Annual Performance Report

for the year ended
31 March 2019

BRISTOL WATER

The Company was appointed by the Secretary of State for the Environment as a Water Undertaker under the Water Act 1989 and is required to comply with Conditions set out in its Instrument of Appointment ("the Licence").

The regulatory information that follows has been prepared in accordance with Condition F of the Licence and Regulatory Accounting Guidelines ("RAGs") issued by the Water Services Regulation Authority (Ofwat). This Annual Performance Report has been prepared for use by Ofwat. It may not be appropriate for any other purpose. As required by Ofwat, the accounting statements do not correspond with the statutory annual report, the differences to the statutory accounts are shown.

The statutory annual report contains a suite of reports, including a strategic report, which provide comprehensive commentary on the Company's activities during the year.

The accompanying Historical Cost and Current Cost Accounting Statements were approved by a Committee of the Board on 5 July 2019.

Trust beyond water 170

How our performance links to bills and dividends 178

Challenge Panel statement 182

Annual Performance Report report
Disclosures required by RAG 3 183
- Accounting policies 183
- Disclosure and transparency 187
- Statement of Directors' responsibilities 191
- Regulatory certificate of sufficiency of resources by the Directors 192

Section 1
Regulatory financial reporting 193
A baseline level of historical cost financial information aligned to the way in which price controls (and associated regulatory performance commitments and incentives) have been set.

Section 2
Price control and additional segmental reporting 205
Further disaggregation of revenue and costs, to allow stakeholders to review companies' performance against final determinations.

Section 3
Performance summary 214
A high-level report of the performance of the appointed business, against PR14 performance commitments and outcome delivery incentives.

Section 4
Additional regulatory information 269
Additional financial and non-financial information, including (but not limited to), additional accounting policies, financeability statement, current cost reporting and totex analysis information previously included within Wholesale Cost submission.

Related party transactions 299

Independent auditors' report 301

Appendix 1 Directors' remuneration report 305

Trust beyond water

A statement from the Bristol Water Board

Bristol Water was formed in 1846 under an Act of Parliament with a ground-breaking and ambitious aim to bring, fresh, clean drinking water to the area we serve. This ambition was essential to the health and wellbeing of all and not just for the few. The Board of Bristol Water continues to carry forward this vision of a water company doing what it can for the communities we serve.

Bristol Water is on a journey to transform itself. The Board believes that the Company continues to make significant progress in a number of areas and continues to deliver high levels of service, and is highly regarded by its customers and within its local communities. Building on our excellent trust with our local communities and customers, we want to be regarded as a leading organisation known to excel at customer service and experiences in an innovative and efficient way.

We have built on this further over the last year - in January we launched our Social Contract, the first published by a water company. The Social Contract sets out how we are accountable for the social promises we make as we deliver our purpose. Our Social Contract will evolve as society does and we learn from experience, so through a set of mechanisms and initiatives we build partnerships and relationships to make it meaningful for our customers and stakeholders.

2018/19 performance

2018/19 saw a significant improvement in performance for Bristol Water, following a challenging 2017/18 that had a number of major events occur. Even though we performed well in the Willsbridge burst, Clevedon precautionary boil water notice and freeze-thaw events, we still learnt from these situations. Where there were events that could have caused significant disruption to customer supplies during 2018/19, we avoided such circumstances through improved resilience planning and customer-focused operational delivery. The response of our people is the key, with a culture that focuses on the end customer impact, such as deploying alternative water supplies in anticipation of, rather than in response to, interruptions to supply.

2018/19 saw the transformation of the Company continue. There were challenging weather conditions – but we maintained supplies to customers. Summer 2018 saw a 30% increase in demand at the peak, with the resulting change in pressure in the network seeing a continued high number of mains bursts, however it is encouraging that the level of bursts reduced compared to the previous year. Having delivered the Southern Resilience Scheme in March 2018 it was used to its full extent in 2018, with water from the River Severn being transported as far south as Cheddar through the new infrastructure, protecting water resources in the Mendip Reservoirs in case of a dry winter. The extra pumping and treatment incurs additional operating costs, but illustrates the resilience of supplies that we have despite a dry winter and then amongst the hottest and driest summers on record.

We have also transformed our leakage delivery, following our performance in the previous year, where we unfortunately missed our target. We beat our actual leakage target of 44Ml/d with a record low level of 41.7Ml/d, which is likely to be industry leading. Significant extra resources were deployed to find and fix leaks, which places us in a good position to deliver a further 15% reduction by 2025.

We continue to offer a wide range of social tariffs support, and we have again exceeded our affordability target by ensuring that none of our customers are in water poverty.

Although we managed to reduce customer complaints by 19% over the previous year as our operational performance improved, the customer experience was still not to the standards that we set ourselves. By the end of the year performance had returned towards acceptable levels following a significant focus on making sure each customer receives the service they have the right to expect from us. In January 2019 we maintained our position as the top water company in England in the UK Customer Satisfaction Index "UKCSI" survey. We also had the highest Net Promoter Score of any utility, which emphasises the esteem we are held in as a service provider by our customers. Our own customer satisfaction survey showed an increase to 89% from 87% last year, although this still fell short of our very ambitious 93% target which remains our aim. Another important milestone was achieved in February 2019, when we were awarded the Institute of Customer Services "ServiceMark" accreditation. This covered the whole of Bristol Water, recognising our organisational commitment to customer excellence as well as our strong UKCSI performance.

For water quality, we are once again likely to be one of the best performers in the industry on the Drinking Water Inspectorate's Compliance Risk Index "CRI" measure, achieving a record low score of 0.032 in 2017 and an expected score of 0.746 in 2018. We take this aspect of our performance very seriously – full compliance (a 0 CRI score) is extremely hard to achieve and delivering low scores every year will be challenging as the standards we are measured against are exacting in order to ensure public health and public trust in their water supply is maintained for the long term. We achieved a record Mean Zonal Compliance water quality score of 99.99%, which is the historic measure for the sector.

We delivered our PR19 Business Plan for 2020-25 to Ofwat (the economic regulator of the water sector) in September 2018. It was a plan we are proud of, as we have built customer support for a stretching and ambitious plan that will see us targeting industry leading leakage and supply interruptions performance as well as a 5% reduction in customer bills. This support was derived from undertaking our largest ever programme of customer engagement, with over 37,000 customers giving us their views through 50 separate studies and research events. Ofwat's initial assessment of our plan was fair and measured. We were pleased that the quality of our customer engagement was recognised, and that there was a clear line of sight from our engagement to the outcomes targeted in our plan. In our response in April 2019 to Ofwat's initial assessment of plans, we provided further evidence through our improved performance this year that we can deliver our plan, which was Ofwat's most significant concern.

In January 2019, Ofwat improved our assurance status under the Company Monitoring Framework from "prescribed" to "targeted", a status that had resulted from the 2014 price review. Trust in our reporting of data and information is something that the Board has taken specific steps to improve and this achievement is an important step forward for Bristol Water. For both the business plan and the Company Monitoring Framework, it is important that trust in Bristol Water from our regulators and national stakeholders matches the level of trust we achieve in the communities we serve.

Our strategy recognises the importance of our stewardship of the environment to delivering trust beyond water. A good example during 2019 was our rewetting of a tributary of the River Chew which was severed in 1956. Although not a scheme required by regulation, we worked with a range of partners to move our river compensation discharge to recreate 500m of river habitat. We received excellent publicity in the national media as a result of this improvement.

Social Contract

In January we launched our Social Contract, the first published by a water company. The Social Contract sets out how we are accountable for the social promises we make as we deliver our purpose. Our Social Contract will evolve as society does and we learn from experience, so through a set of mechanisms and initiatives we build partnerships and relationships to make the framework meaningful for our customers and stakeholders.

The Social Contract is a framework through which our customers and stakeholders can hold us to account for the wider benefits we promise to provide to our communities. The contract reflects our social purpose to have a positive impact on the lives of our customers, our communities, our colleagues and the environment, beyond the delivery of pure and reliable water.

Our Social Contract aligns the legitimate role of profit and reward for shareholders

Trust beyond water

with the well-being aspects of our purpose. We have changed our corporate governance as part of the accountability and transparency it will deliver. One of our new Non-Executive Directors, Jim McAuliffe, will act as a link between the Board, our customer forum, the Bristol Water Challenge Panel and our employee forum to ensure our initiatives and performance against our social purpose remains at the heart of Board decisions. We are building the initiatives and the ongoing process so that our approach will be fully in place for 1 April 2020.

We ran a number of launch events for this important initiative, including a discussion event at Bristol Zoo with a mix of national and local stakeholders. At a time that trust and legitimacy in privately financed public service providers are under national scrutiny, we have been pleased to be able to provide leadership in making a positive case for companies such as Bristol Water, who are privately financed and with a strong social purpose.

As an example of our activities during 2019, over 30 of our staff spent a day with our neighbours at Bedminster Down School, providing a mix of education on water quality and water efficiency, as well as promoting science, technology, engineering and mathematics "STEM" and water industry careers. We also ran our Youth Board initiative for a second year, with practical water efficiency ideas emerging from the process which are now being developed in practice. We had 20 young individuals who live in the Bristol Water region join the Board, which allowed their voices to be heard at an executive level.

A key part of our Social Contract is to work in partnership with other organisations with similar aims. We strengthened our links through establishing our sponsorship with the Bristol Green Capital Partnership, who have over 850 members and a focus on sustainability in Bristol aligned to the UN Sustainable Development Goals. This builds on our existing work with City to Sea and the Refill campaign, as well as our popular Water Bar. The Water Bar is a free to use, pop-up tap water bar, which helps to reduce plastic waste at festivals. We are proud that it has won multiple awards since its inception, such as the 'Big Bang Award for Innovation' (Utility Week Stars Awards 2018) and Community Project of the Year (Water Industry Achievement Awards 2018). We have also been building our Resource West partnership to promote resource efficiency, with other local utilities such as Bristol Waste and Bristol Energy.

We provide regular updates on our Social Contract on our website and on social media.

Transparency and assurance

As well as the transparency of delivering our purpose through our Social Contract, another key priority for Bristol Water has been transparency on performance. In December 2018 we again published an independently assured and verified mid-year performance statement for the first half of 2018/19, reflecting the challenges we were facing to deliver the challenging targets we set ourselves. This report included direct comparisons of our performance to the rest of the industry, reflecting our ambitions. Our interactive performance summary available on our website at the year end, mid-year and with our Business Plan helped to promote easily accessible and transparent information on both our performance and future plans.

The Bristol Water Challenge Panel continues to play an important role in providing a supportive challenge on our performance and customer engagement.

People

In January 2019 our Health & Safety strategy was adopted by the Board. It identifies key areas of focus for our journey to 'zero harm'. Overall we have seen a 20% reduction in accident numbers this year, which is a fantastic achievement, but there is still a lot of work to do to realise our aims.

We not only took steps forward with our future plans and our operational performance, we also made big cultural improvements with the adoption of our values by all our staff. Our values are to be; Proud, Respectful, Supportive, Professional, Accountable, Ambitious and, underpinning them all, Trustworthy.

These seven values describe who we are and who we want to be for our colleagues, customers, the communities we serve, and our environment. The Board will hold the executive to account in delivering against these values, as they reflect a personal commitment from the management as to how they will lead the organisation. They are critical to our success and essential to achieving our vision and strategic objectives.

We have pledged to become a Social Mobility Employer and are targeting our Social Contract initiatives as part of meeting this commitment.

Governance

The Board anticipated that at a time of challenging performance and when the legitimacy of the water sector is under national scrutiny, it was essential that there was no ambiguity that customers' interests are at the heart of our business, and it should always be clear that this is the case. A step of particular significance is for reporting of leakage performance, a measure that can benefit from improved technical data as well as operational performance. The Board has committed to ensure that our outcome incentive payments for 2015-20 are calculated without taking into account technical adjustments that could benefit the

Trust beyond water

incentive calculation. We report our actual level of leakage to reflect the latest and most accurate data, but calculate financial incentive adjustments without taking any benefit from the updated information. As part of our commitment we reduced customer bills by c£1.2m in 2019 to reflect our leakage performance this year, rather than waiting until 2020. This provides an example of how the Board is accountable for both how we are seen to deliver, as well as what we deliver.

The Board has seen significant change in 2018, with the recruitment of three new Independent Non-Executive Directors ("INEDs"), as well as the appointment of Laura Flowerdew as CFO. Both the Board and the executive management team have a stronger and more diverse set of skills than previously, and we believe this has contributed to our improved performance. The Board has full responsibility for all aspects of Bristol Water, and we commit to delivering the social aspects of our purpose, and considering legitimacy and fairness. As well as our Social Contract, our dividend and executive remuneration policies help to ensure we continue to deliver fair returns and pay that reflects our success as an organisation. The new Board sub-committee on Health and Safety emphasises the importance of this aspect of wellbeing to our success as an organisation. All of our sub-committees are chaired by INEDs with specific experience relevant to each committee.

The Board has ensured that the Company's purpose (reflected in the Social Contract), strategy and values are now well established, and that the culture of the Company reflects the needs of all it serves. Throughout our history, the people at Bristol Water have been proud to go the extra mile to deliver for our customers, our communities and for each other. Our purpose is important to the people who work at Bristol Water and is reflected in our values. The values reflect a commitment as how we will work as an organisation.

Long-term strategy

In February 2018 we launched 'Bristol Water...Clearly', which sets out our long-term ambition for our water services, local communities and the environment over the next 30 years to 2050. 'Bristol Water...Clearly' places customers and trust at the heart of how we continue to fulfil our responsibilities as a trusted owner and operator of local services critical to the communities that we serve. Our four objectives, as articulated in "Bristol Water...Clearly", are:

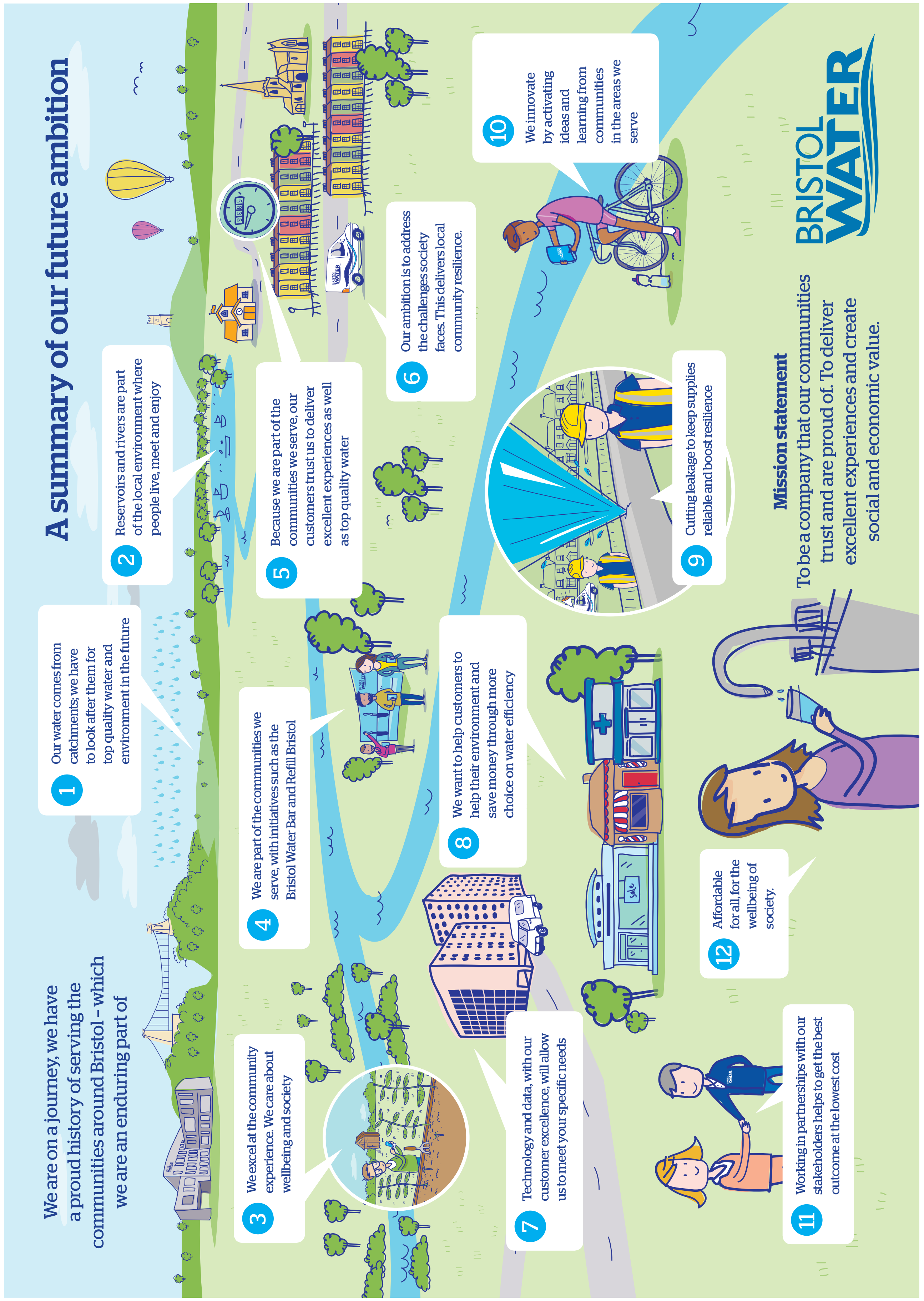
1. Excel at customer experience;
2. Leading efficiency;
3. Develop our people and the business; and
4. Being trusted.

Developed through engagement with our stakeholders and customers, 'Bristol Water...Clearly' sets out how we were changing and the changes in our business to come. The summary from this document sets out our mission for the future.

We continue to engage with both customers and stakeholders on key aspects of our strategy as we deliver against this ambition. Both our PR19 Business Plan and Social Contract were informed by extensive customer engagement, including through our customer forum. We also engaged extensively with developers and water retailers operating in the business market, through both surveys and our popular engagement days. Our work to help ensure the business retail market operates successfully was noted by the market operator, MOSL, in its Annual Market Performance Report[8]. Bristol Water were the only wholesaler (out of 15) to be in the upper quartile for both of the key wholesaler performance statistics, being top performer on one measure and second best performer for the other.

As well as direct engagement, our annual survey of businesses and stakeholders found that satisfaction increased to 75% in 2019 from 72% in 2018.

[8] www.mosl.co.uk/files/content/201920%20Annual%20Market%20Performance%20Report.pdf



Trust beyond water

Environment

Our catchment management work has been more successful than we had hoped in protecting the water quality in the Mendip Lakes. A 14% reduction from the baseline means the water quality can be assessed this year as "improving" for the first time. This is despite hot dry weather conditions that would normally be expected to be conducive to algal growth. Through working with the local landholders and partners, including through the Mendip Lakes Partnership, the frequency of algal blooms has reduced, which contributes to keeping long term water quality high and treatment costs low.

We use a Biodiversity Index to target a net ecological benefit for the land we own and manage. This increased by a net 11 points in 2018/19, compared to our target for a net gain of 1 point on this index. The main contribution to this improvement was from the restoration of a tributary of the River Chew, re-wetting 500 meters of watercourse to create new habitat for a wide range of wildlife, including for the endangered European Eel. We received significant coverage from the national media for this initiative.

Innovation

We were pleased that Ofwat recognised our approach to innovation as an area of high quality in our PR19 plan. We built on this during 2018/19 with the launch of our incubator for entrepreneurial organisations who can help us meet the challenges of building trust beyond water – "The Workshop". As part of The Workshop we are taking ambitious start-ups and giving them open access to our business in a way not normally possible, including access to data, business leaders and expertise. We also ran a major Open Innovation event to encourage collaboration across sectors, with participation from leading innovators in other sectors and utilities. In line with our values, staff provide many of our future innovation ideas and are rewarded for them through our 'Brainwaves' scheme.

Financial policy

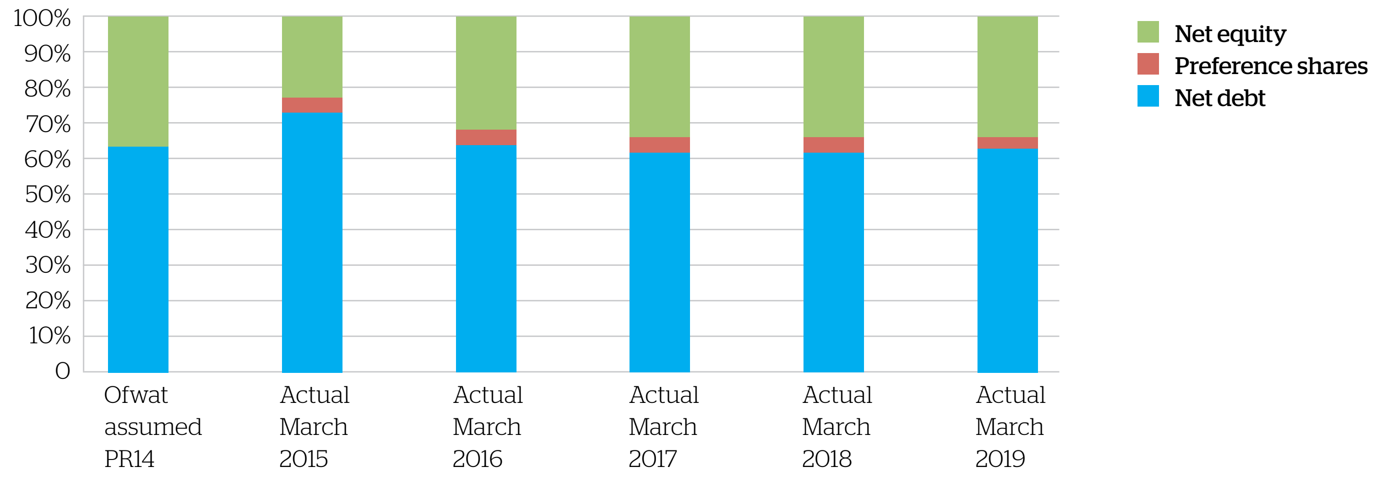
The Board has been supported through this time of change by our investors, with iCON Infrastructure embedded as the main shareholder. They have committed to not taking any dividends out of the Bristol Water Group over 2015-20 as part of the transformation of the organisation. This has reduced gearing (the level of debt a company has as a proportion of its regulatory capital base), as well as allowing additional and necessary expenditure as required. Although we delivered efficiencies overall in 2018/19, operating expenditure was significantly higher than expected due to one off costs, such as to reduce leakage and due to the hot and dry summer weather.

Our debt levels are currently in the range 60-65%, consistent with notional company leverage. This has allowed us to remain comfortably within our key financial ratios. Gearing has fallen from 75.1% in March 2015 to 64.6% in March 2019, or 62.2% excluding preference shares. Debt/RCV gearing at 64.6% is close to the 62.5% notional gearing Ofwat assumed for the industry at the 2014 price review. This reduction in gearing allows us to provide assurance of our financial viability to a range of adverse scenarios over at least the next 10 years, analysis which has been independently confirmed. We currently maintain a Baa1 investment grade rating, albeit, with a negative outlook.

Financial viability

The reduction in gearing has been achieved through the Board's implementation of a conservative dividend policy following PR14, with shareholders' support, to build equity and thereby increasing financial resilience. So far in the 2015-2020 period, our expenditure outperformance (0.9% of assumed net equity) has been offset by underperformance on outcome performance incentives, such as for leakage and metering. Interest costs have been slightly higher than assumed when price controls were set, but in-line once taking into account the higher level of debt at the start of the period. Dividend yields have been an average of 1.7% against the 4.0% Ofwat assumed for 2015-2020, which would have been 3.1% if adjusted for our cost and outcome performance and level of gearing. This demonstrates the commitment of the Board and Bristol Water's shareholders to provide a fair financial framework that supports the delivery of the long-term ambition and objectives.

Bristol Water reduction in gearing



Executive remuneration detail is set out transparently in our Annual Report. A key feature is that our annual bonus scheme for staff and for Executive Directors contains the same set of Company metrics for customer, cost and corporate objectives, together with a weighting towards Company metrics from personal objectives that increases with seniority. The pay award for 2019/20 applied to all staff including Executive Directors and the executive management team.

Legitimacy and "putting the sector back into balance"

We set out in this summary all the steps we are taking to deliver our social purpose, including our Social Contract and a fair use of resources for the long-term benefit of customers, employees, other interested stakeholders and shareholders. We also set out the retention of equity within Bristol Water through dividend payouts lower than justified by current performance for customers. We set out measures in our PR19 Business Plan, including our Social Contract, which we believe evidence shows will maintain trust in our delivery for customers and the environment for the future. We are pleased that our approach has been recognised to have influenced the wider debate across utilities and providers of essential public services. We intend to continue to have a leading role in this important debate. As well as our own actions, we have made positive proposals building on our experience to Ofwat, DEFRA and National Infrastructure Commission consultations and calls for evidence concerning the future regulatory and market framework for the water sector. We publish our consultation responses on our website, alongside blogs to make the topics accessible to a wider audience.

Conclusion

It has been a ground-breaking year for Bristol Water. We have started to see the benefit of our transformation with improved performance – both in terms of our service to customers, but also improving the way the Company is viewed more widely. We will continue to be transparent about our transformation as we encounter any challenges to our ambition to be a leading water company across the range of performance and social measures that matter most to our customers.

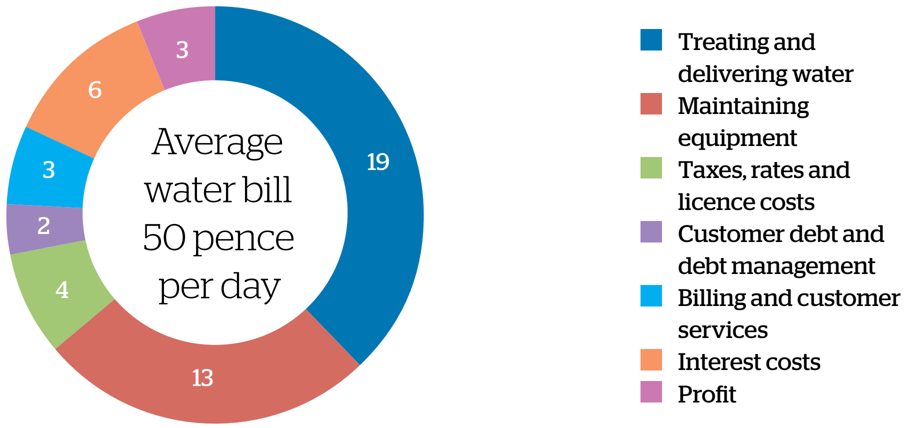
How our performance links to bills and dividends

Average household customer bills in 2018/19 were £183, equivalent to 50 pence per day. Expenditure and financial assumptions within the revenue controls result in a split into different categories as shown in the graph right. Profit is either retained in the business or distributed outside of the appointed business through the payment of dividends.

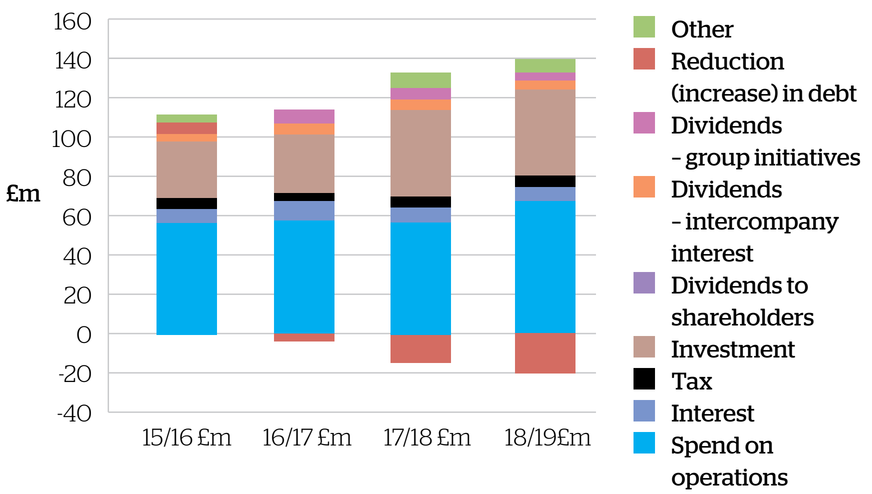
The actual cash movements during 2018/19 showed an increase in net debt per table 1E of £21.1m, which largely reflected increased investment, in particular to deliver the c5Ml/d reduction in the level of leakage between 2017/18 and 2018/19.

So far in the 2015-20 period, profit has been retained within Bristol Water Group. In 2018/19 RCV increased by £28.0m, £12.3m of which was the effect of RPI inflation, compared to the increase in net debt of £21.1m.

Where your bill goes (2018/19 – average bill pence per day)



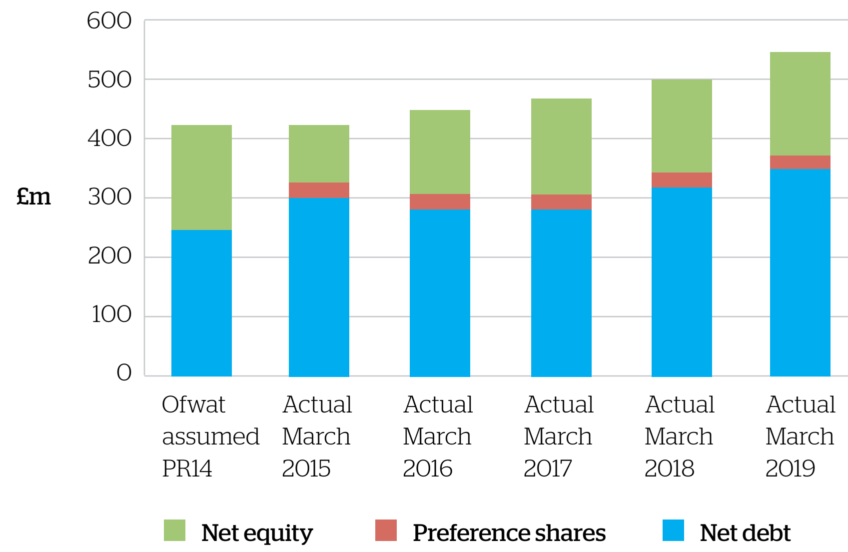
Use of regulated revenues



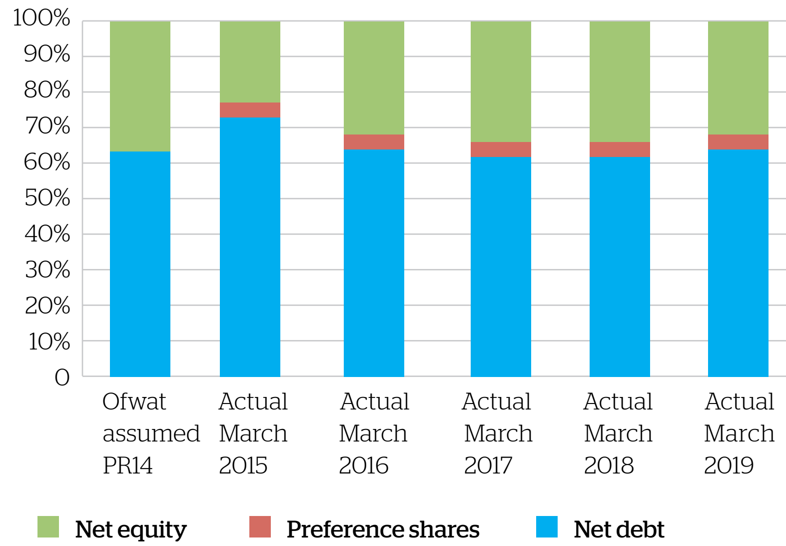
Because of the retention of equity, gearing has fallen from 75.1% in March 2015 to 64.6% in March 2019, or 62.2% excluding preference shares. Debt/RCV Gearing is therefore close to the 62.5% notional gearing Ofwat assumed for the industry at the 2014 price review. Gearing increased by 0.7% during 2018/19, reflecting increased operational expenditure and investment despite lower inflation on RCV.

In the 2014 price review Ofwat assumed that were Bristol Water to perform in line with the price review assumptions, it would earn a return on regulated equity (RORE) of 5.8%, within a range of 0.2% to 7.8%. Over 2015-19 we have overall underperformed these assumptions (-0.7% underperformance). Outperformance on expenditure of 0.2% has been offset by underperformance on outcome incentives of 0.8% and financing underperformance of 0.2%. The financing underperformance reflects that our gearing is slightly higher than Ofwat's notional assumptions. RORE for 2018/19 was 4.0%, with totex underperformance of 0.4% and ODI underperformance of 1.4%. Most of the ODI underperformance in the year related to leakage and supply interruptions, where our improvement in performance means we expect to see lower ODI underperformance in 2019/20.

Bristol Water build up of net equity

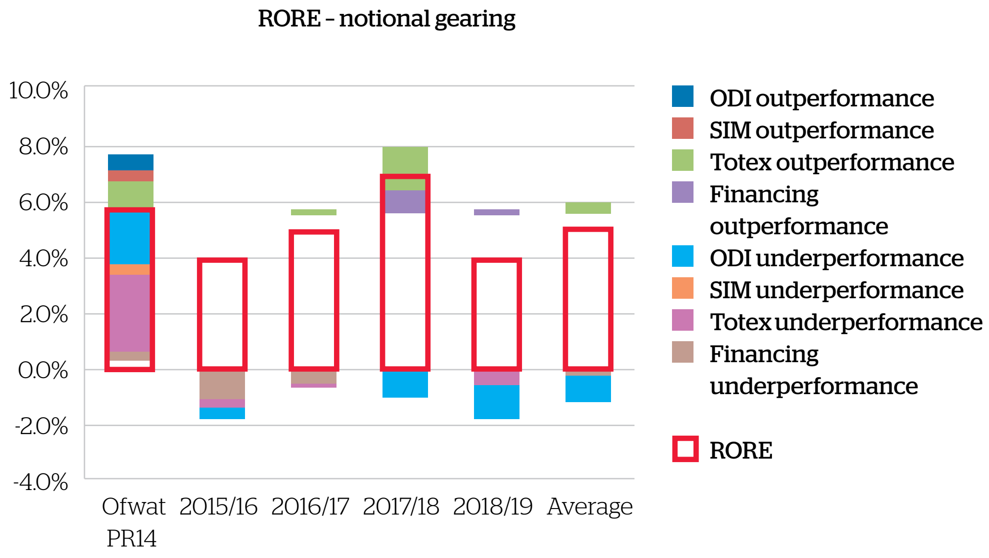


Bristol Water reduction in gearing



How our performance links to bills and dividends

The graph right summarises our performance overall (the red bar) and the individual components that affect it, compared to Ofwat's original range for these components.



The actual dividend yield is 1.7%, and this includes dividends which were used by the parent company to provide working capital for the group's retail non-household joint venture. No dividends have been paid out of the Group to the current shareholders, and the Company has paid lower dividends overall, evidenced in the reduced gearing levels from retaining equity. The table below shows how PR14 assumed returns and dividend yields compared to our actual dividends.

	Ofwat PR14	Actual 2015/16	Actual 2016/17	Actual 2017/18	Actual 2018/19	Actual 2015-2019
Return on regulated equity (RORE)	5.8%	4.0%	5.3%	7.1%	4.0%	5.1%
Actual dividend yield	4.0%	0.0%	3.3%	2.0%	1.5%	1.7%
Dividend yield paid to Bristol Water Group shareholders		0.0%	0.0%	0.0%	0.0%	0.0%

By order of the Board
M Karam
Chief Executive Officer
5 July 2019

Bristol Water Challenge Panel statement

The independent Customer Challenge Group for Bristol Water is known as the Bristol Water Challenge Panel. One of the Challenge Panel's roles is to monitor, scrutinise, challenge and report on Bristol Water's performance against the 21 commitments (and four performance sub-indicators) set out in the final report of the Competition and Markets Authority dated 6 October 2015 and the Ofwat Price Review 2014 Final Determination of December 2014. The Challenge Panel has in addition been kept informed of the amendments to a number of the performance commitments, as outlined in Ofwat's Corrigenda to the Price Review 2014 Final Determination, which was issued in April 2018.

The Challenge Panel has reviewed the Company's performance against its commitments for 2018/19, both at the mid-year and end-of-year positions, including the accrual of any associated rewards and penalties under the associated regulatory incentive mechanism. It also reviewed the Company's information assurance regime in place for the year and the audit findings of the company's independent technical assurer Atkins.

The Challenge Panel was pleased that the Company achieved or exceeded the targets for nine of its commitments. The significant investment in the Southern Resilience Scheme, a continued drive to reduce negative water quality contacts and further investment in biodiversity and environmental improvements all contributed to the good performance. The Challenge Panel is also encouraged by Bristol Water's prioritisation of affordability and its social tariff assistance (in particular the significant increase in the number of customers being offered its Pension Credit tariff), which has again ensured zero customers are in water poverty.

The Challenge Panel was disappointed that the Company failed to meet 12 of its targets and received a penalty for four of them. It notes that the targets that were not reached coincide with the same Performance Commitments as the previous year. The Challenge Panel understand that this was due in a large part to a number of significant and unusual weather-related incidents occurring just before and during the reporting year. The first half of the year was marked by the impact of the warmest and one of the driest summers on record. This followed the 'Beast from the East' freeze, thaw and snowfall events in February and March 2018. These events had an adverse impact on a number of interrelated performance commitments causing a number of targets to be missed and financial penalties incurred. In this context we are particularly pleased that the focus and efforts made to improve leakage have been successful. The Company also recognises that it has more work to do to reduce customer complaints, which the Consumer Council for Water has publicly challenged. A 19% reduction in complaints is a start, and we will continue to challenge the Company to deliver their intention to reduce this further. Apart from supply interruptions and bursts, an improved customer experience will help to improve the many of the targets that have not been met.

The Challenge Panel is pleased to note that the Company achieved a considerable improvement in its performance in the second half of the year.

The Challenge Panel places great importance on the need for Bristol Water to provide its customers with clear, high quality information on its service performance, on billing matters and on operational issues. Customers' trust in the Company is heavily dependent upon sound information. The Challenge Panel was pleased that Ofwat has reduced its level of scrutiny for Bristol Water's assurance to 'Targeted' status, from 'Prescribed' assurance status. The Challenge Panel also received assurance from Atkins that both the Company's reporting methodologies and the resulting data for all the performance commitments are sufficiently robust to enable the Challenge Panel to rely upon the published results.

The Challenge Panel thanks the Company for its openness and transparency throughout the year and for providing us with regular, timely briefings and presentations and sharing its thinking on how it intends to improve its operational performance and customer service. We look forward to reviewing the Company's performance in 2019/20.

On behalf of the Bristol Water Challenge Panel
Mrs Peaches Golding OBE
Independent chair
5 July 2019

Annual Performance Report

Disclosures required by RAG 3

RAG 3 sets out requirements for narrative disclosures in the Annual Performance Report, in addition to those set out in the tables in sections 1 – 4.

Accounting policies

i) Revenue recognition policy
The regulatory accounts apply the same policy for revenue recognition as the statutory accounts, apart from the derecognition of income adjustments relating to amounts deemed as uncollectable under IFRS15.

All turnover is recognised in the regulatory accounts with the exception of rental income and contributions received from developers, which are included below operating profit in "other net income" in accordance with the regulatory accounting guidelines.

Turnover comprises charges to and accrued income from customers and retailers for water and other services, exclusive of VAT. Turnover is recognised as the performance obligation is satisfied.

Income from unmetered supplies is based on either the rateable value of the property or on an assessed volume of water supplied. Income from metered supplies is based on actual or estimated water consumption.

There is no change to the calculation of the household measured income accrual. Bills are raised after a meter reading, and consumption that has not yet been billed is estimated and accrued using a defined and consistently applied methodology based on historic weighted average water consumption by tariff. Non-household retailers are billed monthly, and the non-household accrual is based on the market unbilled monthly settlement reports. The estimation of measured income included in these reports is also based on historic consumption. The difference between closing and opening measured income accrual for the year is recognised within turnover. There were no significant differences between the previous year's accrual and the amounts actually billed for the previous year.

Where an invoice has been raised or payment made but water or other services have not been provided, it is treated as billing or payment in advance accordingly and is not recognised as turnover during the year.

Receipts from customers in relation to court costs, solicitors' and debt recovery agency fees are credited to operating costs to offset the charges incurred. They are not recognised within turnover during the year.

ii) Charging policy
Revenue is recognised from chargeable properties in accordance with the policy above.

Charges are payable in full in the following circumstances.

a) Occupied and furnished
Charges are payable in full from the date of connection or change of customer on all properties which are recorded as occupied and furnished.

b) Unoccupied and furnished
Water charges are payable in full on unoccupied, furnished premises. In exceptional circumstances, where it is certain that the customer does not need access to water supply at the property, water charges are not payable. Such exceptions include where the customer is:

- in a care home;
- in long-term hospitalisation;
- in prison;
- overseas long-term; or
- deceased.

c) Unoccupied and unfurnished
If any consumption for metered vacant household properties is recorded normal charges apply once the occupier details have been established. Normal charges apply to vacant metered non-household agricultural properties.

Properties which are unoccupied and unfurnished, or are disconnected are not chargeable therefore no billing is raised and no turnover recognised in respect of these properties.

Only metered standing charges are payable on unoccupied, metered properties which are still connected.

Disclosures required by RAG 3

The occupier is any person who owns a premises or who has agreed to pay for water in respect of the premises. No bills are raised in the name of "the occupier". The property management process is followed to identify whether the property is occupied or not, and if occupied, to identify the chargeable person and raise a bill.

The property management process may comprise some or all of the following:

- physical inspection;
- mailings;
- customer contacts;
- meter readings for metered properties; and
- land registry checks.

The Company has a policy to meter household properties on change of occupier.

For non-household properties, the management of the occupied status of properties is maintained by retailers in the central market operating system "CMOS". Wholesalers then bill based on the data in CMOS, and Bristol Water carries out independent checks, including visiting the properties to validate the data.

iii) Bad debt policy
The Company has a policy to make a full bad debt provision for debt which remains uncollected until after five years of billing, for example uncollected debt in relation to financial year 2013/14 and before is fully provided for by the end of financial year 2018/19. A general provision is made for debt outstanding in relation to the current and last four financial years. The general provision is primarily based on historic collection rates and further adjusted by judgemental factors to reflect the current economic environment. The judgemental factors are applied only if it is believed that the historic collection rates do not reflect future expected collection rates.

