

# Bristol Water Challenge Panel Annual Report 2021/22



CHALLENGE  
PANEL

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## FOREWORD

Our relationship with water broadened perceptibly due to the intense two years of the Covid-19 pandemic. Environmental, public health, recreational, essential worker status and many more issues were widely discussed, irrespective of the speaker's age, gender, level of disposable income or geographical location.



Mrs Peaches Golding OBE CST  
Independent Chair  
Bristol Water Challenge Panel

Daily news bulletins reinforced the role of water in new contexts for most of public. Among the key messages were:

- Wash your hands frequently
- Sanitise surfaces
- Take daily exercise out of doors
- Work from home where possible

Having access to clean water became implicit in the messaging. Washing hands and surfaces require water. The peace and quiet of walking along a local stream or driving a short distance to a lake, coast or reservoir become highlights of the week, good for both mental and physical health. The unseen workers that kept water flowing from the taps while the rest of us sheltered from the virus receive the praise of Queen Elizabeth II.

Throughout lockdowns and the gradual increase of freedoms to mix and mingle with others, as customers, our expectations of Bristol Water (and the water industry) were that the supply of water, the resilience of the network, the management of Covid-related sickness and absence together with the promises made to customers would continue undented and undisturbed.

The global scarcity of fresh water was a key topic for discussion during the UN Climate Change Conference (COP26) held in Glasgow in November 2021. 197 parties participated in this high-profile global conference. COP26 raised yet further the importance of the natural environment, biodiversity as well as the challenges of water shortages facing rapidly growing communities.

Running alongside the management challenges presented by Covid-19 was a regulatory conflict also requiring the attention of the management of Bristol Water. The Competitions and Markets Authority (CMA) and Ofwat (the water regulator) approved the Bristol Water business plan for the period of 2019 to 2024 in March 2021.

Quite unexpectedly, in June 2021 the Pennon Group bought Bristol Water with a view to integrating the company into its South West Water and Bournemouth Water companies. The process of management integration necessarily demands management time as does operational excellence. While customers may have been less aware of these activities, the Bristol Water Challenge Panel (Challenge Panel) continued to focus on how the Pennon Group met the customers' expectations set out in the agreed Bristol Water business plan.

The Annual Report of the Challenge Panel sets out the scrutiny carried out during the year in the form of challenges to the company and the company's response to such. Neither Covid-19 nor the boardroom activities deterred us from examining in detail the performance of Bristol Water or how it would begin planning for the customer research needed to underpin the PR24 business plan. Like many organisations, we swiftly adapted to using online video-conferencing tools to hold meetings, both with the company's representatives and in camera. Although we were unable to make visits as part of our educational programme to Bristol Water's infrastructure or offices across the region, we were able to hold the company to account for its performance over the year.

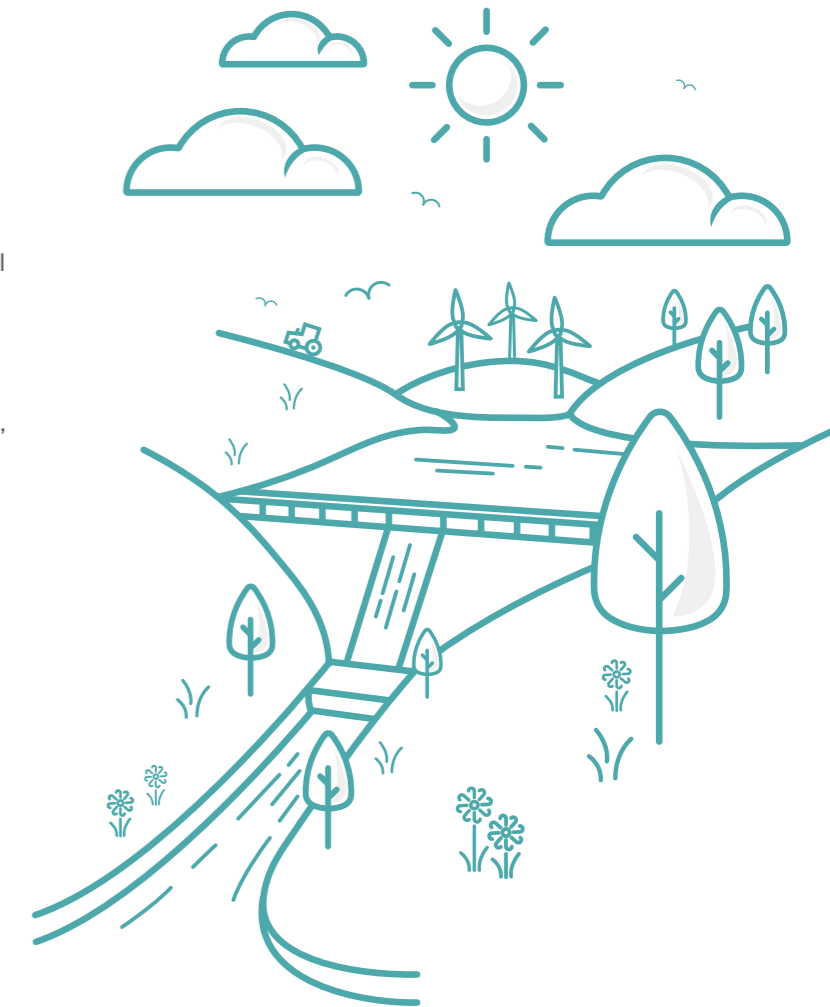
In conclusion, this report helps to demonstrate the independence of the Challenge Panel from Bristol Water, informs customers of our actions on their behalf, and assists Bristol Water in being transparent in all its customer-facing aspects.

After all, water is essential for life. The cornerstone of the work of the Challenge Panel is to ensure that customers obtain the fair financial and performance promises set out in Bristol Water's business plan. In summary, consumers expect that fresh, clean, colourless, and odourless water is available through our taps, day in and day out, regardless of weather, pandemics or other foul conditions and that affordability and impact on the environment meet the standards agreed through customer involvement.

As the independent Chair of the Challenge Panel, I am incredibly grateful to the Challenge Panel members for unstintingly fulfilling their responsibilities in examining critically and in detail the work of Bristol Water and how well it meets the promises made to customers during 2021 to 2022 without prejudice, favour, or fear. Challenge Panel members have contributed generously to our deliberations, using their subject expertise, local government representational perspective and regulatory knowledge. Their input strengthens our independence as well as our effectiveness.

My sincere thanks also go to Anthony Denham, Independent Deputy Chair of the Challenge Panel and Jeremy Hawkins, Report Writer to the Challenge Panel for their enormous support of both me as Independent Chair and the Challenge Panel as a whole.

Lastly, my thanks to the Board and senior staff of Bristol Water for providing secretariat, reports and briefings, opportunities to participate in various consultations and responses to our challenges. The openness and transparency of their actions and the ease of working together to strengthen the company's practices, outlook, and processes for the benefit of consumers is greatly appreciated. I look forward to having similarly excellent relationships with the leadership of the Pennon Group as we work together to make Bristol Water the best company in the industry due to its responsiveness to its paying customers.



## EXECUTIVE SUMMARY

The independent Bristol Water Challenge Panel acts on behalf of customers and other stakeholders in a number of key areas.

It scrutinises the focus and effectiveness of Bristol Water's engagement with its customers in informing its current service offering and its future plans. It also reviews and challenges the company's performance against its economic, water quality and environmental regulatory obligations. Additionally, it monitors the design and implementation of the company's environmental and community Social Contract.

The Challenge Panel is independent of Bristol Water although it relies on the company's Board members and Senior Executives to provide information and to respond to its questions and suggestions. The Challenge Panel receives assurance on the reliability and accuracy of Bristol Water's performance information from the company's external assurer, Turner and Townsend.

The membership of the Challenge Panel comprises environmental regulators and independent individuals whose expertise spans utility operations and planning, health, local government, commerce, debt, farming, marketing, and a number of other specialties. It has an independent Chair and Deputy Chair. In addition to holding meetings of the whole Panel, the Panel also operates three sub-groups looking at customer engagement, the Social Contract, and the environment. All meetings, actions and challenges in the year were documented by the Challenge Panel. Many challenges resulted in the company altering its plans.

This Report documents the Challenge Panel's work and findings during the second year of the 2020 - 2025 business plan of Bristol Water.

The year was marked by the acquisition of Bristol Water by Pennon Group plc. Before its approval, the acquisition was subject to an inquiry by the CMA in which the Chair of the Challenge Panel participated. Throughout the inquiry period, the Challenge Panel received assurance from the company that its senior management team remained in place, that its service obligations were being met and its focus on high customer service was being maintained. The Challenge Panel's focus during the coming year will be on the progress and impact of the integration plan on Bristol Water's customers and on the company's PR19 service delivery performance and its planning activities for PR24.

The Challenge Panel found that the company's routine and bespoke customer engagement had been undertaken appropriately during the year and the results acted upon accordingly. It was heartening to see that the company improved its industry standing on a number of national customer satisfaction indices. The Challenge Panel also welcomed the company's effective use of its Youth Board to gather the views of future customers. The company's planning for the engagement for the next Price Review also commenced. This engagement activity will be a key focus for the Challenge Panel in the coming year.

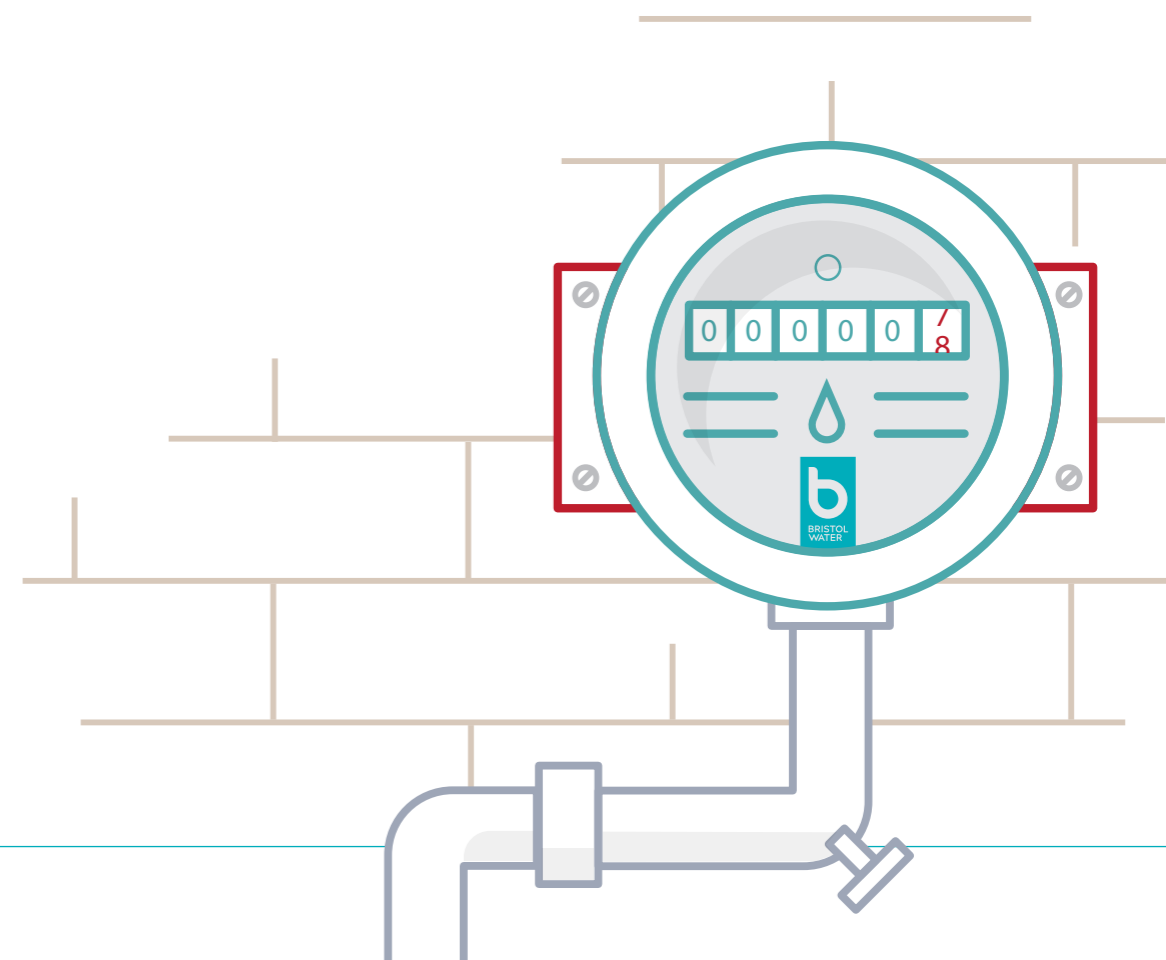
The Challenge Panel noted that Bristol Water's overall performance against its Ofwat PR19 commitments improved over the previous year. The increase in overall customer satisfaction, the fall in customer complaints and the increased numbers on the company's Priority Services Register (PSR) were welcomed. Dealing with water supply interruptions and leakage also improved and the company met its statutory environmental obligations. However, the Challenge Panel is concerned that performance against the key water quality compliance and water aesthetic metrics deteriorated. Reducing per capita consumption and meter penetration also remain challenges for the company. These areas of performance will be of particular focus for the Challenge Panel in the coming year as will the company's response to the emerging cost of living crisis and its identification of and assistance to customers who find themselves in financial distress.

In its review and challenge of the Bristol Water's Social Contract programme, the Challenge Panel found that the company made good progress and recovered some ground lost in the previous year due to the Covid-19 pandemic. The Social Contract work continues broadly along the lines set out at the start of the framework. The Challenge Panel reviewed and confirmed the relationship between the company's statutory environmental obligations and the environmental improvement work associated with its Social Contract. It was satisfied that there is separation between them. The Challenge Panel was pleased to learn that the company's identity is to be retained following its acquisition by Pennon and that its Social Contract work will continue for the foreseeable future.

Next year will see the water companies accelerating the development of their business plans for the next Price Review (PR24). These will be set in the context of rising inflation and affordability of bills and increased public focus and scrutiny of water availability, environmental pollution and sustainability. The Challenge Panel will have these issues at the forefront of its activities.

The integration of Bristol Water into the Pennon Group will have an impact on the customer research programme of the three Group companies. How the priorities of Bristol Water customers are fairly represented in the PR24 business plan is yet to be determined. There is much for the Challenge Panel to review and influence including confirming that future service improvements and investment costs are fairly borne by the Pennon Group rather than Bristol Water bill payers.

The Challenge Panel looks forward to continuing its work on behalf of Bristol Water's customers in the coming year.





## INTRODUCTION

The constant availability of water straight from our taps is often taken for granted. We expect that clean, odourless, clear, drinkable water will flow until the tap is turned off. Yet, much is required to ensure that people are not disappointed. The collection, purification and distribution of water is underpinned by many processes unseen to customers. It is fair to say that the smooth working of such a system is rather more complex than at first sight.

