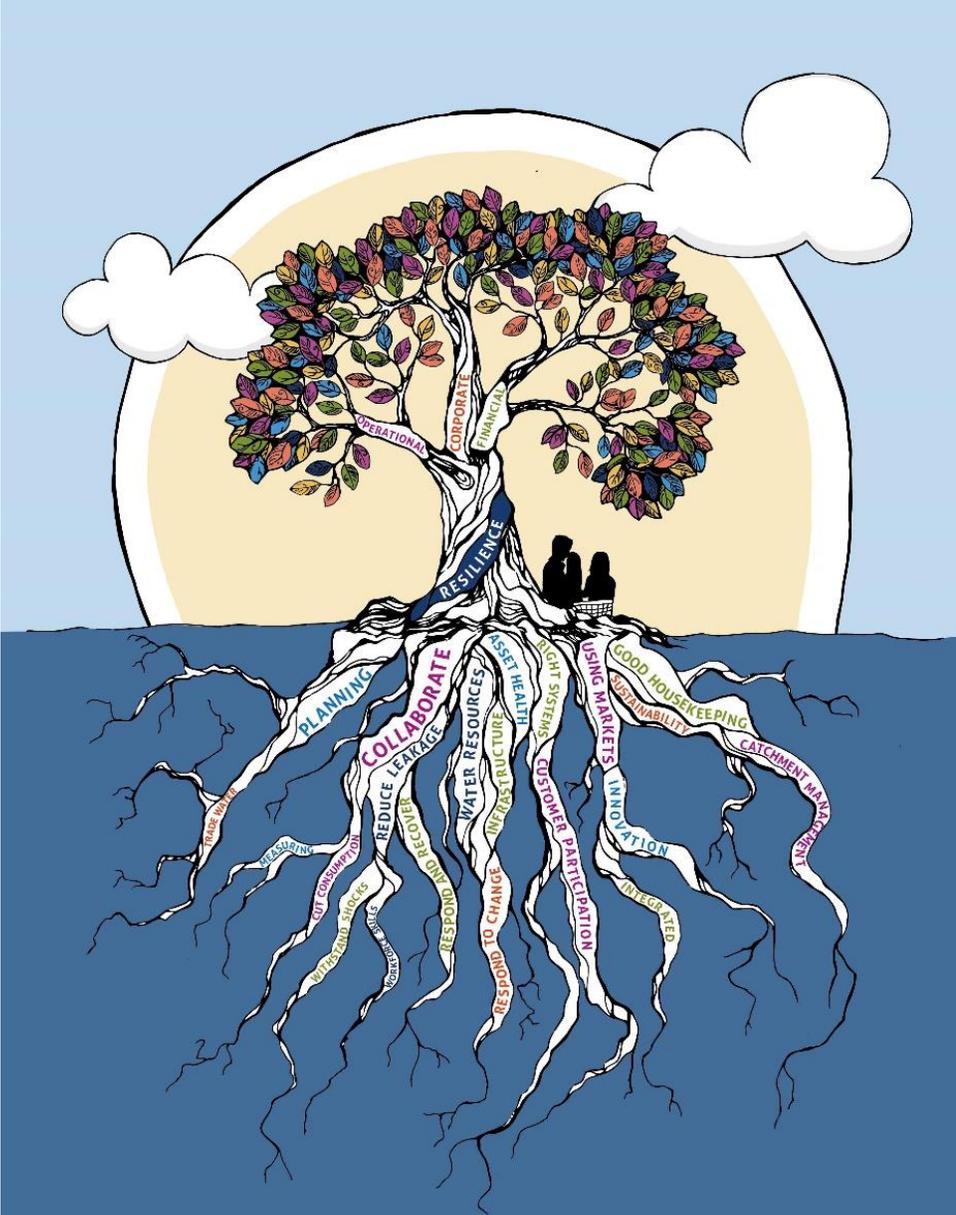


Resilient infrastructure – water
Flood & Coast 2018

Ronan Palmer, Director, Strategy & Planning
March 2018





A resilient sector is one that is able to navigate its way through **operational, financial and corporate** challenges in a smooth and predictable way.



Resilient, reliable and sustainable water and wastewater services are essential for people, for the economy, and for the environment.

Resilience is the ability to cope with, and recover from, disruption:

- Evaluate;
- Prevent;
- Respond; and
- Recover.

Resilience has always been a high profile issue for customers and the sector:

- The challenge is significant and increasingly complex to manage

Our challenge to the sector is to develop a coherent approach to resilience in the round:

- Corporate;
- Financial; and
- Operational.

