

2010 ANNUAL REPORT



GuernseyWater

A DIVISION OF THE PUBLIC SERVICES DEPARTMENT

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FOREWORD

For Guernsey Water, 2010 has turned out to be another very successful year, with a number of highlights that have been achieved thanks to the commitment and abilities of the Director of Water Services and his team. On behalf of the Public Services Board and the whole community, I thank them all.



As Minister of the Public Services Department, I feel it is important that business units like Guernsey Water not only act in a commercial and forward-thinking manner, but must also provide a high level of customer service. The financial performance and positive reputation with the public suggest that Guernsey Water has achieved this, the latter being borne out by the excellent 95.5% customer satisfaction rating reported on page 18.

Just recently, the Public Services Department took a paper to the States of Deliberation on the subject of the future governance of business units under the Department's control. The intention of this paper was to test the appetite that the States might have for commercialising our business units. The paper was accepted, so we will now start to look at the various options that would allow units to operate in the most efficient manner. Recent reports from the National Audit Office and our Office of Utility Regulation have suggested that Guernsey Water working in liaison with Guernsey Wastewater could work well as a commercialised business in the right circumstances.

On that note, I am delighted that 2010 saw the Public Services Department's wastewater function come under the control of the Director of Water Services. A number of companies in the UK oversee clean and dirty water within one organisation, and it is hoped that synergies and cost-savings can be found to test the potential for putting the two functions together, which would in essence complete the 'water cycle'.



The Board is also excited about the prospect of Guernsey Water moving into 'Brickfield House', the new operational depot in St Andrews (*left*) which will centralise all staff and operations in one building. Excellent work has been carried out by main contractor Charles Le Quesne, and the whole project is expected to be completed by August 2011. At the time of writing (March 2011) the depot is very nearly complete, and it is hoped that staff can start moving in around April/May time. The move to St Andrews will have many benefits, including reduced costs and improved communication between staff.

This report clearly identifies the many successes of Guernsey Water during 2010, which include the following:

- The level of water in the reservoirs has once again been maintained at a very high level, negating the need for any restrictions on water. This is especially pleasing given the recent water shortage problems experienced in the UK.
- The quality of tap water continues to be very good indeed, either matching or exceeding the standards of UK water companies at 99.75% compliance.
- Guernsey Water continues to generate sufficient income for its ongoing capital needs, demonstrated by significant works on pumping stations throughout the Island, a major sliplining project between Kings Mills and St Saviours Water Treatment Works, and the development of the new operational depot at St Andrews.

I am pleased to be associated with such a successful undertaking as Guernsey Water and I look forward to our continued success in the future.

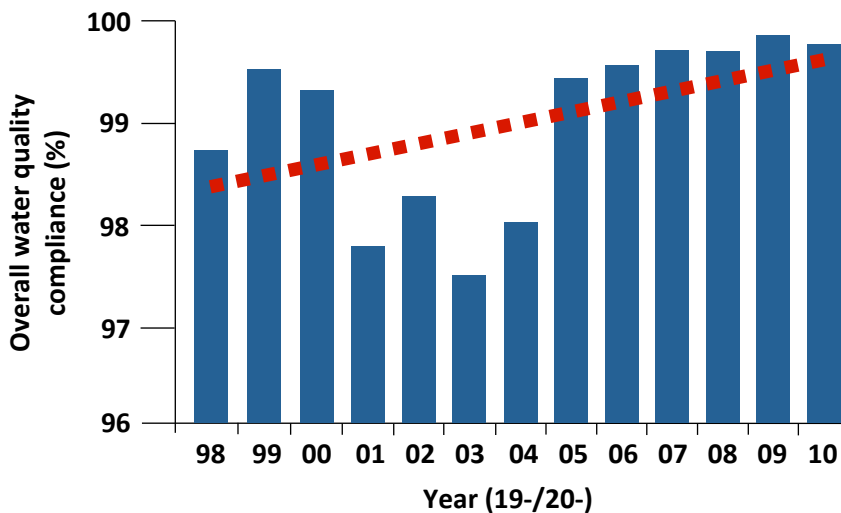
BERNARD FLOUQUET
MINISTER, PUBLIC SERVICES DEPARTMENT

INTRODUCTION

The year of 2010 presented Guernsey Water with the usual exciting mix of challenges and rewards. Major progress was made on some significant projects, not least in the construction of the new operational depot at St Andrews. Work on the move to Brickfield House has started in earnest, and staff are looking forward to working in a different (and better!) environment.



We are also pleased to report on another successful year for water quality in the Island. The final figure of 99.75% is marginally down on last year, but is still more than good enough to stand comparison with water companies in the UK and Europe. The graph below demonstrates how water quality has improved significantly over recent years as new treatment technologies have come to the fore:



The red dotted line represents the linear trend over the period from 1998 to 2010. With the Island's two main water treatment plants now utilising state-of-the-art membrane technology, and improvements taking place at service reservoirs (e.g. through the installation of OSEC - Onsite Electrolytic Chlorine generation plants), it is hoped that water quality figures will increase further in the future.

Other achievements include a low number of burst mains, low levels of leakage from the water distribution system, excellent customer satisfaction feedback and an ever-increasing number of visitors to our website. These achievements are the reward for the hard work and skills of staff at Guernsey Water; in particular their proactive approach to preventing incidents happening in the first place, rather than reacting when they do happen. We have also recently created an identity for PSD's wastewater function (Guernsey Wastewater) and we are currently looking into the potential similarities between that function and Guernsey Water, which could bring about economic benefits.

Guernsey Water is always looking to improve its performance, and we measure this through a system of key performance indicators. In this report you will not only find evidence of our progress against OFWAT's 'Director-General' indicators (the UK water industry regulator's set of indicators), but you will also see how we fare against the similarly-sized water company in the Isle of Man (see page 28).

Climate change is an issue that is on everybody's mind at the moment, and it is something that Guernsey Water pays special attention to. Regardless of how rainfall levels may change in the future, it is our responsibility to ensure that we collect as much of the precipitation that falls within the Water Catchment Area as possible. This is why we have carried out significant improvement works on our pumping stations, installing mechanical screens which will more effectively filter out leaves, twigs etc. which can often block the stations. By making the stations more resilient, more water can be collected and treated for our customers.

I hope you enjoy reading this report and that you find it interesting and informative. If you have any queries on anything water-related, please contact us on telephone number 239500 and we will be happy to assist you.

ANDREW REDHEAD, DIRECTOR OF WATER SERVICES
ON BEHALF OF THE MANAGEMENT TEAM, GUERNSEY WATER

KEY VISION & POLICIES

Guernsey Water's vision continues to be fundamental to its operations:

'To deliver to its customers a reliable supply of high quality drinking water in sufficient quantities that satisfy normal daily demand at the lowest cost, consistent with meeting a high level of customer service and confidence.'

In order to support this vision, a number of Key Policies have been formed and are shown below:



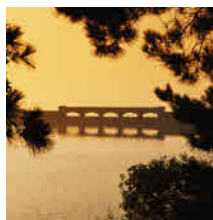
WATER RESOURCES

In order to meet reasonable demand, precipitation must be collected when available and operational plant equipment must be effective and reliable. Storage reservoirs must be kept as full as possible.



CATCHMENT PROTECTION

Ensure that by rigorous enforcement, all streams are capable of being used for the public water supply. Guernsey Water has a responsibility to ensure that it conserves and enhances the Catchment Area's natural environment.



WATER PRODUCTION

Water Treatment Works (WTW's) must be capable of producing consistently high quality water in sufficient quantities that satisfy demand. Guernsey Water must ensure that it is well-equipped to manage future demand for drinking water.



WATER DISTRIBUTION

Ensure that water stored in service reservoirs is kept at a high quality. Ensure that over 400kms of potable (drinkable) water main is in a suitable condition to transfer water to customers while retaining it at the highest standard possible. Reduce leakage and minimise bursts through proactive monitoring.



CUSTOMERS

Guernsey Water believes it is crucial that our customers feel they receive a good value-for-money service. Guernsey Water is always eager to receive feedback on the service that it provides.

These Key Policies are supported by another Policy - **Management**, which incorporates the core business functions of staff, information technology, property, finance, performance monitoring, PR and health and safety.



MANAGEMENT

People are our most important asset. Staff at all levels are encouraged to participate in business improvement initiatives and are appreciated for their contribution. Guernsey Water is run as a commercial entity with an emphasis on efficiency, financial transparency and good people management.

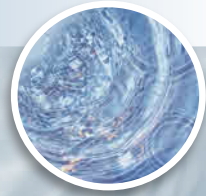
2010 REVIEW

A review of the objectives set for Guernsey Water in 2010 (taken from the organisation's Business Plan) can be found over the proceeding pages, split into the six Key Policies described above. Each Policy has an introduction of the type of work carried out by that section and a general review of 2010, including key events and performance measurement against set targets.

A detailed list of all the objectives that were carried out under each Key Policy, and whether they were achieved or not, can be found in **Appendix B** on page 33.

WATER RESOURCES

IN ORDER TO MEET REASONABLE DEMAND, PRECIPITATION MUST BE COLLECTED WHEN AVAILABLE AND OPERATIONAL PLANT EQUIPMENT MUST BE EFFECTIVE AND RELIABLE. STORAGE RESERVOIRS MUST BE KEPT AS FULL AS POSSIBLE.



The collection and storage of precipitation represents the first step in the treatment and distribution process for potable water. Given the uncertainty regarding climate change and its potential effects on precipitation levels, it is vital that Guernsey Water captures as much rainwater as possible.

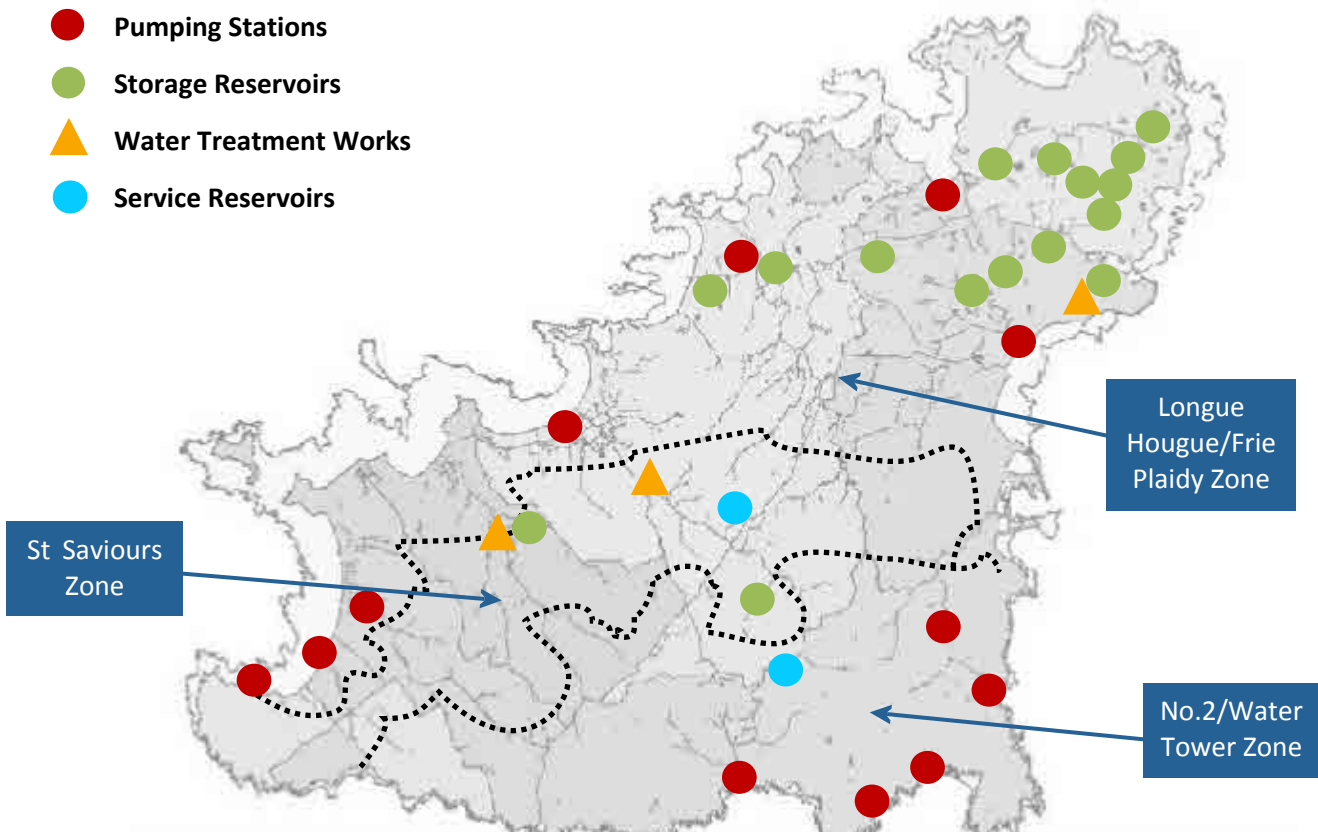
**KEY EVENT
2010 - A new
pumping station at
Douits du Moulin was
commissioned, which
will capture more
water for storage
purposes**

The latest expert advice suggests that in future there will be fewer wet days, but rainfall will be heavier and more intense, putting additional pressure on pumping stations and streams. Data from the Island's Met Office demonstrates that average annual rainfall figures have decreased over the last 150 years, so the continuation of this trend in the future is a pressing concern, especially when coupled with predicted higher temperatures leading to greater levels of evaporation and transpiration of water.