The role of the Challenge Panel is to act on behalf of customers to make sure that the promises made by Bristol Water for the supply of clean, fresh water are fulfilled. The Challenge Panel is independent from Bristol Water. The membership is a mixture of independent experts, local authority councillors and knowledgeable environmental regulators that ensures that we bring to the company a mixture of real-world interests, regulatory knowledge and local representation. As part of the transparency customers expect of the water industry, we carry out detailed, informed scrutiny on the performance of the business and the reliability of what it reports to customers and regulators. The Challenge Panel also pays great attention to non-regulatory matters, such as the Social Contract established by Bristol Water to enhance its impact on the social fabric where it operates. The Social Contract enables the company to develop relationships with a broad range of statutory, voluntary sector, education, and other partners. This initiative unites diverse parts of the business and the community. It is industry leading in its vision and implementation.

The Challenge Panel monitors whether Bristol Water does the basics consistently well and that customers, whether households or businesses, are satisfied with the service they receive. When circumstances occur that are unanticipated, such as drought, intense winds, broken mains pipes, the Covid-19 pandemic, or any other events, how the company responds is assessed. Where possible, Bristol Water's performance is compared with other water companies and challenged on behalf of the customer. Naturally, the Challenge Panel congratulates Bristol Water and its staff on achieving such promises and holds the company to account when it fails to do so. Our discussions and interrogations involve Bristol Water Board members as well as leaders in customer-facing or regulatory roles.

The implementation of the Bristol Water business plan confirmed by the Competitions and Mergers Authority (CMA) in March 2021 began during the year 2021 to 2022. However, shortly after Ofwat confirmed Bristol Water's PR24 business plan, the Pennon Group unexpectedly put in a bid to purchase Bristol Water, a decision that required both Ofwat's and the CMA's agreement.

This agreement made clear the need for competition within the industry, the potential loss of an exemplar of the targets where Bristol Water leads the industry and the preservation of the 'Bristol Water' brand name. It forbade any integration between the companies before the terms were settled. Prudently, Bristol Water continued to press ahead with operational performance improvements.

The result of Bristol Water's prudent approach to regulatory and ownership issues is detailed in this Annual Report. Bristol Water measures its performance against 29 detailed performance commitments, some of these are consistent across the water sector.

During the year, Bristol Water achieved or exceeded the performance required on 21 performance commitments and failed on eight performance commitments. Some of these commitments are qualitative, such as the Customer Measure of Experience (C-Mex) where Bristol Water is in sixth position across the water industry. Some commitments are reputational, such as the Priority Services Register which records the percentage of households on the Register. Failure on some commitments result in a financial penalty to Bristol Water. For example, the failure against the target required by the Drinking Water Inspectorate (DWI), one of the regulators for the water industry, caused the Challenge Panel great concern; we challenged Bristol Water as a basket of indicators describing water quality were deteriorating over time. Other commitments give Bristol Water a financial reward for its performance. The financial reward for the taste and odour of water is based on the number of customers that contact the company in this regard.

The Annual Report examines in detail each performance commitment, the assessment of the Challenge Panel, the impact of the performance on the company and, if required what remedial action the company will take to address its failures.

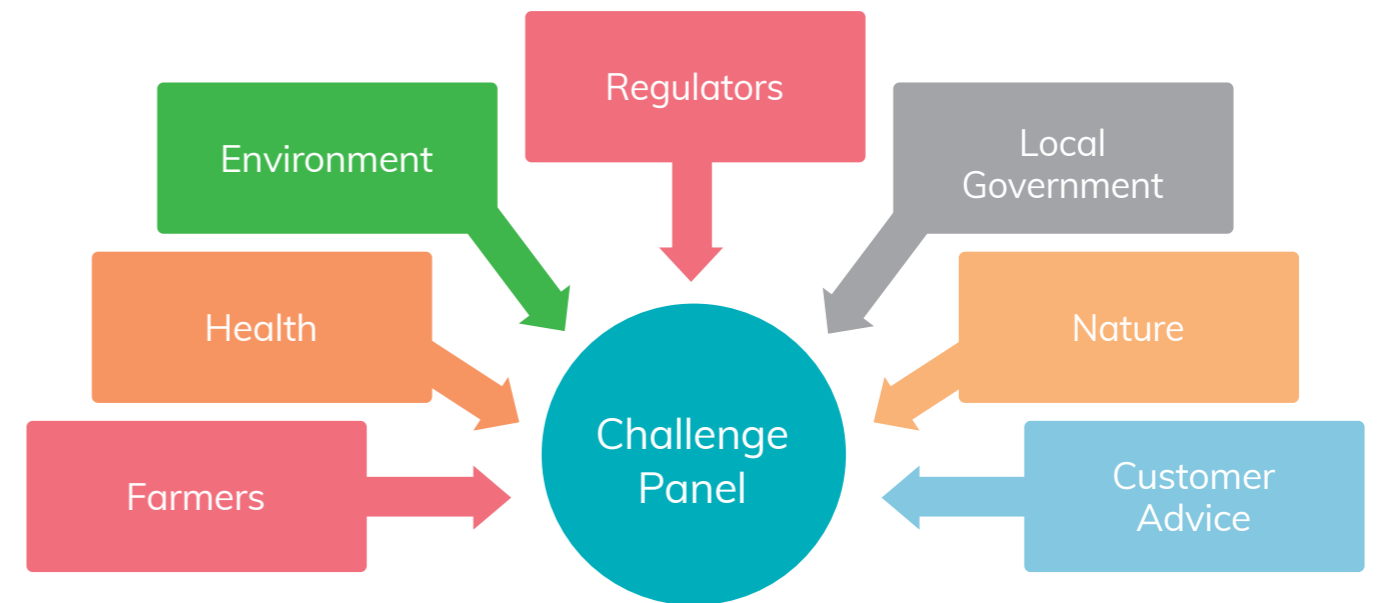
In order to carry out our role and function, the Challenge Panel relies on the cooperation of the Board and senior staff of Bristol Water who provide reports, organise meetings and respond to challenges put before it by the Challenge Panel. These secretariat function do not impinge upon the independence of the Challenge Panel as these functions enable the Challenge Panel to interrogate, question, scrutinise or compliment the company's performance.

The Challenge Panel is grateful to Bristol Water for its openness in enabling us to conduct our role and carry out our responsibilities on behalf of customers.

## CHALLENGE PANEL ACTIVITIES

### Members

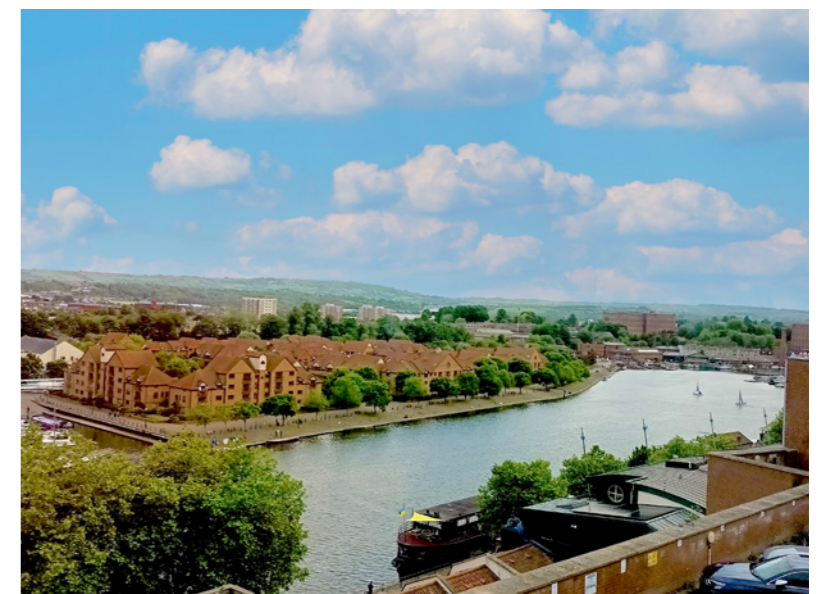
The Challenge Panel is composed of an independent Chair, Deputy Chair and Report Writer, together with the Consumer Council for Water, Environment Agency, Natural England, local councillors, and individuals drawn from several backgrounds, as shown in the diagram below.



Over the past few years our membership has changed slightly; the same organisations remain represented but due to career progression and the local elections in May 2021 and 2022 some individuals have changed. We are still expecting some local authorities to nominate additional members.

The Challenge Panel continually seeks to increase our membership in areas where our skill base is reduced; to assist this it will be carrying out a Skills Audit in 2022 after Ofwat have confirmed its requirements of the Customer Challenge Panels.

A full listing of the Challenge Panel members who have contributed to the work of the Challenge Panel during 2021/22 is given in Appendix 1



## Meetings

The Challenge Panel has reviewed and challenged Bristol Water policies on customer engagement and information assurance during the year.

The Challenge Panel has also received presentations from Bristol Water on its performance against its PR19 regulatory commitments during the year and has challenged the company on this. The Challenge Panel's review of Bristol Water's performance in 2020/21 is presented later in this report.

As 2021/22 was the second year of the new AMP7, the meeting numbering has continued from 2020/21. All the 2021/22 meetings were held via video conferencing.

The main Challenge Panel meetings also include an 'in camera' session, for members only, at the start and end of each meeting.

The Challenge Panel's meetings held during 2021/22 are shown in the table below along with the topics covered in each meeting and the numbers of actions arising from each. The meetings included the main Challenge Panel sessions plus its Customer Engagement (CESG), Social Contract (SCSG), and Environment (ESG) sub-Groups.

| Meeting                                  | Date         | Main areas for discussion   | Actions   |
|--|--------------|---|---|
| Customer Engagement Sub Group Meeting 04 | 12 May 2021  | <ul style="list-style-type: none"> <li>Customer Research &amp; Engagement</li> <li>Customer Experience</li> <li>Developer Experience</li> <li>Customer Survey</li> <li>PSR Survey</li> <li>Local Business Survey</li> <li>Customer Experience of Attributes Report</li> <li>Upcoming Engagement</li> <li>Vulnerability</li> </ul>   | <ul style="list-style-type: none"> <li>0</li> <li>2</li> <li>8</li> <li>1</li> <li>1</li> <li>1</li> <li>1</li> <li>1</li> <li>3</li> </ul> |
| Social Contract Sub Group Meeting 04     | 12 May 2021  | <ul style="list-style-type: none"> <li>Update on the CMA process</li> <li>Outstanding actions</li> <li>Education programme – future citizens</li> <li>Education programme – future employees</li> <li>Conservation programme</li> <li>Regional strategies programme</li> <li>Resource West</li> <li>Bristol Water's 175th birthday plans</li> <li>Forward look</li> </ul> | <ul style="list-style-type: none"> <li>1</li> <li>1</li> <li>3</li> <li>4</li> <li>3</li> <li>3</li> <li>0</li> <li>0</li> <li>0</li> </ul> |
| Challenge Panel Meeting 05               | 23 June 2021 | <ul style="list-style-type: none"> <li>Chair update</li> <li>iNED Update</li> <li>Pennon update</li> <li>Minutes, actions and challenge log</li> <li>Sub-Group Updates</li> <li>Annual Performance Summary 2020/21</li> <li>Reporter assurance summary</li> <li>Regulatory updates</li> </ul>   | <ul style="list-style-type: none"> <li>0</li> <li>0</li> <li>2</li> <li>1</li> <li>0</li> <li>6</li> <li>0</li> <li>1</li> </ul>            |

|  |                   |   |   |
|--|-------------------|---|---|
| Environment Sub Group Meeting 02         | 16 September 2021 | <ul style="list-style-type: none"> <li>Habitat Value Score</li> <li>Habitat Value and river assessments</li> <li>Ash dieback management schemes</li> <li>Biodiversity Index assessment bias</li> <li>Biodiversity Index performance stretch</li> <li>Lake interventions and to algal bloom reduction</li> <li>Performance results</li> <li>WCWRG assessment of private water supplies</li> <li>Future ESG meetings</li> <li>Biodiversity Index and the Social Contract</li> <li>Independent Chair for the WCWRG</li> <li>Raw water quality information</li> </ul> | <ul style="list-style-type: none"> <li>1</li> <li>1</li> <li>3</li> <li>2</li> <li>1</li> <li>2</li> <li>1</li> <li>1</li> <li>1</li> <li>1</li> <li>2</li> </ul> |
| Challenge Panel Meeting 06               | 22 September 2021 | <ul style="list-style-type: none"> <li>Chair update</li> <li>iNED Update</li> <li>Minutes, Actions and Challenge Log</li> <li>Sub-Group Updates</li> <li>Regulatory Update</li> <li>Vulnerability Action Plan</li> <li>Bristol Water Net Zero Carbon Strategy</li> <li>Charges 2022/23</li> </ul>   | <ul style="list-style-type: none"> <li>0</li> <li>1</li> <li>0</li> <li>1</li> <li>0</li> <li>5</li> <li>2</li> <li>0</li> </ul>                                  |
| Customer Engagement Sub Group Meeting 05 | 10 November 2021  | <ul style="list-style-type: none"> <li>Latest customer research &amp; engagement results</li> <li>Customer Experience</li> <li>Developer Experience</li> <li>Institute of Customer Survey update</li> <li>PR24 Framework</li> <li>Next six months engagement</li> <li>Vulnerability</li> <li>Actions from previous meetings</li> </ul>  | <ul style="list-style-type: none"> <li>1</li> <li>1</li> <li>0</li> <li>3</li> <li>2</li> <li>3</li> <li>1</li> </ul>   |
| Challenge Panel Meeting 07               | 15 December 2021  | <ul style="list-style-type: none"> <li>Chair update</li> <li>Minutes, Actions and Challenge Log</li> <li>Sub-Group Updates</li> <li>Regulatory Updates</li> <li>Mid-Year Performance Update</li> <li>CCW update</li> <li>Customer minutes lost</li> <li>iNED update</li> </ul>  | <ul style="list-style-type: none"> <li>0</li> <li>1</li> <li>3</li> <li>2</li> <li>1</li> <li>0</li> <li>0</li> <li>1</li> </ul>                                  |
| Customer Engagement Sub Group Meeting 06 | 1 March 2022      | <ul style="list-style-type: none"> <li>Customer Research &amp; Engagement</li> <li>Customer Experience</li> <li>Developer Experience</li> <li>Youth Board</li> <li>Institute of Customer Survey update</li> <li>Annual Surveys Update</li> <li>PR24 Framework</li> <li>Vulnerability</li> </ul>   | <ul style="list-style-type: none"> <li>0</li> <li>1</li> <li>1</li> <li>1</li> <li>0</li> <li>1</li> <li>1</li> <li>2</li> </ul>                                  |

|                                      |               |   |   |
|--------------------------------------|---------------|---|---|
| Social Contract Sub Group Meeting 06 | 1 March 2022  | <ul style="list-style-type: none"> <li>• Forward Programme</li> <li>• Challenge Panel feedback points</li> <li>• Graduate placements</li> <li>• Tree planting</li> <li>• Mentoring</li> <li>• Non-household consumption</li> <li>• Social Return on Investment</li> <li>• Conservation</li> <li>• Vegetable patches</li> <li>• Lakeside activities</li> <li>• Regional strategies</li> <li>• Academic partnerships</li> <li>• General points</li> </ul> | 0<br>1<br>1<br>1<br>1<br>3<br>0<br>4<br>0<br>0<br>2<br>0<br>3 |
| Challenge Panel Meeting 08           | 24 March 2022 | <ul style="list-style-type: none"> <li>• Chair update</li> <li>• Pennon update</li> <li>• Minutes, actions and challenge log</li> <li>• Sub-Group Updates</li> <li>• Health and Safety update – Storm Eunice</li> <li>• Charges scheme</li> <li>• Annual Performance Report</li> <li>• Environment update</li> <li>• Water Resources updates</li> </ul>   | 0<br>0<br>0<br>2<br>1<br>0<br>3<br>1<br>3                     |

The table shows the large spread of topics the Challenge Panel members have been involved with in 2021/22.

