

Bristol Water Challenge Panel Annual Report 2019/20



CHALLENGE
PANEL

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FOREWORD

Welcome to the fifth annual report of the Bristol Water Challenge Panel. This report is the culmination of work on the 2020 - 2025 Business Plan and the last of the reviews on the performance of Bristol Water during the current business planning period.



Peaches Golding OBE Cstj
Independent Chair
Bristol Water Challenge Panel
October 2020

The report covers the two key functions of the Challenge Panel, that is to assure the water regulator Ofwat that the views, preferences and priorities of customers of Bristol Water are clear and visible in the new business plan and that the performance of the water company meets the promises that it made in its current plan.

It is important to emphasise that the Challenge Panel and all its members are independent from both Bristol Water and Ofwat although we rely on both organisations in order to carry out our functions. We are customers of Bristol Water and our authority comes from water regulation in England and Wales. We scrutinise the work of Bristol Water on behalf of customers and we ensure that customer research conducted by Bristol Water is sufficient, robust and clear for the purposes of business planning and customer satisfaction. The latter is based on customer service, how Bristol Water treats customers that contact it, the way it addresses issues such as affordability and its treatment of customers in vulnerable circumstances.

The Challenge Panel seeks to help Bristol Water become the best possible company in the UK by listening to its customers and by producing a demanding and ambitious business plan for the upcoming five-year period. By definition the customers of Bristol Water differ in their priorities and views. Reflecting the broad range of customer needs in one business plan can be challenging. The Challenge Panel has scrutinised the way Bristol Water assessed the balances and tensions that arose from conflicting customer views and how the company translated this insight into the performance targets set out in its business plan.

The focus of this final year of the current business plan covers the period following the responses by the Challenge Panel and Bristol Water to Ofwat's Draft Determination, considerations after the receipt of the Final Determination and the Panel's participation in the resulting Competition and Markets Authority hearing. It also examines how Bristol Water has faced the challenges provided by the global Coronavirus pandemic as well as its performance during 2019/20.

On behalf of the Challenge Panel, I wish to thank my colleagues for so generously giving their time and know how to carry out our important function of scrutinising the performance and business planning of Bristol Water. In particular, the support of my Deputy Chairman Anthony Denham and Report Writer Jeremy Hawkins throughout the last five years has been indispensable. I also thank the Board and Executive of both Bristol Water and Ofwat for their openness, transparency, and confidence in the work of the Challenge Panel. I am grateful to Bristol Water, in particular, which hosted the Challenge Panel and its sub-group meetings while also enabling one-to-one meetings between me and the Chief Executive of the company to take place as the Board made its many business planning decisions.

“We are customers of Bristol Water and our authority comes from water regulation in England and Wales.”



EXECUTIVE SUMMARY

Bristol Water, a water only company regulated by Ofwat, operates a five-year business planning cycle along with the rest of the water industry in England and Wales. Starting with extensive customer research, the Bristol Water Challenge Panel has scrutinised and reviewed the quality and robustness of Bristol Water's customer engagement work to ensure that the views, priorities and preferences of customers are evident in the next ambitious five year business plan.

The intensity of the work for the Bristol Water Challenge Panel increased significantly during the period between May 2019 to April 2020. The Challenge Panel verified that a balanced assessment of the priorities and preferences expressed by customers were reflected both in Bristol Water's new business plan and in Ofwat's responses to it.

The work was detailed and complex. It built upon the customer engagement work of the previous four years and required the writing and publication of responses to Ofwat at two important stages in the business planning process.

For ease of understanding, the first business plan submission by Bristol Water was in September 2018. This initial business plan reflected the views of customers up to that point and also contained the requirements of the water quality environmental regulators, the Drinking Water Inspectorate, the Environment Agency and Natural England.

Ofwat responded with its Initial Assessment of the Plan (IAP) in March 2019. Bristol Water then reviewed the demands made on the company by Ofwat and submitted an updated plan, and the Challenge Panel independently submitted a response to Ofwat. The Challenge Panel's response assessed how accurately Bristol Water had

incorporated the needs of customers and had addressed their concerns ranging from the cost of the water bill, to investments in assets and the ability of the business to financially and operationally execute its proposed plan. While the Challenge Panel's report was written to Ofwat, the Chair also presented it to the Bristol Water Board and challenged them to meet certain customer expectations.

Ofwat then produced its Draft Determination in July 2019 which included the performance commitments and delivery incentives for Bristol Water for 2020 to 2025. The Challenge Panel scrutinised the Draft Determination to ensure that customers would be neither at a financial disadvantage nor forced to pay higher bills than is fair and that the company would be investing at the appropriate level to provide the service level its customers expect. These complex judgments had to be supported by customer research.

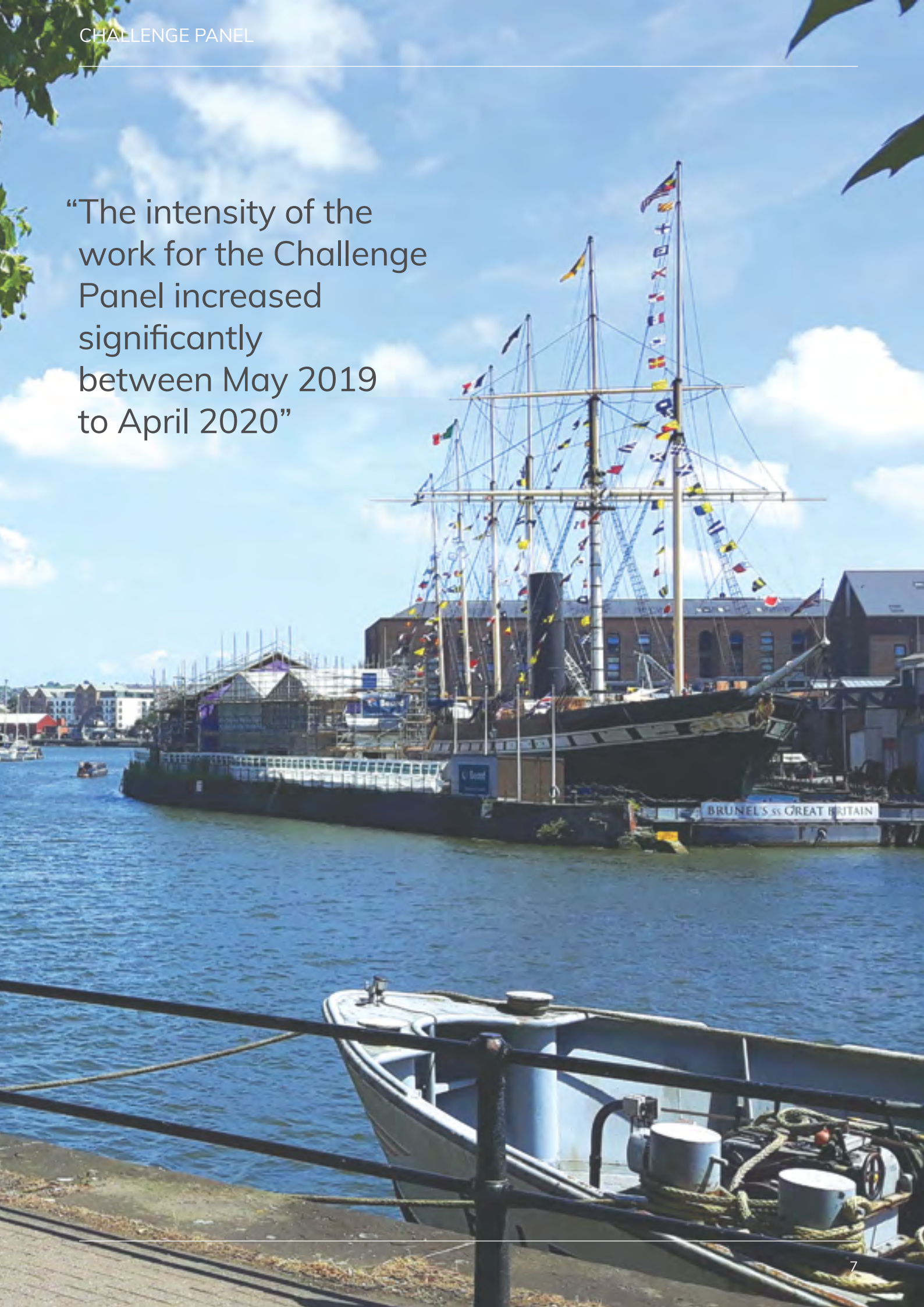
Finally, Ofwat issued its Final Determination in December 2019. The Final Determination set out the view from Ofwat of what the Board of Directors for Bristol Water must achieve for its customers, its shareholders and the environment. At this point, Bristol Water may or may not accept the Final Determination. Although Ofwat was not in disagreement with the

work of the Challenge Panel or the interpretation of customer priorities and preferences, the assessment of the Final Determination by the Bristol Water Board was that it would make the business unfinanceable.

During this final year of the current five-year plan, the Challenge Panel not only scrutinised work towards the Final Determination and the company's performance against its current regulatory commitments set at PR14 for 2015-20, it also had oversight of a range of other important issues. Like most effective businesses, Bristol Water continued its programme of customer research, investment in key assets such as water mains and water meters, began work on the implementation of its strategies to address water poverty and the inability of some customers to pay their bills, and undertook other activities that ensured the business would be able to implement its new business plan.

The Challenge Panel also advised and commented on the development of Bristol Water's innovative and industry leading Social Contract.

“The intensity of the work for the Challenge Panel increased significantly between May 2019 to April 2020”



INTRODUCTION

Water is an essential resource for life; without water there is no life. The provision of fresh, potable, drinking water from our taps is the result of a complex process from water capture, storage and treatment to distribution pipes and networks and their maintenance and repair. There are times during this process that customers need to interact with the company, possibly regarding their bills, a burst or the provision of a water meter.

In previous years, the Challenge Panel scrutinised the market research programme that Bristol Water used to understand better its diverse customer base, whether rural or urban, living in family units or as singletons, property owners or renters, young or old. Naturally, the views obtained are rarely universal and understanding the differences in views and the impact it may have given the individual's lifestyle are incredibly important. Investment and whether it should be paid from current water bills or paid off years into the future is an important issue and to reach to a decision that satisfies the greatest part of the community served by Bristol Water is complex.

