



BRISTOL WATER PLC - JUNE RETURN 2011

BOARD'S OVERVIEW

Key Points

- We continued to deliver good service to customers, as evidenced by improved customer survey results.
- We are on course to hit our AMP5 performance targets.
- We have achieved the leakage target despite the cold winter and a high burst rate.
- As previously explained, we have made a slow start to the capital programme due to the Competition Commission (CC) Appeal.
- We are on programme for all material schemes in the capital programme and confirm that there are no changes of financial significance as defined by the AMP5 Change Protocol.
- We anticipate capex will be in line with the Competition Commission FD (FD10) over the period.

Board's Overview Layout

The Board's Overview is laid out as follows:

- **Progress towards achieving our objectives and protection of our customers' standards of service.** This section outlines areas key to the delivery of FD09/FD10 and our customers' levels of service and includes:
 - Performance indicators – our completion of Ofwat's draft KPIs
 - High Customer Service Standards – Service Incentive Mechanism (SIM)
 - Water Quality
 - Delivery of FD10 Determination Outputs
- **Current performance (and how it has changed over time),** for key areas of performance including:
 - Serviceability – Infrastructure
 - Serviceability – Non-infrastructure
 - Supply Demand Balance
 - Water Resources
 - Leakage
 - Metering
 - Water efficiency
 - Carbon
- **Costs (and how they have changed over time)**
 - Financial Performance
 - Operating Costs
 - Capital Expenditure
- **The Future**
 - Key risks for the current year
 - Current resources situation/drought
 - Managing the capital programme for the year
 - Resilience
 - Asset Management and Capital Maintenance
- **Governance and Quality Assurance**
 - Changes to Board
 - Condition F including Condition F6.A
 - Condition P
 - Change of Auditors and Reporter
 - Reduction of Regulatory Burden
 - June Return Quality Assurance - Processes and systems of control
 - Board sign off

Progress towards achieving our objectives and protection of our customers' standards of service

1. The first half of 2010/11 was dominated by our appeal to the Competition Commission, which published its findings on 4th August 2010 (FD10).
2. We were unable to arrange financing for AMP5 until the CC appeal process was complete.
3. As set out in our JR10 Board's Overview¹, our capital investment programme was inevitably impacted by the uncertainty of the CC outcome, as we were only able to make 'no regrets' investment, which was limited given the CC's review of everything.
4. Financing was achieved at the end of the year through issuance of a £40m index linked bond.
5. We have met our 2010/11 statutory obligations and our customers' expectations by achieving our key AMP5 objectives which are to:
 - Maintain high customer service standards:
 - Our annual survey of customers in our supply area shows a significant increase in customer satisfaction this year (93% against 85% at JR10).
 - Our monthly survey of customers who have contacted us with regards to a billing or operational issue continues to show a high level of satisfaction, with 97% of those customers rating our service as good or very good.

¹ Board's Overview JR10 para 147



- The quarterly customer survey undertaken on behalf of Ofwat for the Service Incentive Mechanism shows 88% satisfaction with our performance, the sixth highest score in the industry.
- The key area for 2010/11 has been around interruptions to supply. The particularly cold weather in December and extremely rapid thaw on Boxing Day resulted in significant numbers of burst mains, as has been the case in the previous two winters. Despite these challenging conditions, which both coincided with Christmas holidays and included a period of snow cover, customers have suffered fewer interruptions over 6 hours² long than at both 2009/10 and 2008/09.
- With leakage at 50.3MI/d we have performed significantly better than our leakage target of 52 MI/d, (itself a reduction from the 2009/10 target of 54 MI/d), which, given the harsh winter and high number of bursts experienced, we consider reflects highly on our staff and procedures. We believe that our use of the Severe Weather Taskforce has been a prime contributor to this achievement, particularly because it meant we were able to get the seasonal peak in bursts and leakage under control prior to the Christmas break. Had we not done this, the thaw on Boxing Day would have had far more serious consequences for customers.
- Deliver outputs in line with the FD10 / Ofwat PR09 Determinations (as appropriate) including:

² interruptions >3hrs increased but >6hrs decreased.

- Maintenance of stable serviceability for infrastructure and non-infrastructure assets - despite having higher numbers of bursts during 2010/11, the underlying burst rate remains fairly steady (see para 23), although the high numbers of bursts arising from the last three cold winters is inevitably impacting the short term rolling average.
- Water quality programme and other required schemes - the delayed start to preparation for our capital programme (due to the CC appeal) has resulted in a rephasing of expenditure. Work has commenced on Purton Cryptosporidium scheme and completion is scheduled for December 2011, although this deadline is challenging. The minor flood defence projects at the Purton TW and Cooks Corner PS have been delayed although they are now progressing to design stage.
- Install a water meter and bill on a measured basis all those customers who take up the option for a measured service – this output has been met for all applicants but the number of optants has fallen against previous years

Performance Indicators

6. Ofwat is currently devising new Key Performance Indicators for use in future June Return reporting. We have been part of the industry consultation group for this work and include our JR11 performance against these indicative Non-Financial KPIs below.

Description		Year end 2010/11	Year end target	Year end 2009/10	Status
Environmental impact					
1. Greenhouse gas emissions	ktCO ₂ e	48.681	n/a	45.361	Higher
Reliability & availability					
5. Serviceability water above ground		Stable	Stable	Stable	No change
6. Serviceability water below ground		Stable	Stable	Stable	No change
9. Leakage	MI/day	50	52	53	Better
10. SOSI	Nr	100	100	100	No change
Customer experience					
11. SIM	Nr	4.40	n/a	n/a	New measure
12. Drinking water compliance ³	%	99.97	n/a	99.97	No change
15. Interruptions (>3hrs)/1000 properties ⁴	Nr	29.9	n/a	24.4	Deteriorated

7. The key performance this year has been:
- the reduction in numbers of properties affected by interruptions >6hrs and >12hrs, although interruptions >3hrs has increased due to the increased burst rate caused by the bad winter and
 - meeting the leakage target,
- both benefiting from the activities of the Severe Weather Taskforce.

High Customer Service Standards – Service Incentive Mechanism (SIM)

8. Bristol Water's SIM performance is calculated by combining the performance of our operational customer service team with the agreed 30% share of that activity of BWBSL, our joint venture billing company.
9. Our performance against these measures is summarised as follows:

Measure	2010/11	2009/10
Abandoned Calls	6468	7,335
Engaged Calls	1,763	2,108
Unwanted Calls	45,813	50,678

³ To be confirmed by DWI

⁴ Whilst interruptions > 3 hrs increased due to the bad winter, interruptions >12 hrs decreased.

Measure	2010/11	2009/10
Written Complaints	2,006	3,435
Written Complaints escalated	78	100
Investigations	0	0
Customer Survey	88%	n/a

10. We are pleased to report a reduction in the total number of written complaints. There are two causes of this reduction:

- In response to our AMP4 Reporter’s audit finding that BWBSL were being too onerous in its application of the complaints justification (and hence over reporting written complaints) BWBSL reviewed the methodology for applying the definition, developing a new methodology. The Reporter has reviewed a significant sample of written correspondence (154) and confirmed that BWBSL’s classification was appropriate in all cases.
- In response to the introduction of the SIM measure, BWBSL has been focussing on getting it right first time, thus reducing unwanted contacts overall, including reducing written complaints.

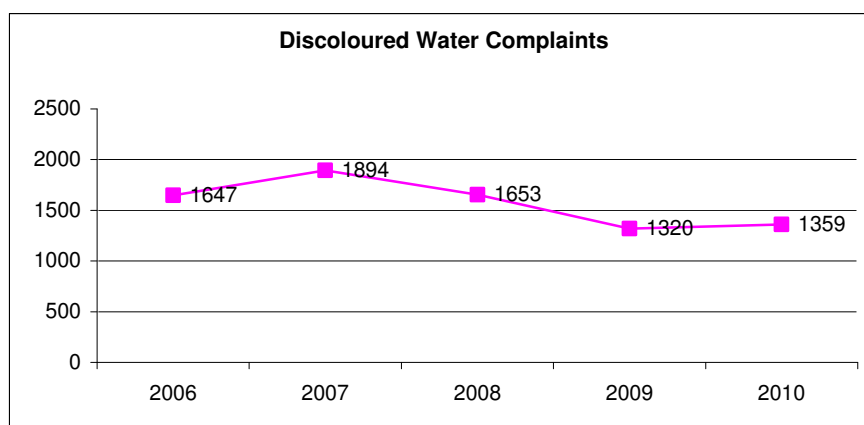
Both of these were disseminated to BWBSL staff through their regular update training.

11. 2010/11 was the first year of the SIM survey, which measures the company’s performance from the initial call to the resolution of the issue at the customer’s property. Our average score of 4.40 out of 5 was the 6th highest in the industry for the year.

Water Quality

12. A very high level of compliance was maintained during 2010. The Mean Zonal Compliance in the 2010 calendar year was 99.97%.

13. The graph below shows the number of contacts for discoloured water over the last five years. Whilst this year is fairly stable against last year, the overall improvement evident in the last few years reflects the benefits from the local distribution mains flushing programme.



