

Bristol Water Challenge Panel

Annual Report 2022/23

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Welcome from Lord Matthew Taylor, WaterShare+ Group Panel Chair

Following on from Pennon Group's acquisition of Bristol Water, I am pleased to welcome the Bristol Water Challenge Panel (BWCP) into the wider WaterShare+ Group Panel. WaterShare+ is a unique model for the industry, providing both an opportunity to own a stake in customers' local water companies, as well as having a say in how the business is run.

As Chair of the wider Panel, I am delighted that Peaches Golding and Tony Denham, the BWCP Chair and Deputy Chair have joined us in the WaterShare+ Group Panel, as well as in our review and scrutiny on behalf of customers of the South West Water Business Plan for 2025-2030. They greatly supplement our capacity and have brought learnings from their experience with Bristol Water.

The WaterShare+ incentive mechanism was extended to Bristol Water customers in January 2023, offering customers a share in Pennon Group plc, or £13 off their bill. We welcome the extension and continuation of this benefit for customers.

The WaterShare+ Group Panel and the BWCP have integrated for the review on behalf of customers of the South West Water Business plan for the Ofwat Price Review 2024 (PR24). We have published our work on this review both as a separate, detailed report on PR24 as well as through our Annual Report of South West Water performance. We were delighted to hold our first WaterShare+ in person meeting in Bristol, earlier this year, and are looking forward to our customer AGM on 13th October in Bournemouth.

I look forward to continuing our work in the coming year.

Lord Matthew Taylor,
WaterShare+ Group Chair

Chair's Foreword

The notion that fresh, clean, safe to drink water is always available from our taps was challenged this year. This situation was not due to maintenance or burst pipes, but due to a long, hot, dry summer.

The summer of 2022 placed a strain on the very watercourses that supply the customers of Bristol Water and provide important habitats for the natural world. Although a drought was not declared for Bristol Water customers, thousands of households across the country did have restrictions placed on their use of water.

The year April 2022 to March 2023 was noteworthy for Bristol Water customers for reasons in addition to the lack of rainfall. The cost of living crisis hit the news headlines as rising numbers of people started to rely on foodbanks and other forms of support to meet their financial commitments. Although the cost of safe drinking water is relatively low, its affordability, added to the cost of meeting daily food and housing, caused great worry and concern among some customers.

It also marked the start of the most intense period of customer research regarding the priorities and preferences of customers and the continuation of scrutiny on the performance of Bristol Water.

The year saw the completion of the merger of Bristol Water with the Pennon Group, a change in the scope of the Bristol Water Challenge Panel and the arrival and departure of Challenge Panel members as a result of local government election results.

Briefly, the remit of the Bristol Water Challenge Panel, agreed by the Pennon Group, is to provide independent, customer-focused scrutiny and challenge regarding the provision and supply of water to the company on behalf of its customers. At the start of the year as the merger with Pennon Group was being progressed, the Challenge Panel continued to operate as set up by Bristol Water. At that time, our responsibilities included a scrutiny of the company's performance against its current Ofwat commitments, receiving technical assurance on the performance and reviewing the implementation of the Social Contract, as well as ensuring that the customer research conducted for the upcoming five-year business plan was fair, complete, and evidenced in the resulting business plan.

With the completion of the merger in February 2023, the role of the Challenge Panel was amended to solely examine and scrutinise performance and the Social Contract. Challenge Panel members were invited to join either of the two subgroups of the WaterShare+ Group Panel, the Technical and Environmental subgroup and the Customer and Affordability subgroup for Bristol Water, Bournemouth Water and South West Water.

I accepted the invitation to become Deputy Chair of the WaterShare+ Group Panel and the Deputy Chairman also joined me on the WaterShare+ Group Panel.

I am pleased to confirm that some of the ways of working from our Challenge Panel have been adopted by WaterShare+, improving its performance and scrutiny. The Challenge Panel also adopted some of the

protocols used by the WaterShare+ Group Challenge Panel. This Annual Report of the actions, challenges and impact of the Bristol Water Challenge Panel mirrors these developments.

The contents of the Annual Report reflects the changes in remit arising from the merger of Bristol Water and South West Water. However, it must be emphasised that there has been no diminution of the customer perspective of Bristol Water users through this process and benefits have accrued to the region due to the new arrangements.

The Challenge Panel takes seriously the needs of some of the company's customers as the impact of the cost of living crisis and increases in vulnerability may affect their ability to pay their bills. Particular scrutiny was given to the uptake of customers on the Priority Services Register and all other initiatives designed to improve the affordability of water. Where more assistance to customers could be provided, the Challenge Panel focused on the measures planned to address such underperformance. Additionally, the Challenge Panel was pleased to receive notification that in 2022 Bristol Water came third out of the companies regulated by Ofwat for customer satisfaction as measured by the UK Customer Satisfaction Index.

The results of the local government elections and the formation of Somerset Council saw the departure of several councillors who represented their residents. My sincere appreciation goes to Cllrs Michael Gay and Geoffrey Richardson from Mendip District and North Somerset Councils respectively for their service.

The focus of the Challenge Panel, despite the organisational, membership and environmental changes, remained on fulfilling our role on behalf of the customers of Bristol Water. We have been supported by the executive of South West Water in our scrutiny, discussions, deliberations, and challenges. I am particularly grateful that both Susan Davy and Gill Ryder, the Chief Executive and Chairman of Pennon Group, the parent company of South West Water and owner of the Bristol Water and Bournemouth Water brands, held one-to-one meetings with me as the new, merged organisation took shape.

I also wish to thank the Challenge Panel members from the environmental regulators, CCW (formerly known as the Consumer Council for Water) as well as independent members drawn from a variety of specialisms.

Mrs Peaches Golding OBE CSTJ,
Independent Chair Bristol Water Challenge Panel

Reflections from the Chief Executive Officer

Running a water company is a privilege, particularly given customers can't choose their provider. Our unique WaterShare+ scheme, established in 2020 for South West Water customers was designed to turn the monopoly water provider model on its head. We're changing the nature of the relationship customers have with their local water company, by putting them in control. It's also building a socially responsible business model where the ownership is unquestioned.

In the space of three years, we have achieved something never seen before. Having issued 90,000 shares since inception, we now have four times the number of customer shareholders as we do institutional shareholders. This is the equivalent of 1 in 14 households in the South West.

In addition, we extended the scheme across the Greater South West as we welcomed 2,000 Isles of Scilly customers and acquired a population of 1.2m Bristol Water customers, as part of Pennon's commitment to investing in the UK water sector.

With a focus on paying down historical debt levels, and with an equity injection of £45m, Bristol Water customers can now also be assured that their water company has financial resilience and long-term financial stability.

South West Water's Watershare+ customer advisory panel is unique. An enduring feature of the model, the panel doesn't just exist for a price review. It ensures that the views of customers are always represented. And it means that the Executive team is held to account for performance, directly by customers. The panel also plays a hugely important role in ensuring that £40 million of financial benefits to date have been returned to customers, in a way that works for them.

We were delighted to welcome the Bristol Water Challenge Panel's members to the Group as part of our acquisition of Bristol Water. Under Peaches Golding's leadership as Chair, the Challenge Panel's remit has been revised with members of both panels coming together for the 2025-2030 business plan process, and overseeing extensive and wide-reaching robust customer engagement, led by Lord Matthew Taylor, Chair of the Watershare+ customer advisory panel.

I am indebted to the Watershare+ Customer Advisory Panel and the Bristol Water Challenge Panel for their work this year. Their dedication, commitment and leadership is to be commended. In particular their challenge on performance has struck the right chord in ensuring we are focused on improving outcomes for customers and the environment.

Overall, we have delivered against 70-80% of our Outcome Delivery Incentives over the 3 years in this business plan period with relative cumulative performance upper quartile when compared to the rest of the sector. With published action plans in place, we know where we need to improve. Our plan is built on a rock-solid foundation, a strong balance sheet, with gearing at levels at just over 60%.

There is a particular continued focus, and rightly so, in Devon and Cornwall on pollutions and storm overflows and given our 860 miles of coastline. We are clear we need to do better. Both South West

Water and Bristol Water were impacted by adverse weather resulting from climate change, with hose pipe bans in the most southerly part of our region, and Bristol experiencing unplanned outages as a consequence of the freeze/thaw. Across our areas, we have responded with a £125m investment to break the cycle of drought. Additionally, having enacted the licence merger in February 2023 post clearance from Ofwat, we are now able to focus on ensuring sustained and improved performance in Bristol Water with increased operational rigour and enhanced expenditure, and in sharing the “best of the best” across our regions.

You have my assurance that we will continue to build on the momentum that we have today. With just over 3,000 brilliant colleagues, we’re focused on tackling the biggest challenges head on in our region, as we invest to protect water quality and resilience, tackle the use of storm overflows at our beaches, eradicate pollutions and protect the environment from effects of climate change whilst making environmental gains. With a laser like focus on efficiency, we will also focus on customer affordability by keeping bills as low as they can be, and in delivering for all our customers.

Susan Davy,
Chief Executive Officer

Introduction

Bristol Water customers are now part of the Pennon Group, the parent company of South West Water, Bristol Water and Bournemouth Water, a company that provides water services for 3.5 million customers and waste water services for 1.8 million customers. On 1st February 2023, the licence to provide water to customers living in the area previously served by Bristol Water was integrated into South West Water, marking the completion of the merger of the two companies.

The structure of this Annual Report also reflects the change of the role of the Bristol Water Challenge Panel. During the first half of the year, the Challenge Panel scrutinised performance and the implementation of the Social Contract, received technical assurance and scrutinised customer research, via the Customer Engagement and Environment subgroups respectively, and how it will be reflected in the forthcoming five-year business plan. During the latter part of the year, scrutiny of customer research and technical and environmental issues regarding the upcoming five-year business plan was carried out by the WaterShare+ Group Challenge Panel on which the Chair and Deputy Chair of the Bristol Water Challenge Panel sit. The Challenge Panel continues to receive technical assurance and to scrutinise customer research as it refers to the current five-year period. The Social Contract subgroup remains unchanged.

The Challenge Panel both requested and received documents and information from South West Water relating to the role of the Challenge Panel as set out above. The support and cooperation of the senior executives of the company enabled the Challenge Panel to perform its duties as a critical friend, challenging and scrutinising the performance of the company, acting on behalf of all customers. A register of challenges can be found in the section entitled Meeting Actions and Challenges.

Receiving reports from external advisors enabled the Challenge Panel to obtain expert, independent assessment of the performance of Bristol Water in specific areas.

- The company's Technical Auditor, Jacobs, found no material issues on the accuracy and reliability of data recorded by Bristol Water, reinforcing the trust and confidence customers may place in the data scrutinised in this Annual Report.
- The Challenge Panel was pleased to receive a summary of the findings of the UK Customer Satisfaction Index and the ICS Business Benchmarking Survey that provided independent, external, and expert assessment of Bristol Water's performance on customer service from different angles. Both enabled the company to develop action plans to further improve on its high ratings within the sector and as a service provider. The Challenge Panel was pleased to read that 88% of customers on the Priority Services Register, a service to assist vulnerable customers, were satisfied with the service provided.