Water debt is written off for one of following four reasons:

1. It is considered or known to be uncollectable;
2. It is considered uneconomic to collect;
3. Older debt is written off by agreement with the customer in return for the receipt of regular monthly payments to pay-off current year debt as part of our "Restart" and "Assist" policies; or
4. Write-off is ordered by the County Court. In these cases the court may set payment at a proportion of the outstanding debt. When the required level of payment is reached the court would instruct the rest of the debt to be written off.

The Company's bad debt write off policy has remained unchanged and has been consistently applied in the current and prior years, except in respect of the non-household debt for which we no longer have a provision as under the non-household retail market codes, retailers provide collateral for their debt. The provision at 31 March 2019 was £14.088m (31 March 2018: £14.647m).

The bad debt charge and the bad debt provision exclude the adjustments made in the statutory accounts for amounts deemed uncollectable under IFRS15.

Net trade debtor balance at 31 March 2019 was £10.039m (31 March 2018: £10.575m).

iv) Price Control Segments-Basis of allocation and apportionment of costs and assets
Allocation and apportionment of costs and assets between Bristol Water plc and its associated companies is at arm's length and no cross subsidy is occurring.

Appointed business for the purpose of these accounts is defined as the activities necessary for the company to fulfil its duties and functions as a Water Undertaker under its licence issued by the Department for Environment, Food and Rural Affairs ("DEFRA"). All other activities are classified as non-appointed business.

Allocation and apportionment of costs and assets between appointed and non-appointed businesses is maintained in the Company's accounting system. Costs are attributed to the appropriate cost centres which are identified as appointed or non-appointed. The majority of non-appointed costs are incurred directly with the remainder allocated on a time apportionment basis. Assets are specifically identified as appointed or non-appointed.

Operational costs include the costs of day to day collection, storage, treatment and supply of water and any associated technical and administrative support. Allocation of operational costs between price controls (wholesale, retail household and retail non-household) are made by analysing the cost centres and type of expenditure in accordance with RAG 2.07 (Guideline for classification of costs across the price controls).

Manpower costs include overheads in their allocation to cover national insurance and pension contributions.

Capital costs are analysed and assigned to the appropriate price control, and business unit within that price control, as they are incurred, in accordance with RAG 2.07.

RAG 2.07 changed methods of allocating costs from the previous guidelines applicable in 2016/17. The main changes are included within the new tables previously part of the cost assessment submission.

The accounting separation analyses have been drawn up in accordance with the Company's accounting separation methodology statement which has been published separately on its website www.bristolwater.co.uk/aboutus/our-performance/#regulation. This also provides commentary comparing this year's expenditure and capital maintenance costs with last year's.

v) Capitalisation policy

Definition of a fixed asset
An asset is an item that Bristol Water owns and uses in the course of its business which has some long-term economic benefit for the Company. A fixed asset is an asset that we retain for more than a year. Capital costs are defined as those costs, which are incurred in providing an additional, or a replacement asset. These costs are incorporated in the Statement of Financial Position as additions to fixed assets. Where non-infrastructure assets have been replaced their cost is removed from the Statement of Financial Position. There is no rule which requires capitalisation of any costs in excess of a specific value however it is unlikely that items with a value less than £1,000 in total would be capitalised.

Assets are either infrastructure assets or non-infrastructure assets.

Types of assets
Infrastructure assets comprise the integrated network of impounding and pumped raw water storage reservoirs and water mains and associated underground pipework. Expenditure on such assets relating to increases in capacity and enhancements are included at cost.

Infrastructure expenditure falls into two categories. Costs in respect of the provision of additional infrastructure capacity or enhancement of the network are capitalised (these include projects such as new water mains, new connections and work on impounding reservoirs) and are depreciated. Other infrastructure expenditure to do with repair and replacement such as boundary mains replacement, network analyses, lead replacements and high-risk crossings are analysed between capital and operating expenditure, the operating expenditure is charged to the income statement.

Other assets include land and buildings, operational structures, fixed and mobile plant, equipment and motor vehicles. These are generally categorised as non-infrastructure assets and are included at cost.

The cost of assets is their purchase cost together with incidental expenses of acquisition and commissioning and any directly attributable labour costs, which are incremental to the Company.

Disclosures required by RAG 3

vi) Dividend policy and amounts paid to parent Company
It is the Company's practice to pay an annual level of ordinary dividends comprising:

- a base level taking into consideration the revenues allowed by Ofwat in the 5-year determination of price limits, the Company's funding requirements and the actual performance of the business; and
- an amount equal to the post-tax interest receivable from Bristol Water Holdings UK Limited, a UK parent company, in respect of inter-company loans.

During the year the following dividends have been paid:

- In respect of the 2019 financial year:
  - First interim base dividend of £3.000m, which is below that commensurate with the performance of the Company, reflecting retention of equity by shareholders;
  - Second interim for the inter-company loan interest element of £1.638m; and
  - Third interim for the inter-company loan interest element of £1.629m.

The base dividend allowed by Ofwat at PR14 was £6.7m, excluding preference dividends and inter-company loan interest. Therefore the base dividend of £3m is less than would be justified based on the dividend policy, and the regulatory framework principle that dividends should reflect economic incentives from delivery for customers and society.

In addition, annual dividends of £1.094m (2018: £1.094m) continued to be paid on the irredeemable preference shares. The irredeemable preference shares are shown as debt in the statement of financial position, and the dividend is therefore shown as a finance cost in the income statement.

The Board has proposed a final dividend in respect of the year ended 31 March 2019 of £nil (2018: £nil).

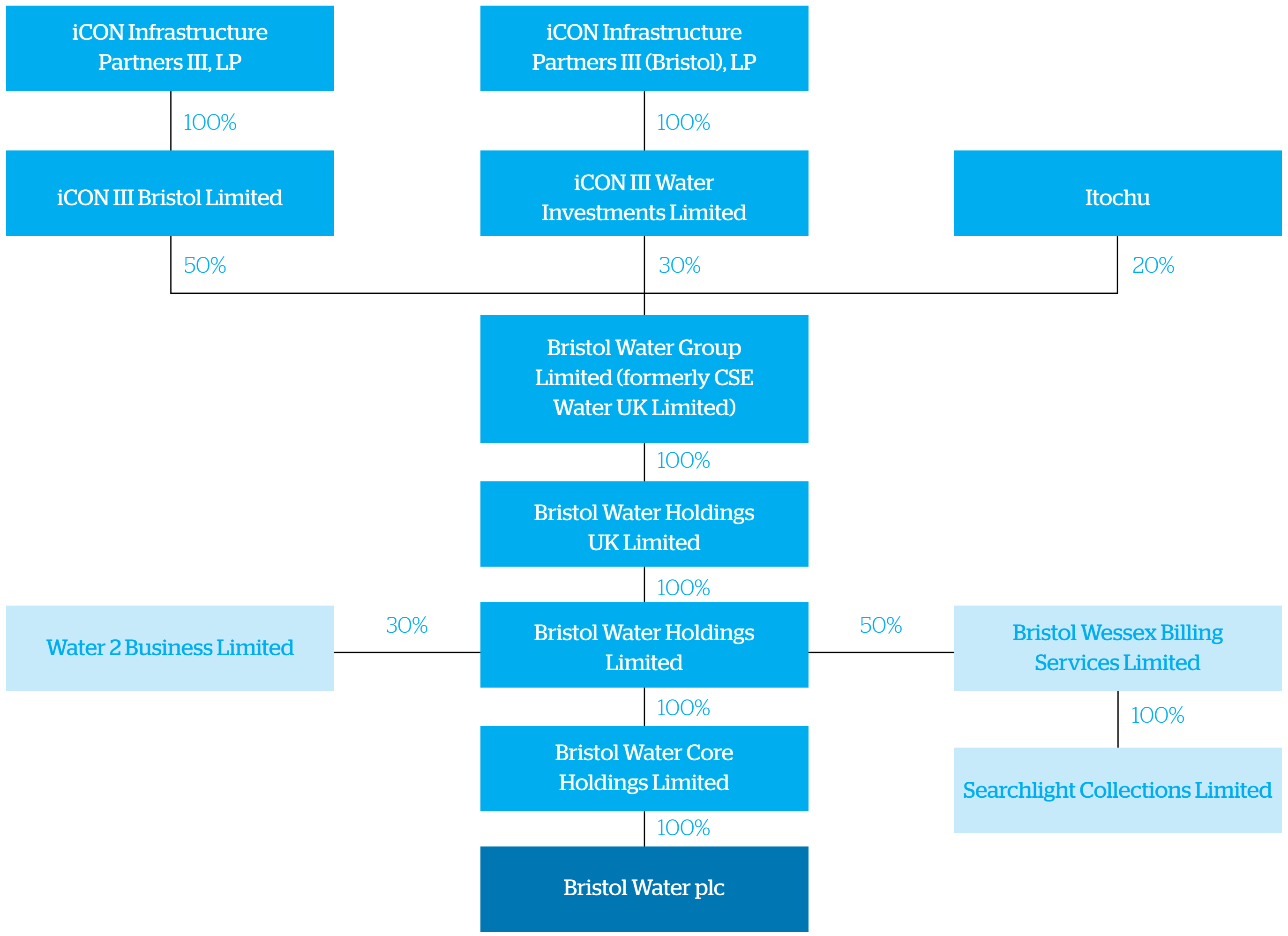
Tax strategy
The Finance Bill 2016 introduces the requirement for large companies to publish their tax strategy annually; although Bristol Water is not deemed a large Company by HMRC, Ofwat requires us to publish our tax strategy which can be found on the Company website www.bristolwater.co.uk/wp-content/uploads/2019/02/Tax-Strategy-2019.pdf

Disclosure and Transparency

The Annual Report and Financial Statements for Bristol Water plc, which can be found on the Bristol Water website www.bristolwater.co.uk/aboutus/our-performance/#financial, contains following information:

- review of company performance: pages 18 – 37;
- long-term viability statement: pages 38 – 43; and
- key risks to the business: pages 44 – 55.

Ownership and corporate structure



Disclosure and Transparency

The Board of Bristol Water plc (Bristol Water) seek to uphold the highest standards of transparency and openness in performing its functions and dealing with all of our stakeholders. A key aspect of this relates to the ownership of Bristol Water plc.

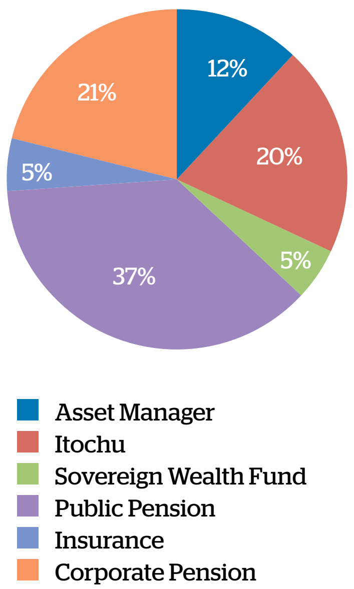
At 31 March 2019, 80% of Bristol Water was ultimately owned by two investment funds (the "iCON Funds") which are affiliated with iCON Infrastructure LLP ("iCON"), with the remaining 20% of Bristol Water owned by I-Environment Investments Limited, a UK subsidiary of Itochu Corporation ("Itochu"). The iCON Funds interest is split as follows: iCON Infrastructure Partners III, L.P. ("iCON III") own 50% and iCON Infrastructure Partners III (Bristol), L.P. ("iCON Bristol") owns 30%.

The iCON Funds have owned their interests in Bristol Water since 2016. They are constituted as English limited partnerships, which are domiciled in Guernsey. The iCON Funds employ typical partnership structures used for institutional investment, pursuant to which partners themselves (rather than the partnership) are taxable on their share of any profits or gains of the partnership as and when these arise. The ultimate investors in the iCON Funds are pension funds, asset managers and insurance companies from countries around the world including the UK, Germany, France, Canada, the United States and Japan. Further information concerning iCON, which is an experienced investor in the UK water sector, can be found at www.iconinfrastructure.com

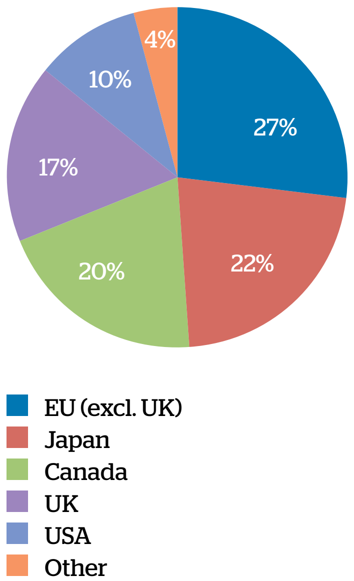
Itochu has owned its indirect 20% shareholding in Bristol Water since 2012. Itochu is a diversified group based in Japan which is listed on the Tokyo stock exchange. Further information concerning Itochu can be obtained at www.itochu.co.jp/en

The graphs below show the beneficial ownership of Bristol Water by both investor type and country:

Beneficial ownership by investor type



Beneficial ownership by country



The ultimate holding company of Bristol Water is Bristol Water Group Limited ("Bristol Water Group"), which is a UK incorporated and UK tax resident company. The iCON Funds and Itochu are indirect investors in Bristol Water Group. The iCON Funds hold their interests in Bristol Water Group through holding companies which were incorporated in Guernsey but are tax resident in the UK, namely iCON III Bristol Limited in the case of iCON III and iCON III Water Investments Limited in the case of iCON Bristol. Itochu owns its shareholding through a UK incorporated and UK tax resident holding company, which is a 100% owned subsidiary.

Bristol Water Group owns 100% of Bristol Water indirectly through three further wholly owned, UK incorporated and UK tax resident holding companies, namely Bristol Water Holdings UK Limited (Bristol Water Holdings UK), Bristol Water Holdings Limited (Bristol Water Holdings) and Bristol Water Core Holdings Limited (Bristol Water Core Holdings). Bristol Water Holdings, the intermediate holding company, also owns a 30% shareholding in Water 2 Business Limited and a 50% shareholding in Bristol Wessex Billing Services Limited, alongside its 100% indirect shareholding in Bristol Water.

Financing and dividend policy of the group with its ultimate shareholders

During the year, Bristol Water paid dividends of £6.3m (2017/18: £7.3m) to its immediate holding company Bristol Water Core Holdings. Of this dividend, £3.3m was returned to Bristol Water in respect of interest owing on intragroup debt facilities (see below under "Group financing arrangements") and the £3.0m balance was to re-pay in part, short term funding provided by the iCON Funds and Itochu in 2016, as described below. No dividends were paid during the year (2017/18: £nil) by Bristol Water Group to the holding companies of Itochu or the iCON Funds.

There are no long term shareholder loans provided by the ultimate owners of Bristol Water, the iCON Funds and Itochu, to Bristol Water Group or any of its subsidiaries (including Bristol Water).

In December 2016, the iCON Funds and Itochu contributed £9.0m additional funds to the group. These funds were provided on a short term, non-interest bearing basis to Bristol Water Group by the holding companies of the iCON Funds and Itochu, pro-rata to their ownership interests in Bristol Water Group. They were on-lent by Bristol Water Group to Bristol Water Holdings UK to fund payments to Agbar, a previous part owner of Bristol Water Holdings UK, on 15 December 2016 in connection with the ending of an O&M arrangement between Agbar and Bristol Water Holdings UK. In 2018/19, a payment of £3.4m was made (2017/18: £nil) in respect of this payable thus £5.6m remained outstanding at 31 March 2019.

As at 31 March 2019, Bristol Water's net debt, including preference shares, was £343.5m corresponding to a ratio of 64.8%[9] to its regulated asset base, which is in close proximity to the 62.5% notional capital structure that Ofwat assumed for water companies in AMP6. The net debt of the consolidated group comprising Bristol Water Group and its subsidiaries is also consistent with Ofwat's assumption, after adjusting for the £5.6m of short term receivables and accounting for mark-to-market adjustments for debt arising at the time of Bristol Water Group's acquisition of its interests in the group.

Group financing arrangements

There are two upstream loans from Bristol Water to its immediate 100% shareholder Bristol Water Holdings: a £47.0m loan earning interest of 6.042% and a £21.5m loan earning interest of 5.550% (together the "Upstream Loans"). Bristol Water received interest payments of £3.3m net of tax in respect of the Upstream Loans from Bristol Water Holdings UK in the year ended 31 March 2019 (2017/18: £3.3m). These interest payments are currently funded by dividends received from Bristol Water. The Upstream Loans have been outstanding since 2003 and 2005, respectively, and are entirely internal to the consolidated group headed by Bristol Water Group.

Governance

iCON has confirmed that the iCON Funds are aware and supportive of Ofwat's Principles of "Board leadership, transparency and governance" published in April 2014 and revised in January 2019, which set out Ofwat's expectations for holding companies of regulated water companies to show their adherence to the highest standards of corporate governance.

There are a list of matters that are reserved for the Board of Bristol Water plc which indicates where shareholder approval may be required. This is available on our website[10]. Where shareholder approval is required, this is obtained prior to approval by the Bristol Water Board. iCON has confirmed on behalf of iCON III that, other than iCON III's limited partners and iCON III's direct and indirect wholly-owned subsidiaries, there are no other beneficiaries of the regulated Company within the iCON group structure. iCON has, on behalf of iCON III in its capacity as managing general partner of iCON III, given an undertaking compliant with Condition P of the Company's licence

9 Gearing per net debt in the financial statements, see table 1E narrative
10 www.bristolwater.co.uk/wp-content/uploads/2018/09/2018-Apr-23-Matters-Reserved-for-the-Board-of-Bristol-Water-plc-Final.pdf

Disclosure and Transparency

when it took control of the Company (the "Condition P Undertaking").

iCON has confirmed, on behalf of iCON III in its capacity as managing general partner of iCON III, as follows:

- it has been briefed on Bristol Water's duties under the Water Industry Act 1991 and the licence;
- it is aware of and will comply with the terms of the Condition P Undertaking, including:
  - its obligation to provide all such information as may be necessary to enable Bristol Water to comply with the requirements of the conditions of its appointment as a water undertaker; and
  - it will refrain from any action which would or may cause Bristol Water to breach any of its obligations under the Water Industry Act 1991 or the conditions of its appointment as a water undertaker;
- it will provide Bristol Water with the information it needs to assure itself that Bristol Water is not at risk from the activities of the wider Bristol Water group;
- it will disclose to Bristol Water details of any issue identified by its Directors in respect of the Bristol Water group that might materially impact upon Bristol Water so that Bristol Water can take all appropriate steps;
- it will facilitate the ability of Bristol Water to meet the requirements of its own code of Corporate Governance and a new Corporate Governance Statement for the next financial year which has been approved by the Board; and
- it will support Bristol Water's ability to make strategic and sustainable decisions in the long term interests of the Company.

Principles of corporate governance

Bristol Water has developed its own corporate governance code ("the BW Code") which combines the UK 2016 Corporate Governance Code ("the Code") and the "Ofwat principles". The "Ofwat principles" are set out in the Ofwat document "Board leadership, transparency and governance" published in January 2014 and enforce the UK Corporate Governance Code. In May 2019 the Board approved the adoption of a new Corporate Governance Statement which incorporates by reference the new UK Corporate Governance Code 2018 and the new Ofwat Principles of board leadership, transparency and governance. This new Corporate Governance Statement will apply with effect from 1 April 2019.

Our new Corporate Governance Statement is available on our website (www.bristolwater.co.uk/wp-content/uploads/2019/07/Bristol-Water-Corporate-Governance-Statement-July-2019.pdf).

Bristol Water is a private company with listed debt including Cumulative Irredeemable Preference Shares but no listed ordinary shares as categorised as a 'standard listing' on the main market of the London Stock Exchange, therefore is not under an obligation to report compliance with the 2016 or 2018 Corporate Governance Code, however, the conditions of our Water Licence require us to report as if we have a 'premium listing'. The Board is pleased to confirm that Bristol Water complied with the provisions set out in the BW Code for the period under review.

Ofwat Board Leadership Transparency and Governance Principles require that:

- Independent Directors (including an independent chairman) are the largest single group on the Board, compared with (i) Executive Directors, and (ii) Non-Executive Directors who are not independent;
- The number of shareholders' representatives on the board is not greater than the number of Independent Directors (excluding an Independent Chairman); and
- There are fewer Executives than Independent Non-Executive Directors (including an Independent Chairman) on the Board.

Directors' emoluments

Full and detailed disclosures of Directors' remuneration are included in the Directors' remuneration report (Appendix 1) which sets out the basis of Director remuneration, including bonuses, and links to standards of performance. The annual bonus arrangements (Annual Cash Incentive Plan or "ACIP") were set on 24 May 2018 for Mel Karam, CEO and 29 November 2018 for Laura Flowerdew, CFO.

Statement of Directors' responsibilities

The Directors are responsible for preparing the regulatory accounting statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare accounting statements for each financial year. Under that law the Directors have prepared the accounting statements in accordance with FRS101. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these accounting statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounting statements; and
- prepare the accounting statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounting statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Company's website is the responsibility of the Directors and the maintenance and integrity of the Regulator's website is the responsibility of the Regulator; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Regulatory Accounts since they were initially presented on the websites.

After making enquiries, the Directors are of the opinion that the Company has adequate resources or the reasonable expectation of raising further resources as required to continue in operation for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing these accounts.

In addition, the Directors have responsibility for ensuring that the Company keeps proper accounting records sufficient to enable the historical cost and current cost information required by Condition F of the licence to be prepared having regard to all Regulatory Accounting Guidelines.

The Directors are also required to confirm in the accounting statements that, in their opinion, the Company was in compliance with paragraph 3.1 of Condition K of the licence relating to the availability of the rights and assets at the end of the financial year.

Auditors and disclosure of information to auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

1. So far as the Director is aware, there is no relevant audit information of which the company's auditors are unaware; and

2. The Director has taken all the steps that they ought to have taken as a Director in order to make themself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the Board

L Flowerdew
Chief Financial Officer
5 July 2019

Regulatory certificate of sufficiency of resources by the Directors

As required under condition I17 of its Instrument of Appointment relating to diversification and protection of core business the Directors of Bristol Water plc confirm:

1. That in the opinion of the Directors the Appointee will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, the Regulated Activities (including the investment programme necessary to fulfil the Appointee's obligations under the Appointment);

2. That in the opinion of the Directors the Appointee will, for at least the next 12 months, have available to it:
   a) management resources; and
   b) systems of planning and internal control;
   which are sufficient to enable it to carry out those functions; and

3. In respect of the Wholesale business only, that in the opinion of the Directors, any contract entered into with any Associated Company include all necessary provisions and requirements concerning the standard of service to be supplied to the Appointee, to ensure, that it is able to meet all its obligations as a water undertaker.

The main factors that the Directors have taken into account in giving this certificate:

Financial resources:

- Profit and loss budget, and capital programme, for 2019/20 and forecast for 2021, approved by the Board;
- Monthly management accounts prepared for periods prior to the certificate date;
- Cash at bank/on deposit held in the Bristol Water Statement of Financial Position of £17m at 31 March 2019; and
- Unutilised committed term facilities of £77m as at 31 March 2019.

Management resources:

- Bristol Water plc has an experienced senior management team with good knowledge of the water industry.

Associated company contracts:

- The Company currently has limited contracts with Associates and all Associated companies comply with the ring-fencing conditions set out in the Instrument of Appointment.

Approved by the Board and signed on its behalf on 5 July 2019 by

M Karam Chief Executive Officer
L Flowerdew Chief Financial Officer

Section 1: Regulatory financial reporting

1A Income statement
for the year ended 31 March 2019

	Statutory £m	Differences between statutory and RAG definitions £m	Non-appointed £m	Total adjustments £m	Total appointed activities £m
Revenue	121.604	-2.235	1.149	-3.384	118.220
Operating costs	-94.768	-0.073	-0.814	0.741	-94.027
Other operating income	3.123	0.000	0.000	0.000	3.123
Operating profit	29.959	-2.308	0.335	-2.643	27.316
Other income	0.000	1.975	0.000	1.975	1.975
Interest income	4.106	0.000	0.000	0.000	4.106
Interest expense	-18.839	-0.389	0.000	-0.389	-19.228
Other interest expense	1.285	0.000	0.000	0.000	1.285
Profit before tax	16.511	-0.722	0.335	-1.057	15.454
UK Corporation tax	-0.953	0.033	-0.063	0.096	-0.857
Deferred tax	-1.177	0.103	0.000	0.103	-1.074
Profit for the year	14.381	-0.586	0.272	-0.858	13.523
Dividends	-6.267	0.000	-0.272	0.272	-5.995
Tax analysis					
Current year	1.479	-0.033	0.063	-0.096	1.383
Adjustments in respect of prior years	-0.526	0.000	0.000	0.000	-0.526
UK Corporation tax	0.953	-0.033	0.063	-0.096	0.857

All of the turnover and operating costs above relate to continuing operations. Included in other operating income is the profit on the sale of an operational depot during the year.

Differences between Statutory and RAGs Definitions

Adjustments are made to the statutory numbers to ensure compliance with the Ofwat guidance reflected in RAG 3.11. These are:

£m	Description of difference between Statutory & RAG definitions
-2.235	£0.405m property rental income reclassified to other income, from revenue. £1.712m grants and contributions reclassified to other income from revenue £0.118m relating to amounts previously deemed as uncollectable under IFRS15 which has been recognised as revenue in the statutory accounts (increasing revenue), has been derecognised in the regulatory accounts.
-0.073	-£0.055m disapplication of IFRS 15 increasing the bad debt charge, in operating costs -£0.300m expense of new supplies which are capitalised in the statutory accounts £0.130m removal of depreciation on new supplies, net of amortisation of grants (see below) £0.152m property maintenance reclassified to other income to net off rent received
1.975	£0.253m net property income (see above) £1.712m grants and contributions and £0.010m depreciation of grants unaffected by IFRS15.
-0.389	Borrowing costs capitalised under IAS23 in the statutory accounts are derecognised and shown in interest expense.
0.033	Current tax impact of the above IFRS15 adjustments at 19%
0.103	The associated deferred tax relating to the removal of the capitalisation of new supplies costs, depreciation of those costs and IAS23 interest

1Ai Taxation

The statutory current tax charge for 2018/2019 of £0.953m includes £0.526m tax reduction for prior years. A deferred tax charge of £1.177m resulted in a total tax charge of £2.130m for the year.

The regulatory appointed business current tax charge of £0.857m is lower than the standard corporation tax rate and is reconciled in the table opposite. The main contributing factors to this are:

- capital allowances claimed in the year are higher than depreciation charged in the accounts; this is due to the difference in speed of capital expenditure write off under corporate tax law compared with accounting rates;
- the gain on sale of Bedminster Depot provisionally being rolled over into new eligible operational assets in accordance with HMRC Rollover Relief legislation, thereby deferring the taxable gain; and
- changes to the useful economic lives of Infrastructure Charge and Statutory Commuted Sum contributions. The tax treatment aligns to the accounting treatment and the change in the lives impacts current tax. The change to the lives reflects a review of the economic lives during the implementation of IFRS 15.

No capital allowances have been waived in the year. The revenue, set in the CMA Final Determination, is based on when tax is actually paid, and therefore reflects that the tax payments would lag the accounting results.

The provision adjustment is in relation to the general element of the bad debt provision which is not allowable from a corporation tax perspective.

Deferred income relates to the write off of contributions in relation to capital assets which for tax are written off in line with the capital allowance rates not the accounting lives.

The pension adjustment reflects the tax treatment of a defined benefit scheme which treats the actual contributions paid as receiving tax relief and all other adjustments as non taxable adjustments.

The prior year adjustment reflects changes to the capital allowance treatment following a detailed review of the capital expenditure in the year between the Statutory 2018 Financial Statements and the submitted tax computation to HMRC.

The overall current tax charge includes a tax charge of £0.8m in relation to group relief. Group relief is surrendered to Bristol Water plc by Bristol Water Holdings UK Limited. Bristol Water pays for the use of the group relief at the prevailing corporation tax rate, which is currently 19%. Full details can be found under the related party transactions' note.

Reconciliation of current tax charge

	£m	Effective tax rate
Profit on ordinary activities before tax	15.454	
Profit on ordinary activities multiplied by standard rate of Corporation Tax in the United Kingdom at 19%	2.936	19.0%
Effects of:		
Expenses not deductible for tax purposes – 8.75% irredeemable cumulative preference share dividends	0.208	
Provisional rollover relief claim	-0.594	
Capital allowances claimed for the year	-5.260	
Depreciation for the year	4.292	
Provisions	0.084	
Deferred income	0.158	
Pension adjustment	-0.097	
Change in contribution lives which had previously been overtaxed	-0.344	
Current tax charge before prior year adjustments	1.383	8.9%
Prior year adjustments:		
Capital allowances	-0.526	
Total current tax charge in the income statement	0.857	5.5%

Section 1: Regulatory financial reporting

Reconciliation of current tax to price limit

	£m
Final Determination current tax allowance at outturn prices	1.561
Key differences:	
Impact in profit before tax	0.673
Debt gearing adjustment	0.562
Impact of prior year adjustments	-0.526
Disposal of Bedminster depot - roll over relief claim	-0.594
Capital allowances in excess of depreciation charge	-0.924
Pension contribution	0.091
Other adjustments	0.014
Total appointed current tax charge	0.857
Non-appointed and non-regulatory business tax adjustments	0.096
Total statutory current tax charge	0.953

Deferred tax

The deferred tax is calculated at 17% and will continue to change in line with relevant legislation. The Company applies relevant tax laws in an appropriate manner and does not seek to enter into non-commercial transactions to reduce tax.

Comparison of current tax charge to Final Determination allowed tax

The Final Determination allowed tax figure is in 2012/13 prices therefore this has been indexed to reflect the RPI increase between 2012/13 prices and current 2018/19 prices. Our allowed tax for the year in 2012/13 prices was £1.348m which once indexed to nominal prices increases to £1.561m. Capital allowances for the year are higher than the Final Determination due to the changes in capital expenditure profiling.

The allowed tax per the Final Determination for the cumulative period of this AMP so far, is £8.017m. Currently, our total tax for the four years as reported is £7.779m.

1B Statement of comprehensive income

for the year ended 31 March 2019

	Statutory £m	Differences between statutory and RAG definitions £m	Non-appointed £m	Total adjustments £m	Total appointed activities £m
Profit for the year	14.381	-0.580	0.272	-0.852	13.529
Actuarial losses on post-employment plans	-37.258	0.000	0.000	0.000	-37.258
Other comprehensive income	12.717	0.000	0.000	0.000	12.717
Total comprehensive income for the year	-10.160	-0.580	0.272	-0.852	-11.012

Pension arrangements for employees were historically provided partly through our membership in the Water Companies' Pension Scheme ("WCPS"), which provides defined benefits based on final pensionable pay. We have a separate section within the WCPS for the regulated water business; the section was closed to new employees some years ago.

In June 2019, a buy-in of the scheme was undertaken, as a result the assets were replaced with an insurance policy which matches the pension scheme's liabilities. The Company is working with the pension trustee and also insurers to affect a buy-out, whereby the insurer will take on the responsibility for the scheme liabilities. The completion of this process will substantially reduce balance sheet risk whilst providing long term benefit to members by fully securing their benefits and entitlements.

The actuarial valuation under International Accounting Standard 19 (IAS 19) and therefore FRS101 at 31 March 2019 shows a net pension surplus of £9.513m which has been recognised in the financial statements (2017/18: £33.397m). As the scheme has been closed to future accrual the surplus cannot be recovered through on-going contribution payments. The pension asset is shown net of a 35% income tax rate which would be applicable if the funds were repaid to Bristol Water from the pension scheme. The gross reduction in the surplus (£37.258m) is included in the actuarial losses on post employment plans and the reduction in the income tax applicable (£12.861m) is included in other comprehensive income.

Differences between statutory and RAGs definitions

The difference has occurred in the income statement, and relates to dis-applied capitalisation net of the tax effect.

1C Statement of financial position

at 31 March 2019

	Statutory £m	Differences between statutory and RAG definitions £m	Non-appointed £m	Total adjustments £m	Total appointed activities £m
Non-current assets					
Fixed assets	629.432	-6.953	1.322	-8.275	621.157
Intangible assets	10.420	0.000	0.000	0.000	10.420
Investments - loans to group companies	68.500	0.000	0.000	0.000	68.500
Retirement benefit assets	9.513	0.000	0.000	0.000	9.513
Total	717.865	-6.953	1.322	-8.275	709.590
Current assets					
Inventories	1.660	0.000	0.026	-0.026	1.634
Trade & other receivables	27.797	0.192	0.000	0.192	27.989
Cash & cash equivalents	17.064	0.000	0.000	0.000	17.064
Total	46.521	0.192	0.026	0.166	46.687
Current liabilities					
Trade & other payables	-26.462	0.000	-1.348	1.348	-25.114
Capex creditor	-12.093	0.000	0.000	0.000	-12.093
Borrowings	-0.493	0.000	0.000	0.000	-0.493
Financial instruments	0.000	0.000	0.000	0.000	0.000
Current tax liabilities	-0.119	0.000	0.000	0.000	-0.119
Provisions	-1.700	0.000	0.000	0.000	-1.700
Total	-40.867	0.000	-1.348	1.348	-39.519
Net current assets	5.654	0.192	-1.322	1.514	7.168
Non-Current liabilities					
Borrowings	-347.569	0.000	0.000	0.000	-347.569
Financial instruments	0.000	0.000	0.000	0.000	0.000
Deferred income - G&Cs	-81.904	0.000	0.000	0.000	-81.904
Preference share capital	-12.500	0.000	0.000	0.000	-12.500
Deferred tax	-58.032	1.041	0.000	1.041	-56.991
Total	-500.005	1.041	0.000	1.041	-498.964
Net assets	223.514	-5.720	0.000	-5.720	217.794
Equity					
Called up share capital	5.998	0.000	0.000	0.000	5.998
Retained earnings & other reserves	217.516	-5.720	0.000	-5.720	211.796
Total equity	223.514	-5.720	0.000	-5.720	217.794

The accounts were approved by an authorised Committee of the Board on 5 July 2019 and signed on its behalf by **M Karam**, Chief Executive Officer and **L Flowerdew**, Chief Financial Officer

Differences between statutory and RAGs definitions

The fixed assets difference is the dis-application of capitalisation of both interest and the administration of new supplies; deferred tax is also adjusted for this impact, in accordance with the regulatory accounting guidelines. The trade and other receivables adjustment relates to the adjustments for the impact of revenue deemed as uncollectable to debtors and the bad debt provision under IFRS15 which is removed for the purposes of the regulatory accounting guidelines.

1D Statement of cash flows

for the year ended 31 March 2019

	Statutory £m	Differences between statutory and RAG definitions £m	Non-appointed £m	Total adjustments £m	Total appointed activities £m
Operating profit	29.959	-2.308	0.335	-2.643	27.316
Other income	0.000	0.253	0.000	0.253	0.253
Depreciation	23.199	-0.136	0.050	-0.186	23.013
Amortisation - G&Cs	-1.712	1.712	0.000	1.712	0.000
Changes in working capital	0.000	-0.012	-0.051	0.039	0.039
Pension contributions	0.772	0.000	0.000	0.000	0.772
Movement in provisions	-0.238	0.192	0.000	0.192	-0.046
Profit on sale of fixed assets	-3.123	0.000	0.000	0.000	-3.123
Cash generated from operations	48.857	-0.299	0.334	-0.633	48.224
Net interest paid	-8.790	0.000	0.000	0.000	-8.790
Tax paid	-2.169	0.000	-0.063	0.063	-2.106
Net cash generated from operating activities	37.898	-0.299	0.271	-0.570	37.328
Investing activities					
Capital expenditure	-52.887	0.299	0.000	0.299	-52.588
Grants & Contributions	3.724	0.000	0.000	0.000	3.724
Disposal of fixed assets	3.490	0.000	0.000	0.000	3.490
Other	0.000	0.000	0.000	0.000	0.000
Net cash used in investing activities	-45.673	0.299	0.000	0.299	-45.374
Net cash generated before financing activities	-7.775	0.000	0.271	-0.271	-8.046
Cash flows from financing activities					
Equity dividends paid	-6.267	0.000	-0.271	0.271	-5.996
Net loans received	16.161	0.000	0.000	0.000	16.161
Net cash generated from financing activities	9.894	0.000	-0.271	0.271	10.165
Increase in net cash	2.119	0.000	0.000	0.000	2.119

The profit on sale of fixed assets relates to the sale of an operational depot during the year.

Differences between statutory and RAGs definitions

The difference is the dis-application of capitalisation of interest and the administration of new supplies (movements between operating profit, interest paid and capital expenditure), the difference in treatment of net rental income, depreciation on the capitalised interest and non payers provision which has been dis-applied, and the reclassification of grants and contributions (movements between operating profit and amortisation).

1E Net debt analysis
at 31 March 2019

Interest rate risk profile

	Fixed rate £m	Floating rate £m	Index linked £m	Total £m
Borrowings (excluding preference shares)	84.070	74.035	188.820	346.925
Preference share capital				12.500
Total borrowings				359.425
Cash				-17.064
Short-term deposits				0.000
Net debt				342.361
Gearing				64.56%
Adjusted gearing				62.42%
Full year equivalent nominal interest cost[11]	4.171	1.298	10.932	16.401
Full year equivalent cash interest payment	4.171	1.298	6.401	11.870
Indicative interest rates				
Indicative weighted average nominal interest rate	4.96%	1.75%	5.79%	4.73%
Indicative weighted average cash interest rate	4.96%	1.75%	3.39%	3.42%
Weighted average years to maturity	12.72	7.23	15.36	12.99

Reconciliation to table 1C	£m
Current borrowings per table 1C	0.493
Non-current borrowings per table 1C	347.569
Less unamortised net premia	-1.137
Borrowings (excluding preference shares) per table 1E	346.925

Table 1E's definition of net debt does not include unamortised net premia. This creates a difference with the net debt shown in financial statements, the net debt shown in table 1E and the borrowings in table 1C. This creates different gearing amounts dependent on the net debt definition used.

	£m	Gearing (2 dp)	Gearing (1 dp)
Net debt per the financial statements excluding preference shares	330.998	62.42%	62.4%
Add preference shares	12.500		
Net debt per the financial statements including preference shares	343.498	64.77%	64.8%
Less unamortised net premia	-1.137		
Net debt per table 1E	342.361	64.56%	64.6%

Gearing is calculated as net debt divided by Regulatory Capital Value "RCV" (£530.305m). The adjusted gearing in the table 62.42% is calculated in line with Moody's definition, which excludes preference shares from net debt as defined in the financial statements and is expressed as a percentage of RCV. The allowance included in the determination for the real cost of debt was 2.61%. The indexed linked cash interest cost is 0.78% higher than the determination at 3.39%. To compare the fixed and floating interest rates with the indicative cash interest rates, they need to be adjusted for the year average inflation of 3.06% giving a combined rate in real terms of 0.40% (2.21% lower than the allowance). The net weighted overall difference between the allowed real cost of debt and the actual interest rates incurred is 0.58% lower. In addition to the interest shown above, we also pay preference dividends of £1.094m per annum.

[11] Interest costs and interest rates in table 1E exclude preference dividends

1F Financial flows (price base – 2012-13 RPI average)
12 Months ended 31 March 2019

	Notional returns and notional regulatory equity %	Actual returns and notional regulatory equity %	Actual returns and actual regulatory equity %	Notional returns and notional regulatory equity £m	Actual returns and notional regulatory equity £m	Actual returns and actual regulatory equity £m
A						
Return of regulatory equity	5.80	5.53	5.80	9.752	9.295	9.295
Actual performance adjustment 2010-15	-0.12	-0.11	-0.12	-0.195	-0.186	-0.186
Adjusted return on regulatory equity	5.68	5.42	5.68	9.557	9.109	9.109
Regulatory equity	168.146	168.146	160.256			
B Financing						
Gearing	0.00	-0.14	-0.15	0.000	-0.243	-0.243
Variance in corporation tax	0.00	1.01	1.06	0.000	1.695	1.695
Group relief	0.00	0.00	0.00	0.000	0.000	0.000
Cost of debt	0.00	0.67	0.71	0.000	1.130	1.130
Hedging instruments	0.00	-0.35	-0.37	0.000	-0.596	-0.596
Financing total	5.68	6.60	6.92	9.557	11.095	11.095
C Operational performance						
Totex out / (under) performance	0.00	0.26	0.28	0.000	0.445	0.445
ODI out / (under) performance	0.00	-2.01	-2.11	0.000	-3.380	-3.380
Retail out / (under) performance	0.00	-0.46	-0.48	0.000	-0.777	-0.777
Other exceptional items	0.00	1.22	1.28	0.000	2.047	2.047
Operational performance total	0.00	-0.99	-1.04	0.000	-1.665	-1.665
Total earnings	5.68	5.61	5.88	9.557	9.430	9.430
RCV growth for RPI inflation	3.06	3.06	3.06	5.139	5.139	4.897
Total shareholder return	8.74	8.66	8.94	14.696	14.568	14.327
Net dividend	4.00	1.01	1.06	6.726	1.696	1.696
Retained value	4.74	7.66	7.88	7.970	12.872	12.631
E Dividends reconciliation						
Gross dividend	4.00	3.08	3.23	6.726	5.179	5.179
Interest received on intercompany loans	0.00	2.07	2.17	0.000	3.483	3.483
Net dividend	4.00	1.01	1.06	6.726	1.696	1.696

1F Financial flows (price base – 2012-13 RPI Average)

Average 2015-19

	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity
	%	%	%	£m	£m	£m
A						
Return on regulatory equity	5.80	5.19	5.80	9.309	8.329	8.329
Actual performance adjustment 2010-15	-0.12	-0.11	-0.12	-0.196	-0.175	-0.175
Adjusted Return on regulatory equity	5.68	5.08	5.68	9.113	8.154	8.154
Regulatory equity	160.494	160.494	143.602			
B Financing						
Gearing	0.00	-0.32	-0.36	0.000	-0.518	-0.518
Variance in corporation tax	0.00	0.12	0.14	0.000	0.197	0.197
Group relief	0.00	0.00	0.00	0.000	0.000	0.000
Cost of debt	0.00	0.10	0.08	0.000	0.159	0.120
Hedging instruments	0.00	-0.48	-0.54	0.000	-0.776	-0.776
Financing total	**5.68**	**4.50**	**5.00**	**9.113**	**7.216**	**7.177**
C Operational performance						
Totex out / (under) performance	0.00	0.63	0.70	0.000	1.007	1.007
ODI out / (under) performance	0.00	-1.08	-1.21	0.000	-1.733	-1.733
Retail out / (under) performance	0.00	-0.09	-0.10	0.000	-0.150	-0.150
Other exceptional items	0.00	0.50	0.56	0.000	0.807	0.807
Operational performance total	**0.00**	**-0.04**	**-0.05**	**0.000**	**-0.069**	**-0.069**
Total earnings	**5.68**	**4.45**	**4.95**	**9.113**	**7.147**	**7.108**
RCV growth for RPI inflation	2.32	2.32	2.32	3.715	3.715	3.324
Total shareholder return	7.99	6.77	7.26	12.828	10.862	10.432
Net dividend	4.00	1.21	1.35	6.420	1.943	1.943
Retained value	3.99	5.56	5.91	6.409	8.919	8.489
E Dividends reconciliation						
Gross dividend	4.00	3.48	3.89	6.420	5.593	5.593
Interest received on intercompany loans	0.00	2.27	2.54	0.000	3.650	3.650
Net dividend	**4.00**	**1.21**	**1.35**	**6.420**	**1.943**	**1.943**

We provide an explanation of our performance, bills and dividends level as a separate summary at the beginning of our Annual Performance Report. This section provides more detailed explanation of the Financial Funds Flow in table 1F.

