

July 2019

Trust in water

# PR19 draft determinations

**Bristol Water – Accounting for past delivery actions and interventions**

## PR19 Draft Determinations: Bristol Water - Accounting for past delivery actions and interventions

Following our initial assessment of plans, we categorised two types of actions for slow-track and significant scrutiny companies:

- required actions for companies which in general were required for 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.

Table 1 below sets out the required and advised actions, the model the action relates to, a summary of the company's response to the action, our assessment of the company's response, and any further interventions we are making as part of the draft determination. Table 1 also sets out any further interventions that are not resulting from an action which we are making as part of the draft determination.

Each action and further intervention that is not resulting from an 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 draft determinations: Glossary' for a key to these acronyms. Actions whose numbers are preceded with an 'A' denote required actions. Actions whose numbers are preceded with a 'B' denote advised actions. Interventions not resulting from an action are preceded with a 'C' followed by a three digit code for the model the intervention is relevant to, and a two digit reference for the interventions in that model. The model codes are set out below.

| Model                            | Code |
|----------------------------------|------|
| ODIs                             | 002  |
| Land sales                       | 003  |
| WRFIM                            | 005  |
| Totex                            | 006  |
| Water trading                    | 007  |
| Residential retail               | 008  |
| SIM                              | 009  |
| RCV adjustments feeder model     | 010  |
| Revenue adjustments feeder model | 011  |

Table 2 below is supplementary to Table 1 and provides additional information on our assessment of the evidence provided in response to required actions on deliverability. This constitutes our feedback on these required actions as set out in '[PR19 initial assessment of plans: Summary of test area assessment](#)'.

For all other documents related to the Bristol Water draft determination, please see the [draft determinations webpage](#).

**Table 1 – Bristol Water’s response to required actions and interventions for draft determinations**

| Model          | Ref.       | Action type | Action  | Date required | Summary of company response to the action   | Our assessment and rationale  | Interventions |
|----------------|------------|-------------|---|---------------|---|---|---------------|
| Land disposals | BRL.PD.A1  | Required    | <b>PR14 Land sales:</b> Bristol Water is required to provide additional evidence to support the forecast trajectory in table App9.  | 1 April 2019  | Bristol Water provides additional evidence to support the forecast trajectory in table App9.  | No intervention required.<br><br>Commentary supplied to support the forecast is sufficient.   | N/A           |
| Outcomes       | BRL.PD.A2  | Required    | <b>PR14 Outcome delivery incentives:</b> Bristol Water is required to provide evidence of how it considers leakage performance should be rounded before applying the outcome delivery incentive rate in tables App5/App6 and update App27.  | 1 April 2019  | Bristol Water is rounding the average leakage performance to 1 decimal place, in accordance with the <a href="#">‘Corrigenda to the company specific appendix that accompanied the Notification by the Water Services Regulation Authority of its determination of Price Controls for Retail Activities and for Wholesale Activities for Bristol Water Limited’</a> . The company states that it has recalculated the underperformance penalties on this basis. | No intervention required.<br><br>We will review Bristol Water’s updated data submitted in response to action BRL.PD.A3 before making any interventions for the final determination. | N/A           |
| Outcomes       | BRL.PD.A3a | Required    | <b>PR14 Outcome delivery incentives:</b> Bristol Water is required to update its forecast for 2019-20 performance to take account of the actual 2018-19 performance for all its performance commitments.<br><br>We expect the company to pay particular focus where we found the evidence provided in its business plan for the 2018-20 forecasts to be insufficient which was for: | 15 July 2019  | No company action required for the draft determination.   | No intervention required.<br><br>We will review Bristol Water’s updated data before making any interventions for the final determination.   | N/A           |

| Model              | Ref.       | Action type | Action   | Date required | Summary of company response to the action   | Our assessment and rationale  | Interventions |
|--------------------|------------|-------------|--|---------------|---|---|---------------|
| Outcomes           | BRL.PD.A3b | Required    | D1: Mean zonal compliance (MZC)  | 15 July 2019  | As BRL.PD.A3a   | As BRL.PD.A3a   | As BRL.PD.A3a |
| Outcomes           | BRL.PD.A3c | Required    | E1: Negative water quality contacts  | 15 July 2019  | As BRL.PD.A3a   | As BRL.PD.A3a   | As BRL.PD.A3a |
| Outcomes           | BRL.PD.A3d | Required    | A2: Asset reliability - infrastructure   | 15 July 2019  | As BRL.PD.A3a   | As BRL.PD.A3a   | As BRL.PD.A3a |
| Outcomes           | BRL.PD.A3e | Required    | A3: Asset reliability - non-infrastructure   | 15 July 2019  | As BRL.PD.A3a   | As BRL.PD.A3a   | As BRL.PD.A3a |
| Outcomes           | BRL.PD.A3f | Required    | F1: Leakage  | 15 July 2019  | As BRL.PD.A3a   | As BRL.PD.A3a   | As BRL.PD.A3a |
| Outcomes           | BRL.PD.A3g | Required    | A1: Unplanned customer minutes lost  | 15 July 2019  | As BRL.PD.A3a   | As BRL.PD.A3a   | As BRL.PD.A3a |
| Residential retail | BRL.PD.A4a | Required    | <b>PR14 Residential retail:</b> Bristol Water is required to provide further clarity on the reasons for the difference between reforecast customer numbers and actual customer numbers in 2018-2019 in table R9. | 1 April 2019  | No direct response apart from the following statement: "The customer numbers in R9 have been updated to reflect those used in 2019/20 charges forecasts." | No intervention required.<br>We consider the explanation provided to be sufficient. | N/A           |