In PR19, the price review that sets out what customers pay and the rewards that incentivise the company to do more in the interest of customers and the environment, Bristol Water made 29 performance commitments (PCs) in the areas of:

- Excellent Customer Services
- Safe and Reliable Supply of Water
- Local Community and Environmental Resilience.

While Bristol Water met 18 commitment targets, it missed 11. This performance resulted in an overall underperformance payment (penalty) of nearly £3 million.

The Annual Report sets out in detail where targets have been met or exceeded and where performance fell below the promises made in the 2019 business plan.

The Challenge Panel congratulates the company on its performance in the areas in which it performed well. The Challenge Panel encourages the company to continue to perform well in the following areas:

- Regarding excellent customer services, Bristol Water performed well in areas of supporting vulnerable customers and those on the Priority Services Register, in its dealings with all its customers, whether household or industry and on reducing complaints.
- Regarding safe and reliable supply of water, the taste and odour of water, properties at risk of receiving low pressure and some resilience matters the company performed well, as it also did in resilience measures such as low turbidity, unplanned non-infrastructure maintenance and the improvements to the Glastonbury Street network.
- Regarding local community and environmental resilience, the quality of raw water sources, the industry leading biodiversity index, compliance with and delivery of the Water Industry National Environment Programme (WINEP) and community satisfaction the company met the delivery targets expected.

However, the Challenge Panel scrutinised the targets that Bristol Water did not achieve and sought reassurances on how it plans to address the deficits.

- Regarding excellent customer services, Bristol Water's customers' perception related to value for money reduced, perhaps due to consumer concerns in the media regarding sewage pollution and executive pay (both matters not within the purview of the Challenge Panel).
- Regarding safe and reliable supply of water, Bristol Water performance against the stringent targets set by regulator (the Drinking Water Inspectorate) deteriorated during the year and was challenged on the mitigation strategy that has been put in place. Despite a good performance last year, performance on both water supply interruptions and mains repairs deteriorated due to two large supply interruptions and some freeze and thaw weather events. Unplanned outages at Purton Works also affected performance. Further details of targets missed in this section can be found in the report.
- Regarding local community and environmental resilience, the Challenge Panel was particularly disappointed that the excellent performance in leakage reduction of the previous year had deteriorated. Per capita consumption increased during the year, against the need to reduce personal water consumption. The Challenge Panel noted the work carried out in partnership with

Resource West to change consumer behaviour and reduce wastage of natural resources. However, there is a need for a national campaign to raise awareness and change behaviour if the UK is to meet future demands for clean, safe water. Other missed targets can be found in the report.

The report and its appendices set out in detail the discussion of the Challenge Panel, how challenges are logged, handled, and cleared as well as details of the minutes of each of the Challenge Panel's meeting from April 2022 to March 2023.

About the WaterShare+ Customer Advisory Panel

The Bristol Water Challenge Panel

The role of the Bristol Water Challenge Panel (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 of Bristol Water and is part of the transparency customers expect of the water industry. The Challenge Panel:

- Carries out detailed, informed scrutiny on the current performance of the business
- Scrutinises the reliability of what it reports to customers and regulators
- 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 Challenge Panel is composed of an independent Chair (Peaches Golding OBE), Deputy Chair (Tony Denham) and an independent Report Writer (Jeremy Hawkins), together with the CCW, Environment Agency, Natural England, local councillors, and individuals drawn from several backgrounds in social issues including health, debt, and other vulnerabilities. The BWCP members are listed.

The South West Water WaterShare+ Customer Advisory Panel

The South West Water WaterShare+ Customer Advisory Panel (the SWW Panel) is an independent group of customer, business, and social representatives. It is chaired by Lord Matthew Taylor.

The SWW Panel is supported by expert advisors from the CCW, the Environment Agency (EA) and Natural England (NE). All provide specialist insight and views to the Company on their areas of expertise. The SWW Panel works with customers across the South West Water region to ensure customers' voices are represented within the business.

The purpose of the WaterShare+ Customer Advisory Panel is:

- To boost customer engagement and feedback to help inform the Panel's assessment and response on the company's performance
- To champion the interests and needs of customers by providing an independent view on the delivery of the company's business plan, including its performance commitments and board pledges
- To increase awareness of the WaterShare+ customer scheme of share ownership and having a greater say in how the business is run.

The Chair and Deputy Chair of the Bristol Water Challenge Panel joined the SWW Panel during the year, greatly supplementing its capability.

Integration

On 1st February 2023, the Bristol Water licence to provide customers with water was integrated into the South West Water licence as part of the company merger. As a result of this acquisition, the WaterShare+ Customer Advisory Panel (the Panel) has integrated with the Bristol Water Challenge Panel. The integrated group is known as the WaterShare+ Group Customer Advisory Panel (the Group Panel). From the outset, the intention has been to adopt the best practice from both panels.

The Group Panel is chaired by Lord Matthew Taylor, with Peaches Golding OBE (Chair of the Bristol Water Challenge Panel) as Deputy Chair, and includes advisors from CCW, EA and Natural England.

The structure of the integrated Group Panel is shown below.

The integration of the two panels will mean, for the reader of this report, that some results will be presented slightly differently from previous years but will have many similarities. Some areas will have new focus and prioritisation in line with the new integrated Group Panel.

While the Group Panel oversees strategic matters on behalf of customers across all regions, the BWCP and WaterShare+ Panel remain in place to continue to oversee and scrutinise their respective companies' performance and delivery of operational outcomes to 2025.

The objectives of the Group Panel are focused on the company's Business Plan for 2025 – 2030 as part of Ofwat's Price Review 2024 (PR24) and include primarily:

- Contributing to the development of the PR24 Business Plan by challenging the company's proposals particularly through the review and scrutiny of the associated customer engagement and the drivers of expenditure
- Ensuring that the Business Plan fairly represents the views of the company's customers and communities.

The Group Panel holds quarterly meetings in person that are open to customers and stakeholders, rotating across the regions. This enables customers to have their say in the operation and direction of the business and allows the company to listen to their views, needs and concerns.

The Group Panel established two Sub-Groups to enable detailed scrutiny of the company's customer engagement and affordability activities (both routine and specific for the forthcoming PR24 Business Plan) and the technical and environmental aspects of its performance in the current Price Review period (PR19), and the development of its investment plan for PR24. The Sub-Groups were formed from and chaired by members of the Group Panel who have the appropriate expertise in these areas. The Expert Advisors from CCW, EA and NE also sit on the Group Panel. Both Sub-Groups reported their findings regularly to the main Panel to keep it fully informed.

The Chair and Deputy Chair of the Bristol Water Challenge Panel, plus a number of other members, have now also joined the integrated WaterShare+ Group Panel and its Sub-Groups.

The Bristol Water Challenge Panel meetings now focus solely on how Bristol Water performs against its PR19 business plan. All aspects of future planning are covered by the WaterShare+ meetings. The views of Bristol Water customers and stakeholders continued to be represented on future planning under this governance.

The WaterShare+ Group Panel oversees the operation of the company's WaterShare framework. In 2022 the second 'WaterShare' was issued; customers were given the choice of either receiving a £13 credit to their account or applying to receive shares in Pennon Group plc (the UK based company which owns South West Water). Thousands of customers took shares with 1 in 14 customers now shareholders as well as customers, across all our regions, including – for the first time those customers in the Bristol Water region. The Panel will continue to work with the Board of the company and customers to ensure that WaterShare+ achieves its full potential.

Bristol Water customers have seen a reduction to their water bill from April 2023, following the adjustment to remove the impact of the small company premium on the cost of debt. This has happened as part of the undertakings Pennon provided to the CMA following the acquisition of Bristol Water in June 2021.

The Group Panel will be reporting on its PR24 work and findings in October 2023 when the company's draft PR24 Business Plan is submitted to Ofwat.

Key areas of focus for the Challenge Panel in 2022/23

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 held 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 fall 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 sub-programmes are described on the company's website.

There are around 40 individual initiatives spread across these sub-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 in the Social Contract

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.

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.

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.

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 2022

Bristol Water published its annual Social Contract Benefit & Transparency Report in December 2022. This Report describes the progress the company made with its Social Contract initiatives in 2021/22, the benefits delivered and a look forward to 2022/23.

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. It considered that the roadmap to net zero is a key issue. This did not come across as particularly dynamic and felt too top level and that the company might be underselling itself as a result. The Panel felt that the public could be more encouraged if they could see specific activities and the progress against them. The company noted this and the Panel will monitor any developments during the coming year.

The company took on board these and other recommendations.

Progress in 2022/23

The company did not introduce any additional Social Contract initiatives for 2022/23 but concentrated on delivering the initiatives already set.

The Challenge Panel reviewed at high level the progress in 2022/23 on each of the Social Contract initiatives within each Social Contract programme.

Particular interest was taken in the progress of the Didcot competitive water supply innovation project (a new initiative introduced in the previous year) and the objectives and timescale of the partnership with South West Lakes Trust (to expand the environmental and recreational use of the company's lakeside sites). The Challenge Panel was pleased to see that progress was being made on both.

The Challenge Panel noted that, while the company is performing well on its WINEP, its Social Contract environmental targets are ambitious, and it needs to ensure that it has the personnel to deliver the work. The company assured the Challenge Panel that it is trying to sequence the work, hoping that both the Social Contract and WINEP can be done, but accepted this to be a fair challenge.

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. Staff unavailability was the main cause of any delays.

The Challenge Panel also welcomed that the impact of the South West Water (SWW) merger with Bristol Water on the Social Contract had been minimal.

Customer engagement

The Challenge Panel reviewed the company's Social Contact Engagement Plan activity undertaken during 2022/23. This included the Local Satisfaction Survey and the Customer Forum.

The Challenge Panel's detailed comments on these activities are given in the Customer Engagement Section of this report.

Sharing mechanism

The Social Contract sharing mechanism has two performance triggers, both of which must 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 2022/23 the company was third.
- Stakeholder satisfaction – the company's achievement in its local stakeholder satisfaction survey must be lower than 75%. In 2022/23 it achieved 92%.

Therefore, the Social Contract sharing mechanism was not activated in 2022/23.

In addition to reviewing and challenging at high level progress against the Social Contract programmes and their initiatives, the Challenge Panel 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 'deep dives' undertaken in 2022/23 covered the Social Contract Biodiversity Index initiative, the company's involvement with Resource West and its Social Contract-related work on customer vulnerability.

Biodiversity

The Social Contract work associated with the Biodiversity Index includes a conservation programme, in a biodiversity index calculator tool and liaison with stakeholders.

The Challenge Panel focused on the measures of success for the initiative, evidence of how stakeholders had been engaged and had responded and what if any meaningful influence had been exerted.