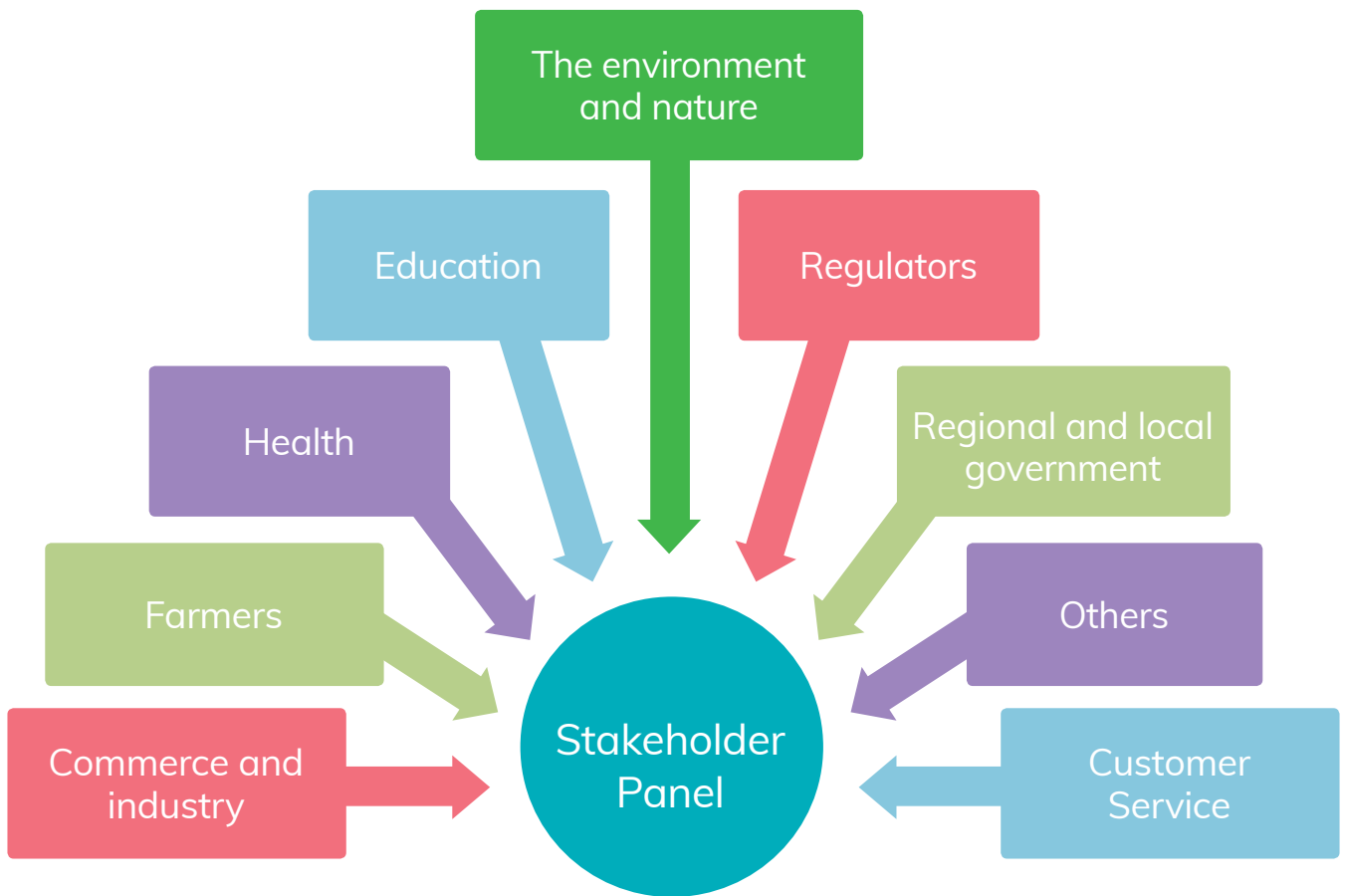
This report of the Challenge Panel sets out its work during a year when the production of the company's 2020 – 2025 Business Plan involved the Challenge Panel in two major reports to customers, Bristol Water and the water regulator Ofwat. It also includes the Panel's scrutiny of how well Bristol Water performed during 2019/20, the last year of the current business plan.



CHALLENGE PANEL ACTIVITIES

Members

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



Since our last annual report our membership has changed slightly; the same organisations remain represented but due to career progression and the local elections in May 2019 some individuals have changed. A full listing of the Challenge Panel members who have contributed to the work of the Challenge Panel during 2019-20 is given in Appendix 1. The Challenge Panel continually seeks to increase our membership in areas where our skill base is reduced; to assist this it will be carrying out a Skills Audit in 2021.

ACTIVITIES continued

Meetings

The Challenge Panel has reviewed and challenged Bristol Water policies on customer engagement and information assurance during the year. The Challenge Panel has also received presentations from Bristol Water on its performance against its PR14 regulatory commitments during the year and has challenged the company on this. The Challenge Panel's review of Bristol Water's performance in 2019/20 is presented later in this report. The Challenge Panel's meetings held during 2019/20 are shown in the table below along with the topics covered in each meeting:

Meeting	Date	Main areas for discussion	Actions
Customer Engagement Sub Group Meeting 15	22 May 2019	<ul style="list-style-type: none"> • Vulnerability Strategy • Social tariff take-up • Digital Accessibility Review • Customer insight and engagement • Annual survey results • Retailer engagement • Online panel • SIM results • C-Mex preparations 	17
Challenge Panel Meeting 18	13 June 2019	<ul style="list-style-type: none"> • CESG update • PR19 verbal update • 2018/19 Performance • Social Contract • BWCP upcoming meetings 	17
Customer Engagement Sub Group Meeting 16	31 July 2019	<ul style="list-style-type: none"> • PR19 Draft Determination update • Quarterly insight update • Next three months research 	9
Social Contract Sub Group Meeting 1	31 July 2019	<ul style="list-style-type: none"> • Aims of Social Contract • Roles and responsibilities • Timetable • Benefits and measurement • Stakeholder survey • Outperformance sharing Mechanism Detail • Citizens for the Future Event 	27
Challenge Panel Meeting 19	22 August 2019	<ul style="list-style-type: none"> • PR19 Draft Determination response overview • CESG and Social contract update • Vulnerability Action Plan and Social tariff research 	9

ACTIVITIES continued

Customer Engagement Sub Group Meeting 17	5 November 2019	<ul style="list-style-type: none"> • Metering messaging research • Beat the Bill research • Network Focus Groups • PR19 Draft Determination Research • Website analytics • C-Mex and D-Mex • Vulnerability Action Plan 	10
Social Contract Sub Group Meeting 2	21 November 2019	<ul style="list-style-type: none"> • Mid-year progress review • Framework development update • Mapping to One City Plan and SDGs • Emerging programme for 2020/21 • Forward programme and next steps 	14
Challenge Panel Meeting 20	27 November 2019	<ul style="list-style-type: none"> • CESG and Social Contract update • Mid-year performance update • Mid-year assurance • Strengths and weakness statement • Update on charges 2020/21 	3
Chair, Deputy and Report Writer	31 January 2020	<ul style="list-style-type: none"> • PR19 Final Determination Overview 	0
Customer Engagement Sub Group Meeting 18	5 February 2020	<ul style="list-style-type: none"> • Market Engagement Day • C-Mex/D Mex • ICS benchmarking • Customer Forum • CCW Research Conference • Youth Board • Stakeholder survey • Vulnerability Action Plan 	15
Social Contract Sub Group Meeting 3	5 February 2020	<ul style="list-style-type: none"> • Purpose of the Social Contract • Programme development update • Employee Forum Results • Customer Forum Results • Prioritisation decision making process and criteria • 2020/21 long list of Social Contract Programme Options 	5
Challenge Panel Meeting 21	25 March 2020	<ul style="list-style-type: none"> • CMA Referral • Covid-19 update • Board Leadership and transparency update • Social Contract update • BWCP logo, updated ToR and 2020/21 meeting plans • Environmental Performance Assessment consultation 	15

ACTIVITIES continued

The table shows the large spread of topics the Challenge Panel members have been involved with in 2019/20. Also shown is the number of actions raised during each meeting.

After the Business Plan submission in September 2018 the Challenge Panel reviewed the challenge logging process and decided to change to a two-tier system. This 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 Challenge Panel is grateful to Bristol Water for organising and hosting all the meetings listed above.

From 2016/17 the Challenge Panel became progressively involved in the review and challenge of Bristol Water's PR19 Business

Plan culminating in reporting its findings and opinions to Ofwat on the company's Business Plan in September 2018. The Challenge Panel also reviewed and reported on Ofwat's Initial Assessment of the Plan (IAP) and the company's response to this assessment in March 2019.

This intense workload period was followed, during 2019/20, by the review and challenge of Bristol Water's response to Ofwat's Draft Determination, particularly the customer engagement required to support the response.

Ofwat's Final Determination was published in December 2019. For reasons outside the remit of the Challenge Panel the company did not accept this result and requested Ofwat to refer the Final Determination to the Competition and Markets Authority. The CMA referral process remains ongoing at the time of publication of this report.

Challenge Panel members have contributed to its subgroup on Customer Engagement, as well as a new series of meetings introduced during the year on Bristol Water's Social Contract.

The Chair has attended seminars and workshops organised by Ofwat and others on diverse topics to do with PR19. The Chair has also attended selected Bristol Water Board meetings to keep them apprised of the Challenge Panel's view of the PR19 Business Plan. Challenge Panel members have been kept informed of the topics discussed and any resulting output.

