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9 April 2015

Dear Cathryn

Company Monitoring Framework

Thank you for the opportunity to comment on your proposed Company Monitoring Framework published on 11 February 2015. The consultation includes Ofwat's initial assessment of future assurance requirements. We note that Portsmouth Water are categorised as targeted.

Firstly the Board of Portsmouth Water very much support the principle underpinning the company monitoring framework, namely that all companies publish information that is consistently accurate and reliable and be transparent with customers and stakeholders about the assurance they have in place to give all relevant stakeholders confidence and trust in the industry.

Further, we support the proposal that all companies submit a single annual performance report from 2015-16 onwards to demonstrate compliance with their separate price controls. It will use audited information that can be reconciled back to statutory accounts where appropriate.

Finally, we agree that these reports should be accessible to all, showing how the sector is delivering for its customers, environment and wider society. Notwithstanding this requirement, we believe continue to develop and take ownership of own reporting on how they are delivering for our customers. Our Customer Challenge Group will be an important part of this process.

This response replies to the specific questions raised in your consultation.

In summary we support your continued focus on compliance governance and accuracy of information. This is fundamental to the delivering the key objective of ensuring continued trust in our sector and would very much like to work with you and others in the industry to ensure we retain and enhance the trust our customers place in us.

Kind regards,

Neville Smith
Managing Director

Portsmouth Water response to Company Monitoring Framework – 9 April 2015

Q1 Do you agree that companies in the self assurance category should provide explicit sign off on the assurance that has been provided?

Yes. This will provide further confidence to external parties on the information reported.

Q2 Do you agree that the assurance process, and the outcome of that assurance process, should be transparent? Do you have any suggestions of how this could be accomplished?

Yes. There is benefit in both the assurance process and the outcome of the process being made available publically. In particular this could help share best practice further within the industry.

Q3 Do you agree that a company in the prescribed category should consult on its assurance plans with stakeholders? If not, what approach to prescribing assurance would you suggest?

Yes. This will provide an opportunity to ensure the assurance plan is structured to reflect any concerns stakeholders, including our Customer Challenge Group, may have on specific issues.

Q4 Do you consider the outline approach that we have set out to be practicable, or can you suggest improvements?

The proposed process appears sensible. The proposed timings imply publication of a prescribed assurance plan at the end of January for the year ending March. It may be the case that some stakeholders are required to comment on a number of plans in a two week period, (albeit that there is only one company at present in the prescribed category).

Q5 Do you think that our guidance could be minimal or do you think that it is necessary for us to define a high level of prescription to protect customers?

Given this is the prescribed category, it would be helpful that Ofwat provide such guidance. Further, this is likely to be of benefit to all companies, not only those in the prescribed category.

Q6 Do you think that companies in the targeted category should publish an assessment of risks, strengths and weaknesses, to be used to target more prescriptive assurance requirements? If not please suggest how we should target the areas that require more prescriptive assurance.

We support the publication of targeted assessment plans in the autumn and suggest that this is undertaken by 30 November to assist with the regulatory timetable.

Q7 Do you think that the prescription for targeted areas should be the same as for the prescribed assurance category? If not please suggest how assurance should be prescribed.

Yes. This will ensure consistency between companies for specific issues and help Ofwat in assessing subsequent classifications.

Q8 Do you think that for areas that are not targeted that the prescription for these areas should be the same as the self assurance category? If not please suggest how assurance should be prescribed.

Again, yes. This will ensure consistency between companies for specific issues and help Ofwat in assessing subsequent classifications.

Q9. Do you think that companies should move to a tighter assurance category immediately an issue that reduces trust and confidence comes to light, rather than wait for an annual review?

The process of moving to a tighter assurance category should ensure the right behaviour is exhibited. The Board are likely to require a tighter assurance process for the year when the issue has arisen. It would seem appropriate that the tighter assurance category is applied immediately.

Q10. Do you think it is appropriate that companies can move up from the prescribed to targeted category or targeted to self assurance category without the need for a positive relative assessment?

No. Ofwat are best placed to establish if the company has either achieved the benchmark or achieved what others in that category are achieving. This should be undertaken in conjunction with all relevant stakeholders including the Customer Challenge Group.

Q11. Do you think that an annual relative review is unnecessary? If you think Ofwat should undertake an annual relative assessment, do you consider it necessary for moving companies both up and down or only in one direction?

An annual review is of benefit and should allow two way movement. This will provide information to all stakeholders on a consistent a one point in time. We recognise the issue raised in the consultation, that this will place the focus on Ofwat rather than the Company, but believe on balance this is the best solution.

Q12. Do you think that it is appropriate for companies to spend at least two years in the prescribed assurance category?

Stakeholders will require a period to regain or establish confidence in the data and a period of at least two years feels appropriate.

Q13. Do you agree that the overall package of proposals leads to appropriate incentives for companies? Are there ways you consider that these incentives could be improved?

We support Ofwat's continued focus on compliance, governance and accuracy of information. This is fundamental to the delivering the key objective of ensuring continued trust in our sector and the process described should help to ensure we retain and enhance the trust our customers place in us.

We support this proposal which supports the objectives.

The Company gives its permission that this response may be placed in the public domain. Any questions should be addressed to Steve Morley, Regulation Manager, Portsmouth Water in the first instance.