

June 15 2015

**Bournemouth Water Customer View Group  
In the Case of the Purchase of Bournemouth Water by Pennon Group**

In response to your email of June 10 2015, inviting me to comment on the acquisition of Bournemouth Water by Pennon Group, thank you.

Firstly to put my comments into perspective, I am appointed as Independent Chair of the new Bournemouth Water Customer View Group (from Feb 1 2015). We are set up to hold the company (BW) to account to deliver the targets and key deliverables as enshrined by Ofwat in the PR14 price review (which came into operation on April 1 2015). Part of the remit is to consider any aspects of Gain/Share of underspend by BW; if they can deliver a target at lower costs, then how might that saving be shared with Customers. In giving these comments I have discussed this with my deputy chair Ed Vidler.

All Wasco and Woc set up some form of Customer Consultative panel in the run up to PR14, to get the customers input and expectations as to deliverables in PR14. Ed Vidler sat of the (then) SBW Customer Engagement Planning Forum (CEPF), as a representative of the Consumer Council for Water. Hence his inclusion as my Deputy Chair in the CVg, to ensure continuity.

Some form of CVg will be set up I am sure by all Wasco and Woc, although BW are to my knowledge first to do so. South West water, as part of Pennon have not as yet acted, but will have a need for such a body in due course.

I myself am a Chartered Civil Engineer with lifetime of service to the Water industry both in UK and overseas. Neither Ed nor myself have worked for Pennon(SWW) nor BW nor any of its predecessor companies, but between us have some 50 years of experience, so I hope can give you an informed opinion.

**Ofwat Comparators.** You state this is a key aspect of the CMA investigation, accepted but as I will outline in due course it is one aspect of the deliberations, what about the customers...in short what is in it for them?

According to the Ofwat web site there are 9 regional Wocs and 10 Wasco, the changed status of this purchase means these numbers become 8 and 11. I suggest 8 Woc are still a reasonable number for Ofwat comparison purposes. Indeed I believe the market will consolidate further with the opening up of the wholesale market in 2017 for water so there will be increased comparators for Ofwat with the 11, although as BW is one of the best performing Wocs, any purchase will leave a lower average performance across Wocs

Because of the long term trend towards Wasco for improved performance I believe this purchase is in the best interest of Ofwat and Customers. Indeed another Ofwat main driver is **Competition of Water Companies** in the market place

**Customers.** It has to be said that Pennon (SWW) are out performed by BW on several Service level indicators, not least Billing and Customer Services. BW has one of the lowest

bills in the country, SWW the highest ( though to be fair this is partly historic in the “Green Dowry” at privatisation and Coastal Bathing water clean-up following increased EU regulation. (SWW have 3% of the population and 35% of the coast line to improve for Bathing Water compliance).

I believe BW can bring much to the combined companies in the best interests of the customers, CVg would like to see:

- A guarantee that the service and price levels agreed by the respective PR14 business plans would be at least maintained and I see no reason why they should not be enhanced by such a purchase. Clearly there must be no cross subsidies between SWW and BW. This will be governed by if and when the respective licences are merged.
- There should be no diminution of resources or finances because of such a purchase.
- BW should continue to report to Ofwat as a separate company for the PR14 period.
- A statement by Pennon (SWW. I do not confuse the two but in practical terms we are not discussing how parent group companies react but the merger of two water companies SWW and BW) as to how any combination will work to ensure both the maintenance and enhancement of Customer Service

I trust this response is the sort of feedback you require, and I am happy to discuss any further points of detail or explanation you may require. My contact details are at the head of this document and are clearly independent of BW to ensure my role as the Independent chair of CVg (BW).

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