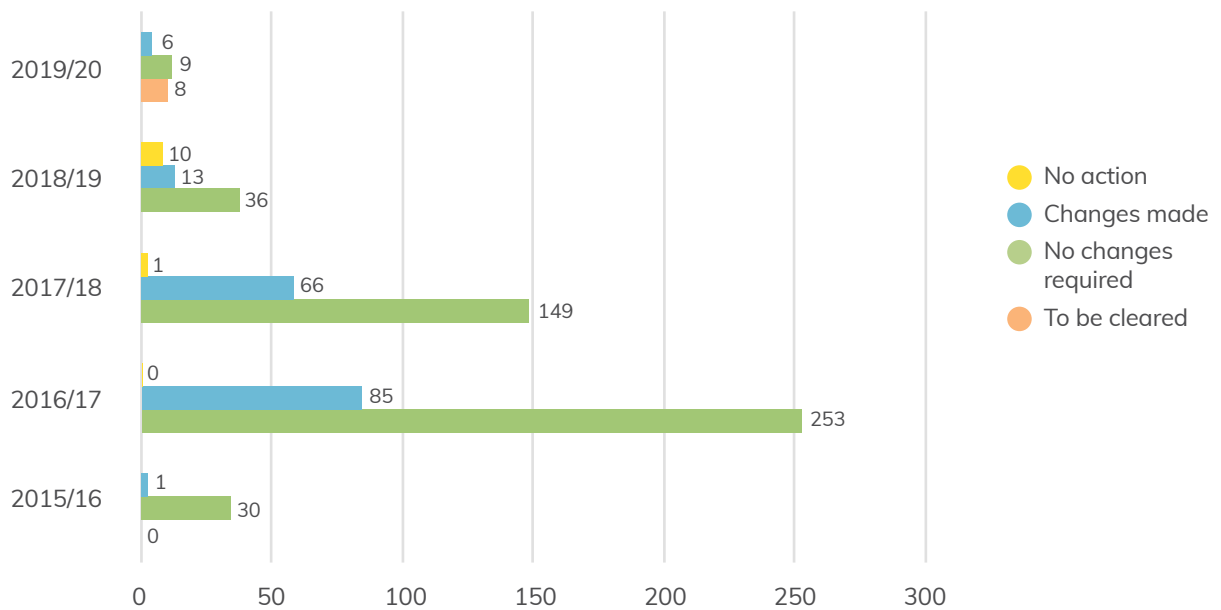


ACTIVITIES continued

Challenges

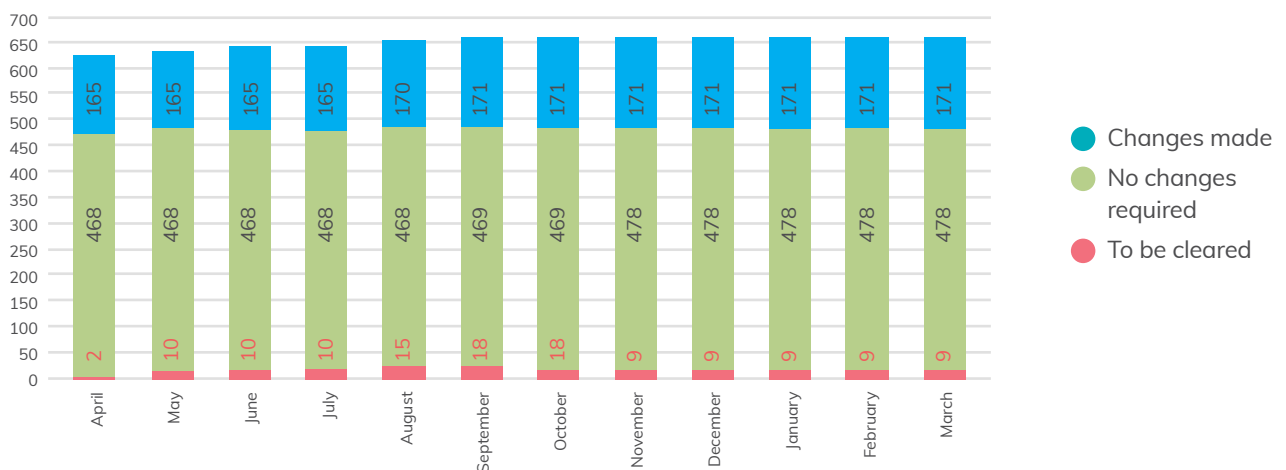
The number of challenges raised in 2019/20 continued the downward trend of 2018/19 due to the completion of the PR19 Business Plan Review in 2018. Also there was little new customer research carried out or reported by Bristol Water in 2019/20 as the emphasis was on responding to the Ofwat comments on the previously submitted Business Plan and the subsequent modifications to it whilst maintaining a bill profile to suit customer priorities.

Challenges Raised Each Year



Eight challenges arose from the Challenge Panel’s main meetings and 15 from the Customer Engagement sub group. There were three main challenges areas raised in 2019/20, these were adjustments to the Bristol Water Business Plan, the customer engagement carried out and the content of the company’s new Vulnerability Action Plan. The number of challenges being raised reduced during 2019/20 is shown in the Challenge Summary for 2019/20.

Challenge Summary 2019/20



CHALLENGE PANEL FINDINGS

Information assurance

Throughout AMP6 the Challenge Panel has placed great importance on the need for Bristol Water to provide its customers with clear, high quality information on its service performance, on billing matters, operational issues and on engagement on its future plans. Customers' trust in the company is heavily dependent upon sound information.

In accordance with Ofwat's requirements Bristol Water has analysed the risks, strengths and weaknesses of its reported performance information and updated and published its Assurance Plan during the year.

As in previous years the company invited scrutiny and challenge from the Challenge Panel on its risk assessments and on its pre-publication, the draft Assurance Plan. The Challenge Panel sought and received assurance from the company at the end of 2019 that any new or emerging information-related risks were included in the Assurance Plan and that they would be dealt with by the end of 2019/20. It took particular interest in any data provided to Bristol Water by third parties and ensuring the assurance regime covered data back to source.

The Challenge Panel was pleased to see that the risk of reporting poor information continued to reduce during 2019/20. The company has informed the Challenge Panel that all the reporting methodologies and data associated with its PR14 (AMP6) Performance Commitments had been assigned a 'green' assurance assessment for 2019/20 by its Technical Auditor, Atkins. The company has also confirmed to the Challenge Panel that the assurance regime includes source data.

As mentioned last year, Bristol Water was notified by Ofwat in 2018/19 that, under the regulator's Company Monitoring Framework, the company's information reporting and governance regime for 2018 was now 'Targeted' rather than 'Prescribed'.

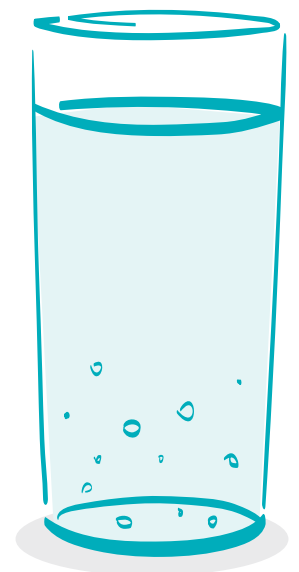
Although the Panel notes that the Company Monitoring Framework assessments will no longer be published, it considers both Atkins' findings in 2019/20 and Ofwat's 'Targeted' assessment from last year are significant achievements by Bristol Water and reflect the success of the transformation the company has gone through to improve its operations and the delivery of services to its customers and its stakeholders.

The Challenge Panel continues to encourage the company to maintain its strong information reporting and governance processes in order to be able to accommodate any future regulatory or other external requirements and to consistently report accurate and reliable information.

Bristol Water has also collected and reported internally information on some of its PR19 Performance Commitments. This 'shadow' reporting activity has also been subject to risk assessment by the company and assurance by

Atkins and the performance data and assurance results have been shared with the Challenge Panel. Material aspects of its reporting systems and processes for PR19 have received 'green' assurance assessments from Atkins.

The Challenge Panel is pleased to see that the company has prepared well for full reporting of its new Performance Commitments from April 2020.



"The Challenge Panel continues to encourage the company to maintain its strong information reporting and governance processes."

FINDINGS continued

Key points arising from Bristol Water performance during 2019/20

This section identifies the key points and challenges arising from Bristol Water performance during 2019/20. The content is split into two parts; the first identifies the fourteen Performance Commitments where the company has achieved the target and highlights where performance was maintained or improved from the year before; and the second identifies the seven Performance Commitments where Bristol Water has not achieved its target for the period.

In all cases Atkins has confirmed that both the company’s reporting methodology and the resulting data for all the measures are sufficiently robust to enable the Challenge Panel to rely upon the published results. An overview of all Performance Commitments is included in Appendix 2 and the detailed review, including the definition of each Performance Commitment, can be found on the Challenge Panel’s web page.

TARGETS MET OR EXCEEDED IN 2019/20

This section describes the fourteen Performance Commitment targets achieved by Bristol Water during 2019/20 and where performance was the same or improved from the year before.

A1: Unplanned customer minutes lost

Unit	Mins/prop/yr
Actual 15/16	15.5
Actual 16/17	13.1
Actual 17/18	73.7
Actual 18/19	14.7
Target 19/20	12.2
Actual 19/20	11.1

Bristol Water achieved a performance of 11.1 minutes per property in 2019/20. This level of performance was better than the 14.7 minutes per property per year achieved in the previous year and continued the improvement in performance seen since 2017/18. Its achievement in 2019/20 meant the

company outperformed the target of 12.2 minutes per property per year, the first time this has happened since 2016/17.

Despite outperforming the target there was no financial reward earned for 2019/20 as the result fell in the incentive deadband.

The incentive associated with this commitment is financial (reward and penalty). The company’s performance against this measure over the five years of AMP6 means it has incurred a total penalty of £2.217m.

The Challenge Panel welcomes the improvement in performance against this measure in recent years. It is pleased to see that company’s new network strategy involving leadership changes, a new asset management function, a restructuring of its outsourced contractual arrangements and process and procedural improvements including a new work scheduling system and a cultural shift towards minimising disruption to customers have improved the response to supply interruptions. The company’s ongoing

mains replacement and relining programmes will have also helped.

Performance against this measure can be significantly impacted by large unplanned supply interruptions. There were no such large incidents in 2019/20.

A2: Asset reliability – infrastructure (bursts/low pressure)

Unit	Assessment
Actual 15/16	Stable
Actual 16/17	Stable
Actual 17/18	Marginal
Actual 18/19	Marginal
Target 19/20	Stable
Actual 19/20	Stable

The reliability of the company’s infrastructure assets in 2019/20 was assessed to be ‘stable’, achieving the target for the year. This was an improvement on the ‘marginal’ assessments achieved in 2017/18 and 2018/19, and the consequential failure to meet the targets in those years.

FINDINGS continued

The incentive associated with this commitment is financial (penalty only). Bristol Water's performance against this measure over the five years of AMP6 means it has incurred a total penalty of £685,000.

Performance in 2017/18 against the low-pressure component of this commitment was better than the previous year. The number of mains bursts in the year was 796, over 25% lower than in 2018/19. The company informed the Challenge Panel that the weather conditions during 2019/20 were more favourable than the year before and this will have helped to reduce the number of bursts.

A3: Asset reliability – non-infrastructure

Unit	%
Actual 15/16	Stable
Actual 16/17	Stable
Actual 17/18	Stable
Actual 18/19	Stable
Target 19/20	Stable
Actual 19/20	Stable

The reliability of the company's non-infrastructure assets in 2019/20 was assessed to be 'stable' in line with the target for the year. This assessment has been achieved each year since 2015/16.

There were no issues with turbidity in 2019/20, as has been the case over the last five years.

The Challenge Panel notes however that the number of unplanned non-infrastructure asset maintenance events in 2019/20 was some 14% higher than the previous year.

The incentive associated with this commitment is financial (penalty only). No penalty was applied in

2019/20, or in the other years of AMP6, because all targets have been met.

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

Unit	Pop at risk
Actual 15/16	288,589
Actual 16/17	288,589
Actual 17/18	9,063
Actual 18/19	9,063
Target 19/20	9,063
Actual 19/20	9,063

The company's performance in 2019/20 was in line with the target because of the completion of the Southern Resilience Scheme in 2017/18.

The incentive associated with this commitment is financial (reward and penalty). No reward or penalty was applied in 2019/20, or in the other years of AMP6, because all targets have been met.

C1: Security of Supply Index

Unit	Index
Actual 15/16	100
Actual 16/17	100
Actual 17/18	100
Actual 18/19	100
Target 19/20	100
Actual 19/20	100

The company's performance in 2019/20 was 100% and in line with the target.

C2: Hosepipe ban frequency

Unit	Days/year
Actual 15/16	1.5
Actual 16/17	3.1
Actual 17/18	3.1
Actual 18/19	3.1
Target 19/20	10.2
Actual 19/20	3.1

The reported return period for 2019/20 was 3.1 days per year, the same as in the previous three years. The target for 2019/20 was 10.2 days per year so the company's performance remains within this.

The incentive is financial penalty only. No penalty was applied in 2019/20, or in the other years of AMP6, because all targets have been met.

E1: Negative water contacts

Unit	contacts/year
Actual 2015	2,329
Actual 2016	2,162
Actual 2017	1,711
Actual 2018	1,934
Target 2019	2,221
Actual 2019	1,712

The Challenge Panel notes that Bristol Water's performance against this measure in 2019 was significantly better than target. The number of negative water contacts decreased by 222 (11%) over 2018 and returned to the level reported in 2017. Performance since the start of AMP6 has improved by some 26%. The Challenge Panel has encouraged the company to do all it could to minimise such contacts and so welcomes this outcome.

FINDINGS continued

The incentive is financial (reward and penalty). No reward was applied in 2019, or in the other years of AMP6, because performance has always been within the incentive deadband.

F1: Leakage

Unit	MI/day
Actual 15/16	44.2
Actual 16/17	47.4
Actual 17/18	49.6
Actual 18/19	45.8
Target 19/20	43.0
Actual 19/20	40.9

The reported leakage for 2018/19 was 40.9 MI/d, and so outperformed the target of 43.0 MI/d. The latest performance represents a significant reduction in reported leakage since the high point of 49.6 MI/d in 2017/18.