Overall the table shows that gearing has fallen over 2015-2019. Value has been retained within the regulated business and dividends, after intercompany interest, have been below both PR14 assumptions and PR14 assumptions adjusted for gearing and performance. The actual retained value is higher than the increase in the RCV and is higher than the notional expectations of retained value, before and after adjusting for actual performance. This is the case for both 2018/19 and 2015-19 in total.

The calculation of the year average RCV has been made in accordance with the RAGS. This calculation is as follows:

	2014/15	2015/16	2016/17	2017/18	**2018/19**
	£m	£m	£m	£m	**£m**
Published year end RCV nominal prices	423.575	441.202	470.667	502.270	530.305
Year end RCV average prices (divided by year end RPI and multiplied by 2013 ave. RPI)	403.146	413.489	427.673	441.629	455.158
Average		408.317	420.581	434.651	448.394
Published year average RCV prices		408.275	420.538	434.607	448.348
Difference		(0.042)	(0.043)	(0.044)	(0.046)

The actual performance adjustment 2010-15 relates to the Ofwat Final Determination model. This model includes adjustment rewards for SIM and the Revenue Correction Mechanism of £0.605 and £0.510 respectively, netted off by an adjustment penalty to Capital Incentive Scheme of £1.310. Each of these adjustments are per annum and are incurred evenly throughout AMP6.

In accordance with Ofwat guidance, gearing has been calculated with reference to the adjusted Return on Regulatory Equity of 5.68% in 2018/19. This is compared to the allowed cost of debt of 2.61%. This difference of 3.07% is multiplied by the difference notional gearing and actual average gearing of 1.4% and then multiplied by the year average RCV of £455.158. The calculation of gearing includes Preference shares as advised by Ofwat. Actual returns were below notional returns at the start of 2015-20, but this gap has reduced as gearing has fallen. This is a deliberate strategy supported by our shareholders retaining equity within Bristol Water by accepting lower dividends than justified by base regulatory dividends and our performance. This reflects the need to invest in the transformation of Bristol Water in preparation for 2020, further details of which are included in our Bristol Water For All business plan for 2020-25.

Section 1: Regulatory financial reporting

The variance in corporation tax is a calculation of the difference between the amount allowed for corporation tax according to the Competition and Markets Authority ("CMA") PR14 Final Determination less several adjusting items. The applicable figures for 2018/19 are as follows:

	£m
Tax allowed per PR14	1.348
Tax payable at the standard rate on appointed activities	(0.763)
Adjustment for accelerated capital allowances	0.641
Prior year adjustments	0.445
Total	**1.672**

Bristol Water plc pays its associate an amount equal to the tax benefit of any group relief received, therefore this amount is £nil.

The cost of debt is calculated based on the net interest charge in the accounts, excluding interest received from inter-company loans (which is funded by inter-company dividends). It includes indexation and preference dividends. The Company has refinanced its borrowings during the year which has increased net debt in excess of what the interest expense has increased by which has resulted in a better cost of debt position when compared to the Ofwat Final Determination.

The hedging instruments amount of £0.596m relates to five swaps that the business entered in to during the year. The cost is made up of interest and termination costs. As at the year end the business does not have any hedging instruments.

With the exception of Other Exceptional Items, the Operational Performance section are absolute values taken from the RORE calculations for the year as set out in table 4H.

As well as the non-household costs incurred since exiting the market on 1 April 2017 (2019 £0.656, 2018 £0.583), Other Exceptional items include adjustments for the profit on disposal of the non-household customer book of £2.143m in 2017/18, and the profit on disposal of an operational depot of £3.129m in 2018/19. Both items have been deflated to 2012/13 prices.

In 2017/18 an impairment of the proposed second Cheddar Reservoir took place which amounted to a depreciation charge of £4.716m. As this impairment had no cash impact, it has not been included in the Financial Flows table above.

The net dividend is calculated by taking total appointed dividends of £5.996m that were paid during the year (which include dividends paid to fund inter-company loan interest) netted off by £4.033m of interest received on intercompany loans less tax at the prevailing rate. This is then deflated back to 2012/13 prices for the purposes of the fundflow analysis. This interest is charged on £68.5m of loans to holding companies.

Section 2: Price Control and additional segmental reporting

2A Segmental income statement
for the 12 months ended 31 March 2019

	Retail		Wholesale			
	Household £m	Non-Household £m	Water Resources £m	Water Network + £m	Water total £m	**Total £m**
Revenue – price control	11.191	0.000		104.731	104.731	**115.922**
Revenue – non price control	0.000	0.000		2.298	2.298	**2.298**
Operating expenditure	-10.699	-0.656	-12.952	-46.702	-59.654	**-71.009**
Depreciation						
– tangible fixed assets	-0.112	0.000	-1.606	-18.594	-20.200	**-20.312**
Amortisation						
– intangible fixed assets	-0.132	0.000	-0.232	-2.342	-2.574	**-2.706**
Other operating income	0.000	0.000	0.284	2.839	3.123	**3.123**
Operating profit before recharges	0.248	-0.656			27.724	**27.316**
Recharges from other segments	-0.803	0.000	0.000	0.000	0.000	**-0.803**
Recharges to other segments	0.000	0.000	0.060	0.743	0.803	**0.803**
Operating profit	**-0.555**	**-0.656**			**28.527**	**27.316**

Bristol Water exited the non-household retail market on 1 April 2017, therefore the retail non-household revenue is £nil. Operating expenses are still incurred in this sector under the regulatory accounting guidelines, an analysis of which is shown in 2C. £3.129m of the water network + other operating income relates to the sale of a Company depot in the year.

2B Totex analysis
for the 12 months ended 31 March 2019

	Wholesale Water		
	Water Resources £m	Water Network + £m	**Total £m**
Operating expenditure			
Power	1.604	6.864	**8.468**
Income treated as negative expenditure	-0.008	-0.037	**-0.045**
Abstraction charges/discharge consents	2.781	0.108	**2.889**
Bulk supply/bulk discharge	0.016	0.118	**0.134**
Other operating expenditure - renewals expensed in the year (infrastructure)	0.235	2.051	**2.286**
Other operating expenditure - renewals expensed in the year (non-infrastructure)	0.000	0.000	**0.000**
Other operating expenditure - excluding renewals	6.812	32.849	**39.661**
Local authority and cumulo rates	1.270	3.631	**4.901**
Total operating expenditure excluding third-party services	12.710	45.584	**58.294**
Third-party services	0.242	1.118	**1.360**
Total operating expenditure	12.952	46.702	**59.654**
Capital expenditure			
Maintaining the long-term capability of the assets - infrastructure	0.430	15.582	**16.012**
Maintaining the long-term capability of the assets - non-infrastructure	0.777	15.637	**16.414**
Other capital expenditure - infrastructure	0.000	9.830	**9.830**
Other capital expenditure - non-infrastructure	1.192	9.109	**10.301**
Infrastructure network reinforcement	0.000	0.889	**0.889**
Total gross capital expenditure (excluding third party)	2.399	51.047	**53.446**
Third party services	0.002	0.167	**0.169**
Total gross capital expenditure	2.401	51.214	**53.615**
Grants and contributions			
Less grants and contributions	0.000	4.199	**4.199**
Totex	15.353	93.717	**109.070**
Cash expenditure			
Pension deficit recovery payments	0.000	0.000	**0.000**
Other cash items	0.000	0.000	**0.000**
Totex including cash items	15.353	93.717	**109.070**

2C Operating cost analysis
for the 12 months ended 31 March 2019

	Retail		
	Household £m	Non-household £m	**Total £m**
Operating expenditure			
Customer services	2.427	0.143	**2.570**
Debt management	0.459	0.000	**0.459**
Doubtful debts	3.913	0.000	**3.913**
Meter reading	0.276	0.000	**0.276**
Services to developers		0.380	**0.380**
Other operating expenditure	3.624	0.133	**3.757**
Total operating expenditure excluding third-party services	10.699	0.656	**11.355**
Third-party services operating expenditure	0.000	0.000	**0.000**
Total operating expenditure	10.699	0.656	**11.355**
Depreciation - tangible fixed assets	0.111	0.000	**0.111**
Amortisation - intangible fixed assets	0.132	0.000	**0.132**
Total operating costs	10.942	0.656	**11.598**
Debt written off	4.140	0.000	**4.140**

2Ci Retail costs compared to the allowance
The allowed household retail costs were £11.0m and actual costs were £10.9m, £0.1m lower than the allowance.

Household property numbers did not increase as quickly as anticipated, with 493,832 household properties compared to the PR14 assumption of 498,934. Unmeasured customer numbers were 224,438 versus assumed 191,497 and measured numbers were 269,394 versus assumed 307,437. The net impact of these customer number differences is an expected cost reduction of £0.3m compared to the allowance, as retail costs are lower for unmeasured customers.

The additional costs incurred in serving metered customers were lower than that assumed in the allowance due to the number of measured customers being lower than assumed, delivering a £0.8m saving. The retail costs common to both measured and unmeasured customers were higher than the allowance with an associated increase of £1.0m.

Subsequent to Bristol Water exiting the non-household retail market, the allowance for non-household retail costs is £nil. However operating expenses are still incurred in accordance with the regulatory accounting guidelines. £0.300m of other operating expenditure relates to the cost of administering new supplies with another £0.080m being further services to developers. The remainder relates to network customer enquiries and complaints in customer services, and an allocation of general and support expenditure and other operating expenditure.

2D Historic cost analysis of tangible fixed assets

	Wholesale		Retail		
	Water Resources £m	Water Network + £m	Household £m	Non-Household £m	**Total £m**
Cost					
At 1 April 2018	62.638	782.456	1.488	0.000	**846.582**
Disposals	-0.252	-2.711	0.000	0.000	**-2.963**
Additions	2.103	48.065	-0.484	0.000	**49.684**
Adjustments	-0.119	0.659	0.085	0.000	**0.625**
Assets adopted at nil cost	0.000	0.000	0.000	0.000	**0.000**
At 31 March 2019	64.370	828.469	1.089	0.000	893.928
Depreciation					
At 1 April 2018	-22.011	-231.537	-1.105	0.000	**-254.653**
Disposals	0.222	2.385	0.000	0.000	**2.607**
Adjustments	0.086	-0.499	0.000	0.000	**-0.413**
Charge for the year	-1.606	-18.594	-0.112	0.000	**-20.312**
At 31 March 2019	-23.309	-248.245	-1.217	0.000	-272.771
Net book amount at 31 March 2019	41.061	580.224	-0.128	0.000	621.157
Net book amount at 1 April 2018	40.627	550.919	0.383	0.000	591.929
Depreciation charge for the year					
Principal services	-1.602	-18.482	-0.112	0.000	**-20.196**
Third-party services	-0.004	-0.112	0.000	0.000	**-0.116**
Total	-1.606	-18.594	-0.112	0.000	-20.312

2E Analysis of capital contributions and land sales

for the 12 months ended 31 March 2019

	Fully recognised in income statement £m	Capitalised and amortised (in income statement) £m	Fully netted off capex £m	**Total £m**
Grants and contributions - water				
Connection charges (s45)	0.000	1.914	0.000	**1.914**
Infrastructure charge receipts (s146)	0.000	1.334	0.000	**1.334**
Requisitioned mains (s43, s55 & s56)	0.000	0.240	0.000	**0.240**
Other contributions (price control)	0.000	0.236	0.000	**0.236**
Diversions	0.475	0.000	0.000	**0.475**
Other contributions (non-price control)	0.000	0.000	0.000	**0.000**
Total	0.475	3.724	0.000	4.199
Value of adopted assets	0.010	0.000		**0.010**
Movements in capitalised grants and contributions				
Brought forward				76.283
Capitalised in year				3.724
Amortisation (in income statement)				-2.002
Carried forward				78.005
Land sales				£000s
Proceeds from disposals of protected land				3,282.636

In December 2018 an operational depot, Bedminster Depot, was sold, for £3.470m. The proceeds exceeded previous expectations due to more extensive planning permission being obtained. Offsetting costs included legal fees incurred in the current and previous years, totalling £0.074m and £0.114m for mains diversion and site clearance costs.

2F Household - revenues by customer type

	Wholesale charges revenue £m	Retail revenue £m	Total revenue £m	Number of customers 000s	Average household retail revenue per customer £
Unmeasured water only customer	41.614	4.468	46.082	224.438	20
Measured water only customer	37.881	6.723	44.604	269.394	25
Total	79.495	11.191	90.686	493.832	23

The average retail revenue per customer is broadly in line with allowances, with the unmeasured allowance being the same as the actual at £20 and the measured allowance being £1 higher at £26.

2G Non-household water – revenues by customer type

This table is not applicable to Bristol Water plc as the Company has exited the non-household retail market. The wholesale revenue for the year ended 31 March 2019 was £25.236m as shown in table 2I.

Table 2H is not applicable to Bristol Water plc as it is a wastewater table.

2I Revenue analysis & wholesale control reconciliation

for the 12 months ended 31 March 2019

	Household £m	Non-Household £m	Total £m
Wholesale charge – water			
Unmeasured	41.614	0.248	41.862
Measured	37.881	24.884	62.765
Third party revenue	0.000	0.104	0.104
Wholesale total	79.495	25.236	104.731
Retail revenue			
Unmeasured	4.468	0.000	4.468
Measured	6.723	0.000	6.723
Third party revenue	0.000	0.000	0.000
Retail total	11.191	0.000	11.191
Third party revenue – non-price control			
Bulk supplies			1.184
Other third party revenue			1.114
Principal services – non-price control			
Other appointed revenue			0.000
Total appointed revenue			118.220
Wholesale revenue governed by price control			104.731
Grants & contributions			3.724
Total revenue governed by wholesale price control			108.455
Amount assumed in wholesale determination			108.473
Adjustment for in-period ODI revenue			0.000
Adjustment for WRFM			0.500
Total assumed revenue			108.973
Difference			-0.518

2Ii Comparison with determination

The total wholesale revenue assumed in the Final Determination for 2015/16 was £100.247m in 2014/15 prices. Inflating this figure by November 2014 RPI of 2.0% produced a calculated revenue expectation of £102.235m. This figure is then adjusted by the November RPI figure for each year, and the K Factors set by the CMA in its redetermination of our PR14 price control in order to set the allowed revenue for each year. Revenue allowances also include the impact of £0.710m reduction in revenue resulting from the 2014/15 blind year adjustment (as outturn 2014/15 revenue was higher than assumed when the PR14 revenue allowances were set), this is spread evenly over the three years 2017/18 – 2019/20.

For 2018/19, RPI was 3.9% and the K factor was 0.3%, which produced an allowed revenue of £108.473m.

The Wholesale Revenue Forecasting Incentive Mechanism ("WRFIM") introduced at PR14 allows companies to correct for over- or under-recovery of revenues in future years. Any remaining variance against revenue allowances is corrected for through the PR19 price control.

Our 2016/17 wholesale revenue showed an under-recovery against the allowance of £2.246m. In order to mitigate the impact of this on customer tariffs a management decision was taken to limit the level of recovery applied to 2018/19 tariffs to £0.5m. As a result, the total assumed wholesale revenue for 2018/19 was £108.973m

		2015/16	2016/17	2017/18	2018/19
Initial revenue allowance (14/15 prices)	£m	100.247			
K Factor	%	0.0%	-1.8%	0.5%	0.3%
RPI	%	2.0%	1.1%	2.2%	3.9%
RPI+K Increase	%	2.0%	-0.7%	2.7%	4.2%
Nominal allowed revenues	£m	102.235	101.458	104.171	108.473 [12]
Adjusted allowed revenues	£m			106.682	110.739
Revenue recovery included in tariffs	£m			1.600	0.500
Total assumed revenue	£m	102.235	101.458	105.802	108.973
Actual revenue	£m	99.703	99.212	104.775	108.455 [13]
Difference against (adjusted) allowance	£m	-2.532	-2.246	-1.907	-2.284
Difference against assumed revenue	£m			-1.027	-0.518

Wholesale Revenue received in 2018/19 as per table 2I is £108.455m, a difference of £0.518m (0.5%) against the assumed revenue from the FD (as adjusted for inflation and the amount of revenue correction we applied to tariffs). The variance against the adjusted allowed revenue (which includes the full amount of revenue correction we could have recovered) is £2.284m (2.1%). This is marginally above the 2% variance threshold allowed through the WRFIM, and a penalty of £4k is accrued to be applied within the PR19 price control.

The principal reasons for outturn revenue being £0.518m lower than the assumed revenue are:

- grants and contributions from developers at £3.724m (excluding diversions of £0.475 as per the Regulatory Accounting guidance) were lower than the £3.898m assumed when setting tariffs, due to lower than expected activity levels; and
- revenue not collected from customers whilst in our change of occupier metering process.

The number of household customers increased by 1.3% due to new connections, in line with expectations. The number of non-household customers was largely unchanged in aggregate. The number of metered households increased by 17,985 (6.9%) due to our selective change of occupier metering programme, as well as meter optants and new connections. Void properties increased by 12% in the year, this is principally due to changes in occupancy status identified through our change of occupier metering programme and additional unoccupied properties identified through non-household market opening data cleansing.

[12] Amount assumed in wholesale determination in table 2I
[13] Total revenue governed by wholesale price control in table 2I

2J Infrastructure network costs
for the 12 months ended 31 March 2019

	Network reinforcement capex £m	On site / site specific capex £m
Wholesale water network + (treated water distribution)		
Distribution and trunk mains	0.755	0.000
Pumping and storage facilities	0.134	0.000
Other	0.000	0.000
Total	0.889	0.000

2K Infrastructure charges reconciliation
for the 12 months ended 31 March 2019

	Water £m	**Total £m**
A Impact of infrastructure charge discounts		
Infrastructure charges	1.334	**1.334**
Discounts applied to infrastructure charges	0.000	**0.000**
Gross infrastructure charges	1.334	**1.334**
B Comparison of revenue and costs		
Variance brought forward	0.000	**0.000**
Revenue	1.334	**1.334**
Costs	-0.889	**-0.889**
Variance carried forward	0.445	**0.445**

Bristol Water sets infrastructure charges annually based on a 5 year forecast of Network Reinforcement expenditure, adjusted for any timing differences between income and expenditure from previous years, Network Reinforcement Expenditure required in the year and Infrastructure Income receipts. This is reviewed annually and adjusted to reflect income and expenditure and published in our Charging Arrangements for New Connections document on the 1st February for implementation on 1st April.

For 2018/19 there was a difference of £0.445m of which £0.310m was expenditure incurred on schemes in previous years for which connections by the developer covered multiple years, and is now being recovered in infrastructure charges. When charges were set for 2018/19, the revenue for the year was expected to be £1.261m for 4,250 properties, with expenditure forecast for the year of £1.024m, a timing difference of £0.237m. The lower expenditure reflects changes in scheme timing (construction delay for Croscombe Reservoir). Around £0.1m of this variance was taken into account when setting infrastructure charges for 2019/20 and the remainder will be carried over into following years.

Section 3 Performance summary

Section 3 of the APR reflects a high-level summary of our 2018/19 performance commitments, including our outcome delivery incentives. Remuneration Committee

Overview

We continue to make significant progress in a number of areas and continue to deliver high levels of service. In areas that are most important to customers such as leakage and water quality compliance, our performance in 2018/19 is likely to be at or close to leading performance in the industry. We continue to have zero customers in water poverty. In areas where we have performed less well, we have plans to improve so we can deliver the stretching and ambitious targets set out in our plan.

Transparency is important to us and it is important that our customers can find out how we are performing against our regulatory targets. We regularly publish information on our performance on our website (such as our interactive performance summaries at mid-year and year-end) to demonstrate to customers, stakeholders and our regulators that we are delivering the services expected of us. As well as this Annual Performance Report, we also publish an update of our outcome performance during the year in our "Mid-Year Performance Report". This report provides a more detailed explanation of each performance commitment and the impact our performance has on our customers' bills, but summary information is also available on our website.

Tables 3A and 3B set out our performance against our twenty-one outcome performance commitments "PCs" and four associated sub-indicators. The sub-components considered to determine the SIM score are presented in table 3D. Table 3C is not applicable to Bristol Water in this reporting year.

For each PC we have set out our 2018/19 performance and compared this to our current target and to performance levels in previous years. Where relevant we have also shown whether this performance results in a financial outperformance payment or underperformance penalty and whether we are anticipating that we will achieve an overall underperformance penalty or outperformance payment over the full five-year period. We have also, where applicable, provided comparative information on how our performance compares to the rest of the industry. These comparisons have been based on historical performance as it is not yet possible to compare our 2018/19 performance (as other companies had not published their performance at the time of this publication).

In summary, we have met nine of our committed performance levels for 2018/19. Of the twelve performance commitments where we have underperformed against our targets, an underperformance penalty has been incurred for four of them (for unplanned customer minutes lost, asset reliability (infrastructure), leakage and meter penetration). These underperformance penalties total £3.380m (2012/13 prices). The majority of these penalties (£2.695m) will be reflected in customer bills as they directly reduce revenue over 2020 - 2025. The asset reliability (infrastructure) penalty (£0.685m) results in an adjustment to Bristol Water's regulatory capital value (RCV); the penalty adjustments to RCV take place over a much longer time-period, typically more than 20 years to have a full financial effect on customer bills. This form of underperformance penalty is appropriate because this is based on performance related to the long-term health of our assets, which reflects investment over a significant amount of time.

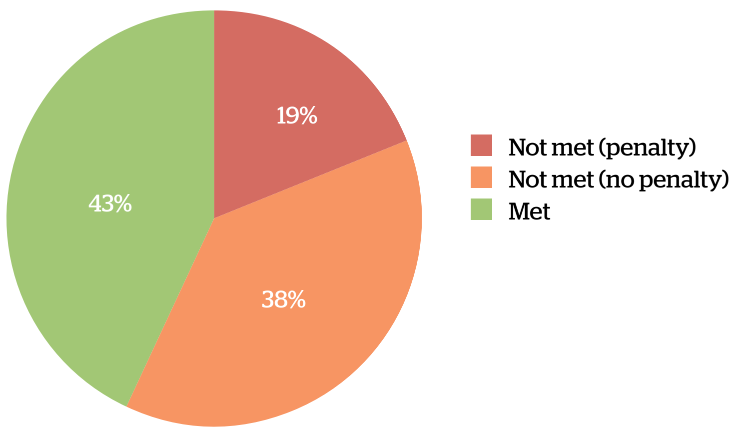
In each section we also include an update on our 2019/20 forecasts and an explanation for these forecasts, as part of our initial assessment of business plan (IAP) action BRL.PD.A3. The required action for BRL.PD.A3 stated:

"PR14 Outcome delivery incentives: Bristol Water is required to update its forecast for 2019-20 performance to take account of the actual 2018-19 performance for all its performance commitments. We expect the Company to pay particular focus where we found the evidence provided in its business plan for the 2018-20 forecasts to be insufficient which was for:

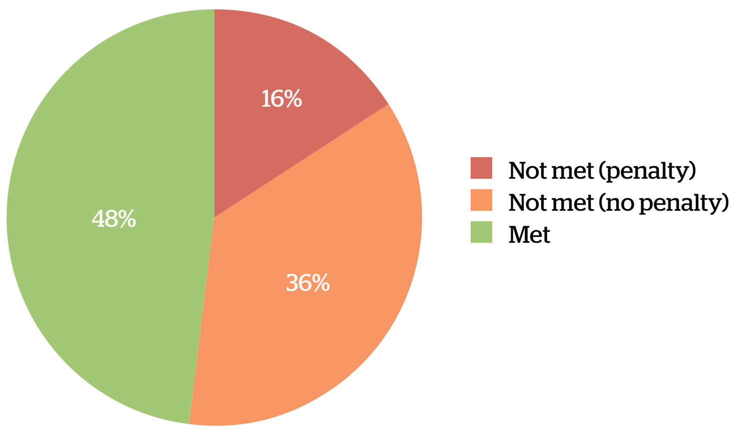
- *D1: Mean zonal compliance (MZC)*
- *E1: Negative water quality contacts*
- *A2: Asset reliability – infrastructure*
- *A3: Asset reliability – non-infrastructure*
- *F1: Leakage*
- *A1: Unplanned customer minutes lost"*

We have complied with the requirements for this action in this report, as well as providing forecasts for the other performance commitments we report on, to provide full transparency to customers.

2018/19 performance summary (PCs only)



2018/19 performance summary (PCs and sub-indicators)



3A Outcome performance table

Performance Commitment	2017-18 performance level – actual	2018-19 performance level – actual	2018-19 Performance Commitment Level met?	2018-19 outperformance payment or under-performance penalty – in-period ODIs (indicator)	2018-19 outperformance payment or under-performance payment-in-period ODIs	2018-19 outperformance payment or underperformance penalty (ODIs payable at the end of AMP6)		31 March 2020 forecast – total AMP6 outperformance payment or underperformance penalty	
A1: Unplanned customer minutes lost	73.7	14.7	No	-		Under-performance payment	-£0.7389m	Under-performance payment	-£2.2167m
A2: Asset reliability - infrastructure	Marginal	Marginal	No	-		Under-performance payment	-£0.6850m	Under-performance payment	-£0.6850m
A3: Asset reliability - non-infrastructure	Stable	Stable	Yes	-		-		-	
B1: Population in centres >25,000 at risk from asset failure	9,063	9,063	Yes	-		-		-	
C1: Security of supply index ("SOSI")	100	100	Yes						
C2: Hosepipe ban frequency	3.1	3.1	Yes	-		-		-	
D1: Mean zonal compliance ("MZC")	99.93%	99.99%	No	-		Under-performance payment deadband		Under-performance penalty	-£0.5680m
E1: Negative water quality contacts	1,711	1,934	Yes	-		Outperformance payment deadband		Outperformance payment deadband	
F1: Leakage	49.6	45.8	No	-		Under-performance payment	-£1.8040m	Under-performance payment	-£2.7060m
G1: Meter penetration	52.7	56.0	No	-		Under-performance payment	-£0.1520m	Under-performance payment	-£0.7220m

Performance Commitment	2017-18 performance level – actual	2018-19 performance level – actual	2018-19 Performance Commitment Level met?	2018-19 outperformance payment or under-performance penalty – in-period ODIs (indicator)	2018-19 outperformance payment or under-performance payment-in-period ODIs	2018-19 outperformance payment or underperformance penalty (ODIs payable at the end of AMP6)		31 March 2020 forecast – total AMP6 outperformance payment or underperformance penalty	
H1: Total carbon emissions	28	23	No						
H2: Raw water quality of sources	-1	-14	Yes						
H3: Biodiversity index	17,657	17,668	Yes						
H4: Waste disposal compliance	98%	98%	No						
G2: Per capita consumption ("PCC"), measured as litres per head per day (l/h/d)	144.5	148.3	No						
I1: Percentage of customers in water poverty	0.0%	0.0%	Yes						
J1: Service incentive mechanism (SIM)[14]	83.38	84.71	No						
J2: General satisfaction from surveys	87%	89%	No						
J3: Value for money	69%	68%	No						
K1: Ease of contact from surveys	93.1%	91.4%	No						
L1: Negative billing contacts	2,300	1,595	Yes						

[14] For SIM performance, although there is a financial incentive, Ofwat will determine the outcome based on all companies' performance throughout 2015-2019, and make a decision on any financial underperformance penalty or outperformance payment at the end of the reporting period.

3B Sub-measure performance table

for 12 months ended 31 March 2019

PC / sub-measure	2017-18 performance level - actual	2018-19 performance level - actual	2018-19 Performance Commitment Level met?
A2: Asset reliability - infrastructure	Marginal	Marginal	No
Total bursts (number)	1,222	1,074	No
DG2: low pressure (number of properties)	65	61	Yes
A3: Asset reliability - non-infrastructure	Stable	Stable	Yes
Turbidity performance at treatment works (number)	0	0	Yes
Unplanned maintenance events (number)	3,279	2,913	Yes

Commentary by metric

The 2018/19 performance against each performance commitment is described below. A forecast for the performance for the remaining year of the 2015-20 reporting period (known as AMP6) is also provided. Where we refer to an underperformance penalty, this will be reflected in a reduction in customer bills, when price controls are reset for the 2020-25 period. Outperformance payments would conversely result in an increase in customer bills.

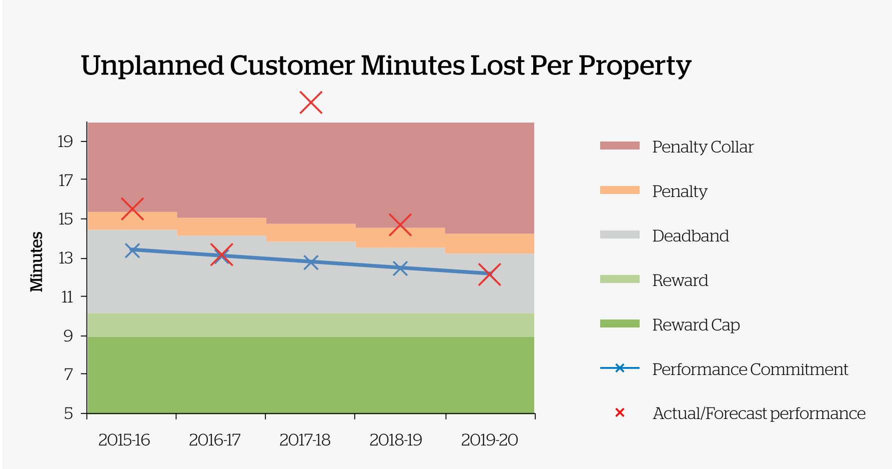
The "CPL" is the committed performance level.

A1: Unplanned customer minutes lost

Definition

The aim of this performance commitment is to minimise supply interruptions that our customers may experience. Keeping water flowing is an essential part of our role as a water company; we know from talking to our customers that they value avoiding interruptions, particularly when they last a long time and are unexpected. This performance commitment is measured as the total number of minutes that customers have been without a supply of water in the year, through unplanned interruptions, divided by the total average number of properties served by the company in the year.

Summary performance						
Year	2015/16	2016/17	2017/18	2018/19	2019/20	AMP6 Total
Committed performance level ("CPL")	13.4	13.1	12.8	12.5	12.2	
Performance	15.5	13.1	73.7	14.7	12.2 (forecast)	
CPL met?	No	Yes	No	No	Yes	
Out-performance payment/ Under-performance penalty £m	-0.7389	0	-0.7389	-0.7389	0	-2.2167



Data point for 2017/18 not to scale (performance at 73.7mins)

Explanation of ODI

In order to calculate any outperformance payment or underperformance penalty the ODI performance is compared against the target performance. If the performance falls within the outperformance payment or underperformance penalty-zone then we multiply the resulting difference by the incentive rate. For average minutes lost, the incentive outperformance payment rate is £0.5097m and the underperformance penalty is £0.7389m per minute lost per property per year. There is a deadband where performance adjustments do not apply, as well as a cap on the total outperformance payment and collar on the total underperformance penalty. ODI payments for this measure will be taken as a revenue adjustment, which will have an impact on customer bills during 2020-25.

Commentary on performance

In our Mid-Year Performance Report 2018/19 we had forecast to underperform against our 2018/19 target. Regrettably, our performance throughout 2018/19 has meant we have exceeded the maximum underperformance penalty level. This has meant that for the second consecutive year and third year of this reporting period, we have failed to achieve our target and incurred an ODI underperformance penalty as a result.

During the year supply interruptions have been directly impacted by two significant weather events that led to an increase in the number of bursts and leaks on our network. The year began with increased bursts and leakage associated with the 'Beast from the East' extreme freeze-thaw weather in late February and early March 2018. Although these extreme weather events took place ahead of this reporting year, the effect of these events had a continuing impact on the network at the beginning of the reporting year. There was further stress to the network during the hot, dry summer of 2018, which was characterised by increased demand and ground movement associated with exceptional levels of soil moisture deficit (a measure of how dry the ground is that is a good predictor of underground pipe issues). Furthermore, a supply interruption event at Frenchay in November 2018 added 2.7 minutes to our reported performance (if this one major event is discounted, we would have met our target this year).

In previous years our response to major incidents has been to isolate and repair mains bursts as the priority, unavoidably causing customers to lose supply. However, our focus has now shifted as we prioritise keeping customers in supply wherever possible rather than focusing on making the repair (the Frenchay event being an unavoidable exception to this approach). During this year we have however started to implement our planned transformation operational activities, which we anticipate will help deliver our planned performance in next year and beyond.

We provide a case study below of the approach we are taking which will help deliver the 85% reduction in supply interruptions we are planning by 2025.

▶ Case study

Spotlight on Farncombe burst

In the early hours of 13 February 2019, our operations room noticed that the water level at a service reservoir in Shepton Mallet had started falling abnormally. An inspector was dispatched to investigate, and discovered a significant burst.

The burst had the potential to impact 4,263 customers supplied by the service reservoir affected by the burst main.

We responded rapidly due to our monitoring equipment, which allowed us to quickly notify the Environment Agency that a burst had occurred and to begin the process of de-chlorinating the discharging water to minimise the impact to the environment.

Our focus was to keep our customers in supply. While our modelling teams worked to identify a temporary solution, we prepared for the worst case scenario of an interruption to the supply of the area:

- we brought in specialist equipment – a larger tanker lorry capable of maintaining supply to over 1,000 customers;
- all vulnerable customers in the affected area were contacted and supplied with bottled water;
- a tanker was filled up and dispatched to provide facilities for residents to fill containers with water; and
- bottled water was located at hub locations.

Customers were kept informed via social media from the very start, first alerting them that a burst had occurred and that their supply may be affected. When the severity of the incident was apparent, we encouraged residents to fill containers and their kettle to minimise the impact should supply be temporarily lost.

Our modelling work back at Head Office demonstrated that an overland solution (pictured above) was viable, and this was quickly implemented to maintain supply to the whole area.

Our quick response and focus on keeping customers in supply resulted in supply being maintained to all customers in the affected area throughout the incident. In the event of supply being lost, our preparations would have ensured that the impact on our customers was kept to a minimum. The DWI assessed this event as "not significant" under the Event Risk Index (no score) because our approach maintained water quality as well as avoided interruptions.

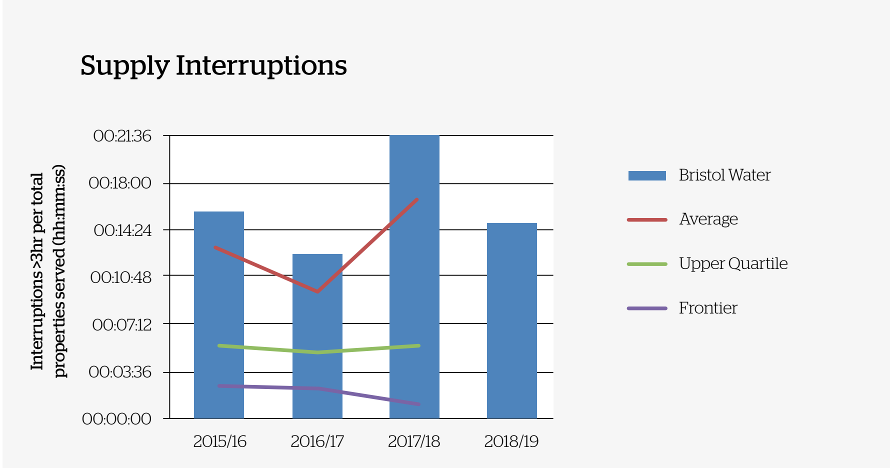
This case study demonstrates our change in focus as an organisation, including our change in values and operating model, with customer experience driving our response. Historically our response to this incident would have been to isolate and repair the main as the priority, causing customers to lose supply. We still meet leakage targets, by fixing smaller leaks that annoy customers more quickly. However, our focus has shifted as we prioritise keeping customers in supply wherever possible rather than focusing on making the repair as quickly as possible.

Incident stats

0 customers lost supply

4,263 customers in affected area

1,600+ customers reached via social media



Data point for Bristol Water for 2017/18 not to scale (as performance is over one hour and 13 mins)

Benchmarking performance

Customers may compare our performance on supply interruptions against other companies in the industry on the Discover Water website[15]. The graphic above is intended to assist our customers' understanding of our performance. Comparative performance for 2018/19 is not available to include in this APR because at the time of publication other companies' information has not yet been published.

Forecasting

We forecast a total incentive underperformance penalty of £2.2167m, based on the maximum penalties incurred in 2015/16, 2017/18 and 2018/19. We are forecasting to meet our target for the final year of this AMP with no further financial penalty accrued. We have maintained our forecast for 2019/20 at 12.2 minutes, reflecting the recent monthly improvements and actions we describe above, noting that meeting this target can be affected should there be an exceptional incident. This is because our performance in years where we underperform tends to be impacted by exceptional events. Looking ahead to 2020, we will be amending how we report on customer supply interruptions to align with the rest of the industry, so that our customers will be able to directly compare our performance against other companies' performance. This new standard measure will report on all interruptions (both planned and unplanned) that last for three hours or more. The operational changes we are undertaking now will ensure we not only perform well against the targets for this revised measure, but also deliver a better service for our customers in the long-term. We are, for example, currently exploring alternative supply technology and early warning ('Smart Network') alerts to reduce the average number of minutes our customers are without supply of their water, ahead of reporting on this revised measure. Our targets (which have been standardised across the industry) are below. Our plan is to achieve a 2024/25 level of performance of 1 minute 48 seconds, which would beat our target and would reflect an 85% reduction in supply interruptions over the five-year period, compared to our levels of service in 2019/20.

Supply interruptions >3 hours per total properties served	2020/21 target	2021/22 target	2022/23 target	2023/24 target	2024/25 target
Performance Commitment (hours:mins:seconds)	00:04:17	00:03:58	00:03:40	00:03:22	00:03:00

[15] www.discoverwater.co.uk/loss-of-supply

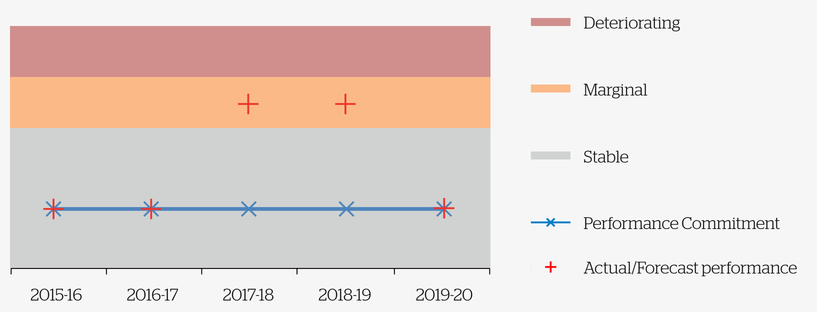
A2: Asset reliability - infrastructure

Definition

This measure is broadly based on Ofwat's historic serviceability assessment; it relates to the total number of bursts in each year and the number of properties assessed to be at risk of low pressure. Our performance against these two sub-indicators is used to assess our capability of delivering our customers' expected level of service both now and in the future.

Summary performance						
Year	2015/16	2016/17	2017/18	2018/19	2019/20	AMP6 total
Committed performance level ("CPL")	stable	stable	stable	stable	stable	
Performance	stable	stable	marginal	marginal	stable (forecast)	
CPL met?	Yes	Yes	No	No	Yes	
Underperformance penalty £m	0	0	0	-0.6850	0	-0.6850

Asset Reliability – Infrastructure



Explanation of ODI

There is no potential for the Company to earn outperformance payments against this performance commitment as it is intended to incentivise long-term asset health of our pipes. In order to calculate any underperformance penalty, the ODI performance is compared against the target performance. If the performance falls within the underperformance penalty-zone (a marginal assessment) for a second year then we apply the incentive rate of £0.6850m. If the performance falls within the underperformance penalty-collar-zone (a deteriorating assessment) then we apply the incentive rate of £2.1054m.

The ODI underperformance penalty (of £0.6850m) for this measure will be taken as a Regulatory Capital Value (RCV) adjustment, which will have an impact on our customers' bills but over a longer period of time (compared to revenue adjustments). This is because underperformance penalty adjustments to RCV take place over a much longer time-period, typically more than 20 years to have a full financial effect on customer bills. This form of underperformance penalty is appropriate because this performance commitment relates to the long-term health of our assets, which reflects investment over a significant amount of time.

