# Annual Performance Report

2020

BRISTOL WATER

It's what we're made of.



# What's in this report?

## Welcome to our Annual Performance Report for the year ended 31 March 2020.

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

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

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

The accompanying Historical Cost and Current Cost Accounting Statements were approved by a Committee of the Board on 10 July 2020.

# Trust beyond water

## A statement from the Bristol Water Board

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

Society and the expectations of the public we serve has changed a great deal over the last 175 years. Solving the challenges faced by society, including both resilience and the legitimacy of utilities and public services, will depend on local community-based solutions. This is why Bristol Water is on a journey to transform itself. The Board believes that the Company continues to make significant progress in a number of areas and continues to deliver industry leading levels of service, and is highly regarded by its customers and within its local communities.

Last year we updated our corporate governance statement which sets out how the Board will consider our **social purpose**, and through this all stakeholders benefit from a high performing Bristol Water that meets the need of customers and society:

**"To have a positive impact on the lives of our customers, our communities, our colleagues, and on the environment beyond the delivery of pure and reliable water"**

### Performance for customers

In the last few years the Board has been looking for a dramatic improvement in the performance of Bristol Water. We brought in a new CEO who appointed a new management team to make this transformation happen. In 2018/19 we reported on a significant improvement in performance, but in 2019/20 the substantial benefits were seen. This improvement can also be seen during the year, with performance in the second half of the year showing an accelerated rate of improvement. This provides a strong platform to deliver our challenging 2020-25 plan that will make sure we are a leading performer across those service areas that matter most to customers.

Our leakage performance is a key example. We delivered an actual leakage level of 37.2Ml/d, a record low level 7% below our target of 40Ml/d and 10% below last year's record low. This is a level of leakage in our long-term ambition document we only thought we would reach in 2035 and is testament to the innovation and hard work of the Bristol Water colleagues and our supply chain who have delivered this fantastic achievement. Our regulatory incentives were set on a different basis, using a five-year average calculation which does not take into account new information. Despite being behind target in previous years, we almost recovered this and ended 2015-20 with an average of 45.6Ml/d compared to the target of 45.4Ml/d.

Supply interruption performance in 2019/20 was equally as pleasing. Customer minutes lost per property were 11.1 against the target of 12, the only time we have beaten this challenging target over 2015-20. One particularly challenging burst at Royate Hill in July contributed around 2 of the 4 minutes in that month, triggered by particularly dry and hot weather. It is worth noting that in the second half of the year we had a performance of 2 minutes per property of supply interruptions on the industry standard definition for 2020-25, which if repeated would beat our target for the next few years. This excellent performance has been delivered through investing in our network, innovation such as tankers that can inject water into the network, state of the art network monitoring and most importantly through the way that people across Bristol Water work together. New ways of working have meant that we often keep supplies running to customers when our pipes burst, when in the past supplies may have been interrupted. The number of mains bursts was also 16% below target – in part this is because the weather was benign, but also because of significantly improved operational performance.



We completely changed our supply chain contract for network maintenance and new connection activities on 1 October. Inevitably there were some teething problems as this was a major change, with some issues reinstating after works and some increase in customer complaints. However, this was quickly rectified and this new partnership with the supply chain will help us deliver both our service and cost challenges for 2020-25. We managed to reduce written complaints to around the upper quartile level of performance in the water industry. At 97% our customer satisfaction according to CCW is the highest in the industry.

Our water resources are in a strong position, and we entered the spring with our reservoirs 100% full with no likelihood of water restrictions on the horizon. The significant reduction in leakage has more than offset the impact of take up of metering remaining lower than expected. We continue to promote metering to customers with the aim of reaching 75% in 2025, from the current level of 59%.

Our performance on the Drinking Water Inspectorate's water quality metrics continues to be amongst the best in the industry, although 2019/20 was not as good as our record performance in 2018/19. As we improve leakage and supply interruptions, we also continue to reduce the already very low risks to water quality. In the short term we are in a position where we are being challenged to reduce our costs, but looking ahead to the future our knowledge and monitoring of our network has the potential to predict problems and fix them before they happen. This is a big ambition but is worth aiming for.

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

### COVID-19

Throughout its long history there have been many crises to be overcome. Bristol Water was set up because of the public health crisis caused by Cholera in the 1840s, with the ambition to provide a clean supply of water to everyone in Bristol. Covid-19 reminds us of the importance of a clean water supply at the time that the health and wellbeing of us all is at risk. As in the 1840s, the professionalism of our staff has shone through. Bristol Water has shown its resilience, supported by the Board and shareholders, to the financial and operational challenges that are emerging. We were proud to work with Wessex Water to offer a rebate to NHS staff who would otherwise have a higher water bill because of the additional washing the vital service they were providing would entail. We also accelerated our "Together for Good" community programme and the other initiatives within our social contract. Most importantly, we protected the Bristol Nightingale hospital with state-of-the-art quantity and quality monitoring with our partners ATI and Inflowmatix. The Board will continue to make sure we play our part as Covid-19 develops.

**97%**

Customer satisfaction, according to CCW, is the highest in the industry



ANNUAL PERFORMANCE REPORT

# Trust beyond water

### Referral of PR19 to the Competition & Markets Authority

Ofwat published its PR19 Final Determination for 2020-2025 in December 2019. The Board considered the Final Determination very carefully, but made the very hard decision to ask for Ofwat's determination to be referred to the Competition & Markets Authority (CMA). We had gone to significant lengths to avoid a third consecutive reference to the CMA, and it is of grave concern and disappointment that it could not be avoided. Our areas of dispute with Ofwat concern technical judgements, rather than relating to the services we plan to deliver for customers and stakeholders, which we will continue to deliver, building on the excellent early progress made to date. However, the impact in our view of Ofwat's judgements was that we could not finance the plan resiliently for the long term.

"It often feels like a water company's business is a bit dry and dull, but it felt like all the staff had a commitment to be a part of the community. Working with Bristol Water improved my view of them. It seemed that they wanted to build links and relationships and that the company had a clear vision of how it wanted to be more widely involved."
Local stakeholder comment from the annual stakeholder survey

The CMA is expected to make its decision later in 2020, but whatever the outcome, customers will get a good outcome of improved services for a reduced bill before inflation over 2020-2025.

### Purpose, Values and Culture

Our purpose is to have a positive impact on the lives of our customers, our communities, our colleagues and on the environment beyond the delivery of pure and reliable water. Our social contract is the way we will deliver our social purpose.

In January 2019 we launched our Social Contract, the first published by a water company. The social contract sets out how we are accountable for the social promises we make as we deliver our purpose. We developed this further during the year. We held the first of our new Employee Forums at which Mel Karam outlined the progress with delivering our social purpose. The leads for each social contract programme shared their ideas and over 50 staff volunteered to participate. We also held our second social contract customer forum, which identified that vulnerability and the environment had increased in importance over the last year alongside the education initiatives that had been prioritised. Jim McAuliffe reported back to the Board on the success of both events, which informed the social contract forward programme for 2020/21 (www.bristolwater.co.uk/wp-content/uploads/2020/05/Forward-Programme-2020-2021.pdf) which we published in May 2020. We published a guide to our social purpose (www.bristolwater.co.uk/wp-content/uploads/2020/05/A-Guide-to-Our-Social-Contract.pdf) which sets out our approach and how it delivers our 2020-25 outcomes.

This social purpose is now reflected in our corporate governance code which sets out how the Board ensures the strategy, values, culture and decisions of Bristol Water have regards to the interests of those affected by our social purpose. Our social contract is continuing to evolve (as society does) and as we learn from experience, so through a set of mechanisms and initiatives we are building partnerships and relationships to make what we set out to achieve meaningful for our customers and stakeholders. We recently published an update on the progress we have made in the evolution of our social contract[1]. Some of the highlights included the installation of eight water fountains across the city of Bristol, bringing our total to ten. We have supported local school children through a career day, a range of mentoring activities and through our Youth Board. This work contributes to the achievement of our Social Mobility Pledge. Our cross-sector Resource West initiative to tackle resource efficiency challenges in partnership with others now forms part of the Bristol One City plan.

One of the main areas of focus is the recognition that the next generation of citizens, customers and employees had the most interest in environmental and climate issues, but often had the least environmentally sustainable behaviour, such as the highest water use. Our

[1] www.bristolwater.co.uk/wp-content/uploads/2019/12/Bristol-Water-social-contract-impact-interim-report-2019-20.pdf






research identified that this was due to lifestyle and housing. We ran a "future citizens / future employees" local stakeholder event at which a number of organisations made pledges to work on this theme together. This fed into our Resource West initiative, which seeks co-ordinated resource efficiency messages to communities. Our social contract initiatives also map into the Bristol One City plan, which sets out the long-term ambitions for Bristol including the response to the climate and ecological emergencies, where we play a specific role through the Environmental Sustainability Board. We see local plans such as this as a key future focus for the water sectors and its regulation.

There are two specific triggers the Board monitor carefully for our social contract. Firstly, based on the most recent business benchmarking survey we have for UKCSI in November 2019, our overall customer satisfaction score was 79.5. This places us as the top utility and top water company, just ahead of Dwr Cymru with 79.2. The scores for the trust and reputation elements are close to the scores of the highest scoring utilities for this component, but with our social contract we aim to improve this further.

Secondly, we are currently achieving 89% stakeholder satisfaction levels, based on our broader impact on the local community. The survey found that stakeholders had great confidence in our core service, such as water quality. On our social initiatives, the most important factor was that we were enjoyable to work with, although the communication of the work we do was an area to improve. There was a strong sense that we were seen as innovative and this was becoming a differentiating factor from other utilities.

The Health & Safety of our employees and contractors is of equal importance to providing a clean, safe water supply to the public. We have established a very strong safety culture and look for continuous improvement, with the number of accidents c50% below a target looking to reduce accidents by 10% each year.

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

These seven values describe who we are and who we want to be for our colleagues, customers, the

# Trust beyond water

communities we serve, and our environment. The Board hold the executive to account in delivering against these values, as they reflect a personal commitment from the management as to how they will lead the organisation. They are critical to our success and essential to achieving our vision and strategic objectives. Our approach on values and its importantance to employee engagement featured as a case study in the CBI's "Great Job" report about solving the UK's productivity puzzle[2].

## Transparency, engagement and assurance

As well as the transparency of delivering our purpose through our social contract, another key priority for Bristol Water has been transparency on performance. In December 2019 we again published an independently assured and verified mid-year performance statement for the first half of 2019/20, reflecting the challenges we were facing to deliver the challenging targets we set ourselves. This report included direct comparisons of our performance to the rest of the industry, reflecting our ambitions. Our interactive performance summary available on our website at the year-end and mid-year continues to help to promote easily accessible and transparent information on both our performance and future plans.

We have recently published a guide[3] which summarises our outcomes and social contract plans. We were pleased that Ofwat highlighted a number of Bristol Water good practice areas for Board Leadership, Transparency and Governance updated in January 2020, however we are determined to take the transparency on the actions the Board ensures that Bristol Water takes further. The Board takes this seriously and is fully responsible for the decisions made. Matters that are reserved for shareholders and conflicts of interest are areas of specific monitoring. No decisions during 2019-20 were reserved for shareholders and no Board conflicts of interest were noted

The Bristol Water Challenge Panel continues to play an important role in providing a supportive challenge on our performance and customer engagement. One of our non-executive directors, Jim McAuliffe, provides direct access to the Board, independently of management to ensure the importance of this role is reflected at Board discussions.

## Long-Term Strategy

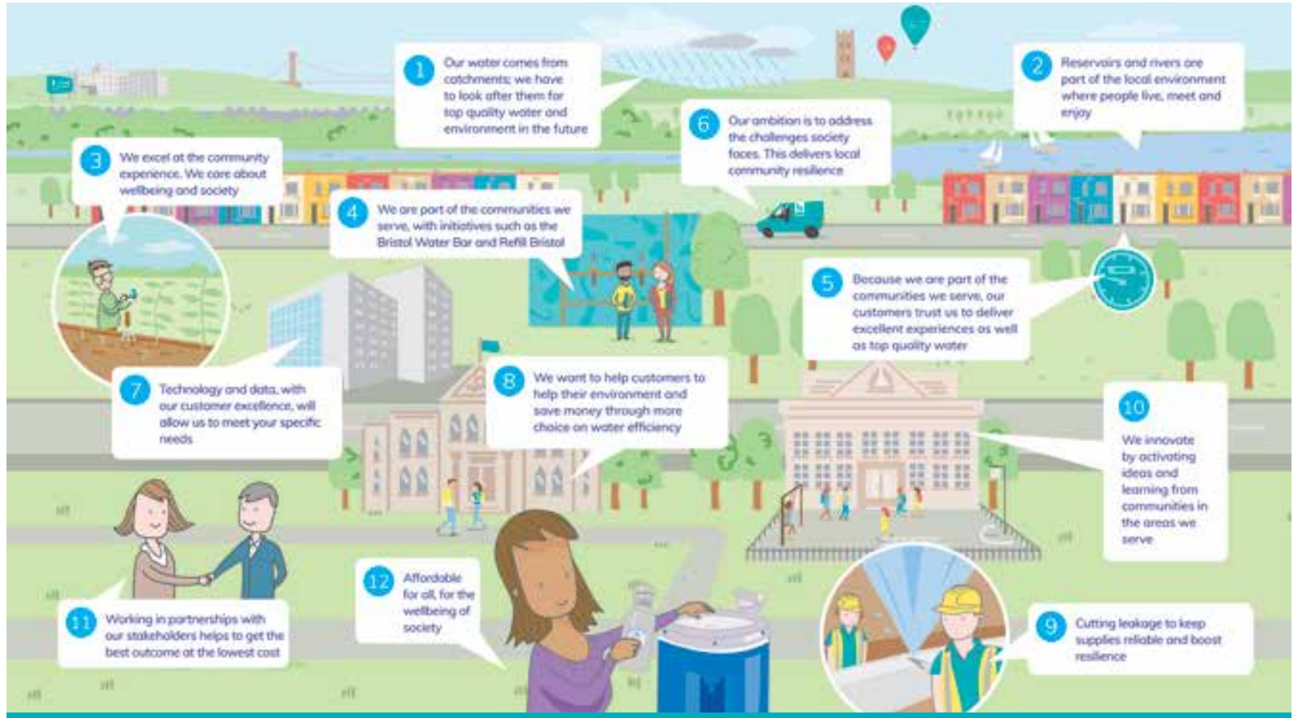
In February 2018 we launched 'Bristol Water...Clearly', which sets out our long-term ambition for our water services, local communities and the environment over the next 30 years to 2050. 'Bristol Water...Clearly' places customers and trust at the heart of how we continue to fulfil our responsibilities as a trusted owner and operator of local services critical to the communities that we serve. Our four objectives, as articulated in "Bristol Water...Clearly", are: (1) Excel at customer experience; (2) Leading efficiency; (3) Develop our people and the business; and (4) Being trusted. Developed through engagement with our stakeholders and customers, 'Bristol Water...Clearly' sets out how we were changing and the changes in our business to come. The summary from this document sets out our mission for the future.

## Environment

Our catchment management work has been more successful than we had hoped in protecting the water quality in the Mendip Lakes. A 25% reduction from the baseline means the water quality can be assessed this year as "improving" for the second year in succession. Through working with the local landholders and partners, including through the Mendip Lakes Partnership, the frequency of algal blooms has reduced, which contributes to keeping long term water quality high and treatment costs low.

We use a Biodiversity Index to target a net ecological benefit for the land we own and manage. This increased by a net 2 points in 2019/20, compared to our target for a net gain of 1 point on this index. Challenges were faced from Ash dieback infection, which were more than offset by hedgerow planting. We are promoting the use of the Biodiversity Index with other organisations as part of our social contract.

[2] www.cbi.org.uk/media/2717/2019-05_great-job-full-report.pdf
[3] www.bristolwater.co.uk/wp-content/uploads/2020/05/A-Guide-to-Our-Social-Contract.pdf




This statement of ambition has further developed with the recognition of how we deliver being as important as what we deliver. The summary of our social contract approach below formed a summary of this development.


As well as our extensive engagement on our social contract, a key development for 2019/20 was the implementation of a new approach to developer services charges. We engaged extensively with developers and water retailers operating in the business market, through both surveys and our popular engagement days. We continue to be one of the top performing wholesalers in the business retail market, according to MOSL statistics.

# Trust beyond water

### Innovation

We continue to build on our innovation framework, holding a major regional event at the University of the West of England. We also published an 8-part series of podcasts with our partners to communicate water sector innovation to a wider audience[4]. Our innovation framework continues to help us track our current innovation initiatives against the main challenges we face.

A major achievement during 2019/20 was the implementation of IPSOS, which uses artificial intelligence to automatically schedule network pumping and storage. The operation of our control room changed to ensure a successful implementation of this state-of-the-art system which will significantly reduce our energy costs as well as improving monitoring and control. This takes our systems resilience to a new level.

We used our existing 'Brainwaves' staff innovation process to encourage ideas for how we could best respond to Covid-19.

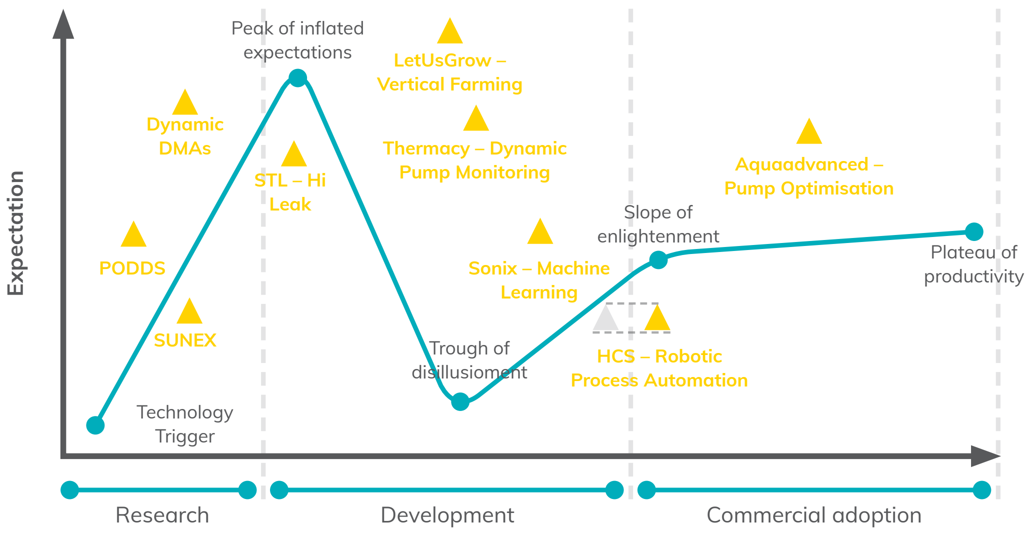
### Returns and Financial Policy

Despite the improved outcome performance, returns on regulated equity (RORE) over 2015-20 were 4.7%, below the 5.8% assumed at PR14. Around 0.5% of this reflects exceptional costs in 2019/20 associated with the CMA reference and a water supply contract arbitration. We have retained the dividend policy for 2015-2020 of no dividends being paid to ultimate shareholders. A small amount of dividend below the shareholder value earned has been retained to develop group activities, as well as for existing other long-standing group financial arrangements.

Despite this gearing increased slightly during the year from 64% to 66%, because of higher capital expenditure and exceptional costs associated with COVID-19 and the CMA reference (no element of which is shared with customers).

Financial viability during the time period of the CMA reference is being maintained with shareholder support. We reorganised Director responsibilities to reflect the challenges of the CMA process. We had to defer some elements of our transformation because of COVID-19, but this has been balanced by some elements of capital investment such as metering and new connections which we cannot incur during "lockdown". A significant impact on business revenue is expected, in part because of changes in the market codes introduced by Ofwat. On-going financial viability will depend on the further development of these actions as well as for the longer-term the outcome of the CMA process.

Executive remuneration detail is set out transparently in our Annual Report. A key feature is that our annual bonus scheme for staff and for executive directors contains the same set of company metrics for customer, cost and corporate objectives, together with a weighting towards company metrics from personal objectives that increases with seniority. Despite the financial resilience challenges faced we ensured that staff continued to receive the bonuses that our excellent service performance in 2019/20 had merited.




### Resilience Action Plan

In August 2019 we published an update on our Resilience Action Plan; this update introduced our "systems thinking" approach.[5] We consider systems thinking to be about understanding the whole context of a particular challenge with all its connections and interrelationships. This approach helps to identify the root cause of a problem, or source of an opportunity, enabling powerful, long term and cost-effective decision making.

We recognise the value that systems thinking can bring to our decision making and investments, particularly to the way we manage our resilience, and we already apply it implicitly in many of the ways we work. Our four business plan outcomes recognise this close relationship with our communities and make an explicit link between community wellbeing and resilience.

We have completed the actions due so far in our Resilience Action Plan, which we will report on in more detail as part of our mid-year performance reports:

- Benchmarked our approach against other organisations
- Aligned our asset management systems to ISO15001
- Identified and developed the internal competencies we need.

### Markets

We are proud of our performance as a wholesaler in the business retail market. This goes beyond consistently being a high performing wholesaler (second in 2019/20) in the MOSL market performance statistics, to the relationship we have with retailers and developers. We believe the experience of retailers and developers with their water wholesaler is the most important step we can take in promoting markets. This approach stems from the culture and values we have as a local water company – we try and meet individual needs rather than solely meeting minimum market expectations.

Our Developer services performance has not always been as good as our retail market performance. We have made significant improvements in timeliness and effectiveness of response recently and will continue to focus on this. The experience and relationships with developers have been very positive and we have an effective New Appointment and Variations (NAV) and Self-Lay Provider (SLP) market operating in Bristol. Although currently an area of regulatory debate, our engagement on income offset treatment and the new connection charging arrangements has been successful to date and supports the competitive market.

We publish technical information that makes it easier for developers and SLPs to understand our costs and approach to developer services. This does involve some technical language in our new charging arrangements document, which is not an issue for developers, but we are trying to balance technical and detailed information carefully. The key priority is to make costs certain and as fixed as possible, and developers are content that we have achieved this balance based on the feedback to date.

On water resources market development, we are working as part of West Country Water Resources (WCWR), with a focus on regional exports as well as resilience. We recently agreed a memorandum of understanding with the other companies involved, which sets out how we will transition from a cost share for the initial work to a "beneficiary pays" approach consistent with a water resource trading market. We have offered the "Cheddar 2" reservoir plans through WCWR in case this water resource development has value to wider West Country exports.

We are also implementing more network monitoring and scheduling, which will lead us towards internal water resource optimisation which will assist with water trading.

We consulted on our Bid Assessment Framework (BAF), both for the original and the updated version in June 2019 reflecting Ofwat's feedback in January 2019. We have published a simple water resources trading code to provide a link between the BAF and water resources market information, given that we have spare water to offer, albeit at relatively modest quantities. We have also provided further information on our water resources webpage, to encourage bids from those interested in the water resources market.

### Conclusion

It has been a ground-breaking year for Bristol Water. We have started to see the benefit of our transformation with improved performance – both in terms of our service to customers, but also improving the way the company is viewed more widely through delivery of our social purpose. The ability of the organisation and its people to respond during the most challenging of times that society currently faces gives us confidence about the future.

[4] www.bristolwater.co.uk/innovation-podcast
[5] www.bristolwater.co.uk/wp-content/uploads/2019/08/C4DD-Bristol-Water-Clearly-Resilient-systems-thinking-approach-and-act....pdf

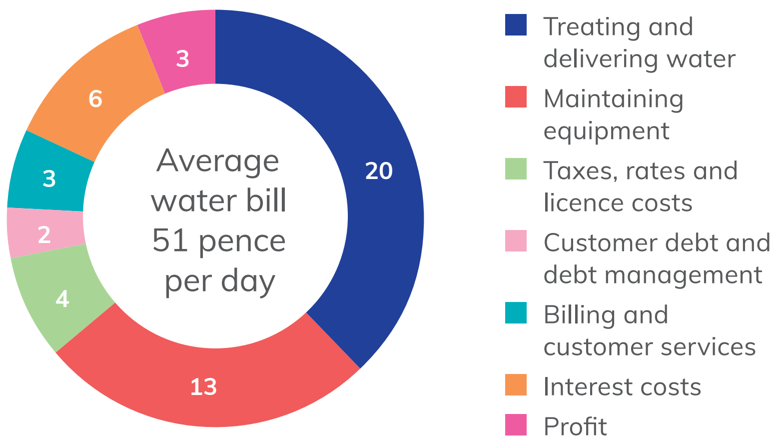
# How our performance links to bills and dividends

The average household customer bill in 2019/20 was £187, equivalent to 51 pence per day. Expenditure and financial assumptions within the revenue controls result in a split into different categories as shown in the graph below. Profit is either retained in the business or distributed outside of the appointed business through the payment of dividends.

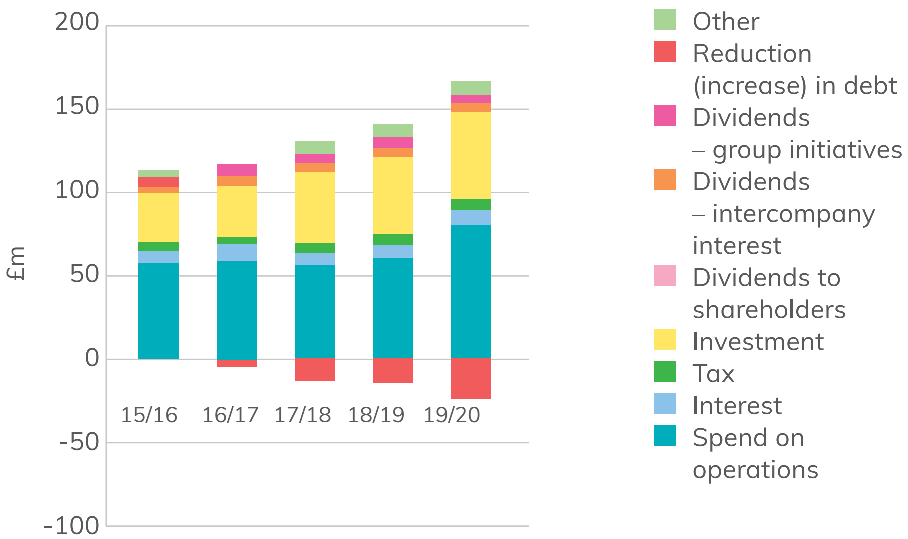
The actual cash movements during 2019/20 showed an increase in net debt per table 1E of £40.6m, which largely reflected increased investment that saw the renewal of c0.5% of our mains, and helped to deliver the c4.5Ml/d (11%) reduction in the level of leakage between 2018/19 and 2019/20.

In 2019/20 RCV increased by £30.5m, £14.4m of which was the effect of RPI inflation, compared to the increase in net debt of £40.6m. This increase in net debt was higher investment, up £21m over 2018/19 at £67.1m, offset by no dividends being paid outside of the group.

**Where your bill goes (2019/20 – average bill pence per day)**



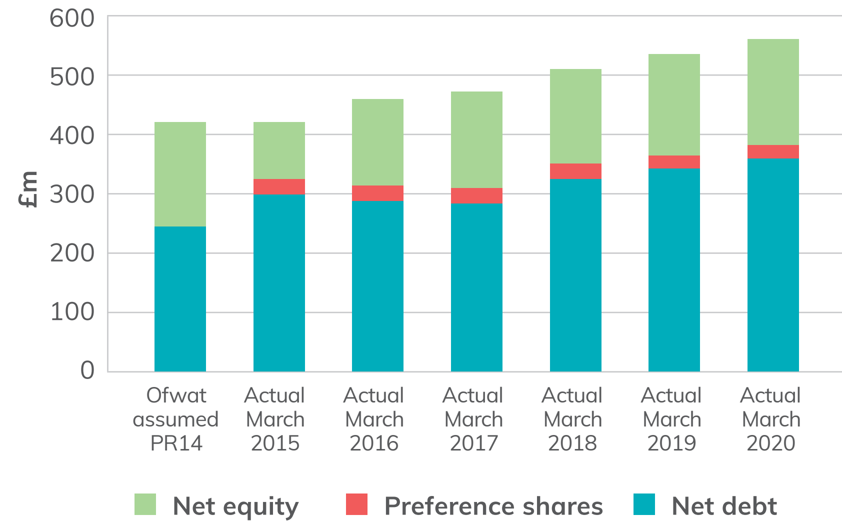

**Use of regulated revenues**



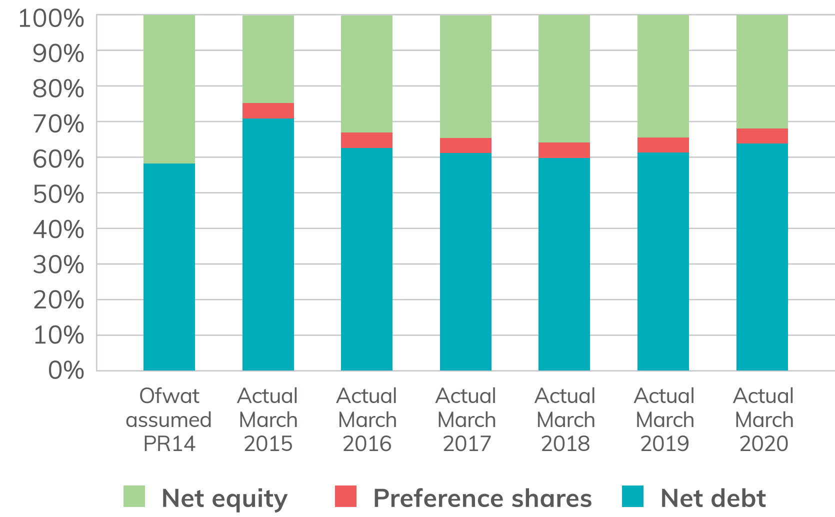

Because of the retention of equity, gearing has fallen from 75.1% in March 2015 to 68.3% in March 2020, or 66.3% excluding preference shares (an increase from 62.2% in March 2019 because of the increased investment). Gearing increased by 4.2% during 2019/20, reflecting increased operational expenditure and investment.

In the 2014 price review Ofwat assumed that, were Bristol Water to perform in line with the price review assumptions, it would earn a return on regulated equity (RORE) of 5.8%, within a range of 0.2% to 7.8%. Over 2015-20 we have underperformed these assumptions by 1.1% at 4.7%, although c0.5% of this was due to one-off costs in 2019/20 not related to on-going costs of the business. Underperformance on expenditure after the atypical expenditure is broadly in line with the original assumptions, with outcome underperformance of 0.5%. Financing costs overall were broadly in line with those assumed, which included a 0.4% additional cost of debt reflecting that we are a small water only company. RORE for 2019/20 was 3.3%, with totex underperformance of 3.8% and ODI outperformance of 0.7%. The ODI outperformance in the year related to leakage, where we outperformed our targets, offset in part by the impact of slower take up of metering by customers.

**Bristol Water build up of net equity**

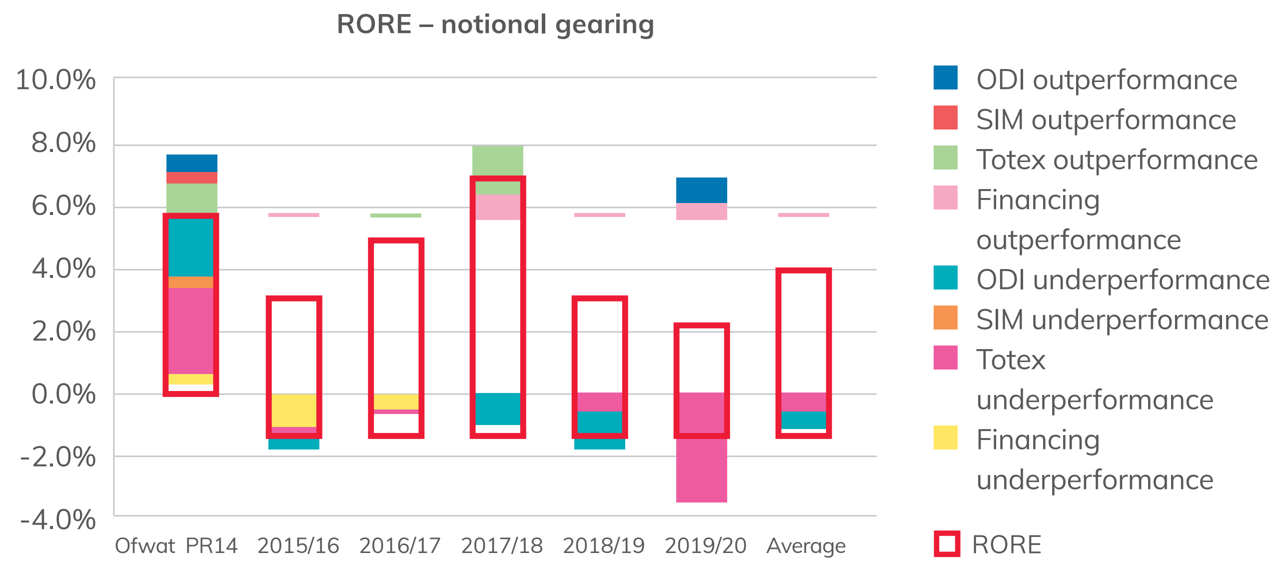



**Bristol Water reduction in gearing**



# How our performance links to bills and dividends

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




The actual dividend yield is 1.7%, and this includes dividends which were used by the parent company to provide working capital for the group's retail non-household joint venture. No dividends have been paid out of the Group to the current shareholders, and the company has paid lower dividends overall, evidenced in the reduced gearing levels from retaining equity. The table below shows how PR14 assumed returns and dividend yields compared to our actual dividends. The PR14 RORE of 5.8% would be reduced to 5.6% if adjusted for the actual level of gearing.

By order of the Board
**M Karam**
Chief Executive Officer
13 July 2020

| | Ofwat PR14 | Actual 2015/16 | Actual 2016/17 | Actual 2017/18 | Actual 2018/19 | Actual 2019/20 | Actual 2015-20 |
|---|---|---|---|---|---|---|---|
| **Return on regulated equity (RORE)** | 5.8% | 4.0% | 5.3% | 7.1% | 4.0% | 3.3% | 4.7% |
| **Actual dividend yield** | 4.0% | 0.0% | 3.3% | 2.0% | 1.5% | 1.6% | 1.7% |
| **Dividend yield paid to Bristol Water Group shareholders** | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |





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# Bristol Water Challenge Panel Statement

CHALLENGE PANEL

The Independent Customer Challenge Group for Bristol Water is known as the Bristol Water Challenge Panel. One of the Challenge Panel's roles is to monitor, scrutinise, challenge and report on Bristol Water's performance against its 21 commitments.

The Challenge Panel places great importance on the need for Bristol Water to provide its customers with clear, high quality information on its service performance, on billing matters and on operational issues.

The Challenge Panel has reviewed the company's performance against its commitments for 2019/20, both at the mid-year and end-of-year positions. It also reviewed the company's information assurance regime in place for the year and the audit findings of the company's independent technical assurer Atkins.

The Challenge Panel was pleased that the company achieved or exceeded the targets for fourteen of its commitments (this was a substantial improvement in comparison to its performance in 2018/19). The significant investment in the Southern Resilience Scheme, a continued drive to reduce leakage, and further investment in biodiversity and environmental improvements all contributed to the improved performance. However, the Challenge Panel remains concerned about the amount of stretch in Bristol Water's environmental performance commitments and will be undertaking a 'deep dive' into all the environmental work of Bristol Water during the coming year.

The Challenge Panel is encouraged by Bristol Water's prioritisation of affordability and its social tariff assistance (in particular the significant increase in the number of customers benefiting, with an increase of 21% over last year), which has again ensured zero customers are in water poverty. We were pleased to see the effective operational response to supply interruptions which resulted in the improved performance in such a short time.

The Challenge Panel was disappointed that the company failed to meet seven of its targets and received a penalty for meter penetration for the fifth consecutive year. We note however that this is an improvement compared to 2018/19 (when penalties were incurred for meter penetration, bursts, leakage and unplanned customer minutes lost).

Performance against the SIM customer service measure slipped to its worst level in the last five years despite investment in new systems and processes and the target being to a reduced 'proxy SIM'. While this outcome is disappointing, this is the final year of reporting against the SIM measure and the Challenge Panel is encouraged by the company's relatively good performance against the C-MeX successor metric which is more appropriate to the water industry as a whole.

The Challenge Panel is pleased to note that the company has made considerable progress on its social contract and that its various programmes are starting to benefit its regulatory commitments. We will however continue to work with Bristol Water as it looks to implement a benefits framework so that its customers can fully understand how the benefits are measured transparently and accurately.

Customers' trust in the company is heavily dependent upon sound information. The Challenge Panel has received assurance from Atkins that both the company's reporting methodologies and the resulting data for all the performance commitments are sufficiently robust to enable the Challenge Panel to rely upon the published results.

The Challenge Panel notes that 2019/20 is the last year of reporting upon Bristol Water's performance in Asset Management Period 6 and that we now move into Asset Management Period 7 where this Challenge Panel helped to craft the performance commitments that Bristol Water are aiming to achieve.

The Challenge Panel thanks the Company for its openness and transparency throughout the year and for providing us with regular, timely briefings and presentations and sharing its thinking on how it intends to improve its operational performance and customer service. Given the importance of water for public health, we welcome Bristol Water's commitment to maintaining the water supply for its customers during the ongoing COVID-19 pandemic. We look forward to reviewing the company's performance in 2020/21.

On behalf of the Bristol Water Challenge Panel,
**Mrs Peaches Golding OBE**
Independent chair
13 July 2020

ANNUAL PERFORMANCE REPORT

# Annual Performance Report for the year ended 31 March 2020

## Disclosures required by RAG 3

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

### Accounting Policies

#### i) Revenue recognition policy

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

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

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

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

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

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

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

#### ii) Charging policy

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

Charges are payable in full in the following circumstances.

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

**b) Unoccupied and furnished**
Water charges are payable in full on unoccupied, furnished premises. In exceptional circumstances, where it is certain that the customer does not need access to water supply at the property, water charges are not payable. Such exceptions include where the customer is:
- in a care home;
- in long-term hospitalisation;
- in prison;
- overseas long-term; or
- deceased.

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

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

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

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

The property management process may comprise some or all of the following:
- physical inspection;
- mailings;
- customer contacts;
- meter readings for metered properties; and
- land registry checks.

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

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

#### iii) Bad debt policy

The Company has a policy to make a full bad debt provision for debt which remains uncollected until after five years of billing, for example uncollected debt in relation to financial year 2014/15 and before is fully provided for by the end of financial year 2019/20. A general provision is made for debt outstanding in relation to the current and last four financial years. The general provision is primarily based on historic collection rates and further adjusted by judgemental factors to reflect the current economic environment. The judgemental factors are applied only if it is believed that the historic collection rates do not reflect future expected collection rates.

Whilst the economic impact of the COVID-19 pandemic is still emerging the Company believes that there will be an impact on the recovery of household debt and has estimated an expected increase in the impairment of trade receivables of £0.6m. This estimate has been based on historic collections data from previous financial crises and an assessment of the potential impact on household debt.

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

The Company's bad debt write off policy has remained unchanged and has been consistently applied in the current and prior years, except in respect of the non-household debt for which we no longer have a provision, as under the non-household retail market codes, retailers provide collateral for their debt. The provision at 31 March 2020 was £15.649m (31 March 2019: £14.088m).

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

Net trade debtor balance at 31 March 2020 was £11.042m (31 March 2019: £10.039m).

ANNUAL PERFORMANCE REPORT

# Disclosures required by RAG 3

### iv) Price Control Segments-Basis of allocation and apportionment of costs and assets

Allocation and apportionment of costs and assets between Bristol Water plc and its associated companies is at arm's length and no cross subsidy is occurring.

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

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

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

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

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

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

### v) Capitalisation policy

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

Assets are either infrastructure assets or non-infrastructure assets.

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

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

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

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



### vi) Dividend policy and amounts paid to parent company

It is the Company's practice to pay an annual level of ordinary dividends comprising:
- a base level based on the assumptions made in the 5-year determination of price controls;
- adjustments to reflect the actual performance of the business; and
- the actual financing structure and the Company's funding requirements including the post-tax interest receivable from Bristol Water Holdings UK Limited, a UK parent company, in respect of inter-company loans.

During the year the following dividends have been paid in respect of the 2019/20 financial year:
- First interim for the inter-company loan interest element of £1.638m;
- Second interim for the inter-company loan interest element of £1.629m; and
- Third interim base dividend of £3.000m, which is below that commensurate with the performance of the Company, reflecting retention of equity by shareholders.

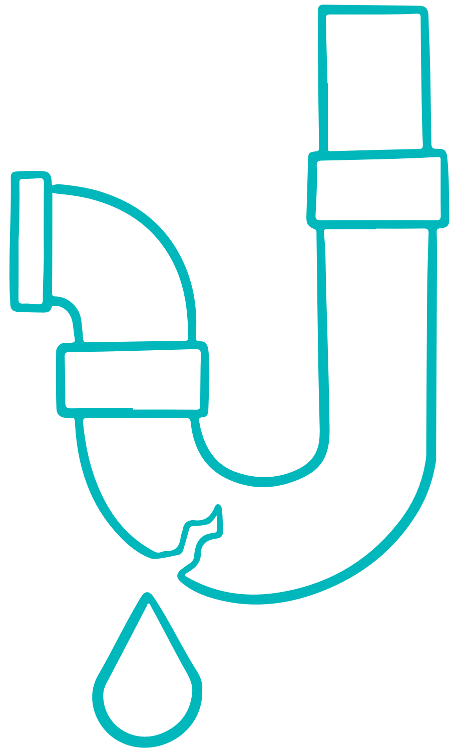
The base dividend assumed at PR14 was £6.9m, excluding preference dividends and inter-company loan interest. Therefore the base dividend of £3m is less than would be justified based on the dividend policy (£5.1m, as shown in table 1F), and the principal in our dividend policy that dividends should reflect economic incentives from delivery for customers and society. We explain this link in the "How performance links to bills and dividends" section.

In addition, annual dividends of £1.094m (2018/19: £1.094m) continued to be paid on the irredeemable preference shares. The irredeemable preference shares are shown as debt in the statement of financial position, and the dividend is therefore shown as a finance cost in the income statement.

The Board has proposed a final dividend in respect of the year ended 31 March 2020 of £nil (2019: £nil).