| Model              | Ref.           | Action type                               | Action  | Date required | Summary of company response to the action  | Our assessment and rationale  | Interventions   |
|--------------------|----------------|---|---|---------------|--|---|---|
| Residential retail | BRL.PD.A4b     | Required                                  | <b>PR14 Residential retail:</b> Bristol Water is required to clarify the justification for its 2019-2020 forecast which departs from the previously observed trends.            | 1 April 2019  | The company states that the forecast for 2019-2020 departs from the previously observed trends due to its increased metering penetration target for 2019-2020.                       | No intervention required.<br>We consider the explanation provided to be sufficient.   | N/A   |
| Residential retail | BRL.PD.C008.01 | Intervention not resulting from an action | N/A   | N/A           | N/A  | Intervention required.<br>We are intervening to apply the appointee WACC as the discount rate to be used to provide a financing adjustment for the time value of money of the reward or penalty in line with the ' <a href="#">PR14 reconciliation rulebook</a> ' but for Bristol Water, consistent with the Competition and Markets Authority's (CMA) determination of Bristol Water's cost of capital. This may be required if the materiality threshold for financing adjustment is exceeded.<br><br>Our intervention ensures that there is no mismatch between the discount rate used and the revenue control to which it is applied. | For Bristol Water we are including a figure of 3.81% for the 'Materiality threshold for financing adjustment - Discount Rate.' This replaces the figure of 3.67% contained in Bristol Water's April 2019 submission.<br><br>Our interventions do not result in any changes to the total residential retail revenue payment at the end of the 2015-20 period because the materiality threshold is not exceeded.<br><br>Please see published draft determination residential retail revenue reconciliation model for Bristol Water. |
| SIM                | BRL.PD.A5      | Required                                  | <b>PR14 Service incentive mechanism:</b> Bristol Water is required to provide further explanation for the change to the 2017-18 value and the forecast trajectory in table R10. | 1 April 2019  | Bristol Water provides explanations for the 2017-18 value in an initial assessment of plans query response, and the forecast trajectory in its business plan section C7.5 (page 36). | No intervention required.<br>We consider the explanation provided to be sufficient.   | N/A   |

| Model | Ref.           | Action type                               | Action  | Date required | Summary of company response to the action   | Our assessment and rationale   | Interventions  |
|-------|----------------|---|---|---------------|---|--|--|
| SIM   | BRL.PD.C009.01 | Intervention not resulting from an action | N/A   | N/A           | N/A   | Intervention required.<br><br>We are intervening to adjust Bristol Water's household retail revenue as a result of its SIM performance from 2015-16 to 2018-19.                        | We are intervening to set the service incentive mechanism adjustment to +0.16% of household retail revenue, which is £0.086 million (2017-18 FYA CPIH deflated price base) in total over the period. We explain how we calculate this in the 'Accounting for past delivery technical appendix'.  |
| Totex | BRL.PD.A6a     | Required                                  | <b>PR14 Totex:</b> Bristol Water is required to amend the values as submitted in the table WS15 to match those in the model.                        | 1 April 2019  | Bristol Water amends the values as submitted in table WS15 to match those in the model with the exception of PAYG figures.  | Intervention required.<br><br>Bristol Water does not report the PAYG figures as specified by the CMA in table WS15. We are intervening to apply PAYG figures as determined by the CMA. | We are intervening to change the PAYG figures from 59.94%, 54.03%, 54.05%, 54.07%, 54.16% for years 2015-20. We are changing these to 59.94% for 2015-16 and 54.20% for the remaining years. These figures are provided in the CMA's determination (Para's 11.11 and 11.73).<br><br>This change increases Bristol Water's revenue by £16k and reduces its RCV by the same amount.<br><br>Along with BRL.PD.C006.01 below, our intervention decreases the RCV adjustment at the end of the period from - £8.247 million to - £8.239 million and the revenue adjustment at the end of the period from - £2.570 million to - £2.569 million (2017-18 FYA CPIH deflated price base). |
| Totex | BRL.PD.A6b     | Required                                  | <b>PR14 Totex:</b> Bristol Water is required to update the value for transitional expenditure to actual value.                                      | 1 April 2019  | Bristol Water updates the transitional expenditure value to the actual outturn figure.  | No intervention required.  | N/A  |
| Totex | BRL.PD.A6c     | Required                                  | <b>PR14 Totex:</b> Bristol Water is required to provide a detailed explanation to support its forecasted performance for years 2018-19 and 2019-20. | 1 April 2019  | Bristol Water provides some information in 'C7 Track record of delivery' (P.72) to support its forecast performance in 2019-20.<br><br>It forecasts additional expenditure associated with leakage and the re-phasing of capital expenditure. | No intervention required.<br><br>The company provides sufficient explanation in support of its forecasts.  | N/A  |