The incentive is financial (reward and penalty) and is based on average figures for the five years of the AMP period. The company is assuming the incentives associated with its leakage performance will be calculated with reference to the original Final Determination leakage targets. The associated financial reward earned for 2019/20 is £1.984m based on these targets. Over the AMP6 period as a whole the company has incurred a net penalty of £0.902m.

A year ago Bristol Water informed the Challenge Panel that it was confident of out-performing its leakage target for 2019/20 as it had reviewed and increased productivity, eliminated the backlog of leakage work and increased in-house staff numbers assigned to leakage reduction

activities. The Challenge Panel is pleased to see that the company's efforts in assigning more effort and resources to reducing leakage have been successful over the last two years, particularly as leakage had increased between 2016/17 and 2017/18.

H1: Total carbon emissions

Unit	kgCO ₂ e/person
Actual 15/16	35
Actual 16/17	32
Actual 17/18	28
Actual 18/19	23
Target 19/20	20
Actual 19/20	19

Bristol Water reduced its carbon emissions from 23.0 to 19.0 kgCO₂e per person from last year (a reduction of around 17%) but outperformed the 2019/20 target of 20 kgCO₂e per person as a result. This was the first time in AMP6 that the target was met.

The company informed the Challenge Panel throughout AMP6 that the use of some standard industry definitions when the targets were set were proving to be too aggressive and could not be met in a cost-effective manner. However, the company made good progress during the last two years in implementing a number of projects to offset the import of energy from grid and lower overall energy consumption. The Challenge Panel welcomed this.

H2: Raw water quality of sources

Unit	% of AMP5 baseline aggregate of algal bloom frequency
Actual 15/16	+20% Deteriorating
Actual 16/17	+11% Deteriorating
Actual 17/18	-1% Marginal
Actual 18/19	-14% Improving
Target 19/20	+/-<10% for >2years Stable
Actual 19/20	-25% Improving

The company agreed with Ofwat a change to reporting this metric, therefore the targets are presented as a % change of the AMP5 baseline aggregate (8,059) of algal bloom frequency. The previous measure was based on a categorisation as either deteriorating, marginal, stable or improving, which the table above shows for comparison.

The quality of the company's raw water sources in 2019/20 was assessed to be 'improving' in line with expectation. This continued the improvement on the positions reported in 2015/16, 2016/17 and 2017/18.

While the Challenge Panel welcomes the improving position on raw water quality it wishes to better understand how performance of this indicator is measured and monitored in AMP7, particularly as the definition of the metric is changing. It will be seeking clarity on company's use of hard interventions and the promotion of behavioural change by stakeholders (eg farmers) and wishes to review source data and raw water quality sample analysis to see evidence of their impact. It will also explore the relationship between the company's statutory environmental obligations and any additional environmental improvement work associated with

FINDINGS continued

its Social Contract. The company has agreed to engage with the Panel on these issues during the coming year.

H3: Biodiversity Index

Unit	Index score
Actual 15/16	17,649 Improving
Actual 16/17	17,650 Improving
Actual 17/18	17,657 Improving
Actual 18/19	17,668 Improving
Target 19/20	17,653 Improving
Actual 19/20	17,670 Improving

The company agreed with Ofwat a change to reporting this metric, therefore the targets are presented as a numerical BI index score. The previous measure was based on a categorisation as either deteriorating, marginal, stable or improving, which the table above shows for comparison.

Bristol Water achieved an 'improving' Biodiversity Index in 2019/20, in line with its target. The score increased from 17,657 to 17,670.

The Challenge Panel notes that the company's biodiversity targets in the next price control period are more stretching. The Panel welcomes this and wishes to better understand the how performance against the Biodiversity Index is measured and assured and how it translates into environmental improvements. It also wishes to review source data and to understand the relationship between the company's statutory environmental obligations and any additional environmental improvement work associated with its Social Contract. The company has agreed to engage with the Panel on these issues during the coming year.

I1: Percentage of customers in water poverty

Unit	%
Actual 15/16	0.4
Actual 16/17	0.9
Actual 17/18	0.0
Actual 18/19	0.0
Target 19/20	1.8
Actual 19/20	0.0

The reported percentage of customers in water poverty in 2019/20 was 0%, the same as reported each year since 2017/18. The target percentage for 2019/20 was 1.8% so the Challenge Panel was pleased to see performance was well within this and maintains the excellent performance in recent years. The performance target has been met in each year of AMP6.

J3: Value for money

Unit	%
Actual 15/16	70
Actual 16/17	72
Actual 17/18	69
Actual 18/19	68
Target 19/20	72
Actual 19/20	75

Bristol Water has reported a 75% performance for this measure in 2019/20 against a target of 72%. Performance improved significantly from 68% the year before and exceeded the previous high of 72% in 2016/17. The Challenge Panel was pleased that the target was met in 2019/20 for the first time in three years.

The Challenge Panel believes the decreased publicity around re-nationalisation of the water industry

after the General Election in 2019 and the lack of fines imposed on other water companies for poor performance may have had a beneficial impact as it appears that the perception of increased value for money is being replicated across the industry.

The Challenge Panel notes that value for money will also be a Performance Commitment in the next AMP period and so welcomes the company's improved performance against this indicator in 2019/20.

L1: Negative billing contacts

Unit	contacts/year
Actual 15/16	2,301
Actual 16/17	3,096
Actual 17/18	2,300
Actual 18/19	1,595
Target 19/20	2,170
Actual 19/20	1,274

Bristol Water reported 1,274 negative billing contacts in 2019/20, some 300 fewer than in 2018/19 (1,595) and well below the target of 2,170 for the year. The target was met in four out of the five years of AMP6.

The Challenge Panel was pleased that performance has improved markedly since the level in 2016/17 and that the focus the company gave to customer service and the initiatives such as proactive text messaging proved to be effective.

FINDINGS continued

TARGETS MISSED IN 2019/20

This section describes the seven Performance Commitment targets missed by Bristol Water during 2019/20.

D1: Mean zonal compliance

Unit	%
Actual 2015	99.93
Actual 2016	99.97
Actual 2017	99.93
Actual 2018	99.99
Target 2019	100
Actual 2019	99.97

Bristol Water’s performance in 2019 against this measure was 99.97% against a target of 100%. Performance last year was 99.99%.

The incentive associated with this commitment is financial (penalty only). There is no financial penalty incurred for 2019 as performance was within the penalty deadband. The total penalty accrued during AMP6 is £568,000 due to the level of performance achieved in 2015 and 2017.

Performance fell slightly in 2019 as a result of there being four failures on customers’ pipework and four associated with issues on the company’s network (up from two last year). Nearly 17,000 samples were taken in the year.

The Challenge Panel notes that this indicator will be replaced in AMP7 by a risk-based water quality performance measure known as the Compliance Risk Index (CRI).

G1: Meter penetration

Unit	%
Actual 15/16	47.3
Actual 16/17	49.3
Actual 17/18	52.7
Actual 18/19	56.0
Target 19/20	65.9
Actual 19/20	59.0

As reported in previous years Bristol Water made a slow start implementing its plan to install meters on change of occupancy.

The company increased its meter penetration to 59.0% by the end of 2019/20 but fell short of its target of 65.9%. It missed its targets in each year of AMP6.

The incentive associated with this measure is financial (reward and penalty). The associated financial penalty incurred for 2019/20 is £152,000. The total penalty accrued for the five years of AMP6 is £726,000.

During 2016/17 the company developed and commenced a revised metering plan and it invited comments from the Challenge Panel on this. Bristol Water’s revised plan was designed to meet the original meter penetration target by 2019/20 but the Challenge Panel considered this to be ambitious. The company did increase its marketing activities during 2019/20 including more advertising and it promoted its ‘Beat the Bill’ campaign for a second time. The Covid-19 pandemic had a minor impact on performance at the end of 2019/20 but without this the target would still have been missed.

The company has informed the Challenge Panel that, due to the restructuring of its operations, it will have more control over meter fit operations and the end-to-end

customer journey in AMP7. It has also further increased its marketing activities and reinstated internal meter fits. It now has a much stronger opportunity to meet the meter installation target. The Challenge Panel will monitor the company’s performance in the coming year.

G2: Per capita consumption

Unit	Litres/head/day
Actual 15/16	141.1
Actual 16/17	144.1
Actual 17/18	144.5
Actual 18/19	148.3
Target 19/20	142.0
Actual 19/20	144.6

The per capita consumption reported for 2019/20 was 144.6 litres per head per day. The target for the year was 142.0 litres per head per day so was missed. The reported figure for the previous year was 148.3 litres per head per day so consumption decreased by nearly four litres per head per day per (around 2.5%). Bristol Water informed the Challenge Panel that this was probably weather related with cooler conditions than the year before.

The Challenge Panel has been satisfied that the company has made reasonable efforts to reduce consumption during AMP6. It notes that consumption has been rising generally across the industry. Influencing customer behaviour in the future, including water consumption, forms part of the company’s customer and community focussed Social Contract. The Challenge Panel has welcomed this innovative approach and is involved in its planning and the monitoring of performance.

FINDINGS continued

H4: Waste disposal compliance

Unit	%
Actual 15/16	96
Actual 16/17	96
Actual 17/18	98
Actual 18/19	98
Target 19/20	100
Actual 19/20	98

Bristol Water achieved 98% compliance against the 2018/19 target of 100%, the same performance achieved in the previous three years. Compliance issues at Barrow and more recently new discharge consent at Blagdon have been the causes of failure against this indicator throughout AMP6.

The company has informed the Challenge Panel that it intends to implement a remedial scheme for the discharge at Blagdon in 2020/21. The Challenge Panel is very keen to understand the compliance issues at Blagdon, the company's statutory obligations the site and the opportunities for improvements, their timing and linkage to wider customer preferences for the environment. The company has agreed to engage with the Panel on these issues during the coming year.

J1: Service Incentive Mechanism (SIM)

Unit	SIM score/ ranking
Actual 15/16	85.1 Top 5
Actual 16/17	85.9 Top 5
Actual 17/18	83.4 Outside Top 5
Actual 18/19	84.7 Outside Top 5
Target 19/20	87.8 Top 5
Actual 19/20	82.5 Outside Top 5

The SIM measure will be replaced by a new common measure of experience (C-MeX) from 2020/21 onwards. To transition from SIM to C-MeX, Ofwat required companies to report against a SIM proxy indicator in 2019/20. The SIM proxy includes a composite quantitative measure relating to the number of contacts received excluding telephone complaints (which were included in SIM). It also includes a qualitative measure comprising one of the survey questions from C-MeX. The SIM target proxy target is the same as for SIM, that is to achieve a level of performance ranked within the industry top five. The SIM proxy has a reputational incentive assigned to it, unlike SIM which was financial.

Thus the company's SIM proxy score for 2019/20 is not comparable with its SIM performance in previous years.

The Challenge Panel is disappointed that the company's SIM proxy performance of 83 in 2019/20 is likely to fall outside the industry top five (based on provisional industry data sharing and assumptions). It is also less than the original SIM target of 88 for 2019/20 (the previous year's upper quartile SIM score) although the actual and target figures are not comparable for the reasons described above.