The company has agreed to provide more information to address these points including how stakeholders have used the biodiversity calculator tool. It stressed that the initiative is not just about sharing and promoting the tool but also the company's experience of using it. The Challenge Panel will review this information in the coming year.

In 2022, Bristol Water customers were given the choice of either receiving a £13 credit to their account or applying to receive shares in Pennon Group Plc (the UK based company which owns South West Water).

The Challenge Panel would welcome a successor biodiversity-related initiative at some point and noted that stakeholders may need ongoing support with using the biodiversity calculator tool. The company has noted these points.

Resource West

Resource West is a partnership of local utility companies, including Bristol Water. Its aims are to encourage the public through simple messaging to save money and protect the environment by reducing the consumption of energy and water while maintaining a healthy home environment.

A pilot study was undertaken during 2022/23 using members of Bristol Water's online panel to prove the concept of the initiative. The aim is to expand the scale and reach of the project in 2023/24 and beyond.

The Challenge Panel's scrutiny before the pilot was undertaken included:

- Whether the company's Resource West engagement work is aligned with the other engagement it is undertaking on similar issues. There is a need for consistent messaging on water consumption across all engagement and the Challenge Panel is keen to work with the company on this.
- The company's assessment of the return on investment on the initiative and whether the benefits to customers were clear.
- To what level per capita consumption (PCC) might reduce because of the project and whether the approach will remain beneficial. Originally the company thought that charities would help with home visits. However, charities are currently over-whelmed due to the cost-of-living crisis, so the plan is to use online support, as this is less labour intensive. The focus will be on people who would benefit most.

- The Challenge Panel noted from the results of the pilot study that older people were saying they have difficulties with meter readings. It asked if this was in interpreting the meter reading results or reading the meter itself. The Panel noted that the company will be investigating this.
- The Challenge Panel wondered if the engagement had produced learning opportunities for the presentation of bills and providing help to customer with bill interpretation without patronising them. Various utility providers use different bill formats and often people don't appreciate they do not understand all the information on bills until they are asked a question regarding the meaning of specific information contained in them. The company agreed to add a question to the main survey on this.
- The Challenge Panel noted from the pilot study that, if there is a problem with people reading smart meters, the benefits of such meters will be compromised. It suggested this issue needs to be linked to the metering programme. The company agreed and said it has asked whether participants have a smart energy meter as well, to see if the issue of interpretation also exists. The Challenge Panel will follow this up in the coming year.
- The company is currently giving thought to how it intends to expand on the work undertaken so far. It is integrating the PCC messaging across the Pennon Group to further promote water efficiency. It has been in touch with South West Water whose water efficiency initiatives have been directed at its drought prone areas.
- The representativeness of the customer sample used in the pilot, for example demographics, ethnic origin, disability, etc. When it was established that the sample was poor in these respects, the Challenge Panel was not satisfied that the results obtained from the pilot were representative and meaningful. The company said it will take this concern on board in the next stage of research.

Vulnerability

The Social Contract work associated with vulnerable customers includes supporting their needs by focusing on hard-to-reach segments through using stakeholder engagement and data sharing with partner organisations. The company considers these align with its Social Contract because it is contributing to its social purpose.

The Challenge Panel is very aware that households, including middle income families, are under tremendous pressure from the cost-of-living crisis. It requested and received regular updates on developments from the company as well as the undertaking the 'deep dive'.

The Challenge Panel's areas of focus included:

- The internal assurance on the numbers of people benefiting from the initiatives. The company outlined the checking it undertakes. The Challenge Panel was satisfied with this.
- Whether the numbers applying for the Social Contract vulnerability initiatives had been lower than expected and if the funding provided had been in line with the original budget. The

company informed the Panel that numbers had been lower and suggested that resource constraints within the advice sector may have been a factor. The funding the company had provided was as planned, however.

- Whether volunteers from the company are involved in the initiatives. It noted the company had recruited a Community Engagement Officer for 2023/24. The company considers there should be opportunities to inform and educate schools and other organisations about the initiatives. The Challenge Panel will monitor this during the coming year.
- The vulnerability initiatives were Bristol centric. The company said that information had been sent out across its region but only organisations in and around Bristol responded. The Challenge Panel was disappointed to hear this but accepted the company had made reasonable efforts to reach out to a wide base.

Conclusion

Overall, the Challenge Panel was pleased to see that much of the Social Contract work was on track and that progress had improved in 2022/23.

The Panel welcomed that the company accepts there are benefits in sharing learning across staff. The company is getting good co-operation from the staff involved and uses this as a surrogate measure of satisfaction. The Challenge Panel considers that how staff think about their work is as important as part of the evaluation of the Social Contract programme. The company accepted the point about engagement in the wider workforce and has agreed to undertake a survey of employees including asking them what if anything they would like to do differently. It will feedback the results in the coming year.

The Challenge Panel noted that the company is identifying the data that need to be captured to be able measure and report the benefits of each Social Contract initiative. The Panel will review this during the coming year.

The company has shared its Social Contract Forward Programme for 2023/24 with the Challenge Panel.

The Challenge Panel looks forward to reviewing the company's Social Contract performance in 2023/24.

Customer Engagement

Overview

Bristol Water undertook several pieces of customer engagement to understand customer views, preferences, and priorities during 2022/23, some continual (business as usual) and some bespoke.

The company also undertook engagement alongside South West Water for the Pennon Group's PR24 Business Plan. This included consultation on the draft Water Resources Management Plan. The WaterShare+ Group Panel, some members of which come from the BWCP, reviewed the PR24 engagement and its findings will be reported in its PR24 Report to be published in October 2023.

The table below summarises the routine engagement undertaken during 2022/23 by Bristol Water.

Date	Topic
September – December 2022	C-Mex under 30s Focus Groups (water quality taste & appearance)
September – December 2022	Customer Forum (drought management)
September – December 2022	Developers Market Engagement Day (online, indicative charges for 23/23)
January - March 2023	ICS Business Benchmarking Survey and UKCSI Survey (annual)
January - March 2023	ServCheck (staff satisfaction)
January - March 2023	Youth Board (online, customer strategy and experience)
January - March 2023	Lived Experiences Panel (satisfaction and accessibility)
January - March 2023	Online Panel (bill review and leakage journey)
January - March 2023	Customer Satisfaction Survey (annual)
January - March 2023	PSR Customer Satisfaction Survey (annual)
January - March 2023	Local Community Satisfaction Survey (annual, linked to the Social Contract)

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).

Under 30s Focus Group

The findings from this group were that:

- The majority of under 30s are happy with the service and water that Bristol Water provides, and report no issues
- There were few reports of any changes to the taste and quality of Bristol Water in the last 12 months
- Under 30s often have large gaps in knowledge regarding what happens to their water before it comes out of the tap – including:
 - Where the water comes from
 - How the water is treated before reaching them
 - The safety tests that their water is subject to
 - What drives common perceived “issues” with tap water – and how these can be resolved.
- Significant minorities of young people believe that hard water is not safe to drink
- 25% think that hard water is recycled water, and a 20% think that it is desalinated sea water

The Challenge Panel noted these findings and will monitor the company’s responses to them.

Customer Forum

Bristol Water’s online panel was used to engage on messaging during the hot and dry summer of 2022 and on the company’s future drought management plan. The key outcomes from the engagement were:

- General positivity around the management of water during the summer of 2022. Few participants experienced any issues.
- Many participants already take steps to reduce their usage
- There was general support for demand side measures and some support for temporary use bans
- Education was seen as key to avoid future bans
- Reducing mains flushing (to manage discolouration) was not preferred as a means of saving water

The Panel’s Chair and the Deputy Chair attended the Customer Forum. They considered the presentation (and recent TV interviews) to be very good but noted a risk around the tone of the messaging particularly around drought and PCC. The messages on both were often aligned.

The challenge is around PCC where the wrong message may be conveyed if at the same time, the company says there isn’t a water resource shortage. The wider context may be missing. There is always the opportunity to say, ‘use water resources carefully’. The company has agreed that PCC is an important message to get across and will reflect on these points in future messaging.

The Challenge Panel felt the Customer Forum members were forward thinking and came up with some good suggestions that should push the company, eg the use of grey water. The company will have to consider this going forward.

The Panel now wonders if the Customer Forum is no longer an uninformed group. It has suggested the company should now find a different uninformed grouping. It was pleased to hear that the company recognises this and that it will use its proposed focus groups to address this.

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's overall UKCSI score was 78.5, a 1.3 increase on the 2021 score of 77.2. This places Bristol Water:

- third out of the companies regulated by Ofwat (fourth in 2021)
- seventh (out of 34) in the UK utilities sector (eight in 2021)
- higher than both UK all-sector average and utilities average

The Challenge Panel welcomes the company's overall strong performance against the UKCSI and the continued improvement from the previous year.

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 2022.

The score achieved was 78.4 out of 100 which was only 0.1 lower than the previous year. The all sectors and utilities averages were 71.7 and 77.7 respectively.

The headline results for the company for each communication channel were:

- in person 80%
- phone 81.9%
- website 74.9%
- email 74.9%
- in writing 54.8%

The top four priorities from respondents were:

- Helpfulness of staff (score 8.7)
- Competence of staff (score 8.7)
- Billing/invoicing (score 8.3)
- Ease of dealing with/ product or service range / product or service reliability / explaining information clearly / ability to interact with the organisation in the way you prefer (all scored 8.2)

The Challenge Panel welcomes the continued high overall performance against the survey although it noted that there is room for improvement with the website and when responding via email and, particularly, in writing. It will monitor the company's performance 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 early 2023. The overall score achieved was 73.9 (2.9 lower than in the previous year). The average for all sectors and utilities was 78.36 and 79.0.

The Challenge Panel was disappointed to see that the company's ServCheck score fell from the previous year and is lower than the averages for all sectors and utilities. The company has gone through a major transition following the merger with South West Water so this may have contributed to the lower score.

The Challenge Panel will monitor the implementation and effectiveness of the company's action plan during the coming year.

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 80% of respondents rated the overall service received from Bristol Water as very good or good (86% in the previous year and 94% in 2020/21).

Other satisfaction scores associated with the survey also fell from the previous year although the Challenge Panel noted that 11% of respondents said that they had been concerned about paying their water bill during the past year (this was 15% in the previous year and 6% in 2020/21). 68% rated the value for money of the service provided by Bristol Water as very good or good (77% in the previous year and 83% in 2020/21).

The Challenge Panel reviewed these outcomes. It was disappointed to see that general satisfaction levels and value for money have fallen significantly for the last two years. The Challenge Panel suspects the general adverse publicity around the industry in England and Wales during 2022/23 may have had a bearing on customer satisfaction. It has also noted that lower performance against value for money is being replicated in other companies.

During the coming year the Challenge Panel will monitor the company's efforts 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 2022/23 survey were:

- 88% satisfaction with the PSR service received (88% in 2021/22 and 82% in 2020/21)
- 39% first heard of the PSR through friends & family, 25% by letter/post, 13% from info on their bill
- 16% had contacted the company in the last year, and 99% of those agreed their needs were met
- 5% had a complaint in the last 12 months, 83% of those rated the service they received as good or very good

The Challenge Panel was pleased to see the satisfaction with the company's PSR service received by customers was maintained from last year.

