

## Bristol Water: Actions summary table

### Actions guidance

#### Company actions

We categorise actions that slow-track and significant scrutiny companies need to do as the following:

- **required actions** for companies which in general are required so that we can make draft determinations (or final determinations for some aspects of past delivery); and
- **advised actions** for companies to do by a specific date but that are not required for our draft determinations.

Each action has a unique reference. The prefix 'BRL' denotes the company Bristol Water. The central acronym references the test area where the action has been identified, please see the 'PR19 initial assessment of plans: Glossary' for a key of these acronyms. Actions whose numbers are preceded with an 'A' denote required actions and actions whose numbers are preceded with a 'B' denote advised actions.

#### Timings and required response

- **Required actions:** Slow-track and significant scrutiny companies should address all **required actions** by the date shown in the 'date required' column in the table below (the majority of these are by 10am on 1 April 2019). The response to actions should be set out by companies in their resubmitted business plans and data tables. The template action tracker should be completed with a short description of the response and relevant business plan and/or data table references and should be submitted by 10 am on 1 April 2019. We will review the response to these actions in our assessment of company submissions ahead of determinations.
- **Advised actions:** Slow-track and significant scrutiny companies should set out their response to their **advised actions** by the date shown in the 'date required' column in the table below. For advised actions due on 1 April 2019 companies should include details of their response in their actions tracker.
- **Actions tracker:** Each company must complete and submit the template action tracker by 10 am on 1 April 2019 for review. For additional guidance, please see the cover page of the template action tracker.
- **Assurance:**
  - Assurance must be provided where requested as part of an action.
  - Companies must indicate the assurance that they have undertaken for all changes to data tables.
  - Where Customer Challenge Groups (CCGs) have provided assurance this should be indicated. In some instances, we have stated where we expect companies to work with CCGs as part of their re-submission of (parts of) their business plans. Please use our PR19 methodology as the guide for where their assurance of the quality of engagement with customers may be required.
  - If additional assurance is not required, companies may still provide it if they deem it appropriate.

For all the detailed actions documents referenced in the table below, the template action tracker and glossary, please see the [initial assessment of plans webpage](#).

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Test area	Action reference	Action type	Action	Date required
Engaging customers	N/A	N/A	None.	N/A
Addressing affordability and vulnerability	<b>BRL.AV.A1</b>	Required	<p>Bristol Water has not provided sufficient evidence to demonstrate that it has tested multiple bills profiles beyond 2025, particularly for the 2025-30 period, with customers.</p> <p>Bristol Water should undertake customer engagement on long-term bill profiles for the 2025-30 period and provide sufficient evidence to demonstrate customer support for each of the profiles tested. Bristol Water should confirm that testing has been assured by its CCG and conducted in line with social research best practice.</p>	1 April 2019
	<b>BRL.AV.A2</b>	Required	<p>Bristol Water has not provided sufficient evidence to demonstrate customer support for its proposed social tariff cross subsidy. Further rounds of testing are required and the company has committed to further testing in its business plan. To support all eligible (c25,000) customers on a social tariff, the company would require a cross-subsidy of £2.12 per household in 2025. Currently, customers support a cross-subsidy of £1.41.</p> <p>Bristol Water should undertake social tariff cross-subsidy testing with customers to confirm that the required amount (£2.12) to achieve the Performance Commitment target of providing social tariffs to 100% of customers that are eligible (c 25,000) is acceptable to customers.</p>	1 April 2019
	<b>BRL.AV.A3</b>	Required	<p>Bristol Water has not proposed a performance commitment on Priority Services Register (PSR) growth. It is proposing to increase its PSR reach from 0.5% in 2019/20 to 1.2% of customers in 2024/25. We consider this to be an insufficiently ambitious target. In addition, the company has checked 28.2% of PSR data over the past two years.</p> <p>We propose to introduce a Common Performance Commitment on the Priority Services Register (PSR): Bristol Water should include a Performance Commitment which involves increasing its PSR reach to at least 7% of its customer base (measured by households) by 2024/25 and committing to check at least 90% of its PSR data every two years.</p> <p>For further information on the performance commitment definition, and reporting guidelines, please refer to 'Common performance commitment outline for the Priority Service Register ("PSR")', published on the initial assessment of plans webpage.</p>	1 April 2019
	Advised actions	Advised	No advised actions.	N/A
Delivering outcomes for customers	<b>BRL.OC.A1-48</b>	Required	The company has a number of actions in relation to its performance commitments, outcome delivery incentives and ODI risk/return package. Please see 'Bristol Water: Delivering outcomes for customers detailed actions'.	Please see dates in 'Bristol Water: Delivering outcomes for customers detailed actions'