The Challenge Panel is grateful to Bristol Water for organising and hosting all the meetings listed above.

The Chair has attended seminars and workshops organised by Ofwat and others on diverse topics to do with PR24. These are now named Challenge Co-Ordinations Group meetings (COG).

The Chair has also attended selected Bristol Water Board meetings to keep them apprised of the Challenge Panel's view of the PR19 Business Plan. Challenge Panel members have been kept informed of the topics discussed and any resulting output.

## Meeting Actions and Challenges

### Methodology

Throughout the year the Challenge Panel logged all actions and requests for further information from Bristol Water. When an action is cleared by Bristol Water the Challenge Panel considers if it has resulted in Bristol Water changing any of its processes or assumptions. If so, then the action is transferred to the challenge log. Some actions are also transferred to the challenge log before they were cleared if they had potential to become challenges.

Previously the Bristol Water Board Independent Non-Executive Director (iNED), who attended the Challenge Panel's main meetings, considered that some issues arising in the meetings needed to be raised directly with the Bristol Water Board. The Challenge Panel had always welcomed this. However, with the integration with Pennon the iNED resigned in late 2021. The Challenge

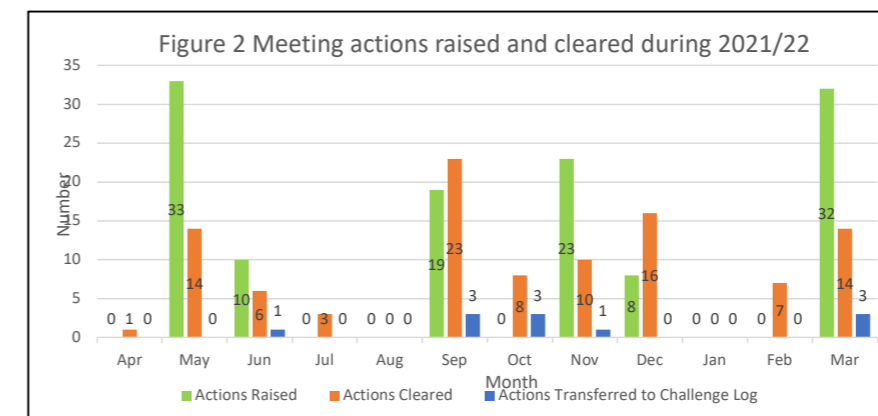
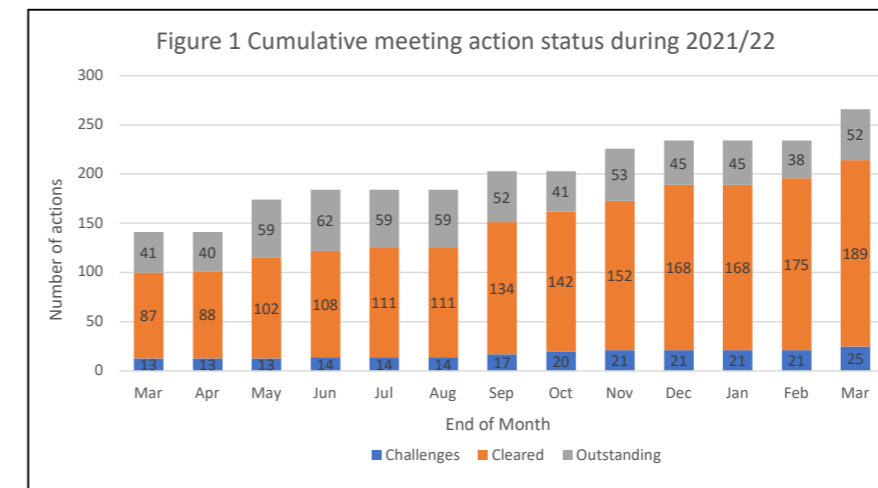
Panel hopes that a new iNED will attend its meetings in the coming year. All iNED actions arising from the Challenge Panel meetings have been included in the overall number of actions recorded.

### Meeting Actions

The number of actions raised during 2021/22 was 125, giving a total of 266 so far this AMP. 102 actions were cleared during the year, giving a total of 189 cleared so far this AMP. An additional 12 actions were transferred to the challenge log during the year.

Figure 1 shows the status of meeting actions log during the period.

Figure 2 shows when actions were raised and cleared during the year, including being transferred to challenges.



INED Issues

The Bristol Water iNED attended two Challenge Panel meetings during 2021/22 and raised three issues from the June 2021 meeting and two issues from the September 2021 meeting. All five issues were also logged in the meeting action log and are still outstanding. There were a total of 17 iNED raised issues outstanding at the end of 2021/22, which are included in the outstanding meeting actions and challenges as appropriate.

Challenges

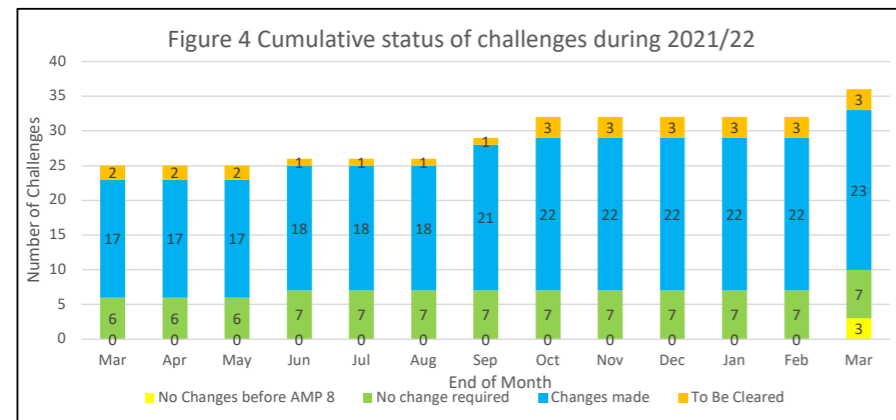
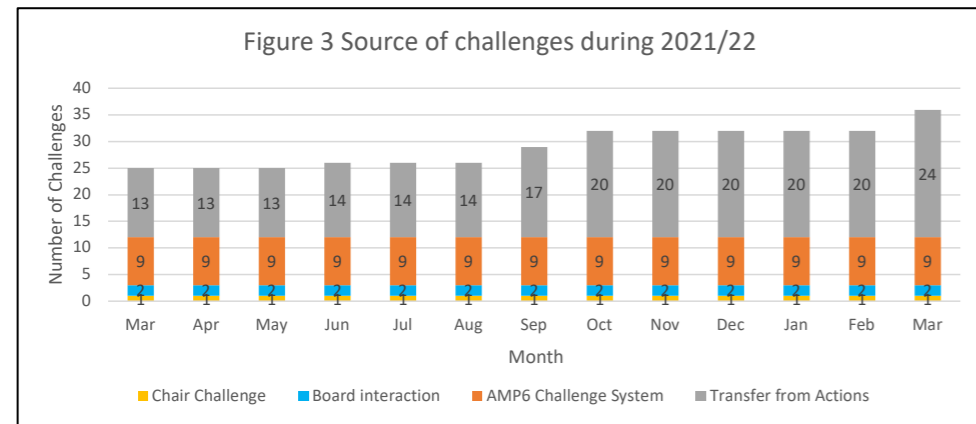
There were eleven meeting actions converted to challenges during 2021/22, which, when added to the twelve from previous years, gives a total of 36 challenges at the end of the period.

Figure 3 shows the source of all challenges during 2021/22.

Three challenges were identified and agreed as not to be cleared until after AMP7 so have been thus marked as such.

Figure 4 shows the cumulative status of the challenge log entries during 2020/21.

The increase of six challenges in the 'changes made' column in Figure 4 were all meeting actions that on being cleared by Bristol Water were found to have changed Bristol Water's process or assumptions.



Competition and Markets Authority

In June 2021 Pennon Group plc (Pennon) acquired 100% of the listed share capital of Bristol Water Holdings UK Limited and its subsidiaries including Bristol Water plc. Pennon owns South West Water which provides water and wastewater services in Devon and Cornwall, and small parts of Dorset and Somerset.

The Competition and Markets Authority (CMA) began two merger inquiries into the acquisition in September 2021.

One inquiry started in September 2021 looked at whether the merger would give rise to a substantial lessening of competition in the markets for the supply of retail water and sewerage services to non-household customers in both England and Wales and (separately) Scotland. The inquiry was completed in March 2022 and concluded that a substantial lessening of competition had not resulted or may not be expected to result from the merger.

A second inquiry began in December 2021 and looked at whether the merger would prejudice or would be likely to prejudice Ofwat's ability, in carrying out its functions, to make comparisons between water enterprises under the Water Industry Act 1991. This merger would be referred for a phase 2 investigation unless the parties offer acceptable undertakings to address the adverse impact of the merger on Ofwat's system of comparative regulation.

Pennon offered undertakings to provide separate reporting information for South West Water and Bristol Water which will enable Ofwat to maintain separate wholesale water price controls, with separate revenue controls and revenue limits, for South West Water wholesale water activities and Bristol Water wholesale water activities from 1 April 2025. These undertakings were accepted by the CMA and Ofwat and the CMA then cleared the merger in March 2022.

The Chair of the Challenge Panel participated in the third-party consultation which were formed as part of the CMA's inquiry. She wrote to the CMA in September 2021 setting out the Panel's views on the merger. The main points raised by the Chair included:

- The risk of reduced morale and loss of senior Bristol Water staff both during the CMA inquiry period and resulting from the merger and the detrimental impact of this on customer service
- The merger should result in no detriment to Bristol Water customers. Corporate assurance and performance as well as the outcomes and performance delivery of the Bristol Water as determined in its business plan 2020 to 2025 should be met in full, and reported against, during the period concerned
- The merger will mean that the water industry may lose an important exemplar in Bristol Water in key areas of innovation and performance, for example leakage, biodiversity, and the company's Social Contract
- The planning and implementation of the integration programme resulting from the merger would likely need additional staff support beyond the current staffing complements. Leadership, managerial and operational staff need to be able to focus on delivering the business plan rather than be deflected on implementation processes and programmes

Throughout the inquiry period, the Challenge Panel sought and received assurance from Bristol Water that its senior management team remained in place, that its service obligations were being met and its focus on high customer service was being maintained.

The Chair of the Challenge Panel received a warm email from the South West Water CEO on takeover day (7 March 2022) to welcome the Panel to the Pennon Group and to emphasise the Pennon view of the importance of customers. The Chair responded in a like manner.

At the end of the 2021/22 reporting year the company informed the Challenge Panel that it would be engaging with South West Water to shape the plan to integrate both companies. Integration would start in the customer support area and then move to operations. Bristol Water's operations would continue separately and on a 'business as usual' basis.

The Challenge Panel's focus during the coming year will be on the progress and impact of the integration plan on Bristol Water's customers and on the company's PR19 service delivery performance and its planning activities for PR24.



# CHALLENGE PANEL FINDINGS

## Information Assurance

The Challenge Panel continues to place great importance on the need for Bristol Water to provide its customers with clear, high-quality information on its service performance, on billing matters, operational issues and on engagement on its future plans. Customers' trust in the company is heavily dependent upon sound information.

In accordance with Ofwat's requirements Bristol Water has analysed the risks, strengths and weaknesses of its reported performance information and updated and published its Assurance Plan during the year. The analysis was undertaken by the company's Technical Auditor, Townsend & Turner.

As in previous years the company invited scrutiny and challenge from the Challenge Panel on its risk assessments and on its pre-publication draft Assurance Plan.

The Challenge Panel sought and received assurance from the company in February 2022 that any new or emerging information-related risks were included in the Assurance Plan.

In its Assurance Plan published at the end of 2021/22 the company identified 14 items as high-risk as a result of one or more of the following:

- The prioritisation of the impact of the risk of inaccurate reporting (regardless of the probability) as part of its risk assessment
- The company's independent technical assurer assessments for of its 29 PR19 Performance Commitment (PC) reporting methodologies and data for 2021/22, and
- The inclusion of new data items, for some of which the company has little data or experience in collating data

The company's Technical Auditor, Townsend & Turner, informed the Challenge Panel that material aspects of the reporting methodologies and data associated with the 29 PR19 (AMP7) PCs had been assigned a 'green' assurance assessment. This indicated that there is a low/medium risk of replicability in data and no weaknesses or deviations from the reporting method or guidance.

Townsend & Turner also confirmed to the Challenge Panel that its assurance process includes source data and the calculation of Outcome Delivery Incentives (ODIs).

The Challenge Panel was pleased to receive this assurance.

The Challenge Panel will continue to encourage the company to maintain its strong information reporting and governance processes to be able to consistently report accurate and reliable information to its customers and other stakeholders.





## Key points arising from of Bristol Water performance during 2021/22

This section identifies the key points and challenges arising from Bristol Water performance during 2021/22. The content is split into two parts; the first identifies the 22 PCs where the company has achieved the target and highlights where performance was maintained or improved from the year before: and the second identifies the seven PCs where Bristol Water has not achieved its target for the period.

For comparison, in the previous year (2020/21), the company met or exceeded 18 PC targets and fell short of 11 PC targets.

Bristol Water's 29 PCs and associated ODIs for AMP7 are set out in its PR19 Final Determination (FD) from Ofwat. Some of these have since been modified slightly by the outcome of the subsequent CMA Determination.

The PCs are distributed across three main Outcomes for customers. These Outcomes, the number of PCs associated with each and the company's performance in 2021/22 is summarised as follows:

| Outcome                                      | Total PCs | PC targets met in 2021/22 | PC targets missed in 2021/22 |
|--|-----------|---------------------------|------------------------------|
| Excellent Customer Services                  | 8         | 6 (5)                     | 2 (3)                        |
| Safe and Reliable Supply of Water            | 11        | 8 (6)                     | 3 (5)                        |
| Local Community and Environmental Resilience | 10        | 7 (7)                     | 3 (3)                        |
|  | <b>29</b> | <b>21 (18)</b>            | <b>8 (11)</b>                |

Figures in brackets show the numbers for 2020/21

Most PCs and associated ODIs reflect performance in the Ofwat reporting year, that is April to March. Water quality and waste disposal PCs are measured on a calendar year basis.

An overview of the performance against all the Performance Commitments is included in Appendix 2 and a detailed review, including the definition of each PC and ODI can be found on the Challenge Panel's web page.

In all cases Turner & Townsend has confirmed that both the company's reporting methodology and the resulting data for all the PCs and ODIs are sufficiently robust to enable the Challenge Panel to rely upon the published results.



## Targets met or exceeded in 2021/22

This section describes the 21 Performance Commitment targets achieved by Bristol Water during 2021/22. Reference is made to any associated out-performance ODI payments earned in the year.