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 2022/23 survey were:

- 92% satisfaction (either very or fairly) with Bristol Water's contribution to the communities it serves (93% in 2021/22 and 88% in 2020/21)
- 88% agreed that there was a benefit to community and wellbeing through the company's Social Contract partnerships (89% in 2021/22 and 88% in 2020/21)
- 88% agreed that based on the company's Annual Social Contract Report, Bristol Water has prioritised the right balance of activities with its programme (66% in 2021/22 and 77% in 2020/21).

The Challenge Panel was pleased to see that performance was broadly maintained from the previous year and increased significantly around prioritising the right balance of activities.

The Challenge Panel was happy with the LCS methodology employed and noted that 25 of the 65 stakeholders responded that year.

As last year, the Challenge Panel expressed disappointment that less than 50% of stakeholders responded to the LCS. The Challenge Panel noted the effort the company put into to increase

participation from stakeholders but considers still more needs to be done to improve the effectiveness of the engagement.

The Social Contract sharing mechanism has two performance triggers, both of which must 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 2022/23 the company was third.
- Stakeholder satisfaction – the company's achievement in its local stakeholder satisfaction survey must be lower than 75%. In 2022/23 it achieved 92%.

Therefore, the Social Contract sharing mechanism was not activated in 2022/23.

Challenge Panel Findings

Information Assurance

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

Following the merger South West Water's Technical Auditor, Jacobs, now has responsibility for auditing Bristol Water's PR19 performance information.

The Challenge Panel met with Jacobs through the South West Water WaterShare+ Panel.

Jacobs reported that it had found no material issues with the accuracy and reliability of Bristol Water's performance data. Several minor areas where strengthening of reporting methodologies had been identified.

The Challenge Panel was pleased to receive this assurance and will be monitoring the company's actions plans for improving its reporting methodologies in the coming year. It will also encourage the sharing of best practice reporting processes between South West Water and Bristol Water.

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 Bristol Water performance during 2022/23

Introduction

This section identifies the key points and challenges arising from Bristol Water performance during 2022/23. The content is split into two parts; the first identifies the 18 Performance Commitments (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 11 Performance Commitments where Bristol Water has not achieved its target for the period.

For comparison, in the previous year (2021/22), the company met 20 PC targets and fell short of eight PC targets.

Bristol Water's 29 PCs and Outcome Delivery Incentives (ODIs) for AMP7 are set out in its PR19 Final Determination 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 2022/23 is summarised as follows:

Outcome	Total PCs	PC targets met in 2022/23	Topic
Excellent Customer Services	8	7 (6)	1 (2)
Safe and Reliable Supply of Water	11	5 (8)	6 (3)
Local Community and Environmental Resilience	10	6 (7)	4 (3)
	29	18 (20)	11 (8)

Figures in brackets show the numbers for 2021/22

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 Performance Commitment and Outcome Delivery Incentive can be found on the Challenge Panel's web page.

The company's performance against its PC targets in 2022/23 is expected to result in around £0.75 million ODI outperformance payments (rewards) and around £3.7 million ODI underperformance payments (penalties).

In all cases Jacobs 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 2022/23

This section summarises the 21 Performance Commitment targets achieved by Bristol Water during 2022/23. Details of the performance achieved, comparisons with the previous year and any associated out-performance ODI payments earned in the year are given in Appendix 2.

Outcome: Excellent Customer Service

C-Mex

The Challenge Panel questioned why the C-Mex performance fell slightly from the previous year, and why the company's ambition to be fifth in the industry was not met for the third year running. While its service survey industry ranking was sixth, which it maintained from the previous year, its perception ranking dropped to tenth mainly caused by an unusually low perception score in the second quarter.

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 2023/24.

D-Mex

The Challenge Panel was pleased to see the company's ambition for D-Mex was exceeded, and that its industry ranking improved significantly to fourth from ninth the previous year.

Priority Services Register (PSR) services

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

It was encouraging to see that during 2022/23 the company continues to look at alternative ways to meet its PSR targets.

Case study - Data sharing with local authorities

The Challenge Panel was pleased to see that Bristol Water continues to look at ways to support its most financially vulnerable customers.

One such way was to participate in data sharing with local authorities as such organisations have mutual customers with water companies. North Somerset Council were keen to discuss with Bristol Water how they could support with a two-way data share. The data share would allow, based on certain criteria, to find those most in need and support them with the most appropriate affordability schemes or grant payments. The company's objective was to reduce customer effort as it knows not all customers who are entitled to, reach out for help. The Challenge Panel agrees with this.

The first 'file' of customers was shared in April 2023, and this is continuing monthly. North Somerset Council share details of people on council tax support and the percentage level of support and Bristol Water shares details of customers on water affordability schemes.

At the start of the share the company informed the Challenge Panel that around 101,000 household properties had been identified as being in the North Somerset and Bristol Water catchment area. Within this, North Somerset Council had 11,764 people on its council tax support scheme and Bristol Water had 3,572 customers on its schemes.

Bristol Water has informed the Challenge Panel that, from initial data, it has the potential to support a further 9,105 customers onto water affordability schemes via a mixture of auto enrolment and reaching out to customers to find the best support for them.

The Challenge Panel welcomed Bristol Water's data sharing work and the success it has had with this. It was also pleased to see that the company has been actively working to take the success and learnings from this into further partnerships with other local authorities in its supply area.

The Challenge Panel recognises the good work Bristol Water did during 2022/23 to achieve its PSR targets.

Customers in water poverty

The Challenge Panel welcomes the performance but will continue to challenge the company over its awareness and preparedness for likely increases in customer debt and long-term indebtedness resulting from the ongoing, and potentially worsening cost-of-living crisis.

It 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 increased its customer support during 2022/23 by providing discounted tariffs to an additional 790 customers.

Satisfied vulnerable customers

The Challenge Panel was pleased to see that the company's efforts to at least maintain satisfaction levels in 2022/23 were successful. The Challenge Panel will continue to monitor the company's measures to increase satisfaction levels and its performance against this commitment.

Void properties

The Challenge Panel welcomed that the company maintained its good performance against this Commitment.

Total customer complaints

Bristol Water's total customer complaints were better than target and have reduced year on year since 2020/21.

The Challenge Panel will monitor performance during the coming year.

Outcome: Safe and Reliable Supply of Water

Water quality contacts – taste and odour

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

The Challenge Panel was pleased to see the company's continued 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)

The Challenge Panel noted the company's continuing good performance on turbidity.

Unplanned non-infrastructure maintenance

The Challenge Panel welcomed the company's performance against this metric in 2022/23.

Glastonbury Street network resilience

Bristol Water confirmed to the Challenge Panel that the scheme is on track to be delivered within the five-year period as required by Ofwat's Final Determination.

Outcome: Local Community and Environmental Resilience

Raw water quality of sources

The company's continuing good performance against this measure was welcomed by the Challenge Panel.

Biodiversity Index

The Challenge Panel was pleased that the Biodiversity Index target was met.

WINEP compliance

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

Delivery of WINEP requirements

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

Local community satisfaction

The Challenge Panel noted that, while the target was met, the response rate to the survey in 2022/23 was 25 out of 56 surveyed, down slightly from the previous year.

Abstraction Incentive Mechanism (AIM)

The Challenge Panel was pleased to note that the AIM was not triggered in 2022/23. It was also not triggered in the previous two years.

Targets missed in 2022/23

This section describes the eleven Performance Commitment targets missed by Bristol Water during 2022/23. Details of the performance achieved comparisons with the previous year and any associated under-performance ODI payments incurred in the year are given in Appendix 2.

Outcome: Excellent Customer Services

Value for money

The Challenge Panel is concerned that performance against this Commitment has now fallen each year after increasing in 2020/21.

The Challenge Panel agrees that external factors such as media coverage around the industry's environmental pollution and dividend and bonus payments 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 and 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

The Challenge Panel is concerned that performance against this key measure has deteriorated over the last three years. It appreciates that the metric is very sensitive to a small number of events.

The company informed the Challenge Panel that its Compliance Risk Index (CRI) performance, a measurement required by regulator the Drinking Water Inspectorate, in 2022 was impacted by failures at treatment works where a programme of improvement is being delivered under a DWI enforcement notice.

This carries a higher CRI score weighting, but the DWI recognises that the company is aware of the risk to water quality and has a clear plan for mitigating the risks that is being delivered. It is also being supported by resource and expertise from South West Water to support best practice.

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

Water supply interruptions

The Challenge Panel was disappointed to see this deterioration in performance, especially given that the company's improved operational systems and processes worked well to mitigate supply interruptions in the previous year.

The Challenge Panel accepts that performance against this metric is very sensitive to large interruptions. The company cites two such events during 2022/23; Evercreech and Chilcompton. It also refers to the

summer heatwave and winter freeze-thaw during the year as having a detrimental impact on performance.

CASE STUDY - Major supply interruptions

Bristol Water suffered two major water supply interruptions during 2022/23: Evercreech and Chilcompton.

These contributed significantly to the company's failure to meet its water supply interruption performance commitment target for the year.

The Challenge Panel was keen to learn more about the causes of these interruptions, the company's response to them and the lessons learned to improve future responses to such events. This was because in the previous year it had noted that the company's improved operational systems and processes worked well to mitigate supply interruptions.

The company informed the Challenge Panel that its normal response procedure was implemented at both sites. However local factors frustrated the effectiveness of this.

At Evercreech the restoration of supply was hindered by sediment that had been disturbed by the interruption and had accumulated in nearby fittings on the network. The company has told the Challenge Panel that, as a result, its interruption response procedure has been supplemented by additional field checks of nearby fittings.

The Challenge Panel understands that the issue at Chilcompton was on a part of the network that has been historically reliable. It took the company time to obtain information to work out the optimum way to deal with the burst and repair the main. The company has informed the Challenge Panel that this information has now been collated into a 'grab pack' that is available to all shift controllers and standby teams which will minimise the delays should a repeat event occur in this area.

In addition to the actions specific to these events the company informs the Challenge Panel that it has created an additional rota of Network Event Managers into its Incident Management team to provide stronger technical support to the network issue whilst allowing the wider incident team to focus on the customer centric elements such as alternative water supplies, communications etc. This new arrangement has been used successfully on a number of occasions since.

The Challenge Panel accepts that each interruption will have specific issues that general operational procedures may find challenging. It welcomes that the company reviews the causes of interruptions and its responses to them and that it expands or modifies its procedures accordingly so that disruption to customers is minimised in future where possible.

Mains repairs

The Challenge Panel was concerned to see the deterioration in performance, especially given that the company's improved operational systems and processes worked well to mitigate supply interruptions in the previous year.

The company reports that the summer heatwave and winter freeze-thaw during the year as having a detrimental impact on performance. The Challenge Panel notes that such weather events can cause structural and operational problems on the pipe network.

