

# **Bristol Water Challenge Panel Annual Report 2020/21**

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## Foreword

Welcome to the first year of the new five-year business planning period, sometimes referred to as the asset management period (AMP). Bristol Water's business plan meets the regulatory requirements of the Water Services Regulation Authority (Ofwat) and proposes what bill payers will pay based on what levels of performance Bristol Water will deliver to its customers.

Under normal circumstances, it is a relatively quiet time in the business planning process with Bristol Water focusing on delivering the high-quality service its customers expect and meeting the stretching and ambitious targets agreed in its current business plan.

However, this year has been anything but normal. Firstly, Bristol Water referred the Final Determination by Ofwat to the Competitions and Markets Authority (CMA), then the Covid-19 pandemic hit the country with an unprecedented force and, finally, within weeks of the end of this period, the Pennon Group announced its acquisition of Bristol Water. Despite all this turbulence, the Bristol Water Challenge Panel focused on ensuring that the promises made to customers by Bristol Water were upheld and that the best interests of customers were both expressed and heard during the hearings arranged by the CMA. To the greatest extent possible, customer interests and priorities will be made known to the potential new owner of Bristol Water by the Challenge Panel.

The Challenge Panel has also seen some changes during the year. We welcomed a number of new members to the Challenge Panel and said goodbye to others. Local government elections in 2021 saw the appointment of new Council representatives, increasing the Challenge Panel's membership from those served by Bristol Water in the county of Somerset. The refreshing of the Challenge Panel will enable us to continue to serve customers of Bristol Water across all its geographical coverage.

Strategically, I was pleased to be invited by the Board of Directors of Bristol Water to participate in its Strategy Day and to provide a provocative presentation on the state of environmental issues affecting the water sector. During my presentation, I focused on water as a scarce yet essential resource, an issue that was also a big topic during the UN Climate Change Conference (COP26) in Glasgow in November 2021.

Later in the year, the Board of Directors asked me to comment on the job description for its soon-to-be recruited Chairman. I am pleased to report that I was able to amend both the person specification and the duties for the role to stress the importance of the customer and of the social contract under which the company voluntarily operates.

Bristol Water was founded through an Act of Parliament in July 1846, to supply clean drinking water to all residents in Bristol as part of their philanthropic aims of promoting good health for all. As Bristol Water celebrated its 175th birthday, I was pleased to contribute a video on behalf of customers expressing our support for the social contract that has served customers throughout a large part of its history and is still investing in communities across the service area.

The breadth of activities that involved the Challenge Panel did not displace our emphasis on scrutinising the performance of Bristol Water and how it serves its customers. You will see in this report the range of issues we discussed, and the challenges made to how the company carries out its business. We also received the assurances of Bristol Water's new

information assurance partner Turner and Townsend, and reviewed the approach they take to carrying out this important function.

I am grateful for the support of the Deputy Chairman, Anthony Denham, and Report Writer Jeremy Hawkins who assist me in carrying out the functions of the Challenge Panel. I am also grateful for the contribution from Challenge Panel members, who give up their time and contribute their expertise to Challenge Panel matters. I also thank the Chief Executive of Bristol Water, Mel Karam, for his support through one-to-one meetings and that of the Independent Non-Executive Director Jim McAuliffe, who attends Challenge Panel meetings and reports to the Bristol Water Board matters requiring their attention.

Peaches Golding OBE CstJ  
Independent Chair  
Bristol Water Challenge Panel  
15 August 2021

## **Executive Summary**

The Bristol Water Challenge Panel acts on behalf of Bristol Water's customers across four key objectives.

Firstly, the Challenge Panel ensures the company builds its business plan around customer priorities and preferences. Secondly, it receives and scrutinises the report of the external information assurer, Turner and Townsend, to assure itself of the veracity of data collected and used by Bristol Water. Thirdly, it scrutinises the implementation of Bristol Water's five-year business plan. Lastly, it monitors the design and implementation of the company's environmental and community Social Contract.

The Challenge Panel is independent from Bristol Water, although it relies on its Board members and Senior Executives to provide information for it and to respond to its questions and suggestions. The Challenge Panel comprises environmental regulators together with individuals whose expertise spans health, local government, commerce, debt, farming, marketing and a number of other specialties. Challenge Panel members are volunteers, yet the role is highly responsible and the workload is demanding. An Independent Non-Executive Director of Bristol Water observes the Challenge Panel meetings, taking to the Board matters raised by the Challenge Panel where Board awareness, action or interest are concerned. Due to social distancing and requirements to work from home, the Challenge Panel conducted its meetings through the use of video-conferencing software.

This Annual Report of the Challenge Panel documents its work during the first year of the 2020-2025 business plan of Bristol Water, including the Challenge Panel's involvement with both the review of the economic regulatory framework established by Ofwat and the referral by Bristol Water to the Competitions and Markets Authority challenging the Final Determination from Ofwat.

The Challenge Panel reviewed Bristol Water's policies, practices and annual outcomes through Challenge Panel meetings and meetings of sub-groups focusing on the environment, customer engagement and the social contract. Company assurance was addressed in one of its main Challenge Panel meetings. Given the impact of Covid-19 on corporate operations as well as the ability of some customers to pay their water bills, the

Challenge Panel requested periodic assessments of the impact of the pandemic on the business, whether positive or negative in nature.

One of the Challenge Panel's concerns was the lack of customer representation on the West Country Water Resources body, a newly established cross-water company body that assesses and plans future water resources and that investigates the potential of transferring water from areas of plenty to areas experiencing water stress. Bristol Water has taken on board these concerns.

In scrutinising the performance of Bristol Water during 2020/21, the Challenge Panel examined each of the 29 performance commitments made by the company in its business plan and received confirmation from Turner and Townsend on the accuracy of the data collected and used for each one. 18 business plan targets were met, while 11 were missed. The Challenge Panel was pleased to note that Bristol Water is among the best performing companies in leakage reduction and among the better companies for customer service indicators. Among the areas where Bristol Water can improve its performance are indicators regarding the numbers of customers in water poverty, the experience of vulnerable customers and the number of customers contacting the company due to some type of water quality issue. The assessments by the Challenge Panel are set out in detail.

An area of business affected by Covid-19 was the implementation of the Social Contract. The Social Contract contains 40 initiatives where the company impacts on societal issues. Some activities, such as school visits, water refill locations and the installation of water fountains, were curtailed or stopped due to social restrictions imposed during the pandemic. The Challenge Panel accepted that these initiatives were not possible to implement because of the pandemic. It will monitor progress in the coming year.

In addition, the Annual Report sets out a number of areas of focus for the Challenge Panel in 2020/21. The acquisition by the Pennon Group of Bristol Water has taken place although the report by the Competition and Market Authority is yet to be completed. Another area of focus is the scrutiny of the company's Vulnerability Action Plan, whose objective is to proactively support customers in vulnerable circumstances, and the company's strategy to reduce greenhouse gases across its operations.

## **Introduction**

Climate change is beginning to gain traction in the minds of the general public. Excessive heat, dramatic floods, earth-parching droughts and uncontrollable wild fires are changing the conversation from whether we should be concerned about it to declarations on a climate emergency in some quarters. The importance of water in climate change discussion drives home the scarcity of this natural resource and the impact of too much or too little water in the environment.

Bristol Water has a duty to capture, store, treat and distribute clean, potable water to a population of nearly 1.23 million people living in an area from Glastonbury, Somerset to Tetbury, Gloucestershire. Every day, some 270 to 280 million litres of water flow to our taps. The company must demonstrate resilience on a daily basis, regardless of weather, water pollution, burst or leaking pipes. Against the backdrop of the Covid pandemic and its impact on Bristol Water's staff, the company's duty to make sure that water reaches homes and businesses in its service delivery region remained unchanged.

The Bristol Water Challenge Panel (the Challenge Panel) scrutinises the performance of Bristol Water against the priorities and preferences expressed by customers through a range of market-research techniques that led to the production of its five-year business plan. We are drawn from a range of backgrounds, interests, and walks of life. Although we are not engineers or technical in the way that the staff of Bristol Water are, we use our curiosity and life experience as customers of Bristol Water to ask the questions we believe are important to other customers. We focus on ensuring that the customer's interests are heard and upheld across performance commitments, corporate assurance, and any other matters where customers have concerns. Although Bristol Water provides a secretariat and reports to the Challenge Panel on how its business is performing, we are independent from the company. The company, on the other hand, is transparent in its dealings with the Challenge Panel and, during the last business planning period, adopted nearly 25% of the challenges we made to their customs, practices and planning. An Independent Non-Executive Board Director observes our meetings, and the Independent Chair has regular one-to-one meetings with the Chief Executive and Chairman of the company. This enables the Challenge Panel to exercise influence on behalf of customers.

The report of the Challenge Panel covers the work of its quarterly Challenge Panel meetings, customer engagement subgroup, social contract subgroup and environmental subgroup. We set out the range of topics discussed, and challenges made to the company. Of particular interest is the section that examines in great detail the performance of Bristol Water against its business plan commitments and provides, where possible, comparisons that enable the readers of this report to have some context around the points made. The Challenge Panel scrutinises the range of customer research carried out by Bristol Water and assists the company in crafting and implementing its social contract to the communities it serves. We receive an information assurance from Bristol Water's independent assessor which provides reassurance that the measurements and numbers collected and used by Bristol Water as it carries out its business are reliable, consistent and trustworthy.

## **Challenge Panel Activities**

### **Members**

The Challenge Panel is composed of an independent Chair, Deputy Chair and Report Writer, together with the Consumer Council for Water, environmental regulators, local councillors and individuals drawn from several backgrounds, as shown in the diagram below.

Challenge Panel – Farmers, Health, Environment, Regulators, Local Government, Nature, Customer Advice

Over the past few years our membership has changed slightly; the same organisations remain represented but due to career progression and the local elections in May 2019 and 2021 some individuals have changed. We are still expecting some local authorities to nominate additional members.

The Challenge Panel continually seeks to increase our membership in areas where our skill base is reduced; to assist this it will be carrying out a Skills Audit in 2022.

A full listing of the Challenge Panel members who have contributed to the work of the Challenge Panel during 2020/21 is given in Appendix 1.

## Meetings

The Challenge Panel has reviewed and challenged Bristol Water policies on customer engagement and information assurance during the year. The Challenge Panel has also received presentations from Bristol Water on its performance against its PR19 regulatory commitments during the year and has challenged the company on this. The Challenge Panel's review of Bristol Water's performance in 2020/21 is presented later in this report.

The Challenge Panel's meetings held, during 2020/21 are shown in the table below along with the topics covered in each meeting. As 2020/21 is the first year of the new AMP7, each meeting numbering has restarted from #1. All the 2020/21 meetings were held via video conferencing.

The main BWCP meetings also include an 'in camera' session, for members only, at the start and end of each meeting.

[TABLE]

The table shows the large spread of topics the Challenge Panel members have been involved with in 2020/21. Also shown is the number of actions raised during each meeting.

After the Business Plan submission in September 2018 the Challenge Panel reviewed the challenge logging process and decided to change to a two-tier system. This resulted in a large increase in the number of short-term actions which were quickly cleared to the satisfaction of all, but a reduction in the number of substantive challenges, which was to be expected during this relatively low activity period.

The Challenge Panel is grateful to Bristol Water for organising and hosting all the meetings listed above.

From 2016/17 the Challenge Panel became progressively involved in the review and challenge of Bristol Water's PR19 Business Plan culminating in reporting its findings and opinions to Ofwat on the company's Business Plan in September 2018. The Challenge Panel also reviewed and reported on Ofwat's Initial Assessment of the Plan (IAP) and the company's response to this assessment in March 2019.