14. The Company has legally binding programmes of work for water quality reasons during the AMP5 period as detailed in the table below:

Hazard	Works	Solution	Target Delivery	Current Status	Consequences
Cryptosporidium	Purton	Install UV treatment	31/12/2011	Site mobilisation	On schedule but delivery challenging
	Littleton		31/12/2012	Contract Awarded	
	Stowey		31/12/2013	Contract Awarded	
	Cheddar		31/12/2013	Contract Awarded	
	Shipton Moyne		31/12/2012	Design	
Zebra Mussels/THM Formation	Purton and Littleton	Surface Aeration	31/12/2011	Design	
Metaldehyde	Purton	Catchment Management	31/12/2013	Construction/In Progress	
	Littleton				
	Blagdon				
Iron failures and discoloration	Distribution	Relining of 58.6km trunk mains	31/12/2015	Contract Awarded	
Nitrate	Egford	Blending	04/09/2014	Design	
Lead	Sherborne	Submerged Membrane and Coagulant Dosing	31/07/2013	Not started	

Delivery of FD10 Determination Outputs

15. The table below sets out the non-quality schemes required and current progress.

Ref FBP database	Scheme Name	Required Completion Dates	Current Status	Consequences
FBP B30	Shipton Moyne Submerged Membrane Plant	December 2012	Design	
FBP Q10	Communication Pipe Replacement	March 2015	Construction/In Progress	
FBP Q16/	SEMD Security	March 2015	Construction/In Progress	
FBP Q17/	SEMD Security Prop All Amalgamated	March 2015	Construction/In Progress	
FBP SD13	Brent Knoll.	March 2015	Design	
FBP SD14	Withywood.	March 2015	Design	
FBP SD12	Banwell TW SR Extension ⁵	March 2016	Not started	
FBP SD4	South east trunk main reinforcement	March 2015	Not started	
FBP SD5	Banwell Spring to Hutton	March 2015	Not started	

⁵ Design commences in 2014/15, construction due for completion in 2015/16 (i.e. AMP6)

Ref FBP database	Scheme Name	Required Completion Dates	Current Status	Consequences
FBP SD2 FBP SD3	North Bristol trunk main	March 2015	Design	
FBP Q14	Durdham down resilience scheme	March 2013	Design	
FBP Q15	Flood protection amalgamated ○ Purton TW ○ Cook's Corner PS	March 2011	Design	Completion anticipated summer 2011
FBP B37	Meter replacement scheme	March 2015	Ongoing	
FBP B2	Line of works aqueduct	March 2020	Design	
	Preparatory work for Cheddar No 2	March 2015	Design	

Current performance (and how it has changed over time)

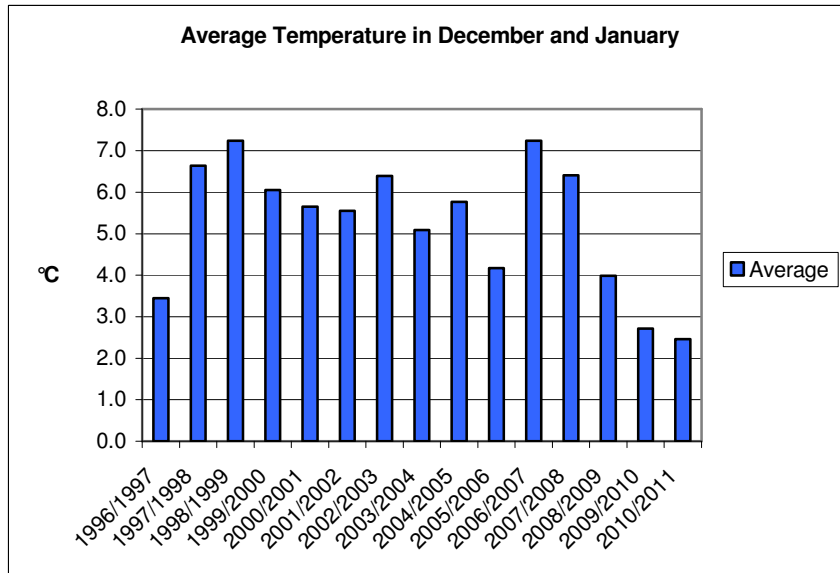
Serviceability – Infrastructure

16. Infrastructure serviceability remains stable, allowing for the severe weather, and we remain confident of meeting the AMP5 targets by 2014/15
17. The contributing components to this assessment are provided in the table and discussed below.

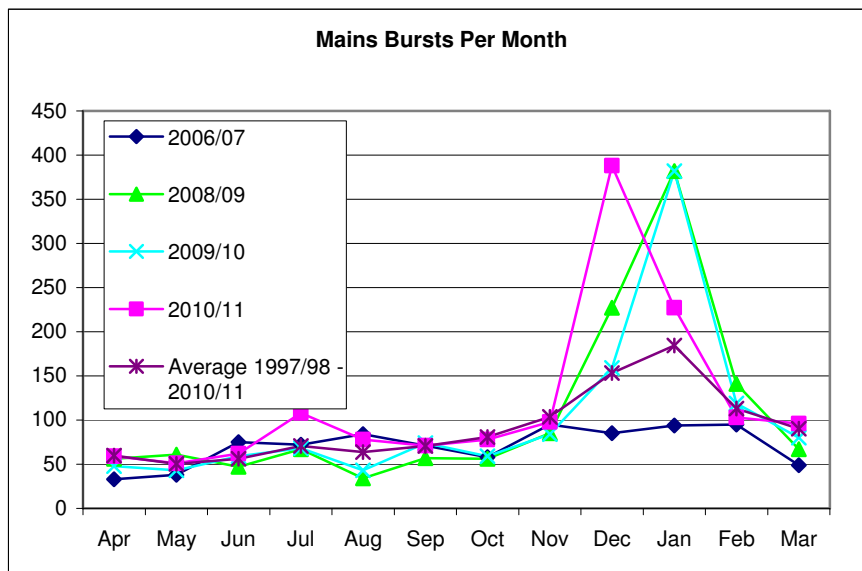
Water Infra		Reference levels and control limits			Comments
Serviceability Indicator		Regulatory output (during 2010-15)	Expected performance by 2014-15	2010/11 performance	
Total bursts (nr)	Ref	950		1412 (adjusted for cold weather = 1020)	The number of bursts was significantly impacted by the cold weather, which when adjusted for gives an outturn of 1020.
	High	1166			
	Low	734			
Interruptions >12h (nr of properties)	Ref	75		43	Below reference level
	High	150			
	Low	0			
Iron non-compliance (as 100-Mean Zonal Compliance) (%)	Ref	0.25	0.10	0.32	Just above reference level.
	High	0.49			
	Low	0.01			
DG2 Pressure (nr)	Ref	69	68	68	Performance remains steady just below the reference level.
	High	129			
	Low	9			
Customer contacts - discolouration (nr / 1000 population)	Ref	1.62	1.23	1.20	The number of discolouration contacts remains well below the reference level.
	High	2.00			
	Low	1.24			
Distribution Index TIM (as 100-Mean Zonal Compliance) (%)	Ref	0.22	0.15	0.11	TIM remains below the reference level.
	High	0.34			
	Low	0.10			

Burst rate

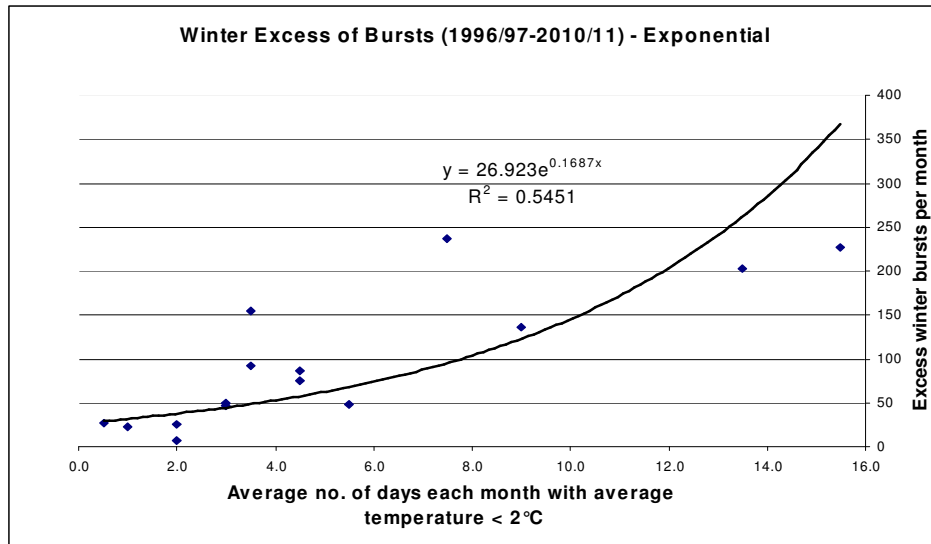
18. As can be seen from the graph, winter 2010/11 was the coldest experienced in recent times.



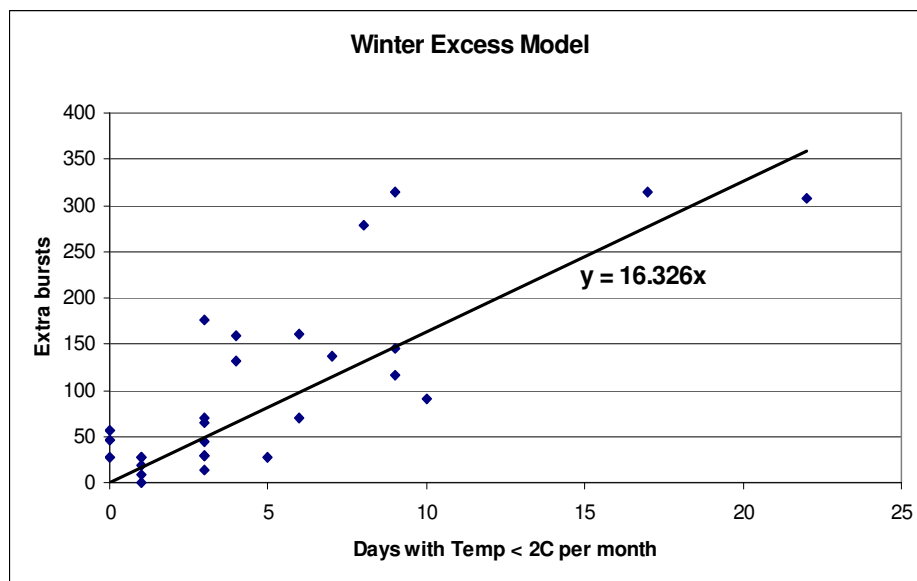
19. The burst rate graph shows that December and January 2010/11 gave a significant variance over the long term average, similar to the impacts of December and January on 2009/10 and 2008/09 rates. The December peak of 387 bursts equates to 40% of our AMP5 annual reference level of 950, indicating the severity of the peak. December and January bursts combined total was 613 burst, or 65% of our AMP5 annual reference level.



20. To assess the impact of the winter excess we applied the same methodology as we have previously applied (comparing winter monthly averages against non-winter averages). However, looking at the graph (below), we had concerns as to whether use of this exponential model remained appropriate.