Commentary on performance

Ensuring that we maintain a reliable supply of water is a key company outcome. We are aiming to achieve this at the same time as having to meet the increased water demand of a growing population and the risks associated with an ageing infrastructure and assets. We currently invest around £50m each year to maintain and improve water services and infrastructure.

This year's marginal assessment is unavoidable; we have underperformed against our target for this year because of our bursts performance in 2017/18, which means we have incurred an underperformance penalty for this year. In 2017/18 our performance against this measure was assessed as "marginal", due to the number of bursts being above the target upper control limit for the year. Our methodology for this measure sets out that having received a "marginal" assessment, at least one year of improved performance must be shown before a "stable" assessment can be given. Our methodology also clarifies that one "marginal" assessment is allowed before any underperformance penalty applies. This means that the maximum achievable rating for 2018/19 is "marginal" (and that an underperformance penalty must apply for 2018/19 but not for 2017/18). We are on track to return to "stable" in 2019/20, should we repeat or improve on the performance experienced in 2018/19.

Forecasting

We are forecasting to meet our target for the final year of this AMP, which would result in a stable assessment. Given average weather conditions for 2019/20 it is anticipated that the burst rate will start to fall. We therefore forecast an underperformance penalty of £0.685m, based on our marginal assessments to date.

Bursts

This is the total number of burst pipes recorded in the year. Our performance aims to come below the reference level each year (performance above the upper control limit would impact the overall assessment). A burst pipe is the most common cause of loss of water supply and is an indicator of the health of our pipes, so, as a minimum, we aim to keep the number of bursts stable over a long period of time. The improvement that we forecast primarily reflects the benefit from our activities to reduce leakage and supply interruptions.

Year	2015/16	2016/17	2017/18	2018/19	2019/20
Upper control limit	1,166	1,166	1,166	1,166	1,166
Reference level	950	950	950	950	950
Lower control limit	734	734	734	734	734
Performance	764	1,034	1,222	1,074	950 (forecast)

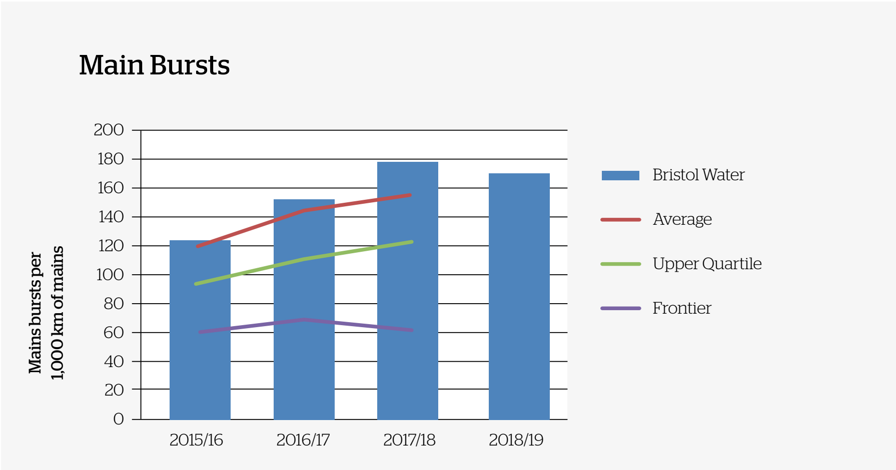
In our Mid-Year Performance Report 2018/19 we had forecast to underperform against our 2018/19 reference level (but we noted that this underperformance would still be inside the 'tolerable' range so as not to impact the overall asset reliability infrastructure performance commitment). The end of year reported value of 1,074 bursts is above the reference level of 950, but below the Upper Control Limit of 1,166. This represents an improvement compared to the previous year's burst level of 1,222, despite the challenging weather conditions. This improving trend suggests it is reasonable to forecast that our performance will return back to "stable" performance by 2019/20 for this performance commitment.

There have been two significant weather events that have impacted the number of reported bursts this year. Following the cold spell in March 2018 there was a large number of burst mains which were detected and repaired over the first three months of the reporting year. This was then followed by the hot dry summer resulting in higher water demands and ground movement which caused a large number of bursts to occur. Rather than assuming that these reactive repairs will reduce the burst rate, we are also undertaking more proactive mains replacements in 2019/20 in order to be ready for our reduced target for 2020-25.

Benchmarking performance

Customers may compare our performance on bursts against other companies in the industry on the Discover Water website[16]. The graphic overleaf is intended to assist our customers' understanding of our performance. Comparative performance for 2018/19 is not available to include in this APR because at the time of publication other companies' information has not yet been published.

[16] www.discoverwater.co.uk/loss-of-supply



Looking ahead to 2020, we will be amending how we report on mains bursts, to align with the rest of the industry, so that our customers will be able to compare our performance against other companies' performance. Instead of reporting on the total number of bursts, this new standard measure will report on water mains bursts per 1,000km of pipe. The 950 bursts we forecast for 2019/20 is equivalent to 142 per 1,000km mains, meaning we are planning for a 6% reduction. Our targets are below.

Mains bursts per 1000km mains	2020/21 target	2021/22 target	2022/23 target	2023/24 target	2024/25 target
Performance Commitment	133	133	133	133	133

Low pressure
Water pressure determines the water flow from customer taps. This is measured as the total number of properties in our area of water supply which, at the end of the year, have received, and are likely to continue to receive, a pressure or flow below the reference level. Our standard of service for mains water pressure is ten metres head (or 1 bar) at the property boundary of a home or business. This normally means that in a customer's home or business, water pressure should be strong enough to fill a 4.5 litre (one gallon) container in 30 seconds from a ground floor tap. This is the minimum level of pressure we expect each house or business to receive, although pressure can be higher. Our performance aims to come below the reference level each year (performance above the upper control limit would impact the overall assessment).

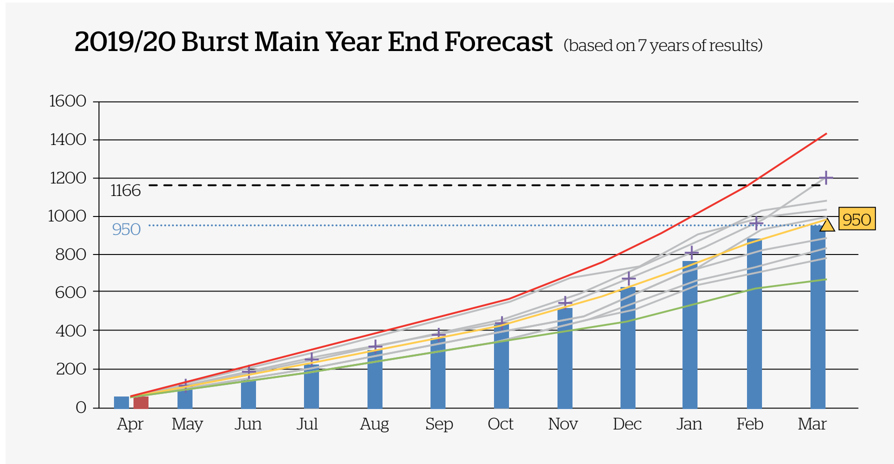
Year	2015/16	2016/17	2017/18	2018/19	2019/20
Upper control limit	129	129	129	129	129
Reference level	69	69	69	69	69
Lower control limit	9	9	9	9	9
Performance	71	94	65	61	69 (forecast)

Identifying new properties at risk of low pressure can arise as a consequence of our proactive monitoring of our network or as a consequence of poor pressure complaints raised by customers. In our Mid-Year Performance Report 2018/19 we had forecast to outperform our 2018/19 reference level. We are pleased to report that the number of properties on the risk register has reduced since 2017/18, despite locating and adding eleven new properties to the register. This net reduction is a result of the remedial work undertaken to improve the water pressure available at three locations:

- corrective actions, via targeted mains renewal, to address poor pressure following complaints from customers at eight properties in Kingswood;
- increasing pressure for four properties on a shared supply, following poor pressure complaints from customers at four properties in Glastonbury; and
- actively addressing properties that have historically received poor pressure, by increasing pressure available for three properties on a shared supply in Frome.

Additional remedial actions have been identified and funding approved to reduce the number of properties in poor pressure areas by another eight properties, although further properties could still be located over the next reporting year.

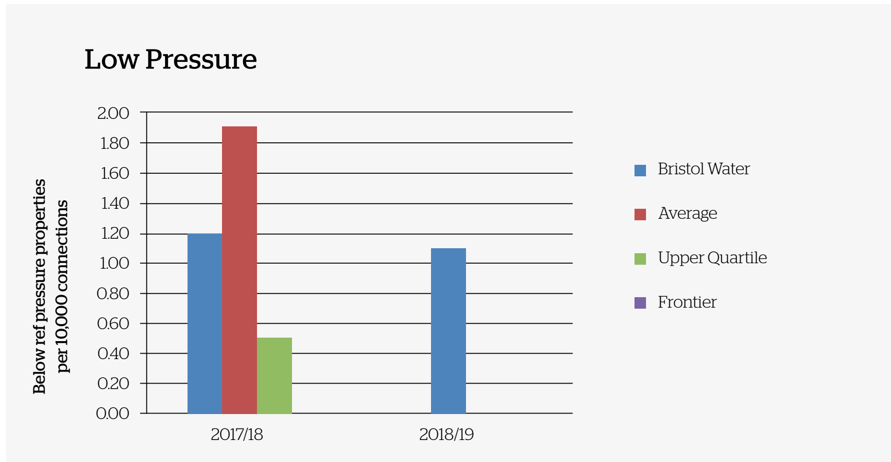
As we show below mains bursts are a long-term metric and short term forecasts can be weather dependent. Recent performance supports the forecast, assuming "typical" weather of 950 for 2019/20.



Note: The grey lines from the current month to YE represent scenario impacts of the performances experienced over the past 7 years. The line including the + markers is from 2017/18 which included the Beast-from-the-East (the 237 bursts of Mar-18 was 3.5 times higher than the previous 5 yr average of 68).

Target
YTD
Low
Medium
High
Reference Level
Upper Control Limit
YE Forecast

Benchmarking performance
Customers may compare our performance on low water pressure against other companies in the industry on the Discover Water website[17]. The graphic below is intended to assist our customers' understanding of our performance. Comparative performance for 2018/19 is not available to include in this APR because at the time of publication other companies' information has not yet been published.



The industry frontier level of performance in 2017/18 was 0.

[17] www.discoverwater.co.uk/water-pressure

We will continue to report on this performance commitment in the next reporting period. Our targets are below, as we plan to continue to reduce properties at risk of low pressure and are currently making good progress compared to these future targets.

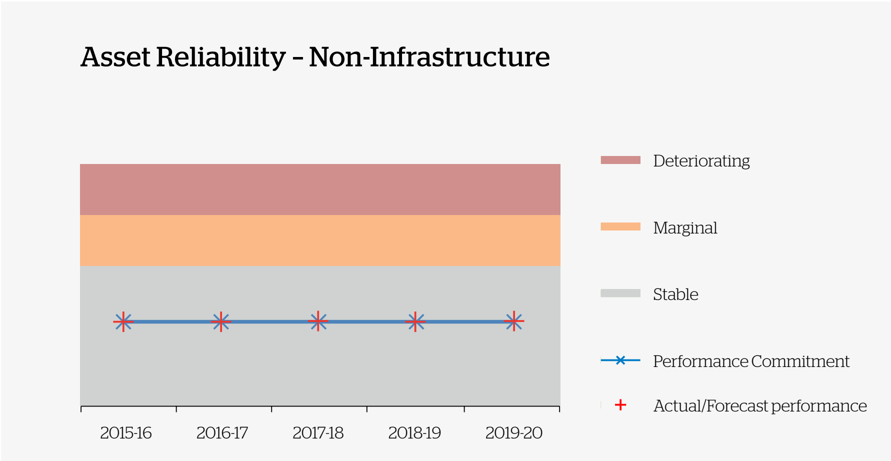
No. of properties at risk	2020/21 target	2021/22 target	2022/23 target	2023/24 target	2024/25 target
Performance Commitment	68	66	64	62	60

A3: Asset reliability – non-infrastructure

Definition

This measure is broadly based on Ofwat's historic serviceability assessment; it relates to unplanned maintenance events and turbidity at our water treatment works. Our performance against these two sub-indicators is used to assess our capability of delivering an expected level of service and expected level of water quality to customers and the environment, both now and in the future.

Summary performance						
Year	2015/16	2016/17	2017/18	2018/19	2019/20	AMP6 total
Committed performance level ("CPL")	stable	stable	stable	stable	stable	
Performance	stable	stable	stable	stable	stable (forecast)	
CPL met?	Yes	Yes	Yes	Yes	Yes	
Underperformance penalty £m	0	0	0	0	0	0



Explanation of ODI

There is no potential for the Company to earn outperformance payments against this performance commitment as it is intended to incentivise the long-term asset health of our treatment works and equipment. In order to calculate any underperformance penalty, the ODI performance is compared against the target performance. If the performance falls within the underperformance penalty-zone (a marginal assessment) for a second year then we apply the incentive rate of £0.706m. If the performance falls within the underperformance penalty-collar-zone (a deteriorating assessment) then we apply the incentive rate of £2.119m.

If any ODI underperformance penalty had been accrued it would be taken as a RCV adjustment, which would have an impact on our customers' bills but over a longer period of time (compared to revenue adjustments). This is because underperformance penalty adjustments to RCV take place over a much longer time-period, typically more than 20 years to have a full financial effect on customer bills. This form of underperformance penalty is appropriate because this performance commitment relates to the long-term health of our assets, which reflects investment over a significant amount of time.

Commentary on performance

To ensure we provide a reliable, clean and wholesome supply of water we must ensure that our assets are performing well and available when required. We want to ensure that we have a stable asset cohort in order to deliver clean and wholesome water. The lower level of unplanned events, the more reliable and stable our asset cohort is. Through a consistently low value of turbidity (a sub-indicator used to measure water quality) we ensure that the quality of supply is consistently high. As we have met our reference level for the turbidity sub-indicator and outperformed on the unplanned maintenance events sub-indicator, we have met our target for this performance commitment, which has been assessed as 'stable' for the fourth consecutive year of this AMP.

Forecasting

We are forecasting to meet our target for the final year of this AMP, given our track record of stable performance and continued investment in the reliability of our assets.

Turbidity

Turbidity is a measure of the cloudiness of water, normally caused by suspended minerals. The greater the cloudiness of water, the higher the level of turbidity. It is an important water quality control parameter at our water treatment works. Factors such as turbidity impact the effectiveness of disinfection. Our performance aims to meet the reference level each year (performance at or above the upper control limit would impact the overall performance commitment assessment).

Year	2015/16	2016/17	2017/18	2018/19	2019/20
Upper control limit	1	1	1	1	1
Reference level	0	0	0	0	0
Lower control limit	0	0	0	0	0
Performance	0	0	0	0	0 (forecast)

This metric enables the Company to consider the following:

- the use of turbidity as a measure to provide assurance of the optimal operation of filter performance, where filtration is used to address identified risks associated with chlorine resistant pathogens in the source water;
- the impact of turbidity on the efficiency of disinfection processes; and
- the effect that turbidity has on the aesthetics of the treated water.

In our Mid-Year Performance Report 2018/19 we had forecast to achieve our 2018/19 reference level. We have a long track record of achieving zero turbidity events and for 2018/19 we have again met our reference level, which means we have again been successful in ensuring consistently good treated water enters our supply system.

We will continue to report on this performance commitment in the next reporting period. Our future plans are designed to maintain our high level of performance on this metric.

Turbidity failures	2020/21 target	2021/22 target	2022/23 target	2023/24 target	2024/25 target
Performance Commitment	0	0	0	0	0

Unplanned maintenance events

This metric records the total number of unplanned maintenance events occurring throughout the year, as a result of equipment failure or reduced asset performance. It typically relates to jobs identified at our treatment works, pumping stations and service reservoirs. Our performance aims to come below the reference level each year (performance above the upper control limit would impact the overall performance commitment assessment).

Year	2015/16	2016/17	2017/18	2018/19	2019/20
Upper control limit	5,083	5,083	5,083	5,083	5,083
Reference level	3,976	3,976	3,976	3,976	3,976
Lower control limit	2,869	2,869	2,869	2,869	2,869
Performance	3,352	2,870	3,279	2,913	3,272

Unplanned events mean potential interruptions to the treatment and supply of clean and wholesome water. We use the information from the work orders to better understand our assets and help to implement appropriate measures to ensure reliability. Effective maintenance and management of assets using such information allows us to run our treatment plants in a resilient manner that will consistently produce high quality water. The more we can reduce the occurrence of unplanned events on our treatment works the more reliable the supply of water. In our Mid-Year Performance Report 2018/19 we had forecast to outperform our 2018/19 reference level and we have achieved this level of performance. We continually aim to provide the right maintenance and whole life care to our assets. We have maintained our forecast at the reference level, despite outperforming in recent years. This reflects uncertainty in the long-term maintenance cycle, and although there is no impact have updated our performance forecast for 2019/20 to 3,272.

We will continue to report on this performance commitment in the next reporting period and our targets are below.

No. of maintenance jobs	2020/21 target	2021/22 target	2022/23 target	2023/24 target	2024/25 target
Performance Commitment	3,272	3,272	3,272	3,272	3,272

B1: Population in centres >25,000 at risk from asset failure

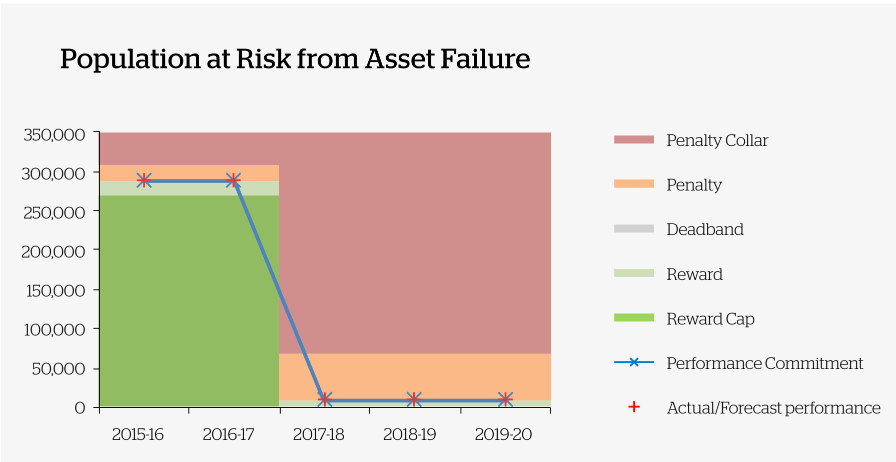
Definition

The Company aims to provide a resilient supply of water to our customers, all year round. A resilient supply means that we are able to cope with extreme or unusual events, and this is measured by the number of people at risk from the failure of a single source above ground asset, such as whether a treatment works is unable to operate or a source is contaminated (in supply areas of more than 25,000 consumers).

Summary performance

The successful delivery of the Southern Resilience Scheme in March 2018 has significantly reduced the number of consumers at risk from 288,589 to 9,063 across our supply area including Weston-Super-Mare, Cheddar, Burnham-on-Sea and Glastonbury and the southern part of Bristol.

Year	2015/16	2016/17	2017/18	2018/19	2019/20	AMP6 total
Committed performance level ("CPL")	288,589	288,589	9,063	9,063	9,063	
Performance	288,589	288,589	9,063	9,063	9,063 (forecast)	
CPL met?	Yes	Yes	Yes	Yes	Yes	
Outperformance payment/ Underperformance penalty £m	0	0	0	0	0	0



Explanation of ODI

As this performance commitment relates to one specific scheme, the outperformance payment incentive changes before and after the delivery of the Southern Resilience Scheme, as is demonstrated in the graphic. As the Scheme has now been delivered on time, the outperformance payment rate is dependent on removing the remainder of the population at risk (in the Glastonbury and Street area) from this year onwards. If we had not delivered the Scheme by the end of March 2018, we would have incurred an underperformance penalty of £2.436m. Any ODI payment for this measure would have been taken as a revenue adjustment, which would have had an impact on our customer bills between 2020 and 2025.

Commentary on performance

The Southern Resilience Scheme was a new £27m water infrastructure project that provides improved security of supply to 280,000 customers across our supply area, including Weston-Super-Mare, Cheddar, Burnham and Glastonbury and the southern part of Bristol.

In our Mid-Year Performance Report 2018/19 we had forecast to meet our 2018/19 target; we have already reduced the number of consumers in population centres of over 25,000 people at risk from 288,589 to 9,063, by undertaking this major scheme to construct 30 kilometres of new mains to reinforce and support our southern supply area.

Site works started in September 2016 and pipe-laying commenced in December 2016. After installing 7.1 km of pipe in 2016/17, the remaining 23 km of pipe was installed during 2017/18 despite some very challenging circumstances. In addition to the pipe installation, a new pumping station was constructed and commissioned at Cheddar Treatment Works.

This new network gives us increased flexibility and will allow us to move water from our northern sources into our southern region in the event of a loss of supply, or water back up to Bristol if we lose our northern supply. The scheme uses gravity, rather than pumping, to get water from Barrow Gurney to Cheddar, significantly reducing energy usage. Put simply, it means if there is an emergency we can put customers back in water much, much quicker.

As well as this it will help us meet the increase in demand for water over the coming years. Weston-Super-Mare is one of Europe's fastest growing towns, and so we need to supply all of the new residents and businesses coming to the area.

We used our innovative, Biodiversity Index approach to ensure that the work left a positive impact on the natural environment, with no net loss in biodiversity when construction ended. We worked in partnership with Natural England to plan and deliver wildlife mitigation and compensation.

Forecasting

Looking ahead to the future, our target from 2020 to 2030 is to further improve the resilience of our water supply network so that an issue with one of our critical assets (e.g. one of our key pumping stations, service reservoirs or mains) does not affect more than 10,000 people. At the end of this reporting period (in March 2020), 832,886 people (68.6% of the total population we serve) will be at risk of losing supply if one of the mains serving them fails and cannot be fixed within a 24 hour period. Our AMP7 (2020-25) target is to provide further resilience to 542,886 people (44.7% of the total population we serve), with the remaining 290,000 people (23.9% of the total population served) addressed in AMP8 (2025-30).

Population at risk in centres >10,000	2020/21 target	2021/22 target	2022/23 target	2023/24 target	2024/25 target
Performance Commitment	724,309	615,732	507,154	398,577	290,000

Through our AMP7 investment plans, resilience to these population centres will be provided primarily by implementing a programme of measures to address shortcomings in the resilience of critical mains, including mains duplication, and the installation of manual and dynamic valves and turbidity meters. We will also address known constraints in performance for assets that are part of existing resilience plans, and we will undertake system resilience assessments to develop an improved understanding of the risk including root causes, likelihood and potential risks during planned operational activities.

C1: Security of Supply Index ("SOSI")

Definition

One of our customers' most important requirements is an unrestricted water supply. Our performance of this is measured by our level of service on the frequency of supply restrictions during periods of water shortages, measured using the SOSI. This takes into account the supply of water that we have available and the demand from our customers, calculated as the proportion of dry weather demand that can be met by the water available for use. If a score of less than 100 is calculated, this would indicate that there could have been a higher risk of water use restrictions for our customers that year. The index takes into account that there may be restrictions on water use at certain points in time during dry years. As a result it is possible to have a 100% security of supply index at the same time as requiring water restrictions, such as hosepipe bans.

Summary performance						
Year	2015/16	2016/17	2017/18	2018/19	2019/20	AMP6 total
Committed performance level ("CPL")	100	100	100	100	100	
Performance	100	100	100	100	100 (forecast)	
CPL met?	Yes	Yes	Yes	Yes	Yes	

Explanation of ODI

This is a reputational performance commitment so there is no associated outperformance payment or underperformance penalty and therefore no impact on our customer bill level.

Commentary on performance

As this measure is based on annual calculations, it was not possible to calculate exact performance as part of the Mid-Year Performance Report 2018/19. We are pleased to have met our target for this performance commitment for the fourth consecutive year of this reporting period, indicating our customers can expect a sufficient supply of water, with no restrictions. This is due to our effective operational management in response to dry weather conditions.

Forecasting

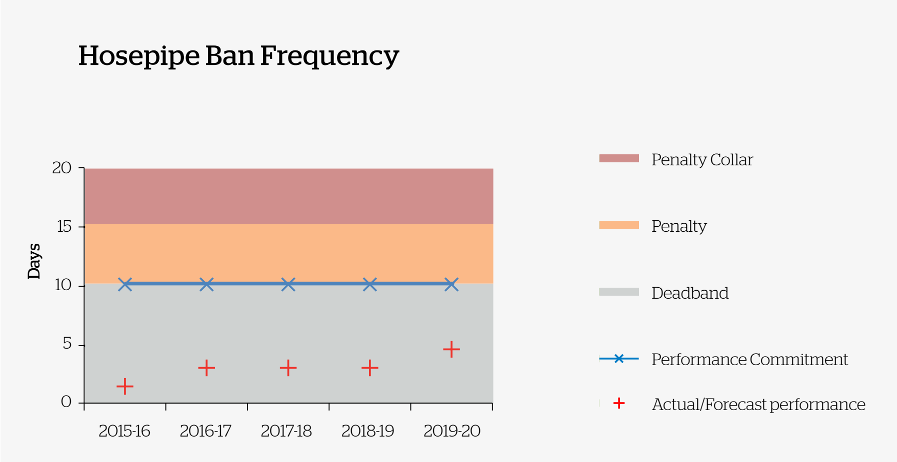
We are forecasting to meet our target for the final year of this AMP. To mitigate any risk to SOSI deteriorating in future years due to population growth or increased per capita consumption, the Company is taking action to reduce demand for water as well making improvements to water supply assets to increase water available for use.

C2: Hosepipe ban frequency

Definition

This measures the likelihood in any one year that temporary usage restrictions, such as on the use of hosepipes, will be implemented. It is reported as the number of expected days of restriction in the year. The commitment is based on the assumption that a restriction would last for five months (153 days), and that we have a one-in-fifteen year probability of an interruption: 153 / 15 = 10.2 expected days.

Summary performance						
Year	2015/16	2016/17	2017/18	2018/19	2019/20	AMP6 total
Committed performance level ("CPL")	10.2	10.2	10.2	10.2	10.2	
Performance	1.5	3.1	3.1	3.1	4.6 (forecast)	
CPL met?	Yes	Yes	Yes	Yes	Yes	
Underperformance penalty £m	0	0	0	0	0	0



Explanation of ODI

There is no outperformance payment due to the Company for this performance commitment as customers expect us to manage the supply of water available to them without restrictions. An underperformance penalty of £0.043m would be due per day at risk of restriction over the 10.2 day target (although no underperformance penalty has been accrued or is forecast to accrue). Any ODI underperformance penalty would be taken as a revenue adjustment, which would have an impact on our bills in 2020-25.

Commentary on performance

As this measure is based on annual calculations, it was not possible to calculate exact performance as part of the Mid-Year Performance Report 2018/19, although based on our performance to date we did forecast to outperform by the end of 2018/19. We are pleased to report that we have again outperformed our target for this performance commitment, for the fourth consecutive year of this reporting period.

It has been 29 years since we last introduced a hosepipe ban (in 1990) and we have continually outperformed our target for this measure. We managed our water resources very carefully during 2018/19, reducing the amount of water we took from the Mendip reservoirs and increasing the amount taken from the River Severn. This resilience allowed us to maintain a low risk of water restrictions, despite very dry and hot summer weather that was experienced.

If a Temporary Usage Ban were to be introduced, our customers would be restricted from undertaking a number of activities, such as watering their garden, cleaning their cars, or using a hosepipe. In order to prevent such events, we monitor the water resource situation throughout the year and across our operating area as part of our day to day operations. This monitoring ensures that we can identify when a drought is developing and ensures steps can be taken early to help reduce the demand for water, and secure water supplies. We use drought indicators to identify when a drought is starting and if actions should be implemented. We monitor rainfall, reservoir storage, groundwater levels, river flow and other indicators such as demand for water to identify when we need to take action.

Forecasting

Based on our proven track-record of outperformance since 2015/16, we are forecasting to outperform our target for this performance commitment for the final year of this AMP and therefore no underperformance penalty will be applicable.

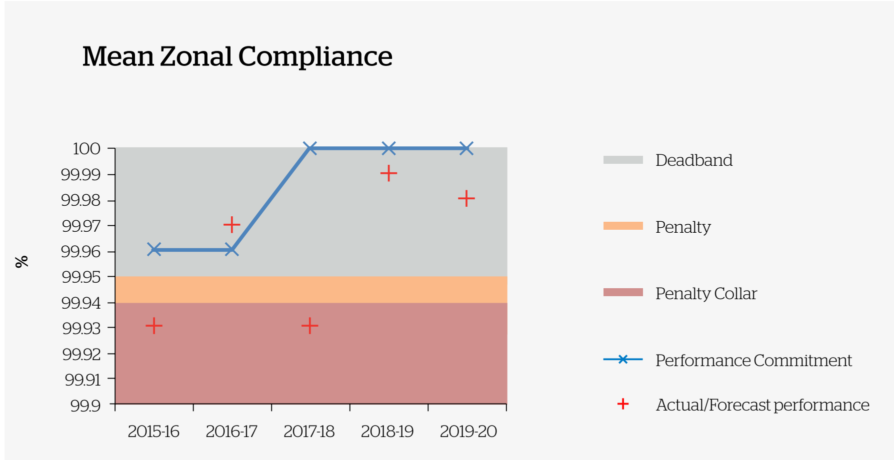
We will not be reporting on either hosepipe ban frequency or SOSI as performance commitments from 2020, although we will continue to monitor our performance. We will instead be reporting on a new industry measure of performance known as 'Risk of Severe Restrictions in a Drought'. This will measure the percentage of the customer population at risk of experiencing severe supply restrictions (for example, standpipes or rota cuts as part of Emergency Drought Orders – EDOs) in a 1-in-200 year drought.

D1: Mean zonal compliance ("MZC")

Definition

Drinking water must meet strict standards that ensure it is safe to drink and the quality is acceptable to consumers. We measure this via MZC, a measure that the DWI uses to assess overall water quality compliance. It is based on 39 individual parameters that cover various aspects of risk to public health. It is calculated based on sampling each parameter at supply points and customer taps in a number of specified zones.

Summary performance						
Year	2015/16	2016/17	2017/18	2018/19	2019/20	AMP6 total
Committed performance level ("CPL")	99.96	99.96	100	100	100	
Performance	99.93	99.97	99.93	99.99	99.98 (forecast)	
CPL met?	No	Yes	No	No	No	
Underperformance penalty £m	-0.284	0	-0.284	0	0	-0.568



Explanation of ODI

There is no outperformance payment due to the Company for this performance commitment as companies are expected to comply with their legal drinking water quality obligations at all times. In order to calculate any underperformance penalty the ODI performance is compared against the target performance. If the MZC score falls within the underperformance penalty-zone then the incentive is calculated based on an underperformance penalty rate of £0.284m for 0.01%. The ODI underperformance penalty will be taken as a revenue adjustment, which will have an impact on customers' bills from 2020-25.

Commentary on performance

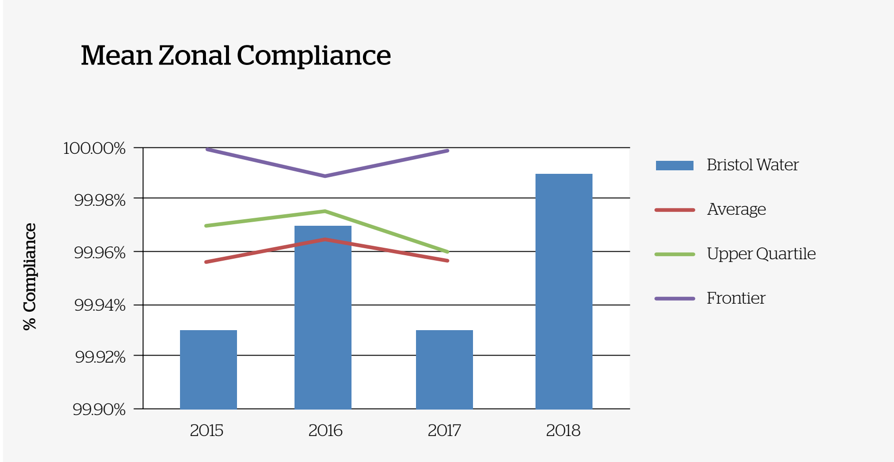
Drinking water must meet strict standards that ensure it is safe to drink and the quality is acceptable to consumers. Our water quality team collects samples 365 days a year from across our 2,400 square kilometre supply area to ensure we comply with the sampling regime, with no exemptions applicable for weather conditions, for example. The sampling schedule is aligned to a sophisticated computer-controlled programme so that water quality is checked right from source to customers' taps.

In previous years, the shortfall in meeting our target was predominantly due to failures from customers' domestic plumbing systems (such as lead and nickel), for which we have little control over. In our Mid-Year Performance Report 2018/19 we had forecast to underperform against our 2018/19 target (to achieve 100%, or full compliance). Although the target for MZC has not been achieved this year (the failures recorded for 2018 relate to odour and iron which are generally not related to customer plumbing systems), our performance reflects the highest level of compliance we have achieved in the past five years, and is representative of the high quality of water supplied to our customers. Our level of performance is still likely to be a leading level of performance when compared across the industry (as the industry upper quartile level of performance to date has been lower than our high level of performance this year).

Benchmarking performance

Customers may compare our performance on water quality standards against other companies in the industry on the Discover Water website[18]. The graphic opposite is intended to assist our customers' understanding of our performance. Comparative performance for 2018 is not available to include in this APR because at the time of publication other companies' information has not yet been published.

[18] www.discoverwater.co.uk/quality



Forecasting

We are forecasting to underperform against our target for this performance commitment for the final year of this AMP as the target of 100% is very difficult to achieve in practice (as this metric is often impacted by our customers' taps rather than our own performance); however as we forecast to be within the deadband range, we are not forecasting any further underperformance penalties for this performance commitment. Therefore, a total underperformance penalty of £0.568m is forecast, based on penalties incurred in 2015/16 and 2017/18. Our current forecast is that we will achieve MZC of 99.98% for 2019, although the planning target and penalty threshold of 99.96% could still be the outcome as compliance sample failures include some failures (such as nickel at customer taps) which, as in 2017, are not within our own direct control.

Looking ahead to 2020, the DWI is replacing MZC as the preferred measure of water quality with the Compliance Risk Index "CRI". The Company will report on CRI, along with the rest of the industry, from 2020. CRI considers the relative significance to consumers of the individual water quality parameters and if these were avoidable by company action. In 2018 we achieved a low CRI score (0.7), which remains a high level of performance even though this is an increase on the exceptionally low 0.03 we achieved for 2017, underlining the importance that we place on delivering on water quality for our customers. Our targets for CRI in the next reporting period will be to achieve full compliance (0 CRI points). Our targets are below for completeness.

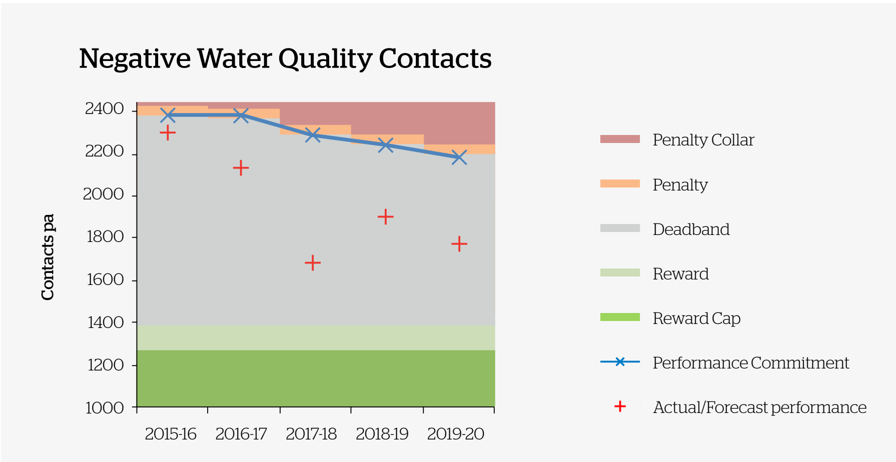
CRI Index	2020 target	2021 target	2022 target	2023 target	2024 target
Performance Commitment	0	0	0	0	0

E1: Negative water quality contacts

Definition

It is important that our water not only meets stringent standards but is also good to drink. This metric measures the total number of consumer contacts (telephone, letter and email) about the appearance, taste and odour of the water for the previous calendar year. As this measure is reported to the DWI it is measured on calendar year, rather than a financial year basis.

Summary performance						
Year	2015/16	2016/17	2017/18	2018/19	2019/20	AMP6 total
Committed performance level ("CPL")	2422	2409	2322	2275	2221	
Performance	2329	2162	1711	1934	1800 (forecast)	
CPL met?	Yes	Yes	Yes	Yes	Yes	
Outperformance payment/ Underperformance penalty £m	0	0	0	0	0	0



Explanation of ODI

In order to calculate any outperformance payment or underperformance penalty, the ODI performance is compared against the target performance. If the performance falls within the outperformance payment or underperformance penalty-zone then we multiply the resulting difference by the incentive rate. For negative water quality contacts the incentive underperformance penalty rate is £0.005895m per contact and the outperformance payment is £0.00123m per contact. Although there are no incentive payments applicable for this performance commitment to date, any ODI payment must be taken as a revenue adjustment, which would have an impact on customer bills over 2020-2025.

Commentary on Performance

In our Mid-Year Performance Report 2018/19 we had forecast to outperform against 2018/19 target. We have received a total of 1,934 negative water quality contacts during 2018, which has meant we have outperformed our target of 2,275. Although this is higher than our reported number in 2017, there has overall been a reducing trend in the number of contacts we have received over the last few years and we continue to outperform against our target. This increase is associated with an increased activity on the mains network and a reduction in our systematic flushing programme during the summer, due to the following:

- contacts about the appearance of the water are commonly associated with the suspension of iron particles in water mains due to a change in flow or pressure i.e. a disturbance of the water main. During 2018 activity on the network has increased, with the 'Beast from the East;' causing a significant increase in bursts requiring repair. Put simply, contacts about water quality are to be expected when bursts occur, as the re-routing of water, to ensure a continuous supply of water to our customers, can have a short-term impact on the appearance of the water that comes out of customers' taps; and
- our increased activities in reducing leakage, which had a similar effect to the approach to fixing bursts.

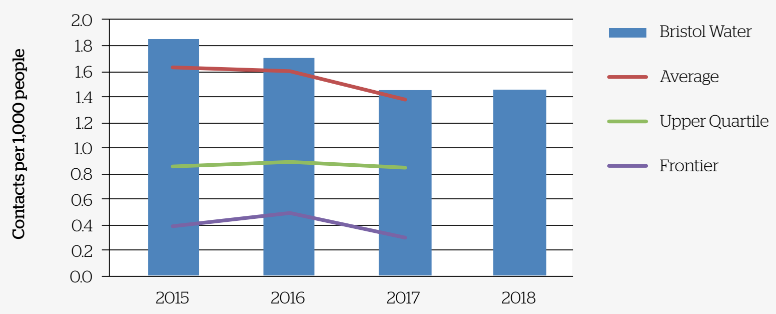
The most effective method to reduce the amount of iron particles that can affect the appearance of the water is to systematically flush the water mains. We use water quality data as well as customer contacts to target our flushing activity in the most appropriate areas. Whilst systematic flushing is effective at removing particles of iron, it uses large volumes of water. As part of our strategy to manage our water resources during the hot, dry summer we reduced the amount of systematic flushing during peak periods. With the high summer demand period now over, our flushing activities increased in the latter months of 2018 to complete the scheduled flushing programme for this year.

Benchmarking performance

We know that the taste and appearance of our customers' tap water is something which they value highly. Customers may compare our performance on appearance contacts against other companies in the industry on the Discover Water website[19] and our performance on taste/odour contacts against other companies in the industry on the same website[20]. The graphic overleaf is intended to assist our customers' understanding of our performance. Comparative performance for 2018 is not available to include in this APR because at the time of publication other companies' information has not yet been published.

[19] www.discoverwater.co.uk/colour
[20] www.discoverwater.co.uk/taste

Negative Water Quality Contacts



Forecasting

We are forecasting to outperform against our performance commitment for the final year for this AMP. At 1,800 this reflects a good water quality performance and improvements in bursts and supply interruptions, and with less atypical weather impact on the network than in 2018. This forecast also reflects the performance to date in 2019/20. It is possible that the performance commitment level of 2,221 could be the outcome for this calendar year measure, but 1,800 reflects our current central forecast. This is equivalent to 1.11 contacts per 1000 population. Some of this reduction reflects the relatively benign weather and operating conditions at the start of 2019. This would mean that overall we would be within the outperformance deadband. Achieving an outperformance payment would be unlikely, as this has been set at around the industry upper quartile level; and the nature of our supply area means that it will take a number of years of infrastructure and customer experience improvements to reach this level.

Looking ahead to 2020, we will report on contacts about the appearance of water and contacts about the taste/ odour of water separately. These contacts will be reported per 1,000 customers, to be consistent with industry practice. By 2025 we will have continued to reduce water quality contacts from 1.11 per 1000 population to 0.68 per 1,000 population.

Appearance contacts per 1,000 customers	2020 target	2021 target	2022 target	2023 target	2024 target
Performance Commitment	0.83	0.73	0.63	0.53	0.43

Taste/ odour contacts per 1,000 customers	2020 target	2021 target	2022 target	2023 target	2024 target
Performance Commitment	0.40	0.36	0.32	0.28	0.25

F1: Leakage

Definition

Water is supplied to customers' homes through thousands of kilometres of underground pipes. For various reasons, pipes can leak and some water is lost between the treatment works and the home. This measure is the amount of water that enters the distribution system but is not delivered to customers because it is lost from either the Company's or customers' pipes.

