

Appendix 5.1.A – Catchment panel report on ambition and innovation

Wessex Water

September 2018

Business plan section	Supporting document
	Board vision and executive summary
1	Engaging customers
2	Addressing affordability and vulnerability
3	Delivering outcomes for customers
4	Securing long term resilience
5	<p data-bbox="667 624 1385 680">5.1 Protecting and enhancing the environment</p> <p data-bbox="667 680 1385 745">5.2 Using water efficiently</p> <p data-bbox="667 745 1385 810">5.3 Providing excellent drinking water quality</p> <p data-bbox="667 810 1385 875">5.4 Minimising sewer flooding</p> <p data-bbox="667 875 1385 940">5.5 Bioresources</p> <p data-bbox="667 940 1385 1005">5.6 Maintaining our services</p> <p data-bbox="667 1005 1385 1070">5.7 Accommodating growth and new development</p> <p data-bbox="667 1070 1385 1135">5.8 Water resources bid assessment framework</p> <p data-bbox="667 1135 1385 1200">5.9 Water resources RCV allocation</p> <p data-bbox="667 1200 1385 1240">5.10 Bioresources RCV allocation</p>
6	Markets & innovation: open systems & DPC
7	Markets & innovation: retail
8	Securing cost efficiency
9	Aligning risk and return
10	Financeability
11	Accounting for past delivery
12	Securing trust, confidence and assurance
13	Data tables and supporting commentaries

Wessex Water Catchment Panel

Report on PR19 Process and level of Ambition and Innovation within the Business Plan, July 2018

Purpose of Paper

This report sets out the views of the Wessex Water Catchment Panel on the PR19 process and the level of ambition and innovation within the proposed Wessex Water Business Plan for the next AMP period. The report will inform Wessex Water's Board and will be attached as an Appendix to the Wessex Water Partnership's Report to OFWAT.

Introduction

The Wessex Water Catchment Panel is an independently-chaired advisory panel comprising of national and regional environmental experts. A full list of members and their organisations is given in Annex 1.

The full Terms of Reference of the Catchment Panel are at Annex 2; two of its specific roles are:

- To scrutinise and comment upon the environmental performance commitments, environmental outcomes and measures of success proposed by Wessex Water in its business plans. Assess progress made against them each year, and agree proposals for the following year. The assessment will be a key element in deciding on whether any financial rewards or penalties are due.
- To review the level of activity associated with delivering the more innovative strategies. In particular, it advises and assists in the operation, progress and adoption of the catchment services principles, policies and actions outlined in the monitoring plan.

The Panel meets three times per year through structured meetings which complement milestones identified through the business planning process. Items relating to PR19 have been on the Panel's agenda since early 2016 (see Annex 3), and included

- Wessex Water's Strategic Direction Statement
- Customer research
- Business Planning Process
- Performance commitments for PR19
- Environmental Enhancement Programme - outcomes and metrics
- Ambition and Innovation within PR19.

Panel discussions:

Strategic Direction Statement

The Panel commented on the process of developing and consulting upon Wessex Water's new Strategic Direction Statement. The Panel's views were accommodated in the both the process and the final document.

PR19 Business Plan

Whilst the Catchment Panel considered the wider priorities and context for the company's approach for the PR19 Business Plan, members focused on the waste, particularly sewage treatment, and environmental enhancement programme.

The Panel wanted to see;

- further exploration of how the company could capture the wider environmental benefits resulting from the sewage treatment and catchment-offsetting outcomes
- more explanation around the context for each measure, e.g. in terms of the sources of phosphorus entering sewage treatment works and more widely across the catchment
- more information around the possibilities afforded through behaviour change initiatives and campaigns

Performance Commitments

The Panel had an initial constructive discussion on the current environmental performance commitments and provided a helpful approach to inform the development of new commitments and targets for PR19. Further discussions dealt with the new performance commitments in increasing detail (see Annex 4).

With respect to performance commitments relating to statutory measures and the Water Industry National Environment Programme, the Panel recognised the need for core metrics to demonstrate baseline performance. These commitments have received and continue to receive a high level of scrutiny from the Environment Agency and other regulators. For this reason the Catchment Panel focused more time on performance commitments which fell outside the company's statutory requirement.

The Panel specifically helped to shape and influence four bespoke performance commitments which go beyond Wessex Water statutory requirements. These included

- Km length of river improved (non-WINEP)
- Natural Capital: Improve SSSI Landholding
- Catchment Partnership projects delivering Natural Capital benefits
- Performance Commitment: Community Projects to deliver Bathing Water amenity

The Panel were encouraged by the innovation proposed in each of these commitments, and particularly by the ambition shown in the 'river improvement' and 'bathing waters' proposals.

The Panel urged Wessex Water to undertake more in the way of natural capital reporting so as to understand the wider value of the impact of the environmental enhancement programmes.