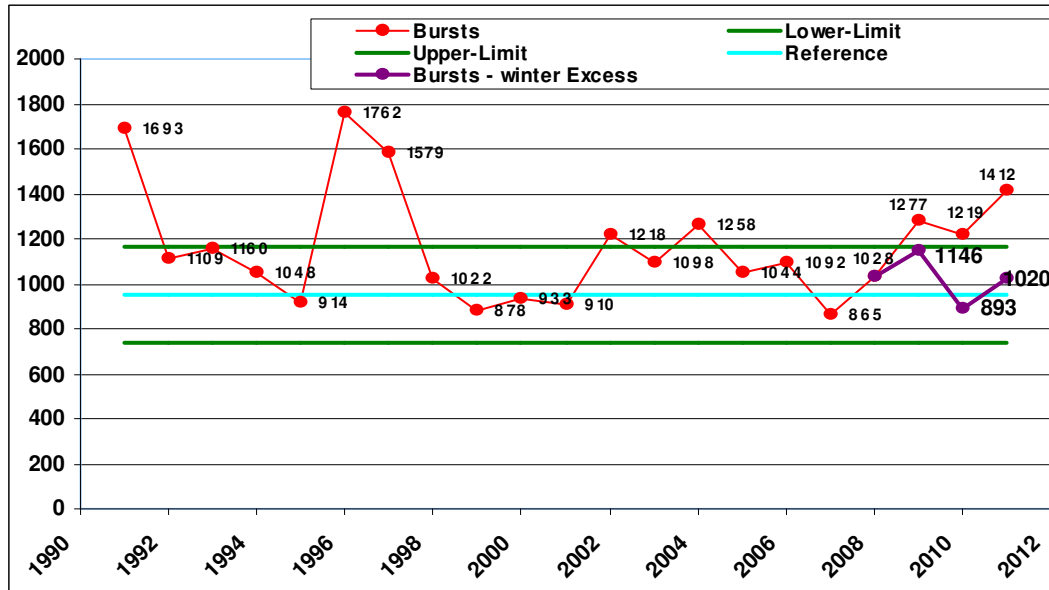


21. We have therefore reassessed the data and carried out a more detailed, month by month analysis (based on the same approach as in previous years), consistent with the impact of the burst adjustment being experienced over two months (December and January)⁶. This gives a linear relationship as shown:

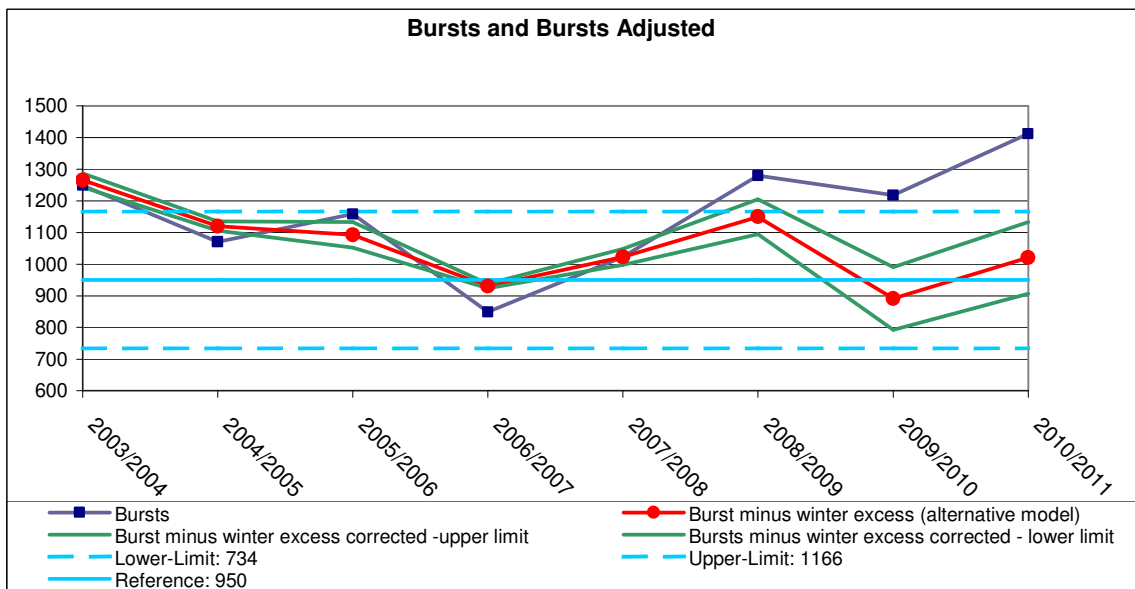


⁶ Model changes include (1) the correction of an assumption which meant the impact of the burst adjustment was reported as half the calculated figure; as a result the JR11 graph now has two data points for each year so the x axis showing number of days with temp>2degC differs from previously (2) a 'normal year' adjustment so that the winter excess compares to the average year winter impact.

22. Using the Ofwat serviceability toolkit, the current performance (actual and adjusted for excess) is as follows:



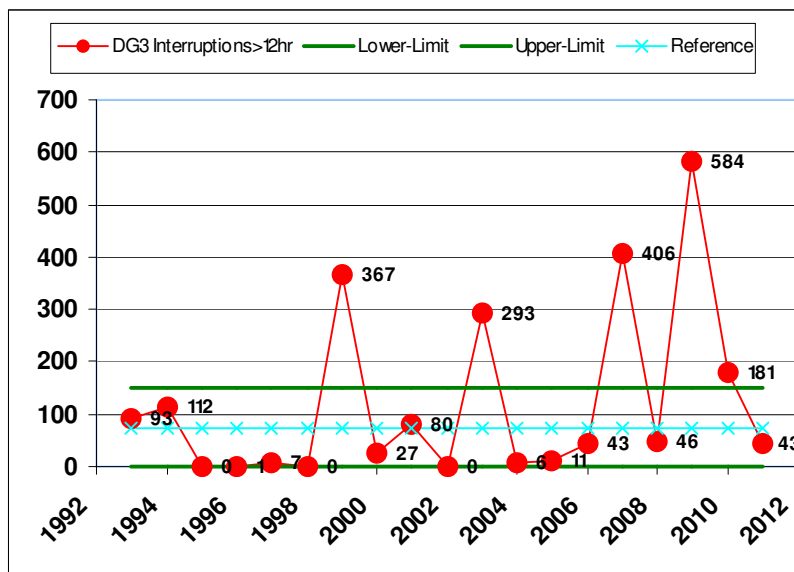
23. For ease of inspection, we show the latter section of the graph below, and include the winter excess model for all years with the assessment of the confidence levels associated with this revised model to provide a 95% confidence ‘envelope’:



24. The graph shows that the 95% confidence range for the model is within the burst reference levels. Therefore, given the stable performance in all other infrastructure serviceability indicators, we continue to consider infrastructure serviceability to be stable.

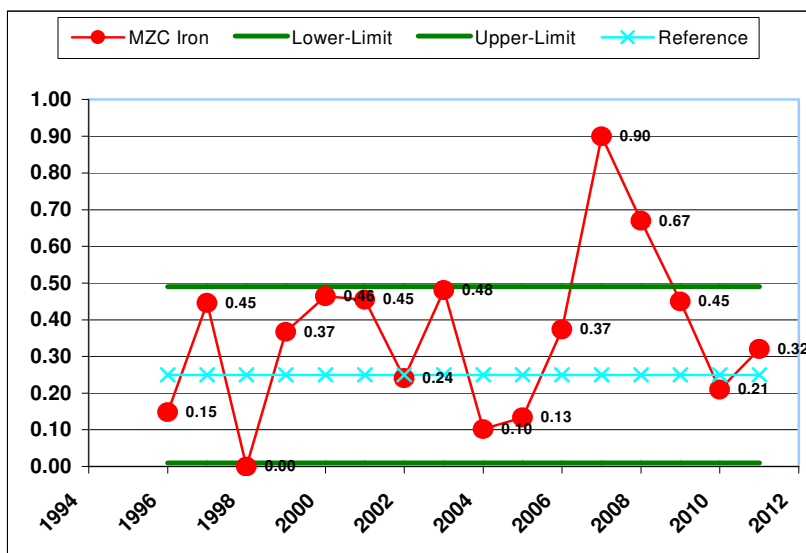
25. Due to capital expenditure constraints (see para 3) mains replacement activity was reduced to 22km in 2010/11. This will have led to a slight increase in the underlying burst rate. However, this will be addressed over the next two years as the shortfall in replacement is removed. To mitigate the impact of this risk to our customers we:
- a) Accelerated the pressure reduction programme to ensure leakage was managed effectively,
 - b) Increased focus on rapid repair of bursts to minimise customer interruptions

DG3 – Interruptions to supply >12hrs



26. Although our performance is below the reference level for 2010/11, we continue to believe that this is a volatile indicator, whose variability is not adequately reflected in the upper control limit of 150. The excellent performance achieved, against the high level of bursts, partly reflects the excellent performance of the Severe Weather Taskforce to minimise supply interruptions during the cold weather.