This intense workload period was followed, during 2019/20, by the review and challenge of Bristol Water's response to Ofwat's Draft Determination, particularly the customer engagement required to support the response.

Ofwat's Final Determination was published in December 2019. For reasons outside the remit of the Challenge Panel the company did not accept this result and requested Ofwat to refer the Final Determination to the Competition and Markets Authority. The CMA referral process remains ongoing at the time of publication of this report.

Challenge Panel members have contributed to its subgroup on Customer Engagement, as well as a new series of meetings introduced during the year on Bristol Water's Social Contract.

The Chair has attended seminars and workshops organised by Ofwat and others on diverse topics to do with PR19. The Chair has also attended selected Bristol Water Board meetings to keep them apprised of the Challenge Panel's view of the PR19 Business Plan. Challenge Panel members have been kept informed of the topics discussed and any resulting output.

## **Meeting Actions and Challenges**

### Methodology

At the beginning of AMP7 the Challenge Panel reviewed the challenge logging process and decided to change to a system where all requests for further information from Bristol water were initially classed as 'actions', so as to not lose any potential future challenges. This resulted in an increase in the number of short-term actions. Throughout the year the Challenge Panel reviews an outstanding action as it is cleared by Bristol Water and considers if the action has resulted in Bristol Water changing any of its processes. If so, then the action is transferred to the Challenge Log. Some actions were also transferred to the Challenge Log before they were cleared if they had potential to become challenges.

In the early part of 2020/21 the Challenge Panel's Bristol Water Board iNED considered that some issues arising in the BWCP main meetings needed to be raised directly with the Bristol Water Board. The Challenge Panel welcomed this. In order to facilitate it, the Challenge Panel, in conjunction with the iNED, set up a separate record system. At each BWCP main meeting the iNED decided, in discussion with the Challenge Panel, which issues, if any, are significantly important to be raised at the next Bristol Water Board meeting. These are then logged and progressed through feedback by the iNED at the next BWCP main meeting or via email. All iNED actions arising from the Challenge Panel meetings are included in the overall number of actions recorded.

### Meeting Actions

The number of actions raised during 2020/21 was 100. 41 actions were outstanding at the start of the year. Coincidentally a similar number of actions were outstanding at the end of the year. Only one of the actions outstanding at the start of the year was still outstanding at the end, all the others had been cleared. The oldest outstanding action concerns the implementation of the new Bristol Water billing system which has been delayed due to Covid-19; the Challenge Panel will monitor implementation to ensure customers receive the correct bills during the changeover.

[TABLE]

Fig 1 shows when the 100 actions were raised during 2020/21, the 87 actions were cleared, and the 13 actions converted to become challenges.

During 2020/21, as well as clearing 87 actions, 13 actions were transferred from the Meeting Action Log to the Challenge Log, the actions are shown in Fig 2 as 'Actions Transferred to Challenges'. Information provided by the company indicated that completion of the action would require Bristol Water to change their working practices, which is the definition of a 'challenge requiring changes' in the Log.

[TABLE]

Fig 2 shows when actions were raised and cleared during the year, including being transferred to challenges.

### INED Issues

Of the 15 issues raised by the iNED, one did not require any action from Bristol Water and two required Bristol Water to change its processes and thus were converted to challenges. The status of issues raised with the iNED, and relayed to the Board, during 2020/21 were as shown in Table 1.

[TABLE]

### Challenges

One challenge arose directly from the Challenge Panel Chair challenging the specification to be used to recruit the future Chairman of the Bristol Water Board. The specification was changed.

In addition to the 13 actions transferred from the Meeting Action Log plus the two converted to challenges from the iNED issues log and the one directly raised challenge during 2020/21, there were nine challenges outstanding from the previous Challenge Log.

The source of all challenges and the month in which they arose or were converted is shown in Fig 3.

[TABLE]

Considering the change in status of the challenges during 2020/21, the nine challenges outstanding at the beginning of 2020/21 (Mar 20 in Fig 4) were reviewed in light of information provided by the company. Four challenges had resulted in no changes to Bristol Water's processes, another four had required Bristol Water to make changes to its processes, and one was still outstanding at the end of the year. This challenge is linked to the CMA determination, which was only received in late March 2021.

However, 10 of the 13 actions transferred from the Meeting Action Log resulted in changes to Bristol Water's processes, two did not result in changes and one was still outstanding at the end of 2020/21. This challenge refers to Bristol Water collaboration with the local universities which has been held up due to Covid-19.

In addition, another two challenges came from issues raised with the iNED and one directly from the Challenge Panel Chair challenging the specification to be used to recruit the future Chairman of the Bristol Water Board, the specification was changed.

Fig 4 shows the status of the Challenge Log entries during 2020/21.

[TABLE]



## Competition and Markets Authority

In December 2019, Ofwat published its Final Determination (FD) of the PR19 price control for Bristol Water for AMP7.

In March 2020, Bristol Water asked that Ofwat's price control be referred to the Competition and Markets Authority for redetermination. It requested that the CMA examine and determine on Ofwat's assumptions on allowed returns, cost allowances, financeability (including the small company premium (SCP)), and the balance of risk and return.

While these aspects of Bristol Water's business plan submission were largely outside its remit, the Challenge Panel was interested in Bristol Water's case and how any changes to them, or consequently, to the company's PCs and ODIs, might affect customers.

During the PR19 development process, the Challenge Panel had scrutinised Bristol Water to ensure that any SCP-related customer engagement research it relied upon was carried out in accordance with best practice and the results used appropriately. The Challenge Panel had been content with these.

The Challenge Panel responded to an information request from the CMA and also accepted an invitation from the CMA to attend a meeting as part of its redetermination process.

The Challenge Panel's response to the CMA can be found on the CMA website at:

[assets.publishing.service.gov.uk/media/5ebebb82e90e071e30d09837/  
Bristol\\_Water\\_Challenge\\_Panel\\_submission.pdf](https://assets.publishing.service.gov.uk/media/5ebebb82e90e071e30d09837/Bristol_Water_Challenge_Panel_submission.pdf)

The Challenge Panel met with the CMA in May 2020 (date as shown in the Meetings Section of this report), along with the CCGs from the other three companies who had also challenged their FDs, to answer questions about its role and its findings at PR19.

The Challenge Panel also met with Ofwat in May 2020 (date as shown in the Meetings Section of this report), at which it received a briefing on the regulator's position.

The Challenge Panel was pleased to hear from Ofwat that it:

"[sic] really appreciated the work that the Bristol Water CCG has done to challenge the company and get it in a better place than it has been previously, and the fact that very few of the disputed issues relate to the outcomes framework are a positive reflection of the impact that the CCG has had."

The CMA published its final redetermination in March 2021. While this did not accept all of Bristol Water's arguments, it did increase the cost of capital and the allowed allowances. Incentive rates associated with eight PCs were also revised slightly.

The Challenge Panel satisfied itself that the CMA redetermination does not have a material adverse effect on Bristol Water's service to customers or the overall level of bills in AMP7. However, it noted that customer bills will now increase above inflation in last three years of AMP7 because of the timing of the CMA's determination.

## **Challenge Panel Findings**

### **Information assurance**

The Challenge Panel has always placed great importance on the need for Bristol Water to provide its customers with clear, high-quality information on its service performance, on billing matters, operational issues and on engagement on its future plans. Customers' trust in the company is heavily dependent upon sound information.

In accordance with Ofwat's requirements Bristol Water has analysed the risks, strengths and weaknesses of its reported performance information and updated and published its Assurance Plan during the year.

As in previous years the company invited scrutiny and challenge from the Challenge Panel on its risk assessments and on its pre-publication draft Assurance Plan.

The Challenge Panel sought and received assurance from the company at the end of 2020 that any new or emerging information-related risks were included in the Assurance Plan.

In its Assurance Plan the company identified 13 items as high-risk a result of one or more of the following:

- The prioritisation of the impact of the risk of inaccurate reporting (regardless of the probability) as part of its risk assessment
- The company's independent technical assurer assessments for of its PR19 PC reporting methodologies and data 2020/21, and
- The inclusion of new data items, some of which the company has little data or experience in collating data

At the end of 2020/21 the company's newly appointed Technical Auditor, Townsend & Turner, informed the Challenge Panel that material aspects of the reporting methodologies and data associated with the new PR19 (AMP7) PCs had been assigned a 'green' assurance assessment. Townsend & Turner also confirmed to the Challenge Panel that its assurance process includes source data and the calculation of incentives (ODIs).

The Challenge Panel considers Townsend & Turner's findings in 2020/21 are a significant achievement by Bristol Water since PR14 and reflect the success of the transformation the company has gone through to improve its operations and the delivery of its services.

The Challenge Panel will continue to encourage the company to maintain its strong information reporting and governance processes to be able to consistently report accurate and reliable information to its customers and other stakeholders.

### **Key points arising from of Bristol Water performance during 2020/21**

This section identifies the key points and challenges arising from Bristol Water performance during 2020/21. The content is split into two parts; the first identifies the 18 Performance Commitments (PCs) where the company has achieved the target and highlights where performance was maintained or improved from the year before: and the second identifies the 11 Performance Commitments where Bristol Water has not achieved its target for the period.

Bristol Water's 29 PCs and Outcome Delivery Incentives (ODIs) for AMP7 are set out in its PR19 Final Determination from Ofwat. Some of these have since been modified slightly by the outcome of the CMA referral.

The PCs are distributed across three main Outcomes for customers. These Outcomes, the number of PCs associated with each and the company's performance in 2020/21 is summarised as follows:

[TABLE]

Most PCs and associated ODIs reflect performance in the Ofwat reporting year, that is April to March. Water quality and waste disposal PCs are measured on a calendar year basis.

An overview of the performance against all the Performance Commitments is included in Appendix 2 and a detailed review, including the definition of each Performance Commitment and Outcome Delivery Incentive can be found on the Challenge Panel's web page.

In all cases Turner & Townsend has confirmed that both the company's reporting methodology and the resulting data for all the PCs and ODIs are sufficiently robust to enable the Challenge Panel to rely upon the published results.

### **Targets met or exceeded in 2020/21**

This section describes the 18 Performance Commitment targets achieved by Bristol Water during 2020/21. Reference is made to any associated out-performance ODI payments earned in the year.

Outcome: Excellent Customer Services

C-Mex

Unit Score (& industry position)

Target 20/21 No target. Industry position is determined by Ofwat.

Actual 20/21 83.31 (6th position)

Target 21/22 No target. Industry position is determined by Ofwat.

Target 22/23 No target. Industry position is determined by Ofwat.

Target 23/24 No target. Industry position is determined by Ofwat.

Target 24/25 No target. Industry position is determined by Ofwat.

Bristol Water achieved a C-Mex performance of 83.31 in 2020/21. This level of performance placed it sixth in the industry. The frontier company scored 86.21 and the median was 82.35. The company was shadow reporting C-Mex in 2019/20 and achieved a score 81.22 in that year which placed it eighth in the industry.

The company's C-Mex performance in 2020/21 means it is likely that it will earn an out-performance payment for this PC, but this is subject to confirmation by Ofwat at the time of writing this report.

The Challenge Panel notes that it was Bristol Water's ambition for C-Mex to be fifth in the industry in 2020/21. While this was not achieved, the Challenge Panel was very pleased to

see the company's good performance in 2020/21 and the improvement from the previous year.

## D-Mex

### Unit Score (& industry position)

Target 20/21 No target. Industry position is determined by Ofwat.

