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Mr Paul Butler
Chief Executive
South East Water
Rocfort Road
Snodland
Kent ME6 5AH

19 June 2018

Dear Paul,

Water is an essential service and customers have a right to expect their water company to be well prepared to protect them from the impact of bad weather. The thaw that followed the 'Beast from the East' period of cold weather in late February and early March 2018 caused supply interruptions to over 200,000 customers across England and Wales. Some interruptions lasted several days, impacting households, businesses and essential public services, like hospitals and schools.

As a sector we must understand why this happened; why some companies have performed better than others and, crucially, that we take steps to ensure that there is a significant and sustained improvement in performance by the companies who did not perform well and a step up in the ability of the industry as a whole to protect customers from the impact of bad weather. Importantly, companies should take ownership of and responsibility for this process and ensure that lessons are learned so that their customers are better served in the future.

Our overall analysis of South East Water's performance based on information received so far is that it did not meet its customers' expectations. While it is clear that the company and its staff made significant efforts to try and manage the incident as it unfolded, the scale of the impact on South East Water's customers was significant. This letter sets out our assessment for South East Water based on information received so far and should be read alongside our sector wide report 'Out in the cold' that is also published today.

South East Water must take significant steps to make sure it is ready to serve its customers better the next time there is bad weather. The company must address the issues and areas of concern identified in our review, in this letter and in South East Water's internal review. In doing this South East Water must publish an externally assured action plan by 28 September 2018 setting out how it is addressing the

issues identified. We expect the company's Board to be informed of and to support these plans, and for the Chair and Executive to sign off on the plan. In developing these plans, we encourage South East Water to engage with stakeholders and South East Water's Customer Challenge Group. We will consider carefully what further action is appropriate if we are not satisfied with South East Water's response.

Planning and preparation

- **Severe weather planning appears to be well embedded within the company. However, South East Water acknowledges that its plans were not sufficiently robust to enable it to deal with the situation that the company was actually confronted** with as a result of a more rapid thaw than originally predicted, which resulted in a sharp increase in demand - mainly due to customer-side bursts. Although South East Water responded rapidly to try to minimise the impact on customers and ensure that all leaks were repaired rapidly, **the company's production of water from treatment assets and strategic storage at service reservoirs was not resilient enough to cope with the demands placed on them during the incident.** This led to extensive supply issues across the region and a number of service reservoirs being dewatered.
- We understand that the company attempted to increase storage levels and bring offline service reservoirs back into service ahead of the incident, but it would appear that in a number of instances, this return was delayed due to the cold weather. It is not clear from the evidence provided, however, what the actual cause of these delays was and why the company was unable to address it.
- **The dewatering of numerous service reservoirs is a major concern** and South East Water needs to review the resilience of its systems to understand why the company was unable to sustain service reservoir levels once the company became aware of the risk of dewatering; or to isolate problems to maintain water integrity or to refill those reservoirs immediately.
- **It is vital that South East Water stress tests its emergency plans to ensure resilience** and consider whether they are sufficiently robust to enable the company to identify and assess all potential risks (including the resilience of production and storage assets) and to take account of lessons learned from the recent incident.

Incident response

- Once South East Water became aware of the full scale of the incident it was facing and emergency plans were implemented, it would appear that **management of those plans worked well, with clear reporting lines and escalation to, and involvement from, senior executives and the Board.**

- **Nevertheless, a significant number of customers (3% of South East Water's total customer base) experienced loss of supply** – with over 2,500 customers having no water for more than 48 hours.
- **The company was also proactive in attempting to manage the increase in demand it experienced** on 3 March and on the following days and recover storage levels by finding and fixing leaks as rapidly as possible.
- We are encouraged that the leakage system helped South East Water to provide the company with updates by area every two hours. However, the company noted that its ability to identify the source of leaks on customers' properties was impacted by the fact that data on customers' typical consumption volumes is limited by the frequency of meter reads. It is also unclear from the evidence provided by the company whether greater use of telemetry would have enabled the company to identify and mitigate the risks of service reservoir dewatering. This is an area that the company could consider.
- **In addition to the problems with network supplies, South East Water also experienced difficulties with the provision of alternative water supplies.** Although the company has a contract with a provider to supply bottled water and supplies were mobilised as consumers lost water, these proved to be inadequate for the size of the incident that South East Water was faced with. The company's ability to source additional supplies was impacted by the high demand for bottled water from neighbouring companies and the fact that it was unable to call on these companies as part of its mutual aid arrangements.
- **We note some water quality issues were reported to the DWI.**

Stakeholder communication

- **It would appear that South East Water's communication strategy worked relatively well and the company was proactive in its efforts to communicate with customers and other stakeholders before, during and after the incident.** It is also evident that early and ongoing engagement and collaboration with Local Resilience Forums, local councils and voluntary organisations, formed an essential part of the company's planning for, and response to, the incident. It also enabled the sharing of information as the incident developed and in the identification and provision of assistance to customers in a vulnerable situation.

Customer communication

- Whilst there are still areas for improvement, on the whole, the evidence we have seen and the feedback we have obtained indicates **the company tried hard to keep its customers advised, informed and updated.**
- **We recognise that the company used a range of different channels to reach customers,** including communications through traditional media, social media, leaflets and the website both before and during the incident. The extent to which

this was received by customers must be evaluated, however, as we received a number of customer stories that indicated an overreliance on social media.

- Nevertheless, we are encouraged by the fact that the company has already commissioned an independent review of its media and social media communications and is proposing to use this, customer research and the direct feedback the company has received, to identify areas for further improvement.
- We recognise that the company made efforts to contact retailers to alert them to developments and encourage them to contact businesses ahead of the incident but as South East Water also acknowledges, it needs to do more in this area and **needs to consider ways it can improve its proactive communication with retailers and business customers.**
- **It is evident that the company is making efforts to engage with different stakeholders and we note, in particular, the creation of a dedicated Environment Team to enable targeted engagement with farmers and livestock owners.** This appears to have been a successful initiative and we welcome the fact that the company is proposing to develop this initiative further as part of its planning to ensure its resilience to interruptions to supply.

Vulnerable customers

- **It is encouraging that South East Water was taking positive steps to identify customers who might need additional support prior to the incident by promoting the company's Priority Service Register** (using a press release, the company's website as well as community groups) and that, as a result, the company had managed to increase the number of customers on the register.
- We also note that the company was active in liaising with Local Resilience Forums, councils, local health services and charities throughout the incident to identify and provide assistance to customers who might need additional support and after the incident, the company was proactive in checking that customers were back on supply.

Compensation

- **South East Water appears to have been proactive in quickly identifying impacted customers (both residential and business) and making compensation payments which were in excess of the statutory General Standards Scheme (GSS) compensation levels.** This reflected the scale of the impact on customers as a result of supply interruptions.
- We understand that the company has also considered claims for additional losses and has offered ex-gratia payments, and an educational package, to a number of schools which had been impacted by the incident. South East Water should ensure that it is straightforward for customers to access compensation that they are entitled to.

South East Water must take ownership of the issues identified to ensure that customers' are better protected the next time there is bad weather.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J Russell', written in a cursive style.

John Russell
Senior Director, Strategy and Planning