

July 2019

Trust in water

PR19 draft determinations

Bristol Water – Addressing affordability and vulnerability actions and interventions

PR19 Draft Determinations: Bristol Water - Addressing affordability and vulnerability 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, 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.

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 draft determinations: Glossary' for a key to 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.

Table 2 below sets out any further interventions that are not resulting from an action which we are making as part of the draft determination.

Each 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. Intervention numbers are preceded with a 'C'.

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

Test area	Action reference	Action type	Action	Date required	Summary of company response to action	Our assessment and rationale	Required interventions
Addressing affordability and vulnerability	BRL.AV.A1	Required	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. 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 customer challenge group and conducted in line with social research best practice.	1 April 2019	Bristol Water undertakes research with customers and establishes that a majority prefer smooth bills over the 2020-30 period, with 53% of customers preferring a smoothed profile from a list of four options. However, the company selects a bill profile that is supported by 15% of customers instead, stating that qualitative research shows the preference is not strong. The company's customer challenge group states 'the results show that customers are highly supportive of the company's business plan and bill profiles in the longer term; the Challenge Panel [customer challenge group] agreed with this conclusion'	No intervention required because long-term bills are not being set as part of PR19. We have considered the evidence provided in making a decision on the 2020-25 bill profile for the company. The company provides insufficient evidence of customer preference for a smoothed bill over the 2020 - 30 period. In testing, customers are shown scenarios with bill decreases, increases and flat. The company does not choose the profile that is best supported	N/A

						by customers, saying this is a weak preference and not backed up by qualitative research.	
	BRL.AV.A2	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	<p>Bristol Water confirms that it requires additional customer testing to achieve the cross-subsidy required to fund its plans on social tariffs. The company states that the additional cross-subsidy beyond what customers are willing to pay will not be required until 2021-22, ahead of which it plans to secure customer support for the extra expenditure. The company further states that its social contract funding mechanism allows it to potentially fund additional social tariffs beyond 2021. Bristol Water's customer challenge group notes its approach to testing the willingness to pay additional social tariff cross-subsidy during the 2020-25 period, stating 'Bristol Water assured the Challenge Panel that this delay would not deter the company in achieving its Business Plan annual targets of getting qualifying customers onto its social tariffs.'</p>	<p>Intervention required.</p> <p>Bristol Water does not provide a sufficient response to this action. The company does not undertake additional testing but rather provides some additional assurance around when it will secure customer support for additional cross-subsidy. However, the company's approach is contingent on future willingness to pay research and we consider it is uncertain whether the company will be able to obtain the requisite willingness to pay from customers.</p>	<p>We are changing Bristol Water's performance commitment so that it measures and tracks the number of customers benefiting from its social tariff and WaterSure schemes (see PR19 Draft Determinations: Bristol Water – Outcomes performance commitment appendix)</p>
	BRL.AV.A3	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	<p>See PR19 Draft Determinations: Bristol Water - Outcomes actions and interventions</p>	<p>See PR19 Draft Determinations: Bristol Water - Outcomes actions and interventions</p>	<p>See PR19 Draft Determinations: Bristol Water - Outcomes actions and interventions</p>

	Advised actions	Advised	No advised actions.	N/A			
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Table 2: Further interventions for draft determinations

Intervention reference	Our assessment and rationale	Interventions
N/A	N/A	N/A

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.

Ofwat
Centre City Tower
7 Hill Street
Birmingham B5 4UA

Phone: 0121 644 7500
Fax: 0121 644 7533
Website: www.ofwat.gov.uk
Email: mailbox@ofwat.gov.uk

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