Iron non-compliance



27. There was a slight increase in the number of regulatory compliance iron failures during calendar year 2010 compared to the previous year. During 2010 there were 5 failures from the 1,265 regulatory samples taken whilst in 2009 there had been 3 failures from 1,254 samples. This corresponds to a slight change in the Mean Zonal Compliance for iron from 99.79% in 2009 to 99.68% in 2010. However, the difference in the number of failures is not statistically significant:

Fisher's Exact Test

	Number Passes	Number of Failures	Total Number Regulatory Fe Samples
2009	1251	3	1254
2010	1260	5	1265

Probability = 0.37 (i.e. 37% chance)

$P > 0.05$ so do not reject the null hypothesis (ie no significant difference in failure rate)

Summary	Fe (2009)	Fe (2010)
Number Samples	1254	1265
Mean	18.9	21.9
Median	10.0	10.0
Lower Quartile	7.0	10.0
Upper Quartile	16.0	19.0

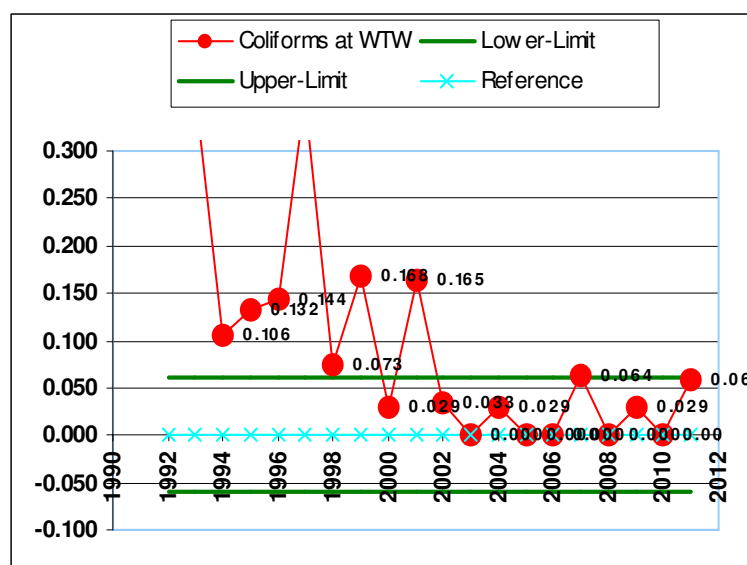
Serviceability – Non-infrastructure

- 28. Non-infrastructure serviceability remains stable.
- 29. The contributing components to this assessment are provided in the table and discussed below.

Serviceability Indicator		Reference levels and control limits			Comments
		Regulatory output (during 2010-15)	Expected performance by 2014-15	2010/11 performance	
Water Treatment Works Coliforms non-compliance (%)	Ref	0.00	N/A	0.06	At upper level.
	High	0.06			
	Low	0.00			
Service Reservoir Coliforms non-compliance (%)*	Ref	0.00	N/A	0	Continuing no failures
	High	0.60			
	Low	0.00			
Turbidity (nr)	Ref	0	N/A	0	Continuing no failures
	High	1			
	Low	0			
Enforcement (incidents number)	Ref	0	N/A	0	Continuing no failures
	High	1			
	Low	0			
Unplanned maintenance (nr)	Ref	3976	N/A	3254	Below reference level.
	High	5083			
	Low	2869			

Coliform performance

- 30. During 2010 there were 3,345 compliance samples taken at treatment works for coliform analysis. Failures were recorded at two Treatment Works, Littleton and Alderley (total of two failures).



Coliform performance – Littleton

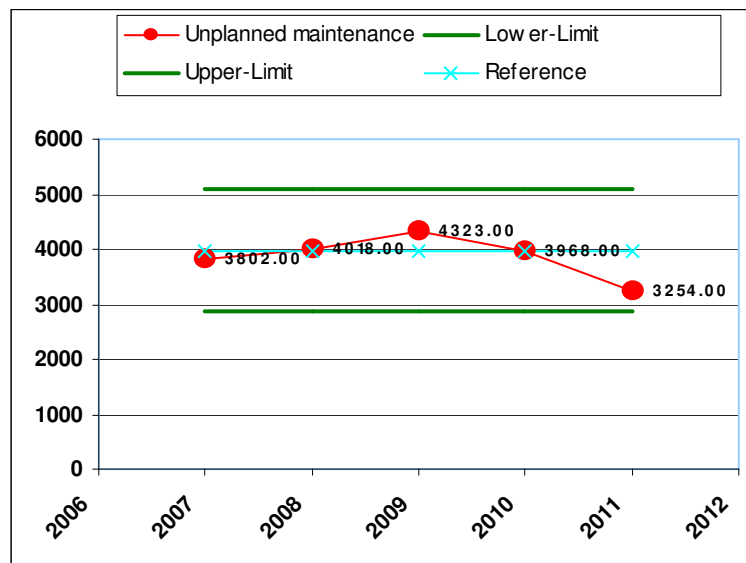
31. Investigations were unable to determine a cause for this failure.

Coliform performance - Alderley

32. The failing sample was not taken from the normal treated water compliance sample tap which due to extreme weather conditions was frozen. The sample was instead taken from the domestic tap in the kitchen area of the treatment works. This tap is supplied from the site service water system. Although a definitive cause for the failure was not determined it is suspected that the failure is attributable to a tap that is not normally used for sampling purposes and may have very little general usage. The operation of the works was checked for the 48-hour period prior to the sample collection. The primary disinfection process is the ultra filtration membrane. There had been no integrity failures of the membranes and particle counts had been normal. Both the chlorine dose and residual were within normal limits and there had been no abnormal flow increases.

Unplanned Maintenance

33. Whilst our performance for unplanned maintenance has improved, we are continually refining our methodology for capturing and monitoring this dynamic measure.



34. We expect that the formalisation of our
- Asset Management Strategy, and
 - Asset Management Information Strategy
- will further improve the robustness of the underlying data.

Supply Demand Balance

35. The table below sets out the outputs required (from FD09 Table 2.2a), which remain unchanged following the CC.

		2010-11	2011-12	2012-13	2013-14	2014-15	Totals
Security of supply							
SoSI – dry year annual average	Target	100	100	100	100	100	-
	Performance	100					
Supply demand enhancements (annual increments)							
Supply side management projects (MI/d)	Target	0.00	0.00	0.33	0.48	0.49	1.30
	Performance	0.00					0
Demand side management projects. (MI/d)	Target	2.53	1.53	1.53	1.53	0.53	7.65
	Performance	2.80					2.8
Total (MI/d)	Target	2.53	1.53	1.86	2.01	1.02	8.95
	Performance	2.80					2.8
Leakage							
Total leakage (MI/d)	Target	52	51	50	49	49	-
	Performance	50.3					-
Water efficiency							
Base service water efficiency target (MI/d)	Target	0.48	0.48	0.48	0.48	0.48	2.40
	Performance	0.58					0.58
SELWE (MI/d)	Target	0.32	0.32	0.32	0.32	0.32	1.60
	Performance	0.32					0.32
New properties (000's)							
Properties connected to the water main	Target	4.760	4.760	4.760	4.760	6.920	25.960
	Performance	3.453					3.453
Metering (000's)							
Meters (Optional & Selective)	Target	12.790	11.850	10.810	8.790	7.97	52.21
	Performance	7.180					7.180

Water Resources

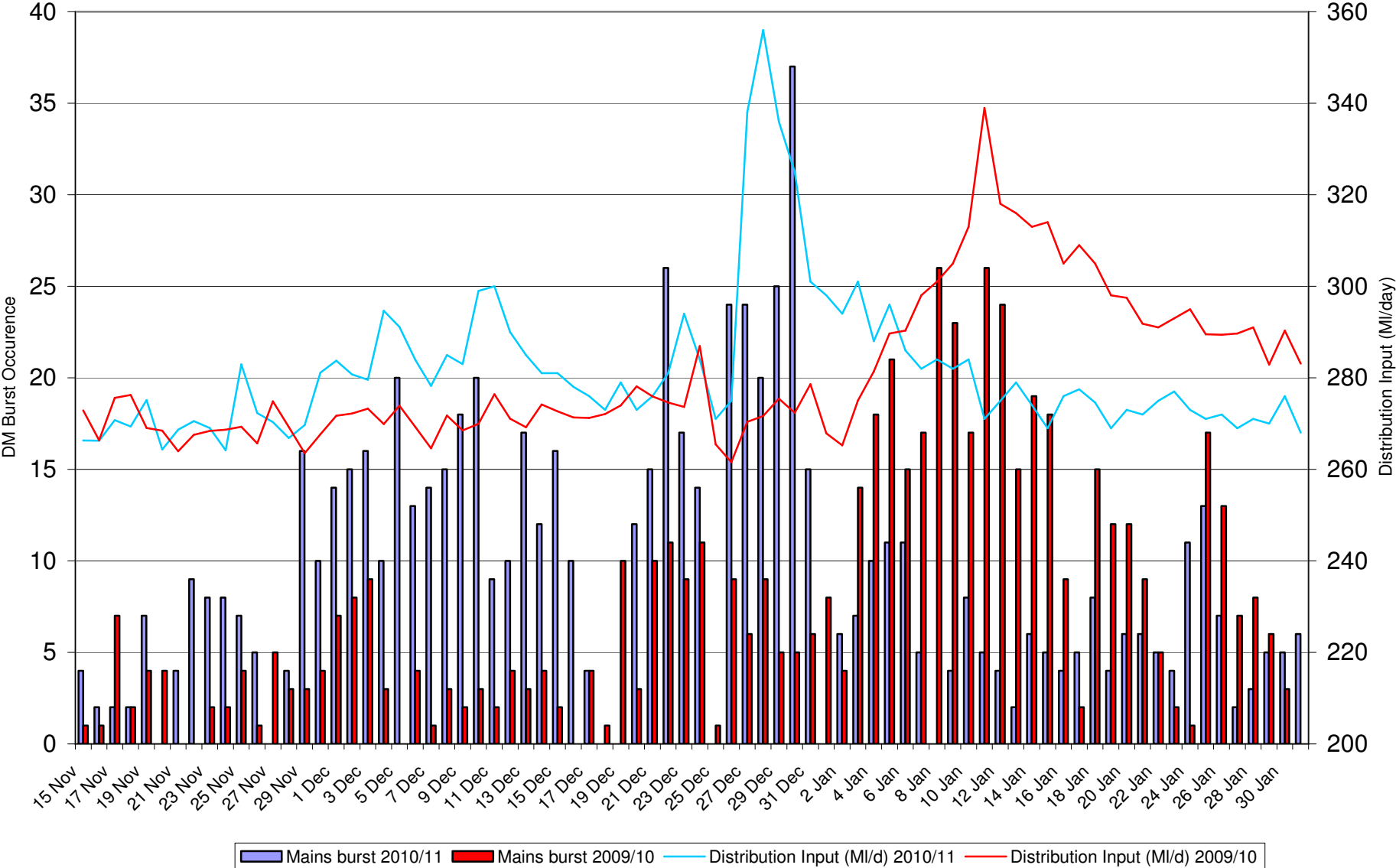
36. We supplied, on average, 278 MI/d to a total population of 1.162 million people and non-households in 2010/11. This was the same volume as supplied in the previous year, reflecting a reduction in leakage offset by an increase in household consumption. Per capita consumption increased marginally compared to the previous year, and population increased by 13,780.
37. The report year ending in March 2011 was significantly drier than average, actually the fourth driest in our 100-year catchment rainfall record. A wet end to the summer helped to depress demand. However, the very dry winter and early spring meant that reservoir stocks did not fully recover at the end of the report year. The volume abstracted from the Mendip reservoir sources was minimised whenever possible but the reduced reservoir inflow required increased transfers

from the Sharpness source compared to the previous year, resulting in increased power use (and CO₂ emissions) compared to the previous year.