### Tax strategy

The Finance Bill 2016 introduces the requirement for large companies to publish their tax strategy annually; although Bristol Water is not deemed a large Company by HMRC, Ofwat requires us to publish our tax strategy which can be found on the Company website
www.bristolwater.co.uk/wp-content/uploads/2020/03/group-tax-strategy.pdf

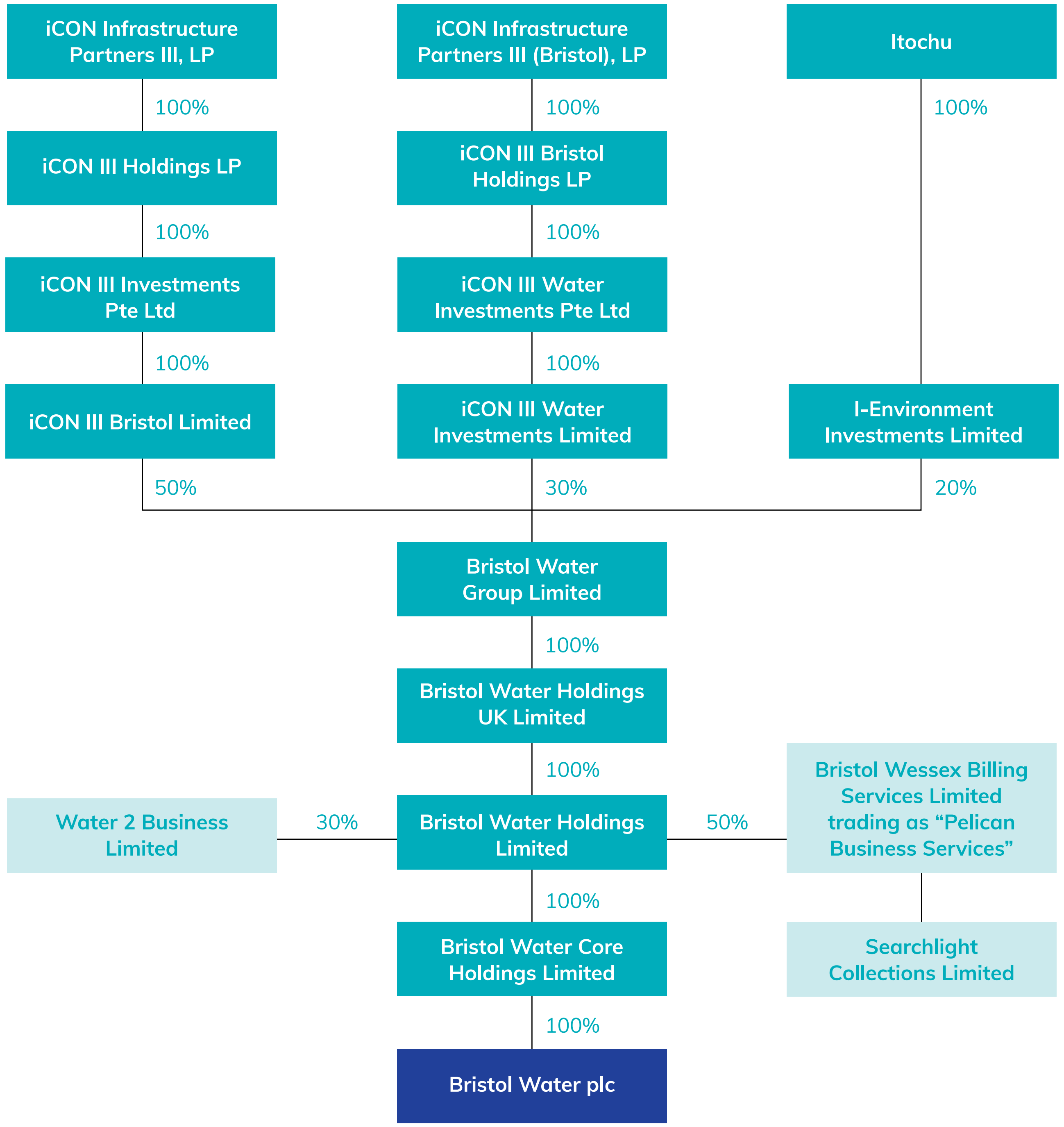


# Disclosure and Transparency

The Annual Report and Financial Statements for Bristol Water plc which can be found on the Bristol Water website (www.bristolwater.co.uk/about-us/performance/company-financial-reports/) contains the following information:

- Review of company performance - pages 11–15
- Long Term Viability statement - pages 47–52
- Key risks to the business - pages 37–46

### Ownership and corporate structure






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

As at 31 March 2020, 80% of Bristol Water was ultimately owned by two investment funds (the "iCON Funds") which are affiliated with iCON Infrastructure LLP ("iCON"), with the remaining 20% of Bristol Water owned by I-Environment Investments Limited, a UK subsidiary of Itochu Corporation ("Itochu"). The iCON Funds interest are split as follows: iCON Infrastructure Partners III, L.P. ("iCON III") own 50% and iCON Infrastructure Partners III (Bristol), L.P. ("iCON Bristol") owns 30%.

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

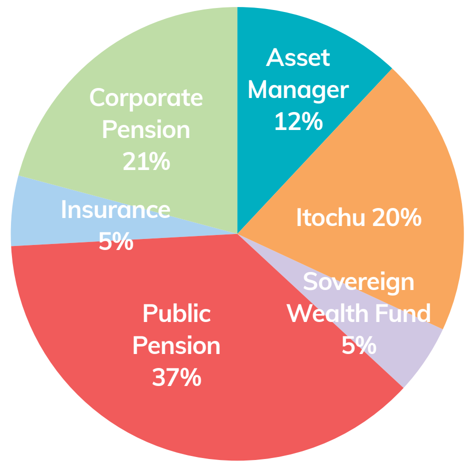
Itochu has owned its indirect 20% shareholding in Bristol Water since 2012. Itochu is a diversified group based in Japan which is listed on the Tokyo stock exchange. Further information concerning Itochu can be obtained at www.itochu.co.jp/en

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

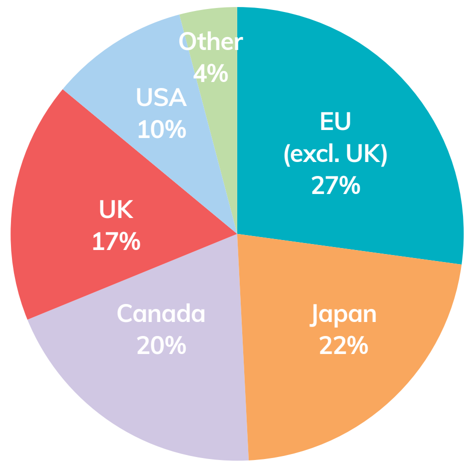
The ultimate holding company of Bristol Water is Bristol Water Group Limited ("Bristol Water Group"), which is a UK incorporated and UK tax resident company. The iCON Funds and Itochu are indirect investors in Bristol Water Group. The iCON Funds hold their interests in Bristol Water Group through intermediate holding entities domiciled in Singapore (as detailed in the group ownership structure on page 22). The direct holding companies were incorporated in Guernsey but are tax resident in the UK, namely iCON III Bristol Limited in the case of iCON III and iCON III Water Investments Limited in the case of iCON Bristol. Itochu owns its shareholding through a UK incorporated and UK tax resident holding company, which is a 100% owned subsidiary.

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

**Beneficial Ownership by Investor Type**




**Beneficial Ownership by Country**



# Disclosure and Transparency

### Financing and dividend policy of the group with its ultimate shareholders:

During the year, Bristol Water paid dividends of £6.3m (2018/19: £6.3m) to its immediate holding company Bristol Water Core Holdings. Of this dividend, £3.3m was returned to Bristol Water in respect of interest owing on intragroup debt facilities (see below under "Group financing arrangements") and the £3.0m balance was to part re-pay loans provided by Bristol Water Holdings UK limited as described below. No dividends were paid during the year (2018/19: £nil) by Bristol Water Group to the holding companies of Itochu or the iCON Funds.

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

In December 2016, the iCON Funds and Itochu contributed £9.0m additional funds to the group. These funds were provided on a short term, non interest-bearing basis to Bristol Water Group by the holding companies of the iCON Funds and Itochu, pro-rata to their ownership interests in Bristol Water Group. They were on-lent by Bristol Water Group to Bristol Water Holdings UK to fund payments to Agbar, a previous part owner of Bristol Water Holdings UK, on 15 December 2016 in connection with the ending of an operations and maintenance arrangement between Agbar and Bristol Water Holdings UK. In 2019 the repayment date of these loans was extended to 31 December 2021 and the principal amount outstanding of the loans as at 31 March 2020 was £5.6m (2019: £5.6m).

As at 31 March 2020, Bristol Water's net debt, excluding preference shares, was £372m (2019: £331.0m) corresponding to a ratio of 66.3% of its regulated asset base, which is in reasonably close proximity to the 62.5% notional capital structure that Ofwat assumed for water companies in AMP6. The net debt of the consolidated group comprising Bristol Water Group and its subsidiaries is also consistent with Ofwat's assumption, after adjusting for the £5.6m of short term receivables and accounting for mark-to-market adjustments for debt arising at the time of Bristol Water Group's acquisition of its interests in the group.

### Group financing arrangements

There are two upstream loans from Bristol Water to its intermediate 100% shareholder Bristol Water Holdings UK: a £47.0m (2019: £47.0m) loan earning interest of 6.042% and a £18.5m (2019: £21.5m) loan earning interest of 5.550% (together the "Upstream Loans"). These loans were advanced to the Company in 2003 and 2005, respectively and on 31 March 2020 Bristol Water Holdings UK repaid £3.0m of the 2005 loan. Bristol Water received interest payments of £3.3m net of tax in respect of the Upstream Loans from Bristol Water Holdings UK in the year ended 31 March 2020 (2018/19: £3.3m). These interest payments are currently funded by dividends received from Bristol Water. These Upstream Loans are entirely internal to the consolidated group headed by Bristol Water Group.

### Governance

iCON has confirmed that the iCON Funds are aware and supportive of Ofwat's Principles of "Board leadership, transparency and governance" published in January 2019 (which superseded and replaced the previous version published in April 2014), which sets out Ofwat's expectations for holding companies of regulated water companies to show their adherence to the highest standards of corporate governance. Compliance with these principles became a condition of the Company's undertaker's licence with effect from August 2019.

There is a list of matters that are reserved for the Board of Bristol Water which indicates where shareholder approval may be required. This is available on our website[6]. Where shareholder approval is required, this is obtained prior to approval by the Bristol Water Board.

During 2019/20 all Board decisions were made by the Bristol Water Board and no decisions were reserved for shareholders or for Bristol Water Holdings Ltd.

iCON has confirmed on behalf of iCON III that, other than iCON III's limited partners and iCON III's direct and indirect wholly-owned subsidiaries there are no other beneficiaries of the regulated Company within the iCON group structure. iCON has, on behalf of iCON III in its capacity as managing general partner of iCON III, given an undertaking compliant with Condition P of the Company's licence when it took control of the Company (the "Condition P Undertaking").

[6] www.bristolwater.co.uk/wp-content/uploads/2018/09/2018-Apr-23-Matters-Reserved-for-the-Board-of-Bristol-Water-plc-Final.pdf



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

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

### Principles of Corporate Governance

In May 2019 Bristol Water adopted a new Corporate Governance Statement (the "BW Corporate Governance Statement") which had effect from April 2019 and replaced the Company's former Corporate Governance Code. The BW Corporate Governance Statement confirms the Board's commitment to maintaining trust in Bristol Water's reputation for high standards of conduct, beyond just as a dependable provider of an essential water service. The Statement also confirms the Board's commitment to compliance with the UK Corporate Governance Code as published by the Financial Reporting Council in 2018 (the "UK Corporate Governance Code") the "Ofwat Principles". The Ofwat Principles are set out in the Ofwat document "Board leadership, transparency and governance" published in January 2019 and re-enforce the UK Corporate Governance Code. With effect from August 2019, Compliance with the Ofwat Principles is a condition of the Company's Licence.

The Corporate Governance Statement is available on our website[7].

Bristol Water is a private company with listed debt including Cumulative Irredeemable Preference Shares but no listed ordinary shares as categorised as a 'standard listing' on the main market of the London Stock Exchange. It is therefore not under an obligation to report compliance with the UK Corporate Governance Code, however, the conditions of our Water Licence require us to report as if we have a 'premium listing'. The Board is pleased to confirm that Bristol Water complied with the provisions of the Ofwat Principles and also the UK Corporate Governance Code, with one exception, namely that the Company does not have a majority of independent non-executive directors appointed to the Board. There are four independent non-executive directors (INEDs) of the Company on the Board plus our Chairman. Our non-executive director Chairman is not considered independent for the purposes of the UK Corporate Governance Code owing to the length of his appointment. The Board also comprises two executive directors - the Chief Executive Officer and Chief Financial Officer - and a further three non-executive directors, two of whom are designated by the iCON Funds and the other of whom is designated by Itochu Corporation.

It is not considered proportionate to increase the size of the Board further by appointing additional independent non-executive directors. The Board composition is already diverse and covers a mix of skills and expertise as well as regional connections. Accordingly, given the relatively small size and turnover of the Company it is not considered necessary or proportionate to appoint additional directors solely for the purpose of compliance with this provision of the Code.

The requirement in the "Ofwat Principles" that the independent non-executive directors comprise the largest group on the Board is met.

[7] www.bristolwater.co.uk/wp-content/uploads/2019/07/Bristol-Water-Corporate-Governance-Statement-July-2019.pdf

## Disclosure and Transparency

**Directors' emoluments**
Full and detailed disclosures of Directors' remuneration are included in the Directors' remuneration report (Appendix 1) which sets out the basis of Director remuneration, including bonuses, and links to standards of performance. The annual bonus arrangements (Annual Cash Incentive Plan or "ACIP") were set on 30 May 2019 for Mel Karam, CEO and Laura Flowerdew, CFO.





# Statement of directors' responsibilities

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

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

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

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

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

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

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

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

### AUDITORS AND DISCLOSURE OF INFORMATION TO AUDITORS

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

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
(2) the director has taken all the steps that they ought to have taken as a director in order to make themself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

By order of the Board
**L Flowerdew**
Chief Financial Officer
13 July 2020

# Regulatory certificate of sufficiency of resources by the directors

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

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

(2) That in the opinion of the Directors the Appointee will, for at least the next 12 months, have available to it:

a) management resources; and

b) systems of planning and internal control;

which are sufficient to enable it to carry out those functions; and

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

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

**(1) Financial resources and facilities:**

- Profit and loss budget, and capital programme, for 2020/21 and forecast for 2022, approved by the Board;
- Monthly management accounts prepared for periods prior to the certificate date;
- Cash at bank/on deposit held in the Bristol Water Statement of Financial Position of £10.1m at 31 March 2020; and
- Unutilised committed term facilities of £50m as at 31 March 2020.

**(2) Management resources and systems of planning and internal control:**

- Bristol Water plc has an experienced senior management team with good knowledge of the water industry; and
- The Company has systems of planning and internal control sufficient to manage financial and non-financial resources.

**(3) Rights and resources (other than financial resources)**

- The Company has access to the rights and resources it requires as the Appointed Business; and
- The Company currently has limited contracts with Associates and all Associated companies comply with the ring-fencing conditions set out in the Instrument of Appointment.

The table below provides a cross-reference to information elsewhere in our annual reporting that the Board considered in making this certificate of sufficiency of resources (which is also known as the Ring-fencing certificate). This statement is accompanied by a report from PwC which can be found on our website (www.bristolwater.co.uk/about-us/our-performance/#regulation).

| Ring fencing certificate factor | Actions | References in Annual Report / Annual performance report |
|---|---|---|
| **Financial resources and facilities** | Financial details of cash position, financial headroom and refinancing undertaken/planned<br>Performance against Final Determinations (FDs) set at the last price review<br>Business plans<br>Relevant reports on financial resources and facilities (internal or external) | Long Term Viability Statement<br>How performance links to bills and dividends<br>Trust Beyond Water statement<br>Long Term Viability Statement |
| **Management resources** | Management skills, experience and relevant qualifications<br>Recruitment process, staff engagement<br>Succession planning for key management/staff<br>Quality of management/staff induction and other training and development<br>Board or management activities, reports or statements<br>Independence of Board | CEO report<br>Trust beyond water<br>Strategic Report section of annual report (people), Trust Beyond Water<br>Strategic Report section of annual report (behaviours)<br>Trust beyond water – social contract<br>Director's report plus statements on reserved matters/conflicts<br>Director's report plus statements on reserved matters/conflicts |
| **Systems of planning and internal control** | Governance procedures; risk management frameworks, oversight procedures<br>Internal and/or external audit policies, processes, activities and/or reports<br>Systems for maintaining supply / business continuity, stated action plans<br>Policies to prevent fraud and other unethical behaviour; whistleblowing policy<br>Risk, compliance other assurance statements. | Risk and compliance statement<br>Assurance plan / Data assurance summary<br>Corporate Risk summary, Strategic Report (COVID-19)<br>Corporate Risk Summary<br>Risk and compliance statement / Data assurance summary |
| **Rights and other resources (other than financial)** | Corporate missions and/or values<br>Technology and other systems for ensuring checks and balances<br>Policies to encourage an integrated approached and 'systems thinking'<br>Planning systems<br>Assets maintenance / insurance factors. | Trust beyond water statement<br>Corporate risk report<br>Resilience Action Plan is covered in the Trust Beyond Water Statement<br>Resilience Action Plan in Trust Beyond Water Statement<br>Resilience Action Plan in Trust Beyond Water Statement |
| **Contracting** | Position/status of key contracts in place<br>All contracts between the Appointee and all Associated Companies were checked for compliance with licence requirements on standards<br>Note on transactions between the Appointee and any Associated Company<br>Compliance with licence provision on cross-subsidies between the Appointee and any Associated Company (Condition I); and No Guarantees or Cross-Default Obligations given without Ofwat's written consent. | Trust Beyond Water – network maintenance contract and water supply<br>Covered in annual report. Risk and compliance statement<br>Disclosure in RAG5 statement<br>No changes to arrangements in place. Ofwat historic consents remain in place and are appropriate for all arrangements |
| **Material issues or other circumstances** | Reference of PR19 to the CMA<br>C&RT contract<br>COVID-19 | We describe how we considered these principle risks and issues within the Corporate Risk Review and Long Term Viability Statement |

**Approved by the Board and signed on its behalf on 13 July 2020 by**

**M Karam** Chief Executive Officer
**L Flowerdew** Chief Financial Officer

## Section 1

# Regulatory financial reporting

### 1A Income Statement for the year ended 31 March 2020

| | Statutory | Differences between statutory and RAG definitions | Non-appointed | Total adjustments | Total appointed activities |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Revenue | 125.475 | -2.130 | 1.091 | -3.221 | 122.254 |
| Operating costs | -103.544 | -0.040 | -0.875 | 0.835 | -102.709 |
| Other operating income | 0.687 | 0.000 | 0.000 | 0.000 | 0.687 |
| **Operating profit** | 22.618 | -2.170 | 0.216 | -2.386 | 20.232 |
| Other income | 0.000 | 2.015 | 0.000 | 2.015 | 2.015 |
| Interest income | 4.113 | 0.000 | 0.000 | 0.000 | 4.113 |
| Interest expense | -17.988 | -0.328 | 0.000 | -0.328 | -18.316 |
| Other interest expense | 0.360 | 0.000 | 0.000 | 0.000 | 0.360 |
| **Profit before tax** | 9.103 | -0.483 | 0.216 | -0.699 | 8.404 |
| UK Corporation tax | -0.979 | 0.000 | -0.041 | 0.041 | -0.938 |
| Deferred tax | -7.727 | 0.092 | 0.000 | 0.092 | -7.635 |
| **Profit for the year** | 0.397 | -0.391 | 0.175 | -0.566 | -0.169 |
| **Dividends** | -6.267 | 0.000 | -0.175 | 0.175 | -6.092 |
| **Tax analysis** | | | | | |
| Current year | 1.189 | 0.000 | 0.041 | -0.041 | 1.148 |
| Adjustments in respect of prior years | -0.210 | 0.000 | 0.000 | 0.000 | -0.210 |
| UK Corporation tax | 0.979 | 0.000 | 0.041 | -0.041 | 0.938 |

All of the turnover and operating cost above relate to continuing operations.



**Differences between Statutory and RAGs Definitions**
Adjustments are made to the statutory numbers to ensure compliance with the Ofwat guidance reflected in RAG 3.11. These are:

| Total adjustment £m | Description of difference between Statutory & RAG definitions |
|---|---|
| -2.130 | -£0.358m property rental income reclassified to other income, from revenue.<br>-£1.772m grants and contributions reclassified to other income from revenue |
| -0.040 | -£0.301m expense of new supplies which are capitalised in the statutory accounts<br>£0.137m removal of depreciation on new supplies, net of amortisation of grants (see below)<br>£0.124m property maintenance reclassified to other income to net off rent received |
| 2.015 | £0.234m net property income (see above)<br>£1.771m grants and contributions and £0.010 depreciation of grants unaffected by IFRS15. |
| -0.328 | Borrowing costs capitalised under IAS23 in the statutory accounts are derecognised and shown in interest expense. |
| 0.092 | The associated deferred tax relating to the removal of the capitalisation of new supplies costs, depreciation of those costs and IAS23 interest. |

### 1Ai Taxation

The statutory current tax charge for 2019/20 of £0.979m includes £0.210m tax reduction for prior years. A deferred tax charge of £7.727m resulted in a total tax charge of £8.706m for the year.

The regulatory appointed business current tax charge of £0.938m is the lower than the standard corporation tax rate and is reconciled in the table below; the main contributing factors to this are:

Capital allowances claimed in the year are higher than depreciation charged in the accounts; this is due to the difference in speed of capital expenditure write off under corporate tax law compared with accounting rates;

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

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

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

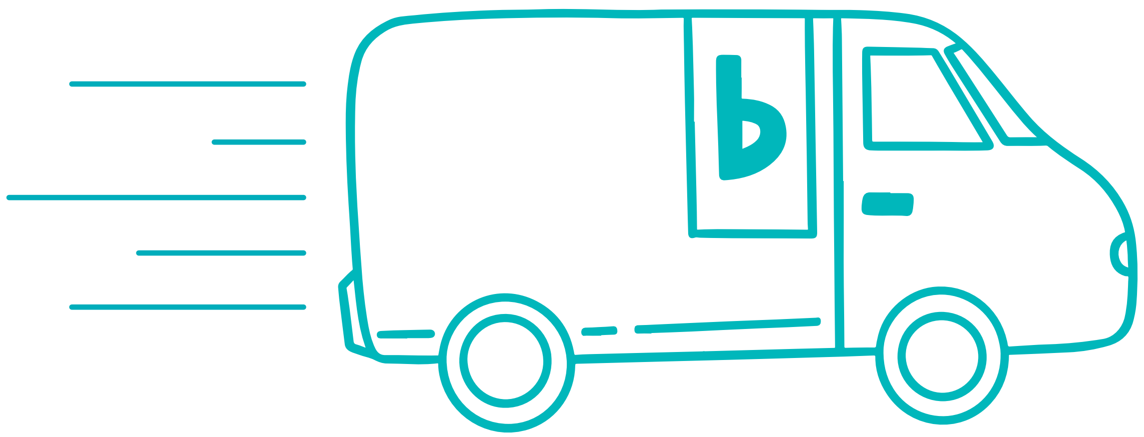
The pension adjustment reflects the tax treatment of a defined benefit scheme which treats the actual contributions paid as receiving tax relief and all other adjustments as non taxable adjustments.

The prior year adjustment reflects changes to the capital allowance treatment following a detailed review of the capital expenditure in the year between the Statutory 2019 Financial Statements and the submitted tax computation to HMRC.

There are no fair value movements within profit before tax.

The overall current tax charge includes a tax charge of £0.7m in relation to group relief. Group relief is surrendered to Bristol Water plc by Bristol Water Holdings UK Limited. Bristol Water pays for the use of the group relief at the prevailing corporation tax rate, which is currently 19%. Full details can be found under the related party transactions' note.

| | £m | Effective tax rate |
|---|---|---|
| **Reconciliation of current tax charge** | | |
| Profit on ordinary activities before tax and fair value movements | 8.404 | |
| Profit on ordinary activities multiplied by standard rate of Corporation Tax in the United Kingdom at 19% | 1.597 | 19.0% |
| Effects of: | | |
| Expenses not deductible for tax purposes - 8.75% irredeemable cumulative preference share dividends | 0.208 | |
| Capital allowances claimed for the year | -5.377 | |
| Depreciation for the year | 4.673 | |
| Provisions | 0.064 | |
| Deferred income | 0.063 | |
| Pension adjustment | 0.045 | |
| Utilisation of capital losses | -0.125 | |
| **Current tax charge before prior year adjustments** | 1.148 | 13.7% |
| **Prior year adjustments:** | | |
| Capital allowances | -0.210 | |
| **Total current tax charge in the income statement** | 0.938 | 11.16% |



| **Reconciliation of current tax to price limit** | £m |
|---|---|
| **Final Determination current tax allowance at outturn prices** | 1.524 |
| Key differences | |
| Impact in profit before tax | -0.679 |
| Debt gearing adjustment | 0.573 |
| Impact of prior year adjustments | -0.210 |
| Capital allowances in excess of depreciation charge | -0.511 |
| Pension contribution | 0.241 |
| **Total Appointed current tax charge** | 0.938 |
| **Non Appointed and non-regulatory business tax adjustments** | 0.041 |
| **Total Statutory current tax charge** | 0.979 |

### Deferred tax

The deferred tax is calculated at 19% and will continue to change in line with relevant legislation. The Company applies relevant tax laws in an appropriate manner and does not seek to enter into non-commercial transactions to reduce tax. On 17 March 2020 the UK government substantively enacted legislation to maintain the future UK corporation tax rate at 19%. Previously tax rates were due to reduce to 17% from 1 April 2020. This change is reflected in the above deferred tax charge resulting in a one off impact of £6.8m.

### Comparison of current tax charge to Final Determination allowed tax

The Final Determination allowed tax figure is in 2012/13 prices therefore this has been indexed to reflect the RPI increase between 2012/13 prices and 2019/20 prices. Our allowed tax for the year in 2012/13 prices was £1.283m which once indexed to nominal prices increases to £1.524m. Capital allowances for the year are higher than the Final Determination due to the changes in capital expenditure profiling.

The allowed tax per the Final Determination for the cumulative period of this AMP, is £9.561m. Our total tax for the five years as reported is £9.079m.

ANNUAL PERFORMANCE REPORT

**1B Statement of comprehensive income for the year ended 31 March 2020**

| | Statutory | Differences between statutory and RAG definitions | Non-appointed | Total adjustments | Total appointed activities |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Profit for the year** | 0.397 | -0.391 | 0.175 | -0.566 | -0.169 |
| Actuarial losses on post - employment plans | 0.477 | 0.000 | 0.000 | 0.000 | 0.477 |
| Other comprehensive income | -0.084 | 0.000 | 0.000 | 0.000 | -0.084 |
| **Total Comprehensive income for the year** | 0.790 | -0.391 | 0.175 | -0.566 | 0.224 |

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

The actuarial valuation under International Accounting Standard 19 (IAS 19) and therefore FRS101 at 31 March 2020 shows a net pension surplus of £9.669m which has been recognised in the financial statements (2018/19: £9.513m). As the scheme has been closed to future accrual the surplus cannot be recovered through on-going contribution payments. The pension asset is shown net of a 35% income tax rate which would be applicable if the funds were repaid to Bristol Water from the pension scheme.

**Differences between Statutory and RAGs Definitions**
The difference has occurred in the income statement, and relates to dis-applied capitalisation net of the tax effect.



# 1C Statement of Financial Position at 31 March 2020

**1C Statement of Financial Position at 31 March 2020**

| | Statutory | Differences between statutory and RAG definitions | Non-appointed | Total adjustments | Total appointed activities |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Non-current assets** | | | | | |
| Fixed assets | 671.868 | -7.437 | 1.458 | -8.895 | 662.973 |
| Intangible assets | 13.970 | 0.000 | 0.000 | 0.000 | 13.970 |
| Investments - loans to group companies | 65.500 | 0.000 | 0.000 | 0.000 | 65.500 |
| Retirement benefit assets | 9.669 | 0.000 | 0.000 | 0.000 | 9.669 |
| Total | 761.007 | -7.437 | 1.458 | -8.895 | 752.112 |
| **Current assets** | | | | | |
| Inventories | 1.678 | 0.000 | 0.026 | -0.026 | 1.652 |
| Trade & other receivables | 30.648 | 0.196 | 0.000 | 0.196 | 30.844 |
| Cash & cash equivalents | 10.102 | 0.000 | 0.000 | 0.000 | 10.102 |
| Total | 42.428 | 0.196 | 0.026 | 0.170 | 42.598 |
| **Current liabilities** | | | | | |
| Trade & other payables | -26.397 | 0.000 | -1.484 | -1.484 | -24.913 |
| Capex creditor | -10.067 | 0.000 | 0.000 | 0.000 | -10.067 |
| Borrowings | -0.873 | 0.000 | 0.000 | 0.000 | -0.873 |
| Current tax liabilities | 1.376 | 0.000 | 0.000 | 0.000 | 1.376 |
| Provisions | -8.239 | 0.000 | 0.000 | 0.000 | -8.239 |
| Total | -44.200 | 0.000 | -1.484 | -1.484 | -42.716 |
| **Net current assets** | -1.772 | 0.196 | -1.458 | 1.654 | -0.118 |
| **Non-Current liabilities** | | | | | |
| Borrowings | -380.859 | 0.000 | 0.000 | 0.000 | -380.859 |
| Deferred income - G&C's | -82.132 | 0.000 | 0.000 | 0.000 | -82.132 |
| Preference share capital | -12.500 | 0.000 | 0.000 | 0.000 | -12.500 |
| Deferred tax | -65.759 | 1.116 | 0.000 | 1.116 | -64.643 |
| Total | -541.250 | 1.116 | 0.000 | 1.116 | -540.134 |
| **Net assets** | 217.985 | -6.125 | 0.000 | -6.125 | 211.860 |
| **Equity** | | | | | |
| Called up share capital | 5.998 | 0.000 | 0.000 | 0.000 | 5.998 |
| Retained earnings & other reserves | 211.987 | -6.125 | 0.000 | -6.125 | 205.862 |
| Total Equity | 217.985 | -6.125 | 0.000 | -6.125 | 211.860 |

The accounts were approved by an authorised Committee of the Board on 13 July 2020 and signed on its behalf by

**M Karam,** Chief Executive Officer
**L Flowerdew,** Chief Financial Officer

### Differences between Statutory and RAGs Definitions

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

The Company has adopted IFRS16, 'Leases' from 1 April 2019 The change in accounting policy affected the following items in the balance sheet on 1 April 2019:

- Property, plant and equipment – increase by £0.644m
- Lease liabilities (borrowings) – increase by £0.697m
- The net impact on retained earnings on 1 April 2019 was a decrease of £0.053m

### 1D Statement of cash flows for the year ended 31 March 2020

| | Statutory | Differences between statutory and RAG definitions | Non-appointed | Total adjustments | Total appointed activities |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Operating profit** | 22.618 | -2.170 | 0.216 | -2.386 | 20.232 |
| Other income | 0.000 | 0.234 | 0.000 | 0.234 | 0.234 |
| Depreciation | 25.256 | -0.137 | 0.065 | -0.202 | 25.054 |
| Amortisation - G&C's | -1.770 | 1.770 | 0.000 | 1.770 | 0.000 |
| Changes in working capital | 0.000 | -0.194 | -0.065 | -0.129 | -0.129 |
| Pension contributions | 0.597 | 0.000 | 0.000 | 0.000 | 0.597 |
| Movement in provisions | 2.811 | 0.196 | 0.000 | 0.196 | 3.007 |
| Profit on sale of fixed assets | -0.687 | 0.000 | 0.000 | 0.000 | -0.687 |
| **Cash generated from operations** | 48.825 | -0.301 | 0.216 | -0.517 | 48.308 |
| Net interest paid | -9.258 | 0.000 | 0.000 | 0.000 | -9.258 |
| Tax paid | -2.474 | 0.000 | -0.041 | 0.041 | -2.433 |
| **Net cash generated from operating activities** | 37.093 | -0.301 | 0.175 | -0.476 | 36.617 |
| **Investing activities** | | | | | |
| Capital expenditure | -71.623 | 0.301 | 0.000 | 0.301 | -71.322 |
| Grants & Contributions | 3.825 | 0.000 | 0.000 | 0.000 | 3.825 |
| Disposal of fixed assets | 0.735 | 0.000 | 0.000 | 0.000 | 0.735 |
| Other | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| **Net cash used in investing activities** | -67.063 | 0.301 | 0.000 | 0.301 | -66.762 |
| **Net cash generated before financing activities** | -29.970 | 0.000 | 0.175 | -0.175 | -30.145 |
| **Cash flows from financing activities** | | | | | |
| Equity dividends paid | -6.267 | 0.000 | -0.175 | 0.175 | -6.092 |
| Net loans received | 29.280 | 0.000 | 0.000 | 0.000 | 29.280 |
| Net cash generated from financing activities | 23.013 | 0.000 | -0.175 | 0.175 | 23.188 |
| | | | | | |
| Increase in net cash | -6.957 | 0.000 | 0.000 | 0.000 | -6.957 |

### Differences between Statutory and RAGs Definitions

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

The cash flow has been prepared in accordance with the RAG templates and resultantly net cash generated from operating activities in the statutory cash flow above does not align with the statutory cash flow in the Company's Annual Report and Financial Statements. £3.825m of capital contributions are treated as operating cash flows in the Company's Annual Report and Financial Statements and are shown within investing activities in table 1D.

### 1E Net debt analysis at 31 March 2020

| | Interest rate risk profile | | | |
|---|---|---|---|---|
| | Fixed rate | Floating rate | Index linked | Total |
| | £m | £m | £m | £m |
| Borrowings (excluding preference shares) | 84.070 | 102.742 | 193.777 | 380.589 |
| Preference share capital | | | | 12.500 |
| Total borrowings | | | | 393.089 |
| Cash | | | | -10.102 |
| Short term deposits | | | | 0.000 |
| Net Debt | | | | 382.987 |
| Gearing | | | | 68.29% |
| Adjusted gearing | | | | 66.26% |
| Full year equivalent nominal interest cost[8] | 4.171 | 1.663 | 11.668 | 17.502 |
| Full year equivalent cash interest payment | 4.171 | 1.663 | 6.571 | 12.405 |
| **Indicative interest rates** | | | | |
| Indicative weighted average nominal interest rate | 4.96% | 1.62% | 6.02% | 4.60% |
| Indicative weighted average cash interest rate | 4.96% | 1.62% | 3.39% | 3.26% |
| Weighted average years to maturity | 12.04 | 5.57 | 14.55 | 11.57 |
| **Reconciliation to table 1C** | | | | **£m** |
| Current Borrowings per table 1C | | | | 0.873 |
| Non-current Borrowings per table 1C | | | | 380.859 |
| Less unamortised net premia | | | | -1.143 |
| Borrowings (excluding preference shares) per table 1E | | | | 380.589 |

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

| Reconciliation to table 1C | £m |
|---|---|
| Current Borrowings per table 1C | 0.873 |
| Non-current Borrowings per table 1C | 380.859 |
| Less unamortised net premia | 1.143 |
| Borrowings (excluding preference shares) per table 1E | 380.589 |

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

| | £m | Gearing (2 dp) | Gearing (1 dp) |
|---|---|---|---|
| Net debt per the financial statements excluding preference shares | 371.630 | 66.26% | 66.3% |
| Add preference shares | 12.500 | | |
| Net debt per the financial statements including preference shares | 384.130 | 68.49% | 68.5% |
| Less unamortised net premia | -1.143 | | |
| Net debt per table 1E | 382.987 | 68.29% | 68.3% |

Gearing is calculated as net debt divided by Regulatory Capital Value "RCV" (£560.850m). The adjusted gearing in the table 66.26% is calculated in line with Moody's definition, which excludes preference shares from net debt as defined in the financial statements and is expressed as a percentage of RCV.

The allowance included in the determination for the real cost of debt was 2.61%. The indexed linked cash interest cost is 0.78% higher than the determination at 3.39%. To compare the fixed and floating interest rates with the indicative cash interest rates, they need to be adjusted for the year average inflation of 2.59% giving a combined rate in real terms of 0.53% (2.08% lower than the allowance). The net weighted overall difference between the allowed real cost of debt and the actual interest rates incurred is 0.62% lower.

In addition to the interest shown above, we also pay preference dividends of £1.094m per annum.



**1F Financial flows (Price Base – 2012-13 RPI Average) - 12 Months ended 31 March 2020**

| | Notional returns and notional regulatory equity | Actual returns and notional regulatory equity | Actual returns and actual regulatory equity | Notional returns and notional regulatory equity | Actual returns and notional regulatory equity | Actual returns and actual regulatory equity |
|---|---|---|---|---|---|---|
| | % | % | % | £m | £m | £m |
| **A** | | | | | | |
| Return on regulatory equity | 5.80 | 5.19 | 5.80 | 10.051 | 8.999 | 8.999 |
| Actual performance adjustment 2010-15 | -0.11 | -0.10 | -0.11 | -0.195 | -0.175 | -0.175 |
| Adjusted Return on regulatory equity | 5.69 | 5.09 | 5.69 | 9.856 | 8.824 | 8.824 |
| Regulatory equity | 173.287 | 173.287 | 155.149 | | | |
| **B Financing** | | | | | | |
| Gearing | 0.00 | -0.36 | -0.36 | 0.000 | -0.558 | -0.558 |
| Variance in corporation tax | 0.00 | 0.40 | 0.45 | 0.000 | 0.701 | 0.701 |
| Group relief | 0.00 | 0.00 | 0.00 | 0.000 | 0.000 | 0.000 |
| Cost of debt | 0.00 | 0.38 | 0.42 | 0.000 | 0.654 | 0.654 |
| Hedging instruments | 0.00 | 0.00 | 0.00 | 0.000 | 0.000 | 0.000 |
| **Financing total** | 5.69 | 5.51 | 6.20 | 9.856 | 9.621 | 9.621 |
| **C Operational performance** | | | | | | |
| Totex out / (under) performance | 0.00 | -3.99 | -4.46 | 0.000 | -6.920 | -6.920 |
| ODI out / (under) performance | 0.00 | 1.06 | 1.18 | 0.000 | 1.832 | 1.832 |
| Retail out / (under) performance | 0.00 | -1.11 | -1.24 | 0.000 | -1.923 | -1.923 |
| Other exceptional items | 0.00 | 0.32 | 0.36 | 0.000 | 0.552 | 0.552 |
| **Operational performance total** | 0.00 | -3.73 | -4.16 | 0.000 | -6.459 | -6.459 |
| **Total earnings** | 5.69 | 1.79 | 2.04 | 9.856 | 3.161 | 3.161 |
| RCV growth for RPI inflation | 2.58 | 2.58 | 2.58 | 4.469 | 4.469 | 4.001 |
| Total shareholder return | 8.26 | 4.37 | 4.62 | 14.321 | 7.630 | 7.163 |
| Net dividend | 4.00 | 1.00 | 1.12 | 6.931 | 1.734 | 1.734 |
| Retained value | 4.26 | 3.37 | 3.50 | 7.392 | 5.896 | 5.429 |
| **E Dividends reconciliation** | | | | | | |
| Gross dividend | 4.00 | 2.96 | 3.31 | 6.931 | 5.130 | 5.130 |
| Interest received on intercompany loans | 0.00 | 1.96 | 2.19 | 0.000 | 3.396 | 3.396 |
| **Net dividend** | 4.00 | 1.00 | 1.12 | 6.931 | 1.734 | 1.734 |

### 1F Financial flows (Price Base – 2012-13 RPI Average) - Average 2015-20

| | Notional returns and notional regulatory equity | Actual returns and notional regulatory equity | Actual returns and actual regulatory equity | Notional returns and notional regulatory equity | Actual returns and notional regulatory equity | Actual returns and actual regulatory equity |
|---|---|---|---|---|---|---|
| | % | % | % | £m | £m | £m |
| **A** | | | | | | |
| Return on regulatory equity | 5.80 | 5.19 | 5.80 | 9.457 | 8.463 | 8.463 |
| Actual performance adjustment 2010-15 | -0.12 | -0.11 | -0.12 | -0.195 | -0.175 | -0.175 |
| Adjusted Return on regulatory equity | 5.68 | 5.08 | 5.68 | 9.262 | 8.288 | 8.288 |
| Regulatory equity | 163.053 | 163.053 | 145.911 | | | |
| **B Financing** | | | | | | |
| Gearing | 0.00 | -0.36 | -0.36 | 0.000 | -0.526 | -0.526 |
| Variance in corporation tax | 0.00 | 0.22 | 0.24 | 0.000 | 0.351 | 0.351 |
| Group relief | 0.00 | 0.00 | 0.00 | 0.000 | 0.000 | 0.000 |
| Cost of debt | 0.00 | 0.16 | 0.16 | 0.000 | 0.264 | 0.226 |
| Hedging instruments | 0.00 | -0.38 | -0.43 | 0.000 | -0.621 | -0.621 |
| **Financing total** | 5.68 | 4.72 | 5.29 | 9.262 | 7.757 | 7.719 |
| **C Operational performance** | | | | | | |
| Totex out / (under) performance | 0.00 | -0.35 | -0.40 | 0.000 | -0.578 | -0.578 |
| ODI out / (under) performance | 0.00 | -0.62 | -0.69 | 0.000 | -1.005 | -1.005 |
| Retail out / (under) performance | 0.00 | -0.31 | -0.35 | 0.000 | -0.505 | -0.505 |
| Other exceptional items | 0.00 | 0.46 | 0.52 | 0.000 | 0.756 | 0.756 |
| **Operational performance total** | 0.00 | -0.82 | -0.91 | 0.000 | -1.332 | -1.332 |
| **Total earnings** | 5.68 | 3.90 | 4.38 | 9.262 | 6.424 | 6.386 |
| RCV growth for RPI inflation | 2.52 | 2.52 | 2.52 | 4.102 | 4.102 | 3.671 |
| Total shareholder return | 8.20 | 6.42 | 6.89 | 13.364 | 10.526 | 10.057 |
| Net dividend | 4.00 | 1.17 | 1.30 | 6.522 | 1.901 | 1.901 |
| Retained value | 4.20 | 5.25 | 5.59 | 6.842 | 8.625 | 8.156 |
| **E Dividends reconciliation** | | | | | | |
| Gross dividend | 4.00 | 3.37 | 3.77 | 6.522 | 5.501 | 5.501 |
| Interest received on intercompany loans | 0.00 | 2.21 | 2.47 | 0.000 | 3.600 | 3.600 |
| **Net dividend** | 4.00 | 1.00 | 1.30 | 6.522 | 1.901 | 1.901 |



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

Overall the table shows that gearing has fallen over 2015-2020. Value has been retained within the regulated business and dividends, after intercompany interest, have been below both PR14 assumptions and PR14 assumptions adjusted for gearing and performance. The actual retained value is higher than the increase in the RCV and is higher than the notional expectations of retained value, before and after adjusting for actual performance. This is the case for both 2019/20 and 2015-20 in total.

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

| | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| Published year end RCV nominal prices | 423.575 | 441.202 | 470.667 | 502.270 | 530.305 | 560.850 |
| Year end RCV average prices (divided by year end RPI and multiplied by 2013 ave. RPI) | 403.146 | 413.489 | 427.673 | 441.629 | 455.158 | 469.037 |
| Average | | 408.317 | 420.581 | 434.651 | 448.394 | 462.097 |
| Published year average RCV prices | | 408.275 | 420.538 | 434.607 | 448.348 | 462.050 |
| Difference | | (0.042) | (0.043) | (0.044) | (0.046) | (0.047) |

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

In accordance with Ofwat guidance, gearing has been calculated with reference to the adjusted Return on Regulatory Equity of 5.69% in 2019/20. This is compared to the allowed cost of debt of 2.61% This difference of 3.08% is multiplied by the difference between notional gearing and actual average gearing of 3.9% and then multiplied by the year average RCV of £462.097. The calculation of gearing includes Preference shares as advised by Ofwat. Actual returns were below notional returns at the start of 2015-20, but this gap has reduced as gearing has fallen. This is a deliberate strategy supported by our shareholders retaining equity within Bristol Water by accepting lower dividends than justified by base regulatory dividends and our performance. This reflects the need to invest in the transformation of Bristol Water in preparation for 2020, further details of which are included in our Bristol Water For All Business Plan for 2020-25.

The variance in corporation tax is a calculation of the difference between the amount allowed for corporation tax according to the Competition and Markets Authority "CMA" PR14 Final Determination less several adjusting items. The applicable figures for 19/20 are as follows:

| | £m |
|---|---|
| Tax allowed per PR14 | 1.283 |
| Tax payable at the standard rate on appointed activities | (1.095) |
| Adjustment for accelerated capital allowances | 0.513 |
| Prior year adjustments | - |
| Total | 0.701 |

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

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

As indicated last year all debt hedges have ceased and as a result there is no cost relating to hedging.

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

As well as the non-household costs incurred since exiting the market on 1st April 2017 (2019/20 £0.863m, 2018/19 £0.656), Other Exceptional items include adjustments for the profit on disposal of the non-household customer book of £2.143m in 2017/18, the profit on disposal of an operational depot of £3.129m in 2018/19 and the land sales in 2019/20 of £0.656m. Both items have been deflated to 2012/13 prices.

In line with Ofwat's expectations, we have included our PR19 Final Determination value for SIM outperformance of £0.084m, deflated to 2012/13 prices, and spread this evenly over 2015-19. This is a restatement to our previous year RORE figures to reflect this Ofwat expectation.

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

The net dividend is calculated by taking total appointed dividends of £6.092m that were paid during the year (which include dividends paid to fund inter-company loan interest) netted off by £4.033m of interest received on intercompany loans less tax at the prevailing rate. This is then deflated back to 2012/13 prices for the purposes of the fundflow analysis. This interest is charged on £68.5m of loans to holding companies.