Actual 20/21 86.81 (8th position)

Target 21/22 No target. Industry position is determined by Ofwat.

Target 22/23 No target. Industry position is determined by Ofwat.

Target 23/24 No target. Industry position is determined by Ofwat.

Target 24/25 No target. Industry position is determined by Ofwat.

Bristol Water achieved a D-Mex performance of 86.81 in 2020/21. This level of performance placed it eighth in the industry. The frontier company scored 89.70 and the median was 85.88. The company was shadow reporting D-Mex in 2019/20 and achieved a score 84.92 in that year which placed it eighth in the industry.

The company's D-Mex performance in 2020/21 means it is likely that it will earn an out-performance payment for this PC, but this is subject to confirmation by Ofwat at the time of writing this report.

The Challenge Panel notes that it was Bristol Water's ambition for D-Mex to be fifth in the industry in 2020/21. While this was not achieved, the Challenge Panel was pleased to see the company's relatively good performance in 2020/21 and the improvement from the previous year. It noted that the D-Mex performance scores (and relative industry position) can be volatile during the reporting year, and that Bristol Water was placed first in the industry at mid-year 2020/21.

## Value for money

### Unit % customers surveyed

Target 20/21 80

Actual 20/21 83

Target 21/22 81

Target 22/23 82

Target 23/24 83

Target 24/25 83

Bristol Water has achieved an 83% performance for this measure in 2020/21, up from 75% the previous year. Performance is measured every year. The Challenge Panel is pleased that performance against this Commitment has been increasing.

While the Challenge Panel welcomes the company's performance in 2020/21 and that customers' perception of value for money of the services provided, it has concerns over likely rising water poverty customer indebtedness as described under water poverty later in this section.

## Void properties

### Unit % household properties

Target 20/21 1.90

Actual 20/21 1.80  
Target 21/22 1.90  
Target 22/23 1.80  
Target 23/24 1.80  
Target 24/25 1.80

Bristol Water's household void property score in 2020/21 was 1.80% and so outperformed the target of 1.90%. The corresponding score in 2019/20 was 2.54%.

During 2020/21 the Challenge Panel undertook a 'deep-dive' review of the company's void property identification and management process. This covered:

- Joint working Bristol Water undertakes with Wessex water on voids
- Possible double counting if a void has both a Bristol Water water connection and a Wessex sewerage connection
- The reporting of the cost of dealing with a water and sewerage void
- Reducing the number of voids reduces all customer bills
- Properties with a very low Rateable Value means the cost of keeping the void (even if water is used) would be less than the bad debt arising from no payment of bills
- Bristol Water were 8th in the table of water companies in 2019/20 for voids and at 2.54% had a lower than average % of voids (2.67%)

The Challenge Panel welcomed the company's strong performance against this Commitment. It noted that metering potentially void properties has helped Bristol Water outperform its target while at the same time increasing meter penetration.

#### Total customer complaints

Unit Household complaints per 10,000 connections (industry upper quartile from previous year)

Target 20/21 87.3  
Actual 20/21 58.9  
Target 21/22 Industry upper quartile (from 2020-21)  
Target 22/23 Industry upper quartile (from 2021-22)  
Target 23/24 Industry upper quartile (from 2022-23)  
Target 24/25 Industry upper quartile (from 2023-24)

Bristol Water's total customer complaints per 10,000 household connections score in 2020/21 was 58.9%, significantly outperforming the target of 87.3%. The corresponding score in 2019/20 was 73.4%.

The Challenge Panel was very pleased to note the company's performance in 2020/21 and the improvement over the previous year.

Outcome: Safe and Reliable Supply of Water

#### Unplanned outage

Unit % of peak week production capacity  
Target 20/21 2.34  
Actual 20/21 0.20  
Target 21/22 2.34

Target 22/23 2.34  
Target 23/24 2.34  
Target 24/25 2.34

Bristol Water's outage performance in 2020/21 was 0.20%, significantly better than the target of 2.34%.

The reported outage in 2019/20 was 0.72%.

The Challenge Panel is pleased to note the company's performance in 2020/21 and the improvement over the previous year.

Water quality contacts – taste and odour

Unit Nr per 1,000 population

Target 20/21 0.40

Actual 20/21 0.35

Target 21/22 0.36

Target 22/23 0.32

Target 23/24 0.28

Target 24/25 0.25

This PC is measured on a calendar year basis.

The number of water quality customer contacts concerning taste and odour received by the company in 2020 was 0.35 per thousand population This was below the target of 0.40. The number reported in 2019 was 0.39. The company earned an outperformance payment of £11,000 as a result of its performance in 2020.

The Challenge Panel welcomes the reducing trend with taste and odour complaints. It notes the company's assertion that many such complaints stem from internal plumbing systems and is pleased to see that Bristol Water continues to improve the information available to customers to help prevent such problems.

Properties at risk of receiving low pressure

Unit Nr properties below low pressure ref level

Target 20/21 65

Actual 20/21 57

Target 21/22 61

Target 22/23 57

Target 23/24 53

Target 24/25 49

57 properties were reported as being at risk of receiving low pressure in 2020/21 compared to the target of 65. The corresponding number in 2019/20 was also 57. Bristol Water earned an outperformance payment of £37,000 as a result of its performance in 2020/21.

The Challenge Panel welcomed the company's performance against this measure and encourages it to improve the position of such properties as soon as it can.

## Turbidity at water treatment works (WTWs)

Unit Nr WTWs turbidity 95th percentile equals or exceeds 0.5 NTU threshold

Target 20/21 0

Actual 20/21 0

Target 21/22 0

Target 22/23 0

Target 23/24 0

Target 24/25 0

This PC is measured on a calendar year basis.

The PC was shadow reported by Bristol Water in 2019.

Turbidity at WTWs in 2020 was zero, in line with the target. The Challenge Panel welcomed this. The performance in 2019 was also zero.

## Unplanned non-infrastructure maintenance

Unit Nr jobs

Target 20/21 3,272

Actual 20/21 3,134

Target 21/22 3,272

Target 22/23 3,272

Target 23/24 3,272

Target 24/25 3,272

The total number of unplanned non-infrastructure maintenance jobs reported by Bristol Water in 2020/21 was 3,134. This was less than the target of 3,272 but outperformance payment was earned because the incentive is underperformance only. The performance in 2019/20 was 3,327.

The Challenge Panel welcomed the company's performance in 2020/21 against this metric and the improvement over the previous year.

## Glastonbury Street network resilience

Unit Expected nr months delay to deliver schemes

Target 20/21 0

Actual 20/21 0

Target 21/22 0

Target 22/23 0

Target 23/24 0

Target 24/25 0

No delay to the delivery of the Glastonbury Street network resilience schemes has been reported in 2020/21.

Bristol Water confirmed to the Challenge Panel that the scheme is on track to be delivered within the five-year period as required by the FD.

## Outcome: Local Community and Environmental Resilience

### Leakage

#### Unit Three-year average (%)

Target 20/21 6.1  
Actual 20/21 6.9  
Target 21/22 11.4  
Target 22/23 15.8  
Target 23/24 19.0  
Target 24/25 21.2

#### Unit Three-year average (M/d)

Target 20/21 38.2  
Actual 20/21 37.9  
Target 21/22 N/A  
Target 22/23 N/A  
Target 23/24 N/A  
Target 24/25 N/A

#### Unit Annual (MI/d)

Target 20/21 36.4  
Actual 20/21 35.5  
Target 21/22 N/A  
Target 22/23 N/A  
Target 23/24 N/A  
Target 24/25 N/A

The PC is the three-year average leakage as a percentage of water put into supply. The company has also reported two other leakage metrics as shown.

Bristol Water reduced its three-year average leakage by 6.9% in 2020/21, outperforming the target of 6.1%. Its three-year average leakage level in 2020/21 was 37.9 M/d and the actual leakage volume in 2020/21 was 35.5 MI/d. The company's leakage level reported in 2019/20 was 37.0 MI/d.

The company's leakage reduction performance in 2020/21 earned it an outperformance payment of £49,000.

The Challenge Panel congratulates Bristol Water on its leakage performance in 2020/21. This continues the strong downward trend in recent years. The company is one of the industry leaders in leakage reduction with its current leakage levels now some 25% below 2015/16.

### Raw water quality of sources

#### Unit Kg phosphorous loss reduction

Target 20/21 109  
Actual 20/21 155  
Target 21/22 216  
Target 22/23 322  
Target 23/24 427



## Target 24/25 531

The amount of phosphorous the company saved from being lost to the environment in 2020/21 was 155kg, against the target of 109kg. The amount in 2019/20 was reported as zero. The performance reported in 2020/21 earned Bristol Water an overperformance payment of £8,000.

The Challenge Panel welcomes the company's performance against this PC.

In its Annual Report 2020, the Challenge Panel said it would seek clarity on the company's use of hard interventions and the promotion of behavioural change by stakeholders (eg farmers) and would like to review source data and raw water quality sample analysis to see evidence of their impact. It would also explore the relationship between the company's statutory environmental obligations and any additional environmental improvement work associated with its Social Contract.

The opportunity to do this didn't arise in 2020/21. The Challenge Panel will be engaging with the company on these points, and on the details of the methodology used to calculate the amount of phosphorous saved from being lost to the environment, at a meeting later this year. It will report its findings in its Annual Report 2022.

## Biodiversity index

### Unit Index

Target 20/21 17,668

Actual 20/21 17,668

Target 21/22 17,678

Target 22/23 17,689

Target 23/24 17,700

Target 24/25 17,711

Bristol Water's Biodiversity Index score in 2020/21 was 17,668 and so met the target for the year. No incentive payments result from this performance. The Index score in 2019/20 was 17,670.

The Challenge Panel is pleased that the target was met.

In its Annual Report 2020, the Challenge Panel said it wished to better understand the how performance against the Biodiversity Index is measured and assured and how it translates into environmental improvements. It also wished to review source data and to understand the relationship between the company's statutory environmental obligations and any additional environmental improvement work associated with its Social Contract.

The opportunity to do this didn't arise in 2020/21. The Challenge Panel will be engaging with the company on these points at a meeting later this year. It will report its findings in its Annual Report 2022.

## WINEP compliance

### Unit % schemes completed

Target 20/21 100

Actual 20/21 100

Target 21/22 100  
Target 22/23 100  
Target 23/24 100  
Target 24/25 100

Bristol Water has reported that all its WINEP schemes due for completion in 2020/21 were finished. The EA has confirmed this to the Challenge Panel. No outperformance payments have been incurred because of the nature of the incentive regime for this PC. All the company's WINEP schemes that fell due during 2019/20 were also completed in that year.

The Challenge Panel is pleased that the company is meeting its WINEP commitments. During the coming year, the Challenge Panel will continue to confirm the relationship between the company's statutory environmental obligations and the environmental improvement work associated with its Social Contract.

#### Delivery of WINEP requirements

##### Unit Met or Not Met

Target 20/21 Met  
Actual 20/21 Met  
Target 21/22 Met  
Target 22/23 Met  
Target 23/24 Met  
Target 24/25 Met

Bristol Water has reported that it met all its WINEP requirements in 2020/21. The EA has confirmed this to the Challenge Panel. The company's WINEP requirements were also met during the previous year.

The Challenge Panel is pleased that the company is meeting its WINEP commitments. During the coming year, the Challenge Panel will continue to confirm the relationship between the company's statutory environmental obligations and the environmental improvement work associated with its Social Contract.

