



TACKLING THE CHALLENGES OF AMP8 AND BEYOND



Mark is passionate about, and driven by, business growth. Following this passion through a 20+ year career in business development, programme design and delivery, transformation and asset management across Infrastructure, Mark has developed a proven track record, with clients and across the water sector, for successful senior client relationships, leadership and excellent value creation. He is focused on understanding clients' needs, helping clients develop their requirements, have developed go-to-market sector and client account strategies, led major bids, authored winning proposals and major funding business cases, all of which have delivered top and bottom line growth.

Whilst Mark spent many of his formative years working in the water sector, he has purposefully taken opportunities to experience growth and project delivery outside of the sector with the intent to learn, build networks and diverse capabilities, with the long term aim of re-joining the water sector to apply cross-sectoral best practice. With experience in Utilities, Highways, Aviation and the Public Sector, Mark is practised in the development of cohesive, integrated and aligned teams and organisations to define and deliver joint business and regulatory objectives and has a proven track record in delivering sustainable business solutions and performance through optimisation, asset management and efficiency. Mark Pye is currently the Director for Strategic Advisory at Aqua Consultants.

Considerations for procuring, delivering and making a step change as we head into the unprecedented waters of AMP8 and beyond

About 10 years ago I purposely left the water industry. I always planned to come back, but not before I'd seen other sectors, other industries, other countries and hopefully learned new ways of doing things. How did other clients operate? How do consultancies and contractors really work? How does an SME differ?

I'm back operating in the water sector again now. And I've come back right in the midst of WRMP's PR24 and AMP8 (and beyond) with a readiness to work. Plenty has changed, but so much has stayed the same. Many initiatives, models and arrangements have come and gone. One thing is constant – change – faster now than ever and bringing more scrutiny, demands and pressure.

How well are we responding to this change in water? We've learned so much, but we aren't yet as good as we could be. We stick to our models; we tweak our approaches, yet it still can feel reactive to our teams. Our hamster wheel seems to keep spinning and it's getting harder to get off it.

Can we keep doing this? Is this good enough to keep pace, or even get ahead of the huge demands on our sector? My hypothesis is no, we need to think differently to be more successful and here's why I think this.

New operating environment - What do companies, customers, the environment and regulators want and need?

The environment our industry is operating in is getting more complex. Pick up a newspaper (if indeed that is where you still get news) and you'll see the sector is becoming a political football again. The old ways, even ones that are agreed and currently legal, are no longer accepted by the public and politicians (think CSO's) and expectations are higher than ever. The list of what customers, regulators and companies want to achieve and what the environment needs is not that different, but the complexity arises because the definitions and scope of these things are changing.



Value for money – the way people consider value has changed. It's not as simple as more for less, or how many outputs can be delivered per pound – value generation now includes resilience, societal value, delivering against climate change and effects, increasing biodiversity and enabling development and growth



Net zero has become more important – people want their services to have minimised environmental impact with the energy used to deliver them being from green sources



Climate change resilience is key for everyone now – Extreme flooding is no longer solely a concern for those living near watercourses. People want resilience as weather becomes even more extreme right across our networks, power supplies must continue to work, roads must continue to flow not flood, properties must be protected and business and growth must be enabled to prosper



Sustainability is at the forefront of everyone's mind – we now need to replenish and improve the environment as we use precious resources, with enhancing biodiversity and rewilding just some of the examples as environmental stewards we are expected to do



Doing more for society is key – more than enabling population growth is required now. We are required to give back, help communities develop, support those less fortunate equitably, support STEM activities and grow the skills we need for the future



Working differently is expected to be the norm. Embracing digital thinking, working across traditional geographies and boundaries are just expected of us now



Confidence is the ultimate need. In delivering all of the above needs, our customers, regulators, investors and politicians need confidence in our delivery. Outcomes are expected on time, costs are expected to be met and not exceeded. Our strategies, the way we work and the way we act all have to align to give this confidence. And if we can't demonstrate this all through great plans that deliver performance, this confidence is quickly eroded

Expectations on our industry are sky high and they are hard to meet. Our old approaches won't meet those expectations because that's not what we set them up for. So we need to think differently if we are to succeed – and success is in the eyes of our stakeholders who are our ultimate judges.

Why won't the current / recent approaches cut it?

Just doing more of the same will not change the outcomes we deliver. We know this, but its so hard to stop because we're so busy.



We need to think and act as a system

Asset by asset thinking has to stop – assets are not islands and we too often treat them as though they are. You've heard it said – we must have this level of performance from this asset; we need to replace these components like for like to maintain serviceability. However, this kind of thinking is too often inefficient and takes funds away from the wider systemic needs of the whole. A few weeks ago, an industry colleague told me of a plan to add resilience to a company's works. The team had designed a new process stream to bolt on to the local works, costing several millions. Under challenge, and with lateral thinking brought in from outside, a different way to solve the problem was generated after creating and running many different scenarios. That new solution looked at the whole zone not just the local work. It concluded that with some simple cross-connections and other cheap upgrades across the whole

zone (and not near to the original local works) resilience and capacity could be achieved for considerably less cost (a '0' less!). Chalk that up as a win for thinking as a system and not jumping to the first, obvious, time-served solutions.