There are multiple benefits to managing leakage effectively including reducing the risk of having to impose water restrictions if our area experiences sustained periods of dry weather, reducing our impact on the environment by reducing the amount of water we need to abstract, and reducing disruption to customers when making repairs. For the period 2015-20 we have set challenging leakage targets (to reduce leakage by 12%) at a level where the overall value of the water lost is balanced against the costs of increased leakage control activity. Achieving this target helps us to maintain our upper quartile position in the industry on leakage.

We want to always report leakage based on the most up-to-date assumptions to provide the most accurate figure possible. Since 2017/18 we have been reporting our leakage performance based on our view of the actual level of leakage, based on the latest technical assumptions. Ofwat published a corrigenda notice to the PR14 Final Determination on 25 April 2018[21] confirming that our approach to dual-reporting leakage during the remaining years of this reporting period was prudent. The technical improvements relate to aligning the measurement of one of the components of leakage measurement, known as Non-Household Night Use "NHHNU". In 2016/17 we identified that the assumptions for the NHHNU component had not been updated since 2007 i.e. the outdated assumptions for this component was providing an inaccurate view of our actual leakage level of performance. We have since carried out an updated assessment, which has brought our sampling for this component in line with best practise across the industry. To ensure consistency, as these technical changes were identified after the original leakage targets for the 2015-2020 period were set, we have agreed with Ofwat that our leakage ODIs (whether these are outperformance payments or underperformance penalties) will be linked to the leakage performance before any technical adjustments are taken into consideration (the 'PR14 ODI' leakage). PR14 ODI leakage is the level of leakage reported on in table 3A. We will however continue to include performance information on our actual level of leakage for completeness. Performance against the ODI target is set out in the table below.

Summary performance - PR14 ODI leakage						
Year	2015/16	2016/17	2017/18	2018/19	2019/20	AMP6 total
Committed performance level ("CPL") (annual)	48.0	47.0	45.0	44.0	43.0	
Performance (annual)	44.2	47.4	49.6	45.8	43.0 (forecast)	
Committed performance level ("CPL") (averaged)	48.0	47.5	46.7	46.0	45.4	
Performance (averaged)	44.2	45.8	47.1	46.8	46.0 (forecast)	
CPL met?	Yes	No	No	No	Yes	
Outperformance payment/ Underperformance penalty £m	0	0	-1.0824	-1.8040	0.1804	-2.706

[21] Corrigenda to Bristol Water's Final Determination www.ofwat.gov.uk/wp-content/uploads/2018/04/Corrigenda-Bristol-Water-Limited.pdf

Explanation of ODI
The CPL for the PR14 ODI leakage is based on annual performance. In contrast to our other performance commitments, the leakage incentive is based on average performance to date, rather than a reflection of performance against an annual target. This is why our forecast leakage performance in 2019-20 is expressed as an outperformance payment, to reflect the averaging of the ODI payments accrued across AMP6.

We are calculating leakage ODI performance without taking into account improved technical data, as the targets set out in our PR14 Business Plan did not include any explicit adjustment for data improvements. Our average leakage levels between 2015/16 – 2018/19 are 46.8 Ml/day, which is 0.8 Ml/day above the average end of year target of 46.0 Ml/day. Therefore we have accrued so far in 2015-2020 an underperformance penalty of £2.886m based on performance between 2015/16 – 2018/19.

In order to calculate any underperformance penalty the ODI performance is compared against the average target performance. If the performance falls within the outperformance payment or underperformance penalty-zone then we multiply the resulting difference by the incentive rate. For leakage, the incentive underperformance penalty rate is £0.902m per Ml/day variance and the outperformance payment is £0.486m per Ml/day variance.

The ODI payment must be taken as a revenue adjustment over 2020-2025, which will have an impact on customer bills. Although our level of leakage post-technical improvements is expected to outperform against the annual target of 43Ml/day for 2019/20, we will continue to calculate the ODI impact without the impact of the technical adjustments.

Commentary on performance
In our Mid-Year Performance Report 2018/19 we had forecast to outperform against our 2018/19 target using the actual level of leakage (explained further below). We had however forecast to underperform against PR14 ODI leakage.

The PR14 ODI leakage annual level for 2018/19 (based on the calculation used for calculating incentives) was 45.8 Ml/day. This is above the annual end of year target of 44.0 Ml/day. Our actual annual level of leakage (explained further below), which takes into account technical changes, was 41.7 Ml/day. The dry and hot summer in actual leakage calculations results in an increase in both household and non-household night use, which is not an annual adjustment that was specifically mentioned in our definition of leakage for the PR14 ODI calculation. This explains why the more accurate actual leakage calculation in 2018/19 is a lot lower than the ODI calculation. We accrue a penalty despite outperforming our view of the current actual level of leakage, which ensures that where there is any doubt in calculation, our customers benefit. We believe we are the only Water company to take this approach, and reflects the Board commitment last year to protect our legitimacy with customers at a time that we had more work to do to improve our leakage performance.

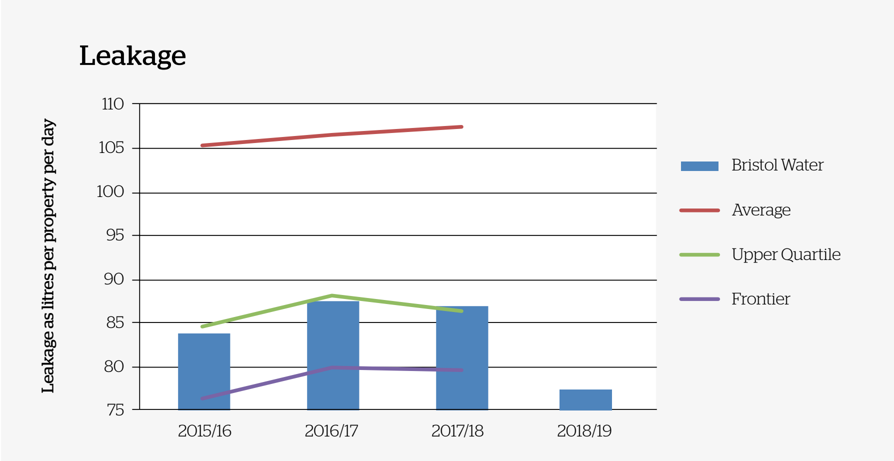
The combination of targeted investment in our network, improved monitoring and control, and our proactive approach to leakage management and leakage reduction initiatives, such as pressure management, continues to see us actively working to reduce leakage levels further. This investment has led to a significant improvement in our leakage performance compared to last year, despite experiencing some difficult weather conditions.

Our leakage levels were exceptionally high when the reporting year began, due to the increased bursts associated with the 'Beast from the East' extreme freeze-thaw weather in late February and early March 2018. No sooner had we started to reduced leakage than a long, hot and dry summer started. This resulted in stress on our network due to higher demand for water from our customers and ground movement around our pipes, ultimately leading to higher than normal numbers of burst mains and leaks.

In response to the events of the summer and our performance in 2017/18 a new leakage strategy was developed; we introduced a dedicated Leakage Operations Manager and increased our leakage detection resource by 14 additional inspectors. We also prioritised the largest leak repairs to ensure these were fixed more quickly. As a result of this new strategy we are now detecting and fixing twice the number of leaks compared to last year. This has helped to minimise the effects of extreme weather events and delivered an 8% leakage reduction compared to our performance last year.

Benchmarking performance
Customers may compare our performance on leakage against other companies in the industry on the Discover Water website[22]. Our leakage performance has been presented in megalitres per day because this is how Ofwat expects companies to report on performance. The graphic opposite is intended to assist our customers' understanding of our performance. To compare companies of different sizes, comparative performance has been presented below by measuring litres of water leaked per property per day, to assist our customers' understanding of our performance. Comparative performance for 2018/19 is not available to include in this APR because at the time of publication other companies' information has not yet been published.

[22] www.discoverwater.co.uk/leaking-pipes



The actual level of leakage
In addition to our PR14 ODI leakage performance (which is used in the calculation of performance incentives), we are also reporting our leakage performance for this year and the final year of this AMP based on our view of the actual level of leakage, based on the latest technical assumptions.

The Bristol Water Board has made a commitment to ensure that the effect of our performance on customer bills in future years reflect actual reductions in leakage, rather than the Company benefitting from technical data changes. During 2017/18 we agreed with Ofwat a number of changes to how we report our performance commitments, which are reflected in this report. Given that leakage is one of our customers' top priorities and a measure which attracts significant focus from other stakeholders, we would like to make it clear that our leakage ODIs for 2015-20 will be calculated without taking into account any changes in supporting assumptions which may improve our performance.

At the same time we want to always report leakage based on the most up-to-date assumptions to provide the most accurate figure possible. As a result, the table below presents our leakage performance based on changes to underlying assumptions within our leakage calculation. To ensure consistency, as these technical changes were identified since the original leakage targets were set, we have agreed with Ofwat that our leakage ODIs (whether these are outperformance payments or penalties) will be linked to the leakage performance reported in the outcome performance table 3A. There is therefore no ODI payment attached to the actual level of leakage performance shown below. The table overleaf demonstrates how our actual and forecast leakage performance compares to the leakage targets that were set for this period.

Summary performance - Actual Leakage					
Year	2015/16	2016/17	2017/18	2018/19	2019/20
Committed performance level ("CPL") (annual)	48.0	47.0	45.0	44.0	43.0
Performance post-technical changes (annual)	44.2	46.4	46.6	41.7	40.0 (forecast)
Committed performance level ("CPL") (averaged)	48.0	47.5	46.7	46.0	45.4
Performance post-technical changes (averaged)	44.2	45.3	45.7	44.7	43.8 (forecast)
CPL met?	Yes	Yes	No	Yes	Yes

Forecasting

Based on performance to date, we are forecasting to outperform our leakage target in the final year of the AMP (based on the actual level of leakage) and to meet our target based on the PR14 ODI leakage. The improvement in leakage during 2018/19 is a trajectory that can be expected to continue, given the resources that we have put in place. The hot dry summer weather results in higher night use, which explains the 4.1Ml/d difference between ODI and actual leakage, higher than the 3Ml/d we forecast for 2019/20. We therefore expect actual leakage to outperform in 2019/20, given the outperformance in 2018/19 and that additional leakage resources remain in place. This means that the ODI target will be in line with the annual target for 2019/20, leaving the total AMP6 penalty unchanged from the amount accrued up to 2018/19. We will continue to report on our leakage performance in the next reporting period. Our proposed annual targets are below. Our targets reflect a 15% reduction over the five-year period. ODIs are likely to be calculated based on a 3-year average linked to a standardised (currently shadow) measure of leakage. Our performance in 2019/20 anticipates the steps we are taking to be ready to deliver this new, lower, level of leakage ambition.

Megalitres per day (Ml/d)	2020/21 target	2021/22 target	2022/23 target	2023/24 target	2024/25 target
Performance Commitment	42.0	41.0	39.5	38.0	36.5

G1: Meter penetration

Definition

Many people regard water meters as the fairest way to charge for your water services as it means customers only pay for what they use. We encourage our customers to be more efficient in the way they use water by increasing the number of household customers who are billed based on their actual water consumption. We measure this by meter penetration, expressed as the percentage of household customers who have a water meter installed at their property. We also provide water-saving fittings and advice on reducing water consumption to help our customers save water.

In comparison to some other areas in England and Wales, Bristol Water customers are not in an 'area of serious water stress'. We know from continuous engagement activities that our customers on the whole do not wish to see full compulsory metering introduced and we do not have plans to introduce such a programme.

Summary performance						
Year	2015/16	2016/17	2017/18	2018/19	2019/20	AMP6 total
Committed performance level ("CPL")	50.4	54.8	58.8	62.5	65.9	
Performance	47.3	49.3	52.7	56.0	62.0 (forecast)	
CPL met?	No	No	No	No	No	
Outperformance payment/ Underperformance penalty £m	-0.118	-0.152	-0.152	-0.152	-0.148	-0.722

Explanation of ODI

The performance commitment has not been met for 2018/19 resulting in an underperformance penalty of £0.152m this year. This is the fourth year in a row that our performance commitment has not been met. In order to calculate any incentive payment the ODI performance is compared against the target performance. If the performance falls within the outperformance payment or underperformance penalty-zone then we multiply the resulting difference by the incentive rate. For meter penetration, the incentive underperformance penalty rate is £0.038m per 1% variance and the outperformance payment is £0.036m per 1% variance. The ODI payment will be taken as a revenue adjustment, which will have an impact on customer bills between 2020-25.

Commentary on performance

In our Mid-Year Performance Report 2018/19 we had forecast to underperform against our 2018/19 target. Performance throughout 2018/19 has resulted in a lower than anticipated level of meter penetration, principally due to change of occupancy of properties occurring less than expected and requests for meter optants being less than forecast. With this figure being lower than previously forecast, we now do not expect to achieve our performance commitment of 65.9% by the end of AMP6. Our performance partly arises due to a slower housing market and meter option requests, which means we have more work to do in meter promotion, which we have planned to catch up over 2019 and 2020.

We continue to innovate and introduce targeted metering initiatives, such as our 'Beat the Bill' campaign, which started in October 2017, with the aim to help customers reduce the amount of water they use. Since its launch, customers have saved as much as £100 a year and it has helped us find several leaks on customers' supply pipes. We have run various marketing campaigns through a variety of media channels, such as promoting the benefits of metering via Twitter, Facebook, on our website, in information included on customer bills and on local radio.

We do also offer a range of free water saving products that could help our customers maximise the money they can save. Customers may find out more information on applying for a water meter and on the products available on our website[23].

[23] www.bristolwater.co.uk/your-home/water-meters

Forecasting

Based on our performance to date, we are forecasting to miss our meter penetration target for the final year of this AMP. Customers opting for a meter have fallen below the expected levels and therefore we are increasing our metering on change of occupancy and promotion of meters, including providing individual customer information on the benefit to them of metered bills, in order to meet our target by 2021. We will continue to report on meter penetration in the next reporting period. Our targets are below.

% household meter penetration	2020/21 target	2021/22 target	2022/23 target	2023/24 target	2024/25 target
Performance Commitment	67.7	69.5	71.3	73.1	75.0

G2: Per capita consumption

Definition

Per capita consumption ("PCC") is defined as the average amount of water used by each person each day. By knowing this information, the intention is to encourage behaviours to reduce the amount of water we use, thereby helping customers save money for the future and further adapt to the challenges of climate change.

Summary performance – PR14 ODI PCC						
Year	2015/16	2016/17	2017/18	2018/19	2019/20	AMP6 total
Committed performance level ("CPL")	145.2	144.4	143.6	142.8	142.0	
Performance	141.1	144.1	144.5	148.3	142.0 (forecast)	
CPL met?	Yes	Yes	No	No	Yes	

Explanation of ODI

This is a reputational performance commitment so there is no associated outperformance payment or underperformance penalty and therefore no impact on our customers' bill levels.

Commentary on performance

In our Mid-Year Performance Report 2018/19 we had forecast to underperform against our 2018/19 target. Regrettably, we have failed to meet our PCC target for the second consecutive year. We do want to help customers to reduce water consumption, through supportive and voluntary measures. However, we recognise that we have to do more to help customers reduce water consumption in line with our long-term ambition to reach 110 litres per person per day by 2045.

We know from continuous engagement activities that our customers on the whole do not wish to see full compulsory metering introduced and we do not have plans to introduce such a programme. This does impact PCC performance. In order to improve on our performance, our household customers receive a seasonal newsletter called Watertalk that offers advice to help reduce water consumption as well as money saving tips. In addition, we also have water saving kits available on request. We have also installed free water fountains in the centre of Bristol and offered a 'water bar' at local festivals and events, to help promote the benefits of water.

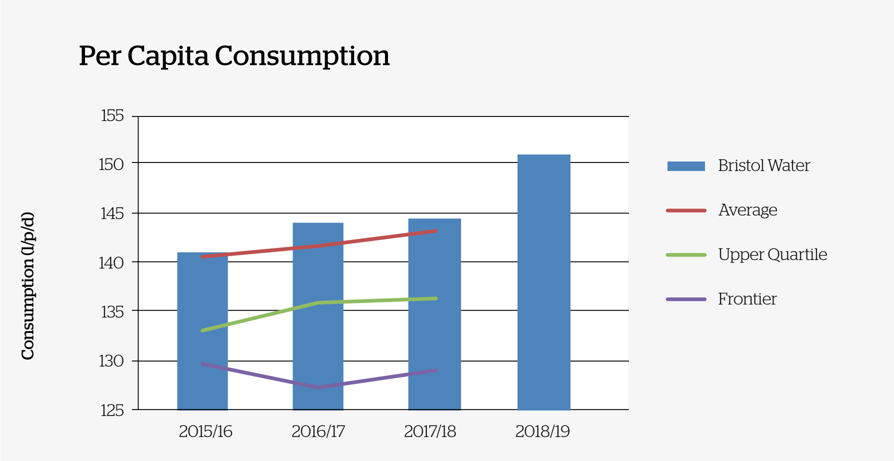
In the longer-term we will:

- continue the promotion of water metering with provision of targeted water efficiency advice to customers who opt for a water meter;
- continue and increase our schools education programme on water efficiency and its links to environmental sustainability;
- continue the provision of free water efficiency equipment to our customers including subsidised garden equipment such as water butts;
- continue provision of bespoke water efficiency calculations (through our website) to empower customers to choose the most effective way to save water and save money; and
- develop new partnerships with stakeholders across our supply area to create new and innovative ways to help customers become more resource efficient.

Benchmarking performance

Customers may compare our performance on the average amount of water used by each household each day against other companies in the industry on the Discover Water website[24]. The graphic overleaf is intended to assist our customers' understanding of our performance. Comparative performance for 2018/19 is not available to include in this APR because at the time of publication other companies' information has not yet been published.

[24] www.discoverwater.co.uk/amount-we-use



Actual per capita consumption (PCC)

As we are committed to dual-reporting leakage performance (based on an approach adopted across the industry), this has implications for our reported PCC figure (due to the inclusion of leakage from customers' pipes). The table below presents our PCC performance based on this version of leakage. There is not however any ODI attached; the information has been included for the purpose of being as open and transparent to our customers about our performance as possible. Our long-term ambition of 110 litres per person per day will be measured using this calculation of PCC which reflects the latest technical evidence on leakage from customers' pipes.

Summary performance - Actual PCC						
Year	2015/16	2016/17	2017/18	2018/19	2019/20	AMP6 total
Committed performance level ("CPL")	145.2	144.4	143.6	142.8	142.0	
Performance	141.1	143.5	146.3	150.7	142.0 (forecast)	
CPL met?	Yes	Yes	No	No	Yes	

Forecasting

We are forecasting to meet our target for this performance commitment for the final year of this AMP. Although there has been an upward trend in recent years in the amount of water that customers are using each day, we are continuing to do our part to inform our customers about the importance of reducing water consumption. Our previous years' performance has also been impacted by extreme weather events, which we do not anticipate will occur in 2019/20. We plan major metering and water efficiency campaigns during 2019 and 2020 which we will target at reducing PCC towards our target of a reduction from 142Ml/d in 2020 to 135Ml/d in 2025.

H1: Total carbon emissions

Definition

This is the total carbon emissions of the Company and contractors working on our behalf. We calculate our carbon emissions through the electrical energy we use in our operations, our consumption of gas and the fuel we use for transport, plant operation and site heating, which equals our annual operational greenhouse gas emissions.

Summary performance						
Year	2015/16	2016/17	2017/18	2018/19	2019/20	AMP6 total
Committed performance level ("CPL")	32	25	23	22	20	
Performance	35	32	28	23	22 (forecast)	
CPL met?	No	No	No	No	No	

Explanation of ODI

This is a reputational performance commitment so there is no associated outperformance payment or underperformance penalty and therefore no impact on our customers' bill levels.

Commentary on performance

This continues to be a challenging target for the Company to achieve, as the factors that influence this performance commitment are largely outside of our control. In our Mid-Year Performance Report 2018/19 we had forecast to underperform against our 2018/19 target. Although our forecast was correct, we have only narrowly missed our target performance and reduced our carbon emissions by 18% compared to last year, which is an encouraging sign.

This performance commitment is impacted by the Government's conversion factors for greenhouse gas reporting, used by Bristol Water in our reporting of the impact of our operations. In July 2018 the Government released an updated set of Grid Emissions Factors "GEFs". These factors are used to calculate the indirect emission of greenhouse gases from the import and consumption of electricity from the grid, which this performance commitment is based on. The Government's updated GEF dropped steeply from 2017/18 to 2018/19. This is a direct result of the successive closure and conversions of the UK's coal fire power stations, matched by an increase in low carbon energy sources (primarily natural gas) and renewables.

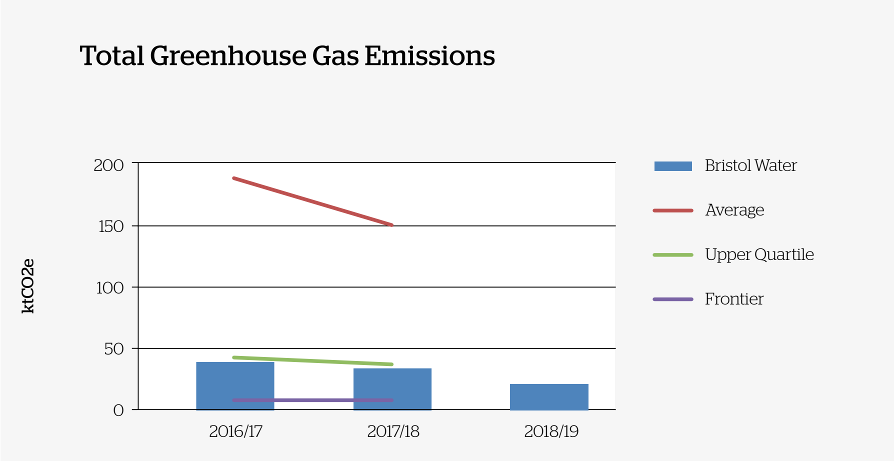
Although the GEF's are shown to have a positive impact on carbon emissions, water resources constraints have the opposite effect. The hot and dry summer of 2018 lead to an increase in energy consumption over the period, with the increase in the water supplied requiring more energy intensive sources in the north of the region, and an overall increase in gross demand. With this in mind, we are continuing to strive for improved energy efficiency and a lower carbon footprint. We are working to implement a number of substantial projects over the coming year that will directly offset the import of energy from the grid and lower overall energy consumption, including the:

- roll out of an automated pump scheduling system, that will look to optimise individual pumps, pump-sets and whole source selection;
- installation of solar PV at key sites; and
- installation of a gas powered generator at Purton TW.

Benchmarking performance

Customers may compare our performance on the amount of energy used to treat water and pump it from treatment works to their homes, causing carbon dioxide emissions, against other companies in the industry on the Discover Water website[25]. The graphic overleaf is intended to assist our customers' understanding of our performance. Comparative performance for 2018/19 is not available to include in this APR because at the time of publication other companies' information has not yet been published.

[25] www.discoverwater.co.uk/energy-emissions



Forecasting
To date it has been anticipated that, due to higher than forecast GEF's, we would not meet our target by 2020. Our forecast for 2019/20 has however significantly improved due to the Government's energy policy decisions and updated set of GEFs. We will not continue reporting on this as a performance commitment from 2020 (as our performance is largely outside of our control) but we will be reporting on energy performance throughout the period.

H2: Raw water quality of sources

Definition
The quality of our water sources, particularly in the Mendip lakes, can be impacted due to nutrients and sediment that can enter the watercourses from land and activities in the catchment area of the source. This is an assessment of the quality of our raw water sources that are at risk of deterioration due to increased levels of pesticides and nutrients in their catchments.

With the agreement of Ofwat, we have improved the reporting by converting the target from a categorisation (as either deteriorating, marginal, stable or improving) to reporting on the percentage compared to the AMP5 baseline aggregate of algal bloom frequency.

Summary performance						
Year	2015/16	2016/17	2017/18	2018/19	2019/20	AMP6 total
Committed performance level ("CPL")	>+10%	>+10%	+/-≤+10%	+/-≤+10%	+/-≤+10% for ≥2 years	
Performance	+20% (deteriorating)	+11% (deteriorating)	-1% (marginal)	-14% (improving)	At least stable (forecast)	
CPL met?	Yes	Yes	Yes	Yes	Yes	

Explanation of ODI
This is a reputational performance commitment so there is no associated outperformance payment or underperformance penalty and therefore no impact on customer bill levels.

Commentary on performance
In our Mid-Year Performance Report 2018/19 we had forecast to outperform our 2018/19 target. Performance has exceeded our target, reflecting that the reduction in algal bloom frequency across the reservoirs has been sustained for a period of two years, and that this year (2018) has seen a reduction by more than 10%.

We have throughout this reporting period been working with local landholders and farmers to identify where raw water quality issues can be addressed and through our partnership programmes with key stakeholders, such as the Mendip Lakes Partnership, we are able to work together on these issues. The partners involved include Natural England, the Environment Agency, Wessex Water, Avon Wildlife Trust, Farming & Wildlife Advisory Group and Catchment Sensitive Farming. We are continuing to hold a range of successful farm engagement and training sessions with landholders in the key catchment areas.

Our performance and partnership work to date suggests that algal bloom frequency has reduced consistently through the first four years of AMP6 compared to algal blooms during AMP5. This means that water in the reservoirs will not be as expensive to treat as would have been the case had algal bloom frequency continued to increase as it did in AMP5. It also means that the ecological condition of the sites will have improved. This would not have been the case had the algae been allowed to continue to proliferate, which would have occurred if we had not prioritised this area. This is important as the reservoirs are nationally, and in the case of Chew Valley Reservoir, internationally, designated habitats (known as Sites of Specific Scientific Interest and Special Protection Areas).

Forecasting

Although the water quality of some of our water sources is at risk of deterioration due to potential ingress of nutrients and/or pesticides from its catchments, we have successfully met our targets to date and we are seeing an upwards improvement, year on year as a result of our actions. Based on our performance to date, we are forecasting to outperform against our targets for this performance commitment for the final year of this AMP.

From 2020 we will be reporting on a revised measure, which will be an assessment of our progress in implementing catchment management of nutrients across our catchments. The measure will relate to the level of nutrient loss reduction, modelled as kilogrammes (kg) of phosphorus (P) not lost to the environment as a result of the interventions taken up by farmers across source catchments. Our proposed targets are below. This revised metric will more directly measure our delivery of catchment management compared to our current methodology.

Kg of P loss reduction achieved by Bristol Water scheme	2020/21 target	2021/22 target	2022/23 target	2023/24 target	2024/25 target
Performance Commitment	109	216	322	427	531

H3: Biodiversity Index

Definition

We monitor our protection and enhancement of the natural environment through an innovative approach that we have called the Biodiversity Index "BI". This quantifies the environmental value of our sites and creates a "direction of travel" for the way we manage our assets, helping us to protect and enhancing the natural environment by using the index to quantify the impact of our actions on the broader environment. This calculation and method is a tool we will continue to develop, using it to measure our performance on habitat protection and enhancement.

With the agreement of Ofwat, we have improved the reporting by converting the target from a categorisation (as either deteriorating, marginal, stable or improving) to reporting on the number of Biodiversity Index points that have increased each year (from a baseline of 17,613 in 2014/15).

Summary performance						
Year	2015/16	2016/17	2017/18	2018/19	2019/20	AMP6 total
Committed performance level ("CPL")	17,649	17,650	17,651	17,652	17,653	
Performance	17,649	17,650	17,657	17,668	17, 670 (forecast)	
CPL met?	Yes	Yes	Yes	Yes	Yes	

2018/2019 completed works	Completed works: BI calculations
Purton TW loss – removal of trees for the development of the gas generator	-1
Chew Stoke PS habitat work loss and gains – river restoration	9
Charterhouse tree plant gain	1
Head office bulb plant and grassland improvement (Urbanbuzz)	1
Durdham grassland improvement (Urbanbuzz)	0.2
Knowle grassland improvement (Urbanbuzz)	1
2018/2019 Biodiversity Index increase (net points achieved)	**11**
2018/2019 performance	**17,668**

Explanation of ODI

This is a reputational performance commitment so there is no associated outperformance payment or underperformance penalty and therefore no impact on our customers' bill levels.

Commentary on performance

In our Mid-Year Performance Report 2018/19 we had forecast to outperform our 2018/19 target. We have successfully met our targets to date and for 2018/19 the BI score has increased by 11 biodiversity points.

Due to the annual seasonality of delivering conservation works, the delivery of biodiversity improvement is often only available in the winter and spring months. Particular habitat destruction/removal work can also only be carried out in winter months. We have again (for the second year in a row) outperformed compared to our target for this year for this measure. There has been an improving trend in our biodiversity improvement since we created this measure in 2014/15. This increase in the BI score demonstrates how Bristol Water is delivering habitat improvements and enhancements on Company land holdings. The habitat value of our sites has been improved by projects and delivered in partnership with Bristol Water and different conservation organisations.

Although the BI is applied on a quantified basis to the land we own, we have also used the approach to help improve the biodiversity when we carry out our works, including the Southern Resilience Scheme, with scores taken before and after works take place at sites between Barrow and Cheddar. Work carried out on land we do not own is not included in the performance measurement, even though the tool is used on other schemes.

The areas of work that have improved this year include:

- Chew Stoke Pumping Station, River Restoration: Approx. 500m of river corridor habitat, 0.5ha of woodland habitat, and 0.63ha of grassland habitat have been improved. A significant change to this site is the relocation of the compensation flow (water outfall) upstream to re-wet a previously silted section of river. This new flow in combination with in-stream work to improve water quality has returned a river habitat, ready for recolonization of plants and animals.
- Urbanbuzz and Bristol Waters pollinator banks: Working in partnership with the national conservation charity Buglife, Bristol Water is changing the way it manages some of its covered reservoir grasslands. By planting additional native wildflowers and wild grasses, and changing the grass cutting routine to twice a year will enable grasses and flowers to grow. This vital food source is being provided for our urban pollinators with the vision that the populations of bees and butterflies will increase across the city of Bristol.

Forecasting

We are forecasting to outperform against our target for this performance commitment for the final year of this AMP, based on our outperformance over the last two years. We are making progress in this period against the biodiversity plans for our sites. Projects to continue to increase the BI score for the remainder of AMP6 include further deciduous tree planting, woodland management to improve the condition of woodland and hedgerow assets and the management of lakeside and riparian habitats to improve and maintain the condition. We will continue reporting on our BI in the next reporting period. Our proposed targets are below.

BI points	2020/21 target	2021/22 target	2022/23 target	2023/24 target	2024/25 target
Performance Commitment	17,668	17,678	17,689	17,700	17,711

H4: Waste disposal compliance

Definition

This measures the number of Bristol Water samples taken of discharged trade effluent (poisonous, noxious or polluting matter, not derived from domestic waste such as toilet sink or bath waste) from designated Company sample points that comply with the consent requirements in the Environment Agency "EA" permits.

Trade effluent, if not controlled, can have harmful effects, which include harm to the environment, particularly our surrounding rivers, streams and estuaries.

Summary performance						
Year	2015/16	2016/17	2017/18	2018/19	2019/20	AMP6 total
Committed performance level ("CPL")	100	100	100	100	100	
Performance	96	96	98	98	97 (forecast)	
CPL met?	No	No	No	No	No	

Explanation of ODI

This is a reputational performance commitment so there is no associated outperformance payment or underperformance penalty and therefore no impact on our customers' bill levels.

Commentary on performance

This continues to be a challenging target for the Company to achieve. In our Mid-Year Performance Report 2018/19 we had forecast to underperform against our 2018/19 target. Although we were unable to meet our target for this year, almost 98% of the samples collected were fully compliant with the discharge consent conditions. Our ability to achieve full compliance is significantly hampered by the number of failures at Blagdon fisheries.

In the absence of any authoritative guidance from the EA, the representative number of samples we collect is determined using a risk-based approach. We are constantly reviewing the reasons for the small number of failures we have had so far in 2019/20 with a view of implementing remedial measures to drive our compliance figure higher.

We have plans for a remedial scheme for the reed bed discharge at Barrow to mitigate the risk of manganese failures, which historically have presented a seasonal challenge to compliance. Currently we have interim measures in place until the remedial scheme is complete. In addition, the installation of the new mixer in the sludge holding tank at Purton has proved effective and no compliance failures have been reported this year from in-house discharge monitoring.

We are working closely with the EA to assess the feasibility of compliance with the limits of the new discharge consent for Blagdon fisheries. The consent came into force from 1 February 2018, and after a two-year review period, the feasibility of compliance will be decided. If the current limits are to be maintained after the two-year review then a scheme would be required to improve discharge quality.

Forecasting

We have forecast to miss our Business Plan target for this performance commitment for the final year of this AMP (2019/20). The forecast performance for the final year is lower than our current performance due to the introduction of a new discharge consent in 2018 that is in place for the fisheries at Blagdon. The EA are working with us to assess how to measure the environmental need at this site which previously has not had a discharge consent for historic reasons. We anticipate that the introduction of this new consent will mean that the number of failures will increase due to seasonal changes in quality in Blagdon Lake even though improvements at other major treatment sites, such as Purton and Barrow, have resulted in a reduction in the number of failures. We will continue reporting on our waste disposal compliance in the next reporting period. Our proposed targets are below.

% compliance	2020 target	2021 target	2022 target	2023 target	2024 target
Performance Commitment	100	100	100	100	100

I1: Percentage of customers in water poverty

Definition

This is defined as the percentage of customers within our supply area for whom their water bill represents more than 2% of their disposable income, defined as gross income less income tax. This measure allows us to understand the impact of our bills on our customers. To calculate this we use a population analytics model to estimate the gross percentage of customers in water poverty, and then deduct those customers who we support through our Assist social tariff.

Using this measure, we are able to offer advice, assistance schemes and capped tariffs, known as 'social tariffs' (including our Assist tariff, WaterSure Plus and Pension credit tariff) to customers who fall within this category. This measure then also allows us to evaluate the success of our tariffs and assistance schemes for customers who are experiencing difficulty paying their bills.

Summary performance						
Year	2015/16	2016/17	2017/18	2018/19	2019/20	AMP6 total
Committed performance level ("CPL")	2.0	2.0	1.9	1.9	1.8	
Performance	0.4	0.9	0.0	0.0	0.0 (forecast)	
CPL met?	Yes	Yes	Yes	Yes	Yes	

Explanation of ODI

This is a reputational performance commitment so there is no associated outperformance payment or underperformance penalty and therefore no impact on our customers' bill levels.

Commentary on performance

As this measure is based on annual calculations, it was not possible to calculate performance as part of the Mid-Year Performance Report 2018/19. We have again successfully met our target for this performance commitment. Gross water poverty was 0.5% (just under 2,500 customers), which falls effectively to zero when the impact of our social tariffs are taken into account. This performance commitment ensures that we monitor our performance in helping those customers on the lowest incomes and experiencing the most serious financial difficulties by calculating and tracking the percentage of customers in 'water poverty'.

We offer three discounted tariffs to make sure we help customers who find it hard to pay their water charges, with 15,620 customers receiving assistance through these measures, an increase of 14% over last year. Below is a breakdown of each scheme and the number of customers currently registered:

- 6,483 households are on our 'Assist' social tariff, which offers significant bill discounts to those customers least able to afford their bill, following a means assessment.
- 2,826 households are on our 'WaterSure Plus' metered tariff, this is for customers in receipt of certain benefits, and are defined by the government as 'vulnerable', either because they have a medical condition or a large family.
- 6,311 customers are on our 'Pension Credit' social tariff. This scheme gives a 20% discount on water bills to customers who live in a household where all members over the age of 18 are in receipt of Pension Credit.

In addition to the social tariff schemes, 3,356 households are currently benefitting from our 'Restart' scheme to clear their debt combined with our 'Assist' tariff, which reduces bills to an affordable level and helps customers who are in financial difficulty to get back on track with their water bill.

We also offer metering, water efficiency support and flexible payments plans to customers who may also need support paying but do not need as much assistance as a social tariff.

Forecasting
We are forecasting to meet our target for this performance commitment for the final year of this AMP. We will continue to report on performance in the next reporting period. Our proposed targets are below. We continue to intend to ensure that our social tariffs are available to all those who are eligible, so that our customers do not experience water poverty.

% customers in water poverty	2020/21 target	2021/22 target	2022/23 target	2023/24 target	2024/25 target
Performance Commitment	0.0	0.0	0.0	0.0	0.0

J1: Service incentive mechanism ("SIM")

Definition
This is Ofwat's measure for comparing the customer service performance of water companies in England and Wales. It includes quantitative measures of the numbers of complaints and unwanted contacts that companies receive and performance in handling telephone contacts. It also includes a survey of customers' views on the service provided.

A full breakdown of our SIM performance is included in table 3D.

Following an agreement with Ofwat, we have improved our reporting by converting the target from achieving a 'top 5' performance within the industry to a SIM score that our customers may compare the company to. The target for each year is now based on the upper quartile SIM score from the previous reporting year. As such, it is not possible to state what our target is for 2019/20 until all companies have reported on their performance.

Summary performance						
Year	2015/16	2016/17	2017/18	2018/19	2019/20	AMP6 total
Committed performance level ("CPL")	85.0	85.0	86.0	87.0	TBC	
Performance	85.1	85.9	83.4	84.7	87.2 (forecast)	
CPL met?	Yes	Yes	No	No	TBC	

Explanation of ODI
For SIM, any outperformance payments or underperformance penalties will be applied at the end of the 2015-20 reporting period. Any ODI payment would be taken as a revenue adjustment, which will have an impact on our customers' bills. Linking ODI payment to revenue (rather than the RCV), brings the payments closer in time to the performance that generated them. This strengthens the incentive for the Company to fulfil our service commitments to our customers.

Commentary on performance
In our Mid-Year Performance Report 2018/19 we had forecast to underperform against our 2018/19 target. Whilst we have improved on our position compared to last year, we have unfortunately failed to deliver the levels of service our customers expect.

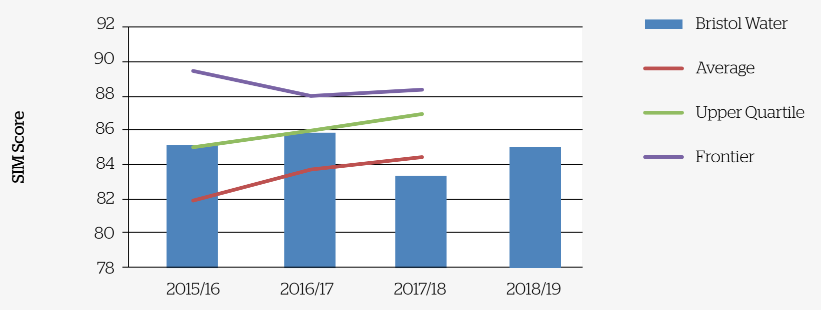
Our performance over the year has been divided; the first six months (from April to September 2018) saw poorer performance due to increased contacts in relation to poor pressure caused by excess demand in the long hot summer. The second half of the year has, encouragingly, seen much higher qualitative scores and a significant reduction in written complaints (even with a large amount of low pressure complaints during the summer months). This has been as a result of extra focus, training and ways of working to understand the causes of dissatisfaction. A key campaign 'in their shoes' has begun to encourage all staff to consider the customers' expectations and end every interaction asking the customer for feedback.

In addition, we continue to invest in wider transformation and new technology as part of our drive towards our long term vision for being the number one company for customer service. These include changes to ways of working, our values and IT improvements. Our Customer Care Team, introduced in October 2018, ensures that every customer promised task is carried out as expected. They also resolve all complaints as quickly as possible and respond to our instant customer feedback service. We will continue to build on the improvements we have made this year, such as introducing even quicker targets to respond to written complaints.

Benchmarking performance
Customers may compare our performance on customer service against other companies in the industry on the Discover Water website[26]. The graphic overleaf is intended to assist our customers' understanding of our performance. Comparative performance for 2018/19 is not available to include in this APR because at the time of publication other companies' information has not yet been published.

[26] www.discoverwater.co.uk/customer-experience-rating

Service Incentive Mechanism (SIM)



Based across the previous three years, we average a ranking performance of 7th across the industry (it is not possible to know our ranking for 2018/19 until after our Annual Performance Report is published).

	2015/16		2016/17		2017/18		AMP6	
	Score out of 100	Rank	Score out of 100	Rank	Score out of 100	Rank	Average score	Average rank
Affinity	77	15	79	16	81	15	79	16
Anglian	85	5	86	5	88	1	86	4
Bournemouth	88	2	86	4	88	3	87	3
Bristol	**85**	**4**	**86**	**7**	**83**	**13**	**85**	**7**
Dwr Cymru Welsh Water	83	8	83	12	85	10	84	10
Hafren Dyfrdwy	78	14	86	6	87	7	83	11
Northumbrian and Essex & Suffolk	84	7	88	3	86	8	86	5
Portsmouth	90	1	88	2	88	2	88	1
SES Water	81	12	80	15	79	17	80	15
Severn Trent	83	8	84	11	83	14	83	13
South East	82	11	85	9	86	9	84	9
South Staffs incorporating Cambridge	85	5	84	10	87	4	85	6
South West	75	17	82	14	85	11	80	14
Southern	72	18	78	17	79	16	76	18
Thames	77	15	77	18	78	18	77	17
United Utilities	81	12	85	8	87	6	84	8
Wessex	87	3	88	1	87	5	87	2
Yorkshire	83	8	83	12	84	12	83	12

Forecasting

Our target is to achieve the upper quartile level of performance for the SIM score, based on the previous year. As a result, we will not know what the target for 2019/20 will be until after we publish our Annual Performance Report (as determining this level of performance requires sight of every other water company's performance in 2018/19). As SIM incentives do not apply for 2019/20, this changes some of the categorisation of complaints and we will also establish a proxy calculation for this element of the performance commitment for 2019/20. From 2020, SIM will be replaced as a measure of customer satisfaction by Ofwat's new measure of customer experience, known as C-MeX. C-MeX includes measuring the satisfaction of all customers, not just those who contact us.

J2: General satisfaction from surveys

Definition

This is the percentage of our customers responding to our annual satisfaction survey who rate our service as excellent, very good or good. The measure is determined by an annual telephone survey of 1,000 customers who may or may not have contacted Bristol Water. The survey asks "Overall, how would you rate the service you receive from Bristol Water?".