#### Local community satisfaction

##### Unit % stakeholders surveyed

Target 20/21 85.0  
Actual 20/21 88.2  
Target 21/22 85.0  
Target 22/23 85.0  
Target 23/24 85.0  
Target 24/25 85.0

Bristol Water achieved a local community satisfaction score of 88.2% in 2020/21 against a target of 85.0%. The company earned an outperformance payment of £67,000 as a result.

While the Challenge Panel welcomed the company's achievement against this PC, it noted that only 52 stakeholders had been surveyed and only 17 had replied. The Challenge Panel has requested more detail on this and will be discussing with the company how it aims to increase participation in the survey in 2021/22.

## Abstraction Incentive Mechanism (AIM)

Unit Megalitres from baseline if AIM triggered  
Target 20/21 -186.1 from baseline (if AIM triggered)  
Actual 20/21 N/A (AIM not triggered)  
Target 21/22 -186.1  
Target 22/23 -186.1  
Target 23/24 -186.1  
Target 24/25 -186.1

The Challenge Panel notes that the AIM was not triggered in 2020/21.

## Targets missed in 2020/21

This section describes the 11 Performance Commitment targets missed by Bristol Water during 2020/21. Reference is made to any associated under-performance ODI payments incurred in the year.

Outcome: Excellent Customer Services

Priority Services Register (PSR) services

Unit % households registered on PSR

Target 20/21 3.1  
Actual 20/21 2.6  
Target 21/22 4.1  
Target 22/23 5.1  
Target 23/24 6.1  
Target 24/25 7.0

Unit % households registered on PSR (contacted)

Target 20/21 17.5  
Actual 20/21 35.5  
Target 21/22 35.0  
Target 22/23 35.0  
Target 23/24 35.0  
Target 24/25 35.0

Unit % households registered on PSR (attempted contact)

Target 20/21 45.0  
Actual 20/21 48.6  
Target 21/22 90.0  
Target 22/23 90.0  
Target 23/24 90.0  
Target 24/25 90.0

To achieve compliance with this performance commitment the PSR reach, attempted contact and actual contact targets should be achieved.

In 2020/21 Bristol Water significantly outperformed its targets on actual and attempted PSR contacts but fell short of the target for the number of households registered on the

PSR. However, it significantly improved its performance over the shadow values for the three components reported last year which were:

% households registered on the PSR = 1.5

% households registered on the PSR (contacted) = 3.0

% households registered on the PSR (attempted contact) = 3.0

The Challenge Panel welcomes the company's achievements on actual and attempted PSR contacts. It understands that the main factor preventing the company from meeting its target for the number of households registered on the PSR was the planned data share with other organisations being put on hold. The Challenge Panel is aware that other water companies have been similarly affected. During the year, the Challenge Panel sought information on the company's plans to mitigate the impact of this and was pleased to learn of the ongoing training of field staff in identifying eligible customers in a manageable and efficient way, and that IT improvements had been introduced for these staff. The Challenge Panel will monitor progress against the company's PSR commitments during the coming year.

### Customers in water poverty

Unit % households

Target 20/21 0

Actual 20/21 1

Target 21/22 0

Target 22/23 0

Target 23/24 0

Target 24/25 0

In 2020/21 Bristol Water did not meet its target for this commitment, the first time it has not done so since it was first introduced in 2017/18. The score achieved in 2020/21 was 0.63%, rounded to 1%.

The Challenge Panel notes there is no agreed way of defining water poverty consistently across the industry. It was informed by Bristol Water that water poverty in 2020/21, as defined by its PC, was affected by the Covid-19 pandemic. While the Challenge Panel can understand this, it challenged the company over its awareness and preparedness for likely increases in customer debt and long-term indebtedness resulting from the pandemic.

In addition, the Challenge Panel is aware that difficulties arise for many people who can't use the phone to seek debt and payment advice and that such people are difficult to reach by the support agencies and that there are many people not coming forward for help. Advice agencies haven't been able to hold their usual drop-in sessions because of the pandemic and are starting to see a resurgence of debt problems and that this may only be the start of a bigger problem later in 2021. The Challenge Panel believes that companies need to be more innovative in finding individuals in debt and must be ready to flex to deal with any increase in water poverty.

The Challenge Panel was pleased to learn that Bristol Water monitors the number of customers in debt. It offers debt advice surgeries as part of its Social Contract work. The company has also identified the geographic areas within its supply area with high poverty and that it intends to focus its efforts more in these areas. While the company increased its customer support by 8% during 2020/21 by providing discounted tariffs, it recognises that it still has work to do.

The Challenge Panel will closely monitor performance against this commitment in 2021/22.

#### Satisfied vulnerable customers

##### Unit % customers surveyed

Target 20/21 85

Actual 20/21 82

Target 21/22 85

Target 22/23 85

Target 23/24 85

Target 24/25 85

The company achieved a score of 82% for this PC in 2020/21, below the target of 85% (which remains the same each year during the AMP).

The Challenge Panel notes that there were seven customers who were dissatisfied or very dissatisfied with the PSR out of 450 surveyed. While recognising that this is a relatively small adverse number, the Challenge Panel understands that over 16% responded neither satisfied nor dissatisfied and is disappointed the target wasn't met.

The company explained the improvements it is planning to increase satisfaction levels. These include using case studies to better understand PSR customer needs, increased communication with PSR customers by letter and a data cleanse of the Register. The Challenge Panel will monitor progress against this Commitment during the coming year.

#### Outcome: Safe and Reliable Supply of Water

##### Water quality compliance

##### Unit Compliance Risk Index (CRI)

Target 20/21 0.00

Actual 20/21 3.02

Target 21/22 0.00

Target 22/23 0.00

Target 23/24 0.00

Target 24/25 0.00

This PC is measured on a calendar year basis. Bristol Water's CRI score for 2020 was 3.02, against the target of zero. The corresponding score in 2019 was 2.31. the company incurred a penalty of £195,000 as a result of its performance in 2020.

While the Challenge Panel is disappointed that the company didn't meet its CRI target, and that its performance in 2020 was worse than the year before, it appreciates that the metric is very sensitive. It notes that one incident in December 2020 contributed 2.27 to the 3.02 CRI total. It was reassured by the company that the level of performance does not indicate a deterioration in its network condition. The Challenge Panel will continue to encourage the company to achieve the highest possible water quality it supplies to its customers. It will also review the CRI measurement methodology to better understand the sensitivity of the metric to water quality compliance failures.

## Water supply interruptions

Unit HH:MM:SS per prop per year

Target 20/21 0:06:30

Actual 20/21 0:30:17

Target 21/22 0:06:08

Target 22/23 0:05:45

Target 23/24 0:05:23

Target 24/25 0:05:00

Bristol Water's performance against this PC for 2020/21 was 0:30:17 HH:MM:SS (hours, minutes, seconds), against the target of 0:06:30 HH:MM:SS. The corresponding score in 2019/20 was 0:09:17 HH:MM:SS. The company incurred a penalty of £1.544 million in 2020/21 as a result of its performance.

Performance against this measure can be significantly impacted by large unplanned supply interruptions. The company suffered three such incidents during 2020/21 and the Challenge Panel was kept informed of these, the causes of them and the company's responses. One was caused by third party damage to the company's network. The Challenge Panel understand that without these three large interruptions, the company would have achieved a score of 0:5:12 HH:MM:SS and so would have met its 2020/21 target for this PC.

The Challenge Panel reviewed the company's improvements to its operational processes and systems to help minimise the impact of unplanned supply interruptions. These have included improved use of data to predict where problems may occur, increased readiness to respond, use of new operational methods to keep water in supply, and better communications with developers and landowners over the location of mains. Most of these initiatives were in place before the large interruptions happened. These, plus a cultural shift towards keeping customers in supply, had mitigated the effects of other interruptions that occurred during the year.

While the Challenge Panel welcomes these initiatives and can see the benefits of them, it regards many as reactive. During the coming year, the Challenge Panel will be reviewing the effectiveness of the proactive work the company is now undertaking. This will include the use of smart visual analytics to identify potential problems and the targeting of mains renovations.

## Mains repairs

Unit Nr per 1,000km of mains

Target 20/21 138.4

Actual 20/21 150.1

Target 21/22 136.5

Target 22/23 134.6

Target 23/24 132.7

Target 24/25 130.7

The company undertook 150.1 repairs per thousand km of mains in 2020/21 against a target of 138.4. The corresponding figure for the previous year was 115.5. The company incurred a penalty of £68,000 as a result of missing the target in 2020/21.

Bristol Water explained that the number of repairs in early 2021 was double the norm for that time of year. This was due to freeze-thaw events. The Challenge Panel understands that such conditions can cause structural and operational problems on the pipe network, and that these are largely difficult to predict. The Challenge Panel welcomes the new operational practices introduced by the company which aim to provide a continuous supply of water to customers in such events. However, in the coming year, the Challenge Panel will review in more detail the measures the company is taking to reduce the need for mains repairs.

#### Risk of severe restrictions in a drought

Unit % population at risk

Target 20/21 38.0

Actual 20/21 56.9

Target 21/22 29.8

Target 22/23 29.8

Target 23/24 29.8

Target 24/25 25.6

56.9% of the company's population was calculated as being at risk in 2020/21 of severe restrictions in a drought. This is above the target of 38%. The figure for 2019/20 was 85.1%.

The Challenge Panel notes that Bristol Water's single water resource zone significantly impacts performance against this PC. Most other companies operate multiple resource zones. The company has explained to the Challenge Panel that its single zone enables it to move water effectively around its area. Resilience of the network is high because of this. The Challenge Panel understands this. It also notes that if Bristol Water continues to outperform its leakage targets, the risk of severe water restrictions will continue to reduce.

Bristol Water is a member of the West Country Water Resources Group (WCWRG), along with South West Water and Wessex Water. The WCWRG is tasked with assessing and planning future water resources in the west country region and investigating the feasibility of transferring surplus resources to areas of the country that are water stressed. The Challenge Panel has expressed concern to the company that the governance structure of the WCWRG does not include customer representation.

It has asked the Bristol Water and its Board to lobby the WCWRG to address this.  
Water quality contacts - appearance

Unit % population at risk

Target 20/21 0.83

Actual 20/21 1.07

Target 21/22 0.73

Target 22/23 0.63

Target 23/24 0.53

Target 24/25 0.43

This PC is bespoke to Bristol Water. It is measured on a calendar year basis.

The number of water quality customer contacts concerning appearance received by Bristol Water in 2020 was 1.07 per thousand population. This was above the target of 0.83. The

number reported in 2019 was 1.03. The company incurred an underperformance payment of £42,000 as a result of its performance in 2020.

The Challenge Panel was disappointed to see that the company failed to meet its target in 2020 and that performance had worsened slightly from the previous year. It has challenged the company over its plans and timescale to reduce the number of such water quality contacts.

The company has explained that there isn't a single cause of contacts about the appearance of water. Discolouration complaints make up most of the total. Third party actions (eg hydrant use) and bursts both have an impact, rather than lack of asset investment. Different causes are recorded each month and there is no useful trend data at present. Improvements may take a long time. The company has agreed to inform the Challenge Panel if it discovers a single cause of such complaints that can be rectified.

The Challenge Panel notes that Bristol Water has agreed an undertaking with the Drinking Water Inspectorate (DWI) to reduce discoloured water in specific supply zones. The Challenge Panel will review progress against this undertaking during the coming year.