Leakage

38. As part of the AMP5 leakage reduction initiative, 23 pressure management schemes were introduced in 2010/11. This increased the properties under pressure control by 7% to 52%.
39. Leakage levels at the start of the report year were under our monthly control curve due to additional resources being employed after the cold winter period of 2009/10. The colder weather conditions, which started in late November, resulted in an increased number of bursts on the network in December. A prolonged cold period throughout December followed by a rapid thaw over the Christmas period resulted in a large number of leaks and bursts. Due to the exceptionally cold weather in excess of 700 leakage jobs were identified during December. Over 60% of the leaks were burst mains, and 460 burst mains occurred in December, as high as the recent historic worst single month event in January 1997.
40. The impact of the number of bursts on Distribution Input was significant with peak distribution input exceeding summer peaks. The rapid increase of distribution input over the Christmas period coincided with the highest night flows on the leakage monitoring areas experienced for many years.
41. The impact of this cold spell on customers was minimised as a result of proactive company actions. These included:
 - Activating our established Severe Weather Taskforce in accordance with our procedures;
 - Flexible working from our network maintenance partner;
 - Significant amounts of additional weekend working.
42. The Severe Weather Task Force met daily through December and early January. This taskforce included elements from customer services, procurement, contractor and production in addition to network management teams. The priority of the taskforce was to minimise customer impact, minimise water loss and mitigate the impact of bursts on the distribution network.
43. During December and January our network maintenance partner, Daniel, increased their leak repair gangs threefold to deal with the number of leaks on the network. Each leak was prioritised by its potential for impacting on customer supplies, public safety arising from danger of freezing, and the size of the leak. Leaks and bursts were repaired well within the normal service level of 2 and 3 working days to minimise the run-time of the leak. As a result of the intense activity through December, the Company entered the Christmas period with very few leaks awaiting repair, and Distribution Input at normal levels. This created some headroom that allowed the company to respond effectively following the Boxing Day thaw. It is possible that without the effort and dedication shown by staff and contractor throughout early December, the huge number of bursts occurring during the thaw would have resulted in significant disruption to supply.

Distribution Mains bursts - Distribution Input



44. In order to effectively control leakage during the winter period, significant extra resources were deployed, and a number of actions were taken:
- Increased level of Active Leakage Control.
 - More active management of pressure in a number of existing pressure control areas.
 - Increased coverage of private supply leak repair under the Leakstop initiative.
 - Increased weekend work by leakage control staff.
 - Additional hire and purchase of leakage detection and control equipment.
 - Increased the number of Contractor repair gangs.
 - Postponed non-essential work
45. Increased resources on leakage detection were deployed until the end of March and due to this extensive and well managed effort by both the company and partner contractor, we managed to deliver a full year result well below our target level of leakage of 52 MI/d, despite the difficult winter and the reduction in the leakage target of 2 MI/d compared to the previous year.

Metering

46. The selective metering project of metering of domestic properties with large gardens did not commence during the year since a number of software changes to the billing system are required to facilitate this project. It is envisaged that this project will start in the summer of 2011. We have investigated a small number of domestic properties where we receive reports of sprinkler devices and swimming pools resulting in four properties being selectively metered during 2010/11. During the year, 530 commercial properties were investigated and 196 meters were installed on non-domestic unmeasured properties. A programme of selective metering troughs (200 annually) will commence this year.
47. The number of household meter optants completed during 2010/11 was 6,980. This is a 10% reduction from the previous year, and is despite signs of a recovery of the housing market and an increase of change of occupier levels.
48. During 2010/11 6,946 household meters were renewed with 90% of the meters renewed under pro-active meter replacement programme. An additional 2,001 commercial meters were also replaced.

Water Efficiency

49. As a new initiative, we worked in partnership with E.ON to distribute free water-efficiency equipment to domestic customers, working between June 2010 and December 2010. Following this, we increased our work on public awareness and supply of free equipment to domestic customers, including several large public engagement events. Take-up on this equipment has been encouraging and this, together with our ongoing education and awareness programme and a partnership approach to distribute cistern displacement devices through a major supermarket chain, has enabled us to slightly exceed our activity based target of 0.48 MI per day water saving. The supply of free domestic water efficiency equipment will continue in 2011/12 and further

partnership projects are being investigated, working with social housing providers and an insurance-backed plumbing service provider for installation of equipment.

50. Non-domestic SELWE water efficiency savings have been achieved through the provision of a targeted water audit service to customers whose water consumption is in the range between 5 and 20 MI per year. A total of 42 audits were completed in 2010/11. The free audit service has been of great interest to the customers audited and customer feedback indicates that the projected savings of 0.32 MI per day are realistic and may be conservative.

Carbon

51. Overall, the carbon footprint of Bristol Water remains fairly consistent, although there has been a slight increase since 2009/10 for two reasons, both connected with grid energy. Due to dry weather in 2010/11 it has been necessary to use more water than normal from sources with a high treatment and pumping requirement: the overwhelming majority of the company's energy use is associated with pumping and treatment, and an increase in this requirement has an immediate impact on overall energy use. In addition to the increase in grid energy use, the CO₂ emission factor used to calculate the carbon impact of grid energy has increased slightly since 2010, from 0.53702 to 0.5416 kg CO₂ per kWh

Costs (and how they have changed over time)

Financial Performance

52. The regulatory HCA results for the appointed business for 2010/11 prepared **in accordance with regulatory guidelines**, compared to the FD10 and the 2009/10 results are set out below:

Financial Summary	FD10	Actual results 2010/11	Variance from FD10 Determination	Actual results 2009/10
	2010/11	2010/11		2009/10
HCA	£m	£m	£m	£m
Turnover	97.4	97.5	0.1	96.5
Operating costs	(51.1)	(49.7)	1.4	(48.3)
Infrastructure Renewals Charge	(15.6)	(17.4)	(1.8)	(12.1)
Depreciation	(10.1)	(9.3)	0.8	(10.5)
Operating Income net of expenses	-	-	-	0.2
Operating Profit	20.6	21.1	0.5	25.8
Interest	(13.8)	(10.6)	3.3	(4.2)
FRS17 net interest	-	(0.4)	(0.5)	(0.8)
Other Income	0.3	0.4	0.1	0.4
Profit before Tax	7.1	10.5	3.4	21.2
Tax	(2.6)	(0.7)	1.8	(4.4)
Profit after Tax	4.6	9.8	5.2	16.8
Net Debt¹	211.0	180.4		191.6
Year End RCV	309.9	309.9		271.7
Ratio of Debt¹/RCV	68%	58% ⁷		71%

¹ Excluding irredeemable preference shares

² Ofwat Theoretical Balance Sheet

Totals may reflect the effect of rounding.

⁷ RCV reflects c£24.8m capex not reflected in net debt due to low capex spend in 2010/11. Adjusting for this results in gearing of 63%

53. In accordance with FRS25, the Company is required, for accounting purposes only, to classify its irredeemable preference shares as debt rather than equity. Dividends payable (£1.1m) on the irredeemable preference shares have been included as interest above.
54. Key points to note include:
- Turnover increased by £1.0m. This reflects the impact of the RPI 0.3% plus the K 0.6% increases of 0.9%. Turnover is £0.1m higher than assumed in FD10. Operating costs increased by £1.4m to £49.7m and are £1.4m lower than assumed in FD10. This difference has arisen mainly as the result of higher inflation than the CC assumption rather than a reduction in nominal expenditure. Operating costs include atypical costs of £1.6m related to the Competition Commission appeal.
 - Historic Cost Operating Profit has fallen by £4.7m, but is £0.5m higher than assumed in FD10.
 - Profit before tax has decreased by £10.7m largely reflecting the £6.4m increase in net interest mainly due to the inflationary element of the charge related to index-linked debt compared to the previous year. This increase is as a result of the July 2010 RPI movement, on which indexation for March 2011 is based, being +4.8% in 2010, compared to -1.4% in 2009. Net interest charges were covered by operating profit 2.2 times (2010 8.4 times).
 - The tax charge of £0.7m represents an effective tax rate of 10% on the statutory profit before tax (2010: 19%). The principal reason for the effective tax rate being lower than the standard corporation tax rate (28%) is the recognition of the reduction in tax rate to 26% as of 1 April 2011, which reduces the deferred tax liability by £1.8m on a discounted basis.
 - Net debt, excluding irredeemable preference shares, decreased to £180.4m (31 March 2010: £191.6m) and represents approximately 58% of Regulatory Capital Value at 31 March 2011 (31 March 2010: 71%). The ratio of net debt to RCV is lower than previously projected trends following the deferral of some capital schemes due to the CC referral (see comment on table).
 - No ordinary share dividends were paid in 2010/11 other than those related to the inter-company loan.

Operating Costs

55. Operating costs have increased by £1.4m compared to the previous year. In real terms this represents a decrease of approximately 2.0% (£1.0m). The table below sets out the principal reasons for the increase in operating costs: [§<]
56. Operating costs were £1.4m lower than assumed in the FD10. £0.8m relates to the inclusion of opex in the FD10 related to pension deficit contributions. Under FRS17 such payments are not included in opex. Taking this factor into account operating costs are £0.6m (1.2%) lower than assumed in FD10.
57. Bad debt costs have reduced by £0.6m in 2010/11 to £3.3m. The charge comprises a prior year element, which applies the current residual debt rate to the opening debt, and a current year element. The prior year element of the charge has fallen by £1.0m from £2.0m in 2009/10 to £1.0m in 2010/11. This masks the increase in the current year part of the charge of £0.4m from £1.9m to £2.3m. The total 2010/11 bad debt charge is £0.3m higher than the inflation adjusted charge assumed in the FD10 of £3.0m (2010/11 prices).
58. Reactive (opex) maintenance costs for non-infrastructure assets increased again from £3.1m to £3.4m. During the AMP4 period reactive maintenance costs for non-infrastructure assets increased by over 50%. This trend appears to be continuing, with over a 10% increase in the first year of AMP 5.

