

PR09 Consultation
Southern Water
Shouther House
Yeoman Road
Worthing
BN13 3NX

Strategy and Planning Division

Invicta House
County Hall
Maidstone
Kent ME14 1XX
Tel: 01622 221605
Fax: 01622 221635

Email: liz.shier@kent.gov.uk
Ask for: Liz Shier
Your Ref:
Our Ref: P/WA/1/1
Date: 28th September 2008

Dear Mr Dawson,

A Summary of Southern Water's Draft Business Plan for 2010-15

The County Council welcomes the opportunity to comment on Southern Water Services (SWS) Summary Draft Business Plan, however it would have been more useful if the main document had been included in the consultation as in a number of places KCC request clarification and explanation in places, which may already be provided in the main document.

The County Councils key concern is that the cost of new infrastructure is not passed on to Kent's residents. The Business Plan states that an increase of about 25% compared to the previous five year period from 2005-10 is identified for investment. It is expected that bills will need to increase above inflation to pay for investment and the increase in energy bills (page 5). It does not mention the aim of SWS to reduce water use and leakage, which should help to offset to some extent the rise in costs.

Page 5 states that increasing energy prices are a major cost to SWS business but every attempt should be taken to reduce energy and use more renewable sources of energy.

Appendix A of this letter includes a slide that was presented by SWS at a presentation at Bridgewood Manor on 17th Sept 2008 which appears to differ from the figures found on Page 5 and Page 13 of the consultation document. Page 5 demonstrates how average household bills for water and wastewater will increase between 2010 and 2015 as summarised below in Table 1. Appendix A however shows that in 2010/11 the average bill for water is £122 rising to £146 in 2014/15 and for wastewater the average bill in 2010/11 will be £230 rising to £281 in 2014/15. The figures presented in the slide show a much steeper increase in customer bills which doesn't appear to have been reflected in the summary document and it is not clear why there is a discrepancy.

Table 1 Average Household Bills

	2010/11	2011/12	2012/13	2013/14	2014/15
Water	£140.66	£143.86	£145.66	£145.94	£145.67
Wastewater	£260.57	£266.79	£273.24	£282.80	£280.65

Definitions of the term 'Growth', used in the table on page 13, and 'supply demand' used in the pie chart on page 13 and page 32 are needed.

Page 13 describes how the draft investment programme is reflective of customer priorities, the County Council are concerned this democratic prioritisation process which allows customers to pick and choose what they are prepared to pay for seems far too simplistic and does not look at the problem strategically. Under this approach it is hard to see how problems such as sewer flooding that are severe but affect relatively few customers can be compared with issues such as leakage that concern all customers.

SWS Consultation Questions

Drinking Water Quality

Do you support our proposals to improve the quality of water? Do you support the need to further enhance the resilience of critical abstraction points in our network?

This seems a reasonable approach.

In the text however reference is made to the inclusion of £11million in the Business Plan for enhancing treatment at four water supply works, it would be useful to refer to these works in the text.

Metering, Water Efficiency, Communication and Supply Pipes

Do you support our efficient pace of metering to achieve full coverage by 2015?

The County Council welcomes the commitment to metering before the development of additional water resources, which are planned for later on in the 25 yr period. However planning for water resources does have long lead in times, therefore careful monitoring of the impact of metering will need to take place in case the demand for water does not reduce as much as expected and additional water resources are needed earlier than planned.

The County Council would wish to see appropriate tariffs implemented to ensure that vulnerable families in Kent are not subjected to higher bills. SWS states that they will be reviewing metered tariffs to ensure that customers can influence and reduce their bills which is welcomed. SWS state on page 17 that they will consider rising block and seasonal tariffs to ensure that essential and discretionary use of water is appropriately priced, KCC would welcome this and it should be included, although the SWS dWRMP considers that having a seasonal tariff would require smart meters and suggest that it is unlikely that a seasonal tariff structure would be feasible before 2025.

On page 16 one of the listed "Key benefits" of metering is "it improves water efficiency". But SWS draft Water Resource Management Plan (dWRMP) is based on 0% growth in per capita consumption (pcc). Given that SWS are planning widespread metering it is not clear why this doesn't translate into pcc reduction. This is also the case for "Managing demands" on page 20.

The blue box on page 17 refers to a reduction in water consumption by business customers. Services for business customers do not translate into any water saving as dWRMP assumed no change in non-domestic consumption throughout the 25 year plan period.

Page 34 last line - OFWAT is consulting on water efficiency targets for companies. They are proposing a minimum of 1 MI/d for all companies. It appears that SWS are planning to scale back

to only meeting this minimum. KCC strongly oppose this and it is inconsistent with what SWS say about the importance of managing demand.

Leakage

Do you support the continued drive to reduce leakage from today's level of 15% towards the SDS target of 10%? Are we right to increase the speed of our network renewal programme?

Continued reduction of leakage is important and KCC support continued work on this and support the increased network renewal programme in principle but it would be helpful to have some analysis of its impact on costs and customer bills included in the Business Plan.

Water Resource Development

SWS pose questions on each of the other sections in this document but not this one which is one of the areas which causes most debate, as further water resource development will require considerable investment and will impact on customer bills.

It is not clear from the text what specific water resource developments are anticipated. The County Council would want SWS to identify sites that they expect will come forward in the long term to ensure that they are incorporated into the appropriate plans including the Regional Spatial Strategy and Local Development Documents.