Outcome: Local Community and Environmental Resilience

Per capita consumption

Unit Three-year average (%)

Target 20/21 1.3

Actual 20/21 -2.7

Target 21/22 2.6

Target 22/23 3.9

Target 23/24 5.1

Target 24/25 6.3

Unit Three-year average (L/p/d)

Target 20/21 147.0

Actual 20/21 152.9

Target 21/22 N/A

Target 22/23 N/A

Target 23/24 N/A

Target 24/25 N/A

Unit Annual (L/p/d)

Target 20/21 143.3

Actual 20/21 161.1

Target 21/22 N/A

Target 22/23 N/A

Target 23/24 N/A

Target 24/25 N/A

The PC is the percentage change in the company's three-year average per capita consumption (PCC). The company has also reported two other PCC metrics (expressed in litres per head per day) as shown in the table above.



Bristol Water's reported three-year average household PCC increased by 2.7% in 2020/21, against a target reduction of 1.3%. Its three-year average PCC in 2020/21 was 152.9 l/h/d and the actual PCC in 2020/21 was 161.1 l/h/d. The company's PCC reported in 2019/20 was 146.4 l/h/d.

An underperformance payment of £177,000 would have been incurred as a result of the company's performance in 2020/21. However, the Challenge Panel notes that, due to the pandemic, Ofwat has proposed a change to the timing of the PCC ODI for performance in 2020/21.

For all years in this reporting period (2020/21 to 2024/25) Ofwat has proposed that the PCC ODI be determined at the end of the price control period rather than 'in period' as defined in the FD.

The company explains that PCC went up in 2020/21 due to increased home working resulting from the pandemic. The Challenge Panel accepts this and notes that there was a corresponding fall in non-household consumption to prove this. The company informed the Challenge Panel that overall water into supply in 2020/21 was similar to the previous year.

In its Annual Report 2020, the Challenge Panel noted that consumption had been rising generally across the industry. Influencing customer behaviour in the future, including water consumption, forms part of the company's customer and community focussed Social Contract. The Challenge Panel had welcomed this innovative approach and was involved in its planning and the monitoring of performance.

Unfortunately, the pandemic stifled some of the company's Social Contract initiatives in 2020/21.

The Challenge Panel remains focused on challenging Bristol Water's approach to educating people to use less water and to increase meter penetration. The company reports that a number of water usage education campaigns are ongoing, including its new Foundation website which covers the value of water and ways of reducing usage. These initiatives will take time to bed in, however.

The Challenge Panel believes that in order to create step change in customer behaviour, there have to be greater partnerships at national level with more energy than at present. Bristol Water is using its involvement with the Resource West as its main vehicle for change. Resource West is a partnership of local stakeholders (including councils, water companies, energy companies, waste companies) which aims to facilitate transformational shifts in consumer behaviour to reduce consumer consumption and waste. The Challenge Panel welcomes Bristol Water's involvement with Resource West.

The company says it will focus locally on what it can control but it needs national action on private renters, for example.

The Challenge Panel will monitor closely the company's initiatives to reduce PCC in the coming year.

Meter penetration

Unit % household properties

Target 20/21 67.70  
Actual 20/21 60.26  
Target 21/22 69.50  
Target 22/23 71.30  
Target 23/24 73.10  
Target 24/25 75.00

Bristol Water's reported meter penetration in 2020/21 was 60.26% against a target of 67.70%. The meter penetration in 2019/20 was 58.98%.

In its Annual Report 2020, the Challenge Panel noted that company's new meter marketing initiatives were intended to provide a much stronger opportunity to meet its meter installation target. The company reports that the restrictions imposed by the pandemic during 2020/21 were the main reason that fewer meters than target were installed in properties. The Challenge Panel accepts this and will encourage the company to get back on track with its meter installation programme as soon as possible.

### Waste disposal compliance

Unit % compliant samples

Target 20/21 100  
Actual 20/21 98  
Target 21/22 100  
Target 22/23 100  
Target 23/24 100  
Target 24/25 100

This PC is measured on a calendar year basis.

Bristol Water achieved a 98% compliance against this waste disposal PC in 2020 and so did not meet the target of 100%. The compliance level in 2019 was also 98%. The level of performance in 2020 was within the incentive deadband so no payment was incurred. The company has explained the reasons for the compliance failures at the three sites during 202. Blagdon had the most failures as in previous years. In its Annual Report 2020, the Challenge Panel said it was very keen to understand the compliance issues at Blagdon, the company's statutory obligations at the site and the opportunities for improvements, their timing and linkage to wider customer preferences for the environment. The company has agreed to engage with the Panel on these issues at a meeting arranged for later this year.

### Customer engagement

Bristol Water undertake several different types of customer engagement throughout the year, ranging from its routine Online panel through customer and Youth forum to bespoke surveys for specific purposes. Each survey is discussed with the Challenge Panel regarding its aims, method, documentation, and timing.

Occasionally it is appropriate for members of the Challenge Panel to attend the video conference or online panel to observe, but this is not possible for telephone surveys. The results from surveys are always discussed at the Customer Engagement Sub Group.

Covid-19 affected the style of the customer engagement that Bristol Water has been able to carry out due to the restriction on face-to-face meetings. There were two surveys that were changed so that they could be carried out under pandemic restrictions; these were the Pension Credit Research and the Youth Board. The Challenge Panel were pleased with the innovative way these surveys were changed to allow them to be carried out.

Review of the regular surveys during 2020/21

### Annual Customer Survey

A survey of 1000 Bristol Water customers during February and March 2020 resulted in 87% of customers rating the service they receive from the company as excellent, very good or good against a target of >93%. This was slightly down on the previous year. Interestingly, it was the first time there has been 0% 'fairly poor' or 'very poor'. However, the number of 'don't knows' and 'neither good nor poor' increased to result in the lower score than the previous year.

The methodology of the survey and the questions asked had now become fixed and the results were thus comparable year to year.

Of interest to the Challenge Panel were the four areas which customers had indicated were of High Importance to themselves, but they also rated as Low Performance by Bristol Water. These were:

- Affordable Bills,
- Reduces traffic disruption,
- Supports vulnerable customers and
- Helps people who cannot pay bills.

The Challenge Panel had been challenging Bristol Water on these topics during the year.

The Challenge Panel asked what BW is intending to do to reduce traffic disruption given its importance to customers. Bristol Water confirmed that its new delivery model is intended to address this issue together with working more closely with councils to make sure any disruption is planned as effectively as possible (intervening where it can and going in to work only once) and greater adherence with permits.

### Stakeholder Survey

The main objectives of this survey were to explore, monitor and benchmark attitudes and opinions of key influencers and to identify which factors are having the greatest impact on stakeholders perceptions within the Bristol Water supply area.

The survey was carried out early in 2020/21 and consisted of in-depth interviews with 30 key stakeholders, telephone interview with 250 businesses and an online survey completed by 19 stakeholders (including seven social contract stakeholders).

The main outcome was a continuing improvement in stakeholder satisfaction but a decline in business customer satisfaction. As the results are more heavily weighted to business customers this results in an overall decline in 5 out of 6 key performance indicators.

The new AMP7 Local Community Satisfaction measure was included as a pilot survey in 2020/21. The AMP7 target for this metric is 85% satisfaction. Responses provided by stakeholders and social contract stakeholders resulted in a score of 89%, meaning that BW would meet their AMP7 performance commitment. However, the Challenge Panel pointed out that the number of stakeholders surveyed was small and that it would expect an increase when used later in 2020/21. It was suggested that the survey be split in future years. Otherwise, the Challenge Panel was content with the survey methodology and results.

## Online Panel

Two Online Panel surveys were undertaken in 2020/21, one in August 2020 and the other in November 2020.

A survey was sent to all 1,922 online panel members in August 2020. The topics covered were Water Transfers and Internal Leaks. A total of 908 customers completed the survey which took on average five minutes to complete. The survey was incentivised by the inclusion of a prize draw for £200. The segmentation of the online panel is not an exact copy of all the Bristol Water customers, but it is acceptable for a survey which is only intended to show general views. The number of responses was acceptable.

Water Transfers covered the issues to consider when planning how Bristol Water meets customer demand for water. The participants were asked to what extent they thought these issues should be a priority. The most supported view was 'focus on reducing carbon and environmental impacts even if it means restrictions on water supply are more likely in the future', whilst 'focus on reducing leakage' was the least supported. These Bristol Water findings will be combined with other companies results to provide a national view.

The Internal Leaks section asked the question 'what resources do you feel would be most useful for your water company to provide to help you identify and fix a leak in the future?'. The most supported resources were 'Online tips and advice guide' and 'Series of short online tutorial videos'. Again, these findings will be combined with surveys conducted by other water companies to provide a national picture for communications on home maintenance and water efficiency.

The results showed the development of customer priority from leakage to a more environment friendly approach, as well as a request for more 'self-help' information to be provided.

The Online panel members were invited to participate in a second survey November 2020. A total of 556 customers completed the survey; another 117 other customers started but did not complete the survey. The survey took on average six minutes to complete. The survey was incentivised by the inclusion of a prize draw for £200.

The Challenge Panel noted a reasonable segmentation spread but with slight over represented in young urban renters, social renters, and safety affluent groups and under representation of mature and measured, comfortable families, and thirsty empty nester groups. There was an even gender split and a good distribution over the company's supply area.

The Online panel were asked three questions. The first being 'If you were struggling to pay for your water bill, what course of action would you take'? Over 70% of all segmentation groups said they would contact Bristol Water about what help is available to pay their bill.

The second question was 'Do you think our current approach to help those who are struggling to pay their bills is working well'? Over 50% of all groups said yes; very few replied no but over 30% said they were not sure. When asked what could be improved over 60% asked for more proactive communication and increased awareness.

The final question asked, 'Are there any gaps in the current arrangements which means that some households are missing out on help'? Over 70% of all groups replied, no. Of those who thought there were gaps the two most often comments were assistance for those in financial hardship but not in debt and, again, more proactive communication and increased awareness.

The results were used in the Bristol Water's response to the CCW Affordability review.

Overall, the Challenge Panel supported the survey methodology.

Bristol Water has also increased its promotion of the PSR and affordability schemes during lockdown and raised the profile of affordability messaging on their water bills. The Challenge Panel's opinions on these can be found in the Bristol Water Performance Section of this report.

## Pension Credit Research

The aim of this survey was to understand how Bristol Water and Wessex Water can increase take up of their Pension Credit Social Tariff and explore new messaging that could be used across customer communications. This research was originally designed to take place face to face however it was adapted to be COVID secure.

The approach to the research was iterative involving water companies, charity partner experts and eligible customers and designed to identify barriers to the creation of solutions.

All the customers involved relied on the state pension and were open to taking up discounts when they knew about them. The target audience of "Pension Credit" is very diverse from younger retirees to very elderly and few appear to have the time or inclination to find out about possible discounts.

The survey recommendations were in three areas.

- People: raise awareness in carers and younger family members and target communications.
- Process: wider use of channels for sign up, charity partners to assist and remove requirement to confirm eligibility with DWP.
- Promotion: use positive tone and imagery, frame as an entitlement [discount], re name to sit alongside other better-known benefits.

The Challenge Panel supported the survey methodology and the outputs from it.

## Water efficiency

Bristol Water is running a long-term intervention-based marketing campaign which utilises a test and learn approach to discover what works best when it comes to affecting behavioural change in water usage at home. The intervention is focused on two small areas in its supply region: City Staple Hill in Bristol (944 domestic households, 23 businesses, one primary school) and Rural Locking & Hutton (1574 domestic households, 56 business, two primary schools).

The intervention consists of targeted social media advertising and via local groups (changing messages), Working with local councillors and groups, Unique landing page, designed for this audience only and a bi weekly newsletter (6 in total) containing tips, advice and offers on free water saving items for those who subscribe.

The results from this campaign will be used to influence future campaigns.

