

IAP Response

Ref WSH.CMI.A3

Our programme for delivery of
drainage and wastewater
management plans

22 August 2019

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1. Overview

In the Initial Assessment of Plans (IAP), we were asked to provide a detailed programme for the development of our Drainage and Wastewater Management Plan (DWMP) to confirm we would be able to use this plan to inform our business plan at Price Review 2024 (PR24). The question is reproduced below.

WSH.CMI.A3 The company should provide a commitment to provide a detailed work programme by end August 2019 to assure us that the company will deliver appropriate drainage and wastewater management plans. The programme should ensure that the company can prepare and consult on its first drainage and wastewater management plan no later than the summer of 2022 to enable revised plans to be prepared in early 2023 to inform PR24 business plans.

The aim of this response is to provide the commitment that the DWMP will be produced, consulted on and revised within the timeframe requested above and explain how this will be achieved.

2. DWMP Programme

In our PR19 Business plan^{1 2}, we outlined our intention to deliver a DWMP, explained how the DWMP would help us achieve our aspirations for 2050, and that the programme to complete our first iteration (cycle 1) was to be completed by the end of 2022. We started work on the DWMP preparation in April 2018 and, with the DWMP being produced in consultation with stakeholders, our engagement with them commenced on the 3rd of October 2018, at the Wales Water Forum. We are continuing our active participation as a member of both the DWMP steering and implementation groups managed by Water UK to ensure we are at the forefront of influencing the approach across the Water Industry and regularly discuss our approach to the plan with other WASCs to ensure continued development of the framework.

2.1. Our approach to development and programme of DWMP Cycle 1

The company has developed an approach that meets the criteria in the DWMP Framework³ and takes the principles of the current statutory Water Resources Management Plan Guiding Principles⁴ and applies them to the DWMP development. Our approach will be delivered in 5 key steps which are programmed to ensure key milestones are met to ensure the Plan supports our PR24 Business Plan:

1. Pre Consultation

The pre consultation of our plan was completed on the 31st of May 2019. This sets out our initial stakeholder engagement at company level, explains what a DWMP is and how this can help stakeholders to work with us going forward.

2. Development of Plan with our Stakeholders

This covers the analysis required to support the plan and includes the following steps:

- a. Development of the company DWMP hierarchy,
- b. Identification of risks that are known now and those that may occur in the future and summarisation within the DWMP hierarchy,
- c. Problem characterisation for areas to be taken forward to the next stage,
- d. Options development, and
- e. Producing the DWMP plan including the PR24 programme.

Throughout these sub-processes stakeholder and customer engagement will be developed to inform the draft plan and supply our customer's preferences. The plan will provide a 25

¹ 2.3 PR19 Wastewater Network Plus Business Plan, Sept 19

² 5.8N PR19 Wastewater Network Plus Enhancement Investment Case, Sept 19

³ Water UK (2018) A framework for the production of Drainage and Wastewater Management Plans – September 2018

⁴ Welsh Government (2016) The Welsh Government Guiding Principles for developing Water resources management plans (WRMP) for 2020; April 2016

year programme of development to manage the risk now and to reduce the impact from perceived future risks

3. Draft Consultation

The draft consultation will commence no later than 30th June 2022 and will run for a 12 week period. All responses will then be collated by the company.

4. Statement of Response and revised Draft

Collated responses will be summarised within a statement of response and a revised draft plan produced and presented to our external steering groups for governance and assurance at the end of 2022. It is anticipated that this version will be presented as a key component of the PR24 Business Plan submission (currently anticipated to be September 2023 based on PR19 timescales).

5. Publication of Final DWMP

Once the PR24 process has concluded the DWMP will be finalised and published with the relevant parts of the plan ready for delivery during Asset Management Plan 8 (AMP8). At present, we have not allowed in our programme time to re-consult our stakeholders on any material change that could occur through the Price Review Process.

2.2. DWMP Cycle 1 Programme

Our original DWMP programme aimed to commence the consultation on the plan by the end of 2022. In response to the IAP we have compressed our timeline forward six months and the consultation will now commence by the end of June 2022. The summary programme for Cycle 1 of the DWMP with the key milestones is shown in Figure 1 below. This will ensure that a revised Draft DWMP will be ready to support the PR24 Business Plan. This work programme has been developed based on the process presented in section 2.1. A more detailed programme sits behind that shown in Figure 1 in Microsoft project and can be made available on request.

