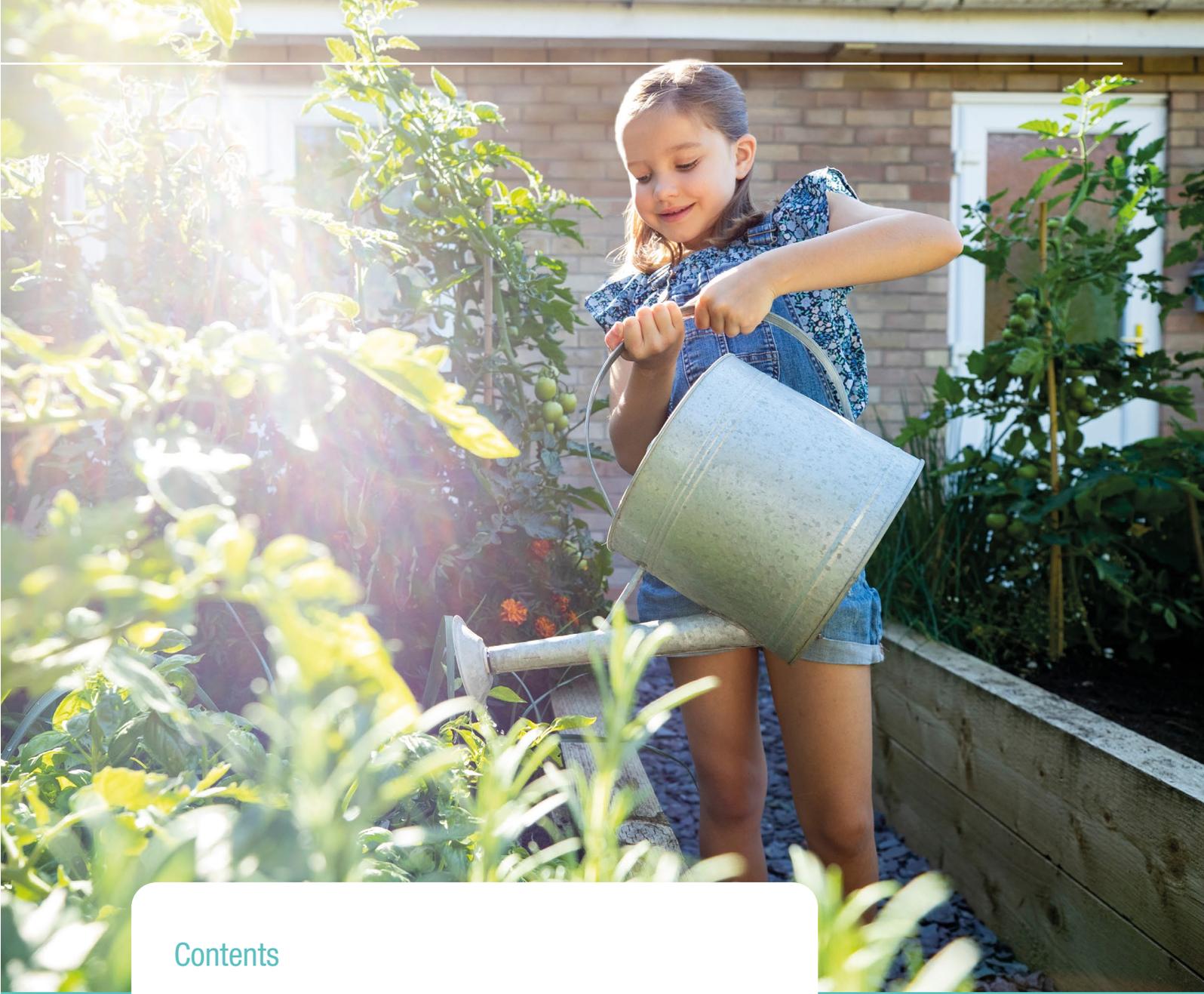


Developing our 'Best Value' multi-sector regional resilience plan

A CONSULTATION ON
OUR OBJECTIVES,
VALUE CRITERIA
AND METRICS

FEBRUARY 2021





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Introduction



Water Resources South East (WRSE) is the regional group that covers the South East of England. It is an alliance of the six water companies that operate in this area – Affinity Water, Portsmouth Water, South East Water, Southern Water, SES Water and Thames Water – working closely with our advisory members, the water industry regulators, and a range of other stakeholders in the region.