The Challenge Panel was impressed by the innovation displayed by this intervention and will be following its progress during the coming year.

### Youth Board

Due to Covid-19 the format of this annual event was successfully transformed in October 2020 into an active online format consisting of a 10 day online virtual panel with 18 future customers from 9 schools.

The participants were studying a large range of subjects and during the Youth Board panel they were involved in a series of daily tasks lasting around 30 minutes each. The tasks included, good customer service, meeting the needs of the future, company profile, and brand associations.

Bristol Water took away several actions from the panel including increasing their brand knowledge and awareness amongst all future customers, promotion of the Youth Board, launching a more accessible and easily navigated web platform and the positive contribution that Bristol Water make through their Social Contract.

The Challenge Panel supported the Youth Board engagement methodology.

### Business Benchmarking

The September 2020 Business Benchmarking survey gave Bristol Water a score of 80.6, which when benchmarked against the July 2020 UKCSI survey placed Bristol Water as the highest scoring water company.

The Challenge Panel welcome this good result for Bristol Water.

### United Kingdom Customer Satisfaction Index [UKCSI]

The latest survey, released in January 2021 did not include Bristol Water as the Bristol Water sample size was too low, only 25 against a required minimum level of 35.

This was a disappointing result for Bristol Water. The Challenge Panel intend to discuss the result with Bristol Water during 2021.

### Social Contract engagement in 2020/21

There were three customer engagements carried out in support of the Bristol Water Social Contract initiative. These were:

### Social Contract Customer Forum

The participants were 24 members of the Bristol Water Forum meeting via a video conference to discuss three main topics put forward by Bristol Water. The segmentation of the Forum members was a reasonable match to Bristol Water's overall customer segmentation but with a slight over representation of Mature and Measured and Social Renters offset by a small under representation of Comfortable Families.

The objectives of the forum were:

- To understand customer views on the Social Contract and how it may need to evolve to meet the future needs of communities
- To gain customer feedback on the progress and future of the two education programmes relating to current and future employees
- To explore the possible engagement ideas for the Resource West trial scheme

The first session on future community needs considered the question 'Which factors do you think are likely to have the biggest impact on society?'. The discussion ranged from the effects of the pandemic, ie high water consumption, more people at home and water efficiency, through consideration of affordability and vulnerability to considering the effects on the environment.

The participants then moved on to consider how Bristol Water could respond to these issues via its Social Contract. Here the discussion again revolved round the pandemic, particularly supplies to the vulnerable, leading onto disaster planning and supporting community gardens.

The first session conclusions were:

- Customers highlighted the need for the company and the social contract to be able to adapt to the everchanging situations caused by coronavirus.
- They believed that a greater pressure on environmentally focused behaviours would become increasingly important, particularly from younger generations.
- There was concern over the resilience of the company's network to withstand higher at home demand, climate change and third-party damage.
- A focus on supporting those customers in vulnerable circumstances, both financial and physical was paramount.

Bristol Water said it will use this feedback as an input to its strategy planning work.

The second session considered Bristol Water's education programme. It started by considering where Bristol Water should focus its attention by considering such diverse topics as involving volunteers and carers through targeting smaller communities to sharing the information with schools and work experience possibilities. Apprenticeships were also considered.

The second session conclusions were:

- Customers thought that in general the Bristol Water Education Programme was an excellent resource

- The materials should be expanded to include all key learning stage levels, and be made available to adults and businesses
- Water efficiency and saving resources should be expanded and brought to the forefront of the website
- Customers fully supported the work experience and apprenticeship programmes
- Both should be tailored as appropriate to the individual/role
- The two initiatives could be linked together to create a more rounded, comprehensive approach to promoting careers

For the next step Bristol Water said it would use the feedback as it developed the detailed plans for its education programme for the twelve months ahead.

The final session started by considering the Forum members' views on the Resource West project then moving onto consider Bristol Water's engagement ideas relating to the Resource West project. Whilst customers were generally positive, they were worried about obtaining value for money from these ideas.

An interesting discussion took place around what motivates Forum member to save resources, highlighting the lead taken by David Attenborough and seeing others doing the same were the main points made. The discussion moved onto how to motivate others and then what were the barriers to saving resources.

This session's conclusions were:

- The engagement ideas proposed by Bristol Water were generally viewed as positive for customers
- Some concern was expressed about value for money and suitability for all audiences (e.g., disabilities, older generation)
- Customers highlighted more cost-effective ways of achieving the desired engagement (i.e., competitions and community involvement)
- Financial and environmental reasons were the biggest motivating factors for managing water resources

Bristol Water's next steps were to discuss the feedback with its Resource West stakeholder partnership and use it to develop its plans for the next 12 months.

The Forum members' feedback after the event was generally positive with a majority supporting future virtual events.

The Challenge Panel was content with the engagement methodology used and was encouraged by the output of the event particularly the raising of value for money in the context of Resource West. The Challenge Panel will explore the output further with Bristol Water during the coming year.

#### Local Community Satisfaction Survey

This was a fairly simple survey of the 57 stakeholders identified as being involved with at least one initiative of Bristol Water's Social Contract. The objective was to understand the views of these stakeholders on how well Bristol Water services local communities. The main question was 'How far do you agree that Bristol Water makes a positive contribution to the communities it serves?'



Disappointedly only 17 of the 57 stakeholders responded with 15 being satisfied meaning that 88.2% agreed that Bristol Water made a positive contribution, which was above the target of 85%.

The 15 stakeholders gave very supportive comments of Bristol Water's input to local communities. However, the interesting comments were from those that expressed dissatisfaction on the topics of climate change impact and excessive leakage.

The Challenge Panel welcomed the result but was disappointed with the level of stakeholder response and will need to discuss this with Bristol Water before the next survey.

### Social Contract Employee Forum

The Social Contract Employee Forum was held as part of a three-week event at the end of 2020. The objective was to ensure all employees had the opportunity to participate in the development of the Bristol Water Social Contract and to hear employees' views on the Social Contract's key activities. Over 100 employees attended the virtual stand, and 11 teams completed the activities which were run alongside the stands.

The event facilitators explained the importance of volunteering to the company and demonstrated the emerging volunteering webpage, which will provide ideas and support for those looking to volunteer individually or as a team. The company acknowledged that activities had been reduced due to Covid-19 and that volunteering needed to have a wider geographical spread.

Bristol Water accepted that its employees have many skills across the company which could be used to support others. Also that, as Bristol Water continues to reach out to local organisations so the organisations become aware, the company gives employees 2 days per year to volunteer. However, the local organisations need to ask about the voluntary opportunities Bristol Water employees can offer.

The Challenge Panel is supportive of the intentions to widen the scope of the Social Contract both geographically and in relation to the numbers of company volunteers participating in it.

### **Social Contract**

Bristol Water became the first water company to publish a Social Contract in January 2019. Ofwat has recognised the potential scope and quality of this strategic initiative.

#### Background

The Social Contract is a framework to help the company deliver societal benefits and be accountable to customers and stakeholders on the delivery of these. It is intended to inform how the company invests in projects in various communities and how it forms partnerships with other bodies and institutions. It also includes a voluntary sharing mechanism with customers if the company's customer and stakeholder satisfaction falls below defined thresholds, as described later in this section.

The Social Contract has a number of sub-programmes including:

- Academic partnerships

- Community engagement
- Conservation
- Education (citizens and employees for the future)
- Lakeside leisure
- Regional strategies
- Resource West
- Vulnerability

These sub-programmes are described on the company's website.

There are around 40 individual initiatives spread across these sub-programmes including, but not limited to, reducing water consumption, providing education and mentoring, promoting, and delivering environmental conservation and funding of charity and community projects.

A detailed description of the Social Contract is provided in Bristol Water's Annual Performance Report and on its website.

### The role of the Challenge Panel

The role of the Challenge Panel in the Social Contract is to:

- Independently challenge and contribute to the ongoing development of the Social Contract framework with the objective of continuous improvement
- Oversee and challenge the delivery of the Social Contract programme on behalf of customers
- Challenge transparency of reporting in relation to the Social Contract
- Challenge the application of the Social Contract sharing mechanism
- Challenge the risk to delivery of the overall Social Contract programme and its components
- Challenge and contribute to the development of the future programme of Social Contract activities to ensure that viewpoints are sought, fairly represented and taken into account

The Challenge Panel remains very aware of its independence and potential conflicts of interest during the development and monitoring of the Social Contract and the associated stakeholder engagement. It used its Social Contract Sub-Group (SCSG) to undertake its detailed work and to keep it informed of key developments and findings. Details of the meetings held by the SCSG are provided in the Meetings Section of this report. The SCSG reported its findings and opinions to the main Challenge Panel.

### The Challenge Panel's findings

#### General

The Challenge Panel considers that the Social Contract is not only unique but more importantly, it ensures that board level decisions focus on wider societal impacts. It also at the same time ensures the voices of customers, stakeholders and employees are taken into consideration throughout the evolution of the process.

It is important for Bristol Water to develop partnerships with other organisations and the Social Contract aids this way of working, particularly around complex issues. Such multi-agency working depends on trust and confidence.

Progress in 2020/21

In its Annual Report 2020, the Challenge Panel noted that progress of the company's Social Contract initiatives was likely to be affected by the Covid-19 pandemic which had emerged around the start of 2020/21. The Challenge Panel said it would monitor closely how the company managed the impact on the delivery of the first year of programme. The social restrictions imposed by the pandemic had an impact on the Social Contract programme during 2020/21. The Challenge Panel accepted this but wanted to be assured that the company had taken reasonable steps to mitigate the impact of the restrictions and, at the same time, used the opportunity to reshape the programme to keep the Social Contract initiative focused on its objectives and moving forward.

Five out of the 40 first year Social Contract initiatives have been put on hold by Bristol Water because of the social restrictions caused by pandemic. These included:

- Hosting school visits
- Water fountains
- Water refill
- Water bar
- Landlord pledge

The Challenge Panel accepts that these initiatives have not been possible to implement because of the pandemic. It will monitor progress on them during the coming year.

In addition, seven initiatives have been removed from the second year of programme (2021/22) because they were not possible to implement, are now business as usual, are no longer in line with the company's core strategy or were completed in the first year.

These were:

- Ash die back workshop
- Bats workshop
- Exploring community energy scheme
- Fisheries improvement
- Lakeside carbon baseline
- 'Going for Gold' Bristol
- Bristol Code of conduct for streetworks

The Challenge Panel reviewed the reasons for removing these initiatives including challenging why any were no longer in line with the company's core strategy.

The Challenge Panel understands the reasons and accepts them.

Overall, the Challenge Panel considered the company acted reasonably in mitigating the effects of the pandemic on its Social Contract activities and in reshaping its forward programme.

However, it was disappointed that, while Bristol Water had been keen to develop solar energy, the associated stakeholder withdrew interest. The Challenge Panel is pleased that the company has recently published its carbon net zero routemap, in which it plans to invest in solar photovoltaic panels to generate renewable energy. The company has accepted the Challenge Panel's offer to help it find a partner for additional local community schemes.

## Programme for 2021/22

The company has introduced eight new initiatives for 2021/22 including:

- Schools' engagement on water efficiency
- Learning at the lakes
- Apprentice scheme
- Graduate placements
- Tree planning
- Conservation partnership
- Equality and access
- Local strategy engagement

The Challenge Panel has reviewed these new initiatives and has confirmed they reflect priorities expressed by customers where possible.