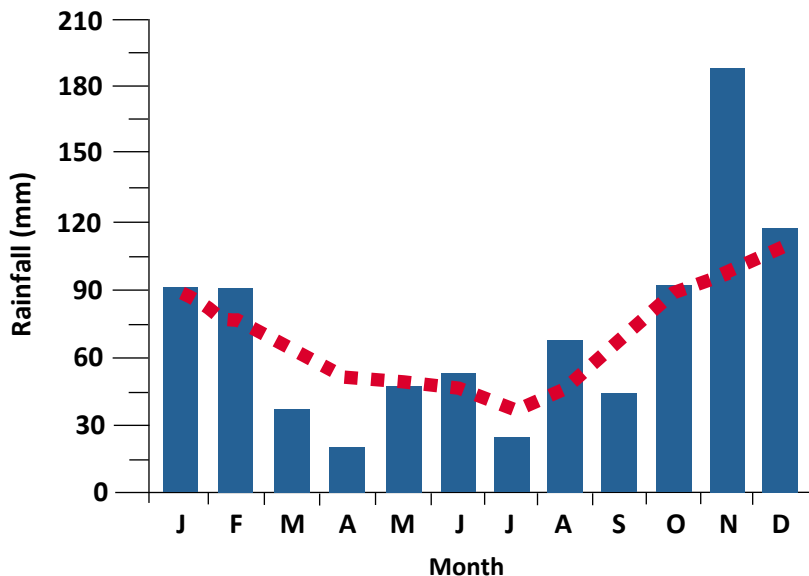
Guernsey Water oversees 16 raw (untreated) water storage reservoirs holding a combined capacity of 4,425 Megalitres (ML), which represents approximately 11 months of storage. With virtually no underground sources, Guernsey is almost entirely reliant on the water stored in its reservoirs. Nearly 100kms of raw water main links pumping stations to storage reservoirs, and the Island is split into three distinct 'water supply zones' which dictate where water treated at the WTW's are distributed. The two service reservoirs hold treated water and balance the peaks and troughs in customer demand. Our water supply infrastructure is demonstrated on the map below:

---- Water Supply Zones

- Pumping Stations
- Storage Reservoirs
- ▲ Water Treatment Works
- Service Reservoirs



RAINFALL



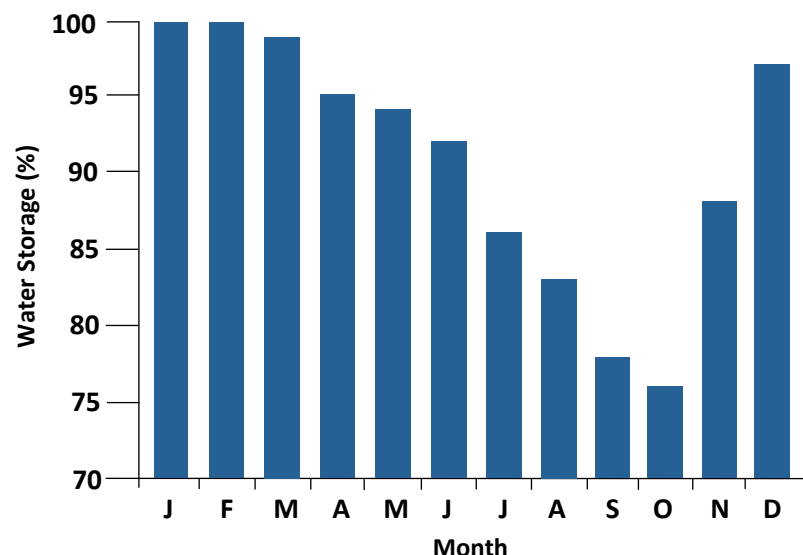
As shown on this graph, rainfall during 2010 generally followed the expected pattern (the red dotted line represents the climatic mean of rainfall in Guernsey taken from between 1970 and 2001).

As in 2009, November was the wettest month of the year by some distance. The driest month of the year was, a little surprisingly, April. The total rainfall during 2010 was 878.3mm, which was 6.6% above the climatic mean, but 2.4% lower than last year's figure.

STORAGE

As with the rainfall figures, water storage levels during 2010 followed the usual trend, with high levels early in the year before peak summer demand diminished reserves. The significant rainfall from October to December then replenished supplies before the start of 2011.

Reserves of water fell to their lowest in October, dropping to 3,384ML. This mirrors 2009's lowest point, although the figure from last year was 100ML lower.



PROJECTS

One of Guernsey Water's main aims over the next few years is to install new mechanical screens (*right*) on all key pumping stations. The new screens are more adept at filtering out objects such as leaves and reduce the possibility of pump blockages, which can reduce the amount of water collected by the station. These new screens were installed at Fermain and La Mare de Carteret stations during 2010, and a new station with the same screen was installed at Douits du Moulin. Similar works at La Vrangue stream intake are verging on completion.



A project finished at the end of the year involved improvements to the raw water pumping capabilities at the Kings Mills station. These works expanded the capabilities of the station by allowing raw water to be moved from one tank to another, and once again involved the installation of a new mechanical screen.

Another major project involved the sliplining of 2.3kms of strategically important raw water main from Kings Mills to St Saviours WTW's. The work, which is due to be completed early in 2011, has been mainly carried out by Guernsey Water staff which has led to expenditure and time savings (see page 14 for more information).

Significant efforts have been made by Guernsey Water to stabilise the rock faces of the water storage quarries in the north of the Island. 2010 saw projects carried out at Hougue Ricart, Vale Mill, Longue Hougue and Jamblin, with some further works required for the latter two sites. A three-year project to rebuild the Marais Stream pumping station began in 2009, and 2010 saw the procurement of land needed for the station to be rebuilt - a very important step.

WATER RESOURCES SUSTAINABILITY - PREPARING FOR THE FUTURE

The availability of water for future generations is a key concern for Guernsey Water. There are a lot of factors to take into account when considering how we might meet the demands of customers in the future, such as:

- Climate change (rainfall levels and intensity, temperature levels)
- Population figures
- Customer demand



With the first two, past data can be used to create a good estimate of the future. However, customer demand is difficult to forecast. While today's customer is more environmentally aware and therefore more likely to save water, this is counteracted by the increasing desire for water-consuming amenities (larger showers, more bath jets, garden irrigation systems). In order to prepare as best we can, Guernsey Water focuses on these issues:

- Increasing supply (improving pumping stations, considering further water storage options, keeping Catchment Area clear of pollution)
- Reducing waste (replacing failing water mains to reduce leakage, rehabilitating existing mains to reduce risk of bursts)
- Reducing demand (education of public, provision of water-saving guidance and appliances, continuation of water metering scheme)

Each of these elements has a number of objectives linked to them - these ensure that we can plan for the future with confidence.



One potential future project is the utilisation of Les Vardes quarry (currently used by Ronez) for additional water storage. However, the quarry will not be fully mined until around 2030, so the States of Guernsey would need to take a decision on the quarry's future use nearer the time. Another possibility for increasing water supply would be to build a desalination plant. Desalination involves removing salt from sea water, in order to make it drinkable. However, desalination is a very expensive and energy-intensive process, and the treated water would only become raw water i.e. it would still need to be treated through one of the WTW's.

Given the current water storage infrastructure on the Island and the possibility of utilising Les Vardes in the future, desalination is not being considered at the moment.

2010 PERFORMANCE TARGET

WATER STORAGE - The level of water storage in the Island must be at least 95% on 1st April.

RESULT - The level of water storage was recorded as 99% on 1st April 2010.



CATCHMENT PROTECTION

ENSURE THAT BY RIGOROUS ENFORCEMENT, ALL STREAMS ARE CAPABLE OF BEING USED FOR THE PUBLIC WATER SUPPLY. GUERNSEY WATER HAS A RESPONSIBILITY TO ENSURE THAT IT CONSERVES AND ENHANCES THE CATCHMENT AREA'S NATURAL ENVIRONMENT.



The Catchment Area is defined as the area around storage reservoirs where precipitation collects and flows through streams or pipelines into the reservoirs, or is pumped in from one of the stations dotted around the Island (see page 8). The Catchment Area in Guernsey covers the majority of the Island with an area of 43kms². This has increased recently as a result of the increased catchment potential of the new pumping station at Douits du Moulin in St Peters.

Catchment protection is a fundamental step in the water treatment process, and given the size of the area, it is a significant task to ensure that every square metre remains pollution-free. Guernsey Water staff work in liaison with farmers, industrial companies, environmental agencies and the Guernsey Fire & Rescue Service to minimise contamination of the area. Closer liaison with the Public Services Department's wastewater function has improved communications regarding cesspits, allowing investigations to be made into cesspits that have not been emptied for a long time, and may be leaking (or on the verge of doing so).

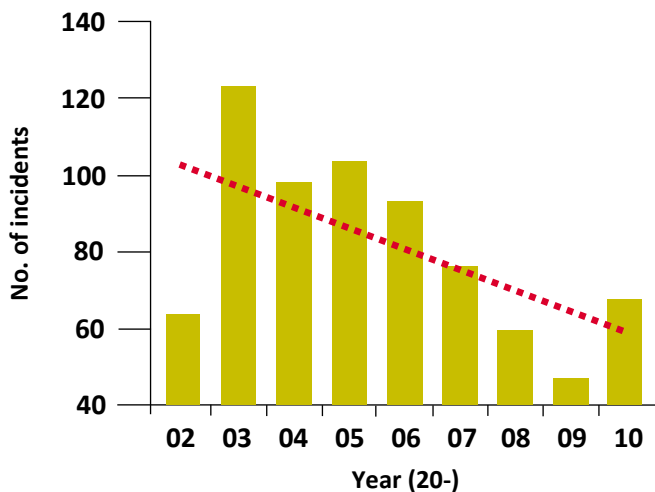
PREVENTING POLLUTION

Guernsey Water staff carried out many inspections throughout 2010 in order to prevent the Catchment Area becoming polluted or contaminated. A number of market gardens, poultry farms, vinery sites, supermarkets, schools and industrial buildings were carefully investigated to ensure that pollutants were being stored and disposed of correctly.

While Guernsey Water has the means to instigate prosecution in the event of water pollution incidents, we prefer to liaise with and educate potentially contaminating organisations and build positive relationships with them in order to prevent pollution incidents occurring in the first place.



Looking at the pollution incidents from 2010, there is a marked increase on 2009. However, this can actually be seen as positive - the team have been working more closely with local oil companies and the Environment Department, including putting together detailed guidelines on the installation of oil apparatus. This has raised people's awareness of incorrect oil installations, and therefore resulted in more incidents being reported. In the same vein, the closer liaison with the wastewater function has given rise to further information about leaking cesspits, again increasing the number of reported incidents.

