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Mr Steve Robertson
Chief Executive Officer
Thames Water
Clearwater Court
Vastern Road
Reading
Berkshire
RG1 8DB

19 June 2018

Dear Steve,

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 assessments of Thames Water's performance during this incident based on information received so far is that it fell well short of customers' expectations. While it is clear that the company and its staff worked very hard to try and manage the incident as it unfolded, the scale of the impact on Thames Water's customers was significant and there was poor performance in several areas. This letter sets out our assessment and recommendations for Thames Water based on information received so far and should be read alongside our sector wide report 'out in the cold', which has also been published today.

Thames 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 Thames

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

Planning and preparation

Our analysis of Thames Water's planning and preparation indicates that the company's:

- **Weather modelling system did not take into account a range of weather events.** Thames Water's system significantly under-predicted the impact of the cold weather and subsequent thaw on the network, affecting Thames Water's ability to effectively prepare for and respond to the freeze and thaw incident.
- **Emergency response and planning was not flexible enough to mitigate the impact of the event on customers.** Thames Water's response indicates that the impact of the rapid thaw on parts of Thames Water's network, particularly in areas of South London, was severe. The initial underestimation of the impact meant that event and emergency plans were not as well-resourced as they could have been. Regardless, Thames Water's emergency response and planning should have been sufficiently flexible to mitigate the impact of the event on customers.
- **Escalation of the incident was too late.** Thames Water's executive was informed of the progress of the weather forecasts and incident management throughout, however despite the scale of the incident, the incident was only escalated to the highest level on 3 March 2018. The scale of the incident and customer impact warranted earlier escalation to the highest level to allow resources to be mobilised faster.
- Plans should have considered that the timing of the weather event would have an impact on the company's ability to increase ground and staff resource quickly at the weekend.
- **Communication with business customers and retailers was delayed and was not proactive.** Our meetings with retailers suggested that Thames Water did not contact them in advance for out-of-hours details for business customers.

Incident response

Thames Water's incident response:

- **Did not cope with the severity of the freeze and the rapidity of the thaw.** 2.2% of all of the company's customers were affected by supply interruptions.

- **Was reactive rather than proactive.** Thames Water's incident management plan was escalated to the highest level on 3 March 2018, when a significant number of customers had already begun to experience supply interruptions. This indicates that Thames Water's response was out of step with evidence of best practice that was demonstrated by some other companies.
- **Thames Water did not appear to have had a complete view of the numbers of customers experiencing supply interruptions or low pressure in its system.** This indicates that detailed real time data on issues within their networks is lacking. However, Thames Water appear to have made concerted efforts to increase water production and to defend its strategic storage position. We note that Thames Water was able to rapidly increase production in response to the increase in demand by approximately 400 megalitres during the incident period – this is about 15% of their total distribution input.
- Nevertheless, the company did have issues, including that of a service reservoir draining, leading to prolonged supply interruptions for some customers.
- **Did not plan bottled water distribution sites well.** This meant that alternative water delivery to customers was managed very poorly. Thames Water experienced issues with the storage and distribution of bottled water, and the demand for bottled water exceeded the contracted volume available to Thames Water. The late engagement of alternative supply partners also caused knock on effects, including issues with logistics, mobilisation, storage and distribution of water supplies across Thames Water's network.

Stakeholder communication

Our analysis indicated that:

- **Communication and coordination with stakeholders before and during the incident was poor.** Effective communication with stakeholders such as local councils is key to planning and coordinating an incident response at a local level.
- **Lambeth Council had significant concerns with Thames Water's stakeholder communication** and reported a lack of communication with councillors and officers. Some councillors stated that they were informed of the incident late when the incident was already happening, and others noted a lack of engagement around bottled water distribution points.
- **Thames Water did not engage proactively with the London Resilience Partnership in advance of and during the freeze thaw period.** Our meetings with the Greater London Authority particularly highlighted this issue. We were told that the London Resilience Partnership initiated contact with Thames Water when it became aware of supply issues, which raises real concerns about the triggers Thames Water has in place to escalate issues and keep key stakeholders informed.

Customer communication

Our analysis of the company's communication with customers indicated that Thames Water:

- **Had infrequent and inconsistent communication with customers.** In many cases Thames Water provided out of date or inaccurate information to customers on when supply was due to return. Some customer were told they were back on supply even though they were not.
- **Call centres could not cope with the volume of calls they received** meaning many customers had no way of getting hold of information.
- **Over relied on social media posts**, particularly Twitter, to update customers which offers limited opportunity to communicate with a broad range of customers. There was a very small proportion of direct customer contact by Thames Water through responses to social media posts.

Vulnerable customers

There were a number of issues with Thames Water's support for customers in vulnerable circumstances:

- **Thames Water has acknowledged serious gaps in its Priority Services Register meaning that it was not able to identify and assist customers in vulnerable circumstances.** Thames Water did make some proactive attempts to assist customers despite these gaps by increasing the size of the contact team from 15 to 45, and proactively working with Age UK to check on vulnerable customers by phone.
- **The poor planning of alternative water supplies to customers resulted in other services such as local councils and volunteers 'filling the gap'** and providing support and bottled water to customers in vulnerable circumstances that should have been provided by Thames Water.

Compensation

The main findings of our analysis on compensation payments relating to the incident are:

- **Thames Water has offered enhanced payments of £50-£150 to customers impacted by the incident that reflects the disruption caused to customers' lives by the prolonged disruption.** Thames Water also made payments of £2500 to affected schools with an offer of educational talks alongside. The majority of the payments were automatic and the method of payment (by cheque) was agreed with the Customer Challenge Group.

- **Despite this, it is not clear whether Thames Water has accurately identified all impacted customers.** Some customers reported receiving payments they did not need while others had not received a payment.
- **Thames Water should ensure that communication to customers about the amount that they are entitled to and the ways to claim if they haven't received their automatic payment, are clear and easy to understand.**

Thames 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 'John Russell', written in a cursive style.

John Russell
Senior Director, Strategy and Planning