WRSE is developing a multi-sector regional resilience plan to secure water supplies for the South East right up until 2100. Our regional plan will not only be used by the water companies to derive their individual Water Resources Management Plans (WRMPs) but will also identify activity that could be progressed by other sectors to meet their future water needs.

Our plan is taking a long-term view of water and considering what is needed in our homes and at work, as well as the water that is required by the environment, to generate electricity, for industry and agriculture, and to support the wellbeing of society. It will be a plan that can adapt depending on what actually happens in the future.

Why do we need to do this? Water resources are coming under increasing pressure, particularly in the South East, as we strive to protect and enhance our environment, increase our resilience to droughts and other events, meet the needs of a growing population and adapt to climate change. Ensuring an economic and efficient supply is a legal requirement for companies and so is a priority of the regional plan.

Water resource plans are developed to identify the programme – or set of options – that companies intend to use to make up any shortfall in water supplies over the planning period. The options included in the programme could include new water sources such as reservoirs or water recycling, activity to reduce demand such as metering, transfers to move water from one area to another and catchment schemes that improve the quality and quantity of water in the environment – or a combination of them all.

Each programme must meet a number of legal and regulatory requirements and policy expectations, which include a range of environmental legislation and drinking water quality regulations. To date, the objective for water resource plans has been to deliver these while keeping costs and bill impacts as low as possible. However, it is recognised that water resource programmes could deliver additional value to people and places and that this should be considered, alongside cost. This could result in a water resource programme being chosen that isn't necessarily the cheapest but is one which delivers much wider benefits to society. This is what's known as a 'Best Value' plan.

The Best Value approach is promoted by the Environment Agency in the National Framework for Water Resources¹ and its (draft) Water Resources Planning Guideline². Our ambition is to deliver a multi-sector regional resilience plan that delivers additional value in the areas that matter most to the people of the region.

About this document

This document sets out our proposed approach to identifying the 'Best Value' plan. We recognise that 'Best Value' means different things to different people, and so we are putting forward a set of criteria and metrics that we propose to use to assess the additional value delivered by the different water resource programmes (or set of options) we identify.

We want to hear your views and we ask a number of questions throughout this document to help us gather feedback which we will use to refine our approach, and the criteria and metrics we will use to identify our 'Best Value' regional plan. We'll also consider if some criteria are more important than others, and if so, we may assign a greater weight to those in the assessment process.

We are holding webinars where you can hear more about our approach to Best Value planning from the WRSE team and share your views.

You can respond to our consultation and sign up to the webinars on our [Engagement HQ site](#) or by emailing contact@wrse.org.uk. The consultation closes on 5 March 2021. To find out more about WRSE visit wrse.org.uk

¹Meeting our future water needs: a national framework for water resources; Environment Agency, March 2020.

²Water Resources Planning Guideline; EA, NRW, Ofwat, draft for consultation, July 2020.

Developing a Best Value plan – our proposed approach

Our regional plan objectives

In order to develop a Best Value plan, we first need to set its objectives – these are the specific goals that our regional plan must aim to deliver, including our aims relating to ‘Best Value’. We’ve used insight from water company customers across the South East to help us understand their priorities, so our objectives seek to achieve what matters most to them. We also shared our draft objectives with wider stakeholders to gather their views.



Our regional plan must meet all the legal and regulatory requirements and policy expectations, including delivering ‘Best Value’ for customers. Its ‘Best Value’ objectives are to:



Deliver a secure and wholesome supply of water to customers and other users to 2100



Be deliverable at a cost that is acceptable to customers



Deliver long-term environmental improvement and social benefits



Increase the resilience of the region’s water systems.

Question 1:
Do you agree with the objectives for our ‘Best Value’ regional plan?