### Outcome: Excellent Customer Services

#### C-Mex

| Unit         | Score (& industry position)                          |
|--------------|--|
| Actual 20/21 | <b>83.31 (6th position)</b>                          |
| Target 21/22 | No target. Industry position is determined by Ofwat. |
| Actual 21/22 | <b>82.86 (6th position)</b>                          |
| Target 22/23 | No target. Industry position is determined by Ofwat. |
| Target 23/24 | No target. Industry position is determined by Ofwat. |
| Target 24/25 | No target. Industry position is determined by Ofwat. |

Bristol Water achieved a C-Mex performance of 82.86 in 2021/22. This level of performance placed it sixth in the industry. The company achieved a score 83.21 in 2020/21 which also placed it sixth in the industry. In 2021/22 the frontier company scored 84.82 and the median was 80.43. These industry scores were lower than the previous year. Therefore, while its industry ranking was maintained, Bristol Water's C-Mex score fell slightly in 2021/22 from the previous year, as did the industry's.

The company's C-Mex performance in 2021/22 means it is likely to earn an outperformance payment (reward) of around £369,000 for this PC, but this is subject to confirmation by Ofwat.

The Challenge Panel notes that Bristol Water's ambition for C-Mex continues to be fifth in the industry. The Challenge Panel questioned why the C-Mex performance fell slightly from the previous year, and why the company's ambition was not met for the second year running. It was satisfied that Bristol Water had planned and strived to achieve the best C-Mex performance it could. While the company maintained its industry ranking, the Challenge Panel will encourage the company to improve in 2022/23.

#### D-Mex

| Unit         | Score (& industry position)                          |
|--------------|--|
| Actual 20/21 | <b>86.81 (8th position)</b>                          |
| Target 21/22 | No target. Industry position is determined by Ofwat. |
| Actual 21/22 | <b>85.26 (9th position)</b>                          |
| Target 22/23 | No target. Industry position is determined by Ofwat. |
| Target 23/24 | No target. Industry position is determined by Ofwat. |
| Target 24/25 | No target. Industry position is determined by Ofwat. |

Bristol Water achieved a D-Mex performance of 85.26 in 2021/22, down from 86.81 the previous year. This level of performance placed it ninth in the industry, down from eighth the previous year. The frontier company scored 91.27 and the median was 85.26. The frontier was higher than the previous year, while the median was lower.

The company's D-Mex performance in 2020/21 (specifically the achievement of an industry ranking of ninth) means it is likely that an incentive payment will not result for this PC, but this is subject to confirmation by Ofwat at the time of writing this report.

It is Bristol Water's ambition for D-Mex to be fifth in the industry. The Challenge Panel was disappointed that this ambition was not met, and that the company's D-Mex score and its industry ranking fell from the previous year. The Challenge Panel questioned the company about its improvement actions for D-Mex. It noted that the D-Mex performance scores (and relative industry position) were volatile during the reporting year. The Challenge Panel was encouraged to learn that Bristol Water was being proactive by holding market engagement days and that its Executive Team was focusing on improving management reporting processes and strengthening its Developer Services Team. The Challenge Panel noted that the company's D-Mex score improved towards the end of 2021/22 and expects the score to improve further in 2022/23. It will monitor the company's performance accordingly.

### Priority Services Register (PSR) services

| Unit         | % households registered on PSR |
|--------------|--------------------------------|
| Actual 20/21 | 2.6                            |
| Target 21/22 | 4.1                            |
| Actual 21/22 | <b>4.1</b>                     |
| Target 22/23 | 5.1                            |
| Target 23/24 | 6.1                            |
| Target 24/25 | 7.0                            |

| Unit         | % households registered on PSR (contacted) |
|--------------|--|
| Actual 20/21 | 35.5                                       |
| Target 21/22 | 35.0                                       |
| Actual 21/22 | <b>53.2</b>                                |
| Target 22/23 | 35.0                                       |
| Target 23/24 | 35.0                                       |
| Target 24/25 | 35.0                                       |

| Unit         | % households registered on PSR (attempted contact) |
|--------------|--|
| Actual 20/21 | 48.6   |
| Target 21/22 | 90.0   |
| Actual 21/22 | <b>91.1</b>  |
| Target 22/23 | 90.0   |
| Target 23/24 | 90.0   |
| Target 24/25 | 90.0   |

In 2021/22 Bristol Water significantly outperformed its targets on actual and attempted PSR contacts and equalled the target for the number of households registered on the PSR. In all cases it significantly improved its performance over the values for the three components reported in 2020/21.

The Challenge Panel welcomes the company's achievements on actual and attempted PSR contacts and on the number of households registered on the PSR.

The Challenge Panel noted the mention of Bristol Water's poor PSR performance in 2020/21 in Ofwat's Service Delivery Report. It understands the company's PSR targets were based on participating in a national data share. This didn't progress as anticipated in 2020/21 due to data protection issues and this impacted the company's ability to hit the target. The Challenge Panel was encouraged to see that during 2021/22 the company was actively looking at alternative ways to meet its PSR targets. It noted that, in conjunction with Western Power Distribution and Wessex Water, adverts were being printed on prescription bags to encourage people to register for Priority Services. This activity identified several postcodes that were not being picked up and this omission

was corrected. Bristol Water is reviewing if more can be done, for example targeting people over 80 or 90.

The Challenge Panel recognises the good work Bristol Water did during 2021/22 to achieve its PSR targets but will continue to press the company further during the coming year. It hopes that further progress can be made on the national data share.

### Satisfied vulnerable customers

| Unit         | % customers surveyed |
|--------------|----------------------|
| Actual 20/21 | 82                   |
| Target 21/22 | 85                   |
| Actual 21/22 | <b>89</b>            |
| Target 22/23 | 85                   |
| Target 23/24 | 85                   |
| Target 24/25 | 85                   |

The company achieved a score of 89% for this PC in 2021/22, exceeding the target of 85% (which remains the same each year during the AMP). The score in 2020/21 was 82% so there has been a significant improvement in 2021/22.

The Challenge Panel was pleased to see that the company's efforts to increase satisfaction levels in 2021/22 were successful. These included using case studies to better understand PSR customer needs, increased communication with PSR customers by letter and a data cleanse of the Register. The Challenge Panel will continue to monitor the company's measures to increase satisfaction levels and its performance against this commitment.

### Void properties

| Unit         | % household properties |
|--------------|------------------------|
| Actual 20/21 | 1.80                   |
| Target 21/22 | 1.90                   |
| Actual 21/22 | <b>1.80</b>            |
| Target 22/23 | 1.80                   |
| Target 23/24 | 1.80                   |
| Target 24/25 | 1.80                   |

Bristol Water's household void property score in 2021/22 was 1.80% and so outperformed the target of 1.90%. The corresponding void score in 2020/21 was also 1.80% of household properties so there was no change in 2021/22.

During the previous year, the Challenge Panel undertook a 'deep-dive' review of the company's void property

identification and management process. It was pleased to see the company continued to implement these in 2020/21 and achieve good performance against this commitment.

### Total customer complaints

| Unit         | Household complaints per 10,000 connections (industry upper quartile from previous year) |
|--------------|--|
| Actual 20/21 | 58.9   |
| Target 21/22 | 60.4   |
| Actual 21/22 | <b>38.7</b>  |
| Target 22/23 | Industry upper quartile (from 2021/22)   |
| Target 23/24 | Industry upper quartile (from 2021/22)   |
| Target 24/25 | Industry upper quartile (from 2021/22)   |

Bristol Water's total customer complaints per 10,000 household connections score in 2021/22 was 38.7, significantly outperforming the target of 60.4. The corresponding score in 2020/21 was 58.9.

The Challenge Panel was very pleased to note the company's performance in 2021/22 and the significant improvement over the previous year.

### Outcome: Safe and Reliable Supply of Water

#### Water supply interruptions

| Unit         | HH:MM:SS per prop per year |
|--------------|----------------------------|
| Actual 20/21 | 0:30:17                    |
| Target 21/22 | 0:06:08                    |
| Actual 21/22 | <b>0:02:31</b>             |
| Target 22/23 | 0:05:45                    |
| Target 23/24 | 0:05:23                    |
| Target 24/25 | 0:05:00                    |

Bristol Water's performance against this PC for 2021/22 was 0:02:31 HH:MM:SS, against the target of 0:06:08 HH:MM:SS. The corresponding score in 2020/21 was 0:30:17 HH:MM:SS. Thus, performance in 2021/22 improved significantly over the previous year and the company earned an outperformance (reward) payment of £343,000 as a result.

The Challenge Panel was pleased to see this improvement given that performance against this metric is very sensitive to large interruptions. During the year, it undertook a review of the company's systems and procedures for minimising the customer impact of supply interruptions including the extent and quality of network

asset information the company has and any risks there are associated with the reliance on operational software including back-up arrangements.

During 2021/22 the company's improved operational systems and processes worked well to mitigate supply interruptions and the Challenge Panel was pleased to see they have again been effective in dealing with a large water main burst in the current year.

### Mains repairs

| Unit         | Nr per 1,000km of mains |
|--------------|-------------------------|
| Actual 20/21 | 154.2                   |
| Target 21/22 | 136.5                   |
| Actual 21/22 | <b>106.4</b>            |
| Target 22/23 | 134.6                   |
| Target 23/24 | 132.7                   |
| Target 24/25 | 130.7                   |

This PC is common across the industry. It is reported as the number of mains repairs per thousand kilometres of the entire water main network (excluding communication and supply pipes).

The incentive is financial with underperformance (penalty) payments only. A performance collar is in place for this PC, beyond which incentive payments are fixed. Payments are made in period.

The company undertook 106.4 repairs per thousand km of mains in 2021/22 against a target of 136.5. The corresponding figure for the previous year was 154.2 so performance improved significantly. The Challenge Panel notes that the figure for 2020/21 was reported at the time to be 150.1. Bristol Water informed the Challenge Panel that the figure was subsequently revised to 154.2 following a query from Ofwat. This was to establish if 'repairs to repairs' were included in the performance metric. These are repairs to original repairs after they had been reinstated and resulting in a second excavation of the original repair. Bristol Water's originally reported value did not include these cases and therefore the number was recalculated and resubmitted to Ofwat's satisfaction.

Last year the Challenge Panel welcomed the new operational practices introduced by the company which aim to provide a continuous supply of water to customers.

As mentioned above, the Challenge Panel undertook a review of the company's systems and procedures for managing supply interruptions including those arising from mains bursts. It found that they had been effective in minimising the impact on customers. The Challenge Panel

noted that weather events which cause structural and operational problems on the pipe network during 2021/22 were lower than in the previous year and this helped the company's performance against this measure.

### Unplanned outage

| Unit         | % of peak week production capacity |
|--------------|------------------------------------|
| Actual 20/21 | 0.20                               |
| Target 21/22 | 2.34                               |
| Actual 21/22 | <b>1.74</b>                        |
| Target 22/23 | 2.34                               |
| Target 23/24 | 2.34                               |
| Target 24/25 | 2.34                               |

Bristol Water's outage performance in 2021/22 was 1.74%, better than the target of 2.34%, but worse than the 0.20% achieved in the previous year.

The Challenge Panel is pleased to note that the company met its target for 2021/22 but will monitor performance during the coming year to check for any further significant deterioration.

### Water quality contacts – taste and odour

| Unit        | Nr per 1,000 population |
|-------------|-------------------------|
| Actual 2020 | 0.35                    |
| Target 2021 | 0.36                    |
| Actual 2021 | <b>0.28</b>             |
| Target 2022 | 0.32                    |
| Target 2023 | 0.28                    |
| Target 2024 | 0.25                    |

The number of water quality contacts concerning taste and odour received by the company in 2021 was 0.28 per thousand population. This was below the target of 0.36. The number reported in 2020 was 0.35. The company earned an outperformance payment (reward) of £17,000 as a result of its performance in 2021.

The Challenge Panel welcomes the reducing trend with taste and odour complaints. It notes that many such complaints stem from internal plumbing systems and is pleased to see that Bristol Water continues to improve the information available to customers to help prevent such problems.

### Properties at risk of receiving low pressure

| Unit         | Nr properties below low pressure ref level |
|--------------|--|
| Actual 20/21 | 57   |
| Target 21/22 | 61   |
| Actual 21/22 | <b>11</b>                                  |
| Target 22/23 | 57   |
| Target 23/24 | 53   |
| Target 24/25 | 49   |

Eleven properties were reported as being at risk of receiving low water pressure in 2021/22 well below the target of 61. The corresponding number in 2020/21 was 57 so there has been a significant improvement over the year. Bristol Water earned an outperformance payment (reward) of £212,000 because of its performance in 2021/22.

The Challenge Panel welcomed the company's strong performance against this measure and encourages it to maintain this for the rest of the five-year period.

### Turbidity at water treatment works (WTWs)

| Unit        | Nr WTWs turbidity 95th percentile equals or exceeds 0.5 NTU threshold |
|-------------|---|
| Actual 2020 | 0   |
| Target 2021 | 0   |
| Actual 2021 | <b>0</b>  |
| Target 2022 | 0   |
| Target 2023 | 0   |
| Target 2024 | 0   |

Turbidity at WTWs in 2021 was zero, in line with the target. The performance in 2020 was also zero. The Challenge Panel welcomed this continuing good performance.

### Unplanned non-infrastructure maintenance

| Unit         | Nr jobs      |
|--------------|--------------|
| Actual 20/21 | 3,134        |
| Target 21/22 | 3,272        |
| Actual 21/22 | <b>3,026</b> |
| Target 22/23 | 3,272        |
| Target 23/24 | 3,272        |
| Target 24/25 | 3,272        |

The total number of unplanned non-infrastructure maintenance jobs reported by Bristol Water in 2021/22 was 3,026. This was better than the target of 3,272. The performance in 2020/21 was 3,134 unplanned non-infrastructure maintenance jobs.

The Challenge Panel welcomed the company's performance against this metric in 2021/22 and the continued improvement over the previous two years.

### Glastonbury Street network resilience

| Unit         | Expected nr months delay to deliver schemes |
|--------------|---|
| Actual 20/21 | 0   |
| Target 21/22 | 0   |
| Actual 21/22 | <b>0</b>                                    |
| Target 22/23 | 0   |
| Target 23/24 | 0   |
| Target 24/25 | 0   |

No delay to the delivery of the Glastonbury Street network resilience schemes has been reported in 2021/22.

Bristol Water confirmed to the Challenge Panel that the scheme is on track to be delivered within the five-year period as required by the FD.

### Outcome: Local Community and Environmental Resilience

#### Leakage

| Unit         | Three-year average (%) |
|--------------|------------------------|
| Actual 20/21 | -6.9                   |
| Target 21/22 | -11.4                  |
| Actual 21/22 | <b>-11.5</b>           |
| Target 22/23 | 15.8                   |
| Target 23/24 | 19.0                   |
| Target 24/25 | 21.2                   |

| Unit         | Three-year average (M/d) |
|--------------|--------------------------|
| Actual 20/21 | 37.9                     |
| Target 21/22 | 36.1                     |
| Actual 21/22 | <b>36.0</b>              |
| Target 22/23 | N/A                      |
| Target 23/24 | N/A                      |
| Target 24/25 | N/A                      |

| Unit         | Annual (M/d) |
|--------------|--------------|
| Actual 20/21 | 35.5         |
| Target 21/22 | N/A          |
| Actual 21/22 | <b>35.6</b>  |
| Target 22/23 | N/A          |
| Target 23/24 | N/A          |
| Target 24/25 | N/A          |

Bristol Water reduced its three-year average leakage by 11.5% in 2021/22, just outperforming the target of 11.4%. Its three-year average leakage level in 2021/22 was 36.0 M/d and the actual leakage volume in 2021/22 was 35.6 M/d. The company's three-year average leakage level reported in 2020/21 was 37.9 M/d.

