

## **Peter Weeks (Metaphor Consulting Ltd) submission to the CMA**

Dear Sir / Madam,

CMA's Provisional Findings Report published 10 July is very welcome for Bristol Water customers. After 5 years of inflation-busting price increases the priority for 2015-2020 must be lower water prices for customers, not further capital and dividend growth for shareholders.

Bristol Water's case for a new reservoir, Cheddar Two, is clearly not justified as your Report concludes (para 42, 43, 44). Bristol Water needs to get a grip and improve its efficiencies as regards other capital projects (paras 47, 48, 49) and not just hike water prices to pay for these.

Bristol Water suggests using a cost of capital of 4.37%; considerably higher than Ofwat's value of 3.60% and yours of 3.65%. This is a huge mistake by Bristol Water's financial team! At a time of historic low interest rates, everyone can see that using 4.37% as the weighted cost of capital for a totally safe regulated monopoly is an exaggeration that only goes to benefit the company at the expense of its customers who cannot go elsewhere for their water supply.

Finally, I would draw your attention to the fact that Bristol Water is 50% owned by Capstone Infrastructure of Toronto, Canada. Here's what Capstone says on their website:

*Bristol Water .... is the sole water supplier in the Bristol area. Bristol Water features **regulated and predictable inflation-linked cash flow** (and) has a track record of excellent operational performance ...*

*The major factors that drive Bristol Water's results are ... **Bristol Water's regulated capital value (RCV) is expected to grow by approximately 26% over the 2010 to 2015 regulatory period** compared with the average industry RCV growth of approximately 8% over the same period.*

(quotes taken March 2015 from Capstone web site:

[www.capstoneinfrastructure.com/OurBusiness/UtilitiesFacilities](http://www.capstoneinfrastructure.com/OurBusiness/UtilitiesFacilities))

How nice for me and everyone in Bristol, paying higher water bills every year, to know that Canadian investors are enjoying "predictable inflation-proof cash flows" from their stake in Bristol Water, along with capital growth 14 percent above the industry average. All funded by us Bristolians!

I commend your provisional findings that our bills should fall on average by 17% before inflation in 2015 - 2020. Not quite what Ofwat set, 19% before inflation, but a welcome victory for common sense and fair regulation of a local monopoly.

Well done CMA. Thank you on behalf of everyone in Bristol.

Regards,  
Peter Weeks

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