Unplanned outage

The Challenge Panel noted that the company did not meet its target for 2022/23 and that performance deteriorated from the previous year. It noted this was primarily because of unplanned outages at Purton water treatment works (one of the company's largest) due to pump failures. Unfortunately, the company expects these outages to also impact next year's performance because resolving the asset failure is complex.

CASE STUDY - Unplanned outage at Purton Water Treatment Works

The company missed its unplanned outage target for 2022/23 primarily because of issues at Purton water treatment works (one of the company's largest) caused by pump failures.

Unfortunately, the company expects these outages to also impact this year's performance because resolving the asset failure is complex. The Challenge Panel wished to understand the reasons for this and be satisfied that the company was acting as quickly as possible to reduce the risk of further outages.

At the Challenge Panel's request, the company provided detailed technical information to explain why a quick solution cannot be implemented. This included that:

- There were failures of two of the pumps. The remaining three could only meet normal demands leaving no standby capability. The lack of standby capability negatively affected the unplanned outage score.
- Replacement of one of the problematic pumps requires significant engineering design including reconfiguration of the overall pumping facility. Work has started on this.
- Isolating the other pump is operationally difficult and requires taking the treatment works off line for several days. This is a significant operational risk, particularly in the summer. The company is developing a risk-based plan to do this and will proceed with it later in 2023/24 if it can.

This issue continues into 2023/24 as the programme to replace these assets to reduce future risks is ongoing for completion over the next two years.

While the Challenge Panel cannot comment on the technical merits of the proposed solutions, or their chances of success, it welcomed that the company is progressing solutions to the asset failures it has faced. It will monitor progress during the coming year.

The Challenge Panel will monitor performance during the coming year and to see what, if any, lessons have been learned from this year's operational issues.

Risk of severe restrictions in a drought

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 previously 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. It noted that leakage performance fell in 2022/23.

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 previously expressed concern to the company that the governance structure of the WCWRG does not include customer representation. It was pleased to be invited to attend the meetings as an observer of the WCWRG during 2022/23.

Water quality contacts - appearance

The Challenge Panel was disappointed to see that the company again failed to meet its target despite the number of contacts reducing slightly from the previous year. It notes that Bristol Water has agreed an undertaking with the Drinking Water Inspectorate (DWI) to reduce discoloured water.

Last year, the company 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. It informed the Challenge Panel that this resource contributed to reducing the overall appearance contact rate to its lowest ever figure at 0.94 contacts per 1000 population and is continuing to work to identify the root cause of discoloured contacts.

The company also reports that continual improvements to the information available for customers to self-serve have been beneficial.

The Challenge Panel 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 to discolouration. It understands that a trial with the fire service is planned for the coming year.

The Challenge Panel will review progress against this undertaking during the coming year.

Outcome: Local Community and Environmental Resilience

Leakage

The Challenge Panel was disappointed to see Bristol Water missed its leakage target in 2022/23, especially after its excellent result in the previous year. This reversed the strong downward trend in the

three-year average leakage levels in recent years (when the company was one of the industry leaders in leakage reduction) and increases the challenge of meeting future targets. The Challenge Panel did note last year that the company was identifying increasing challenges associated with further reduction in leakage levels.

The company reports that the unusually hot summer of 2022 led to an increased number of bursts which then continued through the rest of the year. It also experienced a major burst later in the year caused by the winter freeze thaw.

CASE STUDY: Best of the best

As part of the integration process between Bristol Water and South West Water, knowledge and resources are being shared across both areas. This includes, for example, Bristol Water benefiting from additional resource and experience on Health and Safety from South West Water, as well as the provision of expertise and learnings from South West Water around recent Water Quality improvements to Bristol Water.

In addition, one of the topics discussed at BWCP meetings was when Bristol Water provided leakage expertise and support to South West Water during the recent drought experienced in Cornwall and parts of Devon, putting pressure on water resources.

Bristol Water leakage inspectors were sent for a short period to North Devon (South West Water's area) during March 2023, to assist with leakage reduction activities.

The Panel challenged the company on whether the Bristol Water leakage target would have been met if this transfer had not taken place.

The company assured the Panel that the transfer did not impact on the achievement of the target, as it the hot summer in 2022 followed by the freeze/thaw in December had significantly impacted levels of leakage, and thus that by March it was apparent that the leakage target would not be met.

It was however noted that the sharing of resources provided significant benefit in Devon, locating and fixing over 600 leaks. Given the pressure on water resources, this was a significant benefit and provided a good outcome both for customers and the environment.

The Challenge Panel accepted this explanation and will continue to monitor leakage performance as a key customer metric during the coming year.

The Challenge Panel was pleased to learn that the company has now implemented new initiatives including the development of a fixed acoustic network in Bristol which should help reduce leakage location time by triangulating signals. This will be particularly useful in the problematic winter period.

The Challenge Panel will continue to monitor leakage performance during the coming year.

Per capita consumption (PCC)

The company explained that PCC has shown a fall back towards pre-Covid pandemic levels as workers return to the workplace but remains above target.

The Challenge Panel understands that the company is implementing a strategic analysis, looking at a number of options, including additional metering, and proposed plumbing losses repairs.

The Challenge Panel accepted this and noted that there was a corresponding fall in non-household consumption to prove this.

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 Challenge Panel noted that water usage education campaigns are ongoing, including Bristol Water's Foundation website which covers the value of water and ways of reducing usage.

The Challenge Panel continues to believe that to create step change in customer behaviour, there must be greater, more impactful partnerships at national level. Bristol Water is using its involvement with 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 initiate and facilitate transformational shifts in consumer behaviour to reduce consumer consumption and waste.

Meter penetration

The Challenge Panel was pleased to see that, despite falling below target, meter penetration increased by over 2.4% from the previous year. The Company reported that increases in its operational resources during the year, both in the field and in the office, helped achieve this. The Challenge Panel will continue to encourage the company to accelerate its meter installation programme as quickly as possible.

Waste disposal compliance

The Challenge Panel obtained a better understanding of the problems at Blagdon, where the majority of failures occur. It understands that most of the issues at this site are attributed to a deterioration in raw water quality rather than operation of the fisheries.

Meeting Actions and Challenges

Meetings

The Challenge Panel's meetings held, during 2022/23 are shown in the table below along with the topics covered in each meeting. Each meeting numbering has continued from the last meeting of the previous year. All the 2022/23 meetings were held via video conferencing.

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

[Table showing the meeting title, date of meeting, main areas of discussion and meeting actions]

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

The table shows the large spread of topics the Challenge Panel members have been involved with in 2022/23. Also shown is the number of actions raised during each meeting.

The Challenge Panel has continued the two-tier system challenge logging process. As expected this has resulted in a large increase in the number of short-term actions which were quickly cleared to the satisfaction of all, but a reduction in the number of substantive challenges, which was to be expected during this relatively low activity period.

The Chair and Deputy Chair have attended seminars and workshops organised by CCW and others on diverse topics associated 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 PC performance. Challenge Panel members have been kept informed of the topics discussed and any resulting output.

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 whether 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.

Meeting Actions

The number of actions raised during 2021/22 was 116, giving a total of 382 so far this AMP. 123 actions were cleared during the year, giving a total of 312 cleared so far this AMP. An additional 14 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.

Challenges

There were 14 meeting actions converted to challenges during 2022/23, which, when added to the 24 from previous years, gives a total of 38 actions converted to challenges and a total of 50 challenges at the end of the period.

Figure 3 shows the source of all challenges during 2022/23.

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 2022/23.

The increase of 14 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.

Focus for 2023-24

Outcome: Local Community and Environmental Resilience

The BWCP's priorities for 2023/24 will be:

- Supporting customers – affordability and vulnerability
- Performance against the company's PR19 Commitments
- Customer engagement
- Environmental performance
- Social Contract

The WaterShare+ Group Panel (and its Sub-Groups) will continue and conclude its review and scrutiny of the customer engagement for the next Price Review and the reflection of customers' priorities in the Pennon draft PR24 Business Plan.

Important dates

BWCP main meeting 14 – 21 September 2023

WaterShare+ Customer Annual General Meeting - 26 September 2023

BWCP main meeting 15 – 5 December 2023

WaterShare+ Public meeting – 11 December 2023

Summary and Conclusion

The work of the Challenge Panel will continue during the next two years to ensure the customer focus of Bristol Water continues apace and that Bristol Water's performance against the Ofwat targets already in operation is monitored.

I extend my sincere appreciation to the Chief Executive of South West Water and her team for the support given to the Challenge Panel which enables it to carry out its work. Although not required by any of the water regulators, the value that is added by customer challenge helps Bristol Water and South West Water to become the best they can be by listening to the priorities, preferences, complaints, and aspirations of its customers.

The Challenge Panel membership, outlined in Appendix 1 generously contribute the breadth of their experience. I am grateful for their input and commitment to ensuring that the customers of Bristol Water remain uppermost in the decision-making and allocation of investment by the parent company, the Pennon Group.

I also thank Tony Denham, the Deputy Chair of the Bristol Water Challenge Panel, for his support, experience, and knowledge on the Challenge Panel and also the WaterShare+ subgroups.

Appendices

Appendix 1 - Members

The Challenge Panel is composed of an independent Chair, Deputy Chair and Report Writer, together with the CCW, 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 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.

A full listing of the Challenge Panel members who have contributed to the work of the Challenge Panel during 2022/23 is given here.

Peaches Golding OBE CStJ	Chair
Tony Denham	Deputy Chair
Jeremy Hawkins (Report Writer)	Creoda Consulting
Catherine Jones	CCW
Gudrun Limbrick	CCW
Tamsin Sutton	Environment Agency
Laura Henley	Natural England
Dr Tabinda Rashid-Fadel	National Health Service
Fran Begley	South Bristol Advice Centre
Cllr. Michael Gay	Mendip District Council
Cllr. Geoffrey Richardson	North Somerset Council

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. A company iNED has not attended the Panel's meeting since then. The Panel hopes that this will be rectified in the coming year.

Appendix 2 - Review of Bristol Water's performance during 2022/23

Outcome: Excellent Customer Service

C-Mex

Unit Score (& industry position)

Actual 20/21 83.31 (6th position)

Actual 21/22 82.86 (6th position)

Target 22/23 No target. Industry position is determined by Ofwat.

Actual 22/23 80.68 (6th position)

Target 23/24 No target. Industry position is determined by Ofwat.

Target 24/25 No target. Industry position is determined by Ofwat.

The customer measure of experience (C-MeX) is a measure of customer satisfaction common across the industry. A company's C-MeX score is calculated as the weighted average of customer satisfaction (CSAT) scores from customer service (CS) and customer experience (CE) surveys. Three points are deducted from the C-MeX score if the company does not offer at least five communication channels, including three online channels, to receive contacts from customers.