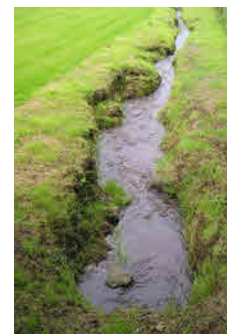


The linear trendline (shown in red) on the graph demonstrates the general reduction in pollution incidents since 2002. The proactive approach taken by the Catchment Protection team is the key to this decrease.

Looking closely at the 2010 figures, the biggest incident type involves cesspit leakage and fuel spillages/leakage (mainly oil). These two made up 75% of reported incidents, hence why Guernsey Water puts so much time into inspecting sites and giving out guidance to people regarding cesspits and oil installations.

PROJECTS

Catchment Protection staff continued throughout 2010 to investigate stream pollution from cesspits and review drainage systems in the Catchment Area. By working with PSD's wastewater function, it has been possible to identify properties with unusual cesspit-emptying patterns and liaise with the property-owners to ascertain whether there was a potential issue. A number of pits have been emptied and/or fixed as a result of this work, which will in turn reduce the chances of foul effluent polluting streams.



One method of checking the cleanliness of a stream is to carry out Benthic surveys, which monitor the type and number of freshwater invertebrates present in streams. These surveys are carried out twice each year and give an accurate indication as to the 'health' of the stream. If a low number of expected species are identified then action can be taken to try and identify the source of the pollution.

During 2010, Guernsey Water updated some of their literature on pollution prevention. This included guidance on the disposal of swimming pool and spa waste water, the application of herbicides and pesticides within the Catchment Area, and details of water hardness in Guernsey. An oil care sticker was also created to be attached to oil tanks, advising people of what steps to take in the event of a leak or spill. Most of these documents can be downloaded from our website at www.water.gg.

As mentioned in the 'Key Event', a significant amount of work was put in by Guernsey Water to create a detailed guidance document for local plumbers on the correct way to install oil apparatus e.g. tanks, catchment pits, boilers, pipes, flues etc. This document was put together in liaison with the Environment Department and local fuel companies, and is the most prescriptive document of its type to be released in the Island. It contains detailed diagrams of different types of installations in order to make the guidelines as clear as possible. A copy of the guidelines can be downloaded from www.water.gg.

2010 PERFORMANCE TARGET

WATER CATCHMENT ASSESSMENT AUDITS - A number of scheduled sites were programmed for visits during the year. 100% of these sites must be visited as scheduled.

RESULT - 100% of scheduled sites were visited during 2010.



WATER PRODUCTION

WATER TREATMENT WORKS MUST BE CAPABLE OF PRODUCING CONSISTENTLY HIGH QUALITY WATER IN SUFFICIENT QUANTITIES THAT SATISFY DEMAND. GUERNSEY WATER MUST ENSURE IT IS WELL-EQUIPPED TO MANAGE FUTURE DEMAND FOR DRINKING WATER.



The process of treating raw water to make it fit for human consumption is constantly evolving and improving. As new technologies are invented, benefits are felt by the public, who in turn become more discerning about the level of quality that they expect from their water supply.

Guernsey Water runs two Water Treatment Works (WTW's) at the St Saviours and Longue Hougue reservoir sites, both of which utilise state-of-the-art membrane technology to treat water. Guernsey Water also operates additional WTW's at Kings Mills and Juas, although these plants are only utilised for back-up, and Juas will be taken out of commission shortly. The plant at Kings Mills will remain as a traditional clarification and filtration system for the time being, as this is a more cost-effective solution for intermittent usage than membrane technology.

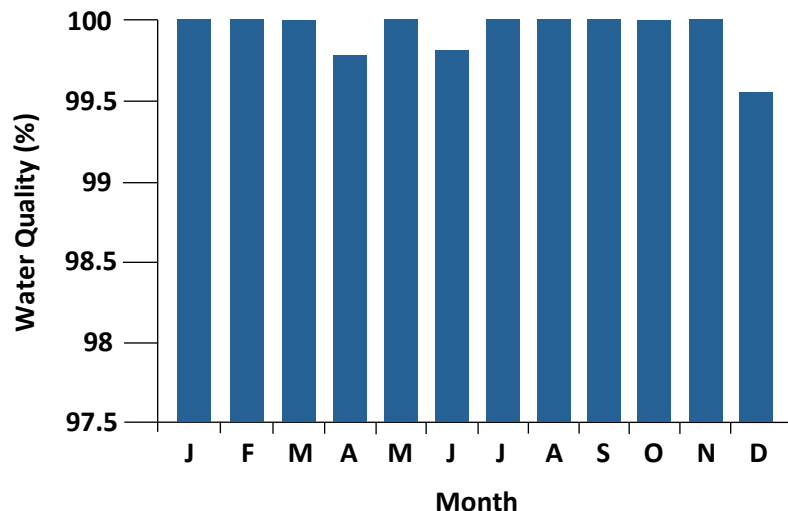
**KEY EVENT
2010 - The
sliplining of 2.3kms
of raw water transfer
main between Kings
Mills and St Saviours
is substantially
complete.**

An interactive model of how the water treatment process works in Guernsey can be found on our website at www.water.gg.

WATER QUALITY

The graph below shows the water quality figures for WTW's in 2010, broken down month by month. Compliance for WTW's in 2010 was 99.90%, which is just 0.03% down on last year's very high figure. Longue Hougue WTW experienced one failure which could be attributed to minor teething problems due to the plant not having been in service for long.

During 2010, Guernsey Water took 4,953 samples from the Island's WTW's. Each sample was tested against a detailed list of over 130 bacteriological and chemical elements. A failure against any of these criteria is investigated thoroughly by staff to find the cause, and solve the problem. The percentage compliance figure for each month represents the number of these samples that passed these prescriptive criteria.



PROJECTS

In April 2010, the defect liability period for the Longue Hougue WTW ended with contractors Enpure, and the plant was officially handed over to Guernsey Water. Water quality figures should continue to improve as a result of all the Island's drinking water being treated with the membranes installed at Longue Hougue and St Saviours. Later in the year, a 'hot standby PLC' was successfully installed at St Saviours WTW (although it will not be commissioned until early in 2011). This is a back-up computer system for the WTW which remains live at all times (hence the term 'hot standby') and 'shadows' all of the processes carried out by the main WTW computer. In practice, this means that the WTW can continue to operate seamlessly in the event of the main computer going off-line, adding resilience to our infrastructure.

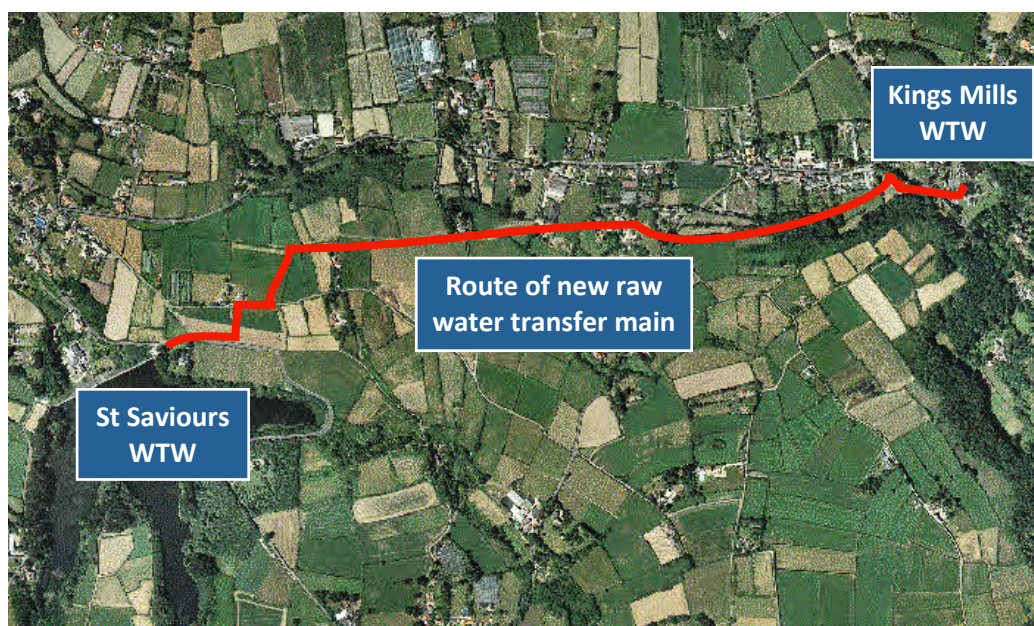
Work at St Saviours WTW has also started on the installation of an OSEC plant (On Site Electrolytic Chlorine generation). This piece of equipment allows Guernsey Water to create the chlorine needed for water treatment at the site itself, rather than having to ship the chemical in. This will save on time and cost, and is also much safer. The installation is expected to be completed early in 2011.



As mentioned in the **Water Resources** section, work on the rehabilitation of 2.3kms of strategically important raw water transfer main between Kings Mills and St Saviours WTW's is nearly complete. The main is located both under the public highway and private land, so in order for these works to progress Guernsey Water staff had to liaise with respective landowners/tenants. Fortunately, these parties have been very amenable to the works, meaning that staff have been able to progress the project without any delays.

In order to rehabilitate the pipes, staff utilise a technique called 'sliplining' which involves slipping a smaller-diameter pipe into the existing one. The smaller pipe is able to bend, meaning that it can be threaded into the failing pipe through a small excavation in the road. Using sliplining rather than standard pipe replacement methods allows Guernsey Water to save money and time, as well as reducing the inconvenience for road users as the excavations are so much smaller. Operational staff were able to observe this technique in action when a UK company were contracted to rehabilitate the Northern Ring Main back in 2007, and from the knowledge gained they are now able to do the sliplining themselves, as demonstrated by the Kings Mills to St Saviours project.

A map of the sliplining route is shown below:



2010 PERFORMANCE TARGETS

WTW WATER QUALITY - Taking a minimum of 4,000 water quality samples, achieve 99.5% compliance for WTW's.

RESULT - 4,953 samples were taken and 99.90% compliance was achieved in 2010.

COST OF WATER PRODUCTION - Ensure that the cost to produce water remains below £375 per ML.

RESULT - Cost to produce a ML of water in 2010 was £399.77



WATER DISTRIBUTION

ENSURE THAT TREATED WATER STORED IN SERVICE RESERVOIRS IS KEPT AT A HIGH QUALITY. ENSURE THAT OVER 400KMS OF POTABLE WATER MAIN IS IN A SUITABLE CONDITION TO TRANSFER WATER TO CUSTOMERS WHILE RETAINING IT AT A HIGH STANDARD. REDUCE LEAKAGE AND MINIMISE BURSTS THROUGH PROACTIVE MONITORING.



Once water is treated, some of it is stored in service reservoirs until it is needed by customers. Guernsey Water maintains service reservoirs at Forest Road (two tanks and a water tower) and Frie Plaidy (one tank). Service reservoirs are used to smooth out the peaks and troughs in customer demand.

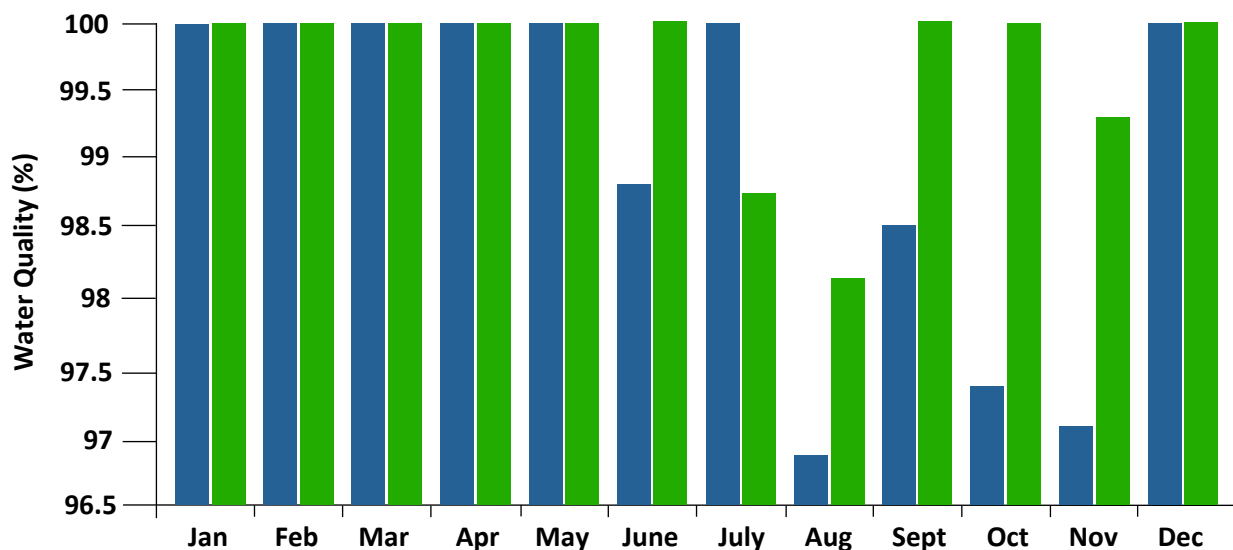
The rest of the water is transported directly to customer taps through over 400kms of potable water distribution main. Due to the scale of the pipe network, a constant programme of maintenance is needed as the pipes vary in material, age and reliability. As part of Guernsey Water's responsibilities, water quality staff carry out random checks at customer homes to take samples of water from the kitchen tap. The results of these samples provide a good indication of the condition of the distribution system. The water will have been treated at one of the WTW's and potentially stored at a service reservoir (where it may have been mixed and boosted with chlorine), so any deterioration in quality could indicate a problem in the distribution network.