Summary performance						
Year	2015/16	2016/17	2017/18	2018/19	2019/20	AMP6 total
Committed performance level ("CPL")	93	93	93	93	>93	
Performance	83	86	87	89	>93 (forecast)	
CPL met?	No	No	No	No	Yes	

Overall, how would you rate the service you receive from Bristol Water?		
2018/19 performance	Frequency	Percent (%)
Excellent	91	9
Very good	309	31
Good	490	49
Neither good/nor poor	72	7
Fairly poor	8	1
Very poor	0	0
Don't know	27	3
Not applicable	3	0
Total (excellent, very good, good)	890	89
Total	1000	100

Explanation of ODI

This is a reputational performance commitment so there is no associated outperformance payment or underperformance penalty and therefore no impact on our customers' bill levels.

Commentary on performance

As this measure is based on annual calculations, it was not possible to calculate performance as part of the Mid-Year Performance Report 2018/19; based on our performance to date we did forecast to outperform by the end of 2018/19. Although we failed to achieve our target, it is encouraging that satisfaction of our customers has seen an improving trend over the last four years – our customers' satisfaction has been improving year on year and has improved for the fourth consecutive year.

This year, 89% of customers (a total of 890 of those sampled) rated the service they receive from Bristol Water as either excellent, very good or good. Their top reasons for this included: never having any problem with Bristol Water (29%), rating water quality as good (27%) and having a reliable/consistent water supply (25%).

Just eight customers rating our service as 'fairly poor' and no customers rated our service as 'very poor'. Of those eight customers, their top reasons for dissatisfaction included poor quality work, poor response to problems and poor ground repair after completing work. Positively, no customers said they were dissatisfied due to their bills being too expensive, which has been a key theme from previous years.

We are constantly trying to improve our customers' experience, both when they have a need to contact us and also when they do not. We are pleased to see that customer perceptions of us are improving, equally from the annual survey results, but also through other satisfaction metrics such as the UKCSI and recent Net Promoter Scores.

We have been doing a lot of work in 2018/19 to improve the way customers perceive us. For example, our new bill redesign provides a more simplified and accessible design to make it easier for customers to understand as well as promoting additional support services such as our Priority Services. We have also been working to improve our customers' experiences when we are doing work in their areas and have a dedicated team to keep our digital communication channels updated. We also have a separate team to focus on improving how we implement street works, as customers regularly tell us we should be doing more in this area. We have issued an online panel to complement the findings from the Annual Survey and understand in more detail what customers' expectations are around our operational response when we are completing work.

We have also been making improvements to our website and have been working with the Digital Accessibility Centre to understand the accessibility of our website to all customers and will be working to make changes and updates in 2019/20.

In January we also launched our Social Contract, which includes various community initiatives to increase trust in the community. It provides us with a framework through which our customers may hold us to account for the wider benefits we provide to our communities. It reflects our purpose to have a positive impact for society in what we do – beyond the delivery of pure and relative water supplies. It includes initiatives that our customers value such as our Water Bar, Youth Board and drinking fountains in the community. We are confident that these initiatives will increase our customers' perception of us and result in an improved score to meet our 2019/20 general satisfaction target and also to improve our experience scores for C-MeX (the new industry standardised metric for measuring customer experience from April 2020).

Forecasting

We are forecasting to meet our target for this performance commitment for the final year of this AMP. It is encouraging that our performance for this metric has been improving each year of this reporting period, which suggests the improvements we have made to our customer services are having a positive impact. We will not continue reporting on this performance commitment from 2020; we will instead measure our customers' satisfaction, experiences of interacting with us and their views on our services using the industry comparative metric known as C-MeX.

J3: Value for money

Definition

This is the percentage of our customers who consider that we provide good value for money. The measure asks a sample of customers who have made contact with us about either a billing or a water supply enquiry to rate the service we provided in terms of the value for money they received.

Summary performance						
Year	2015/16	2016/17	2017/18	2018/19	2019/20	AMP6 total
Committed performance level ("CPL")	71	71	71	72	72	
Performance	70	72	69	68	72 (forecast)	
CPL met?	No	Yes	No	No	Yes	

Explanation of ODI

This is a reputational performance commitment so there is no associated outperformance payment or underperformance penalty and therefore no impact on our customers' bill levels.

Commentary on performance

In our Mid-Year Performance Report 2018/19 we had forecast to underperform against our 2018/19 target. Despite having below average customer water bills compared to the rest of the industry, our performance for this year has declined from last year's reported performance.

Value for money is an important concept in measuring whether customers consider that the service that we provide is worth what they pay for it. Some customers however struggle to make this assessment, often citing that they cannot compare the 'value' because they cannot choose their water supplier and will instead base their judgement not on the bill value, but on other perceptions.

Our performance has therefore been impacted, in part, by not maintaining the service customers expected during the long hot summer in 2018. We had a significant increase in contacts about poor pressure that were then included in the survey sample.

Our survey scores have improved in more recent months as a result of new interventions we have actively put in place to improve customer satisfaction, such as the customer care team and the written complaint project, but we still need to improve the customer experience further to achieve the target next year. This is why we recently expanded the use of our 'instant feedback tool' across the business and combined this with training for all staff. We are training our staff to consider the customer experience by thinking 'in their shoes'.

We also have a continuous improvement action plan in place with our operation contact centre, which is focusing on training around resolution at the first point of contact. This is regularly mentioned as a reason for dissatisfaction in this measure, so we do except it to improve in the near future.

Forecasting

We are forecasting to meet our target for this performance commitment for the final year of this AMP (which would match a level of performance we have already achieved in this reporting period). We have a series of 200 improvement projects planned over the next six years to continue to improve our customer experience measures and we are confident that these will help our customers' perception of the value for money service we provide over the next twelve months.

We will continue to report on this performance commitment in 2020-25 but it will be reported on using a revised methodology. The revised methodology aligns with CCWater's reporting of this metric and will therefore be more transparent for our customers to help them understand our performance. Our proposed targets are below.

% satisfaction with value for money	2020/21 target	2021/22 target	2022/23 target	2023/24 target	2024/25 target
Performance Commitment	80	81	82	83	83

K1: Ease of contact

Definition

This is the percentage of our customers who consider that we are easy to contact; ease of contact measures how customers rate the ease of service when they phone us about an operational enquiry.

Summary performance						
Year	2015/16	2016/17	2017/18	2018/19	2019/20	AMP6 total
Committed performance level ("CPL")	96.3	96.4	96.5	>96.5	>96.5	
Performance	95.0	94.4	93.1	91.4	>96.5 (forecast)	
CPL met?	No	No	No	No	Yes	

Explanation of ODI

This is a reputational performance commitment so there is no associated outperformance payment or underperformance penalty and therefore no impact on our customers' bill levels.

Commentary on performance

In our Mid-Year Performance Report 2018/19 we had forecast to underperform against our 2018/19 target. Regrettably, we have missed our target for the fourth consecutive year. This is a challenging target to achieve.

The insight we gain from this survey tells us that customers rate their satisfaction on the whole experience rather than just the phone call. Therefore to succeed in this measure we need to improve all aspects of the customer journey for our customers contacting us via the phone to our operational contact centre. We have as a result implemented a number of changes this year to help improve the customer experience, including customer journey mapping, additional resource to create a customer care team, the increased use of real time feedback and the launch of our company values. As we move into 2019/20 we have a number of projects underway to improve answering our customer's enquiries right first time, these projects focus on training, IT improvements and ways of working.

Forecasting

We are forecasting to meet our target for this performance commitment for the final year of this AMP. We believe that the IT improvements noted above will help to ensure that our performance improves to meet this very challenging target.

We will not continue reporting on this performance commitment from 2020; we will instead measure our customers' satisfaction, experiences of interacting with us and their views on our services using the industry comparative metric known as C-MeX.

L1: Negative billing contacts

Definition

This is the number of 'unwanted' calls received by our joint venture billing company, Pelican, relating to a subset of specific billing related issues.

Summary performance						
Year	2015/16	2016/17	2017/18	2018/19	2019/20	AMP6 total
Committed performance level ("CPL")	2,408	2,395	2,315	2,240	2,170	
Performance	2,301	3,096	2,300	1,595	2,170 (forecast)	
CPL met?	Yes	No	Yes	Yes	Yes	

Explanation of ODI

This is a reputational performance commitment so there is no associated outperformance payment or underperformance penalty and therefore no impact on our customers' bill levels.

Commentary on performance

Our customers want bills that are accurate, clearly presented and easy to understand. We monitor this by measuring a subset of the number of 'unwanted' billing contacts we receive. 'Unwanted' is the term used by Ofwat in its quantitative SIM measures for calls which the customer would prefer not to make, in the sense that they are dissatisfied because they are experiencing a problem or concern, are making a repeat or chase call, or want to complain.

In our Mid-Year Performance Report 2018/19 we had forecast to outperform our 2018/19 target and we are pleased to have significantly outperformed our target this year. Our performance is our best performance to date. Our performance indicates that we have established a good level of customer experience and understanding of why our customers are contacting us. This has been achieved by updates to the website, improving the online self-service options, a review and update of the metered bill and continuous improvement in response to customer feedback.

Forecasting

We are forecasting to meet our target for this performance commitment for the final year of this AMP. We expect our recent improvements to continue to reduce the number of unwanted billing contacts.

We will not continue reporting on this performance commitment from 2020; we will instead measure our customers' satisfaction, experiences of interacting with us and their views on our services using the industry comparative metric known as C-MeX.

3C Abstractive Incentive Mechanism ("AIM")

Bristol Water has no sites currently subject to the AIM. This table is not applicable to the Company for 2018/19.

3D Service Incentive Mechanism ("SIM") table

for 12 months ended 31 March 2019

Qualitative performance	
1st survey score	4.30
2nd survey score	4.29
3rd survey score	4.47
4th survey score;	4.48
Qualitative SIM score (out of 75)	63.56
Quantitative performance	
Total contact score	76.97
Quantitative SIM score (out of 25)	21.15
Total annual SIM score (out of 100)	**84.71**

The information provided in table 3D provides details of the Company's SIM performance against the quantitative and qualitative elements.

Commentary on our performance can be found on pages 259 – 261.

Section 4: Additional regulatory information

The information provided in Section 4 details financial and non-financial information about the Company. The section presents Bristol Water's cost and operational information for 2018/19 with summary commentary (where applicable) on the key changes compared to the last reporting year. Additional explanations have also been provided to assist understanding of some of the terminology included in these tables.

As a water only company, a number of data tables included in this section of the APR are not applicable to Bristol Water.

4A Non-financial information

for the 12 months ended 31 March 2019

	Unmeasured	Measured
Retail – household		
Number of void households ('000s)	6.033	5.374
Per capita consumption (excluding supply pipe leakage) l/h/d	167.31	133.37
Wholesale		
		Water
Volume (Ml/d)		
Bulk supply export		8.572
Bulk supply import		0.787
Distribution input		280.600

This table presents a breakdown of water consumption.

Household voids relates to properties that are classed as vacant.

Per capita consumption "PCC" is also reported in Table 3A. However as we have opted to report our 2018/19 leakage figure using two different methodological assumptions, which relate to a specific component of the calculation called Non-Household Night Use ("NHHNU") which analyses business water usage at night, this also impacts PCC. This is why there is a difference between our reported PCC value in Table 3A (148.3 l/h/d) and the PCC in Table 4A.2 (the measured and unmeasured values equal, using a property weighted average, 150.7 l/h/d).

Bulk supply exports relate to the supply of treated water to a neighbouring water company.

Distribution Input is explained in detail in 4P.72.

4B Wholesale totex analysis
for the year ended 31 March 2019

	Current Year	Cumulative 2015-20
	£m	£m
Actual totex		
	109.070	365.941
Items excluded from the menu		
Third party costs	1.529	5.739
Pension deficit recovery payments	0.000	0.435
Other 'Rule book' adjustments	0.000	1.115
Total items excluded from the menu	**1.529**	**7.289**
Transition expenditure	0.000	0.685
Adjusted Actual totex	**107.541**	**359.337**
Adjusted Actual totex – base year prices	92.876	323.341
Allowed totex based on final menu choice – base year prices	83.065	337.553

Adjusted actual totex exceeds allowed totex in base year prices by £9.811m in 2018/19.

Our annual profile of actual expenditure during AMP6 is different from the flat profile in the determination. This is due to the implementation of a risk-based decision making process to ensure our expenditure during the period is appropriately targeted and solutions are optimised; and, the natural profile of some expenditure through the AMP (e.g. costs associated with our PR19 Business Plan).

Actual totex for the year includes an additional £1.479m on replacing lead communication pipes that was not in the PR14 baseline.

During 2018/19 there was also a different mix between wholesale opex and IRE capex from that planned due to mains bursts and leakage activity following the freeze and thaw in March 2018 and the subsequent dry/hot summer. There was also increased expenditure on activity to address an increase in small leaks such as at customer stop taps. Although metering uptake has been lower than forecast for both selective and optional metering, this did not have a significant impact on expenditure levels due to the largely fixed cost of promotion and resources.

On a cumulative basis allowed totex exceeds adjusted actual totex in base year prices by £14.212m

We continue to focus expenditure on providing a resilient supply of high quality water, increased spending on leakage detection and control, and improving our processes to enable bursts to be fixed with less disruption to customers.

4C Impact of AMP performance to date on RCV
for the year ended 31 March 2019

	2019
	£m
Cumulative totex over/(underspend) so far in the price control period	-16.567
Customer share of cumulative totex over/(underspend)	-2.377
RCV element of cumulative totex over/(underspend)	-3.481
Adjustment for ODI outperformance or underperformance payment	-0.685
RCV determined at FD at 31 March	530.305
Projected 'shadow' RCV	**526.139**

We are forecasting to spend £3.117m less (in 2012/13 prices) than the wholesale totex allowance for AMP6. 2019/20 expenditure plans compared with the prior year provides for additional leak repairs and additional replacement of distribution mains.

4D Wholesale totex analysis

for the 12 months ended 31 March 2019 – wholesale water

	Water resources		Network +				
	Abstraction licences £m	Raw water abstraction £m	Raw water transport £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	Total £m
Operating expenditure							
Power	0.000	1.604	0.187	0.000	2.479	4.198	8.468
Income treated as negative expenditure	0.000	-0.008	-0.001	0.000	-0.014	-0.022	-0.045
Abstraction charges/ discharge consents	2.781	0.000	0.000	0.000	0.108	0.000	2.889
Bulk supply	0.005	0.011	0.000	0.000	0.029	0.089	0.134
Other operating expenditure – renewals expensed in the year (infra)	0.000	0.235	0.035	0.000	0.007	2.009	2.286
Other operating expenditure – renewals expensed in the year (non-infra)	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other operating expenditure – excluding renewals	0.000	6.812	0.838	0.000	11.571	20.440	39.661
Local authority and Cumulo rates	0.000	1.270	0.165	0.000	0.316	3.150	4.901
Total operating expenditure excluding third party services	2.786	9.924	1.224	0.000	14.496	29.864	58.294
Third party services	0.095	0.147	0.000	0.000	0.423	0.695	1.360
Total operating expenditure	2.881	10.071	1.224	0.000	14.919	30.559	59.654
Capital expenditure							
Maintaining the long term capability of the assets - infra	0.000	0.430	0.000	0.067	0.000	15.515	16.012
Maintaining the long term capability of the assets - non-infra	0.000	0.777	0.075	0.080	7.883	7.599	16.414
Other capital expenditure - infra	0.000	0.000	0.000	0.000	0.000	9.830	9.830
Other capital expenditure - non-infra	0.000	1.192	0.008	0.003	1.316	7.782	10.301
Infrastructure network reinforcement	0.000	0.000	0.000	0.000	0.000	0.889	0.889
Total gross capital expenditure (excluding third party)	0.000	2.399	0.083	0.150	9.199	41.615	53.446
Third party services	0.000	0.002	0.000	0.005	0.151	0.011	0.169
Total gross capital expenditure	0.000	2.401	0.083	0.155	9.350	41.626	53.615
Grants and contributions	0.000	0.000	0.000	0.000	0.000	4.199	4.199
Totex	2.881	12.472	1.307	0.155	24.269	67.986	109.070
Cash expenditure							
Pension deficit recovery payments	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other cash items	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Totex including cash items	2.881	12.472	1.307	0.155	24.269	67.986	109.070

4D Totex analysis

for the 12 months ended 31 March 2019 – wholesale water (continued)

Unit cost information (operating expenditure)

	Water resources		Network+			
	Abstraction licences	Raw water abstraction	Raw water transport	Raw water storage	Water treatment	Treated water distribution
Licenced volume available (ml)	176,692.000					
Volume abstracted (ml)		111,634.104				
Volume transported (ml)			106,753.241			
Average volume stored (ml)				30,019.103		
Distribution input volume (ml)					102,419.000	
Distribution input volume (ml)						102,419.000
Unit cost (£/ml)	16.305	90.214	11.466	0.000	145.666	298.372
Population	1,216.321	1,216.321	1,216.321	1,216.321	1,216.321	1,216.321
Unit cost (£/pop)	2.369	8.280	1.006	0.000	12.266	25.124

4Di Accounting separation policy

The Ofwat business unit definitions for resources, raw water distribution, treatment and treated water distribution, as given in Regulatory Accounting Guideline 4.08, have been applied to the fixed assets and operating cost elements of the Company accounts to provide the accounting separation analyses.

The historic cost fixed asset register is held in the Company accounting system at a very detailed level. Each asset on it has been reviewed and 94% of the net book value has been attributed directly to a business unit. The remaining net book value includes just over 5% of assets allocated to general and support, a category which is then reallocated over the business units. Less than 1% are assets other than General and Support, allocated over the business units. These are operational assets that cannot be directly attributed to one business unit. Internal guidelines have been established, mapping account classes into which all assets are grouped to the business units. All the Company sites have been reviewed and the relevant appropriate business units recorded to ensure consistency when applying business units to new fixed assets. This has been at a granular level, which has minimised the need for recharges between business units. All assets are allocated to business units as they are created.

The operating cost analysis is based on the Company's management accounts which are used to monitor the financial performance of the Company by the Board and managers. These are not structured under the business unit headings. They reflect the operational structure of the Company. A review of these produced a mapping between the Company cost centres and the business units, with 70% of costs being directly allocated to business units, and 30% requiring a method of allocation to be applied. Any operating cost which relates to sites or assets follows the same business unit as applied to the associated current cost fixed assets, ensuring consistency between the treatment of costs and assets.

During the year there were changes to the methodology to reflect the new RAGs issued in March 2019. Details of the main changes are provided in the accounting separation methodology statements.

The accounting separation analyses have been drawn up in accordance with the Company's accounting separation methodology statement which has been published separately on its website. This also provides commentary comparing this year's expenditure and capital maintenance costs with last years.

Table 4E is not applicable to Bristol Water as it is a wastewater table.

4F Operating cost analysis

for the 12 months ended 31 March 2019 - household retail

	Household unmeasured £m	Household measured £m	Total £m
Operating expenditure			
Customer services	1.034	1.393	2.427
Debt management	0.195	0.264	0.459
Doubtful debts	2.202	1.711	3.913
Meter reading	-	0.276	0.276
Other operating expenditure	1.647	1.977	3.624
Total operating expenditure excluding third party services	5.078	5.621	10.699
Third party services operating expenditure	-	-	-
Total operating expenditure	5.078	5.621	10.699
Depreciation – tangible fixed assets (on assets existing at 31 March 2015)	0.001	0.004	0.005
Depreciation – tangible fixed assets (on assets acquired since 1 April 2015)	0.039	0.067	0.106
Amortisation – intangible fixed assets (on assets existing at 31 March 2015)	0.015	0.019	0.034
Amortisation – intangible fixed assets (on assets acquired since 1 April 2015)	0.044	0.054	0.098
Total operating costs	5.177	5.765	10.942
Capital expenditure	0.289	0.360	0.649
Demand-side efficiency and customer-side leaks analysis – Household			
Demand-side water efficiency – gross expenditure			0.027
Demand-side water efficiency – expenditure funded by wholesale			0.027
Demand-side water efficiency – net retail expenditure			-
Customer-side leak repairs – gross expenditure			0.213
Customer-side leak repair – expenditure funded by wholesale			0.213
Customer-side leak repair – net retail expenditure			-

4G Wholesale current cost financial performance

for the year ended 31 March 2019

Income statement	Total £m
Revenue	107.029
Operating expenditure	-59.654
Capital maintenance charges	-38.353
Other operating income	3.123
Current cost operating profit	12.145
Other income	1.975
Interest income	4.106
Interest expense	-19.228
Other interest expense	1.285
Current cost profit before tax and fair value movements	0.283
Fair value gains/(losses) on financial instruments	0.000
Current cost profit before tax	0.283

4Gi Current cost accounting policies

The accounting policies used are the same as those adopted in the statutory historical cost accounts, except for the capital maintenance charge which is current cost depreciation on non-infrastructure assets, and an infrastructure renewals charge ("IRC") for infrastructure assets.

The current cost depreciation is derived from the current cost fixed asset register which is maintained in parallel to the historic fixed asset register with additions and disposals, and is inflated annually with year-end RPI.

The IRC is the average of the forecast capital expenditure for AMP6 and AMP7 (the ten years from 2015 to 2025) in respect of the pro-active maintenance of the network of pipes and pumped raw water storage reservoirs, known as infrastructure renewals expenditure. This is consistent with the methodology used in 2017/18. Until 2014/15 a long term view of infrastructure renewals expenditure, covering the current AMP and ten years beyond, was used to produce an annual IRC. The IRC was a proxy for depreciation of infrastructure assets in the statutory accounts. The 2014/15 IRC was inflated by year average RPI to 2016/17 prices, and was included in the capital maintenance charge in the 2016/17 table.

Amortisation of grants and contributions is included in the "Other income" line of the table, and not netted off the capital maintenance charge.

4H Financial Metrics for the year ended 31 March 2019	Current year	AMP to date
Net debt	£342.361m	
Regulated equity	£187.944m	
Regulated gearing	64.56%	
Post tax return on regulated equity	7.92%	
RORE (return on regulated equity)	3.99%	5.06%
Dividend yield	1.45%	
Retail profit margin - Household	0.27%	
Retail profit margin - Non household	-2.60%	
Credit rating	Baa1	
Return on RCV	5.48%	
Dividend cover	4.96	
Funds from operations (FFO)	£37.289m	
Interest cover (cash)	3.91	
Adjusted interest cover (cash)	1.65	
FFO/Debt	0.11	
Effective tax rate	8.95%	
Retained cash flow (RCF)	£31.293m	
RCF/capex	0.60	
Revenue (actual)	£115.922m	
EBITDA (actual)	£44.913m	
Movement in RORE		
Base return	5.80%	5.80%
Totex out / (under) performance	0.18%	0.45%
Retail cost out / (under) performance	-0.32%	-0.07%
ODI out / (under) performance	-1.41%	-0.76%
Financing out / (under) performance	0.01%	-0.21%
Other factors	-0.27%	-0.15%
Regulatory return for the year	3.99%	5.06%
Proportion of borrowings which are fixed rate [27]		26.87%
Proportion of borrowings which are floating rate		20.60%
Proportion of borrowings which are index linked		52.53%
Proportion of borrowings due within 1 year or less		0.14%
Proportion of borrowings due in more than 1 year but no more than 2 years		0.15%
Proportion of borrowings due in more than 2 years but no more than 5 years		6.40%
Proportion of borrowings due in more than 5 years but no more than 20 years		75.61%
Proportion of borrowings due in more than 20 years		17.70%

The Company's net debt as defined in the financial statements as at 31 March 2019 is £343.498m. The definition of net debt for table 1E excludes unamortised net premia of £1.137m, in accordance with Ofwat guidance

[27] Preference shares are not included in the calculations of proportion of borrowings rows in table 4H.

Gearing is calculated as net debt above (£342.361m) divided by Regulatory Capital Value "RCV" (£530.305m) as at 31 March 2019.

The return on regulated equity (RORE) calculates the returns on a regulatory basis by reference to the notional gearing level of 62.5% and average RCV for the year. It is calculated in accordance with the methodology set out in the RAGs, which is the base RORE set at the Final Determination[28] and should be adjusted for the following factors net of any tax impact:

4H Financial Metrics

	Average	2018/19	2017/18	2016/17	2015/16	
RORE in Final Determination	5.80%	5.80%	5.80%	5.80%	5.80%	
		£m	£m	£m	£m	
The company share of totex out or under performance		0.445	3.582	0.000	0.000	This is 50% of the permanent outperformance.
The company share of any out or underperformance on retail costs.		-0.777	0.508	0.063	-0.393	This is the (under) / outperformance on retail in the year.
The impact on the RCV run off of the out or under performance of totex		0.000	0.000	0.000	0.000	This is zero as we have recognised the full impact of the company share of the out performance.
The impact of any ODI or SIM penalties or rewards earned in the year, even if they are not payable/receivable until the following AMP		-3.380	-2.257	-0.152	-1.141	The penalties are as shown in table 3A • £-1.804 for leakage • £-0.739 for unplanned customer minutes lost • £-0.685 Asset reliability infra • £-0.152 meter penetration
The difference between the actual interest charge (in real terms) and the allowed interest (real) on notional debt.		0.025	1.727	-1.087	-2.241	Applying actual interest rates to notional debt
Other factors		-0.656	-0.727	0.000	0.000	This includes NHH costs that the business is incurring against a zero allowance due to exiting the market in 2017
Tax impact		0.825	-0.538	0.235	0.755	Tax calculated at 19%
Total adjustments		**-3.518**	**2.295**	**-0.941**	**-3.020**	
Total	**-0.74%**	**-1.81%**	**1.25%**	**-0.55%**	**-1.86%**	**Total adjustment expressed as a % of the regulatory equity**
RORE	**5.06%**	**3.99%**	**7.05%**	**5.25%**	**3.94%**	

[28] The base RORE excludes additional returns from non-household retail control (ref company specific PR14 FD appendix), therefore no adjustment has been made for exiting the non-household market.

4H Financial Metrics (continued)

80% of the 2015/16 costs relating to the CMA appeal were allocated to wholesale in line with the RAGs. These costs are included in full in Totex performance as it is not appropriate for 50% of these costs to be recharged to customers. A further £0.278m, the remaining 20% relating to the appeal have also been included in retail costs.

During the year the business sold a depot for £3.470m resulting in a profit on disposal of £3.129m. This forms part of Other Income within the Income Statement and does not feature in the RORE calculation, but is included in the Financial Flows table 1F.

Bristol Water exited the non-household market in 2017. The proceeds on the sale of the customer book was £2.143m. These proceeds are not included in the above table, but is included in the Financial Flows table 1F. The business has incurred retail non-household costs during the year of £0.656m (2018 £0.583m) which are included within Other Factors in 4H.

Table 4I is not applicable to Bristol Water as it relates to financial derivatives. The Company does not have any financial derivatives at the year end as these were terminated during the year.

4J Atypical expenditure by business unit - Wholesale water

for the year ended 31 March 2019

	Water resources		Network +				
	Abstraction licences £m	Raw water abstraction £m	Raw water transport £m	Raw water storage £m	Water treatment £m	Treated water distribution £m	Total £m
Operating expenditure (excl. atypicals)							
Power	0.000	1.604	0.187	0.000	2.479	4.198	8.468
Income treated as negative expenditure	0.000	-0.008	-0.001	0.000	-0.014	-0.022	-0.045
Abstraction charges/ discharge consents	2.781	0.000	0.000	0.000	0.108	0.000	2.889
Bulk supply	0.005	0.011	0.000	0.000	0.029	0.089	0.134
Other operating expenditure							
- renewals expensed in the year (infrastructure)	0.000	0.235	0.035	0.000	0.007	2.009	2.286
- renewals expensed in the year (non-infrastructure)	0.000	0.000	0.000	0.000	0.000	0.000	0.000
- other operating expenditure - excluding renewals	0.000	6.812	0.838	0.000	11.571	20.440	39.661
Local authority and Cumulo rates	0.000	1.270	0.165	0.000	0.316	3.150	4.901
Total operating expenditure excluding third party services	2.786	9.924	1.224	0.000	14.496	29.864	58.294
Third party services	0.095	0.147	0.000	0.000	0.423	0.695	1.360
Total operating expenditure	2.881	10.071	1.224	0.000	14.919	30.559	59.654
Capital expenditure (excl. atypicals)							
Maintaining the long term capability of the assets - infra	0.000	0.430	0.000	0.067	0.000	15.515	16.012
Maintaining the long term capability of the assets - non-infra	0.000	0.777	0.075	0.080	7.883	7.599	16.414
Other capital expenditure - infra	0.000	0.000	0.000	0.000	0.000	9.830	9.830
Other capital expenditure - non-infra	0.000	1.192	0.008	0.003	1.316	7.782	10.301
Infrastructure network reinforcement	0.000	0.000	0.000	0.000	0.000	0.889	0.889
Total gross capital expenditure (excluding third party)	0.000	2.399	0.083	0.150	9.199	41.615	53.446
Third party services	0.000	0.002	0.000	0.005	0.151	0.011	0.169
Total gross capital expenditure	0.000	2.401	0.083	0.155	9.350	41.626	53.615
Grants and contributions	0.000	0.000	0.000	0.000	0.000	4.199	4.199
Totex	2.881	12.472	1.307	0.155	24.269	67.986	109.070
Cash expenditure (excl. atypicals)							
Pension deficit recovery payments	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Other cash items	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Totex including cash items	2.881	12.472	1.307	0.155	24.269	67.986	109.070
Total atypical expenditure	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total expenditure	2.881	12.472	1.307	0.155	24.269	67.986	109.070

4J Atypical expenditure by business unit – Wholesale water (continued)

Table 4J presents a breakdown of Bristol Water's total expenditure for 2018/19 by business unit with regard to our fixed assets, operating costs and atypical items. This table is similar to Table 4D, which presents a breakdown of Bristol Water's total expenditure by business unit with regard to our fixed assets and operating costs only; however, Table 4D does not explicitly itemise atypical expenditure.

We report atypical expenditure to include items considered exceptional in our statutory accounts and which have displayed a material movement (greater than £1m) compared to the previous financial year. During 2018/19 we did not allocate any expenditure as "atypical".

Table 4K is not applicable to Bristol Water as it is a wastewater table.

4L - Enhancement expenditure by purpose - Wholesale water

for the year ended 31 March 2019

	Expenditure in report year	Water resources		Network +				
		Abstraction licences	Raw water abstraction	Raw water transport	Raw water storage	Water treatment	Treated water distribution	Total
A	**Enhancement expenditure by purpose**							
1	NEP - Making ecological improvements at abstractions (Habitats Directive, SSSI, NERC, BAPs)	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
2	NEP - Eels Regulations (measures at intakes)	0.000	0.447	0.000	0.000	0.000	0.000	**0.447**
3	NEP - Invasive Non Native Species	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
4	Addressing low pressure	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
5	Improving taste / odour / colour	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
6	Meeting lead standards	0.000	0.000	0.000	0.000	0.000	0.069	**0.069**
7	Supply side enhancements to the supply/demand balance (dry year critical / peak conditions)	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
8	Supply side enhancements to the supply/demand balance (dry year annual average conditions)	0.000	0.000	0.000	0.000	0.000	0.202	**0.202**
9	Demand side enhancements to the supply/demand balance (dry year critical / peak conditions)	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
10	Demand side enhancements to the supply/demand balance (dry year annual average conditions)	0.000	0.000	0.000	0.000	0.000	2.502	**2.502**
11	New developments	0.000	0.000	0.000	0.000	0.000	3.832	**3.832**
12	New connections element of new development (CPs, meters)	0.000	0.000	0.000	0.000	0.000	2.790	**2.790**
13	Investment to address raw water deterioration (THM, nitrates, Crypto, pesticides, others)	0.000	0.296	0.000	0.000	0.989	0.000	**1.285**
14	Resilience	0.000	0.000	0.000	0.000	0.000	1.841	**1.841**
15	SEMD	0.000	0.107	0.008	0.003	0.327	0.693	**1.138**
16	NEP - Drinking Water Protected Areas (schemes)	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
17	NEP - Water Framework Directive measures	0.000	0.291	0.000	0.000	0.000	0.000	**0.291**
18	NEP - Investigations	0.000	0.051	0.000	0.000	0.000	0.000	**0.051**
19	Improvements to river flows	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
20	Metering (excluding cost of providing metering to new service connections) - meters requested by optants	0.000	0.000	0.000	0.000	0.000	2.355	**2.355**
21	Metering (excluding cost of providing metering to new service connections)- meters introduced by companies	0.000	0.000	0.000	0.000	0.000	4.203	**4.203**
22	Metering (excluding cost of providing metering to new service connections) - other	0.000	0.000	0.000	0.000	0.000	0.014	**0.014**
38	**Total enhancement capital expenditure**	0.000	1.192	0.008	0.003	1.316	18.501	**21.020**

4L Enhancement expenditure by purpose – Wholesale water (continued)

for the year ended 31 March 2019

Cumulative expenditure on schemes completed in the report year		Water resources: Abstraction licences	Water resources: Raw water abstraction	Network +: Raw water transport	Network +: Raw water storage	Network +: Water treatment	Network +: Treated water distribution	Total
A	**Enhancement expenditure by purpose**							
1	NEP - Making ecological improvements at abstractions (Habitats Directive, SSSI, NERC, BAPs)	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
2	NEP - Eels Regulations (measures at intakes)	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
3	NEP – Invasive Non Native Species	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
4	Addressing low pressure	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
5	Improving taste / odour / colour	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
6	Meeting lead standards	0.000	0.000	0.000	0.000	0.000	0.069	**0.069**
7	Supply side enhancements to the supply/demand balance (dry year critical / peak conditions)	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
8	Supply side enhancements to the supply/demand balance (dry year annual average conditions)	0.000	0.000	0.000	0.000	0.000	0.147	**0.147**
9	Demand side enhancements to the supply/demand balance (dry year critical / peak conditions)	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
10	Demand side enhancements to the supply/demand balance (dry year annual average conditions)	0.000	0.000	0.000	0.000	0.000	2.117	**2.117**
11	New developments	0.000	0.000	0.000	0.000	0.000	3.832	**3.832**
12	New connections element of new development (CPs, meters)	0.000	0.000	0.000	0.000	0.000	2.790	**2.790**
13	Investment to address raw water deterioration (THM, nitrates, Crypto, pesticides, others)	0.000	0.296	0.000	0.000	0.085	0.000	**0.381**
14	Resilience	0.000	0.000	0.000	0.000	0.000	0.158	**0.158**
15	SEMD	0.000	0.107	0.008	0.003	0.327	0.693	**1.138**
16	NEP – Drinking Water Protected Areas (schemes)	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
17	NEP – Water Framework Directive measures	0.000	0.291	0.000	0.000	0.000	0.000	**0.291**
18	NEP - Investigations	0.000	0.051	0.000	0.000	0.000	0.000	**0.051**
19	Improvements to river flows	0.000	0.000	0.000	0.000	0.000	0.000	**0.000**
20	Metering (excluding cost of providing metering to new service connections) - meters requested by optants	0.000	0.000	0.000	0.000	0.000	2.355	**2.355**
21	Metering (excluding cost of providing metering to new service connections)- meters introduced by companies	0.000	0.000	0.000	0.000	0.000	4.203	**4.203**
22	Metering (excluding cost of providing metering to new service connections) – other	0.000	0.000	0.000	0.000	0.000	0.014	**0.014**
38	**Total enhancement capital expenditure**	0.000	0.745	0.008	0.003	0.412	16.378	**17.546**

4L Enhancement expenditure by purpose – Wholesale water (continued)

Table 4L reports capital expenditure on enhancement schemes in line with Ofwat's expenditure purpose categories as set out in the table. Expenditure is reported as actual annual expenditure for 2018/19 on enhancement schemes and the cumulative expenditure for enhancement schemes which have commenced since April 2015 and which finished in 2018/19. Projects completed in 2018/19 are reported as finished when there is no further spend forecast on the project beyond March 2019. For rolling investment projects (projects which repeat each year and therefore incur costs every year, for example site security upgrades) we work on the basis that the end of a financial year represents the end of each of these projects, and hence 2018/19 expenditure on these rolling investment projects is also reported as the cumulative expenditure for 2018/19.

Table 4L links with Table 4D and Table 4J. The total annual enhancement expenditure in Table 4L reconciles with the total of: Table 4D line 4D.14 to 4D.16 and equivalently the totals of 4J.14 to 4J.16.

Annual expenditure

In 2017/18, annual enhancement expenditure was reported at £28.373m, whereas for 2018/19 it is reported at £21.020m. The Table 4L enhancement expenditure purpose lines which show the biggest annual enhancement expenditure decreases in 2018/19 compared to 2017/18 are:

- line 4L.14 Resilience (2017/18 = £11.733m; 2018/19 = £1.841m), owing to significantly lower annual expenditure on the Resilience elements of our 'Southern Resilience' scheme; and
- line 4L.10 Demand Side Enhancements (2017/18 = £5.404m; 2018/19 = £2.502m), owing to lower annual expenditure on the growth elements of our 'Southern Resilience' scheme.

However, increases in 2018/19 annual enhancement expenditure versus 2017/18 are shown in:

- line 4L.15 SEMD (2017/18 = £0.214m; 2018/19 = £1.138m) owing to an increased in expenditure related to security at many of our operational sites (upgrading doors, fencing, kiosks, access covers etc.), to comply with the Water UK document 'Standard for Security Arrangements for Operational Assets';
- line 4L.20 Metering – optants (2017/18 = £1.436m; 2018/19 = £2.355m) owing to increased metering activities for customer opting to have a meter installed; and
- line 4L.21 Metering – introduced by companies (2017/18 = £1.664m; 2018/19 = £4.203m) owing to increased metering activities for change of occupancy etc.

2018/19 annual expenditure related to New Development (Lines 4L.11 and 4L.12) is very similar to that in 2017/18 (2017/18 = £6.626m; 2018/19 = £6.622m).

Cumulative expenditure

In 2017/18, cumulative enhancement expenditure is reported at £18.897m, whereas in 2018/19 it is reporting at £17.546m. The Table 4L 'enhancement expenditure purpose' line which shows the biggest cumulative enhancement expenditure decreases in 2018/19 compared to 2017/18 is 4L.13 Investment to address raw water deterioration (2017/18 = £6.841m; 2018/19 = £0.381m), owing to the Barrow UV scheme (BN-2032, cumulative value £6.411m) completing in 2017/18.

However, increases in 2018/19 cumulative enhancement expenditure versus 2017/18 are shown in:

- line 4L.15 SEMD (2017/18 = £0.214m; 2018/19 = £1.138m) (as above);
- line 4L.20 Metering – optants (2017/18 = £1.436m; 2018/19 = £2.355m) (as above); and
- line 4L.21 Metering – introduced by companies (2017/18 = £1.664m; 2018/19 = £4.203m) (as above).

Expenditure on our 'Southern Resilience' scheme will be reported as cumulative enhancement expenditure in 2019/20, as this is the last year in which expenditure is expected on this scheme.

Tables 4M-4O are not applicable to Bristol Water.

4P Non-financial data for WR, WT and WD

Wholesale water – Water resources
for the year ended 31 March 2019

Table 4P presents information on our assets and operational activity during 2018/19. Information is broken down by business unit from source to tap; Section A reports on Water Resources, Section B on Water Treatment and Section C on Water Distribution. Section D and E provide specific information on the size of our water treatment works and can therefore be considered an extension to Section B.

		Current year
A	Water resources	
1	Proportion of distribution input derived from impounding reservoirs	0.183
2	Proportion of distribution input derived from pumped storage reservoirs	0.652
3	Proportion of distribution input derived from river abstractions	0.000
4	Proportion of distribution input derived from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes	0.164
5	Proportion of distribution input derived from artificial recharge (AR) water supply schemes	0.000
6	Proportion of distribution input derived from aquifer storage and recovery (ASR) water supply schemes	0.000
7	Proportion of distribution input derived from saline abstractions	0.000
8	Proportion of distribution input derived from water reuse schemes	0.000
9	Number of impounding reservoirs	3
10	Number of pumped storage reservoirs	8
11	Number of river abstractions	0
12	Number of groundwater works excluding managed aquifer recharge (MAR) water supply schemes	14
13	Number of artificial recharge (AR) water supply schemes	0
14	Number of aquifer storage and recovery (ASR) water supply schemes	0
15	Number of saline abstraction schemes	0
16	Total number of sources	25
17	Number of reuse schemes	0
18	Total number of water reservoirs	11
19	Total capacity of water reservoirs	38,604 Ml
20	Total number of intake and source pumping stations	15
21	Total number of raw water transport stations	8
22	Total capacity of intake and source pumping stations	6,794 kW
23	Total capacity of raw water transfer pumping stations	3,584 kW
24	Total length of raw water abstraction mains and other conveyors	42.74 km
25	Average pumping head – raw water abstraction	26.08 m.hd
26	Average pumping head – raw water transport	44.40 m.hd
27	Total length of raw and pre-treated (non-potable) water transport mains	105.40 km
28	Water resources capacity (measured using water resources yield)	353.41ml/d

Proportion of Distribution Input derived from and number of sources by type (Lines 4P.1-4P.16)
Lines 4P.1-8 provide information on the number of sources we use and the proportion of water abstracted from them. In 2018/19 Bristol Water abstracted water from 25 sources; the majority of which came from surface water sources, in particular impounding (gravity fed) reservoirs and pumped storage reservoirs; which is consistent with previous years.

The prolonged high summer demand required a varied approach in utilising our sources with increased reliance on greater abstraction from surface water sources, in particular Purton and Littleton (pumped storage) and conserving our Mendip sources (pumped storage and impounding reservoirs). This is reflected by the slight decrease observed in proportion from impounding reservoirs and the slight increase in proportion from pumped storage reservoirs.

Lines 4P.15 "Number of Saline Abstraction Schemes" and 4P.17 "Number of reuse schemes" are new reporting requirements. Bristol Water currently has no saline abstraction or reuse schemes in operation.

