

Outcomes Working Group on Asset Health performance commitments

Monitoring asset health and operational resilience

- Monitoring asset health and operational resilience is essential for a water company, not only to deliver day to day service to customers, but to be resilient to low probability high consequence events and safeguard future generations.
- Managing asset health is similar to insurance, it needs to be targeted to reduce risk that the company is exposed to appropriate levels. The company, customers and regulators all have an interest in asset health.
- There are many ways to monitor and secure that asset health and operational resilience are appropriate. There were a mixture of views on the appropriate mechanisms. Some considered that the price control should only be used to financially incentivise direct service to customers and the environment. In doing this over the long term companies would have the right incentives to manage asset health and operational risks. Asset health could then be monitored and action taken only if justified by evidence. Others considered that management would focus on financial incentives in the short term. It was therefore important to financially incentivise asset health, as well as service, in the short term, so that company management took more balanced decisions across the short term and long term.
- The current asset health metrics are all important to continue to measure, but any one metric will not provide a clear picture of asset health. There was general agreement that a richer set of metrics was important to explore.
- Companies are exposed to differing levels of risk in different areas. Certain metrics will be more important to some companies than others. A one size fits all approach that seeks to consider all possible risks, could lead to an undue regulatory burden, especially for smaller companies. Asset health metrics should not be used to micro-manage the activities of companies.
- Some metrics that companies report may show little variation on an annual basis, but the activity of the company may be dramatically different. Understanding activities and near hits/misses over time could provide useful information on asset health.
- How individual metrics are specified do drive behaviours and it is important to keep this under review.

- We should remember that asset health and resilience is influenced by management control, strategies, processes, maintenance and monitoring, staff competence and staffing issues.

Asset health performance commitments (PCs)

- In terms of the use of asset health PCs there was a diverse opinion. While some did not agree we should have asset health PCs, others thought that if there were negative financial incentives, there should be positive incentives as well.
- On specific metrics many questioned the mains repairs PC, with a suggestion it should be changed to measure visible leak repairs and include communication pipes as well.
- Some companies considered the unplanned outage PC had led to positive change while others considered it had removed flexibility in operations that was increasing cost without changing the health of assets over the long term. There was no firm proposal of an alternative, but possibly risk assessments at treatment works could play a role.
- In terms of sewer collapses, it was noted that sewer blockages could be an alternative, but that neither metric was perfect alone.

Conclusions and next steps

- The meeting did not identify clear requirements to investigate changing or investigating specific metrics. UKWIRs future asset health project will be looking at how asset health metrics might develop more generally. The Asset Management Maturity Assessment will share best practice and consider further how we might improve the monitoring of asset health.
- The specific asset health metrics that should have common definitions would depend on the role that we want them to play, which in turn would depend on the wider regulatory framework at future price reviews and what other common performance commitments are used. In turns of next steps, beyond work already in train, we need to make progress on these aspects before we could decide on the appropriate asset health metrics.