, both to the demands of our customers and the environment. We also need to maintain our assets (pipes, treatment works and pumping stations) to ensure they are reliable and that burst levels are controlled.
- Systems and automation – further investment is planned in these areas to deliver long term efficiencies in the processes we adopt and to maintain our high levels of customer service.

To meet these challenges, the capital investment programme that we will deliver will increase from £138m in the current five year period (2005-10) to £179m in the period 2010-15 – an increase of 30%.

Balancing out the higher price limits over the 2010-15 review period, we have sought to minimise customers' bills by including in our Draft Business Plan:

- An allowance of lower profits than allowed at the last Price Review (2004).
- Expectations for further cost efficiencies through innovation and improved productivity.
- Heavy scrutiny and risk assessment of investment plans, removing unnecessary schemes that would not produce service benefits to customers.
- Passing back to customers efficiency savings we've made.

Our proposals have been influenced by a great deal of customer research. Our Draft Business Plan offers our customers many benefits including:

- Maintenance of existing high levels of service. This includes improved customer access for operational contact, billing queries and payment options.
- Continued investment to make sure that our assets are resilient to and our service isn't compromised by extreme weather events.
- Replacement of water mains that have a high potential of bursting or leaking in the long term.
- Further reductions in leakage levels and improved response time to leaks.
- Continuation of water quality excellence.

When Ofwat makes its final decision on prices in November 2009, the outcome could be different from the figures included within our Draft Business Plan.

Commenting on our draft proposals, Managing Director of South Staffs Water, Dr Jack Carnell said:

“Currently our household customers benefit from an average water bill that is 25% below the national average. When account is taken of our exceptionally high levels of service, our customers receive one of the best value water supplies in the whole of the country.

Over the 2010-15 review period, our aim is to continue to invest in maintaining and improving our business whilst responding to the challenges of climate change and rising power prices. The proposals contained within our Draft Business Plan will ensure we are able to do this and uphold the exceptional service standards, low prices, and continuing high levels of investment our customers have become accustomed to.

Customers who envisage they may experience difficulties in paying their water charges should contact the Company to discuss their position and see if assistance can be provided.”

Note to editors

1. Every water company in England and Wales submitted a Draft Business Plan to Ofwat on 11 August 2008. The Draft Business Plans provide a broad picture that will help government and the regulators to examine options regarding future investment, future operating costs and the level of customer bills. Companies will send final business plans to Ofwat in April 2009. Ofwat will make draft decisions in July 09 and final decisions in November 2009.
2. South Staffs Water serves large parts of the Black Country, including Walsall, Sandwell and Dudley, together with areas such as Tamworth, Burton, Uttoxeter, Lichfield, Sutton Coldfield and Cannock. In total, the Company serves a population of 1.2 million. The Company supplies 318 million litres of water every day across a network of pipes that total almost 6,000 km in length.
3. South Staffs Water supplies clean drinking water only. Sewerage services are provided by Severn Trent Water.
4. Further information regarding the Draft Business Plan of South Staffs Water is available on our website www.south-staffs-water.co.uk