How we will assess ‘Best Value’

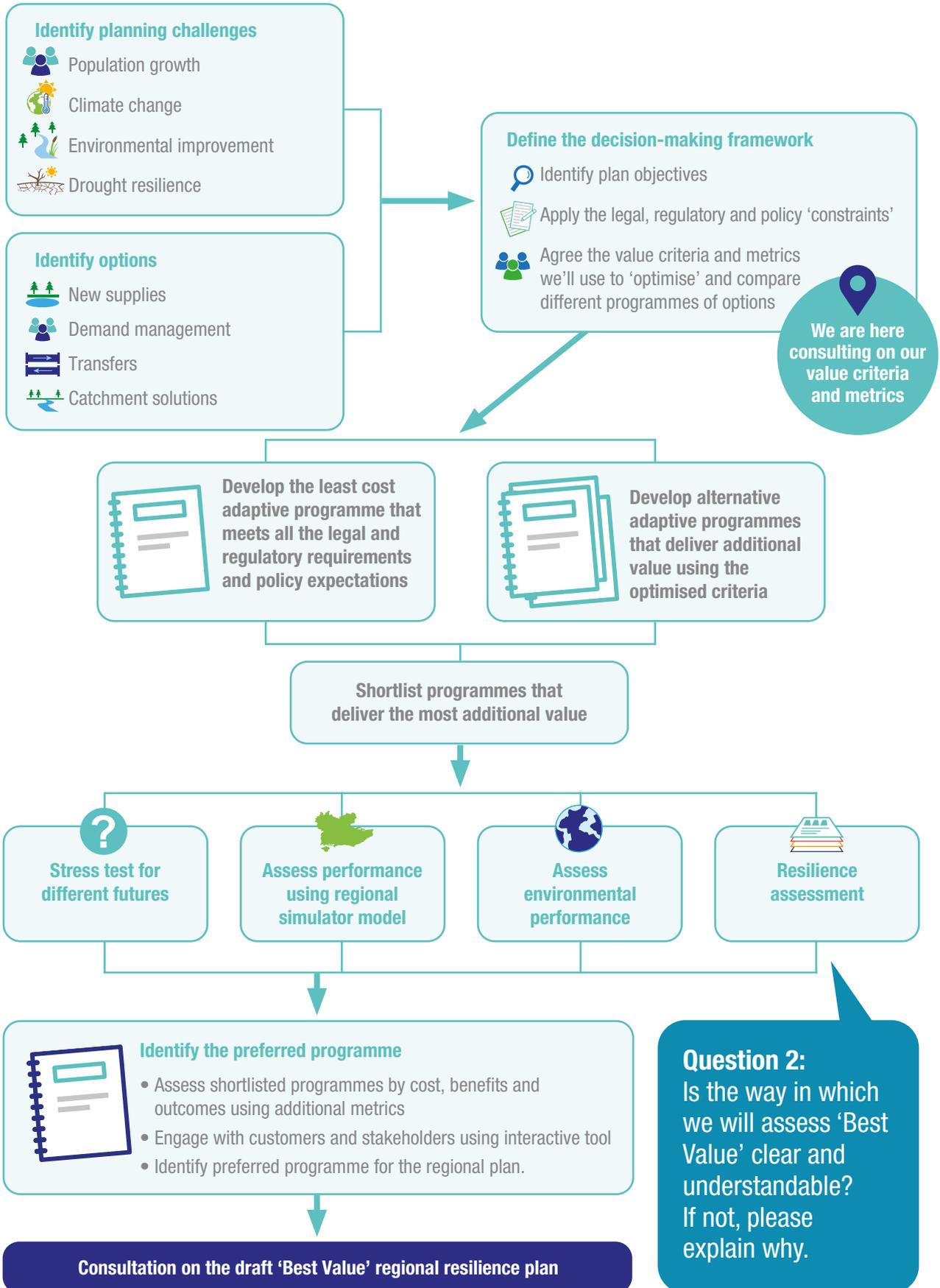
Each objective will be represented by a set of value criteria which, in turn, will each have an associated metric that will measure the additional value it delivers. We will use the criteria and metrics to assess the different water resource programmes that are produced through our investment modelling. We’ll also use them to compare the programmes and explain the differences between them and the additional value each delivers. Each programme will comprise a series of options and will be a different version of what the plan could look like.

Some of the value criteria identified are things that we ‘must do’. They include some of the legal and regulatory requirements and policy expectations that our regional plan must meet to support companies’ Water Resources Management Plans (WRMPs). These value criteria are described as constraints. For example, the secure supply of water to customers is an absolute requirement on companies; as is the demonstration of how all the water resource programmes we produce meet these requirements at the most efficient cost possible.