Test area	Action reference	Action type	Action	Date required
	Advised actions	Advised	No advised actions.	1 April 2019
Securing long-term resilience	<b>BRL.LR.A1</b>	Required	The company should ensure that its common and bespoke performance commitments associated with operational resilience are clearly defined, sufficiently demanding for AMP7 and the long term, and supported by the right incentives. We expect the company to satisfy the relevant actions set out in relation in the outcomes areas ensuring a line of sight between risks to resilience and package of outcomes.	1 April 2019
	<b>BRL.LR.A2</b>	Required	The company should provide a commitment that it will, by 22 August 2019, prepare and provide to us an action plan to develop and implement a systems based approach to resilience in the round and ensure that the company can demonstrate in the future an integrated resilience framework that underpins the company's operations and future plans showing a line of sight between risks to resilience, planned mitigations, package of outcomes and corporate governance framework.	1 April 2019
	<b>BRL.LR.A3</b>	Required	The company should provide a commitment to work with the sector to develop robust forward looking asset health metrics and provide greater transparency of how its asset health indicators influence its operational decision making.	1 April 2019
	<b>BRL.LR.A4</b>	Required	The company has noted the possibility of additional equity investment as a financial risk mitigation measure to maintain long term financial resilience. Please explain the steps the company and its Board have taken to ensure equity will be available if such support is required, particularly in the context: <ul style="list-style-type: none"> <li>of available headroom in the financial metrics under the actual financial structure given reconciliation adjustments from the current control period; and</li> <li>that the requested company specific adjustment to the cost of capital is not guaranteed (either at PR19 or at a future price control).</li> </ul>	1 April 2019
	Advised actions	Advised	No advised actions.	N/A
Targeted controls, markets and innovation	<b>BRL.CMI.A1</b>	Required	The company should provide further explanation of the impact of the ongoing dispute with the Canals and Rivers Trust in relation to the provision of water resources, including the risks and mitigating actions to ensure that the company has access to secure long term water resources.	1 April 2019
	<b>BRL.CMI.A2</b>	Required	The company should revise its water resources bid assessment framework document to provide clarity on how the company will handle and protect confidential information submitted by bidders. The company should provide more information to describe how the framework results in a proportionate approach for bidders.	15 July 2019
	Advised actions	Advised	No advised actions.	N/A
Securing cost efficiency	<b>BRL.CE.A1</b>	Required	We have provided our view of efficient costs for the company along with our reasoning. We expect it to address areas of inefficiency, or lack of evidence, in the revised business plan. Where appropriate, we expect it to withdraw investment proposals if either: <ul style="list-style-type: none"> <li>the need for investment is not compelling; or</li> </ul>	1 April 2019

Test area	Action reference	Action type	Action	Date required
			<ul style="list-style-type: none"> <li>there is no need for a cost adjustment claim beyond our existing cost baseline.</li> </ul>	
	<b>BRL.CE.A2</b>	Required	There may be significant impacts in terms of investment or type of investment as a result of the metaldehyde ban. The company should investigate and agree with the DWI the scale and timing of any potential changes compared to its submitted plans. Significant changes and uncertainty may require an outcome delivery incentive to protect customers in the instance of expenditure not being required. Should the company propose a performance commitment and outcome delivery incentive, the company should provide evidence to justify the level of the performance commitment and the outcome delivery incentive rates proposed, in line with our Final Methodology. We expect to receive evidence of customer support for outperformance payments, where proposed, and that the incentive rates proposed are reflective of customer valuations.	1 April 2019
	Advised actions	Advised	No advised actions	N/A
Aligning risk and return	<b>BRL.RR.A1</b>	Required	The company should remove the requested company specific adjustment from its plan and associated financial modelling or provide compelling evidence following the three-stage approach set out in the PR19 methodology if it continues to request a company specific adjustment.	1 April 2019
	<b>BRL.RR.A2</b>	Required	The company should provide further information on its proposed uncertainty mechanism relating to Canal & River Trust costs – to consider specifically whether the cost item will remain uncertain at the time of draft and final determinations.	1 April 2019
	<b>BRL.RR.A3</b>	Required	The company has targeted a credit rating for the notional company that is one notch above the minimum investment grade rating. The company should provide convincing evidence to support its view that this is reasonable for the long term financeability of the notional company or actions that could be taken to secure the long term financeability of the notional company.	1 April 2019
	<b>BRL.RR.A4</b>	Required	The company has targeted a credit rating for its actual structure that is one notch above the minimum investment grade rating, and lower than its current credit rating. The company should provide further evidence, and Board assurance, to support its view that this is reasonable for the financeability of the actual company.	1 April 2019
	<b>BRL.RR.A5</b>	Required	Further evidence and Board assurance is required that the business plan is consistent with maintaining the target credit rating given the weak financial ratios set out in the plan.	1 April 2019
	<b>BRL.RR.A6</b>	Required	The company should ensure it is using the correct assumptions, including the cost of debt without a company specific adjustment, for the notional company in assessing the key financial ratios.	1 April 2019
	<b>BRL.RR.A7</b>	Required	The company should provide further evidence to support the calculation of RCV run-off rates and demonstrate that the rates are consistent with the approach set out in the business plan.	1 April 2019
	<b>BRL.RR.A8</b>	Required	There are inconsistencies in the stated WACC inputs between main business plan document, business plan tables and submitted financial model. The company should ensure its subsequent submission contains a consistent set of assumptions.	1 April 2019

