

TOTEX – Upstream Investment = Downstream Saving



Jacopa MD Alex Lloyd

In a well-received speech at the recent Pump Centre Conference in Telford, Jacopa's Managing Director, Alex Lloyd, looked at the implications of Ofwat's TOTEX approach from a supplier's perspective. The compelling presentation, 'Upstream Investment Equals Downstream Saving', saw Alex argue that TOTEX represents a positive opportunity for water companies to work with suppliers to deliver the outcome-focused delivery required by the industry.

Supplier outputs feed into the outcome process, and the new emphasis requires suppliers to think about their position in the industry somewhat differently. The TOTEX approach requires an understanding of how decisions are now made on investment, not just in terms of a particular set of parameters, but in achieving a much wider set of customer-focused deliverables.

As a result, there is flexibility to move from the traditional 20-year whole life cost, output-focused investment approach to a shorter-term, five-year horizon that addresses the levels of service customers believe are important, and which figure prominently in Ofwat's thinking.

Short-term horizon

TOTEX is a mechanism that allows water companies to establish a case for this short-term investment. This might mean shifting the focus from long-term CAPEX to OPEX or short-term CAPEX that more closely meets the required outcomes.

The approach focuses on the system as a whole, which involves assessing many factors that affect TOTEX cost, in addition to the usual amortised capital costs such as indirect costs of maintenance, efficiency and by-product production, as well as building larger risk and compliance issues into the equation. It also means querying whether an OPEX solution might be better than a CAPEX solution in a given situation. It should also involve determining whether bringing innovation to bear could reduce the amount of

equipment installed, because more equipment inevitably means more operational expense and more maintenance.

Outcomes

Good suppliers are naturally driven by delivering reliable equipment and providing a responsive, customer-focused service, but this now feeds into the bigger picture of outcomes. Using the example of grit plant to illustrate his TOTEX perspective, Alex explained that such assets might be less well maintained than other equipment, and as with pumps it is not always obvious that the grit plant is performing properly the consequence of under-performance is usually not immediately evident.

However, when problems arise, they can have a profound effect on the entire works' processes and equipment. Even fine particles can affect expensive equipment such as pumps, causing them to fail or become damaged and grit can also erode pipes and reduce pump efficiency. It collects at critical points, from where it must then be removed, generating a further expense. Treatment efficiency can be reduced, processes are affected, and operating risk increases.



Jacopa-jeta grit removal plant

Holistic view

A TOTEX approach involves looking at the system holistically rather than, as in this instance, looking at the grit plant and seeing a saving in not maintaining, refurbishing, or replacing it, and instead understanding that this approach can have a significant negative effect on the entire treatment works.

Suppliers are a part of the solution in terms of delivering a water company's outcomes and optimising TOTEX. Equally, end users and designers need to help suppliers to understand what is required from them in the outcome/TOTEX context. These aims can in part be achieved by leveraging the suppliers' expertise in understanding how their equipment influences the whole treatment system upstream and downstream and in turn the achievement of outcomes.

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