



# Looking Ahead 2015 - 2040



# Key facts

150

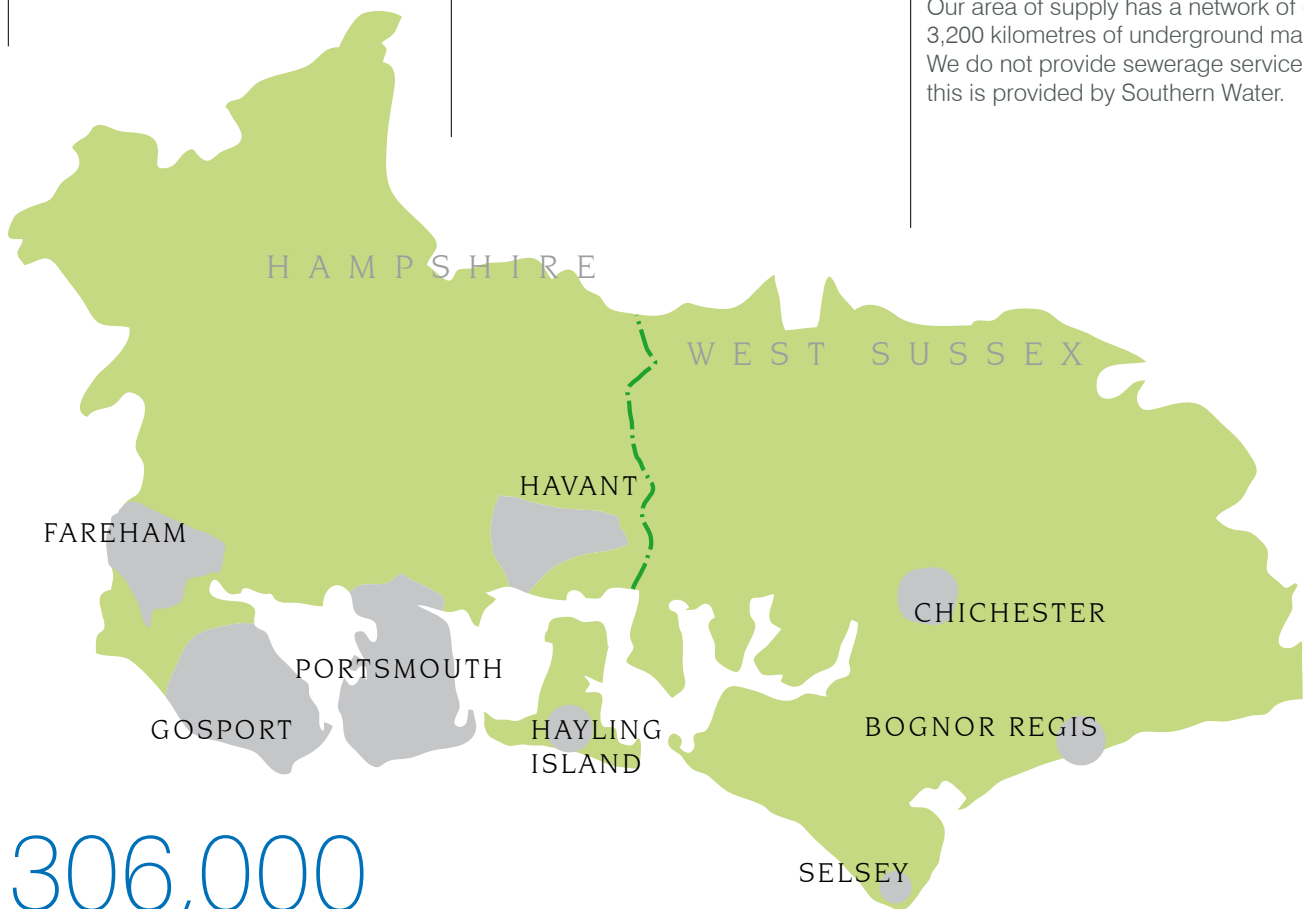
We are proud to have served the local community for over 150 years.

96

On average our customers pay £96 per year for their water supply.

3,200

Our area of supply has a network of over 3,200 kilometres of underground mains. We do not provide sewerage services; this is provided by Southern Water.



306,000

We provide clean drinking water to 306,000 homes and businesses.