Another key to good distribution performance is the reduction of mains bursts and minimisation of leakage, which is achieved through a combination of replacement/maintenance programmes and increased monitoring through new technologies. Guernsey Water can detect potential pipe bursts through flow/pressure monitoring systems, so in essence we can know when a burst has occurred before customers are aware. Efforts can then be made to repair the main as quickly as possible, minimising public inconvenience.

**KEY EVENT
2010 - Staff
sliplined or relaid
nearly 4.5kms of water
main - over twice the
target set at the
beginning of the
year.**

WATER QUALITY



The graph below shows the 2010 water quality figures for service reservoirs (blue) and the distribution network (green - where samples are taken from customer taps). The overall compliance level for water distribution was recorded as 99.34%. This high figure once again demonstrates the importance of the proactive sampling and remedial work that Guernsey Water staff carry out during the year.

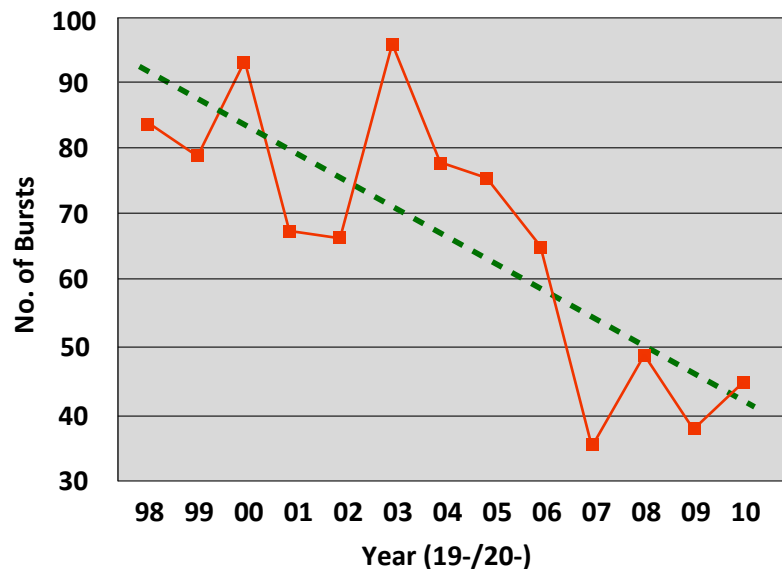


The graph shows the expected pattern of water quality dropping slightly during the warmer summer months when air temperatures increase, which can lead to bacteriological growth.

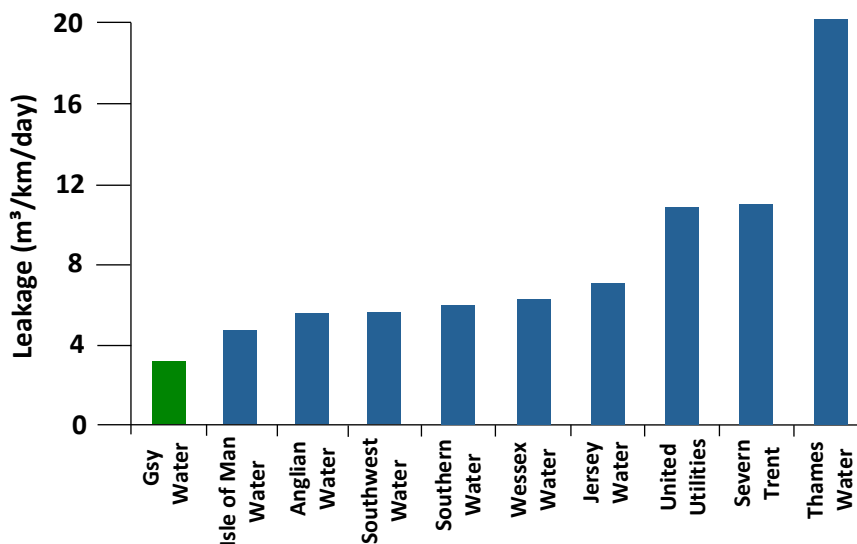
BURST MAINS & LEAKAGE

Guernsey Water has invested significantly in the mains network over the last few years in an effort to reduce bursts and control leakage. This has involved a rolling mains replacement programme and the systematic replacement of major trunk mains. The graph on the right shows how this investment has reaped rewards.

Mains bursts per year 
Mains bursts per year (linear) 



Staff recorded 497ML of leakage (or 'unaccounted-for consumption') which is slightly more than last year's 450ML figure. Guernsey Water originally set a target for leakage at 550ML per year, but as the figures have been comfortably below this target for the last few years, it has been decided to reduce the target to 500ML for 2011 onwards, in order to keep challenging ourselves.



To put the leakage figures in perspective, the graph on the left shows Guernsey Water's leakage figures (represented as cubic metres per kilometre of main, per day) against the figures from a number of other water companies. Please note that 2009 figures are used for the other companies as not all 2010 figures were available. However, they give a good comparative indication.

2010 PERFORMANCE TARGETS

WATER QUALITY - Service Reservoirs - Taking a minimum of 750 water quality samples at service reservoirs, achieve 98% compliance. **Distribution Zones** - Taking a minimum of 1,800 water quality samples at customer taps, achieve 99% compliance for distribution zones.

RESULT - Service Reservoirs - 804 samples were taken and 99.00% compliance was achieved in 2010. **Distribution Zones** - 1,848 samples were taken and 99.68% compliance was achieved in 2010.

LEAKAGE - Ensure that the leakage figure is below 550ML per annum.

RESULT - Leakage figure for 2010 was 497ML.

DISCOLOURATION - Reduce the number of discolouration complaints from the previous year.

RESULT - 73 complaints were received in 2010 compared to 61 in 2009.

COST OF WATER DISTRIBUTION - Ensure that the cost to distribute water remains below £28 per service.

RESULT - Cost to distribute water in 2010 was £28.47



CUSTOMERS

GUERNSEY WATER BELIEVES IT IS CRUCIAL THAT OUR CUSTOMERS FEEL THEY RECEIVE A GOOD VALUE-FOR-MONEY SERVICE. GUERNSEY WATER IS ALWAYS EAGER TO RECEIVE FEEDBACK ON THE SERVICE THAT IT PROVIDES.



Guernsey Water has a customer base of just under 25,000, with approximately 60% of this number on a measured supply (water meter) and the rest on an unmeasured supply (bills measured by Tax on Real Property or TRP). Guernsey Water believes that customer service is at the centre of all of its operations and processes, and is always looking for new and improved ways of communicating with and serving customers.

Guernsey Water's website (www.water.gg) contains all of the information and advice that customers may need about billing, water meters, water quality, saving water and treatment methods. Customers can also fill out feedback questionnaires online to let Guernsey Water know what we are doing well, and what we are not doing so well. Our customer panel, the Guernsey Water User Group (GWUG) continues to provide a very useful conduit for communications between the business and its customers.

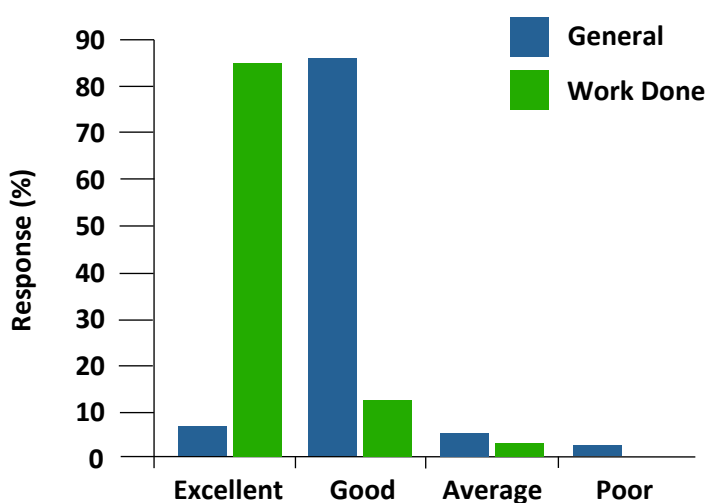
CUSTOMER FEEDBACK

**KEY EVENT
2010 - Significant
work has been carried
out to ensure that
wastewater billing
capability is in place for
when the new charge
comes in.**

There are two types of customer questionnaire that Guernsey Water uses to gather feedback. The first is for general use, which is either filled in when customer service staff speak to customers over the phone, or can be completed online.

The second is a more specific questionnaire for customers who have either had work carried out for them by Guernsey Water staff, or who have been impacted upon by Guernsey Water's work. This could range from the installation of a water meter to the replacement of a burst water main outside a property or business.

The graph below shows a summary of results up to the end of October 2010 - the questionnaire format was changed slightly in November 2010 to make it more customer-friendly.



The figures in the graph show that the vast majority of customers believe Guernsey Water's service to be either 'Excellent' or 'Good'. It is especially pleasing that, of the customers we have significant contact with through the 'Work Done' questionnaire, 85% feel that the service we provide is 'Excellent'.

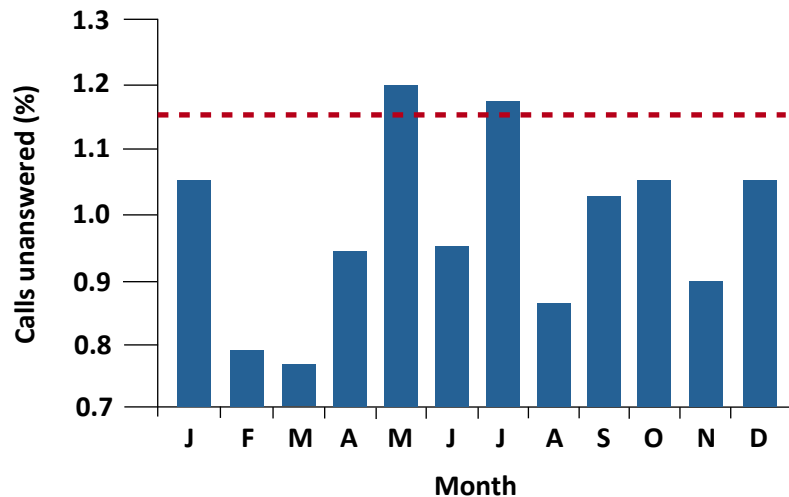
Looking more closely at responses from some of the questions, 98% of customers feel that the reliability of the water supply in Guernsey is either 'Excellent' or 'Good', while 89% believe that the quality of tap water is either 'Excellent' or 'Good'.

Of all the findings from the questionnaire responses, the most negative one related to how Guernsey Water manages roadworks for customers - 41% felt that Guernsey Water was either 'Satisfactory' or 'Poor' in this regard. As customers have highlighted this as an area for improvement, we are keen to investigate ways in which we can better manage our roadworks arrangements.

CUSTOMER SERVICE

Guernsey Water aims to provide an excellent service for customers, so in order to measure how we are progressing towards this aim we have set up some key performance indicators (KPI's). The first of these measures how our customer service staff respond to telephone calls from customers. By using a call logging system, we can detect how many incoming calls are answered and unanswered, and also what proportion of answered calls are picked up within six rings.