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## Section 2

# Price Control and additional segmental reporting

### 2A Segmental income statement for the 12 months ended 31 March 2020

| | Retail | | Wholesale | | | |
|---|---|---|---|---|---|---|
| | Household | Non-household | Water resources | Water network + | Water total | Total |
| | £m | £m | £m | £m | £m | £m |
| Revenue - price control | 11.980 | 0.000 | | 107.994 | 107.994 | 119.974 |
| Revenue - non price control | 0.000 | 0.000 | | 2.280 | 2.280 | 2.280 |
| Operating expenditure | -12.581 | -0.863 | -16.041 | -48.169 | -64.210 | -77.654 |
| Depreciation – tangible fixed assets | -0.117 | 0.000 | -1.831 | -20.208 | -22.039 | -22.157 |
| Amortisation – intangible fixed assets | -0.192 | 0.000 | -0.225 | -2.480 | -2.706 | -2.898 |
| Other operating income | 0.016 | 0.000 | 0.365 | 0.306 | 0.671 | 0.687 |
| Operating profit before recharges | -0.894 | -0.863 | | | 21.990 | 20.232 |
| Recharges from other segments | -0.596 | 0.000 | 0.000 | 0.000 | 0.000 | -0.596 |
| Recharges to other segments | 0.000 | 0.000 | 0.050 | 0.546 | 0.596 | 0.596 |
| **Operating profit** | -1.490 | -0.863 | | | 22.586 | 20.232 |

Bristol Water exited the non-household retail market on 1 April 2017, therefore the retail non-household revenue is £nil. Operating expenses are still incurred in this sector under the regulatory accounting guidelines, an analysis of which is shown in 2C.

## 2B Totex analysis for the 12 months ended 31 March 2020 - wholesale water

| | Water Resources £m | Water Network + £m | Total £m |
|---|---|---|---|
| **Operating expenditure** | | | |
| Power | 1.685 | 6.779 | 8.464 |
| Income treated as negative expenditure | 0.000 | 0.000 | 0.000 |
| Abstraction charges/discharge consents | 2.720 | 0.101 | 2.821 |
| Bulk supply/Bulk discharge | 0.016 | 0.114 | 0.130 |
| Other operating expenditure – renewals expensed in the year (infrastructure) | 0.118 | 1.766 | 1.884 |
| Other operating expenditure – renewals expensed in the year (non-infrastructure) | 0.000 | 0.000 | 0.000 |
| Other operating expenditure – excluding renewals | 9.952 | 34.724 | 44.676 |
| Local authority and Cumulo rates | 1.292 | 3.718 | 5.010 |
| Total operating expenditure excluding third party services | 15.783 | 47.202 | 62.985 |
| Third party services | 0.258 | 0.967 | 1.225 |
| Total operating expenditure | 16.041 | 48.169 | 64.210 |
| **Capital expenditure** | | | |
| Maintaining the long term capability of the assets - infra | 0.682 | 26.319 | 27.001 |
| Maintaining the long term capability of the assets - non-infra | 1.464 | 21.090 | 22.554 |
| Other capital expenditure - infra | 0.000 | 10.264 | 10.264 |
| Other capital expenditure - non-infra | 1.070 | 5.873 | 6.943 |
| Infrastructure network reinforcement | 0.000 | 1.126 | 1.126 |
| Total gross capital expenditure (excluding third party) | 3.217 | 64.671 | 67.888 |
| Third party services | 0.001 | 0.375 | 0.376 |
| Total gross capital expenditure | 3.217 | 65.046 | 68.264 |
| **Grants and contributions** | | | |
| Less grants and contributions | 0.000 | 4.391 | 4.391 |
| **Totex** | 19.258 | 108.824 | 128.083 |
| **Cash expenditure** | | | |
| Pension deficit recovery payments | 0.000 | 0.000 | 0.000 |
| Other cash items | 0.000 | 0.000 | 0.000 |
| Totex including cash items | 19.258 | 108.824 | 128.083 |

## 2Bi Reconciliation of total expenditure to previous accounting treatment

From 1 April 2019 the Company adopted IFRS 16 'Leases'. The table below shows the impact of IFRS 16 in the year, on the specific lines within totex in table 2B above.





## 2Bi Reconciliation of total expenditure to previous accounting treatment

| | £m |
|---|---|
| **Totex under IFRS 16** | 128.083 |
| **Operating expenditure** | |
| Power | 0.052 |
| Other operating expenditure – excluding renewals | 0.086 |
| Total operating expenditure | 0.138 |
| **Capital expenditure** | |
| Maintaining the long term capability of the assets - infra | -1.710 |
| Other capital expenditure - infra | 0.102 |
| Other capital expenditure - non-infra | 0.001 |
| Total gross capital expenditure | -1.607 |
| Totex excluding impact of IFRS 16 | 126.615 |

## 2C Operating cost analysis for the 12 months ended 31 March 2020 – retail

| | Household £m | Non-household £m | Total £m |
|---|---|---|---|
| **Operating expenditure** | | | |
| Customer Services | 2.868 | 0.284 | 3.152 |
| Debt management | 0.450 | 0.000 | 0.450 |
| Doubtful debts | 4.535 | 0.000 | 4.535 |
| Meter reading | 0.306 | 0.000 | 0.306 |
| Services to developers | | 0.391 | 0.391 |
| Other operating expenditure | 4.422 | 0.188 | 4.610 |
| Total operating expenditure excluding third party services | 12.581 | 0.863 | 13.444 |
| Third party services operating expenditure | 0.000 | 0.000 | 0.000 |
| Total operating expenditure | 12.581 | 0.863 | 13.444 |
| Depreciation – tangible fixed assets | 0.117 | 0.000 | 0.117 |
| Amortisation – intangible fixed assets | 0.192 | 0.000 | 0.192 |
| Total operating costs | 12.890 | 0.863 | 13.753 |
| Debt written off | 3.226 | 0.000 | 3.226 |

### 2Ci Retail costs compared to the allowance

The allowed household retail costs were £11.6m and actual costs were £12.9m, £1.3m higher than the allowance.

This difference is primarily due a material atypical item of £1.0m for the cost of the CMA appeal process attributable to Retail (20% of the total in line with guidance). Other significant reasons for the variance include a £0.5m increase in doubtful debt charge due to worsening trend indicative of future collection rates particularly with reference to the expected impact of Covid-19.

The increased costs are not due to increases in household customers or a greater proportion of metered customers as these are both lower than assumed in calculating the allowance (household customers are 497,238, compared with 504,214 assumed in the allowance, of which 286,473 are metered customers, compared with 328,367 assumed in the allowance).

Subsequent to Bristol Water exiting the non-household retail market, the allowance for non-household retail costs is nil. However, operating expenses are still incurred in accordance with the regulatory accounting guidelines. £0.301m of other operating expenditure relates to the cost of administering new supplies with another £0.090m being further services to developers. The remainder relates to network customer enquiries and complaints in customer services, and an allocation of general and support expenditure and other operating expenditure.



## 2D Historic cost analysis of tangible fixed assets - wholesale and retail

| | Wholesale | | Retail | | |
|---|---|---|---|---|---|
| | Water Resources £m | Water Network + £m | Household £m | Non-Household £m | Total £m |
| **Cost** | | | | | |
| At 1 April 2019 | 64.370 | 828.469 | 1.089 | 0.000 | 893.928 |
| Disposals | -0.034 | -0.516 | -0.111 | 0.000 | -0.661 |
| Additions | 2.782 | 60.153 | 0.441 | 0.000 | 63.376 |
| Adjustments | -0.429 | 1.114 | 0.000 | 0.000 | 0.684 |
| Assets adopted at nil cost | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| At 31 March 2020 | 66.689 | 889.220 | 1.419 | 0.000 | 957.327 |
| **Depreciation** | | | | | |
| At 1 April 2019 | -23.309 | -248.245 | -1.217 | 0.000 | -272.771 |
| Disposals | 0.024 | 0.492 | 0.098 | 0.000 | 0.614 |
| Adjustments | 0.225 | -0.264 | 0.000 | 0.000 | -0.039 |
| Charge for the year | -1.831 | -20.208 | -0.117 | 0.000 | -22.157 |
| At 31 March 2020 | -24.891 | -268.225 | -1.237 | 0.000 | -294.353 |
| Net book amount at 31 March 2020 | 41.797 | 620.995 | 0.182 | 0.000 | 662.974 |
| Net book amount at 1 April 2019 | 41.061 | 580.224 | -0.128 | 0.000 | 621.157 |
| **Depreciation charge for the year** | | | | | |
| Principal services | -1.826 | -20.097 | -0.117 | 0.000 | -22.041 |
| Third party services | -0.005 | -0.111 | 0.000 | 0.000 | -0.116 |
| Total | -1.831 | -20.208 | -0.117 | 0.000 | -22.157 |

## 2E Analysis of capital contributions and land sales for the 12 months ended 31 March 2020 – wholesale

| | Fully recognised in income statement | Capitalised and amortised (in income statement) | Fully netted off capex | Total |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| **Grants and contributions - water** | | | | |
| Connection charges (s45) | 0.000 | 1.824 | 0.000 | 1.824 |
| Infrastructure charge receipts (s146) | 0.000 | 1.428 | 0.000 | 1.428 |
| Requisitioned mains (s43, s55 & s56) | 0.000 | 0.211 | 0.000 | 0.211 |
| Other Contributions (price control) | 0.000 | 0.362 | 0.000 | 0.362 |
| Diversions | 0.566 | 0.000 | 0.000 | 0.566 |
| Other Contributions (non-price control) | 0.000 | 0.000 | 0.000 | 0.000 |
| Total | 0.566 | 3.825 | 0.000 | 4.391 |
| Value of adopted assets | 0.000 | 0.000 | | 0.000 |

| | Total |
|---|---|
| | £m |
| **Movements in capitalised grants and contributions** | |
| Brought forward | 78.005 |
| Capitalised in year | 3.825 |
| Amortisation (in income statement) | -1.781 |
| Carried forward | 80.049 |

| | Total |
|---|---|
| | £'000s |
| **Land Sales** | |
| Proceeds from disposals of protected land | 655.841 |

In September 2019, two houses were sold for £0.753m. Offsetting costs included legal fees of £0.018m and a deduction relating to a surrender payment due on a lease of £0.080m.

## 2F Household - revenues by customer type

| | Wholesale charges revenue | Retail revenue | Total revenue | Number of customers | Average household retail revenue per customer |
|---|---|---|---|---|---|
| | £m | £m | £m | 000's | £ |
| Unmeasured water only customer | 40.798 | 4.361 | 45.159 | 210.765 | 21 |
| Measured water only customer | 41.405 | 7.619 | 49.024 | 286.473 | 27 |
| Total | 82.203 | 11.980 | 94.183 | 497.238 | 24 |

The average retail revenue per customer is broadly in line with allowances, with the unmeasured allowance being the same as the actual at £21 and the measured allowance being same as the actual at £27.





## 2G Non-household water - revenues by customer type

This table is not applicable to Bristol Water plc as the Company has exited the non-household retail market. The wholesale revenue attributable to non-household for the year ended 31 March 2020 was £25.791m as shown in table 2I.

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

## 2I Revenue analysis & wholesale control reconciliation for the 12 months ended 31 March 2020

| | Household | Non-household | Total |
|---|---|---|---|
| | £m | £m | £m |
| **Wholesale charge - water** | | | |
| Unmeasured | 40.798 | 0.314 | 41.112 |
| Measured | 41.405 | 25.389 | 66.794 |
| Third party revenue | 0.000 | 0.088 | 0.088 |
| **Wholesale Total** | 82.203 | 25.791 | 107.994 |
| **Retail revenue** | | | |
| Unmeasured | 4.361 | 0.000 | 4.361 |
| Measured | 7.619 | 0.000 | 7.619 |
| Third party revenue | 0.000 | 0.000 | 0.000 |
| **Retail total** | 11.980 | 0.000 | 11.980 |
| **Third party revenue - non-price control** | | | |
| Bulk Supplies | | | 1.259 |
| Other third party revenue | | | 1.021 |
| **Principal services – non-price control** | | | |
| Other appointed revenue | | | 0.000 |
| **Total appointed revenue** | | | 122.254 |

| | Total |
|---|---|
| | £'000s |
| Wholesale revenue governed by price control | 107.994 |
| Grants & contributions | 3.825 |
| **Total revenue governed by wholesale price control** | 111.819 |
| Amount assumed in wholesale determination | 112.162 |
| Adjustment for in-period ODI revenue | 0.000 |
| Adjustment for WRFM | 1.200 |
| **Total assumed revenue** | 113.362 |
| Difference | -1.543 |

### 2Ii Comparison with determination

The total wholesale revenue assumed in the Final Determination for 2015/16 was £100.247m in 2014/15 prices. Inflating this figure by November 2014 RPI of 2.0% produced a calculated revenue expectation of £102.235m. This figure is then adjusted by the November RPI figure for each year, and the K Factors set by the CMA in its redetermination of our PR14 price control in order to set the allowed revenue for each year. Revenue allowances also include the impact of £0.710m reduction in revenue resulting from the 2014/15 blind year adjustment (as outturn 14/15 revenue was higher than assumed when the PR14 revenue allowances were set), this is spread evenly over the three years 2017/18 – 2019/20.

For 2019/20, RPI was 3.2% and the K factor was 0.2%, which produced an allowed revenue of £112.238m.

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

Our 2017/18 wholesale revenue showed an under-recovery against the adjusted allowance of £1.907m. In order to reflect the Board decision to adjust tariffs for the leakage ODI penalty accrued to that point in customer bills as soon as possible, a management decision was taken to limit the level of recovery applied to 19/20 tariffs to £1.2m. As a result, the total assumed wholesale revenue for 2019/20 was £113.362m.

| | | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|---|
| Initial revenue allowance (14/15 prices) | £m | 100.247 | | | | |
| K Factor | % | 0.0% | -1.8% | 0.5% | 0.3% | 0.2% |
| RPI | % | 2.0% | 1.1% | 2.2% | 3.9% | 3.2% |
| RPI+K Increase | % | 2.0% | -0.7% | 2.7% | 4.2% | 3.4% |
| Nominal Allowed Revenues | £m | 102.235 | 101.458 | 104.171 | 108.473[9] | 112.162 |
| Adjusted Allowed Revenues | £m | | | 106.682 | 110.739 | 114.049 |
| Revenue recovery included in tariffs | £m | | | 1.600 | 0.500 | 1.200 |
| Total Assumed Revenue | £m | 102.235 | 101.458 | 105.802 | 108.973 | 113.362 |
| Actual Revenue | £m | 99.703 | 99.212 | 104.775 | 108.455[10] | 111.819 |
| Difference against (adjusted) allowance | £m | -2.532 | -2.246 | -1.907 | -2.284 | -2.230 |
| Difference against Assumed Revenue | £m | | | -1.027 | -0.518 | -1.543m |

Wholesale Revenue received in 2019/20 as per table 2I is £111.819m, a difference of £1.543m (1.4%) against the assumed revenue from the FD (as adjusted for inflation and the amount of revenue correction we applied to tariffs). The variance against the adjusted allowed revenue (which includes the full amount of revenue correction we could have recovered) is £2.230m (1.96%), which is within the 2% tolerance of the reconciliation mechanism meaning that no penalty is payable.

The principal reasons for outturn revenue being £1.543m lower than the assumed revenue are:
- Grants and contributions from developers at £3.825m (excluding diversions of £0.566 as per the Regulatory Accounting guidance) were lower than the £4.289m assumed when setting tariffs, due to lower than expected activity levels
- Non-household demand being lower than expected, reducing revenue by £0.5m
- A relatively wet summer suppressing measured household demand.
- Lower new connection activity also means we had fewer customers than forecast

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



The number of household customers increased by 0.7% due to new connections, which were 14% below expectations. The number of non-household customers reduced by 1.4%.

The number of metered households increased by 17,079 (6%) due to our selective change of occupier metering programme, as well as meter optants and new connections.

Void properties increased by 14% in the year, this is principally due to changes in occupancy status identified through our change of occupier metering programme and additional unoccupied properties identified through non-household market opening data cleansing.

### 2J Infrastructure network costs for the 12 months ended 31 March 2020

| | Network reinforcement capex | On site / site specific capex |
|---|---|---|
| | £m | £m |
| **Wholesale water network + (treated water distribution)** | | |
| Distribution and trunk mains | 0.797 | 0.000 |
| Pumping and storage facilities | 0.329 | 0.000 |
| Other | 0.000 | 0.000 |
| Total | 1.126 | 0.000 |

### 2K Infrastructure charges reconciliation

| | Water | Total |
|---|---|---|
| | £m | £m |
| **A Impact of infrastructure charge discounts** | | |
| Infrastructure charges | 1.428 | 1.428 |
| Discounts applied to infrastructure charges | 0.000 | 0.000 |
| Gross infrastructure charges | 1.428 | 1.428 |
| **B Comparison of revenue and costs** | | |
| Variance brought forward | 0.445 | 0.445 |
| Revenue | 1.428 | 1.428 |
| Costs | -1.126 | -1.126 |
| Variance carried forward | 0.747 | 0.747 |

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

For 19/20 there was a difference of £0.302m of which £0.310m was expenditure incurred on schemes in previous years for which connections by the developer covered multiple years, and is now being recovered in infrastructure charges.

When charges were set for 2019/20, the revenue for the year was expected to be £1.826m for 5,157 properties, with expenditure forecast for the year of £1.945m, a timing difference of £0.119m. The lower expenditure reflects changes in scheme timing (construction delay for Croscombe Reservoir), and postponement of a 200mm main in Frampton Cotterell. This was taken into account when setting infrastructure charges for 2020/21 and the following years.

## Section 3

# Performance Summary

### Section 3 of the APR reflects a high-level summary of our 2019/20 performance commitments, including our outcome delivery incentives.

We continue to make significant progress in a number of areas that our customers prioritise and continue to deliver high levels of service. In leakage, an area of performance that we know is of utmost importance to our customers, we believe that our performance in 2019/20 is likely to be at or close to the leading level in the industry. We met our supply interruptions target for 2019/20, with particularly impressive performance in the last six months of the year. We continue to have zero customers in water poverty as a result of our focus on increasing the number of customers on our social tariffs. Our greenhouse gas emissions have also fallen, despite upward pressure from a rising population and changing environmental pressures from climate change. In areas where we have performed less well, we have plans to improve so we can deliver the stretching and ambitious targets set out in our PR19 final determination[11].

Transparency is important to us and it is important that our customers can find out how we are performing against our regulatory targets. We regularly publish information on our performance on our website (such as our interactive performance summaries at mid-year and year-end) to demonstrate to customers, stakeholders and our regulators that we are delivering the services expected of us. As well as this APR, we also publish an update of our outcome performance during the year in our Mid-Year Performance Report. This was last published in December 2019[12]. This APR provides a more detailed explanation of each performance commitment and the impact our performance has on our customers' bills, but summary information is also available on our website.

Tables 3A and 3B set out our performance against our twenty-one outcome performance commitments (PCs) and four associated sub-indicators. The sub-components considered to determine the SIM score are presented in table 3D. Table 3C is not applicable to Bristol Water in this reporting year. A glossary explaining the PC definitions is included as an appendix to this report.

For each PC we have set out our 2019/20 performance and compared this to our final target for the reporting period and to our performance levels in previous years. Where relevant we have also shown whether this performance results in a financial outperformance payment or underperformance penalty and whether we have achieved an overall underperformance penalty or outperformance payment over the full five-year period. We have, where applicable, provided comparative information on how our performance compares to the rest of the industry. These comparisons have been based on historical performance as it is not yet possible to compare our 2019/20 performance (as other companies had not published their performance at the time of this publication). We have also provided some insights into our plans for the next reporting period (2020-25) and for the ambitious targets we have set ourselves in order to deliver the levels of service our customers expect.

In summary, we have met 14 (67%) of our committed performance levels for 2019/20. Of the seven performance commitments where we have underperformed against our targets, an underperformance penalty has been incurred only on one of them (for meter penetration). This underperformance penalty totals £0.2m (2012/13 prices), however due to our leakage performance we are due an outperformance payment of £2.0m (2012/13 prices), a net outperformance of £1.8m for 2019/20. Considering our performance for all performance commitments over the last five years, we have incurred a net total of £5.1m in penalties.

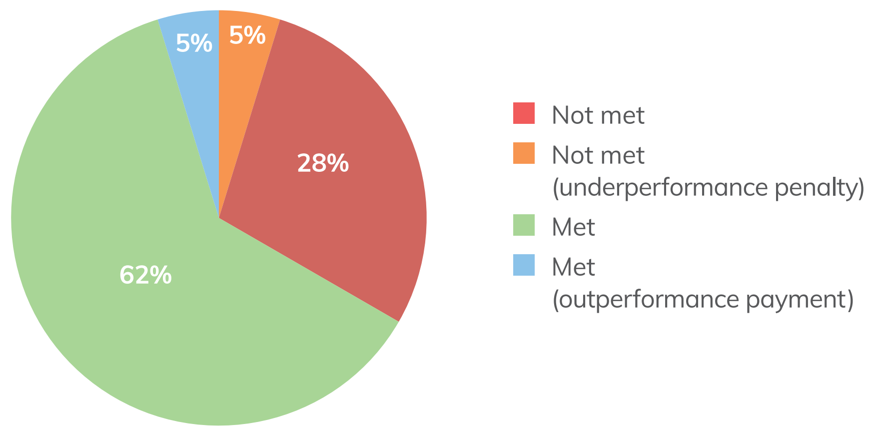
| | |
|---|---|
| **Leakage** | Leading performance in the industry |
| **Water Poverty** | Social tariff support increased again |
| **Carbon Emissions** | Fallen 51% over last five years |
| **Overall** | 14 out of 21 performance commitments met |



These penalties will be reflected in customer bills as they reduce our revenue allowance over 2020 - 2025. £4.4m is treated as a direct deduction from the revenue allowance for 2020-25, whilst the asset reliability (infrastructure) penalty (£0.7m) results in an adjustment to Bristol Water's regulatory capital value (RCV); the penalty adjustments to RCV take place over a much longer time-period, typically more than 20 years to have a full financial effect on customer bills. The final revenue adjustment of £4.4m is lower than the £6.2m included in the PR19 Final Determination, because of the improved leakage performance.

Through the PR19 Business Plan process we have identified a new set of performance commitments for 2020-25, reflecting the preferences of our customers and some measures introduced as common commitments across the sector. From April 2020 (and in some cases since January 2020 for measures reported in a calendar year) some of our performance commitments will use revised definitions and units to reflect a consistent approach across the sector. In order to be transparent about our performance and to assist our customers' understanding of our comparative performance we have explained further below where these changes will be made to our performance reporting.

**2019/20 Performance Commitments**




[11] www.ofwat.gov.uk/wp-content/uploads/2019/12/PR19-final-determinations-Bristol-Water-%E2%80%93-Outcomes-performance-commitment-appendix.pdf
[12] www.bristolwater.co.uk/wp-content/uploads/2019/12/Mid-year-performance-report-2019-20-FINAL.pdf

# 3A Outcome performance table
## – for 12 months ended 31 March 2020

| | Performance commitment | 2018-19 performance level – actual (for information) | 2019-20 performance level - actual | 2019-20 Performance Commitment Level (PCL) met? | 2019-20 outperformance payment or underperformance payment - in-period ODIs (indicator) | 2019-20 outperformance payment or underperformance payment- in-period ODIs (£m, to 4 dp) | 2019-20 outperformance payment or under-performance payment - ODIs payable at the end of AMP6 (indicator) | 2019-20 outperformance payment or underperformance payment (ODIs payable at the end of AMP6) (£m, to 4 dp) |
|---|---|---|---|---|---|---|---|---|
| 1 | A1: Unplanned customer minutes lost | 14.7 | 11.1 | Yes | - | | Out performance payment deadband | |
| 2 | A2: Asset reliability - infrastructure | Marginal | Stable | Yes | - | | - | |
| 3 | A3: Asset reliability - non-infrastructure | Stable | Stable | Yes | - | | - | |
| 4 | B1: Population in centres >25,000 at risk from asset failure | 9,063 | 9,063 | Yes | - | | - | |
| 5 | C1: Security of supply index (SOSI) | 100 | 100 | Yes | | | | |
| 6 | C2: Hosepipe ban frequency | 3.1 | 3.1 | Yes | - | | - | |
| 7 | D1: Mean zonal compliance (MZC) | 99.99 | 99.97 | No | - | | Under performance payment deadband | |
| 8 | E1: Negative water quality contacts | 1,934 | 1,712 | Yes | - | | Out performance payment deadband | |
| 9 | F1: Leakage | 45.8 | 40.9 | Yes | - | | Out performance payment | £1.9844m |
| 10 | G1: Meter penetration | 56.0 | 59.0 | No | - | | Under performance payment | -£0.1520m |
| 11 | H1: Total carbon emissions | 23 | 19 | Yes | | | | |
| 12 | H2: Raw water quality of sources | -14 | -25 | Yes | | | | |
| 13 | H3: Biodiversity index | 17,668 | 17,670 | Yes | | | | |
| 14 | H4: Waste disposal compliance | 98 | 98 | No | | | | |
| 15 | G2: Per capita consumption (PCC), measured as litres per head per day (l/h/d) | 148.3 | 144.6 | No | | | | |
| 16 | I1: Percentage of customers in water poverty | 0.0 | 0.0 | Yes | | | | |
| 17 | J1: Service incentive mechanism (SIM)[13] | 84.71 | 82.54 | No | | | | |
| 18 | J2: General satisfaction from surveys | 89 | 87 | No | | | | |
| 19 | J3: Value for money | 68 | 75 | Yes | | | | |
| 20 | K1: Ease of contact from surveys | 91.4 | 91.8 | No | | | | |
| 21 | L1: Negative billing contacts | 1,595 | 1,274 | Yes | | | | |

[13] For SIM performance, although there is a financial incentive for performance between April 2015 to March 2019, there is no financial incentive applicable to performance in 2019/20 as the methodology was significantly revised as part of the transition to reporting on C-MeX in April 2020.



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### 3B – Sub-measure performance table – for 12 months ended 31 March 2020

| | PC / sub-measure | 2018-19 performance level - actual | 2019-20 performance level - actual | 2019-20 PCL met? |
|---|---|---|---|---|
| 1 | A2: Asset reliability - infrastructure | Marginal | Stable | Yes |
| 2 | Total bursts (number) | 1,074 | 796 | Yes |
| 3 | DG2: low pressure (number of properties) | 61 | 57 | Yes |
| 4 | A3: Asset reliability - non-infrastructure | Stable | Stable | Yes |
| 5 | Turbidity performance at treatment works (number) | 0 | 0 | Yes |
| 6 | Unplanned maintenance events (number) | 2,913 | 3,327 | Yes |

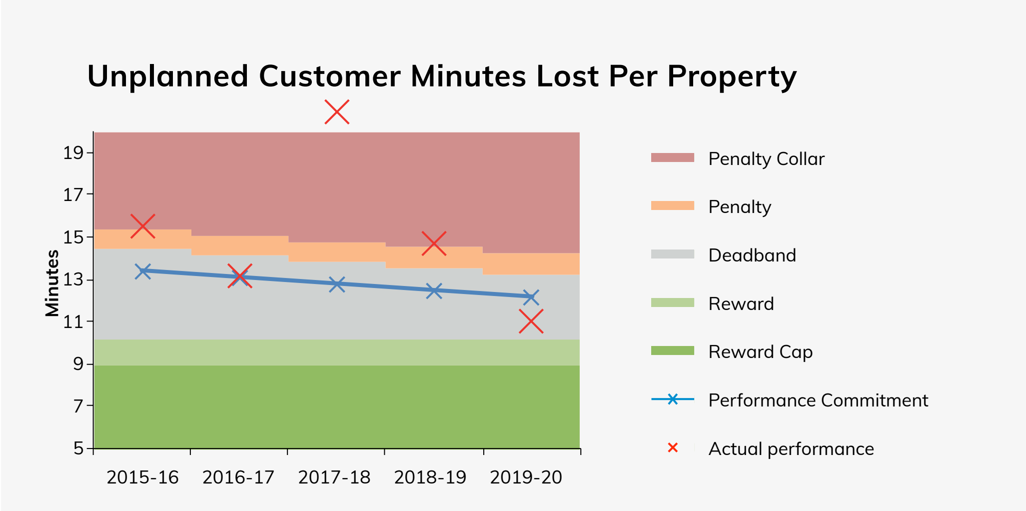
# Commentary by metric
## A1: Unplanned Customer Minutes Lost

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

### Summary Performance

| | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | AMP6 Total |
|---|---|---|---|---|---|---|
| Committed Performance Level ("CPL") Mins / customer / year | 13.4 | 13.1 | 12.8 | 12.5 | 12.2 | |
| Performance Mins / customer / year | 15.5 | 13.1 | 73.7 | 14.7 | 11.1 | |
| CPL met? | No | Yes | No | No | Yes | |
| Outperformance Payment/ Under-performance Penalty £m | -0.7389 | 0 | -0.7389 | -0.7389 | 0 | -2.2167 |





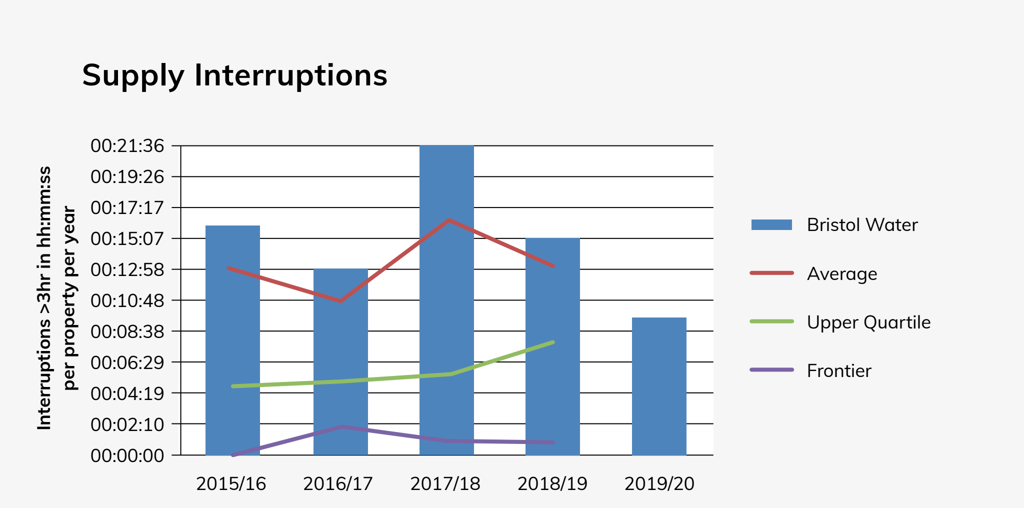

Data point for 2017/18 not to scale (performance at 73.7mins)

### Explanation of ODI
In order to calculate any outperformance payment or underperformance penalty the ODI performance is compared against the target performance. If the performance falls within the outperformance payment or underperformance penalty-zone then we multiply the resulting difference by the incentive rate. For average minutes lost, the incentive outperformance payment rate is £0.509m and the underperformance penalty is £0.7389m per minute lost per property per year. There is a deadband where performance adjustments do not apply, as well as a cap on the total outperformance payment and collar on the total underperformance penalty. Maximum penalties are incurred where performance is one minute or greater than the deadband level. ODI payments for this measure have been taken as a revenue adjustment, which will have an impact on customer bills during 2020-25. A total incentive underperformance penalty of £2.2167m has been applied based on the maximum penalties incurred in 2015/16, 2017/18 and 2018/19. Our performance in those years was unfortunately impacted by a small number of events causing extended interruptions to large numbers of customers.

### Commentary on Performance
The reduction in interruptions to supply is of high importance to our customers. This year has seen big changes in our approach to supply interruptions and we are delighted that as a result we have outperformed our target. Our performance has resulted in a 19% decrease since our assumed starting position in 2014/15, which has meant customers are now considerably less likely to experience a supply interruption than at the start of the period.

We have invested in our smart network capabilities and increased the coverage of pressure loggers from which our staff have developed tools that have transformed the way we identify and analyse supply interruptions. Alongside this, we have changed our network maintenance framework contractor, and also developed disciplines around Continuous Water Supplies (CWS), to first focus on supporting our customers by prioritising maintaining and restoring supplies (via rezones, infusion tankering, on-demand bowsers, over-land temporary mains and re-usable lay-flat mains) and secondly focusing on repairing the main (fixing the burst). We also get support and information out to vulnerable customers before the incident happens wherever possible, as well as advanced planning of Alternative Water Supply (AWS) arrangements where there is a risk that we will not be able to resolve the problem without an interruption.

The performance in the year was adversely affected by a major burst at Royate Hill during the period of intense hot weather in July 2019 (c2 minutes on its own). Our performance in the last six months of 2019/20 (2.1 minutes), although partly aided by clement weather, would be sufficient to meet our targets throughout 2020-25 if repeated.




Data point for 2017/18 not to scale (performance at 1 hour, 15 minutes and 59 seconds)

### Benchmarking Performance

Customers may compare our performance on supply interruptions against other companies in the industry on the Discover Water website[14]. The graphic above is intended to assist our customers' understanding of our performance.

This is based on a comparative measure of interruptions longer than 3 hours, which differs from our 2015-20 performance commitment described above.

### The next five years

Looking ahead to 2020-25, we will be amending how we report on customer supply interruptions to align with the rest of the industry, so that our customers will be able to directly compare our performance against other companies' performance. This new standard measure will report on all interruptions (both planned and unplanned) that last for three hours or more. The operational changes we have been undertaking over recent years has ensured we will not only perform well against the targets for this revised measure, but also deliver a better service for our customers in the long-term. We have been tracking our performance on this revised methodology over the last few years and the improvements we have made for the current methodology indicate that we will be able to deliver encouraging levels of service to our customers in future years.

Our targets (which have been standardised across the industry) are below.

| Performance Commitment | 2020/21 Target | 2021/22 Target | 2022/23 Target | 2023/24 Target | 2024/25 Target |
|---|---|---|---|---|---|
| Supply interruptions >3hours per total properties served (mins:seconds) | 6:30 | 6:08 | 5:45 | 5:23 | 5:00 |

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



# A2: Asset reliability – infrastructure

### Definition

This measure is broadly based on Ofwat's historic serviceability assessment; it relates to the total number of burst mains in each year and the number of properties assessed to be at risk of low pressure.

Our performance against these two sub-indicators is used to assess our capability of delivering our customers' expected level of service both now and in the future.

Ensuring that we maintain a reliable supply of water is a key company outcome. We are aiming to achieve this at the same time as having to meet the risks associated with an ageing infrastructure and assets.

### Summary Performance

| Asset health assessment | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | AMP6 Total |
|---|---|---|---|---|---|---|
| Committed Performance Level ("CPL") | stable | stable | stable | stable | stable | |
| Performance | stable | stable | marginal | marginal | stable | |
| CPL met? | Yes | Yes | No | No | Yes | |
| Underperformance penalty £m | 0 | 0 | 0 | -0.6850 | 0 | -0.6850 |



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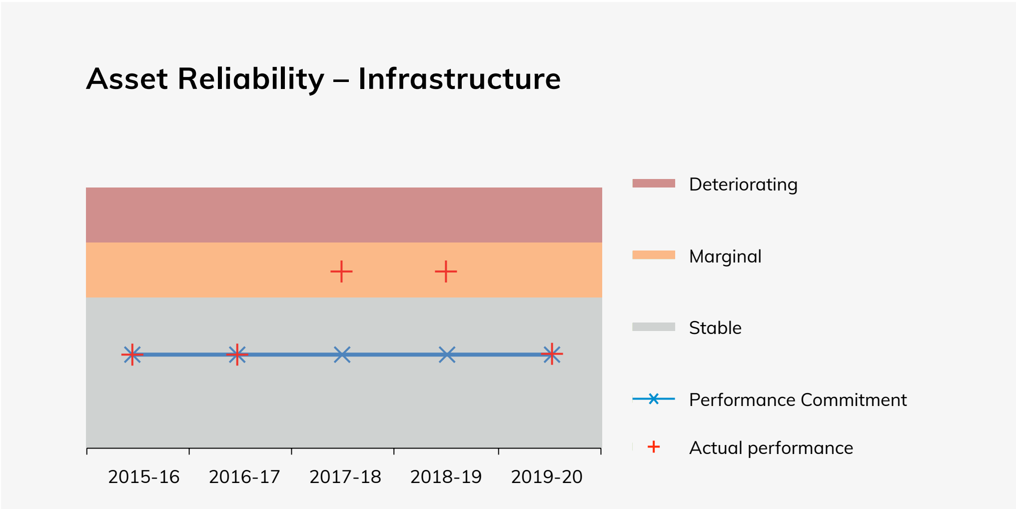



### Explanation of ODI

There is no potential for the Company to earn outperformance payments against this performance commitment as it is intended to incentivise long-term asset health of our pipes. In order to calculate any underperformance penalty, the ODI performance is compared against the target performance. If the performance falls within the underperformance penalty-zone (a marginal assessment) for a second year then we apply the incentive rate of £0.685m. If the performance falls within the underperformance penalty-collar-zone (a deteriorating assessment) then we apply the incentive rate of £2.1054m.

The ODI underperformance penalty (of £0.685m) for this measure is applied as a Regulatory Capital Value (RCV) adjustment, which will have an impact on our customers' bills over a longer period of time (compared to revenue adjustments). This is because underperformance penalty adjustments to RCV take place over a much longer time-period, typically more than 20 years to have a full financial effect on customer bills. This form of underperformance penalty was considered appropriate at PR14 for this measure because this performance commitment relates to the long-term health of our assets, which reflects investment over a significant amount of time.

### Commentary on Performance

This performance commitment is intended to incentivise long-term asset health of our pipes. Ensuring that we maintain a reliable supply of water is a key company outcome. We aim to achieve this at the same time as having to meet the risks associated with an ageing infrastructure and assets.

Our approach to maintaining asset reliability to date has been of targeting stability, marred only by the impact of the 'Beast from the East'. This extreme freeze-thaw weather event in 2018 led to a quarter of the 2017/18 burst main target being hit in less than a week, and also impacted 2018/19 bursts. Since then we have steadily improved on both the sub-indicators with a significant reduction in bursts and customers at risk of receiving low pressure, and in 2019/20 and have returned to a 'stable' assessment as a result, meaning our customers can expect to receive a reliable supply of water. We aim to deliver an average of 20km (c0.3% of the total length) of mains renewals or replacements each year, to aim long term stability and targeted reduction in mains bursts. We renewed 32km of mains renewals in 2019/20 (c0.5% of the total length), which will help to reduce mains bursts in future years as well as a number of other benefits.

### The next five years

In the next reporting period (in 2020-25) the two sub-indicators to asset reliability – infrastructure (bursts and low pressure) will be reported on as separate performance commitments. Our performance to date on both indicators is explained further on the following pages.



| No. of bursts | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|
| Upper Control Limit | 1,166 | 1,166 | 1,166 | 1,166 | 1,166 |
| Reference Level | 950 | 950 | 950 | 950 | 950 |
| Lower Control Limit | 734 | 734 | 734 | 734 | 734 |
| Performance | 764 | 1,034 | 1,222 | 1,074 | 796 |

### Bursts

This is the total number of burst pipes recorded in the year.

A burst pipe is the most common cause of loss of water supply and is an indicator of the health of our pipes, so, as a minimum, we aim to keep the number of bursts stable over a long period of time, recognising that individual years may show variations due to extreme weather events. The improvement that we forecast primarily reflects the benefit from our activities to reduce leakage and supply interruptions.

Our performance in this area is partly impacted due to the historic age of our network assets, which are the oldest in Europe on average. We currently plan to renovate 100km of mains in the next reporting period, averaging 20km per year in order to offset further deterioration levels.

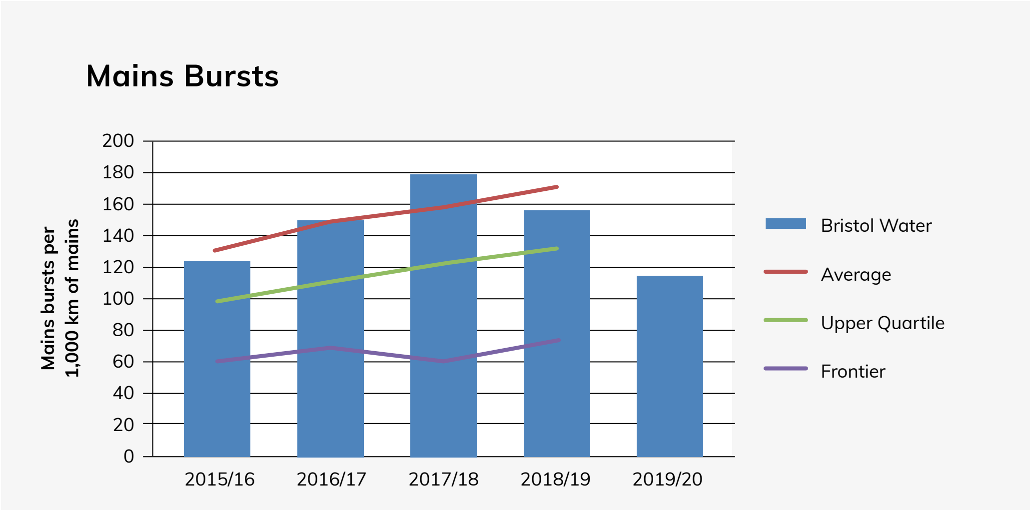
Bristol Water has historically identified mains to prioritise for repair using a bespoke predictive burst model. Over the last year we have sought to improve this predictive modelling capability and will continue to make significant improvements into 2020/21. This takes the form of introducing far more sophisticated models which use many more environmental and asset related factors.

Understanding where to target our mains renovation first requires an understanding of how our network deteriorates over time. We have developed a burst model which takes into account different properties of individual pipes to produce the expected number of bursts per pipe; these include physical properties of the pipe, such as diameter and material, as well historic data on the historic burst rate and weather. The burst model is formulated in a way which outputs the predicted bursts per pipe, and is used to:

- Calculate long term predictions on pipes by running the model forward into the future, to give the total burst predictions in a set duration.
- Compare the burst predictions of a newly installed plastic pipe, which allows for the determination of the most effective pipes to replace in order to gain the greatest reduction in bursts.
- Obtain the natural deterioration rate for bursts, which determines the rise in bursts if no work is carried out on the network and allows us to understand the minimum spend required to maintain bursts at current level.

As a result of our long-term pipe management, our performance this year has seen a significant reduction in the number of bursts. Our approach for future years is to continue to develop our risk-based targeted investment approaches to replace failing assets through a mixture of renovation techniques but also to explore and exploit innovation opportunities in both operations and maintenance and Smart Network technologies.

Our operations and maintenance teams have already been through a transformation process from the maintenance-centric approaches of the past that focused on fixing the burst as quickly as possible to the customer-centric approaches of today that focus first on maintaining service to our customers wherever possible. This has led to the development of 'Continuous Water Supply' techniques (such as live clamp repairs) and a 'Safe Control of Operations' framework, which focuses on minimising stresses on the network wherever possible.




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

### Benchmarking Performance

Customers may compare our performance on bursts against other companies in the industry on the Discover Water website[15]. The graphic above is intended to assist our customers' understanding of our performance.

Looking ahead to 2020, we will be amending how we report on mains bursts, to align with the rest of the industry, so that our customers will be able to compare our performance against other companies' performance. Instead of reporting on the total number of bursts, this new standard measure will report on the number of repairs per 1,000km of mains pipe. Our targets are shown below.

### Low Pressure

Water pressure determines the strength of water flow from customer taps.

This is measured as the total number of properties in our area of water supply which, at the end of the year, have received, and are likely to continue to receive, a pressure or flow below the reference level. Our standard of service for mains water pressure is ten metres head (or 1 bar) at the property boundary of a home or business. This normally means that in a customer's home or business, water pressure should be strong enough to fill a 4.5 litre (one gallon) container in 30 seconds from a ground floor tap. This is the minimum level of pressure we expect each house or business to receive, although pressure can be higher. It is unlikely that customers will experience water pressure below the minimum standard and we have successfully maintained the number of properties on our Low Pressure register safely below our penalty threshold, with an approved remedial works program to drive this number even lower by the end of the year.