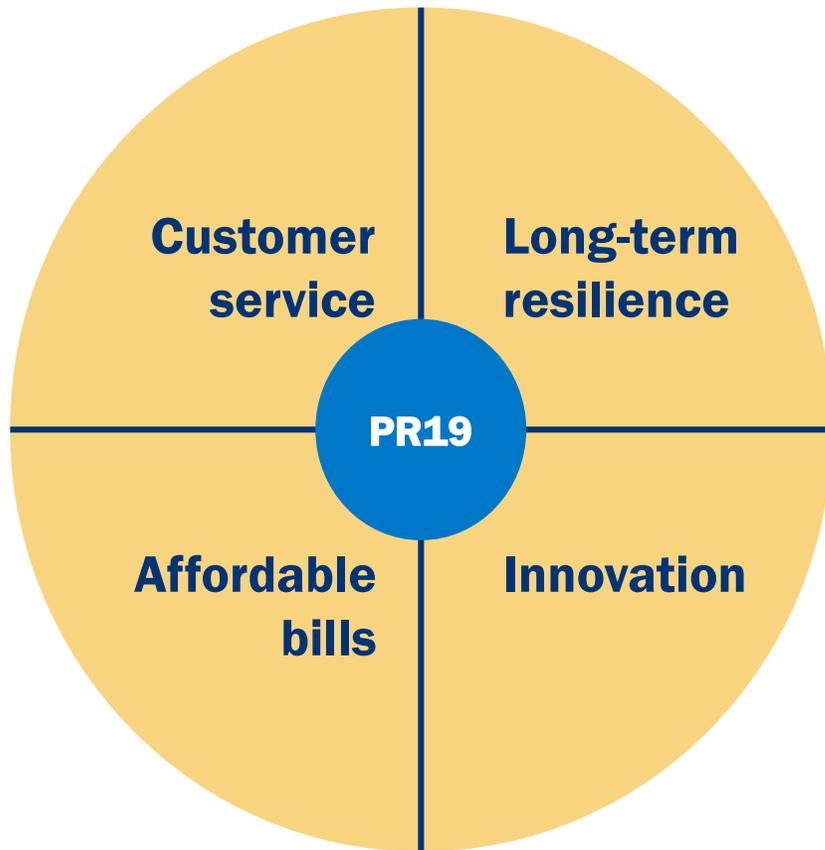
The complexity of new and emerging challenges will require novel and innovative approaches to deliver resilience.

- **Resilience is not new** – decisions on resilience have often been integral within the sector and our work
- Water Act 2014 – ‘**Resilience objective**’ places more explicit focus:
 - to secure the long-term resilience of water undertakers’ supply systems and sewerage undertakers’ sewerage **systems**; and
 - to secure that undertakers take steps for the purpose of enabling them to meet, in the long term, the need for the supply of water and the provision of sewerage **services to consumers**
 - by promoting appropriate **long-term planning and investment**, including in relation to water resources, demand management and water efficiency
- Broader concept of resilience embedded across the legal framework



In early 2015 - Task and Finish Group to support the co-ordination of work on resilience:

- 10 recommendations to the sector
- Resilience more clearly embedded into Ofwat’s work



Building resilience:

- Outcomes and Totex framework at PR14 has enabled greater focus on services delivered to customers now and in the long term;
- Resilience in the round – will be a key part of our PR19 assessment

PR19 methodology consultation set out 7 resilience planning principles

- Principle 1 - Considering resilience in the round for the long term
- Principle 2 - A naturally resilient water sector
- Principle 3 - Customer engagement
- Principle 4 - Broad consideration of intervention options
- Principle 5 - Delivering best value solutions for customers
- Principle 6 - Outcomes and customer-focused approach
- Principle 7 - Board assurance and sign-off

Resilience planning principles

Operational resilience

- Water resource management plans/regional groups
- Drainage strategy framework/21st century drainage board
- Outcome approach (day to day, asset health and resilience metrics and long term commitments)
- Totex approach and funding for resilience measures
- Greater use of markets –water trading and bioresources markets

Financial resilience

- Financial monitoring framework
- Long-Term Financial Viability Statements (LTVS)
- Financeability assessment of business plans

Corporate resilience

- Board leadership, transparency and governance principles
- Company monitoring framework
- Past performance