Page 20 last para - given the odd geography of company responsibilities in the Eastern Sub-Region, "consulting with other water companies" is simply not enough, joint planning between the water companies is critical to ensure optimal solutions are found.

Page 21 top right it states "We adapt to climate change by supporting water efficiency...." it is not clear what is meant by this and in our view it does not go far enough.

Page 21 bullet point 3 in the box states "...improving pipeline links between separate systems". It is KCCs view that this does not give best value for customers, joint planning between the water companies is required to achieve optimal solutions to avoid the need for each company to operate long distance pipelines.

Sewer Flooding

Should we go further and invest to reduce 1 in 20 year register and the external flooding register?

This should be undertaken particularly with the potential impacts of climate change and the increased risk of flooding with more extreme weather events expected.

Pollution

Do you agree that we should increase sewer renewal rates? Do you support our target for sustainable improvements in compliance and reduced pollution incidents?

Yes it is important to maintain the sewer system to ensure effective management of waste water and the target for sustainable improvements is supported.

Growth

Our plan is based on a risk assessment of the latest forecast and assumes less growth than the optimistic government projections. Do you agree with our stance?

GOSE recently published the proposed changes to the Regional Spatial Strategy, The South East Plan and the revised figures will need to be incorporated into the SWS Final Business Plan. Page 26 states that "We have deferred investment where we consider that progression of development lacks certainty". This seems a sensible approach but needs further explanation, how does SWS assess the certainty of development?

Page 26 makes reference to SWS plans for major development areas including Ashford, Thameside and Maidstone. Dover is recognised in the Proposed Changes as a 'Growth Point' with additional 4000 homes planned and this growth should be included within SWS's plans.

Recycling Waste

Do you support our commitment to reduce our carbon footprint? Should we do more or less? Are there any other areas where we should look to cut our carbon emissions?

Kent County Council strongly supports the commitment to reducing the carbon footprint.

It is imperative that SWS work with the other water companies to ensure that water resources are used effectively and that water is not pumped across the region unnecessarily which has not only a financial but an environmental cost too.

Page 28 Investment in 2010-2015, it is not clear what is meant by the last bullet point '£91 million to maintain our existing sludge treatment work energy prices'.

Page 29 the box indicates that SWS expect to get a 3,000 tonne CO₂ saving from water metering, despite the assumption of no water savings.

The Environmental Quality Programmes

Did you realise the impact of these quality obligations on our programme?

KCC were aware of the impact of these obligations, however it is not clear what types of environment schemes are proposed within the 329 identified.

Page 30 - the trade off between higher environmental standards at the expense of higher CO₂ emissions needs to be resolved by DEFRA, SWS should not be left to make these judgements.

What this means for bills

Do you agree with our proposed package and pace of improvements? Overall having read this summary do you support this plan?

The County Council believes that there is an urgent need for better inter-company cooperation to strategically plan for, and optimise the use of, available water supplies across Kent. It is important

that there is a consistent approach to the transfer of resources between company areas and where new resource development is necessary scope for joint usage is fully considered especially where this might obviate longer range and energy intensive movement of resources. This will reduce the amount of investment needed and will hopefully lessen the need to increase the bills of Kent's residents.

Competition

As with other utilities e.g. gas and electricity do you support the introduction of competition in water?

Page 33. para 2. KCC agree that a single network in the South East would allow surplus water to be moved around the region and would reduce the need for additional water resources. But with 5 water companies supplying areas in Kent, it is difficult to get a clear picture of what is required. There is a greater need for collaboration and for better inter-company co-operation, this would in theory achieve the same.

It is probably unclear to most SWS customers what the term "competition" means here and how greater "competition" might function within the water industry. With 5 water companies serving Kent, there is lots of competition on the face of it but this offers no choice to customers, only competition for resources, the unnecessary piping of water around the county and possibly higher bills.

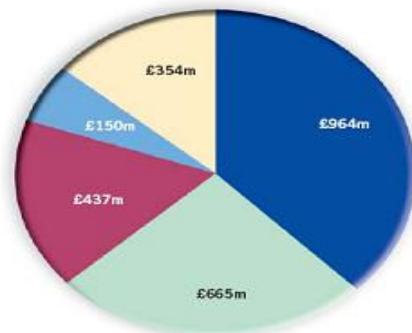
I trust you will find these comments useful.

Yours sincerely

Liz Shier
Principal Planning Officer

Investment and Bills

£2,570 million of capital investment 2010 - 2015
(at 2007-08 prices)



■ Environment & quality improvements
■ Enhancements to services
■ Water resources and growth
■ Maintaining mains and sewers
■ Maintaining treatment works

- Increased investment is partially off-set by improved efficiency

WHAT IS DRIVING THE CHANGES IN BILLS? (2007-08 PRICES)				Water	Sewerage
Average household bill in 2009-10				122	230
Less	(1) past efficiency savings and outperformance				-4
	(2) maintaining base services			12	18
	of which	Water	Sewerage		
	a) changes in revenue	3	4		
	b) changes in operating costs to maintain current services to	2	6		
Plus	c) changes in costs of maintaining assets	7	8		
	d) changes in impact of taxation	4	6		
	e) the change in the cost of capital	-4	-6		
	(3) maintaining and enhancing security of supplies to all customers			10	10
	(4) the impact of improvements in services			6	33
	of which	Water	Sewerage		
	a) drinking water quality	6			
	b) environmental improvements		27		
	c) improvements in service levels		6		
Less	(5) scope for reduction through future efficiency			-4	-6
Average household bill in 2014-15				146	281