

Appendix 8.2.B – Further commentary on efficient costs

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	Markets & innovation: wholesale
6	Markets & innovation: open systems & DPC
7	Markets & innovation: retail
	8.1 Input cost and frontier shift assumptions
	8.2 Wholesale cost modelling and the calculation of catch-up
	8.3 Residential retail expenditure
	8.4 Cost adjustment claims covering letter
	8.5 Claim WSX01 summary – North Bristol sewerage strategy
8	8.6 Claim WSX02 summary – Sewage treatment works capacity programme
	8.7 Claim WSX03 summary – Number of non-infrastructure water supply assets
	8.8 Claim WSX04 summary – Reducing leakage by a further 15%
	8.9 Claim WSX05 summary – Flooding programme
	8.10 Claim WSX06 summary – Pollution reduction strategy
	8.11 Assessing the costs of our enhancement programme
9	Aligning risk and return
10	Financeability
11	Accounting for past delivery
12	Securing trust, confidence and assurance
13	Data tables and supporting commentaries

1. Savings from efficient delivery of environmental enhancements

With the challenges we have set ourselves for cost efficiency, it is crucial that we find innovative ways to deliver improvements everywhere we can.

Enhancement expenditure on environmental work is our single biggest area of spend in the period 2020-2025. We have worked hard with the Environment Agency (EA) through the development of the WINEP and our planning of delivery of the environmental programme to reduce the programme by using cheaper catchment approaches and open systems delivery methods.

The detail of our approach is set out in supporting document 5.1 and appendix 5.1.F.

Overall, we have removed £104m of expenditure from our plan – combined with input costs and frontier shift, this means a step change reduction of 11%. A summary of this work is set out in table 1-1, below.

Table 1-1: Avoided costs through working proactively with EA and NE

Driver	Section reference	Description	Avoided costs (£m)
Phosphorus removal	3.2.3	Bristol Avon and South Gloucestershire catchments – catchment wide permitting and maximisation of synergies, avoiding disproportionately expensive improvements at small sewage works	6
	3.2.3	Alternative approach to delivery of WINEP3, using <ul style="list-style-type: none"> Alternative asset solutions Catchment wide permitting Catchment nutrient balancing, working with farmers and using market tools such as EnTrade River water quality modelling 	52
Nitrogen removal	3.2.4	Catchment offsetting, removing the need for immediate improvements at three works which discharge to groundwater	15
Flow capacity and monitoring	3.5.3	Prioritising investigation of flow issues to ensure a sound science approach is adopted before major investment is scheduled	30
Sustainable abstraction	5.1.3	Minimising number of investigations	1
Total			104

