



Bristol Water


A guide to our plan

Revised April 2019

BRISTOL
WATER

Structure of our Business Plan Submission

Appointee plan

<p>A1 Bristol Water For All</p> 	<p>A2 Customer summary</p> 
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Wholesale controls

Retail controls

<p>B1 Water resources</p> 	<p>B2 Water network plus</p> 	<p>B3 Residential retail</p> 
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Supporting evidence

<p>C1 Engage non- communication and research — Engagement Summary</p> <p>NEW EVIDENCE</p>	<p>C2 Addressing affordability and vulnerability</p>	<p>C3 Delivering outcomes for customers</p> <p>REVISED</p>	<p>C4 Bristol Water... Clearly Resilient</p> <p>REVISED</p>
<p>C5 Cost and efficiency — Investment cases</p> <p>REVISED</p>	<p>C6 Financeability, risk & return, and affordability</p> <p>REVISED</p>	<p>C7 Track record of delivery</p> <p>REVISED</p>	<p>C8 Securing Trust, Confidence and Assurance</p>
<p>REVISED Board Assurance Statement</p>			

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1. Introduction

In this document we provide a guide to our revised business plan for 2020-2025, including a full mapping between the IAP feedback and actions and the documents within our revised plan.

The document is in four parts:

- The structure of our revised submission;
- Test Question Assessment summary of response and mapping to plan;
- Action Tracker and mapping to our revised plan; and
- An appendix that summarises our technical and assurance reports.

2. The structure of our revised submission

Our revised plan is captured in a number of documents, including updates to sections of our original submission with supporting evidence. These documents do not seek to entirely replace our original submission, but provide a summary of changes to our plan and additional evidence in a way which we hope is helpful to Ofwat and other stakeholders. We have also updated the majority of our data tables to reflect our revised plan.

The documents which we have revised as part of our response to the IAP are shown on page 5 of this guide.

In addition, we have undertaken a number of additional customer engagement activities as part of our response to the IAP. These are listed in full in our revised C1 Appendix 1:

- A3e. Customer Forum February 2019
- B37. Final Acceptability Testing March 2019
- B38. ODI Focus Groups March 2019

Assurance	Board Assurance Statement supporting evidence REVISED
	BRL.AA01 ODI Assurance (ICS) REVISED
	BRL.AA02 PR19 Technical Assurance (Jacobs) REVISED
	BRL.AA03 Data Tables and Strategic Partner Assurance (PWC) REVISED
Main Plan	Section A1 - Bristol Water For All REVISED
	Board Assurance Statement REVISED
	Bristol Water - A Guide to Our Plan REVISED
	Bristol Water - Completed Ofwat Action Tracker NEW
Models and Data	Feeder Models folder – Totex, WRFIM, Residential Retail, Revenue Adjustments, RCV Adjustments
	Financial Models folder – Financial Models
	Main Plan folder – Waterfalls and other Excel files
Supporting Documents	Data Table Commentaries REVISED
	B1 Water Resources
	B2 Water Network Plus
	B3 Residential Retail
	C1 Engagement Communication and Research
	C1 Appendix REVISED
	C2 Addressing Affordability & Vulnerability
	C3 Delivering Outcomes for Customers REVISED
	C4 Bristol Water Clearly Resilient REVISED
	C5 Costs and Efficiency REVISED
	C6 Financing, Affordability and Risk and Return REVISED
	C7 Track Record of Delivery REVISED
C8 Securing Trust Confidence and Assurance	
Technical annex	C4 Folder
	BRL.C4. TA01. Resilience Maturity Assessment NEW
	C5 Folder
	BRL.C5C. TA01. Catchment Management NEW
	BRL.C5C. TA02. Resilience Enhancement Investment NEW
	BRL.C5C. TA03. West Country Water Resources Partnership NEW
	BRL.C5C. TA04. Raw Water Metaldehyde NEW
	BRL.C5C. TA05. CSA benefits spreadsheet NEW
BRL.C5C.TA06. SEMD Security Enhancement Investment NEW	
C7 Folder	
BRL.C7. Past Delivery and Transformation NEW	
Technical reports	BRL.TR02 Company-Specific Adjustment to the Allowed Cost of Capital (KPMG) NEW
	BRL.TR03 A Review of Ofwat’s PR19 Approach to Estimating Frontier Shift (First Economics) NEW
	BRL.TR04 Assessment of Bristol Water’s Approach to Triangulation (NERA) NEW
	BRL.TR05 Top-down vs Bottom-up Benchmarking (NERA) NEW
	BRL.TR06 Cost Driver Forecasts (NERA) NEW
	BRL.TR07 Frontier Shift, RPE and Output Growth at PR19 (NERA) NEW
	BRL.TR09 Retail Benchmarking (NERA) NEW

3. Test Question Assessment summary of response and mapping to our revised plan

This table is a summary of our response to Ofwat’s ‘Bristol Water – Test question assessment’.¹ Areas that were considered not to be ‘high quality’ in our September 2018 submission have been summarised in the table, alongside a brief nature of adjustment response and reference to where the full response can be found in our revised business plan.

Test area	Test question summary assessment	Summarised nature of adjustment	Revised business plan reference
Engaging customers (B)	Could have done more to demonstrate two way dialogue, for example with the use of social media as a feedback loop	In C1, our original submission, we outlined examples of how we have utilised social media. Additional information on using social media to report on our AMP7 performance has been added to our revised C7.	A1 – chapter 9.6 (example of Farncombe burst) C1 – 9.3 C7 - 12
	Appear to be limitations in the approach to triangulation with a lack of adoption of industry best practice (e.g. UKWIR guidance) Primary research with a diverse range of vulnerable customers	We asked NERA to review our approach, as we developed a specific approach to our original plan that was designed to address the limits of triangulation as a concept. NERA has (in technical report BRL.TR04) concluded that the approach was consistent with the principles of best practice set out in the CCWater report. In C3 we compare our approach to the CCWater/ICF guidance.	A1 – chapter 6.9 C3 – 1.1
	Relatively inefficient approach to providing overall affordability support to customers	We set out in our original C2 document some of the planned new and existing technologies which we will reduce our cost to serve, for example by improving the range of digitally available services - allowing more customers to “self-serve” and continuing to refine our processes to support reductions in “bad debt. As part of our affordability strategy we have also identified additional targeted support that we can offer to customers to help them to get back on track with their payments. This will be facilitated by our new billing system, which will help us to target our support and communications with customers.	A1 – chapter 7.6 C2 – 7.2

¹ <https://www.ofwat.gov.uk/wp-content/uploads/2019/01/Bristol-Water-Test-question-assessment.pdf>

	Insufficient evidence to demonstrate how the company will manage the bill impacts from outcome delivery incentive (ODI) outperformance payments.	We have maintained our plan proposal of a separate £2.5m annual bill impact cap to address short-term bill volatility risk. For consistency with the rest of the industry, we have adopted the outperformance sharing mechanism which Ofwat includes within the IAP - we will share with customers through bill reductions 50% of the incremental outperformance payments once the outperformance payments in any year reach 3% of RoRE for that year.	A1 – chapter 12.5 C3 - 1.1.8 C6 – 5.4
	Discontinued negative billing contacts PC without providing sufficient explanation	Our PR14 negative billing contacts PC has been discontinued as this was a sub-set of the discontinued SIM; C-MeX supersedes this PC. We have established a broad range of measures to monitor the experiences we provide to our customers, including our longstanding membership of the Institute to Customer Service (ICS), the creation of a modern billing platform and our commitment to continue to report against CCWater’s measure for the number of complaints resolved at the first stage.	A1 – chapter 10.3 C7 - 12
	Insufficient and unconvincing evidence of a high-quality approach to addressing affordability of bills beyond 2025	Although IAP test RR4 confirmed that the 2020-25 bill profile was supported by customers, we have tested this further. A number of bill profile options over 2020-2030 were considered. The customer research showed no strong customer opinion but the preference generally was for a smoothed bill profile over 10 years (because of the small numbers involved in particular). This was included in our revised acceptability testing.	A1 – chapter 12.3 C6 – 1.2
	Insufficient and unconvincing evidence of a high-quality approach to supporting customers in vulnerable circumstances, in particular low reach of PSR and PC for satisfaction of vulnerable customers not considered to be stretching	We are committed to the PSR target of 7% of household customers on the register by 2025. In addition we will check at least 90% of our priority service data every two years. We will base our satisfaction of vulnerable customers’ survey on a sample of 500 customers. From reviewing the vulnerability plans across the industry we agree that we need to be more ambitious with our future plans. We have recognised this within our response to the IAP actions and intend on updating our full Vulnerability and Affordability strategy. We will include an update as part of our “systems based thinking” action plan.	A1 – chapter 7.6 C3 – 7.4.1 – 7.4.4 C3 – 7.7.10 and Appendix 3 (9)
	Use of data overly focussed on financial vulnerability	We will consider this challenge further, and include an update as part of our “systems based thinking” action plan.	C4 - 7
Delivering outcomes for customers (C)	Raw water quality of sources PC is not transparent as it lacks clarity	Further evidence of our methodology, including the use of the Farmscoper model, has been included in our revised submission.	A1 – chapter 8.5 C3 - 9.5.12
	Frequent use of deadbands, caps and collars with plans falling significantly short of quality required to justify	C3 sets out our review of ODI caps and collars. We have adjusted caps and collars where appropriate and removed them where this is supported by the evidence, and retested the principles through further customer research.	A1 – chapter 6 and 7, 8 and 9 for individual PCs C3 – 1.1.3 – 1.1.4 C3 – 6, 7 and 8 for individual PCs

	<p>Insufficient evidence that customers support outperformance payments for some of the company's PCs (e.g. local community satisfaction)</p>	<p>Our ODIs provide strong incentives for delivery around our performance commitments. They reflect the right balance of financial under and outperformance incentives and reputational incentives. Customers support this balance, and this has been developed and tested repeatedly as our approach has been refined. There is particularly strong support for the local community satisfaction ODI, and we provide further evidence for the support for the incentive based approach, as well as the underlying initiatives (see customer forum January 2019 report, where customers created their own community initiatives and prioritised them).</p>	<p>A1 – chapter 4.4, 6 and 7, 8 and 9 for individual PCs</p> <p>C3 – 6, 7 and 8 for individual PCs</p>
	<p>Concerns with the company's approach to ODI rates</p> <p>Triangulation of WTP research e.g. use of supply interruptions WTP as a proxy for asset failure</p> <p>WTP value for unplanned maintenance ODI</p>	<p>The unplanned maintenance ODI rate has reduced following our review, to remove the impact of multipliers over the marginal costs. The costs are based on looking at asset health costs as a whole, and are based on cost allocation as set out in section C3. The use of supply interruptions as a proxy for asset failure was considered, but was generally rejected in preference for a cost based approach. We set out a range for WTP values considered, and in both these cases the concerns Ofwat raised were not reflected in the approach chosen (although they were recommended by the independent expert consultants, we did not consider the proxy to be close enough). This could have been stated more clearly in our original plan.</p>	<p>A1 – chapter 6 and 7, 8 and 9 for individual PCs</p> <p>C3 – 8.11.10 and 8.12.10</p>
	<p>ODI package does to appear to be appropriately balance, with one PC attracting disproportionately high ODIs</p>	<p>Our ODIs provide strong incentives for delivery around our performance commitments. They reflect the right balance of financial under and outperformance incentives and reputational incentives. Customers support our ODI balance, and this has been developed and tested repeatedly as our approach has been refined.</p> <p>The outperformance payment for Population at Risk from Asset Failure (reflecting the "PC attracting disproportionately high ODIs" comment) is justified by customer evidence, and reflects the value of reducing this risk through early delivery. The ODI rate is based on customer WTP, adjusted for data on the actual risk, as set out in section C3. However, we have responded to Ofwat's challenge and introduced an additional outperformance reward collar (accepting the risk that Ofwat may then challenge an increase in the number of collars), which reflected that we would not in practice deliver as early as the single PC implied. We have removed deadbands on some outperformance rewards which anticipated Ofwat's "upper quartile forecast" PR19 methodology being applied across a wider range of incentives than proved to be the case, which rebalances rewards a little but in practice has limited impact due to customer preferences represented in low WTP values due to high current satisfaction and preferences for the plan profile with reducing bills (see use of draft business plan bill options and acceptability research for our innovative approach to WTP triangulation).</p>	<p>A1 – chapter 6 and 7, 8 and 9 for individual PCs</p> <p>C3 – 1.1 and 8.12.10</p>

	Expectations for ODIs with asset health PCs not met	Our targets for asset health measures guided by our objective to develop a robust and resilient network for the long term. Overall on asset health and compliance metrics, our proposals continue to ensure we maintain a stable service as a minimum and where asset health metrics have a direct service impact (this applies to low pressure only) we have proposed an improving performance over AMP7.	A1 – chapter 6 and 9 for individual PCs C3 - 1.1.17 and 8.9.10 for "Properties at Risk of Low Pressure"
Securing long term resilience (C)	Insufficient evidence of Integrated and systems-based approach to resilience	We have provided further evidence to support our systems thinking approach which supports a systems-based approach to resilience, linking together elements of our original plan. We also commit to developing a systems-based approach action plan by 22 August 2019. We have updated our C4 Bristol Water Clearly Resilient document to provide this evidence.	A1 – chapter 10.4 C4
	Resilience maturity assessment is not sufficiently detailed and evidence that the mitigation options proposed are linked with resilience maturity assessment is unconvincing	Within our revised C4 document we provide the detail of our resilience maturity assessment which was summarised in our original plan, which includes a mapping from our outcomes through to our resilience maturity assessment. This is the same framework as for our original plan, updated to assist Ofwat to navigate our response on the “track record of performance” IAP challenges. We provide the detailed assessment in BRL.C4.TA01. Resilience Maturity Assessment.	A1 – chapter 10.4 C4 – 5.2 and 6 BRL.C4. TA01
	Insufficient evidence of company’s own internal risk assessment including evidence of assessment of risks in combination	We provide further information of our risk assessment process in our revised C4.	C4 5.1