Capital Expenditure

- 59.** Over the 5 year period of AMP5 we are planning to spend in line with the FD10. However, as indicated to Ofwat previously, including in our JR10 Board's Overview⁸, expenditure in 2010/11 is significantly below the FD level. Expenditure in future years is planned to be above the FD levels, hence the variance will progressively reduce. However, with the work as programmed to meet required outputs and DWI deadlines, we do not expect the variance to have been eliminated until 2014/15.
- 60.** As explained at JR10, the reason for the variance in 2010/11 is the uncertainties that surrounded the referral to the CC in respect of Ofwat's PR09 Final Determination. As a result of this uncertainty, we were unable to raise the necessary finance to implement the full capital programme. A major part of the required financing is now in place.
- 61.** Because of the CC referral we set an interim capital programme aimed at keeping within available finance. This was based on the following criteria:
- To take account of those areas where we have defined outputs. This mainly relates to bursts, supply interruptions, distribution water quality and leakage.
 - To take account of those schemes where there are defined delivery dates. This is in the quality enhancements area and in particular the UV installations at treatment works which have early completion dates.
 - To allow design work to proceed for projects due to commence later in the programme.
 - To reprofile expenditure where this does not adversely affect delivery dates.

⁸ JR10 Board's Overview para 147

62. The outturn position for 2010/11 is summarised in the table below based on our analysis for Table 35b.

Variance Categories	2010-11 £'m	Comments
A Outputs Over or Under Achieved		
1 Infrastructure Maintenance	1.097	The majority of the variance results from an increase in proactive maintenance activities, primarily leakage, due to adverse winter conditions plus additional work required on Barrow SSF bypass due to difficulties experienced during construction.
2 Non-Infrastructure Maintenance	0.931	
3 Quality Enhancements		
4 Enhanced Service Levels		
5 Supply/Demand Balance	-0.185	
	1.842	
B Timing		
1 Infrastructure Maintenance	-6.644	The variance results from a review of all schemes where deferment can be made with no detriment to customer service or the achievement of required outputs. This was undertaken as part of the development of the interim expenditure programme for 2010/11. It has involved revising expenditure profiles where possible but also advancing detailed design on some schemes to minimise the impact of the deferrals later in the programme.
2 Non-Infrastructure Maintenance	-7.989	
3 Quality Enhancements	-3.005	
4 Enhanced Service Levels	-6.930	
5 Supply/Demand Balance	-1.500	
	-26.067	
C Efficiencies		
1 Infrastructure Maintenance		Zero variance
2 Non-Infrastructure Maintenance		
3 Quality Enhancements		
4 Enhanced Service Levels		
5 Supply/Demand Balance		
	0.000	
D Reallocation of Final Determination		
1 Infrastructure Maintenance		Zero variance
2 Non-Infrastructure Maintenance		
3 Quality Enhancements		
4 Enhanced Service Levels		
5 Supply/Demand Balance		
	0.000	
E PR04 spend		
1 Infrastructure Maintenance	-0.038	The majority of the variance results from expenditure on accommodation for the Strategic Operations team as part of the self-financing property rationalisation scheme, the main elements of which have been delayed due to market conditions, plus additional expenditure to ensure reliable operation of the new processes at Banwell treatment works.
2 Non-Infrastructure Maintenance	0.699	
3 Quality Enhancements	0.325	
4 Enhanced Service Levels	0.022	
5 Supply/Demand Balance	-0.018	
	0.990	
TOTAL	-23.235	

63. As can be seen, the majority of the variance is due to timing. However, we do not expect this to have a significant impact on required outputs and it will unwind as we progress through the AMP period.
64. The only schemes due to be completed by 31 March 2011 are the flood relief schemes at Cooks Corner pumping station and Purton treatment works. For both sites, detailed design work has identified that the original solution of an earth bund would not be effective without significant modification. Alternative solutions have been developed. This involves construction of local protection to the buildings at Cooks Corner, which can be completed for the original financial allocation. For Purton, a reinforced concrete wall is required but at a much higher cost than originally envisaged. As a consequence of the need to redesign the schemes and other problems on the sites, delays were experienced to both projects such that they were not completed in 2010/11. Actual expenditure for both projects in the report year was £0.06m compared to the FD allocation of £0.27m. Total expenditure for both projects is expected to be £0.7m. Completion is expected in Summer 2011.

The Future

Key risks for the Current Year

Current resources situation/drought

65. The report year to March 2011 was the fourth driest in our 100-year rainfall record. Due to the low rainfall and unusually dry winter, our surface water reservoirs were not fully recharged at the end of winter (83% remaining at the end of March).
66. To mitigate the effect of the dry conditions, we maximised the transfer of water from the Sharpness Canal sources during the latter part of 2010 and into 2011. This has had a financial impact due to higher pumping and treatment costs for these sources.
67. During April and early May, conditions remained dry and no further reservoir inflow was achieved. Transfers of Sharpness Canal water continued, but reservoir volume has declined to 80%. High volume transfers from the Sharpness Canal are expected to continue throughout the remainder of 2011.
68. The company resources system is two-season critical and we are now entering what appears to be a second season of drought. Consequently, there is an increased risk for this year that drought contingency actions may be required. Normal summer rainfall will not improve the stored water position so a drier than average winter could cause problems for 2012.
69. At present we have not reached any trigger points for action set out in our Drought Contingency Plan, however we are relatively close. We have initiated an information campaign to promote the sensible and considerate use of water, particularly for external use. We are monitoring conditions closely and will alter the intensity of this message as required during the coming summer.

Managing the capital programme for the year

70. For AMP5, we are currently delivering the largest capital programme that we have had to deliver: £250m AMP5 vs. £150m AMP4. The referral to the Competition Commission delayed the start of delivery by a year, meaning there is a slight bow wave of investment for 2011/12.
71. At a strategic level a solid mechanism is in place to deliver the major projects through an arrangement of framework contracts and pre-qualified contractors, which we believe will serve us well. Although we have increased our internal resources, these will be stretched, with our senior people particularly having large workloads.
72. The main challenge is delivering a number of large projects within a limited timescale. Dealing with the detailed issues of each individual project - some of which will not become apparent until we are into the project - will become the focus for the Project Managers. The most notable are:

1) Tight timescales for delivering the Purton UV plant to meet DWI undertaking

- 2) Agreeing route and getting access permission for the Bristol Resilience scheme pipeline
- 3) Maintaining service to our customers and mitigating the risk whilst taking out of operation or substantially modifying plant and pipelines

Resilience

73. There is an ongoing vulnerability of customers in the Oldford, Cheddar and Tetbury areas for whom we had intended to provide improved resilience under our PR09 plans, but which were excluded by both Ofwat and the CC. These risks remain of concern to the Board.

Asset Management & Capital Maintenance

74. The CC appeal demonstrated that there was a significant gap between the quality of our asset management processes and Ofwat's perceptions of them. This was primarily due to the embeddedness of our processes within our business as usual approach which, we recognise, meant that we did not explain our approaches clearly enough in our PR09 submission. We are therefore formalising all of our risk analysis and capital maintenance planning to enable clear visibility of our decision making. As part of this formalisation process we are making our Asset Management processes clear and explicit. We are utilising the PAS55 framework and were pleased with the very positive feedback we received from Ofwat at the working level AMA meeting regarding both the improved visibility of what we have always done and our intentions for formalisation.

Governance and Quality Assurance

Changes to Board

75. A series of changes to the Board took effect on 23 November 2010. Most significant was that Alan Parsons stood down as Managing Director of Bristol Water. At the same time he announced his intention to retire as a Director on 30 September 2011.
76. Mike King was appointed as Regulatory Director of Bristol Water having been Director of Regulation previously and been with the company for over 10 years. In addition, Wendy Staden, our previous Reporter, joined to strengthen our regulatory team.
77. Robert Brito was appointed as Operations Director. Robert has a wealth of engineering expertise from his roles for water companies around the world and was most recently the Deputy General Manager of Macao Water. Stefano Pellegrini and Ciril Rozman both ceased their roles as non-executive directors for the company although continuing to work in senior roles within the Agbar Group.
78. The other Board changes during the year were the retirement from the Board of Manuel Navarro as non-executive Director, having previously been the CEO, on 9 September 2010 and the appointment of Jordi Valls as a non-executive director on 29 March 2011.

Condition F including Condition F.6A

79. Our RAG5 statement is included in Appendix B.
80. Condition F.6.A of the Licence requires that we have adequate:
 - a) Financial resources and facilities;
 - b) Management resources; and
 - c) Systems of planning and internal control.

Standard corporate governance requirements mean that the Board is able to confirm that it meets the requirements of Condition F.6.A.

The required certificate is included in with the Regulatory Accounts, as required within the licence.

Condition P

81. Condition P of the Licence requires that the ultimate controller of Bristol Water plc must provide an undertaking, which details safeguards for the independence of the company. An undertaking from Suez Environnement and one from the ultimate UK parent company, Bristol Water Group Limited (now known as Agbar UK Ltd.), are currently in place.

82. This is a change from the previous year because the takeover of Agbar by Suez Environnement SA was completed in June 2010. This represents a change of ultimate controller for the company.

Change of Auditors and Reporter

83. For AMP5 we have appointed a new Reporter, Andrew Heather of Mott MacDonald. His contract commenced on 1st January 2011 and will run until 31st December 2015, unless the break clause is enacted.
84. Following Suez taking control, our statutory auditors were changed during 2010/11. This is the first financial year to be audited by Ernst & Young LLP. This change of auditor took effect after the accounts for the year 2009/2010 were audited and filed.