There is no financial penalty accrued for 2019/20 because the incentive associated with the SIM proxy is reputational. However, under the PR14 incentive regime the company will benefit from an adjustment of £84,000 due to achieving an average industry SIM ranking of 8th over the first four years of AMP6 (the industry position is used to assess the level of incentive regardless of whether a company's annual SIM target has been met).

The company told the Challenge Panel that its SIM proxy performance in 2019/20 had been affected by significant customer service challenges resulting from the implementation of its new operating model in October 2019. This model transferred the ownership of work planning and scheduling activity in-house. Bristol Water believes the new model is the best for the company and for customers but there were some teething issues. The speed with which issues were resolved dropped and this had a knock-on detrimental effect on the customer perception of the company. Urgent issues were dealt with well but some routine activity was adversely affected.

The Challenge Panel was pleased to learn that these issues had been resolved by end of 2019/20 and it hopes that customer service performance will improve in the coming year. Through its shadow reporting against C-MeX in 2019/20, the company can show that its customer service performance is reasonably good in comparison to others in the industry.

The Challenge Panel is also encouraged that Bristol Water's customer service performance as measured using non-regulated metrics such as CCW's Water Matters research, ICS Business Benchmarking Surveys and the numbers of negative billing contacts and written complaints shows improvement over recent years and, in the case of the ICS metric, utility industry leading performance.

FINDINGS continued

J2: General satisfaction from surveys

Unit	%
Actual 15/16	83
Actual 16/17	86
Actual 17/18	87
Actual 18/19	89
Target 19/20	>93
Actual 19/20	87

Bristol Water achieved a satisfaction score of 87% in 2019/20, two percentage points lower than the previous year. The 87% satisfaction achieved also fell short of the 2019/20 target of greater than 93%. In spite of performance at the end of AMP6 being four percentage points higher than at the start, the targets have been missed in all years during the period.

The Challenge Panel considers that customers satisfaction during 2019/20 may have been adversely affected by the significant operational changes Bristol Water implemented during the year and the associated challenges it faced during transition. The Challenge Panel was assured by the company that these issues were resolved by the end of the year.

The company has suggested the decrease in score compared to the previous year may have been caused by an increase in the number of customers who responded with “don’t know” and “neither good nor poor” in the surveys. The Challenge Panel continues to encourage the company to investigate and reduce the number of such responses wherever possible.

The Challenge Panel notes that Bristol Water has invested in new

systems and processes in recent years to improve customers’ experience through initiatives including the improvement of its digital offering and its street working activities. It has also made its website more accessible to customers with disabilities. As such it was disappointed that the level of general satisfaction as measured by this indicator has fallen. However, as the survey associated with this indicator includes a random sample of customers, regardless of whether they have contacted the company or are bill payers, the Challenge Panel accepts that such investment may not entirely influence the outcome against this metric.

K1: Ease of contact from surveys

Unit	%
Actual 15/16	95.0
Actual 16/17	94.4
Actual 17/18	93.1
Actual 18/19	91.4
Target 19/20	>96.5
Actual 19/20	91.8

Bristol Water achieved a slight improvement in performance for this measure from the previous year. However its score of 91.8% fell well short of the target of greater than 96.5%. The target has been missed in each year of AMP6 and performance at the end of the period was over three percentage points lower than at the start.

The Challenge Panel noted last year that Bristol Water was striving to improve its customer service by making it easier to respond to enquiries but that this was proving to be a challenge. The company implemented further improvements in 2019/20 to ensure

customers’ queries were dealt with effectively and resolved at the first opportunity. These improvements involved more staff training and better IT systems and working methods. Therefore the Challenge Panel is disappointed that these initiatives did not translate into improved performance against this metric.

The company has suggested that customers respond to this survey by considering their whole experience of the company, rather than just through their telephone interactions. It has also highlighted a general reduction in telephone contacts and more use of digital contact methods.

The Challenge Panel is unable to comment on these assertions but is encouraged to see that, in the ICS Business Benchmarking Survey in late 2019, Bristol Water was ranked top in the utility sector for “makes it easy to contact the right person to help”.

Customer engagement

While undertaking the bespoke surveys mentioned below Bristol Water has also developed a number of engagement activities that are undertaken on a regular basis – some quarterly, some annually. The engagements enable Bristol Water to identify trends in customer views and also to track how changes and improvements the company makes to its services and impact on its customers.

While engaging with its customers every day, Bristol Water has over the last few years transformed the way it uses this data to ensure the company is capturing its customers' views and learning from their feedback on an on-going basis.

A Customer Dashboard has been developed by the company as the primary reporting tool for customer engagement data. It is designed to make it easy for the business to take into account the customer voice in its everyday decision making. The Dashboard is a live tool, and is referred to by Bristol Water staff regularly, and updated once a quarter. An annual overview of customer feedback across a range of service attributes is produced to review what customers are saying.

The main sources of quarterly data are the Online Customer Panel, which generates customer insights on a regular basis and allows tracking of changes over time, and the Customer Forum, which enables more in-depth discussion face-to-face with a demographically similar group. The Forum also allows Bristol Water to consult with customers who are relatively well acquainted with the company on topics that are relevant at that time. These inputs are supported by a simple quarterly online survey, with questions tied to other customer engagements in that quarter to triangulate responses; customer numbers for the survey vary

but are always over 700 and can be up to 1,600.

On an annual basis more formal surveys are carried out, including the ICS Benchmarking survey, the UK Customer Satisfaction Index, and an annual household customer, business customer, and stakeholder survey.

Similar arrangements are made to engage with company staff, retailers, developers, and future customers on an on-going basis.

A summary of the data from all the regular engagement activities described above is provided to the Challenge Panel at its quarterly Customer Engagement Sub-Group meetings. The Sub-Group is encouraged by the company to challenge the methodology used and the results. Future surveys are also discussed, and members are encouraged to take part as their time permits.



Bespoke customer engagement during 2019/20

During 2019/20 the Challenge Panel reviewed the quality of the bespoke customer research carried out by the company prior to and since Ofwat’s Initial Assessment of the Business Plan (IAP) and Ofwat’s Draft Determination, the interpretation of the research findings and the use of the results to support components of the company’s revised action plans in its response to the Draft Determination.

Bristol Water conducted two pieces of bespoke research after receiving the Draft Determination by using quantitative online surveys and face to face interviews. The company also held a meeting of its Customer Forum.

The research covered Ofwat’s ODI interventions contained in the Draft Determination and their impact on bills. The online research also included the company’s proposed Social Tariff cross-subsidy (this was a challenge posed by Ofwat in the IAP).

ODI customer engagement

The Challenge Panel reviewed and challenged Bristol Water’s research on the impact of the revised ODIs on annual bills. The Panel commented on the online research questionnaires in advance of their use and the company made some changes to these as a result.

The aim of the research was to understand customers’ attitudes to incentives, particularly the use of financial incentives, as well as the overall Bristol Water ODI package in relation to Ofwat’s Draft Determination.

The Challenge Panel noted that the ODI research covered the revised range of incentives contained in the Draft Determination and the potential impact on asset failure, leakage and supply interruptions and the proposed increased penalties in areas where

BW performance is currently weak (for example in mains repairs).

392 households were surveyed, mainly meeting the Bristol Water customer demographics. There was also a good spread of customer incomes and household bills. The Challenge Panel considered that the research methodology represented best practice.

The aspects of service for which customers said should have the strongest incentives were drinking water quality, leakage, environmental legal obligations, and mains repairs. Developer experience, meter penetration, PCC and other asset health measures were ranked lower down the list and should

have reduced or lower financial incentives.

When presented with the proposals from Bristol Water and Ofwat for the ODI package, customers were equally supportive of both. There appeared to be trust in both Bristol Water and Ofwat, and hence a lack of clear steer from customers as to which package or whose package of ODI they favoured the most. The lower bill of the Ofwat package was noted by customers.

The research showed customer support for underperformance penalties and outperformance payments. However, the incentives should be more geared towards penalties than outperformance payments.





While the proposed Bristol Water package closely aligned with customers' views, customers said they would accept the ODI package put forward by Ofwat.

Bristol Water Customer Forum Meeting

This Customer Forum is a self-selected group of Bristol Water customers formerly from the company's online panel. It has no correlation with Bristol Water's base customer demographic. Forum members can be considered as very informed and supportive group of customers as they meet with Bristol Water on a quarterly basis.

The Challenge Panel attended the Customer Forum session. The key findings were that customers were surprised by Ofwat's Draft Determination and the level of challenge on the plan, however they supported lower targets for mains bursts and per capita consumption. Participants were supportive of Bristol Water's package of incentives and unsupportive of Ofwat's. This was a slightly different from the ODI customer engagement result above.

The Panel noted that some of the technical material presented to participants proved challenging even to those that already had some experience of the company's customer engagement surveys. However, the engagement from participants was high. The overall sentiment expressed was supportive of company's original ODIs and service priorities and that some of the incentives in the Draft Determination appeared to be at odds with customers' preferences, particularly those relating to asset health.

Social Tariff Research

The aim of the research was to understand Bristol Water's customers' attitudes to social tariffs in principle, that they are an acceptable way to ensure affordable water bills, and finally to consider the acceptability of Bristol Water's social tariff plans.

The Challenge Panel reviewed and challenged the company's online research into its proposed Social Tariff. The Panel reviewed the questionnaire used in the research

and made several significant comments and recommendations which the company took on board before using it.

The research met its target of engaging 400 households. Quotas for age, gender, socio-economic group and metering were set in line with Bristol Water's PR19 sampling requirements. The Panel found the survey sample size and demographic spread to be reasonable. It considered that the research methodology reflected best practice.

There was an overall acceptability of Bristol Water plans to increase social tariffs by 60p from £1.40 to £2, to extend the social tariff support. 69% of customers find the plans to increase the social tariff support through bill increases for other customers acceptable. The research determined that the median value of support was £2.25 and the mean value was £6.

Social contract

On behalf of all its customers, the Panel challenged Bristol Water in 2017 to understand its role within the greater society of Bristol and to understand its responsibility to customers. The Challenge Panel was pleased when Bristol Water became the first water company to publish a Social Contract in January 2019. It also noted that Ofwat had recognised the potential scope and quality of this strategic initiative.

The Social Contract is intended to inform customers and stakeholders how the company invests in projects related to its social purpose in various communities in the future and how it forms partnerships with other bodies and institutions. It also sets out how the company intends to be accountable for its performance in delivering these projects; by committing to share further investment based on the levels of satisfaction of its customers (via the UKCSI business benchmarking survey) and its stakeholders (via the company's Local Community Satisfaction Performance Commitment for 2020 to 2025).

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

- Challenge and contribute to the ongoing development of the Social Contract framework ahead of April 2020 and beyond 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 programme and its components
- Challenge and contribute to the development on the 2020/21 programme of Social Contract activities to ensure that viewpoints

are sought, fairly represented and taken into account.

The Challenge Panel is aware of its independence and potential conflicts of interest during the development of the Social Contract and the associated stakeholder engagement.

The Panel established a Social Contract Sub-Group (SCSG) in summer 2019 to undertake its detailed work and to keep it informed of key developments and findings.

The Challenge Panel welcomed the December 2019 publication of the Social Contract Interim Impact Report and mid-year infographic on the company website. By being transparent and open about the progress made to date, the Panel hopes that Bristol Water will be seen as a business its customers can continue to trust.

