

EXECUTIVE SUMMARY

The Company has developed a number of domestic consumption databases which are used to measure peak and average demands in representative samples of households charged on both the Company's Unmeasured and Measured tariffs. The data is used to confirm annual water balance calculations but, more importantly, it is used to predict future changes in water demands from households. This plays an important role in preparing water resources plans.

Unmeasured Property Databases

For households charged on unmeasured tariffs a database of over 500 properties is maintained which is representative of the proportions of different Property Types within the overall Company customer database. It is also representative of the Company's three Water Resource Zones (geographical areas). The properties are surveyed by questionnaires from time to time in order to collect occupancy data. Meters have been installed at these properties purely to enable consumption data to be collected.

Measured Databases

Domestic customers now have the right to change to a measured tariff without paying the cost of meter installation. Prior to 1999 the customer was required to bear the costs involved. 2,420 properties converted to a measured tariff during 2004/05 and these have been added to the 'Full' Measured Property Database for which annual consumption information is available.

In an attempt to measure the climatic effects upon household consumption, the Company set up a 'Fixed' Measured Property Database of 1,256 properties from whom occupancy data has been collected.

Peak Consumption Samples

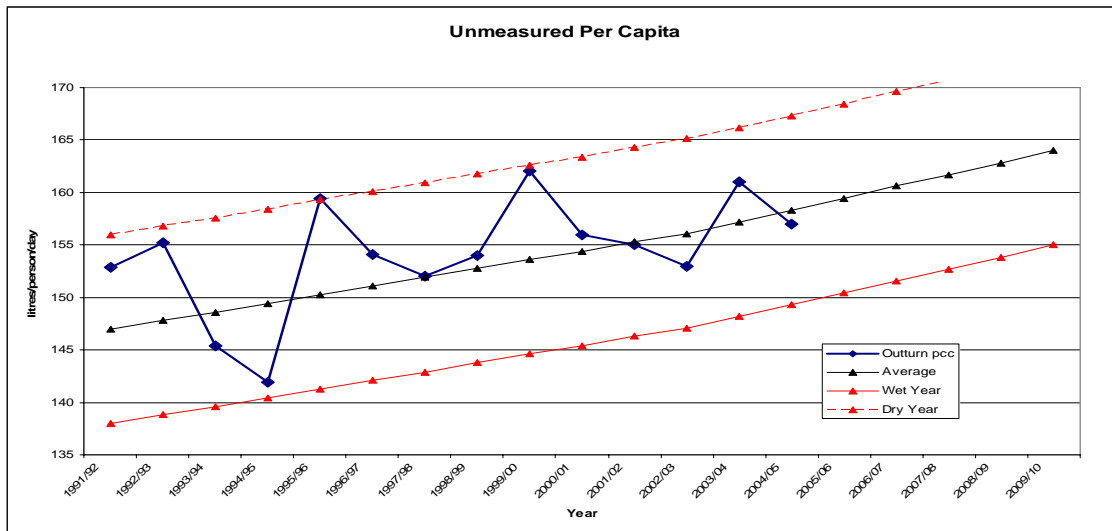
Since the Company has no long-term storage its critical period for balancing supplies with demand is during summer peaks; it therefore needs to be able to forecast peak demands in order to ensure it has sufficient resources for the future.

In each of the databases the Company operates a sample of around 50 properties which are representative by property type and Water Resource Zone (geographical area) although the number in each category is very small. Each property is fitted with a datalogger which enables peak consumption data to be recorded and compared with the overall annual average consumption. Logger failures in both databases reduced the available information in 2004/05.