	<p>Unconvincing evidence of use of environmental valuation techniques to ensure the objective assessment of nature-based solutions against more traditional options</p>	<p>Within our revised C4, we provide a case study which demonstrates our use of environmental valuation techniques. In A1 5.3, we provide detail of our social contract.</p> <p>Our social contract aligns with a natural capital approach by seeking to understand and prioritise activities which provide wider benefits linked to the social contract based on the wider benefits to natural, social and human capital. We provide an update on our social contract in A1 5.3. Our aspiration is to expand this framework to all the investment decisions which we make so that we fully embed societal and environmental issues and benefits into our core business model. Our Biodiversity Index is an important early step on our transition towards embedding a natural capital approach into our organisation. Further evidence on this approach is provided in C4 6.2.2.</p> <p>We provided sufficient evidence in our original plan of the use of nature based solutions, for instance through the evidence on how the DWI supported scheme to cover the slow sand filters at Cheddar TW (the subject of discussion at PR14)_ had not been included in our PR19 plan (at the company's risk), because of the success of catchment management in reducing algal blooms caused by nutrient loads at Cheddar reservoir (reflected in outperformance against the PR14 raw water quality performance commitment). We think this track record on its own shows sufficient evidence of using nature-based solutions against more traditional options.</p>	<p>A1 – chapter 5.3</p> <p>C4 6.2.2</p> <p>BRL.C5C. TA01. BRL.C5C.TA04</p>
	<p>Insufficient evidence on the steps the company could take to mitigate the financial impact in the event that its requested company specific adjustment to the cost of debt is not allowed</p>	<p>We provide a full explanation of the risk mitigation and the choice of financial metrics headroom, with and without the company specific adjustment to the cost of capital in our revised n C6. We have clarified that additional equity investment is not expected to be required as there is sufficient financial headroom and mitigation options, which would include but not be limited to in any scenario additional equity investment. We evidence that our target Baa2 actual credit rating is consistent with our financial risk profile. Clearly not assuming in forecast cash flows the efficient cost of debt for a notional water company the size of Bristol Water has an impact on the level of financial headroom compared to cash flows that include this cost, but this does not on its own affect the target credit rating or the steps available to mitigate the impact of financial resilience shocks,</p>	<p>A1 – chapter 12.4</p> <p>C6 – 1.4 and 4</p>
	<p>Insufficient evidence that financing strategy and target credit rating of Baa2 will maintain long term financial resilience</p>	<p>Although the credit ratios in the plan may appear weak, they are appropriate for the plan proposed and are resilient to the range of financial resilience shocks. The financial headroom is appropriate as BRL.RR.A4 suggests. The EY report (BRL.TR01) provides sufficient evidence as to why this is the case. The Board assurance statement includes specific reference to their support for their support for the business plan and the financial ratios proposed.</p>	<p>A1 – chapter 12.7</p> <p>C6 – 1.4 and 4</p>

	Insufficient evidence that options to ensure the long term viability of the company have been addressed with shareholders in the event of a risk to maintaining target credit rating including evidence of certainty of availability of equity	Although the credit ratios in the plan may appear weak, they are appropriate for the plan proposed and are resilient to the range of financial resilience shocks. The financial headroom is appropriate as BRL.RR.A4 suggests. The EY report (BRL.TR01) provides sufficient evidence as to why this is the case. The Board assurance statement includes specific reference to their support for the business plan and the financial ratios proposed.	A1 – chapter 12 C6 – 1.4 and 4
Controls markets and innovation (C)	Catchment management or alternative 3rd party options for water resources	Further evidence on our approach to markets is provided in A1 10.6.; and within BRL.C5C. TA01. Catchment Management and BRL.C5C. TA03. West Country Water Resources Partnership	A1 10.6 BRL.C5C. TA01. BRL.C5C. TA03.
	Data tables on bilateral markets for water resources related to water trades rather than bilateral markets	We have no new water resource options necessary according to our Water Resources Management Plan, and therefore there is no scope for bilateral markets other than through water trades. The option that creates bilateral markets elsewhere in this plan is to reduce an existing water trade export; hence we think this comment may not be relevant to our plan.	Not applicable
	BAF –insufficient information on level of information required from bidders and approach to protecting commercially sensitive information	We commit to respond to the IAP feedback by the deadline of 15 July 2019 and to meet the wider requirements of the BAF Information Notice.	A1 – chapter 10.6
	Limited evidence of lessons learned and innovation adopted from the business retail market	In our original C4 we reflected on Ofwat’s Innovation Information Request in December 2017, with reference to the business retail market, such as the use of Robotic Process Automation. Further evidence of our learning from the business retail market are provided in A1 10.6.	A1 – chapter 10.6
	Significantly insufficient evidence regarding the use of markets, catchment management and partnership working for delivery services	Further evidence on our approach to markets is provided in A1 10.6., and within BRL.C5C. TA01. Catchment Management BRL.C5C. TA03. West Country Water Resources Partnership	A1 – chapter 10.6 BRL.C5C. TA01 BRL.C5C. TA03.
	Falls significantly short in providing convincing evidence on the use of third party options to deliver its water resources strategy	Further evidence on our approach to markets is provided in A1 10.6., and within BRL.C5C. TA03. West Country Water Resources Partnership.	A1 – chapter 10.6 BRL.C5C. TA03
	Insufficient evidence of plans to manage business gap sites appropriately	We do measure internally (in our Wholesaler Services team) and report the occupancy status of each non-household property in our interactions with our retailers. We carry out checks on vacant non-households by checking if they are using water and continue to carry out desktop analysis on the number of vacant properties.	C3 - 7.9 and Appendix 3.11
	Minimal evidence of how DPC has been assessed	In B1 in our original submission we outlined our approach to Direct Procurement for Customers (DPC).	B1 – 5.6

Securing cost efficiency (C)	Cost projections are around 15% above Ofwat's view of efficient costs for wholesale and 12% above for retail	We provide a detailed assessment of Ofwat's IAP cost modelling in C5 and provide evidence why our revised plan is consistent with an upper quartile level of efficiency. We reconcile adjustments we propose in our revised plan (which includes £13m, 3% of additional efficiencies). We have adjusted our plans where there is clear evidence from our review of the IAP and other company plans.	A1 – chapter 11 C5
	Enhancement costs have not allowed for resilience - requested costs appear to relate more to improving supply interruptions.	Our resilience investment relates to low probability, high consequence (duration event) and therefore would not contribute to our supply interruptions target in a normal year. As this is investment supported by an innovative bespoke resilience ODI related to critical asset risk, the distinction with supply interruptions is clear.	C5 - 3 BRL.C5C.TA02
	Two of the cost adjustment claims lack compelling evidence	We have withdrawn our cost adjustment claim for regional wages as this is not relevant to the approach taken to cost assessment in the IAP. We do not provide further evidence on the other claims, which are retained only as supporting information to the IAP challenges related to unmodelled costs (C&RT) and the use of top down vs. bottom up models with similar cost drivers.	C5 – 3.4.2
Aligning risk and return (C)	Insufficient evidence that the Company Specific Adjustment to its allowed cost of capital is grounded in evidence on market conditions, is justified in terms of benefits for customers, or that own customers support funding it	We carried out new customer research as part of the ICS final acceptability and ODI testing. This research used the exact wording used by Portsmouth Water in its equivalent research, with a sample of 415 Bristol Water customers. We have maintained the company specific adjustment at a lower value of 38bps. This is at the lowest end of the range identified by KPMG's analysis, which has confirmed that Ofwat's challenges to their methodology in general increased rather than reduced the value of the company specific adjustment. We provide compelling evidence for further discussion with Ofwat based on the three stage approach, including 87% customer support for the adjustment. We present evidence on the "benefit" test which shows a range of outcomes, recognising the uncertainty inherent in the methodology Ofwat presented in the IAP, and the errors we have identified in its application. We believe a discussion with Ofwat on the principles of this methodology and further estimation of the benefit having explored the potential challenges we have identified in the methodology would of wider value than just presenting our view of the evidence, as we do in our revised plan.	A1 - 4.4 and 12.4 C6 – 1.3 and 5.2
	Insufficient evidence that the company has undertaken an adequate assessment that its proposed target credit ratings	We have clarified that our target for the notional company is two notches above minimum investment grade ratings. We demonstrate why a notionally geared and financed Bristol Water would be expected to be in line with a strong Baa2, but that our prudent long-term financing allows us to target Baa1 notionally, and Baa2 for 2020-25 due to the factors set out in our plan. We provide evidence, including a confidential report from EY, as to why the Baa2 actual rating is appropriate. Either a strong Baa2 or Baa1 is appropriate and reasonable to obtain efficient financing for the short and long term.	A1 – chapter 12 C6 – 1.4 and 4

	Insufficient evidence to support the starting point for its RCV run-off rates	We have provided this evidence in C6. The further evidence we provide is based on the supporting calculation we considered in testing the appropriate rate for our initial plan submission.	C6 – 1.7
	Does not set out the calculations or how current cost depreciation, on which the starting point is based, has been determined	We have provided this evidence in C6. The further evidence we provide is based on the supporting calculation we considered in testing the appropriate rate for our initial plan submission.	C6 – 1.7
	Plan does not set out the impact of the transition to CPIH or provide any further details of the calculation of how the adjustment has achieved this objective	Since the original plan we have revisited the CPIH transition in the RCV run off rate. We have updated the evidence already included in our original plan on the approach to transition, with the customer research on bill profiles.	C6 – 1.7
Accounting for past delivery (D)	Substantial concerns with the evidence for deliverability of outcomes and customer complaints handling	We have already introduced new and innovative approaches to reporting on our performance and explain in a clear and balanced way the drivers behind our performance, the impact this has on our customers and the steps that we have made to improve.	A1 – chapter 10.3 C7 – 12 BRL.C7. Past Delivery and Transformation 7.3
	Poor past performance on outcomes in 2015-20, with insufficient evidence that the company understands the drivers of past performance	Our Business Plan promises to deliver much higher levels of operational and customer service performance at a much lower cost than during this current period. Over the past few years we have been gradually improving our operational and customer service performance. The future challenges however require further improvements in service and efficiency levels. We have embarked on a Transformation Programme to substantially improve our internal capability, in people, processes and technology, as well as how we work and collaborate with our supply chain.	BRL.C7. Past Delivery and Transformation
	Evidence within plan to address performance is insufficient	We have summarised our Outcome Delivery Strategies for; leakage, supply interruptions, metering and customer experience. We have focused on these example areas of performance as they are areas where we have faced challenges in AMP6, but also because we know these are also key customer and stakeholder priorities.	BRL.C7. Past Delivery and Transformation 4, 5, 6 and 7
	High number of complaints per customer and not yet meeting CCWater's 2020 target of resolving 95% of complaints at stage one. Insufficient evidence of lessons learnt and measures to improve performance	We have set out our steps to meet CCWater's 2020 target within section C7 (under 'Customer Complaints Reporting') and set out how we will continue to report transparently and accurately.	A1 – chapter 7.5 and 10.3 C7 – 12 BRL.C7. Past Delivery and Transformation 7

	<p>Insufficient evidence for ODIs, residential retail, service incentive mechanism and totex PR14 reconciliations</p>	<p>We have provided updated forecasts of the ODI impacts of our forecast performance on leakage, supply interruptions and meter penetration. The 17/18 quantitative SIM score has been updated in line with the value reported in our APR.</p> <p>We set out the basis for our population of the totex PR14 reconciliation model and table WS15 which is in line with the outcome of the CMA redetermination. During the IAP query process we received confirmation that the overall approach in our plan was correct, and we agreed the approach we would take for our revised plan. We have adjusted the PR14 totex reconciliation for our costs in 2015/16 of the CMA redetermination.</p>	<p>C7 – 7 and 8.1</p>
<p>Securing confidence and assurance (C)</p>	<p>Board does not provide a statement of assurance that its plan will enable customers' trust and confidence through engagement on its corporate and financial structures.</p>	<p>The Board Assurance Statement includes a statement in this area.</p>	<p>Board Assurance Statement – Area 1: Customer Engagement</p>
	<p>Falls short of demonstrating sufficient evidence that its full Board provides comprehensive assurance to demonstrate that all the elements of its business plan add up to a plan that is high quality and deliverable, and that it has challenged management to ensure this is the case</p>	<p>We start our Board Assurance Statement describing how we are securing trust, confidence and assurance and confirm for each of the initial assessment tests the extent to which we can demonstrate the process, engagement, data, trade-offs and decisions that together form a high quality plan for the business.</p>	<p>Board Assurance Statement – Part A</p>
	<p>Little or no evidence that the full Board has been able to demonstrate that its governance and assurance processes will deliver operational, financial and corporate resilience over the next control period and the long-term</p>	<p>The Board Assurance Statement includes a statement in this area.</p>	<p>Board Assurance Statement – Area 4: Resilience, Area 7: Financeability</p>
	<p>Insufficient evidence that the full Board provides assurance that the company's business plan will enable customers' trust and confidence through engagement on corporate and financial structures and how this relates to financial resilience</p>	<p>The Board Assurance Statement includes a statement in this area.</p>	<p>Board Assurance Statement – Area 1: Customer Engagement</p>
	<p>Falls short of demonstrating sufficient and convincing evidence that the full Board provides comprehensive assurance to demonstrate that the business plan will deliver - and that the Board will monitor delivery of – outcomes.</p>	<p>The Board Assurance Statement includes a statement in this area.</p>	<p>Board Assurance Statement – Area 3: Outcomes</p>

4. Action Tracker and mapping to our revised plan

This table reflects a summary of the information included in Ofwat’s ‘Action Tracker’. It also includes an additional ‘summary’ column to reflect the nature of our adjustment. The key to our ‘summary’ column is also below.