The company's C-MeX score (determined before the application of any adjustment for the number of channels offered) is calculated using the following formula:

$$\text{C-Mex score} = 50\% \times (\text{CS} - \text{CSAT}) + 50\% \times (\text{CE} - \text{CSAT})$$

Each CSAT score is rescaled to be out of 100.

The incentive associated with this commitment is revenue based (both outperformance and underperformance (penalty) payments), calculated using Ofwat-determined formulae and is relative to the performance of other water companies. Two incentive rates are used, standard and enhanced, and depend on the company's level performance relative to its peers. A performance deadband does not apply to this PC. The incentive is paid each year in the AMP period.

Bristol Water achieved a C-Mex performance of 80.68 in 2022/23. This level of performance placed it sixth in the industry. The company achieved a score 82.86 in 2021/22 which placed it sixth in the industry. In 2022/23 the frontier company scored 83.74 and the median was 79.08. 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 2022/23 from the previous year, as did the industry's overall.

The company's C-Mex performance in 2022/23 means it is likely to earn an outperformance payment (reward) of around £235,000 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 third year running. While its service survey industry ranking was sixth, which it maintained from the previous year, its perception ranking dropped to 10th mainly caused by an exceptionally low perception score in the second quarter.

The Panel 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 2023/24.

D-Mex

Unit Score (& industry position)

Actual 20/21 86.81 (8th position)

Actual 21/22 85.26 (9th position)

Target 22/23 No target. Industry position is determined by Ofwat.

Actual 22/23 89.99 (4th position)

Target 23/24 No target. Industry position is determined by Ofwat.

Target 24/25 No target. Industry position is determined by Ofwat.

D-MeX is a measure of developer services customer satisfaction and common across the industry. A company's overall D-MeX score is calculated from two components that contribute equally:

- a qualitative D-MeX score, based on the ratings provided by developer services customers who transacted with the company throughout the reporting year to a customer satisfaction survey; and
- a quantitative D-MeX score, based on the company's performance against a set of selected Water UK performance metrics throughout the reporting year.

The company's D-MeX score (out of 100) is calculated using the following formula:

D-Mex score = 50% x Qual + 50% Quant, where

- 'Qual' is a simple average of satisfaction scores given by developer customers surveyed in the developer customer satisfaction survey in the reporting year; and
- 'Quant' is a simple average of the selected Water UK performance metrics which have non-zero volumes in the reporting year.

The incentive associated with this commitment is revenue based (both outperformance (reward) and underperformance (penalty) payments), calculated using Ofwat-determined formulae and is relative to the performance of other water companies. A performance deadband does not apply to this PC. The incentive is paid each year in the AMP period.

Bristol Water achieved a D-Mex performance of 89.99 in 2022/23, significantly improved from 85.26 the previous year. This level of performance placed it fourth in the industry, up significantly from ninth the previous year, and better than the company's ambition to be fifth. The frontier company scored 92.88 and the median was 87.27. The frontier and median were higher than the previous year.

The company's D-Mex performance in 2022/23 (specifically the achievement of an industry ranking of fourth) means it is likely that an incentive payment of £135,000 will result for this PC, but this is subject to confirmation by Ofwat at the time of writing this report.

The Challenge Panel was pleased to see the company's ambition for D-Mex was exceeded, and that its industry ranking improved significantly from the previous year.

Priority Services Register (PSR) services

Unit % households registered on PSR (reached)

Actual 20/21 2.6

Actual 21/22 4.1

Target 22/23 5.1

Actual 22/23 6.5

Target 23/24 6.1

Target 24/25 7.0

Unit % households registered on PSR (contacted)

Actual 20/21 35.5

Actual 21/22 53.2

Target 22/23 35.0

Actual 22/23 53.1

Target 23/24 35.0

Target 24/25 35.0

Unit % households registered on PSR (attempted contact)

Actual 20/21 48.6

Actual 21/22 94.1

Target 22/23 90.0

Actual 22/23 91.1

Target 23/24 90.0

Target 24/25 90.0

This common performance commitment consists of the following criteria:

- The PSR reach: percentage of households that the company supplies with water services that are registered on the company's PSR.
- Actual contact: percentage of distinct households on the PSR that the company has actually contacted over a two- year period.
- Attempted contact: percentage of distinct households on the PSR that the company has attempted to contact over a two-year period.

To achieve compliance with this performance commitment the reach, attempted contact and actual contact targets should be achieved.

The detailed calculation formulae for the three PSR PC components are provided in Ofwat's PR19 Final Determination for Bristol Water.

The associated incentive is reputational.

In 2022/22 Bristol Water outperformed its targets on actual and attempted PSR contacts and the number of households registered on the PSR. In the latter case it significantly improved its performance over the value for the 2021/22 and for the others it maintained its scores from the previous year.

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 was encouraged to see that during 2022/23 the company continues to look at alternative ways to meet its PSR targets.

The Challenge Panel recognises the good work Bristol Water did during 2022/23 to achieve its PSR targets.

Customers in water poverty

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

This is a commitment bespoke to Bristol Water. It is defined as the percentage of customers within the company's supply area for whom their water bill represents more than 2% of their disposable income, defined as gross income less income tax.

The Commitment was also used in the previous AMP. The associated incentive is reputational.

In 2022/23 Bristol Water met its target for this commitment, a similar result to 2021/22. The score achieved in 2022/23 was 0%.

The Challenge Panel welcome this performance but will continue to challenge the company over its awareness and preparedness for likely increases in customer debt and long-term indebtedness resulting from the ongoing, and potentially worsening cost-of-living crisis.

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 increased its customer support during 2022/23 by providing discounted tariffs to an additional 790 customers.

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	82

Actual 21/22 77

Target 22/23 82

Actual 22/23 68

Target 23/24 83

Target 24/25 83

This PC is bespoke to Bristol Water and relates to the percentage of customers surveyed through the company's annual household customer tracking survey, who consider that the company provides good value for money. This is determined by customers either responding "very good" or "good" to the question:

Thinking about value for money, overall, how would you rate Bristol Water in relation to the service they provide?

The survey is conducted by phone by an external third-party market researcher.

The Commitment was also used in the previous AMP. The associated incentive is reputational.

Bristol Water achieved 68% performance for this measure in 2022/23, down from 77% the previous year. The Challenge Panel is concerned that performance against this Commitment has now fallen each year after increasing in 2020/21.

The Challenge Panel agrees that external factors such as media coverage around the industry's environmental pollution and dividend and bonus payments 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.

Satisfied vulnerable customers

Unit	% customers surveyed
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Actual 20/21	82
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Actual 21/22	88
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Target 22/23	85
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Actual 22/23	88
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Target 23/24	85
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Target 24/25	85
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This bespoke PC is new for AMP7. It measures how satisfied vulnerable customers on the company's PSR are with the services they receive.

The survey is conducted by phone by an external third-party market researcher and includes a single question that asks customers to rate their satisfaction with the services they receive through the PSR. Customers who respond that they are 'satisfied' or 'very satisfied' are counted toward the total.

The associated incentive is reputational.

The company achieved a score of 88% for this PC in 2022/23, exceeding the target of 85% (which remains the same each year during the AMP). The score in 2021/22 was also 88%.

The Challenge Panel was pleased to see that the company's efforts to at least maintain satisfaction levels in 2022/23 were successful. 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
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Actual 20/21	1.80
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Actual 21/22	1.80
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Target 22/23	1.80
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Actual 22/23	1.79
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Target 23/24	1.80
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Target 24/25	1.80
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This is a PC bespoke to Bristol Water. It measures the number of household properties classified as void as a percentage of the total number of household properties served by the company. A property is deemed to be void if it is connected to the public water supply network but, because it is unoccupied, it does not receive a charge.

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

Bristol Water's household void property score in 2022/23 was 1.79% and so outperformed the target of 1.80%. The corresponding void scores in the previous two years were also 1.80% of household properties.

The Challenge Panel was pleased to see the company maintained its good performance against this Commitment.

Total customer complaints

Unit	Household complaints per 10,000 connections (industry upper quartile from previous year)
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Actual 20/21	58.9
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Actual 21/22	38.7
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Target 22/23 28.4

Actual 22/23 23.9

Target 23/24 Industry upper quartile (from 2022-23)

Target 24/25 Industry upper quartile (from 2022-23)

This PC is bespoke to Bristol Water and measures the total complaints by household customers received by the company per 10,000 connections.

It includes the combined total of unwanted contacts (i.e. telephone complaints), written complaints (letter and email) and contacts via new contact channels (such as social media or webchat). The performance commitment each year is to meet the upper quartile performance in England and Wales from the previous year.

The associated incentive is reputational.

Bristol Water's total customer complaints per 10,000 household connections score in 2022/23 was 23.9, well outperforming the target of 28.4, and lower than the previous year (27.8).

The Challenge Panel noted the company's performance in 2022/23 and will monitor it during the coming year.

Outcome: Safe and Reliable Supply of Water

Water quality compliance

Unit Compliance Risk Index (CRI)

Actual 20/21 3.02

Actual 21/22 4.19

Target 22/23 0.00

Actual 22/23 4.60

Target 23/24 0.00

Target 24/25 0.00

This is a PC common to all companies and is measured on a calendar year basis. The definition for this performance commitment is set by the Drinking Water Inspectorate (DWI) in collaboration with the industry. A CRI score is calculated for every individual compliance failure at water supply zones, supply points and treatment works, and service reservoirs. The annual CRI for a company, for any given calendar year, is the sum of the individual CRI scores for every compliance failure reported during the year.

The incentive is financial with underperformance (penalty) payments only. A performance deadband (within which no incentive payments apply), plus a performance collar (beyond which payments are fixed), are in place for this PC. Payments are made in period.

Bristol Water's CRI score for 2022 was 4.60, against the target of zero. The corresponding scores in 2022 and 2021 were 4.19 and 3.02 respectively so performance against this PC has been deteriorating. The company incurred an underperformance (penalty) payment of £592,000 as a result of its performance in 2022.

The Challenge Panel is concerned that performance against this key measure has deteriorated over the last three years. It appreciates that the metric is very sensitive to a small number of events.

The company informed the Challenge Panel that its CRI performance in 2022 was impacted by failures at treatment works where a programme of improvement is being delivered under a DWI enforcement notice. This carries a higher CRI score weighting, but the DWI recognises that the company is aware of the risk to water quality and has a clear plan for mitigating the risks that is being delivered.

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

Water supply interruptions

Unit HH:MM:SS per prop per year

Actual 20/21 0:30:17

Actual 21/22 0:02:31

Target 22/23 0:05:45

Actual 22/23 0:08:03

Target 23/24 0:05:23

Target 24/25 0:05:00

This PC is common to all companies and is calculated as the average number of minutes lost per customer for the whole customer base for interruptions that lasted three hours or more.

The PC also applied during AMP7. The incentive is financial with both outperformance (reward) and underperformance (penalty) payments. A performance cap and collar are in place for this PC, beyond which incentive payments are fixed. Payments are made in period.

