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Water Resources South East (WRSE)

13 July 2020

Dear Mr Bishop,

WRSE regional plan resilience framework - response

We welcome the opportunity to comment on WRSE's work to progress a regional water resources plan for the south east. WRSE published its regional resilience framework – the first of several method statements to support its regional water resources plan – on 5 June 2020 for consultation. This letter summarises our initial views on this forward looking framework. It also sets out the outcomes that we expect the regional water resources plans to deliver. These views are without prejudice to any subsequent statutory consultation responses we may make on the relevant company water resources management plans (WRMP24) or decisions that we may make at the next price review (PR24) in connection with the company business plans.

The development of the regional resilience framework is a positive step in using systems thinking to inform long term planning. This consultation is an important starting point in the journey towards planning for improved resilience in the south east. We recognise that more work is needed to ensure that long term planning delivers the regional outcomes outlined in the Environment Agency's National Framework for water resources as well as the local needs of customers and other stakeholders. We look forward to further engaging with you in the coming months on these matters.

There is a long history of the UK Government and Ofwat promoting regional level thinking in water resources planning¹ and Ofwat had significant concerns with the progress shown in WRMP19 and PR19, resulting in several regulatory interventions to push this agenda forward. We expect that the regional resilience framework will

¹ This includes the 2012 Defra guiding principles expectation for companies to consider all options to balance supply with demand, including water trading and cross boundary solutions. In the same document published to guide the WRMP14 round of plans Ofwat confirmed that plans should take account of the opportunities to share resources with neighbouring water companies.

support the development of a co-created plan that delivers optimised regional outcomes for the benefit of customers, the environment and wider society. Moreover, that this will inform company WRMPs which will then be reflected within the companies' business plans submitted to Ofwat as part of PR24.

The regional and water company plans need to address the key themes and issues we set out in our published information note in June 2018². We expect companies across all regions to seize the opportunity of regional and national solutions to address future challenges. To help address these future challenges we allowed additional funding within the PR19 final determination for the investigation and development of strategic regional water resource solutions³.

The Regulators' Alliance for Progressing Infrastructure Development (RAPID) has been set up to promote and oversee the development of strategic regional water infrastructure and address potential barriers to delivery. We will continue to work closely with Government and the other regulators in both England and Wales, as well as companies, regional groups and stakeholders to ensure that a long term resilient and sustainable supply of water is achieved.

We recognise the importance of regional planning in identifying solutions to maintain and enhance resilience levels for customers and the environment. Ofwat's expected outcomes for regional water resources plans are that they will:

- Identify and evidence the promotion of efficient, deliverable, multi-sector and ambitious programmes that deliver for both customers and the environment from a regional perspective.
- Transparently present the decision-making process followed including the assumptions made, and fully identify issues regarding programme affordability, intergenerational concerns and distributional impacts.
- Frame the resilience investment proposed in the context of the key regional (and company) system vulnerabilities demonstrating how the planning approaches and interventions are proportional to these risks.

When considering regional water resources plans and the delivery of the expected outcomes, regional groups should address the following areas:

² <https://www.ofwat.gov.uk/regulated-companies/resilience-2/water-resource-planning/ofwats-engagement-wrmp19/>

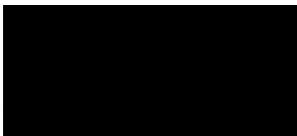
³ <https://www.ofwat.gov.uk/publication/pr19-final-determinations-strategic-regional-water-resource-solutions-appendix/>

- **Tiers of spatial planning** – regional plans need to incorporate the national perspective and interactions with other regional group areas, but also the requirement for regional plans to be translated into company level WRMPs and business plans. The options identified for regional planning should consider the needs at a regional level and not be driven by local company scale options. The decision making in regional plans should be based on evidence and assumptions that are consistent with those presented at both the national and company level.
- **Timely delivery of regional plans** – regional plans need to be delivered in time to allow them to properly inform WRMP24 and PR24. These plans need to consider options of the right scale to meet regional and national needs, as well as fully explore multi-sector opportunities.
- **Plan complexity** – the complexity of the approach to planning must be appropriate and well explained with clear justification for the adoption of more complex approaches, ideally linked to weaknesses identified in the previous round of planning. There should be consideration as to the potential impact of plan complexity on overall delivery and on the efficacy of engagement on the plan.

We welcome some of the wider resilience thinking which this framework facilitates but also note some areas of improvement. We include additional comments on the proposed resilience framework approach and development of a regional resilience plan in the Annex to this letter.

I look forward to seeing these points addressed in the approach taken to developing your resilience framework for the WRSE regional plan and await the further method statements supporting your work programme.

Yours sincerely



Colin Green

Director – Future Assets and Resources

Annex

In this Annex we outline our detailed comments on key areas of the framework linking to our expectations highlighted in the main letter. The development of the regional resilience framework is a positive step in using systems thinking to inform long term planning. However, more detail is needed to understand how this will be delivered in practice.

- **Collaboration and co-creation** – It is important that customers and other stakeholders are engaged effectively to shape and co-create the resilience plan from the very start. The decision making process used to develop the regional resilience plan and the outputs at each stage should be transparent for all stakeholders.
- **Resilience metrics** – Given the scale of regional planning the considered metrics may be appropriate to score the range hazards under consideration. However, we expect transparency in their development and use in decision making. The quantification of metric scores needs to be well evidenced and presented clearly. The sensitivity of the optimised plan to individual metric scoring needs to be assessed and presented.
- **Metric selection and residual risks** - The selection of resilience metrics to form part of the resilience shift assessment needs to be clear. The choice of metrics should be set in the context of the key risks at both company and regional level and linked to wider company resilience plans and/or risk registers. The methods used for planning purposes should be proportional to the risks under consideration. It should be clear what risks this framework and resultant plan considers and mitigates and those that it does not.
- **Interaction with best value planning** – Best value planning should consider a broad range of risks and benefits at both a company and regional scale. This includes wider resilience issues, as well as social and economic, which are not fully explored within the current WRSE framework. The justification for adopting a two stage assessment process (best value option level and system resilience testing) needs clarification and further explanation regarding how the cost and affordability considerations are incorporated.
- **Framework core characteristics** – The framework appears to omit attributes such as recoverability, response and to a lesser extent the concept of redundancy. Evolvability is relatively similar to adaptability so we are unsure what this adds. Innovation will be key for addressing resilience issues so it would be useful to map where this sits within the framework's characteristics. We welcome the forward looking nature of the approach but it is advisable that this clearly links back to those developed for national resilience assessments (eg. Cabinet Office).

- **Mapping onto systems** – The definition of the systems are unclear and it is not obvious how the constituent parts are related. More explanation is required about how they have been developed and their interactions and interdependencies with each other. It would benefit to clearly identify the boundaries of the systems and the framework as a whole – what is in scope and out of scope. Overall the resilience metrics being considered are still public water supply and water resources focussed, with the metrics for the public water supply and non-public water supply systems being very similar.
- **Programme selection and comparability** – Further detail on how the stages interact would assist understanding of the framework. In particular how the least cost, best value, resilience shift plans are influenced by their predecessors – and importantly how the regional planning (or elements of it) are translated into company level plans (WRMPs and business plans). Levels of service are referenced in the framework but it is unclear how these targets are set, how it considers value for money and affordability, and how this fits into the optimisation of the resilience plan.