The graph shows the percentage of incoming calls on Guernsey Water's main switchboard number that were unanswered for each month. The red dotted line represents the target of 1.15% which we endeavour to keep below. The figures show that the target was met for 10 out of the 12 months, and the overall figure for the year was a very pleasing 1.06%, which is well below the target. Efforts will be made in 2011 to improve this further.



Another measure that we are using to gauge the level of our customer service is the number of complaints we receive. The table below shows how the complaints were received, and what they concerned.

	Billing	Staff	Leaks	Other
Written	2	0	0	2
E-Mail	16	0	0	1
Telephone	32	0	1	2

While we would expect much of the communication with customers to be carried out over the phone, it is clear that e-mail seems to have taken over from writing as a preferred way of making a complaint to the business.

Many of the billing complaints tend to relate to simple administrative issues, and we work hard to ensure that these are kept to a minimum. As we only started recording complaints in this way in 2010, we do not have any previous data to compare with. However, next year's report will allow us to compare data with a previous year.

PROJECTS

Guernsey Water staff have continued to install water meters for those customers who are billed according to the TRP of their property, or for new developments. In 2010, 476 new meters were fitted, meaning that 60% of the Island now pay for the exact amount of water that they use. Guernsey Water is committed to getting as many customers metered as possible, as we believe it is the fairest way to pay for water. Metered customers also tend to use 10 - 12% less water compared to unmetered customers, which is important for the sustainability of our important product.

2010 PERFORMANCE TARGETS

CUSTOMER SATISFACTION - Achieve a customer satisfaction rating of 80%.

RESULT - **Customer satisfaction rating of 95.5% achieved for 2010.**

TELEPHONE RESPONSE - Ensure that less than 1.15% of main number calls are unanswered for 2010.

RESULT - **1.06% of main number calls were unanswered.**



MANAGEMENT

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PEOPLE

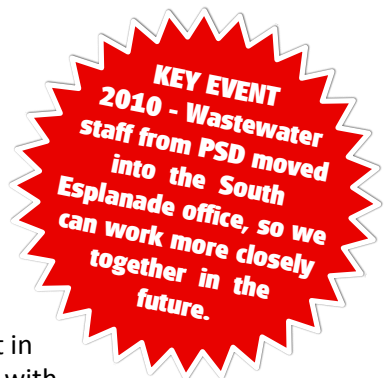
Guernsey Water currently employs 77 staff with a range of skills and disciplines. Staff are currently located in three different sites on the Island; at South Esplanade, St Andrews and St Saviours. However, by May 2011, all staff will be centralised in a new operational depot at the St Andrews site.

All staff play a vital part in the operation of the organisation and Guernsey Water is keen to ensure that all staff have job satisfaction and are challenged and stimulated in their jobs.

Guernsey Water considers its staff to be its most important asset. However, it is a concern that this vital aspect of the business is the one which Guernsey Water has the least control over given its position within the States of Guernsey.

PROJECTS

The biennial employee satisfaction survey was held during 2010, and a number of issues were highlighted by staff as being areas of concern. Initiatives have been put in place to try and improve these areas. The survey is a useful way of communicating with staff; because responses are kept entirely anonymous, staff can be as honest as they like!



Concerns over issues such as communication will be remedied by the forthcoming centralisation at St Andrews. The move will also have the benefit of reducing overheads as Guernsey Water will only be running one building instead of three, and staff will not have to waste time travelling from one site to another in order to meet other staff.

Guernsey Water continues to plan for its future through a number of initiatives such as succession planning and the support of apprenticeships throughout the business. We have a few young apprentices who are developing through the College of Further Education, and we have also recently appointed young members of staff who we hope can develop within the business.



Active steps have also been taken to ensure vital knowledge and experience is passed down to potential managers of the future, and that staff fully understand their colleagues' roles and responsibilities should they be required to provide cover - this will help to create a multi-skilled operational team.

Guernsey Water understands the importance of helping the community, and the business became involved in a number of initiatives during 2010. These included work placements for students, management shadowing placements for the Institute of Directors, and the taking on of employees as part of Social Security's Kickstart scheme, which is a work rehabilitation programme.

In terms of staff achievements, one member of the customer service team has nearly completed the Customer Service NVQ, while a member of the finance team completed his CAT (Certificate of Accounting Technicians) qualification. Well done!

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INFORMATION TECHNOLOGY

Guernsey Water oversees a number of specialist information technology systems such as the 'Supervisory Control and Data Acquisition' (SCADA) system and Navision (integrated utility accounting system), as well as general systems such as Digimap and the Microsoft Office suite. Given the essential role that information technology plays in the everyday operations at Guernsey Water, it is vital that the hardware and software provide a reliable and user-friendly platform.

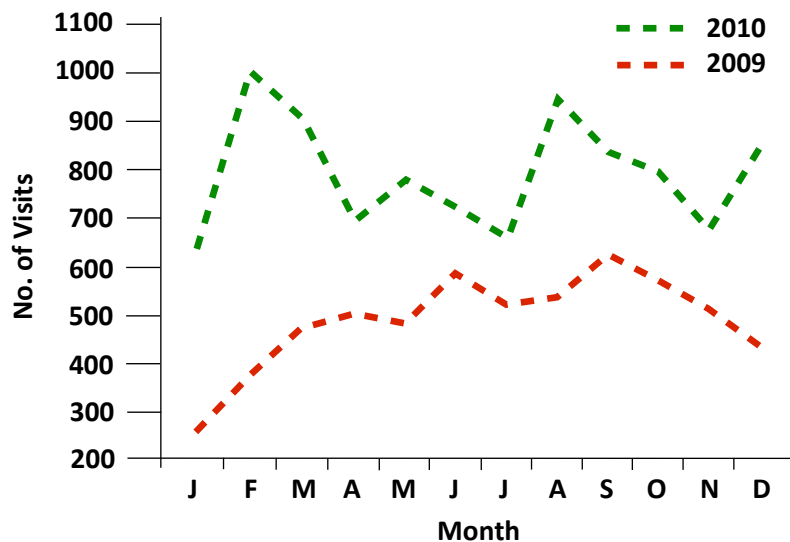
PROJECTS

KEY EVENT
2010 - Progress on the SCADA project has been so successful that the work will be finished nearly a year before originally scheduled.

The Guernsey Water website (www.water.gg) was developed in 2008 and has been steadily improved and upgraded since then. The site is maintained in-house and is updated on a regular basis to keep it fresh and relevant.

Using Google Analytics (a web-based service which tracks usage of the site) it is possible to ascertain how many visitors the site is getting, when they visit and which pages they are interested in. The graph below demonstrates the pattern of usage over the course of 2010 compared to the previous year:

The graph clearly shows how there were far more visits to the website during 2010 than in 2009, which demonstrates how the site has developed over the two years. The peak in February 2010 exceeded 1,000 visits in a month, which is a very pleasing result. Over the course of the year, there were just under 10,000 visits, and 22,000 page views in all. The most frequently viewed page overall was 'About Your Bill'.



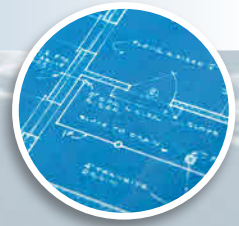
PROJECTS

As part of an ongoing programme, Guernsey Water is continuing to roll-out the 'InTouch' system for its SCADA programme. SCADA is used by the business to remotely monitor assets in order to be able to react quickly to any problems.

The system also has the capability to manage maintenance requirements, enabling servicing to be identified on the basis of 'hours run' rather than time, thereby avoiding unnecessary work and cost.

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PROPERTY

Guernsey Water owns or oversees more than 40 properties and areas of land, ranging from WTW's and service reservoirs to wells, pumping stations and operational buildings. In all, Guernsey Water's assets are estimated to be worth in the region of £500million at today's replacement prices and provide the basic infrastructure for collecting, treating and distributing potable water to the population of Guernsey.

Guernsey Water contracts La Société Guernesiaise to take care of the Millennium Walk, which is an attractive area encircling St Saviours reservoir containing a wide variety of animal and plant life. Two wardens hired from Environment Guernsey (an arm of La Société) care for and report on the Walk, which allows Guernsey Water to measure the impact of storage levels and rainfall on wildlife. The Walk has proved to be very popular with the public, and the information leaflet created in-house continues to be utilised by Walk-users.

ST ANDREWS OPERATIONAL DEPOT

The new operational depot being constructed at our St Andrews site (Brickfield House) is due for completion by May 2011, with the whole site including car-parking and landscaping to be finished by August 2011. The depot has been created for a number of reasons, including:

- A need to replace existing depot at St Andrews, which is in poor condition
- A need to move staff out of South Esplanade building, which is also in poor condition
- Full centralisation of all Guernsey Water staff, leading to:
 - Improved communication between staff
 - Improved staff morale
 - All staff based in the centre of the Island for quick response
 - Reduction in overheads due to running only one operational building
 - Reduction in costs and time-loss from staff having to travel from site to site



The site will also have a nature walk running around its perimeter in a similar vein to the Millennium Walk at St Saviours reservoir. With an information leaflet planned for the walk, it is hoped that it can become as popular as the Millennium Walk.

PROJECTS

During 2010 Guernsey Water carried out in-house property condition surveys of its assets. This involves collating a programme of surveys for the different buildings in the business' varied portfolio, and assessing each asset to check whether maintenance or remedial works are required to keep the asset in good condition. Although this ongoing body of work is very time-consuming, it is essential to ensure that none of the assets are performing in such a way that could have a negative impact on the Island's water infrastructure. This could compromise the business' ability to provide high quality drinking water to the population in an efficient manner.

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FINANCE

Guernsey Water is funded entirely from water charges which are kept separate from the States' general revenue. The aim is to keep water charges as low as possible while meeting international water quality standards and generating enough revenue to maintain the Island's water infrastructure. Income is used for the implementation of the Capital Development Programme (CDP), which ensures that the infrastructure is of a high standard and is as resilient as possible. A list of the work carried out on the CDP for 2010 can be found on page 30, with **Financial Statements** in **Appendix A** on pages 31-32.

KEY EVENT
2010 - Guernsey Water had a good financial year. Cash flow forecasts were achieved & overheads/operational costs stayed within budget.

As a business unit of PSD, Guernsey Water operates in the same manner as a commercial business, so it is vital that the unit is seen to be providing a value-for-money service. Up to the end of October 2010, 57% of customer feedback questionnaire respondents felt that Guernsey Water provided either an 'Excellent' or 'Good' value-for-money service - a very positive result which the organisation will try and improve further.

In 2010, Guernsey Water decided to keep the standing charge for all domestic water customers at the same level as 2009. Feedback from customers and the Guernsey Water User Group suggested that the public's preference was to pay a lower standing charge against a higher volumetric charge.

This means that metered customers have more control over their bill, as the water usage element of the bill makes up a larger proportion of the bill than it did before. In practice, this will reward those metered customers who make efforts to reduce their water usage, as they will be able to enjoy lower water bills.



2010 PERFORMANCE TARGET

OPERATING SURPLUS - Ensure that the operating surplus remains above £4.2million.

RESULT - Operating surplus in 2010 was £5.2million



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PERFORMANCE MONITORING & PR

Guernsey Water places a strong emphasis on monitoring and measuring its performance. This allows the organisation to improve its working practices and provide the best possible customer service. There are a number of ways in which Guernsey Water monitors and reports on its performance - through the Annual Report, monthly Business Plan updates, KPI's and data from customer questionnaires.

This section also oversees Guernsey Water's PR output and draws up the annual PR strategy. The PR strategy measures the success of the previous year and lays out initiatives for the next year shaped by lessons learned. It is generally believed that Guernsey Water enjoys a positive relationship with its customers and the media but it is vital to maintain and improve this further to avoid complacency.