Total number of sources (Line 4P.16), broken down by category, (Lines 4P.9-15) have remained unchanged since 2011. During year 2018/19 Bristol Water had three source sites (Clevedon TW Well, Shipton Moyne TW Well & Sherborne TW Borehole) whereby no water was abstracted for operational reasons, these sites are still officially operational sites.

On the Number and Capacity of Water Reservoirs, Intake and Source Pumping Stations, and Raw Water Transport Pumping Stations (Lines 4P.18-23), these lines report on the number of assets Bristol Water operated in 2018/19 which store and transport raw water in our raw water network (between our sources and treatment works), and their associated water capacities. Whilst intake and source pumping stations refer to sites which directly draw water from our sources into the raw water network, transport pumping stations refer to sites which pump water within the raw water network. Bristol Water has 11 raw water reservoirs with a combined capacity of 38,604 Ml and 23 pumping stations enabling the transfer of water from the environment to our treatment works; which is consistent with previous years.

Total length of raw water abstraction mains and other conveyers and Total length of raw and pre-treated (non-potable) water transport mains (Lines 4P.24 and 4P.27)
Lines 4P.24 and 4P.27 are new reporting requirements for 2018/19 which identify the total length of mains and other conveyors used for raw water abstraction and the total length of raw water and pre-treated (non-potable) water used for transporting water.

Bristol Water operates 42.74km of raw water mains and other conveyors for raw water abstraction purpose Line 4P.24 and, 105.40km raw and pre-treated (non-potable) water mains for raw water transport purpose Line 4P.27. The total figure in line 4P.27 also includes 17.4km of a single pipe between two of our largest treatment works, Purton and Littleton. Water treated at Littleton is transferred from the Purton site and can, during times of warm weather, be partially treated at Purton first to prevent zebra mussels growing on parts of the pipe, which can pose a water quality hazard. Bristol Water supplies one non-household customer with non-potable water & six troughs. The length of mains associated with supplying the non-household customer are very short (less than 10m in each case) therefore, in terms of the reporting for Line 4P.27 which is expressed in kilometres and accurate to 1 decimal place, we have not included any length of non-potable or partially treated mains for supplying customers in the total figure.

Average Pumping Head (Raw Water Abstraction and Raw Water Transport Lines 4P.25-26; Water Treatment Line 4P.60 and Water Distribution 4P.94)
Average pumping head is a measure of the amount of pumping that a company needs to do in order to transport water from our sources to our customers' taps. In order to do this we need to know, in effect, how much each megalitre of water is pumped through the process, from abstraction to supply. This cannot be measured in practice and therefore the average pumping requirements are estimated by using a formula developed by Ofwat for individual sites. Sites are then allocated within the business units (Raw Water Abstraction, Raw Water Transport, Treatment, and Distribution) and summated to provide the final reported figures. In October 2017, Ofwat commissioned Jacobs to undertake a technical study of the reporting requirements for Average Pumping Head. This led to the publication of a revised formula for the calculation of average pumping head; published values for 2018/19 (and all historic years) are compliant with this new requirement.

4P Non-financial data for WR, WT and WD (continued)
Wholesale water – Water treatment
for the year ended 31 March 2019

		Current year
B	Water treatment	
29	Total water treated at all SW simple disinfection works	0.00 Ml/d
30	Total water treated at all SW1 works	0.00 Ml/d
31	Total water treated at all SW2 works	0.00 Ml/d
32	Total water treated at all SW3 works	0.00 Ml/d
33	Total water treated at all SW4 works	21.49 Ml/d
34	Total water treated at all SW5 works	225.61 Ml/d
35	Total water treated at all SW6 works	0.00 Ml/d
36	Total water treated at all GW simple disinfection works	1.52 Ml/d
37	Total water treated at all GW1 works	0.00 Ml/d
38	Total water treated at all GW2 works	0.00 Ml/d
39	Total water treated at all GW3 works	0.00 Ml/d
40	Total water treated at all GW4 works	35.53 Ml/d
41	Total water treated at all GW5 works	0.00 Ml/d
42	Total water treated at all GW6 works	0.00 Ml/d
43	Total water treated at more than one type of works	0.00 Ml/d
44	Total number of SW simple disinfection works	0
45	Total number of SW1 works	0
46	Total number of SW2 works	0
47	Total number of SW3 works	0
48	Total number of SW4 works	1
49	Total number of SW5 works	5
50	Total number of SW6 works	0
51	Total number of GW simple disinfection works	2
52	Total number of GW1 works	0
53	Total number of GW2 works	0
54	Total number of GW3 works	0
55	Total number of GW4 works	8
56	Total number of GW5 works	0
57	Total number of GW6 works	0
58	Number of treatment works requiring remedial action because of raw water deterioration	0
59	Zonal population receiving water treated with orthophosphate	1,208.532
60	Average pumping head – water treatment	106.55 m.hd

Total water treated at and number of WTW by complexity category (Lines 4P.29-57)
These lines provide a breakdown on the number of Treatment Works and the average daily distribution input derived from them, based upon the number and complexity of treatment processes operational at each site and whether they treat ground water or surface water. Ofwat has developed categories which seek to differentiate between Treatment Works with few, low complexity and low cost processes compared to works with several high complexity and high cost processes as set out in the table below.

Treatment Complexity Categories	
Categories of treatment types:	**Examples**
SD: Works providing simple disinfection only	• Marginal chlorination • Pre-aeration
W1: Simple disinfection plus simple physical treatment and/or blending only	• Rapid gravity filtration • Slow sand filtration • Pressure filtration • Aeration (solvent removal)
W2: Single stage complex physical or chemical treatment W3: More than one stage of complex treatment; but excluding processes in W4, W5 or W6.	• Super chlorination • Coagulation • Flocculation • Biofiltration • pH correction • Softening
W4: Single stage complex physical or chemical treatment with significantly higher operating costs than in W2/ W3 W5: More than one stage of complex, high cost treatment	• Membrane filtration (excluding desalination) • Ozone addition • Activated carbon / pesticide removal • UV treatment • Adsorption treatment
W6: Works with one or more very high cost processes	• Desalination • Re-use

Over three-quarters (79.3%) of the total volume of treated water entering our distribution network on a daily basis is derived from surface Water Treatment Works treated water at Level 5 (225.61Ml/d). This relates to our works at Purton, Littleton, Stowey, Banwell and Barrow; therefore whilst we operate more ground Water Treatment Works than surface Water Treatment Works, the latter are larger and contribute more to our overall distribution input (with 12.6% coming from GW4 works). Reflecting that there have been no changes to our operational set-up since 2014/15, the daily distribution input derived from our Treatment Works, based upon Ofwat's complexity categories, has showed little movement over this period.

In 2018/19, Bristol Water operated 10 ground Water Treatment Works, two of which are simple disinfection works and the remaining eight all treat water at a Level 4 complexity. Of our six surface Water Treatment Works operational in 2018/19, one treats water at Level 1 complexity and the remaining five treat water at Level 5 complexity. This operational set-up of our Treatment Works has been the same for the last four years (2015/16 to 2018/19). In February 2019 Chelvey Treatment Works received an upgrade in process design; changing from Chlorine Gas to Electrochlorination. Electrochlorination is a common method of generating sodium hypochlorite on site; it has a number of advantages over other means of disinfection. Electrochlorination is a simple and effective process that uses only widely available raw materials - salt, water and electricity, to generate a high quality, low strength sodium hypochlorite solution. This process is much safer for our operators to use rather than chlorine gas or commercial sodium currently widely used in the water industry.

Total number of treatment works, broken down by category (Lines 4P.44-57), has remained unchanged since 2011. During year 2018/19 Bristol Water had two treatment works (Clevedon TW & Sherborne TW) whereby, for operational reasons, no water was treated and transferred into final water distribution. These sites are still officially operational sites and as such are included in the

4P Non-financial data for WR, WT, and WD (continued)

count with a 0.0Ml proportion (%) of total DI for banding (Lines 4P.103-110).

Number of treatment works requiring remedial action because of raw water deterioration (Line 4P.58)
The line details the number of Water Treatment Works where activity has taken place to improve the works as a result of raw water deterioration. Such activity should be supported by the DWI in order to justify inclusion of the respective works in the reporting of this line.

In 2018/19, no activity at our works was undertaken at our Treatment Works due to raw water deterioration. This is consistent with the level of activity reported in 2017/18. This reflects a decrease from 2016/17 when a UV treatment process was installed at Barrow Treatment Works due to deterioration in the raw water entering the works as a result of Cryptosporidium. Completion of this scheme was signed off by the DWI in February 2018. Bristol Water has no other water quality related schemes to address raw water deterioration.

Zonal Population receiving water treated with orthophosphate (Line 4P.59)
Line 4P.59 reports on the number of people served by Bristol Water that received water treated with phosphate in 2018/19. The method for estimating this value involves subtracting the number of people not receiving water treated with phosphate (7,789 people) from the total number of people which we serve, Line 4Q.15 (1,216,321 people). Four of our 16 Treatment Works do not add phosphate to the water as a treatment process. These are our Treatment Works at Tetbury, Forum, Sherborne and Alderley. Customers receiving water from the latter three receive water which is a blend of water from one of Forum, Sherborne and Alderley and another Treatment Works, therefore the water they receive does, through mixing, contain phosphate. Only customers receiving water from Tetbury Treatment Works receive water with no phosphate added.

The population receiving water from Tetbury Treatment Works is estimated by multiplying the number of properties supplied from the works by the average number of people living in each property (the occupancy rate), which we have assumed to be 2.31 occupants per property, in line with our water balance assumptions.

For 2018/19, we reported 1,208,532 people as having received water treated with orthophosphate which is slightly higher than that reported last year (1,200,189 people, 0.7% change), due to the growth in our overall population supplied.

4P Non-financial data for WR, WT and WD (continued)
Wholesale water – Water distribution
for the year ended 31 March 2019

		Current year
C	**Water distribution**	
61	Total length of potable mains as at 31 March	6,848.0km
62	Total length of potable mains relined	0.0 km
63	Total length of potable mains renewed	16.6 km
64	Total length of new mains	26.8 km
65	Total length of potable water mains (<320mm)	6301.5 km
66	Total length of potable water mains 320mm - 450mm	232.2 km
67	Total length of potable water mains 450mm - 610mm	191.9 km
68	Total length of potable water mains > 610mm	122.4 km
69	Capacity of booster pumping stations	24,629 kW
70	Capacity of service reservoirs	537Ml
71	Capacity of water towers	3 Ml
72	Distribution input	280.6 Ml/d
73	Water delivered (non-potable)	0.24 Ml/d
74	Water delivered (potable)	246.97 Ml/d
75	Water delivered (billed measured residential)	80.75 Ml/d
76	Water delivered (billed measured business)	60.71 Ml/d
77	Total leakage	41.71 Ml/d
78	Distribution losses	30.14 Ml/d
79	Water taken unbilled	0.76 Ml/d
80	Number of lead communication pipes	144,297
81	Number of galvanised iron communication pipes	8,354
82	Number of other communication pipes	327,434
83	Number of booster pumping stations	114
84	Total number of service reservoirs	115
85	Number of water towers	5
86	Total length of potable mains laid or structurally refurbished pre-1880	123.7 km
87	Total length of potable mains laid or structurally refurbished between 1881 and 1900	852.6 km
88	Total length of potable mains laid or structurally refurbished between 1901 and 1920	471.7 km
89	Total length of potable mains laid or structurally refurbished between 1921 and 1940	918.4 km
90	Total length of potable mains laid or structurally refurbished between 1941 and 1960	895.8 km
91	Total length of potable mains laid or structurally refurbished between 1961 and 1980	1,287.7 km

4P Non-financial data for WR, WT and WD (continued)
Wholesale water – Water distribution
for the year ended 31 March 2019

		Current year
92	Total length of potable mains laid or structurally refurbished between 1981 and 2000	1,249.0 km
93	Total length of potable mains laid or structurally refurbished post 2001	1,049.1 km
94	Average pumping head – treated water distribution	106.55 m.hd

Total length of potable mains (Lines 4P.61-68)
Lines 4P.61-68 report on the length of mains that transport water of drinking water quality in our treated water distribution network (from treatment works to customers) and Bristol Water activities associated with the relining and renewing of mains in 2018/19. At 31 March 2019, we had 6,847.97km of mains in operation for the purpose of transporting drinking water, which has been slowly increasing over time reflecting the addition of new mains laid to the total reported figure. In 2018/19 we added 26.76km of new mains to our treated water distribution network (Line 4P.64), a level of activity within the long run average for the Company.

In addition to laying new mains, in 2018/19 we also undertook 16.59 km of mains renewal (Line 4P.63) a 2.2% increase compared to last year (16.23km). Consistent with previous years we have not undertaken any mains relining activities and this reflects our current approach to asset management. To note, we do however undertake slip lining as a mains rehabilitation technique and this involves inserting a new mains into an old one; such slip lining activities are included in Line 4P.63.

Lines 4P.65-68 report on the total length of mains in our treated water distribution network, broken down by diameter. To note, as with the reporting of lines 4P.24 and 27, Lines 4P.65-68 exclude all lengths of mains located inside Bristol Water site boundaries.

Capacity and number of booster pumping stations, service reservoirs and water towers (Lines 4P.69-71 and 4P.83-85)
These lines report on the total number and the total design capacity of booster pumping stations, service reservoirs and water towers. These sites either pump or store water of drinking water quality within the treated water distribution network.

Distribution Input (Line 4P.72)
Distribution input is the average daily amount of drinking water entering the distribution network from our treatment works and net imports, including bulk supply agreements and excluding inset agreements (the provision of water to third party entities that operate water networks independent of our own). Consistent with our approach to water balance calculations used for reporting leakage and the development of our Water Resource Management Plan, we have reported a post-MLE figure, which means we have used a methodology for the reporting of Distribution Input that makes a maximum likelihood estimation (MLE).

Distribution input in 2018/19 has increased by 0.6% (1.59Ml) compared to last year. This is a direct consequence of a particularly hot and dry summer. Peak demands over the summer (June to August 2018) were 6.19% higher than 2017/18 and higher than the previous 5 years.

Water Delivered (Lines 4P.73-76)
Lines 4P.73-76 provide information on the volume of water delivered by Bristol Water, both in terms of potable and non-potable supplies, and separately in terms of business and residential customers billed by meters, both business and households.

Bristol Water supplies non-potable water to one non-household customer, whom in 2018/19 received on average 0.2 Ml/d (Line 4P.73). In 2018/19 Bristol Water delivered 246.97 Ml/d of potable water (Line 4P.74), which includes the average volume of water delivered to billed metered customers, both residential and businesses, an estimate of the volume of water delivered to billed unmetered (rateable value) customers, both residential and business, supply pipe leakage (that is the loss of water from either company or customer pipes in the treated water distribution network), unbilled water taken legally for legitimate purposes (e.g. emergency services) and water taken illegally (where this is known and measurable).

In terms of potable water delivered to measured residential customers, the average daily volume delivered to customers has increased by 11% compared to last year, attributable to the increase in measured customers due to optants, new connections and our change of occupier metering programme. The average daily volume delivered to businesses has increased slightly by 1.5%.

Further information on the assumptions used to report these lines can be found in lines 4P.77-79.

Total Leakage, Distribution losses and Water taken unbilled (Lines 4P.77-79)
Total Leakage (4P.77) reports on the average daily volume of water that is supplied to customers' homes but which for various reasons is lost between the treatment works and customer taps; it captures the amount of water that enters our treated water distribution system but is not delivered to customers because it is lost from either the Company's or customers' pipes. Such losses are either categorised as distribution losses (4P.78) or supply pipe losses.

Distribution losses refer to the average daily volume of water lost from Bristol Water's treated water distribution network (Line 4P.78) in comparison to supply pipe losses (which refers to the loss of water from pipes located within the boundaries of customer's properties). Due to the relative size of Bristol Water's distribution pipes compared to supply pipes, distribution losses are higher than supply pipe losses. There has been a 14% reduction in distribution losses, compared to our performance last year, which indicates less water is being unnecessarily lost, which is encouraging for customers and the environment.

Water taken unbilled (Line 4P.79) refers to the average daily volume of water used which has not been paid for (either legally or illegally). It excludes water used by the company for example for carrying out mains testing, pipe cleaning and similar activities.

Bristol Water identified leakage reduction as a key commitment for the period 2015/16 to 2019/20 and our performance against our targets is explicitly assessed by Ofwat as part of the Outcome Delivery Incentive "ODI" framework, which is discussed further in Section 3A. We have opted to report our 2018/19 leakage figure using two different methodological assumptions, which relate to a specific component of the calculation called non-household night use "NHHNU" which analyses business water usage at night. To inform our reporting of leakage in Section 3A we have assumed a NHHNU of 17.281 litres per connection per hour (l/connection/hr), which is consistent with the target definition for leakage performance agreed with Ofwat at PR14. To inform our leakage reported value in Line 4P.79 we have used an updated assumption for NHHNU of 23.401 l/connection/hr. This explains the difference between our reported value in Table 3A (45.8 Ml/d) and Total Leakage in Line 4P.79 (41.7 Ml/d), the latter being the more accurate value of the average daily amount of leakage lost in our treated water distribution network.

This NHHNU assumption 23.401 l/connection/hr also forms part of the calculation used to report on Lines 4P.73-79. For more details on leakage performance and the impact on customers compared to last year, please see the supporting commentary to Section 3A.

Number of communication pipes by material (Lines 4P.80-82)
Communication pipes refer to the small pipes which connect distribution mains to individual customers' homes. Lines 4P.80-82 present a breakdown of Bristol Water's communication pipes by material type, split by lead, galvanised iron and other. 30% of Bristol Water's communication pipes are made from lead, with just over two-thirds (68%) classified as other which largely includes different types of plastic and just under 2% are made from galvanised iron.

Total length of mains by age (Lines 4P.86-93)
Lines 4P.86-93 present asset information on the total length of mains as allocated to 20-year time intervals according to when the mains were laid or structurally refurbished. With the exception of 27.2km of mains structurally refurbished between 2002 and 2009 (reported in Line 4P.93), all lengths reported relate to mains laid. This information provides high level insight into the overall age of Bristol Water's mains, as one of the oldest companies in the water sector in the UK and Europe.

For some mains, lack of historical information means that their age is unknown. Where this is the case and we know the material of the main we have allocated it to a cohort when the laying of that particular material pre-dominated – this methodology is possible because in the course of Bristol Water's history there has been a pattern in the use of mains material, reflecting for example improved technologies. For mains where both the age and material of the main is unknown, we have assumed a split based upon the material composition of mains for which we know both the age and material and allocated the mains accordingly. There has been little change in the reporting of these lines compared to last year.

4P Non-financial data for WR, WT and WD (continued)

Wholesale water - Band disclosure
for the year ended 31 March 2019

		Units	Current year
D	Band Disclosure (nr)		
95	WTWs in size band 1	Nr	6
96	WTWs in size band 2	Nr	1
97	WTWs in size band 3	Nr	1
98	WTWs in size band 4	Nr	3
99	WTWs in size band 5	Nr	2
100	WTWs in size band 6	Nr	1
101	WTWs in size band 7	Nr	2
102	WTWs in size band 8	Nr	0

		Current year
E	Band Disclosure (%)	
103	Proportion of Total DI band 1	1.6%
104	Proportion of Total DI band 2	1.4%
105	Proportion of Total DI band 3	1.9%
106	Proportion of Total DI band 4	13.7%
107	Proportion of Total DI band 5	13.5%
108	Proportion of Total DI band 6	12.3%
109	Proportion of Total DI band 7	55.8%
110	Proportion of Total DI band 8	0.0%

Water treatment works by size band (Lines 4P.95-110)

These lines provide information on the relative size of our water treatment works, according to the contribution that each site provides to our distribution input, as per the table below.

Size Band	Distributed Input Ml/d
Band 1	< 2
Band 2	≤ 2 & <4
Band 3	≤ 4 & < 8
Band 4	≤ 8 & < 16
Band 5	≤ 16 & < 32
Band 6	≤ 32 & < 64
Band 7	≤ 64 & < 128
Band 8	≥ 128

The information captured includes both the number of treatment works by size band and the total contribution that works in each size band make to our overall daily distribution value.

The values have varied slightly from last year and can be attributed to a number of factors. Firstly, one of our Band 2 treatment works remained out of service for the full year in 2018/19, whilst one Band 1 treatment works returned to service. Secondly, how we operated the treatment works varied in 2018/19 from last year due to the prolonged high summer demand. This has led to a reduction in treated water sourced from works that draw on our Mendip reservoirs and greater reliance on our Sharpness Treatment Works.

4Q Non-financial data

Properties, population and other – wholesale water
for the year ended 31 March 2019

Table 4Q presents information on our customer base, including population and properties served in Section A. Section B presents separate additional information on a range of metrics including our annual energy usage, water quality performance and our assessment of our water supply compared to the total demands of our customers.

		Units	Current year
A	**Properties and population**		
1	Residential properties billed for measured water (external meter)	000	232.602
2	Residential properties billed for measured water (not external meter)	000	36.792
3	Business properties billed measured water	000	30.836
4	Residential properties billed for unmeasured water	000	224.438
5	Business properties billed unmeasured water	000	1.163
6	Total business connected properties at year end	000s	33.423
7	Total residential connected properties at year end	000s	507.508
8	Total connected properties at year end	000	540.931
9	Number of residential meters renewed	000	2.013
10	Number of business meters renewed	000s	0.505
11	Number of meters installed at request of optants	000	5.701
12	Number of selective meters installed	000	9.315
13	Total number of new business connections	000	0.189
14	Total number of new residential connections	000	5.053
15	Total population served	000	1,216.321
16	Number of business meters (billed properties)	000	34.751
17	Number of residential meters (billed properties)	000	283.445
18	Company area	km2	2,367

Number of properties billed and connected and number of meters renewed and installed (Lines 4Q.1-14 and 4Q.16-17)
During 2018/19 total residential and total connected property numbers have continued to increase at a steady rate (at 1% p.a.).

Meter optant levels have increased by 25% on last year, reflecting our targeted initiatives to promote domestic metering. Selective metering on change of occupier has however shown a significant decrease on the previous year of 9%, which has partly arisen due to a slower housing market.

The number of residential meters (billed properties, 4Q.17) has increased by 7% compared to the previous year.

Total population served (Lines 4Q.15)
In 2018/19 Bristol Water served 1,216,321 customers, an increase of 1% (compared to the 1,207,583 customers we served in 2017/18), in line with new connections. We use population estimates by postcode within our water supply area provided by a third party to inform our reporting of line 4Q.15. We receive this information annually and then take an average between the population reported this year with the previous year. Further minor adjustments are then made to exclude properties within our supply area we know not to be our customers (those using a private supply).

Company area (Line 4Q.18)
Bristol Water's company area covers 2,367km2, a coverage which has stayed stable for some time. This includes areas where water is provided separately according to inset agreements (the provision of water to third party entities that operate water networks independent of our own), however this area also excludes the 4.59 km^2 area operated independently by Peninsula Water in the Westonbirt area..

4Q Non-financial data (continued)

Properties, population and other – Wholesale water
for the year ended 31 March 2019

		Current year
B	**Other**	
19	Number of lead communication pipes replaced for water quality	64
20	Total supply side enhancements to the supply demand balance (dry year critical / peak conditions)	0.00 Ml/d
21	Total supply side enhancements to the supply demand balance (dry year annual average conditions)	0.00 Ml/d
22	Total demand side enhancements to the supply demand balance (dry year critical / peak conditions)	5.39 Ml/d
23	Total demand side enhancements to the supply demand balance (dry year annual average conditions)	5.39 Ml/d
24	Energy consumption - network plus	72,914 kWh
25	Energy consumption - water resources	16,211 MWh
26	Energy consumption - wholesale	89,125 MWh
27	Mean Zonal Compliance	99.99%
28	Compliance Risk Index	0.7
29	Event Risk Index	22.5
30	Volume of Leakage above or below the sustainable economic Level	-14.289 Ml/d

Number of lead communication pipes replaced for water quality (Line 4Q.19)
In 2017/18, Bristol Water replaced 86 lead communication pipes for water quality reasons. In 2018/19, Bristol Water replaced 64 lead communication pipes for water quality reasons. This is in line with our requirements as set out by the DWI, which oversees the activities of water companies to ensure that the water provided is safe to drink through the setting of regulatory and water quality standards. The DWI's Water Quality Regulations 2000 sets out our operational requirements for lead replacements during the period April 2015 to March 2020 to include all lead pipes supplying primary schools and all lead pipes supplying properties where lead sampling results are found to be greater than or equal to 8µg/l of which we have replaced a total of 86 pipes this financial year.

Whilst we have a legal notice in the Water Quality Regulations 2000 to undertake "Opportunistic replacement of lead communication pipes during planned mains renewal work", we do not have to report this to the DWI. Opportunistic replacements refer to lead communication pipe replacements undertaken because we are doing mains renewal work in the vicinity, not primarily because there is a water quality rationale for replacement. As we do not have to report this "opportunistic" activity to DWI and the primary reason for the work is not because of water quality reasons, we have not reported such opportunistic lead communication pipe replacements in the reporting of Line 4Q.19.

Supply and Demand side enhancements to the supply demand balance (4Q.20-23)
Lines 4Q.20-23 report on improvements made to increase the supply of water or decrease the consumption of water to ensure that in the long run Bristol Water can sustain water supplies to meet demand, in both annual average conditions and critical/peak conditions.

We have identified that there is not a need to undertake supply side improvements during the period 2015/16 to 2019/20 and therefore lines 4Q.20 and 4Q.21 are both reporting as zero. This varies from what was forecast in our PR14 Business Plan data tables, where we anticipated that a supply side enhancement of 4 Ml/d would be delivered from 2017/18 onwards as a result of a reduction in the bulk transfer agreements to Wessex Water. The contract negotiations for this option have informed the development and update of our WRMP for the 2019 submission. In this review it has been agreed that a reduction to the bulk water supply export to Wessex Water will be implemented after 2025, contributing to an additional reliable supply of 6.97Ml/d for our customers to our updated baseline supply forecast. The supply side enhancement as set out in the WRMP14 will therefore not be implemented within AMP6.

We have implemented some demand side improvements during 2018/19, which have resulted in an overall improvement of 5.39Ml/d (in 2017/18 our demand side improvements equalled 0.49Ml/d). This consists of 4.94Ml/d as a result of the leakage saving options (D001 Pressure reduction scheme and D006 Active leakage control) and 0.45Ml/d as a result of the metering option C004 Change of ownership metering. Without these demand side improvements, we would expect total leakage to be higher and our supply-demand balance position to be less desirable than at present.

Energy consumption (Lines 4Q.24-26)
Energy consumption is a measure of energy usage including electricity, gas and liquid fuels. Lines 4Q.24-26 report on total energy usage by business area (water resources and network plus) but does not distinguish between energy that is purchased from third parties to that which is generated and used by Bristol Water (as opposed to then being sold on).

Energy usage covers all our operations, including fleet transportation, pumping, operating water treatment works and running administrative buildings. Electricity accounts for 94% of the energy we consume (used for production/ treatment and distribution pumping) and is therefore the main driver for any change in consumption across the business areas. A proportionally small amount of energy in the form of gas, used for heating, and fuel, used for transport, is also consumed

Variability in energy consumption is due to changes in water supply demand and seasonal affects (such as extreme weather conditions). Under drier conditions, use of our more energy intensive Sharpness sources are increased to conserve storage in our Mendip reservoirs. Similarly in drier conditions, customer water demands are higher and production and distribution pumping increases to match this demand. The summer we experienced in 2018 was notably dry, forcing up demand and reliance on Sharpness sources. However, although our consumption was higher than 2017/18, consumption is broadly in line with energy use we have reported over the last ten years.

We are continuing to strive for improved energy efficiency and a lower carbon footprint. We are working to implement a number of substantial projects in 2019/20 that will directly offset the import of energy from the grid and lower overall energy consumption, including:

- the roll out of an automated pump scheduling system, that will look to optimise individual pumps, pump-sets and whole source selection;
- installation of solar panels at key sites; and
- installation of a gas-powered generator at Purton treatment works.

Mean zonal compliance (Line 4Q.27)
MZC is a DWI measure used to assess overall water quality compliance based on 39 individual components that covers various aspects of risk to public health. Our reported figure reflects an increase in performance compared to last year (99.93%). Our performance against MZC is assessed by Ofwat as part of the ODI framework, which is explained further in Section 3A.

Compliance risk index (Line 4Q.28)
CRI is a DWI measure, which takes into account the frequency and location of compliance water sample failures, and their significance in terms of their impact on customers. Although we have seen an increase in our CRI compared to last year (0.03), we have seen a significant reduction in our CRI score since 2014 and our performance to date is consistently amongst the industry leaders. From April 2020 it will replace MZC as the DWI's preferred measure for monitoring water quality.

Event risk index (Line 4Q.29)
ERI is a new water quality performance measure used by the DWI. It gives a score based on the risk arising form water quality events and their impact on customers. It takes into account the seriousness of the water quality event, the Company's performance in managing the event and the impact of the event. We have seen an increase in our ERI compared to last year (7.9), but is significantly lower than the national average figure across the water sector, demonstrating that we have few serious events and that when these do occur we are able to mange the impact of these events effectively and safely.

Volume of leakage above or below the sustainable economic level (Line 4Q.30)
The volume of leakage above or below the sustainable economic level provides a comparison between the total leakage calculated for the reported year (as 41.7 Ml/d, reported in Line 4P.77) and the economic level of leakage, which we have estimated to be 56.0 Ml/d for the period 2015/16 to 2019/20. The economic level of leakage identifies the level of leakage at which any further reduction would incur costs greater than the benefits realised from the water savings. In 2018/19 we have reported Line 4Q.30 as -14.289 Ml/d.

Tables 4R-4U are not applicable to Bristol Water as they are wastewater tables.

4V Operating cost analysis

Water resources – opex analysis (£m, 000)
for the 12 months ended March 2019

		Impounding Reservoir	Pumped Storage	River Abstractions	Groundwater, excluding MAR water supply schemes	Other	Total
A	**Opex analysis**						
1	Power	0.908	0.385	0.000	0.308	0.003	**1.604**
2	Income Treated as negative expenditure	-0.005	-0.002	0.000	-0.001	0.000	**-0.008**
3	Abstraction charges /discharge consents	0.646	1.626	0.000	0.509	0.000	**2.781**
4	Bulk supply	0.002	0.012	0.000	0.002	0.000	**0.016**
	Other operating expenditure						
5	- Renewals expensed in the year (infrastructure)	0.220	0.011	0.000	0.004	0.000	**0.235**
6	- Renewals expensed in the year (Non-infrastructure)	0.000	0.000	0.000	0.000	0.000	**0.000**
7	- Other operating expenditure excluding renewals - direct	1.298	2.373	0.000	0.442	0.000	**4.113**
8	- Other operating expenditure excluding renewals - indirect	1.082	1.263	0.000	0.353	0.001	**2.699**
9	Total functional expenditure	4.151	5.668	0.000	1.617	0.004	**11.440**
10	Local authority and Cumulo rates	0.944	0.276	0.000	0.050	0.000	**1.270**
11	Total operating expenditure (excluding 3rd party)	5.095	5.944	0.000	1.667	0.004	**12.710**
12	Depreciation	1.427	0.299	0.000	0.112	0.000	**1.838**
13	Total operating costs (excluding 3rd party)	6.522	6.243	0.000	1.779	0.004	**14.548**

Bristol Water has nothing to report under Artificial Recharge ("AR") or Aquifer Storage and Recovery ("ASR") water supply schemes so these have been removed from the table above.

4V Operating cost analysis (continued)
Water resources (£m, 000)
for the 12 months ended March 2019

		Water resources	Raw water distribution	Water treatment	Treated water distribution	Total
B	**Other expenditure - wholesale water**					
14	Employment costs - directly allocated	1.084	0.396	3.530	8.969	**13.979**
15	Employment costs - indirectly allocated	0.939	0.200	2.385	4.250	**7.774**
16	Number FTEs consistent – directly allocated	22	8	69	226	**325.000**
17	Number FTEs consistent – indirectly allocated	18	3	41	67	**129.000**
18	Costs associated with Traffic Management Act	0.000	0.000	0.000	0.000	**0.000**
C	**Service charges**					
19	Canal & River Trust service charges and discharge consents	1.626	0.000	0.000	0.000	**1.626**
20	Environment Agency service charges/ discharge consents	1.155	0.000	0.108	0.000	**1.263**
21	Other abstraction charges / discharge consents	0.000	0.000	0.000	0.000	**0.000**
22	Statutory water softening	0.000	0.000	0.000	0.000	**0.000**

Table 4V presents a breakdown of Bristol Water's total water resources operating costs for 2018/19 by the following categories: Impounding Reservoirs, Pumped Storage, River Abstractions, Groundwater, excluding MAR water supply schemes, AR water supply schemes, ASR water supply schemes and Other. For 2018/19 Bristol Water has not reported any expenditure against River Abstractions, AR water supply schemes and ASR water supply schemes.

The total operating expenditure (excluding third party) in Table 4V must reconcile to the Water resources total operating expenditure excluding third party services in Table 4D.

Table 4V also includes further analysis on other expenditure relating to wholesale water and service charges, allocating them across the Ofwat business units. This breaks down the expenditure into the following categories: Water Resources, Raw Water Distribution, Water Treatment and Treated Water Distribution.

Bristol Water considers indirectly allocated employment costs to be those associated with general and support functions. These reported figures include employment costs expensed to capital.

Bristol Water does not incur any costs associated with the Traffic Management Act as no Authority in the Bristol Water area has a permit system. The first permit system in this region is likely to be implemented from October 2019.

Table 4W is not applicable to Bristol Water as it is related to sludge.

Related party transactions

Throughout the year, related parties include members and joint ventures of the Bristol Water Group Limited group of companies, members of the iCON Infrastructure companies, members of the Itochu Corporation group of companies and key management personnel.

The principal related parties are:

Bristol Water Group Limited ("BWG"), registered in England and Wales, whose year-end is 31 March, and is the ultimate UK holding company of Bristol Water plc.

Bristol Water Holdings UK Limited ("BWHUK"), registered in England and Wales, whose year-end is 31 March. BWHUK is a subsidiary of Bristol Water Group Limited.

Bristol Wessex Billing Services Limited ("BWBSL"), registered in England and Wales, whose year-end is 31 March. The joint venture interest is held by Bristol Water Holdings Limited, an intermediate holding company within the BWHUK group, which owns 100 class 'B' shares in the company, representing a holding of 50% of the voting and equity rights of the company. BWBSL is a joint venture undertaking between Bristol Water Holdings Limited and Wessex Water Services Limited, and provides meter reading, billing, debt recovery and customer contact management services to this company and Wessex Water Services Limited, under a cost sharing arrangement.

Water 2 Business Limited ("W2B"), registered in England and Wales, whose year-end is 30 June. The interest is held by Bristol Water Holdings Limited, an intermediate holding company within the BWHUK group which owns 30 class 'B' shares in the company representing a holding of 30% of equity rights and 40% of voting rights of the company. W2B is an associate of Bristol Water Holdings Limited, and provides meter reading, billing, debt recovery and customer contact management services to non-household customers.

Basis of cost allocations used for management charges and allocations between the appointed and non-appointed businesses of Bristol Water plc.

Costs are attributed to the appropriate cost centres in the Company's accounting system, which are identified as appointed or non-appointed. The majority of non-appointed costs are incurred directly with the remainder allocated on a time apportionment basis. Apportionments and recharges between appointed and non-appointed elements are approved and agreed at Board level annually.

Nature of service	Associate	Turnover of associate £m	Terms of supply	Value of service received £m
Management charge	BWG	-	No market	-
Management charge	BWHUK	-	No market	-
Managed billing service	BWBSL	15.214	Competitive Tender	2.625
Recharges for costs	BWBSL	15.214	Cost pass through	0.243
Capital expenditure	BWBSL	15.214	Cost pass through	0.253

Group tax relief
Bristol Water plc claims group tax relief from the non-regulated companies in the Bristol Water Group. The amount of the group relief claimed for 2018/19 is £3.824m. Bristol Water plc pays the standard tax rate for the period multiplied by the surrendered losses to each surrendering company. This group relief payment policy ensures that relieving losses around the group has no effect on the current tax charge of Bristol Water plc. The payment for loss relief surrendered for the period ended 31 March 2019 was settled in quarterly payments in line with the dates that corporation tax would normally be paid.

Borrowing/lending with associated companies and related facilities
A loan of £47.000m was made to Bristol Water Holdings UK Limited, ultimate parent company of Bristol Water plc until June 2006, in 2003/04. The unsecured loan was advanced on 12 February 2004, under an agreement dated 4 December 2003, out of the proceeds of the Artesian loans entered into during that year. The loan is due for repayment on 30 September 2033 and bears a fixed interest rate of 6.042%. Interest income of £2.840m (2017/18: £2.840m) was received in relation to the loan during 2018/19.

A further loan of £21.500m was made to Bristol Water Holdings UK Limited in 2005/06. The unsecured loan was advanced on 13 July 2005, under an agreement dated 10 June 2005, out of proceeds of the Artesian loan entered into in that year. The loan is due for repayment on 30 September 2032 and bears a fixed interest rate of 5.550%. Interest income of £1.193m (£1.193m: 2017/18) was received in relation to the loan in 2018/19.

There is a provision in both the loans that BWHUK may defer an interest payment. Interest will be payable on deferred interest as if it were a further loan, at 1% higher than the loan interest rate. This facility has never been invoked.

The sum of £0.411m (2017/18: £0.411m) is included within the debtors in respect of amounts advanced to BWBSL, a joint venture company between Bristol Water Holdings Limited, a parent company, and Wessex Water Services Limited, to fund the purchase of tangible assets. This amount has no fixed repayment date.

Independent Auditors' report

to the Water Services Regulation Authority (the WSRA) and the Directors of Bristol Water plc

Report on the Annual Performance Report

Opinion on Annual Performance Report
In our opinion, Bristol Water plc's Regulatory Accounting Statements within the Annual Performance Report have been prepared, in all material respects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG1.08, RAG2.07, RAG3.11, RAG4.08 and RAG5.07) and the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.11, appendix 2) set out on page 183.

What we have audited
The tables within Bristol Water plc's Annual Performance Report that we have audited ("the Regulatory Accounting Statements") comprise:

- the regulatory financial reporting tables comprising the income statement (table 1A), the statement of comprehensive income (table 1B), the statement of financial position (table 1C), the statement of cash flows (table 1D), the net debt analysis (table 1E), the financial flows (table 1F) and the related notes; and
- the regulatory price review and other segmental reporting tables comprising the segmental income statement (table 2A), the totex analysis for wholesale water and wastewater (table 2B), the operating cost analysis for retail (table 2C), the historical cost analysis of fixed assets for wholesale and retail (table 2D), the analysis of capital contributions and land sales for wholesale (table 2E), the household water revenues by customer type (table 2F), the non-household water revenues by customer type (table 2G), the revenue analysis and wholesale control reconciliation (table 2I), the infrastructure network reinforcement costs (table 2J), the infrastructure charge reconciliation (table 2K) and the related notes.

We have not audited the Outcome performance tables (tables 3A to 3S) and the additional regulatory information in tables 4A to 4W.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and applicable law, except as stated in the section on Auditors' responsibilities for the audit of the Annual Performance Report below, and having regard to the guidance contained in ICAEW Technical Release Tech 02/16 AAF 'Reporting to Regulators on Regulatory Accounts' issued by the Institute of Chartered Accountants in England & Wales.

Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Regulatory accounting statements within the Annual Performance Report section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit, including the Financial Reporting Council's (FRC's) Ethical Standards as applied to public interest entities, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - special purpose basis of preparation
In forming our opinion on the Regulatory Accounting Statements within the Annual Performance Report, which is not modified, we draw attention to the fact that the Annual Performance Report has been prepared in accordance with Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the company's published accounting methodology statement(s), as defined in RAG 3.11, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purpose. Accordingly we make no such assessment.

The Annual Performance Report is separate from the statutory financial statements of the Company and has not been prepared under the basis of United Kingdom Generally Accepted Accounting Practice ("UK GAAP").

Independent Auditors' report

Financial information other than that prepared on the basis of UK GAAP does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

The Regulatory Accounting Statements on pages 183 to 300 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from UK GAAP. A summary of the effect of these departures from Generally Accepted Accounting Practice in the Company's statutory financial statements is included in the tables within section 1.

The Regulatory Accounting Statements are prepared in accordance with a special purpose framework for the specific purpose as described in the Responsibilities for the Annual Performance Statement and the audit section below. As a result, the Regulatory Accounting Statements may not be suitable for another purpose.

Conclusions relating to going concern
ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the Regulatory Accounting Statements is not appropriate; or
- the Directors have not disclosed in the Regulatory Accounting Statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Regulatory Accounting Statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information
The other information comprises all of the information in the Annual Performance Report other than the Regulatory Accounting Statements within the Annual Performance Report and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the Regulatory Accounting Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Regulatory Accounting Statements within the Annual Performance Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulatory Accounting Statements within the Annual Performance Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Regulatory Accounting Statements within the Annual Performance Report or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the Annual Performance Report and the audit

Responsibilities of the Directors for the Annual Performance Report
As explained more fully in the Statement of Directors' Responsibilities set out on page 191, the Directors are responsible for the preparation of the Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the Company's accounting policies (including the company's published accounting methodology statement(s), as defined in RAG 3.11, appendix 2).

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of the Annual Performance Report that is free from material misstatement, whether due to fraud or error.

In preparing the Annual Performance Report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the regulatory accounting statements within the Annual Performance Report
Our objectives are to obtain reasonable assurance about whether the Annual Performance Report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Annual Performance Report.

A further description of our responsibilities for the audit of the Regulatory Accounting Statements within the Annual Performance Report is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

We have not assessed whether the accounting policies are appropriate to the circumstances of the Company where these are laid down by Condition F. Where Condition F does not give specific guidance on the accounting policies to be followed, our audit includes an assessment of whether the accounting policies adopted in respect of the transactions and balances required to be included in the Annual Performance Report are consistent with those used in the preparation of the statutory financial statements of the company.