Many of the new initiatives have yet to be developed in detail by the company. The Challenge Panel told the company that it would like to see:

- Lake-based initiatives extended across all the company's lakes
- Linking academic initiatives to Bristol University, as well as UWE and Bath
- Highlighting environmental, water efficiency, water demand and public health issues as part of the education programmes.
- The possible need for greater publicity around water saving devices and the educational benefit of putting water butts in schools
- Extending the Bristol Youth Awards initiative to the rest of the company's supply area
- Extending the graduate placement and internship plans to cover engineering as well as business activities.
- Using the Biodiversity Index as an indication of environmental improvement on each piece of land where tree planting by the company is planned.
- Linking the tree planting programme to the current national initiative known as the Queen's Canopy

The Challenge Panel welcomes that the company has agreed to consider these requests and act on them when it can. The Challenge Panel will follow up on these points during the coming year.

## Customer engagement

The Challenge Panel reviewed the company's Social Contact Engagement Plan activities undertaken during 2020/21. These included:

- Customer Forum
- Local Satisfaction Survey
- Employee Forum

The Challenge Panel's detailed comments on these are given in the Customer Engagement Section of this report.

The Challenge Panel notes that Bristol Water undertakes many beneficial and innovative things but customer awareness of them is not that high. This suggests that communications are not effective or comprehensive. The company has accepted this challenge and intends to improve its customer awareness on this.

## Sharing mechanism

The Social Contract sharing mechanism has two performance triggers, both of which have to be met:

- Customer satisfaction – the company must be outside the top three water companies in England and Wales in the national UK Customer Satisfaction Index, measured through a separate business benchmarking survey.

For 2020/21 the company was in the top three.

- Stakeholder satisfaction – the company's achievement in its local stakeholder satisfaction survey must be 75% or lower. In 2020/21 it achieved 85%.

Therefore, the Social Contract sharing mechanism was not activated in 2020/21.

## The Challenge Panel's focus for 2021/22

The Challenge Panel looks forward to reviewing the company's Social Contract performance in 2021/22.

The coronavirus pandemic continues and may again impact progress. The Challenge Panel will monitor how the company manages this and whether the Social Contract continues to meet its objective to provide a transparent framework in ensuring the company delivers its social purpose.

The Challenge Panel will also continue to review and confirm the relationship between the company's statutory environmental obligations and the environmental improvement work associated with its Social Contract.

Finally, the Challenge Panel will be discussing with the company how best to review and report on the individual Social Contract initiatives on behalf of customers going forward.

## Focus for 2021/22

In addition to the areas of the company's activities and the performance the Challenge Panel reviews routinely, for example customer engagement, the Social Contract and performance against regulatory commitments, this section, together with Appendix 4, outlines the specific areas it wishes to monitor and challenge on behalf of customers during 2020/21.

### Social Contract

The Panel's SCSG will routinely monitor the further development and implementation of the Bristol Water Social Contract to ensure it continues to meet its objectives and deliver the anticipated customer and stakeholder benefits. A list of specific areas of focus for the SCSG arising from its work in 2020/21 is provided in Appendix 4.

### Performance

As a result of its work in 2020/21, the Challenge Panel has identified several specific areas of focus on the company's performance against its PCs in 2021/22.

These are listed in Appendix 4.

## Vulnerability Action Plan

Bristol Water set out its Vulnerability Action Plan (VAP) in its Business Plan for 2020-2025. The objective of the VAP is the provision, across the company's business, of proactive support to customers in vulnerable circumstances and those who are struggling with the affordability of the company's services. The key components of the company's VAP are:

- Using data more wisely
- Increasing awareness of support
- Improving the customer journey, and
- Developing company staff and culture

The company reports progress against its VAP in its Annual Performance Report (APR).

The Challenge Panel reviewed Bristol Water's progress against its VAP throughout 2020/21. Its findings on the three related PCs (Priority Services Register, Customers in Water Poverty and Satisfied Vulnerable Customers) are given in the Performance Section of this report and the points the Challenge Panel wishes to follow up on these PCs in 2020/21 are outlined above in this section.

More widely, the Challenge Panel will continue to scrutinise and challenge the company's activities and outcomes relating to its VAP during the coming year.

## Greenhouse Gases

While Bristol Water does not have a PC associated with a reduction in greenhouse gas emissions (as it did in AMP6), it does report annually on its operational carbon emissions and energy consumption in its Annual Performance Report (APR).

The Challenge Panel takes a keen interest in the company's strategy and actions to address climate change, to reduce the impact on the environment of its operations, to maximise its efficient use of energy and to reduce the consumption of water by its customers.

The Challenge Panel welcomes the company's collaboration with other local organisations such as Bristol's One City Plan and Resource West in these respects.

Bristol Water has informed the Challenge Panel that it will be developing its carbon reduction plan during the current year.

The Challenge Panel will continue to scrutinise and challenge the company's activities relating to its reduction in carbon and greenhouse gas emissions, and the effectiveness of its associated external collaborations, during the coming year.

## Innovation Fund

The Challenge Panel notes that Bristol Water was funded in the FD to collect contributions through customer bills to Ofwat's innovation fund. In the first round of the Ofwat's innovation competition, Bristol Water was involved in three successful innovation projects. These are:

- CatchmentLIFE – impact of habitat degradation on wildlife and ecological communities
- Reservoir water community monitoring for algal associated risk assessment

## ■ UK Water Sector Innovation Centre of Excellence

Bristol Water report that no work was carried out on any of the projects in 2020/21, although £394,000 was collected from customers as part of the FD for the innovation fund.

The Challenge Panel will be discussing with the company how it should be involved in the review and challenge of the Innovation Fund projects on behalf of customers, particularly where customer benefits will be delivered and whether the expenditure represents good value for money for customers.

## Pennon Acquisition

In June 2021 it was announced that Pennon Group plc had acquired 100% of the issued share capital of Bristol Water Holdings UK Limited and its subsidiaries, including Bristol Water plc.

Further details on this and the Panel's focus on it is provided in Appendix 4.

During the coming year, the Challenge Panel will closely monitor developments in the CMA inquiry and the resulting effect on the company's ability to deliver its commitments and services to customers.

## West Country Water Resources Group

The Challenge Panel will follow up its concerns expressed to the company that the governance structure of the WCWRG does not include customer representation.

## **Summary and Conclusion**

### Overview

The Challenge Panel's Annual Report for 2020/21 records its work and findings in this first year of the new asset planning period (AMP7).

The role of the Challenge Panel is to independently review and challenge the customer-related policies, activities and performance of Bristol Water. The Challenge Panel's scrutiny is key to ensuring the company remains focused on the views, needs, priorities and preferences of its customers and stakeholders. It also aims to help Bristol Water become the best performing company in its sector.

The Challenge Panel raised 16 challenges during the year, 13 of which resulted in Bristol Water making changes to its working practices which will result in benefits to customers.

The Challenge Panel is pleased to report that it received full support and cooperation from Bristol Water to enable it to remain independent and to carry out its duties. It particularly welcomed the engagement of the Bristol Water Board through one of its iNEDs, and that several of the Challenge Panel's challenges were raised and addressed at Board level.

### External challenges

2020/21 presented the company and its customers with several external challenges, the most severe being the ongoing coronavirus pandemic. This not only affected the company's ability to operate normally in several areas of its business, but also caused financial hardship for many customers.

The Challenge Panel welcomed the measures the company took during the pandemic to help customers with their bills and its operational responses to ensure customers continued to receive a good level of service. It also thanks Bristol Water for enabling the Challenge Panel to undertake its work remotely during the year.

Bristol Water referred its Final Determination by Ofwat to the CMA. The CMA's redetermination concluded in March 2021. The Challenge Panel satisfied itself that the CMA redetermination does not have a material adverse effect on Bristol Water's service to customers or the overall level of bills in AMP7. It was pleased that the company's senior management remained focused on its obligations to customers during the distractions caused by the redetermination process.

Bristol Water is subject to acquisition by the Pennon Group at the time of writing this report. The CMA is undertaking an inquiry into the acquisition, the result of which should be published later in 2021. The Challenge Panel is happy to participate in this inquiry if invited to. It has already sought and received assurance from Bristol Water that services to customers during the CMA inquiry remain uppermost in the company's mind during this period of uncertainty.

## Customer engagement

Bristol Water undertook several different types of customer engagement throughout 2020/21, ranging from its routine Online Panel through Customer and Youth forums to bespoke surveys for specific purposes.

During 2020/21 the company carried out:

- Annual Customer Survey
- Stakeholder Survey
- Online Panel (two surveys)
- Pension Credit Research
- Water Efficiency
- Youth Board

Covid-19 affected the style of the customer engagement that Bristol Water was able to carry out due to the restriction on face-to-face meetings. Two surveys were changed so that they could be carried out under pandemic restrictions; these were the Pension Credit Research and the Youth Board. The Challenge Panel was pleased with the innovative way these surveys were changed to allow them to be carried out.

The Challenge Panel discussed its aims, method, documentation and timing of each survey and reviewed the results and Bristol Water's intended response to them.

A number of questions and challenges to Bristol Water were raised. The Challenge Panel made some suggestions for changes to future survey methodologies and raised some issues with segmentation and small sample sizes. None of the issues raised were material.



The Challenge Panel was supportive of the engagement methodologies used and the company's response to the results and its intentions to monitor and act on them, where appropriate, in the coming year.

There were also three customer engagements carried out in support of the Bristol Water Social Contract initiative.

These were:

- Social Contract Customer Forum
- Local Community Satisfaction (LCS) Survey
- Social Contract Employee Forum

The Challenge Panel was content with the methodologies used for the three engagements and the company's intentions to act on the results.

The Challenge Panel was encouraged by participants raising the issue of value for money in the context of Resource West and will explore the output further with Bristol Water during the coming year.

The Challenge Panel welcomed the result of the LCS survey but was disappointed with the level of stakeholder response and will need to discuss this with Bristol Water before the next survey.

#### Performance against commitments

Bristol Water's 29 PCs and Outcome Delivery Incentives (ODIs) for AMP7 are set out in its PR19 Final Determination from Ofwat. Some of these have since been modified slightly by the outcome of the CMA referral and the Challenge Panel participated in the CMA's redetermination process.

The company met the regulatory targets for 18 of the PCs and fell short of target for the remaining eleven. The company earned a total reward of around £0.2m (excluding C-MeX and D-MeX) and incurred an overall penalty of around £1.8m (excluding PCC) in 2020/21 under the regulatory ODI mechanism.

In all cases, the company's external information assurer Turner & Townsend has confirmed that both the company's reporting methodologies and the resulting data for all the PCs and ODIs are sufficiently robust to enable the Challenge Panel to rely upon the published results.

The Challenge Panel was pleased that Bristol Water outperformed its targets for 18 PCs.

Although there are no targets for C-Mex and D-Mex, the company fell short of its ambitions for these metrics. However, customer service generally remained high, and the Challenge Panel especially welcomed the significant drop in customer complaints.

Of note was the company's strong performance in leakage reduction and the Challenge Panel is pleased to see the company remains a top performer on this in the sector.

The Challenge Panel also welcomed Bristol Water meeting its commitments under the WINEP and on biodiversity and raw water quality. The Challenge Panel will be reviewing

the company's environmental performance in more detail in 2021/22 through the establishment of its Environmental Sub-Group.

The Challenge Panel was disappointed that Bristol fell short of its targets on 11 PCs.

It accepts that several metrics are very sensitive to large events or other external factors, some of which cause challenges to companies and, to an extent, can be difficult to control. Examples include response to large supply interruptions, water quality compliance and numbers of customers on its PSR. In such cases the Challenge Panel's focus is on the company's response to and its learning from such events. It was satisfied that the company is not complacent and strives to achieve the best performance it can.