There are other criteria we will use to generate different programmes which deliver additional value. We will use these criteria and metrics to help us identify where value is added so we can differentiate between the programmes. These are described as optimised criteria and we will use them to shortlist the water resource programmes that offer ‘Best Value’ and help us to achieve our four objectives.

Once we have used these criteria to shortlist our ‘Best Value’ water resource programmes we will use the metrics, and potentially some additional metrics, to help compare the different programmes. This will facilitate the informed conversations we need to have with stakeholders and customers about their respective costs, benefits and outcomes, and will help us to identify any ‘trade offs’ that need to be made before ultimately identifying the preferred water resource programme that will form the basis of our regional plan. We will not be appraising and selecting individual options in isolation. We propose to appraise a series of programmes, each comprising options that in combination meet our objectives, value criteria and deliver ‘Best Value’.

Process overview



This process will be explained in more detail in our updated Investment Model Method Statement which will be published in the Spring.

Value criteria and metrics

The table sets out our proposed value criteria and metrics, it includes criteria which are:

- Constraints – these are the criteria that all the water resource programmes we develop must deliver so they are compliant with all legal and regulatory requirements and policy expectations
- Optimised – these are the criteria we will use to develop alternative water resource programmes and help us identify which deliver additional value. We will use these criteria to shortlist the ‘Best Value’ programmes and consider the differences between them.

Question 3:

Do you agree with the optimised criteria and metrics we will use to develop and identify the ‘Best Value’ water resource programmes?



Deliver a secure and wholesome supply of water to customers and other users to 2100

Value criteria	How we'll measure it (metric)	Criteria type	Further detail
Meet the supply demand balance	Supply demand balance profile (MI/day)	Constraint	All programmes must meet the supply demand balance by law so there is no water shortfall in any area over the planning period
Leakage	50% reduction in leakage by each company by 2050 from 2017/18 baseline (MI/day)	Constraint	Policy expectation set a 50% reduction in leakage by 2050. Leakage reduction beyond this will be considered in the performance of the shortlisted programmes
Water consumption	Distribution input (volume of water that is put into supply) per head of population (litres/person)	Optimised	Defra is considering a metric or target to encourage a reduction in the amount of water used. We'll revisit this if it is set to make it a constraint within the plan. In that event, anything beyond that target will be used to demonstrate performance of the shortlisted programmes
Non-public water supply demand (water used by other sectors and not supplied by water companies)	Future demand of non-public water supply users included in the programme (yes/no)	Optimised	Non-public water supply is not subject to the same legal requirements as public water supplies. This will show how the programmes compare when we plan for the needs of other sectors beyond public water supplies
Customer preference	Customer preference for option type (score)	Optimised	Customer preferences may vary. In addition to using these criteria we will engage with customers to help us apply weighting to the different criteria and identify the preferred programme



Be deliverable at a cost that is acceptable to customers

Value criteria	How we'll measure it (metric)	Criteria type	Further detail
Programme cost	Net Present Value (NPV) using the Social Time Preference Rate (£m)	Optimised	This is the value in the present of a sum of money, in contrast to its value at some point in the future. This uses the standard HM Treasury rate to calculate programme cost
Intergenerational equity	NPV using the Intergenerational Discount Rate (£m)	Optimised	This lower HM Treasury rate spreads the cost of the programme over the planning period delivering best value for both present and future generations



Deliver long-term environmental improvement and social benefits

Value criteria	How we'll measure it (metric)	Criteria type	Further detail
Strategic Environmental Assessment (SEA)*	Programme benefit (score max) Programme disbenefit (score min)	Optimised	Regional plans are non-statutory but we will apply the statutory SEA criteria. We will assess and summarise the overall benefits and disbenefits of each programme of options using the SEA assessments. This does not replace the SEA process
Natural capital	Enhancement of Natural Capital Value (£m)	Optimised	Natural capital will be used to measure any additional value created by the shortlisted programmes
Biodiversity	Net-gain score (%)	Optimised	Biodiversity is an SEA objective but we will use it to measure the additional biodiversity value created (avoiding double counting)
Abstraction reduction	Reduction in the volume of water abstracted at identified sites (Ml/day) and by when (date)	Constraint	It is a policy requirement to set an environmental destination for the region. We will determine the appropriate level of abstraction reduction in consultation with regulators and stakeholders and once agreed it will be a constraint within the plan. Anything beyond that level will be used to demonstrate performance of shortlisted programmes
Carbon	Cost of carbon offsetting (£m)	Optimised	This is included in the total programme cost but we will use it to measure any additional value created (avoiding double counting). We'll adopt best practice so the sector achieves its target of net zero carbon emissions by 2030