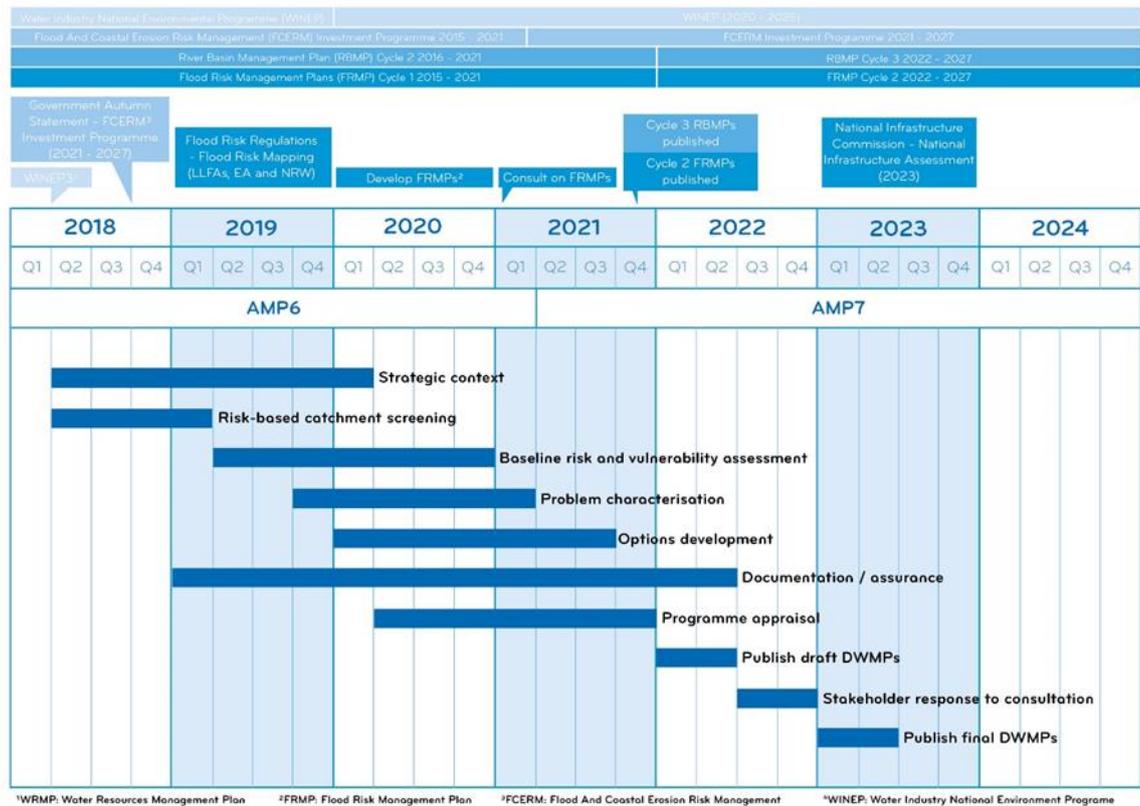


Figure 1 the DWMP Timeline

Appendix 1 provides detail on how the programme elements will be delivered and highlights key deliverables associated with them, providing assurance that we will deliver an appropriate DWMP in the timescales planned.

2.3. Risks identified due to the compressed timeline

Our compressed programme for Cycle 1 has introduced some risks to the quality of the plan. The extent of these risks within the first iteration will be dependent on a number of factors:-

- The level of stakeholder engagement we can achieve in the shortened timescales
- The format of the National Infrastructure Commission submission
- The format of the OFWAT PR24 tables

Engagement with our stakeholders is a continuously improving relationship and the engagement set out in the DWMP Framework builds on platforms that are already in place. However, when meeting stakeholders during an already established forum, a new requirement can take time to integrate into the process, slowing down the collation of primary objectives, risks and options. For example; the Local flood Forum has a focus more on today rather than on long term future flooding risks and it is difficult to integrate perceived risk into a meeting focussed on discussing more everyday occurrences. To help

reduce this impact we will use a combination of DWMP specific meetings and attendance at existing forums, while also building upon established relationships.

Within the DWMP Framework, there is a requirement to supply information to the National Infrastructure Commission by the end of 2020. Correspondence with NIC-England have indicated they are only interested in English element of the DWMP. The NIC-Wales (NIC-W) have yet to engage directly with DCWW on the DWMP and therefore its requirements are yet to be discussed. There is a risk that the information both Commissions require has not been produced to the level of detail expected. To manage this risk the Welsh Region will be developed to the same level of detail as the request from the NIC-E, until a time when NIC-W confirm their expectations. Welsh Government have already confirmed their expectation that the DWMP will become part of their national planning framework and included in the National Development Plan.