| Model      | Ref.           | Action type                               | Action   | Date required | Summary of company response to the action  | Our assessment and rationale  | Interventions   |
|------------|----------------|---|--|---------------|--|---|---|
| Totex      | BRL.PD.C006.01 | Intervention not resulting from an action | N/A  | N/A           | N/A  | Intervention required.<br>Bristol Water uses the incorrect wholesale water baseline totex figure for all years. We are intervening to correct this figure.  | The baseline totex figure is calculated by deducting the 3 <sup>rd</sup> party and pension deficit repair allowances from the CMA's allowed totex figure. The company uses 3 <sup>rd</sup> party figures rounded to 2 decimal places in its calculation leading to a minor difference (£14k) from our calculated figures. We have calculated this figure using the final determination figures (£1.077m for 2015-16 and £1.015m for the remaining years).<br><br>Along with BRL.PD.A6a above, our intervention decreases the RCV adjustment at the end of the period from - £8.247 million to - £8.239 million and the revenue adjustment at the end of the period from - £2.570 million to - £ 2.569 million (2017-18 FYA CPIH deflated price base). |
| WRFIM      | BRL.PD.A7      | Required                                  | <b>PR14 Wholesale revenue forecasting incentive mechanism:</b> Bristol Water is required to use the 2015-16 revenue recovered value from table WS13 in the model.  | 1 April 2019  | We withdrew this action as subsequent engagement with Bristol Water confirms the prepopulated 2015-16 data we issued in the business plan table template does not reflect the company's restated 2015-16 annual performance report tables. | No intervention required.<br>We updated the prepopulated data values in the April submission table template.  | N/A   |
| All models | BRL.PD.A8      | Required                                  | <b>PR14 reconciliations:</b> Further to the actions we have set out to address our concerns over the evidence provided in its business plan for the individual reconciliations, we will require the company to refresh all of its PR14 reconciliations to replace its 2018-19 forecast performance with 2018-19 actual performance and update the evidence for its forecast 2019-20 performance taking into account of the actual 2018-19 performance. | 15 July 2019  | No company action required for the draft determination.  | No intervention required.<br>We will review Bristol Water's responses to its actions and further information provided for all the PR14 reconciliation models before making any further interventions for the final determination. | N/A   |

| Model               | Ref.           | Action type                               | Action | Date required | Summary of company response to the action | Our assessment and rationale  | Interventions   |
|---------------------|----------------|---|--------|---------------|---|---|---|
| Revenue adjustments | BRL.PD.C011.01 | Intervention not resulting from an action | N/A    | N/A           | N/A                                       | <p>Intervention required.</p> <p>We are standardising the discount factor used to profile revenue adjustments.</p> <p>Companies can choose to apply revenue adjustments either in the first year, or, spread over a number of years in the 2020-25 period to minimise the impact on bills or to generate a bill profile that is appropriate for its customers.</p> <p>We consider the wholesale WACC is an appropriate discount factor as this is a measure of the time value of money that is consistent with the price control framework. We are not intervening in Bristol Water's choices for profiling revenue adjustments in 2020-25.</p> | We are using our view of the wholesale WACC (3.09%) as the discount factor to preserve the net present value of the outperformance or underperformance payments due when spreading adjustments over the period. |



