

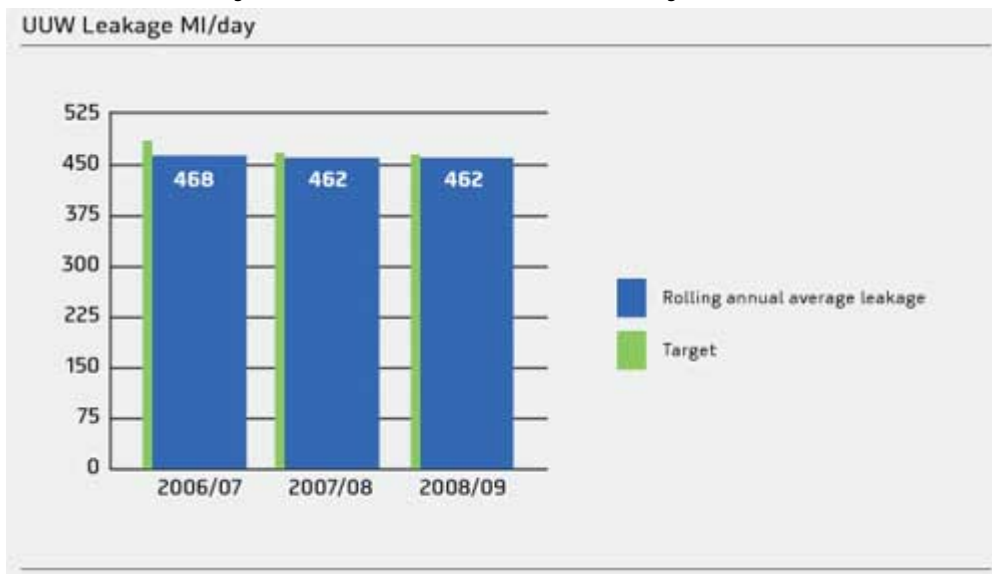
Water Resources

The sustainable management of water resources is essential to protect the environment and to secure supplies to our customers in the face of climate change.

To help us do this, we use planning and modelling tools to determine the future supply and demand balance for the North West, and to establish the most sustainable approach we need to take to secure it. This is set out in our Draft Water Resources Management Plan (January 2009) shortly to be finalised. We've also recently published our Drought Plan which sets out how we will minimise the impacts on customers of water shortages through planning and control. Advance environmental impact assessments are being carried out at those sites identified as potential drought permit or drought order sites.

We also work closely with our regulators to minimise the environmental impacts of abstracting water from the environment. Our investment work focuses particularly on sensitive ecological sites to meet the requirements of the Habitats Directive through the installation of fish passes at intakes and work to allow higher water flows in rivers. During 2008/09 we complied with our abstraction licence conditions.

For the third year running we have outperformed our leakage target, with a level of leakage of 462 million litres a day against the target of 465 million litres per day. To achieve this performance, we increased the level of leak detection resources to overcome the increased level of bursts on our network caused by the coldest winter for over 10 years.



Our programme of water efficiency promotion has continued in 2008/09 and, through increased levels of activity, we've achieved a rise of nearly 70% in savings from domestic water efficiency measures from the previous year. Next year we will have to do even better as Ofwat has set out new

water efficiency targets for water companies which require us to increase water savings to an even higher level.

This year we plan to replace our water resource monitoring system. This will improve operational monitoring and regulatory reporting of our water supply system including reservoir storage, water production, leakage and low pressure at customer's properties.

A major development to improve the resilience of our regional water supply system is the creation of the West-to-East link. We have started the preparatory work on this new 55 kilometre pipeline, scheduled to be delivered in 2011. This will enable supplies to be moved between Merseyside and Manchester and the east of our region, securing future supply flexibility in the face of climate change and the potential for increasing risk of drought.