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20 August 2015

By email to resilience.consultation@ofwat.gsi.gov.uk

Dear Stephen

Reliable services for customers – consultation on Ofwat's role on resilience

Thank you for the opportunity to comment on the consultation about resilience. Please find attached Wessex Water's response.

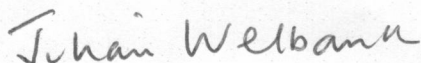
We agree that it is important to ensure that delivery of services to customers is resilient both in the face of unplanned disruptive events and in the longer term in response to gradual trends. Our customer research has consistently identified that one of the highest priorities for customers is having reliable services. For these reasons our long term 25 year strategy and our AMP6 business plan include a resilience outcome.

As stated in the consultation document it is for companies to maintain or improve resilience based on their own assessments and in consultation with their customers.

One of the key aspects of the consultation is how Ofwat demonstrates that it is meeting its new duty to further the resilience objective. For the majority of aspects that Ofwat may require assurance on, we consider that this is already achieved e.g. the requirement to have a Water Resources Management Plan. In our response we suggest some aspects that may require further work in order to demonstrate achievement of the new primary duty.

We hope that you will find our comments useful.

Yours sincerely



Julian Welbank
Head of Asset Strategy & Compliance



Reliable services for customers – consultation on Ofwat’s role on resilience Wessex Water’s response

Q1 Is our basic understanding of resilience aligned with your own – are we addressing the right things in the right way?

We agree with the understanding of resilience set out in section 1.1 and 1.2 of the consultation document.

Our customer research for PR14 and previous price reviews has consistently identified that the highest priorities for customers are having a high quality and reliable water supply and having reliable sewage collection. They are also concerned that reliable services are delivered even during extreme events such as floods, storms and droughts, both now and into future.

The consultation document (section 1.3) proposes a working definition of resilience as *“Resilience is the ability to cope with, and recover from, disruption, trends and variability in order to maintain services for people and protect the natural environment, now and in the future.”*

As pointed out in the consultation document there are numerous definitions of resilience:

- The resilience objective in the Water Act 2014 refers to *“long term resilience as regards environmental pressures, population growth and customer behaviour”*. It also refers to sustainable ways of managing water resources, increasing efficiency in the use of water and reducing the demand for water
- The Cabinet office document: Keeping the country running, Natural hazards and infrastructure used the definition *“Resilience is the ability of assets, networks and systems to anticipate, absorb, adapt to and/or rapidly recover from a disruptive event.”*
- We participated an UKWIR project in 2012 and 2103 titled Resilience planning: Making a business case for PR14. The resulting good practice guide (report no. 13/RG/06/2) proposed a more customer friendly definition of resilience as follows: *“The ability to maintain essential services under extreme circumstances”*.
- Resilience is one of the nine long term outcomes included in our strategic direction statement (25 year plan) and in our PR14 business plan. Our headline statement related to resilience was: *“Assets and working practices that continue to deliver high quality, reliable services in the face of unusual events such as flooding and droughts”*.

We consider that it would be beneficial if the proposed definition was slightly less technical; it also seems to preclude the role that customers and other agencies have in ensuring resilient services.

A possible alternative definition would be: *“Resilience is the ability to continue to deliver water supply and wastewater services during acute disruptive events and in the face of long term trends.”*

We agree with the summary of issues and requirements related to resilient services and systems set out in section 1.4. One aspect that should be emphasised more is the need for

multi-agency input and coordination in providing resilient services. This is particularly pertinent to flooding where action by water and sewerage companies is only one piece of the jigsaw and coordination with local authorities, the Environment Agency and others is required to deliver effective and resilient services to customers. It would be helpful to be clear where the water sector should take the lead and where it supports, and to clarify our role in mitigating a risk which has multiple owners (e.g. flooding).

We agree that effective risk management is essential to ensure that hazards are identified and mitigated both in the short, medium and long term. Resilience is not a stand-alone issue and is only one of several types of hazard (e.g. water quality) that our risk management systems need to cover. Therefore we consider that resilience planning should form a part of a company’s asset management/risk management processes, rather than be considered separately.