Increase the resilience of the region's water systems

Value criteria	How we'll measure it (metric)	Criteria type	Further detail
Drought resilience	Achieve 1 in 500-year drought resilience (date achieved)	Constraint	This is required by Government policy in the National Infrastructure Strategy ³
Reliability	Programme reliability score based on the Resilience Framework** amalgamated metrics	Optimised	Reliability is the ability to withstand short term shocks without actively changing the performance of the system
Adaptability	Programme adaptability score based on the Resilience Framework amalgamated metrics	Optimised	Adaptability is the ability to make a short-term change in performance of the system to accommodate the impact of a shock and recover
Evolvability	Programme evolvability score based on the Resilience Framework amalgamated metrics	Optimised	Evolvability is the ability to modify the system function to cope with long term trends

*The Strategic Environmental Assessment (SEA) is a separate part of the programme appraisal process and includes a number of objectives and metrics. The list of SEA objectives can be found in Appendix 1. We consulted on the scope of our SEA and its objectives in August 2020 and to view our scoping report visit [here](#). In addition to looking at the overall benefits and disbenefits we will also be undertaking further checks on the in-combination effects of different options working in conjunction with each other both, from an environmental perspective and the ability to deliver the options within each programme.

**The Resilience Framework was consulted on in June 2020. It sets out a method for assessing resilience across the three main water systems – public water supply, non-public water supply and the environment. We have responded to feedback and developed it further through engagement with stakeholders. The metrics we will use to measure resilience are set out in Appendix 2. You can view the original Resilience Framework consultation [here](#).

³National Infrastructure Strategy, November 2020

Regional policies



In August 2020, we consulted on a set of [regional policies](#) which could be delivered through the regional plan. Since then, some have been formally included within the policy and regulatory requirements that we must deliver and have been included in the list of criteria. The following still remain at our discretion:

- No use of drought orders and permits that cause unnecessary harm* to the environment by 2040 and identification of those that could be considered as an option within the regional plan
- A common level of service for customer temporary use bans across the six companies that operate in our region

- A provision of water to support those with private water supplies during droughts to overcome public health and animal welfare concerns by 2050
- Only import transfers of water that meet at least the same standards as our regional plan, for example environmental standards.

Question 4:

Should these regional policies also be included as value criteria and, if so, should they be a constraint or used to optimise the alternative water resource programmes?

Work is underway with the Environment Agency to define unnecessary harm and identify those permits and orders, taking into account of the section 20 agreement between Southern Water and the EA.

How we'll engage with you

Developing our 'Best Value' regional plan will involve detailed technical work alongside engagement with regulators, stakeholders and customers.

Over the last year we have collaborated with our water company members to understand the views of more than 2,500 of their customers to identify what matters most to them about their water supplies and understand their preferences for different types of water resource options.



We've also consulted with stakeholders on a number of the 'building blocks' of our regional plan including our Resilience Framework, Strategic Environmental Assessment and Regional Policies, which we have reflected in the proposed Best Value objectives, criteria and metrics that are set out in this consultation document.

Once we have finalised these, we will use our approach to assessing 'Best Value' to identify a shortlist of reasonable alternative programmes. At this stage, we don't know