Bristol Water's performance against this PC for 2022/23 was 0:08:03 HH:MM:SS, against the target of 0:06:08 HH:MM:SS. The corresponding score in 2021/22 was 0:02:31 HH:MM:SS. Thus performance in 2022/23 reduced significantly over the previous year and the company incurred an underperformance (penalty) payment of £219,000 as a result.

The Challenge Panel was disappointed to see this deterioration in performance, especially given that the company's improved operational systems and processes worked well to mitigate supply interruptions in the previous year.

The Challenge Panel accepts that performance against this metric is very sensitive to large interruptions. The company cites two such events during 2022/23; Evercreech and Chilcompton. It also refers to the summer heatwave and winter freeze-thaw during the year as having a detrimental impact on performance.

The Challenge Panel wished to understand more about these events and the lessons learned by the company from them. They are described in more detail in the main body of this report.

Mains repairs

Unit Nr per 1,000km of mains

Actual 20/21 154.2

Actual 21/22 106.4

Target 22/23 134.6

Actual 22/23 170.8

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 170.8 repairs per thousand km of mains in 2022/23 against a target of 134.6. The corresponding figure for the previous year was 106.4 so performance deteriorated significantly. The company incurred an underperformance (penalty) payment of £1.048 million as a result.

The company reports that the summer heatwave and winter freeze-thaw during the year as having a detrimental impact on performance. The Challenge Panel notes that such weather events can cause structural and operational problems on the pipe network.

Unplanned outage

Unit % of peak week production capacity

Actual 20/21 0.20

Actual 21/22 1.74

Target 22/23 2.34

Actual 22/23 6.21

Target 23/24 2.34

Target 24/25 2.34

This PC is common across the industry. It is reported as the temporary loss of peak week production capacity in the reporting year (MI/d) weighted by the duration of the loss (in days). Unplanned outage for each water production site is calculated separately and then summed over the reporting year to give a total actual unplanned outage for the associated water resource zone. The company water resource zone weighted outage is then summed and normalised based on overall company peak week production capacity to be reported as a percentage.

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

Bristol Water's outage performance in 2022/23 was 6.21%, worse than the target of 2.34%, and significantly worse than the 1.74% achieved in the previous year. The company incurred an underperformance (penalty) payment of £712,000 as a result.

Risk of severe restrictions in a drought

Unit	% population at risk
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Actual 20/21	56.9
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Actual 21/22	32.9
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Target 22/23	29.8
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Actual 22/23	60.9
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Target 23/24	29.8
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Target 24/25	25.6
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This PC is common across the industry. It is reported as the percentage of the customer population at risk of experiencing water severe restrictions in a 1-in-200 year drought, on average, over 25 years.

The incentive is reputational.

60.9% of the company's population was calculated as being at risk in 2022/23 of severe restrictions in a drought. This is above the target of 29.8%. The figure for 2021/22 was 32.9% so there has been a deterioration.

The company reports the reason for the deterioration in 2022/23 as an increase in potable water exported as a result of the drier year, and that the year's outage allowance was around 274% higher

than the previous year. The company explained to the Challenge Panel that Ofwat's measure of risk of severe restrictions in a drought is based on a high-level comparison of the amount of water available against demand. The amount of water available is calculated by subtracting an allowance for outage from the deployable output of the company's sources. This means that any increase in outage compared to the forecast position will reduce the water available as defined by the Ofwat guidance and affect the risk of severe restrictions measure.

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 previously 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.

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 previously expressed concern to the company that the governance structure of the WCWRG does not include customer representation. It was pleased to be invited to attend the meetings as an observer of the WCWRG during 2022/23.

Water quality contacts - appearance

Unit	Nr per 1,000 population
Actual 20/21	1.07
Actual 21/22	1.11
Target 22/23	0.63
Actual 22/23	0.94
Target 23/24	0.53
Target 24/25	0.43

This PC is bespoke to Bristol Water and is measured on a calendar year basis. It is reported as the number of times the company is contacted by consumers due to the drinking water not being clear, reported per 1,000 population.

The incentive is financial with both outperformance (reward) and underperformance (penalty) payments. A performance cap and collar are in place for this PC, beyond which the incentive payment is fixed. Payments are made in period.

The number of water quality customer contacts concerning appearance received by Bristol Water in 2022 was 0.94 per thousand population This was above the target of 0.63. The number reported in 2020 was 1.11 so there was a slight improvement in performance. The company incurred an underperformance payment (penalty) of £54,000 because of its performance in 2022.

The Challenge Panel was disappointed to see that the company again failed to meet its target.

Last year, the company 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. It informed the Challenge Panel that this resource contributed to reducing the overall appearance contact rate to its lowest ever figure at 0.94 contacts per 1000 population and is continuing to work to identify the root cause of discoloured contacts.

The company also reports that continual improvements to the information available for customers to self-serve have been beneficial.

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 to discolouration. It understands that a trial with the fire service is planned for the coming year.

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.

Water quality contacts – taste and odour

Unit	Nr per 1,000 population
Actual 20/21	0.35
Actual 21/22	0.28
Target 22/23	0.32
Actual 22/23	0.27
Target 23/24	0.28
Target 24/25	0.25

This PC is bespoke to Bristol Water and is measured on a calendar year basis. It is reported as the number of times the company is contacted by consumers due to the taste and odour of drinking water, reported per 1,000 population.

The incentive is financial with both outperformance (reward) and underperformance (penalty) payments. A performance cap and collar are in place for this PC, beyond which the incentive payments are fixed. Payments are made in period.

The number of water quality contacts concerning taste and odour received by the company in 2022 was 0.27 per thousand population This was below the target of 0.32. The number reported in 2021 was 0.28. The company earned an outperformance payment (reward) of £11,000 as a result of its performance in 2022.

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
Actual 21/22	11
Target 22/23	57
Actual 22/23	2
Target 23/24	53
Target 24/25	49

This PC is bespoke to Bristol Water. It is defined as the number of properties receiving or at risk of receiving water pressure below the low pressure reference level. This measure is calculated as the total number of properties receiving water pressure below standard, minus the number of those properties that are covered by predetermined allowable exclusion categories as detailed in Ofwat's reporting guidance.

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

Two properties were reported as being at risk of receiving low water pressure in 2022/23 well below the target of 57. The corresponding number in 2021/22 was 11 so there has been a significant improvement over the year. The number reported in 2020/21 was 57. Bristol Water earned an outperformance payment (reward) of £202,000 because of its performance in 2022/23.

The Challenge Panel welcomed the company's continued 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 20/21 0

Actual 21/22 0

Target 22/23 0

Actual 22/23 0

Target 23/24 0

Target 24/25 0

This PC is bespoke to Bristol Water and is measured on a calendar year basis. It is defined as the number of operational potable water treatment works whose turbidity 95th percentile equals or exceeds a 0.5 NTU (Nephelometric Turbidity Units) threshold. Turbidity in raw water (the clarity of the water) affects the appearance of drinking water and the effectiveness of disinfection processes.

The incentive is financial with underperformance (penalty) payments only. No performance deadband, cap or collar are in place for this PC. Payments are made in period.

Turbidity at WTWs in 2022 was zero, in line with the target. The performance in 2021 was also zero. The Challenge Panel welcomed this continuing good performance.

Unplanned non-infrastructure maintenance

Unit Nr jobs

Actual 20/21 3,134

Actual 21/22 3,026

Target 22/23 3,272

Actual 22/23 3,077

Target 23/24 3,272

Target 24/25 3,272

This PC is bespoke to Bristol Water. It is defined as the total number of unplanned non-infrastructure maintenance jobs, required as a result of equipment failure or reduced asset performance. Non-infrastructure typically means underground assets, for example water mains.

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

The total number of unplanned non-infrastructure maintenance jobs reported by Bristol Water in 2022/23 was 3,077. This was better than the target of 3,272. The performance in 2021/22 was 3,026 unplanned non-infrastructure maintenance jobs so there was an increase of around 50 jobs over the period.

The Challenge Panel welcomed the company's performance against this metric in 2022/23.

Glastonbury Street network resilience

Unit	Expected nr months delay to deliver schemes
Actual 20/21	0
Actual 21/22	0
Target 22/23	0
Actual 22/23	0
Target 23/24	0
Target 24/25	0

This PC is bespoke to Bristol Water. It is defined as the expected number of months delay to deliver a permanent secondary source of supply to the Glastonbury Street area, covering a population of approximately 28,000, by 31 March 2025.

The incentive is financial with underperformance payments (penalties) only. No performance deadband, cap or collar are in place for this PC. Any penalties incurred during the AMP are applied in 2024/25. They will not be known until completion of the scheme.

No delay to the delivery of the Glastonbury Street network resilience schemes has been reported in 2022/23.

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 (%)
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Actual 20/21 -6.9
Actual 21/22 -11.5
Target 22/23 -15.8
Actual 22/23 -9.3%
Target 23/24 19.0
Target 24/25 21.2

Unit Three-year average (M/d)

Actual 20/21 37.9
Actual 21/22 36.0
Target 22/23 34.3
Actual 22/23 36.9
Target 23/24 N/A
Target 24/25 N/A

Unit Annual (MI/d)

Actual 20/21 35.5
Actual 21/22 35.6
Target 22/23 N/A
Actual 22/23 39.5
Target 23/24 N/A
Target 24/25 N/A

This PC is common to all companies. It is defined as the percentage reduction of three-year average leakage from the 2019-20 baseline (40.7 MI/d). The targets are set against this definition. Companies are also required to report leakage as a three-year average in MI/d to one decimal place, corresponding to the percentage reduction reported.

Bristol Water has also reported its annual leakage for 2022/23 in MI/d.

The incentive is financial with both outperformance (reward) and underperformance (penalty) payments. A performance cap and collar are in place for this PC, beyond which the incentive payments are fixed. Payments are paid in period.

Bristol Water reduced its three-year average leakage by 9.3% in 2022/23, underperforming the target of 15.8%. Its three-year average leakage level in 2022/23 was 36.9 M/d and the actual leakage volume in 2022/23 was 39.5 MI/d. The company's three-year average leakage level reported in 2020/21 was 36.0 MI/d.

The company's leakage reduction performance in 2021/22 meant it incurred an underperformance payment (penalty) of £681,000.

The Challenge Panel was disappointed to see Bristol Water's leakage performance in 2022/23, especially after its excellent result in the previous year. This reversed the strong downward trend in the three-year average leakage levels in recent years (when the company was one of the industry leaders in leakage reduction) and increases the challenge of meeting future targets. The Challenge Panel did note last year that the company was identifying increasing challenges associated with further reduction in leakage levels.

The company reports that the unusually hot summer of 2022 led to an increased number of bursts which then continued through the rest of the year. It also experienced a major burst later in the year caused by the winter freeze thaw.

The Challenge Panel was pleased to learn that the company has now implemented new initiatives including the development of a fixed acoustic network in Bristol which should help location time including the problematic winter period.

The Challenge Panel will continue monitor leakage performance during the coming year.