Throughout the initial phase of development, the SCSG and main Panel have encouraged Bristol Water to place customers and stakeholders at the heart of its Social Contract decision-making. It has also encouraged the company to be as innovative as possible, as well as encouraging the company to focus the outcomes of the Social Contract in the areas that customers prioritise the most.

Throughout 2019/20 the Challenge Panel has been kept abreast of the ongoing development of the programme and its views have been

sought at regular intervals.

The Panel's key challenges to the company during the development phase of the Social Contract covered:

- The definition and measurement of the success of the Social Contract
- The proposed SC benefits framework and the proposed use of a Social Return on Investment metric
- The use of the Social Contract and the achievement of success in both urban and rural environments
- The source of innovation from within the company's proposed SC organisational structure and roles and responsibilities
- Consultation with local universities on possible customer valuation methodologies
- Contact with organisations that have benchmarks for being a good employer
- The inclusion in the initial engagement of a survey question on the company's future Social Contract initiatives
- The inclusion of local stakeholders, including contractors and suppliers, in the Social Contract
- The use of the Bristol One City Plan (OCP) to help drive achievement of the company's AMP7 PC targets, particularly the reduction in water consumption
- The measurement of change in internal culture towards the Social Contract and societal issues including the use of the annual staff survey and the need



to establish a baseline position regarding culture from which to measure change

- The clear and transparent reporting of SC-related decisions taken by the Board and the need for the Board to be clear in its own mind about benefits and how to measure performance and to communicate this at all levels internally and externally.
- The avoidance of conflicts/overlap of the Social Contract with the company's AMP7 PC and ODI targets (eg the Biodiversity Index, per capita consumption) and the risk of double accounting
- The use of the Social Contract to help establish and embed the behaviours required to reduce water consumption
- The need to understand the reach of each communication channel and possible use of data analytics to achieve this.

The views of customers and employees have been actively

sought and the Challenge Panel has welcomed the range of customer research undertaken throughout the year. The Panel is content that the methods of engagement undertaken have ensured that different customer groups and voices have been heard and influenced the development of the new programme.

The Challenge Panel is encouraged that the final Social Contract programme proposed reflects a balance of the interests of those consulted and reflects the priorities expressed by customers. Based on the final list of options proposed, the Panel is confident that the Social Contract will in 2020/21 continue to meet its objective, namely, to act as a transparent framework in ensuring the company delivers its social purpose.

The Challenge Panel considers that the Social Contract is not only unique but more importantly, it ensures that board level decisions focus on wider

societal impacts. It also at the same time ensures the voices of customers, stakeholders and employees are taken into consideration throughout the evolution of the process.

The Challenge Panel thanks the company for its openness and transparency throughout 2019/20 and for providing it with regular, timely briefings and presentations and sharing its thinking on how it intends to improve its Social Contract activities moving forward for customers and interested stakeholders.

The Panel looks forward to reviewing the company's Social Contract performance in 2020/21. However, it notes that progress may be affected by the coronavirus pandemic which had emerged around the start of 2020/21 and it will be monitoring closely how the company manages the impact on the delivery of the first year of Social Contract programme.

Areas of focus during 2019-20

In its Annual Report for 2018/19 the Challenge Panel identified specific aspects of Bristol Water's performance it wished to review and challenge in more detail during 2019/20.

The following aspects of performance were identified by the Challenge Panel for particular focus in 2019/20:

Customer complaints

Following CCW's public challenge to Bristol Water in 2018/19 to reduce customer written complaints, the company changed some working practices and achieved a reduction that year, down from 31.0 written complaints per 10,000 households to 26.2. The Challenge Panel is pleased to note that the company recorded a further fall in 2019/20, down to 17.2 written complaints per 10,000 households.

Operational incidents

In recent years Bristol Water has experienced a number of significant operational incidents caused by unplanned events such as extreme weather conditions or by burst mains. These events had an adverse impact on a number of interrelated performance commitments. The company kept the Challenge Panel informed of its response to these incidents, the lessons learned from them and the steps it has taken to reduce the risk of reoccurrence.

There were no such incidents during 2019/20, partly because the weather was generally favourable and partly due to the company's new network strategy, operational process and procedural improvements and a cultural shift towards minimising disruption to customers. The company's ongoing mains replacement and relining programmes also helped.

Operational data

The Challenge Panel continued its review and challenge of the quality of operational data used in the reporting of the company's PR14

Performance Commitments. Particular challenge was made to any data from contractors or other third parties and the evidence of information checking and document control.

The company informed the Challenge Panel in 2019/20 that all its reporting methodologies and data associated with its PR14 Performance Commitments had been assigned a 'green' assurance assessment by its Technical Auditor, Atkins and that the assurance regime included source data. The Company considers that, due to its new operational delivery model, third party information assurance is not an issue.

Meter Penetration

Bristol Water's original meter penetration target for 2019/20 was 65.9%. Last year the company reforecast its ability to meet this target to 62% due to its slow start in the early years of AMP6.

Bristol Water increased its meter penetration to 59.0% by the end of 2019/20 so missed both its original and revised targets. This was despite an increase in its marketing activities including more advertising and the promotion of the 'Beat the Bill' campaign for a second time.

The company also inform the Challenge Panel that its performance against this metric was impacted by waning customer demand and a slowing housing market, which are not directly within its control.

The Covid-19 pandemic had a minor impact on performance at the end of 2019/20 but, without this, the target would still have been missed.

Per Capita Consumption

Last year the Challenge Panel requested further information on Bristol Water's future plans to influence customer behaviour on water use.

The Challenge Panel is satisfied that the company has made reasonable efforts to reduce consumption during AMP6 and that it recognises more has to be done to influence customer behaviour towards water use.

Service Incentive Mechanism (SIM)

Bristol Water implemented improvements to its customer systems and processes last year and reported that its SIM proxy performance in the second half of that year improved as a result.

The Challenge Panel is disappointed that the company's SIM proxy performance of 83 in 2019/20 was less than the year before despite the system and process improvements made. The company told the Challenge Panel that its SIM proxy performance had been affected by significant customer service challenges resulting from the implementation of its new operating model in October 2019. The Challenge Panel was pleased to learn that these issues had been resolved by end of 2019/20 and it hopes that customer service performance will improve in the coming year.

Through its shadow reporting against C-MeX (the successor metric to SIM) in 2019/20, the company has been able to show that its customer service performance is reasonably good in comparison to others in the industry.

General Satisfaction from Surveys

Last year the Challenge Panel noted that customer's main reasons for dissatisfaction included poor quality work, poor response to problems and poor ground repairs after competing work. However, it was encouraged that the company was seeking to improve its customers' experience through initiatives including the improvement of its digital offering and its street working activities. In 2019/20 the company also made its website more accessible to customers with disabilities.

Therefore, the Challenge Panel was disappointed that the level of general satisfaction fell from last year. However, as the survey associated with this indicator includes a random sample of customers, regardless of whether they have contacted the company or are bill payers, the Challenge Panel accepts that such investment in systems may not entirely influence the outcome against this metric.

Ease of Contact from Surveys

The Challenge Panel recognises that Bristol Water strives to improve its customer service by making it easier to respond to enquiries.

The company implemented further improvements in 2019/20 to ensure customers' queries were dealt with effectively and resolved at the first opportunity. These improvements involved more staff training and better IT systems and working methods. In addition to its Network Maintenance Partnership Contract, Bristol Water brought in district inspectors and district managers to the operational call centre so that they could provide the call operator with immediate technical knowledge and solutions during a customer enquiry.

Therefore, the Challenge Panel is disappointed that these initiatives did not translate into improved performance against this metric in 2019/20. However, it is encouraged to see that, in the ICS Business Benchmarking Survey in late 2019,

Bristol Water was ranked top in the utility sector for "makes it easy to contact the right person to help".

Negative Water Contacts

The Challenge Panel was disappointed to see that the reducing trend of such contacts was reversed last year. Performance had been impacted by the company's leakage activities.

The Challenge Panel was pleased to see that Bristol Water's performance against this measure in 2019 was significantly better than target. The number of negative water contacts decreased by 222 (11%) over 2018 and returned to the level reported in 2017. Performance since the start of AMP6 has improved by some 26%.

Raw Water Quality of Sources

Last year the Challenge Panel said it wished to understand how performance of this initiative is measured and monitored as it was not confident there is correlation of information provision to farmers and improved raw water quality.

The Challenge Panel welcomes the improved position on raw water quality during AMP6. The definition of the metric changes in AMP7 and the Challenge Panel will continue to monitor the company's performance and still wishes to better understand how performance on raw water quality is measured and monitored.

Corporate Responsibility

Last year the Challenge Panel asked that the Bristol Water Board set out a clear corporate responsibility statement and policy that enshrines the company's and its shareholders' responsible attitude towards the communities where it operates, how its investment strategy affects customers, its policy on shareholder dividends and the performance related element of executive pay.

The Challenge Panel considers this action has been covered in three ways.

1. The annual Bristol Water Trust Beyond Water statement includes

references to the company's social purpose and the delivery of its corporate responsibilities and balance to dividends dividend policy. The Statement can be found at <https://www.bristolwater.co.uk/wp-content/uploads/2020/07/BRL-Trust-Beyond-Water-2019-20.pdf>. This statement is intended to satisfy Ofwat's Board Leadership, Transparency & Governance principles. These aspects also feature in the company's Annual Performance Report which contains a section covering dividends and performance in more detail.

2. The Bristol Water Board Corporate Governance Code from July 2019 at <https://www.bristolwater.co.uk/wp-content/uploads/2019/07/Bristol-Water-Corporate-Governance-Statement-July-2019.pdf>

3. The company's Social Contract guide at <https://www.bristolwater.co.uk/wp-content/uploads/2020/05/A-Guide-to-Our-Social-Contract.pdf> and forward programme

FOCUS FOR 2020-21

The Challenge Panel will routinely monitor and challenge the company's performance against its new Performance Commitments for AMP7. Its general focus will be on customer service, environmental improvements, and progress against the company's Social Contract initiatives.

The Challenge Panel will also review and challenge the company's customer engagement activities and their outcomes during 2019/20.

The Challenge Panel will be carrying out a Skills Audit of its membership in 2021.

In this report the Challenge Panel has noted some specific areas of performance where it wishes to focus its review and challenge during 2020/21 (the first year of AMP7). These areas include:

Raw Water Quality

The Challenge Panel will be seeking

clarity on company's use of hard interventions and the promotion of behavioural change by stakeholders (eg farmers and wishes to review source data and raw water quality sample analysis to see evidence of their impact. It will also explore the relationship between the company's statutory environmental obligations and any additional environmental improvement work associated with its Social Contract.

Biodiversity Index

The company's biodiversity targets in AMP7 are more stretching than in AMP6. The Challenge Panel wishes to better understand the how

performance against the Biodiversity Index is measured and assured and how it translates into environmental improvements. It also wishes to review source data and to understand the relationship between the company's statutory environmental obligations and any additional environmental improvement work associated with its Social Contract. The company has agreed to engage with the Challenge Panel on these issues during the coming year.

Meter Penetration

Having restricted its operations, the company intends to have more control over meter fit operations





and the end-to-end customer journey in AMP7. It has also further increased its marketing activities and reinstated internal meter fits. In recognition of the slowdown in the property market in its supply area, the company accepts that it must transform its promotion of water meters in order to ensure that customers are attracted to this opportunity. It has therefore designed an extensive marketing programme, including work with local partners such as Aardman Animations, to help increase metering uptake.