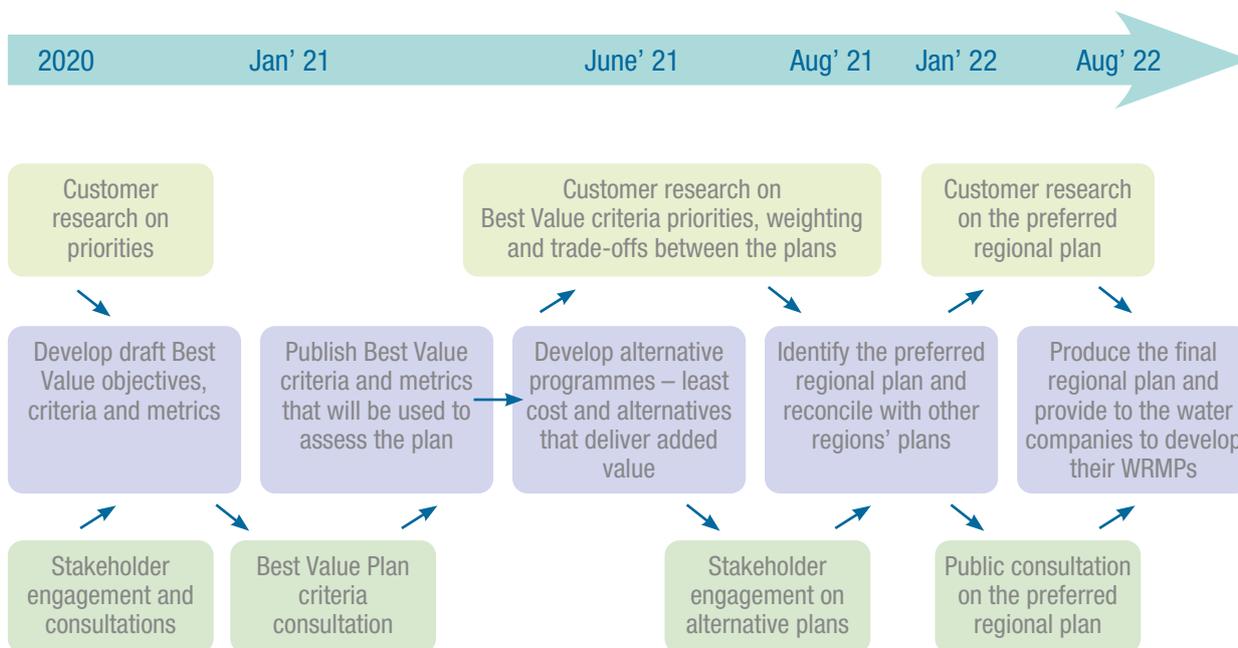
which of these criteria will have the biggest impact on the programmes we produce, and it may be that some don't materially change the set of options identified between programmes. However, the optimised criteria we propose are those that we believe will help us identify where the greatest value can be delivered and give us sufficient differentiation between each of the programmes to aid decision-making.

We also want to understand which criteria you think are more important than others, so we strike the right balance between them in the regional plan. We will then start from the point where all the optimised criteria are equal and engage with customers about whether certain criteria should be given more weight than others within the plan, once the programmes have been identified.

Question 5:

Do you agree that all the criteria should be equal or should some be given more weight within the plan? If so, which ones should have a higher weighting applied?

Engagement timeline



During the summer of 2021 we will engage with stakeholders and a representative range of customers from all six water companies and will use the criteria we have developed to help us explain how the different programmes perform against the objectives and the additional value they deliver. The scoring criteria will be used to help explain the differences between the water resource programmes, identify any trade-offs that need to be made and show clearly how their preferences will impact on the programmes.

We'll also use our Stakeholder Advisory Board to have in-depth discussions about how the different water resource programmes perform for key sectors and present the results of the research. That group will provide a report to WRSE's Senior Leadership Team on its recommendations to help inform its decision-making. Through this process we will identify the preferred water resource programme for our regional plan.

Our regional plan will need to align with those plans also being prepared in other regions of England so that any strategic options and water transfers that cross multiple regions can be delivered. Once this critical phase of the process has been done, we will carry out a public consultation on our preferred multi-sector regional resilience plan.

The final stage of the process is to review all the feedback and revise our plan where required. It will then be finalised and used by our six member companies to develop their individual draft Water Resources Management Plans (WRMPs) which will be published in autumn 2022. Once approved these same water companies will set out the investment required in their 2024 business plans.

Question 6:

Do you understand the engagement process we are following to identify our preferred 'Best Value' regional plan and are you clear on how you can get involved and input?

Consultation questions

Question 1:

Do you agree with the objectives for our 'Best Value' regional plan?