PR

During 2010, Guernsey Water sent out a total of 13 media releases, and provided statements and responses to a number of media enquiries. Media release topics included:

- Winter care of pipes and oil tanks
- Water Saving Week
- Water management plans
- Water recycling
- Extension of the Water Catchment Area
- Tap water versus bottled water

**KEY EVENT
2010 - Three e-newsletters were sent out to customers on a variety of issues. Our e-mail database now contains over 1,600 customer addresses.**

The 2010 PR strategy contained 19 objectives to be completed, including printing various information leaflets, adding features to the website, involvement in events such as the ITEX Walk and creating an electronic newsletter for customers. Of the 19 objectives, 16 were completed on budget and within schedule and two were delayed due to reasons outside of Guernsey Water's control. The other objective, which was to take a stall at the Healthy Hearts Day convention, was not done due to a number of other media-related initiatives that were also occurring at the time. While Guernsey Water appreciates the importance of using the media and events to communicate with customers, we are also aware of the need to avoid over-saturation.



PROJECTS

During 2010, the Guernsey Water Business Plan was updated to ensure that the objectives set were still relevant and accurate. In a parallel workstream, the CDP was reviewed and updated, and a new scoring system for projects was also created to ensure that the urgency and impact of capital works was being appropriately reflected by its score, and in turn, its priority.

As mentioned above, an electronic or 'e'-newsletter was created for customers. The concept behind this was to replace the old hard-copy newsletter 'On Tap' with a modern equivalent which was more flexible, cost-effective and technologically relevant. To date, e-newsletters have covered topics such as saving water, the risks of reusing wastewater and Guernsey Water's forthcoming move to St Andrews. To subscribe to our e-newsletter, please visit our website at www.water.gg.

OFWAT 'DIRECTOR GENERAL' INDICATORS

In 2009, Guernsey Water adopted performance indicators set by OFWAT (see box below right) known as the 'Director General' indicators. These KPI's are used by all water companies in the UK for reporting to OFWAT and are considered to be the benchmark in the UK.



Note: Not all of the indicators have been reported on for 2010. However, once the Contact Management system is in place (2011) the business will be able to report on all of them.

The indicators (which have been slightly amended in order to reflect Guernsey Water's circumstances) are:

- **GW1 - Inadequate Pressure**
- **GW2 - Supply Interruptions**
- **GW3 - Billing Contacts**
- **GW4 - Written Complaints**
- **GW5 - Written Complaints Requiring a Site Visit**
- **GW6 - Bills for Metered Customers**
- **GW7 - Ease of Telephone Contact**

OFWAT is the regulator for all water (and sewerage) companies in the UK. They set targets and benchmarks for companies to achieve in order to provide the best possible service to customers.

Details of the business' performance in 2010 is noted below against each indicator.

• GW1 - Inadequate Pressure



THIS INDICATOR measures the number of properties that are found to have a level of pressure below 1.5bar at the boundary stop tap. This does not include low-pressure cases where it is beyond Guernsey Water's control (e.g. a plumbing fault in a property).

MEASUREMENT - Guernsey Water measures **properties experiencing low pressure as a percentage of all supplies**. The assessment of the indicator is set like this:

GOOD < 0.05% **ACCEPTABLE** 0.05 - 0.5% **NEEDS IMPROVEMENT** > 0.5%

RESULT - Good - 0.02% - there were only a few minor instances of inadequate pressure during 2010.

• GW2 - Supply Interruptions



THIS INDICATOR measures the number of properties experiencing interruptions to their water supply for **between 3 and 6 hours/between 6 and 12 hours/between 12 and 24 hours/longer than 24 hours**. This indicator only relates to supply interruptions for which the customer receives no warnings (i.e. an emergency). Interruptions caused by third parties without Guernsey Water's knowledge are also excluded from this indicator.

MEASUREMENT - Guernsey Water measures **number of supplies affected multiplied by interruption length weighting (as a percentage of all supplies)**. The assessment of the indicator is set like this:

GOOD < 0.5% **ACCEPTABLE** 0.5 - 2.0% **NEEDS IMPROVEMENT** > 2.0%

RESULT - Good - 0.4% - there were 100 properties affected out of 24,898 during 2010.

• GW3 - Billing Contacts



THIS INDICATOR measures the total number of billing contacts that were made by customers and the time taken to respond to them. This is measured in two bands: **within 3 working days/more than 5 working days**.

‘Billing contacts’ covers any communication from a customer regarding a bill which requires a response or an action by the company and does not constitute a written complaint, which is reported under **GW4**. They can be received by telephone, in writing, by fax, by e-mail and by personal visit. Examples of contact are: **Change of address/personal details, change of bill payment method, queries about charges and other general water-related queries**.

MEASUREMENT - Guernsey Water measures this indicator in two ways; **the proportion of billing contacts answered within 3 days:**

A). GOOD > 95% ACCEPTABLE 90 - 95% NEEDS IMPROVEMENT < 90%

And **the proportion of billing contacts answered in more than 5 days:**

B). GOOD < 1.5% ACCEPTABLE 1.5 - 3%

RESULTS - N/A - Not reported. This will be assessed once Contact Management system is in place (anticipated in 2011).

• GW4 - Written Complaints



THIS INDICATOR measures the total number of written complaints received and the time taken to respond to them. The time is measured in two bands: **within 5 working days and in more than 10 working days**.

A written complaint covers any written communication from a customer or a customer’s representative that matches the definition: ‘A complaint is defined as any expression of dissatisfaction about a service or product provided by Guernsey Water.’ A written complaint could be made by letter, fax or e-mail. Complaints that require site visits are excluded from this indicator and should be recorded under **GW5**.

MEASUREMENT - Guernsey Water measures this indicator in two ways; **the proportion of written complaints answered within 5 days:**

A). GOOD > 95% ACCEPTABLE 90 - 95% NEEDS IMPROVEMENT < 90%

And **the proportion of written complaints answered in more than 10 days:**

B). GOOD < 1.5% ACCEPTABLE 1.5 - 3%

RESULTS - N/A - While Guernsey Water is currently able to measure the number of complaints received, until the Contact Management system is in place we will not be able to measure the length of time taken to respond. The system is expected to be in place in 2011.

• GW5 - Written Complaints Requiring a Site Visit



THIS INDICATOR identifies the total number of written complaints received requiring a site visit and the time taken to respond. The time is measured in two bands: **within 10 working days** and **in more than 15 working days**.

A written complaint covers any written communication from a customer or a customer's representative that matches the definition: 'A complaint is defined as any expression of dissatisfaction about a service or product provided by Guernsey Water.' A written complaint could be made by letter, fax or e-mail.

MEASUREMENT - Guernsey Water measures this indicator in two ways; the **proportion of written complaints requiring a site visit answered within 10 days**:

A). GOOD > 95% **ACCEPTABLE** 90 - 95% **NEEDS IMPROVEMENT** < 90%

And **the proportion of written complaints requiring a site visit answered in more than 15 days**:

B). GOOD < 1.5% **ACCEPTABLE** < 3%

RESULTS - N/A - While Guernsey Water is currently able to measure the number of complaints received, until the Contact Management system is in place we will not be able to measure the length of time taken to respond. The system is expected to be in place in 2011.

• GW6 - Bills for Metered Customers



THIS INDICATOR measures the percentage of metered customers who receive at least one bill during the year based on a meter reading taken by Guernsey Water.

MEASUREMENT - This is measured in two bands: **proportion of metered customers who receive a bill based on an actual reading at least once a year**:

A). GOOD > 99.5% **ACCEPTABLE** 98 - 99.5% **NEEDS IMPROVEMENT** < 98%

And **the proportion of meters that are unread for two years by Guernsey Water**:

B). GOOD > 0.15%

RESULTS - A). Good - 100% - All metered customers received a bill based on an actual reading at least once during 2010.

B). Good - 0% - There were no meters unread for two years by Guernsey Water.

• GW7 - Ease of Telephone Contact



THIS INDICATOR'S aim is to identify the ease with which customers can make telephone contact with Guernsey Water and measures their satisfaction with the way the company handles their enquiries.

- A). The percentage of calls abandoned (rang off) as a percentage of total calls received on customer contact lines.
- B). The percentage of calls lost due to all lines being busy as a percentage of total calls received on customer contact lines (including lines busy).
- C). Average score based on responses to Questions 5 and 6 of the **General** customer feedback questionnaire.

MEASUREMENT - Guernsey Water measures this indicator like this:

A). The percentage of calls abandoned as a percentage of total calls received:

A). GOOD < 2.0% **ACCEPTABLE** 2.0 - 4.0% **NEEDS IMPROVEMENT** > 4.0%

B). The percentage of calls lost due to all lines being busy:

B). GOOD < 2.0% **ACCEPTABLE** 2.0 - 4.0% **NEEDS IMPROVEMENT** > 4.0%

C). The percentage of 'Good' or 'Excellent' responses from average score of questions 5/6 from customer questionnaire:

C). GOOD > 85% **ACCEPTABLE** 75 - 85% **NEEDS IMPROVEMENT** <75%

RESULTS - A). Good - 1.06%. This is based on 319 calls abandoned on the switchboard number out of 30,151 calls received during 2010.

B). N/A - We are unable to measure this indicator with our current telephone logging system.

C). Good - 95.5% - The percentage of 'Good' or 'Excellent' responses from Question 5 was 92%, and for Question 6 was 99% during 2010*.

**Data was only collected up to the end of October 2010. After this, the questionnaire format was changed in order to make it more customer friendly. The new format will be reported on in the next Annual Report.*

BENCHMARKING OUR PERFORMANCE

Guernsey Water has been in close liaison with the Isle of Man Water company, and has agreed to exchange key performance data in order to set benchmarks for each other's performance.

The Isle of Man is a useful jurisdiction to benchmark with as it is similar in terms of population and how the water company is positioned within the government.



• Water Quality

Overall drinking water quality figure for 2010:

Guernsey - 99.75%
Isle of Man - 99.90%



• Leakage

Overall network leakage in 2010:

Guernsey - 1.4ML per day
Isle of Man - 6.8ML per day

Overall leakage per supply in 2010:

Guernsey - 55 litres/supply/day
Isle of Man - 172 litres/supply/day



• Supply Interruptions

Percentage of properties experiencing unplanned water supply interruptions in 2010:

Guernsey - 0.4%
Isle of Man - 0.3%



• Burst Mains

Number of burst mains per 1,000kms of network in 2010:

Guernsey - 88
Isle of Man - 144



In next year's Annual Report, the aim is to get more indicators to benchmark against, and to also include other jurisdictions, which will make the benchmarking of data more in-depth.

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HEALTH & SAFETY

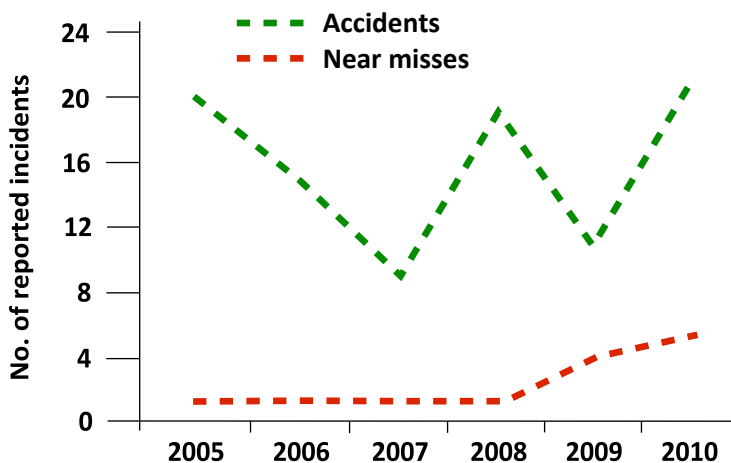
The implementation of strict but sensible health and safety procedures is particularly important for an organisation like Guernsey Water where staff are dealing with dangerous chemicals, automated machinery and outside working in all weather conditions on a daily basis. Guernsey Water has a responsibility to protect and care for its staff, and we take this very seriously. The Guernsey Water Health and Safety handbook is updated regularly and acts as a reference point for dealing with potentially dangerous situations. All staff are supplied with a copy and are encouraged to study it carefully and become familiar with its contents.

KEY EVENT
2010 - Coppolo & Coyde has been awarded a three-year contract to oversee H&S issues for Guernsey Water & Guernsey Wastewater

Hygiene standards are continually maintained through staff workshops and the implementation of best practice procedures in order to achieve high standards. Regular health and safety meetings are scheduled to proactively assess situations which may have an impact on staff.