In a similar vein to the NIC above, OFWAT will develop its requirements for PR24 later on in the planning process. In relation to WRMP process the guidelines are prescriptive and therefore there is low likelihood that analysis has been developed that does not meet the OFWAT definition. The DWMP Framework is less prescriptive and more open to interpretation. Therefore there is a risk that, while developing the DWMP, guidance is released that requires significant rework and slows down delivery of our plans. To reduce this impact we will work closely with the DWMP implementation group and steering group to be part of the development process and learn as early as possible if any rework is required.

2.4. Longer term aspirations and continuous improvement

Our vision is “to earn the trust of customers every day”, which is set out in Welsh Water 2050 and is the guiding principle behind the DWMP. This vision and our strategic responses set out the direction in which the company needs to travel “to become a truly world class, resilient and sustainable water service for the benefit of future generations”. As stated by our Chief Executive, Chris Jones, within the foreword of Welsh Water 2050 “Welsh Water is committed to this ongoing process of consulting, reviewing adapting and improving our long term vision and plans”. The DWMP is a plan that can bring to life the issues being experienced and demonstrate that options have been considered to address the problem. It will also show how the environment and customers have been considered, to ensure that services are maintained for customers of today and those of the future without detrimental effect on the environment that we rely on.

The DWMP framework will be an evolving framework, continually adapting to respond to best practice within the water industry and learn from delivery of early cycles so that the resulting plans result in the best possible delivery of service to our customers and the environment.

Appendix 1 – Approach to delivering DWMP Cycle 1

A.1.1 Establishment of the DWMP Framework into DCWW

During the first cycle of the DWMP, the company has to decide “What is a DWMP to Welsh Water and to our customers?” This stage defines the structure of our company’s assets and at what level stakeholders and customers will be presented with information. The maps in Figure 2 show the company’s approach to the DWMP hierarchy. The Level 1 map is the company’s operating area. The Level 2 map is the Strategic Planning Area and shows the drainage network within a river basin management district. The Level 3 map are the tactical planning units and are shown as the wastewater treatment work catchments. These areas are being amalgamated into sub river catchment areas discharging to the river basin catchment.

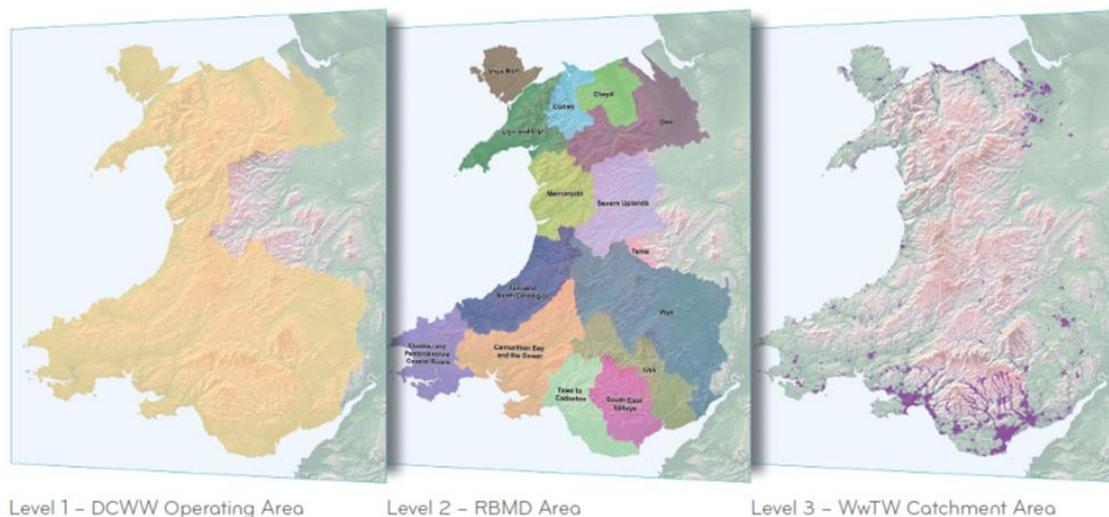


Figure 2 Development of the DWMP Hierarchy

A.1.2 Pre Consultation and Strategic Context

In May of this year, the company level pre-consultation letter was sent out to stakeholders, setting out the steps we will take to complete our DWMP, stating who will need to be involved, what information will be needed and when it will be needed to make a successful plan.

