



Resilience Consultation
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Dear Sir

PRT response to Ofwat's consultation on "Reliable services for customers – Ofwat's new role in resilience"

Thank you for the opportunity to respond to the above consultation which was published on 8 July 2015.

We welcome the publication of the consultation. Firstly it provides good information to inform the debate. Second it identifies a number of challenges, many of which we as a company and more generally we as an industry have been addressing for many years, by illustration through case studies.

Our most significant issue in the debate at this stage is "who is best placed to define the level of resilience the companies for its customers?" We believe there is a clear role for government and therefore regulators in defining the standards. Whilst the consultation states that it is for companies and their customers to establish this "level of service" we believe given many of the issues raised in the consultation support this is not enough and leadership is required by Government, Regulators and the Industry. This was a key conclusion of the industry workshops after the 2012 drought.

You have raised 3 specific questions in the consultation and we have provided a comment against each of them as attached. If you wish to discuss further, please do not hesitate to contact me or our Regulation Manager, Steve Morley.

Kind regards,

Neville Smith
Managing Director

PRT Response to Consultation on “Reliable services for customers – Ofwat’s new role in resilience”

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 definition of resilience developed by the independent task and finish group.

Similarly we agree with the role Ofwat should undertake provided on page 15.

The principles identify by Ofwat bring together elements of resilience overseen by all the regulators and undertaken by the Industry.

The principles also summarise the culture and behaviour of Portsmouth Water over many years in managing its operations. For example, following a decision taken many years ago we now have an interconnected mains network allowing us to move water around our area of supply and have reduced the impact of a single point of failure.

There is of course still much to do and the approach put forward by Ofwat should help provide clarity and support for this work.

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?

Whilst we understand and agree that it would not be the role of Ofwat to set sector-wide targets, nor manage the risk between companies and customers, there appears to us to be a role for government to determine the appropriate level of resilience it would expect companies to plan against.

This is already the case for security and emergency planning and we would suggest could apply equally to robustness of the water resources. Comparing the most recent water resources management plans indicates that companies are planning to provide different resilience (or levels of service) to customers given the need for temporary usage bans or robustness of water supplies to drought events.

It does not appear appropriate that customers should receive significantly varying resilience for water supply across the country. Specifically therefore we would welcome guidance on the events we should plan against.

In terms of when Ofwat should step in, it should take a risk based approach as with other elements of performance. As part of Business Plans, companies should set out their outcome and KPI's for resilience, which should be reviewed on an ongoing basis. Ofwat in conjunction with other Regulators should then assess whether the risk on these issues has increased and whether intervention is necessary.

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 out our role?

We would suggest a process similar to that which applies to SEMD audits may be appropriate, with a major review say once every five years with focused reviews on specific issues in the intervening years.

This would be published by the Company to firstly demonstrate the level of resilience it provides and second to provide information on its progress. This could also underpin Company Business Plans.

We report on many of the risks we face on a regular basis and these are regulated by a number of different bodies; Defra, Environment Agency, Drinking Water Inspectorate, Health & Safety Executive, Information Commissioners Office and Ofwat.

Ofwat will need to work with each relevant regulator and the companies to establish what process the former applies to establish for example that the companies WRMP can be signed off by the Secretary of State as appropriate. This will give Ofwat a better understanding of the planning that companies have and do undertake to ensure we meet our customers' expectations.