Identifying new properties at risk of low pressure can arise as a consequence of our proactive monitoring of our network or as a consequence of poor pressure complaints raised by customers. In our Mid-Year Performance Report 2019/20 we had forecast to outperform our 2019/20 reference level. We are pleased to report that the number of properties on the risk register has continued to reduce since 2016/17, despite locating and adding new properties to the register this year. This net reduction is a result of the remedial work undertaken to improve the water pressure available at the following locations:

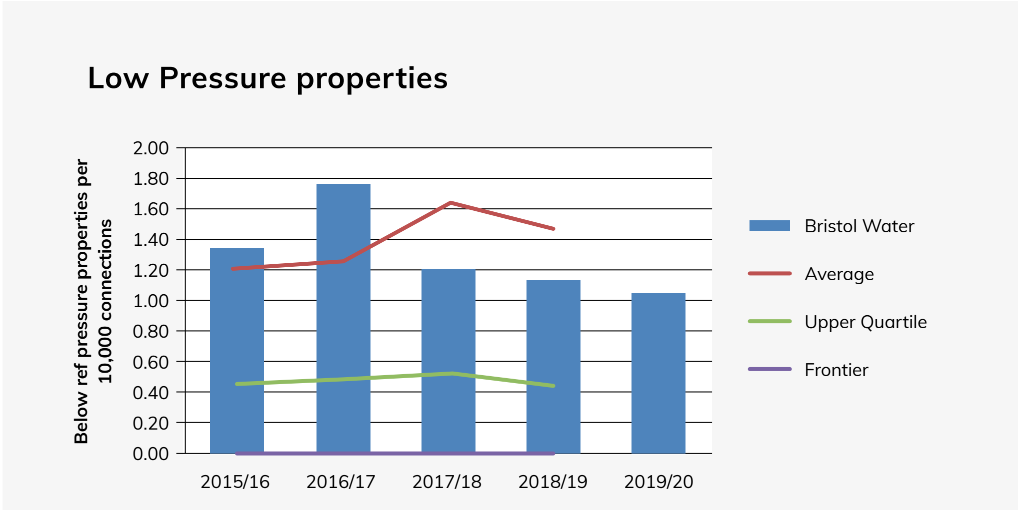
- We continued to undertake supply route checks, which confirmed that a number of properties initially thought to be on a shared supply now have their own supply pipe. This was the case for seven properties in Radstock.
- Another three properties were added to the register as a result of investigating poor pressure complaints from our customers (one property in Alveston, one in Midsomer Norton and another in Frome).

| Performance Commitment | 2020/21 Target | 2021/22 Target | 2022/23 Target | 2023/24 Target | 2024/25 Target |
|---|---|---|---|---|---|
| Repairs per 1,000km mains | 138.4 | 136.5 | 134.6 | 132.7 | 130.7 |

| No. of properties at risk | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|
| Upper Control Limit | 129 | 129 | 129 | 129 | 129 |
| Reference Level | 69 | 69 | 69 | 69 | 69 |
| Lower Control Limit | 9 | 9 | 9 | 9 | 9 |
| Performance | 71 | 94 | 65 | 61 | 57 |








### Benchmarking Performance

Customers may compare our performance on low water pressure against other companies in the industry on the Discover Water website[16]. The graphic above is intended to assist our customers' understanding of our performance.

We will continue to report on this performance commitment in the next reporting period. Our targets are below, as we plan to continue to reduce properties at risk of low pressure and are currently making good progress compared to these future targets. In addition, we have started a process of significantly increasing the level of pressure monitoring and other sensor deployment in our distribution network which will give us a more informed way to report on poor pressure in the network over the next five years. This will ensure we can identify which properties are at risk of low pressure and rectify the problems for our customers in a much quicker timetable.

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

| Performance Commitment | 2020/21 Target | 2021/22 Target | 2022/23 Target | 2023/24 Target | 2024/25 Target |
|---|---|---|---|---|---|
| No. of properties at risk | 65 | 61 | 57 | 53 | 49 |

# A3: Asset reliability - non-infrastructure

### Definition
To ensure we provide a reliable, clean and wholesome supply of water we must ensure that our production and treatment assets are performing well and available when required.

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

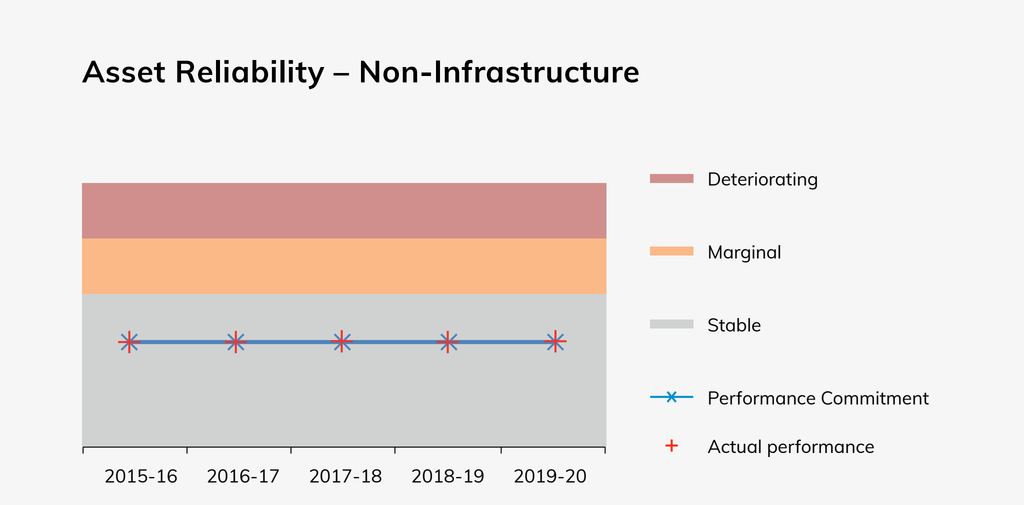
We effectively manage and maintain our assets to achieve high levels of asset reliability. Water quality is at the heart of our monitoring and maintenance to ensure high standards are maintained. We use effective maintenance strategies and risk tools to ensure plant is available and unplanned events are kept to a minimum. The measure has been consistently stable and we have met our performance commitment throughout the reporting period.

### Summary Performance

| Asset health assessment | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|
| Committed Performance Level ("CPL") | stable | stable | stable | stable | stable |
| Performance | stable | stable | stable | stable | stable |
| CPL met? | Yes | Yes | Yes | Yes | Yes |
| Underperformance penalty £m | 0 | 0 | 0 | 0 | 0 |








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

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

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

### The next five years
We aim to establish a planned system of maintenance that minimises the whole-life costs associated with the ownership of assets, whilst ensuring we meet our statutory and regulatory obligations and objectives in terms of customer experiences. In order to achieve this, we will:

- Apply a holistic lifecycle approach to our asset-related decision-making processes, with the appropriate balance of cost, risk and performance, supported by good quality asset data
- Measure and monitor the condition, performance and effectiveness of our assets and undertake suitable corrective actions to achieve continual improvement
- Improve the health and utilisation of our asset data, leading to greater insight into our asset business performance

In the next reporting period (in 2020-25) the two sub-indicators to asset reliability – non-infrastructure (turbidity and unplanned maintenance events) will be reported on as separate performance commitments. Our performance to date on both indicators is explained further on the following pages.

# A3: Asset reliability - non-infrastructure (cont.)

### Turbidity

Turbidity is a measure of the cloudiness of water, normally caused by suspended minerals. It is an important water quality control parameter at our water treatment works. Factors such as turbidity affect the effectiveness of disinfection.

| Turbidity failures | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|
| Upper Control Limit | 1 | 1 | 1 | 1 | 1 |
| Reference Level | 0 | 0 | 0 | 0 | 0 |
| Lower Control Limit | 0 | 0 | 0 | 0 | 0 |
| Performance | 0 | 0 | 0 | 0 | 0 |

The aim of this metric is to reduce the turbidity experienced at our water treatment works, which if successful contributes to improvements in the appearance of drinking water and effectiveness of the disinfection processes. This metric enables us to consider the following:

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

We have a long track record of achieving zero turbidity events (and this is the case for all reporting years over the last five years). We are taking a Drinking Water Safety plan approach from source to tap and as part of this approach we have worked to characterise the challenges in our sources, examine performance of our treatment processes and its verification (for example online monitoring) and optimisation of the works. We will continue to invest in maintaining and upgrading our treatment works so that they continue to provide top quality water.

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

| Performance Commitment | 2020 Target | 2021 Target | 2022 Target | 2023 Target | 2024 Target |
|---|---|---|---|---|---|
| Turbidity failures | 0 | 0 | 0 | 0 | 0 |



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### Unplanned Maintenance Events

This metric records the total number of unplanned maintenance events occurring at our sites throughout the year, as a result of equipment failure or reduced asset performance. It typically relates to jobs identified at our treatment works, pumping stations and service reservoirs.

| No. of maintenance jobs | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|
| Upper Control Limit | 5,083 | 5,083 | 5,083 | 5,083 | 5,083 |
| Reference Level | 3,976 | 3,976 | 3,976 | 3,976 | 3,976 |
| Lower Control Limit | 2,869 | 2,869 | 2,869 | 2,869 | 2,869 |
| Performance | 3,352 | 2,870 | 3,279 | 2,913 | 3,327 |

Unplanned events mean potential interruptions to the treatment and supply of clean and wholesome water. The more we can reduce the occurrence of unplanned events on our treatment works the more reliable the supply of water; this results in reduced asset downtime and increased reliability of supply for our customers.

We have a long track record of achieving outperformance on this measure (and this is the case for all reporting years between 2015/16 to 2019/20). The number of unplanned events has however increased compared to last year but is still well below the reference level. We have noticed an increase in number of failures in effluent, telemetry and raw water process and a decrease in number of events for ozone and plumbo-solvency. We use the information from the work orders to better understand our assets and help to implement appropriate measures to ensure reliability. Effective maintenance and management of assets using such information allows us to run our plant in a resilient manner that will consistently produce high quality water; this is why we expect our future performance to be well within the target level. By providing the right level of care and investment in our assets we are able to provide a resilient supply of quality water with minimal interruptions.

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

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

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

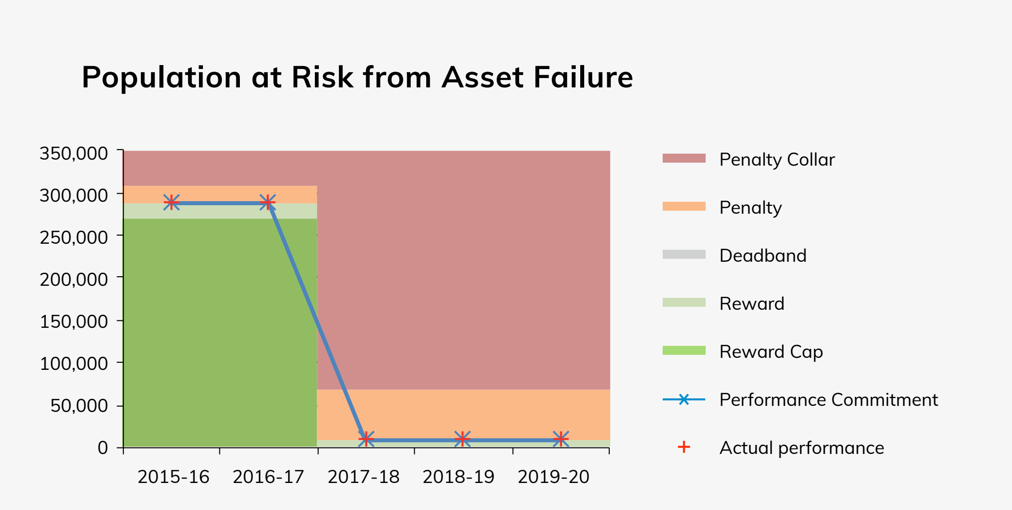
### Definition

We aim to provide a resilient supply of water to our customers, all year round.

A resilient supply means that we are able to cope with extreme or unusual events, and this is measured by the number of people (in supply areas of more than 25,000 consumers) at risk from the failure of a single source above ground asset, such as a treatment works.

### Summary Performance

| Population at risk | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|
| Committed Performance Level ("CPL") – number of people | 288,589 | 288,589 | 9,063 | 9,063 | 9,063 |
| Performance – number of people at risk | 288,589 | 288,589 | 9,063 | 9,063 | 9,063 |
| CPL met? | Yes | Yes | Yes | Yes | Yes |
| Outperformance Payment / Underperformance penalty £m | 0 | 0 | 0 | 0 | 0 |




### Explanation of ODI

As we delivered the Southern Resilience Scheme by the required deadline, no incentive payment is due. An outperformance payment was dependent on removing the remainder of the population at risk (in the Glastonbury and Street area). If we had not delivered the Scheme by the end of March 2018, we would have incurred an underperformance penalty of £2.436m. Any ODI payment for this measure would have been taken as a revenue adjustment, which would have had an impact on our customer bills between 2020 and 2025.

### Commentary on Performance

The £27m Southern Resilience Scheme comprises 30km of large diameter mains and a new pumping station. It provides the capability to transfer water between three of Bristol Water's larger treatment works ensuring enhanced security of supply should any one of them be out of service for an extended period of time. Put simply, it means if there is an emergency, we can get customers' water back into supply more quickly.

Completion of this scheme in March 2018 has provided improved security of supply to over 280,000 customers and has already been utilised to ensure continued supply to customers in the Weston Super Mare and Cheddar areas. An additional benefit to our customers is enhanced security of supply by having the ability to conserve resources such as Chew Valley Lake and Blagdon Lakes during extended hot, dry periods such as were experienced this summer, by supplying water from other sources.

The scheme also helps us meet the increase in demand for water over the coming years. Weston-Super-Mare is one of Europe's fastest growing towns, and we need to supply all of the new residents and businesses coming to the area.

### The next five years

As a result of the successful delivery of the Southern Resilience Scheme all our population centres (in supply areas of more than 25,000 consumers) are now protected from a single above ground asset failure. From April 2020 our resilience plans will include below ground assets and a reduced threshold of supply areas with a population of more than 10,000 people. As part of our plans we will deliver the Wells to Glastonbury - Street area main, which will ensure that a population of 28,000 customers will benefit from a resilient supply. Our targets for the Glastonbury – Street scheme will be measured by number of months delay to deliver this permanent secondary source of supply to the Glastonbury Street area.

In addition to this main scheme further investigation and intervention will be undertaken to improve resilience through a number of other smaller schemes where the impact of low likelihood events could have a significant impact on local resilience.

| Performance Commitment | 2020/21 Target | 2021/22 Target | 2022/23 Target | 2023/24 Target | 2024/25 Target |
|---|---|---|---|---|---|
| No. of months' delay to scheme delivery | 0 | 0 | 0 | 0 | 0 |



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# C1: Security of supply index (SOSI)

### Definition

One of our customers' most important requirements is an unrestricted water supply. Our performance of this is measured by an assessment of the percentage of population served at risk of experiencing water shortages, measured using the 'security of supply index' (SOSI).

This takes into account the supply of water that we have available and the demand from our customers, calculated as the proportion of customers at risk of experiencing water shortages during dry weather under our stated customer levels of service for demand restrictions. If a score of less than 100 is calculated, this would indicate that there could have been a higher risk of water use restrictions for our customers that year. This measure helps to confirm that drought risk is in line with our 2014 Water Resource Management Plan.

The index takes into account that there may be restrictions on water use at certain points in time during dry years (as set out in our levels of service). As a result it is possible to have a 100% security of supply index at the same time as requiring water restrictions, such as hosepipe bans.

### Summary Performance

| SOSI Index | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|
| Committed Performance Level ("CPL") | 100 | 100 | 100 | 100 | 100 |
| Performance | 100 | 100 | 100 | 100 | 100 |
| CPL met? | Yes | Yes | Yes | Yes | Yes |

### Explanation of ODI

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

### Commentary on Performance

We are pleased to have met our target for this performance commitment for the fifth consecutive year of this reporting period, indicating our customers can expect a sufficient supply of water, with no restrictions unless there is a severe drought. This is due to our effective operational management in response to dry weather conditions.

### The next five years

We will not continue reporting on this as a performance commitment from 2020, instead we will be reporting on the risk of drought restrictions throughout the period (explained further in the hosepipe ban frequency section). To mitigate any risk to SOSI deteriorating in future years due to population growth or increased per capita consumption, the Company will continue to take action to reduce demand for water as well as making improvements to our water supply assets to increase water available for use.



# C2: Hosepipe ban frequency

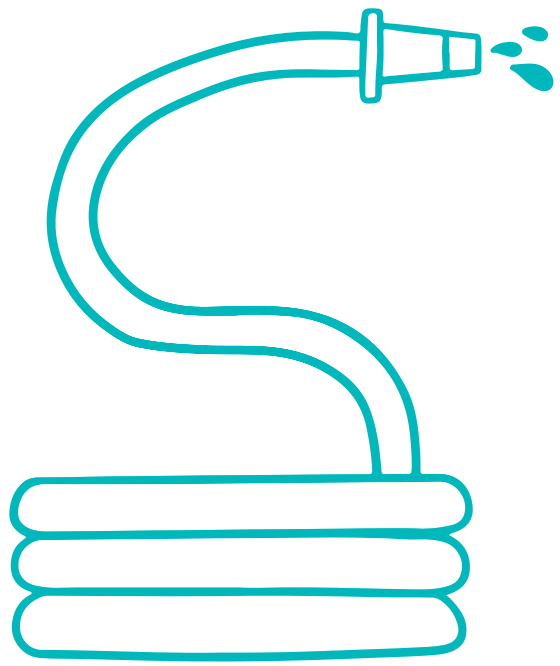
### Definition

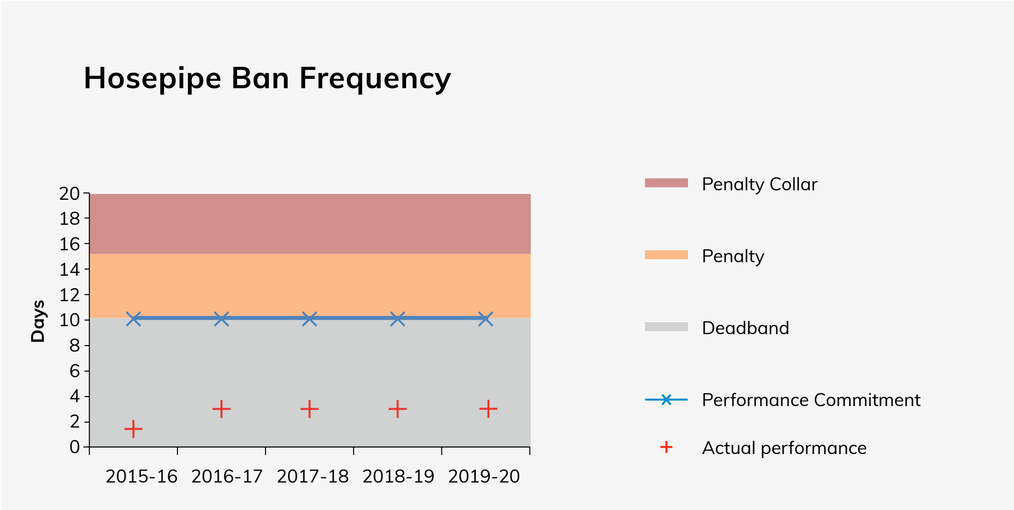
This measures the likelihood in any one year that temporary usage restrictions, such as on the use of hosepipes, will be implemented. It is reported as the number of expected days of restriction in the year.

The commitment is based on the assumption that a restriction would last for five months (153 days), and that we have a one-in-fifteen year probability of an interruption: 153 / 15 = 10.2 expected days.

### Summary Performance

| No. of days | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|
| Committed Performance Level ("CPL") | 10.2 | 10.2 | 10.2 | 10.2 | 10.2 |
| Performance | 1.5 | 3.1 | 3.1 | 3.1 | 3.1 |
| CPL met? | Yes | Yes | Yes | Yes | Yes |
| Underperformance penalty £m | 0 | 0 | 0 | 0 | 0 |






### Explanation of ODI

There is no outperformance payment due to the company for this performance commitment as customers expect us to manage the supply of water available to them without restrictions. An underperformance penalty of £0.043m would be due per day at risk of restriction over the 10.2 day target. As we have outperformed for every year over the last five years, there has been no ODI impact.

### Commentary on Performance

We are pleased to report that for every single year of this reporting period we have outperformed against our target for this performance commitment. It has been 30 years since we last introduced a hosepipe ban (in 1990). We managed our water resources very carefully throughout the dry spells over the last few years, reducing the amount of water we took from the Mendip reservoirs and increasing the amount taken from the River Severn. This resilience allowed us to maintain a low risk of water restrictions, despite very dry and hot summer weather that was experienced.

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

### The next five years

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

| Performance Commitment | 2020/21 Target | 2021/22 Target | 2022/23 Target | 2023/24 Target | 2024/25 Target |
|---|---|---|---|---|---|
| % population at risk over 25 years | 38.00 | 29.80 | 29.80 | 29.80 | 25.60 |



# D1: Mean zonal compliance (MZC)

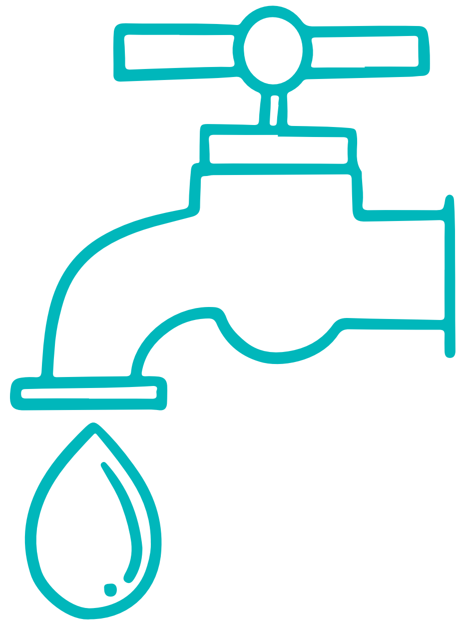
### Definition

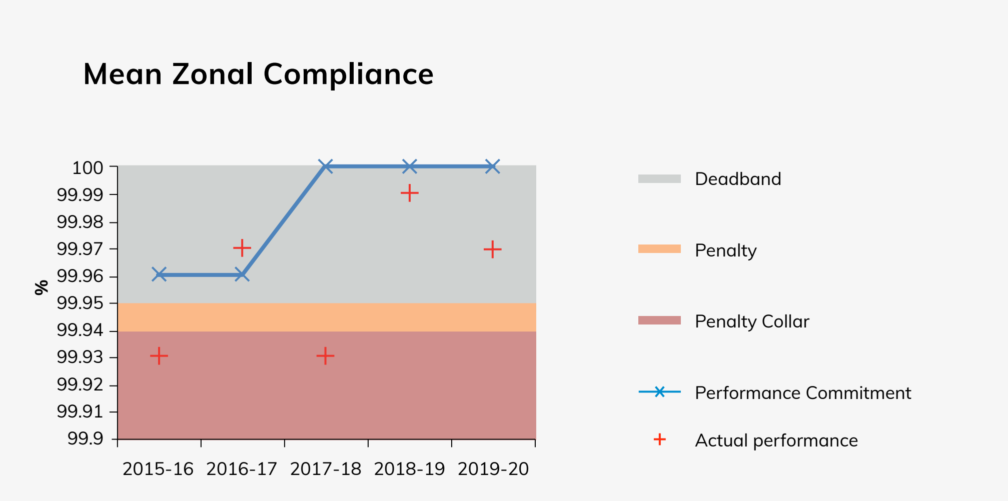
Drinking water must meet strict standards that ensure it is safe to drink and the quality is acceptable to consumers.

The MZC performance commitment is a water quality compliance measure based on a series of 35 parameters (e.g. levels of lead, nitrate levels etc.) determined by the Drinking Water Inspectorate, commonly referred to as the DWI. It is calculated based on sampling each parameter at supply points and customer taps in a number of specified zones. Our sampling schedule is aligned to a sophisticated computer-controlled programme so that water quality is checked right from source to customers' taps.

### Summary Performance

| % MZC | 2015 | 2016 | 2017 | 2018 | 2019 | AMP6 Total |
|---|---|---|---|---|---|---|
| Committed Performance Level ("CPL") | 99.96 | 99.96 | 100 | 100 | 100 | |
| Performance | 99.93 | 99.97 | 99.93 | 99.99 | 99.97 | |
| CPL met? | No | Yes | No | No | No | |
| Underperformance penalty £m | -0.284 | 0 | -0.284 | 0 | 0 | -0.568 |






### Explanation of ODI

There is no outperformance payment due to the company for this performance commitment as companies are expected to comply with their legal drinking water quality obligations at all times. In order to calculate any underperformance penalty the ODI performance is compared against the target performance. If the MZC score falls within the underperformance penalty-zone then the incentive is calculated based on an underperformance penalty rate of £0.284m for 0.01%. We have accrued £0.568m of underperformance penalties over the last five years. The ODI underperformance penalty has been taken as a revenue adjustment, which reduces our customers' bills throughout 2020-25.

### Commentary on Performance

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

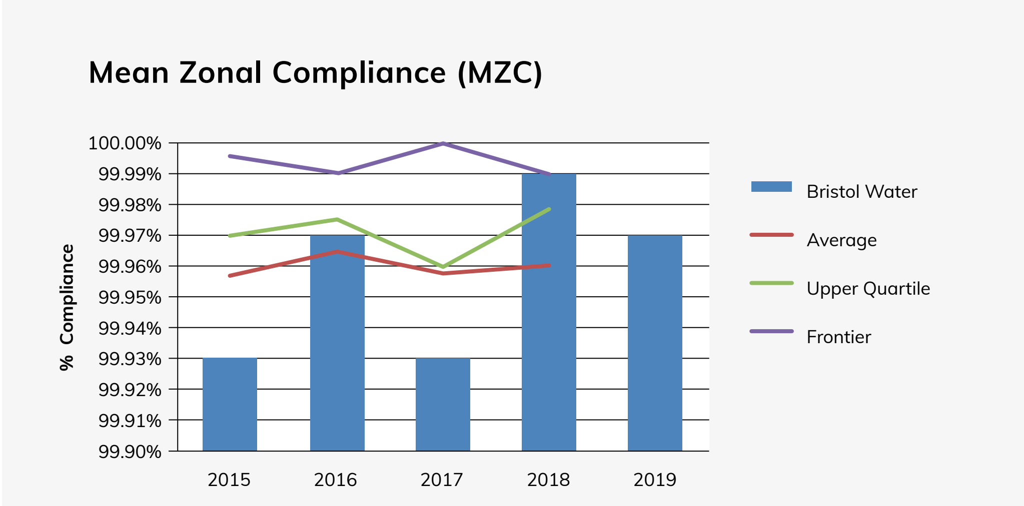
As this measure is reported to the DWI it is measured on calendar year, rather than a financial year basis, in line with the DWI reporting timetable. Although we have not met our target of 100% compliance, our performance still represents a high level of compliance and is representative of the high quality of water supplied to our customers. In our view we have no systematic causes of non-compliance and this performance represents isolated sample failures.

Regulatory failures for parameters such as lead, taste and odour are often attributed to the customer's domestic plumbing system, and therefore are out of the control of the company meaning we have little influence over these results. A significant number of the failures reported in 2019 were associated with customer domestic plumbing systems.

The team is however, in the process of designing new material to inform customers of the influence of their own domestic distribution systems on water quality. These will be targeted at domestic and non-domestic customers. In doing this we have been working with partners such as WRAS and Water UK.








### Benchmarking Performance

Customers may compare our performance on water quality standards against other companies in the industry on the Discover Water website[17]. The graphic above is intended to assist our customers' understanding of our performance.

### The next five years

For 2020-2024 the DWI has replaced MZC as the preferred measure of water quality with the Compliance Risk Index (CRI). The Company is therefore now reporting on CRI (it is reported on a calendar year basis), along with the rest of the industry. The CRI considers the relative significance to consumers, and their health, of the individual water quality parameter failure and if these were avoidable by company action.

In 2018 we achieved a low CRI score (0.75), which remained a high level of performance even though this was an increase on the exceptionally low CRI score (0.03) we achieved for 2017, underlining the importance that we place on delivering on water quality for our customers. However In 2019 we achieved a CRI score of 2.3.

Our targets for CRI in the next reporting period will be to achieve full compliance (0 CRI points). There will be however an allowance of a CRI at 2.0 before any ODI impact, meaning that we are on track to deliver a level of performance that would not result in underperformance penalties, ensuring our customers can expect high quality water delivered to their taps.

Over the last few years we have taken steps to evaluate the areas where we can provide increased focus to try to improve performance. One of these areas is our network interventions and lead. A single failure of the standard for lead in a large zone can significantly impact our overall performance of CRI. We have a new scheme for lead that is now underway at our Alderley Treatment Works. In the longer term replacing the lead piping will also benefit our customers and we are piloting how best to achieve this. We are also carrying out ongoing regular reviews of optimal dosing of phosphate to manage plumbosolvency.

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

| CRI Index | 2020 Target | 2021 Target | 2022 Target | 2023 Target | 2024 Target |
|---|---|---|---|---|---|
| Performance Commitment | 0 | 0 | 0 | 0 | 0 |

# E1: Negative water quality contacts

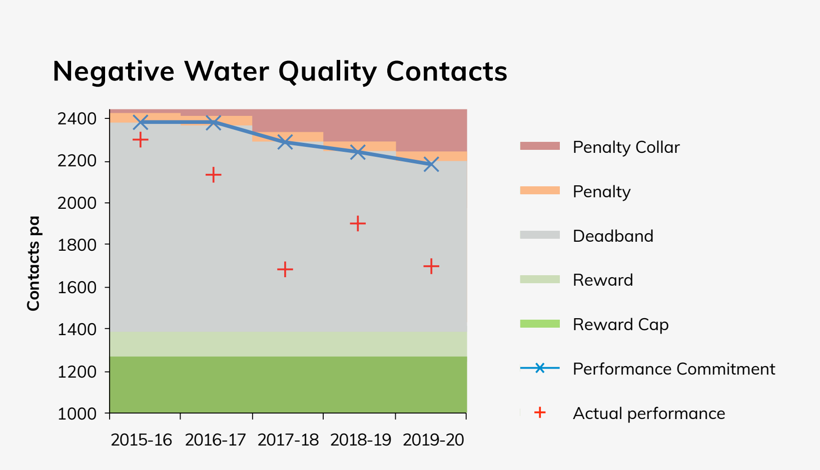
## Definition
It is important that our water not only meets stringent safety standards but is also good to drink.

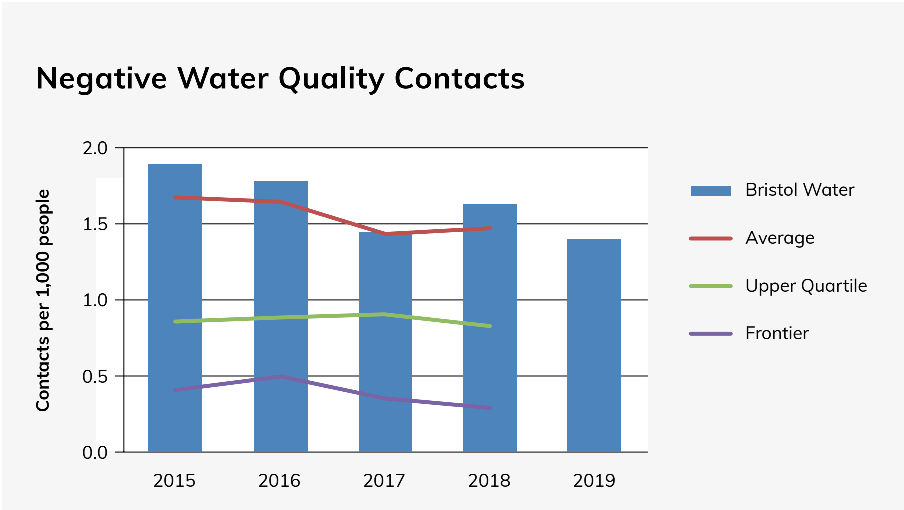
This metric measures the total number of consumer contacts about the appearance, taste and odour of the water for the previous calendar year. As this measure is reported to the DWI it is measured on calendar year, rather than a financial year basis.

## Summary Performance

| No. of contacts/ year | 2015 | 2016 | 2017 | 2018 | 2019 | AMP6 Total |
|---|---|---|---|---|---|---|
| Committed Performance Level ("CPL") | 2422 | 2409 | 2322 | 2275 | 2221 | |
| Performance | 2329 | 2162 | 1711 | 1934 | 1712 | |
| CPL met? | Yes | Yes | Yes | Yes | Yes | |
| Outperformance Payment / Underperformance penalty £m | 0 | 0 | 0 | 0 | 0 | 0 |

## Explanation of ODI
In order to calculate any outperformance payment or underperformance penalty, the ODI performance is compared against the target performance. If the performance falls within the outperformance payment or underperformance penalty-zone then we multiply the resulting difference by the incentive rate. For negative water quality contacts the incentive underperformance penalty rate is £0.005895m per contact and the outperformance payment is £0.00123m per contact.




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

## Commentary on Performance
Over the last five years we have seen a reduction overall in the number of contacts about the appearance, taste and/or odour of water from our customers.

Customer contacts for the appearance of their drinking water remains the greatest proportion of our overall contacts (these account for 73% of the total customer contacts). Despite significant activity on the network, including an ambitious mains renovation programme, the final number has resulted in a 34% reduction in the number of negative water quality contacts since the start of the reporting period. We achieved these results through improvements in our network monitoring (such as installing pressure monitors into every district meter area and flow loggers into every waste water meter district); by doing so we able to understand more intelligently how water moves around our network and thus enabling us to take action to reduce areas where there is little water movement. It is in these areas of low water movement that sediment can accumulate, which can then understandably generate customer contacts about the appearance of water.

## Benchmarking Performance
We know that the taste and appearance of our customers' tap water is something which they value highly. Customers may compare our performance on appearance contacts against other companies in the industry on the Discover Water website[18] and our performance on taste/odour contacts against other companies in the industry on the same website[19]. The graphic above is intended to assist our customers' understanding of our performance.

## The next five years
Approximately 65% of appearance contacts can be attributed to the disturbance of harmless iron sediments within the mains network, which can cause a red/brown colouration to water. Our systematic flushing programme has proven to be effective as a first stage intervention in removing iron sediment before it can cause a problem (to the extent that it then results in customers feeling the need to contact us about the appearance of their water). We are looking to develop our operational monitoring of the network to include innovative portable water quality monitors to identify those mains that are contributing iron sediment to the network and to therefore be able to proactively intervene before the problem persists.

Historically, the majority of taste and odour contacts are associated with problems that develop within internal domestic plumbing systems. Updates to our website have helped to improve the information currently available to customers but a further campaign is planned in 2020 to help further reduce the number of contacts.

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

| Performance Commitments | 2020 Target | 2021 Target | 2022 Target | 2023 Target | 2024 Target |
|---|---|---|---|---|---|
| Appearance contacts per 1,000 population | 0.83 | 0.73 | 0.63 | 0.53 | 0.43 |
| Taste / odour contacts per 1,000 population | 0.40 | 0.36 | 0.32 | 0.28 | 0.25 |





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# F1: Leakage

### Definition

Water is supplied to customers' homes through thousands of kilometres of underground pipes. For various reasons, including ground movement and degradation of materials, pipes can leak and some water is lost between the treatment works and the home.

This measure is the amount of water that enters the distribution system but is not delivered to customers because it is lost from either the company's or customers' pipes.

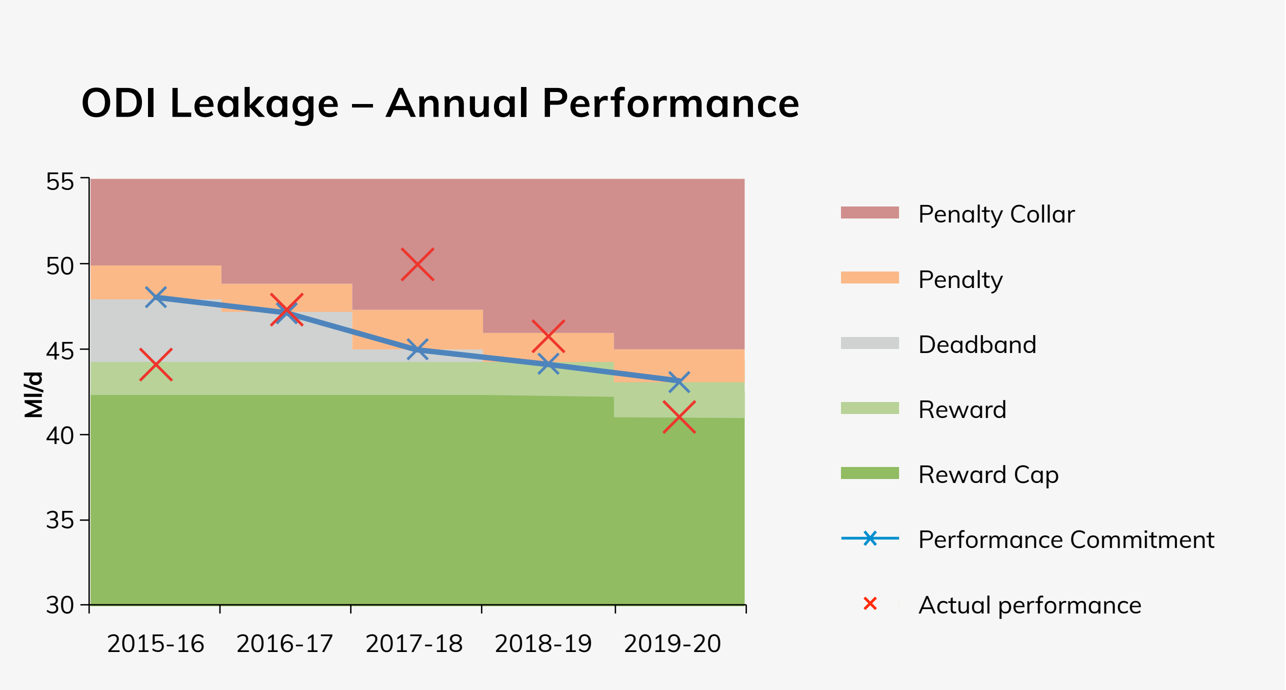
There are multiple benefits to managing leakage effectively including reducing the risk of having to impose water restrictions if our area experiences sustained periods of dry weather, reducing our impact on the environment by reducing the amount of water we need to abstract, and reducing disruption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

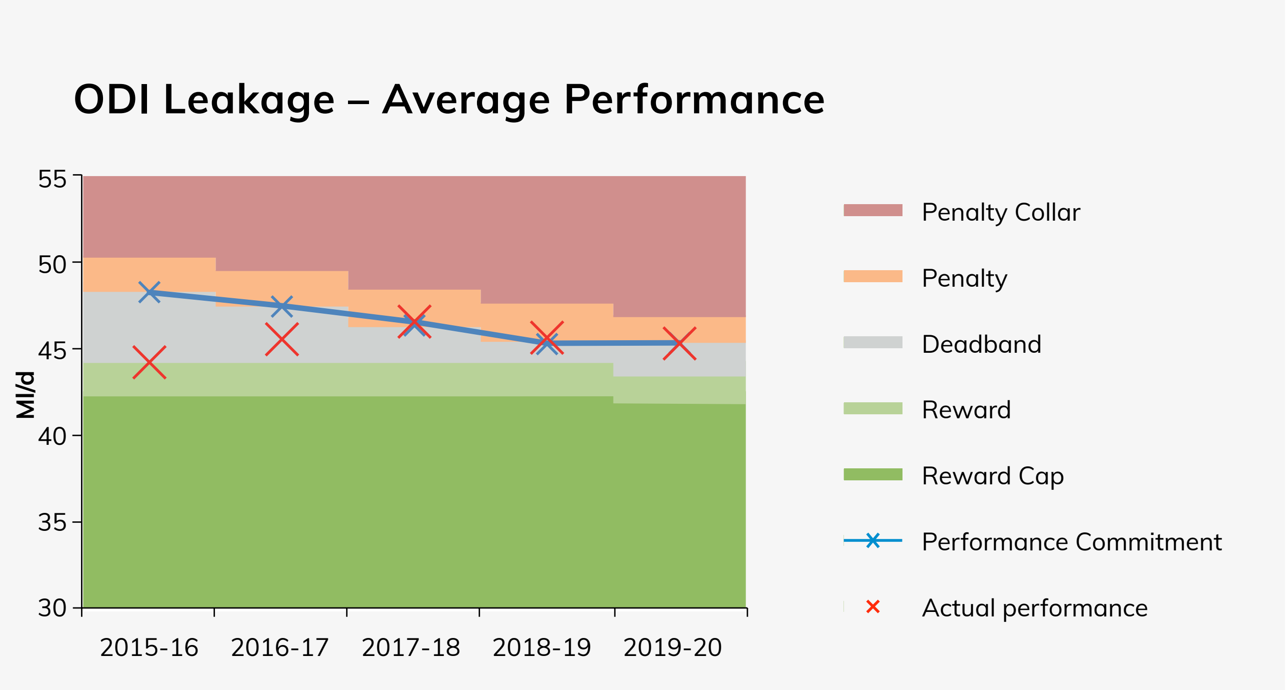
We want to always report leakage based on the most up-to-date assumptions to provide the most accurate figure possible. Since 2017/18 we have been reporting our leakage performance based on our view of the actual level of leakage, based on the latest technical assumptions. Ofwat published a corrigenda notice to the PR14 Final Determination on 25 April 2018[20] confirming that our approach to dual-reporting leakage during the remaining years of this reporting period was prudent. The technical improvements relate to aligning the measurement of one of the components of leakage measurement, known as non-household night use (NHHNU). In 2016/17 we identified that the assumptions for the NHHNU component had not been updated since 2007 i.e. the outdated assumptions for this component was providing an inaccurate view of our actual leakage level of performance. We have since carried out an updated assessment, which has brought our sampling for this component in line with best practice across the industry. To ensure consistency, as these technical changes were identified after the original leakage targets for the 2015-2020 period were set, we have agreed with Ofwat that our leakage ODIs (whether these are outperformance payments or underperformance penalties) will be linked to the leakage performance before any technical adjustments are taken into consideration (the 'PR14 ODI' leakage). PR14 ODI leakage is the level of leakage reported on in table 3A. Performance against the ODI target is set out in the table below. We have however also included performance information on our actual level of leakage for completeness.

[20] www.ofwat.gov.uk/wp-content/uploads/2018/04/Corrigenda-Bristol-Water-Limited.pdf

### Summary Performance

| PR14 ODI Leakage (Ml/d) | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | AMP6 Total |
|---|---|---|---|---|---|---|
| Committed Performance Level ("CPL") (annual) | 48.0 | 47.0 | 45.0 | 44.0 | 43.0 | |
| Performance (annual) | 44.2 | 47.4 | 49.6 | 45.8 | 40.9 | |
| Committed Performance Level ("CPL") (averaged) | 48.0 | 47.5 | 46.7 | 46.0 | 45.4 | |
| Performance (averaged) | 44.2 | 45.8 | 47.1 | 46.8 | 45.6 | |
| CPL met? | Yes | No | No | No | Yes | |
| Outperformance Payment / Underperformance penalty £m | 0 | 0 | -1.0824 | -1.8040 | 1.9844 | -0.9020 |





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# F1: Leakage (cont.)

### Explanation of ODI

The CPL for the PR14 ODI leakage is based on annual performance. In contrast to our other performance commitments, the leakage incentive is based on average performance, rather than a reflection of performance against an annual target. This is why our leakage performance in 2019/20 is expressed as an outperformance payment (despite being 0.2Ml/d above the averaged target for 2015-20), to reflect the averaging of the ODI payments accrued across AMP6 i.e. we are claiming back some of the penalties we reported on in 2017/18 and 2018/19 due to our improved performance in 2019/20. We returned c£1.1m of the accumulated penalty up to 2017/18 to customers by reducing bills early in 2019/20. This early return to customers proved to be higher than the total £0.9m penalty for 2015-20 in total.

We are calculating leakage ODI performance without taking into account improved technical data, as the targets set out in our PR14 business plan did not include any explicit adjustment for data improvements. In order to calculate any underperformance penalty the ODI performance is compared against the average target performance. If the performance falls within the outperformance payment or underperformance penalty-zone then we multiply the resulting difference by the incentive rate. For leakage, the incentive underperformance penalty rate is £0.902m per Ml/day variance and the outperformance payment is £0.486m per Ml/day variance.

