



Dŵr Cymru  
Welsh Water

Pentwyn Road  
Nelson  
Treharris  
Mid Glamorgan  
CF46 6LY

Tel: +44 (0)1443 452300  
Fax: +44 (0)1443 452323  
Web site: [www.dwrcymru.com](http://www.dwrcymru.com)

Heol Pentwyn  
Nelson  
Treharris  
Morgannwg Ganol  
CF46 6LY

Ffôn: +44 (0)1443 452300  
Ffacs: +44 (0)1443 452323  
Safle gwe: [www.dwrcymru.com](http://www.dwrcymru.com)

Resilience Response  
Ofwat  
Centre City Tower  
7 Hill Street  
Birmingham  
B5 4UA

28 August 2015

**Re Reliable services for customers – consultation on Ofwat’s role on resilience**

Thank you for the opportunity to respond to the consultation referenced. Dŵr Cymru Welsh Water’s response to the consultation is enclosed.

Yours sincerely

PP. **Mike Davis**  
Director of Strategy and Regulation

**glas**  
Glas Cymru Cyfyngedig

Welsh Water is owned by Glas Cymru – a ‘not-for-profit’ company.  
Mae Dŵr Cymru yn eiddo i Glas Cymru - cwmni ‘nid-er-elw’.

We welcome correspondence  
in Welsh and English.

Dŵr Cymru Cyf, a limited company registered in  
Wales no. 2366777. Registered office: Pentwyn Road,  
Nelson, Treharris, Mid Glamorgan CF46 6LY.

Rydym yn croesawu gohebiaeth yn  
y Gymraeg neu yn Saesneg.

Dŵr Cymru Cyf, cwmni cyfyngedig wedi'i gofrestru yng  
Nghymru rhif 2366777, Swyddfa gofrestredig: Heol Pentwyn,  
Nelson, Treharris, Morgannwg Ganol CF46 6LY.

# **Dwr Cymru's response to "Reliable services for customers – consultation on Ofwat's role on resilience"**

## **OVERARCHING COMMENTS**

We welcome the focus that is being given to such an important issue and are supportive of the general principles outlined in the consultation document.

For Dŵr Cymru, providing services that are resilient over both the short and long-term are a critical element in fulfilling our mission of "earning the trust of our customers every day". Customers need to have confidence that our operations and our decision-making underpin high levels of performance over the long-term, and protect against risks to service provision failures in the shorter term.

We therefore agree that engagement with customers and other stakeholders on issues of resilience and the implications for investment planning are vitally important. We also believe there are particular challenges associated with having meaningful and productive discussions with customers about issues of resilience and risk. These require an assessment of the balance between long- and short-term priorities, and a careful evaluation of the significance of low-probability high-impact risks. We would be supportive of further guidance from Ofwat and engagement with the industry on how to optimise customer engagement on this topic, particularly as regards Willingness to Pay.

We are also supportive of Ofwat's view that the primary responsibility for resilience and how to address it lies with the companies themselves. Customer preferences are likely to vary, and each company has its own environmental and operational context. Wales, for example, is likely to suffer less in the coming years from pressure on water resources compared to some other parts of the UK, meaning that our approach to resilience may be more focused on other risk factors. Given this, the imposition of a resilience 'baseline' by Ofwat would risk undermining legitimate variations in approaches by companies.

Our working understanding of resilience is indeed closely aligned with that presented in the consultation document. It encompasses financial, corporate and environmental resilience, in addition to securing reliable services to customers. We would like to underscore the importance of the role of partnerships in addressing resilience, as highlighted at the Water UK Innovation Hub on resilience earlier this year. We will continue to work closely with government, the private sector, environmental groups and other utilities, in addition to customers and Ofwat, as we refine and reinforce our approach to resilience. Outcomes and priorities need to be clear so that we can effectively engage with customers and stakeholders on the choices they have.

Generally, we welcome the dialogue across the sector and note that it very much aligns with the Welsh Government's aims and priorities which are set out in its recently published Water Strategy.

## **RESPONSE TO CONSULTATION QUESTIONS**

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

We are happy with the proposed definition of resilience, with its focus on providing services to customers and the environment. The examples contained within the document illustrate that in order to deliver this a broad approach is required, covering all aspects of the operation of the service provider. We also agree that resilience is not about eliminating risks and disruption entirely, but being equipped to recover quickly when service provision is hit by factors beyond

a company's control. The challenge is to achieve the right balance between delivering more resilient water and wastewater services and maintaining the affordability of bills.

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

We believe that Ofwat have taken a sensible approach to their duty, in leaving much of the responsibility with the service providers. The framework highlights the importance of due consideration to the issue but gives flexibility to the different companies to manage the issues that are relevant to them. We have been pleased to see, over the last few months, a healthy debate about resilience issues within the industry (e.g. the 21<sup>st</sup> Century Programme Board which DCWW leads), with Ofwat providing the backdrop to this.

It will be important that Ofwat continues to take a balanced view in its scrutiny of business plans of company proposals to invest in risk reduction schemes, provided they are backed by robust customer research and evidence. In some cases the direct impact of such investments in terms of improved customer outcomes may be uncertain, the rationale instead being to mitigate the risk of future service failures.

**3. 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 believe that the performance measures already in place within the industry should provide the basis of resilience measurement. If a service provider is undertaking adequate resilience planning then they will not experience the more significant failures of service that are characteristic of resilience gaps. Any significant failures should be apparent in the existing set of performance measures. Ofwat will be best able to demonstrate that it is carrying out its role if service standards continue to be met.

With regard to asset resilience (just one element of resilience risk) we have developed an asset resilience scorecard that helps us to understand and evaluate the controls in place for the most significant risks that might cause our assets to fail and lead to service problems. This has been very useful in identifying areas of concern for us, but may not work for other companies due to differences in the types of applicable risks. We also recognise that this approach covers only one area of resilience risk and therefore is not sufficiently comprehensive to demonstrate the full company position.

Ofwat will also need to provide a framework for discussion regarding investment in resilience improvements during price reviews. One of the challenges is that resilience investment is often required to address low probability impacts, which makes risk assessment difficult and can skew cost-benefit analysis. We would suggest that Ofwat recognises this challenge as it engages in conversations around how best to manage resilience in a practical evidence led way.