| Model | Ref.      | Action type | Action   | Date required | Summary of company response to the action  | Our assessment and rationale  | Interventions  |
|-------|-----------|-------------|--|---------------|--|---|--|
| N/A   | BRL.PD.A9 | Required    | <p>Bristol Water should produce and provide to Ofwat additional evidence that it has identified:</p> <ul style="list-style-type: none"> <li>the drivers of its past and current outcomes performance, including financial and reputational performance commitments;</li> <li>lessons learnt from good and poor past and current performance;</li> <li>the performance gap between current performance and proposed performance in the 2020-25 business plan; and</li> <li>the measures planned or already in place to ensure deliverability of the 2020-25 business plan.</li> </ul> | 1 April 2019  | <p>The company provides additional evidence on deliverability in response to this action for three of the four performance commitments over which we had significant or material concerns during our initial assessment:</p> <ul style="list-style-type: none"> <li>leakage;</li> <li>water supply interruptions; and</li> <li>meter penetration</li> </ul> <p>The company does not provide additional evidence on deliverability for its mains repairs performance commitment in response to this action.</p> | <p>We have reviewed the company's response to this action on the performance commitments over which we had significant or material concerns in our initial assessment of business plans. For our assessment and rationale see table 2.</p> <p><b>Leakage performance commitment</b></p> <p>Intervention required.</p> <p><b>Water supply interruptions performance commitment</b></p> <p>No intervention required.</p> <p>Taking into account the additional evidence provided on deliverability we consider no intervention is required as customers are adequately protected.</p> <p><b>Mains repairs performance commitment</b></p> <p>Intervention required.</p> <p><b>Meter penetration performance commitment</b></p> <p>Intervention required.</p> | <p><b>These conclusions on interventions take account of the evidence submitted for actions BRL.PD.A9 and BRL.PD.A10.</b></p> <p><b>Leakage performance commitment</b></p> <p>We are intervening in outcomes to protect customers by providing sufficient incentives to mitigate the risks around delivery of 2020-25 stretch. See BRL.OC.A17 within the "Bristol Water – Actions and interventions" document for outcomes.</p> <p><b>Water supply interruptions performance commitment</b></p> <p>N/A</p> <p><b>Mains repairs performance commitment</b></p> <p>We are intervening in outcomes to protect customers by providing sufficient incentives to mitigate the risks around delivery of 2020-25 stretch. See BRL.OC.A11 within the "Bristol Water – Actions and interventions" document for outcomes.</p> <p><b>Meter penetration performance commitment</b></p> <p>We are intervening to protect customers by increasing the company's outcome delivery incentive underperformance payment rate for meter penetration to its PR14 outcome delivery incentive rate as we consider that a stronger incentive is required for the company to achieve the level of stretch in the 2020-25 business plan.</p> <p>This increases the company's outcome delivery incentive underperformance rate for meter penetration from £0.026 million per 1% increase to its PR14 underperformance rate of ££0.043 million per 1% increase. See BRL.OC.A37 within the "Bristol Water – Actions and interventions" document for outcomes.</p> |

| Model | Ref.       | Action type | Action   | Date required | Summary of company response to the action   | Our assessment and rationale  | Interventions   |
|-------|------------|-------------|--|---------------|---|---|---|
| N/A   | BRL.PD.A10 | Required    | <p>Bristol Water should produce and provide an action plan that sets out:</p> <ul style="list-style-type: none"> <li>how Bristol Water will continuously monitor performance against PR14 and PR19 performance commitments, including how this relates to section 3 of the Annual Performance Report and what evidence it will look for beyond itself and the sector;</li> <li>how Bristol Water will identify drivers of performance and lessons learnt from both good and poor performance;</li> <li>how Bristol Water will identify measures to improve performance and integrate these into its business; and</li> <li>how Bristol Water will ensure that this is a continuous rather than one-off process.</li> </ul> | 1 April 2019  | <p>The company provides an action plan for 2020-25 in response to this action for three of the four performance commitments over which we had significant or material concerns during our initial assessment:</p> <ul style="list-style-type: none"> <li>Leakage</li> <li>Water supply interruptions; and</li> <li>Meter penetration</li> </ul> <p>The company does not provide an action plan for 2020-25 in response to this action for the mains repairs performance commitment over which we had material concerns during our initial assessment.</p> | <p>See assessment for action BRL.PD.A9 above for conclusions on interventions. For our assessment and rationale see table 2.</p> <p>We have reviewed the company's response to this action on the performance commitments over which we had significant or material concerns in our initial assessment:</p> <p><b>Leakage performance commitment;</b></p> <p><b>Water supply interruptions performance commitment;</b></p> <p><b>Mains repairs performance commitment; and</b></p> <p><b>Meter penetration performance commitment</b></p> | <p><b>Leakage performance commitment</b><br/>See interventions for action BRL.P.A9.</p> <p><b>Water supply interruptions performance commitment</b><br/>N/A</p> <p><b>Mains repairs performance commitment</b><br/>See interventions for action BRL.PD.A9.</p> <p><b>Meter penetration performance commitment</b><br/>See interventions for action BRL.PD.A9.</p>   |
| N/A   | BRL.PD.A11 | Required    | <p>Bristol Water should produce and provide to Ofwat additional evidence that it has identified:</p> <ul style="list-style-type: none"> <li>the drivers of its complaints handling performance both in terms of the number of complaints and how well complaints are dealt with;</li> <li>lessons learnt from good and poor past and current performance;</li> <li>the performance gap between current performance and proposed performance in the 2020-25 business plan; and</li> <li>the measures planned or already in place to ensure deliverability of the 2020-25 business plan.</li> </ul>  | 1 April 2019  | <p>The company provides additional deliverability evidence in response to this action.</p>  | <p>No intervention required.</p> <p>However, we require further information from the company to determine whether on intervention will be necessary in the final determination.</p> <p>For our assessment and rationale see table 2.</p>  | <p><b>These conclusions on interventions take account of the evidence submitted for actions BRL.PD.A11 and BRL.PD.A12.</b></p> <p>We are not intervening in the company's draft determination, however we are requiring the company to submit additional monthly data on 3 September to support the deliverability of its forecast improvement in customer complaints handling performance.</p> <p>We will review the additional evidence provided by the company on 3 September before deciding whether or not to intervene in the final determination. If we conclude that customers are not sufficiently protected, we could intervene to introduce a performance commitment similar to Dŵr Cymru's performance commitment on customer complaints.</p> |