As a results of this engagement the company’s aims and objectives and those of our stakeholder’s will be translated into an overarching Strategic Context document. Figure 3 shows the actual documents so that the feel and general layout can be seen.

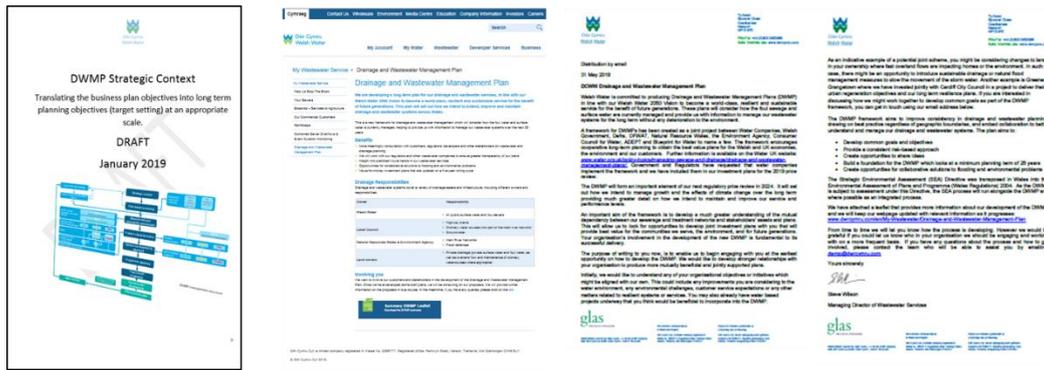


Figure 3: The draft Strategic Context, the External Website and the Pre consultation letter are displayed showing progress to date on the programme.

A.1.3 Stakeholder and Customer Engagement

We will be engaging with our customers during this process. We will be asking their preferences on which types of scheme they would like us to develop. This will feed into our options development process.

During the process we will also be meeting our stakeholders at milestone points within the process. This will be during the BRAVA stage and at the options development stage. At the BRAVA stage the expectation will be to summarise areas for joint improvement and to gather and disseminate risks from all parties. At the Option development stage this will be to feedback on the risks identified stage and to review, agree and revise options that may provide greater benefit to our customers, to our stakeholders and to the environment.

A.1.4 Initial risk based catchment screening

The initial risk based catchment screening (IRBCS) is based on the comprehensive regional view of our risks based on drivers and performance commitments presented in our PR19 business plan. This initial review has already been completed but consideration will be given to updating this to take account of any changes as part of the PR19 final determination.

A.1.5 Baseline Risk and Vulnerability Assessment

The IRBCS forms the basis of the baseline risk and vulnerability assessment (BRAVA) stage. During this stage the companies approach to this sub process will be established and a trial on our first Level 2 area will commence to try out differing approaches to stakeholder engagement and collation of other stakeholder information. The key milestone for this sub process is to ensure that enough information is available to meet the National Infrastructure Commission’s deadline of the end of 2020. To meet this deadline we will progress three Level 2 areas each quarter until they conclude. This will create a 3 tier completion programme with the greater risk Level 2 areas being prioritised ahead of others.

A.1.6 Problem characterisation

The Problem Characterisation element of the programme will provide a risk based approach that will focus the identification of opportunities for improvement. The problems to be solved will be collated into a database and summarised into the DWMP tactical planning units and then further summarised into strategic planning units. The underlying characterisation will be formed from the performance commitments presented within the PR19 submission and will group them into Quality, Quantity, Growth and / or Resilience driven. This type of high level summarisation is still being developed and will form the basis of the high level optimisation process that will required as part of Options Development and Appraisal. An example of a graphical representation showing how Quantity can be pictured is provided within Figure 4.