Reduction of Regulatory Burden

85. We welcome Ofwat's intent to reduce the regulatory burden and, whilst time consuming, we have endeavoured to remain fully engaged with the process in terms of participation and response.
86. We responded to Ofwat's request for draft KPIs ahead of the June Return submission and attended the KPI workshop on 3rd June. We believe that Ofwat's move to requiring companies to publish KPIs is a useful step and agree that these should be outcome based rather than output based. We believe that Ofwat will still require some output based reporting to allow it to fulfil its regulatory duties, and we do not consider that provision of this data is inconsistent with the transition towards light-touch regulation. We look forward to responding to the consultation planned for Summer 2011.

June Return Quality Assurance - Processes and systems of control

87. This overview of our June Return 2011 is compiled in accordance with the "Reporting Requirements and Definitions Manual" issued by Ofwat in February 2011 together with subsequent amendments and has been endorsed by the Board.
88. As in prior years, the Board has implemented a range of internal control procedures designed to facilitate the efficient and effective management of the business, compliance with the corporate governance requirement of being a public limited company, and compliance with regulatory requirements. The procedures include:
- A comprehensive set of monthly Key Performance Indicators and other reports that are reviewed regularly by both management and the Board
 - An Audit Committee that receives regular reports from management, internal auditors (Mazars) and external auditors (Ernst & Young), as well as the Reporter (Mott MacDonald)
 - Encouragement of a culture of openness and integrity throughout the business
89. The June Return requirements are complex. The Board therefore focuses on the Board Overview (rather than the individual tables) and relies on internal control systems for the more detailed and

technical information. The Board also takes due account of Reporter and Auditor findings which are an important and integral part of the process.

90. The Board confirms that it believes it has sufficient processes and internal systems of control to meet its obligations for the provision of information to Ofwat, but emphasises that because of the nature of the June Return, many issues involve elements of judgement and so definitive statements are not possible.

91. In forming its judgement the Board has considered the following:

- The overall internal control environment and culture of the business.
- The processes used to produce the June Return:
 - Specific individuals are given responsibility (data owner) for completing particular lines in each table. For JR11, we have operated a formal version control process throughout the development of the submission, which we combined with change control sheets to record internal checking of data (by a peer reviewer) and any changes. Prior to entry of this data into the June Return Information Capture System (ICS), the data owner is required to sign a quality assurance form in which they confirm that:
 - The data has been compiled in accordance with the June Return Reporting Requirements and subsequent clarifications provided by Ofwat
 - The data is a true representation of the facts

Any concerns about the quality of data provided or instances where the requirements have not been followed in full are required to be noted on this form together with any concerns about data collection. Any material issues identified would then be investigated by either the Director of Regulatory Affairs or the Regulation Director.

For JR11, where commentaries are not required we have developed an internal submission proforma which requires identification of all issues to be conveyed to Ofwat plus a record of the full explanation of performance trends and changes, including methodology and data issues.

Prior to submission of the June Return, data owners are required to formally confirm that the data held on ICS is consistent with the data they submitted.

- All tables are subject to internal review. Priorities (low, medium or high) are assigned to each table or data item:
 - Low priority tables/data are subject to limited review by the Regulation Analyst during the process of entering data onto ICS.
 - Medium priority tables/data are reviewed by a designated reviewer who has relevant knowledge and/or experience for the data being reviewed. This includes some calculation and spreadsheet checks.

- High priority tables/data are subject to a review by some or all of the Executive Management Team. Formal review meetings have been held for the following elements of our submission:
 - Leakage and water balance – 03/05/11
 - SIM and GSS – 20/05/11
 - Capex – 06/06/11
 - RAG5 and Regulatory Accounts – 06/06/11
 - Serviceability – 19/05/11
 - The overall June Return is reviewed individually by the Director of Regulatory Affairs, the Regulation Director, the Finance Director and the Chief Executive looking for consistency and cross-reference issues and a sense check to their knowledge of the business and its performance.
 - All directors have reviewed the Board's Overview and commented as appropriate.
 - The Audit Committee commissioned an internal audit of regulatory reporting procedures by Mazars, which took place in October 2010. The report concluded that, "**substantial assurance** can be given to the adequacy of the control environment and that **substantial assurance** can be given to the effectiveness of those controls relating to Bristol Water's internal control framework surrounding regulatory reporting."
 - As the SIM measures now fall outside the responsibility of the Reporter, the Audit Committee commissioned an internal audit of SIM reporting procedures by Mazars, which took place in May 2011. The report concluded that "For Bristol Water, we consider that **substantial assurance** can be given to the adequacy of the control environment and that **substantial assurance** can be given to the effectiveness of those controls relating to customer services. For BWBSL, we consider that **full assurance** can be given to the adequacy of the control environment and that **full assurance** can be given to the effectiveness of those controls relating to customer services."
 - The Reporter and external audit processes related to the June Return. The Reporter presented his initial findings to a meeting of the Bristol Water plc board on 25th May 2011. The Board reviewed his findings and the June Return process.
92. The Board reviewed the draft Board overview in detail at its meeting referred to in the paragraph above and endorsed the overview on behalf of the Board subject to final minor amendments and corrections. The Board authorised Luis Garcia (Chief Executive) and Peter McIlwraith (Non-executive director) to sign the overview on behalf of the Board.
93. All directors of the Company as at 10th June 2011 have confirmed that:
- So far as the director is aware, there is no relevant audit information of which the Company's auditor or Reporter is unaware; and

- He has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor and Reporter are aware of the information.

94. This Overview is signed on behalf of the Board and we confirm that the Board has endorsed it.

A handwritten signature in blue ink, appearing to read "Luis Garcia".

Luis Garcia
Chief Executive
10th June 2011

A handwritten signature in black ink, appearing to read "Peter McIlwraith".

Peter McIlwraith
Non Executive Director

Appendix A
Table – supplementary information

Table	Description	Summary of Performance	Significant Issues	Methodology Changes since JR10
1	Water Efficiency	Increase in water efficiency activity including large-scale provision of self-audit packs. Total domestic savings for baseline water efficiency measures: 0.60 MI/d Total savings for SELWE: 0.32 MI/d	Non-domestic SELWE project under way to provide free water efficiency audits to customers with consumption in the range 5 to 20 MI/a.	Wider range of water efficiency activity included in Table 1 definitions
2	DG2 – Low Pressure	No. of properties on the register remains at 68 (0.01% total properties).	Steady state performance, more poor pressure events of an unplanned category due to winter bursts. Further work is planned to strengthen the investigation of poor pressure complaints to help underpin DG2 requirements. Classification of properties with poor pressure due to abnormal demand needs to be reviewed and properties classified as such during 2010/11 to be further investigated. The assessment of potential properties with below reference pressures on common supplies needs to be reviewed.	Minor changes: Increase of number of pro-active critical point pressures surveys, incorporating this within the AMP5 pressure control programme implementation.
	DG3 – Interruptions	12 hour unplanned interruptions show significant improvement.	High numbers of bursts during winter period, but these had limited effect because Severe Weather Taskforce managed workload to minimise impact on interruptions.	None
	DG4 –Supply Restrictions	No supply restrictions imposed during the year	None	None
4	DG6 – Billing Contacts	Overall level of billing contact similar level to 2009/10. Effectively 100% answered in 5 days.	Overall trend is for increasing billing contact but that was mitigated this year by small price increases. Growing	None. As at JR10, minor methodology compliance issues: 1) We cannot record the date

Table	Description	Summary of Performance	Significant Issues	Methodology Changes since JR10
			proportion of billing contacts through email.	<p>which the third party print provider dispatches bills and instalment books</p> <p>2) Emails and faxes recorded as received the day they are entered onto system</p>
5	DG7 – Written Complaints	Reported complaints reduced by 42%. All were answered within 10 days.	Significant reduction in reported complaints principally due to revised methodology for definition of billing complaints, as recommended at JR10 audit, and emphasis on ‘get it right first time’ ethos.	Change in internal definition of billing complaint.
	DG8 – Meter Reading	Effectively 100% of customers received bill based on an actual reading. Just three meters not read by the Company for two years.	Severe winter weather meant additional effort was required to hit target.	Minor changes involving cross-year billing, disconnected supplies and builders’ procedures. Automation of work despatch arrangements.
	DG9 – Telephone Call Handling	Overall level of telephone contact similar to 2009/10. Engaged and abandoned calls reduced.	Increased operational telephone staffing to reduce “out of hours” abandoned call levels.	Telephone calls abandoned in less than 10 seconds allocated to line 16 as per reporting requirements.
	Special Assistance Customers	Number on register has reduced by 370.	Reduction due to audit of database in January 2011 and removal of deceased customers.	None
5a	Written Complaint Analysis	Total number of escalated complaints reduced by 22%.	Overall complaint numbers impacted by change in interpretation of requirements as detailed in DG7.	Change in internal definition of billing complaint.
5b	Unwanted Contact Analysis	Total number of unwanted contacts reduced by 10%.	BW Ops: Reporting of customer contacts to departments outside of our customer call centres requires use of manually updated spreadsheets.	BW Ops: Re-assessment of which job codes should be classed as wanted and unwanted.
	Customer Contact Score	Average survey score of 4.4 out of 5 from the four surveys carried out, ranked 6 th highest in industry.	Operational contacts can only be included in survey sample when they require a job to be raised against them.	First year of survey – new data extraction reports created to obtain sample data.
6	GSS	Total compensation payments reduced by 7%. Reduction in number of penalty	72 failures to cancel appointment within 24 hours did not result in GSS payment	None

Table	Description	Summary of Performance	Significant Issues	Methodology Changes since JR10
		payments due to most payments being made within ten days.	as these were attributable to adverse weather conditions. One billing GSS payment made to customer resulted in customer refusing to accept cheque. This payment is included within the reported figures.	
6a	Aged Debt	Total revenue outstanding for less than 48 months has increased by 8% to £14.5m. The number of customers with debt outstanding for less than 48 months has increased by 7% to 91k. Total write-offs were £1.9m, £0.8m higher than in 09/10.	Revenue outstanding continues to increase due to the impact of the recession.	None
6b	WaterSure	Number of customers on WaterSure tariff increased by 19%	Increase in applications to tariff due to continuing promotion by the company	None
7	Properties and Population	Overall meter penetration now 39%, (35% household). Connected properties increased by 4k to 510k, population increased by 13k. Voids rate reduced.	As required by the reporting requirements, indirectly metered properties are reported as non-household per meter. This means that 16,000 properties are not visible in Table 7 totals. It is important that all companies adopt a consistent approach to these as property count is used to “normalise” SIM performance.	None