| Model | Ref.       | Action type | Action  | Date required | Summary of company response to the action  | Our assessment and rationale  | Interventions                            |
|-------|------------|-------------|---|---------------|--|---|--|
| N/A   | BRL.PD.A12 | Required    | <p>Bristol Water should produce and provide an action plan that sets out:</p> <ul style="list-style-type: none"> <li>• how Bristol Water will continuously monitor performance, including with reference to CCWater analysis and targets, and those related to the delivery of C-Mex, including what evidence and best practice it will look for beyond itself and the sector;</li> <li>• how Bristol Water will identify drivers of performance and lessons learnt from both good and poor performance;</li> <li>• how Bristol Water will identify measures to improve performance and integrate these into its business; and</li> <li>• how Bristol Water will ensure that this is a continuous rather than one-off process.</li> </ul> | 1 April 2019  | The company provides an action plan for how it plans to improve its customer complaints handling performance for 2020-25 in response to this action. | <p>See assessment for action BRL.PD.A11 above for conclusions on interventions.</p> <p>For detailed assessment and rationale see table 2.</p> | See interventions for action BRL.PD.A11. |

**Table 2 – Past delivery deliverability assessments supplementary table**

| Action reference | Our assessment and rationale   |
|------------------|--|
| BRL.PD.A9        | <p><b>Outcomes – additional deliverability evidence</b></p> <p><b>Leakage performance commitment</b></p> <p><b>The company provides insufficient and unconvincing evidence of performance drivers and lessons learnt.</b></p> <p>The company provides sufficient evidence that it recognises the performance gap between current outcomes performance in leakage and proposed performance in the 2020-25 plan. It provides insufficient evidence that it has identified and understood the main drivers of its past performance on leakage. The company recognises that there is a requirement to make a substantial improvement in year 5 of the 2020-25 period in order to meet its 43ML/d annual target. The company also identifies several key areas where they will be making further improvements as part of its action plan.</p> <p>However, the company does not state explicitly what the primary causes of it missing its targets in this area are. The company references improvements in productivity that will occur from employing more staff and bringing resource in house, which suggests that the use of contract staff may have been a factor, but it is not clearly specified whether this was the primary cause of missed leakage targets. The company has a target to be an upper quartile performer in the 2020-25 period.</p> <p><b>The company provides evidence of measures to improve performance, but there is insufficient evidence that these measures will deliver the level of stretch in the 2020-25 business plan given the company's past performance.</b></p> |

| Action reference | Our assessment and rationale  |
|------------------|---|
|                  | <p>The company provides evidence of measures it has implemented, or will be implementing, to deliver the level of stretch proposed in the 2020-25 business plan. These include a new regional leakage delivery manager and 14 new leakage trainees to facilitate its new action plan as well as oversight and monitoring at several levels of the business including senior levels, such as at executive and programme governance level.</p> <p>However, given the scale of reductions required, and as all reductions from the current low levels of performance are yet to be realised, it is not possible to confirm the extent to which these measures will deliver the stretch in the 2020-25 business plan.</p> <p><b>Water supply interruptions performance commitment</b></p> <p><b>The company provides sufficient and convincing evidence of performance drivers and lessons learnt.</b></p> <p>The company provides sufficient evidence that it recognises the performance gap between current outcomes performance in water supply interruptions and proposed performance in the 2020-25 plan. The company has explained its deviations from PR14 water supply interruptions performance commitments and acknowledged areas for improvement.</p> <p>The company provides clear evidence that it understands its performance drivers and learnt lessons from the current performance through a thorough SWOT analysis and additional evidence in the form of a case study.</p> <p><b>The company provides sufficient and convincing evidence of measures to improve performance and sufficient and convincing evidence that these measures can deliver the level of stretch in the 2020-25 business plan.</b></p> <p>The company evidences the measures it has taken to improve performance during 2015-20, and put in place further measures to ensure it will successfully deliver its 2020-25 business plan commitments through a specific SWOT analysis and action plan.</p> <p>The company provides evidence of governance and oversight of the improvement process and senior management commitment to implement lessons learnt and additional measures proposed both on the specific supply interruptions side and also at a general company improvement perspective through its transformation programme.</p> <p>There will always be risks facing delivery such as unexpected pipe bursts or third party damage, but the company appears to be taking reasonable steps through its action plan to address or mitigate the impact of these.</p> <p><b>Mains repairs performance commitment</b></p> <p><b>The company does not provide evidence of performance drivers and lessons learnt.</b></p> <p>The company does not provide an explanation for the drivers behind its poor performance on mains bursts. Whilst it references mains bursts in relation to supply interruptions, it does not explain why performance has deviated from targets and what areas will be targeted for improvement on this measure.</p> <p><b>The company does not provide evidence of measures to improve performance, and insufficient evidence that it can deliver the level of stretch in the 2020-25 business plan given the company's past performance.</b></p> <p>The company does not provide evidence to state how levels of mains bursts will be improved to deliver the level of stretch identified in the 2020-25 period. The company has put in place further governance procedures as part of its transformation programme but there does not appear to be specific consideration for mains bursts as there is for supply interruptions and leakage.</p> <p><b>Meter penetration performance commitment</b></p> <p><b>The company provides sufficient and convincing evidence of performance drivers and lessons learnt.</b></p> <p>The company provides sufficient evidence that it recognises the performance gap between current outcomes performance in meter penetration and proposed performance in the 2020-25 plan. It has provided sufficient and convincing evidence that it has identified and understood the main drivers of its past performance on meter penetration. These include inefficiencies caused by inflexible deployment of resources, missed appointments and wasting time on unresponsive customers.</p> <p>It provides sufficient and convincing evidence that it has identified areas for improvement in this area. These include increasing customer awareness of the availability and ease of meter installation, training and upskilling of the workforce so that resources can be deployed more flexibly, installing meters in empty properties and setting up a dedicated project team "Meter 66" to tackle meter penetration performance.</p> <p><b>The company provides insufficient and unconvincing evidence of measures that it has implemented, or will be implementing, to deliver the level of stretch proposed in the 2020-25 business plan.</b></p> |