The company's leakage reduction performance in 2021/22 earned it an outperformance payment (reward) of £16,000.

The Challenge Panel congratulates Bristol Water on its leakage performance in 2021/22. This continues the strong downward trend in the three-year average leakage levels in recent years and indicates the company's leakage reduction strategy remains effective. The Challenge Panel recognises that the company is one of the industry leaders in leakage reduction. However, it notes that actual leakage rose slightly during 2021/22 and that the company has identified the increasing challenges associated with further reduction in leakage levels. The Challenge Panel will continue to monitor performance during the coming year.

#### Raw water quality of sources

| Unit         | Three-year average (%) |
|--------------|------------------------|
| Actual 20/21 | 155                    |
| Target 21/22 | 216                    |
| Actual 21/22 | <b>239</b>             |
| Target 22/23 | 322                    |
| Target 23/24 | 427                    |
| Target 24/25 | 531                    |

The amount of phosphorous the company saved from being lost to the environment in 2021/22 was 239kg, against the target of 216kg. The amount saved in 2020/21 was 155kg so there was a strong improvement during the year which the Challenge Panel welcomes. The performance reported in 2021/22 earned Bristol Water an outperformance payment (reward) of £4,000.



During 2021/22 the Challenge Panel sought clarity on the company's use of hard interventions and the promotion of behavioural change by stakeholders (eg farmers) and reviewed source data and raw water quality sample analysis to see evidence of their impact. It also explored the relationship between the company's statutory environmental obligations and any additional environmental improvement work associated with its Social Contract.

The Challenge Panel reviewed, at a high level, the company's actions to improve raw water quality and the linkage of these with its Social Contract initiatives and with government policy and long-term strategic thinking. The company's algal bloom modelling, catchment management activities and interaction with farmers are ongoing. The Challenge Panel considers that the modelling is technically sound. It also recognises that catchment management and farmer interactions are delivering benefits, particularly where larger farms and other groups have been involved in the use of Farmscoper (a Defra developed decision support tool used to assess diffuse agricultural pollutant loads on a farm and quantify the impacts of farm mitigation methods on these pollutants).

The Challenge Panel considers there is scope both locally and nationally for greater partnership working. The Challenge Panel recognises that there are communication challenges working with third parties. It was encouraged to learn that Bristol Water recognises this and, while the company communicates directly with farmers, it also uses specialist consultants, who the farmers welcome. The understanding of discharges into the water environment by third parties needs strengthening and building relationships with such parties is key to improving this.

In the coming year, the Challenge Panel intends to seek clarity on the company's methodology used to calculate the amount of phosphorous saved from being lost to the environment.

### Biodiversity Index

| Unit         | Index         |
|--------------|---------------|
| Actual 20/21 | 17,668        |
| Target 21/22 | 17,678        |
| Actual 21/22 | <b>17,678</b> |
| Target 22/23 | 17,689        |
| Target 23/24 | 17,700        |
| Target 24/25 | 17,711        |

Bristol Water's Biodiversity Index score in 2021/22 was 17,678 and so met the target for the year. No incentive payment results from this performance. The Index score in 2020/21 was 17,668.

The Challenge Panel is pleased that the target was met.

The Challenge Panel reviewed how performance against the Biodiversity Index is measured and assured and how it translates into environmental improvements. It also reviewed source data and the relationship between the company's statutory environmental obligations and any additional environmental improvement work associated with its Social Contract.

The Challenge Panel obtained a good understanding of the basis of the Biodiversity Index metric and the company's work to improve biodiversity and its ambitions in this respect. It is satisfied the company is striving to improve biodiversity where it can and that the work it is doing is sound. The company's work in 2021/22 has been primarily maintenance and mitigation work to prevent deterioration in biodiversity. There has also been some biodiversity enhancement activity. The Challenge Panel also took an interest in the relationship between tree felling due to ash die back and maintaining biodiversity.

The Challenge Panel notes that the Biodiversity Index may become a common PC in the next Price Review period. It would welcome this as it then may be possible to assess companies' ambitions regarding improving biodiversity and to review comparative targets and performance.

### WINEP compliance

| Unit         | % schemes completed |
|--------------|---------------------|
| Actual 20/21 | 100                 |
| Target 21/22 | 100                 |
| Actual 21/22 | <b>100</b>          |
| Target 22/23 | 100                 |
| Target 23/24 | 100                 |
| Target 24/25 | 100                 |

Bristol Water has reported that all its WINEP schemes due for completion in 2021/22 were completed. The EA has confirmed this to the Challenge Panel. No outperformance payment (rewards) has been incurred because of the nature of the incentive regime for this PC.

The Challenge Panel is encouraged that the company is continuing to meet its WINEP commitments.

### Delivery of WINEP requirements

| Unit         | Met or Not Met |
|--------------|----------------|
| Actual 20/21 | Met            |
| Target 21/22 | Met            |
| Actual 21/22 | <b>Met</b>     |
| Target 22/23 | Met            |
| Target 23/24 | Met            |
| Target 24/25 | Met            |

Bristol Water has reported that it met all its WINEP requirements in 2020/21. The EA has confirmed this to the Challenge Panel. The company's WINEP requirements were also met during the previous two years.

The Challenge Panel is pleased that the company is meeting its WINEP commitments.

During 2021/22, the Challenge Panel reviewed the relationship between the company's statutory environmental obligations and the environmental improvement work associated with its Social Contract. It was satisfied that the Social Contract environmental initiatives are additional to the WINEP.

The Challenge Panel was encouraged upon hearing from both the Environment Agency and Natural England that their respective working relationships with Bristol Water on environmental matters and compliance issues are positive. Bristol Water's work with Wessex Water, West of England Nature Partnership and the Bristol Avon Catchment partnership, and the associated opportunities for co-funding environmental improvements, were also noted.

### Local community satisfaction

| Unit         | % stakeholders surveyed |
|--------------|-------------------------|
| Actual 20/21 | 88.2                    |
| Target 21/22 | 85.0                    |
| Actual 21/22 | <b>92.6</b>             |
| Target 22/23 | 85.0                    |
| Target 23/24 | 85.0                    |
| Target 24/25 | 85.0                    |

Bristol Water achieved a local community satisfaction score of 92.6% in 2021/22 against a target of 85.0%. The company earned an outperformance payment of £158,000 as a result. The score in 2020/21 was 88.2%.

The Challenge Panel welcomes the company's achievement against this PC. Last year it noted that only 52 stakeholders had been surveyed and only 17 had replied. The Challenge Panel was pleased to see that response rate increased to 27 out of 56 surveyed in 2021/22.

### Abstraction Incentive Mechanism (AIM)

| Unit         | Megalitres from baseline if AIM triggered |
|--------------|---|
| Actual 20/21 | N/A (AIM not triggered)                   |
| Target 21/22 | -186.1 from baseline (if AIM triggered)   |
| Actual 21/22 | <b>N/A (AIM not triggered)</b>            |
| Target 22/23 | -186.1                                    |
| Target 23/24 | -186.1                                    |
| Target 24/25 | -186.1                                    |

The Challenge Panel was pleased to note that the AIM was not triggered in 2021/20. It was also not triggered in the previous year.

## Targets missed in 2021/22

This section describes the seven Performance Commitment targets missed by Bristol Water during 2021/22. Reference is made to any associated under-performance ODI payments incurred in the year.

### Outcome: Excellent Customer Services

#### Customers in water poverty

| Unit         | % households |
|--------------|--------------|
| Actual 20/21 | 1            |
| Target 21/22 | 0            |
| Actual 21/22 | 1            |
| Target 22/23 | 0            |
| Target 23/24 | 0            |
| Target 24/25 | 0            |

In 2021/22 Bristol Water did not meet its target for this commitment, a similar result to 2020/21. The score achieved in 2020/21 was 0.70%, rounded to 1%, up from 0.63 % the previous year.

The Challenge Panel was informed by Bristol Water that water poverty in 2021/22, as defined by its PC, was affected by increased household consumption due to the rise in homeworking and school closures, coupled with a decrease in household income. The Challenge Panel understands this but, at the same time, continues to challenge the company over its awareness and preparedness for likely increases in customer debt and long-term indebtedness resulting from the pandemic and the worsening cost-of-living crisis.

As reported last year, the Challenge Panel is aware that difficulties arise for many people who can't use the phone to seek debt and payment advice and that such people are difficult to reach by the support agencies and that there are many people not coming forward for help. It understands that advice agencies haven't seen a significant increase in drop-in sessions because of the easing of the COVID 19 restrictions and are seeing increasing debt problems because of the pandemic and the cost-of-living crisis. The Challenge Panel continues to believe that companies need to be more innovative in finding individuals in debt and must be ready to flex to deal with any increase in water poverty.

The Challenge Panel was pleased to learn that Bristol Water continues to monitor the number of customers in debt and offers debt advice surgeries as part of its Social Contract work. The company has identified the geographic areas within its supply area with high poverty and that is focusing its efforts in these areas. The company increased its customer support during 2021/22 by providing discounted tariffs.

The Challenge Panel will continue to monitor the company's social tariff initiatives and its performance against this commitment.

#### Value for money

| Unit         | % customers surveyed |
|--------------|----------------------|
| Actual 20/21 | 83                   |
| Target 21/22 | 81                   |
| Actual 21/22 | 77                   |
| Target 22/23 | 82                   |
| Target 23/24 | 83                   |
| Target 24/25 | 83                   |

Bristol Water achieved 77% performance for this measure in 2020/21, down from 83% the previous year. The Challenge Panel is concerned that performance against this Commitment has now fallen after increasing in 2020/21.

The company informed the Challenge Panel that the Value for Money survey was conducted in early 2022 when increases in bills were being announced and after government financial support due to COVID 19 had ended.

The Challenge Panel agrees that these external factors may have had an impact on customers' perception of value for money for the services provided. It understands other water companies have experienced a similar effect. However, the Challenge Panel continues to have concerns over likely rising water poverty customer indebtedness as described in the section on water poverty above. During the coming year it will monitor any further rise in customer debt and how the company addresses this.

## Outcome: Safe and Reliable Supply of Water

### Water quality compliance

| Unit        | Compliance Risk Index (CRI) |
|-------------|-----------------------------|
| Actual 2020 | 3.02                        |
| Target 2021 | 0.00                        |
| Actual 2021 | 4.19                        |
| Target 2022 | 0.00                        |
| Target 2023 | 0.00                        |
| Target 2024 | 0.00                        |

Bristol Water's CRI score for 2021 was 4.19, against the target of zero. The corresponding score in 2020 was 3.02 so performance against this PC has fallen since then. The company incurred an underperformance (penalty) payment of £418,000 as a result of its performance in 2021.

The Challenge Panel is concerned that performance against this key measure has deteriorated. It appreciates that the metric is very sensitive to a small number of events. During the coming year, it will ask the company to illustrate this sensitivity with some examples.

The Panel challenged Bristol Water on its water quality performance in 2021/22 and whether it is in line with its business plan. The company informed the Challenge Panel that it is ahead of its target. It provided assurance that it is not complacent on its CRI performance. Its discolouration events were 35% below the previous year. The Challenge Panel was keen to understand where Bristol Water sits in the industry water quality league tables. This will become clear upon publication later this year of DWI's reports for 2021. However, it provisionally lies fifth to seventh and above the industry average for discolouration. The company said it is aiming to get into the industry upper quartile by 2025.

The company assured the Challenge Panel that the DWI is not concerned about its general water quality performance, and that the water quality regulator has confidence in and trusts the company to take the appropriate action in the light of problems. Bristol Water is not on DWI's company 'transformation list'.

The Challenge Panel will continue to encourage the company to achieve the highest possible water quality it supplies to its customers.

### Risk of severe restrictions in a drought

| Unit         | % population at risk |
|--------------|----------------------|
| Actual 20/21 | 56.9                 |
| Target 21/22 | 29.8                 |
| Actual 21/22 | 32.9                 |
| Target 22/23 | 29.8                 |
| Target 23/24 | 29.8                 |
| Target 24/25 | 25.6                 |

32.9% of the company's population was calculated as being at risk in 2021/22 of severe restrictions in a drought. This is above the target of 29.8%. The figure for 2020/21 was 56.9% so there has been an improvement.

As noted in previous years, Bristol Water's single water resource zone significantly impacts performance against this PC. Most other companies operate multiple resource zones. The company has explained to the Challenge Panel that its single zone enables it to move water effectively around its area. Resilience of the network is high because of this. The Challenge Panel understands this. It also notes that if Bristol Water continues to outperform its leakage targets, the risk of severe water restrictions will continue to reduce.

During 2021/22 the Challenge Panel discussed the company's emerging assumptions associated with its forthcoming Water Resources Management Plan (WRMP). It focused on the opportunities for water sharing with other regions and the extent of knowledge of private water supplies in the company's area and the security of these. The Challenge Panel will review the draft WRMP, and its impact on customers and the environment, when it's published later in 2022.

Bristol Water is a member of the West Country Water Resources Group (WCWRG), along with South West Water and Wessex Water. The WCWRG is tasked with assessing and planning future water resources in the west country region and investigating the feasibility of transferring surplus resources to areas of the country that are water stressed. The Challenge Panel has continued to express concern to the company that the governance structure of the WCWRG does not include customer representation. It has welcomed the company's lobbying efforts to address this, and it understands the governance of the WCWRG is currently being reviewed. The Challenge Panel will continue to monitor developments.

### Water quality contacts - appearance

| Unit        | Nr per 1,000 population |
|-------------|-------------------------|
| Actual 2020 | 1.07                    |
| Target 2021 | 0.73                    |
| Actual 2021 | <b>1.11</b>             |
| Target 2022 | 0.63                    |
| Target 2023 | 0.53                    |
| Target 2024 | 0.43                    |

The number of water quality customer contacts concerning appearance received by Bristol Water in 2021 was 1.11 per thousand population. This was above the target of 0.73. The number reported in 2020 was 1.07. The company incurred an underperformance payment (penalty) of £67,000 as a result of its performance in 2021.

The Challenge Panel was disappointed to see that the company again failed to meet its target and that performance has now worsened over the previous two years and is currently not on track to deliver the reduction set out in its business plan.

The company has explained that a dedicated resource has been recruited to investigate the underlying causes of discolouration and identify the relevant intervention required to reduce the risk of it recurring. The Challenge Panel also understands the company is working with external stakeholders such as the local fire service and standpipe users to provide training and to raise awareness of risks of discolouration.

The Challenge Panel notes that Bristol Water has agreed an undertaking with the Drinking Water Inspectorate (DWI) to reduce discoloured water. The Challenge Panel will review progress against this undertaking during the coming year.