Key	
No revision but additional evidence provided	
No revision but commitment to provide additional evidence in future (a long-term commitment)	
Revision, but not related directly to Ofwat action	
Revision	

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
AV: Addressing affordability and vulnerability	BRL.AV.A1	Bristol Water has not provided sufficient evidence to demonstrate that it has tested multiple bills profiles beyond 2025, particularly for the 2025-30 period, with customers. Bristol Water should undertake customer engagement on long-term bill profiles for the 2025-30 period and provide sufficient evidence to demonstrate customer support for each of the profiles tested. Bristol Water should confirm that testing has been assured by its CCG and conducted in line with social research best practice.	Additional evidence provided	<p>Although IAP test RR4 confirmed that the 2020-25 bill profile was supported by customers, we have tested this further. A number of bill options over 2020-2030 were considered. The customer research showed no strong customer opinion but the preference generally was for a smoothed bill profile over 10 years (because of the small numbers involved in particular),</p> <p>This was included in our revised acceptability testing, and was assured by the Bristol Water Challenge Panel (BWCP) and conducted in line with social research best practice, by a highly reputable expert firm.</p>	<p>A1 – chapter 4.4 and 12</p> <p>C6 – 1.2</p>	C1 Appendix (B37. Final Acceptability Testing March 2019)

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
AV: Addressing affordability and vulnerability	BRL.AV.A2	Bristol Water has not provided sufficient evidence to demonstrate customer support for its proposed social tariff cross subsidy. Further rounds of testing are required and the company has committed to further testing in its business plan. To support all eligible (c25,000) customers on a social tariff, the company would require a cross-subsidy of £2.12 per household in 2025. Currently, customers support a cross-subsidy of £1.41. Bristol Water should undertake social tariff cross-subsidy testing with customers to confirm that the required amount (£2.12) to achieve the Performance Commitment target of providing social tariffs to 100% of customers that are eligible (c 25,000) is acceptable to customers.	Long-term commitment	<p>We provided evidence for our proposals in our original plan (Section C2 chapter 10), based on our customer research, an increase in the level of subsidy beyond that which customers have expressed a willingness to pay for is not required until 2021/22. We will undertake further research in advance of the process for setting tariffs for 2021/22, to ensure that our proposals reflect social circumstances and customer support. This proposed approach has been discussed with the BWCP and CCWater, who were both supportive of our intentions to ensure that our research is timely.</p> <p>In addition, our voluntary social contract mechanism potentially allows funding when the number of customers supported reaches 75% of eligible customers (in c2021).</p>	A1 – chapter 7.7 C2 chapter 10	C1 Appendix (B37. Final Acceptability Testing March 2019)
AV4: Addressing affordability and vulnerability	BRL.AV.A3	Bristol Water has not proposed a performance commitment on Priority Services Register (PSR) growth. It is proposing to increase its PSR reach from 0.5% in 2019/20 to 1.2% of customers in 2024/25. We consider this to be an insufficiently ambitious target. In addition, the company has checked 28.2% of PSR data over the past two years. We propose to introduce a Common Performance Commitment on the Priority Services Register (PSR): Bristol Water should include a Performance Commitment which involves increasing its PSR reach to at least 7% of its customer base (measured by households) by 2024/25 and committing to check at least 90% of its PSR data every two years. For further information on the performance commitment definition, and reporting guidelines, please refer to 'Common performance commitment outline for the Priority Service Register ("PSR")', published on	Revision	<p>We have now submitted our additional Priority Services performance commitment to reach 7% of household customers on the register by 2025. In addition we will check 90% of our priority service data every two years (which is confirmed in data table App1). This is an increase from the proposed trebling of the numbers to a new commitment almost ten times larger; however, this is thought to be achievable due to new methods of data exchange which we were not fully aware of during the initial submission window.</p> <p>From reviewing the vulnerability plans across the industry we agree that we need to be more ambitious with our targets in this area. We have recognised this within our response to the IAP actions and intend on updating our full Vulnerability and Affordability strategy ahead of the draft determination. We will include an update</p>	A1 – chapter 7.6 C3 – 7.4.1 – 7.4.4	

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
		the initial assessment of plans webpage.		<p>as part of our “systems based thinking” action plan. This will allow us to fully consider the evolving social contract approach and the opportunities this is highlighting.</p> <p>Together with our bespoke satisfaction PC, we now have three commitments specifically related to supporting customers who require additional support services. This number demonstrates our commitment to supporting customers in vulnerable circumstances and we believe these targets are ambitious but achievable.</p>		
Delivering outcomes for customers	BRL.OC.A1	The company should propose a bespoke PC covering business retail gaps and voids or justify why not.	Revision	<p>We will not be introducing a PC in this area; it is the retailer who is responsible for managing the billing of NHH properties and thereby determining whether they are occupied or not. Although we are able to measure and report the occupancy status of each NHH property through GIS, reporting this number as a percentage is not a measure of our performance as we are not responsible for identifying those who are incorrectly classified as void – that is for the retailers to determine. In addition, business voids are most likely to be impacted by wider economic conditions causing business closures rather than the actions of Bristol Water, so even if business retail separation had not occurred we would have proposed this was a household only measure (as we have proposed with PC17).</p> <p>Instead, we propose a separate PC on retailer satisfaction to show that we are thinking about our interaction with the NHH market. It’s reputational only and has a rolling 93% target throughout AMP7, in line with that proposed by South Staffordshire. This reflects the working model</p>	<p>A1 – chapter 6 and 7.5</p> <p>C3 - 7.9 and Appendix 3.11</p>	<p>C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)</p> <p>BRL.TR04 Assessment of Bristol Water’s Approach to Triangulation</p>

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
				discussed at the Retailer Wholesaler Group (RWG) which Bristol Water chairs.		
Delivering outcomes for customers	BRL.OC.A2	<p>In cases of rejection or revisions to enhancement expenditure or a cost adjustment claim, the company should consider the implications, if any, for the associated level of the PC and ODI incentive rates proposed and provide evidence to justify any changes to its business plan submission. In cases where a scheme will no longer be undertaken, the company should consider the removal of the associated scheme-specific PC.</p> <p>The company should provide further evidence to detail the estimation of forecast efficient marginal costs within its ODI rate calculations, in line with our PR19 Final Methodology. In particular, the company should provide evidence to demonstrate how these marginal cost estimates relate to the cost adjustment claims or enhancement expenditure proposed by the company.</p>	Additional evidence provided	There are no changes to PC and ODI incentive rates as a result of enhancement expenditure. The incentive rates for leakage are not affected by the assumption that some expenditure is in base. The resilience and catchment management enhancement expenditure remains in enhancement in our view, and is directly linked to the "Population at risk from asset failure", "WINEP compliance", "raw water quality" and "biodiversity index" ODIs. The marginal costs were explained in Appendix 4 of Supporting Document C3 in our plan, which we restate. Based on the IAP query process with Ofwat, we confirm in section C3 that the marginal benefits have been calculated in line with post-efficiency costs, as set out in our original business plan. For clarity we have not reflected our small changes to future efficiency assumptions as these offset cost increases outside of marginal ODI costs - our marginal costs remain unaltered in our view from our original plan. We have no incentives linked to cost adjustment claims.	A1 – chapter 6 C3 - 1.1	C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)
Delivering outcomes for customers	BRL.OC.A3	The company should review our PC-specific concerns about the justification for certain deadbands, and in each case the company should decide whether to remove the deadband or provide further justification for why the deadband is appropriate and in customers' interests. Additionally, the company should reflect on the overall quantity of deadbands it proposes to apply and it should consider whether to reduce the number of deadbands in its ODI package. The company should provide a convincing and well-evidenced justification in its response. The company should provide further ODI-specific evidence to support its individual use of both caps	Revision	C3 sets out our review of ODI caps and collars. We have adjusted deadbands, caps and collars where appropriate and removed them where this is supported by the evidence, and retested the principles through further customer research. This confirmed the extensive customer research on our ODIs, including the design features, in our original plan. Our re-design makes ODIs more stretching, over the balance of Ofwat's challenges and customer evidence, without having a material financial risk that would not be in customers' interests. Customers support in general the principles of outcome rewards and penalties, but are cautious about the scale of penalties, as well as	A1 – chapter 6, 7, 8 and 9 C3 – 1.1.3 – 1.1.4 C3 – 6, 7 and 8 for individual PCs	C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
		and collars, whilst also considering how its use of these features aligns with its broader approach to customer protection. The company should reconsider its widespread application of collars to financial PCs and it should consider applying these features more selectively. The company's evidence for its individual caps and collars should include justification for the levels at which the cap and/or collar are set, and the company should explain why these levels are appropriate and in its customers' interests.		reward, particularly in areas such as asset health where weather impacts and factors potentially outside of direct management control and immediate customer impact could change the focus of the company away from matters that are in the short and long term interest of customers. We believe the revised ODI package is well balanced and supported by customers, as well as the BWCP.		
Delivering outcomes for customers	BRL.OC.A4	The company should provide further explanation of how its ODI package incentivises it, through better aligning the interests of management and shareholders with customers, to deliver on its PCs to customers. With regards to a balanced package and incentivising the company to meet its company challenges and customer priorities; the company should provide further explanation why one PC, "Population at Risk from Asset Failure", has such high ODI outperformance payment, while other ODIs of a high customer priority do not carry such high payments. Note also our concerns and action on the widespread use of deadbands, caps and collars above	Revision	Our ODIs provide strong incentives for delivery around our performance commitments. They reflect the right balance of financial under and outperformance incentives and reputational incentives. Outperformance payments will only be earned if we are delivering performance over and above our challenging, value for money targets – and where customers tell us this is what they want. Our ODIs balance asset health and service-based incentives in line with customers' views, ensuring that we deliver for customers today and in the future. Customers support this balance, and this has been developed and tested repeatedly as our approach has been refined. We have reconsidered the balance of our measure "Population at Risk from Asset Failure", and introduced a cap on rewards at two years early delivery. In practice we do not plan to outperform on this metric as it is a ten year programme, but innovation and efficiency does provide with the opportunity to reflect timing and delivery difference through this "enhancement delivery" linked ODI. Rewards in principle are supported, and our maximum overall level of ODI performance in any particular year remains below the 3% cap as it was before the reduced scope for	A1 – chapter 6, 7, 8 and 9 C3 – 1.1.10, 3.2.1 and 8.12.10 for "population at risk"	C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
				ODI outperformance having reflected this action in our revised plan. The outperformance has been rebalanced by removal of outperformance deadbands, which we currently used to avoid rewarding our forecast of other companies' stretching plans (e.g. in per capita consumption), which as Ofwat noted in the challenge limited improvement incentives. We accept this IAP challenge and methodology refinement and therefore now have a better balance of ODI rewards in the revised plan.		
Delivering outcomes for customers	BRL.OC.A5	The company should provide sufficient evidence that its customers support its proposed asset health outperformance payments. If it cannot do this, the company should remove the outperformance payments. The company should provide a list of what it considers to be its asset health PCs, and state its P10 underperformance payments and P90 outperformance payments for each of its asset health ODIs in £m and as a percentage of RoRE.	Additional evidence provided	<p>Our core asset health measures include:</p> <ul style="list-style-type: none"> Mains bursts Unplanned outage Properties at risk of low pressure Turbidity performance at treatment works Unplanned maintenance – non-infrastructure <p>We only proposed outperformance payments for properties at risk of low pressure, which has customer support, (for underperformance-only based on current performance) reflecting that this is an asset health indicator. Performance of the wider network does not reduce the existing number of low pressure register properties, which are normally due to localised development (e.g. barn conversions) rather than wider supply concerns.</p> <p>We also present our partial asset health measures, which have customer drivers but also provide an indication of asset health:</p> <ul style="list-style-type: none"> Water quality compliance Customer contacts on appearance Customer contacts on taste and smell 	<p>A1 – chapter 6 and 9</p> <p>C3 - 1.1.17 and 8.9.10 for "Properties at Risk of Low Pressure"</p>	<p>C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)</p>