868

Our area of supply covers 868 square kilometres from the River Meon in Hampshire to the River Arun in West Sussex.

176

We serve the cities and towns of Portsmouth, Chichester, Fareham, Gosport, Havant and Bognor Regis. On average, each day we supply approximately 176 million litres of water.

# Foreword



“Whilst some things can never be compromised, such as water quality, a number of aspects of our service can be tailored to match customers’ views. We are determined to put customers at the heart of our plans and value your feedback.”

**Neville Smith**  
Managing Director,  
Portsmouth Water

As part of our ongoing business planning we are currently focusing on the activities we will need to undertake in the period 2015-2020, to ensure the continued reliable supply of safe drinking water. However, in this document we consider these activities in a long term (25 years) context.

Our proposals have been prepared to address the challenges that lay ahead, increasing customer expectations, Climate Change, affordability of bills and the government proposal to introduce retail competition for business customers.

We will strive to exceed customer expectations by understanding their views and delivering a high quality service that they appreciate represents excellent value for money.

From research and engagement with stakeholders and customers we have developed a number of outcomes which summarise our proposed business aims, our record to date and our aspirations over the coming years. These outcomes form the basis of this document.

Whilst some things can never be compromised, such as water quality, a number of aspects of our service can

be tailored to match customers’ views. We are determined to put customers at the heart of our plans and value their feedback.

Portsmouth Water is a longstanding local water supply business that is proud of its history and has been recognised as a low cost, highly efficient business. However, past performance is no guarantee of future success and we appreciate that we need to listen and understand the changing world within which we live and plan for the future.

Thank you for taking the time to read this document. We hope that it provides an insight into our proposals and we would welcome your views by completing the questionnaire at the end.



Key Facts	inside cover
Foreword	1
Contents	2
Delivering Our Vision	3
Customer Priorities	4
The Future: Key Challenges	5
Our Strategy	6
(Achieving the improvements (Outcomes) customers want)	
Feedback Questionnaire	15

Construction of roof to Highwood raw water reservoir

# Delivering Our Vision

## Our Vision

To supply drinking water of the highest quality, providing high levels of Customer service and excellent value for money.

## Customer Priorities

## Outcomes

Provide a safe, secure, sustainable and reliable supply of drinking water over the long term.

We will deliver a high level of service and value for money

Promote a high quality environment that supports biodiversity, public amenities and recreation.

Support the community we serve by taking opportunities to support growth and development

Continue to be attractive to investors and provide a long term financially sustainable business

Have a culture of health and safety through all our activities and have a highly motivated and skilled workforce delivering a high quality service to our customers.



# Customer Priorities

We regard our customers' views as key in helping us to develop our strategic plans for the next 25 years.

Over the past year we have continually engaged with our customers and stakeholders. The objective of this engagement is to give them an opportunity to tell us exactly what they believe our priorities should be, now and over the next 25 years. We have listened to what they have said and have used this feedback to determine the direction of our business strategy.

To ascertain the views of our customers and stakeholders we have undertaken detailed research with a broad range of our customers, both domestic and commercial, through focus groups, telephone interviews and a significant proportion of face to face interviews.



The research which we have undertaken has been monitored and reviewed by Portsmouth Water's independent Customer Challenge Group (CCG). The CCG was established in 2011 to enable customers and stakeholders to play a key role in the development of the Company's Strategy Document and Business Plan and therefore put our customers at the heart of decisions which will impact on the future direction of the Company (and future prices for the service we provide). The members of the CCG include water regulators, customer representatives, local government elected members, local businesses and key stakeholders.

Summarised below are the priorities which our customers and stakeholders have identified.

## Affordable bills

We recognise that many of our customers are facing challenging times in the current economic climate. This has been reinforced by the feedback we have had where a significant proportion of customers are opposed to price increases.

## Leakage

Tackling leakage is also a high priority for our customers. They expect us to be working hard to reduce wastage.

## Water efficiency

Customers have told us that they expect us to be proactive in giving them help and assistance to save water and reduce their water bills. We need to provide



customers with more advice, support and free water saving devices to enable them to achieve this.

## Hard water

The problems encountered by the hardness of our water was raised as a key issue in the research. All the water delivered by Portsmouth Water is deemed to be moderately hard as a consequence of having been filtered through the chalk downs.