Table	Description	Summary of Performance	Significant Issues	Methodology Changes since JR10
8	Meter Installations	6,980 meter optants installed in year, significantly below FD10 assumption of 10,980.	<p>Stagnation of housing market suspected of reducing demand for meter options. As economy recovers from recession meter option demand may increase, this will be closely monitored during the period.</p> <p>The AMP5 change of occupier household selective programme did not start in 2010/11. This delay was partly due to the competition commission process, but further delays were due to developments required in the Rapid billing software to ensure that properties fulfilling the criteria of large gardens are identified during the change of occupier process. It is planned to start this project in the summer of 2011.</p> <p>As part of the programme to selectively meter Non-household properties, 196 meters were installed. The programme of metering 200 troughs annually will start in the summer of 2011.</p>	None
	Consumption	Calculated demand of newly metered properties increased by seven litres per day. Average consumption of 190 l/prop/d is consistent with previous report years.	None.	Less manual exclusions required,
10	Consumption	Billed measured consumption increased by 2%, Billed unmeasured consumption same as last year.	Measured consumption increase attributable to meter optants and new connections.	None

Table	Description	Summary of Performance	Significant Issues	Methodology Changes since JR10
	Leakage	Total leakage of 50.3 MI/day, which is below annual leakage target of 52 MI/day, despite a very challenging winter.	Early onset of winter in late November and throughout December caused high level of leakage and distribution input. Significant increase of resources throughout the period up to March 2011 resulted in a recovery of Distribution Input and leakage.	None
	PCC	Unmeasured PCC increased by 2%, measured PCC same as last year		None
10a	Security of Supply	Index is 100, despite a dry year	Impact of long dry period could result in restriction if demand for water is very high.	None
10b	Water Balance components	N/a	Major abstraction meter failed in November at Littleton intake (may have been degrading previously). Have used secondary meter on works inlet, which is over reading by approx 20%. New meters to be installed summer 2011. This does not affect water into supply, only the raw water abstraction volumes. Dry year overall meant significant volumes of treated water 6000 MI operationally placed into raw water reservoirs to conserve reservoir stocks, shown as Treated water operational use.	None

Table	Description	Summary of Performance	Significant Issues	Methodology Changes since JR10
11	Mains Activities	The length of mains renewed was almost unchanged at 21.75 km (21.22 km last year). No mains were relined during 10/11. The number of lead communication pipes replaced as a result of infrastructure renewals work being undertaken on the distribution mains was 780. The number of lead CPs replaced as a result of customer requests was 752, making a total of 1532. The total number of lead services replaced was 1900. The total number of communication pipes replaced (all materials) increased significantly from 1094 in 09/10 to 2697.	Mains renewal due to increase to 60km in 2011/12. Lead CPs increasing due to 2010 change in policy – now replacing in conjunction with mains renewals.	New Line 6 added and subsequent Lines renumbered. Lead CPs replaced following customer requests now included in Line 10.
	Bursts	The number of mains bursts increased from 183 per 1000 km last year to 212.	This again reflects the effect of yet another exceptionally cold spell, during December and into January. Approximately 40% of these bursts were found by proactive methods, principally by the Leakage Team. An increase in resources (from 16 to 24 inspectors, plus secondments of flushing inspectors and others) helped to increase the percentage from 35% last year.	None
	Distribution Zone Studies	N/A	The company continues to use its mains rehab tool, which supersedes the need to prepare Distribution Zone studies, although the tool has the facility to do this if needed. It allows the Company to prioritise investment on relevant drivers. These are currently bursts, iron failures and leakage.	None

Table	Description	Summary of Performance	Significant Issues	Methodology Changes since JR10
11a	Turbidity		<p>We have been unable to report on one treatment works: Forum, due to insufficient samples. This works has been out of service for extended periods due to periods of increased raw water turbidity.</p> <p>If turbidity results from this treatment works had been able to be included within the data return then all of the works would have been expected to have been included within Line 2 i.e. with a 95%-ile less than 0.5 NTU.</p>	
	Unplanned Maintenance	Lower than last year and under the reference level	None	None
	WTW coliform compliance	During 2010 there were 3,345 compliance samples taken at treatment works for coliform analysis. Failures were recorded at two Treatment Works. A figure of 0.06% has been entered.	None	None
	Serviceability	Infrastructure and Non-Infrastructure serviceability are reported as stable.	Based on weather-adjusted bursts.	Assessment made using the Ofwat toolkit.
12	Source types and pumping	Number of sources unchanged from last year. Greater proportion used from river abstractions rather than impounding reservoirs, to maintain reservoir levels.	Continuing dry spell would require greater use of river abstractions.	None
	Pumping Head	Higher QH for 2010/11 (159.7m) compared to 2009/11 (153.3m) due to greater use of Higher Pumping Head Northern Sources	Greater pumping from higher head Northern Sources due to low rainfall in region, not recharging Mendip Impounding Reservoirs which use lower pumping head systems	None
	Potable Mains	Small increase in length of Band 1 mains		None
18,18c,18d & 19	Historical cost accounts	PBT reduced by £10.7m. £5m due to increased interest cost, and £5.3m due to	Issue of £40m bond.	None

Table	Description	Summary of Performance	Significant Issues	Methodology Changes since JR10
		increased IRC.		
21, 21 a and b	RAG4-Operating cost analysis	Operating costs have fallen in real terms by £1m.	Long spell of very cold weather during the winter increased the reactive infrastructure maintenance costs.	Table 21 basis of allocation have been brought in line with the accounting separation tables 21 a and b. The main effect is on power, which would previously have been allocated R&T 55%:Distribution 45%. Following the change, mainly due to the reallocation of high lift pumps to water treatment from treated water distribution, power is allocated R&T 78%:Distribution 22%. This effect follows through to general and support where items are pro-rated according to direct costs, which include power.
20,23,24,25 a and c, 26-29	Current Cost Accounts	PBT reduced by £10.7m. £5m due to increased interest cost, and £5.3m due to increased IRC.	Issue of £40m bond. The calculation of the financing adjustment is not in accordance with the reporting requirements, as it includes the indexed-linked debt in the calculation. This was brought to the attention of Ofwat in 2007, when we explained the reporting requirements were incorrect.	None
30 & 31	RAG5- Transactions with Associated companies	The relevant transactions are with the same companies (BWBSL, ASTS and Agbar UK) and at similar values to last years	The turnover received by Cordon Sanitaire (non-appointed business) from BWplc has reduced dramatically during the year.	None
33 & 34	Analysis of CCD and analysis of Capex by asset life	In comparison with the FBP, the CCD is lower due to non-infrastructure maintenance being deferred while awaiting the outcome of the appeal to the competition commission.	Table 34 does not agree with table 32 as 32 is gross of grants, and 34 is net. £13k of non-infrastructure grants were received in 2011. This is in line with the reporting requirements.	None

Table	Description	Summary of Performance	Significant Issues	Methodology Changes since JR10
			Table 33 includes £142k CCD on assets which had a nil NBV prior to the revaluation, and were both revalued and relifed. This CCD is charged directly to reserves and therefore is not included in the depreciation charged to the P&L.	
32 – 37	Capital Expenditure	Expenditure lower than FD10 allocations. We do not consider that this had a significant effect on delivery of required outputs	CC referral had major impact on our ability to raise finance and hence limited our capital spend. Programme reviewed to reschedule but aimed at minimising impact on service and required outputs.	Includes additional category for variance covering PR04 schemes carried over.
39	Land Sales	None	None	None
41	Health & Safety	The rate of days lost due to sickness, accidents and occupational ill health has increased by 9%. Accident rates have also shown a slight increase. .	None	Additional contractors have been included.
42	Carbon	Net carbon footprint in 2010/2011 was 49,334 tonnes CO ₂ e. This is approximately 4,000 tonnes higher than in 2009/2010.	Increase in carbon footprint due to marginal increase both in energy use and in standard emission factor associated with grid electrical energy.	Table 42 is a new table for JR11 although most of the information was presented in JR10 (and some was also presented in JR09) in the Board's Overview as a Carbon Accounting Appendix. In addition to this change, the information presented no longer includes a separate calculation according to the definitions given in the CRC-EES, which was previously required in JR10.



Appendix B
Condition F – RAG5.04 Compliance Statement



RAG5.04 Compliance Statement - COMMERCIAL IN CONFIDENCE

The Directors confirm that subject to the materiality threshold the company has complied with Condition F of its Licence and to the best of their knowledge declare that:

1. All appropriate transactions with associated companies have been disclosed.
2. Transactions with associated companies are at arm's length and no cross subsidy are occurring.

The Directors confirm that the company is committed to the principles and objectives laid down in RAG 5.04 and that procedures exist within the company to ensure compliance.

To this end no director has acted in a way that permits him to influence any transaction so that he could be both provider and receiver of a service between Agbar UK or other related companies and the appointed business other than in respect of:

- Bristol Wessex Billing Services Limited, which provides billing services (on a cost sharing basis with Wessex Water) for Bristol Water plc.
- The £68.5m inter-company loans to the ultimate UK parent company (Agbar UK limited).
- Inter-company dividends.
- Surrender of Group tax relief and payment at value for such surrender.
- Allocation of shared expenses / management charges.
- Appointment and remuneration of Directors/officers who are also Directors and/or officers of other Bristol Water Group Companies.
- Directors may identify services that could be provided by Agbar companies to Bristol Water plc subject to full compliance with RAG5 procedures.
- Water Companies Pension Scheme (WCPS). WCPS operates a pension scheme for a number of water and other companies. Bristol Water plc has a separate section within WCPS. Alan Parsons is a director of WCPS.

Where there is any potential conflict of interest the Directors involved are careful to declare and note any such conflicts respectively and are not involved in related decision making.

Some Directors of Bristol Water plc are also directors of other Bristol Water Group or Agbar Group companies but there is no material trade at present other than allocation of shared expenses / management charges.