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
Delivering outcomes for customers	BRL.OC.A6	The company should apply additional protections through an appropriate outperformance payment sharing mechanism. The payment sharing mechanism should be applied in accordance with guidance provided in the 'Technical appendix 1: Delivering outcomes for customers'	Revision	The mechanism is not strictly required for Bristol Water as our maximum ODI outperformance in any one year is less than 3%. However we adopt it anyway for industry consistency, and in case ODIs change during the remainder of PR19 (not that we believe this should be the case), or at future reviews as the principle is welcomed. We maintain our plan proposal of a separate £2.5m annual bill impact cap to address short-term bill volatility risk.	A1 – chapter 12.5 C3 - 1.1.8 C6 – 5.4	C1 Appendix (B37. Final Acceptability Testing March 2019)
Delivering outcomes for customers	BRL.OC.A7	Water quality compliance PC: The company should explain why its proposed rate differs from our assessment of the reasonable range around the industry average that we set out in 'Technical appendix 1: Delivering outcomes for customers' and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in CRI. The company should also provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rates for CRI and assess the appropriateness of the company's customer valuation evidence supporting its ODI. The company should explain and evidence how its proposed ODI rate for CRI is coherent with the rates proposed for other asset health PCs.	Revision	Our ODI rate has been revised; it remains slightly below the lower bound comparable rate, but we consider this rate to be justified based on our calculated costs. We are applying ODI rates based on our own research, which is well evidenced. This has been supported by further research. Whilst a full meta-analysis to understand the differences in company valuations was explored, there was insufficient time for the club project necessary to explore this further. We have revised our asset health ODI rates, based on changes in deadbands and collars. The CRI rate has increased - although we did not consider CRI as a core asset health measure, we set out in our plan it was part asset health and part customer priority. Further evidence of our customers' valuations supporting the ODI rate has now been included.	A1 – chapter 6 A1 – chapter 9 C3 – 8.2.10	"C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
Delivering outcomes for customers	BRL.OC.A8	Water quality compliance PC: We propose to intervene to ensure companies perform to the regulatory requirement of 100% compliance against drinking water standards. It is important that the range of underperformance to the collar is adequate to provide clear incentives for companies to deliver statutory requirements. The company should set a collar at 9.50 for 2020-25.	Revision	We have adopted the Ofwat proposed ODI design. The deadband is changed from 1.27 to 1.5, as well as setting a collar at 9.5, to be consistent with Ofwat interventions for fast track companies.	A1 – chapter 6 A1 – chapter 9 C3 – 8.2.10	
Delivering outcomes for customers	BRL.OC.A9	Supply Interruptions PC: We expect the company's service levels to reflect the values we have calculated for each year of the 2020 to 2025 period.	Revision	Our committed performance levels (CPLs) for supply interruptions now reflect the industry upper quartile values (for example our CPL is to achieve 3 minutes in 2024-25).	A1 – chapter 6 A1 – chapter 9 C3 – 8.3.10	BRL.TR04 Assessment of Bristol Water's Approach to Triangulation "
Delivering outcomes for customers	BRL.OC.A10	Supply Interruptions PC: The company should clarify the single standard outperformance incentive rate to be applied and set out further evidence to justify the calculation and selection of this rate. The rate selected should not be greater than the absolute magnitude of the underperformance incentive rate, unless the company provides compelling evidence to the contrary. The company should also explain why its proposed rates differ from our assessment of the reasonable range around the industry average (as set out in 'Technical appendix 1: Delivering outcomes for customers') and demonstrate that this variation is consistent with customers' underlying preferences and priorities for service improvements in supply interruptions. The company should also provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to	Revision	A single standard outperformance incentive rate has now been applied i.e. the upper outperformance incentive rate has been removed. Further evidence of our customers' valuations supporting the ODI rate has now been included. The standard (lower) outperformance rate is used (consistent with adopting BRL.OC.A9 service levels). The proposed unit rates reflect our customer research and WTP, and therefore we do not propose to reflect the industry ranges. By the 1 st April we were not able to compare the calculations of our rates to other companies, but we present the extensive calculation and customer research which supports our rates, including the innovative NERA triangulation research that formed part of our draft business plan and is an inherent part of how we provided compelling evidence as to the accuracy of our incentive rates.	A1 – chapter 6 A1 – chapter 9 C3 – 8.3.10	C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
		better understand the causes of variation in ODI rates for supply interruptions and assess the appropriateness of the company's customer valuation evidence supporting its ODI.		We also have shown the extreme impact on our RORE balance of using other incentive rates, as these would be inconsistent with customer views and preferences, evidence, performance levels and our efficient cost base.		
Delivering outcomes for customers	BRL.OC.A11	Mains Bursts PC: The company should explain and evidence how its proposed ODI rate for mains bursts is coherent with the rates proposed for PCs relating to the associated customer facing-impacts of the asset failure (including leakage, supply interruptions and low pressure) and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term. The company should also provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rates for mains bursts and assess the appropriateness of the company's customer valuation evidence supporting its ODI.	Additional evidence provided	<p>The approach was undertaken as the rate proposed is greater than the rate that is calculated using the standard Ofwat formula; deviation from the formula is in our customers' interests because the resulting penalty rate is higher than if we had adopted the standard Ofwat formula.</p> <p>Further evidence of our customers' valuations supporting the ODI rate has now been included.</p> <p>The mains bursts ODI is an asset health measure. Although leakage, supply interruptions and pressure have minor links to performance levels, the balance between them is driven by different customer expectations, and often by different operational drivers. Low pressure is not linked to mains bursts, leakage or supply interruptions. A supply interruption can be caused by a mains bursts, but is also attributable to both planned and unplanned works and potentially other failures such as at treatment works (although not in practice due to the completion of our resilience schemes). A mains burst can be of any duration, and is an indicator of longer term asset health, whilst all three measures are weather related, leakage and supply interruptions have operational solutions. Leakage is not just caused by mains bursts or supply interruptions as it includes customer side leaks, stop taps and general leakage that are not linked to either mains bursts or supply interruptions. The spend has been allocated appropriately to calculate marginal costs, and it is</p>	A1 – chapter 6 A1 – chapter 9 C3 – 8.4.10	C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
				consistent with previous regulatory frameworks to have different incentives for each of these measures. Customers do not consider them a group of performance areas, and it is the degree of improvement that has customer priorities, with mains bursts as the modelled outcome of targeting customer improvements for leakage and supply interruptions for the long term.		
Delivering outcomes for customers	BRL.OC.A12	Mains Bursts PC: The company should either remove the proposed underperformance deadband from this PC or provide convincing evidence to explain why this deadband is appropriate and in customers' interests.	Additional evidence provided	The underperformance deadband has been retained to mitigate the impact of extreme weather on burst levels. Further customer research has been undertaken to justify its inclusion.	A1 – chapter 6 A1 – chapter 9 C3 - 8.4.10	C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)
Delivering outcomes for customers	BRL.OC.A13	Unplanned Outage PC: The company should provide details on the actions needed to comply with the standard definition of this common performance metric and its timetable for completing them (where there is a sub-component rated Amber or Red in table 3S of the 2018 APR submission).	Long-term commitment	Any changes to the guidance will be reflected in our early submission on May 15th. Our database is being kept up to date on a regular (monthly, and often more frequently) basis, so we will be in a position to report without any issues. Although to complete the actions for the standard definition we do not believe we need to carry out any additional site testing, we plan to undertake sample site testing anyway. We expect the action to be assessed as 'green' in the 2018/19 APR based on fully audited data, and for this not to have identified any changes to the May 15th data, as the current amber just reflected the proposed revisions to the unplanned outage guidance. Since our business plan submission we have developed an outage database that assesses all the sub-components associated with the common definition. This database is maintained and updated on a weekly basis providing outage details at a daily resolution. It is anticipated that the sub-	A1 – chapter 6 A1 – chapter 9 C3 – 8.5.10	

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
				components will now be assessed as 'Green' and will therefore be compliant for the 2018-19 shadow data submissions.		
Delivering outcomes for customers	BRL.OC.A14	Unplanned outage PC: The company is required to provide fully audited 2018-19 performance data by 15 May 2019. This should take the form of an early APR submission, but only for Unplanned Outages. Board assured data can be provided with the main APR in July 2019, any changes will be taken into account for the Final Determination. Based on the latest performance and updated methodologies, the company should re-submit 2019/20 – 2024/25 forecast data in the 15 May submission. The company should also report its current and forecast company level peak week production capacity (MI/d), the unplanned outage (MI/d) and planned outage (MI/d) in their commentary for the May submission.	Long-term commitment	<p>We can confirm that this information will be submitted as an early APR submission.</p> <p>In addition to our response to BRL.OC.A13, we do not currently expect the forecast data to change as a result of this action.</p>	<p>A1 – chapter 6</p> <p>A1 – chapter 9</p> <p>C3 – 8.5.10</p>	BRL.TR04 Assessment of Bristol Water's Approach to Triangulation
Delivering outcomes for customers	BRL.OC.A15	Unplanned outage PC: The company should explain and evidence how its proposed ODI rate for unplanned outages is coherent with the rates proposed for PCs relating to the associated customer facing-impacts of the asset failure and demonstrate how the package of ODIs across the relevant group of PCs appropriately incentivises performance in the long and short-term. The company should also provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rates for unplanned outages and assess the appropriateness of the company's customer valuation evidence supporting its ODI.	Revision (not related to action reference)	<p>Further evidence of our customers' valuations supporting the ODI rate has now been included.</p> <p>The proposed unit rates reflect our customer research and WTP as well as our costs, and therefore we do not propose to reflect the industry ranges. By the 1st April we were not able to compare the calculations of our rates to other companies, but we present the extensive calculation and customer research which supports our rates, including the innovative NERA triangulation research that formed part of our draft business plan and is an inherent part of how we provided compelling evidence as to the accuracy of our incentive rates. We also have shown the extreme impact on our RORE balance of using other incentive rates, as these would be inconsistent with customer views and preferences, evidence, performance levels and our efficient cost</p>	<p>A1 – chapter 6</p> <p>A1 – chapter 9</p> <p>C3 - 8.5.10</p>	"C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
				base.		
Delivering outcomes for customers	BRL.OC.A16	Risk of severe restrictions in drought PC: The company should explain its level of stretch and submit the intermediate calculation outputs as shown in the common definition guidance published on our website for the drought resilience metric.	Revision	The methodology required has changed since the business plan. In line with this we have submitted the intermediate table. This changes the 2020 target to 42% from 0%. The level of stretch reflects the Water Resource Management plan leakage and metering delivering water savings, which reduces the 42% to 0% over time.	A1 – chapter 6 A1 – chapter 9 C3 – 8.6.10	
Delivering outcomes for customers	BRL.OC.A17	Leakage PC: The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average that we set out in ‘Technical appendix 1: Delivering outcomes for customers’ and demonstrate that this variation is consistent with customers’ underlying preferences and priorities for service improvements in leakage. The company should also provide the additional information set out in ‘Technical appendix 1: Delivering outcomes for customers’ to allow us to better understand the causes of variation in ODI rates for leakage and assess the appropriateness of the company’s customer valuation evidence supporting its ODI.	Additional evidence provided	Our original ODI rate has been retained. Further evidence of our customers’ valuations supporting the ODI rate has now been included. The proposed unit rates reflect our customer research and WTP, and therefore we do not propose to reflect the industry ranges. By the 1st April we were not able to compare the calculations of our rates to other companies, but we present the extensive calculation and customer research which supports our rates, including the innovative NERA triangulation research that formed part of our draft business plan and is an inherent part of how we provided compelling evidence as to the accuracy of our incentive rates. We also have shown the extreme impact on our RORE balance of using other incentive rates, as these would be inconsistent with customer views and preferences, evidence, performance levels and our efficient cost base.	A1 – chapter 6 A1 – chapter 8 C3 – 9.2.10	BRL.TR04 Assessment of Bristol Water’s Approach to Triangulation "

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
Delivering outcomes for customers	BRL.OC.A18	Leakage PC: The company should provide further ODI-specific evidence to support its use of a cap and a collar, whilst also considering how its use of these features aligns with its broader approach to customer protection. The company's evidence should include justification for the levels at which the cap and collar are set, with the company explaining why these levels are appropriate and in customers' interests	Additional evidence provided	The caps and collars have been retained. These are supported through specific customer research. We set out the evidence in section C3 for the technical reasons and customer support. The cap on outperformance is based on the lowest achievable rate, in line with the methodology. The collar on underperformance is based on the worst historic level of leakage in the last 10 years.	A1 – chapter 6 A1 – chapter 8 C3 - 9.2.10	C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)
Delivering outcomes for customers	BRL.OC.A19	Per capita consumption (PCC) PC: The company should explain why its proposed rates differ from our assessment of the reasonable range around the industry average that we set out in 'Technical appendix 1: Delivering outcomes for customers' and demonstrate that this variation is consistent with customers underlying preferences and priorities for service improvements in per capita consumption. The company should also provide the additional information set out in 'Technical appendix 1: Delivering outcomes for customers' to allow us to better understand the causes of variation in ODI rates for per capita consumption and assess the appropriateness of the company's customer valuation evidence supporting its ODI.	Additional evidence provided	Our original ODI rate has been retained. Further evidence of our customers' valuations supporting the ODI rate has now been included. The proposed unit rates reflect our customer research and WTP, and therefore we do not propose to reflect the industry ranges. By the 1st April we were not able to compare the calculations of our rates to other companies, but we present the extensive calculation and customer research which supports our rates, including the innovative NERA triangulation research that formed part of our draft business plan and is an inherent part of how we provided compelling evidence as to the accuracy of our incentive rates. We also have shown the extreme impact on our RORE balance of using other incentive rates, as these would be inconsistent with customer views and preferences, evidence, performance levels and our efficient cost base.	A1 – chapter 6 A1 – chapter 8 C3 - 9.3.10	N/a
Delivering outcomes for customers	BRL.OC.A20	Per capita consumption (PCC) PC: The company should reconsider whether to apply an outperformance deadband to this PC. The company should provide a convincing and well-evidenced justification in its response.	Revision	We have removed the outperformance deadband, supported by additional customer research. It was originally included to reflect the PR19 methodology based on a forecast of industry upper quartile performance, which we can now remove having seen the IAP and other companies' plans.	A1 – chapter 6 A1 – chapter 8	N/a

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
					C3 - 9.3.10	
Delivering outcomes for customers	BRL.OC.A21	Customer contacts about water quality – appearance PC: The company should provide further evidence to justify the selection of the chosen outperformance incentive rate from the two rates provided. The rate selected should not be greater than the absolute magnitude of the underperformance incentive rate, unless the company provides compelling evidence to the contrary.	Revision	We have used the lower (standard) outperformance rate, as well as removing the outperformance deadband as part of a balanced approach in response to the IAP challenges (specifically action BRL.OC.A3). This is supported by customers.	A1 – chapter 6 A1 – chapter 9 C3 – 8.7.10	"C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)
Delivering outcomes for customers	BRL.OC.A22	Customer contacts about water quality – taste and smell PC: The company should provide further evidence to justify the selection of the chosen outperformance incentive rate from the two rates provided.	Revision	We have used the lower (standard) outperformance rate, as well as removing the outperformance deadband as part of a balanced approach in response to the IAP challenges. This is supported by customers.	A1 – chapter 6 A1 – chapter 9 C3 – 8.8.10	
Delivering outcomes for customers	BRL.OC.A23	Customer contacts about water quality – taste and smell PC: The company should either remove the proposed underperformance deadband from this PC or provide convincing evidence to explain why this deadband is appropriate and in customers’ interests. The company should reconsider whether to apply an underperformance collar to this PC, taking account of its broader approach to customer protection. If the company decides to retain the collar, it should provide a convincing ODI-specific justification for this decision. This should include justification for the level at which the collar is set, with the company explaining how this compensates customers adequately for poor service performance.	Revision	We have removed deadbands, which is supported by additional customer research. We maintain the underperformance collar based on the customer research, and it is based on the worst historic performance in the past 10 years.	A1 – chapter 6 A1 – chapter 9 C3 - 8.8.10	BRL.TR04 Assessment of Bristol Water’s Approach to Triangulation "

