



## News Release

22/10

18 June 2010

### **CC PROVISIONALLY AGREES SMALL PRICE RISE IN BRISTOL WATER APPEAL**

The Competition Commission (CC) has provisionally decided that Bristol Water can make a small increase in the prices it charges its customers above the five-year price limits previously set by Ofwat.

Ofwat referred an appeal from Bristol Water plc to the CC in February 2010, following the water supply company's decision to reject the regulator's final determination on price limits for the period 2010–2015, broadly on the grounds that they were too low.

After a detailed assessment, the CC has provisionally decided that Bristol Water should be permitted to raise its bills by an average of approximately 2.3 per cent a year after inflation—in comparison to Ofwat's original determination of an average 1.7 per cent rise a year after inflation. Bristol Water had sought an annual rise of 6 per cent after inflation. By 2014/15, the CC estimates that our provisional findings would increase annual water bills by some £4 over Ofwat's determination, while Bristol Water sought an additional £34. The CC's figure is a provisional estimate which may be subject to further adjustment when it issues its final determination, which it is required to do by 6 August 2010. The CC's provisional findings are available on its [website](#).

Appeal Group Chairman, Laura Carstensen said:

Our provisional findings would involve a relatively small rise above the price limits set by Ofwat. A decision to raise bills to customers, albeit only modestly, is only taken after very careful thought and consideration of the evidence. Indeed we rejected several projects proposed by Bristol Water, which would have increased its expenditure and hence bills, as well as upholding Ofwat's judgment in a number of other areas.

However, we provisionally agreed that some extra expenditure—for example, to increase the rate at which Bristol Water can replace mains or to help reduce leakage—was necessary to maintain the quality of service it provides to its customers.

The CC looked in detail at the various components used in setting the price limit, assessing submissions and information supplied by Bristol Water, Ofwat and third parties including CCWater, as well appointing its own independent engineering consultants. The work included assessing several specific projects to maintain and improve service quality and resilience; looking at how Ofwat's methodology for ensuring efficient and well planned expenditure had applied in Bristol Water's case; assessing operating expenditure on costs such as pensions, bad debts and energy and coming to a decision on Bristol Water's cost of capital. The CC has provisionally decided that its cost of capital should be 5 per cent, which is slightly lower than the figures proposed by Ofwat (5.5 per cent) and Bristol Water (6.7 per cent).

Comments on our provisional findings are welcome and should be submitted by 1 July 2010. They should be made in writing to: [BristolWater.Ofwat@cc.gsi.gov.uk](mailto:BristolWater.Ofwat@cc.gsi.gov.uk) or:

The Inquiry Manager  
Bristol Water Price Appeal  
Competition Commission  
Victoria House  
Southampton Row  
LONDON  
WC1B 4AD

#### **Notes for editors**

1. The CC is an independent public body, which carries out investigations into mergers, markets and the regulated industries.
2. The Water Industry Act 1991 requires Ofwat in accordance with the terms of Bristol Water's licence to refer any disputed determination of price limits to the CC for determination.
3. Ofwat's final determination is at [www.ofwat.gov.uk/pricereview/pr09phase3/det\\_pr09\\_finalfull.pdf](http://www.ofwat.gov.uk/pricereview/pr09phase3/det_pr09_finalfull.pdf). Bristol Water's appeal 'in a nutshell' is at [www.bristol-water.co.uk/uploads/news/nutshell.pdf](http://www.bristol-water.co.uk/uploads/news/nutshell.pdf).
4. The members of the Bristol Water Appeal Group are: Laura Carstensen (Group Chairman), Roger Davis, Richard Farrant, Professor Robin Mason and Edward Smith.
5. Enquiries should be directed to [Rory Taylor](#) on 020 7271 0242.