### Outcome: Local Community and Environmental Resilience

#### Per capita consumption

| Unit         | Three-year average (%) |
|--------------|------------------------|
| Actual 20/21 | 2.7                    |
| Target 21/22 | -2.6                   |
| Actual 21/22 | <b>3.5</b>             |
| Target 22/23 | -3.9                   |
| Target 23/24 | -5.1                   |
| Target 24/25 | -6.3                   |

| Unit         | Three-year average (l/h/d) |
|--------------|----------------------------|
| Actual 20/21 | 152.9                      |
| Target 21/22 | 145.0                      |
| Actual 21/22 | <b>154.1</b>               |
| Target 22/23 | N/A                        |
| Target 23/24 | N/A                        |
| Target 24/25 | N/A                        |

| Unit         | Annual (l/h/d) |
|--------------|----------------|
| Actual 20/21 | 161.1          |
| Target 21/22 | N/A            |
| Actual 21/22 | <b>154.7</b>   |
| Target 22/23 | N/A            |
| Target 23/24 | N/A            |
| Target 24/25 | N/A            |

Bristol Water's reported three-year average household PCC increased by 0.8% in 2021/22, against a target reduction of 2.6%. Its three-year average PCC in 2021/22 was 154.1l/h/d and the actual PCC in 2021/22 was 154.7 l/h/d. The company's PCC reported in 2020/21 was 161.1 l/h/d so there has been a reduction since then.

An underperformance payment (penalty) of £273,000 would have been incurred as a result of the company's performance in 2021/22. However, the Challenge Panel notes that, due to the pandemic, Ofwat has proposed a change to the timing of the PCC ODI in that the incentive be determined at the end of the price control period rather than 'in period' as defined in the FD.

The company explained that PCC went up in the previous year due to increased home working resulting from the pandemic. The Challenge Panel accepted this and noted that there was a corresponding fall in non-household consumption to prove this. For 2021/22 Bristol Water considers that, while home working has continued, many other water consumption behaviours have returned to pre-pandemic levels.

The Challenge Panel notes that influencing customer behaviour in the future, including water consumption, forms part of the company's customer and community focussed Social Contract. The Challenge Panel had welcomed this innovative approach and was involved in its planning and the monitoring of performance.

The pandemic stifled some of the company's Social Contract initiatives in 2020/21 but many progressed in 2021/22. Water usage education campaigns are ongoing, including Bristol Water's Foundation website which covers the value of water and ways of reducing usage.

As reported in 2021, the Challenge Panel believes that to create step change in customer behaviour, there must be greater partnerships at national level with more energy. Bristol Water is using its involvement with the Resource West as its main vehicle for change. Resource West is a partnership of local stakeholders (including councils, water companies, energy companies, waste companies) which aims to facilitate transformational shifts in consumer behaviour to reduce consumer consumption and waste.

The Challenge Panel welcomes Bristol Water's involvement with Resource West. It intends to undertake a 'deep dive' challenge on the effectiveness of this partnership during the coming year.

The Challenge Panel will also continue to monitor the company's other initiatives to reduce PCC.

### Meter penetration

| Unit         | % household properties |
|--------------|------------------------|
| Actual 20/21 | 60.26                  |
| Target 21/22 | 69.50                  |
| Actual 21/22 | <b>62.41</b>           |
| Target 22/23 | 71.30                  |
| Target 23/24 | 73.10                  |
| Target 24/25 | 75.00                  |

Bristol Water's reported meter penetration in 2021/22 was 62.41% against a target of 69.50%. The meter penetration in 2020/21 was 60.26% and in 2019/20 was 58.98%.

No underperformance payment (penalty) was incurred in 2021/22 as any overall incentive payments are made in 2024/25.

The Challenge Panel was pleased to see the continued use of meter marketing campaigns and the introduction of incentives for customers to make informed choices around metering. The increased rate of meter installation achieved in 2021/22 is welcomed. The Challenge Panel will continue to encourage the company to accelerate its meter installation programme as quickly as possible.

### Waste disposal compliance

| Unit        | % compliant samples |
|-------------|---------------------|
| Actual 2020 | 98                  |
| Target 2021 | 100                 |
| Actual 2021 | <b>98</b>           |
| Target 2022 | 100                 |
| Target 2023 | 100                 |
| Target 2024 | 100                 |

Bristol Water achieved a 98% compliance against this waste disposal PC in 2021 and so did not meet the target of 100%. The compliance levels in 2019 and 2020 were also 98%. The level of performance in 2021 was within the incentive deadband so no payment was incurred.

The company has provided information on location and causes of the six (out of 352) compliance failures for 2021/22 and the resulting actions the company has taken. Most compliance issues were caused by asset or operational failures.

The Challenge Panel now has a better understanding of the problems at Blagdon, a site that has a legacy of compliance issues. The company has made some asset and operational improvements at this site to address poor raw water quality inflows, but the Challenge Panel notes that risk of non-compliance, although reduced, remains. The Challenge Panel intends to review with the company whether further work can be done to eliminate this risk.





# Customer Engagement

## Overview

Social restrictions caused by the Covid 19 pandemic were eased during 2021/22 enabling Bristol Water to undertake more face-to-face customer engagement than it did in the previous year.

The company undertook several pieces of customer engagement during 2021/22, some routine and some bespoke. The table below summarises the engagement undertaken during the year.

| Date                         | Topic   |
|------------------------------|---|
| June 2021                    | Draft Drought Plan (online panel)   |
| July 2021                    | Bill review (online panel)  |
| September 2021               | ICS Business Benchmarking Survey and UKCSI Survey (annual)                  |
| September 2021               | ServCheck survey  |
| November 2021                | Developers Market Engagement Day  |
| November 2021 & January 2022 | Youth Board   |
| January - March 2022         | Customer Satisfaction Survey (annual)                                       |
| January - March 2022         | PSR Customer Satisfaction Survey (annual)                                   |
| January - March 2022         | Local Community Satisfaction Survey (annual, linked to the Social Contract) |
| March 2022                   | Developers Market Engagement Day  |

During 2021/22 Bristol Water also commenced the development of its engagement strategy for PR24.

Each survey was discussed and reviewed with the Challenge Panel including the surveys' aims, methods, documentation, and timings. The results from the surveys were reviewed and challenged at the Panel's subsequent Customer Engagement Sub Group meetings.

The Challenge Panel reviewed in detail the following surveys (in chronological order).

## Online Panel

The company's established Online Panel was used in 2021/22 to engage on:

- The company's Drought Plan
- Bill review

The Challenge Panel did not review the engagement on the draft Drought Plan in detail as it will be reviewing the engagement on the draft Water Resources Management Plan (of which the Drought Plan forms a part) in the coming year.

The Challenge Panel reviewed the output from the bill review survey.

The bill review research gathered over 400 responses. Customers were sent a sample bill, either metered or unmetered depending on their metering status. The level of understanding of the bill, its layout and the clarity and usefulness of information on customer support arrangements (including access to the PSR) were tested.

The outcomes were generally in the range 80% to 91% (100% is the maximum achievable).

Overall, the Challenge Panel supported the survey methodology. It congratulated the company on its research into its bill design and was pleased to see that the company acted on the outcomes from the survey to improve the format of its customer bills.

## UK Customer Satisfaction Index (UKCSI)

The UKCSI (undertaken by the Institute of Customer Services (ICS)) provides insight into the state of customer satisfaction in the UK for 13 key sectors.

Bristol Water received a score for the first time since Jan 2020 as the ICS must receive more than 35 responses about a company. It's overall UKCSI score was 77.2, a 6.8 increase on the Jan 2020 score of 70.4. This places Bristol Water:

- fourth out of 17 UK water companies (including Northern Ireland Water)
- third out of the companies regulated by Ofwat
- eighth (out of 34) in the UK utilities sector

The Challenge Panel welcomes the company's overall strong performance against the UKCSI. It noted the relatively good scores for NPS (Net Promoter Score), reputation, experience and customer ethos but that the company believes there is room for improvement in the score for the percentage of customers who had experienced a problem (where the company was placed fifth out of all UK utilities).

The Challenge Panel noted that the UKCSI report states that utilities are being hit hard by price and cost issues, particularly the affordability of energy. It wondered if price/cost indicators may have benefitted or disadvantaged Bristol Water in its UKCSI performance. The Challenge Panel has asked the company to monitor affordability in the utility sector (particularly energy) given the limited UKCSI coverage.

## ICS Business Benchmarking Survey

This is an annual survey of local businesses to explore perception of Bristol Water as a wholesaler. It was undertaken in September 2021 and the company received 488 responses from the 4,000 customer that received the link.

The score achieved was 78.5 out of 100 which was 2.1 lower than the previous year (but 1.3 higher than the UKCSI result of 77.2). The headline results were:

- 80% rated the service as good (either very or fairly)
- 80% responded that Bristol Water works did not affect their business (in the year covered by the survey)
- 70% agreed that Bristol Water has a good reputation

The top four priorities from respondents (marked as very important) were:

- Responds quickly in emergencies relating to water supply
- Provides a regular and reliable supply of water
- Repairs leaks as quickly as possible
- Resolves enquiries promptly

The company shared its resulting action plan with the Challenge Panel who will monitor the implementation and effectiveness of it during the coming year.

## ServCheck Survey

ServCheck is an online survey of employees conducted by the ICS that assesses their view of how the strategy, culture and processes enables an organisation to deliver world class customer service. It also enables benchmarking against other organisations.

ServCheck was conducted by ICS in September 2021. 341 employees completed the survey and the overall score achieved was 76.81 (4.61 higher than in the previous year).

The company shared its resulting ServCheck action plan with the Challenge Panel.

The Challenge Panel was pleased to see that the company's ServCheck score increased from the previous year. It will monitor the implementation and effectiveness of the company's action plan during the coming year.

## Youth Board

Due to Covid-19 the format of this annual event was successfully transformed in October 2020 into an active online format consisting of a virtual panel.

For 2021/22 this format was again used and included around 20 sixth form students recruited by one of the company's research partners. The Youth Board was developed in 2021/22 to include research exercises and allow students to engage with company employees (including the CEO) to learn about the business. There were presentations from the company, surveys, discussion, and student exercises.

The Youth Board was used in November 2021 and January 2022 and, in addition to the company's customer priorities, discussed water usage and water saving and long-term investment and intergenerational fairness.

The company shared the outcomes from the two Youth Board events with the Challenge Panel. These included room for improvement in engaging with future customers on various topics and general awareness. As a result, Bristol Water has committed to using more relevant social media engagement channels and to continue with its Social Contract projects with schools. It will also continue to use its Youth Board as its main tool to engage with future customers.

The Challenge Panel supported the Youth Board engagement methodology and welcomed the company's responses to the outcomes from it.

The Challenge Panel considers that young people are important ambassadors for introducing new ideas into households and bringing challenges to established ways of thinking. It would like to see the company have a consistently larger proportion of future customers in its engagement because important messages from them would get a higher chance of becoming mainstream views. It was pleased that the company agrees with this view.

The Challenge Panel noted some slightly unexpected results from the intergenerational survey and will be interested in seeing how the company is going to use them in PR24. It was encouraged to learn that Bristol Water will include an intergenerational fairness 'innovation thread' throughout its business plan submission and this will be researched further. The Challenge Panel will be raising the issue of intergenerational fairness throughout the PR24 process.



The Challenge Panel also suggested there be follow up material for teachers or students following the Youth Board. The company has agreed to explore this and has said there will be further engagement with future customers during PR24.

**Annual Customer Satisfaction Survey**

The company surveyed 1,000 of its customers using the methodology established several years ago. The survey collects customer views on:

- Customer satisfaction
- Customer priorities
- Value for money
- Engagement
- Water efficiency
- Environmental and biodiversity efforts

The Challenge Panel is comfortable with the survey methodology used.

The headline result was that 86% of respondents rated the overall service received from Bristol Water as very good or good (94% in the previous year). Other satisfaction scores associated with the survey also fell from the previous year although awareness of the company’s assistance measures increased. The Challenge Panel noted in particular that 15% of respondents said that they had been concerned about paying their water bill during the past year (6% in 2020/21). 77% rated the value for money of the service provided by Bristol Water as very good or good (83% in 2020/21).

The Challenge Panel reviewed these outcomes. It was disappointed to see that general satisfaction levels have fallen from the previous year. As well as discussing this with the company, the Challenge Panel raised issues around:

- Awareness of the way increases in bills are calculated, particularly now that the CPI is rising
- Concern about performance around the prompt resolution of customer queries but noting at the same time that the company regards improvement against this measure to be of high importance
- Concern that more of the impact of the rising cost of living will be felt by winter and that there are many options to try and mitigate household bills across a wide range of services but, because they are piecemeal, the time taken to deal with them may mean that take up is less than it should be
- The lower performance against value for money but noting this is being replicated in other companies

The Challenge Panel was reassured to learn the company is aware of these issues and that it is taking appropriate steps to improve communication with customers, identify those in need of assistance and make the application processes as straightforward as possible.

**PSR Customer Satisfaction Survey**

This is an annual telephone survey of 500 Bristol Water customers who are on the Priority Services Register (PSR). It is linked to the Percentage of Satisfied Vulnerable Customers Performance Commitment.

The Challenge Panel is happy with the survey methodology employed.

The headline results from the 2021/22 survey were:

- 88% satisfaction with the PSR service received (82% in 2020/21)
- 89% rated the PSR service as very good or good (new question for 2021/22)
- 79% found the signing up process easy and rated 8, 9 or 10 (87% in 2020/21)
- 54% were also on the PSR register with their energy provider. 85% of them said that Bristol Water compares very or quite well with their energy provider.

The Challenge Panel was pleased to see the increased satisfaction with the company’s PSR service received by customers. The company attributed this to more training of staff and better cleansing of data and resulting accuracy on the PSR.

During the coming year the Challenge Panel will monitor the company’s efforts to improve the PSR signing up process.

**Local Community Satisfaction Survey**

The Local Community Satisfaction Survey (LCS) is a key component of the company’s Social Contract. The survey methodology was unchanged from the previous year. The results from the 2021/22 survey were:

- 93% satisfaction (either very or fairly) with Bristol Water’s contribution to the communities it serves (88% in 2020/21)
- 89% agreed that there was a benefit to community and wellbeing through the company’s Social Contract partnerships (88% in 2020/21)
- 66% agreed that based on the company’s Annual Social Contract Report, Bristol Water has prioritised the right balance of activities with its programme (77% in 2020/21). However, 15% of respondents admitted they did not read the report

The Challenge Panel is happy with the LCS methodology employed although in 2020/21 it had concerns that only 17 of the 57 stakeholders responded that year.

It was pleasing to see that the response rate improved in 2021/22 but the Challenge Panel expressed disappointment that still less than 50% of stakeholders responded to the LCS and that 15% didn’t bother to read the report.

The Challenge Panel appreciated the effort the company put into increasing participation from stakeholders but considers more needs to be done to improve the effectiveness of the engagement. To this end it was pleased that the company intends to share the results of the LCS with the stakeholders as part of a new initiative.

**PR24 engagement strategy**

Towards the end of 2021/22 Bristol Water started developing its engagement strategy for PR24. It kept the Challenge Panel informed of its work in this respect and of wider developments in relation to Ofwat and CCW led national customer engagement on common issues such as ODI rates, the acceptability/affordability testing of company plans, and for consistent methodologies for local engagement.

By the end of 2021/22 the company had selected its strategic engagement partner who will assist in creating the PR24 engagement plan and provide strategic support for this. Bristol Water had also started interviewing its main internal stakeholders on research and engagement requirements.

The customer engagement for PR24 will become an increasing and important focus for the Challenge Panel during the coming year. Its primary areas of interest will be the scope, methodology and timing of the company-specific research into customers’ future service needs, the affordability and willingness to pay for these and the triangulation with the results from the national research.



