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Dear Rachel

Portsmouth Water response to the Ofwat Vision

The Board of Portsmouth Water welcome the publication of the Ofwat Vision and the opportunity to comment accordingly.

We discussed the document at both our June and July Board meetings. We acknowledge the significant amount of time that has been taken to further develop the current vision to recognise the wider role of the industry which will be achieved through the values of “Excellence, Value and Stewardship”.

We very much support the recognition of the wider role the sector is expected to provide for local communities, industry and the environment. This is not new for Portsmouth Water. Our vision is to “deliver excellence for our customers, our people and our environment” and is underpinned by our values of “Excellence, Respect and Integrity”.

We believe that as a small, private company providing an essential public service in our local area, we need to (and need to be seen to) deliver value to society at large, as well as our shareholders and other stakeholders. This is an ethos that has been deep-seated in our business culture since our formation in 1857 and we therefore welcome that it will be more widely recognised as essential for the sector as a whole.

We also recognise the scope of canvassing undertaken with customers and stakeholders to develop the vision. Many of the comments and stories are consistent with those that we hear in our everyday operations and stakeholder activities.

The vision highlights the benefits of collaboration and co-operation between government, regulators, stakeholders, companies and customers. We are not sure, however, that it recognises the challenges of getting a considered and long-term view from government on the priorities for the sector and the implications for the independence of the regulators. This is the case as Ministers or Secretaries of State change within the same government and the changes are even starker should there be a change of government.

The industry has made significant progress on understanding the needs and expectations of its diverse customer base. We believe this broad and regular engagement is appreciated by our customers, enables the effective co-design of services and ensures that our response to service failures fully takes into account the impact that they have on our customers. We continue to place a great weight on maintaining our reputation when we manage our business, and always strive to “do the right thing.”

Water companies often face similar issues and we acknowledge the importance of further collaboration and innovation to address these. Whilst there are already good vehicles for sharing and developing approaches to collaborate and coordinate through WaterUK, UKWIR and, more recently for us, WRSE, we see and support opportunities to do more. Similarly, the more formal planning processes such as WRMP require companies to collaborate with each other and agree how best to meet future requirements, as well as collaborating with customers to help them be better informed about their water usage, so that they can make informed decisions. In this context, we support the importance of better regional collaboration and sharing of resources.

We welcome the desire to see a vision for the industry which is more collaborative and where co-operation exists as the norm, and we broadly welcome the proposals in this area as being a way to get genuine cross-industry collaboration which should help to speed up progress in meeting the challenges the sector faces. Whilst we support the need to innovate and continue to transform the industry, we would encourage Ofwat to focus on clearly articulating the desired priority outcomes that this can deliver – and not on the “enabling” activity itself. If innovation is to be successful, we must recognise that we must also be allowed to fail sometimes, if it is to be encouraged, otherwise the status quo becomes the default position.

We also note the expectation of greater use of markets to address the longer term issues we face. We would question the principle that markets are always the best approach to the longer-term issues that we face as a nation. An example of this being that in a market one of the primary routes to manage the use of a scarce resource is to increase pricing – yet in a sector context whilst there is a clear understanding that water is an increasingly scarce and precious resource – the price is falling in real terms – which encourages, not discourages use.

We welcome the leadership shown by Ofwat to bring together other regulators to consider the significant issue of water planning. We see the establishment of the RAPID group as a very positive development and would welcome more joint working on other relevant issues such as industry customer research.

Finally we believe there is an opportunity to establish a different price review process, one not based on “one size fits all”, but one that recognises the different risk profiles of each business and the issues they face. We say this as a company with by far the lowest bills in the industry, the highest levels of efficiency and customer service, and sufficient water to meet both our current and future customers’ expectations. These are important factors which we take into account when preparing our plans and we feel more consideration should be given to these specific and strategic local issues in the price review process, and not rely solely on the comparative performance “league” tables to determine any performance targets.

The current 5 year review process is extremely time consuming, costly and is becoming more, not less complicated and it often feels to us that there is limited trust by the regulator of the plans, despite the stated desire to get Boards to “own” the plans. The focus of the review is almost always on price, making sure bills are affordable to all customers and on the immediate 5 years objectives. This results in prices reducing for all customers, irrespective of individual customers’ willingness to pay. This undermines the position of promoting the longer term value of water within society, given in particular the expected population growth and impact of climate change. We do, however, fully understand the need to protect the most vulnerable in

society and that the cost of water should not be, or be perceived as being a regressive “tax” on them.

In many cases we feel that if our plan does not “agree” with the Ofwat a-priori model, Ofwat overwrite our proposals, removing the responsibility of the Board to “own” and deliver the plan. We believe that a process which is less detailed, more trusting of the Boards and CCG’s positions, and reflects companies local circumstances and the stated wishes of its customers on what they see as important issues, including penalties and rewards would be beneficial to all parties.

This response provides our initial comments on the Vision. It may also reflect the stage we are at with the current Price Review. We hope our comments are of value and help shape the vision and resulting actions further. We would be very happy to discuss further, at your convenience.

Kind regards



C R Taylor
Chief Executive Officer
Portsmouth Water