



TA 7.3 Understanding risks: High level risk summary table

Technical Annex

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Version 1.0

Navigation: TA 7.3 – Understanding risks: High level risk summary table

Purpose:

This annex provides a longer summary of the range of risks we have identified and considered while developing our business plan. It demonstrates the diverse range of risks we have considered and scales at the highest level the consequence to customers, the environment and our business.

Table 1 - Relevant Ofwat tests

Ref	Ofwat test	Comment
Primary Focus Areas		
LR1	How well has the company used the best available evidence to objectively assess and prioritise the diverse range of risks and consequences of disruptions to its systems and services, and engaged effectively with customers on its assessment of these risks and consequences?	This table summarises the high-level risks we have identified and considered while developing our business plan and indicates how we assess their impact and likelihood.

The assessment we provide below is an expanded version of Table 1 in section 7.2.5 of Chapter 7: Delivering Resilience in the Round. The identification and assessment of these high-level risks cascades through XeroRisk, enabling further, more granular assessment of the risk environment and informing our Enterprise Risk Management approach.

The Risk Impact in the table is a summary of the inherent risk position – the consequences to customers, communities and the environment should the risk materialise without our planned interventions or outside of direct management control.

The Risk Likelihood scales this impact as a result of our planned interventions. The risks that remain high are typically due to exogenous factors, such as climate change and population growth or the potential actions of third parties, such as risks to physical or cyber security.

We also provide examples of where we have understood and addressed the risks, both within our plan and in other documents, processes and procedures. This is by no means exhaustive as, for example, water shortages is addressed by a wide range of technical annexes, business cases, our Water Resources Management Plan, Drought Plan and the work of Water Resources in the South East (WRSE).

The table shows a series of risks to resilience, and the pillars of resilience they would impact on. For example, our biggest risk to resilience, water shortages, impacts on all five pillars – Financial, Operational, Corporate, Environmental and Systems of Systems.

Topics	Financial	Corporate	Operational	Environmental	Systems of Systems	Risk (Impact)	Risk (Likelihood)	Examples of where we understand and address risks
Affordability	•	•				M	M	Chapter 8 – Helping customers who need our support
Asset failure			•	•	•	M	L	Chapter 11 – Wholesale Water and Chapter 12 – Wholesale Wastewater
Change to abstraction licences			•	•	•	H	H	WRMP and TA.11.WN01 – Supply Demand Balance
Climate change			•	•	•	H	M	WRMP, Drainage Strategy Framework
Compliance Risk Index (CRI)			•		•	H	L	Drinking Water Safety Plan
Customer engagement and expectation				•	•	L	L	Chapter 4 – Customer and Stakeholder Engagement Strategy and Chapter 5 – Future Customer Engagement and Participation Strategy
Cyber attack		•	•			M	L	TA.12.MG02 - M&G Data and Information Technology
Changing demographics		•	•			L	H	TA7.5 – Investing in our People, Water Futures
Development & Housing Growth		•	•		•	L	H	Chapter 12 Wholesale Wastewater, WRMP, TA.11.WN01 – Supply Demand Balance

Topics	Financial	Corporate	Operational	Environmental	Systems of Systems	Risk (Impact)	Risk (Likelihood)	Examples of where we understand and address risks
Efficiency target failure	•	•	•			M	L	Chapter 14 – Cost Efficiency
Changes to environmental thresholds			•	•		M	H	WRMP and TA.12.WW06 – Wastewater Environment Programme
Event Risk Index Failure			•			H	L	Drinking Water Safety Plan
External financial shocks	•	•			•	L	H	Chapter 16 – Risk Return and Financeability
Flooding			•	•	•	H	M	Chapter 12 – Wholesale Wastewater and TA.12.WW07 – Flooding and Pollution Strategies
Habitat change				•		M	M	WRMP
Ineffective use of new markets	•	•	•		•	L	H	Chapter 15 – Direct Procurement for Customers
Leakage target failure			•	•	•	H	L	Chapter 6 – Outcomes, PCs and ODIs
Loss of headroom capacity			•	•	•	L	M	WRMP and Drinking Water Safety Plan
Natural resource planning				•	•	L	L	TA.12.BR01 – Bioresources Treatment and Growth
Not looking beyond boundaries	•	•	•	•	•	M	L	WRSE, Water Resources South East Strategy and

Topics	Financial	Corporate	Operational	Environmental	Systems of Systems	Risk (Impact)	Risk (Likelihood)	Examples of where we understand and address risks
								TA11.5 – Havant Thicket Reservoir
Not looking beyond investments				•	•	M	L	Southern Water Futures
Operator performance			•			L	L	ARM and TA7.2 Ethical business practices and the modern compliance framework
Physical security		•	•		•	M	H	Security and Emergency Measures Directive
Raw water quality			•	•	•	H	L	Drinking Water Safety Plan, WRMP and TA.11.WN02 - Nitrate
Water shortages	•	•	•	•	•	H	M	WRMP, Chapter 11 Wholesale Water, TA11.5 – Havant Thicket Reservoir, TA.11.WN01 – Supply Demand Balance and TA11.3 – Regional Water Grid WRMP, Chapter 11 Wholesale Water.