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
Delivering outcomes for customers	BRL.OC.A24	Properties at risk of receiving low pressure PC: The company should provide further evidence to demonstrate how it will avoid the double counting of outperformance incentives between this PC and Leakage	Additional evidence provided	There is no double counting with leakage, as leakage does not cause properties to be at persistent risk of low pressure. The PC does not cover low pressure from leakage, which would be attributable to a supply interruption in the definition, and would not result in the property being added to the register if there was an operational incident (as the problem would be resolved rather than persisting). Only a persistent leak that caused persistent pressure issues could potentially impact both measures, and we are not aware of a situation where this has actually occurred.	A1 – chapter 6 A1 – chapter 9 C3 – 8.9.10	N/a
Delivering outcomes for customers	BRL.OC.A25	Properties at risk of receiving low pressure PC: The company should either remove the proposed underperformance deadband from this PC or provide convincing evidence to explain why this deadband is appropriate and in customers' interests. If the deadband is retained, the company should strongly consider changing the level of the deadband, and it should explicitly justify the level it chooses. The company should also consider whether to remove the outperformance deadband from this PC. The company should provide a convincing and well-evidenced justification for its response.	Revision	We have removed the underperformance and outperformance deadbands. Although supported in the customer research, a balanced package of ODIs allows us to protect customers better through this change.	A1 – chapter 6 A1 – chapter 9 C3 – 8.9.10	"C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
Delivering outcomes for customers	BRL.OC.A26	Turbidity performance at treatment works PC: The company should reconsider whether to apply an underperformance collar to this PC, taking account of its broader approach to customer protection. If the company decides to retain the collar, it should provide a convincing ODI-specific justification for this decision. This should include justification for the level at which the collar is set, with the company explaining how this compensates customers adequately for poor service performance.	Revision	We have extended the underperformance collar to five rather than one but as no turbidity failures have ever occurred, there is no specific rationale for this. Customers do not support unlimited penalties, which no collar at all could imply. The higher collar affects multiple failures, but we have also updated the marginal costs and the ODI incentive rate therefore falls accordingly, as rather than applying for the first turbidity failure it applies over the first five.	A1 – chapter 6 A1 – chapter 9 C3 – 8.10.10	
Delivering outcomes for customers	BRL.OC.A27	Unplanned maintenance – non-infrastructure PC: The company should either provide further evidence to set out the marginal costs used within the ODI rate calculation, or amend the underperformance payment to reflect any required adjustments. In either case the company should provide its evidence and rationale.	Revision	Our original approach (marginal cost * totex company sharing rate) reflected an incentive based on 50 per cent of the marginal cost. This approach was consistent with fully compensating our customers for their loss of service. The multiplier of 8* marginal cost has been removed to go with the removal of the deadband, as this previously adjusted to reflect that the unit costs were being applied over a narrower range of performance. The costs are based on looking at asset health costs as a whole, and are based on cost allocation as set out in section C3.	A1 – chapter 6 A1 – chapter 9 C3 – 8.11.10	BRL.TR04 Assessment of Bristol Water's Approach to Triangulation "

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
Delivering outcomes for customers	BRL.OC.A28	<p>Unplanned maintenance – non-infrastructure PC: The company should either remove the proposed underperformance deadband from this PC or provide convincing evidence to explain why this deadband is appropriate and in customers’ interests.</p> <p>The company should reconsider whether to apply an underperformance collar to this PC, taking account of its broader approach to customer protection. If the company decides to retain the collar, it should provide a convincing ODI-specific justification for this decision. This should include justification for the level at which the collar is set, with the company explaining how this compensates customers adequately for poor service performance.</p>	Revision	<p>The underperformance collar has been retained, as it is beyond a level of poor performance that has ever been seen, and is retained based on historic levels used for this type of collar. Further customer research has been undertaken to justify its inclusion.</p> <p>Following a review of updated asset management data analysis, we have removed the deadband for this ODI. This has the impact of spreading the asset health marginal costs over a larger range of performance (as otherwise the penalty exceeds cost, which is the only approximation as customer WTP is not used to avoid double counting with the areas of service failure that would result in the long term if this area of performance failed).</p>	<p>A1 – chapter 6</p> <p>A1 – chapter 9</p> <p>C3 - 8.11.10</p>	<p>C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)</p>
Delivering outcomes for customers	BRL.OC.A29	<p>Population at Risk from Asset Failure PC: The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support.</p>	Revision	<p>An outperformance payment has been retained. Further customer research has been undertaken to justify its inclusion.</p> <p>The customer support was set out in our plan, including from the customer forum and the acceptability testing, was commented on by the BWCP, and was noted as an area of good practice in the IAP for the customer engagement on resilience and proposing a forward-looking ODI as a result such as this. The outperformance would represent early delivery of a ten-year programme (see action below), which we have amended to limit the potential early advancement of this area of performance.</p>	<p>A1 – chapter 6</p> <p>A1 – chapter 9</p> <p>C3 – 8.12.10</p>	<p>"C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)</p>

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
Delivering outcomes for customers	BRL.OC.A30	Population at Risk from Asset Failure PC: Should the company propose to keep the outperformance payment on this ODI, the company should provide further evidence to justify the use of >24 hour supply interruptions as a proxy for customer willingness to pay for this ODI, or formulate marginal benefits based upon specific customer evidence relevant for this ODI. The company should provide further evidence to justify the appropriateness of the proposed ODI outperformance payment, or revise its rate downwards in line with customer evidence. In either case the company should provide its evidence and rationale.	Revision	>24 hour interruptions are exceptional events which are therefore not normally included in supply interruption targets / penalties, and are generally on any scale a big increase to normal performance - e.g. Bristol Water during 2017/18. The customer support for this measure and its cost benefit are linked to specific customer valuation for long interruptions - based on these being low probability high consequence failures. The outperformance payment is justified therefore by customer evidence, and reflects the value of reducing this risk through early delivery (specifically it is a risk adjusted WTP rate, taking into account the low probability of the consequence occurring, based on historic data. Due to our high levels of service proposed and high levels of existing resilience, this area is the only major investment where timing of delivery for out or underperformance requires an ODI adjustment. The ODI rate is based on customer WTP, adjusted for data on the actual risk, as set out in section C3. We have not amended this since the original plan, but we have amended the scope of outperformance.	A1 – chapter 6 A1 – chapter 9 C3 - 8.12.10	
Delivering outcomes for customers	BRL.OC.A31	Population at Risk from Asset Failure PC: The company should reconsider whether to apply an underperformance collar to this PC, taking account of its broader approach to customer protection. If the company decides to retain the collar, it should provide a convincing ODI-specific justification for this decision. This should include justification for the level at which the collar is set, with the company explaining how this compensates customers adequately for poor service performance	Additional evidence provided	The collar for this performance commitment is theoretical (because the collar is mathematical by design - performance cannot exceed the starting point which is reflected in the collar). The collar reflects the fact that the baseline level of population would be 'frozen' for calculation of this measure (consistent with the approach taken to setting the AMP6 target for our equivalent resilience measure) and so in practise the population at risk cannot increase above the collar level proposed (at 832,886).	A1 – chapter 6 A1 – chapter 9 C3 - 8.12.10	BRL.TR04 Assessment of Bristol Water's Approach to Triangulation "

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
Delivering outcomes for customers	BRL.OC.A32	Value for money PC: The company should confirm that the survey will be externally assured and conducted in line with social research best practice.	Revision	The survey will be reviewed with the BWCP and will be conducted in line with social research best practice by an accredited firm.	A1 – chapter 6 A1 – chapter 7 C3 – 7.6.10 and Appendix 3 (8)	C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)
Delivering outcomes for customers	BRL.OC.A33	Percentage of satisfied vulnerable customers PC: The company should provide evidence that its measurement methodology will provide robust results based on 300 responses, rather than using the entire sample of PSR customers surveyed to determine satisfaction levels in addition, the company should confirm that the survey will be externally assured and conducted in line with social research best practice.	Revision	We will base our survey on a sample of 500 customers and base the sample on representative percentages of the vulnerability needs codes as of the end of the previous financial year. The survey will be conducted by telephone interviews but will also be supplemented by face-to-face interviews and paired interviews if needed. The survey will be externally assured and conducted in line with social research best practice.	A1 – chapter 6 A1 – chapter 7 C3 – 7.7.10 and Appendix 3 (9)	C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)
Delivering outcomes for customers	BRL.OC.A34	Percentage of satisfied vulnerable customers PC: The company should justify the setting of an 85% target, in comparison to its existing rating on PSR customer satisfaction.	Additional evidence provided	The "easy to contact" level of service applies generally to all customers. Satisfaction with services for vulnerable customers reflects the observations through customer research that what individual vulnerable customers found most frustrating was that support was available that they only found out about after the event. Therefore the metrics are totally different and not comparable in any way. We have therefore retained the 85% target.	A1 – chapter 6 A1 – chapter 7 C3 - 7.7.10	C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)
Delivering outcomes for customers	BRL.OC.A35	Gaps and voids PC: The company should reconsider its proposed percentage target for 2020-25. The company should clearly set out the evidence and rationale for the revised targets.	Additional evidence provided	We are performing better than the average on the level of voids (when comparing all companies and companies in non-water stressed areas only) and will be performing better than the average company at the end of AMP7. Our rate is also stretching compared to the vacancy level of 2.0% held by the local authority. The target has	A1 – chapter 6 A1 – chapter 7 C3 – 7.8.10	C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
				therefore been retained.		2019)
Delivering outcomes for customers	BRL.OC.A36	Void properties PC: The company should provide evidence to demonstrate that an outperformance payment would benefit customers and that it is designed in such a way that does not create perverse incentives with respect to the timely and accurate registration of void sites.	Additional evidence provided	An outperformance payment has been retained. Further customer research has been undertaken to justify its inclusion. The outperformance payment reflects a cash flow benefit and there is clear customer support for this metric. We do not understand how perverse incentives could be created as this would feature in a higher level of voids, which would result in a penalty. Properties are registered when they are connected, and there is an incentive through developer services income to do this. Voids relate to existing, vacant, change of occupancy and other change of use reasons, so registration does not seem a material concern.	A1 – chapter 6 A1 – chapter 7 C3 - 7.8.10	N/a
Delivering outcomes for customers	BRL.OC.A37	Meter penetration PC: The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support.	Additional evidence provided	An outperformance payment has been retained. It is an existing ODI, it continues to have customer support, and the justification is linked to the benefit of increasing metering. As the target is stretching, the reward for outperformance is reasonable.	A1 – chapter 6 A1 – chapter 8 C3 – 9.4.10	C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)
Delivering outcomes for customers	BRL.OC.A38	Meter penetration PC: The company should provide further ODI-specific evidence to support its use of a cap and a collar, whilst also considering how its use of these features aligns with its broader approach to customer protection. The company's evidence should include justification for the levels at which the cap and collar are set, with the company explaining why these levels are appropriate and in customers' interests.	Additional evidence provided	The cap and collar have been retained. The cap is based on the maximum feasible metering without compulsory metering powers. The collar relates to the pre-existing level of metering, and is theoretical as meter penetration cannot materially reduce.	A1 – chapter 6 A1 – chapter 8 C3 - 9.4.10	C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)
Delivering outcomes for customers	BRL.OC.A39	Raw Water Quality of Sources PC: The company should ensure that its definition of this PC is transparent and any uncertainty in measurement is reduced.	Additional evidence provided	There is no uncertainty in the definition of measurement. This is set out in section C3. Further evidence of our methodology, including the use of the Farmscoper model has been included in our	A1 – chapter 6 A1 – chapter	C1 Appendix (B37. Final Acceptability Testing March

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
				revised submission.	8 C3 - 9.5.12	2019 and B38. ODI Focus Groups March 2019)
Delivering outcomes for customers	BRL.OC.A40	Raw Water Quality of Sources PC: The company should provide further evidence to justify why this PC has financial incentives associated with it, despite the evidence presented indicating that customers prefer non-financial incentives. The company should demonstrate how financial incentives will benefit customers. Alternatively the company should consider removing the outperformance payment from this PC.	Additional evidence provided	<p>The outperformance payments and underperformance penalties have been retained. Further customer research has been undertaken to justify its inclusion.</p> <p>The incentives have customer support - the research reference is based on the AMP6 performance incentive which is very different from AMP7 and therefore we do not consider that it applies. The incentive allows innovation in catchment management and wider benefits, beyond legal minimums, which has a wider social and environmental benefit with a specific customer support for this incentive, as well as an innovative ODI for catchment management which otherwise does not have incentives beyond minimum legal requirements, losing the opportunity for innovation and learning. Our case study sets out the rationale.</p>	A1 – chapter 6 A1 – chapter 8 C3 - 9.5.12	C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)
Delivering outcomes for customers	BRL.OC.A41	Biodiversity Index PC: The company should provide further evidence to justify the use of an outperformance payment for this PC, including evidence of customer support. The company should demonstrate how this ODI will benefit customers..	Additional evidence provided	<p>An outperformance payment has been retained. Further customer research has been undertaken to justify its inclusion.</p> <p>The incentives have customer support - this is due to the priority for habitats around our lakes and reservoirs and on other land that we own. The incentive allows innovation in biodiversity and wider benefits, beyond legal minimums, which has a wider social and environmental benefit with a specific customer support for this incentive, as well as an innovative ODI in the biodiversity index tool which otherwise does not have incentives beyond minimum legal requirements, losing the</p>	A1 – chapter 6 A1 – chapter 8 C3 – 9.6.11	C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
				opportunity for innovation and learning. Our case study sets out the rationale. The long term objective is to encourage the use of this tool on non Bristol Water sites and for this to become a natural capital accounting tool as the principle of the ODI allows for the learning needed on different innovations and activities to develop.		
Delivering outcomes for customers	BRL.OC.A42	Biodiversity Index PC: The company should reconsider whether to apply an underperformance collar to this PC, taking account of its broader approach to customer protection. If the company decides to retain the collar, it should provide a convincing ODI-specific justification for this decision. This should include justification for the level at which the collar is set, with the company explaining how this compensates customers adequately for poor service performance	Additional evidence provided	The collar has been retained. Further customer research has been undertaken to justify its inclusion. The underperformance collar reflects a baseline survey of environmental impact, beyond which WINEP non-compliance from deteriorating habitat status would kick in. This therefore avoids double counting ODI underperformance incentives.	A1 – chapter 6 A1 – chapter 8 C3 - 9.6.11	C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)
Delivering outcomes for customers	BRL.OC.A43	Waste disposal compliance PC: The company should reconsider whether to apply an underperformance collar to this PC, taking account of its broader approach to customer protection. If the company decides to retain the collar, it should provide a convincing ODI-specific justification for this decision. This should include justification for the level at which the collar is set, with the company explaining how this compensates customers adequately for poor service performance.	Revision (not related to action reference)	The collar has been retained; it avoids double-counting with other penalties for breaching environmental standards. Customers support the deadband but it has been revised. It was justified based on uncertainty surrounding a new discharge consent. Based on resolution of this uncertainty, we can now amend our deadband from 96% to 97% based on allowance for some failures, consistent with the approach taken for the same standard wastewater equivalent metric, plus natural variation in performance and an existing ODI.	A1 – chapter 6 A1 – chapter 8 C3 – 9.7.10	C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
Delivering outcomes for customers	BRL.OC.A44	Local community satisfaction PC: The company should justify its reasoning for selecting the price control for this measure. The company should clarify how performance on each of the survey questions will be combined with the results of the qualitative interviews to give the overall performance score.	Revision	<p>This performance commitment was originally fully allocated to water network plus as this is the dominant control for the initiatives considered and any allocation would be arbitrary. We have now allocated this performance commitment 80% to water network plus and 20% to water resources, to reflect the material benefits that some of the initiatives will have on this price control. This is an arbitrary allocation broadly in line with the RCV allocation, reflecting that this is a wholesale activity and the impacts aggregate across stakeholder views about the company as a whole.</p> <p>There is only one survey question which is set out in C3.</p>	<p>A1 – chapter 6</p> <p>A1 – chapter 8</p> <p>C3 – 9.10.11</p>	N/a
Delivering outcomes for customers	BRL.OC.A45	Local community satisfaction PC: The company should provide further evidence to justify the use of outperformance payments for this ODI and evidence of customer support for this approach. The company should demonstrate how this ODI will benefit customers. Alternatively, the company should consider removing the outperformance payments.	Additional evidence provided	<p>The outperformance was specifically supported by customers, including outperformance payments, as part of the research in the original plan. The benefit to customers was specifically noted, through wider societal benefits that link to the future of water services. The links are made clear in our social contract, and have an intrinsic value to consumers (e.g. education) for a good company that supports local community organisations, and are not measured through customer satisfaction. Stakeholder measurement is something customers recognised as the appropriate measure for this innovative way of working.</p>	<p>A1 – chapter 6</p> <p>A1 – chapter 8</p> <p>C3 - 9.10.11</p>	N/a