The Challenge Panel is concerned that water poverty has risen slightly, most likely due to the pandemic. While the Challenge Panel can understand this, it challenged the company over its awareness and preparedness for likely increases in customer debt and long-term indebtedness resulting from the pandemic. It was pleased to see that these are uppermost in the company's mind.

Performance on reducing per capita consumption and increasing meter penetration was also adversely affected by the pandemic. The Challenge Panel accepts this but will continue to challenge Bristol Water's approach to educating people to use less water and to increase meter penetration and will encourage the company to get back on track as soon as possible.

The Challenge Panel was disappointed to see that the company failed to meet its target for contacts on the appearance of water in 2020 and that performance had worsened slightly from the previous year. It has challenged the company over its plans and timescale to reduce the number of such water quality contacts and will review progress against the company's formal undertaking to the DWI to reduce discoloured water in specific supply zones. As a result of its review of Bristol Water's performance in 2020/21, the Challenge Panel has identified several specific areas where it will focus its scrutiny in the coming year. It will report its finding in its Annual Report 2022.

## Social Contract

The Challenge Panel considers that the Bristol Water Social Contract is a key component of the company's ambitions to deliver societal benefits. The Challenge Panel's role is to independently challenge the development and delivery of the Social Contract programme on behalf of customers and stakeholders and to ensure their views are sought, fairly represented, and taken into account.

The social restrictions imposed by the pandemic had an impact on Bristol Water's Social Contract programme during 2020/21.

Five out of the 40 first year Social Contract initiatives were put on hold by Bristol Water because of the social restrictions caused by pandemic. In addition, seven initiatives have been removed from the second year of programme (2021/22) because they were not possible to implement, are no longer in line with the company's core strategy or were completed in the first year.

However, the company has introduced eight new initiatives for 2021/22.

The Challenge Panel accepted that the pandemic had affected the company's progress against its Social Contract programme. It assured itself that the company had taken reasonable steps to mitigate the impact of the restrictions and, at the same time, used the opportunity to reshape the programme to keep the Social Contract initiative focused on its objectives and moving forward.

However, it was disappointed that, while Bristol Water had been keen to develop solar energy, the associated stakeholder withdrew interest. The Challenge Panel is pleased that the company has recently published its net zero route map in which it plans to invest in solar photovoltaic panels to generate renewable energy.

The Challenge Panel has reviewed the eight new initiatives and has confirmed they reflect priorities expressed by customers where possible. It has challenged a number of aspects and is pleased that Bristol Water has agreed to consider these and act on them when it can.

The coronavirus pandemic continues and may again impact progress. The Challenge Panel will monitor how the company manages this and whether the Social Contract continues to meet its objective to provide a transparent framework in ensuring the company delivers its social purpose.

The Challenge Panel will also continue to review and confirm the relationship between the company's statutory environmental obligations and the environmental improvement work associated with its Social Contract.

#### The Challenge Panel Chair's summary

I am pleased that the Challenge Panel continues to have an impact on the way Bristol Water operates at many levels of its business to the benefit of customers. The Challenge Panel's role and independence are unique in the governance of a monopoly industry such as water.

I am grateful for the support of the Deputy Chairman, Anthony Denham, and Report Writer Jeremy Hawkins who assist me in carrying out the functions of the Challenge Panel. I am also grateful for the contribution from Challenge Panel members, who give up their time and contribute their expertise to Challenge Panel matters. I also thank the Chief Executive of Bristol Water, Mel Karam, for his support through one-to-one meetings, and that of Independent Non-Executive Director Jim McAuliffe, who attends Challenge Panel meetings and reports to the Bristol Water Board matters requiring their attention.

## **Appendix 1: Members**

Challenge Panel members who have contributed during 2019/20.

Name Organisation

Peaches Golding OBE CStJ Chair

Tony Denham Deputy Chair

Jeremy Hawkins (Report Writer) Creoda Consulting

Jon Johnson CCW

Gudrun Limbrick CCW

Tamsin Sutton Environment Agency

Dr Mark Taylor Natural England

Dr Tabinda Rashid-Fadel NHS

Fran Begley South Bristol Advice Centre

Luke Hasell The Story Group

Cllr. Michael Gay Mendip District Council

Cllr. Karin Haverson North Somerset Council

## **Appendix 2: Bristol Water Performance Commitment Results**

[TABLE]

### **Appendix 3: Glossary of acronyms used**

AMP Asset Management Period – Five-year period for which the Price Review sets the company's revenue and thus the customers' bills. AMP5 started in April 2010, AMP6 in 2015, AMP7 in 2020 and AMP8 in 2025

APR Annual Performance Report – Published by each company by a set date in mid-July each year; contains full details for the company's performance against PC targets as well as financial performance and ODIs

BW Bristol Water

BWCP Bristol Water Challenge Panel – BW's CCG

CCG Consumer Challenge Group – A group whose primary purpose is to challenge the customer engagement of the water company during the construction of its next AMP Business Plan

CCW The Consumer Council for Water – Statutory water customer body

CESG Customer Engagement Sub Group of the BWCP – reviews and challenges BW performance in customer engagement and the use of the survey results

CMA Competition and Markets Authority – the organisation the company appeals to if they cannot accept the Ofwat FD

C-MeX Customer Measure of Experience – replaces SIM for Domestic Households in AMP7

COP26 United Nations Climate Change Conference being held in Glasgow in November 2021

CRI Compliance Risk Index produced by the DWI – replaces MZC in AMP7

DC District Council

DD Draft Determination of Prices – after the submission of the company's Business Plan and before the FD. It gives the company an indication of how Ofwat views the submitted Business Plan

D-MeX Developer Measure of Experience – applies to the service provided to Developers and Self Lay Providers in the Retail Market for Non-Household customers; it is new for AMP7

DWI Drinking Water Inspectorate

EA Environment Agency

ESG Environmental Sub Group

FD Final Determination of Prices – sets the company's revenues and thus the customers' bills for the next AMP

IAP Initial Assessment of the Business Plan – New in 2019 – gave the company a very early view of how Ofwat viewed the Business Plan; and set the DD for the fast-track companies

ICS Institute of Customer Service

NE Natural England

NTU Nephelometric Turbidity Units; a measure of the presence of suspended particles in water

OCP Bristol One City Plan

ODI Outcome Delivery Incentive. Delivery of each Performance Commitment will be assigned a financial or reputational incentive by Ofwat in the Final Determination

PC Performance Commitment – Performance measures supporting the Outcomes. The levels of performance (targets) were set by Ofwat in the Final Determination

PCC Per Capita Consumption – a measure of the volume of water used by each person

PR14 Price Review 2014 – set the customer bills for AMP6

PR19 Price Review 2019 – set the customer bills for AMP7

PR24 Price Review 2024 – sets the customer bills for AMP8

SC Social Contract

SCSG Social Contract Sub Group of the BWCP – Reviews and challenges the BW Social Contract planning and implementation of initiatives

SDG Sustainable Development Goals

SBAC South Bristol Advice Centre

WINEP Water Industry National Environment Programme – measures the completion of schemes aimed at water abstraction without negative impacts on the environment

WTW Water Treatment Works

#### **Appendix 4: Specific areas of focus for 2021/22**

In addition to the areas of the company's activities and the performance the Challenge Panel reviews routinely, for example customer engagement, the Social Contract, Vulnerability Action Plan and performance against regulatory commitments, this Appendix provides additional detail on some specific areas it wishes to monitor and challenge on behalf of customers during 2020/21. It should be read in conjunction with the Areas of Focus 2021/22 section of the main report.

Social Contract

- Follow up on the challenges raised on the new initiatives in the 2021/22 Social Contract programme
- Improvements in engagement to communicate innovative Social Contract initiatives more effectively
- Discuss and agree with the company whether the trigger points for the sharing mechanism with customers have been met in 2021/22 and, if so, how the shared amount will be distributed
- The ESG will review and confirm the relationship between the company's statutory environmental obligations and the environmental improvement work associated with its Social Contract
- Monitor how the company manages the ongoing pandemic and whether the Social Contract continues to meet its objectives
- Discuss with the company how best to review and report on the individual Social Contract initiatives on behalf of customers going forward
- Explore further with Bristol Water the engagement output relating to value for money in the context of Resource West
- Review the Local Community Satisfaction survey numbers and participation rate and discuss with the company how it aims to increase participation in the survey in 2021/22.

#### PCs/ODIs

- Value for money – monitor any further rise in customer debt and how the company addresses this
- Raw water quality of sources - seek clarity on the company's methodology used to calculate the amount of phosphorous saved from being lost to the environment. Review the use of hard interventions and the promotion of behavioural change by stakeholders (eg farmers). Review source data and raw water quality sample analysis to see evidence of their impact. Explore the relationship between the company's statutory environmental obligations and any additional environmental improvement work associated with its Social Contract.
- Biodiversity Index - understand the how performance against the Biodiversity Index is measured and assured and how it translates into environmental improvements. Review source data and understand the relationship between the company's statutory environmental obligations and any additional environmental improvement work associated with its Social Contract.
- WINEP compliance and delivery - continue to confirm the relationship between the company's statutory environmental obligations and the environmental improvement work associated with its Social Contract.
- Local Community Satisfaction - review the survey numbers and participation rate and discuss with the company how it aims to increase participation in the survey in 2021/22.
- Priority Services Register - monitor progress against the company's PSR commitments
- Customers in water poverty - closely monitor performance against this commitment in 2021/22, in particular in finding individuals in debt and assisting them
- Satisfied vulnerable customers - monitor performance against this commitment in 2021/22 and review measures to increase satisfaction levels
- Water supply interruptions - review the effectiveness of the proactive work the company is now undertaking to predict when and where interruptions may occur.
- Mains repairs - review in more detail the measures the company is taking to reduce the need for mains repairs.
- Per capita consumption - monitor closely the national and the company's initiatives to reduce PCC, particularly through customers education and the company's involvement with Resource West.

- Compliance Risk Index - review the CRI measurement methodology to better understand the sensitivity of the metric to water quality compliance failures.
- Water quality contacts (appearance) - review progress against the DWI discoloured water undertaking
- Waste disposal compliance - understand the compliance issues at Blagdon, the company's statutory obligations at the site and the opportunities for improvements, their timing and linkage to wider customer preferences for the environment.

Pennon acquisition

The Competition and Markets Authority (CMA) has launched a merger inquiry into the completed acquisition and is considering whether a merger of the water enterprises has taken place and whether a merger situation has been created and whether this has resulted, or may be expected to result, in a substantial lessening of competition in the UK market.

The outcome of the CMA's inquiry had yet to be announced at the time of publication of this report.

The Challenge Panel is happy to participate in the merger inquiry should it be requested to do so by the CMA.

The Challenge Panel's main area of concern is the impact on customers of the acquisition, both during the current time of uncertainty and if and when it takes place.

The Challenge Panel has already sought and received assurance from Bristol Water that its services during the CMA inquiry remain uppermost in the company's mind. The company has said that customers will continue to receive the benefits from the FD business plan.

The Challenge Panel notes that the mood and motivation within the company is very important and that, if these are lowered, then the delivery of company's ambitious plans will be affected. It is crucial to maintain focus on the business and customers during this time of uncertainty. Matters such as governance, accountability and partner engagement also remain important.

“Despite all this turbulence [this year], the Bristol Water Challenge Panel focused on ensuring that the promises made to customers by Bristol Water were upheld and that the best interests of customers were both expressed and heard during the hearings arranged by the CMA.”

Peaches Golding OBE CstJ

Independent Chair, Bristol Water Challenge Panel, 15 August 2021