## Protecting wildlife habitat in local rivers and streams

Portsmouth Water already works very hard to protect wildlife habitat in local streams and rivers. However our customers expressed the view that this was an important area for them and that they would be willing to pay a bit more on their bill for us to help improve the environment further.



## Metering

A majority of customers surveyed were in favour of increasing the number of properties with a water meter especially for those customers who would be most likely to save money.

## Call centre

Our customers expressed the view that they were not willing to pay for us to enhance the service provided by our customer call centre. They were satisfied with our current level of service and improvements are not a priority for them.

## Business customers

Our commercial customers want us to do more for them in terms of helping them with their on-site leakage detection. Some customers are also keen for us to provide additional services such as water efficiency audits and consolidated billing.

Over the coming months we will be continuing our engagement with customers and stakeholders in order to fine tune our plans. We will be undertaking further research to ascertain customers detailed views on particular topics, ensuring we engage with the younger generation who, whilst not yet bill payers, will be our customers in the future and talking to local community groups. We want to ensure we get as much feedback on our plans as possible. If you have any views of your own which you want to tell us about please contact us and let us know. You can do this by completing the feedback questionnaire on page 15.

# The Future: Key Challenges

Throughout its long history, Portsmouth Water has provided high quality and reliable drinking water to its customers together with the lowest charges in the country. However in planning for the future we will have to address new challenges which are outlined below.

## **Economic climate and affordable bills**

The UK economy is not showing any signs of recovery and for most people the cost of living is rising faster than income. This has obviously impacted on our customers and, in these tough times, it is more important than ever that we strive as a business to be as efficient as we can, keep our costs low and supply low cost water to our customers. Portsmouth Water has for many years supplied its customers with the lowest priced water in England and Wales. We want to ensure that we remain the cheapest supplier and keep our bills affordable for our customers. We must do this despite the pressure of increasing energy costs and other price increases which put pressure on bill levels. Global pricing pressure on oil, energy and phosphates are likely to be significant factors in the years to come.

Over the course of our planning period we expect growth and increased prosperity to return to the economy. This will, of course, present its own challenges but our focus must always be keeping our bills affordable for all our customers.

## **Increasing population**

The population of the UK continues to grow and it is projected to increase by 4.9 million from an estimated 62.3 million in 2010 to 67.2 million over the ten year period to 2020. In our own supply area population is forecast to increase by almost 6% this period. An increasing population means more demand for water, a valuable resource. We must ensure we manage the water resources in our area sustainably to satisfy this increasing demand as well as investing in our treatment works to ensure they have an appropriate level of capacity to deal with increased demand, while maintaining the highest quality.

## **Competition in the water industry**

In December 2011 the Government published its Water White paper "Water For Life" which set out a package of reforms to extend competition in the water sector by increasing choice for business customers and public sector bodies and by making the market more attractive to new entrants. This was followed by the draft Water Bill in July 2012. The proposals represent a significant change to the industry and each company must rise to the challenge and ensure that the increased competition is translated into benefits for our customers.



## **Increasing customer expectations**

It is clear that customers demand more from their water companies these days than ever before. Customers now expect to be able to do most of their business via our website, pay their bills online and get support in improving their water efficiency. Our business customers would like more interaction with us and the provision of consolidated billing if they have more than one site. All this requires significant investment in systems, particularly IT systems.



## **Climate change**

The past year saw a period of drought following by the wettest period for over 100 years. In future the weather is expected to get more extreme with hotter summers and wetter winters. These extremes represent big challenges for water companies who have to deal with drought, flooding and the consequent impact on water quality. Portsmouth Water have always met these challenges in the past (for example we have not had a "temporary usage" (hosepipe) ban since 1976) but we need to invest in the business to ensure we can face these challenges in the future.

# Our Strategy

Following our engagement with our customers and working with our Customer Challenge Group, we have developed the following “Outcomes”. Outcomes are “the things which customers and society value.” We have listened to what our customers have told us and we have expressed their desires in the following **Outcomes**:



Portsmouth Water will provide a safe secure, sustainable and reliable supply of drinking water over the long term.

This Outcome is our most wide ranging and therefore we have broken it down into the following: Water Resource Management Plan, Water Quality and Leakage.

Portsmouth Water will deliver a high level of service and value for money.

Portsmouth Water aims to promote a high quality environment that supports biodiversity, public amenities and recreation.

Portsmouth Water will support the community they serve by taking opportunities to support growth and development.