As we had accrued underperformance penalties of £2.8864m based on our performance to 2018/19, the 2019/20 ODI is presented as an outperformance payment of £1.9844m, as our end of AMP performance (at 0.2Ml/d above the averaged target) should result in an underperformance penalty of £0.902m. This ODI penalty will be taken as a revenue adjustment over 2020-2025, although this is more than offset by an adjustment that recognises that customer bills were reduced in 2019/20 by a similar amount).

### Commentary on Performance

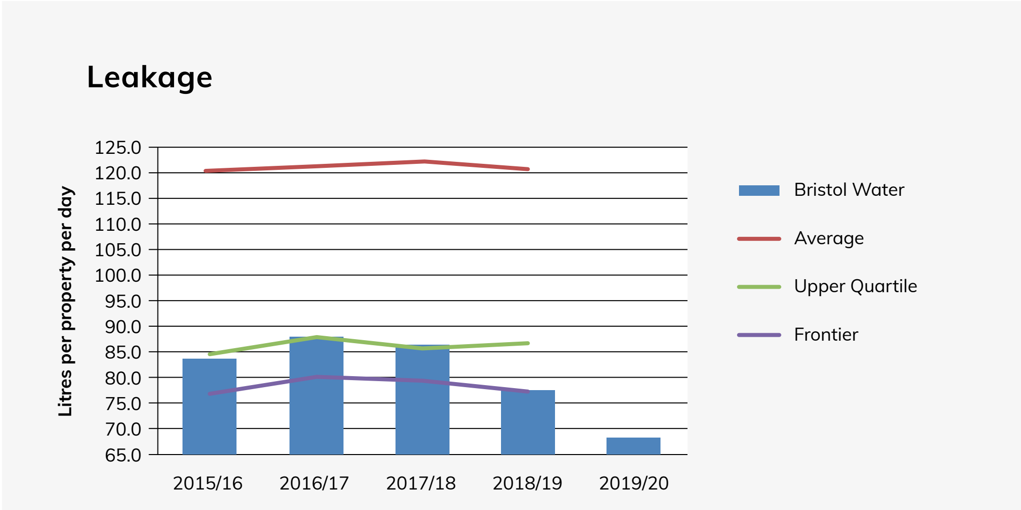
The combination of targeted investment in our network, improved monitoring and control activities, and our proactive approach to leakage management and leakage reduction initiatives, such as pressure management, continues to see us reduce leakage levels further. As well as the mild weather conditions over the winter, our excellent leakage performance can be attributed to significant effort to reduce leakage on our distribution network with more leakage inspectors deployed, supported with additional technology, whilst working closely with our customers to minimise leakage. We are pleased that our strategy and focus on this area of customer priority has resulted in the lowest leakage levels ever reported for Bristol Water.

### Benchmarking Performance

Customers may compare our performance on leakage against other companies in the industry on the Discover Water website[21]. Our leakage performance has been presented in megalitres per day because this is how Ofwat expects companies to report on performance. The graphic opposite is intended to assist our customers' understanding of our performance; in 2018/19 we achieved a leading level of performance when measuring leakage reduction per litres per property per day. To compare companies of different sizes, comparative performance has been presented on the next page by measuring litres of water leaked per property per day, to assist our customers' understanding of our performance.

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






### The actual level of leakage

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

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

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

This data shows that the actual level of leakage has reduced by 11% since 2018/19 and is 13% lower than the target. The five year average is 5% below the target. This is a c.16% reduction since 2014. Our plans expect to build on this further with a 6.5Ml/d reduction over 2020-25.

| Actual Leakage (Ml/d) | 2020/21 Target | 2021/22 Target | 2022/23 Target | 2023/24 Target | 2024/25 Target |
|---|---|---|---|---|---|
| Committed Performance Level ("CPL") (annual) | 48.0 | 47.0 | 45.0 | 44.0 | 43.0 |
| Performance post-technical changes (annual) | 44.2 | 46.4 | 46.6 | 41.7 | 37.2 |
| Committed Performance Level ("CPL") (averaged) | 48.0 | 47.5 | 46.7 | 46.0 | 45.4 |
| Performance post-technical changes (averaged) | 44.2 | 45.3 | 45.7 | 44.7 | 43.2 |
| CPL met? | Yes | Yes | No | Yes | Yes |



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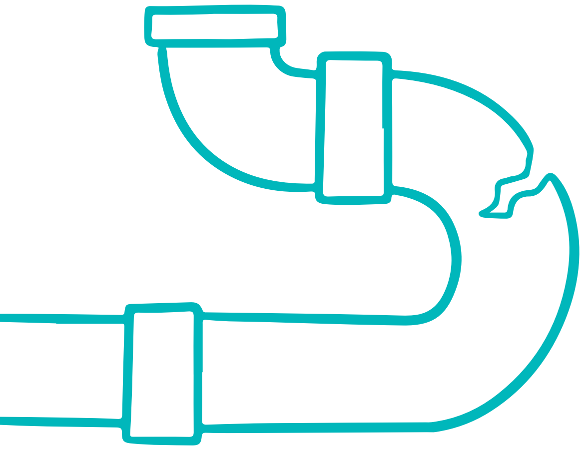
# F1: Leakage (cont.)

**The next five years**
We will continue to report on our leakage performance in the next reporting period. Our targets, which reflect a 21.2% reduction over the five-year period, are below. We aim to deliver on these targets through a combination of focused leakage detection and repair activity, enhanced network monitoring through the introduction of "smart networks" and additional pressure management to reduce network volatility and stabilise the pressure received by our customers.

As our targets were set on percentage reductions based on our average performance in 2017/18, 2018/19 and 2019/20 we have also provided the actual reductions required in megalitres per day (Ml/d).

| Leakage Reduction | 2020/21 Target | 2021/22 Target | 2022/23 Target | 2023/24 Target | 2024/25 Target |
|---|---|---|---|---|---|
| Performance Commitment (% reduction from 2017/18 - 2019/20 average performance) | 6.1 | 11.4 | 15.8 | 19.0 | 21.2 |
| Performance Commitment (Ml/d three year average) | 38.2 | 36.1 | 34.3 | 33.0 | 32.1 |
| Performance Commitment (Ml/d indicative year target) | 36.4 | 34.8 | 31.6 | 32.5 | 32.1 |



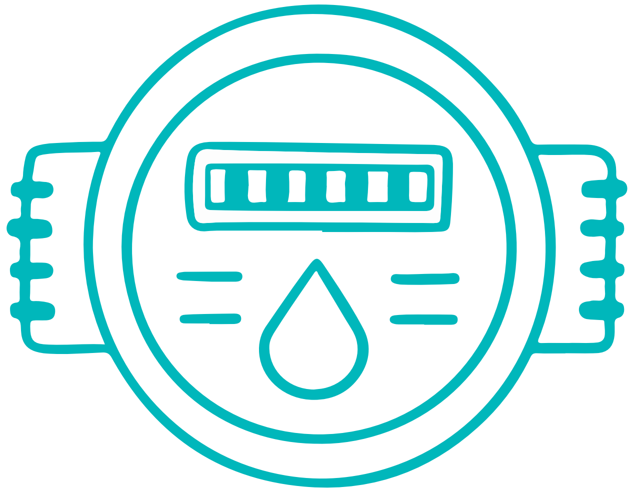


# G1: Meter penetration

**Definition**
Many people regard water meters as the fairest way to charge for their water services as it charges customers for what they use.

We encourage our customers to be more efficient in the way they use water by increasing the number of household customers who are billed based on their actual water consumption. We measure this by meter penetration, expressed as the percentage of household customers who have a water meter installed at their property. We also provide water-saving fittings and advice on reducing water consumption to help our customers save water.

| % Meter penetration | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | AMP6 Total |
|---|---|---|---|---|---|---|
| Committed Performance Level ("CPL") | 50.4 | 54.8 | 58.8 | 62.5 | 65.9 | |
| Performance | 47.3 | 49.3 | 52.7 | 56.0 | 59.0 | |
| CPL met? | No | No | No | No | No | |
| Outperformance Payment/ Under-performance penalty £m | -0.118 | -0.152 | -0.152 | -0.152 | -0.152 | -0.726 |



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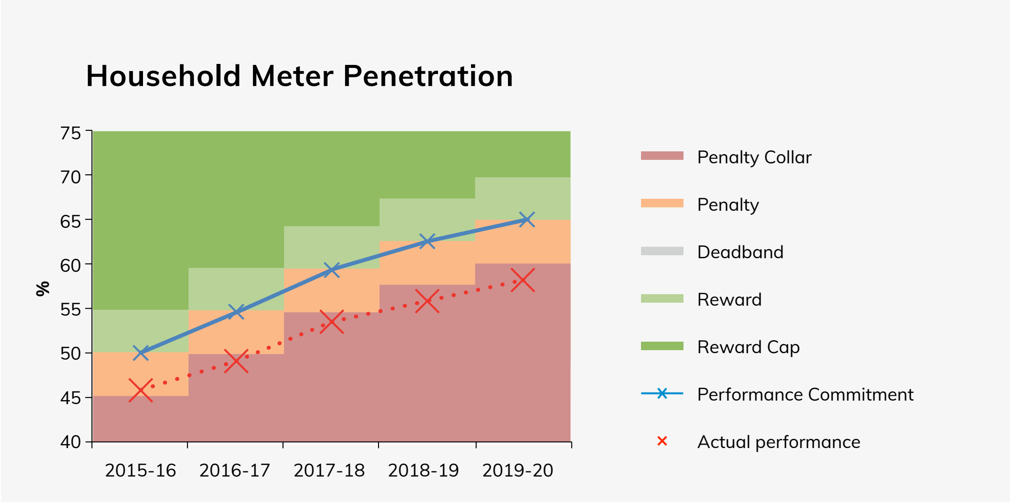


### Explanation of ODI

The performance commitment has not been met for 2019/20 resulting in an underperformance penalty of £0.152m this year. This is the fifth year in a row that our performance commitment has not been met. In order to calculate any incentive payment the ODI performance is compared against the target performance. If the performance falls within the outperformance payment or underperformance penalty-zone then we multiply the resulting difference by the incentive rate. For meter penetration, the incentive underperformance penalty rate is £0.038m per 1% variance and the outperformance payment is £0.036m per 1% variance. The total amount of ODI penalties we have accrued equals £0.726m for the last five years. This ODI payment has been taken as a revenue adjustment, which will have an impact on customer bills throughout 2020-25 (by reducing them).

### Commentary on Performance

Whilst we have not met our target the overall rate of meter penetration within our area continues to show a consistent rate of increase. Metering did accelerate in the second half of 2019/20 due to our active promotion activities, but unfortunately Covid-19 meant it was not appropriate for us to continue to fit meters and promote metering on change of occupancy. This coincided with the peak metering request season following our promotion in annual unmeasured billing. For customers who requested a meter or were in process at the time of Covid-19 lockdown commencing, we placed them on a lower (equivalent) assessed charge and will install a meter for them as circumstances allow during 2020/21. We are passionate about promoting water efficiency and reducing the impact water has on the environment. As a reflection of our social purpose we have put into place a programme of activities and initiatives to engage with local communities, including our touring Water Bar and the installation of 10 free-to-use water fountains across Bristol, fighting against plastic waste.

On average customers who switch to a meter save £100 per year on their water bill. However in comparison to other areas in England and Wales, Bristol Water customers are not in a 'serious water stressed' area. We know from continuous engagement activities that our customers on the whole do not wish to see full compulsory metering introduced and we do not have plans to introduce such a programme. In this context, we did not expect to achieve our end of year target of 65.9% meter penetration. This is due to waning customer demand and a slowing housing market, which are not directly inside company control. Likewise, although metering is generally regarded as being the fairest and most accurate way to pay for water, our customers tell us through consultations and surveys that they do not wish to see full compulsory metering for all of our domestic customers to be introduced.

We will continue to install meters in domestic properties upon change of ownership and when customers request a meter. However, the current economic slowdown caused by Covid-19 is likely to have a detrimental impact upon the domestic property market, which will reduce the numbers of properties being sold. Although the Covid-19 crisis developed towards the end of the financial year, it has had a detrimental impact upon our ability to install meters. In order to support efforts to control the spread of the virus and protect our customers and employees, we have suspended all metering activity for the duration of the crisis.

In recognition of the slowdown in the property market in our supply area, we know that we must also transform our promotion of water meters in order to ensure that customers are attracted to this opportunity. We have designed an extensive marketing programme, including work with Aardman Animations, to help increase metering uptake, such as our "Peter the Meter" character, designed to build on the strong identity of the region and is now the public face of our metering campaign. We do also offer a range of free water saving products that could help our customers maximise the money they can save. Customers may find out more information on applying for a water meter and on the products available on our website.

### The next five years

Customers opting for a meter have fallen below the expected levels and therefore we are increasing our metering on change of occupancy and promotion of meters, including providing individual customer information on the benefit to them of metered bills. We will continue to report on meter penetration in the next reporting period. Our targets are below.

Based on our performance in 2019/20 we recognise that it will be a challenge to meet our ambitious targets but we are confident that the foundations we have put into place will ensure that we meet our aim to achieve a rate of 75% meter penetration by 2025. We are unlikely to catch up with the target levels shown below until 2025 at the earliest, due in part to the disruption due to Covid-19. Key activities that will help increase our meter penetration rate include:

- All unmetered properties will be metered on change of occupier;
- All void properties will be metered where possible - we have also reduced our "wait time" before metering a void property from 6 months to 1 month;
- We will increase our promotion of metering;
- Water efficiency and the links to metering will be promoted including our new resource efficiency partnership "Resource West" and our Social Contract partnership approach on education and public engagement;
- Specialist plumbers will be hired for more technically demanding internal meter installations;
- Benchmarking visits to other water and utility companies to establish best practice in improving meter penetration rates; and
- We also offer a range of free water saving products that could help our customers maximise the money they can save. Customers can find out more information on applying for a water meter and on the products available at https://www.bristolwater.co.uk/water-meter/.

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





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# G2: Per Capita Consumption (PCC)

### Definition
Per Capita Consumption measures how much water we use every year. It is defined as the average amount of water used by each person each day.

By knowing this information, our intention is to encourage behaviours to reduce the amount of water we all use, thereby helping customers save money for the future and further adapt to the challenges of climate change. It is measured in litres per person per day.

### Summary Performance

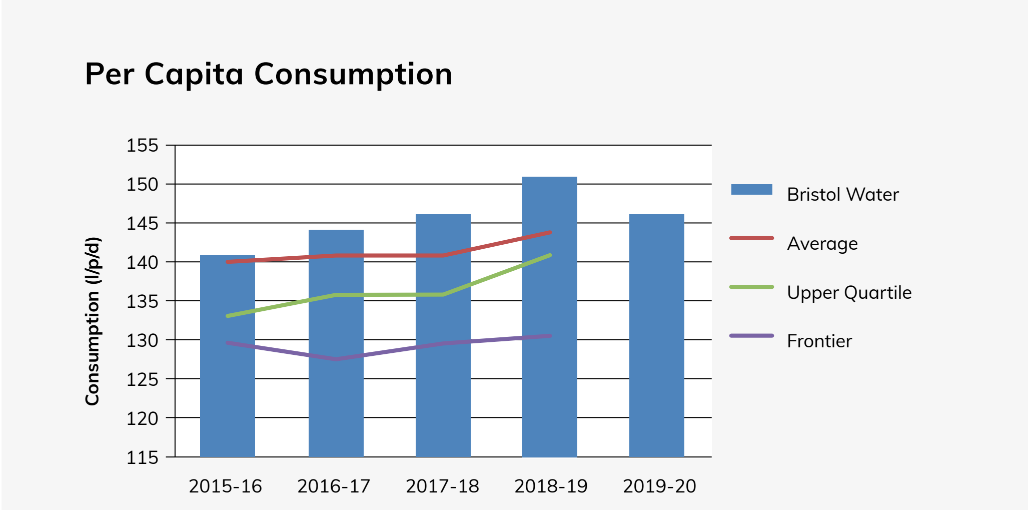
| PR14 PCC (L/p/d) | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|
| Committed Performance Level ("CPL") | 145.2 | 144.4 | 143.6 | 142.8 | 142.0 |
| Performance | 141.1 | 144.1 | 144.5 | 148.3 | 144.6 |
| CPL met? | Yes | Yes | No | No | No |

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

### Commentary on Performance
This is a challenging target and regretfully we have not achieved our ambitions again this year. One of our biggest challenges we face is customer perception and their understanding of the value of water, and in how we work with customers and other stakeholders to educate them on demand management and the benefits of water efficiency. Our future water availability and keeping water in the environment relies heavily on customers, consumers and communities really understanding the value of water and by working with us to make sure we have a better, more resilient future. We have already instigated the creation of the Resource West partnership with University of West of England (UWE), Bristol Waste, Bristol Energy and other organisations to enhance the promotion of water efficiency in our supply area, and we aim to work with neighbouring water companies through the West Country Water Resources group on water efficiency promotion. Despite these efforts, underlying water consumption (once the hot weather in 2018/19 is taken into account) has again increased this year. Our recent research suggests increased shower use in those below 35 is a key driver of increased consumption, and we are targeting our activity on this emerging challenge. Covid-19 is also having the impact of increasing domestic water consumption, which had a marginal impact in March 2020.

We do want to help customers to reduce water consumption, through supportive and voluntary measures. However, we recognise that we have to do more to help customers reduce water consumption in line with our long-term ambition to reach 110 litres per person per day by 2045.






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

In the longer-term we will:

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

### Benchmarking Performance
Customers may compare our performance on the average amount of water used by each household each day against other companies in the industry on the Discover Water website[22]. The graphic above is intended to assist our customers' understanding of our performance.

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

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

| Actual PCC (L/p/d) | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|
| Committed Performance Level ("CPL") | 145.2 | 144.4 | 143.6 | 142.8 | 142.0 |
| Performance | 141.1 | 143.5 | 146.3 | 150.7 | 146.6 |
| CPL met? | Yes | Yes | No | No | No |



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# G2: Per Capita Consumption (PCC) (cont.)

### The next five years

Although there has been an upward trend in recent years in the amount of water that customers are using each day, we are continuing to do our part to inform our customers about the importance of reducing water consumption. Our previous years' performance has also been impacted by extreme weather events. We plan major metering and water efficiency campaigns throughout 2020-25 which we will target at reducing PCC towards our target reductions. This is underpinned by a pragmatic approach to establishing a relationship with customers to allow them to recognise and understand their water usage habits and then challenge them to actively take control of their water usage backed up with selected offers of help and the potential for active plumbing intervention.

We also plan to undertake a range of community initiatives and partnership campaigns as part of our social contract throughout 2020-25. Example of some of our initiatives in 2020-21 are summarised below:

- Resource West: the aim of this programme is to work with local partners to deliver a joined-up approach to reducing consumption across different sectors – combining resources and amplifying messages to customers. Lower consumption will also reduce the total energy we use to treat and transport water, therefore reducing our greenhouse gas emissions, as well as our customers' carbon footprint. By doing so, we will be encouraging reductions in public consumption of resources and increased local resilience.
- Community Engagement projects: the aim of this programme is to work collaboratively with community groups to address issues that impact the wellbeing of the community. By doing so, we will provide public access to free drinking water, encourage reductions in consumption of single use plastic and provide public access to historic assets, providing education and wellbeing and education on the value of water.
- Education projects: the aim of this programme is to inspire a sense of collective responsibility through education on the value of water (and other resources) to develop citizens for the future. By doing so, we will inspire the next generation on the value of water to foster a sense of responsibility and a willingness to act. This will encourage our younger customers to reduce their consumption habits but to also contribute to harnessing 'pester power' to influence our current customers to be resource efficient.

We will continue to report on our PCC performance in the next reporting period. Our targets, which reflect a 6.3% reduction over the five-year period, are below.

As our targets were set on percentage reductions based on our average performance in 2017/18, 2018/19 and 2019/20 we have also provided the actual reductions required in litres per person per day (l/p/d).

| PCC Reduction | 2020/21 Target | 2021/22 Target | 2022/23 Target | 2023/24 Target | 2024/25 Target |
|---|---|---|---|---|---|
| Performance Commitment (% reduction from 2017/18 - 2019/20 average performance) | 1.3 | 2.6 | 3.9 | 5.1 | 6.3 |
| Performance Commitment (l/p/d three year average) | 147.0 | 145.0 | 143.1 | 141.3 | 139.5 |
| Performance Commitment (l/p/d indicative annual target) | 143.3 | 145.3 | 140.7 | 137.9 | 139.9 |





# H1: Total carbon emissions

### Definition

This is the total carbon emissions produced by Bristol Water and contractors working on our behalf.

We calculate our carbon emissions through the electrical energy we use in our operations, our consumption of gas and the fuel we use for transport, plant operation and site heating. This equals our annual operational greenhouse gas emissions, based on the Carbon Accounting Workbook and is expressed in kilograms of CO2 (carbon dioxide) equivalent divided by the population supplied.

### Summary Performance

| $KgCO_2e$ / person | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|
| Committed Performance Level ("CPL") | 32 | 25 | 23 | 22 | 20 |
| Performance | 35 | 32 | 28 | 23 | 19 |
| CPL met? | No | No | No | No | Yes |

### Explanation of ODI

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

### Commentary on Performance

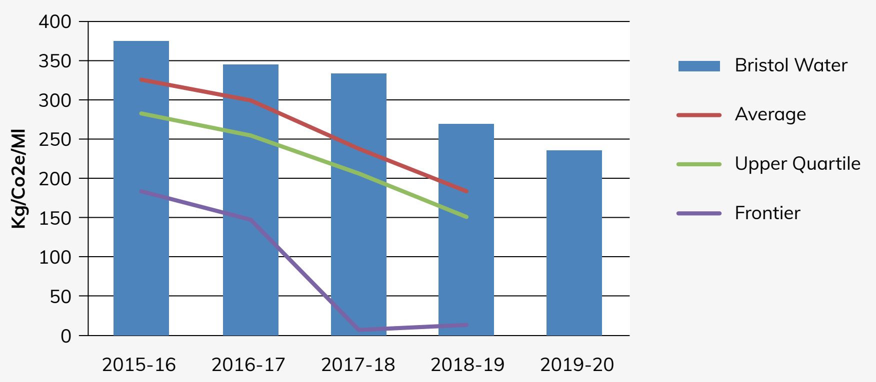
Water production is a relatively low carbon activity, but water use less so. In common with many other sectors the majority of our emissions are associated with grid electricity use; grid electricity consumption is mainly related to pumping water through treatment processes, or to supply it to our customers. Our performance is predominantly driven by the change in the national grid electrify factor used to compute emissions, which is outside the Company's control.

In previous years we had forecast that we would fail our 2019/20 target as a result of the UK Emissions factor for electricity not meeting DEFRA/DECC predictions. However due to improvements in the emissions factor we are pleased to report that we have met our target, meaning that over the last five years there has been a 51% reduction in our carbon emissions.

Additionally, we continue to develop and implement a programme of improvements to operational efficiency and a number of significant capital investment schemes that aim to reduce overall energy consumption. Most significantly, a whole network automated pump scheduling and optimisation system to reduce the amount of energy we use to produce and move water to our customers is being implemented.

We are at the same time reducing our import from the national grid by installing gas generators at Purton Treatment Works, our biggest energy consumer. This may increase our carbon footprint and we will seek to mitigate this by seeking opportunities to investigate the use of biogas and other low carbon fuel sources for the generation system as part of our innovative partnership Resource West, working with other utility and resource management organisations in the West of England area.

## Operational Greenhouse Gas (GHG) Emissions




### Benchmarking Performance

Customers may compare our performance on the amount of energy used to treat water and pump it from treatment works to their homes, causing carbon dioxide emissions, against other companies in the industry on the Discover Water website[23]. The graphic above is intended to assist our customers' understanding of our performance. Comparative performance for 2019/20 is not available to include in this APR because at the time of publication other companies' information has not yet been published.

### The next five years

Climate change is one of the greatest threats and challenges of our time, through innovation and investing in renewable energy we will continue to actively reduce our carbon emissions and consumption of energy. We will not continue reporting on this as a performance commitment from 2020 but we will be reporting on energy performance throughout the period, for example our Annual Report includes details on Streamlined Energy and Carbon Reporting. Customers will also still be able to compare our performance on operational GHG emissions on the Discover Water website.

The momentum behind climate change action has grown significantly in the past two years. Bristol City Council has been leading in its response and was the first city to declare a climate emergency (in 2018) and more recently an ecological emergency (February 2020). Through its One City Plan and most recently, its climate strategy, Bristol has committed to be carbon neutral by 2030. Bristol Water is supporting this ambition and our Director of Strategy & Regulation, is a member of the Bristol One City Plan Environmental Sustainability Board. We have also publicly endorsed Bristol's Climate Strategy and response to the ecological emergency. Here are some examples of our recent work in response the climate and ecological emergencies:

- Agreeing to a water industry Public Interest Commitment for the industry to be carbon neutral by 2030 – the first commitment of its kind by any industry and widely acknowledged to be extremely ambitious[24]. We continue to work with the sector to develop our plans to achieve this target.
- Integrating our strategy with the Bristol One City Plan, principally through our contributions to the Environment Board, and for example, by proactively supporting the drafting of the city's climate strategy and the city's bid for climate action funding[25]. We are also a member of the newly formed ecological crisis working group. Although this One City Plan approach is being led by Bristol, it can readily be implemented beyond the city's boundaries.
- Working with other organisations to develop a cross sector response – for example through our ambitious Resource West initiative we are currently developing plans for a large-scale pilot scheme to reduce water and energy consumption and reduce waste. We are working with several partners including Bristol Energy, Bristol Waste, Wales and West Utilities, Western Power Distribution, Wessex Water and the University of the West of England. The key to this approach is that tackling one aspect of resource efficiency at a time will have less impact that considering them together – it makes it easier for consumers to engage and make a change.
- Publishing our social purpose and social contract – the first of its kind in the water industry[26]. This provides a framework for our contribution to the wellbeing of society and a voluntary financial consequence if we fail to meet the expectations of our customers and stakeholders in this regard. Over 40 initiatives which achieve social and environmental benefits are being delivered as part of our social contract. These initiatives include for example, the 10 water fountains which we have installed in Bristol to provide free access to drinking water – saving tens of thousands of plastic bottles.
- Recognising the importance of cultural rather than behavioural change to respond to the climate emergency – developing our education programme and running a 'citizens for the future' event with local stakeholders to identify actions to stimulate this cultural transformation in resource consumption[27]. Running a poetry competition through Ablaze Bristol to encourage children to think about the value of water.
- Promoting our approach through local and national events – most recently through panel membership at the Action for Nature event, run by the Bristol Natural History Consortium at the end of February – here we shared a business perspective on how to respond to the environmental emergencies.
- Sponsoring and working closely with the Bristol Green Capital Partnership to develop our partnerships with local stakeholders with a common social and environmental purpose – identifying joint actions to respond.
- Our work with City to Sea on the Refill campaign.

Balancing the objectives of environmental compliance, water resource planning, sustainability reductions and raising water quality standards with net carbon zero is going to present a challenge and as an industry we all recognise the need to work collaboratively to tackle this urgent problem. Our plans to contribute locally include efficient pump scheduling, water resource planning and solar PV installations in order to reduce our imported energy. We are currently developing our carbon plan in response to the emerging expectations of local and national stakeholders.

[23] www.discoverwater.co.uk/energy-emissions
[24] www.water.org.uk/publication/public-interest-commitment/
[25] www.bristolonecity.com/environment/the-environment-board/
[26] www.bristolwater.co.uk/about-us/social-contract/
[27] www.bristolwater.co.uk/wp-content/uploads/2019/07/Output-from-Citizens-for-the-Future-workshop-12-July-19.pdf





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# H2: Raw water quality of sources

### Definition

The quality of our water sources, particularly in the Mendip lakes, can be impacted due to nutrients and sediment that can enter the watercourses from land and activities in the catchment area of the source.

Ofwat published a corrigenda notice to the PR14 Final Determination on 25 April 2018, including confirmation of the reporting basis for this performance commitment[28]. This allowed us to improve the reporting for this performance commitment by converting the target from a categorisation (as either deteriorating, marginal, stable or improving) to reporting on the percentage of AMP5 baseline of 8,059 aggregate of algal bloom frequency.

This measure is an assessment of the quality of our raw water sources that are at risk of deterioration due to increased levels of pesticides and nutrients in their catchments. This is measured as the percentage of the AMP5 baseline aggregate of algal bloom frequency across our reservoirs.

### Summary Performance

| % of aggregate of algal bloom frequency across reservoirs | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|
| Committed Performance Level ("CPL") | >+10% | >+10% | +/-≤10% | +/-≤10% | +/-≤10% for >2 years |
| Performance | +20% (deteriorating) | +11% (deteriorating) | -1% (marginal) | -14% (improving) | -25% (improving) |
| CPL met? | Yes | Yes | Yes | Yes | Yes |

[28] www.ofwat.gov.uk/wp-content/uploads/2018/04/Corrigenda-Bristol-Water-Limited.pdf





### Explanation of ODI

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

### Commentary on Performance

We have throughout this reporting period been working with local landholders and farmers to identify where raw water quality issues can be addressed and through our partnership programmes with key stakeholders, such as the Mendip Lakes Partnership, we are able to work together on these issues. The partners involved include Natural England, the Environment Agency, Wessex Water, Avon Wildlife Trust, Farming & Wildlife Advisory Group and Catchment Sensitive Farming. We are continuing to hold a range of successful farm engagement and training sessions with landholders in the key catchment areas. As a result of our catchment management approach, our performance has exceeded this year's target, reflecting that to date we have continued to see a sustained reduction of greater than 10%.

Similarly to last year, we have seen an unusually warm and dry summer; normally dry, sunny and warm summer weather would be ideal conditions for algal blooms. However, our performance and partnership approach suggests that our catchment management initiatives have been much more successful than expected in improving water quality. This means that water in the reservoirs will not be as expensive to treat as would have been the case had algal bloom frequency continue to increase as it did in the previous reporting period. It also means that the ecological condition should be more favourable than would be the case had the algae been allowed to continue to proliferate. This is important as the reservoirs are nationally, and in the case of Chew Valley Reservoir, internationally designated habitats (known as Sites of Specific Scientific Interest and Special Protection Areas).

### The next five years

From 2020 we will continue our catchment management programme but we will be reporting on a revised measure. The Raw Water Quality of Sources performance commitment has been changed to provide greater transparency as it will more closely measure the progress of catchment management. It will be an assessment of our progress in implementing catchment management of nutrients across our catchments. The measure will relate to the level of nutrient loss reduction, modelled as kilogrammes (kg) of phosphorus (P) not lost to the environment as a result of the interventions taken up by farmers across source catchments. Our targets are below. This revised metric will more directly measure our delivery of catchment management compared to our current methodology.

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

# H3: Biodiversity index

### Definition

We monitor our protection and enhancement of the natural environment through an innovative approach that we have called the biodiversity index, which we introduced in 2014/15 as a new and innovative approach to protecting the environment.

This quantifies the environmental value of our sites and creates a "direction of travel" for the way we manage our assets, helping us to protect and enhance the natural environment by using the index to quantify the impact of our actions on the broader environment. It is measured by the cumulative hectares and meters of habitat (e.g. hedges) and the quality of this habitat. This calculation and method is a tool we will continue to develop, using it to measure our performance on habitat protection and enhancement. We report this measure as the number of Biodiversity Index (BI) points.

Ofwat published a corrigenda notice to the PR14 Final Determination on 25 April 2018, including confirmation of the reporting basis for this performance commitment[29]. This allowed us to improve the reporting for this performance commitment by converting the target from a categorisation (as either deteriorating, marginal, stable or improving) to reporting on the number of Biodiversity Index points that have increased each year (from a baseline of 17,613 in 2014/15).

### Summary Performance

| BI points | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|
| Committed Performance Level ("CPL") | 17,649 | 17,650 | 17,651 | 17,652 | 17,653 |
| Performance | 17,649 | 17,650 | 17,657 | 17,668 | 17,670 |
| CPL met? | Yes | Yes | Yes | Yes | Yes |

| BI Changes 2019/20 | Loss / Gain / Maintain | Net BI change | Project information |
|---|---|---|---|
| Purton TW | Loss | -0.28 | Trees and Grassland removed (temporary) to accommodate essential maintenance works |
| Chew Valley Lake | Gain | 1.59 | Coppicing, hedgerow planting, scrub removal for hedgerow maintenance |
| Dry Hill PS | Gain | 0.92 | Thinning of woodland copse, removal of fly tipped litter/rubbish, hedgerow planting along fence line with a public footpath. |
| Head Office | Maintain | 0 | WildOnes volunteers cut and rake away grass growth in October, maintaining the condition of the grass as moderate by removing the arisings from decomposing back into the unimproved soils. |
| Prestleigh PS | Loss | -0.21 | Scrub and trees impacted by mains renovation construction. Items removed to enable safe installation of mains and use of plant equipment. |
| Chew Magna Reservoir | Loss | -0.07 | Loss of scrub habitat to a sediment deposit pile. Following the delivery Section 10 Reservoir maintenance works where settled materials were removed from the stilling pond. |
| Barrow Tanks | Maintain | 0 | Mains renovation work required Woodland habitat to be impacted. Mitigation for impacts included ground flora translocation and thinning of woodland canopy to create a woodland ride habitat. |
| Holes Ash | Loss | -0.12 | Due to rapid decline in health following Ash Dieback infection, an ash tree failed and collapsed into the road. Deterioration of score as this was an unmanaged deterioration in condition of hedgerow habitat. |
| **2019/20 Biodiversity Index Increase (net change)** | | **1.83** | |
| **2019/20 Performance** | | **17,670.21** | |

[29] www.ofwat.gov.uk/wp-content/uploads/2018/04/Corrigenda-Bristol-Water-Limited.pdf





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# H3: Biodiversity index (cont.)

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

**Commentary on Performance**
As seen in previous years, the annual seasonality to delivering conservation work provides restrictions and opportunities for the realisation of impacts. By working closely with stakeholders, we are proud to report that we have again outperformed our target by ensuring that negative impacts were mitigated, and enhancement work was delivered within the tight timeframe. The increase in the BI score demonstrates how we are delivering mitigation and enhancements on company landholdings. This achievement has been delivered in partnership with Bristol Water Projects, external stakeholders and receiving advice from conservation organisations.

Additional opportunities were identified during construction of Mains Renovation Project work however due to the Covid-19 crisis it was not possible to deliver additional enhancement work. The period of implementing social distancing and then national lock down removed the opportunity to deliver further coppicing and woodland at our Barrow Treatment Works. This will be recovered as circumstances allow.

Our social contract conservation programme initiatives have also delivered management and conservation enhancements too. These can be valued by the BI and these initiatives have enabled 0.2 Biodiversity Index points increase. The investigation into woodland natural assets is also helping the company to quantify AMP7 Biodiversity Index delivery by identifying the location, extent and condition of woodland habitats. The Dementia Woodland Wellbeing pilot project has provided results which support the design of an additional Natural Capital Accounting tool to provide a metric on the Social and Health value of natural assets.

**The next five years**
We are making early progress in this period against our plans for further biodiversity improvements across our sites.

The need for planting trees and enhancing woodland habitats is important to Bristol Water. This year we will carry out a comprehensive assessment of the condition of Ash tree assets as this tree species is in decline. This is a national issue and due to the irrevocable Ash Dieback disease. Ash tree data will inform strategic mitigation measure to prevent or reduce the risk of Ash trees failing and falling on people, property, operational activities and causing a decline in habitat conditions.

We will trial Sward Enhancement measures of neighbouring grassland habitats. Bristol Water boasts some of the most special species-rich grassland in the Mendips and we intend to trial the collection of our seed for dispersal on nearby grassland fields to improve the genetic diversity of neighbouring fields. Natural dispersal and migration of seed now faces many humans made barriers, and so we intend to bypass those barriers by physically collecting and transporting seed from our sites to recipient fields. We hope that under the right conditions our donated seed will bloom in 2021.

Finally, as we begin to develop our AMP7 Strategic Biodiversity Action Plan, during 2020/21 we will produce Natural Asset Plans for our designated sites. Natural Asset Plans are an innovative approach to quantifying the location, condition and ecological services provided by the company's estate. These plans will include the actions required for maintaining and enhancing biodiversity capital under current climate conditions. Our AMP7 targets are below.

Delivery of these plans will continue to improve the Biodiversity Index across all our sites and this activity of improvement will include deciduous tree planting, woodland management, pond restoration, riparian habitat development and strengthening hedgerow connectivity within and between our sites.

Biodiversity improvements as well as improving resilience to climatic changes are a critical part of our social contract initiatives over the next five years. Examples of how our initiatives are being expressed in 2020/21 are summarised below:

- West Country Water Resource Environmental Ambition setting
- Bristol One City Plan
- Bristol Green Capital Partnership Ecological Emergency Working Group
- Demonstrating the use of the Biodiversity Index tool across the region with external stakeholders

| Performance Commitment | 2020/21 Target | 2021/22 Target | 2022/23 Target | 2023/24 Target | 2024/25 Target |
|---|---|---|---|---|---|
| Biodiversity Index points | 17,668 | 17,678 | 17,689 | 17,700 | 17,711 |

In support of the water industry planting 11 million trees, Bristol Water is on the Water UK Tree Planting Steering Group. It will be looking at inventive locations and methods for planting trees that will grow to improve our local environments resilience to climate change and act to sequester carbon dioxide.

The Biodiversity index forms part of the Bristol One City response to the ecological emergency. We are also working on how our social contract activities feed into the post Covid Green Economic Recovery plan for the areas we serve.

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# H4: Waste disposal compliance

### Definition
This measures compliance (as a percentage) of the number of Bristol Water samples taken of discharged trade effluent from designated Company sample points that meet the consent requirements in the Environment Agency (EA) permits.

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

The Environment Agency (EA) sets the quality targets for compliance but does not prescribe the number of samples that are required from each site. The number of samples we do collect considers the volume and frequency of the discharge, and the resources we have available to undertake the technical tasks. We target, for example, to collect weekly samples at Purton and Blagdon fisheries. This approach has been consistent for a number of years now.

### Summary Performance

| % Compliance | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|
| Committed Performance Level (“CPL”) | 100 | 100 | 100 | 100 | 100 |
| Performance | 96 | 96 | 98 | 98 | 98 |
| CPL met? | No | No | No | No | No |

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

### Commentary on Performance
Unfortunately, we have failed to achieve our target for this performance commitment for each year of this reporting period. We are constantly reviewing the reasons for the small number of failures we have had this year (seven in total) with a view of implementing remedial measures to drive our compliance figure higher for 2020-2024.

Our performance this year has been significantly impacted by the introduction of a discharge consent (which came into force from 1 February 2018) at Blagdon fisheries (downstream of the trout rearing pens). Five of the seven compliance failures recorded have been from this site. Compliance for samples collected at Blagdon has proved challenging, particularly with respect to ammonium, dissolved oxygen, phosphate and suspended solids parameters. We are continuing to work with the EA to assess how to measure the environmental need at this site, which is subject to significant seasonal changes in the quality of the various inflows which supply the pens, including Blagdon Lake and several spring sources. The introduction of this consent has meant that the number of compliance failures has increased, even though continued improvement at other major treatment sites such as Purton have reduced the number of failures elsewhere. Investigations at Blagdon have concluded that the area prior to the discharge outfall needs improvement and a new cleaning regime to ensure that representative samples are able to be collected. It is understood the quiescent conditions at the end of the fish pens are resulting in the gradual accumulation of sediment and organic matter which at times can affect discharge quality.

We are currently in a consultation stage for the design of a new fish rearing system at Blagdon to improve compliance and fish welfare, and we are aiming to install real-time water quality monitoring to enable us to respond more quickly to changes in inflow quality and configure the various sources to improve discharge compliance. Additional modifications currently under review include improved sampling access to the downstream side of the outlet weir; an enhanced cleaning regime to remove accumulated sediment; installation of a sediment trap upstream of the outfall; and installation of an aeration system upstream to increase dissolved oxygen content and enhance mixing of quiescent areas within the pens.

Supernatant return to raw water reservoir three at Barrow continues to present challenges for manganese and aluminium parameters which have typically occurred after the process has been cleaned and put into ‘recovery mode’, rather than non-compliance being directly associated with the control of the waste separation process. The number of samples reported above the consent limits have been few and the reasons are understood. We will be refining our approach for returning the process to ‘normal’ operation without affecting discharge quality at reservoir three, with the intention of implementing additional Operator checks in combination with the installation of a controlling valve on the discharge line to ensure the water is contained and appropriately monitored until quality is within acceptable limits.

### Our wider environmental compliance performance
We had three category three pollution incidents in 2019 (2018:3) and one category four pollution incident (2018:0). One of these incidents related to a power outage, and the others related to burst pipes. We discuss our performance with the Environment Agency throughout the year and our performance is not causing specific concerns. We achieved 100% self-reporting of pollution incidents compared to the 75% level expected for the water industry. This culture of ownership of our performance and reporting is very important to ourselves and the Environment Agency.

We had one serious (cat. 1) water resource licence breach at Chew Magna Reservoir in summer 2019. Amongst other measures we agreed with the Environment Agency to rectify this event, we formulated and documented new procedures through an Abstraction Licence Compliance Handbook to minimise the risk of a similar incident happening again.

### The next five years
We will continue reporting on our waste disposal compliance in the next reporting period. Our targets are below.

| Performance Commitment | 2020 Target | 2021 Target | 2022 Target | 2023 Target | 2024 Target |
|---|---|---|---|---|---|
| % Compliance | 100 | 100 | 100 | 100 | 100 |





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# I1: Percentage of customers in water poverty

### Definition
This performance commitment is defined as the percentage of customers within our supply area for whom their water bill represents more than 2% of their disposable income, defined as gross income less income tax.

This measure allows us to understand the impact of our bills on our customers. To calculate this we use a population analytics model to estimate the gross percentage of customers in water poverty, and then deduct those customers who we support through our Assist social tariff.

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

### Summary Performance

| % Customers in water poverty | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|
| Committed Performance Level ("CPL") | 2 | 2 | 1.9 | 1.9 | 1.8 |
| Performance | 0.4 | 0.9 | 0.0 | 0.0 | 0.0 |
| CPL met? | Yes | Yes | Yes | Yes | Yes |

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

### Commentary on performance
This performance commitment ensures that we monitor our performance in helping those customers on the lowest incomes and experiencing the most serious financial difficulties by calculating and tracking the percentage of customers in 'water poverty'. For the fifth consecutive year, we have successfully met our target for this performance commitment. The gross water poverty figure was 0.54% (just over 2,500 customers) in our supply area, which falls to zero when the impact of our social tariffs is considered.

We offer three discounted tariffs to make sure we can help customers who find it hard to pay their water charges, with 19,207 customers receiving assistance through these measures, an increase of 21% over last year. Below is a breakdown of each scheme and the number of customers currently registered:

- 8,202 households are on our 'Assist' social tariff, which offers significant bill discounts to those customers least able to afford their bill, following a means assessment
- 2,974 households are on our 'Watersure Plus' metered tariff, this is for customers in receipt of certain benefits, and are defined as 'vulnerable', either because they have a medical condition or a large family
- 7,833 customers are on our 'Pension Credit Discount' social tariff. This scheme gives a 20% discount on water bills to customers who live in a household where all members over the age of 18 are in receipt of Pension Credit.

In addition to the social tariff schemes, 2,900 households are currently benefitting from our 'Restart' scheme to clear their debt combined with our 'Assist' tariff, which reduces bills to an affordable level and helps customers who are in financial difficulty to get back on track with their water bill.

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





### The next five years
We will continue to report on performance in the next reporting period. Our proposed targets are below. We continue to intend to ensure that our social tariffs are available to all those who are eligible, so that our customers do not experience water poverty.

We also plan as part of our social contract throughout 2020-25 to work with local stakeholders to help provide extra support to those customers who need it, through extra care services or social tariffs and debt advice. In 2020/21 for example we will be undertaking 'hard to reach' projects and establishing partnerships with debt advice charities to prioritise trying new ways to reach out to those customers who are struggling to pay their bill but are hard to reach and to help low income customers receive full debt advice (not just help with their water bill).

| % Customers in water poverty | 2020/21 Target | 2021/22 Target | 2022/23 Target | 2023/24 Target | 2024/25 Target |
|---|---|---|---|---|---|
| Performance Commitment | 0 | 0 | 0 | 0 | 0 |

# J1: Service incentive mechanism (SIM)

**Definition**
This is Ofwat's measure for comparing the customer service performance of water companies in England and Wales.