INCIDENTS

The graph below shows the number of near misses and accidents at Guernsey Water over the last few years:



It is important to note that an increase in reported incidents can be seen as positive - it means that the culture of reporting incidents within the organisation is improving, with staff choosing to report incidents they might not have reported before. The increases in reported incidents in 2008 and 2010 could be attributed to the release of the Health and Safety handbook (2008) and increased in-house training for staff (2010).

2010 PERFORMANCE TARGETS

INCIDENT RATE - Achieve an incident rate below 25/100 employees.

RESULT - Incident rate for 2010 was 25.6/100 employees.

ACCIDENT FREQUENCY - Achieve an accident frequency below 15/100,000 working hours.

RESULT - Accident frequency in 2010 was 13.7/100,000 working hours.

DAYS LOST THROUGH INJURY - Achieve mean duration of days lost through injury below 2 days.

RESULT - Mean duration of days lost through injury was 1 day.



CAPITAL DEVELOPMENT PROGRAMME

The Capital Development Programme (CDP) controls how Guernsey Water spends its money on major projects and equipment/systems that add value to the business. Much of the work carried out on the CDP improves the efficiency and reliability of the Island's water infrastructure through the creation or enhancement of pumping stations, treatment works and the mains network. For a project to be considered for the CDP, it must be either:

- Part of the Business Plan which has been approved by the PSD Board, or
- A project that has been put before the Board separately and approved.



If a project is to be included in the CDP then a justifiable business case must be put together to prove that value for money will be achieved. The commercial test applied to any project that will require capital investment must be: "Would a greater return on investment be achieved if the money was invested elsewhere?"

If the Guernsey Water Formal Management Team and the Board both agree that the project should be included in the CDP, then the project is measured against a set of criteria to determine its relative priority, taking into account importance, impact and urgency. The higher the score, the sooner the project will commence.

The table below lists the major capital projects that were carried out during 2010 and the capital spend during that 12-month period:

Section	Project	Timeframe	2010 Costs
Water Resources	Slope stabilisation works	2010-11	£286,000
Water Resources	Kings Mills additional pumping capabilities	2010	£244,000
Water Resources	Douits du Moulin - new pumping station	2009-10	£76,000
Water Resources	Marais Stream pumping station improvements	2009-11	£46,000
Water Resources	Improvements to intake at La Vrangue stream	2010	£41,000
Water Resources	Streamflow monitoring	Ongoing	£38,000
Water Resources	Fermain pumping station improvements	2009-10	£9,000
Water Resources	Jamblin quarry - replacement gantry relocation	2009-10	£6,000
Water Production	Sliplining raw water main from Kings Mills - SSv	2010-11	£117,000
Water Production	Site security measures and CCTV installation	2009-11	£81,000
Water Production	OSEC installation at St Saviours WTW	2010-11	£73,000
Water Production	Hot standby PLC purchase and installation	2010	£46,000
Water Distribution	Sliplining/relaying of failing watermains	Ongoing	£270,000
IT	SCADA upgrades at various sites	2010-12	£239,000
IT	Navision 2009 upgrade	2009-10	£31,000
Property	GW operational depot construction	2010-11	£2,458,000
Property	St Andrews site development (for depot)	2010-11	£182,000

APPENDIX A - FINANCIAL STATEMENTS

FINANCIAL STATEMENT - REVENUE

	Accounts 2010 Probable Outturn		Accounts 2009	
INCOME - Water Supplies				
Unmeasured	£3,534,000		£3,594,943	
Measured	£5,914,700		£5,802,567	
Total		£9,448,700		£9,397,510
Surplus on other trading activities (before management expenses and depreciation)		£154,700		£187,129
Total Operating Income		£9,603,400		£9,584,639
EXPENDITURE				
Operating Expenses -				
Water Production	£1,931,600		£1,758,009	
Water Distribution	£719,000		£674,346	
Asset Management	£420,100		£340,978	
Total		£3,070,700		£2,773,333
Management Expenses -				
Management and General	£249,500		£216,437	
Compliance	£162,700		£167,495	
Customer Services	£892,100		£778,018	
Finance	£330,800		£305,001	
Support Services	£328,100		£275,814	
Total		£1,963,200		£1,724,765
Total Expenditure		£5,033,900		£4,516,098
OPERATING SURPLUS BEFORE DEPRECIATION		£4,569,500		£5,068,541
Depreciation		(£1,750,000)		(£1,471,683)
OPERATING SURPLUS		£2,819,500		£3,603,237
Net Interest Receivable		£43,600		£86,274
Surplus on Sale of Fixed Assets		£279,000		£8,475
SURPLUS		£3,142,100		£3,697,986
Transfer to Reserves for Renewal of Assets		(£1,256,200)		(£1,534,696)
RETAINED SURPLUS, TRANSFERRED TO RESERVES		£1,885,900		£2,163,290

FINANCIAL STATEMENT - CAPITAL

	Accounts 2010 Probable Outturn	Accounts 2009
Water Resources	£1,368,230	£586,402
Water Treatment	£694,245	£178,663
Water Distribution	£1,107,170	£525,675
General	£3,415,770	£630,772
GROSS CAPITAL INVESTMENT	£6,585,415	£1,921,512
Customer Contributions & Asset Sales	(£301,780)	(£35,343)
NET CAPITAL INVESTMENT	£6,283,635	£1,886,169

APPENDIX B - COMPLETE OBJECTIVES LIST

A number of objectives (set out in the Business Plan) cascade from the six Key Policies outlined on pages 6 - 7 and these are reviewed below. Each individual objective is measured against its allotted timeframe and financial resources to give an 'at a glance' view of exactly how Guernsey Water is progressing. The following colours are used to demonstrate the progress of each objective:



Objective has been completed, or is on course for completion within time and on budget



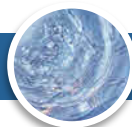
Objective will not be completed within original timeframe and/or budget, but will be completed in due course without any negative consequences



Objective has either failed or will not be completed at all, and needs to be reconsidered

Guernsey Water considers all of its objectives to be SMART-compliant (**S**pecific **M**easurable **A**chievable **R**ealistic **T**ime-based) and the philosophy of Guernsey Water is to 'measure what can be measured' rather than relying on soft, anecdotal data which can be entirely subjective.

Out of the 80 stated objectives, 63 of them were classified 'Green', 14 were 'Orange', and 3 of them were 'Red'. This gives an overall objective success rate of 79%. However, it should be noted that some of the 'oranges' were prevented from being completed due to reasons outside of Guernsey Water's control.



WATER RESOURCES - PAGE 8

Objective	Timescale	Comments	Progress
Draw up Water Safety Plans	2009-11	Progressing	Green
Carry out stream diversion works to protect storage reservoirs and quarries	2010-11	Progressing	Green
Improve Kings Mills' pumping capabilities	2010	Completed	Green
Install a pumping station at Douits du Moulin	2009-10	Completed	Green
Relocate Jamblin reservoir gantry for health and safety reasons	2010	Work begun - to be completed in 2011	Orange
Continue quarry stabilisation works	Ongoing	Progressing	Green
Keep raw water storage as full as possible each year (target: over 95% on 1 April each year)	Annual	Achieved - 99% storage	Green
Make improvements to La Mare de Carteret pumping station	2009-10	Completed	Green
Make improvements to Fermain pumping station	2009-10	Completed	Green
Repair/rebuild Marais Stream pumping station	2009-11	Progressing	Green
Make improvements to La Vrangue stream intake	2010	Work begun - to be completed in 2011	Orange



CATCHMENT PROTECTION - PAGE 11

Objective	Timescale	Comments	Progress
Make amendments to compliance laws in accordance with the Control of Pollution Act	2009-10	Work begun - to be completed in 2011	
Investigate stream pollution from cesspits and review drainage systems within Catchment Area	2009-11/ Ongoing	Progressing	
Purchase contour mapping software for Digimap	2010	Completed	
Continue to use streamflow/nitrate monitoring data for water resource planning	Ongoing	Progressing	
Carry out a biannual survey to monitor freshwater invertebrates in a range of streams within the Catchment Area (Benthic surveys)	Biannual (Spring/ Autumn)	Completed	
Carry out market garden and poultry farm inspections	Ongoing	Progressing	
Visit all vinery sites (and sites using rockwool) and inform growers of any problems	Annual	Completed	
Continue to have old, redundant or defective oil installations upgraded or emptied	Ongoing	Progressing	
'Police' unsatisfactory oil installations in liaison with oil companies and Environment Department	Ongoing	Progressing	
Identify inadequate private sewers and pumping stations	Ongoing	Progressing	
Continue to promote the safe use of pesticides	Ongoing	Progressing	
Visit 100% of sites as scheduled according to risk assessments (Water Catchment Audits)	Annual	Achieved: 100% of sites visited	
Continue to liaise with the Airport regarding forthcoming modifications to the area	Ongoing	Progressing	
Carry out a general 'clean-up' of the Catchment Area	2009-12	Progressing	



WATER PRODUCTION - PAGE 13

Objective	Timescale	Comments	Progress
Install and maintain surveillance cameras and other security measures at WTW's and service reservoirs	2009-11	Progressing	
Install OSEC at St Saviours WTW	2009-10	Work begun - to be completed in 2011	
Taking a minimum of 4,000 water quality samples achieve 99.5% compliance for Maximum Admissible Concentrations (MAC) at WTW's	Annual	Achieved: 4,953 samples taken, 99.9% compliance	
Produce various water quality reports on a monthly, quarterly and annual basis	Ongoing	Progressing	
Replace raw water transfer main from Kings Mills to St Saviours	2010-11	Substantially completed	
Ensure that the cost to produce water remains below £375 per ML	Annual	Failed: £399.77 recorded for 2010	



WATER DISTRIBUTION - PAGE 15

Objective	Timescale	Comments	Progress
Replace major trunk mains	2010/12/14	Progressing	
Carry out inspection of Water Tower and consider repair/future use	2009 & 2014	Awaiting opportunity to drain tower	
Install OSEC at No.2 (West) Tank	2010	Work begun - to be completed in 2011	
Install in-line booster pump at Forest Road service reservoir	2010	Work begun - to be completed in 2011	
Continue with rolling uPVC mains replacement prog.	Ongoing	Progressing	
Carry out mains extension work for properties not yet on the main supply	Ongoing	Progressing	
Continue to split common services to enable more water meters to be fitted	Ongoing	Progressing	
Monitor and reduce the number of discolouration complaints on a yearly basis	Annual	Failed: 73 complaints reported in 2010 v 61 in 2009	
Taking a minimum of 750 water quality samples, achieve 98% compliance for MAC at service reservoirs	Annual	Achieved: 804 samples taken, 99.00% compliance	
Taking a minimum of 1,800 water quality samples, achieve 99% compliance for MAC at customer taps	Ongoing	Achieved: 1,848 samples taken, 99.68% achieved	
Proactively manage leakage to ensure that 'unaccounted for' water remains below target of 550ML per year	Annual	Achieved: 497.92ML leakage in 2010	
Endeavour to repair 75% of mains bursts within 24 hours	Annual	Achieved: 100% of bursts repaired in 24h	
Ensure that the cost to distribute water remains below £28 per supply	Annual	Failed: £28.47 recorded for 2010	



CUSTOMERS - PAGE 17

Objective	Timescale	Comments	Progress
Monitor and review a Guernsey Water User Group	Ongoing	Progressing	
Encourage universal metering and consider introducing mandatory metering legislation as appropriate	Ongoing	Progressing	
Monitor compliance to the GW Customer Charter	Ongoing	Progressing	
Ensure that wastewater billing capability is in place	2010	Completed	
Monitor complaints policy and identify trends	Ongoing	Progressing	
Purchase/implement document management system	2010	To be reviewed in 2011	
Achieve a customer satisfaction rating of 80% through the distribution of feedback questionnaires	Annual	Achieved: 95.5% satisfaction rating	