| Action reference | Our assessment and rationale  |
|------------------|---|
|                  | <p>The average increase of 2-3% in meter penetration over the 2015-20 period appears reasonable given the number of new initiatives that the company has put in place or intends to put in place.</p> <p>However, it is not clear whether the company can achieve its ambitious target of 64% meter penetration by the end of the 2015-20 period. Throughout 2015-20 meter penetration has been increasing at an annual rate of 2%, 3% and 4%. The increase needed in the last year of the 2015-20 period to achieve the target of 64% meter penetration is much higher than this at 8%. Whilst it is clear that the company has put and is putting in place a number of measures to improve performance, we cannot confirm that an 8% increase and achievement of the 64% target by the end of 2019-20 is reasonable given that it is not clear when the new initiatives were or will be put in place and when the benefits from these will be realised.</p> <p>In conclusion, if we cannot confirm that the starting point - a meter penetration target of 64% by the end of 2019-20 - is achievable, then we cannot confirm that a meter penetration target of 75% by the end of 2024-25 is achievable.</p>  |
| BRL.PD.A10       | <p><b>Outcomes – action plan</b></p> <p><b>Leakage performance commitment</b></p> <p><b>The company provides sufficient and convincing evidence for how it will monitor performance.</b></p> <p>The company provides sufficient and convincing evidence of how it will continuously monitor performance against PR14 and PR19 performance commitments through Board, Executive Board, Programme Governance Committee and The Leakage Strategy Steering Group. It has also created and will monitor performance against a number of key performance indicators for leakage.</p> <p>The company does not demonstrate how this relates to section 3 of the Annual Performance Report, but has provided some evidence that it is seeking best practice from beyond itself and the sector, for example with respect to asset management activities.</p> <p><b>The company provides some evidence on the processes it has / will put in place to identify drivers of performance and lessons learnt.</b></p> <p>The company provides some evidence of how it will identify drivers of performance and lessons learnt from both good and poor performance through enhanced performance reporting and improved analytics. The company will use data from work management systems, real time data systems and historical trends, together with externally sourced data such as weather reports and local events to allow it to understand the cause and effects of events on its network and use this knowledge to help predict and manage future issues. However, it is unclear when during the 2020-25 period the data and systems required to undertake this analysis will become available and therefore the impact that they will have.</p> <p><b>The company provides some evidence on the processes it has / will put in place to identify measures to improve performance.</b></p> <p>The company has significantly increased the size of its leakage detection team including moving to an internal team rather than contracted resources, it has provided additional training on leakage management and supervision. It will also deploy acoustic leak noise loggers in the worst performing areas, configure cello flow and pressure loggers, install permanent flow logging on waste water meters and undertake a focused pressure management project to improve performance. However, the timing of the implementation of some of the new measures is unclear, meaning that there is uncertainty over which the extent to which they may improve performance in the 2020-25 period.</p> <p><b>The company provides sufficient and convincing evidence that it has a continuous process in place for learning lessons from performance on outcomes and implementing appropriate measures as a result.</b></p> <p>The company provides sufficient and convincing evidence of how it will continuously monitor performance against PR14 and PR19 performance commitments through Board, Executive Board, Programme Governance Committee and The Leakage Strategy Steering Group.</p> <p><b>Water supply interruptions performance commitment</b></p> <p><b>The company provides sufficient and convincing evidence for how it will monitor performance</b></p> <p>The company provides sufficient and convincing evidence of how it will continuously monitor performance against PR14 and PR19 performance commitments through Board, Executive Board, Programme Governance Committee and The Supply Interruptions Group. It has also created and will monitor performance against a number of key performance indicators for water supply interruption.</p> <p>It does not demonstrate how this relates to section 3 of the Annual Performance Report, but has provided some evidence that it is seeking best practice from beyond itself and the sector, for example with respect to asset management activities.</p> <p><b>The company provides insufficient and unconvincing evidence on the processes it has / will put in place to identify drivers of performance and lessons learnt.</b></p> <p>The company presents the results of its root cause analysis in its SWOT analysis but the only reference it makes to identifying cost drivers and lessons learnt is that it will use post event debriefs to identify learning points.</p> <p><b>The company provides insufficient and unconvincing evidence on the processes it has / will put in place to identify measures to improve performance.</b></p> |



