

**Table 1 - Northumbrian Water - A summary of our monitoring plan for 2005-10****OVERALL STRATEGY FOR 2005-10 PERIOD AND KEY STRATEGIC OBJECTIVES**

Major improvements to drinking water quality and the environment have been delivered in the last 10 years. We provide water and sewerage services to high regulatory and customer standards. Customer research shows that over 90% of our customers are satisfied with the service we provide.

Customers expressed a limited willingness to pay for improvements to service. The alleviation of flooding from sewers and reduction of discoloured water featured high in customers' priorities, were strongly supported by WaterVoice, and have therefore been included in our strategy.

In addition, we have to make investment to meet drinking water quality and environmental requirements required by Government and the quality regulators

Whilst Ofwat has allowed in price limits for unavoidable increases in costs, including Government taxation, we will make further significant operating cost efficiencies and this will help keep bill increases to a minimum

Main elements of our strategy include:

- Appropriate investment in the replacement of worn out assets
- Investment in improvements to drinking water quality and the environment as required by the Government
- Investment in the alleviation of sewer flooding
- Investment in the alleviation of discoloured water
- Consideration of how we can improve payment options to assist customers to pay their bill

**TOP QUALITY AND SERVICE IMPROVEMENTS IN 2005-10 PERIOD**

Top quality and service improvements in 2005-10 period

- A major programme to reduce iron and manganese levels in drinking water to improve compliance with standards and reduce discolouration. This will help around 10,000 customers that have experienced discoloured water and will deliver full benefits by March 2011.
- Installation of water treatment processes to ensure increasing levels of pesticides from farming do not enter the drinking water supply (to be completed by December 2007).
- Alleviation or mitigation of flooding from sewers at virtually all properties on the DG5 flooding register
- A five year programme that reduces the aesthetic impact of sewer overflows during heavy rainfall thus improving people's enjoyment of rivers and streams
- Reduction of ammonia from sewage treatment discharges into areas designated under the Freshwater Fisheries Directive. This will ensure that conditions in rivers remain suitable for fish and is to be completed by August 2007.
- Reduction of nutrients from sewage treatment discharges into waters designated as "sensitive" under the Urban Waste Water Treatment Directive. This will protect the aquatic environment at locations such as Seal Sands in the Tees estuary and is to be completed by December 2008.

**WHAT IS DRIVING THE CHANGES IN BILLS? (November 2003 PRICES)**

Average household bill in 2004-05		Water	Sewerage
Less	(1) past efficiency savings and outperformance	-1	-3
	(2) scope for reduction through future efficiency improvements	-4	-9
	(3) maintaining base services	8	8
	of which		
	a) changes in revenue	2	-5
	b) changes in operating costs	2	6
Plus	c) changes in capital maintenance	1	5
	d) impact of taxation	2	1
	e) financing	1	1
	(4) maintaining security of supplies to all customers	4	3
	(5) the impact of improvements in drinking water quality	7	Nil
	(6) the impact of environmental improvements	Nil	13
	(7) improvements in service performance	Nil	2
Average household bill in 2009-10		114	146

**PRICE LIMITS AND EFFECT ON AVERAGE BILLS (November 2003 prices)**

Price limit		2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
<b>W</b>	<b>Indicative price limit (water service)</b>	<b>10.0</b>	<b>7.1</b>	<b>4.0</b>	<b>3.5</b>	<b>1.0</b>	<b>0.2</b>
1	Typical measured household bill	89	97	102	105	106	107
2	Typical unmeasured household bill	103	111	114	119	121	121
3	Average household bill	101	107	109	113	114	114
<b>S</b>	<b>Indicative price limit (sewerage service)</b>	<b>10.0</b>	<b>5.8</b>	<b>3.3</b>	<b>2.8</b>	<b>1.0</b>	<b>1.2</b>
1	Typical measured household bill	117	125	130	133	134	135
2	Typical unmeasured household bill	134	141	144	148	150	152
3	Average household bill	131	137	141	144	145	146

**ESTIMATE OF EXPENDITURE NEEDS (2002-03 prices)**

		Annual average for the 2005-2010 period (£/property/annum)		
		Water	Sewerage	Total
1	Total operating expenditure	70	63	133
2	Total capital maintenance expenditure	30	34	64
3	Total capital enhancement expenditure	24	26	50
4	Average annual number of properties used as the denominator in the above calculation	1854333	1152606	N/A

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