Portsmouth Water will continue to be attractive to investors and provide a long term financially sustainable business.

Portsmouth Water will have a culture of Health and Safety through all of our activities and have a highly motivated and skilled workforce delivering a high quality service to our customers.

All these Outcomes are covered in more detail in the following pages.

# To provide a safe, secure, sustainable and reliable supply of drinking water over the long term.

## Water Resource Management Plan



### Current Record

We are proud of our record in delivering water resources to our customers. We have only once imposed restrictions on customer use which was during the national drought of 1976.

More recently we have developed facilities to allow us to pass excess water to neighbouring companies (which they can use to supply their own customers). These 'bulk supplies' have been developed as part of a regional water resources strategy.

Our plans are based on the Company only expecting to impose restrictions on customer use once in every 20 years.

On an average day the Company abstracts 180 million litres of water from springs, boreholes and a river for use by our customers.

We need to consider the impact of our abstractions on the environment. We have proactively varied our abstraction licences over recent years to protect the environment. The most recent being at our River Itchen abstraction in 2011. We continue to review the impact of our abstractions at other sources.

We believe that managing customer demand is key to a sustainable water resource strategy. We have a proactive water efficiency campaign and promote optional metering to our customers.

### Customer Priorities

Whilst research has shown that the reliability of water supply is important our customers have expressed a willingness to accept restrictions at the level of 1 in 20 years.

### Our Proposals

Our Water Resources Management Plan sets out how we will meet the increasing demand for water supply in a sustainable manner.

Our plan sets out our proposals to continue to promote optional metering and water efficiency over the next 25 years. We expect the amount of water used by each customer to fall over time as a result of increased metering, as typically metered customers use less water.

Our plan reflects the impact of climate change on customer demand on the yield from our sources.

We have also joined with other water companies to develop a regional water resources strategy for the south east of England. This has resulted in us including two new bulk supplies to neighbouring companies in our plan.

Our overall plan shows that after comparing our water resources over the next 25 years to expected demand, there remains a forecast surplus of water. Consequently, we are not proposing to include any investment in our plan to develop new sources. We will continue to invest in metering and water efficiency over the planning period. We will continue to provide a level of service in which we expect not to impose restrictions more than once every 20 years.

# To provide a safe, secure, sustainable and reliable supply of drinking water over the long term.

## Drinking Water Quality



We will provide safe and wholesome drinking water that complies with drinking water standards and supports the health and well-being of our customers.

### Current Record

— In the last 20 years we have invested in additional water treatment facilities and improved water mains to achieve the strict drinking water standards set by European and UK legislation as overseen by the Drinking Water Inspectorate.

— We have a Water Quality Risk Management system in place for the monitoring and management of water supplies. This is known as the Drinking Water Safety Plan.

— We are required to take samples from customer's properties and at least 99.95% of samples have complied with quality standards for each of the last 5 years.

— In the last few years we have engaged with local farmers to improve the quality of raw water in the water catchment. The purpose of this activity, known as Catchment Management, is to stop at source potential water quality problems such as nitrate pollution, which is found in fertilisers rather than build expensive treatment solutions to remove the problem after the event.

### Customer Priorities

Customer research shows that taste and hardness of drinking water is a priority for many customers. Customers understand that water hardness results from the water we supply having percolated through the chalk Downs.

In focus groups customers also expressed a desire for more information on Water Quality issues.

In December 2013 a tightening of the lead standard will come into force.

Following the recent heavy rainfall we have identified that the raw water from one of our sources has a higher risk of a parasite known as Cryptosporidium, which has the potential to cause severe stomach upsets. Whilst we continually monitor for this and the risk is low, further action on our part may be required.

### Our Proposals

— We will continue to maintain our high levels of compliance with drinking water standards aiming to meet the standard in all samples taken.

— We will continue to protect the quality of our raw water through increased management of our catchments with relevant stakeholders.

— We will continue the process of coating the inside of lead pipes to prevent lead from dissolving and to provide educational material for our customers so they may understand better the problems with lead. Complete replacement of lead pipes would be very expensive, adding considerably to bills. We believe that continuation of the current approach protects customers appropriately without causing significant bill increases.