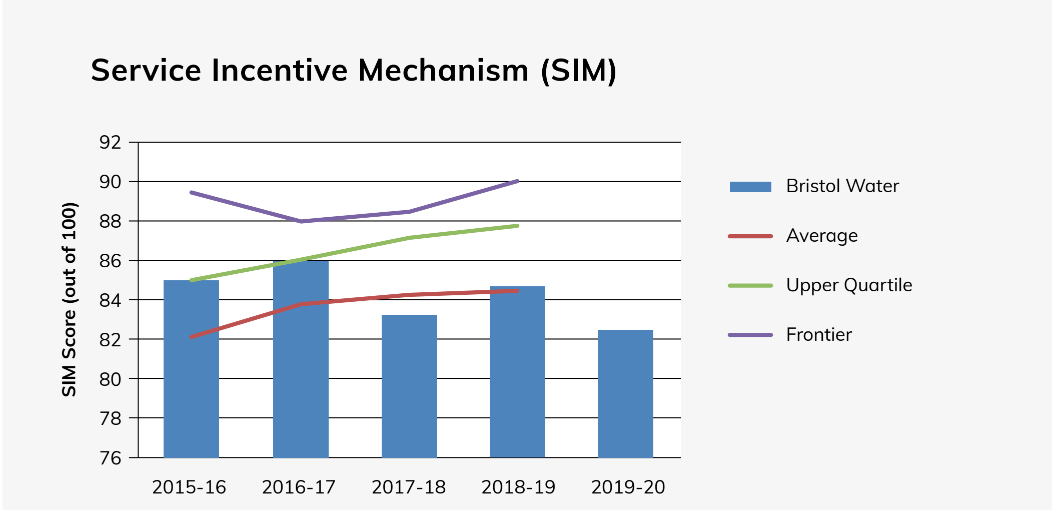
SIM is not being operated in the same way in the 2019/20 reporting year as previously reported because the industry is transitioning to the new measure of measuring customer experience (C-MeX), which is being reported as a shadow year in 2019/20. In 2019/20, updated CCW complaints guidance was also released which did not include 'unwanted telephone contacts' and instead adopted a measure of total complaints across a range of contact channels. This meant that the existing SIM calculation could no longer be performed since the measures that make up the quantitative element of SIM were no longer measured in the same comparable way by companies across the sector. For 2019/20 a SIM 'proxy' measure has been utilised, which results in a comparable calculation of a score on the previously used SIM. A full breakdown of our SIM proxy performance is included in table 3D.

Following an agreement with Ofwat, we have improved our reporting by converting the target from achieving a 'top 5' performance within the industry to a SIM score that our customers may compare the company to. The target for each year is now based on the upper quartile SIM score from the previous reporting year.

**Summary Performance**

| SIM score | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|
| Committed Performance Level ("CPL") | 85.0 | 85.0 | 86.0 | 87.0 | 87.6[30] |
| Performance | 85.1 | 85.9 | 83.4 | 84.7 | 82.5 |
| CPL met? | Yes | Yes | No | No | No |

[30] Target derived from the 5th ranked company for 2018/19, which was Bournemouth Water




**Explanation of ODI**
Although there is a financial incentive for performance between April 2015 to March 2019, there is no financial incentive applicable to performance in 2019/20 as the methodology was significantly revised as part of the transition to reporting on C-MeX in April 2020. Unlike our other ODIs, SIM performance is determined by conducting a relative assessment by ranking companies in the sector against each other. Based on our performance in the four years that the incentives applied to, we have been ranked as 8th in the sector. This results in an outperformance payment of c£0.1m, reflecting our above-average customer service.

The outperformance payment will be applied at the end of the 2015-20 reporting period as a revenue adjustment, which will have an impact on our customers' bills.

**Commentary on Performance**
We have unfortunately failed to deliver the levels of service our customers expect. Improving our customers' experience is a top priority for us, both when they have a need to contact us and when they do not. Our plans to improve upon our customer service are explained in the C-MeX section of this report.

We did not meet our target of reaching the score of the 5th position in 2018/19, achieving a score equivalent to 13th position. Our performance was adversely impacted by the disruption of our transition to our new network contract in October 2019, as well as the major burst at Royate Hill in July 2019. After this disruption our complaint handling performance improved significantly in the second half of 2019/20. The ranking under C-MeX is better than under this old SIM metric, as SIM puts greater weighting on these measures of complaints rather than customer perceptions and experience under C-MeX.

**Benchmarking Performance**
Customers may compare our performance on customer service against other companies in the industry on the Discover Water website[31]. The graphic above is intended to assist our customers' understanding of our performance. Comparative performance for 2019/20 is not available to include in this APR because at the time of publication other companies' information has not yet been published.

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

Based on the previous four years, we average a ranking performance of 8th across the industry.

| | 2015/16 | | 2016/17 | | 2017/18 | | 2018/19 | | AMP6 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Score out of 100 | Rank | Score out of 100 | Rank | Score out of 100 | Rank | Score out of 100 | Rank | Average Score | Average Rank |
| Affinity | 77 | 15 | 79 | 16 | 81 | 15 | 81 | 14 | 79 | 16 |
| Anglian | 85 | 5 | 86 | 5 | 88 | 1 | 90 | 1 | 87 | 3 |
| Bournemouth | 88 | 2 | 86 | 4 | 88 | 3 | 88 | 5 | 87 | 2 |
| **Bristol** | 85 | 4 | 86 | 7 | 83 | 13 | 85 | 11 | 85 | 8 |
| Dŵr Cymru Welsh Water | 83 | 8 | 83 | 12 | 85 | 10 | 87 | 7 | 84 | 10 |
| Hafren Dyfrdwy | 78 | 14 | 86 | 6 | 87 | 7 | 78 | 17 | 82 | 13 |
| Northumbrian and Essex & Suffolk | 84 | 7 | 88 | 3 | 86 | 8 | 86 | 9 | 86 | 5 |
| Portsmouth | 90 | 1 | 88 | 2 | 88 | 2 | 89 | 2 | 89 | 1 |
| SES Water | 81 | 12 | 80 | 15 | 79 | 17 | 81 | 16 | 80 | 15 |
| Severn Trent | 83 | 8 | 84 | 11 | 83 | 14 | 81 | 13 | 83 | 12 |
| South East | 82 | 11 | 85 | 9 | 86 | 9 | 85 | 10 | 84 | 9 |
| South Staffs incorporating Cambridge | 85 | 5 | 84 | 10 | 87 | 4 | 86 | 8 | 86 | 6 |
| South West | 75 | 17 | 82 | 14 | 85 | 11 | 88 | 4 | 82 | 14 |
| Southern | 72 | 18 | 78 | 17 | 79 | 16 | 81 | 15 | 78 | 17 |
| Thames | 77 | 15 | 77 | 18 | 78 | 18 | 75 | 18 | 77 | 18 |
| United Utilities | 81 | 12 | 85 | 8 | 87 | 6 | 88 | 3 | 85 | 7 |
| Wessex | 87 | 3 | 88 | 1 | 87 | 5 | 87 | 6 | 87 | 4 |
| Yorkshire | 83 | 8 | 83 | 12 | 84 | 12 | 84 | 12 | 84 | 11 |

### The next five years

From April 2020 SIM is to be replaced as a measure of customer satisfaction by Ofwat's new measure of customer experience, known as C-MeX. C-MeX includes measuring the satisfaction of all customers, not just those who contact us. Our performance to date on C-MeX is included in a separate section of this report.



## J2: General satisfaction from surveys

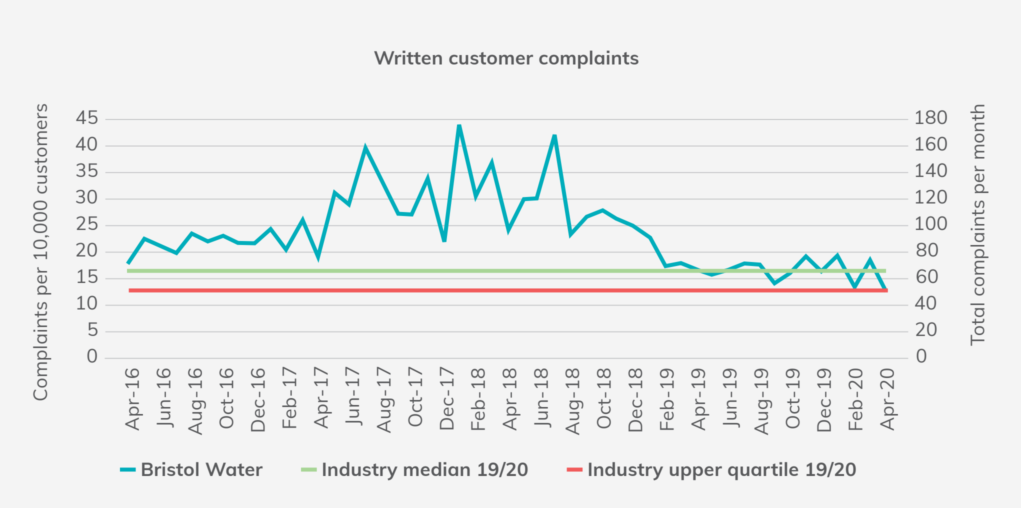
### Definition

The measure is determined by an annual telephone survey of 1,000 customers who may or may not have contacted Bristol Water. The survey asks "Overall, how would you rate the service you receive from Bristol Water?" This is different from our other customer measures as most of the customers surveyed will not have had direct contact with us apart from receiving their bills and customer newsletters, as well as their perception of us from external sources, including media coverage and social media.

### Summary Performance

| % satisfaction | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|
| Committed Performance Level ("CPL") | 93 | 93 | 93 | 93 | >93 |
| Performance | 83 | 86 | 87 | 89 | 87 |
| CPL met? | No | No | No | No | No |

| Overall, how would you rate the service you receive from Bristol Water? | | |
|---|---|---|
| 2019/20 Performance | Frequency | Percent (%) |
| Excellent | 64 | 6.4 |
| Very good | 260 | 26 |
| Good | 550 | 55 |
| Neither good nor poor | 79 | 7.9 |
| Fairly poor | 4 | 0.4 |
| Very poor | 1 | 0.1 |
| Don't know | 42 | 4.2 |
| Not applicable | 0 | 0 |
| Total (excellent, very good, good) | 874 | 87.4 |
| Total | 1000 | 100 |




### Explanation of ODI

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

### Commentary on Performance

Although we have missed our target, our customer satisfaction rate is higher than our average performance over the previous 4 years. In addition, our customer satisfaction rate is the result of 0.5% of customers rating our service as "fairly poor" and "very poor". However, the number of customers responding with "don't know" and "neither good nor poor" has increased on last year's survey, resulting in the 2% drop on last year's score. A total of 874 out of 1,000 customers said our service is excellent, very good or good and their top reasons for this included "never had any problem with Bristol Water" (37%), "water quality is good" (26%), and "reliable/ consistent water supply" (24%).

Of the five customers who provided a reason for dissatisfaction with Bristol Water, their top reasons were "poor response to problems", "poor quality of work carried out" and "poor water quality". Positively this is a reduction in the number of customers who gave a reason for dissatisfaction for the second year in a row and it is a drop from 34 customers in 2016 to just five this year.

A key part of our transformation programme has been to improve the customer experience and levels of customer service. Following our initial phase of our customer service transformation programme performance is now above the upper quartile level for the industry. The Consumer Council for Water research finds Bristol Water to be the leading company for customer satisfaction (97%) as well as for complaint handling and customer awareness of priority services (Water Matter 2018[32]). The improvement in complaints performance can be seen in the improvement in written complaints, which often peak with major service disruptions.

### The next five years

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

[32] www.ccwater.org.uk/research/water-matters-householdcustomers-views-of-their-water-and-sewerage-services-2018/



# J3: Value for money

### Definition

This measure is calculated as the percentage of respondents to our monthly customer survey who have made contact with us, about either a billing or a water supply enquiry, to rate the service we provided in terms of the value for money they received.

### Summary Performance

| % satisfaction with value for money | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|
| Committed Performance Level ("CPL") | 71 | 71 | 72 | 72 | 72 |
| Performance | 70 | 72 | 69 | 68 | 75 |
| CPL met? | No | Yes | No | No | Yes |

### Explanation of ODI

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

### Commentary on Performance

Value for money is an important concept in measuring whether customers consider that the service that we provide is worth what they pay for it. We are proud to have not only outperformed our target for this year but to have received our highest score over the past five years. We even received two monthly scores over 78% within the year, which is the highest score we have ever received.

As well as having below average customer water bills compared to the rest of the industry, one factor which may contribute to a higher score from our customers is our commitment to further reduce the bill of our customers in real terms over the next five years. In addition, we are continually striving to improve the service that we provide to our customers and the communities that we serve through initiatives such as the customer care team and our social contract.

We also think that our performance is a direct result of the action we have put into place over the last few years to improve customer satisfaction, such as the customer care team training and our written complaint project plan. We expanded the use of our 'instant feedback tool' across the business and combined this with training for all staff. We trained our staff to consider the customer experience by thinking 'in their shoes'. The training also focused on training around resolution at the first point of contact. This was regularly mentioned in previous years as a reason for dissatisfaction in this measure and we are delighted that our improvements have delivered a level of service our customers now deem as value for money.

# J3: Value for money (cont.)

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

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





# K1: Ease of contact from surveys

### Definition
This measure is calculated as the percentage of respondents to our monthly customer survey who consider the ease of contact to our operational contact centre to be 'very good' or 'good'.

While we understand the importance of providing a range of channels through which customers can contact us, telephone is still the preferred and primary method, so it is important that we monitor the satisfaction of this service.

### Summary Peformance

| % satisfaction with ease of contact | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|
| Committed Performance Level ("CPL") | 96.3 | 96.4 | 96.5 | >96.5 | >96.5 |
| Performance | 95.0 | 94.4 | 93.1 | 91.4 | 91.8 |
| CPL met? | No | No | No | No | No |

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

### Commentary on Performance
This has continued to be a challenging target to achieve. However our performance indicates that nine in ten customers were satisfied with the ease to contact us by telephone. This is an increase on our 2018/19 performance and we have shown continual improvement throughout the year with an increase from our mid-year position.

The insight we gain from this survey tells us that customers rate their satisfaction on the whole experience rather than just the phone call. Therefore to succeed in this measure we need to continue to improve on all aspects of the customer journey, which is why we have delivered a variety of initiatives over the last year:

- We have piloted using multi-media messaging services to triage customer contact in the operation contact centre to use customer photos and videos to assess the resource required and whether the issue can be resolved through instructions over the telephone. It enables us to better understand the customer's problem which helps to speed up the resolution of the issue after the first point of contact
- We have been upskilling and knowledge sharing between the operations and customer teams. This has involved district inspectors and district managers being based in the operational call centre so that they can provide the call operator with immediate technical knowledge and solutions during a customer enquiry. This has also helped to resolve contacts quicker at the first point of contact
- In July 2019 we held customer focus groups with 37 customers to identify how we can improve our service and make it easier to contact us

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

# L1: Negative billing contacts

### Definition
This metric measures the number of 'unwanted' calls received in relating to customers' bills.

An 'unwanted' customer contact is defined by Ofwat as calls which the customer would prefer not to make, in the sense that they are dissatisfied because they are experiencing a problem or concern, are making a repeat or chase call, or want to complain. A lower volume of unwanted contacts is therefore a positive position to be in for the customer and the company.

### Summary Performance

| Contacts / year | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 |
|---|---|---|---|---|---|
| Committed Performance Level ("CPL") | 2,408 | 2,395 | 2,315 | 2,240 | 2,170 |
| Performance | 2,301 | 3,096 | 2,300 | 1,595 | 1,274 |
| CPL met? | Yes | No | Yes | Yes | Yes |

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

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

We are proud that our performance for this year has outperformed our target by 41%, which is a further 20% improvement compared to our performance in 2018/19. Additionally, this is the third year in a row in which this figure has decreased. Our performance indicates that we have established a good level of customer experience and understanding of why our customers are contacting us.

This decrease in negative billing contacts is partly as a result of our '10 a week' programme, which was put in place to close down open jobs, this resulted in a reduction of customers chasing us for a resolution of an issue. This programme involves receiving a list of all of our unclosed jobs from Pelican (our joint-billing company with Wessex Water), with each area manager designated ten of these jobs to investigate and close. We also attribute our outperformance based on our focus on our updates to our website, improving the online self-service options and the updates we have made to the presentation of our bills.



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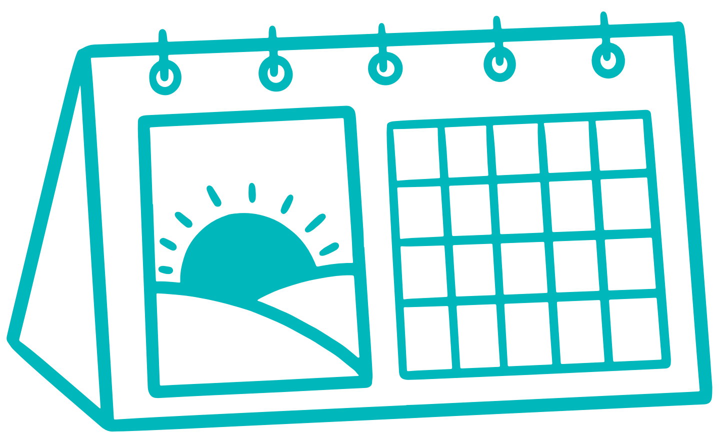
### The next five years
We will not continue reporting on this performance commitment from 2020; we will instead be introducing a new measure of performance, which covers more than just telephone contacts and one which covers both billing and operational complaints. The new measure aims to reduce the number of complaints made by customers and includes the combined total of telephone complaints, written complaints (letter and email and contacts via new contact channels such as social media, webchat or SMS) and complaints made via site visits are also included. Customers will then be able to compare our performance to those of other companies as it will be aligned to the information we provide to CCW to inform its annual complaints publication. Our target will then for each year to be to achieve a level of performance that meets the upper quartile performance in England and Wales from the previous year.



### 3C AIM

Bristol Water has no sites currently subject to the AIM. This table is not applicable to the Company for 2019/20.

### 3D – SIM table – for 12 months ended 31 March 2020

| Qualitative performance | |
|---|---|
| 1st survey score | 4.29 |
| 2nd survey score | 4.34 |
| 3rd survey score | 4.37 |
| 4th survey score | 4.33 |
| Qualitative SIM score (out of 75) | 62.51 |
| **Quantitative performance** | |
| Total contact score | 14.91 |
| Quantitative SIM score (out of 25) | 20.03 |
| **Total annual SIM score (out of 100)** | **82.54** |

The information provided in table 3D provides details of the Company's SIM performance against the quantitative and qualitative elements. The total annual SIM score (out of 100) is also reported on in table 3A.

Commentary on our performance can be found in pages 102–104.



## Section 4

# Additional regulatory information

The information provided in Section 4 details financial and non-financial information about the Company. The section presents Bristol Water's cost and operational information for 2019/20 with summary commentary (where applicable) on the key changes compared to the last reporting year. Additional explanations have also been provided to assist understanding of some of the terminology included in these tables.

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

### 4A Non-financial information for the 12 months ended 31 March 2020

| | Unmeasured | Measured |
|---|---|---|
| **Retail - Household** | | |
| Number of void households ('000s) | 6.161 | 6.799 |
| Per capita consumption (excluding supply pipe leakage) l/h/d | 162.20 | 131.80 |
| **Wholesale** | | |
| **Volume (Ml/d)** | | **Water** |
| Bulk supply export | | 7.572 |
| Bulk supply import | | 0.796 |
| Distribution input | | 270.654 |

Household voids relates to properties that are classed as vacant. We undertake regular inspections to ensure properties classified as void are not occupied and consuming water. The average number of void household properties has increased in 2019/20 compared with 2018/19. Although the numbers steadily increased between April and October 2019, we undertook a concerted effort, along with Pelican (our billing company), which has seen a steady reduction in the second half of the year, as a result of the increased use of Land Registry data, among other things. However, our average position over the course of this year has deteriorated compared to the prior year, and so we are working with Pelican to reduce these numbers further during 2020/21. Reducing these numbers is important for our customers because if we fail to correctly identify the correct billing for the property, other customers will be charged more, as we then have to recover our allowed revenues from a reduced customer base. Minimising the number of void properties is therefore important for affordability and fairness of charges. We have a new performance commitment established at PR19 to reduce the percentage of void properties.

Per capita consumption (PCC) is also reported in Table 3A. However as we have opted to report our 2019/20 leakage figure using two different methodological assumptions, which relate to specific components of the calculation (customer night use) which analyses water usage at night, this also impacts PCC. This is why there is a difference between our reported PCC value in Table 3A of 144.6 l/h/d and the PCC in Table 4A (the measured and unmeasured values equal, using a property weighted average, 146.6 l/h/d).

Bulk supply export is the average daily amount of untreated and treated water that we provide outside of our supply area. Approximately 90% of this figure is attributed to a single export to Wessex Water which has seen a 26% or 1.8 Ml/d reduction compared to 2018/19 and a 6% increase, or 0.4 Ml/d, against the long term average. The reduction compared to 2018/19 is attributed to reduced summer demands and overall wetter weather in 2019/20. It is difficult to predict next years' figure as it depends on several weather and supply dependant factors, though it is expected to be a similar value. The remainder of the exports are smaller transfers to other appointed water companies.

Bulk supply import is the average daily amount of raw and treated water that we import from outside of our supply area. The figure for 2019/20 is within 2% of the long term average which is expected since the treated supply feed very minor parts of our distribution network. In 2020/21 the figure is expected to be marginally higher as the amount of raw water bulk supply import from a single source is expected to increase. The imports are transfers received from Wessex Water.

Distribution Input is the average amount of potable water entering the distribution network and supplied to customers within the company's area of supply. Distribution Input is explained further in detail in 4P.72.



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### 4B Wholesale totex analysis

| | Current Year £m | Cumulative 2015-20 £m |
|---|---|---|
| **Actual totex** | 128.083 | 494.024 |
| **Items excluded from the menu** | | |
| Third party costs | 1.601 | 7.340 |
| Pension deficit recovery payments | 0.000 | 0.435 |
| Other 'Rule book' adjustments | 3.865 | 4.980 |
| **Total items excluded from the menu** | 5.466 | 12.755 |
| **Transition expenditure** | 0.000 | 0.685 |
| **Adjusted Actual totex** | 122.617 | 481.954 |
| **Adjusted Actual totex - base year prices** | 103.250 | 426.591 |
| **Allowed totex based on final menu choice - base year prices** | 84.332 | 421.885 |

Adjusted actual totex exceeds allowed totex in base year prices by £18.918m in 2019/20.

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

During 2019/20 there was an increase in the mains replacement activity over and above the profile which was previously anticipated at CMA 15 resulting in a spend of around £20m, in addition there has been significant spend on leakage, supply interruptions and metering towards the end of the AMP.

On a cumulative basis adjusted actual totex exceeds allowed totex in base year prices by £5.326m which is a significant swing from the prior year cumulative position (for the reasons detailed above). No retrospective adjustments have been made to the figures.

In the year a provision has been raised relating to the referral of the FD to the CMA. This has been estimated as £4.8m in total of which £3.9m relates to wholesale. As part of the rule book adjustments this has been deducted from the Wholesale totex figure.

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

### 4C Impact of AMP performance to date on RCV

| | 2020 |
|---|---|
| | £m |
| Cumulative totex over / (underspend) so far in the price control period | 10.058 |
| Customer share of cumulative totex over / (underspend) | -2.225 |
| RCV element of cumulative totex over / (underspend) | 2.570 |
| Adjustment for ODI outperformance or underperformance payment | -0.813 |
| RCV determined at FD at 31 March | 560.850 |
| **Projected 'shadow' RCV** | **562.607** |

We spent £10.058m more in the AMP (in 2012/13 prices) (against a previous forecast of £3.117m less) than the wholesale totex allowance for AMP6. Increased spend in the period included additional replacement of distribution mains, metering and further leakage reduction.





### 4D Wholesale totex analysis - for the 12 months ended 31 March 2020 – wholesale water

| | Water resources | | Network+ | | | | |
|---|---|---|---|---|---|---|---|
| | Abstraction licences £m | Raw water abstraction £m | Raw water transport £m | Raw water storage £m | Water treatment £m | Treated water distribution £m | **Total £m** |
| **Operating expenditure** | | | | | | | |
| Power | 0.000 | 1.685 | 0.031 | 0.000 | 2.697 | 4.051 | **8.464** |
| Income treated as negative expenditure | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| Abstraction charges/ discharge consents | 2.720 | 0.000 | 0.006 | 0.000 | 0.094 | 0.001 | **2.821** |
| Bulk supply | 0.004 | 0.012 | 0.000 | 0.000 | 0.034 | 0.080 | **0.130** |
| Other operating expenditure – renewals expensed in the year (infra) | 0.000 | 0.118 | 0.028 | 0.000 | 0.003 | 1.735 | **1.884** |
| Other operating expenditure – renewals expensed in the year (non-infra) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| Other operating expenditure – excluding renewals | 2.474 | 7.478 | 0.850 | 0.000 | 12.094 | 21.780 | **44.676** |
| Local authority and Cumulo rates | 0.000 | 1.292 | 0.169 | 0.000 | 0.314 | 3.235 | **5.010** |
| **Total operating expenditure excluding third party services** | 5.198 | 10.585 | 1.084 | 0.000 | 15.236 | 30.882 | **62.985** |
| Third party services | 0.095 | 0.163 | 0.000 | 0.000 | 0.309 | 0.658 | **1.225** |
| **Total operating expenditure** | 5.293 | 10.748 | 1.084 | 0.000 | 15.545 | 31.540 | **64.210** |
| **Capital expenditure** | | | | | | | |
| Maintaining the long term capability of the assets - infra | 0.000 | 0.682 | 0.000 | 1.176 | 0.000 | 25.143 | **27.001** |
| Maintaining the long term capability of the assets - non-infra | 0.000 | 1.464 | 0.067 | 0.084 | 8.402 | 12.537 | **22.554** |
| Other capital expenditure - infra | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 10.264 | **10.264** |
| Other capital expenditure - non-infra | 0.000 | 1.070 | 0.001 | 0.000 | 0.361 | 5.511 | **6.943** |
| Infrastructure network reinforcement | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 1.126 | **1.126** |
| **Total gross capital expenditure (excluding third party)** | 0.000 | 3.217 | 0.068 | 1.260 | 8.762 | 54.581 | **67.888** |
| Third party services | 0.000 | 0.001 | 0.000 | 0.087 | 0.262 | 0.026 | **0.376** |
| **Total gross capital expenditure** | 0.000 | 3.217 | 0.068 | 1.347 | 9.024 | 54.607 | **68.264** |
| Grants and contributions | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 4.391 | **4.391** |
| **Totex** | 5.293 | 13.965 | 1.152 | 1.347 | 24.569 | 81.756 | **128.083** |
| **Cash expenditure** | | | | | | | |
| Pension deficit recovery payments | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| Other cash items | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| **Totex including cash items** | 5.293 | 13.965 | 1.152 | 1.347 | 24.569 | 81.756 | **128.083** |

**4D Totex analysis - for the 12 months ended 31 March 2019 – wholesale water (continued)**

| | Water resources | | Network+ | | | |
|---|---|---|---|---|---|---|
| | Abstraction licences | Raw water abstraction | Raw water transport | Raw water storage | Water treatment | Treated water distribution |
| **Unit cost information (operating expenditure)** | | | | | | |
| Licenced volume available (ml) | 176,692.000 | | | | | |
| Volume abstracted (ml) | | 98,699.000 | | | | |
| Volume transported (ml) | | | 95,548.500 | | | |
| Average volume stored (ml) | | | | 34,645.000 | | |
| Distribution input volume (ml) | | | | | 99,178.680 | |
| Distribution input volume (ml) | | | | | | 99,178.680 |
| Unit cost (£/ml) | 29,956 | 108.897 | 11.345 | 0.000 | 156.737 | 318.012 |
| Population | 1,227.036 | 1,227.036 | 1,227.036 | 1,227.036 | 1,227.036 | 1,227.036 |
| Unit cost (£/pop) | 4.314 | 8.759 | 0.883 | 0.000 | 12.669 | 25.704 |





4Di. Accounting separation policy

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

The historic cost fixed asset register is held in the Company accounting system at a very detailed level. Each asset on it has been reviewed and 93% of the net book value has been attributed directly to a business unit. The remaining net book value includes just over 6% of assets allocated to general and support, a category which is then reallocated over the business units. Less than 1% are assets other than General and Support, allocated over the business units. These are operational assets that cannot be directly attributed to one business unit. Internal guidelines have been established, mapping account classes into which all assets are grouped to the business units. All the Company sites have been reviewed and the relevant appropriate business units recorded to ensure consistency when applying business units to new fixed assets. This has been at a granular level, which has minimised the need for recharges between business units. All assets are allocated to business units as they are created.

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

Details of any significant changes to the calculations are provided in the accounting separation methodology statements.

For reference for 2019/20, the capital expenditure has been reported on an IFRS16 basis. Line 'Maintaining the long term capability of the assets – non-infra' includes expenditure recognised for leased assets totalling £1.729m. These relate to leased vehicles for the NMSC contract. To show the change that these leased assets have on the totals the following shows the lines to exclude the leased assets:

Revised line - Maintaining the long term capability of the assets – non-infra £20.825m
Revised line - Total gross capital expenditure £66.535m

The accounting separation analyses have been drawn up in accordance with the Company's accounting separation methodology statement which has been published separately on our website[33]. This also provides commentary comparing this year's expenditure and capital maintenance costs with last years.

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

[33] www.bristolwater.co.uk/about-us/our-performance/

## 4F Operating cost analysis for the 12 months ended 31 March 2020 - household retail

| | Household unmeasured | Household measured | Total |
|---|---|---|---|
| | £m | £m | £m |
| **Operating expenditure** | | | |
| Customer services | 1.259 | 1.609 | 2.868 |
| Debt management | 0.182 | 0.268 | 0.450 |
| Doubtful debts | 2.039 | 2.496 | 4.535 |
| Meter reading | - | 0.306 | 0.306 |
| Other operating expenditure | 1.917 | 2.505 | 4.422 |
| **Total operating expenditure excluding third party services** | 5.397 | 7.184 | 12.581 |
| Third party services operating expenditure | - | - | - |
| **Total operating expenditure** | 5.397 | 7.184 | 12.581 |
| | | | |
| Depreciation – tangible fixed assets (on assets existing at 31 March 2015) | 0.000 | 0.001 | 0.001 |
| Depreciation – tangible fixed assets (on assets acquired since 1 April 2015) | 0.040 | 0.076 | 0.116 |
| Amortisation – intangible fixed assets (on assets existing at 31 March 2015) | 0.010 | 0.014 | 0.023 |
| Amortisation – intangible fixed assets ( on assets acquired since 1 April 2015) | 0.071 | 0.098 | 0.168 |
| **Total operating costs** | 5.518 | 7.372 | 12.890 |
| **Capital expenditure** | 0.662 | 0.899 | 1.561 |

| | £m |
|---|---|
| **Demand-side efficiency and customer-side leaks analysis – Household** | |
| Demand-side water efficiency - gross expenditure | 0.023 |
| Demand-side water efficiency - expenditure funded by wholesale | 0.023 |
| Demand-side water efficiency - net retail expenditure | - |
| Customer-side leak repairs - gross expenditure | 0.259 |
| Customer-side leak repair - expenditure funded by wholesale | 0.259 |
| Customer-side leak repair - net retail expenditure | - |



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## 4G Wholesale current cost financial performance

**Income Statement**

| | Total |
|---|---|
| | £m |
| **Revenue** | 110.274 |
| Operating expenditure | -64.210 |
| Capital maintenance charges | -39.724 |
| Other operating income | 0.671 |
| **Current cost operating profit** | 7.011 |
| Other income | 0.000 |
| Interest income | 4.113 |
| Interest expense | -18.316 |
| Other interest expense | 0.360 |
| **Current cost profit before tax and fair value movements** | -6.832 |
| Fair value gains/(losses) on financial instruments | 0.000 |
| **Current cost profit before tax** | -6.832 |

### 4Gi. Current cost accounting policies

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

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

The infrastructure renewals charge is the average of the actual AMP6 and the forecast capital expenditure for AMP7 from the final determination (the ten years from 2015 to 2025) in respect of the pro-active maintenance of the network of pipes and pumped raw water storage reservoirs, known as infrastructure renewals expenditure. This is consistent with the methodology used in 2018/19. Until 2014/15 a long term view of infrastructure renewals expenditure, covering the current AMP and ten years beyond, was used to produce an annual IRC. The IRC was a proxy for depreciation of infrastructure assets in the statutory accounts. The 2014/15 IRC was inflated by year average RPI to 2016/17 prices, and was included in the capital maintenance charge in the 2016/17 table.

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

### 4H Financial Metrics

| | Current year | AMP to date |
|---|---|---|
| Net debt | £382.987m | |
| Regulated equity | £177.863m | |
| Regulated gearing | 68.29% | |
| Post tax return on regulated equity | 4.05% | |
| RORE (return on regulated equity) | 3.25% | 4.70% |
| Dividend yield | 1.78% | |
| Retail profit margin - Household | -0.97% | |
| Retail profit margin - Non household | -3.35% | |
| Credit rating | Baa2 | |
| Return on RCV | 3.88% | |
| Dividend cover | -0.05 | |
| Funds from operations (FFO) | £36.746m | |
| Interest cover (cash) | 4.06 | |
| Adjusted interest cover (cash) | 1.61 | |
| FFO/Debt | 0.10 | |
| Effective tax rate | 13.66% | |
| Retained cash flow (RCF) | £30.654m | |
| RCF/capex | 0.43 | |
| **Revenue (actual)** | **£119.974m** | |
| **EBITDA (actual)** | **£42.320m** | |

| Movement in RORE | Current year | AMP to date |
|---|---|---|
| Base return | 5.80% | 5.80% |
| Totex out / (under) performance | -2.72% | -0.19% |
| Retail cost out / (under) performance | -0.76% | -0.20% |
| ODI out / (under) performance | 0.72% | -0.46% |
| Financing out / (under) performance | 0.55% | -0.06% |
| Other factors | -0.34% | -0.19% |
| Regulatory return for the year | 3.25% | 4.70% |
| | % | |
| Proportion of borrowings which are fixed rate[34] | 24.57 | |
| Proportion of borrowings which are floating rate | 26.14 | |
| Proportion of borrowings which are index linked | 49.30 | |
| Proportion of borrowings due within 1 year or less | 0.22 | |
| Proportion of borrowings due in more than 1 year but no more than 2 years | 2.77 | |
| Proportion of borrowings due in more than 2 years but no more than 5 years | 10.43 | |
| Proportion of borrowings due in more than 5 years but no more than 20 years | 70.11 | |
| Proportion of borrowings due in more than 20 years | 16.47 | |

The Company's net debt as defined in the financial statements as at 31 March 2020 is £384.130m. The definition of net debt for table 1E excludes unamortised net premia of £1.143m, in accordance with Ofwat guidance.



Gearing is calculated as net debt above (£382.987m) divided by Regulatory Capital Value "RCV" (£560.850m) as at 31 March 2020.

The return on regulated equity (RORE) calculates the returns on a regulatory basis by reference to the notional gearing level of 62.5% and average RCV for the year. It is calculated in accordance with the methodology set out in the RAGs, which is the base RORE set at the final determination[35] and should be adjusted for the following factors net of any tax impact:

| | Average | 2019/20 | 2018/19 | 2017/18 | 2016/17 | 2015/16 | |
|---|---|---|---|---|---|---|---|
| RORE in final determination | 5.80% | 5.80% | 5.80% | 5.80% | 5.80% | 5.80% | |
| | | £m | £m | £m | £m | £m | |
| The Company share of totex out or under performance | | -6.920 | 0.445 | 3.582 | 0.000 | 0.000 | This is 50% of the permanent outperformance. |
| The Company share of any out or underperformance on retail costs | | -1.923 | -0.777 | 0.508 | 0.063 | -0.393 | This is the (under) / outperformance on retail in the year. |
| The impact on the RCV run off of the out or under performance of totex | | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | This is zero as we have recognised the full impact of the Company share of the out performance. |
| The impact of any ODI or SIM penalties or rewards earned in the year, even if they are not payable/ receivable until the following AMP | | 1.832 | -3.380 | -2.257 | -0.152 | -1.141 | The Rewards/(penalties) are as shown in table 3A • £1.984 for leakage • (£0.152) meter penetration. |
| The difference between the actual interest charge (in real terms) and the allowed interest (real) on notional debt. | | 1.407 | 0.025 | 1.727 | -1.087 | -2.241 | Applying actual interest rates to notional debt. |
| Other factors | | -0.863 | -0.656 | -0.727 | 0.000 | 0.000 | This includes NHH costs that the business is incurring against a zero allowance due to exiting the market in 2017. |
| Tax impact | | 1.229 | 0.825 | -0.538 | 0.235 | 0.755 | Tax calculated at 19%. |
| **Total adjustments** | | **-5.238** | **-3.518** | **2.295** | **-0.941** | **-3.020** | |
| **Total** | **-0.36%** | **-2.55%** | **-1.81%** | **1.25%** | **-0.55%** | **-1.86%** | **Total adjustment expressed as a % of the regulatory equity.** |
| **RORE** | **4.72%** | **3.25%** | **3.99%** | **7.05%** | **5.25%** | **3.94%** | |

34 Preference shares are not included in the calculations of proportion of borrowing rows in table 4H.
35 The base RORE excludes additional returns from non-household retail control (ref company specific PR14 FD appendix), therefore no adjustment has been made for exiting the non-household market.



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80% of the 2015/16 costs relating to the CMA appeal were allocated to wholesale in line with the RAGs. In addition 80% of the 2019/20 costs provided for the PR19 CMA appeal were also allocated to wholesale in line with the RAGs. These costs are included in full in Totex performance as it is not appropriate for 50% of these costs to be recharged to customers. A further £1.2m, the remaining 20% relating to the appeal have also been included in retail costs.

Bristol Water exited the non-household market in 2017. The proceeds on the sale of the customer book was £2.143m. These proceeds are not included in the above table, but is included in the Financial Flows table 1F. The business has incurred retail non-household costs during the year of £0.863m (2019 £0.656m) which are included within Other Factors in 4H.

**Table 4I is not applicable to Bristol Water as the Company does not have any financial derivatives.**





**4J Atypical expenditure by business unit – Wholesale water**

| | Water resources | | Network+ | | | | |
|---|---|---|---|---|---|---|---|
| | Abstraction licences £m | Raw water abstraction £m | Raw water transport £m | Raw water storage £m | Water treatment £m | Treated water distribution £m | **Total £m** |
| **Operating expenditure (excl. atypicals)** | | | | | | | |
| Power | 0.000 | 1.685 | 0.031 | 0.000 | 2.697 | 4.051 | **8.464** |
| Income treated as negative expenditure | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| Abstraction charges/ discharge consents | 2.720 | 0.000 | 0.006 | 0.000 | 0.094 | 0.001 | **2.821** |
| Bulk supply | 0.004 | 0.012 | 0.000 | 0.000 | 0.034 | 0.080 | **0.130** |
| Other operating expenditure | | | | | | | |
| - renewals expensed in the year (infrastructure) | 0.000 | 0.118 | 0.028 | 0.000 | 0.003 | 1.735 | **1.884** |
| - renewals expensed in the year (non-infrastructure) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| - other operating expenditure – excluding renewals | 0.000 | 6.029 | 0.609 | 0.000 | 11.369 | 20.330 | **38.337** |
| Local authority and Cumulo rates | 0.000 | 1.292 | 0.168 | 0.000 | 0.314 | 3.236 | **5.010** |
| **Total operating expenditure excluding third party services** | 2.724 | 9.136 | 0.842 | 0.000 | 14.511 | 29.433 | **56.646** |
| Third party services | 0.095 | 0.163 | 0.000 | 0.000 | 0.309 | 0.658 | **1.225** |
| **Total operating expenditure** | 2.819 | 9.299 | 0.842 | 0.000 | 14.820 | 30.091 | **57.871** |
| **Capital expenditure (excl. atypicals)** | | | | | | | |
| Maintaining the long term capability of the assets - infra | 0.000 | 0.682 | 0.000 | 1.176 | 0.000 | 25.143 | **27.001** |
| Maintaining the long term capability of the assets - non-infra | 0.000 | 1.464 | 0.067 | 0.084 | 8.402 | 12.537 | **22.554** |
| Other capital expenditure - infra | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 10.264 | **10.264** |
| Other capital expenditure - non-infra | 0.000 | 1.070 | 0.001 | 0.000 | 0.361 | 5.511 | **6.943** |
| Infrastructure network reinforcement | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 1.126 | **1.126** |
| **Total gross capital expenditure (excluding third party)** | 0.000 | 3.217 | 0.068 | 1.260 | 8.762 | 54.581 | **67.888** |
| Third party services | 0.000 | 0.001 | 0.000 | 0.087 | 0.262 | 0.026 | **0.376** |
| **Total gross capital expenditure** | 0.000 | 3.217 | 0.068 | 1.347 | 9.024 | 54.607 | **68.264** |
| Grants and contributions | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 4.391 | **4.391** |
| **Totex** | **2.819** | **12.516** | **0.910** | **1.347** | **23.844** | **80.307** | **121.744** |

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

| | Water resources | | Network+ | | | | |
|---|---|---|---|---|---|---|---|
| | Abstraction licences £m | Raw water abstraction £m | Raw water transport £m | Raw water storage £m | Water treatment £m | Treated water distribution £m | **Total £m** |
| **Cash expenditure (excl. atypicals)** | | | | | | | |
| Pension deficit recovery payments | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| Other cash items | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| **Totex including cash items** | 2.819 | 12.516 | 0.910 | 1.347 | 23.844 | 80.307 | **121.744** |
| | | | | | | | |
| **Canal and River Trust Arbitration** | 2.474 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **2.474** |
| **CMA referral** | 0.000 | 1.449 | 0.242 | 0.000 | 0.725 | 1.449 | **3.865** |
| **Total atypical expenditure** | 2.474 | 1.449 | 0.242 | 0.000 | 0.725 | 1.449 | **6.339** |
| | | | | | | | |
| **Total expenditure** | 5.293 | 13.965 | 1.152 | 1.347 | 24.569 | 81.756 | **128.083** |

Table 4J presents a breakdown of Bristol Water's total expenditure for 19/20 by business unit with regard to our fixed assets, operating costs and atypical items. This table is similar to Table 4D, which presents a breakdown of Bristol Water's total expenditure by business unit with regard to our fixed assets and operating costs only; however, Table 4D does not explicitly itemise atypical expenditure.

We report atypical expenditure to include items considered exceptional in our statutory accounts and which have displayed a material movement (greater than £1m) compared to the previous financial year. During 19/20 we identified two items as "atypical" - the Canal and River Trust arbitration, and the CMA referral.