| Action reference | Our assessment and rationale   |
|------------------|--|
|                  | <p>The company provides insufficient and unconvincing evidence of how it will identify measures to improve performance and integrate these into its business. The company states, in general terms, that it will use post event debriefs to identify learning points and use these to improve performance and refers to its long-term collaboration with a technology company and university as helping it to achieve continuous improvement. The company does not explain how it will integrate new measures into the business other than by providing training on and testing new working procedures.</p> <p><b>The company provides some evidence that it has a continuous process in place for learning lessons from performance on outcomes and implementing appropriate measures as a result.</b></p> <p>The company cites the use of new technologies and systems based approaches, using the long-term collaboration with a technology company and university as the key to ensuring continuous improvement.</p> <p><b>Mains repairs performance commitment</b></p> <p><b>The company does not provide an action plan which covers its mains repairs performance commitment for 2020-25.</b></p> <p>Therefore the company does not provide evidence for how it will monitor performance on the processes it has / will put in place to identify drivers of performance, lessons learnt and measures to improve performance and that this will be continuous rather than a one off.</p> <p><b>Meter penetration performance commitment</b></p> <p><b>The company provides some evidence for how it will monitor performance.</b></p> <p>The company provides some evidence of how it will continuously monitor performance against PR14 and PR19 performance commitments. For example, it sets out the governance structure for monitoring performance and ensuring that desired targets for 2020-25 are met. It also references the use of a set of key performance indicators to monitor performance although it is unclear if the current set of key performance indicators provided are those that will be used for the 2020-25 period.</p> <p>It does not demonstrate how this relates to section 3 of the Annual Performance Report, and has provided insufficient and unconvincing evidence that it is seeking best practice from beyond itself and the sector.</p> <p><b>The company provides sufficient and convincing evidence on the processes it has / will put in place to identify drivers of performance and lessons learnt</b></p> <p>The company provides sufficient and convincing evidence of how it will identify drivers of performance and lessons learnt from both good and poor performance including how this knowledge can be transferred through a 4 level hierarchy including the Meter 66 Steering Group to Board level, to ensure the plan is delivered. Post event debriefs will be led by the metering team to identify learning points.</p> <p>However, the company could have provided more information on how it will use the processes that it has set up / will be setting up for 2020-25 up to identify drivers of performance and lessons learnt going forward in 2020-25, as opposed to what it has already done / is doing at present to identify drivers of poor past performance and lessons learnt from this.</p> <p><b>The company provides sufficient and convincing evidence on the processes it has / will put in place to identify measures to improve performance.</b></p> <p>The company has put in place a new Metering 66 Steering group and four stage governance process to Board level. There are a list of improvement actions being led by the Metering team that include a number of areas to directly improve performance and identify learning points as they arise.</p> <p>The company provides sufficient and convincing evidence that it has a continuous process in place for learning lessons from performance on outcomes and implementing appropriate measures as a result. For example, the governance structure that the company has set up will monitor performance to ensure that the desired target levels are achieved through the 2015-20 and 2020-25 period.</p> <p>There are also a number of actions that the Metering 66 project have taken which would indicate that this is intended to be a continuous rather than a one off process such as improving the company's culture, reviewing and revising and embedding the operating model and introducing staff performance measures.</p> <p><b>The company provides sufficient and convincing evidence that it has a continuous process in place for learning lessons from performance on outcomes and implementing appropriate measures as a result.</b></p> <p>For example, the governance structure that the company has set up will monitor performance to ensure that the desired target levels are achieved through AMP 6 and 7.</p> <p>There are also a number of actions that the Metering 66 project have taken which would imply that this is intended to be a continuous rather than a one off process such as improving the company's culture, reviewing and revise and embed the operating model and introducing staff performance measures.</p> |