Water hardness is an issue for our customers and we get a number of contacts relating to the hardness of the water supply especially in connection to washing machine and dishwasher settings. It would be possible to soften the water supply but the cost would be in excess of what customers would be willing to pay and there are operational consequences e.g. increased corrosion of pipework, discoloured water and dissolution of lead from lead pipes.

Our preferred option is to have no additional treatment to soften the supply but to provide greater information to explain to customers how they can soften water themselves.

# To provide a safe, secure, sustainable and reliable supply of drinking water over the long term.

## Leakage



### Current Record

The company attaches a great deal of importance to leakage and commits significant expenditure each year to managing this part of the business. We have also been reviewing our methodology to ensure we are using the latest techniques and practices in estimating leakage. Whilst updates in methodology have brought about some changes to our earlier estimates we believe we can continue to maintain leakage at a level agreed with our regulator between 2015 and 2020.

### Leaks occur from our pipes in various guises. These include:

- Fractures or splits in the mains as a result of corrosion, age, ground movement or frost
- Joints between pipes as a result of corrosion, age and poor workmanship
- Fittings attached to the mains such as fire hydrants, valves washouts etc
- The tapping where a customer's supply pipe connects to the water main
- The communication pipe from the main to the stopcock on the boundary of the property
- The supply pipe from the boundary of the property to the house

### How we manage leakage:

- Manage the water pressure in our mains. Reducing pressure reduces the amount of water lost when leaks occur.
- Actively look for leaks using trained technicians and promptly carry out repairs
- Respond quickly to burst mains especially when they increase during spells of cold weather
- Respond promptly to reports from customers of water showing
- Undertaking water mains renewals

It is impossible for us to fix all the leaks on our network of pipes at any one time so together with our financial regulator, Ofwat, a Sustainable Economic Level of Leakage is calculated and agreed as a target. This measure of leakage is used by each water company and is the point at which it becomes increasingly more expensive, difficult and less efficient to reduce leakage beyond the target.

### Customer Priorities

Our Customers have indicated that they are willing to pay for a reduction in leakage and ranked it very highly in their list of priorities.

### Our Proposals

The Company considers that between 2015 and 2020 maintaining leakage levels in line with agreed targets provides the right balance between a good level of customer service and an acceptable level of leakage.

### We will:

- Consider leakage management a key part of our Customer Service.
- Take a long term view of managing the network and undertake mains renewals, targeting our activities on areas of high leakage with the objective of stabilising or reducing leakage.
- Optimise the pressures in our network using innovative techniques and technologies with the objective of reducing leakage but ensuring that pressure at customers' taps remains acceptable.
- Actively search for leaks across our network utilising the latest technology and continue to configure the network in a way that assists this activity.
- Respond quickly to customer reports of water showing.
- Deliver a reduction in total leakage over the planning period by identifying and repairing leaks on properties where customers have opted for a meter to be installed.

# Portsmouth Water will deliver a high level of service and value for money.



## Current Record

— The prices we charge have only increased by 2% since 2010, despite inflation over this period being 13%.

— We currently provide one of the highest levels of service in the industry. We have consistently been in the top quartile in customer surveys carried out by Ofwat as part of its new overall satisfaction measure, SIM (Service Incentive Mechanism).

— We have the lowest level of complaints in the industry.

— As part of its planned maintenance activities the Company does have to interrupt supply to the customers. For this type of work we always give 24 hours notice. On occasions, customers suffer unplanned interruptions which are generally caused by burst water mains, and where we have to effect emergency repairs. On most occasions repairs are carried out within 3 hours. Currently on average an individual household would expect an interruption just once every 50 years.

— Since 1990 we have renewed approximately 1% of our underground network of pipes per annum. This policy has resulted in a reducing number of burst pipes and unplanned interruptions to customers supply together with contributing to reducing leakage. We therefore believe our distribution network is in a stable condition.

— We have continued to maintain the Company's above ground assets which include water treatment works, pumping stations and reservoirs such that Ofwat have assessed their condition as being in a stable condition.

— Calls to the Company are answered directly by local staff.

— Our charges are the lowest in the industry with an average bill for fresh water of £96. The next lowest is £130.

— Before inflation, charges for Portsmouth Water customers have fallen for each of the last 5 years and are in fact less than they were in 1997. See chart below.

## Customer Priorities

In a range of surveys, domestic customers have generally indicated that they are happy with the services we provide. They express their appreciation for calls being handled directly by local staff. Customers have not expressed a willingness to pay more to improve the level of services they already receive, which includes the level of supply interruptions and the handling of billing queries.