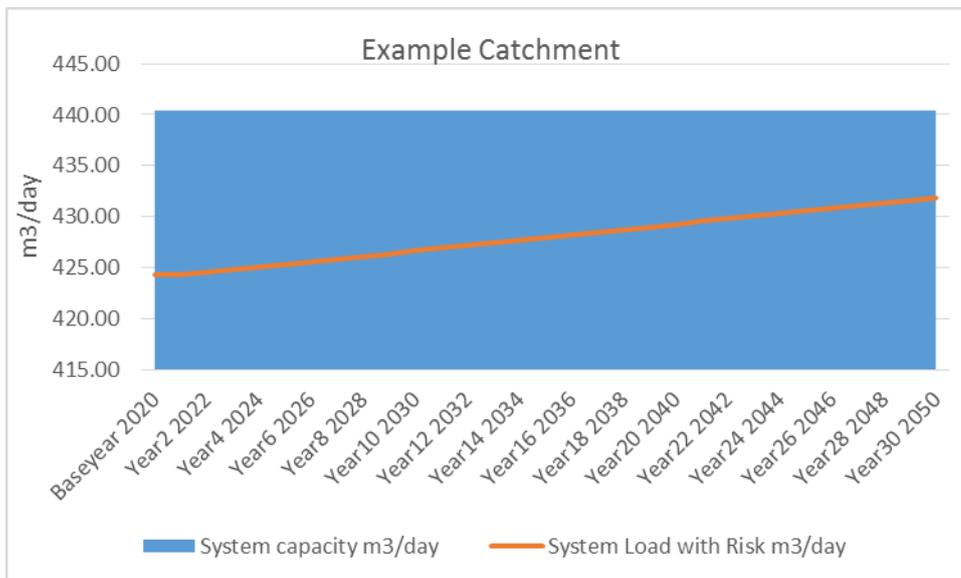


Figure 4 Graph showing an example of how a Capacity verses Load balance approach could be used to summarise the high level problem.

A.1.7 Options Development and Appraisal

The Options development element of the DWMP will follow the WRMP Water resources planning tools 2012⁵. The approach being taken will be to develop a generic options list with the DWMP Implementation group so that all companies generally start from the same position. We will then take this list to convert into options that are technically feasible within our operating area. The list will be further refined into a Strategic unit assessment feasible option list depending on the Problem characterisation stage conclusion. Options will then be developed to meet the problem characterised within each strategic planning area

Optimisation of the programme is currently being discussed but is wholly dependent on the direction of the DWMP Implementation group. The preferred choice currently is to mimic

⁵ UKWIR (2012) WRMP Water Resources Planning Tools 2012; The EBSD Report; UKWIR 2012

the WRMP optimisation tool which is already established within our company and develop the tool to meet the needs of the DWMP. As the DWMP process is delivered across the industry it will be clearer which type of optimiser will be required and a large element of this step is dependent on OFWAT’s requirements for PR24 and the subsequent tables required to support the cost estimates and to enable comparison between companies.

A.1.8 PR24 Programme, Governance and Assurance procedures

The programme resulting from the framework will state which investment choices are needed to maintain a robust and resilient drainage and wastewater service up to 2050. It will explain how risks will be managed and how we will deliver our long term performance and service using a risk based approach whilst also integrating continuous improvement to meet the level of service that customers expect on a day to day basis.

The company has defined governance and assurance procedures for business planning and regulatory returns. The DWMP will use these procedures to support the overall PR24 process. In addition to this well-established process the DWMP team has instigated its own Internal and external governance. Figure 5 shows how the DWMP steering group will support the current governance and assurance framework.

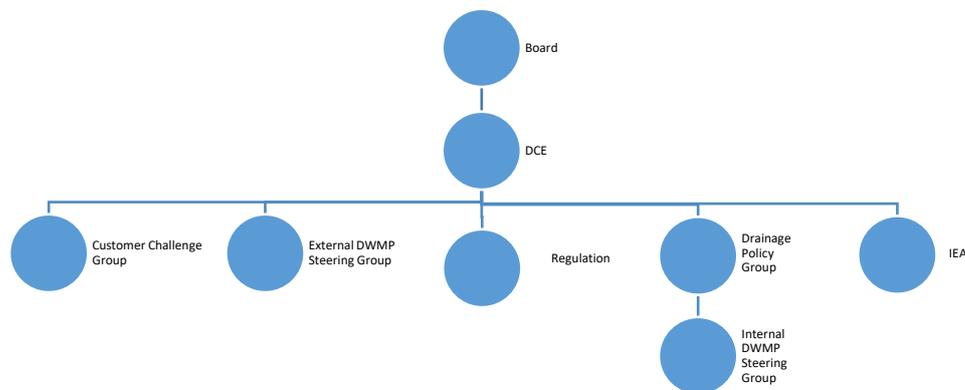


Figure 5 DWMP Governance and Assurance Process

2.5. Draft consultation

The culmination of all the stages prior to this milestone will be to finalise the non-technical summary, the main report and appendices, prepare the material for publication and finally publish the consultation on our website. The consultation will run for a minimum of 12 weeks. A consultation letter will be sent to the pre consultation stakeholders to inform them of the published consultation and reiterating how the consultation response will be collated and how to make a representation.