We do the same with programmes – we still treat them as component projects that add up to a programme, which is backwards, bottom up and needs to be driven top down and risk managed across, not down. Risk allowance of, say 10%, on every project we deliver adds up really quickly and also gets mopped/used up just as quickly, with limited control and true alignment to risk vs overspends. Does your governance enable this, or like others, do your people dive in to engineering a solution before considering programmatic impacts? If it's more the latter, you are certainly not alone but what you're seeing is a red flag that the

regulation department, strategy and planning departments, delivery teams, supply chain and operations are not fully joined up and pointed towards outcomes.

Embracing the new environment means embracing change

As an industry, we've been typically scared of new approaches - take DPC. Companies were nervous, particularly around two things – outside investment in their assets and having someone else operate their assets putting service at risk. By recognising others' skillsets and capabilities, remembering we all know about SLA's and step-in rights and how these can be contractually achieved, and by having great, lead performance data these are all eminently manageable. It's change. And we like stability as humans. But change is here, forced upon us if we don't accept it, so best to lead it, develop

it, as its only going to come thicker and faster.

Yet on the flip side, we are often overly optimistic – take stakeholder/customer management – this is always harder, takes longer and costs more than we think. That's not often because our data is wrong, more that we don't have the right data or don't align our thinking to it.

Industry hasn't built new reservoirs, lengthy aqueducts and changed the way we operate CSO's for decades. Do we really have the capability to

overcome these challenges with our current thinking, using our current ideas of make/buy/outsource delivery/ our current designers and contractors? And thinking about SRO's (at last!) we now have to work across boundaries and geographies, which we've never really done before, so our contract models aren't set up for this, let alone our delivery / operating models which we frequently struggle to get right inside our own tent and now need to work in multiple tents.



There are some real positives for us to lean on

Let's take a couple of great examples – UU's innovation labs invite the whole supply chain to tackle problems. This gives smaller and different companies and groups the opportunity to break into the relatively closed shop (need big PI, huge resource pools, direct experience etc etc) with commercial models that can suit them. And it's driven some great successes, showing how the whole supply chain, not just the usual suspects have significant contributions to make. NWL's innovation festival show the power of the collective. Coming together in

sprint style events, widening thinking and asking 'how can we' or 'what if' has again driven some amazing results (and is a great few days away from BAU).

As has the Ofwat innovation fund – we've all enjoyed coming together with different groups, new suppliers, working across boundaries, developing really new and exciting ideas. Again, processes operating outside our BAU but not then becoming BAU. [That noise you can hear is my inner screaming – why is all this operating outside BAU? Why are we

having nice days out to think differently with different groups?] How can we apply this success and ways of achieving together to what we do – not just to technological innovations but to how we deliver service, now and always, by planning longer term and thinking across not just down? How do we build collective thinking, collective ownership, the power of different thinking and experience, diversity, real cross-sector learning and different operating regimes into what we do now?



Using the whole supply chain and thinking differently about what that means

The above positives have proven that the whole supply chain has a part to play. We need to crack the models that enable this. But first, what is the whole supply? There is of course a place for the traditional supply chain – contractors, consultants, designers. We also need, as innovation labs, festivals and funds have proven, SME's bringing different thinking, agility, and pace. Sadly, the terms we have offered to SME's in the past have been prohibitive – high market entry costs, hard to afford PI and bid costs. These approaches have pushed SME's to become sub-contractors where they can often be lost. Could our models give SME's a seat at the table – to let their thinking, fleet of foot nature and innovative approaches shine?

There are specific programme development organisations, new technology providers and data aggregators (detail is good at the right time, but often the micro view inhibits

the macro view we need to manage). These types of organisations are excited and keen to join our industry. But they don't always have 'water' experience so procurement approaches can prevent them joining us.

Let's keep going. Our industry needs funds. Our customers can't afford significant bill increases and the government won't fund what is needed through taxation. So, how can we be attractive to new types of investment, where investors get sensible returns for performing? To do this, we need lawyers and procurement specialists. We need to understand industries (like investment) more than we have ever needed to before. We need to find ways of creating these new relationships and manage them in a fair but still mutually beneficial way. To do that, we need to think differently, and we need to get help from places we haven't traditionally.

And finally, do we need to manage every asset (system) ourselves in the future? Let's consider renewable energy – we know we need different, green, and sustainable sources of power to deliver our services to customers. But these types of assets are not our traditional core, so are we the right people to create and manage them? Or can experience from the energy sector or from different geographies bring their experience to the fore for us?

We're in a new world. It needs different things from us and therefore we need to think differently, not only about what we do but how we go about making it happen. We know inclusion and diversity work, so let's find a model that can make that attractive to all in our sector.