PEOPLE - PAGE 19

Objective	Timescale	Comments	Progress
Develop a set of key competencies for Guernsey Water staff	2010	Objective led by Policy Council's HR Unit	
Set up a system of reward and recognition for Guernsey Water staff	2010	Objective led by Policy Council's HR Unit	
Set up a system of performance management for Guernsey Water staff	2010	Objective led by Policy Council's HR Unit	
Encourage & support more social activities for staff	Ongoing	Progressing	
Implement a succession planning arrangement within Guernsey Water	Ongoing	Progressing	
Put together and advertise a set of organisational 'values' for Guernsey Water that could be used as a recruitment tool	2010	Work to begin in 2011	
Continue to support CPD (Continuous Professional Development) within the organisation, including the support of apprenticeships	Ongoing	Progressing	
Manage sickness levels within Guernsey Water using Bradford Factor, and use as an indicator of morale	Ongoing	Progressing	
Improve communications within Guernsey Water through the use of data gathered through repeatable employee satisfaction surveys	Biennial	Progressing	



IT - PAGE 20

Objective	Timescale	Comments	Progress
Roll out SCADA's 'In Touch' system and make appropriate modifications to instrumentation	2010-2012	Progressing	



PROPERTY - PAGE 21

Objective	Timescale	Comments	Progress
Build a new operational depot at St Andrews and centralise Guernsey Water's activities on one site	2010-11	Progressing	
Purchase replacement DGPS system	2010	Completed	
Dispose of unused assets and review usage of current properties	Ongoing	Progressing	
Decommission Juas WTW and use as a storage reservoir only	2010	Work to begin in 2011	
Build a light industrial park at St Andrews site	2010-11	Treasury & Resources seeking to dispose of industrial unit land	



FINANCE - PAGE 22

Objective	Timescale	Comments	Progress
Ensure cashflow forecasts are produced, managed and targets achieved	Ongoing	Progressing	
Minimise Guernsey Water's bad debts where possible	Ongoing	Progressing	
Ensure that the operating surplus remains above £4.2million	Annual	Achieved: £5.3million recorded for 2010	



PERFORMANCE MONITORING & PR - PAGE 23

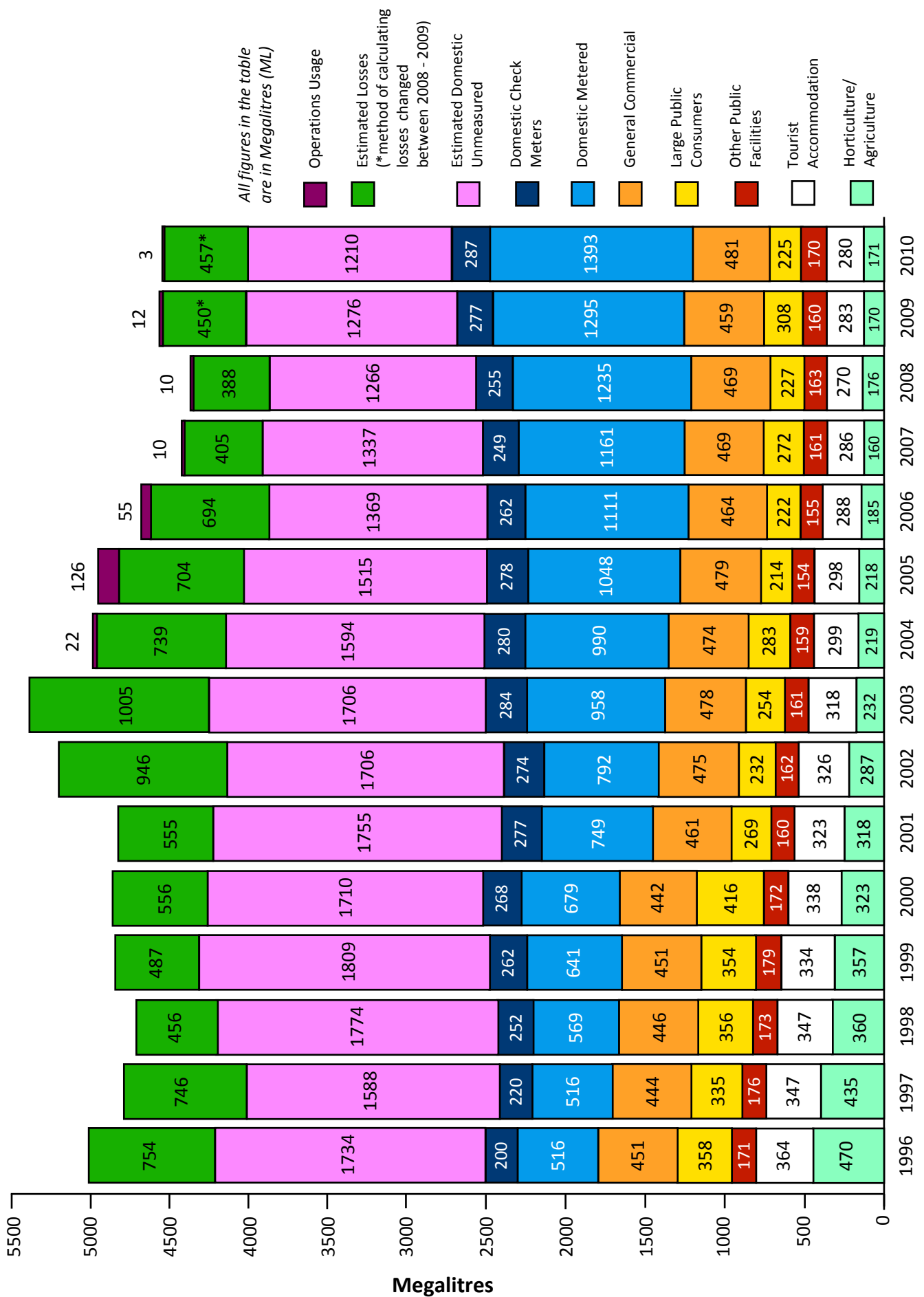
Objective	Timescale	Comments	Progress
Review and update Guernsey Water's Business Plan 2009-19	Annual	Completed	
Review and update Guernsey Water's PR Strategy and ensure objectives are actioned	Annual	Completed	
Regularly review the CDP and ensure that it is kept updated and accurate	Ongoing	Progressing	
Maintain and review Guernsey Water's set of KPI's and continue to benchmark against other jurisdictions	Ongoing	Progressing	
Produce a series of Annual Reports	Annual	Completed	
Review and update internal procedures	Ongoing	Progressing	
Continue to collaborate and liaise with Alderney on water industry matters	Ongoing	Progressing	



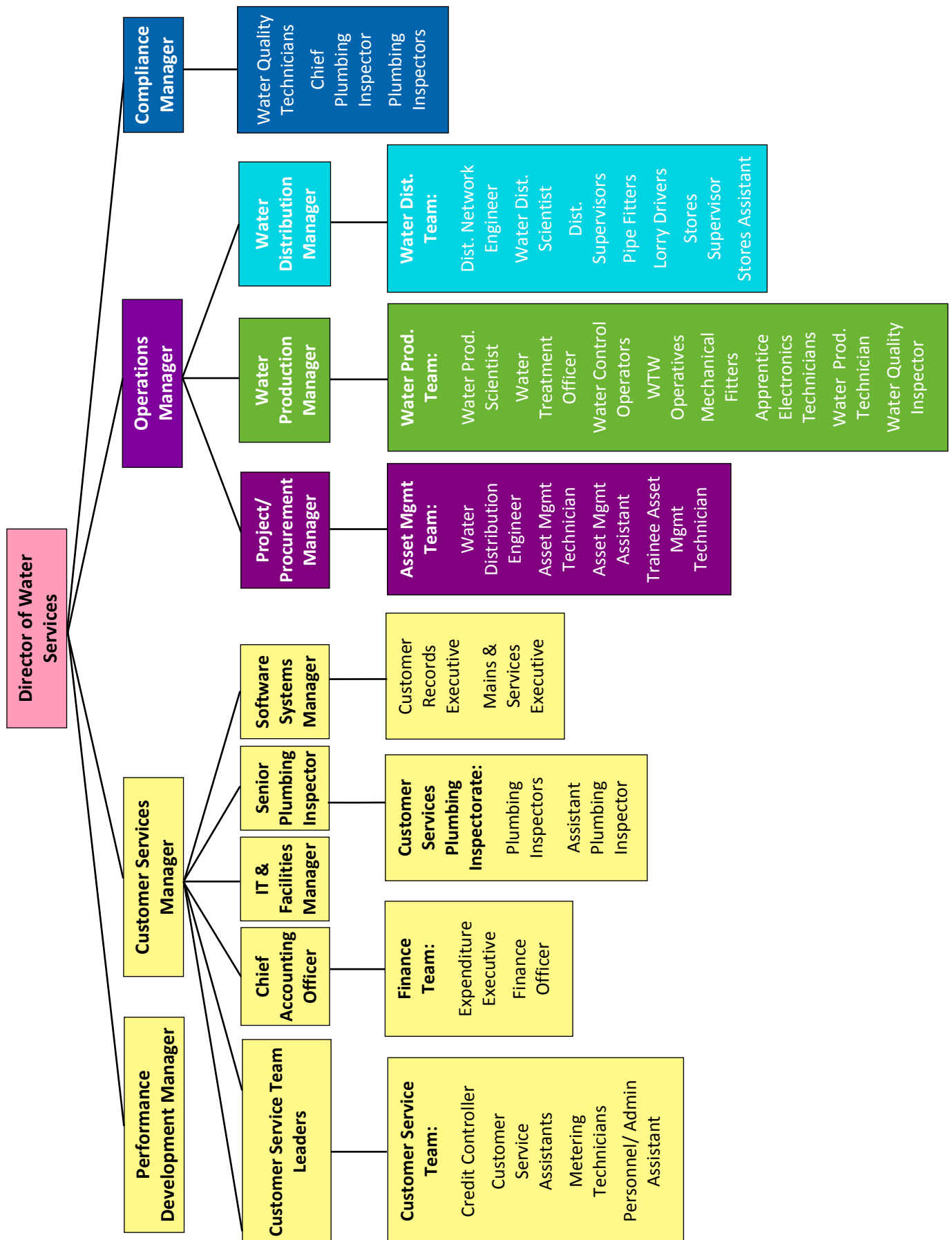
HEALTH & SAFETY - PAGE 29

Objective	Timescale	Comments	Progress
Carry out regular reviews of Guernsey Water's Health and Safety handbook	Ongoing	Progressing	
Ensure that four Health & Safety meetings are held per annum	Annual	Completed	
Continue to improve and benchmark accident statistics in order to provide a safe working environment for all staff, with appropriate facilities in place	Annual	2/3 indicators achieved - see page 29 for more details	
Carry out reviews of property assets in liaison with third party contractor	Ongoing	Progressing	

APPENDIX C - WATER CONSUMPTION



APPENDIX D - STAFF STRUCTURE



APPENDIX E - GLOSSARY

ML	Megalitre/s (1,000,000 litres or 1,000 cubic metres)
WTW	Water Treatment Works
PSD	Public Services Department
GWUG	Guernsey Water User Group
TRP	Tax on Real Property
CPD	Continuing Professional Development
KPI	Key Performance Indicator
OSEC	On Site Electrolytic Chlorine Generation
SCADA	Supervisory Control and Data Acquisition (remote monitoring system)
CDP	Capital Development Programme
OFWAT	UK water industry regulator
MAC	Maximum Admissable Concentrations
uPVC	Unplasticised Polyvinyl Chloride
DGPS	Digital Global Positioning System
Raw water	Untreated water
Potable	Treated (drinkable) water
Transpiration	The loss of water from plants (similar to evaporation)
Benthic survey	A study of invertebrates in a stream to assess the 'health' of the water
Sliplining	A method of inserting a smaller-diameter pipe into an existing pipe instead of replacing it
Desalination	The removal of salt from sea water in order to turn it into raw water
Bar	A unit of pressure

APPENDIX F - ACKNOWLEDGEMENTS

As always, I am indebted to the hard work and dedication of Guernsey Water staff, many of whom have to put up with working in difficult situations during antisocial hours in order to ensure that a continuous supply of high quality water is delivered to our customers. Guernsey Water would not have been able to achieve the success that it did during 2010 without the commitment and skills shown by staff, so I am very grateful to them, and hope for a successful 2011!

ANDREW REDHEAD
DIRECTOR OF WATER SERVICES

APPENDIX G - CONTACT US

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(from May 2011 onwards, staff will be located at Brickfield House, St Andrews)