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
Delivering outcomes for customers	BRL.OC.A46	Local community satisfaction PC: The company should either provide further evidence to demonstrate how it will avoid double counting outperformance on this PC with other incentives, or revise its ODI rates downwards (in absolute terms) to reflect this.	Additional evidence provided	The WTP value is not reflected in other performance commitments, reflecting the value customers gain through a way of working through other stakeholders. The value will be reflected in long term service delivery and future stretching incentive targets, having built efficient (or no cost) ways of delivering through partnership with others, that will then if successful (and penalised through poor stakeholder satisfaction if not successful). A non-financial incentive as an alternative has the disadvantage of not having equivalent status to shorter term targets, given the priority is visible Board transparency and accountability, including the impact on shareholders of the company purpose to work in this way that delivers wider benefits to stakeholders and customers in the long term.	A1 – chapter 6 A1 – chapter 8 C3 - 9.10.11	C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)
Delivering outcomes for customers	BRL.OC.A47	Local community satisfaction PC: The company should provide further ODI-specific evidence to support its use of a cap and a collar, whilst also considering how its use of these features aligns with its broader approach to customer protection. The company's evidence should include justification for the levels at which the cap and collar are set, with the company explaining why these levels are appropriate and in customers' interests	Additional evidence provided	The cap and collar are supported by customers, reflecting for the collar the current level of satisfaction without this innovative approach and the cap reflecting a limit to customers WTP, through a link to current targets for customer satisfaction from direct water services.	A1 – chapter 6 A1 – chapter 8 C3 - 9.10.11	C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
Delivering outcomes for customers	BRL.OC.A48	Abstraction Incentive Mechanism (AIM) PC: The company should either remove the proposed deadbands from this PC or provide convincing evidence to explain why these deadbands are appropriate and in customers' interests. The company should provide further ODI-specific evidence to support its use of a cap and a collar, whilst also considering how its use of these features aligns with its broader approach to customer protection. The company's evidence should include justification for the levels at which the cap and collar are set, with the company explaining why these levels are appropriate and in customers' interests.	Additional evidence provided	The deadbands, caps and collars are inherent in this bespoke AIM PC, given the environmental impact of the specific abstraction being targeted. We do not feel it appropriate (and without the extensive work with the EA to design this in the first place) revisit it, and the timing of the IAP response has not allowed further redesign discussions with the EA. We have tested our approach further with customers who support the principles we have applied.	A1 – chapter 6 A1 – chapter 8 C3 - 9.9.8	C1 Appendix (B37. Final Acceptability Testing March 2019 and B38. ODI Focus Groups March 2019)
Securing long-term resilience	BRL.LR.A1	The company should ensure that its common and bespoke performance commitments associated with operational resilience are clearly defined, sufficiently demanding for AMP7 and the long term, and supported by the right incentives. We expect the company to satisfy the relevant actions set out in relation in the outcomes areas ensuring a line of sight between risks to resilience and package of outcomes.	Additional evidence provided	We believe our outcomes provide this line of sight and our extensive resilience outcomes are clearly defined in our plan. We have reflected on the "past delivery" and "securing long-term" resilience questions in the round, together with the "significant concerns" for our learning points from past performance commitment delivery to our PR19 plan delivery, we have updated our C4 Bristol Water Clearly Resilient document to provide the detailed analysis that sat behind our resilience maturity assessment. This maps our outcomes through to our resilience maturity assessment improvement, along with our transformation programme to deliver cost and outcome challenges. We have provided additional detail regarding our assessment of risks to our resilience and associated mitigating actions where appropriate. We also include case studies of recent improvements that can provide evidence of the trajectory of business improvement since the PR19 business plan was submitted. We feel this provides sufficient line of sight.	A1 – chapter 10.4 C3 - 8.12.10 C4 – 5.2 and 6 BRL.C4. TA01. (Resilience Maturity Assessment NEW)	C1 Appendix (B37. Final Acceptability Testing March 2019)

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
Securing long-term resilience	BRL.LR.A2	The company should provide a commitment that it will, by 22 August 2019, prepare and provide to us an action plan to develop and implement a systems based approach to resilience in the round and ensure that the company can demonstrate in the future an integrated resilience framework that underpins the company's operations and future plans showing a line of sight between risks to resilience, planned mitigations, package of outcomes and corporate governance framework.	Additional evidence provided	We believe we have a systems based approach to resilience, linked to our C4 'Clearly Resilient' document, and 'Bristol Water Clearly' Long Term ambition. We are therefore happy to provide this commitment. We go beyond this request, as it is such an important topic, by providing early sight of what our systems based approach involves (see Action BRL.LR.A1). We also reference our social contract publication, and our Local Community Satisfaction ODIs as clear evidence of a systems based approach to resilience that has been fundamental to the recent transformation of Bristol Water. This trajectory of future development considers our innovative ODIs (e.g. raw water quality and biodiversity index), as well as our objective of working with stakeholders to define wider benefits, through specific initiatives with individual terms of reference, that produce benefits assessments based on tracking progress with innovative projects, that builds a natural, social, human and environmental capital evidence base. Our social contract launch made a commitment to collaboration on these areas which we believe, as it is cross-sector, utility and water company, provides a significant step towards a full systems based approach. We support Ofwat's intentions in this regard and believe our social contract provides a significant step forward for the sector.	A1 – chapter 10.4 C4 – 4 and 7	C1 Appendix (A3e. Customer Forum February 2019)
Securing long-term resilience	BRL.LR.A3	The company should provide a commitment to work with the sector to develop robust forward looking asset health metrics and provide greater transparency of how its asset health indicators influence its operational decision making.	Long-term commitment	We make this commitment. Our asset health metrics form part of our periodic external reporting, including our interactive performance graphic that we publish at mid and full year. The mid-year version includes comparisons to other company performance, as well as the context for asset health indicators and the description of how they influence operational decision making.	A1 – chapter 10.4 B1 - 6 C4 - 5	Not applicable

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
Securing long-term resilience	BRL.LR.A4	The company has noted the possibility of additional equity investment as a financial risk mitigation measure to maintain long term financial resilience. Please explain the steps the company and its Board have taken to ensure equity will be available if such support is required, particularly in the context: <ul style="list-style-type: none"> · of available headroom in the financial metrics under the actual financial structure given reconciliation adjustments from the current control period; and · that the requested company specific adjustment to the cost of capital is not guaranteed (either at PR19 or at a future price control). 	Additional evidence provided	As part of our Board assurance process, we have provided detailed analysis, including of potential risks, scenario and mitigants and discussed these with the Board and shareholder. This has included consideration of the financial metrics both with and without the company specific adjustment to debt. We have clarified that additional equity investment is not expected to be required, and that the plan will be expected to achieve Baa1 in the long term, or a strong Baa2 if ratings agencies maintain their current sentiment on the regulatory framework. Baa1 notional /Baa2 actual is a robust rating for Bristol Water for 2020-25 and in the long term shows an improving profile which should be rating positive.	A1 – chapter 7 C6 – 4	
CMI3: Targeted controls, markets and innovation	BRL.CMI.A1	The company should provide further explanation of the impact of the ongoing dispute with the Canals and Rivers Trust in relation to the provision of water resources, including the risks and mitigating actions to ensure that the company has access to secure long term water resources.	Additional evidence provided	✂	✂	✂
CMI1: Targeted controls, markets and innovation	BRL.CMI.A2	The company should revise its water resources bid assessment framework document to provide clarity on how the company will handle and protect confidential information submitted by bidders. The company should provide more information to describe how the framework results in a proportionate approach for bidders.	Long-term commitment	We commit to meet this action by 15/07/12019 as requested.	A1 – chapter 10.6	Not applicable

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
CE: Securing Cost Efficiency	BRL.CE.A1	We have provided our view of efficient costs for the company along with our reasoning. We expect it to address areas of inefficiency, or lack of evidence, in the revised business plan. Where appropriate, we expect it to withdraw investment proposals if either: · the need for investment is not compelling; or · there is no need for a cost adjustment claim beyond our existing cost baseline.	Revision	We have no investment proposals that require withdrawal based on the IAP. We set out in A1 and a revised C5 what action we have taken on efficient costs in response to the IAP. Where the IAP has questions as to the assessment of efficient costs, or where we believe the IAP policy was not applied as intended, we also make this clear. As full understanding of efficiency assessment and models was not possible by 1 April, we will undertake further work and would welcome further discussion on the areas which require further consideration. We observe structural issues in the efficiency modelling that appear to make more of a difference to Bristol Water than for other companies, and have set out the approach NERA propose to take to explore this further and to propose how this could be considered further. We have withdrawn our cost adjustment claim for regional wages as this is not relevant to the approach taken to cost assessment in the IAP. Our other claims remain at the values previously submitted.	A1 – chapter 11 C5 BRL.C5C.TA01.- BRL.C5C.TA06	BRL.TR05 Top-down vs. Bottom Up Benchmarking BRL.TR06 Cost Driver Forecasts BRL.TR07 Frontier Shift, RPE and Output Growth at PR19 BRL.TR09 Retail Benchmarking
CE: Securing Cost Efficiency	BRL.CE.A2	There may be significant impacts in terms of investment or type of investment as a result of the metaldehyde ban. The company should investigate and agree with the DWI the scale and timing of any potential changes compared to its submitted plans. Significant changes and uncertainty may require an outcome delivery incentive to protect customers in the instance of expenditure not being required. Should the company propose a performance commitment and outcome delivery incentive, the company should provide evidence to justify the level of the performance commitment and the outcome delivery incentive rates proposed, in line with our Final Methodology. We expect to receive	Revision	The ban on metaldehyde means that we will no longer need to subsidise the additional cost to farmers of the alternative. Our revised plan therefore removes opex costs of c£0.074m over 2020-25. As we will need to continue to monitor the water quality impact of metaldehyde under the revised undertaking with the DWI until at least 2024, other costs have been maintained and we do not believe a PC/ODI is required as there is no significant change to uncertainty (for instance balanced with the uncertainty in our on whether Cheddar slow sand filters will ultimately be required). The balance we have taken overall we believe is reasonable and in customers interests. We set out the impact in full in the revised C5.	C5 – 1.1 and 3.1.3 BRL.C5C.TA04 . (Raw Water Deterioration Enhancement)	

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
		evidence of customer support for outperformance payments, where proposed, and that the incentive rates proposed are reflective of customer valuations.				
RR: Aligning risk and return	BRL.RR.A1	The company should remove the requested company specific adjustment from its plan and associated financial modelling or provide compelling evidence following the three-stage approach set out in the PR19 methodology if it continues to request a company specific adjustment.	Revision	We carried out new customer research as part of the ICS final acceptability and ODI testing. This research used the exact wording used by Portsmouth Water in its equivalent research, with a sample of 415 Bristol Water customers. We have maintained the company specific adjustment at a lower value of 38bps. This is at the lowest end of the range identified by KPMG's analysis, which has confirmed that Ofwat's challenges to their methodology increased rather than reduced the value of the company specific adjustment. We provide compelling evidence for further discussion with Ofwat based on the three stage approach, including 87% customer support for the adjustment.	A1 – chapter 12.4 C6 – 1.3 and 5.2	C1 Appendix (B37. Final Acceptability Testing March 2019) BRL.TR02 Company-Specific Adjustment to the Allowed Cost of Capital
RR: Aligning risk and return	BRL.RR.A2	The company should provide further information on its proposed uncertainty mechanism relating to Canal & River Trust costs – to consider specifically whether the cost item will remain uncertain at the time of draft and final determinations.	Additional evidence provided	✂	✂	
RR: Aligning risk and return	BRL.RR.A3	The company has targeted a credit rating for the notional company that is one notch above the minimum investment grade rating. The company should provide convincing evidence to support its view that this is reasonable for the long term financeability of the notional company or actions that could be taken to secure the long term financeability of the notional company.	Additional evidence provided	We believe that the targeted Baa2 rating for the company is appropriate, and provide commentary as to why this is the case, based on forecast ratios, but also other factors and risk mitigants. This analysis is supported by a confidential report from EY (BRL.TR01) as to why this rating is robust and provides a strong basis for the efficient provision of financing for the company.	A1 – chapter 12 C6 – 1.4 and 4	