## Social Contract

### Background

Bristol Water became the first water company to publish a Social Contract in January 2019. Ofwat has recognised the potential scope and quality of this strategic initiative.

The Social Contract is a framework to help the company deliver societal benefits and be accountable to customers and stakeholders on the delivery of these. It is intended to inform how the company invests in projects in various communities and how it forms partnerships with other bodies and institutions. It also includes a voluntary sharing mechanism with customers if the company's customer and stakeholder satisfaction falls below defined thresholds, as described later in this section.

The Social Contract has a number of programmes including:

- Academic partnerships
- Community engagement
- Conservation
- Education (citizens and employees for the future)
- Lakeside leisure
- Regional strategies
- Resource West
- Vulnerability

These programmes are described on the company's website.

There are around 40 individual initiatives spread across these programmes including, but not limited to, reducing water consumption, providing education and mentoring, promoting and delivering environmental conservation and funding of charity and community projects.

A detailed description of the Social Contract is provided in Bristol Water's Annual Performance Report and on its website.

### The role of the Challenge Panel

The role of the Challenge Panel in the Social Contract is to:

- Independently challenge and contribute to the ongoing development of the Social Contract framework with the objective of continuous improvement
- Oversee and challenge the delivery of the Social Contract programme on behalf of customers
- Challenge transparency of reporting in relation to the Social Contract

- Challenge the application of the Social Contract sharing mechanism
- Challenge the risk to delivery of the overall Social Contract programmes and initiatives
- Challenge and contribute to the development of the future programme of Social Contract activities to ensure that viewpoints are sought, fairly represented, and taken into account

The Challenge Panel is very aware of its independence and potential conflicts of interest during the development and monitoring of the Social Contract and the associated stakeholder engagement. It used its Social Contract Sub-Group (SCSG) to undertake its detailed work and to keep it informed of key developments and findings. Details of the meetings held by the SCSG are provided in the Meetings Section of this report. The SCSG reported its findings and opinions to the main Challenge Panel.

Bristol Water is not obliged to act on the findings or recommendations from the Challenge Panel concerning its Social Contract activities. However, the Challenge Panel expects the company to consider its findings seriously and provide adequate justification for its responses to them.

### The Challenge Panel's findings

#### General

The Challenge Panel considers that the Social Contract ensures that board level decisions focus on wider societal impacts. It also makes sure the voices of customers, stakeholders and employees are taken into consideration throughout the evolution of the process.

It is important for Bristol Water to develop partnerships with other organisations and the Social Contract aids this way of working, particularly around complex issues. Such multi-agency working depends on trust and confidence.

#### Bristol Water's Social Contract Benefit & Transparency Report 2021

Bristol Water published its annual Social Contract Benefit & Transparency Report in December 2021. This Report describes the progress the company made with its Social Contract initiatives in 2020-21, the benefits delivered and a look forward to 2021/22.

The Challenge Panel reviewed the Report before publication and recommended some minor additions and amendments to ensure the company's Social Contract activities were clearly described and understandable to customers. The company took on board these recommendations and the Challenge Panel produced a Statement for inclusion in the company's Report. A copy of this Statement can be found in Appendix 4.

#### Progress in 2021/22

In 2020/21 the social restrictions imposed by the Covid-19 pandemic had an impact on the company's Social Contract programme. The Challenge Panel monitored closely how the company managed this. Overall, the Challenge Panel considered that Bristol Water acted reasonably during 2020-21 in mitigating the effects of the pandemic on its Social Contract activities and in reshaping its forward programme.

The company introduced eight new initiatives for 2021/22 including:

- Schools' engagement on water efficiency
- Learning at the lakes
- Apprentice scheme
- Graduate placements
- Tree planning
- Conservation partnership
- Equality and access
- Local strategy engagement

As it reported last year, the Challenge Panel reviewed these new initiatives and confirmed they reflect priorities expressed by customers where possible. However, it told the company that it would like to see:

- Lake-based initiatives extended across all the company's lakes
- Linking academic initiatives to Bristol University, as well as UWE and Bath
- Highlighting environmental, water efficiency, water demand and public health issues as part of the education programmes
- The possible need for greater publicity around water saving devices and the educational benefit of putting water butts in schools
- Extending the Bristol Youth Awards initiative to the rest of the company's supply area
- Extending the graduate placement and internship plans to cover engineering as well as business activities
- Using the Biodiversity Index as an indication of environmental improvement on each piece of land where tree planting by the company is planned
- Linking the tree planting programme to the current national initiative known as the Queen's Canopy

The Challenge Panel discussed and reviewed these issues with the company during 2021/22. It was pleased that the company responded by taking appropriate action in 2021/22 or including them in future years where appropriate. The Challenge Panel will monitor progress on those that have been carried forward.

The Challenge Panel also reviewed at high level the progress in 2021/22 on each of the Social Contract initiatives within each Social Contract programme. It was particularly interested to see if the easing COVID 19 of social restrictions during 2021/22 resulted in the Social Contract work progressing as planned. The Challenge Panel has requested a report from the company on how the company has managed the pandemic and whether the Social Contract continues to meet its objectives. However, from its work, the Challenge Panel was pleased to see that the Social Contract work continues broadly along the lines set out at the start of the framework and was appreciative of the fine tuning that has happened and the many opportunities that have been addressed.

The Challenge Panel considers a major challenge for Bristol Water is managing a range of partnerships with stakeholders who are likely to have differing ambitions. Some partnerships are embedded and working well (eg Resource West and Bristol City Council) but there are also a number yet to reach this point.

The Challenge Panel requested and was provided with information on the costs and benefits of all the Social Contract programmes. It reviewed and challenge these with the company. The Challenge Panel considered the information to be sufficient for it to understand the relative size of each programme and the benefits that should accrue from each. It noted that the Social Return on Investment (SROI) has still to be developed for three of the eight programmes and so will monitor this during the coming year.

As mentioned elsewhere in this Report, the Challenge Panel reviewed and confirmed the relationship between the company's statutory environmental obligations and the environmental improvement work associated with its Social Contract. It was satisfied that there is separation between them.

The Challenge Panel asked about the impact of the South West Water (SWW) takeover of Bristol Water on the Social Contract. It was pleased to learn that the company's identity is to be retained and that its Social Contract work will continue for the foreseeable future.



### Customer engagement

The Challenge Panel reviewed the company's Social Contract Engagement Plan activity undertaken during 2021/22. This was limited to the Local Satisfaction Survey. The Customer Forum and Employee Forum did not take place during 2021/22.

The Challenge Panel's detailed comments on this activity is given in the Customer Engagement Section of this report. These include exploring the potential for improvements in the company's engagement to communicate the innovative Social Contract initiatives more effectively.

### Sharing mechanism

The Social Contract sharing mechanism has two performance triggers, both of which have to be met:

- Customer satisfaction – the company must be outside the top three water companies in England and Wales in the national UK Customer Satisfaction Index, measured through a separate business benchmarking survey. For 2021/22 the company was in the top three.
- Stakeholder satisfaction – the company's achievement in its local stakeholder satisfaction survey must be lower than 75%. In 2021/22 it achieved 93%.

Therefore, the Social Contract sharing mechanism was not activated in 2021/22.

### The Challenge Panel's focus for 2022-23

The company has shared its Social Contract Forward Programme for 2022-23 with the Challenge Panel. The Challenge Panel notes that the following Social Contract initiatives have been completed or are now business as usual:

- SUNEX (Sustainable Urban food-water- energy NEXus) Project (academic partnership)
- Refill (sponsorship of City to Sea plastic reduction campaign)
- Hydrosocial history (publication and celebration of Bristol Water's 175th birthday)

The following initiatives have been removed to condense the programme to focus on core aims:

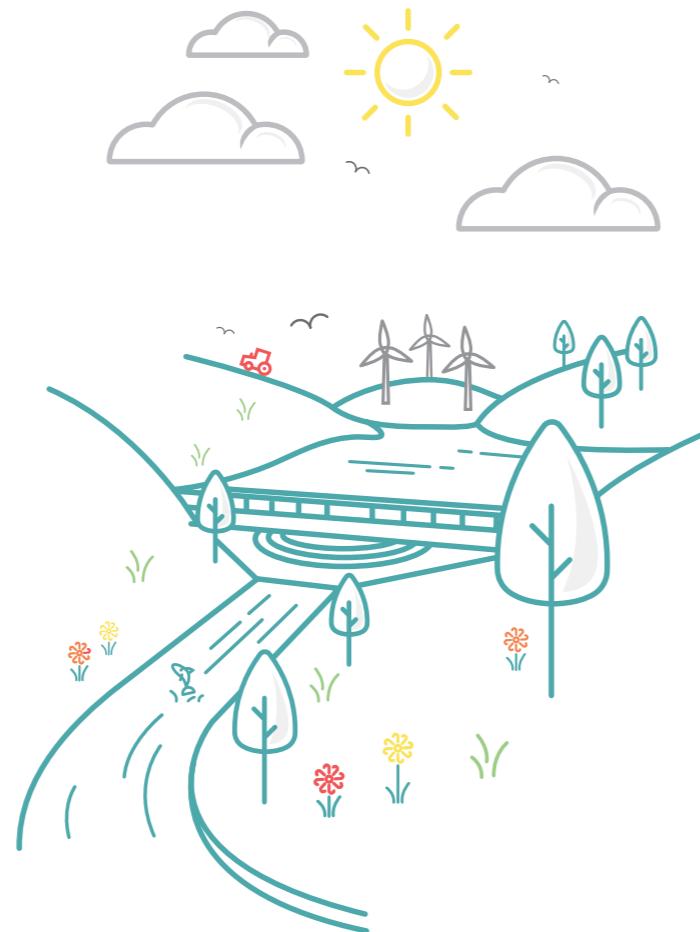
- Green Travel
- Landlord project
- Single use plastic reduction

The Didcot competitive water supply innovation project has been added to the programme as it was the winner of the company's 'Innovation fund with added community value' competition.

In addition to reviewing and challenging at high level progress against the Social Contract programmes and their initiatives, the Challenge Panel has discussed and agreed a methodology to review in more detail the programmes and initiatives on a sample basis, known as 'deep dives'. The Panel members were asked to vote on their priorities for review over the next three years and this has resulted in a review programme being developed.

The first 'deep dive' will cover the Social Contract Biodiversity initiative and will take place early in the coming year. This will be used as a pilot for future reviews. Its findings and those of additional 'deep dives' undertaken in 2022=23 (including a review of the Resource West initiative) will be reported the Challenge Panel's Annual Report 2023.

The Challenge Panel looks forward to reviewing the company's Social Contract performance in 2022-23.





## FOCUS FOR 2022-23

In addition to the areas of the company's activities and performance the Challenge Panel reviews routinely, for example customer engagement, performance against regulatory commitments, and the Social Contract, this section outlines the specific areas it wishes to monitor and challenge on behalf of customers during 2022/23.

### Pennon integration plan

- Closely monitor the progress and impact of the integration plan on Bristol Water's customers
- Review the Challenge Panel's terms of reference in line with the needs of Ofwat, the CCW Challenge Co-ordination Group (COG) and Pennon

### Customer Engagement

- UK Customer Satisfaction Index (UKCSI) – review the company's monitoring of affordability in the utility sector (particularly energy) given the limited UKCSI coverage
- ICS Business Benchmarking Survey - monitor the implementation and effectiveness of the company's action plan in response to the survey results
- ServCheck Survey - monitor the implementation and effectiveness of the company's action plan in response to the survey results

### PCs/ODIs

- Priority Services Register – monitor progress against the company's PSR commitment and the national data share
- Raw Water Quality of Sources - seek clarity on the company's methodology used to calculate the amount of phosphorous saved from being lost to the environment
- Value for Money - monitor any further rise in customer debt and how the company addresses this
- Compliance Risk Index - review the CRI measurement methodology to better understand the sensitivity of the metric to water quality compliance failures and continue to encourage the company to supply the highest possible water quality to its customers
- Water Quality Contacts (appearance) - review progress against the DWI discoloured water undertaking
- Per Capita Consumption - undertake a 'deep dive' challenge on the effectiveness of the company's partnership with Resource West
- Waste Disposal Compliance – review with the company whether further work can be done at Blagdon to eliminate the risk of non-compliance

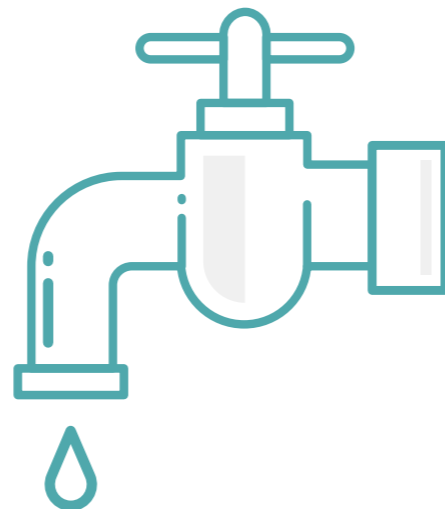
- Meter Penetration - review the company's progress in catching up with its PR19 meter installation programme Social Contract
- Review the progress and effectiveness of the Didcot competitive water supply innovation project

### Vulnerability

- Monitor the company's response to the emerging cost of living crisis and its identification of and assistance to customers who find themselves in financial distress

### PR24

- The development and implementation of the company's PR24 customer engagement framework
- Review the company's plans the context of rising inflation and affordability of bills and increased public focus and scrutiny of water availability, environmental pollution, and sustainability
- Monitor that future service improvements and investment costs are fairly borne by the Pennon Group rather than Bristol Water bill payers



## SUMMARY AND CONCLUSION

The Challenge Panel recognises that, for customers' voices to be heard accurately, the right context for customer engagement is critical. Peoples' concerns regarding the increased cost of living principally due to rising energy prices and inflation will have an impact on their ability and willingness to pay water bills. Drought and potential water shortages across the south west of England, and the country as a whole, have heightened awareness of responsible water usage at home, work, in agriculture and the environment. Looking at the longer term, rarely has there been a time when water has been more sharply in focus. Bill payers will have many views to share on the business of treating and supplying water, the affordability and cost of water, quality of customer service, the treatment of vulnerable customers, to name but a few.

The Challenge Panel welcomed Bristol Water's overall improved performance against its PR19 commitments over the previous year. Of particular note were the increase in overall customer satisfaction, the fall in customer complaints and the increased numbers on the company's PSR. Dealing with water supply interruptions also improved significantly. Leakage levels fell from the previous year continuing the company's good performance against this key measure. The company also met its statutory environmental obligations. However, the Challenge Panel is concerned that performance against the key water quality compliance and water aesthetic metrics deteriorated. Reducing per capita consumption and meter penetration also remain challenges.

Bristol Water's routine and bespoke customer engagement were found to have been undertaken appropriately during the year and the results acted upon accordingly. The company improved its industry standing on a number of national customer satisfaction indices. The Challenge Panel also welcomed the company's ongoing and effective use of its Youth Board to gather the views of future customers. Planning for the engagement for the next Price Review commenced.

The Challenge Panel found that the company made good progress on its Social Contract. Some ground lost in the previous year due to the Covid-19 pandemic was recovered and the Social Contract work continues broadly along the lines set out at the start of the framework. The Challenge Panel reviewed and confirmed the relationship between the company's statutory environmental obligations and the environmental improvement work associated with its Social Contract. It was satisfied that there is separation between them.