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



## 4L - Enhancement expenditure by purpose - Wholesale water - Expenditure in report year

| | | Water resources | | Network+ | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Abstraction licences | Raw water abstraction | Raw water transport | Raw water storage | Water treatment | Treated water distribution | **Total** |
| A | **Enhancement expenditure by purpose** | | | | | | | |
| 1 | NEP - Making ecological improvements at abstractions (Habitats Directive, SSSI, NERC, BAPs) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| 2 | NEP - Eels Regulations (measures at intakes) | 0.000 | 0.383 | 0.000 | 0.000 | 0.000 | 0.000 | **0.383** |
| 3 | NEP – Invasive Non Native Species | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| 4 | Addressing low pressure | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| 5 | Improving taste / odour / colour | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| 6 | Meeting lead standards | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.083 | **0.083** |
| 7 | Supply side enhancements to the supply/demand balance (dry year critical / peak conditions) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| 8 | Supply side enhancements to the supply/demand balance (dry year annual average conditions) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| 9 | Demand side enhancements to the supply/demand balance (dry year critical / peak conditions) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| 10 | Demand side enhancements to the supply/demand balance (dry year annual average conditions) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 2.215 | **2.215** |
| 11 | New developments | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 5.605 | **5.605** |
| 12 | New connections element of new development (CPs, meters) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 3.014 | **3.014** |
| 13 | Investment to address raw water deterioration (THM, nitrates, Crypto, pesticides, others) | 0.000 | 0.214 | 0.000 | 0.000 | 0.165 | 0.000 | **0.379** |
| 14 | Resilience | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.877 | **0.877** |
| 15 | SEMD | 0.000 | 0.135 | 0.001 | 0.000 | 0.196 | 0.522 | **0.854** |
| 16 | NEP – Drinking Water Protected Areas (schemes) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| 17 | NEP – Water Framework Directive measures | 0.000 | 0.200 | 0.000 | 0.000 | 0.000 | 0.000 | **0.200** |
| 18 | NEP - Investigations | 0.000 | 0.137 | 0.000 | 0.000 | 0.000 | 0.000 | **0.137** |
| 19 | Improvements to river flows | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| 20 | Metering (excluding cost of providing metering to new service connections) - meters requested by optants | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 2.018 | **2.018** |
| 21 | Metering (excluding cost of providing metering to new service connections) - meters introduced by companies | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 2.527 | **2.527** |
| 22 | Metering (excluding cost of providing metering to new service connections) - other | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.041 | **0.041** |
| 38 | **Total enhancement capital expenditure** | **0.000** | **1.069** | **0.001** | **0.000** | **0.361** | **16.902** | 18.333 |

**4L - Enhancement expenditure by purpose - Wholesale water - Cumulative expenditure on schemes completed in the report year**

| | | Water resources | | Network+ | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Abstraction licences | Raw water abstraction | Raw water transport | Raw water storage | Water treatment | Treated water distribution | Total |
| A | **Enhancement expenditure by purpose** | | | | | | | |
| 1 | NEP - Making ecological improvements at abstractions (Habitats Directive, SSSI, NERC, BAPs) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| 2 | NEP - Eels Regulations (measures at intakes) | 0.000 | 1.060 | 0.000 | 0.000 | 0.000 | 0.000 | **1.060** |
| 3 | NEP – Invasive Non Native Species | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| 4 | Addressing low pressure | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| 5 | Improving taste / odour / colour | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| 6 | Meeting lead standards | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.083 | **0.083** |
| 7 | Supply side enhancements to the supply/demand balance (dry year critical / peak conditions) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| 8 | Supply side enhancements to the supply/demand balance (dry year annual average conditions) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| 9 | Demand side enhancements to the supply/demand balance (dry year critical / peak conditions) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| 10 | Demand side enhancements to the supply/demand balance (dry year annual average conditions) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 11.157 | **11.157** |
| 11 | New developments | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 5.305 | **5.305** |
| 12 | New connections element of new development (CPs, meters) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 3.014 | **3.014** |
| 13 | Investment to address raw water deterioration (THM, nitrates, Crypto, pesticides, others) | 0.000 | 0.214 | 0.000 | 0.000 | 2.191 | 0.000 | **2.405** |
| 14 | Resilience | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 21.501 | **21.501** |
| 15 | SEMD | 0.000 | 0.135 | 0.001 | 0.000 | 0.196 | 0.522 | **0.854** |
| 16 | NEP – Drinking Water Protected Areas (schemes) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| 17 | NEP – Water Framework Directive measures | 0.000 | 0.200 | 0.000 | 0.000 | 0.000 | 0.000 | **0.200** |
| 18 | NEP - Investigations | 0.000 | 0.137 | 0.000 | 0.000 | 0.000 | 0.000 | **0.137** |
| 19 | Improvements to river flows | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| 20 | Metering (excluding cost of providing metering to new service connections) - meters requested by optants | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 2.018 | **2.018** |
| 21 | Metering (excluding cost of providing metering to new service connections) - meters introduced by companies | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 2.527 | **2.527** |
| 22 | Metering (excluding cost of providing metering to new service connections) - other | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.041 | **0.041** |
| 38 | **Total enhancement capital expenditure** | **0.000** | **1.746** | **0.001** | **0.000** | **2.387** | **46.168** | 50.302 |





Table 4L reports capital expenditure on enhancement schemes in line with Ofwat's expenditure purpose categories as set out in the table. Expenditure is reported as actual annual expenditure for 2019/20 on enhancement schemes and the cumulative expenditure for enhancement schemes which have commenced since April 2015 and which finished in 2019/20. Projects completed in 2019/20 are reported as finished when there is no further planned spend forecast on the project beyond March 2020. For rolling investment projects (projects which repeat each year and therefore incur costs every year, for example site security upgrades) we work on the basis that the end of a financial year represents the end of each of these projects, and hence 2019/20 expenditure on these rolling investment projects is also reported as the cumulative expenditure for 2019/20. Where a project extends into AMP7 (overlap schemes) the cost will be accounted for into the annual expenditure, but not into the cumulative expenditure as the completion of the project will be outside the reporting period.

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

### Annual Expenditure

In 2018/19, annual enhancement expenditure was reported at £21.020m, whereas for 2019/20 it is reported at £18.333m. The Table 4L enhancement expenditure purpose lines which show the biggest annual enhancement expenditure decreases in 2019/20 compared to 2018/19 are:

- Line 4L.13 Investment to address raw water deterioration (THM, nitrates, Crypto, pesticides, others) – (2018/19 £1.285m; 2019/20 £0.379m); owing to the majority of the expenditure for the Stowey pH correction scheme being incurred last financial year;
- Line 4L.14 Resilience - (2018/19 =£1.841m; 2019/20 = £0.877m); owing to significantly lower annual expenditure on the Resilience elements of our 'Southern Resilience' scheme;
- Line 4L.20 Metering – Optants - (2018/19 =£2.355m; 2019/20 = £2.018m) owing to decreased metering activities for customers opting to have a meter installed; and
- Line 4L.21 Metering – introduced by companies = (2018/19 =£4.203m; 2019/20 = £2.527m) owing to decreased number of change of occupancy opportunities etc.

However, there has been a significant increase in 2019/20 annual enhancement expenditure vs. 2018/19 in line 4L.11 New Developments (2018/19 =£3.832; 2019/20 = £5.605); due to a number of schemes having commenced in the reporting year and a general increase in activity levels.

### Cumulative Expenditure

In 2018/19, cumulative enhancement expenditure was reported at £17.546m, whereas in 2019/20 it is £50.303m.

The main reason for reporting a significant increase for the cumulative expenditure compared with the last reporting year is due to reporting the 'Southern Resilience' scheme as cumulative enhancement expenditure in 2019/20, as this is that last year in which expenditure is expected on this scheme. The Southern Resilience reported total cumulative expenditure of £28.417m and is reflected on the following two reporting lines:

- Line 4L.10 Demand side enhancements (18/19 = £2.117m; 19/20 = £11.157m)
- Line 4L.14 Resilience (18/19 = £0.158m; 19/20 = £21.501m)

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

## 4P - Non-financial data for WR, WT and WD
## Wholesale water – Water Resources

Table 4P presents information on our assets and operational activity during 2019/20. Information is broken down by business unit from source to tap; Section A reports on Water Resources, Section B on Water Treatment and Section C on Water Distribution. Section D and E provide specific information on the size of our water treatment works and can therefore be considered an extension to Section B.

| | | Current year |
|---|---|---|
| A | Water resources | |
| 1 | Proportion of distribution input derived from impounding reservoirs | 0.212 |
| 2 | Proportion of distribution input derived from pumped storage reservoirs | 0.628 |
| 3 | Proportion of distribution input derived from river abstractions | 0.000 |
| 4 | Proportion of distribution input derived from groundwater works, excluding managed aquifer recharge (MAR) water supply schemes | 0.160 |
| 5 | Proportion of distribution input derived from artificial recharge (AR) water supply schemes | 0.000 |
| 6 | Proportion of distribution input derived from aquifer storage and recovery (ASR) water supply schemes | 0.000 |
| 7 | Proportion of distribution input derived from saline abstractions | 0.000 |
| 8 | Proportion of distribution input derived from water reuse schemes | 0.000 |
| 9 | Number of impounding reservoirs | 3 |
| 10 | Number of pumped storage reservoirs | 8 |
| 11 | Number of river abstractions | 0 |
| 12 | Number of groundwater works excluding managed aquifer recharge (MAR) water supply schemes | 14 |
| 13 | Number of artificial recharge (AR) water supply schemes | 0 |
| 14 | Number of aquifer storage and recovery (ASR) water supply schemes | 0 |
| 15 | Number of saline abstraction schemes | 0 |
| 16 | Total number of sources | 25 |
| 17 | Number of reuse schemes | 0 |
| 18 | Total number of water reservoirs | 11 |
| 19 | Total capacity of water reservoirs | 38,604 Ml |
| 20 | Total number of intake and source pumping stations | 15 |
| 21 | Total number of raw water transport stations | 8 |
| 22 | Total capacity of intake and source pumping stations | 6,794 kW |
| 23 | Total capacity of raw water transfer pumping stations | 3,584 kW |
| 24 | Total length of raw water abstraction mains and other conveyors | 42.75 km |
| 25 | Average pumping head – raw water abstraction | 22.22 m.hd |
| 26 | Average pumping head – raw water transport | 45.43 m.hd |
| 27 | Total length of raw and pre-treated (non-potable) water transport mains | 105.36 km |
| 28 | Water resources capacity (measured using water resources yield) | 337.95Ml/d |

**Proportion of Distribution Input derived from and number of sources by type (Lines 4P.1-23)**
Lines 4P.1-8 report on the untreated water sources we abstracted from and used to supply our customers with potable water after treatment. We abstract from 25 sources, the majority of which is derived from surface waters that are dominated by our impounding and pumped storage reservoirs. The relatively wet summer and winter meant that an energy efficient approach was taken to utilising our sources, focusing on maximising our abstraction from our Mendip Sources (pumped storage and impounding reservoirs) and reducing output from Purton and Littleton (pumped storage). However this is not expressed in the figures reported in these lines given that the majority of water taken from the Mendips are classified as pumped storage, whereby waters abstracted from the Chew Valley reservoirs are stored in Barrow tanks before treatment. A small proportional increase in impounded storage is observed of 4% attributed to an increase in direct abstraction from Cheddar reservoir to treatment.

The total number of sources (4P.16), broken down by category, (4P.9-15) have remained unchanged since 2011. During 2019/20 Bristol Water had three source sites (Clevedon TW Well, Shipton Moyne TW Well & Sherborne TW Borehole) whereby no water was abstracted for operational reasons, but these sites are still officially operational sites. Due to these three sources still holding full continuous abstraction licences and being neither standby, or mothballed officially, they have been included in the count with a 0.0Ml abstraction value reported in lines 4P.1-8.

On the Number and Capacity of Water Reservoirs, Intake and Source Pumping Stations,and Raw Water Transport Pumping Stations (4P.18-23) these lines report on the number of assets Bristol Water operated in 2019/20 which store and transport raw water in our raw water network (between our sources and treatment works), and their associated water capacities. These remain unchanged from 2018/19 reported figures; Bristol Water has 11 raw water reservoirs with a combined capacity of 38,604 Ml and 23 pumping stations (15 intake/ source pumping station and eight raw water transport pumping stations) enabling the transfer of water from the environment to, and between, our treatment works; which is consistent with previous years.

**Total length of raw water abstraction mains and other conveyors and Total length of raw and pre-treated (non-potable) water transport mains (Lines 4P.24 and 4P.27)**
Bristol Water operates 42.74km of raw water mains and other conveyors for raw water abstraction purpose Line 4P.24 and, 105.40Km raw and pre-treated (non-potable) water mains for raw water transport purpose Line 4P.27. The total figure in line 4P.27 also includes 17.4Km of a single pipe between two of our largest treatment works, Purton and Littleton. Water treated at Littleton is transferred from the Purton site and can, during times of warm weather, be partially treated at Purton first to prevent zebra mussels growing on parts of the pipe, which can pose a water quality hazard.

Bristol Water supplies one non-household customer and six troughs with non-potable water. The length of mains associated with supplying the non-household customer are very short (less than 10m in each case) therefore, in terms of the reporting for Line 4P.27 which is expressed in kilometres and accurate to one decimal place, we have not included any length of non-potable or partially treated mains for supplying customers in the total figure.

**Average Pumping Head (Raw Water Abstraction and Raw Water Transport Lines 4P.25-26; Water Treatment Line 4P.60 and Water Distribution 4P.94)**
Average pumping head is a measure of the amount of pumping that a company needs to do in order to transport water from our sources to our customers' taps. In order to do this we need to know, in effect, how much each megalitre of water is pumped through the process, from abstraction to supply. This cannot be measured in practice and therefore the average pumping requirements are estimated by using a formula developed by Ofwat for individual sites. Sites are then allocated within the business units (Raw Water Abstraction, Raw Water Transport, Treatment, and Distribution) and summated to provide the final reported figures.

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The supply strategy for 2019/20 took advantage of the wetter weather, permitting greater use of raw water supplies taken from the Mendips at Barrow TW. Barrow TW treats and delivers under gravity to Bristol as apposed to severing the same demand from the Sharpness Canal which requires a substantial lift. This reduced the Distribution AVPH and Resource AVPH by in 10m and 3m respectively. The supply strategy for 2020/21 is looking to replicate and potentially extend this strategy, however this will be closely reviewed against the water resource position. In addition to the wider supply strategy in November 2019 we also installed a new pump scheduling optimiser – this is set to improve both pumping efficiency and cost efficiency.

**Water resources capacity (measured using water resources yield) (Line 4.28)**
Our system is resource constrained (by hydrology and/or abstraction licence conditions), therefore there are no sources where the water treatment works capacity constrains the deployable output. The water resource capacity reduces slightly each year due to the assessed effects of climate change on water resource availability.

In August 2019 we published our final WRMP19, which is the source being used to report water resource capacity. There has been a slight reduction in resource capacity as a result of the changes in our baseline assumptions to reflect the latest water resource planning guideline:

- The deployable output for WRMP19 has been defined using a more severe drought than that used to develop the WRMP14. This is to reflect the Environment Agency Guidance and Government direction to plan to a 1-in-200 year level of resilience.
- The climate change assessment methodology changed between the WRMP14 assessment (which was derived using climate variability in the 2030s) and the WRMP19 assessment (which was derived using climate variability in the 2080s).





**4P - Non-financial data for WR, WT and WD - Wholesale water – Water treatment**

| | | Current year |
|---|---|---|
| B | **Water treatment** | |
| 29 | Total water treated at all SW simple disinfection works | 0.00 Ml/d |
| 30 | Total water treated at all SW1 works | 0.00 Ml/d |
| 31 | Total water treated at all SW2 works | 0.00 Ml/d |
| 32 | Total water treated at all SW3 works | 0.00 Ml/d |
| 33 | Total water treated at all SW4 works | 20.45 Ml/d |
| 34 | Total water treated at all SW5 works | 221.13 Ml/d |
| 35 | Total water treated at all SW6 works | 0.00 Ml/d |
| 36 | Total water treated at all GW simple disinfection works | 0.83 Ml/d |
| 37 | Total water treated at all GW1 works | 0.00 Ml/d |
| 38 | Total water treated at all GW2 works | 0.00 Ml/d |
| 39 | Total water treated at all GW3 works | 0.00 Ml/d |
| 40 | Total water treated at all GW4 works | 33.13 Ml/d |
| 41 | Total water treated at all GW5 works | 0.00 Ml/d |
| 42 | Total water treated at all GW6 works | 0.00 Ml/d |
| 43 | Total water treated at more than one type of works | 0.00 Ml/d |
| 44 | Total number of SW simple disinfection works | 0 |
| 45 | Total number of SW1 works | 0 |
| 46 | Total number of SW2 works | 0 |
| 47 | Total number of SW3 works | 0 |
| 48 | Total number of SW4 works | 1 |
| 49 | Total number of SW5 works | 5 |
| 50 | Total number of SW6 works | 0 |
| 51 | Total number of GW simple disinfection works | 2 |
| 52 | Total number of GW1 works | 0 |
| 53 | Total number of GW2 works | 0 |
| 54 | Total number of GW3 works | 0 |
| 55 | Total number of GW4 works | 8 |
| 56 | Total number of GW5 works | 0 |
| 57 | Total number of GW6 works | 0 |
| 58 | Number of treatment works requiring remedial action because of raw water deterioration | 0 |
| 59 | Zonal population receiving water treated with orthophosphate | 1,219.002 |
| 60 | Average pumping head – water treatment | 9.69 m.hd |

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

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

Over three-quarters of the total volume of treated water entering our distribution network on a daily basis is derived from surface water Treatment Works treating water at Level 5 (80.25%, 221.13Ml/d). This relates to our works at Purton, Littleton, Stowey, Banwell and Barrow; therefore whilst we operate more ground water Treatment Works than surface water Treatment Works, the latter are larger and contribute more to our overall distribution input with only 12.33% coming from all GW works.

The total number of treatment works, broken down by category (4P.44-57), has remained unchanged since 2011. During 2019/20 Bristol Water had two treatment works (Clevedon TW & Sherborne TW) whereby, for operational reasons, no water was treated and transferred into final water distribution. These sites are still officially operational sites and as such are included in the count with a 0.0Ml proportion (%) of total DI for banding (4P.103-110).

In 2019/20, Bristol Water operated ten ground water Treatment Works, two of which are simple disinfection works and the remaining eight all treat water at a Level 4 complexity. Of our six surface water Treatment Works operational in 2019/20, one treats water at Level 1 complexity and the remaining five treat water at Level 5 complexity. This operational set-up of our Treatment Works has been the same for the last five years (2015/16 to 2019/20). Since June 2019 Stowey and Frome Town Treatment Works received an upgrade in process design; changing from Chlorine Gas to Electrochlorination. Electrochlorination is a common method of generating sodium hypochlorite on site; it has a number of advantages over other means of disinfection. Electrochlorination is a simple and effective process that uses only widely available raw materials - salt, water and electricity, to generate a high quality, low strength sodium hypochlorite solution. This process is much safer for our operators to use rather than chlorine gas or commercial sodium hypochlorite currently widely used in the water industry.





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

The number of treatment works where work has been carried out based on raw water deterioration during the 2018/19 period was zero and no activity was undertaken during 2019/20 (the number of treatment works remains at zero).

It should be noted however that there is a legal instrument in place for Cheddar Treatment Works which has seen work carried out to investigate changes in the raw water and proactively understand the impacts on the operation of the slow sand filters, which may give rise to taste and odour in the final water. This trial programme of work is due to run throughout 2020-25 and whilst there was the installation of a microstrainer and covering of one slow sand filter in this reporting period there has been no work carried out that is aimed to directly mitigate the potential changes in the raw water sources.

**Zonal Population receiving water treated with orthophosphate (Line 4P.59)**
The method for estimating this value involves subtracting the number of people not receiving water treated with phosphate (8,034 people) from the total number of people which we serve, (line 4Q.15). Four of our 16 Treatment Works do not add phosphate to the water as a treatment process. These are our Treatment Works at Tetbury, Forum, Sherborne and Alderley. Customers receiving water from the latter three receive water which is a blend of water from one of Forum, Sherborne and Alderley and another Works, therefore the water they receive does, through mixing, contain phosphate. Only customers receiving water from Tetbury Treatment Works receive water with no phosphate added.

The population receiving water from Tetbury Treatment Works is estimated by multiplying the number of properties supplied from the works by the average number of people living in each property (the occupancy rate), which we have assumed to be 2.32 occupants per property, in line with our water balance assumptions.

For 2019/20, we reported 1,219,002 people as having received water treated with orthophosphate which is slightly higher than that reported last year (1,208,532 people, 0.86% change), due to the growth in our overall population supplied.

## 4P - Non-financial data for WR, WT and WD - Wholesale water – Water treatment

| | | Current year |
|---|---|---|
| C | **Water distribution** | |
| 61 | Total length of potable mains as at 31 March | 6,874.9km |
| 62 | Total length of potable mains relined | 0.0 km |
| 63 | Total length of potable mains renewed | 32.1 km |
| 64 | Total length of new mains | 35.6 km |
| 65 | Total length of potable water mains (<320mm) | 6,328.4 km |
| 66 | Total length of potable water mains 320mm - 450mm | 232.2 km |
| 67 | Total length of potable water mains 450mm - 610mm | 191.9 km |
| 68 | Total length of potable water mains > 610mm | 122.5 km |
| 69 | Capacity of booster pumping stations | 24,632 kW |
| 70 | Capacity of service reservoirs | 537Ml |
| 71 | Capacity of water towers | 3 Ml |
| 72 | Distribution input | 270.65 Ml/d |
| 73 | Water delivered (non-potable) | 0.28 Ml/d |
| 74 | Water delivered (potable) | 241.96 Ml/d |
| 75 | Water delivered (billed measured residential) | 84.92 Ml/d |
| 76 | Water delivered (billed measured business) | 58.84 Ml/d |
| 77 | Total leakage | 37.21 Ml/d |
| 78 | Distribution losses | 25.55 Ml/d |
| 79 | Water taken unbilled | 0.81 Ml/d |
| 80 | Number of lead communication pipes | 140,481 |
| 81 | Number of galvanised iron communication pipes | 8,124 |
| 82 | Number of other communication pipes | 334,294 |
| 83 | Number of booster pumping stations | 114 |
| 84 | Total number of service reservoirs | 114 |
| 85 | Number of water towers | 5 |
| 86 | Total length of potable mains laid or structurally refurbished pre-1880 | 116.3 km |
| 87 | Total length of potable mains laid or structurally refurbished between 1881 and 1900 | 848.0 km |
| 88 | Total length of potable mains laid or structurally refurbished between 1901 and 1920 | 469.1 km |
| 89 | Total length of potable mains laid or structurally refurbished between 1921 and 1940 | 913.5 km |
| 90 | Total length of potable mains laid or structurally refurbished between 1941 and 1960 | 887.7 km |
| 91 | Total length of potable mains laid or structurally refurbished between 1961 and 1980 | 1,278.2 km |
| 92 | Total length of potable mains laid or structurally refurbished between 1981 and 2000 | 1,244.6 km |
| 93 | Total length of potable mains laid or structurally refurbished post 2001 | 1,117.4 km |
| 94 | Average pumping head – treated water distribution | 97.02 m.hd |



**Total length of mains (Lines 4P.61-68)**
Our strategy for trunk mains is to maintain a risk level within the network that translates into a stable and acceptable level of service for customers. We also need to ensure that planned investment is sufficient for routine and reactive maintenance to ensure the continued provision of high quality water to our customers and the continuation of business as usual activities.

Lines 4P.61-68 report on the length of mains that transport water of drinking water quality in our treated water distribution network (from treatment works to customers) and Bristol Water activities associated with the relining and renewing of mains in 2019/20. At the 31 March 2020, we had 6,874.91km of mains in operation for the purpose of transporting drinking water, which has been slowly increasing over time reflecting the addition of new mains laid to the total reported figure. In 2019/20 we added 35.61km of new mains to our treated water distribution network (line 4P.64), a level of activity within the long run average for the Company.

In addition to laying new mains, in 2019/20 we also undertook 32.11 km of mains renewal (line 4P.63) an 94.25% increase compared to last year (16.59km). The renewal of our distribution mains is seen as a key enabler to achieving a reduction in customer supply interruptions, discolouration and mains bursts. Consistent with previous years we have not undertaken any mains relining activities and this reflects our current approach to asset management. To note, we do however undertake slip lining as a mains rehabilitation technique and this involves inserting a new mains into an old one; such slip lining activities are included in line 4P.63.

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

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

**Distribution Input (Line 4P.72)**
Distribution input is the average daily amount of drinking water entering the distribution network from our treatment works and net imports, excluding bulk supply export and inset agreements (the provision of water to third party entities that operate water networks independent of our own).

As per previous years, this year's reported distribution input includes the maximum likelihood estimate (MLE) - an adjustment of -0.321 Ml/d respectively (which has varied from -0.3 to 0.61). Distribution Input in 2019/20 reduced by 10 Ml/d compared to last year, a 4% reduction. This reduction is attributed to an on-going programme of leakage detection and repair work.

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

In 2019/20 Bristol Water delivered 241.96 Ml/d of potable water (Line 4P.74), which includes the average volume of water delivered to billed metered customers, both residential and businesses, an estimate of the volume of water delivered to billed unmetered (rateable value) customers, both residential and business, supply pipe leakage (that is the loss of water from either company or customer pipes in the treated water distribution network), unbilled water taken legally for legitimate purposes (e.g. emergency services) and water taken illegally (where this is known and measurable).

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

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

Distribution losses refer to the average daily volume of water lost from Bristol Water's treated water distribution network (Line 4P.78) in comparison to supply pipe losses (which refers to the loss of water from pipes located within the boundaries of customer's properties), refers to losses from Bristol Water's distribution network to individual customer homes. Due to the relative size of Bristol Water's distribution pipes compared to supply pipes, distribution losses are higher than supply pipe losses.

Water taken unbilled (Line 4P.79) refers to the average daily volume of water used which has not been paid for (either legally or illegally). It excludes water used by the company for example for



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carrying out mains testing, pipe cleaning and similar activities.

Bristol Water has identified leakage reduction as a key commitment for the period 2015/16 to 19/20 and our performance against targets is explicitly assessed by Ofwat as part of the Outcome Delivery Incentive (ODI) framework, which is discussed further in Section 3A. We have opted to report our 2019/20 leakage figure using two different methodological assumptions, which relate to a specific component of the calculation called Non-household Night use (NHHNU) which analyses business water usage at night. To inform our reporting of leakage in Section 3A we have assumed a NHHNU which is consistent with the target definition for leakage performance agreed with Ofwat at PR14. To inform our leakage reported value in Line 4P.79 we have used an updated assumption for NHHNU (which brings our sampling for this component in line with best practise across the industry). This explains the difference between our reported value in Table 3A (40.9 Ml/d) and Total Leakage in Line 4P.79 (37.2 Ml/d), the latter being the more accurate value of the average daily amount of leakage lost in our treated water distribution network. This NHHNU assumption also forms part of the calculation used to report on Lines 4P.73-79. For more details on leakage performance and the impact on customers compared to last year, please see the supporting commentary to Section 3A.

**Number of communication pipes by material (Lines 4P.80-82)**

Communication pipes refer to the small pipes which connect distribution mains to individual customers' homes. Lines 4P.80-82 present a breakdown of Bristol Water's communication pipes by material type, split by lead, galvanised iron and other. 29% of Bristol Water's communication pipes are made from lead, with just over two-thirds (69%) classified as other which largely includes different types of plastic and just under 1.8% are made from galvanised iron.

**Total length of mains by age (Lines 4P.86-93)**

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

For some mains, lack of historical information means that their age is unknown. Where this is the case and we know the material of the main we have allocated it to a cohort when the laying of that particular material pre-dominated – this methodology is possible because in the course of Bristol Water's history there has been a pattern in the use of mains material, reflecting for example improved technologies. For mains where both the age and material of the main is unknown, we have assumed a split based upon the material composition of mains for which we known both the age and material and allocated the mains accordingly. There has been little change in the reporting of these lines compared to last year. There has been a gradual decrease in the length of assets in the older time periods as they become replaced by new mains, which has resulted in a gradual increase in the length of mains laid post-2000, which in turns reduces the likelihood of customers experiencing mains bursts rates.



#### 4P - Non-financial data for WR, WT and WD - Wholesale water – Band Disclosure

| | | Units | Current year |
|---|---|---|---|
| D | **Band Disclosure (Nr)** | | |
| 95 | WTWs in size band 1 | Nr | 5 |
| 96 | WTWs in size band 2 | Nr | 2 |
| 97 | WTWs in size band 3 | Nr | 1 |
| 98 | WTWs in size band 4 | Nr | 3 |
| 99 | WTWs in size band 5 | Nr | 3 |
| 100 | WTWs in size band 6 | Nr | 0 |
| 101 | WTWs in size band 7 | Nr | 2 |
| 102 | WTWs in size band 8 | Nr | 0 |
| E | **Band Disclosure (%)** | | |
| 103 | Proportion of Total DI band 1 | | 0.5% |
| 104 | Proportion of Total DI band 2 | | 2.6% |
| 105 | Proportion of Total DI band 3 | | 1.7% |
| 106 | Proportion of Total DI band 4 | | 12.9% |
| 107 | Proportion of Total DI band 5 | | 24.8% |
| 108 | Proportion of Total DI band 6 | | 0.0% |
| 109 | Proportion of Total DI band 7 | | 57.4% |
| 110 | Proportion of Total DI band 8 | | 0.0% |

**Water Treatment Works by size band (Lines 4P.95-110)**
These lines provide information on the relative size of our water Treatment Works, according to the contribution that each site provides to our distribution input, as per the table below.

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

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

The values have varied slightly from last year and can be attributed to a number of factors. We operated our treatment works differently to the 2018/19 year due to the wet weather, most notable increasing output from our Barrow TW thats draws from Mendip reservoirs and reducing output from our Sharpness treatment works. This has shifted Barrow TW from Band 6 to Band 7 and the proportion of DI therefore from TW in Band 6 has dropped to 0.





## 4Q - Non-financial data
## Properties, population and other - Wholesale water

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

| | | Units | Current year |
|---|---|---|---|
| A | Properties and population | | |
| 1 | Residential properties billed for measured water (external meter) | 000 | 251.135 |
| 2 | Residential properties billed for measured water (not external meter) | 000 | 35.338 |
| 3 | Business properties billed measured water | 000 | 30.409 |
| 4 | Residential properties billed for unmeasured water | 000 | 210.765 |
| 5 | Business properties billed unmeasured water | 000 | 1.102 |
| 6 | Total business connected properties at year end | 000s | 33.471 |
| 7 | Total residential connected properties at year end | 000s | 512.485 |
| 8 | Total connected properties at year end | 000 | 545.956 |
| 9 | Number of residential meters renewed | 000 | 2.362 |
| 10 | Number of business meters renewed | 000s | 0.509 |
| 11 | Number of meters installed at request of optants | 000 | 3.972 |
| 12 | Number of selective meters installed | 000 | 7.443 |
| 13 | Total number of new business connections | 000 | 0.232 |
| 14 | Total number of new residential connections | 000 | 4.978 |
| 15 | Total population served | 000 | 1227.036 |
| 16 | Number of business meters (billed properties) | 000 | 34.788 |
| 17 | Number of residential meters (billed properties) | 000 | 301.688 |
| 18 | Company area | km2 | 2,367 |

**Properties, meters and population (Lines 4Q.1 – 4Q.14 and 4Q.16 - 4Q.17)**
During 2019/20 total residential and total connected property numbers have continued to increase at a steady rate (at 1% p.a.) although the slowdown in the residential property market has led to fewer properties being built than previously forecast.

This year has seen 11,415 domestic customers who have switched tariffs from unmeasured to measured water (which is why there is a 6% decrease in the number of residential properties billed for unmeasured water). This is partly as a result of metering taking place on change of ownership, and partly as a result of customers choosing to switch, either for financial or environmental reasons. Our meter optant levels (those customers who opt into receiving water via a meter by contacting us to request a meter fitting), reported in 4Q.11, has deceased by 30% on the previous year.

The average number of internal meters included this year is slightly below last year's figure, as a result of improved reporting as part of the preparation for the new billing system which is due to be implemented during financial year 2020/21. We have removed approximately 4,500 internal meters from our 2020-21 average figure due to this enhanced analysis.

The slowdown in the residential property market also led to fewer properties being built and fewer customers moving home. Selective metering (whereby we install a meter at a property whenever there is a change of occupier), reported in 4Q.12, has therefore also shown a significant decrease on the previous year of 20%.

Property numbers are relatively static in the business world, although we have observed an increase in the numbers of previously occupied properties becoming vacant. This situation dramatically worsened towards the end of March 2020, following the government-enforced closure of many business establishments. The current situation will also prevent many new business properties from opening, so we do not expect business property numbers to significantly increase in the near future.

The number of residential meters (billed properties, reported in 4Q.17) has increased by 6% compared to the previous year.

**Total Population Served (Line 4Q.15)**
In line with 2011 census data, the total population is calculated using external data acquired from CACI based on the company supply area, as an average between the total population in April 2019 and the total population in April 2020. Further minor adjustments are then made to exclude properties within our supply area we know not to be our customers (those using a private supply).

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

### 4Q - Non-financial data - Properties, population and other - Wholesale water

| | | Current year |
|---|---|---|
| B | Other | |
| 19 | Number of lead communication pipes replaced for water quality | 40 |
| 20 | Total supply side enhancements to the supply demand balance (dry year critical / peak conditions) | 0.00 Ml/d |
| 21 | Total supply side enhancements to the supply demand balance (dry year annual average conditions) | 0.00 Ml/d |
| 22 | Total demand side enhancements to the supply demand balance (dry year critical / peak conditions) | 4.87 Ml/d |
| 23 | Total demand side enhancements to the supply demand balance (dry year annual average conditions) | 4.87 Ml/d |
| 24 | Energy consumption - network plus | 72,834 MWh |
| 25 | Energy consumption - water resources | 12,021 MWh |
| 26 | Energy consumption - wholesale | 84,855 MWh |
| 27 | Mean Zonal Compliance | 99.97% |
| 28 | Compliance Risk Index | 2.3 |
| 29 | Event Risk Index | 121.2 |
| 30 | Volume of Leakage above or below the sustainable economic Level | -18.795 Ml/d |



**Number of lead communication pipes replaced for water quality (Line 4Q.19)**
In 2018/19, we replaced 64 lead communication pipes for water quality reasons. For 2019/20 we replaced a total of 40 lead communication pipes; 36 were replaced for lead exceedance at the internal tap and four were replaced at educational establishments. This is in line with our requirements as set out by the DWI. The DWI's Water Quality Regulations 2000 sets out our operational requirements for lead replacements during the period April 2015 to March 2020 to include all lead pipes supplying primary schools and all lead pipes supplying properties where lead sampling results are found to be greater than or equal to 8µg/l.

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

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

We have implemented some demand side improvements during 2019/20, which have resulted in an overall improvement of 4.87Ml/d. This consists of 4.51Ml/d as a result of the leakage saving options (D001 Pressure reduction scheme and D006 Active leakage control) and 0.36Ml/d as a result of the metering option C004 Change of ownership metering. As Bristol Water is not critical peak sensitive, 4.87Ml/d has been reported for both lines 4Q.22-23, consistent with Ofwat's reporting requirements. Without these demand side improvements, we would expect total leakage to be higher and our supply-demand balance position to be less desirable than at present.

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

Energy usage covers all our operations, including fleet transportation, pumping, operating water treatment works and running administrative buildings. 92% of our energy use is consumed in the form electricity for production / treatment and distribution pumping. A proportionally small amount of energy in the form of gas, used for heating, and fuel, used for transport, is also consumed and included by converting to equivalent units (for gas and fuel) of mega-watt hours (MWh).

Variability in our energy use is caused due to changes to water supply demand and weather conditions. Under drier conditions, use of our more energy intensive Sharpness sources are increased to conserve storage in our Mendip reservoirs. Similarly in drier conditions customer water demands are higher and production and distribution pumping increase to match demand. The latter part of 2019/20 was notably wet, allowing a reduction in demand and reliance on Sharpness sources. Therefore, our consumption was lower than the average of the previous eight years.

We are continuing to strive for improved energy efficiency and a lower carbon footprint. We are continuing to implement a number of substantial projects in 2020/21 that will directly offset the import of energy from the grid and lower overall energy consumption, most significantly an automated pump scheduling system, that will look to optimise individual pumps, pump-sets and whole source selection. Installation of a gas generator at Purton TW will increase our reported energy consumption, due to the conversion rate of thermal energy to electricity.

**Mean Zonal Compliance (Line 4Q.27)**
MZC is a Drinking Water Inspectorate (DWI) measure used to assess overall water quality compliance based on 35 individual components that covers various aspects of risk to public health. Our reported figure reflects an decrease in performance compared to last year (99.99%). A significant number of the failures reported in 2019 were associated with customer domestic plumbing systems. Our performance against MZC is assessed by Ofwat as part of the Outcome Delivery Incentive (ODI) framework, which is explained further in Section 3A.

**Compliance Risk Index (Line 4Q.28)**
CRI is a Drinking Water Inspectorate (DWI) water quality performance measure, which takes into account the frequency and location of compliance water sample failures, and their significance in terms of their impact on customers.

We have seen an increase in our CRI for 2019 compared to 2018. The increase compared to the previous year is primarily driven by two turbidity (a measure of particles in the water) failures at Barrow and Cheddar Treatment Works. In each case as part of our investigations we were able to demonstrate the failure was due to the sampling arrangement and not representative of water quality being supplied to our customers. We have completed work to reduce the likelihood of this recurring and we expect the CRI score for next year to reduce below the 2018 reported figure (at 0.7 CRI).

**Event Risk Index (Line 4Q.29)**
The Event Risk Index (ERI) is another DWI water quality performance measure, which gives a score based on the risk arising from water quality events and their impact on customers. It takes into account the seriousness of the water quality event, the Company's performance in managing the event, and the impact of the event. The Company's ERI score for 2019 has noticeably increased from 2018 (on ERI of 22.5). There was no significant increase in the number of notifiable events compared to previous years and the increase is predominantly associated with two of the 13 notified events to the DWI which account for 117.7 of the overall score.

With the events we reported to the DWI we received support for our approach and few recommendations. The DWI will be enhancing its reporting of events during 2020/21 by the likely introduction of the 'response to recommendations indices'. This will make comparisons between water companies clearer and is aimed at improving performance industry-wide on notifiable events.

Bristol Water therefore has few serious events but more importantly, when these do occur, that we are able and to manage these effectively to protect the public health of our customers.





### 4V - Operating cost analysis - water resources – opex analysis (£m, 000)

**Volume of Leakage above or below the sustainable economic level (Line 4Q.30)**
The volume of leakage above or below the sustainable economic level provides a comparison between the total leakage calculated for the reported year (as 37.2 Ml/d, reported in Line 4P.77) and the economic level of leakage, which we have estimated to be 56.0 Ml/d for the period 2015/16 to 2019/20. The economic level of leakage identifies the level of leakage at which any further reduction would incur costs greater than the benefits realised from the water savings.

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

| | | Impounding Reservoir | Pumped Storage | River Abstractions | Groundwater, excluding MAR water supply schemes | Other | Total |
|---|---|---|---|---|---|---|---|
| A | **Opex analysis** | | | | | | |
| 1 | Power | 0.944 | 0.457 | 0.000 | 0.284 | 0.000 | **1.685** |
| 2 | Income Treated as negative expenditure | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| 3 | Abstraction charges / discharge consents | 0.524 | 1.626 | 0.009 | 0.561 | 0.000 | **2.720** |
| 4 | Bulk supply | 0.002 | 0.012 | 0.000 | 0.002 | 0.000 | **0.016** |
| | **Other operating expenditure** | | | | | | |
| 5 | – Renewals expensed in the year (infrastructure) | 0.082 | 0.030 | 0.000 | 0.006 | 0.000 | **0.118** |
| 6 | – Renewals expensed in the year (Non-infrastructure) | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| 7 | – Other operating expenditure excluding renewals - direct | 2.035 | 3.094 | 0.003 | 0.734 | 0.000 | **5.866** |
| 8 | – Other operating expenditure excluding renewals - indirect | 1.589 | 1.918 | 0.004 | 0.575 | 0.000 | **4.086** |
| 9 | Total functional expenditure | 5.176 | 7.137 | 0.016 | 2.162 | 0.000 | **14.491** |
| 10 | Local authority and Cumulo rates | 0.961 | 0.280 | 0.000 | 0.051 | 0.000 | **1.292** |
| 11 | Total operating expenditure (excluding 3rd party) | 6.137 | 7.417 | 0.016 | 2.213 | 0.000 | **15.783** |
| 12 | Depreciation | 1.616 | 0.296 | 0.000 | 0.146 | 0.000 | **2.057** |
| 13 | Total operating costs (excluding 3rd party) | 7.753 | 7.713 | 0.016 | 2.359 | 0.000 | **17.840** |

**4V - Operating cost analysis - water resources (£m, 000)**

| | | Water resources | Raw water distribution | Water treatment | Treated water distribution | Total |
|---|---|---|---|---|---|---|
| B | **Other expenditure - wholesale water** | | | | | |
| 14 | Employment costs - directly allocated | 1.049 | 0.360 | 3.270 | 9.955 | **14.634** |
| 15 | Employment costs - indirectly allocated | 1.140 | 0.157 | 2.472 | 4.695 | **8.464** |
| 16 | Number FTEs consistent – directly allocated | 18 | 7 | 66 | 253 | **344** |
| 17 | Number FTEs consistent – indirectly allocated | 22 | 3 | 44 | 76 | **145** |
| 18 | Costs associated with Traffic Management Act | 0.000 | 0.000 | 0.000 | 0.143 | **0.143** |
| C | **Service charges** | | | | | |
| 19 | Canal & River Trust service charges and discharge consents | 1.626 | 0.000 | 0.000 | 0.000 | **1.626** |
| 20 | Environment Agency service charges / discharge consents | 1.094 | 0.006 | 0.094 | 0.001 | **1.195** |
| 21 | Other abstraction charges / discharge consents | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |
| 22 | Statutory water softening | 0.000 | 0.000 | 0.000 | 0.000 | **0.000** |

Table 4V presents a breakdown of Bristol Water's total water resources operating costs for 2019/20 by the following categories: Impounding Reservoirs, Pumped Storage, River Abstractions, Groundwater, excluding MAR water supply schemes, Artificial Recharge (AR) water supply schemes, Aquifer Storage and Recovery (ASR) water supply schemes and Other. For 2019/20 Bristol Water has not reported any expenditure against River Abstractions, Artificial Recharge (AR) water supply schemes, Aquifer Storage and Recovery (ASR) water supply schemes, or Other.

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

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

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

Bristol Water now includes all costs associated with the Traffic Management Act, (excluding penalties and fines) as a permit system was implemented in the area in 2019/20.

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





# C-MeX and D-MeX

**Introduction**

Whilst SIM will no longer be reported on in future years, the new customer measure of experience (C-MeX) and developer services measure of experience (D-MeX) mechanisms have been running in shadow form during 2019/20. They are designed to incentivise excellent levels of service for customers in the water sector. Financial incentives, which will impact our customers' bills, will apply to these measures from 1 April 2020. For full transparency we have reported our shadow year values in our APR for this year.

## C-MeX

| C-MeX | 2019/20 Performance |
|---|---|
| **1st quarterly score** | 74.95 |
| **2nd quarterly score** | 80.27 |
| **3rd quarterly score** | 79.74 |
| **4th quarterly score** | 77.56 |
| **Overall averaged C-MeX Score** | 78.13 |
| **Indicative Industry Ranking based on overall averaged C-MeX score (out of 17 companies)** | 8th |

The customer measure of experience (C-MeX) is a mechanism designed to incentivise all water companies to provide residential customers with excellent levels of service. Our C-MeX score is based on the results from two surveys:

- the customer service survey – a customer satisfaction survey of a sample of residential customers who have contacted us, which asks them how satisfied they are with how we have handled their issue; and
- the customer experience survey – a customer satisfaction survey of a randomly selected sample of our overall residential customer base, which asks them how satisfied they are with our services.

Both survey scores contribute equally to the overall C-MeX score for each company.

As 2019/20 is a shadow year for reporting, the measurements to determine the C-MeX, score have evolved as the industry has worked together to improve the accuracy and emphasised the areas of importance that would matter most to customers when it comes to weighting. One of the changes has been the decision to remove the net promoter score (NPS) question from the calculations from 1 April 2020. If our C-MeX scores are re-calculated by using the methodology that will apply from 1 April 2020 (by discounting NPS for quarters 1-3), our score increases while our closest competitors fall, which would raise our ranking to 6th in the industry.

Improving our customers' experience is a top priority for us, both when they have a need to contact us and when they do not. We are constantly working to improve the way customers perceive us and 2019/20 has been no different, including promoting additional support services such as our Priority Services Register and the ways in which we can help our customers pay their water bill.

We have continued to increase the use of our 'door-step' feedback tool, CustomerSure, to gain real-time feedback when our fieldworkers complete a customer appointment or job and after email responses. When a low score is received as feedback, this is picked up and managed as quickly as possible. By using this process, we are able to connect with those customers who are dissatisfied with an aspect of our service and correct the issue in a timely manner, before dissatisfaction with an interaction with us becomes dissatisfaction with the company as a whole.

Our Customer Care Team now attend the sites of major renovations and new connections in order to liaise with customers in their environment and to be able to provide real-time information to the customers who we are directly affecting.

