

Ofwat webinar: Targeted Controls, Markets and Innovation, Securing Long Term Resilience.

15 February 2019 1.00 - 2.00pm
Q and A

Areas covered:

- Targeted controls markets and innovation
- Securing long term resilience

[Webinar slides are available on our website.](#)

Question and answer session

Q. Can you confirm your review of the WRMP was relative to those re-submitted to Defra in September 2018 as opposed to the draft WRMPs published earlier in 2018?

A. We used the companies Statements of Response to highlight areas of significant change from the draft WRMP that were relevant to our CMI assessment. Where necessary we consulted the revised draft WMRPs and supporting data during our assessment. Please note that at the time of the IAP, some companies hadn't submitted their revised draft WRMP in which case we were reliant upon the draft WRMP and any information provided within the Statements of response.

Q. Can Ofwat provide guidance on the factors it would like to see considered when companies set out a case for long term financial resilience?

A. The webinar slide deck provides an overview of our approach to financial resilience and our expectations. Our expectations build on the requirements of the 'putting the sector in balance' position statement.

Q. Could you clarify what you expect to see from 'an integrated, systems based approach to resilience'? It would appear that all water companies have received the same feedback regarding their resilience submissions.

A. The resilience in the round document sets out what we mean by a systems based approach, and the methodology provides additional guidance. For example, in outlining what system interactions we mean – which includes operational, corporate and financial decision making, how these work as well as the interfaces with other types of infrastructure. Many companies were able to demonstrate aspects of financial, corporate or operational resilience in isolation without outlining an integrated approach. Our IAP actions reflect that the sector as a whole needs to step up to develop and integrated approach.

Q. Are Ofwat aware of a common measure for resilience which the industry could adopt?

A. We do not believe that there is a single measure of resilience but a number of metrics that inform resilience. A particular aspect of our IAP feedback is the lack of forward looking asset health indices and we have placed an action on

companies to work collaboratively to develop them ahead of PR24. We also expect that other resilience metrics will be developed to inform the next price review.

Q. What does Ofwat mean by a "systems based approach". Has any guidance been published around to develop this expectation further?

A. The resilience in the round document sets out what we mean by a systems based approach, and the methodology provides additional guidance. For example, in outlining what system interactions we mean – which includes operational, corporate and financial decision making, how these work as well as the interfaces with other types of infrastructure.

Q. Please could you provide some examples of the evidence you found most compelling to demonstrate systems thinking.

A. Examples of good are included in our Initial Assessment of Business Plans test area summary document. For particular examples of compelling evidence, please refer to South West Water and Yorkshire Water's business plans.

Q. Does having a 'D' in one part of your score mean an overall score of 'D', or is it more nuanced than that?

A. We took an in the round approach to the resilience assessment, evaluating a company's understanding of its risks and mitigations and the relationship between them. In many cases the individual test question scores were sufficiently close that the lowest of the questions scores strongly influenced the test area grading.