

Secretary of State for Environment, Food & Rural Affairs
Water Resources Management Plan Consultation
Area 3D Nobel House
17 Smith Square
London
SW1P 3JR

30 August 2013

Dear Secretary of State

Bristol Water – Draft Water Resources Management Plan

Bristol Water published its draft Water Resources Management Plan (dWRMP) in May 2013 and this letter summarises our views of the draft plan. These views are based on a high-level review of the processes described in the plan against the requirements of the Water Resources Planning Guideline. They are without prejudice to any subsequent decisions that we may make in connection with the business plan that the company is scheduled to provide to us later this year as part of the price control review process.

In summary, Bristol Water needs to consider further the following areas in finalising its dWRMP:

- completing the company's willingness to pay (WTP) survey and analysis and demonstrating that this supports the levels of service and leakage as well as other service measures proposed in the WRMP;
- clarifying its position on maintaining forecast baseline leakage levels at or below the 2015 target level assumed in price limits;
- including appropriate water efficiency measures in its baseline forecast beyond 2015;
- presenting alternative programmes of options other than the company's preferred least-cost programme; and
- including scenario testing of its preferred programme in its final plan and consider consulting stakeholders on its scenario testing in advance of finalising it plan.

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1. Incorporation of customers' views

The company explains that it carried out a WTP survey, but that it was not completed in time to include the results in the dWRMP. In addition, while the WTP survey was apparently carried out in relation to customers' preferences for levels of service and was on-going for leakage reduction, it is not clear whether other measures, such as metering and water efficiency, were included in the survey. The company should explain how it has taken account of WTP in its final plan, and how customers' preferences for all options have been factored into its proposed solution.

Bristol Water has not set the plan in context for customers by indicating the potential impact on bills of its dWRMP proposals. The company should present this information in its final plan.

2. Baseline supply-demand balance

The dWRMP states that baseline level of leakage remains at or below the 2015 target of 49 MI/d assumed in price limits. But the data tables show that baseline leakage actually rises by 3 MI/d over the planning horizon, which is not in line with the guidance. The company should clarify its position on this in its final plan and, if appropriate, reappraise its options in light of the smaller forecast deficit.

The draft plan states that Bristol Water intends to continue with its recent water efficiency programmes until the end of Asset Management Period 5 (AMP5). However, beyond the end of AMP5 it seems the company has not included water efficiency measures in its baseline forecast as required by the Water Resources Planning Guideline. The company should address this in its final plan.

3. Options appraisal

The dWRMP is not clear on how Bristol Water has taken account of the potential operating cost savings of new sources of water, when compared to existing sources, in its options appraisal. The company should clarify this in its final plan.

It is not clear how Bristol Water has used the concept of 'utilisation' in the appraisal of the options in its plan. Utilisation is an important concept in determining a best value solution for customers and the environment. The company should clarify how this has been taken into account in its final plan.

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4. Final planning solution and scenario testing

The draft plan does not appear to present any alternative programmes of options other than the company's preferred least-cost programme. Bristol Water does present the ranking of feasible options on the basis of Average Incremental Cost (AIC) and Average Incremental Social Cost (AISC). However, the company should consider alternative programmes of options in its final plan.

Bristol Water states that it intends to conduct scenario testing for inclusion in its final plan but this is not present in the dWRMP. The absence of this scenario testing in the draft plan will make it harder for stakeholders to comment effectively on it. Bristol Water should include its scenario testing in its final plan and consider consulting on its scenario testing with stakeholders in advance of finalising its plan.

Yours sincerely,

Andrew Walker
Director - Wholesale Price Control Review