This year has seen the pilot year of our social contract which includes various initiatives targeted at increasing trust within the community and our contribution to the local community. It provides us with a framework through which our customers can hold us to account for the wider benefits we provide to our communities.



# D-MeX

| D-MeX | 2019/20 Performance |
|---|---|
| 1st quarterly score | 87.50 |
| 2nd quarterly score | 85.94 |
| 3rd quarterly score | 81.63 |
| 4th quarterly score | 84.34 |
| Overall averaged D-MeX Score | 84.85 |

The developer services measure of experience (D-MeX) is a mechanism to incentivise water companies to provide an excellent customer experience for developer services (new connections) customers. These customers include small and large property developers, self-lay providers (SLPs), and those with new appointments and variations (NAVs).

As 2019/20 is a shadow year for reporting, the measurements to determine the D-MeX, score have evolved as the industry has worked together to improve the accuracy and emphasised the areas of importance that would matter most to customers when it comes to weighting. For 2019/20 D-MeX is comprised of two components: a quantitative component comprised of Water UK metrics, and a qualitative component which for the shadow year is comprised of a transactions follow-up survey. This is a survey in which customers who have had work completed by water companies are surveyed about their recent experience. The overall annual D-MeX score reported in the table is therefore calculated using an equal weighting from both the qualitative component and the quantitative component.

We recognise that homebuilders and developers are vital to the growth and regeneration of our area, and we are committed to providing an efficient and cost-effective service to these businesses. Over the last few years we have developed tailored engagement methods for our developers to ensure that their voices are heard alongside our stakeholders in the wider Bristol area.

From 1 April 2020 we aim to be providing a level of service to small and large property developers, self-lay providers (SLPs), and those with new appointments and variations (NAVs), that places us within the top five companies in the industry.

# Related party transactions

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

The principal related parties are:

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

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

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

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

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

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

| Nature of service | Associate | Turnover of associate (£m) | Terms of supply | Value of service received (£m) |
|---|---|---|---|---|
| Management charge | BWG | - | No market | - |
| Management charge | BWHUK | - | No market | - |
| Managed billing service | BWBSL | 15.300 | Competitive tender | 2.569 |
| Recharges for costs | BWBSL | 15.300 | Cost pass through | 0.220 |
| Capital expenditure | BWBSL | 15.300 | Cost pass through | 0.234 |

### Group tax relief

Bristol Water plc claims group tax relief from the non-regulated companies in the Bristol Water Group. The amount of the group relief claimed for 2019/20 is £3.775m. Bristol Water plc pays the standard tax rate for the period multiplied by the surrendered losses to each surrendering company. This group relief payment policy ensures that relieving losses around the group has no effect on the current tax charge of Bristol Water plc. The payment for loss relief surrendered for the period ended 31 March 2020 was settled in quarterly payments in line with the dates that that corporation tax would normally be paid.





### Borrowing/lending with associated companies and related facilities

A loan of £47.000m was made to BWHUK, ultimate parent company of Bristol Water plc, until June 2006) in 2003/04. The unsecured loan was advanced on 12 February 2004, under an agreement dated 4 December 2003, out of the proceeds of the Artesian loans entered into during that year. The loan is due for repayment on 30 September 2033 and bears a fixed interest rate of 6.042%. Interest income of £2.840m (2018/19: £2.840m) was received in relation to the loan during 2019/20.

A further loan of £21.500m was made to BWHUK in 2005/06. The unsecured loan was advanced on 13 July 2005, under an agreement dated 10 June 2005, out of proceeds of the Artesian loan entered into in that year. The loan is due for repayment on 30 September 2032 and bears a fixed interest rate of 5.550%. On 31 March 2020 BWHUK repaid £3m of this loan to Bristol Water plc. Interest income of £1.193m (£1.193m: 2018/19) was received in relation to the loan in 2019/20.

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

The sum of £0.411m (2018/19: £0.411m) is included within the debtors in respect of amounts advanced to BWBSL, a joint venture company between BWH, a parent company, and Wessex Water Services Limited, to fund the purchase of tangible assets. This amount has no fixed repayment date.

# Independent Auditors' report to the Water Services Regulation Authority (the WSRA) and the Directors of Bristol Water plc

## Report on the Regulatory Accounting Statements contained within the Annual Performance Report

### Opinion on Annual Performance Report

In our opinion, Bristol Water plc's Regulatory Accounting Statements within the Annual Performance Report have been prepared, in all material respects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG1.08, RAG2.07, RAG3.11, RAG4.08 and RAG5.07) and the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.11, appendix 2) set out on page 18.

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

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

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

### Basis for opinion

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

Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Regulatory Accounting Statements within the Annual Performance Report section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit, including the Financial Reporting Council's ("FRC's") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Emphasis of matter – special purpose basis of preparation

In forming our opinion on the Regulatory Accounting Statements, which is not modified, we draw attention to the fact that the Regulatory Accounting Statements have been prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.11, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purpose. Accordingly we make no such assessment. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA.

The Regulatory Accounting Statements are separate from the statutory financial statements of the Company and have not been prepared under the basis of United Kingdom Generally Accepted Accounting Practice ("UK GAAP. Financial information other than that prepared on the basis of UK GAAP does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

The Regulatory Accounting Statements on pages 18 to 151 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from UK GAAP. A summary of the effect of these departures from Generally Accepted Accounting Practice in the Company's statutory financial statements is included in the tables within section 1.

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

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

### Reporting on other information

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

In connection with our audit of the Regulatory Accounting Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulatory Accounting Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Regulatory Accounting Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report based on these responsibilities.

### Responsibilities for the Annual Performance Report and the audit

*Responsibilities of the Directors for the Annual Performance Report*

As explained more fully in the Statement of Directors' Responsibilities set out on page 27, the directors are responsible for the preparation of the Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the Company's accounting policies (including the Company's published [accounting methodology statement(s), as defined in RAG 3.11, appendix 2]).

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

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

*Auditors' responsibilities for the Audit of the Regulatory Accounting Statements within the Annual Performance Report*

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

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

### Use of this report

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

Our opinion on the Regulatory Accounting Statements is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2020 on which we reported on 13 July 2020, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other required reporting

*Opinion on other matters prescribed by Condition F*

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

- proper accounting records have been kept by the appointee as required by paragraph 3 of Condition F; and
- the Regulatory Accounting Statements are in agreement with the accounting records and returns retained for the purpose of preparing the Annual Performance Report.

**PricewaterhouseCoopers LLP**
Chartered Accountants and Statutory Auditors
Bristol
13 July 2020





# Directors' Remuneration report

## Annual Statement by Jim McAuliffe, Chair of the Remuneration Committee

### Introduction

I am pleased to present, on behalf of the Board, our Directors' Remuneration Report in respect of the year ended 31 March 2020 together with our approach to remuneration for Executive Directors for 2020/21.

This report has been prepared under the principles of Schedule 8 to the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 governing the content of remuneration reports and the provision of the Companies Act 2006, as amended by the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) regulations 2019.

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

### Key matters

The year under review was the last in the current five year regulatory cycle, and therefore a key year for delivery of the Company's commitments. The Company has met its many challenges, delivering on the AMP6 programme for our customers whilst working hard to implement a new operating model and embedding subsequent ways of working.

We have also been faced with the challenge of the global Coronavirus (COVID-19) pandemic which has affected every part of society and the economy both in the United Kingdom and globally. The Company has responded vigorously to this challenge, prioritising the safety and wellbeing of its employees and customers, focusing particularly on essential services. Inevitably the COVID-19 pandemic has impacted on the way in which the Company serves its customers and in some cases has necessarily resulted in non-essential services being suspended. It is still too soon to evaluate accurately the long-term impact of the pandemic on the Company and the extent to which its effects will be felt in 2020/21 and potentially beyond. The Remuneration Committee is aware of the need to ensure that it exercises its judgement and discretion wisely in relation to remuneration levels and awards in 2020/21, and some decisions (e.g. the finalisation of some elements of the new LTIP) have been delayed.

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

- **Salary -** consultation with representatives of the recognised trade union GMB had commenced but a decision had not been reached regarding an increase to base salary as of 1 April 2020. Due to the ongoing COVID-19 pandemic negotiations were deferred for 3 months. Negotiations have recently recommenced and are ongoing.

# Directors' Remuneration report

- **Annual employee bonus -** the Committee gave consideration to the objectives and targets of the Company's annual bonus scheme for 2019/20, in which employees (with the exception of the Chief Executive Officer ("CEO") Mel Karam and the Chief Financial Officer ("CFO"), Laura Flowerdew) participated during the year. It has been decided to pay the employee bonus in line with the Company's annual bonus scheme rules for 2019/20, not least in recognition of the commitment and hard work of all our employees in responding to the COVID-19 pandemic.

- **Annual Cash Incentive Plan – CEO/CFO -** the table below sets out the annual bonus payments for executive directors awarded in respect of 2019/20 pursuant to the CEO and CFO's Annual Cash Incentive Plan ("ACIP") 2019/20. A summary of the annual bonus performance measures and the extent to which performance was achieved is set out on page 168.

- **Pension -** the Company continues to operate a company stakeholder (defined contribution) scheme. All employees of the Company are now enrolled in this scheme with employer contributions (to a maximum employer contribution of 6%), unless they have "opted out".

- **Long Term Incentive Plan ("LTIP") -** The end of AMP6 marked the maturity of the five year LTIP covering the five year period to 31 March 2020 – which I refer to in this report as the "AMP6 LTIP". With the requirement to put in place a new LTIP commencing 1 April 2020, the Committee undertook a thorough review to ensure that this element of executive reward remains fit for purpose during the next regulatory period. As a result, the Committee believes it is appropriate to make a number of changes to the way in which the system of long-term incentives operates for AMP7. I refer to the new long-term incentive plan arrangements in this report as the "New AMP7 LTIP".

The New AMP7 LTIP will comprise a system of three year, rolling LTIPs. The New AMP7 LTIP performance measures are designed to ensure greater alignment between executive remuneration and customer outcomes, and the measure relating to shareholder dividends has been removed. Across service performance, cost savings, and wider customer experience, measures relating to customer outcomes will account for over 80% of the maximum total LTIP award.

LTIP awards will be granted at the beginning of each financial year, and payments made at the end of each three year performance period, subject to the achievement of the performance conditions. The first three year period for measurement will cover 1 April 2020 to 31 March 2023.

The design of the new LTIP has been finalised within the context of a wider remuneration benchmarking exercise undertaken by external remuneration consultants, Mercer.

The AMP6 LTIP covered the period 1 April 2015 to 31 March 2020 and was granted to the CEO on 15 May 2017 and to the CFO on 1 October 2018. Participants could earn up to 34.2% of salary for each year of the plan during which they are directors of the Company based on the Company's performance against the long-term strategic goals of the Company, including customer outcomes. Details of the awards made under the AMP6 LTIP are set out later in this report.

| Directors | Proportion of maximum bonus achieved | Bonus Payment |
|---|---|---|
| Mel Karam - CEO | 74.4% | £107,295 |
| Laura Flowerdew - CFO | 74.4% | £33,968 |





- **Departing directors -** There were no departing directors during the year.

- **New appointment -** There were no new appointments during the year.

- **Implementation of remuneration policy in respect of 2020/21 -** There was a change to the remuneration for the CFO and a change in relation to the CEO's pension contributions, which took effect from 1 April 2020, as set out in the table on page 103. In addition, as noted above, the New AMP7 LTIP is effective from the beginning of the AMP7 period and will apply to the CEO and CFO.

- **Remuneration and Standards of Performance -** Non-Executive Directors' basic salary is not linked to performance targets. However, the annual bonuses awarded and payable by the Company to employees and under the 2019/20 ACIP and AMP6 LTIP (in relation to the CEO and CFO) are based on performance against certain targets linked to the standards of performance of the Company. Details of bonus outcomes and performance for 2019/20 can be found on page 99.

**Jim McAuliffe**
Remuneration Committee Chairman
13 July 2020

# Directors' Remuneration report

### Role and composition of the Remuneration Committee

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

The membership of the Committee during the year comprised Jim McAuliffe, Chair, Jeremy Bending, Paul Francis, Paul Malan, Tim Tutton and Hajime Ichishi.

Members' biographies are given on pages 58-59. The Company Secretary is secretary to the Committee.

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

During the year the CEO, Head of HR and Company Secretary provided advice and services to the Committee. Guidance was also obtained from Mercer, in particular in relation to the design of the New AMP7 LTIP, and executive director reward benchmarking. The total fees paid to Mercer in the year for services to the Committee were £37,740 (2019 - £nil). Fees charged by Mercer are on a time and material basis.

Mercer is a member of the Remuneration Consultants Group and adheres to its code in relation to remuneration consulting in the UK. The Committee is satisfied that the advice received from Mercer was independent. No director played a part in any decisions about his or her own remuneration. No Committee member has any personal financial interest or conflict of interest arising from cross-directorships or from day-to-day involvement in running the business.

### Executive Directors' remuneration policy

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

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

| Members of the Committee | Meetings attended | Max Possible |
|---|---|---|
| J McAuliffe, Chair | 5 | 5 |
| P Francis, Non-Executive | 4 | 5 |
| J Bending, Non-Executive | 5 | 5 |
| T Tutton, Non-Executive | 5 | 5 |
| H Ichishi, Non-Executive | 5 | 5 |
| P Malan, Non-Executive | 5 | 5 |



### Summary of Directors' remuneration policy

The table below sets out the Company's remuneration policy for the year ended 31 March 2020, and any changes for the year ending 31 March 2021, which has been agreed by the Committee.

| Remuneration element and link to strategy | Policy and approach | Maximum opportunity for 2019/20 | Change in policy since 2019/20 and changes implemented for 2020/21 |
|---|---|---|---|
| **Base Salary**<br>To attract and retain high performing individuals reflecting market value of role and director's skills, experience and performance. | Factors taken into account when determining basic annual salary levels are market data provided by a selected market leading provider, objective research, the individual executive director's performance during the year and pay and conditions throughout the Company.<br><br>Salaries are reviewed at the discretion of the Committee. | Base salary increases are applied in line with the outcome of any Company wide annual pay award following a review conducted by the Committee in consultation with trade unions. Increases will normally be in-line with the increases awarded to the rest of the Company workforce. | The salary for the CEO remains unchanged. The base salary of the CFO was increased by 21.5% to £185,000 with effect from 1 April 2020 as a result of a reward benchmarking exercise and an increase in the scope of the role.<br><br>Salaries will next be reviewed with effect from 1 April 2021. |
| **Annual Bonus**<br>To drive and reward performance against personal objectives and selected financial and operational KPIs which are linked directly with business strategy and customer outcomes. | 2019/20 - Annual bonus is based:<br>- 80% on achieving certain business objectives; and<br>- 20% on the achievement of role specific strategic objectives.<br><br>Business objectives include customer service and operational targets set around measurable outcomes which the Company believes are important to customers such as water quality, leakage target compliance, minimising interruptions to supply and the Ofwat customer service measure, C-Mex.<br><br>Bonus scheme targets are set annually.<br><br>Awards may be subject to malus and clawback provisions as described overleaf. | Maximum of:<br>▪ 60% of Base Salary for the CEO<br>▪ 30% of Base Salary for the CFO. | Maximum of:<br>▪ 60% of Base Salary for the CEO (no change)<br>▪ 50% of Base Salary for the CFO. |

# Directors' Remuneration report

| Remuneration element and link to strategy | Policy and approach | Maximum opportunity for 2019/20 | Change in policy since 2019/20 and changes implemented for 2020/21 |
|---|---|---|---|
| **LTIP**<br>Incentivise long-term delivery of safe, excellent quality water, outstanding customer service and achievement of financial objectives.<br><br>Align CEO and CFO long-term interests with those of customers, long-term shareholders and other stakeholders. | The LTIP is based on performance over the AMP6 period from 1 April 2015 to 31 March 2020.<br><br>LTIP awards are based on the Company's performance against long term strategic goals of the Company including customer outcomes.<br><br>50% will be paid following the end of AMP6 with the remaining 50% paid one year later.<br><br>Awards may be subject to malus and clawback as described opposite.<br><br>There is no share option scheme in operation. | The maximum payment is 34.2% of salary for each year of the performance period the director is in employment with an expected minimum payment of £55,000p.a. for Mel Karam. | The New AMP7 LTIP comprises a system of three year, rolling LTIPs, awarded annually on 1 April. The first performance period commences on 1 April 2020 and extends to 31 March 2023. In the view of the Committee a three year incentive period is more appropriate and aligns Bristol Water with the majority of companies in the sector and aligns better to its internal business planning cycles. The maximum award is 70% of Base Salary for each year of the performance period for the CEO and 50% of Base Salary for the CFO. |
| **Pension**<br>Attract and retain high performing individuals reflecting market value of role and director's skills, experience and performance. | Pension contributions are made to the Company stakeholder schemes at a specified percentage of basic salary. | Maximum Employer contribution of 6% of base salary. | With effect from 1 April 2020, Mel Karam is entitled to a cash payment in lieu of pension, equivalent to 6% of base salary. |
| **Benefits**<br>Attract and retain high performing individuals reflecting market value of role and director's skills, experience and performance. | Reflecting market practice and comprising the provision of a company car (or cash allowance in lieu thereof) and private medical insurance. | N/A | N/A |





### Malus and clawback provisions

The ACIP and the AMP6 LTIP are subject to 'malus' and 'clawback' provisions as set out below:

| Annual Bonus (Annual Cash incentive Plan ('ACIP')) | AMP6 LTIP |
|---|---|
| Prior to the second anniversary of the payment date for the Annual Bonus the Committee may require repayment of all or part of the bonus in the event of:<br>(i) a material misstatement or error in assessing performance measures which has led to an overpayment of the bonus; or<br>(ii) dismissal due to gross misconduct in the bonus year or in the event of criminal behaviour. | Prior to the vesting of an LTIP award the Committee may determine that the award is reduced (including to zero), or the basis is amended, or that additional conditions are placed on an award in the event of:<br>(i) a material misstatement in financial results;<br>(ii) error in assessing performance measures;<br>(iii) error in the information on which the award was made;<br>(iv) a material failure of risk management;<br>(v) serious misconduct;<br>(vi) a significant failure in operations or risk management which comes to the attention of Ofwat;<br>(vii) serious reputational damage to the corporate Group; or<br>(viii) any other circumstance which the Committee considers to be similar in their material nature or effect as those instances above.<br><br>Prior to the second anniversary of the end of the LTIP performance period the Committee may require repayment of all or part of the award payment in the event of (i) to (viii) above occurring.<br><br>The malus and clawback rules do not apply to the CEO's guaranteed payment. |

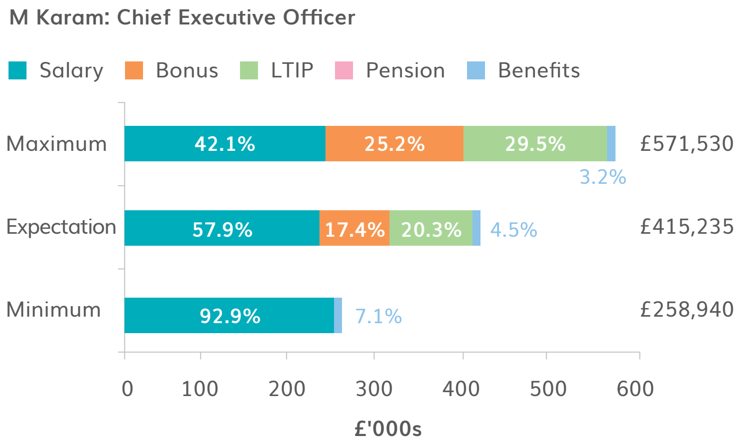
# Directors' Remuneration report

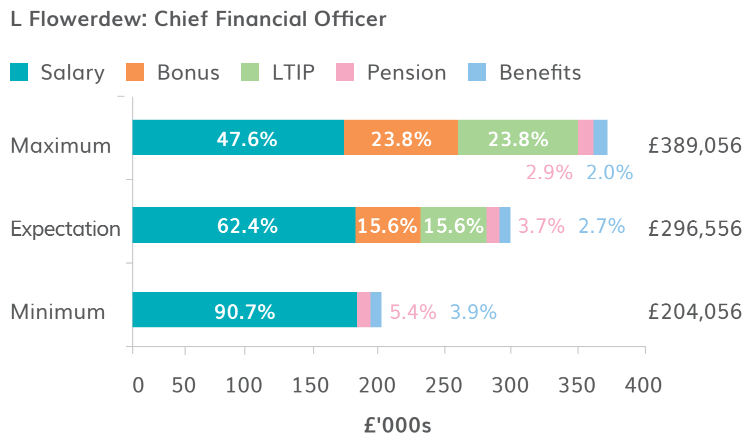
### Remuneration in different performance scenarios

In line with the Remuneration Reporting Regulations requirements, the chart opposite illustrates the CEO's and CFO's remuneration packages under three different performance scenarios:Minimum,performance in-line with expectations and Maximum.

The chart has been based on the following assumptions:

- Minimum = fixed pay (base salary, benefits and pension)
- In-line with expectations = fixed pay plus 50% of maximum bonus pay-out and 50% pay-out under the LTIP which has accrued in the year.
- Maximum = fixed pay plus 100% of bonus pay-out and 100% LTIP pay-out. It is the opinion of the Committee that the maximum level is highly unlikely to be reached given the stretching nature of the targets set.
- Salary levels (on which other elements of the package are calculated) are based on those applying on 1 April 2020. Bonus, LTIP, Pension and Benefits are calculated based on the remuneration policy in place for 2020/21. The value of taxable benefits as disclosed is the single figure for the year ending 31 March 2020. Pension is based on a fixed percentage of base salary linked to employee contribution up to a maximum employer contribution of 6%.






### Remuneration policy for the appointment of new Executive Directors

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

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

### Directors' appointments

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

| Directors | Employment contract date | Expiry of current term* | Next AGM at which the director will stand for re-election | Notice period |
|---|---|---|---|---|
| **Executive Directors** | | | | |
| M Karam | 1 April 2017 | Indeterminate, 6 months' notice period | 2020 | Rolling 6 months |
| L Flowerdew | 1 October 2018 | Indeterminate, 6 months' notice period | 2020 | Rolling 6 months |
| **Non-Executive Directors** | **Date appointed to the Board** | | | |
| K Ludeman | 26 July 2012 | 10 September 2021 | 2020 | 1 month |
| T Tutton | 1 January 2015 | 22 June 2021 | 2020 | 1 month |
| H Ichishi | 10 May 2012 | 10 September 2021 | 2020 | 1 month |
| P Malan | 7 July 2016 | 30 September 2020 | 2020 | 1 month |
| I Dhar | 8 May 2018 | 8 May 2021 | 2020 | 1 month |
| P Francis | 25 June 2018 | 25 June 2021 | 2020 | 1 month |
| J Bending | 25 October 2018 | 25 October 2021 | 2020 | 1 month |
| J McAuliffe | 29 November 2018 | 29 November 2021 | 2020 | 1 month |

* Subject to requirement for annual AGM re-election in accordance with the UK Corporate Governance Code

In accordance with the UK Corporate Governance Code, directors will stand for re-election annually.

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

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

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

# Directors' Remuneration report

Under the AMP6 LTIP and under the new AMP7 LTIP, executives would normally forfeit entitlement to payments under that LTIP unless defined as a "Good Leaver" which includes: injury, disability, ill-health, or death; redundancy (within the meaning of the Employment Rights Act 1996); retirement as determined by the relevant group company; or any other reason the Committee determines in its absolute discretion. If the executive is a Good Leaver then they would normally continue to be entitled to a payment under the plan based on the length of time they have participated in the plan and the extent to which the performance conditions have been met.

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

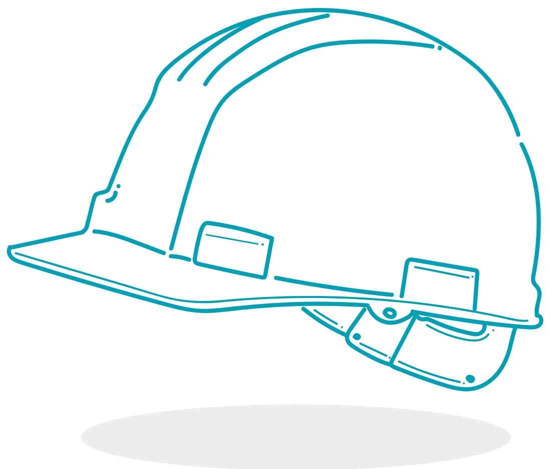
Directors' contracts do not provide for other compensation payable on early termination.

### Remuneration policy for Non-Executive Directors

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

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

Fees for any newly appointed Non-Executive Director would be in-line with the above policy. The table below sets out our current policy in relation to fees paid to Non-Executive Directors. There is no change in the fees payable to Non-Executive Directors for 2020/21.



| Position held by Non-Executive Director | Fee |
|---|---|
| Chairman of the Board | £101,500 |
| Chair of ARAC | £44,540 |
| Chair of Remuneration Committee | £41,540 |
| Chair of Safety Committee | £41,540 |
| Additional fee for role of Senior Independent Director | £2,000 |
| Independent Non-Executive Director | £36,540 |





| | Year ended 31 March 2020 | | Year ended 31 March 2019 |
|---|---|---|---|
| | £m | Change compared to prior year % | £m |
| EBITDA | 47.3 | -5.5% | 50.0 |
| PBT | 9.2 | -43.9% | 16.4 |
| **Payments to shareholders:** | | | |
| Base level dividends | 3.0 | 0% | 3.0 |
| Inter-company interest related dividends | 3.3 | 0% | 3.3 |
| **Payments to employees:** | | | |
| Wages and salaries excluding directors | 21.2 | 8.2% | 19.6 |
| Wages and salaries including directors | 22.3 | 9.9% | 20.3 |

The Senior Independent Director will continue to receive an additional £5,000 per annum allowance for services to support the CMA submission.

Paul Malan, Indradoot Dhar and Hajime Ichishi are shareholder designated Non-Executive Directors and receive no remuneration.

### Shareholder and employee input in setting remuneration policy

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

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

### Relative importance of spend on pay

The Committee is aware of the importance of pay across the Company in delivering the Company's strategy and of the level of executive remuneration in relation to other cash disbursements. The table above shows the relationship between the Company's financial performance, payments made to shareholders and expenditure on payroll.

The base level dividend was paid to Bristol Water Core Holdings Limited.

### Application of remuneration policy in 2019/20

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

# Directors' Remuneration report

### Single total figure for remuneration of executive directors for 2019/20 (audited)

| | M Karam | | L Flowerdew[36] | | M Axtell [37] | |
|---|---|---|---|---|---|---|
| **All figures in £'000** | 2019/20 | 2018/19 | 2019/20 | 2018/19 | 2019/20 | 2018/19 |
| Salary/fees | 240 | 237 | 152 | 78 | - | 44 |
| Bonus | 107 | 65 | 34 | 10 | - | - |
| Benefit | 4 | 14 | 8 | 4 | - | 2 |
| Pension | - | - | 9 | 5 | - | 3 |
| Single Figure Pre-LTIP | 351 | 316 | 203 | 97 | - | 48 |
| Change since prior year | 11.2% | - | 109.0% | - | (100.0%) | - |
| LTIP [38] | 193 | - | 64 | - | - | - |
| **Single Figure** | 544 | 316 | 267 | 97 | - | 48 |

[36] Ms Flowerdew was appointed on 1 October 2018
[37] Mr Axtell left on 13 July 2018.
[38] Included within the Financial Statements is an accrual for the AMP6 LTIP. 50% of this was paid in June 2020, with the remaining 50% to be paid in 2021.

Bonus includes amounts earned based on performance during 2019/20, which have been accrued and approved, but not paid as at 31 March 2020 and relates to the period served as a director.

The LTIP sums in the table above cover the period of the relevant director's participation in the AMP6 LTIP (three years for Mel Karam and eighteen months for Laura Flowerdew).

### Salary (audited)
A salary review conducted by the Committee during 2018/19 resulted in a 1.5% increase in base salary effective from April 2019 for all employees earning over £40,000, including the CEO and CFO. All employees earning £40,000 and below received a 2.2% increase.

### ACIP annual bonus for 2019/20 (audited)
The maximum opportunity for the CEO for the year ended 31 March 2020 under the 2019/20 ACIP is 60% of base salary and 30% of base salary for the CFO.

The table opposite represents the business performance measures which form 80% of the basis of the bonus. The achievement of the performance measures has been reviewed, with appropriate input from the Remuneration Committee (RemCom), following the end of the 2019/20 financial year. The maximum 2019/20 bonus opportunity against each of the main performance measures is shown opposite together with the award actually received.





| Category | Category Weighting | Sub category | % of Total | Measure | Perfor-mance | Score | Weight-ed score |
|---|---|---|---|---|---|---|---|
| Health & Safety | 20.0% | 1.1 AFR - employees | 10% | AFR = (No. of accidents x 100,000) / (No. of hours worked) [employees]. Based on a 12 month rolling period. | 1.7 | 100% | 10.0% |
| | | 1.2 AFR - contractor | 10% | AFR = (No. of accidents x 100,000) / (No. of hours worked) [contractors]. Based on a 12 month rolling period. | 2.29 | 73% | 7.3% |
| Financial | 10.0% | 2.1 Budgeted Opex | 10% | Budgeted Opex of £71.4m subject to approval at Board. Judgement to be taken by RemCom on any major variations – either overspend or underspend including where there is a decision to invest further than budget envisaged. | £71.3m | 81% | 8.1% |
| ODIs | 15.0% | 3.1 Negative Water Contacts | 5% | The total number of customer contacts received (by telephone, letter or email) about the appearance, taste or odour of water during the year. | 1712 | 100% | 5.0% |
| | | 3.2 Unplanned Customer Minutes Lost | 5% | As per the modified ODIs from the CMA. | 11.14 | 100% | 5.0% |
| | | 3.3 Leakage | 5% | Actual reported Leakage figure using the updated actual NHHNU. | 36.3 | 100% | 5.0% |
| Customer Service | 15.0% | 4.1 SIM Ranking | 15% | Service Incentive Mechanism (SIM) position. NB: Uses full year qualitative data and 18/19 quantitative results for other companies to measure against league table position. | 11 | 0% | 0% |
| PR19 | 20.0% | 5.1 PR19 Business Plan publication | 10% | Delivering all submissions and regulatory responses in time and to high quality as outlined in PR19 Programme timetable, with a score out of 10 determined by the Board, having regard to views expressed by the PR19 Sub-committee. | 80% | 80% | 8% |
| | | 5.2 Ofwat IAP position | 10% | Outcome of Ofwat's Final Determination of the business plan. | Slow track | 100% | 10% |

# Directors' Remuneration report

In addition to these performance measures, the remaining 20% of each Executive Directors bonus is based on role-specific measures. During the year under review, role-specific objectives for each executive director were set as per the table below.

| Mel Karam | Laura Flowerdew |
|---|---|
| Personal factor score 8 out of 10 determined by the Board, having regard to the recommendation of the Committee, including performance on the following key criteria:<br>▪ Promote and lead effective working relationships with the Board of Bristol Water, and with all its Committees and all NEDs.<br>▪ Finalise all necessary arrangements for the Senior Management Team, to ensure that Bristol Water has an effective and sustainable team to deliver AMP7 from April 2020.<br>▪ Ensure that the arrangements for the new intelligent client network maintenance model for Bristol Water are embedded following the award of the new contract.<br>▪ Continue to lead Bristol Water such that its standing in the water industry is further enhanced. | Personal factor score 8 out of 10 determined by the CEO including performance on the following key criteria:<br>▪ Promote a more commercial and financially aware culture throughout the business by driving these values through departmental personnel and managers in the budgetary and financial reporting processes.<br>▪ Establish and develop the Bristol Water Finance Team in the light of retirements and staff changes to provide a robust platform to support the financial performance of the business.<br>▪ Following the recommendations of the ARAC establish an independent Internal Audit function to improve and monitor the internal controls within the business and to fully integrate the Risk Register into the business.<br>▪ Work with the Chief Customer Officer to deliver a replacement for the Pelican billing and customer interface system that will improve the customer relationship as well as provide greater control over billing, collections, and other information. |

Throughout the year Mel Karam has continued to enhance the management team strength and improved succession planning by filling key strategic roles and providing development opportunities. The appointment of Helen Hancock as Company Secretary and Head of Legal has completed the Executive structure in the year, ahead of PR19. The new network maintenance contract went live from 1 October 2019 and with it a new way of working for the business, providing the foundation for significant operational and financial benefit going forward. The business has performed strongly from an operational perspective, ending the year in an industry leading position across a number of metrics.

Laura Flowerdew has focussed on financial performance and control, driving improvements in the finance and procurement teams, as well as wider focus on commercial management and financial control in the business as a whole. Assurance provision has also been reinvigorated and re-focussed to ensure it takes a risk-based approach and includes both financial and operational considerations. The implementation of the new billing system has been impacted by the COVID-19 pandemic, but work is now progressing.

Performance against these objectives, together with business performance and bonus scheme entitlement, dictates the amount of bonus awarded. Both CEO and CFO have been assessed as achieving 8 out of 10 on personal objectives.

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

**M Karam**
74.4% of maximum bonus entitlement, i.e. 44.6% of year end base salary

**Laura Flowerdew**
74.4% of maximum bonus entitlement, i.e. 22.3% of year end base salary

Mel Karam's and Laura Flowerdew's bonus was based on their salary at the end of the year.

The Committee determined that the level of bonus awards above were appropriate, reflecting the levels of performance achieved against the strategic objectives during the year.

### AMP6 LTIP (audited)

The maximum opportunity for the CEO and CFO under the AMP6 LTIP was 34.2% of base salary for each year of participation in the plan. The table below sets out the performance measures comprising the AMP6 LTIP. The achievement of these measures has been reviewed, with appropriate input from the Remuneration Committee, following the end of the AMP6 period. The maximum LTIP opportunity against each performance measure is shown below, together with the award actually received for the CEO and CFO.

The scores allocated to each measure represent the very significant improvement in performance across a range of business metrics over the final three years of the AMP6 period. The actual performance scores for the CEO and CFO differ marginally as the respective participation periods are different.

### Benefits (audited)

For executive directors, benefits include the provision of a company car or equivalent cash allowance, and private medical insurance. Depending on the individual employee role, the benefits may include provision of company car and fuel, car and fuel allowances, health-care or child-care vouchers.

### Pension arrangements (audited)

At 31 March 2020, no director (2018/19: no director) was accruing benefits under the Company's defined benefit pension scheme.

Mr Karam became a member of the Company designated stakeholder pension scheme in April 2017 until his decision to leave this scheme in January 2018, the Company made contributions equivalent to 6% of annual base salary to the scheme on Mr Karam's behalf. Contributions paid to the scheme for the financial year totalled £nil (2018/19: £nil).

Ms Flowerdew became a member of the Company designated stakeholder pension scheme on 1 October 2018 and contributions paid to the scheme for the financial year 2019/20 were £9,135 (2018/19: £4,500), an amount equivalent to 6% of annual base salary.

| Category | Performance Measure | CEO and CFO Weighting | CEO Actual Performance | CFO Actual Performance |
|---|---|---|---|---|
| Totex | Achievement of targeted Totex | 20% | 13.3% | 13.3% |
| Dividends | Dividends payable by Bristol Water | 10% | 10% | 10% |
| Outcome Delivery Incentives | Achievement in relation to net penalties/rewards for ODI performance | 10% | 4.1% | 7.1% |
| Service Incentive Mechanism | Achievement of Ofwat SIM ranking in relation to other regulated water businesses | 10% | 6.7% | 6.7% |
| Company Monitoring Framework | Achievement of "Targeted" or "Enhanced" status under Ofwat's Company Monitoring Framework | 10% | 6.7% | 6.7% |
| PR19 Delivery Plan | Assessed quality of final PR19 Business Plan | 15% | 12.9% | 12.9% |
| Asset Management Capability | Achievement of prescribed levels of Asset Management capability | 25% | 25% | 25% |
| **TOTAL** | | **100%** | **78%** | **82%** |
| Percentage of Base Salary pa | | | 27% | 28% |

# Directors' Remuneration report

### Interests in shares (audited)

During the year ended 31 March 2020 none of the directors had any interest in the ordinary or preference shares of the Company.

### Single total figure for remuneration of non-executive directors for 2019/20 (audited)

| | Salary/fees | |
|---|---|---|
| | 2019/20 £'000 | 2018/19 £'000 |
| K Ludeman (Chairman) | 102 | 100 |
| J McAuliffe | 42 | 14 |
| T Tutton | 44 | 53 |
| T Wood[39] | - | 9 |
| A Hemus[39] | - | 6 |
| P Francis | 44 | 33 |
| J Bending | 42 | 18 |
| H Ichishi[40] | - | - |
| P Malan[40] | - | - |
| I Dhar[40] | - | - |
| **Single Figure** | 274 | 233 |

[39] Left June 2018.

[40] No remuneration has been paid by the Company.

The Non-Executive Directors do not receive a bonus or any other benefits.



### Change in CEO's Remuneration

The following table shows the total remuneration payable by the Company to the appointed CEO. In line with the Large and Medium-sized Companies Regulations 2008, this table shows 9 of the required 10 years of information, with the base year being 2012.

| | Luis García | | | | | | Mick Axtell | Total | Mel Karam | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017[41] | 2017[42] | 2017 | 2018 | 2019 | 2020 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Base salary** | 156 | 185 | 189 | 194 | 194 | 173 | 42 | 215 | 230 | 237 | 240 |
| **Annual bonus** | | | | | | | | | | | |
| Annual bonus | 33 | 58 | 54 | 51 | 40 | 35 | 11 | 46 | 83 | 65 | 107 |
| Annual bonus as proportion of salary | 21% | 31% | 29% | 27% | 21% | 24% | 26% | 21% | 36% | 28% | 44% |
| Maximum bonus achievable (as proportion of base salary) | 36% | 36% | 36% | 36% | 36% | 30% | 30% | 30% | 60% | 60% | 60% |
| Proportion of maximum bonus achieved | 59% | 87% | 79% | 73% | 57% | 81% | 84% | 87% | 60% | 46% | 74% |
| **LTIP earned** | - | - | 48 | 187 | - | - | - | - | - | - | 193[43] |
| LTIP as proportion of salary | 0% | 0% | 25% | 96% | 0% | 0% | 0% | 0% | 0% | 0% | 80% |
| **Benefits** | 8 | 9 | 9 | 10 | 11 | 8 | 1 | 9 | 36 | 14 | 4 |
| **Pension** | - | - | 6 | 12 | 12 | 10 | 2 | 12 | 10 | - | - |
| **Total remuneration** | 197 | 252 | 306 | 454 | 257 | 226 | 56 | 282 | 359 | 316 | 544 |

[41] The remuneration for 2016/17 reflects the fact that Mr Garcia resigned as CEO on 15 December 2016. It includes £27k for payments he was entitled to on leaving under his contract. His bonus was based on the salary excluding these amounts i.e. his salary pro-rated to the proportion of the year that he was in post (£145k).

[42] The above table apportions Mick Axtell's remuneration to reflect the period that he was interim CEO from 16 December 2016 to 31 March 2017.

[43] The figure shown under LTIP earned in 2020 for Mel Karam is the full amount of LTIP award covering the three years of Mr Karam's participation in the AMP6 LTIP and is paid in two equal instalments.

Payments under the previous LTIP were made in two equal instalments; the first instalment was paid on 31 December 2015 and the second instalment was paid on 25 November 2016. The AMP6 LTIP drew to a conclusion on 31 March 2020, with the first instalment due in June 2020 and the second instalment due a year later in 2021.

# Directors' Remuneration report

### Percentage Change in Remuneration for the CEO Compared to all Employees

- **Salary -** The salary paid to the individual undertaking the role of CEO for 2019/20 increased by 1.5% compared to 2018/19. The average salary for other employees for 2019/20 increased by 1.85% compared to 2018/19.
- **Annual bonus -** The bonus awarded to the CEO under the ACIP for 2019/20 increased by 61.5% compared with the prior year (2018/19: decreased of 21.7%). The total bonus paid to employees, excluding the CEO, for the period is £1.4m compared to £1.3m in 2018/19. The average bonus per employee was £2,363 (2018/19: £2,259). The average bonus payment per employee for those in the lowest grade group for 2019/20 was £784 (2018/19: £708).
- **Long Term Incentive Plan -** As noted above, the CEO's LTIP payment is in relation to the three year period 2017/18 to 2019/20 during which he was a participant in the AMP6 LTIP.
- **Benefits -** Benefits, including benefits in kind, payable to the CEO decreased by 70.7% for 2019/20 compared with the prior year (2018/19: decreased by 61.4%) due to relocation costs no longer being paid. Benefits payable to all other eligible staff have remained constant compared with the prior year (2018/19: constant).

### Executive pay gap

In line with new reporting requirements, this is the first year we have disclosed the CEO pay ratio, which shows how the CEO's single total figure for remuneration compares to the equivalent figures for Bristol Water employees occupying the 25th, 50th and 75th percentile. In line with the majority of companies reporting this data, we have chosen Option A under the regulations, which takes account of the full-time equivalent basis for our employees. The CEO pay ratio is likely to be volatile, primarily as a result of the higher proportion of incentive-based pay earned by the CEO, compared to other employees. In particular, the figure for 2019/20 will be impacted by the maturity of the AMP6 LTIP (the value of long-term incentives, which reward performance over a number of years, is disclosed within pay in the year of vesting, which increases the CEO pay in that year). The figures in the table below therefore show the relevant ratios both including and excluding the AMP6 LTIP payment.

### How the remuneration policy will be applied in 2020/21

The same remuneration policy as outlined above will be applied during 2020/21

### Salary

The CEO opted not to receive an increase in base salary for 2020/21 in light of the impact of COVID-19 on the business, as well as the financial constraints the business in general is facing. The CFO's salary was increased with effect form 1 April 2020 as a result of a reward benchmarking exercise and an increase in scope of the role. The base salaries for executive directors for 2020/21 are shown below.

### Pension

With effect from 1 April 2020 Mel Karam is entitled to a cash supplement equal to the level of Employer pension contributions (6% of Base Salary).

### Executive Pay Gap

| Year | Method | 25th percentile pay ratio | Median pay ratio | 75th percentile pay ratio |
|---|---|---|---|---|
| 2020 | Option A | 15:1 (excluding LTIP)<br>23.4:1 (including LTIP) | 11.3:1 (excluding LTIP)<br>17.5:1 (including LTIP) | 7.6:1 (excluding LTIP)<br>11.8: (including LTIP) |

### Executive Base Salary

| Executive Director | Salary 2020/21 |
|---|---|
| CEO Mel Karam | £240,454 |
| CFO Laura Flowerdew | £185,000 |





### Annual bonus

The CEO and CFO will continue to participate in the separate Annual Cash Incentive Plan (ACIP). The maximum bonus for 2020/21 for the CEO is 60% of Base Salary reflecting the leadership required and criticality of the role. The maximum bonus opportunity for 2020/21 for the CFO is 50% of Base Salary.

The performance measures for the ACIP have been agreed as follows:

| Measures | Weighting |
|---|---|
| Customer and ODI Performance measures | 45% |
| Operating Costs | 15% |
| People-related measures | 10% |
| Health and Safety | 10% |
| Role-specific | 20% |
| **Total** | **100%** |

The individual performance measures are not disclosed in advance being commercially sensitive, however these are disclosed at the year end. Their achievement will be reviewed, with appropriate input from the Remuneration Committee at the end of the year.

### 2020 LTIP Grant (audited)

As noted earlier in this report, a new system of rolling, three year Long Term Incentive Plan (the AMP7 LTIP) has been implemented. The first such three year award was made effective 1 April 2020, and covering the period to 31 March 2023.

| Performance Measure | Weighting |
|---|---|
| Totex Performance | 30% |
| Return on Regulated Equity | 10% |
| ODI Performance Measures | 40% |
| C-Mex | 10% |
| People Measures<br>(Long Term H&S and Employee Engagement) | 10% |
| **Total** | **100%** |

The maximum payment under the AMP7 LTIP is 70% of Base Salary for each year of the performance period that the CEO is in a participant and 50% of Base Salary for each year the CFO is a participant.

As soon as practical following the end of the Performance Period, the Committee shall determine the extent to which the Performance Condition has been achieved and shall determine the Award Payment (if any).

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