Business customers have expressed a desire for us to provide a service to help them with leakage and the management of their network and to provide improved information with their bills.

## Our Proposals

— Our strategy will be informed by customer needs and will have their support.

— We will maintain our position as the lowest cost provider of water services for both domestic and business customers.

— Whilst having the lowest cost, we will still continue to provide among the highest levels of service in the industry as measured by Ofwat and the Customer Council for Water.

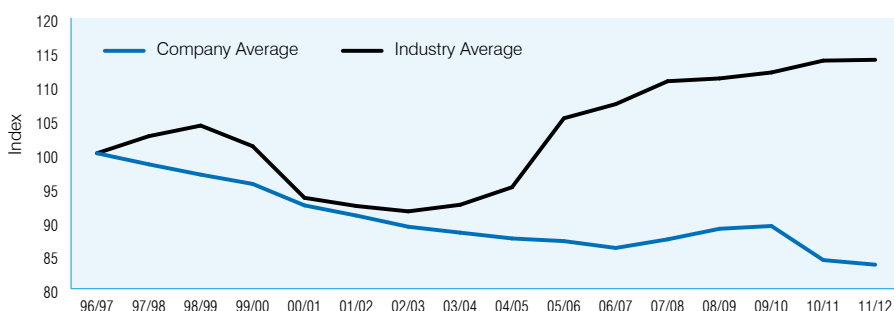
— We will continue to place customer needs at the head of the business by having telephone calls handled by local staff.

— Using a targeted risk based approach to prioritising the renewal of our pipe network we intend to renew approximately 1% of our underground pipe network each year.

— Using a similar risk based approach to maintain ongoing investment at treatment works, pumping stations and service reservoirs, investment in the period 2015-2020 is likely to be greater than the previous 5 years as a cycle of investment becomes necessary to update and renew assets that are now approaching the end of their reliable working life.

— We will improve our services to business customers including leakage and water efficiency advice, consolidated billing and other consultancy services.

COMPARISON OF AVERAGE HOUSEHOLD BILLS WITH AVERAGE INDUSTRY TARIFFS



Portsmouth Water aim to promote a high quality environment that supports biodiversity, public amenities and recreation.



**Current Record**

We are committed to ensuring compliance with all environmental legislation and obligations, carefully assessing the impact of our activities, especially construction projects on the environment, to ensure that the impact of such schemes is minimised. In 2011/12 the Company Environmental and Biodiversity Specialist screened 23 projects in order to identify any potential environmental and ecological impacts, and advise on how any impacts could be minimised.

As part of our wider commitment to improving environmental quality, we have responsibility to conserve and, where possible, enhance biodiversity on our landholding. The Company owns and manages 44 operational sites throughout the region, including 19 water treatment works. Sites are located in a variety of habitats including chalk downland, river catchments and coastal margins.

We have taken opportunities to support the community by using the land we own. We provide facilities for disabled anglers at our Head Office site and provide access to our land for a local observatory club. We also make land available for use as allotments and proposed a number of footpaths around our sites to promote greater access to our land where appropriate.

**Customer Priorities**

Our customer research revealed that our customers would be willing to see a small increase in their bills in order for the Company to undertake more activity in this area.

**Our Proposals**

- To continue current activities at our sites that provide benefits to biodiversity
- To review and update our Biodiversity Action Plan for the sites which we own
- Carry out further surveys and monitoring for key species
- Look for further opportunities to enhance and optimise habitats on our sites
- Work with partners in the community to look for further opportunities to promote and enhance biodiversity
- Better inform our customers about our activities on biodiversity
- Support the community through the use of our land and facilities where appropriate

Portsmouth Water will support the community they serve by taking opportunities to support growth and development.



**Our Proposals**

We will support the local community, encourage the efficient use of water and contribute to the education of local school children.

We will provide more information to our customers and review how we provide it to make it more effective

We will aim to ensure our investment cycle is spread more evenly across the Planning period to help our suppliers

We will review the levels of service provided to developers, to improve lead times and provide the information they need. In this way we can help sustainable development in the local area.

**Current Record**

We have a partnership with a local Country Park, contributing to an education centre which introduces children to the importance of fresh water, how it is delivered and why we must use it wisely.

