



Our Ref

email

Keith.Hutton@bristolwater.co.uk

Your Ref

Tel

07733 002674

Phil Griffiths
NHH Retail Price Review
Ofwat
21 Bloomsbury Street
London
WC1B 3HF

By email: NHHRetailPriceReview@ofwat.gsi.gov.uk

20th July 2016

Dear Ofwat

Please find attached our submission for the Business retail price review 2016.

Scope

We note the scope of the review as set out in your May 2016 publication. As such, this submission does not seek to adjust the overall allowance for business retail cost to serve or the net margin.

We note that the revised default tariffs will take effect from 1st April 2017 until 31st March 2020, or until such date as Bristol Water may exit the retail non-household market.

Tariff Structure

The methodology for this price control seeks to simplify the tariff caps by introducing uniform caps for medium and large users. At present our default tariff structure includes eight default tariffs. By adopting the uniform tariff cap structure this will reduce to five. For clarity we have amended the naming of our new measured bands to numbers rather than letters. Our current and revised tariff structures are as follows:

Bristol Water plc

Registered Office: PO Box 218, Bridgwater Road, Bristol BS99 7AU

Tel: (0117) 9665881 Fax: (0117) 9634576

Registered in England No. 2662226

www.bristolwater.co.uk



Consumption Ml/year	Current Band (2015/16 – 2016/17)	New Band (2017/18 – 2019/20)
250	A	1
100-250	B	
50-100	C	
15-50	D	2
5-15	E	
1-5	F	F
0-1	G	G
Unmeasured	U	U

The boundaries of the new bandings align with our current structure and therefore we do not consider any reallocation between bandings is required.

Customer Numbers

The current numbers of non-household customers originally allocated to each tariff band shows variances to those assumed in the original submission, based on 2012/13 numbers. However, we do not consider these variances to significantly impact the calculation of costs and margins for each band. Therefore, our calculations remain based on the original submission of customer numbers.

Allocation of Costs

We have reviewed our basis for allocation of costs between default tariff bands, as set out in our PR14 Retail Non-Household business plan. We consider that the method used for allocation of costs applied at PR14 remains appropriate and should be retained for the 2016 price control.

Meter reading and billing costs are the same for all customers using greater than 5 Ml/year, as all customers at this level of consumption receive monthly meter reads and bills. Other account management costs are higher for larger users as these receive dedicated account management and site visits. We consider that the averaging approach taken in merging the tariff bands will continue to adequately reflect these costs.

Bad debt costs were allocated in line with observed collection rates. We consider that this approach remains appropriate for setting of default tariffs at this price control.

Depreciation and market opening costs were allocated in line with proportion of total costs for each band. This approach remains appropriate following the merging of tariff bands.

Allocation of Net Margins

We have reviewed our basis for allocation of net margins between default tariff bands, as set out in our PR14 Retail Non-Household business plan. Margins were allocated 50% to fixed costs and 50% to variable costs. Fixed costs comprise meter reading, account management, billing, depreciation and market opening. Variable costs are based on debt collection. These costs were allocated between tariff bands as described above.

We consider that the method used for allocation of margins applied at PR14 remains appropriate and should be retained for the 2016 price control.

Overall net margins continue to equal the 2.5% limit set by Ofwat at PR14.

Customer Bill Impacts

We do not anticipate that the revised default tariff structure will significantly impact the end-user tariffs applied to non-household customers. We have informed our CCG, the Bristol Water Challenge Panel, of our approach to this price review and the potential impact on non-household customers.

Board Assurance

The Board of Bristol Water approved the attached assurance statement to accompany this submission at its meeting of 7th July 2016.

Kind regards

A handwritten signature in black ink, appearing to read 'K. Hutton', with a long horizontal flourish extending to the right.

Keith Hutton
Director of Strategy and Regulation



Business retail price review 2016

Board Assurance Statement

1. This statement is provided in accordance for the requirements set out in the Statement of method and data table requirements, published by Ofwat in May 2016
2. The Board reviewed Bristol Water's approach to this submission at its meeting on 7th July 2016.
3. With regard to the 2016 Retail Non-Household Price Review, the Board of Bristol Water confirms that:
 - a. the information provided is consistent with our legal obligations (including, where relevant, the prohibitions on undue discrimination or preference in licence condition E and licence condition R, and the charging scheme rules issued by Ofwat under section 143B of the Water Industry Act 1991) and competition law;
 - b. our CCG has been informed that our approach to this submission is not expected to result in significant amendments to the overall level of customer bills;
 - c. The original allocations and attributions that informed the PR14 final determinations remain reasonable; and
 - d. data tables have been completed accurately and consistent with any guidance that Ofwat has provided.

Signed for and on behalf of the Board:

A handwritten signature in blue ink that reads "Luis García".

Luis García
Chief Executive

A handwritten signature in blue ink that reads "Keith Ludeman".

Keith Ludeman
Chairman