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Mr Ian McAuley
Chief Executive
Southern Water
Southern House
Yeoman Road
Worthing
West Sussex
BN13 3NX

19 June 2018

Dear Ian,

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 Southern Water's performance on the basis of 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 Southern Water's customers was significant. This letter sets out our assessment and recommendations for Southern Water on the basis of information received so far and should be read alongside our sector wide report 'Out in the cold' that is also published today.

Southern 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 Southern

Water's internal review. In doing this Southern 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 Southern Water to engage with stakeholders and Southern Water's Customer Challenge Group. We will consider carefully what further action is appropriate if we are not satisfied with Southern Water's response.

Planning and preparation

- **While Southern Water had activated its cold weather continuity plans to prepare for heavy snowfall, it failed to anticipate and prepare for the scale of the impact of the subsequent thaw on its network** and did not take adequate steps to increase production of water to ensure that strategic reservoir levels were able to deal with the 20% increase in demand it experienced.
- **Southern Water's emergency response and planning should have been more flexible to mitigate the impact of the event on customers.** In this incident, the company's ability to respond was impacted by the timing of planned maintenance and refurbishment of a number of key assets. These had been scheduled to coincide with periods when demand is typically low, but the fact that the company was not able to suspend these works (as a number of other companies did) or put other contingencies in place meant that the company experienced supply outages in some areas that could, potentially, have been avoided.
- **The operational challenges faced by the company were further exacerbated by a loss of supply from a number of water treatment works caused by power outages in the Thanet and Medway areas.** Although outside of the company's control and difficult to anticipate, as Southern Water acknowledges, the time taken by the company to restore water production (with two people having to visit each site to restart and restore production) further delayed efforts to restore supply demand balances. The company should review its existing policy on restoring supplies and also consider how to ensure that assets that could become inaccessible due to adverse weather can be better monitored and operated.
- **Southern Water recognises that its performance was impacted by limited interconnectivity between its different supply systems.** It is essential that these challenges are managed effectively to minimise the likely impact of any future incident on customers. Southern Water should improve its ability to monitor network performance and to move water around the network to areas of greatest need.
- **While the company had been in the process of implementing new incident management procedures when the incident occurred, these had not been rolled out across the company and not all employees had received training.** This is an issue that the company needs to address promptly, Southern Water needs to review its existing emergency procedures and consider whether the scale of the

incident and customer impact warranted earlier escalation to the highest level to allow resources to be mobilised faster.

Incident response

- **As Southern Water did not anticipate and prepare for the scale of the impact of the thaw on its network, it had insufficient stocks of water to cope with increased demand.** The result was that many customers experienced supply restrictions, a service reservoir ran empty and part of the Isle of Wight came close to losing supply.
- Southern Water's response to the incident was reactive rather than proactive. The company's incident management plan went into operation on 3 March as the severity of the incident became apparent, with a major incident being declared at 17.00 on that day. Southern Water did not appear to heed the changes in weather warning status between 1 March and 2 March, at which point they could have enacted their plans, thereby potentially reducing the impact on supply to their customers.
- After the plan went into operation, governance processes meant that the Executive was well sighted on issues and engaged with area managers. However, the company's response to the scale of the incident fell short.
- **Southern Water experienced difficulties with the provision of alternative water supplies.** Although supplies of bottled water were mobilised as consumers lost water, these proved to be inadequate for the size of the event that Southern Water was faced with. The company also had difficulties in sourcing additional supplies because of the high demand for bottled water from neighbouring companies. Southern Water did eventually manage to source additional supplies, but this meant a delay in the company's ability to meet the needs of customers who were without a supply.

Stakeholder communication

- **Communication and engagement with Local Resilience Forums, local authorities and other agencies was, as the company acknowledges, "patchy" and reactive rather than proactive.** Effective communication with local stakeholders would have enabled the sharing of information as the incident developed and in the identification and provision of assistance to customers in a vulnerable situation at an earlier stage. Communications improved as the incident developed, but stakeholders have told us that communication before the event was limited and that it took some time for the company to fully understand and respond to the scale of the incident it was confronted with.

Customer communication

- **Our analysis suggests that Southern Water engaged well with traditional media in getting information out about the incident.** Whilst the company had a strong performance on Twitter, the use of other social media was less successful. We also note that although the company issued a number of mass emails and texts to customers, these happened only after the incident had begun. The company need to consider what it can do ahead of incidents to provide customers with advice on how to reduce the risk of burst pipes.
- **Many customers were not able to speak to Southern Water about the problems they were experiencing.** On Sunday 4 March almost two thirds of customers who had called the company did not get to speak to someone.
- **Communication with business customers was also reactive rather than proactive and because the incident took place over the weekend, Southern Water acknowledge that contact with businesses was difficult.** This meant that a number of leaks at business premises were not identified and repaired until Monday 5 March. We understand that Southern Water is already aware that it needs to do more in this area (e.g. through having better access to out-of-hours contact information for business customers). It also needs to improve its proactive communication to retailers and business customers to avoid problems occurring in the first place or to better minimise their impact through earlier engagement.

Vulnerable customers

- **Southern Water acknowledges that it had difficulties in identifying and communicating with customers in vulnerable circumstances** and that its Priority Service Register did not adequately capture customers who might need support.
- The lack of a proactive approach to identifying and delivering alternative supplies of water to customers in vulnerable circumstances resulted in other services filling the gaps by providing help that should have been led by Southern Water.

Compensation

- **Southern Water made a number of compensation payments to customers affected by the incident, all of which were in excess of the standard GSS compensation levels and, on the whole, was proactive in identifying impacted customers quickly.** The company also made an additional payment to a number of schools which had been impacted by the incident.
- Southern Water should ensure that it is straightforward for customers to access compensation that they are eligible for.

Southern 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