



News Release

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CC CONFIRMS SMALL PRICE RISE FOR BRISTOL WATER

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

Ofwat referred an appeal from Bristol Water to the CC in February 2010, following Bristol Water's rejection of Ofwat's final determination on price limits for the period 2010–15, broadly on the grounds that they were too low. The CC has today (4 August) submitted its final determination to Ofwat, which will publish it at a later date (when it will also appear on the CC's [website](#)). The CC published its provisional findings in June.

After further assessment, the CC has now decided that Bristol Water should be permitted to increase its prices so that the average customer bill will rise from £157 in 2009/10 to £180 by 2014/15 (an increase of 15 per cent over the five-year review period). Bristol Water has already sent out customer bills for 2010/11, and the CC has decided that the increase should be introduced gradually over the following four years. Ofwat had permitted an increase to £168 (7 per cent over five years) in its final determination, while Bristol Water had sought an increase to £202 (29 per cent over the five years).

Appeal Group Chairman, Laura Carstensen said:

We have had to balance our wish to keep customers' bills down with assessing whether some of the extra expenditure planned by Bristol Water—such as that to repair mains and reduce leaks—is necessary to maintain its quality of service and will ultimately benefit customers.

We have looked critically at the projects proposed by Bristol Water, conscious that any decision to raise bills, even only modestly, should only be taken after very careful consideration. We have agreed to some of the extra expenditure, which will mean a small rise for customers above the price limits set by Ofwat, but equally we have also rejected several other projects, which would have further increased bills, as well as upholding Ofwat's judgment in a number of other areas.

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

Notes for editors

1. The CC has been required to determine ‘K’. K is the percentage by which Bristol Water can increase its bills above inflation (RPI) each year. K for each of the years in the five-year period is shown below:

	2010/11	2011/12	2012/13	2013/14	2014/15
K	0.6	3.9	3.9	3.9	3.8

2. As noted, since Bristol Water has already issued bills for 2010/11, the K for 2010/11 matches that set by Ofwat, and the increase that results from the CC’s determination has been smoothed over the following four years.
3. This final determination provides somewhat less money to Bristol Water than the CC allowed in its provisional findings.
4. The CC is an independent public body, which carries out investigations into mergers, markets and the regulated industries.
5. The Water Industry Act 1991 requires Ofwat in accordance with the terms of Bristol Water’s licence to refer any disputed determination of price limits to the CC for determination.
6. Ofwat’s final determination is at www.ofwat.gov.uk/pricereview/pr09phase3/det_pr09_finalfull.pdf. Bristol Water’s appeal ‘in a nutshell’ is at www.bristol-water.co.uk/uploads/news/nutshell.pdf.
7. The members of the Bristol Water Appeal Group are: Laura Carstensen (Group Chairman), Roger Davis, Richard Farrant, Professor Robin Mason and Edward Smith.
8. Enquiries should be directed to [Rory Taylor](#) or [Siobhan Allen](#) or by ringing 020 7271 0242.