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
RR: Aligning risk and return	BRL.RR.A4	The company has targeted a credit rating for its actual structure that is one notch above the minimum investment grade rating, and lower than its current credit rating. The company should provide further evidence, and Board assurance, to support its view that this is reasonable for the financeability of the actual company.	Additional evidence provided	We provide evidence, including a confidential report from EY (BRL.TR01), as to why the Baa2 actual rating is appropriate. Either a strong Baa2 or Baa1 is appropriate and reasonable to obtain efficient financing for the short and long term.	A1 – chapter 12 C6 – 1.4 and 4	Confidential Report - Capital Debt Advisory Ratings Assessment Confidential
RR: Aligning risk and return	BRL.RR.A5	Further evidence and Board assurance is required that the business plan is consistent with maintaining the target credit rating given the weak financial ratios set out in the plan.	Additional evidence provided	<p>Although the AICR credit ratio in the plan is lower than it has been historically, they are only one element of a balanced score approach to the credit rating. As a result, we believe that they are sufficient to maintain the target credit rating and the company remains resilient to financial shocks. Further, whilst the AICR ratio is weaker than historically, it is one of a number of factors considered by the rating agency, and needs to be taken in this wider context. In addition, it is worth noting that throughout the period, the S&P BBB rating remains strong, based on ratios and wider factors throughout the period and further supports the targeted rating level. The financial headroom is thus considered to be appropriate as BRL.RR.A4 suggests.</p> <p>The Board assurance statement includes specific reference to their support for the business plan and the financial ratios proposed and detailed discussions have been held with the Board with regard to the financial modelling, credit ratios and resultant financeability and financial resilience. This has been specifically discussed and debated</p>	A1 – chapter 12 C6 – 1.4 and 4.1 Revised BAS	Confidential Report - Capital Debt Advisory Ratings Assessment Confidential

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
				with the Board throughout the submission process.		
RR: Aligning risk and return	BRL.RR.A6	The company should ensure it is using the correct assumptions, including the cost of debt without a company specific adjustment, for the notional company in assessing the key financial ratios.	Additional evidence provided	We assess our ratios with and without the cost of capital adjustment, although based on the evidence we present, we consider the central position for financial resilience testing is a notional company with the cost of capital adjustment we propose. We show in App10 the notional ratios without the CSA.	C6 – 1.3 and 5.2	BRL.TR02 Company-Specific Adjustment to the Allowed Cost of Capital
RR: Aligning risk and return	BRL.RR.A7	The company should provide further evidence to support the calculation of RCV run-off rates and demonstrate that the rates are consistent with the approach set out in the business plan.	Additional evidence provided	We have provided this evidence in C6. The further evidence we provide is based on the supporting calculation we considered in testing the appropriate rate for our initial plan submission.	A1 – chapter 12.6 C6 – 1.7	
RR: Aligning risk and return	BRL.RR.A8	There are inconsistencies in the stated WACC inputs between main business plan document, business plan tables and submitted financial model. The company should ensure its subsequent submission contains a consistent set of assumptions.	Revision	This has been corrected in the revised plan by not rounding the data tables to the stated two decimal places. This was not a material difference.	C6 – 1.3 and 5.1	
Accounting for past delivery	BRL.PD.A1	PR14 Land sales: Bristol Water is required to provide additional evidence to support the forecast trajectory in table App9.	Revision	Updated actual and forecast land sales data has been provided in table App9, with a commentary in revised C7.	A1 – chapter 5.5 C7 – 9.4	

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
Accounting for past delivery	BRL.PD.A2	PR14 Outcome delivery incentives: Bristol Water is required to provide evidence of how it considers leakage performance should be rounded before applying the outcome delivery incentive rate in tables App5/App6 and update App27.	Revision	The average leakage performance has been rounded to 1d.p. as per the PR14 corrigenda, and the revised ODI penalties have been recalculated on this basis.	C7 – 7.2	
Accounting for past delivery	BRL.PD.A3	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	Revision	We commit to providing this updated forecast alongside our APR for 2018/19. This explanation will be similar to that provided in the 2017/18 APR on which the business plan was based. We have provided an update to the actual and forecast performance (in App5) on UCML, Leakage and Meter Penetration in calculating AMP6 ODIs for this revised business plan, with an explanation of the ODI impacts set out in C7 (and table App27) as early delivery and information on this action. We have also provided an updated forecast for MZC (in App5) and Asset reliability – infrastructure (for bursts in App6). We have not updated forecasts for Asset reliability non-infrastructure or Negative water quality contacts as we do not expect these to impact ODI calculations.	A1 – chapter 5.5 C7 - 7	
Accounting for past delivery	BRL.PD.A4	PR14 Residential retail: Bristol Water is required to provide further clarity on the reasons for the difference between reforecast customer numbers and actual customer numbers in 2018-2019 in table R9 and clarify the justification for its 2019-2020 forecast which departs from the previously observed trends.	Revision	The customer numbers in R9 have been updated to reflect those used in 2019/20 charges forecasts. The forecast differed from previously observed trends due to the meter penetration target, and have been revised based on the revised forecast of this performance which is explained in section C7.	C7 – 9.2	
Accounting for past delivery	BRL.PD.A5	PR14 Service incentive mechanism: Bristol Water is required to provide further explanation for the change to the 2017-18 value and the forecast trajectory in table R10.	Revision	We provide this explanation in C7. IAP queries identified the reason for this action on the 2017/18 value.	C7 – 7.5	

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
Accounting for past delivery	BRL.PD.A6	PR14 Totex: Bristol Water is required to amend the values as submitted in the table WS15 to match those in the model; update the value for transitional expenditure to actual value; and provide a detailed explanation to support its forecasted performance for years 2018-19 and 2019-20.	Additional evidence provided	Through IAP queries it was identified that we had reflected the CMA final determination in the tables correctly. We set out in C7 how our revised calculation also takes into account the costs of the CMA redetermination of PR14, which we have updated in table WS15. We provide a detailed explanation of our forecast performance for 2018-19 and 2019-20 in section C5, and will update this in our 2018/19 APR. The expenditure that is incurred to meet performance requirements, and for 2019/20 aligned with our transformation plans. We do not propose significantly different expenditure for 2019/20 than in our original plan, except for some timing change from 2018/19 and additional expenditure that is forecast to deliver leakage outperformance during 2019/20.	C5 C7 – 8.1	
Accounting for past delivery	BRL.PD.A7	PR14 Wholesale revenue forecasting incentive mechanism: Bristol Water is required to use the 2015-16 revenue recovered value from table WS13 in the model.	Revision	This action was withdrawn by Ofwat during the IAP query process. We have submitted a revised revenue forecast in WS13 for 2019/20 to take account of the impact of outturn inflation on revenues.	C7 – 9.1	
Accounting for past delivery	BRL.PD.A8	PR14 reconciliations: Further to the actions we have set out to address our concerns over the evidence provided in its business plan for the individual reconciliations, we will require the company to refresh all of its PR14 reconciliations to replace its 2018-19 forecast performance with 2018-19 actual performance and update the evidence for its forecast 2019-20 performance taking into account of the actual 2018-19 performance.	Long-term commitment	This action is due for completion alongside the APR on 15 th July; we will comply with this action by the date required. Our revised plan provides updated forecasts (in App5 and App6) and associated ODI impacts (in App27) due to the need to respond to other IAP actions.	A1 – chapter 5.5 C7 – 7	
Accounting for past delivery	BRL.PD.A9	Bristol Water should produce and provide to Ofwat additional evidence that it has identified: <ul style="list-style-type: none"> the drivers of its past and current outcomes performance, including financial and reputational performance commitments; 	Additional evidence provided	We present a technical appendix which specifically addresses this as part of our transformation programme. This provides an update from the information originally submitted in our business plan. The appendix demonstrates our continuing	A1 – chapter 5.5 BRL.C7. Past Delivery and Transformatio	

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
		<ul style="list-style-type: none"> • lessons learnt from good and poor past and current performance; • the performance gap between current performance and proposed performance in the 2020-25 business plan; and • the measures planned or already in place to ensure deliverability of the 2020-25 business plan. 		transformation journey with Customer, People and Network Maintenance being the core pillars. This is supported by four example Performance Commitment Strategies and case studies covering; leakage, supply interruptions, metering and customer complaints. These demonstrate the AMP6 improvement to date and the AMP7 action plans.	n 4, 5, 6, and 7	
Accounting for past delivery	BRL.PD.A10	<p>Bristol Water should produce and provide an action plan that sets out:</p> <ul style="list-style-type: none"> • how Bristol Water will continuously monitor performance against PR14 and PR19 performance commitments, including how this relates to section 3 of the Annual Performance Report and what evidence it will look for beyond itself and the sector; • how Bristol Water will identify drivers of performance and lessons learnt from both good and poor performance; • how Bristol Water will identify measures to improve performance and integrate these into its business; and • how Bristol Water will ensure that this is a continuous rather than one-off process. 	Additional evidence provided	We provide this action plan within C7 (under 'How we will report on performance during AMP7') and A1, setting out how we will continue to report transparently and accurately on our performance measures, including through our interactive performance graphic. We set out case studies of our lessons learned and recent performance through our resilience maturity assessment framework to demonstrate this relates to our transformation programme and forms part of a systems based thinking approach.	<p>A1 – chapter 10.3</p> <p>C7 – 12</p> <p>BRL.C7. Past Delivery and Transformation</p> <p>BRL.C4. TA01. (Resilience Maturity Assessment NEW)</p>	
Accounting for past delivery	BRL.PD.A11	<p>Bristol Water should produce and provide to Ofwat additional evidence that it has identified:</p> <ul style="list-style-type: none"> • the drivers of its complaints handling performance both in terms of the number of complaints and how well complaints are dealt with, • lessons learnt from good and poor past and current performance; • the performance gap between current performance and proposed performance in the 2020-25 business plan; and • the measures planned or already in place to 	Additional evidence provided	We provide a specific appendix and case study in response to this action. The number of complaints, rather than complaint handling, has had a historic increase due to operational incidents that our recent improvements and future transformation are targeted to resolve.	<p>A1 – chapter 5.5</p> <p>BRL.C7. Past Delivery and Transformation 7.3</p>	

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
		ensure deliverability of the 2020-25 business plan.				
Accounting for past delivery	BRL.PD.A12	Bristol Water should produce and provide an action plan that sets out: <ul style="list-style-type: none"> • how Bristol Water will continuously monitor performance, including with reference to CCWater analysis and targets, and those related to the delivery of C-Mex, including what evidence and best practice it will look for beyond itself and the sector; • how Bristol Water will identify drivers of performance and lessons learnt from both good and poor performance; • how Bristol Water will identify measures to improve performance and integrate these into its business; and • how Bristol Water will ensure that this is a continuous rather than one-off process. 	Additional evidence provided	We have already introduced new and innovative approaches to reporting on our performance and explain in a clear and balanced way the drivers behind our performance, the impact this has on our customers and the steps that we have made to improve within C7 (under 'Customer Complaints Reporting') and A1, setting out how we will continue to report transparently and accurately	A1 – chapter 10.3 C7 – 12 BRL.C7. Past Delivery and Transformation	
CA1: Securing Confidence & Assurance	BRL.CA.A1- BRL.CA.A3	The company is required to restate a number of forward looking Board assurance statements. Please see 'Bristol Water: Securing confidence and assurance detailed actions.'	Revision	We have provided an updated Board Assurance Statement that includes the restatement of the specified fully complaint forward looking statements, together with the mapped supporting evidence that allows these statements to be made.	A1 – chapter 13 Board Assurance Statement	
CA1: Securing Confidence & Assurance	BRL.CA.A1	"We have collectively owned the overall strategy and direction of the plan, we are satisfied it is of high quality, that it is ambitious yet deliverable with an acceptable degree of risk and we have	Revision	We have provided an updated Board assurance statement that includes the restatement of the specified statements, together with the supporting evidence that allows these statements to be made.	A1 – chapter 13 Board	

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
		provided our customers with transparency and engagement throughout."		Updated Statement: We collectively own the overall strategy and direction of the plan, we are satisfied that is of high quality, that it is deliverable with an acceptable degree of risk, and we have provided our customers with transparency and engagement throughout the business planning process and will continue to do so in the short and long term.	Assurance Statement – Area 8: Business Planning	
CA: Securing Confidence & Assurance	BRL.CA.A2	We are satisfied options have been assessed for large investments and that the forecast total expenditure is suitably robust and reflects an efficient level of cost for Bristol Water to deliver the service levels contained in the plan with an acceptable level of risk	Revision	We have provided an updated Board assurance statement that includes the restatement of the specified statements, together with the supporting evidence that allows these statements to be made. Updated Statement: We are satisfied that large investment proposals are sufficiently well assured, robust and deliverable, that a full assessment of options has taken place and that the options proposed are in the best interests of customer, have customer support.	A1 – chapter 13 Board Assurance Statement – Area 5: Cost Assessment	
CA: Securing Confidence & Assurance	BRL.CA.A3	We are satisfied that we have met Ofwat's requirement to plan for delivering resilience in the round in our customer's long term interest	Revision	We have provided an updated Board assurance statement that includes the restatement of the specified statements, together with the supporting evidence that allows these statements to be made. Updated Statement: The Board confirms that the company has engaged with customers on its corporate and financial structures, and how these relate to its long term resilience.	A1 – chapter 13 Board Assurance Statement – Area 1: Customer Engagement	
CA: Securing Confidence & Assurance	BRL.CA.A4	On dividend policy the company is required to confirm that it is committed to adopt the expectations on dividends for 2020-25 as set out in 'Putting the sector in balance' to include:	Revision	We confirm this commitment in our revised plan; this is set out in A1 in Section 10.2.	A1 – chapter 10.2 Board Assurance Statement	
CA: Securing Confidence & Assurance	BRL.CA.A4	· clear Board commitment to publish detail on dividend policies in the APR and to signal changes to stakeholders.	Revision	We confirm this commitment in our revised plan; this is set out in A1 in Section 10.2.	A1 – chapter 10.2	

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
					Board Assurance Statement	
CA: Securing Confidence & Assurance	BRL.CA.A4	Please provide an update on the steps you are taking to fully meet the expectations as set out in our putting the sector in balance position statement.	Revision	We provide this update in A1 narrative of our revised plan	A1 – chapter 10.2 Board Assurance Statement	
CA: Securing Confidence & Assurance	BRL.CA.A5	On executive pay the company is required to confirm that it is committed to adopt the expectations on performance related pay for 2020-25 as set out in 'Putting the sector in balance' to include:	Revision	We confirm this commitment in our revised plan; this is set out in A1 in Section 10.2.	A1 – chapter 10.2 Board Assurance Statement	
CA: Securing Confidence & Assurance	BRL.CA.A5	· clear explanation of stretching targets and how they will be applied; and	Revision	We confirm this commitment in our revised plan; this is set out in A1 in Section 10.2.	A1 – chapter 10.3 Board Assurance Statement	
CA: Securing Confidence & Assurance	BRL.CA.A5	· commitment to report how changes, including the underlying reasons, are signalled to customers.	Revision	We confirm this commitment in our revised plan; this is set out in A1 in Section 10.2.	A1 – chapter 10.3 Board Assurance Statement	
CA: Securing Confidence & Assurance	BRL.CA.A5	Please provide an update on the steps you are taking to fully meet the expectations as set out in our putting the sector in balance position statement	Revision	We provide this update in A1 narrative of our revised plan (as explained in response to BRL.CA.A4).	A1 – chapter 10.2 Board Assurance Statement	
CA9: Financial modelling	BRL.CA.A6	Provide a revised financial model (based on version 16z released on 31 January 2019) and data tables on 1 April 2019.	Revision	We provide a revised suite of financial models and the data table as requested.	Board Assurance Statement	