Board assurance

Initial assessment tests on resilience

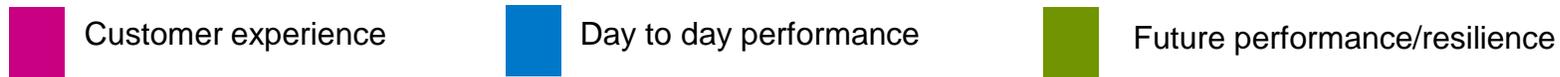
Licence and statutory obligations

PR19 methodology in white, wider regulatory tools in yellow

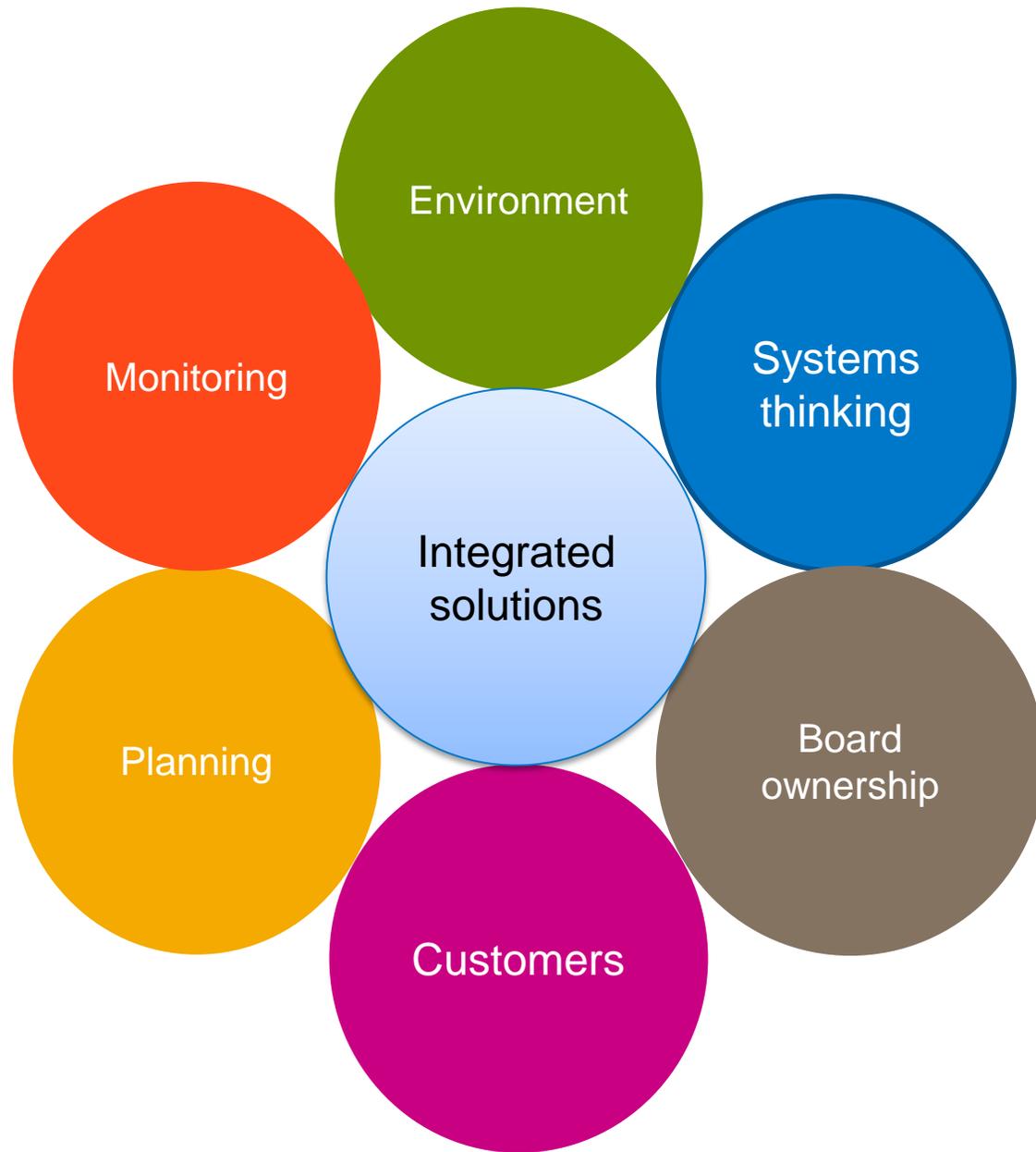
Proposed common performance commitments for PR19



Area of focus



1 to 6 and 9, 11 and 12 apply to WoCs and WaSCs
 7, 8 and 10, 13 and 14 apply to WaSCs only



Good resilience outcomes

- Avoid losses
- Stimulating growth
- Deliver multiple benefits

Maintain and enhance systems, services and the natural environment in a way that builds trust and confidence



Our price review in 2019, will have four themes:

Resilience

Innovation

Customer service and

Affordability

We want water companies to consider 'resilience in the round': corporate, financial and operational resilience.

A long-term, collaborative, innovative approach to resilience is the only way to meet the challenges of the future, and to secure an affordable and resilient service.

Thank you