There is mention of the need for companies to be financially resilient and have the trust of their customers in continuing to provide affordable access to essential services such as clean drinking water and public health. This is partially dependent on the pace and extent of future obligations to meet new standards. In the past, in order to keep bills affordable in the face of large investments in new standards, it has sometimes been necessary to constrain options to improve the resilience of essential services.

Q2 Do you agree with our view of what Ofwat should deliver, including where we might step in, and what is for others to deliver?

In section 2.1 it is stated that Ofwat’s main role is to create the right regulatory framework to enable service providers to plan and invest for resilient services. We agree with this approach.

Section 2.2 includes some other ways that Ofwat might enable, incentivise and encourage resilience. Our comments on each of these is given in the table below.

Other ways to encourage resilience	Wessex Water comments
Helping to improve understanding of resilience risks and opportunities.	Our view is that there is already a good understanding of the risks and opportunities related to resilience. The UKWIR project mentioned above included as one of its aims “deriving a common water industry understanding of resilience”. The study did not cover water resources planning which is already subject to extensive planning guidelines for the Environment Agency. There is also on going work to understand flooding risks and opportunities (i.e. tidal surges, fluvial floods, pluvial floods, groundwater floods , and sewer flooding).
Helping to ensure coherent links between our price reviews and other planning frameworks.	We agree that this is something Ofwat could assist on. The difference in the timetables for business plans and the Water Resources Management Plans (WRMP) and the National Environment Programme can be counterproductive, and can cause problems in consulting with customers.

Other ways to encourage resilience	Wessex Water comments
	<p>For instance the WRMP itself is subject to a detailed consultation process and then the water resources investments are included in the business plan, which is subject to further consultation.</p> <p>In addition we are required to report on our climate change adaptation plans to Defra every four years.</p>
Challenging and prompting the sector to take ownership of how they deliver resilient services, with customer views at the heart of this	Our business plan included a resilience outcome and related performance commitments. We also included specific chapters in our plan on “Improving the resilience of our services”.
Incentivising quality long-term planning and appropriate investment to deliver resilient services	<p>We agree that this would be beneficial. There are two aspects that we would like to highlight:</p> <ul style="list-style-type: none"> • Continuing to provide resilience into the future requires ongoing investment in our underground network of water mains and sewers. Despite recent small increases in expenditure in infrastructure renewals, in the long term investment levels will need to be much higher • It can be very difficult to justify investment to deal with low probability / high consequence hazards because the willingness to pay valuations tend to be low for events that customers have not experienced or only occur once a generation.
Promoting sustainable management of water resources, and good practice in delivering resilient services.	Our understanding is that this is already a regulatory duty of the Environment Agency.
Making sure our work contributes to all our primary duties, including resilience.	Agreed.
Setting out expectations for the sector on planning and behaviour.	Agreed
Setting minimum standards for the information required from service providers, to help us assess whether our expectations are being met.	At PR14 we formulated the measures of success or performance commitments for our resilience outcome in consultation with the Customer Challenge Group. We consider that this is the appropriate way forward.
Stepping in to protect customers when service providers fall short.	Customers are already protected through the financial incentives included for each performance commitments over the period 2015 to 2020.

We agree that it would not be appropriate for Ofwat to set sector wide targets or set standards (section 2.3).

The consultation document asks for views on indicators of resilience and in particular leading indicators of resilience related risk.

Lagging indicators include the traditional measures such as properties suffering unplanned supply interruptions greater than three hours or properties suffering from internal flooding from public sewers.

Leading indicators, which forecast the resilience of our services in the future, could include:

- The supply-demand balance position in five and twenty five years' time as per the WRMP. As a minimum target headroom should be maintained
- The number of properties served by a single source of water
- Water mains bursts and collapses and bursts on the sewerage network, as these are indicators of the long term performance of our networks and key pieces of information needed to assess further infrastructure renewals expenditure
- Sewer flooding risk score. This indicator is one of Wessex Water's performance commitments in AMP6. It incorporates the old internal and external flooding registers into a single metric which can be easily measured.

