OFWAT

Reliable services for customers – consultation on Ofwat's role on resilience

Background to CIWEM

CIWEM is the leading independent Chartered professional body for water and environmental professionals, promoting excellence within the sector. The Institution provides independent comment on a wide range of issues related to water and environmental management, environmental resilience and sustainable development.

We welcome the opportunity to provide a response to the consultation on Ofwat's new role in resilience. CIWEM welcomes the resilience duty to clarify the key role of the regulatory framework in securing the long term resilience of water and sewerage services and of water and waste water networks. Our comments are largely related to the definition of resilience and Ofwat's role in achieving it, informed by our members working in water resources, climate change and wastewater management planning.

General Comments

Q1 Is our basic understanding of resilience aligned with your own – are we addressing the right things in the right way?

"Resilience is the ability to cope with, and recover from, disruption, trends and variability in order to maintain services for people and protect the natural environment, now and in the future." [page 10, consultation document]

CIWEM welcomes that Ofwat is using the independent Task and Finish Group on Resilience to inform their work in this area to define resilience in the water sector. The definition of resilience should be consistently applied, yet there are different definitions given throughout the document, a number of which confuse resilience with efficiency and reliability.

Reliability relates to minimising level of service failure frequency under normal conditions (i.e. maximising compliance), whereas resilience relates to minimising level of service failure magnitude and duration under extreme conditions[i]. It should be noted that resilience and reliability are not the same, yet in the water sector, reliability is a foundation for resilience to help with the identification of coping strategies to deal with extra circumstances other than those planned for.

There are also different types of resilience referred to in the document (e.g. service resilience, customer resilience, planning resilience) which could be more clearly defined.

The document could adopt a more positive tone, for example by noting that by increasing the resilience of a system to absorb the stresses imposed by climate change, it can respond and evolve into a more desirable state that will improve the robustness of the system. This will then leave it in a stronger state to withstand not only the increasing impacts from climate change but also other external shocks[ii].

In order to increase resilience to present and future shocks, the regulator should ensure that water companies are delivering integrated water, wastewater and environmental services (including helping customers save water, providing services to the environment and supporting wider socio-economic and environmental resilience). There is a need to address environmental resilience, not just supply resilience, and to avoid adverse environmental impacts in the drive to maintain and improve supplies and wastewater treatment.

CIWEM considers resilience must be provided through demand-side as well as supply-side measures. Supply side measures include water transfers, storage and scheduling, and for wastewater the provision of sustainable drainage systems and minimising surface water ingress. Demand side measures may include water efficiency, behaviour change, metering and tariffs and for wastewater sewerage environmental monitoring and surveillance to optimise treatment performance.

Q2 Do you agree with our view of what Ofwat should deliver, including where we might step in, and what is for others to deliver?

CIWEM agrees that Ofwat has no responsibility for the practical delivery of resilient water and sewerage services, but it has responsibility for ensuring that the licenced companies provide them. It is for companies to understand their risks and manage them accordingly. Companies and service providers should be responsible for assessing, delivering and reporting on resilience but the monitoring of the achievement of resilience ought to be a role for Ofwat, linked to Ofwat's Outcome Delivery Incentive (ODI) contracts with water companies.

It would be helpful for Ofwat to clarify under what circumstances they may take action where companies are failing to meet their expectations. In particular, the criteria that may be applied to test whether expectations have been met and what regulatory interventions would look like in practice. This would increase the overall transparency and accountability regarding resilience.

Q3 What views do you have on how the water and wastewater sector might measure its performance in delivering resilient services – and the best way for us to demonstrate that we are carrying out our role?

Ofwat should also set out how it will monitor and evaluate the achievement of resilience against water company ODI contracts. Given the diverse nature of performance measures agreed at PR14 the sum of individual company metrics does not adequately reflect the overall position of the sector regarding resilient services. We consider it should be Ofwat's responsibility to understand the overall resilience of the sector and the progress made in a consistent manner through a set of resilience indicators or standards. These should be made available to water companies in advance to ensure transparency and trust.

References

[i] Butler D, Farmani R, Fu G, Ward S, Diao K, Astaraie-Imani M. (2014) A new approach to urban water management: Safe and SuRe, *Procedia Engineering*, volume 89, no. C, pages 347-354, DOI:10.1016/j.proeng.2014.11.198.

[ii] Mott MacDonald. 2015. Climate change and business survival. https://www.mottmac.com/releases/mott-macdonald-and-gsi-make-the-case-for-building-climate-resilience