The Challenge Panel was pleased to learn that the company's identity is to be retained following its acquisition by Pennon and that its Social Contract work will continue for the foreseeable future.

In looking forward to 2022 and 2023, the Challenge Panel has a number of key issues firmly on its agenda. These can be broadly grouped into the following categories:

- Performance and Assurance reporting against the Bristol Water current business plan
- Quality of customer service following the integration of Bristol Water into the Pennon Group
- Deep dives into the customer engagement framework, its application and analysis underpinning the PR24 business plan
- Water in the environment
- Customer representation within Pennon and on the regional water resource group

The integration of Bristol Water into the Pennon Group will have an impact on the customer research programme of South West Water, Bournemouth Water and Bristol Water, i.e., the three water companies within the Pennon Group. For the first time, Ofwat is conducting national research on several topics for the benefit of all water companies. However, this national research may not in all cases provide sufficient information for decisions to be made by Pennon and there may well be differences between customers of each of the named water areas within the Group requiring to be reflected in the PR24 business plan. How the priorities of Bristol Water customers are fairly represented in the PR 24 business plan is yet to be determined, hence there is much for the Challenge Panel to influence.

Looking wider, the regulatory framework for PR24 is being developed and was released in the summer of 2022 for consultation. Although many of the regulatory matters are beyond the remit of the Challenge Panel, some real-world events and national conversations may well have an impact on the shape of the business plan for 2025 onwards. Customer research conducted over this year and the next will be taking place during a transition towards net carbon zero, with inflation rising, the energy sector paying a windfall tax and increased media scrutiny on the water industry. National and global trends could have an impact on the views and preferences of customers as well as the affordability of water bills.



## APPENDIX 1: Members

Challenge Panel members who have contributed during 2021/22:

| Name                           | Organisation                |
|--------------------------------|-----------------------------|
| Peaches Golding OBE CStJ       | Chair                       |
| Tony Denham                    | Deputy Chair                |
| Jeremy Hawkins (Report Writer) | Creoda Consulting           |
| Jon Johnson                    | Consumer Council for Water  |
| Gudrun Limbrick                | Consumer Council for Water  |
| Tamsin Sutton                  | Environment Agency          |
| Dr Mark Taylor                 | Natural England             |
| Dr Tabinda Rashid-Fadel        | National Health Service     |
| Fran Begley                    | South Bristol Advice Centre |
| Luke Hasell                    | The Story Group             |
| Cllr. Michael Gay              | Mendip District Council     |
| Cllr. Geoffrey Richardson      | North Somerset Council      |





## APPENDIX 2: Bristol Water Performance Commitment Results

| Performance Commitments                           | Unit   | Actual 20/21          | Target 21/22  | Actual 21/22          | Target 22/23  | Target 23/24  | Target 24/25  |
|---|--|-----------------------|---|-----------------------|---|---|---|
| <b>Outcome: Excellent Customer Experiences</b>    |  |                       |   |                       |   |   |   |
| C-Mex   | Score (& industry position)  | 83.31 (6th position)* | No target<br>Industry position is determined by Ofwat | 82.86 (6th position)* | No target<br>Industry position is determined by Ofwat | No target<br>Industry position is determined by Ofwat | No target<br>Industry position is determined by Ofwat |
| D-Mex   | Score (& industry position)  | 86.81 (8th position)* | No target<br>Industry position is determined by Ofwat | 85.26 (9th position)* | No target<br>Industry position is determined by Ofwat | No target<br>Industry position is determined by Ofwat | No target<br>Industry position is determined by Ofwat |
| Priority Services Register (PSR) services         | % households registered on PSR   | 2.6                   | 4.1   | 4.1                   | 5.1   | 6.1   | 7.0   |
| PSR services                                      | % households registered on PSR (contacted)   | 35.5                  | 35.0  | 53.2                  | 35.0  | 35.0  | 35.0  |
| PSR services                                      | % households registered on PSR (attempted contact)                                       | 48.6                  | 90.0  | 91.1                  | 90.0  | 90.0  | 90.0  |
| Customers in water poverty                        | % households   | 1                     | 0   | 1                     | 0   | 0   | 0   |
| Value for money                                   | % customers surveyed   | 83                    | 81  | 77                    | 82  | 83  | 83  |
| Satisfied vulnerable customers                    | % customers surveyed   | 82                    | 85  | 89                    | 85  | 85  | 85  |
| Void properties                                   | % household properties   | 1.80*                 | 1.90  | 1.80*                 | 1.80  | 1.80  | 1.80  |
| Total customer complaints                         | Household complaints per 10,000 connections (industry upper quartile from previous year) | 58.9                  | Industry upper quartile (from 2021/22)                | 38.7                  | Industry upper quartile (from 2021/22)                | Industry upper quartile (from 2021/22)                | Industry upper quartile (from 2021/22)                |
| <b>Outcome: Safe and Reliable Supply of Water</b> |  |                       |   |                       |   |   |   |
| Water quality compliance                          | CRI  | 3.02*                 | 0.00  | 4.19*                 | 0.00  | 0.00  | 0.00  |
| Water supply interruptions                        | HH:MM:SS per prop per year   | 0:30:17*              | 0:06:08   | 0:02:31*              | 0:05:45   | 0:05:23   | 0:05:00   |
| Mains repairs                                     | Nr per 1,000km of mains  | 154.2*                | 136.5   | 106.4*                | 134.6   | 132.7   | 130.7   |
| Unplanned outage                                  | % of peak week production capacity   | 0.20                  | 2.34  | 1.74                  | 2.34  | 2.34  | 2.34  |
| Risk of severe restrictions in a drought          | % population at risk   | 56.9                  | 29.8  | 32.9                  | 29.8  | 29.8  | 25.6  |
| Water quality contacts – appearance*              | Nr per 1,000 population  | 1.07*                 | 0.73  | 1.11*                 | 0.63  | 0.53  | 0.43  |
| Water quality contacts – taste and odour*         | Nr per 1,000 population  | 0.35*                 | 0.36  | 0.28*                 | 0.32  | 0.28  | 0.25  |
| Properties at risk of receiving low pressure      | Nr properties below low pressure ref level   | 57*                   | 61  | 11*                   | 57  | 53  | 49  |
| Turbidity at water treatment works (WTWs)*        | Nr WTWs turbidity 95th percentile equals or exceeds 0.5 NTU threshold                    | 0                     | 0   | 0                     | 0   | 0   | 0   |
| Unplanned non-infrastructure maintenance          | Nr jobs  | 3,134                 | 3,272   | 3,026                 | 3,272   | 3,272   | 3,272   |
| Glastonbury Street network resilience             | Expected nr months delay to deliver schemes  | 0                     | 0   | 0                     | 0   | 0   | 0   |

| Performance Commitments                                      | Unit                                      | Target 20/21            | Actual 20/21 | Target 21/22            | Target 22/23 | Target 23/24 | Target 24/25 |
|--|---|-------------------------|--------------|-------------------------|--------------|--------------|--------------|
| <b>Outcome: Local Community and Environmental Resilience</b> |   |                         |              |                         |              |              |              |
| Leakage (three-year average)                                 | % reduction                               | -6.9*                   | -11.4        | -11.5*                  | -15.8        | -19.0        | -21.2        |
| Leakage (three-year average)                                 | (Megalitres per day (M/d))                | 37.9                    | 36.1         | 36.0                    | N/A          | N/A          | N/A          |
| Leakage (annual)   | Megalitres per day (M/d)                  | 35.5                    | N/A          | 35.6                    | N/A          | N/A          | N/A          |
| PCC (three-year average)                                     | % reduction                               | 2.7*                    | -2.6         | 3.5*                    | -3.9         | -5.1         | -6.3         |
| PCC (three-year average)                                     | Litres per person per day (L/p/d)         | 152.9                   | 145.0        | 154.1                   | N/A          | N/A          | N/A          |
| PCC (annual)   | Litres per person per day (L/p/d)         | 161.1                   | N/A          | 154.7                   | N/A          | N/A          | N/A          |
| Meter penetration  | % household properties                    | 60.26                   | 69.50        | 62.41                   | 71.30        | 73.10        | 75.00        |
| Raw water quality of sources                                 | Kg phosphorous loss reduction             | 155                     | 216          | 239                     | 322          | 427          | 531          |
| Biodiversity Index   | Index                                     | 17,668                  | 17,678       | 17,678                  | 17,689       | 17,700       | 17,711       |
| Waste disposal compliance                                    | % compliant samples                       | 98**                    | 100          | 98**                    | 100          | 100          | 100          |
| WINEP compliance*  | % schemes completed                       | 100                     | 100          | 100                     | 100          | 100          | 100          |
| Delivery of WINEP requirements                               | Met or Not Met                            | Met                     | Met          | Met                     | Met          | Met          | Met          |
| Local community satisfaction                                 | % stakeholders surveyed                   | 88.2*                   | 85.0         | 92.6*                   | 85.0         | 85.0         | 85.0         |
| Abstraction Incentive Mechanism (AIM)                        | Megalitres from baseline if AIM triggered | N/A (AIM not triggered) | -186.1       | N/A (AIM not triggered) | -186.1       | -186.1       | -186.1       |

\* Resulting incentive payment – outperformance (reward) or underperformance (penalty)

\*\* Performance within tolerance





## APPENDIX 3: Glossary of acronyms used

| Initials     | Explanation  |
|--------------|--|
| <b>AMP</b>   | Asset Management Period – Five-year period for which the Price Review sets the company's revenue and thus the customers' bills. AMP5 started in April 2010, AMP6 in 2015, AMP7 in 2020 and AMP8 in 2025.     |
| <b>APR</b>   | Annual Performance Report – Published by each company by a set date in mid-July each year; contains full details for the company's performance against PC targets as well as financial performance and ODIs. |
| <b>BW</b>    | Bristol Water  |
| <b>BWCP</b>  | Bristol Water Challenge Panel – BW's CCG, usually called the Challenge Panel.  |
| <b>CCG</b>   | Consumer Challenge Group – A group whose primary purpose is to challenge the customer engagement of the water company during the construction of its next AMP Business Plan.                                 |
| <b>CCW</b>   | The Consumer Council for Water – Statutory water customer body.  |
| <b>CESG</b>  | Customer Engagement Sub Group of the BWCP – reviews and challenges BW performance in customer engagement and the use of the survey results.  |
| <b>CMA</b>   | Competition and Markets Authority – the organisation the company appeals to if they cannot accept the Ofwat FD.  |
| <b>C-MeX</b> | Customer Measure of Experience – service measure for Domestic Households in AMP7.  |
| <b>COG</b>   | CCW's Challenge Co-Ordination Group – A group consisting of the Chairs of all the water companies' CCGs  |
| <b>COP26</b> | United Nations Climate Change Conference held in Glasgow in November 2021.   |
| <b>CRI</b>   | Compliance Risk Index produced by the DWI – replaces MZC in AMP7.  |
| <b>D-MeX</b> | Developer Measure of Experience – applies to the service provided to Developers and Self Lay Providers in the Retail Market for Non-Household customers; it is new for AMP7.                                 |
| <b>DWI</b>   | Drinking Water Inspectorate  |
| <b>EA</b>    | Environment Agency   |

|              |   |
|--------------|---|
| <b>ESG</b>   | Environmental Sub Group   |
| <b>FD</b>    | Final Determination of Prices – sets the company's revenues and thus the customers' bills for the next AMP.   |
| <b>ICS</b>   | Institute of Customer Service   |
| <b>NE</b>    | Natural England   |
| <b>NTU</b>   | Nephelometric Turbidity Units; a measure of the presence of suspended particles in water.   |
| <b>ODI</b>   | Outcome Delivery Incentive. Delivery of each Performance Commitment will be assigned a financial or reputational incentive by Ofwat in the Final Determination. |
| <b>PC</b>    | Performance Commitment – Performance measures supporting the Outcomes. The levels of performance (targets) were set by Ofwat in the Final Determination.        |
| <b>PCC</b>   | Per Capita Consumption – a measure of the volume of water used by each person.  |
| <b>PR19</b>  | Price Review 2019 – set the customer bills for AMP7, April 2020 to March 2025.  |
| <b>PR24</b>  | Price Review 2024 – sets the customer bills for AMP8, April 2025 to March 2030.   |
| <b>PSR</b>   | Priority Services Register  |
| <b>SC</b>    | Social Contract   |
| <b>SCSG</b>  | Social Contract Sub Group of the BWCP – Reviews and challenges the BW Social Contract planning and implementation of initiatives.                               |
| <b>SBAC</b>  | South Bristol Advice Centre   |
| <b>WINEP</b> | Water Industry National Environment Programme – measures the completion of schemes aimed at water abstraction without negative impacts on the environment.      |
| <b>WTW</b>   | Water Treatment Works   |

## APPENDIX 4: BWCP statement on the BW Social Contract Benefits & Transparency Report Dec 2021

The Bristol Water Challenge Panel is an independent group of stakeholders whose primary role is to independently review and challenge the company's customer-related policies, activities, and performance on behalf of customers. This includes the development and delivery of the Social Contract programme to ensure customers' views are sought, considered, and fairly represented.

Bristol Water is not obliged to act on the findings or recommendations from the Challenge Panel concerning its Social Contract activities. However, the Challenge Panel expects the company to consider its findings seriously and provide adequate justification for its responses to them.

In its Annual Report 2021 the Challenge Panel reported that it was content with the progress made by Bristol Water on its Social Contract programme between April 2020 and March 2021. This included the reasonable modifications the company made to the programme because of the social constraints imposed by the ongoing coronavirus pandemic.

Since March 2021 the company has continued implementing its Social Contract programme. It has kept the Challenge Panel informed on this and has enabled appropriate challenge to be made.

The Challenge Panel is particularly interested in the clarity and transparency of the company's reporting and the evidence to support the activities undertaken and the customer benefits accruing from them.

Several recommendations were made by the Challenge Panel to improve the clarity of the company's Social Contract Benefits and Transparency Report to ensure that it is understandable to the public. The Challenge Panel is pleased to report that these recommendations have been taken on board.

The Challenge Panel has recently agreed a process with Bristol Water to enable it to assure itself that there is appropriate evidence to support the company's Social Contract activities and benefits. There are some 40 separate initiatives within seven sub-programmes of work contained within the overall Social Contract programme. The Challenge Panel cannot review all the initiatives in detail but has requested annual written reports on the seven sub-programmes. It will review these reports and select a sample of initiatives for detailed challenge each year.

The Challenge Panel has recently received the sub-programme reports from the company. The sample initiatives will be selected, and the detailed reviews will take place in early 2022. The Challenge Panel will report its findings and opinions in its Annual Report 2022 which will be published in autumn 2022.

The Panel wishes to understand and challenge the company's Social Return on Investment methodology (SROI) used to quantify the benefits of its Social Contract work. Bristol Water has informed the Challenge Panel that SROI methodology is designed to be indicative and relies on subjectivity and estimates. It is reviewed by company senior management. The Challenge Panel notes this and will review its application on the sample initiatives it looks at in detail.

The Challenge Panel considers that the innovative Bristol Water Social Contract is a key component of the company's ambitions to deliver societal benefits. It is content that Bristol Water's Social Contract Benefits and Transparency Report reasonably reflects the activities undertaken by the company at this point in time.





**CHALLENGE  
PANEL**