Q3 What views do you have on how the water and wastewater sector might measure its performance in delivering resilient services – and the best way for us to demonstrate that we are carrying our role?

We agree that the key to measuring performance is comprehensive discussion with customers about their concerns and the level of disruption to services that they are prepared to accept and not accept. Measuring and demonstrating progress would then be based on metrics that customers consider to be important. Performance against our outcomes will be monitored by the Wessex Water partnership panel (the successor panel to our PR14 Customer challenge group) , which will have an independent chairman.

Section 3.3 mentions the possibility of independent assessment of performance in relation to resilience.

The Wessex Water Board has a risk management committee. Its purpose is to identify and manage key business risks faced by the company. The committee meets formally four times a year and reviews the annual Risk and Compliance statement before its inclusion in the annual regulatory report. We consider that this is suitable way for us to demonstrate our work in delivering resilient services, in addition to the performance commitments for resilience over the period 2015-20.

We agree that it would not be appropriate to set a baseline for resilience. In any case resilience is not a number or a percentage – rather an assembly of assets, systems, people and relationships for both short term and long term hazard mitigation.

Section 4 sets out the nine principles of resilience planning included in Ofwat's document "Resilience – outcomes focused regulation", produced in May 2012. We provided comments on the draft document in March 2012. In addition in Chapter *W4 Improving the resilience of our services* we included a table showing how our business plan proposals aligned very well with the nine principles of resilience planning.

With regard to ways for Ofwat to demonstrate that it is meeting its new duty “to further the resilience objective”, we consider that there are eight aspects that Ofwat would need assurance on and that the majority of them are already covered by existing processes, as set out in the table below.

Aspect requiring assurance	Current process	Further work required
Board commitment to resilience	Water company boards already have an responsibility for risk management. The annual report includes a risk and compliance statement to confirm that the Board has complied with its licence obligations and taken appropriate steps to manage risk. As mentioned above resilience is a further aspect that should be considered as part of risk management	Company boards to include an assurance statement about service resilience in their risk management reports
Water resources planning	Every five years we are required to prepare, consult on and publish a Water Resources Management Plan (WRMP). The plan is a statutory document, prepared in accordance with established guidelines. It is subject to public consultation and it is reviewed by Defra for their approval prior to publication. The main focus of the WRMP is to ensure a satisfactory balance between supply and demand for water over the medium and long term (25 years)	Current process already provides full assurance - no further changes required
Maintaining essential water and wastewater services	We already have an independent assessment of our plans under the Security and Emergency Measures Direction (SEMD). The main focus of SEMD is to maintain essential services at all times during acute disruptive events, such as civil emergency or security threats	Current process already provides full assurance - no further changes required
Sewerage planning	As mentioned above flood risk management is a diverse area and there is a need to provide clarity over responsibilities. Our sewer flood risk score is one way to summarise the risk from flooding for our sewerage assets. As recognised in the 21st Century drainage programme, further work is required to enable long term planning in relation to the sewerage system	Requirement for companies to have a long term plan for accommodating growth, urban creep and climate change in the sewerage network
Climate change	Every four years we report to Defra on our climate change adaptation plans to demonstrate our approach to coping with long term trends related to climate change	Current process already provides full assurance - no further changes required

Aspect requiring assurance	Current process	Further work required
Outcomes	<p>Assurance could be provided by requiring companies to have a resilience outcome and set of performance commitments related to resilience agreed with their customers.</p> <p>Wessex Water already have a resilience outcome and we included specific chapters in our business plan on “Improving the resilience of our services”</p>	<p>Require companies to have a resilience outcome</p> <p>No further action required from Wessex Water</p>
Expectations for resilience planning	With regard to setting out expectations for resilience planning, as mentioned in the consultation and in our response to question 1, a number of documents and guidelines have already been published	Existing policy statements and guidelines already provide sufficient information - no further action required
Financial and management resilience	Water company Boards are required to provide an annual compliance statement as part of the regulatory accounts. This includes a requirement to confirm that the company has sufficient financial and management resources for the whole year	Current process already provides full assurance - no further changes required