Per capita consumption (PCC)

Unit	Three-year average (%)
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Actual 20/21	2.7
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Actual 21/22	3.5
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Target 22/23	-3.9
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Actual 22/23	-4.0
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Target 23/24	-5.1
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Target 24/25	-6.3
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Unit	Three-year average (l/h/d)
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Actual 20/21	152.9
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Actual 21/22	154.1
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Target 22/23 143.1

Actual 22/23 154.8

Target 23/24 N/A

Target 24/25 N/A

Unit Annual (l/h/d)

Actual 20/21 161.1

Actual 21/22 154.7

Target 22/23 N/A

Actual 22/23 147.8

Target 23/24 N/A

Target 24/25 N/A

This PC is common to all companies and is new for AMP7. Per capita consumption is defined as the sum of measured household consumption and unmeasured household consumption divided by the total household population. The targets are set against this definition.

The PC is the percentage change in the company's three-year average per capita consumption (PCC).

Companies are also required to report per capita consumption as a three-year average in litres per head per day to one decimal place, corresponding to the percentage reduction in PCC reported.

Bristol Water has also reported its annual per capita consumption for 2022/23 in litres per head per day. The incentive is financial with both outperformance (reward) and underperformance (penalty) payments. A performance cap and collar are in place for this PC, beyond which the incentive payments are fixed. Incentives are paid in period.

Bristol Water's reported three-year average household PCC reduced by 4.0% in 2022/23, against a target reduction of 3.9%. Its three-year average PCC in 2022/23 was 154.8 l/h/d and the actual PCC in 2022/23 was 147.8 l/h/d. The company's PCC reported in 2021/22 was 154.7 l/h/d so there has been a reduction since then.

An underperformance payment (penalty) of £351,000 would have been incurred as a result of the company's performance in 2022/23. However, the Challenge Panel notes that, due to the pandemic, Ofwat has introduced 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 has shown a fall back towards pre-Covid pandemic levels as workers return to the workplace but remains above target. The Challenge Panel understands that the company is implementing a strategic analysis, looking at a number of options to explore, including additional metering, and proposed plumbing losses repairs.

The Challenge Panel accepted this and noted that there was a corresponding fall in non-household consumption to prove this. Such consumption fell by 2.45% from the previous year.

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 Challenge Panel noted that water usage education campaigns are ongoing, including Bristol Water's Foundation website which covers the value of water and ways of reducing usage.

The Challenge Panel continues to believe 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 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 initiate and facilitate transformational shifts in consumer behaviour to reduce consumer consumption and waste.

The Challenge Panel undertook a 'deep dive' challenge on the effectiveness of the Resource West partnership during the year. Its findings are reported in the main body of this report.

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

Meter penetration

Unit	% household properties
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Actual 20/21	60.26
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Actual 21/22	62.41
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Target 22/23	71.30
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Actual 22/23	64.89
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Target 23/24	73.10
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Target 24/25	75.00
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This PC is bespoke to Bristol Water. It is defined as the percentage of billed residential customers that are charged for water based on metered consumption. The incentive is financial with both outperformance (reward) and underperformance (penalty) payments. No performance deadband or a

cap and collar are in place for this PC. Incentive payments are made at the end of the AMP period, that is in 2024/25.

Bristol Water's reported meter penetration in 2022/23 was 64.89% against a target of 71.30%. The meter penetration in 2021/22 was 62.41% and in 2020/21 was 60.26%.

No underperformance payment (penalty) was incurred in 2022/23 as any overall incentive payments are made in 2024/25.

The Challenge Panel was pleased to see that, despite falling below target, meter penetration increased by over 2.4% from the previous year. The Company reported that increases in its operational resources during the year, both in the field and in the office, helped achieve this. The Challenge Panel will continue to encourage the company to accelerate its meter installation programme as quickly as possible.

Raw water quality of sources

Unit	Kg phosphorous loss reduction
Actual 20/21	155
Actual 21/22	239
Target 22/23	322
Actual 22/23	394
Target 23/24	427
Target 24/25	531

This PC is bespoke to Bristol Water. It is defined as the estimated kilograms of phosphorus saved from being lost to the environment. The metric is an assessment of the company's progress in implementing catchment management of nutrients across its catchments.

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

The amount of phosphorous the company saved from being lost to the environment in 2022/23 was 394kg, against the target of 322kg. The amount saved in 2021/22 was 239kg so there was a strong improvement during the year which the Challenge Panel welcomes. The performance reported in 2022/23 earned Bristol Water an outperformance payment (reward) of £13,000.

Biodiversity Index

Unit	Index
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Actual 20/21 17,668

Actual 21/22 17,678

Target 22/23 17,689

Actual 22/23 17,693

Target 23/24 17,700

Target 24/25 17,711

This PC is bespoke to Bristol Water. It is a score based on the cumulative hectares and metres of habitat (for example, grassland or hedges) and the quality of this habitat across company sites.

The Biodiversity Index metric is defined by:

[Hectares of priority habitat] x [grade of this habitat] x [distinctiveness score of this habitat]

Plus:

[Metres of linear priority habitat] x [grade of this habitat] x [distinctiveness score of this habitat]

The incentive is financial with both outperformance (reward) and underperformance (penalty) payments. A performance cap and collar are in place for this PC, beyond which the incentive payments are fixed. Payments are made in period.

Bristol Water's Biodiversity Index score in 2022/23 was 17,693 and so exceeded the target for the year by 4. No incentive payment results from this performance. The Index score in 2021/22 was 17,678.

The Challenge Panel was pleased that the target was met.

Waste disposal compliance

Unit	Index
Actual 2020	98
Actual 2021	98
Target 2022	100
Actual 2022	98
Target 2023	100
Target 2024	100

This PC is bespoke to Bristol Water and is measured on a calendar year basis. It is defined as the percentage of total trade effluent discharge samples that meet the consent requirements in the Environment Agency permits.

The incentive is financial with underperformance payments (penalties) only. A performance deadband (within which no incentive payments apply), plus a performance collar (beyond which payments are fixed), are in place for this PC. Payments are made in period.

Bristol Water achieved a 98% compliance against this waste disposal PC in 2022 and so did not meet the target of 100%. The compliance levels in the previous two years were also 98%. The level of performance in 2022 was within the incentive deadband so no payment was incurred.

The company informed the Challenge Panel that there were nine compliance failures in 2022, compared to their failures in 2021. 66% of the compliance failures in 2022 were from Blagdon Fisheries.

The Challenge Panel obtained a better understanding of the problems at Blagdon. It understands that most of the issues at this site are attributed to a deterioration in raw water quality rather than operation of the fisheries.

WINEP compliance

Unit	% schemes completed
Actual 20/21	100
Actual 21/22	100
Target 22/23	100
Actual 22/23	100
Target 23/24	100
Target 24/25	100

This PC is bespoke to Bristol Water and is new for AMP7. It is defined as the percentage of Water Industry National Environment Programme (WINEP) schemes completed each year measured against the programme agreed with the Environment Agency on 1 April 2019.

The incentive is financial with underperformance payments (penalties) only. No performance deadband, cap or collar apply to this PC. Payments are made in period.

Bristol Water has reported that all its WINEP schemes due for completion in 2022/23 were completed. The EA has confirmed this. 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
Actual 21/22	Met
Target 22/23	Met
Actual 22/23	Met
Target 23/24	Met
Target 24/25	Met

This PC is bespoke to Bristol Water. It records whether the company has “met” or “not met” all of its requirements for the WINEP, in the reporting year.

This measure tracks the completion of required schemes in each year, as per the latest WINEP programme published by DEFRA. If any scheme is not delivered by the time specified in the WINEP, the company will report “not met”.

The incentive associated with this PC is reputational. Bristol Water has reported that it met all its WINEP requirements in 2022/23. 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.

Local community satisfaction

Unit	% stakeholders surveyed
Actual 20/21	88.2
Actual 21/22	92.6
Target 22/23	85.0
Actual 22/23	92.0
Target 23/24	85.0
Target 24/25	85.0

This PC is bespoke to Bristol Water. It is defined as the percentage of customers who answer, “very satisfied’ or ‘fairly satisfied’ to the following question: “How far do you agree that Bristol Water makes a positive contribution to the communities it serves?” Possible answers are:

- Very satisfied
- Fairly satisfied
- Neither satisfied nor unsatisfied
- Fairly Unsatisfied
- Very unsatisfied

The incentive is financial with both outperformance and underperformance payments. A performance cap and collar are in place for this PC, beyond which incentive payments are fixed. Payments are made in period.

Bristol Water achieved a local community satisfaction score of 92.0% in 2022/23 against a target of 85.0%. The company earned an outperformance payment of £146,000 as a result. The score in 2021/22 was 92.6% so there has been a fall in satisfaction.

The Challenge Panel noted that the response rate to the survey in 2022/23 was 25 out of 56 surveyed, down slightly from the previous year.

Abstraction Incentive Mechanism (AIM)

Unit Megalitres from baseline if AIM triggered

Actual 20/21 N/A (AIM not triggered)

Actual 21/22 N/A (AIM not triggered)

Target 22/23 -186.1 from baseline (if AIM triggered)

Actual 22/23 N/A (AIM not triggered)

Target 23/24 -186.1

Target 24/25 -186.1

This PC is bespoke to Bristol Water. The abstraction incentive mechanism (AIM) reduces abstraction of water at environmentally sensitive sites when flow or levels are below an agreed point otherwise known as a trigger. The trigger point is based on a level or flow, below which the AIM is considered to be 'switched on'. This trigger is usually related to the point at which damage is caused. It is intended to prevent the damage or ameliorate the negative impacts.

The company has included one site (Shipton Moyne) for AIM for the period 2020-25.

The AIM trigger point is 3,029.5 MI (the score from 2019/20).

The incentive is financial with both outperformance (reward) and underperformance (penalty) payments. A performance cap is in place for this PC, beyond which incentive payments are fixed. Payments are made in period.

The Challenge Panel was pleased to note that the AIM was not triggered in 2022/23. It was also not triggered in the previous two years.

Appendix 3 - Glossary

Initials	Explanation
AMP	Asset Management Period – Five-year period for which the Price Review sets the company’s revenue and thus the customers’ bills. AMP7 started in 2020 and AMP8 in 2025.
APR	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.
BW	Bristol Water
BWCP	Bristol Water Challenge Panel – BW’s CCG, usually called the Challenge Panel
CCG	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
CCW	The Consumer Council for Water – Statutory water customer body
CESG	Customer Engagement Sub Group of the BWCP – reviews and challenges BW performance in customer engagement and the use of the survey results.
CMA	Competition and Markets Authority – the organisation the company appeals to if they cannot accept the Ofwat FD.
C-MeX	Customer Measure of Experience – service measure for Domestic Households in AMP7.
COG	CCW’s Challenge Co-Ordination Group – A group consisting of the Chairs of all the water companies’ CCGs
CRI	Compliance Risk Index produced by the DWI – replaces MZC in AMP7.
D-MeX	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.
DWI	Drinking Water Inspectorate

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