The Company has presented the allocation of operating costs and assets in accordance with the accounting separation policy set out in note 4Di and its accounting methodology statement(s) published on the Company's website on 12 July 2019. We are not required to assess whether the methods of cost allocation set out in the Methodology Statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA, which would have been required if we were to express an audit opinion under International Standards on Auditing (UK).

Use of this report
This report is made, on terms that have been agreed, solely to the Company and the WSRA in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water undertaker under the Water Industry Act 1991 ("Condition F"). Our audit work has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under Condition F to procure such a report and (b) to facilitate the carrying out by the WSRA of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the WRSA, for our audit work, for this report or for the opinions we have formed.

Independent Auditors' report

Our opinion on the Regulatory Accounting Statements within the Annual Performance Report is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2019 on which we reported on 5 July 2019, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Opinion on other matters prescribed by Condition F

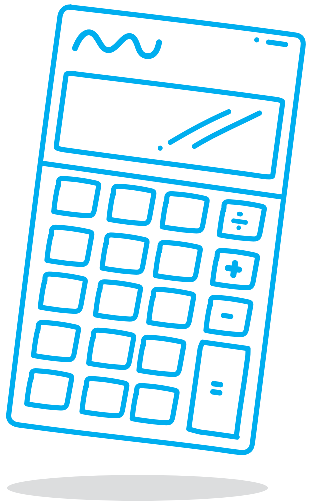
Under the terms of our contract we have assumed responsibility to provide those additional opinions required by Condition F in relation to the accounting records. In our opinion:

- proper accounting records have been kept by the appointee as required by paragraph 2 of Condition F; and
- the Regulatory Accounting Statements are in agreement with the accounting records and returns retained for the purpose of preparing the Annual Performance Report.

PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
Bristol
5 July 2019

Appendix 1 Directors' remuneration report

Annual Statement by Jim McAuliffe, Chair of the Remuneration Committee



Introduction

I am pleased to present, on behalf of the Board, our Directors' Remuneration report in respect of the year ended 31 March 2019 together with our approach to remuneration for Executive Directors for 2019/20. During the year there have been a number of changes within the structure of the Committee culminating in my appointment as Chair of the Committee on 24 December 2018, replacing Tim Tutton who stepped down from the role having taken over from Tracey Wood who resigned from the Board on 19 June 2018.

This report has been prepared under the principles of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 governing the content of remuneration reports and the provision of the Companies Act 2006.

The Board has reviewed the Company's compliance with its policy on remuneration-related matters. It is the opinion of the Board that the Company complied with all remuneration-related aspects of this policy during the year as detailed in the table overleaf.

Key matters

In the year under review the Company has met its many challenges, delivering on the AMP6 programme for our customers whilst continuing to implement a new operating model and embedding subsequent ways of working.

The Committee continues to ensure our remuneration framework supports the strategic direction of the Company. This section summarises the key matters considered by the Committee and decisions made during the year.

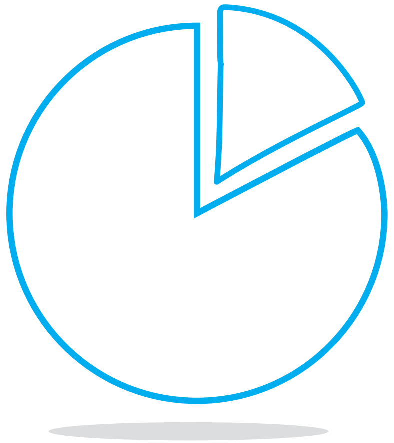
- **Salary** – A review of salaries, as well as affordability, was conducted in 2018/19 resulting in a 1.5% increase in base salary as of 1 April 2019 (3% in 2017/18) for employees with a base salary over £40,000, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"). The Company in consultation with representatives of the recognised trade union GMB agreed an increase of 2.2% for employees with a base salary below £40,000. This salary increase is lower than the 3.0% awarded in 1 April 2018 and is reflective of our business plan efficiency assumption and the cost challenge within the PR19 Price Review process.
- **Annual bonus** – The Committee gave consideration to the objectives and targets of the Company's annual bonus scheme for 2018/19, in which employees participated during the year.

The following sets out the annual bonus payments for Executive Directors awarded in respect of 2018/19. A summary of the annual bonus performance measures and the extent to which performance was achieved is set out on pages 318 to 321.

Directors' remuneration report

- **Pension** - The Company continues to operate a company stakeholder (defined contribution) scheme. All employees are now enrolled in this scheme with matching employer contributions (to a maximum employer contribution of 6%), unless they have "opted out".
- **Long Term Incentive Plan ("LTIP")** - The Company operates an LTIP for the CEO and CFO only. This LTIP is based on performance delivered over the AMP6 period from 1 April 2015 to 31 March 2020 and was granted on 15 May 2017. Participants can earn up to 34.2% of salary for each year of the plan based on the Company's performance against long-term strategic goals of the Company, including customer outcomes. There was no payment made in respect of the LTIP during the year as there was no payment due. Further details are provided on pages 327 and 328.
- **Departing directors** - Mick Axtell, CFO, resigned on 6 October 2017 and left the Company on 13 July 2018. Due to his resignation Mr Axtell was not eligible to receive a bonus in respect of 2017/18 or for the portion of the 2018/19 financial year during which he was in employment.
- **New appointment** - Laura Flowerdew was appointed as CFO on 1 October 2018 and was eligible to participate in the Annual Cash Incentive Plan ("ACIP") bonus scheme and LTIP from this date.
- **Implementation of remuneration policy in respect of 2019/20** – There are no proposed changes to the remuneration policy for 2019/20.
- **Remuneration and Standards of Performance** – Non-Executives Directors' basic salary is not linked to performance targets. However bonuses paid by the Company to staff (including Executive Directors) are based on performance against certain targets linked to the standards of performance of the Company

Jim McAuliffe
Remuneration Committee Chairman
5 July 2019



Directors	Proportion of maximum bonus achieved	Bonus Payment
Mel Karam - CEO	45.81%	£65,114
Laura Flowerdew - CFO	45.81%	£10,307*

*pro-rated amount based on start date of 1 October 2018

Role and composition of the Remuneration Committee

The Committee makes recommendations to the Board on the overall remuneration strategy, and on the remuneration of the Executive Directors and senior executives of the Company, in consultation with the Chairman and/or CEO as appropriate.

The membership of the Committee during the year comprised of Tracey Wood (resigned 19 June 2018), Chair, Tim Tutton (Chair from 22 June 2018 until 23 December 2018), Tony Hemus (resigned 19 June 2018), Paul Malan and Hajime Ichishi. Paul Francis was appointed to the Committee on 25 June 2018, Jeremy Bending was appointed to the Committee on 25 October 2018 and Jim McAuliffe was appointed to the committee on 29 November 2018 and Chair from 24 December 2018.

Member's biographies are given on pages 60 and 61 of the Company's Annual Report and Financial Statements (www.bristolwater.co.uk/about-us/our-performance/#financial). The Committee was chaired by Tracey Wood until her resignation on 19 June 2018. Tim Tutton became Chair on 22 June 2018 and resigned as Chair on 23 December 2018 following the appointment of Jim McAuliffe as Chair with effect from 24 December 2018. The Company Secretary is secretary to the Committee.

The Committee is formally constituted with written terms of reference. A copy of the terms of reference is available on the Company's website.

During the year the CEO, HR Director and Company Secretary provided advice and services to the Committee. Guidance was also obtained from Willis Towers Watson to support decisions on the Company's grading structure and remuneration strategy and Pinsent Mason who conducted an Equal Pay review. The total fees paid to Willis Towers Watson in the year for services to the Committee were £2,368 (2018 - £5,039). The total fees paid to Pinsent Mason in the year for services to the Committee were £21,250 (2018 - £nil). Fees charged by Willis Towers Watson and Pinsent Mason are on a time and material basis. Our Directors' Remuneration Report advisors for year 2017/18 were Deloitte to whom we paid £2,000.

Willis Towers Watson is a founding member of the Remuneration Consultants Group and adhere to its Code in relation to executive remuneration consulting in the UK. The Committee is satisfied that the advice received from Willis Towers Watson, Pinsent Mason and Deloitte was independent. No Director played a part in any decisions about his or her own remuneration. No Committee member has any personal financial interest or conflict of interest arising from cross-directorships or from day-to-day involvement in running the business.

Executive Directors' remuneration policy

The key principle underpinning remuneration policy is to offer remuneration packages which are at an appropriate level to attract, motivate and retain Directors and senior managers of the calibre needed to execute the Company's business strategy, which is important for the delivery of a consistently high quality service to customers and a sound, sustainable financial performance.

The Committee's approach on incentives is for any annual bonus to be aligned to the Company's performance against its strategic and business objectives for the year, and for the performance targets of any LTIP scheme to be based on the longer term strategic and sustainable success of the business in the current regulatory environment.

Member of Committee	Meetings attended	Max possible
J McAuliffe, Chair (appointed 24 December 2018)	2	2
T Tutton, Non-Executive, Chair from 22 June 2018 to 23 December 2018	6	6
P Francis, Non-Executive (appointed 25 June 2018)	3	4
J Bending, Non-Executive (appointed 25 October 2018)	3	3
H Ichishi, Non-Executive	6	6
P Malan, Non-Executive	5	6
T Wood, Chairman (resigned 19 June 2018)	2	2
T Hemus, Non-Executive (resigned 19 June 2018)	2	2

Directors' remuneration report

Summary of Directors' remuneration policy

The main elements of the remuneration package for Executive Directors are:

Remuneration element	Purpose and link to strategy	Policy and approach	Maximum opportunity	Change in policy since 2018/19 and changes implemented for 2019/20.
Salary	To attract and retain high performing individuals reflecting market value of role and Director's skills, experience and performance.	Factors taken into account when determining basic annual salary levels are market data provided by a selected market leading provider, objective research, the individual Executive Director's performance during the year and pay and conditions throughout the Company. Salaries are reviewed at the discretion of the Committee.	Base salary increases are applied in line with the outcome of any Company wide annual pay award following a review conducted by the Committee in consultation with trade unions. Increases will normally be in-line with the increases awarded to the rest of the Company workforce.	The salaries for the CEO and CFO were increased by 1.5% with effect from 1 April 2019 in line with the Company wide annual pay award for salaries above £40,000. Salaries will next be reviewed with effect from 1 April 2020.
Annual bonus (Annual Cash Incentive Plan) ("ACIP")	To drive and reward performance against personal objectives and selected financial and operational KPIs which are linked directly with business strategy and customer outcomes Ofwat's measures of success.	2018/19 Annual bonus is based: • 80% on achieving certain business objectives; and • 20% on the achievement of role specific strategic objectives. Business objectives include customer service and operational targets set around measurable outcomes which the Company believes are important to customers such as water quality, leakage target compliance, minimising interruptions to supply and the Ofwat customer service measure, the SIM. Bonus scheme targets are set annually. Awards may be subject to malus and clawback provisions as described below.	Maximum of: • 60% of base salary for the CEO • 30% of base salary for the CFO save in exceptional circumstances.	No change for 2019/20.
LTIP	Incentivise long-term delivery of safe, excellent quality water, outstanding customer service and achievement of financial objectives. Align CEO and CFO long-term interests with those of customers, long-term shareholders and other stakeholders.	The LTIP is based on performance over the AMP6 period from 1 April 2015 to 31 March 2020. LTIP awards are based on the Company's performance against long term strategic goals of the Company including customer outcomes. 50% will be paid following the end of AMP6 with the remaining 50% paid one year later. Awards may be subject to malus and clawback as described below. There is no share option scheme in operation.	The maximum payment is 34.2% of salary for each year of the performance period the director is in employment with an expected minimum payment of £55,000p.a. for Mel Karam	The LTIP will continue to operate during 2019/20.
Pension	Attract and retain high performing individuals reflecting market value of role and Director's skills, experience and performance.	Pension contributions are made to the Company stakeholder schemes at a specified percentage of basic salary.	Maximum Employer contribution of 6% of base salary.	No change for 2019/20.
Benefits	Attract and retain high performing individuals reflecting market value of role and director's skills, experience and performance.	Reflecting market practice and comprising the provision of a company car and private medical insurance. CEO entitled to 1 year relocation expenses until 31 March 2018.	N/A	Relocation expenses for Mel Karam were extended to 17 June 2018.

Directors' remuneration report

Malus and clawback provisions

The Annual Bonus (in respect of 2018/19 and subsequent financial years) and LTIP are subject to 'malus' and 'clawback' provisions as set out below:

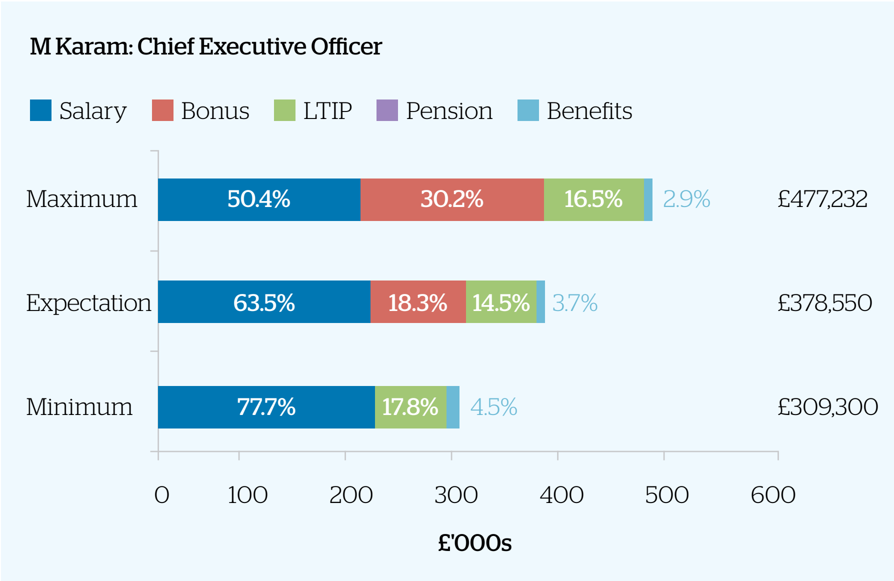
Annual Bonus (ACIP)	LTIP
A 'malus' and 'clawback' provision has been included in the rules for the Annual Bonus in respect of 2018/19 and subsequent financial years. Prior to the second anniversary of the payment date for the Annual Bonus the Committee may require repayment of all or part of the bonus in the event of: (i) a material misstatement or error in assessing performance measures which has led to an overpayment of the bonus; or (ii) in the event of dismissal due to gross misconduct in the bonus year or in the event of criminal behaviour.	Prior to the vesting of an LTIP award the Committee may determine that the award is reduced (including to zero), or the basis is amended, or that additional conditions are placed on an award in the event of: (i) a material misstatement in financial results; (ii) error in assessing performance measures; (iii) the information on which the award was made; (iv) a material failure of risk management; (v) serious misconduct; (vi) a significant failure in operations or risk management which come to the attention of Ofwat; (vii) serious reputational damage to the corporate Group; or (viii) any other circumstance which the Committee considers to be similar in their material nature or effect as those instances above. Prior to the second anniversary of the end of the LTIP performance period the Committee may require repayment of all or part of the award payment in the event of (i) to (viii) above occurring. The malus and clawback rules do not apply to the CEO's guaranteed payment.

Remuneration in different performance scenarios

In line with the Remuneration Reporting Regulations requirements, the chart below illustrates the CEO's remuneration package under three different performance scenarios: Minimum, performance in-line with expectations and maximum.

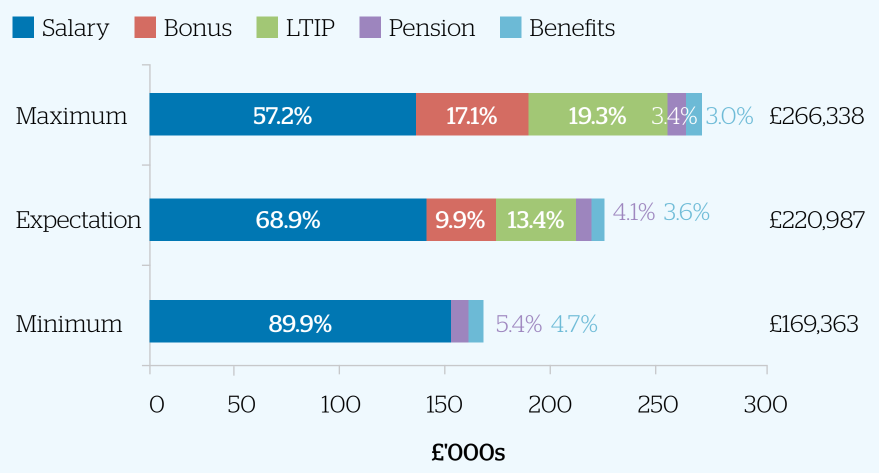
The chart has been based on the following assumptions:

- Minimum = fixed pay (base salary, benefits and pension).
- In-line with expectations = fixed pay plus 50% of maximum bonus pay-out and 50% pay-out under the LTIP which has accrued in the year.
- Maximum = fixed pay plus 100% of bonus pay-out and 100% LTIP pay-out. It is the opinion of the Committee that the maximum level is highly unlikely to be reached given the stretching nature of the targets set.
- Salary levels (on which other elements of the package are calculated) are based on those applying on 1 April 2019. The value of taxable benefits as disclosed in the single figure for the year ending 31 March 2019. Pension is based on a fixed percentage of base salary linked to employee contribution up to a maximum employer contribution of 6%.



Directors' remuneration report

L Flowerdew: Chief Financial Officer



Remuneration policy for the appointment of new Executive Directors
When recruiting an Executive Director, the Committee aims to offer a package in line with the policy outlined above. However, the Committee retains discretion to make a proposal which is outside the standard terms in order to secure the appointment of the right calibre of individual. In determining the appropriate arrangements, the Committee retains the right to benchmark the role against other similar positions in the wider market and may take into account any other relevant factors.

The Committee may also make arrangements to compensate the new Executive Director for "loss" of existing remuneration benefits when leaving a previous employer. In doing so, the Committee may take account of the form in which the previous remuneration was granted, the relevant performance conditions and the length of the time which the performance periods have remaining.
.

Directors' appointments
The dates of each of the Director's original appointment and expiry of current term are as follows:

Directors	Employment contract date	Expiry of current term	Next AGM at which the Director will stand for re-election	Notice period
Executive Directors				
M Karam	15 May 2017	12 September 2019	2019	Rolling 6 months
L Flowerdew	1 October 2018	12 September 2019	2019	Rolling 6 months
M Axtell	11 November 2015	Resigned July 2018	Not applicable	1 year
Non-Executive Directors	**Date appointed to the Board**			
K Ludeman	26 July 2012	12 September 2019	2019	1 month
T Tutton	1 January 2015	12 September 2019	2019	1 month
H Ichishi	10 May 2012	12 September 2019	2019	1 month
P Malan	7 July 2016	12 September 2019	2019	1 month
I Dhar	8 May 2018	12 September 2019	2019	1 month
P Francis	25 June 2018	12 September 2019	2019	1 month
J Bending	25 October 2018	12 September 2019	2019	1 month
J McAuliffe	29 November 2018	12 September 2019	2019	1 month
T Hemus	1 April 2016	Resigned 19 June 2018	Not applicable	1 month
T Wood	1 January 2017	Resigned 19 June 2018	Not applicable	1 month

Directors' remuneration report

In accordance with the new UK Corporate Governance Code published July 2018, Directors will stand for re-election annually.

The notice periods disclosed above are considered by the Committee to be suitable given the nature of each role and each Director's function within the business.

Upon loss of office, a Director will normally be entitled to salary and benefits during their notice period subject, however, to the Company's right to exercise discretion having regard to the individual's performance during the period of qualifying service and the circumstances contributing to the loss of office.

Where an executive leaves they would normally forfeit entitlement to any future bonus payment. In certain circumstances, however, the Committee may determine that it is appropriate for an Executive Director to continue to receive an annual bonus for the year of departure. Such payment would normally be pro-rated to reflect the period in employment, based on the extent to which performance against objectives is achieved and paid at the usual time. The Committee may determine that an alternative treatment should apply.

Under the LTIP, executives would normally forfeit entitlement to payments under the LTIP unless they left in a "Good Leaver" special circumstance. "Good Leaver" includes: injury, disability, ill-health, or death; redundancy (within the meaning of the Employment Rights Act 1996); retirement as determined by the relevant group company; or any other reason the Committee determines in its absolute discretion. If the executive is a Good Leaver then they would normally continue to be entitled to a payment under the plan based on the length of time they have participated in the plan and the extent to which the performance conditions have been met.

Payments would be made at the normal time. The Committee retains discretion that an alternative treatment should apply in accordance with the plan rules.

Mick Axtell resigned as CFO which was effective from 13 July 2018. He received base salary, benefits and pension up to this date but was not eligible to receive a bonus or payment under the LTIP.

Directors' contracts do not provide for other compensation payable on early termination.

Remuneration policy for non-executive directors ("NEDs")

The remuneration of the independent Non-executive directors ("INEDs"), other than the Chairman, is determined by the Board following consultation between the Chairman and the CEO. It is based on market evidence of fees paid to NEDs in companies of comparable size and on the time required for the proper performance of the role. Additional responsibilities are also taken into account. No Director votes in respect of his own remuneration. The Chairman's fee is determined by the Board, following consultation between the Committee and the CEO.

NEDs do not have contracts of employment, do not participate in the Company designated pension schemes or incentive schemes and do not receive any benefits. Non executives are paid reasonable expenses and the Company may settle any tax arising in relation to such expenses. The terms of appointment do not entitle NEDs to receive compensation in the event of early termination of their appointment.

Fees for any newly appointed NED would be in-line with the above policy. The table overleaf sets out our current policy in relation to fees paid to NEDs.

Position held by NED	Fee
Chairman of the Board	£101,500*
Chair of ARAC	£44,540
Chair of Remuneration Committee	£41,540
Chair of PR 19 Sub Committee	£41,540
Chair of Safety Committee	£41,540
Additional fee for role of Senior Independent Director	£2,000
NED	£36,540*

*the base fee for NED and Chairman increased by 1.5% on 1 April 2019

Shareholder and employee input in setting remuneration policy

The Committee is aware of the need to set performance targets which align the interests of the executive team with those of the Company's shareholders. The Committee has assistance in setting this vital alignment as certain Committee members represent the Company's shareholders. As the shareholders are represented on the Committee, and therefore their views are taken into account in the Committee meetings, the AGM does not review the details of remuneration policy separately.

The Committee does not consider it appropriate to consult with the general workforce on matters of executive remuneration, but it has regard to the levels of remuneration throughout the workforce when considering pay for Executive Directors to achieve an appropriate balance.

Application of remuneration policy in 2018/19

This section has been prepared under the principles of Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The information has been audited as indicated.

Directors' remuneration report

Single total figure for remuneration of Executive Directors for 2018/19 (audited)

	M Karam		L Flowerdew [29]		M Axtell	
	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000	2018/19 £'000	2017/18 £'000
Salary/fees	237	230	78	-	44	147
Annual Bonus	65	83	10	-	-	- [30]
Benefits	14	36	4	-	2	5
Pension	-	10	5	-	2	9
Single Figure pre-LTIP	**316**	**359**	**97**	-	**48**	**161**
Change since prior year	(-12.0%)	-	-	-	(70.2%)	(13.9%)
LTIP [31]	-	-	-	-	-	-
Single Figure	**316**	**359**	**97**	**-**	**48**	**161**

[29] Ms Flowerdew was appointed on 1 October 2018

[30] Mr Axtell resigned on 6 October 2017 and left on 13 July 2018 and was not eligible to receive a bonus for 2017/18.

[31] Included within the Financial Statements is an accrual for the AMP6 LTIP; however this is not shown above as the LTIP has not vested in the period and the components of the LTIP are dependent on the performance in future years

Bonus includes amounts earned based on performance during 2018/19, which have been accrued and approved, but not paid as at 31 March 2019 and relates to the period served as a director.

Salary (audited)

A salary review conducted by the Committee during 2017/18 resulted in a 3% increase in base salary effective from April 2018 for all employees, including the CEO but not the previous CFO as he had resigned on 6 October 2017 and left on 13 July 2018.

Annual bonus for 2018/19 (audited)

The maximum opportunity for the CEO for the year ended 31 March 2019 is 60% of base salary and 30% of base salary for the CFO. Laura Flowerdew was appointed as CFO on 1 October 2018 and her bonus entitlement will be pro-rated for the year.

Mick Axtell left his role as CFO on 13 July 2018 and, pursuant to the rules of the scheme, he was not paid a bonus.

The table overleaf represents the business performance measures which form 80% of the basis of the bonus. In addition to these performance measures, the remaining 20% of each Executive Directors' bonus is based on a role-specific measure which is determined by the Remuneration Committee.

The achievement of the performance measures has been reviewed, with appropriate input from the ARAC, following the end of the 2018/19 financial year. The maximum 2018/19 bonus opportunity against each of the main performance measures is shown overleaf together with the award actually received. During the year under review, role-specific objectives were set for each executive director, as per the table overleaf.

Mel Karam	Laura Flowerdew
Personal factor score 8 out of 10 determined by the Board, having regard to the recommendation of the Committee, including performance on the following key criteria: • competently and successfully lead the Company's responses to dealing with material issues and events that emerge in the Company over 2018/19; • lead development of sound strategy and deliverable implementation plans for restructuring of outsourcing arrangements of the Company; • develop deliverable transformation plans for the Company to meet commitments contained in PR19 Business Plan for AMP6; • recruit, develop, change and retain (as appropriate) members of the Company's management team to build a sustainable and effective team with the right skills for the future of the Company, including succession planning process for key roles; and • driving improvements to processes and effectiveness of the Board and its subcommittees over 2018/19.	Personal factor score 8 out of 10 determined by the Board, having regard to the recommendation of the Committee, including performance on the following key criteria: • undertake a review of the competencies and capabilities of the finance team, and develop a plan for strengthening and improving performance, in particular commercial finance, financial planning and regulatory implications of financial outcomes; • undertake a review of the risk management framework and set out proposals for updating and strengthening the Company's approach; • review the internal audit activities, and make recommendations with regard to improving the Company's assurance approach; • review the company wide governance and financial control processes, and identify key areas for improvement and change in particular the forecasting and budgeting at totex level; and • develop industry knowledge and profile in order to establish a network in the sector.

Throughout the year Mel Karam has continued to enhance the management team strength and improved succession planning by filling key strategic openings and providing development opportunities. A new strategy is in place for the development of high potential employees.

Performance against these objectives, together with business performance and bonus scheme entitlement, dictates the amount of bonus awarded. Key performance highlights include:

- Step change in volume of operational activities delivered within the year.
- Creation of a new Asset Management capability.
- A new Health & Safety team focusing on improving performance as well as practices.
- Our long-term strategy, 'Bristol Water.... Clearly', has been developed and published.
- Strong market performance in the second year of Business Retail Market.

Since joining the Company as the CFO on 1 October 2018, Laura Flowerdew has restructured the Finance organisation in Bristol Water in order to improve operational and commercial focus and improved support to the operational functions. Under her leadership the finance organisation have been instrumental in the Price Review process. Laura has worked closely with the Chair of the ARAC on improvement of governance, financial control and assurance activities.

Directors' remuneration report

Mel Karam was assessed as achieving 8 out of 10.

Mel Karam Scorecard

Category	Category Weighting	Sub category	% of Total	Measure	Performance	Score	Weighted score
Health & Safety	20.0%	1.1 AFR - employees	15%	AFR = (No. of accidents x 100,000) / (No. of hours worked) [employees]. Based on a 12 month rolling period.	5	0%	0%
		1.2 LTIFR - contractor rates	5%	LTIFR=(No of Lost Time Injuries x 100,000) / (No hours worked) [Contractors]. Based on a 12 month rolling period.	4	0%	0%
Financial	10.0%	2.1 Budgeted Opex	10%	Budgeted Opex of £65.3m subject to approval at Board. Judgement to be taken by the Committee on any major variations – either overspend or underspend including where there is a decision to invest further than budget envisaged.	68.2m*	27%	1.64%
ODIs	15.0%	3.1 Domestic Meter Penetration	5%	Percentage of all properties metered, measured against internal target for 2018/19, which is lower than the Regulatory profile for the year to reflect planned catch up profile.	56%	41%	1.25%
		3.2 Unplanned Customer Minutes Lost	5%	As per the modified ODIs from the CMA.	14.67	0%	0%
		3.3 Leakage	5%	Actual reported Leakage figure using the updated actual NHHNU.	41.73	100%	3%
Customer Service	15.0%	SIM Ranking	15%	Service Incentive Mechanism ("SIM") position. NB: Uses full year qualitative data and 17/18 quantitative results for other companies to measure against league table position.	10	0%	0%
PR19	20.0%	5.1 PR19 Business Plan publication	10%	Delivering all submissions and regulatory responses in time and to high quality as outlined in PR19 Programme timetable, with a score out of 10 determined by the Board, having regard to views expressed by the PR19 Sub-committee.	10	100%	6%
		5.2 Ofwat IAP position	10%	Outcome of Ofwat's initial assessment of the Business Plan ("IAP")	Slow track	100%	6%
Role Specific	20.0%		20%	Personal factor score out of 10 determined by the Board, having regard to the recommendation of the Committee, including performance on the following key criteria: • competently and successfully lead the Company's responses to dealing with material issues and events that emerge in the Company over 18/19; • lead development of sound strategy and deliverable implementation plans for restructuring of outsourcing arrangements of the Company; • develop deliverable transformation plans for the Company to meet commitments contained in PR19 Business Plan for AMP6; • recruit, develop, change and retain (as appropriate) members of the Company's management team to build a sustainable and effective team with the right skills for the future of the Company, including succession planning process for key roles; and • driving improvements to processes and effectiveness of the Board and its subcommittee over 2018/19.	8	80%	9.6%
	100.0%						27.49%

*included in the £68.2m is an adjustment to the leakage costs; costs were significantly higher than budget in order to achieve the leakage performance as detailed in the Strategic Report.

Directors' remuneration report

Laura Flowerdew was assessed as achieving 8 out of 10.

Laura Flowerdew Scorecard

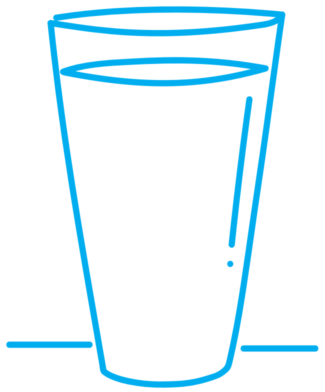
Category	Category Weighting	Sub category	% of Total	Measure	Performance	Score	Weighted score
Health & Safety	20.0%	1.1 AFR - employees	15%	AFR = (No. of accidents x 100,000) / (No. of hours worked) [employees]. Based on a 12 month rolling period.	5	0%	0%
		1.2 LTIFR - contractor rates	5%	LTIFR=(No of Lost Time Injuries x 100,000) / (No hours worked) [Contractors]. Based on a 12 month rolling period.	4	0%	0%
Financial	10.0%	2.1 Budgeted Opex	10%	Budgeted Opex of £65.3m subject to approval at Board. Judgement to be taken by the Committee on any major variations – either overspend or underspend including where there is a decision to invest further than budget envisaged.	68.2m*	27%	0.82%
ODIs	15.0%	3.1 Domestic Meter Penetration	5%	Percentage of all properties metered, measured against internal target for 2018/19, which is lower than the Regulatory profile for the year to reflect planned catch up profile.	56%	41%	0.62%
		3.2 Unplanned Customer Minutes Lost	5%	As per the modified ODIs from the CMA.	14.67	0%	0%
		3.3 Leakage	5%	Actual reported Leakage figure using the updated actual NHHNU.	41.73	100%	1.5%
Customer Service	15.0%	SIM Ranking	15%	Service Incentive Mechanism ("SIM") position. NB: Uses full year qualitative data and 2017/18 quantitative results for other companies to measure against league table position	10	0%	0%
PR19	20.0%	5.1 PR19 Business Plan publication	10%	Delivering all submissions and regulatory responses in time and to high quality as outlined in PR19 Programme timetable, with a score out of 10 determined by the Board, having regard to views expressed by the PR19 Sub-committee.	10	100%	3%
		5.2 Ofwat IAP position	10%	Outcome of Ofwat's initial assessment of the business plan ("IAP")	Slow track	100%	3%
Role Specific	20.0%		20%	1. Undertake a review of the competencies and capabilities of the finance team, and develop a plan for strengthening and improving performance, in particular commercial finance, financial planning and regulatory implications of financial outcomes. 2. Undertake a review of the risk management framework and set out proposals for updating and strengthening the Company's approach. 3. Review the internal audit activities, and make recommendations with regard to improving the Company's assurance approach. 4. Review the company wide governance and financial control processes, and identify key areas for improvement and change in particular the forecasting and budgeting at totex level. 5. Develop industry knowledge and profile in order to establish a network in the sector.	8	80%	4.8%
	100.0%						13.74%

*included in the £68.2m is an adjustment to the leakage costs; costs were significantly higher than budget in order to achieve the leakage performance as detailed in the Strategic Report.

Directors' remuneration report

The resulting bonus awards, after assessment of personal and business performance elements, for the full year were:

M Karam	45.81% of maximum bonus entitlement, which is 27.49% of year end base salary
L Flowerdew	45.81% of maximum bonus entitlement, which is 6.87% of year end base salary
M Axtell	Not eligible for a bonus due to resignation



Mel Karam's and Laura Flowerdew's bonus was based on their salary at the end of the year and was pro-rated for Laura Flowerdew based on her start date of 1 October 2018.

The Committee determined that the level of bonus awards above were appropriate, reflecting the levels of performance achieved against the strategic objectives during the year.

Benefits (audited)

For Executive Directors benefits include the provision of a company car or equivalent cash allowance, and private medical insurance. Depending on the individual employee role, the benefits may include provision of company car and fuel, car and fuel allowances, health care or child care vouchers.

Pension arrangements (audited)

At 31 March 2019, no Director was accruing benefits under the Company's defined benefit pension scheme.

Mr Karam became a member of the Company designated stakeholder pension scheme in April 2017 until his decision to leave this scheme in January 2018, the Company made contributions equivalent to 6% of annual base salary to the scheme on Mr Karam's behalf. Contributions paid to the scheme for the financial year totalled £nil (2017/18: £10,350).

Ms Flowerdew became a member of the Company designated stakeholder pension scheme on 1 October 2018 and contribution paid to the scheme for the financial year was £4,696, an amount equivalent to 6% of annual base salary.

Mr Axtell was a member of the Company designated stakeholder pension scheme up to 15 July 2018 and the contribution paid to the scheme was £2,542, an amount equivalent to 6% of annual base salary (2017/18: £8,831).

Any newly-appointed Executive Directors recruited externally will be offered membership of a Company designated stakeholder pension scheme or the option of a contribution by the Company to a personal pension plan.

Interests in shares (audited)

During the year ended 31 March 2019 none of the Directors had any interest in the ordinary or preference shares of the Company.

Single total figure for remuneration of NEDs for 2018/19 (audited)

	Salary/fees £'000s	
	2018/19	2017/18
K Ludeman (Chairman)	100	100
R Davis	-	23
T Tutton	53	38
T Hemus (resigned 16 June 2018)	9	44
T Wood (resigned 16 June 2018)	6	41
P Francis (appointed 25 June 2018)	33	-
J Bending (appointed 25 October 2018)	18	-
J McAuliffe (appointed 29 November 2018)	14	-
H Ichishi [32]	-	-
P Malan [32]	-	-
I Dhar [32] (appointed 8 May 2018)	-	-
Single Figure	**233**	**246**

[32] No remuneration has been paid by the Company.

The NEDs do not receive a bonus or any other benefits.

Directors' remuneration report

Change in CEO's Remuneration

The following table shows the total remuneration payable by the Company to the appointed CEO. In line with the Large and Medium-sized Companies Regulations 2008 ,this table shows 8 of the required 10 years of information, with the base year being 2012.

	Luis Garcia						Mick Axtell	Total	Mel Karam	
	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017[33] £'000	2017[34] £'000	2017 £'000	2018 £'000	2019 £'000
Base salary	156	185	189	194	194	173	42	215	230	237
Annual bonus										
Annual bonus	33	58	54	51	40	35	11	46	83	65
Annual bonus as proportion of salary	21%	31%	29%	26%	21%	24%	26%	21%	36%	28%
Maximum bonus achievable (of base salary)	36%	36%	36%	36%	30%	30%	30%	30%	60%	60%
Proportion of maximum bonus achieved	59%	87%	79%	73%	68%	81%	84%	87%	60%	60%
LTIP earned	-	-	48	187	-	-	-	-	-	-
LTIP as proportion of salary	0%	0%	25%	96%	0%	0%	0%	0%	0%	0%
Benefits	8	9	9	10	11	8	1	9	36	14
Pension	-	-	6	12	12	10	2	12	10	-
Total remuneration	**197**	**252**	**306**	**454**	**257**	**226**	**56**	**282**	**359**	**316**

[33] The remuneration for 2016/17 reflects the fact that Mr Garcia resigned as CEO on 15 December 2016. It includes £27k for payments he was entitled to on leaving under his contract. His bonus was based on the salary excluding these amounts i.e. his salary pro-rated to the proportion of the year that he was in post (£145k).

[34] The above table apportions Mick Axtell's remuneration to reflect the period that he was interim CEO from 16 December 2016 to 31 March 2017.

Payments under the previous LTIP were made in two equal instalments; the first instalment was paid on 31 December 2015 and the second instalment was paid on 25 November 2016.

Percentage Change in Remuneration for the CEO Compared to all Employees

- **Salary** – The salary paid to the individual undertaking the role of CEO for 2018/19 increased by 3.0% compared to 2017/18. The average salary for other employees for 2018/19 increased by 2.8% compared to 2017/18.
- **Annual bonus** – The bonus awarded to the CEO for 2018/19 decreased by 21.2% compared with the prior year (2017/18: increase of 79.7%). The total bonus paid to employees, excluding the CEO, for the period is £1.2m compared with £1.2m in 2017/18. The average bonus payment per employee for those in the lowest grade group for 2018/19 was £708 (2017/18: £747).
- **Benefits** – Benefits, including benefits in kind, payable to the CEO decreased by 61.4% for 2018/19 compared with the prior year (2017/18: increase 358.0%). Benefits have decreased this year as relocation and subsistence costs were paid by Bristol Water on behalf of the CEO. Benefits payable to all other eligible staff have remained constant compared with the prior year (2017/18: constant).

Relative importance of spend on pay

The Committee is aware of the importance of pay across the Company in delivering the Company's strategy and of the level of executive remuneration in relation to other cash disbursements. The table below shows the relationship between the Company's financial performance, payments made to shareholders and expenditure on payroll.

	Year ended 31 March 2019		Year ended 31 March 2018
	£m	Change compared to prior year %	£m
EBITDA	50.0	-5.7%	53.0
PBT	16.4	7.2%	15.3
Payments to shareholders:			
Base level dividends	3.0	-25.0%	4.0
Inter-company loan interest related dividends	3.3	0%	3.3
Payments to employees:			
Wages and salaries excluding Directors	19.6	10.7%	17.7
Wages and salaries including Directors	20.3	9.7%	18.5

The base level dividend was paid to Bristol Water Core Holdings Limited.

Directors' remuneration report

How the remuneration policy will be applied in 2019/20
The same remuneration policy as outlined above will be applied during 2019/20.

Salary
As outlined above, a review of the impact of inflation on salaries was conducted in 2018/19 resulting in a 2.2% increase in base salary for employees with a base salary under £40,000 as of April 2019 and a 1.5% increase for employees with a base salary over £40,000 as of April 2019, including the CEO and CFO. The salaries for 2019/20 for Executive Directors are therefore as follows:

Executive Director	Salary 2019/20
CEO Mel Karam	£240,454
CFO Laura Flowerdew	£152,250

Annual bonus
The annual bonus scheme will continue to operate for all employees. The CEO and CFO will continue to operate under the separate ACIP scheme.

The maximum bonus for 2019/20 for the CEO is 60% reflecting the leadership required and criticality of the role. The maximum bonus opportunity for 2019/20 for the CFO is 30%.

The performance weightings have been agreed as follows:

Measures	Weighting
Financial	10%
Outcome Delivery Incentive ("ODI")	15%
Customer Service	15%
Price Review 2019 ("PR19")	20%
Health and Safety	20%
Role-specific	20%
Total	**100%**

Their achievement will be reviewed, with appropriate input from the ARAC at the end of the year.

2019 LTIP Grant (audited)
As set out previously a new LTIP was approved by the Board in March 2017 and grant was made to the two Executives on 15 May 2017. The performance period is 1 April 2015 to 31 March 2020. The period which the AMP6 LTIP relates to spans 1 April 2017 until 31 March 2020 for Mel Karam and 1 October 2018 to 31 March 2020 for Laura Flowerdew. Due to the resignation of Mick Axtell he is no longer eligible to benefit from this LTIP scheme. An estimate of the cost accrued to the end of March has been included in the 2018/19 accounts. The LTIP is based on achievement against the following performance conditions:

Performance Measure	Weighting
Totex Performance Measure	20%
Dividend Performance Measure	10%
Outcome Delivery Incentive ("ODI") Performance Measure	10%
Service Incentive Mechanism ("SIM") Performance Measure	10%
Company Monitoring Framework Performance Measure	10%
PR19 Final Determination / Delivery Plan Performance Measure	15%
Asset Management Capability Assessment Performance Measure	25%

The maximum payment is 34.2% of salary for each year of the performance period the Director is in employment subject to the achievement of the performance with an expected minimum payment of £55,000pa in respect of Mel Karam.

As soon as practical following the end of the Performance Period, the Committee shall determine the extent to which the Performance Condition has been achieved, and shall determine the Award Payment (if any).

50% of the Award Payment shall be paid as soon as practical after the Award Payment Determination Date and the remaining 50% shall be paid as soon as practical after the first anniversary of the Award Payment Determination Date.

Directors' remuneration report

Illustration of the timeline for the LTIP payment to CEO and CFO is shown below.