The company believes it now has a much stronger opportunity to meet its meter installation target.

The Challenge Panel will monitor the company's performance in the coming year.

Per Capita Consumption

The company believes that its recent performance on per capita consumption was partly impacted by the meter penetration performance (as customers who are metered tend to use less water, as they are able to understand the direct link between water consumption and the impact on their bill).

Bristol Water has informed the Challenge Panel that one of its biggest challenges is customer perception and the understanding of the value of water, and in how the company works with customers and other stakeholders to educate them on demand management and the benefits of water efficiency.

The Challenge Panel notes that consumption has been rising generally across the industry. Influencing customer behaviour in the future, including water consumption, forms part of the company's customer and community focussed Social Contract. The Challenge Panel has welcomed this innovative approach and is involved in its planning and the monitoring of performance.

Waste Disposal Compliance

The Challenge Panel is very keen to understand the compliance issues at Blagdon, the company's statutory obligations the site and the opportunities for improvements, their timing and linkage to wider customer preferences for the environment. The company has agreed to engage with the Panel on these issues during the coming year.

Social Contact

The Challenge Panel looks forward to reviewing the first year of the company's Social Contract performance in late 2020/21. However it notes that progress may be affected by the coronavirus pandemic which had emerged around the start of 2020/21 and it will be monitoring closely how the company manages the impact on the delivery of the first year of Social Contract programme.

Competition and Markets Authority

The Challenge Panel is aware of the Ofwat referral of the Bristol Water Final Determination to the CMA and is looking forward to making submissions to the CMA on behalf of customers. In particular the Challenge Panel will be making written submissions as required and taking part in any video discussion with Ofwat and the CMA. The Challenge Panel notes that the CMA published its Provisional Findings in September 2020 and is expected to publish its Final Determination in December 2020. The Challenge Panel will make any additional submissions as appropriate.

CONCLUSION

The Annual Report of the Bristol Water Challenge Panel for 2019/20 is special in that it concludes the five year business planning period that is set by Ofwat.

Every water company in England and Wales is addressing the same regulations and opportunities to improve service at the same time. The water regulators, whether Ofwat, the Environment Agency, Natural England or the Drinking Water Inspectorate, have a much broader view than the Challenge Panel could possibly have of the level of corporate ambition, where the cutting edge of performance within the sector may lie, what investments are financeable or not and where, taken together as an industry, tremendous gains can be made for the benefit of people across the country.

While comparisons between companies can be made on performance, the proprietary nature of a business plan makes such comparisons at the business planning stage impossible. What Bristol Water, like other water companies, can do, is to ensure that it is in tune with the views, needs, priorities and preferences of its customers and that, in looking at other industries and sectors, it is ambitious and innovative in the way it plans and executes its service going forward.

This report records the Challenge Panel's work and the impact it has made on the way Bristol Water operates at many levels of its business. The Panel has a unique role in the governance of a monopoly industry such as water. Most customers in the population serviced by Bristol Water have no choice regarding their water supplier as few have wells that produce water that is safe to drink and are dependable in all weather conditions. As such,

the scrutiny, attention to detail and challenges made by the Challenge Panel are critical in ensuring that Bristol Water becomes the best company, not just in the sector, but also across other businesses that serve individual households or customers.

The focus of the Challenge Panel has also included the monitoring of the performance of Bristol Water against the performance commitments it made in its current business plan. The Panel also has an eye to the future, ensuring that company is embedding change and innovative ways of working in order to achieve the stretching performance commitments set out in its new business plan. The Panel will always point out areas where the company excels and areas where its performance can be improved. That nearly 25% of the challenges made by the Challenge Panel during this five year period have changed the way the company does, or will, do its business speaks to the way it attempts to carry out its role. After all, it is only what the customers of Bristol Water deserve.

There is much to do in the upcoming year and throughout the next five-year business planning period. At the time of writing, the decision made by the Competitions and Markets Authority regarding the Final Determination for Bristol Water is yet to be known. This means that the Panel does not have specific and detailed performance commitments for Bristol Water for the next five years. It does, however, know the general direction of travel and that customer views will be integral in setting these new goals.

As Independent Chair of the Bristol Water Challenge Panel, I wish to express my sincere gratitude and thanks to the members of the Challenge Panel who give their insight, time and know-how on a voluntary basis in what is critical, intense and detailed work. I am especially grateful to my Deputy Chairman Anthony Denham and report writer Jeremy Hawkins for their dedication and commitment to the work of the Challenge Panel. The secretariat provided by Bristol Water, together with its Regulations, Environment and Customer Service teams, have been responsive to the Panel's quest for answers and supportive in organising meetings, refreshments and information. Lastly, I am grateful to Bristol Water Chief Executive Mel Karam and Bristol Water Chairman Keith Ludeman for keeping me apprised of Board considerations and the openness and transparency with which they have approached the work of the Challenge Panel.

APPENDIX 1: Members

Challenge Panel members who have contributed during 2019/20

Name	Organisation
Peaches Golding OBE CStJ	Chair
Tony Denham	Deputy Chair
Jeremy Hawkins (Report Writer)	Creoda Consulting
Michael Barnes	CCW
Mike Bell	CCW
Tamsin Sutton	Environment Agency
Dr Mark Taylor	Natural England
Cllr. Robert Cleland	North Somerset Council
Cllr. Terry Napper	Mendip DC
Dr Tabinda Rashid-Fadel	NHS
Luke Hasell	The Story Group
Cllr. Michael Gay	Mendip DC [Replaced Cllr Terry Napper]
Cllr. Karin Haverson	North Somerset Council [Replaced Cllr Robert Cleland]



APPENDIX 2: Bristol Water Performance Commitment Results

Outcomes and Performance Commitments	Unit	Actual 15/16	Actual 16/17	Actual 17/18	Actual 18/19	Target 19/20	Actual 19/20
Reliable supply							
A1: Unplanned customer minutes lost	Mins/prop/yr	15.5	13.1	73.7	14.7	12.2	11.1
A2: Asset reliability – infrastructure	Assessment	Stable	Stable	Marginal	Marginal	Stable	Stable
A3: Asset reliability – non-infrastructure	Assessment	Stable	Stable	Stable	Stable	Stable	Stable
Resilient supply							
B1: Population in centres > 25,000 at risk of asset failure	Pop at risk	288,589	288,589	9,063	9,063	9,063	9,063
Sufficient supply							
C1: Security of Supply Index	Index	100	100	100	100	100	100
C2: Hosepipe ban frequency	Days/year	1.5	3.1	3.1	3.1	10.2	3.1
Safe drinking water							
D1: Mean zonal compliance	%	99.93	99.97	99.93	99.99	100	99.97
Water is good to drink							
E1: Negative water contacts	Contacts/year	2,329	2,162	1,711	1,934	2,221	1,712
Efficient use of resources by company							
F1: Leakage	MI/day	44.2	47.4	49.6	45.8	43.0	40.9
Efficient use of resources by customers							
G1: Meter penetration	%	47.3	49.3	52.7	56.0	65.9	59.0
G2: Per capita consumption	Litres/head/day	141.1	144.1	144.5	148.3	142.0	144.6
Sustainable environmental impact							
H1: Total carbon emissions	kgCO ₂ e/person	35	32	28	23	20	19
H2: Raw water quality of sources	Assessment	+20% Deteriorating	+11% Deteriorating	-1% Marginal	-14% Improving	+/-<10% for >2 years Stable	-25% Improving
H3: Biodiversity Index	Assessment	17,649 Improving	17,650 Improving	17,657 Improving	17,668 Improving	17,653 Improving	17,670 Improving
H4: Water disposal compliance	%	96	96	98	98	100	98
Affordable bills							
I1: Percentage of customers in water poverty	%	0.4	0.9	0.0	0.0	1.8	0.0
Satisfied customers							
J1: Service Incentive Mechanism (SIM)	Score & Ranking	85.1 Top 5	85.9 Top 5	83.4 Outside Top 5	84.7 Outside Top 5	87.8 Top 5	82.5 Outside Top 5
J2: General satisfaction surveys	%	83	86	87	89	>93	87
J3: Value for money	%	70*	72	69	68	72	75
Easy to contact							
K1: Ease of contact from surveys	%	95.0*	94.4*	93.1	91.4	>96.5	91.8
Bills that avoid confusion for customers							
L1: Negative billing contacts	2,301	2,301	3,096	2,300	1,595	2,170	1,274

* re-stated performance following amendments to reporting methodology

APPENDIX 3: Terms of reference for BWCP during AMP7

1. Role

1.1. The Bristol Water Challenge Panel (BWCP) is the independent Customer Challenge Group (CCG) set up in accordance with Ofwat's methodology for its Price Review 2019 (PR19). Ofwat defines the role of CCGs to "provide independent challenge to companies and provide independent assurance to us on the quality of a company's customer engagement; and the degree to which this is reflected in its business plan".

1.2. The role of the BWCP is to act in the interests of Bristol Water's customers and independently scrutinise and challenge the company's engagement strategy and how this drives decision making in its business planning, and on the delivery of its service commitments. The BWCP reports to Ofwat, the company's Board, and to its customers.

1.3. In carrying out its role, the BWCP will compare the performance and plans of Bristol Water with those of the other regulated water companies in England and Wales and other utility providers, and challenge the company by using local, regional, national and international benchmarks in service delivery and customer engagement.

2. Purpose

2.1 The primary purpose of the BWCP is to act as an independent body to ensure that the voice of Bristol Water's customers remains core to the company's decision making, both in the business planning process and in monitoring business as normal activity such as research, assurance, performance and serving customers in vulnerable circumstances. It will scrutinise and challenge the company's customer impacting activities from the point of concept to delivery, through the frameworks in place, including the triangulation

of customer research and customer representation in developing strategy.

2.2. The BWCP will report to Ofwat, the Bristol Water Board and the public on the performance of Bristol Water in delivering its service commitments against its 2020-2025 Business Plans.

2.3. The BWCP will challenge, comment and advise Bristol Water on its plans to educate, inform and consult with its customers on its long term planning and on the development of its 2025-2030 Business Plan, its wider strategy and on the delivery of its current Performance Commitments. This will help ensure that the outcomes and service levels customers expect from Bristol Water are met, are reflected in the company's plans and that appropriate incentives are in place to safeguard customers should those expectations be exceeded.

2.4. The primary role of the BWCP regarding business plans and challenging business performance, customer engagement and transparency of Bristol Water will be influenced by Ofwat's requirements of CCGs, which are likely to change over time. Bristol Water and the BWCP recognise that there is also value in this scrutiny irrespective of Ofwat's requirements, and this is also part of the BWCP purpose.

2.5. Key points from all sub-groups and main work areas will always be discussed at the next BWCP meeting, including any recommendations for further discussion or action and possible inclusion in the annual report. Decision making authority remains with the BWCP.

3. Activities

The work of the BWCP falls into several main areas:

3.1. Delivery of Bristol Water's 2020-2025 Business Plan

- Monitor and challenge Bristol Water's delivery of its performance commitments (and any associated penalties and rewards that may apply) as set out in the business plan.
- Compare Bristol Water's performance with the wider water industry.
- Scrutinise the company's annual charging proposals including the recovery of any underperformance and 'out performance' revenue from such mechanisms as outcome delivery incentives, revenue correction mechanisms, etc.
- Review data assurance processes to ensure a proportionate and transparent approach.
- Challenge monitor and input into how Bristol Water communicates with its customers on performance, how it interprets responses from customers, and how this is reflected in its long-term strategy.
- Provide an independent annual report to Ofwat, the Board of Bristol Water and the public on how Bristol Water has delivered against its performance commitments for the benefit of its customers.