| Action reference | Our assessment and rationale   |
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| BRL.PD.A11       | <p><b>Customer complaints handling – additional deliverability evidence</b></p> <p>The company provides sufficient and convincing evidence that it recognises the performance gap between current customer complaints handling performance against the Consumer Council for Water customer complaints target for complaints resolved at first contact and for the number of written complaints per 10,000 customers.</p> <p><b>The company provides insufficient and unconvincing evidence that it has identified and understood the main drivers of its past performance on customer complaints.</b></p> <p>The company identifies a number of large incidents as drivers of the steep increase in written complaints in 2017-18 including the impact of the 'Beast from the East' and the impact, mainly on water pressure, and the long hot summer. The company does not quantify the extent to which these factors have caused the increase, or demonstrate an understanding of underlying performance and how atypical these events are. Therefore it is not possible to tell whether the company's customer complaints performance would have deteriorated in 2017-18 anyway, had these events not occurred. It also does not attempt to explain why its complaints performance was worse than other companies that were impacted by the 'Beast from the East' and the long hot summer.</p> <p><b>The company provides sufficient and convincing evidence that it has learnt from good and poor past and current performance on keeping the customer informed but insufficient and unconvincing evidence that it has learnt from good and current performance in other areas.</b></p> <p>The company cites keeping customers informed and the quality of work as the two most common factors that cause complaints. It has provided sufficient and convincing evidence that it has learnt from good and poor past and current performance on keeping the customer informed. The company has provided insufficient and unconvincing evidence that it has learnt from good and current performance in other areas such as the quality of the company's work in leakage, metering, low pressure and new supplies.</p> <p><b>The company provides sufficient and convincing evidence that it has measures in place to achieve the CCWater customer complaints target of 95% of complaints resolved on first contact.</b></p> <p>The company only needs an improvement of 0.5% to reach this target and has forecast 95.3% for 2019-20. This forecast appears reasonable based on the measures that it has put in place to improve communication with the customer, cross team working, ownership of complaints, training on written complaints, governance and reporting.</p> <p><b>The company provides sufficient and convincing evidence that it has a falling total number of written complaints per 10,000 customers but insufficient and unconvincing evidence that this compares well to the industry average. The company provides insufficient and unconvincing evidence that it will achieve its forecast of 12.54 complaints per 10,000 customers for quarter 4 of 2019-20.</b></p> <p>The company had 31.04 written complaints per 10,000 customers in 2017-18, 26.07 per 10,000 customers for 2018-19 and 17.75 and 17.26 per 10,000 customers for February and March 2019.</p> <p>This forecast represents a reduction of 52% within 12 months and 30% reduction on current performance. The company provides insufficient and unconvincing evidence that it will be below the industry average of 21.8 written complaints per 10,000 customers for 2019-20. Whilst the company's actuals for February and March 2019 of 17.75 and 17.26 written complaints per 10,000 customers is below the industry average of 21.8 for 2017-18, we do not have a sufficient evidence base to enable us to conclude on whether this is isolated or part of a trend of improving performance on customer complaints.</p> |
| BRL.PD.A12       | <p><b>Customer complaints handling – action plan</b></p> <p><b>The company provides sufficient and convincing evidence of how it will continuously monitor its customer complaints handling performance, including with reference to The Consumer Council for Water analysis and targets, and those related to the delivery of C-Mex.</b></p> <p>Examples of this include senior management daily customer flash meetings, weekly written complaints report for executive and senior management, fortnightly heads of complaints review by executive and senior management, the monthly customer service working group, executive customer experience steering group and business performance review and the quarterly Consumer Council for Water performance review meeting.</p> <p>The company provides sufficient and convincing evidence of the best practice it will look for beyond itself and the sector. This ranges from researching best practice in the water sector through to site visits, specific consultancy engagements, horizon scanning, analysing processes and plans, to the company's own research and use of resources such as ICS membership.</p> <p><b>The company provides sufficient and convincing evidence of how the company will identify drivers of performance and lessons learnt from both good and poor performance.</b></p> <p>Examples of this include the use of customer feedback from extensive customer engagement activities, the customer insight dashboard to provide internal teams with more insights on customers, their expectations and challenges, mapping the customer journey to get a clearer view of areas of customer confusion or frustration and the use of "Customersure" to capture real time customer feedback before a job is closed and the company leaves site.</p> <p><b>The company provides sufficient and convincing evidence that it will identify measures to improve performance.</b></p> <p>Examples of this include the annual review of detailed outcome delivery plan for customer experience to ensure the right measures are in place, experience mapping workshops to identify future journeys and experiences customers expect, focus group sessions, rapid prototyping, one to one interviews and management consultancy reviews. The company provides insufficient and unconvincing evidence of how it will integrate these measures into its business.</p> <p><b>The company provides some information on how it will ensure that it is a continuous rather than a one off process.</b></p>   |

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| Action reference | Our assessment and rationale   |
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|                  | <p>The company states “Bristol Water has a continuous rolling programme of improvement work, reviewed by the Customer Experience Steering Group. This programme relates to a 30, 60, and 90 day plan and includes a broad range of customer service improvement initiatives, from those that improve our operational performance, to changes in our IT systems to provide customers with an improved, more seamless experience.”</p> |



Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales. Our vision is to be a trusted and respected regulator, working at the leading edge, challenging ourselves and others to build trust and confidence in water.

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