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Test area	Action reference	Action type	Action	Date required
	Advised actions	Advised	No advised actions	N/A
Accounting for past delivery	<b>BRL.PD.A1-8</b>	Required	The company has a number of actions in relation to the detail in some of its PR14 reconciliations. Please see 'Bristol Water: Accounting for past delivery detailed actions'.	Please see dates in 'Bristol Water: Accounting for past delivery detailed actions'
	<b>BRL.PD.A9-12</b>	Required	The company should develop and provide further evidence to support the continuous improvement and deliverability of outcomes and customer complaints handling. Please see 'Bristol Water: Accounting for past delivery detailed actions'.	Please see dates in 'Bristol Water: Accounting for past delivery detailed actions'
	Advised actions	Advised	No advised actions.	N/A
Securing confidence and assurance	<b>BRL.CA.A1-BRL.CA.A3</b>	Required	The company is required to restate a number of forward looking Board assurance statements. Please see 'Bristol Water: Securing confidence and assurance detailed actions.'	1 April 2019
	<b>BRL.CA.A4</b>	Required	On dividend policy the company is required to confirm that it is committed to adopt the expectations on dividends for 2020-25 as set out in 'Putting the sector in balance' to include: <ul style="list-style-type: none"> <li>• clear Board commitment to publish detail on dividend policies in the APR and to signal changes to stakeholders.</li> </ul> Please provide an update on the steps you are taking to fully meet the expectations as set out in our putting the sector in balance position statement.	1 April 2019
	<b>BRL.CA.A5</b>	Required	On executive pay the company is required to confirm that it is committed to adopt the expectations on performance related pay for 2020-25 as set out in 'Putting the sector in balance' to include: <ul style="list-style-type: none"> <li>• clear explanation of stretching targets and how they will be applied; and</li> <li>• commitment to report how changes, including the underlying reasons, are signalled to customers.</li> </ul> Please provide an update on the steps you are taking to fully meet the expectations as set out in our putting the sector in balance position statement.	1 April 2019

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Test area	Action reference	Action type	Action	Date required
	<b>BRL.CA.A6- BRL.CA.A7</b>	Required	The company is required to provide a revised financial model and data tables on 1 April 2019 and complete actions regarding its risk and return data. Please see 'Bristol Water: Securing confidence and assurance detailed actions.'	1 April 2019
	<b>BRL.CA.B1</b>	Advised	The company has an advisory action regarding its financial model and associated data tables. Please see 'Bristol Water: Securing confidence and assurance detailed actions.'	1 April 2019

## Securing cost efficiency

The tables below set out your performance on cost at different services and for different cost types. Costs are in £m of 2017-18. We index wholesale controls with consumer price inflation (CPIH). We do not index retail controls.

### Costs by control

Costs	Water resources	Network + (water)	Residential retail	Company level
Business plan totex (£m)	80.0	384.1	51.1	515.2
Our view of totex (£m)	68.7	334.4	45.5	448.6
Efficiency challenge (£m)	11.2	49.8	5.6	66.6
Efficiency challenge (%)	14.1%	13.0%	11.0%	12.9%

### Costs by residential retail and water

Costs	Residential retail	Wholesale water	Company level
Business plan totex (£m)	51.1	464.1	515.2
Our view of totex (£m)	45.5	403.1	448.6
Efficiency challenge (£m)	5.6	61.0	66.6
Efficiency challenge (%)	11.0%	13.1%	12.9%

### Costs by base, enhancement and residential retail

Costs	Wholesale base costs	Enhancement costs	Residential retail	Company level
Business plan base/enhancement costs (£m)	406.2	57.9	51.1	515.2
Our view of base/enhancement costs (£m)	361.8	41.3	45.5	448.6
Efficiency challenge (£m)	44.4	16.6	5.6	66.6
Efficiency challenge (%)	10.9%	28.7%	11.0%	12.9%

Efficiency challenge (%) = efficiency challenge (£m) divided by business plan totex.

Note, the costs in the tables do not include pension deficit repair costs (for which we make an allowance in accordance with our policy set out in Information Notice 13/17) and third party costs. The costs are gross of grants and contributions.

Key areas where we disallow enhancement costs.

- Wholesale water: raw water deterioration -£4m; and supply-demand balance (leakage) -£1m.