Ambition and Innovation

Throughout discussions, the Panel has been keen to see delivery of the greatest level of environmental benefit through innovative and catchment-based delivery mechanisms. Whilst understanding the need for 'end of pipe' solutions in certain circumstances, the Panel encouraged the Company to seek solutions which can provide wider environmental benefits often at a lower cost. The Panel has, therefore, been disappointed that the WINEP process and associated Cost Benefit Assessments has tended to push the company towards a greater proportion of traditional asset improvements, typically delivered at a higher cost to

customers with a lower level of holistic environmental benefits. Panel members felt that a number of opportunities offered by a more catchment-based approach have been missed in the initial negotiations between the company and regulators. This makes delivering outcome-based improvements at scale much more difficult to deliver

The company put forward a robust case for phasing some of the PR19 capital investment, particularly for phosphorus and flow drivers. The Panel supported this approach where it was based on sound data and evidence, and where it would have enabled more of a catchment approach to be taken. We were disappointed by the Minister's initial decision not to support the proposed phased implementation, but are encouraged to understand that the company has been now been invited to submit specific ideas for phasing, including catchment approaches, by the end of June.

The Panel hopes that more opportunities will emerge as discussions progress.

Addendum:

The Panel welcomes the 'Alternative approaches to delivery of the WINEP' document, noting the proposal to utilise catchment measures to deliver phosphorus removal in the Dorset Stour and Parrett catchments. This is an innovative and sustainable approach, building on Catchment Permitting, as demonstrated in the Bristol Avon, by adding catchment offsetting, to deliver a greater level of environmental improvement at a lower cost to customers.

The Panel is supportive of the innovative approaches piloted by the company during AMP6, including:

- The Catchment Permitting Trial agreed with the Environment Agency in the Bristol Avon Catchment
- EnTrade, facilitating the delivery of nitrogen offsetting by agriculture as an alternative to capital improvements at Dorchester STW
- Constructed wetlands for nutrient removal at Cromhall STW
- A Public Health pilot to reduce pharmaceuticals in the environment through green and social prescribing
- Abstraction Incentive Mechanism at Mere
- The extensive use of environmental investigations and collaborative water quality modelling to ensure investment is based on sound science and robust evidence
- Strong support of the Catchment Partnerships within the Wessex Water area, including hosting Partnerships in the Bristol Avon and Dorset catchments

The Panel is keen to see these approaches extended into AMP7 (PR19) and included within the Business Plan. These mechanisms can often deliver wider environmental benefits than those associated with capital asset improvements. The Panel is particularly keen to see the extension of EnTrade, in combination with catchment permitting, allowing asset optimisation and offsetting to deliver nutrient reduction targets at a catchment scale and consequent improvements in WFD status.

The inclusion, in the Plan, of funding for a large (30+ha) constructed wetland at Southlake National Nature Reserve is welcomed. This project, aimed at reducing riverine phosphorus levels and attenuating flood flows, will be carried out in partnership with Natural England and others.

Annex 1. Wessex Water's Catchment Panel – organisational membership

Independent Chair – Dr Richard Cresswell MBE

Environment Agency

Natural England

CCWater

University of Bristol

Wiltshire Wildlife Trust

Eunomia Consulting Ltd

National Farmers Union

Velcourt Farming

RSPB

Dorset County Council

Somerset County Council

Annex 2. Wessex Water's Catchment Panel Terms of Reference

Wessex Water Catchment Panel

Terms of Reference

Context

The Catchment Panel (CP) participates in decision making about, and provides scrutiny of, sustainable land and water resource use in relation to Wessex Water's services and their constructed/natural assets and entitlements.

To achieve Wessex Water's 9 broad outcomes, the company needs to progressively step away from the traditional asset-centric approach to tackling issues. Broader, more holistic ways of operating are needed, through approaches described as catchment services and by exerting greater influence on how customers consume our services.

Consequently, many of these outcomes should be met by a balance of asset construction and operation, managing natural resources and influencing behaviours. By optimising the balance of these three functions, better progress against the company's outcomes can be made at a more affordable cost.

To deliver these strategies, Wessex Water has identified 10 individual catchments built around river basins. As each of these catchments is subtly different, with different environmental pressures, the plans for each catchment vary. They are essentially the environmental markets the company will operate within.

Specific tasks

1. The CP will scrutinise and comment upon the environmental performance commitments, environmental outcomes and measures of success proposed by Wessex Water in its business plans. It will assess progress made against them each year, and agree proposals for the following year. The assessment will be a key element in deciding on whether any financial rewards or penalties are due.
2. The CP will review the level of activity associated with delivering the more innovative strategies. In particular, it will advise and assist in the operation, progress and adoption of the catchment services principles, policies and actions outlined in the monitoring plan.
3. The CP will review Wessex Water's catchment plans and help the company maximise stakeholder involvement (for example, in seeking funding and implementing works).
4. The CP will review the appropriateness of changes to the company's monitoring plan in the event of changes in legal requirements that occur during the Asset Management Plan (AMP) period.
5. Where alternative solutions to achieve agreed outcomes are proposed under our localised Change Protocol proposals, the CP will agree value-neutral changes to the activities required under the statutory environmental programme, so that the company can adapt transparently to new circumstances as they arise.
6. The CP will, where possible, advise the company on development issues and policy matters that may influence the sustainable use and development of the catchments.