What models should you use?

I think we can all agree that our thinking needs to move left. I'm hearing more about ECI (early contractor involvement) in AMP8 planning and I commend this but I think we can go further. If we're bringing in contractors early, let's be honest, we've already decided we need to design and build something. And probably a 'spot solution' at a particular asset or site. This isn't left enough. Thinking back to using the whole supply chain, moving left means using the right partners, be they SME's, contractors, strategic planners, modellers, legal support and engineers, in our long term planning, getting their support in how we intervene in our asset base to deliver and enhance service for the long term and then working together to create the programmes that can deliver this need for our customers and the environment. And then, creating the projects or interventions, we need to make those programmes work. Do our current models of engaging the supply chain really make this effective? Is our approach to procurement and the operating models we're tweaking going to work, especially as we begin to connect up more regional and cross the traditional boundaries of companies?

There is a model out there that can enable all of this. And it's likely to be different for different circumstances and at different times. One size will not fit all. And force-fitting won't work either – that is exactly what we're doing if we try to solve today's and tomorrow's issues with yesterday's models. So, let's move on from that. Also, projects, programmes and lots of what we do is timebound. Therefore, models can be created, built and disbanded. I get the long-trodden path of long-term relationship, building partnerships and really getting to know each other as that's the only way we think we'll improve. This is actually counter-factual. Have you ever had one of those arguments with your significant other where they're not hearing what you say but they'll act on exactly the same thing from someone new?) – and there will always be a placed for that

in many cases, but equally vehicles to deliver specific elements are required. The Olympics: 2012 can in many ways be deemed a success but the enterprise built for it is long gone and not retained for Tokyo, Paris etc. These are inherently similar 'jobs' (that feels a little understated calling it a 'job' but you know what I mean) but so much needs to move on, things need to be different, the operating environment has changed and therefore the team needs to change.

So there are lots of models that you can use. Embrace them, consider different ones and don't just leap to what you've used before with a tweak to control costs better, with different procurement events to be sure that they are "your kind of people and get your mission". They do already, its why they're investing time and money into the process; they just need fair incentives and mechanisms that enable them to bring their best every day without it being a battle. Seek advice, collaborate on what the right model is for you and your supply chain; developing it together will make it mutually beneficial and set it up for success.



Long term frameworks for more run of the mill activities where your suppliers are incentivized on run rates can still work for the right things



DPC might be just what you need for a big investment, but it also has many ideas you can use for investment from outside, bringing in new thinking and ways of working that can be just as applicable to much smaller projects



Creating alliances where everyone needs to work together can be great for tackling complex problems, but only if you make the incentivization work fairly and engage the right, diverse skills early. This is what the water resources groups are pioneering and feels like the only way to tackle some of the upcoming SRO's



Finding ways to give smaller companies, SME's in old money, opportunities but limiting the entry/bid costs and giving them equal status to be heard / play part in programme boards and leaderships might be really helpful



A cohort of strategic partners, bringing the diversity of skills needed for longer term planning and solutions development will work if we are all prepared to take a step or two left

What's my takeaway?

Whatever model for procuring your need to choose, three key things remain:

1

Truly understand your need (and the further left you take that need, the better it will be understood and the broader the suite of solutions/options there will be).

2

We need to enable left shift thinking by building the operating model that works for you and your partners (be they lawyers, contractors, other water companies, consultants, or tech start-ups) and sets you all up for success fairly.

3

Embrace digital thinking and data – we all say that we are digital by default, but flash back to the example of the company adding a process stream and then using thousands of scenarios to come up with a much better plan. This is digital thinking; this is truly using data to best effect, and it will enable a massive left shift in the way we work and deliver.

Complexity is compounded now we're thinking of solutions that cross boundaries and connect regions – now we have more 'masters' than ever, more beneficiaries to solutions that ever and geography, funding regimes and different operation and governance practices in multiple companies to navigate. There's no point in trying to do this if you're not ready, haven't got the tools, systems, processes, capability and capacity you need – it won't work, and then everyone will blame the model. But models aren't sentient, they don't make decisions or choose – we do – we the water industry. So, let's choose change, let's choose to disrupt now before we are disrupted, let's choose putting our industry back at the forefront of all industries and let's choose to do it right, do it carefully and let's choose to give our customers, our environment and our regulators something to be proud of again.

About Aqua Consultants

Aqua Consultants has operated for over 15 years and now has over 100 highly regarded staff throughout the UK. Furthermore, as an Adler & Allan group company we offer reach-back to a wider organisation of over 1,000 UK-based specialists. We provide a wide range of Asset Management, Environmental, Strategic, Engineering, Project and Commercial services to clients across the water, energy and environment sectors. Our vision is 'Growth through shared capability' which relates to the growth of our people, our business, our clients and our partners by sharing our expertise and learning from theirs. Our mission is to deliver sustainable value for future generations.





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