Results from the Annual Average Consumption Databases

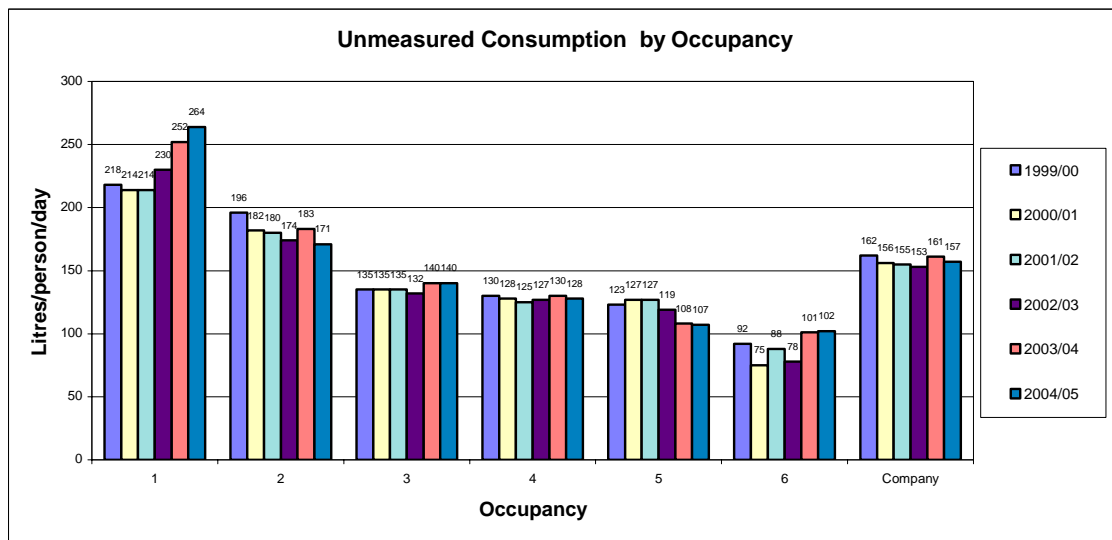
Unmeasured Database

Consumption in the Unmeasured Average Consumption Database reduced from 161 l/h/d in 2003/04 to 157 l/h/d in 2004/05. This is just below the average forecast line and is consistent with the average summer conditions experienced during June and July and the wet August.



The predicted upward trend in per capita consumption is derived from research conducted by Herrington and others in the 1990s. As well as an expected rise in the use of labour-saving devices such as dishwashers, the principal reason for the upward trend is the expected reduction in occupancy levels which is forecast by Central Government.

The forecast reduction in occupancy is likely to be due to more people living alone and family size reductions.

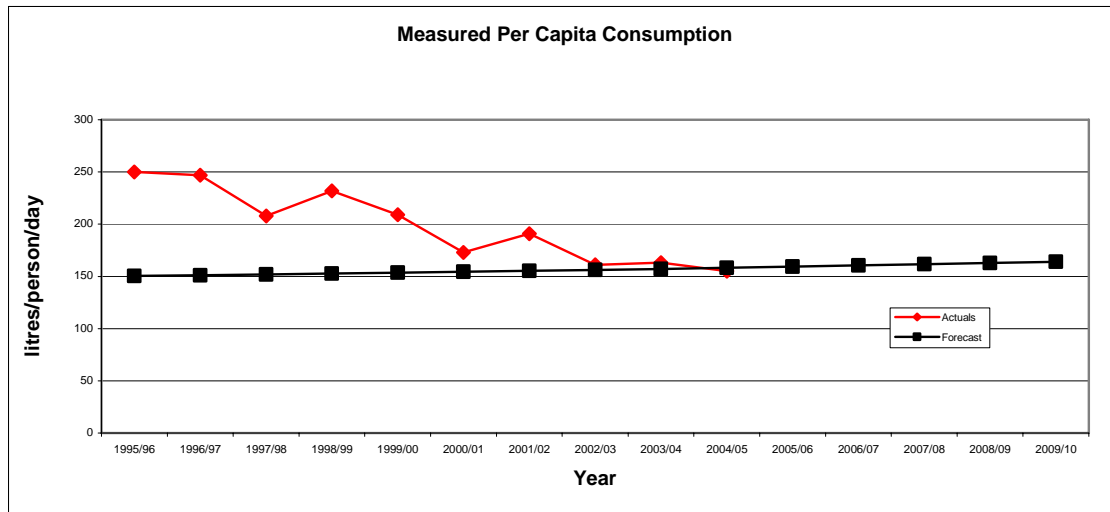


Consumption continues to be heavily influenced by occupancy rates with a single person household using twice as much per person as a four person household.

Measured Property Databases

A review of data provided by meter optants in the Fixed Measured Property Database has revealed a low level of occupancy in those households transferring from the unmeasured to the measured tariff. As a result, an occupancy level of 1.7 persons per household has been applied to consumption figures for the Full Measured Property Database of 14,130 properties which continues to grow by

approximately 2,000 properties per year. Per capita consumption data from all of the Company's measured domestic households is shown below.



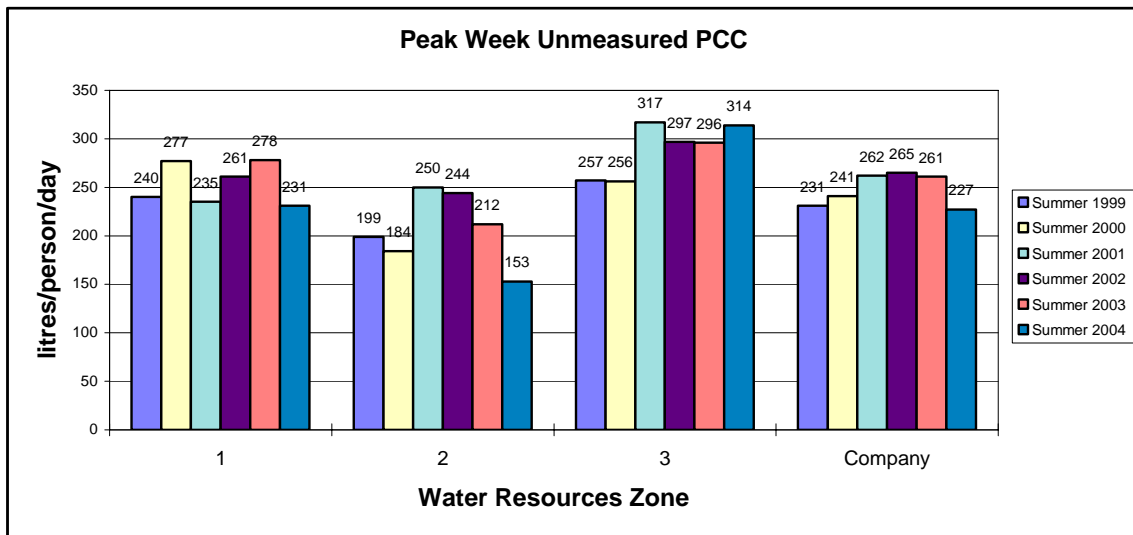
Measured per capita consumption has fallen from the very high levels recorded in the mid-1990s when the database was heavily influenced by sprinkler users who were required to transfer to the measured tariff. Per capita consumption in measured properties is now 155 l/h/d which is below the average unmeasured per capita consumption of 157 l/h/d. The results from the database suggest that per capita consumption is significantly influenced by the occupancy levels of properties which opt for a meter.