We participate in a local annual Water Festival, which receives thousands of visitors each year at which we encourage the efficient use of water using fun activities for children and their parents.

A number of Community Talks are given each year by staff members which allows us to show what we do, encourage water efficiency and provide people with information on such topics as optional metering.

We provide water bottles to schools at subsidised rates to encourage pupils to keep hydrated during the day.

The Company participates in PUSH, The Partnership for Urban South Hampshire, which seeks to encourage local development in a sustainable manner.

**Customer Priorities**

Customers have asked that we provide greater information on water quality and water efficiency matters.

Suppliers to the water industry have long campaigned for smoother investment programmes. Historically investment in the water Industry has had peaks and troughs which follow the 5 year price review cycle. This is disruptive for contractors and makes them less efficient.

Developers of property have expressed a desire to see an improvement in the service provided by water companies who have to lay on services to new houses.

Portsmouth Water will continue to be attractive to investors and provide a long term financially sustainable business.



**Current Record**

- Our record is one of being one of the most efficient companies in the water industry.
- This has allowed us to offer our customers the lowest bills in England & Wales whilst still providing one of the highest levels of service in the country.
- These factors have allowed us to remain attractive to investors.

**Customer Priorities**

- The top priority of our customers is to have affordable bills and, where bill increases are necessary, these are done steadily thereby avoiding large annual increases.

**Our Proposals**

- We will continue to provide sufficient returns to our shareholders and produce financial results that will ensure existing and potential investors have confidence in the business. This will allow the Company to secure finance on competitive terms.
- We will continue to focus on the core water business.
- We will maintain our position as one of the most efficient companies in the sector.
- We will ensure that the financial structure of the business remains efficient in the long term.
- We will avoid any large increases in bills but smooth any price increases, if necessary, over a number of years.

Portsmouth Water will have a culture of Health and Safety through all of our activities and have a highly motivated and skilled workforce delivering a high quality service to our customers.



We aim to have a motivated and valued workforce delivering outstanding service to our customers. Our primary objective is that our employees return to their families at the end of the day without injury.

**Current Record**

— The Company’s major shareholder is an Employee Benefit Trust, which benefits all employees. This arrangement, which is unique in the industry, should ensure that employees are fully engaged in meeting the Company’s objectives and outcomes for customers.

— Health and Safety has been the number one priority for several years and we have received the Royal Society for the Prevention of Accident (RoSPA) Gold Award for the past eight years.

**Our Proposals**

*Employees*

The people who work for Portsmouth Water are our most important asset. We will continue to ensure they are in possession of the relevant knowledge, skills and experience by investing in their development ensuring they can perform in their jobs enabling them to deliver our business objectives.

We will also actively encourage those who wish to continue learning new skills by providing educational opportunities, facilities and support.

*Health and Safety*

We will continue to ensure that our employees work in the safest possible environment by providing and maintaining safe and healthy working conditions along with continually reviewing all our operational practices taking into account any changes in legislation and best working practices. This will include investing in equipment ensuring employees will always have the right tools for the job.

# Feedback Questionnaire

Dear Customer,

## Please give us your feedback on our plan

We would be very grateful if you could spare a few minutes to answer this questionnaire by [clicking here](#) or please print and return to us at Portsmouth Water Ltd, PO BOX 8, West Street, Havant, PO9 1LG.

The information obtained will only be used for internal business planning purposes. If you have any questions, please feel free to email us at [head.office@portsmouthwater.co.uk](mailto:head.office@portsmouthwater.co.uk) or phone us directly on 023 9249 9888.

Thank you very much for your help.

Neville Smith  
Managing Director  
Portsmouth Water

## Looking Ahead – Your Views

### 1. Overall do you consider that our outcomes are reasonable with all areas adequately covered?

Yes  No

Comment:

### 2. Research to date has shown that our customers do not wish to pay extra on bills for improvements in call centre query handling or to reduce supply interruptions. Do you agree?

Yes  No

Comment:

### 3. We are proposing to reduce our leakage to the extent that we do not need to increase customers bills for this. Would you be willing to pay more on your bill for us to reduce our leakage even further?

Yes  No

Comment:

### 4. Given the importance to customers, we are proposing a number of activities to understand and enhance biodiversity. Do you agree with our approach?

Yes  No

Comment:

Any other views/comments?

Name:

Address:

Telephone Number:

E-Mail Address:







