



Portsmouth Water Limited

Guide to our Business Plan

2020 - 2025



Delivering excellence
for our customers,
our people and our
environment



INTRODUCTION

This Guide summarises the structure of our Business Plan and sign-posts how it may be readily navigated, together with how it aligns to the areas set out in the Initial Assessment of Plan (IAP) tests. It should be used in connection with the Business Plan document itself and the IAP proforma.

Structure of our Plan

Our plan is set out in 13 Chapters, including the Executive Summary. It is further supported by Appendices which have been summarised in the same structure together with a set of “modelling” files in Appendix 14. Additionally a glossary of terms is included at the end of the document for reference purposes.

Appendices are referenced from the body of the text and, for ease of reference a table of relevant Appendices has been included at the end of each Chapter or Section.

Whilst we have aligned the plan as closely as possible to both the structure of the IAP and the Ofwat “four pillars” the interrelated nature of the different elements means that, inevitably, there are elements that cross over between sections of the IAP. This is particularly evident in articulating how customer engagement links through to Outcomes and Performance Commitments and, ultimately how these will be delivered. This is covered primarily in Chapter 3 of our Business Plan.

Within Chapter 3 – Delivering Customer Outcomes, the initial sections 3.1 to 3.5 cover the process of establishing Outcomes through to determining rewards and penalties. Sections 3.6 to 3.12 cover each of our Outcomes together with the Performance Commitments to which they relate. Finally, 3.13 signposts how our Plan delivers statutory responsibilities and our Stakeholders’ strategic priorities.

We cover the Ofwat “4 Pillars” in Chapters 4 to 7 of our Plan. However, it should be recognised that these themes run throughout our Plan.

Our significant new water resources project – Havant Thicket Winter Storage Reservoir is covered in Chapter 8 – together with other market driven activities.

All aspects of cost efficiencies, including a summary of enhancement activity, is included in Chapter 9.

Financial aspects relating to risk and return are included in Chapters 10 and 11. AMP6 performance is covered in Chapter 12.

Finally, Assurance is covered in a separate Board Assurance Statement, together with the summary of assurance and summary of the CCG Report in Chapter 13.

The Plan is supported by separate documents – the Board Assurance Statement and the report from our CCG.

Plan structure



ALIGNMENT TO IAP AREAS

This table summarises the broad alignment between our Business Plan chapters and the IAP areas. It should be read in conjunction with the more detailed IAP proforma.

Area	Test		Chapter & Document	Reference
Engaging customers	EC 1	→	Chapter 2 Chapter 3 Chapter 4 <i>CCG report</i>	Pages 8-14 Pages 34-86 Pages 91-96 Pages 5-8
Addressing affordability and vulnerability	AV 1 AV 2 AV 3 AV 4	→	Chapter 3 Chapter 4 Chapter 5 Chapter 11	Pages 62-69 & 79-84 Page 93-94 Pages 97-105 Pages 178-181
Delivering outcomes for customers	OC 1 OC 2 OC 3	→	Chapter 3 Chapter 10 Chapter 11	Pages 15-33 Pages 159-167 Pages 178-180
Securing long-term resilience	LR 1 LR 2	→	Chapter 3 Chapter 6 Chapter 9	Pages 39-40 & 45-54 Pages 106-121 Pages 144-146
Targeted controls, markets and Innovation	CMI 1 CMI 2 CMI 3 CMI 5 CMI 6 CMI 7	→	Chapter 3 Chapter 4 Chapter 6 Chapter 7 Chapter 8 Chapter 9	Pages 45-54 Page 96 Pages 106-121 Pages 122-128 Pages 130-138 Pages 141-153
Securing cost efficiency	CE 1 CE 3 CE 4	→	Chapter 8 Chapter 9	Pages 130-137 Pages 141-152
Aligning risk and return	RR 1 RR 2 RR 3 RR 4	→	Chapter 10 Chapter 11 <i>Board Assurance Statement</i>	Pages 155-167 Pages 168-183 Pages 8-9
Accounting for past delivery	PD 1 PD 2	→	Chapter 12	Pages 184-196
Securing confidence and assurance	CA 1 CA 2 CA 3 CA 4 CA 5 CA 6	→	Chapter 3 Chapter 11 Chapter 13 <i>Board Assurance Statement</i>	Page 83 & 86-90 Pages 170-173, 181-183 Pages 197-199 Pages 3-4 & 6

PLAN GUIDE

This table gives a precis of the Chapter and Sections contents in our Plan.

Chapter		Section	Main Section Headings	Brief Description
	Our Chairman's Foreword		Chairman's overview of our Plan.	
	Contents			
1	Introduction	1.1	Executive Summary	A five page summary of the Plan
		1.2	Our long term vision	Sets out our long term vision for customer service, regional water resilience and the environment, through to 2050.
2	Customer Engagement Overview	2	An overview of our engagement journey, explaining our approach and planning cycle.	
		2.1	Key Engagement Activities that shaped our plan	Summary of the key pieces of research that shaped our Plan.
		2.2	Business Plan Research and Triangulation – Key Messages	Key customer insights gained in preparing this Plan.
		2.3	How has engagement influenced our plan	Table showing how customers' views have driven our Plan.
3	Delivering Customer Outcomes		This Chapter covers how our PR19 Outcomes and Performance Commitments were developed, the engagement that supports them, what they are and what our plan will deliver.	
			The first sections 3.1 to 3.5 set out how Outcomes, Performance Commitments, Service Levels and ODI Rewards and Penalties have been established.	
		3.1	Background	Brief details of how our ODI framework has been established.
		3.2	Establishing the Outcomes	The evolution of outcomes from PR14 to PR19.
		3.3	Establishing the Outcome Delivery Incentives	The steps in the process of establishing Performance Commitments, determining stretching Service Levels and establishing rewards and penalties.
		3.4	RoRE of ODI package	Assessment of the overall ODI package and benchmarking against the RoRE range.
		3.5	Disseminating performance information effectively	An explanation of how we will share performance information effectively with customers and stakeholders, to enhance trust and legitimacy.

Chapter	Section	Main Section Headings	Brief Description
3			The following Sections cover each of our Outcomes and related Performance Commitment. Each section gives further detail on the relevant customer engagement and explains how the Outcome and related Performance Commitments will be delivered.
	3.6	Safe, Secure and Reliable supply of drinking water	This section covers engagement undertaken and the Performance Commitments associated. There are seven Performance Commitments related to this Outcome, Water Quality Compliance, Customer Contacts, Unplanned Outage, Resilience Schemes, Mains Burst, Supply Interruptions and Properties at risk of low pressure.
	3.7	Long Term resilience of supplies for our own customers and to support the South East Region	This section covers our plans to deliver more resilient water resources for the South East. It also covers engagement undertaken and the Performance Commitments associated. There are three Performance Commitments; PCC, Risk of severe restrictions in drought and Requirement to introduce Temporary Use Bans.
	3.8	Low leakage	This section covers engagement undertaken and the Performance Commitments associated. There is one Performance Commitment related to Low Leakage, which is a leakage reduction target.
	3.9	A service tailored to individual needs at a long term affordable price	This section covers engagement undertaken and the Performance Commitments associated. There are four Performance Commitments; C-Mex, D-Mex, Affordability and Void Properties and Gap Sites.
	3.10	An improved environment, supporting biodiversity	This section covers engagement undertaken and the Performance Commitments associated. There are four Performance Commitments; Biodiversity, Catchment Management, AIM and Carbon.
	3.11	Being recognised by the community as a good corporate citizen	This section covers engagement undertaken and the Performance Commitment associated. There is one Performance Commitment related to satisfaction of our vulnerability management.
	3.12	Recognised by stakeholders as having a culture of Health and Safety	This section covers engagement undertaken and the Performance Commitment associated. There is one Performance Commitment; the Annual President's award, from RoSPA.
	3.13	Delivering Statutory Responsibilities	This provides a summary of how the Plan meets the statutory requirements placed on Portsmouth Water. There is also a summary of how the Plan addresses the strategic priorities of UK Gov and other key stakeholders.

Chapter		Section	Main Section Headings	Brief Description
4	Great Customer Service	This Chapter explains how we serve customers, our service culture and how we measure our service levels.		
		4.1	Customer Service Overview	How we compare service with others, help those at times of vulnerability, serve developers, react to customer feedback, drive a customer service culture and innovate.
5	Addressing Affordability & Vulnerability	This Chapter looks at Affordability (including how we meet Ofwat's five principles) and Vulnerability.		
		5.1	Affordability	How we manage affordability in line with Ofwat's five principles, and how we will achieve affordability in the long term.
		5.2	Vulnerability	How we effectively manage vulnerability. This includes how we use data, engage with third parties, and achieve a targeted approach.
6	Resilience in the round	The Chapter explains all aspects of resilience.		
		6.1	Background	Our foundations of resilience for infrastructure, drought, and floods.
		6.2	Our approach to Resilience and alignment with Ofwat's Resilience Principles	How our approach to resilience aligns to Ofwat's seven resilience principles.
		6.3	Governance and Corporate Resilience	Overview of how we manage risk and resilience within Portsmouth Water.
		6.4	Work Activity Undertaken to Support the Business Plan for 2020-2025	Explanation of the work undertaken to support our approach to resilience in the Business Plan. This includes our resilience planning approach based on the Cabinet Office's 4R's.
		6.5	Specific Interventions at PR19	Studies and assessments relevant to this plan.
		6.6	Our People and Skills for the Future	Workforce related resilience activities.
		6.7	Conclusions and Inclusions in the Business Plan 2020-2025	Overall conclusions together with the additional resilience projects included at PR19.
7	Innovation	This Chapter covers our culture, evidence of past innovation and examples of innovation for PR19.		
		7.1	Innovation Culture; Systems and Processes	How our systems and processes support and drive innovation.
		7.2	Innovation Culture; People	How our People drive innovation, including how we inform, enable, incentivise and collaborate to achieve innovation.
		7.3	Our Innovation Track Record	Examples of innovative approaches already introduced by Portsmouth Water.
		7.4	PR19 Innovation	Innovative approaches and activities planned for PR19.

Chapter	Section	Main Section Headings	Brief Description	
8	Targeted Controls & Markets	How we engage with markets to deliver the best solutions for our Customers and the South East region.		
		8.1	Water Resources Trading – Havant Thicket Winter Storage Reservoir	Explanation of the support for our proposal to build a new winter storage reservoir at Havant Thicket. This includes consideration of DPC, overall business case and uncertainty mechanisms.
		8.2	Bid Assessment Framework	Summary of the framework that we have developed.
		8.3	RCV Allocation and Bi-lateral Markets	Our methodology and proposed RCV split and our assessment of potential impact of Bi-lateral markets.
		8.4	Retail	Our plans for managing Voids and Gap Sites and lessons learnt from the Business Retail Market.
9	Cost Efficiency	This Chapter deals with wholesale and retail efficiency		
		9.1	Totex Efficiency (Wholesale)	A summary of Totex for AMP 7, benchmarking and use of markets, innovative models, optimising of approaches, use of technology, and targeted efficiency savings.
		9.2	Retail Efficiency	Bad debt and Input price pressures.
		9.3	Cost Efficiency – Enhancements expected	Details of twelve schemes that qualify as enhancements.
10	Risk and Return Alignment	This Chapter deals with the factors contributing to how risk and return align within the Business Plan.		
		10.1	WACC and Retail Margin	Table summarising the build-up of our WACC and confirmation that a Retail Margin of 1% has been applied to the Retail Control.
		10.2	Company Specific Premium	Evidence of support for Company Specific Premium and level of adjustments sought.
		10.3	Risks and Mitigation	How the Company has reviewed and mitigated delivery risks associated with our Plan and how these link to RoRE scenarios.
		10.4	RoRE Upside/Downside	RoRE modelling against various scenarios.

Chapter	Section	Main Section Headings	Brief Description	
11	Risk and Return - Financeability	This chapter covers our financeability based on our proposed plan.		
		11.1	Board statement on financeability	The Board's review of financeability and their conclusions.
		11.2	Financial resilience	Financeability tested against the number of specific scenarios.
		11.3	Assessment of financeability	Conclusion on financeability on both a notional and actual basis. This includes financeability adjustments
		11.4	Dividend policy	The basis of which it is intended that dividends will be paid.
		11.5	Gearing outperformance sharing mechanism	Our proposal mechanism in respect of sharing the benefit of high gearing.
		11.6	Ownership Structure	Explanation of how Portsmouth Water Limited fits in with the overall group structure.
12	AMP 6 performance	This Chapter covers our AMP 6 Performance relative to our Performance Commitments and resultant rewards and penalties		
		12.1	Reconciliation for 2015-2020	Reconciliation of performance during AMP 6.
		12.2	Overview of our Performance	Highlights from AMP6
		12.3	Our promises to our Customers	Performance against our AMP6 Targets
13	Securing Confidence and Assurance	Details of Assurance activities and our summary of our CCG's report – This should be read in conjunction with the separate Board Assurance Statement		
		13.1	Summary of Assurance	Summary of how our plan has been assured by external parties
		13.2	Our Summary of CCG Report	Our summary of the CCG's Report which is provided separately in full.