Peak Week Consumption

Results for 2004/05 from both samples have to be treated with considerable caution as this year results were unfortunately collected from less than 50 properties and so the results are susceptible to influence by a very small number of inconsistent readings.

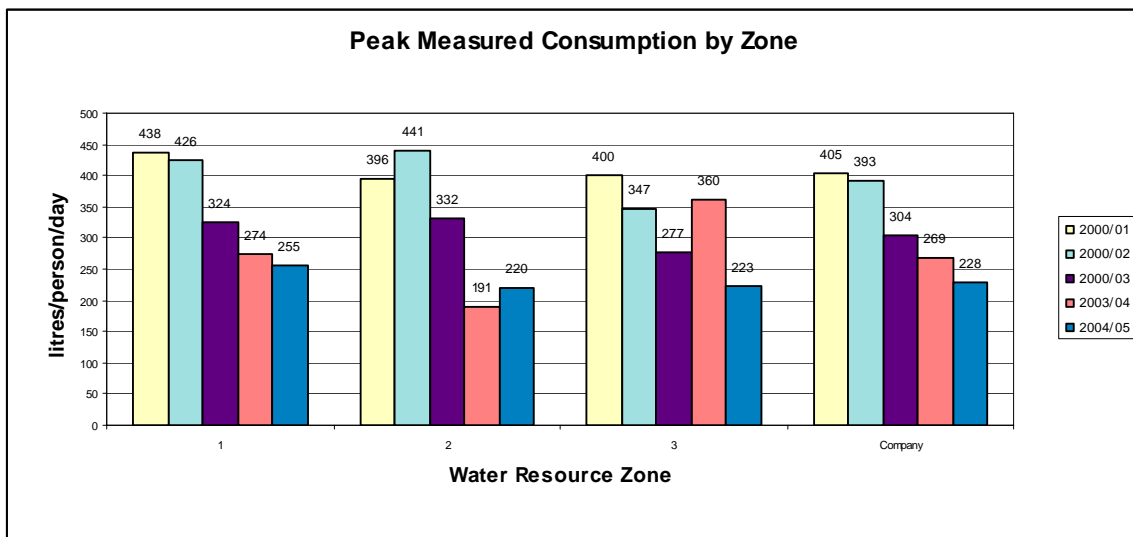
Unmeasured Database Sample

Consumption in the unmeasured database sample was significantly lower in the peak week of 2004/05 than the previous year, although this is consistent with the cooler, wetter weather.



Measured Database Sample

Consumption in the measured database was slightly lower in the peak week of 2004/05 than the previous year and is now comparable with the peak week consumption in the unmeasured sample.



Conclusions and Proposals

Conclusions

2,420 properties have opted to transfer from the unmeasured to the measured tariff in 2004/05, many of whom are believed to be low occupancy households with little financial incentive to further reduce consumption. The consumption data from these properties has been collected within the 'Full' Measured Property Database.

A 'Fixed' Measured Property Database was set up consisting of 1,256 representative properties. Occupancy data from these properties suggests that measured households have an occupancy rate of 1.7 persons per household, much lower than the unmeasured average of 2.5.

Annual Average Consumption in the unmeasured property database fell to 157 l/h/d as a result of an average summer. The measured property database also fell recording a per capita consumption of 155 l/h/d, compared to 163 l/h/d in 2003/04.

The peak consumption samples reveal that peak week consumption in measured properties is now comparable with the unmeasured sample. There were still problems with collecting the data from both samples and results from less than 50 properties in each database was used. The results should therefore be treated with caution.

Proposals

The Unmeasured Databases for both average and peak demand will continue to collect data in order to support the end of year water balance calculations as well as help the Company to refine its future demand forecasts.

The 'Full' Measured Database will continue to collect data and provide zonal and property type summary information. A new Measured Database will be set up with a more representative mix of optants and new properties. The Peak Measured Database will continue to provide an estimate of peaking factors and peak per capita consumption for measured households.