Question 2:

Is the way in which we will assess 'Best Value' clear and understandable?
If not, please explain why.

Question 3:

Do you agree with the optimised criteria and metrics we will use to develop and identify the 'Best Value' water resource programmes? Are there any that you don't think should be included? Are there any missing?

Question 4:

Should the regional policies also be included as value criteria and, if so, should they be a constraint or used to optimise the alternative water resource programmes?

Question 5:

Do you agree that all the criteria should be equal or should some be given more weight within the plan? If so, which ones should have a higher weighting applied?

Question 6:

Do you understand the engagement process we are following to identify our preferred 'Best Value' regional plan and are you clear on how you can get involved and input?

How to get involved

We want to hear your views on our Best Value objectives, criteria and metrics. To respond to this consultation please visit <https://wrse.uk/engagementhq.com/consultations> and complete the survey by 5 March 2021 or email us at contact@wrse.org.uk

We will produce a summary of the responses and publish our final list of Best Value criteria and metrics in April 2021.

We will be holding a range of webinars and workshops this year as we develop the regional plan. By signing up to our engagement HQ site you will receive further information about what is coming up and how you can get involved.

Appendices

Appendix 1: Strategic Environmental Assessment (SEA)

We consulted on the [Strategic Environmental Assessment](#) scoping report in August 2020. The SEA objectives form the basis for predicting and assessing the effects arising from the implementation of the WRSE regional plan. They will be used to assess the individual options and alternative programmes for the regional plan and are as follows:

- Protect and enhance biodiversity, priority species, vulnerable habitats and habitat connectivity (no loss and improve connectivity where possible)
- Protect and enhance the functionality, quantity and quality of soils
- Increase resilience and reduce flood risk
- Protect and enhance the quality of the water environment and water resources
- Deliver reliable and resilient water supplies
- Reduce and minimise air emissions
- Reduce embodied and operational carbon emissions
- Reduce vulnerability to climate change risks and hazards
- Conserve, protect and enhance landscape, townscape and seascape character and visual amenity
- Conserve, protect and enhance the historic environment, including archaeology
- Maintain and enhance the health and wellbeing of the local community, including economic and social wellbeing
- Maintain and enhance tourism and recreation
- Minimise resource use and waste production
- Avoid negative effects on built assets and infrastructure.

Appendix 2: Resilience Framework

We consulted on a [Resilience Framework](#) in June 2020. Since then the framework has been developed through ongoing discussions with a range of stakeholders including

environmental organisations and other sectors. The final framework will be published in the coming months and will include the following metrics to assess the resilience delivered through the regional plan.

Criteria	Reliability	Adaptability	Evolvability
System characteristic	Uncertainty of performance	Timing and warning of events	Flexibility and diversity of options
Metric	R1 (PWS) Uncertainty of supply/demand benefit	A1 (PWS) Expected time to failure	E1 (PWS/non-PWS) Scalability and modularity of interventions
Metric	R2 (non-PWS) Breach of flow and level proxy indicators	A2 (PWS/non-PWS) Duration of enhanced drought restrictions	
System characteristic	Ability to persist with planned functions	Ability to respond to and recover from unexpected failures	Deliverability of planned changes
Metric	R3 (PWS) Risk of supply failure due to physical hazards	A3 (PWS) Operational complexity and flexibility	E2 (PWS/non-PWS) Intervention lead times
Metric	R4 (PWS) Availability of additional headroom	A4 (non-PWS/Env) Inter-catchment connectivity	E3 (PWS) Reliance on external bodies to deliver change
Metric		A7 (PWS) Customer relations enhance engagement with drought demand management	
System characteristic	Resilience of supporting services	System connectivity and ease of system recovery	Monitoring and management of change
Metric	R5 (Env) Catchment/raw water quality risks	A5 (PWS) PWS system connectivity	E4 (PWS) Flexibility of planning pathways
Metric	R6 (Env/All) Capacity of catchment services	A6 (non-PWS) Mean time to failure (MTTF) of enhanced drought restrictions	E5 (All) Collaborative landscape management
Metric	R7 (PWS) Risk of failure of supporting service due to exceptional events		
Metric	R8 (Env/All) Soil health		

PWS – Public water supply system
 Non-PWS – Non-public water supply system
 Env – Environment system