Test area	Action reference	Action	Summary	Nature of Adjustment	Revised business plan reference	Additional evidence
CA9: Financial modelling	BRL.CA.A7	<p>There are inconsistencies in stated notional WACC inputs between main business plan document, business plan tables and submitted financial model. The company should ensure its subsequent submission contains a consistent set of assumptions.</p> <p>The company should remove the requested company specific adjustment from its plan and associated financial modelling or provide compelling evidence following the three-stage approach set out in the PR19 methodology if it continues to request a company specific adjustment.</p>	Revision	We have adjusted the data tables to show the same notional WACC inputs. This was not a material difference. We have not removed the company specific adjustment, as we have provided revised proposals and revised evidence using the three-stage approach. We will need to discuss our approach to the CSA benefit methodology further as the IAP timescale, and the timing of the publication of the supporting evidence on the CSA has meant that further discussion on the benefits tests will be required, in our view.	A1 – chapter 12 C6 – 5.2	BRL.TR02 Company-Specific Adjustment to the Allowed Cost of Capital
CA9: Financial modelling	BRL.CA.B1	The company has an advisory action regarding its financial model and associated data tables. Please see 'Bristol Water: Securing confidence and assurance detailed actions.'	Additional evidence provided	See below	financial models	
CA9: Financial modelling	BRL.CA.B1	Review for consistency the residential advance receipts creditor days and residential trade debtor days in the business plan tables and financial model. Provide an updated financial model that includes the notional value for the 'Bank interest rate (receivable) (post override)' rather than the company's actual value and reinstates zeros for 'Fixed rate debt issued - Override - nominal' when notionalising.	Additional evidence provided	<p>We have reviewed for consistency the working capital days used in the model and those reported in the business plan data tables. Calculation within the model appear to be based on the input data we have provided whereas the summary calculation contained within the Data Tables (using Ofwat pre-populated cells) appear to give inconsistent outputs.</p> <p>In terms of the change to the financing assumptions we have not made the change suggested as to do so would lead to a higher regulatory allowance for tax which in turn would lead to higher customer bills – our modelling has aimed to keep out bills at a level we feel is acceptable.</p>	financial models	

5. Appendix – Guide to our Technical Reports and Assurance

This appendix presents a summary of our technical reports and assurance undertaken since our original submission in September 2018. These files have been referenced throughout our revised business plan and in our ‘Action Tracker’ submission. They are summarised in this guide for reference.

Technical Reports

BRL.TR01 Capital & Debt Advisory Ratings Assessment - Confidential

Capital & Debt Advisory Ratings Assessment - Confidential	
Reference	BRL.TR01
Revised business plan location	C6 – Financing, Affordability and Risk and Return
Authors	EY
Objectives	Confidential – see report.
Summary	Confidential – see report.

BRL.TR02 Company-Specific Adjustment to the Allowed Cost of Capital

Company-Specific Adjustment to the Allowed Cost of Capital	
Reference	BRL.TR02
Revised business plan location	C6 – Financing, Affordability and Risk and Return
Authors	KPMG
Objectives	In its initial assessment of plans, Ofwat assessed Bristol Water as failing all three of its tests in relation to allowing a company-specific adjustment to the allowed cost of capital. This report considers the first two of Ofwat’s tests including the level of the uplift and whether the benefits provided by the company adequately compensate for the increased cost of its proposed company-specific adjustment.
Summary	<p>There are a number of factors that have caused Ofwat’s assessment of comparators in the initial assessment of plans to understate the potential benefit of Bristol Water as an independent comparator. These include:</p> <ul style="list-style-type: none"> • Over-arching conceptual issues with the framework – such as the potential for alternative regulatory approaches whereby companies that perform less well in certain measures do not affect the

	<p>benchmark, and the omission of customer valuation from the benefits assessment.</p> <ul style="list-style-type: none"> • Ofwat not re-running the totex models – Ofwat only assessed the effect on the upper quartile, and did not consider the impact on expenditure forecasts from changes to model coefficients. • Specific variables within the models – Ofwat made an arbitrary 50% reduction to incentive rates (contrary to its approach at previous merger cases), chose to assess leakage on a per property basis rather than a per km basis, and used reward rates without considering penalty rates. • The omission of some important benchmarks highlighted by customers – for example, the SIM was not considered (despite being considered in previous merger cases), neither were Bristol Water’s unplanned outage and CRI targets. • Not considering the impact of model precision – unlike recent mergers where they themselves emphasised this issue, Ofwat did not consider the impact of precision, which could be material to any benefits assessment.
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BRL.TR03 A Review of Ofwat’s PR19 Approach to Estimating Frontier Shift

A Review of Ofwat’s PR19 Approach to Estimating Frontier Shift	
Reference	BRL.TR03
Revised business plan location	C5 – Cost and efficiency
Authors	John Earwaker (First Economics)
Objectives	A review of Ofwat’s approach to estimating AMP7 RPEs and frontier productivity growth (collectively “frontier shift”).
Summary	Ofwat should reconstitute its analysis of RPEs and productivity growth under a more standard methodological framework .

BRL.TR04 Assessment of Bristol Water’s Approach to Triangulation

Assessment of Bristol Water’s Approach to Triangulation	
Reference	BRL.TR04
Revised business plan location	C3 – delivering outcomes for customers
Authors	Richard Druce and Edward Mills (NERA Economic Consulting)
Objectives	To review Ofwat’s evaluation of Bristol Water’s work to triangulate willingness to pay (WTP) estimates.
Summary	“Bristol Water’s approach to testing alternative business plan options through the NERA/Traverse acceptability testing was not consistent with “industry best practice”, in the sense that no published regulatory guidance prescribed or required this form of research. In fact, this research

	<p>represented an innovation that built on the industry guidance designed to address a limitation of triangulation based on expert judgment, that it leads to a range of potential values and may not provide a single, precise estimate. Bristol Water therefore commissioned a survey, asking customers to choose between the alternative business plans that would result from applying the high, low and central WTP results from its triangulation in the company’s CBA modelling. Using customers’ choices between these plans allowed Bristol Water to further refine its triangulated “point estimate” of customers’ willingness to pay.</p> <p>“Therefore, rather than concluding the triangulation process with a subjective expert judgment as to a reasonable point estimate, which would have been consistent with industry best practice, Bristol Water went beyond this and further tested this point estimate with customers using an objective, survey-based to better inform its ODI incentive rates.”</p>
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BRL.TR05 Top-down vs Bottom-up Benchmarking

Top-down vs Bottom-up Benchmarking	
Reference	BRL.TR05
Revised business plan location	C5 – Cost and efficiency
Authors	Richard Druce and Soren Christian (NERA Economic Consulting)
Objectives	To explain why there is no intuitive reason why Bristol Water (or any other company) should be viewed as relatively efficient in one model and relatively inefficient in the other
Summary	<p>“It is not clear why a company that is efficient in the round should... be penalised for apparent inefficiency within the disaggregated cost categories, when this apparent inefficiency is the result of complex econometric dynamics rather than true inefficiency.</p> <p>“... It may be more appropriate for Ofwat to place full weight on the model that demonstrates the best efficiency score for each company (e.g. a company which performs better in the top-down model, like Bristol Water, would have their entire allowance based on the top-down modelling, and likewise for a company which performs better in bottom-up modelling).”</p>

BRL.TR06 Cost Driver Forecasts

Cost Driver Forecasts	
Reference	BRL.TR06
Revised	C5 – Cost and efficiency

business plan location	
Authors	Richard Druce and Soren Christian (NERA Economic Consulting)
Objectives	Review Ofwat’s approach in its design of a set of econometric models to set cost allowances for water companies’ wholesale water (WW) base total expenditure (botex) over the Seventh Asset Management Period (AMP7).
Summary	Ofwat’s approach relies on simple extrapolations of historical trends of cost drivers, which does not take into account more nuanced forecasts which are more likely to track actual changes in cost driver levels over the course of AMP7. Ofwat’s approach is therefore likely to arbitrarily penalise some companies and reward others simply because cost drivers (which are generally out of the control of companies) evolve at a different rate than they have in historical years.

BRL.TR07 Frontier Shift, RPE and Output Growth at PR19

Frontier Shift, RPE and Output Growth at PR19	
Reference	BRL.TR07
Revised business plan location	C5 – Cost and efficiency
Authors	Richard Druce et al. (NERA Economic Consulting)
Objectives	Review the areas of the IAP pertaining to the rate at which Ofwat assumes that companies’ base operating and capital maintenance (botex) costs will change over AMP7, including the frontier shift adjustment, Real Price Effects (RPEs) and changes in cost drivers.
Summary	<p>On the frontier shift adjustment “we therefore recommend Ofwat sets the ongoing productivity target for PR19 based on the approach set out in our previous report for Bristol Water, submitted alongside its PR19 business plan.”</p> <p>On Real Price Effects (RPEs) “We therefore recommend Ofwat sets RPE allowances based on the approach set out in our previous report for Bristol Water, submitted alongside its PR19 business plan.”</p> <p>On changes in cost drivers, “given that Ofwat’s forecasts are prepared in a simple, mechanistic way, we recommend it links AMP7 allowed revenues to outturn values of those drivers that are not within management control, either by indexing the price control or through a “true up” to be conducted at PR24.”</p>

BRL.TR09 Retail Benchmarking

Retail Benchmarking	
Reference	BRL.TR09
Data Table Assurance	Ofwat's Assessment of Retail Costs
Authors	NERA Economic Consulting (Richard Druce and Edward Mills)
Objectives	Overview of Ofwat's Benchmarking Models and Observations on Ofwat's Approach
Summary	<p>Ofwat proposes a challenging efficiency target for residential retail costs, driven in part by dramatic reductions in some companies' forecast costs. It also results from the poor fit of Ofwat's suite of models, showing some companies to be markedly above or below the modelled upper quartile. Given these deficiencies in Ofwat's models, it would be helpful if Bristol Water can identify any factors that drive its retail costs relative to the industry (especially bad debt) that are missing from Ofwat's selected drivers. Bristol Water performs better in bad debt and total cost models which control for council tax collection rate than in models which exclude this variable; however, we have not identified an econometric argument for why Ofwat should favour models which control for this variable over models which control for alternative proxies of default probability.</p> <p>Ofwat's approach to setting allowances for retail also highlights its subjective approach to setting wholesale allowances. It appears to have set targets based on historical/forecast data for wholesale/retail based on the approach that would achieve the lowest result. It has effectively accepted companies' claims that they can reduce retail costs, while finding arbitrary and unsubstantiated reasons to disallow companies' forecasts of rising wholesale costs (see our separate note on this).</p>

Assurance Reports

BRL.AA01 ODI Assurance

ODI Assurance	
Reference	BRL.AA01
Data Table Assurance	App1 and App1a
Authors	ICS Consulting
Objectives	To review and confirm the changes to Bristol Water’s incentive rates align with Ofwat’s IAP and are correctly computed and applied in its ODI workbook, as well as to ensure the ODI determinants (i.e. marginal benefits and marginal costs) are correctly entered into App1a
Summary	ICS has reviewed all performance commitments and not found any errors in the computations.

BRL.AA02 PR19 Technical Assurance

PR19 Technical Assurance	
Reference	BRL.AA02
Data Table Assurance	App1 (including an additional audit for risk of severe restrictions in a drought PC), App1b, App2, App3, App4, and App28
Authors	Chris Roxburgh and Zac Alexander (Jacobs)
Objectives	To provide technical assurance to Bristol Water’s response to Ofwat’s Initial Assessment of Business Plans (IAP).
Summary	<p>Overall, for the areas of Bristol Water’s PR19 submission Jacobs reviewed, they consider that:</p> <ul style="list-style-type: none"> • We have processes in place to produce data that are consistent with the PR19 line definitions and Ofwat actions; • Our interpretations of the PR19 line descriptions and definitions are reasonable and the data submission has been prepared in a manner compliant with our interpretation; • Our forecasting assumptions are reasonable; and • We have processes in place to maintain consistency of the tables.

BRL.AA03 Data Tables and Strategic Partner Assurance

Data Tables and Strategic Partner Assurance	
Reference	BRL.AA03
Data Table Assurance	<ul style="list-style-type: none"> ▪ App7-20, App22-24a, App26, App29 and App32-33; ▪ R1, R3 and R7-R9; ▪ Ws1-2a, Ws5, Ws7- Ws8, Ws15;

	<ul style="list-style-type: none"> ▪ Wr2-5; and ▪ Wn3-Wn5.
Authors	PWC
Objectives	<p>Independent review and challenge of Bristol Water’s responses (available at the time of review) to Ofwat's actions from the feedback received on 31 January 2019;</p> <ul style="list-style-type: none"> ▪ Review of the third party assurance reports obtained by Bristol Water for the resubmission, and provide observations and recommendations to management with respect to the scope of the report and management’s proposed response to the report findings; and ▪ Technical Assurance over the changes to the following financial data tables: <ul style="list-style-type: none"> ▪ App7-20, App22-24a, App26, App29 and App32-33; ▪ R1, R3 and R7-R9; ▪ Ws1-2a, Ws5, Ws7- Ws8, Ws15; ▪ Wr2-5; and ▪ Wn3-Wn5.
Summary	<p>The draft re-submission addresses a number of Ofwat’s concerns and is a clear build on the original plan. Further evidence has been provided to respond to the Ofwat challenges and we noted the clear commitment to addressing the challenges.</p> <p>We have completed our testing over the data table changes, and are pleased to report no issues to you. Our review has focused on the changes to the data tables. We have not assured the commentaries, and this is highlighted in the summary of our results.</p>