3.2. Development of the 2025-2030 Bristol Water Business Plan (PR24)

- Subject to any direction from Ofwat - review, challenge and comment on the development of 2025-30 Business Plan in terms of representing the interests of both customers and the environment.
- Monitor, challenge and input into Bristol Water's development of its customer policies, and its ongoing research/engagement programme with customers to ensure it provides a robust, balanced and proportionate evidence base across its diverse customer base.
- Advise and challenge on the phasing of delivery of outcomes to maximise the affordability and

APPENDIX 3: Terms of reference for BWCP during AMP7

acceptability of the overall business plan.

- Engage and challenge longer-term views around risk and resilience.
- Challenge regulatory compliance regarding the environment from a customer perspective.
- Challenge Bristol Water to work with other water companies in areas of overlap for the wider interest of customers, the environment and water resources in the Bristol Water area.
- Consider the trade-off between different levels of service and bill profiles regarding delivery of specific major schemes to improve service and ensure the views of Bristol Water's customers are reflected in the business plan.
- Incorporate the range of objectives as set out in future Ofwat customer engagement policy statements and expectations for PR24.
- Provide an independent annual report to Ofwat, the Board of Bristol Water and the public on how Bristol Water has developed its 2025-2030 Business Plan for the benefit of its customers.

3.3. Customer Related Regulatory Change

- Review and comment on any proposals for regulatory change that may impact on customers, including the possible extension of the retail market to include household customers.
- Review the company's communication about regulatory changes with customers.
- Respond to Ofwat (and other) consultations as appropriate.
- Monitor Bristol Water's risk assessment programme where it affects customer priorities and preferences.

3.4. Social Contract (as set in slide 12 of the brief for the 21 November 2019 Social Contract Subgroup)

- Contribute to and challenge the ongoing development of the Social

Contract framework ahead of April 2020 and beyond in the form 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 sharing mechanism.
- Challenge the risk to delivery of the overall Social Contract programme and its components.
- Contribute to and challenge the development on the following year's programme of activities to ensure that viewpoints are sought, fairly represented and considered.

3.5. Helping Customers in Vulnerable Circumstances

- Review, challenge and comment on performance against the Vulnerability Action Plan.
- Affordable bills and value for money for all.
- Customers who are struggling or at risk of struggling to pay.
- Customers in circumstances that make them vulnerable or at risk of being vulnerable.

3.6. Ofwat

Contribute to Ofwat's regulatory function by commenting on consultations as they are issued, particularly:

- PR24 Business Plan Methodology
- Bristol Water business plan submissions
- Draft Determination responses
- Respond to Ofwat (and other) consultations as appropriate

3.7. Competition and Markets Authority (CMA)

To review, comment and challenge on Bristol Water submissions to the CMA, using the same BWCP methodology as it would for a Business Plan submission. This could include overview and review of any further customer research needed

during the process.

4. Membership

4.1. The BWCP will have an independent Chair recruited by Bristol Water and a Deputy Chair appointed to the group following a selection process. The Chair and Deputy Chair will each receive a stipend.

4.2. Ofwat requires that CCG membership should reflect local circumstances and challenges and include a representative from the Consumer Council for Water (CCW). Chairs should not represent organisations or any particular groups of customers. The environmental and drinking water quality regulators should play a significant role informing CCG discussions and CCG reports should highlight any concerns raised about the ability of the proposed plan to meet statutory obligations.

4.3. The BWCP will represent Bristol Water's domestic and business customers, it will seek to include members invited from:

- Consumer Council for Water (CCW)
- Local Authorities elected representatives
- Natural England (NE)
- Agencies dealing with the local environment.
- Debt Advice Agencies.
- Environment Agency (EA)
- Drinking Water Inspectorate (DWI)
- Other local customer representatives as appropriate

Topic specialists may be invited to attend meetings at the discretion of the Chair to aid the members in their understanding of that topic.

Independent members and charity organisations will receive a day rate for attendance at meetings and will be reimbursed for reasonable expenses incurred in relation to their membership of the BWCP.

APPENDIX 3: Terms of reference for BWCP during AMP7

The EA's membership of the BWCP will not affect its function as the statutory regulator and enforcing authority in respect of Bristol Water and it will continue to take all regulatory measures, as appropriate, under any circumstances, in accordance with its statutory role.

4.4. The BWCP will ensure that Bristol Water consults all segments of the its customer base, including minority Ethnic groups, the vulnerable and those hard to reach.

4.5. BWCP Members are expected to fully participate in delivering its work. Members are expected to attend all the main BWCP meetings or send an appropriate substitute or to provide input in advance if unable to attend. Members may attend through telephone conference if necessary. All members are welcome to attend any sub-group meeting.

5. Meetings

5.1. Frequency

- The BWCP will meet at least twice a regulatory year. Additional meetings will be arranged as appropriate depending upon the workload.
- Private sessions of the BWCP members without Bristol Water will be held at the beginning and end of each regular meeting. Additional private meetings will be arranged as required.
- Between meetings, the BWCP will be provided with information updates and/or asked for input by email.
- Bristol Water will provide telephone conference facilities for the use by members between the routine meetings if required.
- Independent non-executive members of the Bristol Water Board are welcome to attend any meeting of the BWCP or its sub-groups.

5.2. Sub Groups

- The BWCP may hold periodic subgroup meetings for individual topic areas that require specific focus as agreed with Bristol Water. There are established quarterly meetings for subgroups covering Customer Engagement and the Social Contract.
- The BWCP may establish ad hoc sub-groups or task and finish groups to consider specific topics where this is considered beneficial to fulfilling the purpose of the panel.
- Each sub-group will be chaired by the Chair or Deputy Chair, its terms of reference will be set by the main BWCP and meeting dates agreed with the Chair.
- Sub-groups will provide feedback to the next BWCP meeting, including any recommendations for further discussion or action. Decision making authority remains with the BWCP.

5.3. Support and Administration

- Bristol Water will provide administrative services to the BWCP and its subgroups.
- The agenda and papers (including the written results of actions from the previous meeting) will be made available to members at least five working days before each meeting. Members of the group will be provided with access to a website file share station administered by Bristol Water. Provided papers are available in advance members will be expected to have read all papers before each meeting.
- Minutes of the meeting will be taken by the Report Writer and a draft checked by the Chair before being distributed no later than two weeks after each meeting.
- Confidential items will be duly marked in the Minutes and members are expected not to disclose these outside of the BWCP or Bristol Water.
- Bristol Water will provide a regular

update on matters concerning the BWCP.

5.4. Agendas

The Chair, in consultation with Bristol Water, will determine meeting agendas. Standard items will normally include:

- Private sessions
- Minutes and matters arising from previous meetings
- Review of the Challenge Log outstanding items
- Quarterly update on the delivery of performance commitments
- Update of ongoing customer research and engagement
- Feedback from sub-groups

5.5. Meeting Evaluation

In its presentations to the BWCP, the members should expect Bristol Water to report against the following five criteria:

- How it is customer led
- Impact on customers
- How it relates to Best Practice and Innovation within the industry
- Ethical Issues, eg differing 'willingness to pay' methods, intergenerational concerns, etc
- How impactful are the challenges; what is our ability/opportunities to challenge.

Assessment of Bristol Water's presentations and its own performance will be carried out by the BWCP during the private session at the end of each meeting.

6. Governance

6.1. Ofwat states that "To build trust and legitimacy we would like to see an increased focus – by companies and the CCGs themselves – on CCG governance and funding process transparency."

6.2. Chair and Deputy Chair

- The Chair and Deputy Chair are appointed following an open interview process.

APPENDIX 3: Terms of reference for BWCP during AMP7

- The role of the Chair and Deputy Chair is to encourage full, frank and inclusive debate, identify areas of consensus, summarise differences and distil possible solutions emerging or needing further investigation.
- The roles will be sufficiently independent from Bristol Water to ensure they can challenge effectively, and to give proportionate assurance to both Ofwat and Bristol Water customers.
- The Chair or Deputy Chair will attend meetings of the CCG Chairs meetings organised by Ofwat as required.
- The Chair or Deputy Chair may attend workshops, seminars and conferences organised by Ofwat or other water sector representative bodies where topics of interest to the customer may be discussed.
- The Chair and Deputy Chair should ensure that they act independently of any affiliations with other bodies, such as parent organisations, and oversee the group in an objective manner.
- The Chair will have regular meetings with an independent non-executive member of the Bristol Water Board to provide feedback and assurance, thus ensuring both parties – Board and Challenge Panel – understand their respective complimentary perspectives on issues of importance to customers.
- Bristol Water have identified an independent non-executive Board member whose remit specifically includes engagement with the BWCP and to reflect BWCP discussions within the Bristol Water Board.

6.3. Members

- Members will be required to formally approve the BWCP Terms of Reference.
- A work programme and protocol will be agreed with members of the group.

7. BWCP Reports

7.1. The principal published output will be the BWCP's Independent report to Ofwat and the public which will accompany Bristol Water's 2024 Business Plan, in accordance with Ofwat's published timetable.

7.2. Other published outputs of the BWCP will be:

- Minutes of all main meetings.
- Annual report on the delivery of Bristol Water's performance commitments to its customers.
- Annual report on the operation of the BWCP during the year.
- The BWCP will submit subsequent independent reports as required by Ofwat.

8. Review of Terms of Reference

The Terms of Reference for the BWCP will be reviewed and agreed by the membership from time to time, but not less than once every three years or as required by any material change in Ofwat's methodology or requirements for CCGs.

APPENDIX 4: Glossary of acronyms used

AMP	Asset Management Period – Five-year period for which the Price Review sets the company’s revenue and thus the customers’ bills. AMP5 started in April 2010, AMP6 in 2015, AMP7 in 2020 and AMP8 in 2025.
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.
CCG	Consumer Challenge Group – Ofwat requires each water company to set up a CCG 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 – replaces SIM for Domestic Households in AMP7
CRI	Compliance Risk Index produced by the DWI – replaces MZC in AMP7
DC	District Council
DD	Draft Determination of Prices – after the submission of the company’s Business Plan and before the FD. It gives the company an indication of how Ofwat views the submitted Business Plan
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
FD	Final Determination of Prices – sets the company’s revenues and thus the customers’ bills for the next AMP
IAP	Initial Assessment of the Business Plan – New in 2019 – gave the company a very early view of how Ofwat viewed the Business Plan; and set the DD for the fast track companies
ICS	Institute of Customer Service
NE	Natural England
OCP	Bristol One City Plan
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
PR14	Price Review 2014 – set the customer bills for AMP6
PR19	Price Review 2019 – set the customer bills for AMP7
SC	Social Contract
SCSG	Social Contract Sub Group of the BWCP – Reviews and challenges the BW Social Contract planning and implementation of initiatives
SDG	Sustainable Development Goals
SIM	Service Incentive Mechanism – a measure on the company’s customer facing activities; now replaced by C-MeX
WINEP	Water Industry National Environment Programme – measures the completion of schemes aimed at water abstraction without negative impacts on the environment



CHALLENGE
PANEL