7. The CP will consider and advise on how best to optimise ecological, economic and social benefits.
8. The CP will assist in the collection and review of relevant research and surveys carried out or affecting the catchments.
9. Panel members will liaise with and provide feedback from other stakeholders as appropriate.

Format

The chair of the panel will be an independent member with appropriate skills, experience and interests, who will also be a member of the Customer Advisory Panel (The Wessex Water Partnership).

The CP will comprise up to sixteen members with a key interest and, in some cases a statutory remit, in the water sector.

Membership will bring a range of skills, experience and interests across various environmental issues and will include regulators, consumer groups, advisory bodies and charities representing specific customer groups. They may have a local or national focus.

Additional members may be invited if it is agreed by the Panel that their involvement will benefit the outcomes.

To accommodate customers' views, the panel may consult or co-opt members from the Wessex Water Partnership; it may also include a behavioural economist as a member, as elements of our catchment strategies will be delivered through customer behaviour change.

Members are appointed for five years, unless membership is terminated earlier.

The panel is expected to meet around 3 times a year, although this might become more frequent at key points in the price control life cycle. All members should endeavour to attend each meeting.

All secretariat duties will be undertaken by Wessex Water who will also provide appropriate meeting facilities.

An annual report will be published for the Panel outlining their discussion topics, major conclusions and their assessment of our progress in delivering our performance commitments.

Annex 3. Wessex Water's Catchment Panel Agenda Items relating to PR19

12 April 2016

- Panel focus group discussion on Wessex Water's Strategic Direction Statement, led by Blue Marble

13 September 2016

- Blue Marble Update on the Customer Research around the Strategic Direction Statement

10 January 2017

- Discussion on a potential PR19 European Beaver re-introduction project to deliver water quality benefits

4 April 2017

- Business Planning Process and Wessex Water views
- Performance Commitments for PR19

5 September 2017

- PR19 Performance Commitments
- Discussion on other environmental performance metrics for catchment and biodiversity working

16 January 2018

- Business Plan Update
 - a. Progress to date and overview, focus on Environmental Enhancement programme
 - b. Environmental outcomes and performance commitments
 - c. Ambition and innovation- discussion

17 April 2018

- Environmental Performance Commitments
 - a. Discussion of 4 bespoke environmental performance commitments
 - b. High level review of wider performance commitments
- Customer Engagement, Customer Research and Behaviour Change
- Business Plan: Ambition and Innovation - discussion

Annex 4. Extract from Catchment Panel Minutes re Performance Commitments, 5 September 2017

Measurability	<ul style="list-style-type: none"> • PCs need to be measurable and meaningful in the context of our activities, rather than just length of river improved. • The Panel is unconvinced that river water quality improvements resulting from Wessex Water catchment activities and STW improvements will be distinguishable. It was recommended that any river quality improvement metric would need to relate specifically to Wessex Water actions.
Communication	<ul style="list-style-type: none"> • It was highlighted that messages need to provide context around the environmental quality of the catchment and the role Wessex Water plays. • It was suggested that using membership organisations with common environmental aspirations may be a way of influencing Ofwat to better consider the environment.
Customer research	<ul style="list-style-type: none"> • The Panel were keen to understand how measures were proved to be important to customers. This is a key part of our customer research and willingness to pay surveys which include a number of approaches from online surveys to focus groups.
Natural Capital	<ul style="list-style-type: none"> • Discussed at length and the complexities of developing a measure are understood. However, the Panel is keen that natural capital assessment plays a key part in decision making process and informing solutions delivered in PR19.
Catchment Based Approach	<ul style="list-style-type: none"> • It was felt that this has been missed by Ofwat and needs to be included. • The Panel questioned how the NEP relates to the Catchment Based Approach and the ability to deliver outcome-based measures at scale. How do the environmental regulators take account of customers' views on how outcomes should be delivered? • It was felt that the environmental regulators need to play a stronger part in informing the Ofwat methodology and wider consultations.
Company control	<ul style="list-style-type: none"> • Recognition that Wessex Water doesn't have complete control over the environmental quality of a catchment and so needs to be assessed on the contribution which we make and the improvements delivered as a result of our actions. • The Panel favours the following suggested PCs 'km of river with water quality improved as a result of wastewater investment' and 'number of waterbodies improved or protected by catchment management'