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Dear Paul

‘Out in the Cold’ review and next steps

In addition to publishing our [‘Out in the Cold’ review](#) of companies’ performance after the ‘Beast from the East’ earlier this year, we wrote to each company, including South East Water, highlighting specific concerns and issues we identified from our analysis.

In this [letter](#), we said that South East Water needed to “take significant steps to make sure it is ready to service its customers better the next time there is bad weather”. We asked South East Water to publish an externally assured action plan setting out how it is addressing, ahead of the winter, the issues identified in our review, the company specific letter and its own internal reviews.

We would like to thank you for your [action plan](#) published on 28 September 2018. We acknowledge the level of effort that South East Water has put into its response, and the steps it has already taken, and plans to take, to become more resilient in the face of future challenges.

This letter sets out our expectations and areas of concern that we have identified when reviewing South East Water’s response. We thank the Consumer Council for Water (CCWater) for their involvement throughout this process and have incorporated their comments into this letter.

This letter is without prejudice to and does not pre-judge any analysis or decisions to be made during the price review including, but not limited to, any additional expenditure that may be allowed in the next price review period for initiatives identified in response to the freeze and thaw review. The PR19 team are assessing

the robustness of all companies' business plans and will provide their determinations in 2019, in line with our published methodology.

Your responsibilities

Customers expect water companies to prepare for, and manage weather incidents to ensure that they experience minimal interruptions to their service. It is for companies to ensure that they are sufficiently prepared to manage severe weather incidents and to make sure their customers are protected. Companies must assure themselves that they can meet their obligations, including under the Security and Emergency Measures Direction (SEMD) and Section 37 of the Water Industry Act 1991.

We note that the Board and Executive of South East Water have approved this plan and that they are fully accountable for its delivery. The company had external assurance on its action plan and now must ensure it is ready and able to respond to any severe weather experienced this winter and beyond.

Our feedback

We have carried out a review of the information that South East Water submitted and we note that the company has taken some positive steps as a result of our review. However, we identified some areas where we expect South East Water to make further progress to ensure that its customers are protected and supported. To that end, we met with the company to provide our feedback on the areas we expect to see progress made, which are set out in this letter. South East Water now needs to ensure that it has taken all reasonable steps to ensure that it is ready for this winter.

Some of the improvements that South East Water and the sector will have to make to secure greater protection for the long term will take time. We accept this, but must make clear that companies must still take the necessary steps to ensure that their customers are protected and receive a resilient service right now, in line with their duties in delivering an essential public service.

We strongly encourage the company to ensure that where it has identified actions that practically it will not deliver by this winter, appropriate contingency measures are put in place to cope with events that could potentially disrupt its ability to supply essential services.

Further comments from our analysis are provided in the appendix to this letter.

Next steps

Winter is almost here and we expect South East Water to deliver the actions it has committed to, taking on board these comments and recommendations, and ensure that its customers are better protected.

Companies need to continue to learn lessons and review their progress in delivering these action plans. The feedback from this letter should help inform this continued learning and effort to improve, which we have seen from the sector more widely.

We encourage the company to keep seeking out and adopting best practice from inside and outside of the sector to make sure it delivers for its customers and meet its statutory obligations. In doing this, South East Water should continue to actively participate in the work that Water UK is coordinating to address sector-wide issues. We will be monitoring the progress of this work through the quarterly and annual updates that Water UK's Operations Strategy Group will be producing.

We have agreed with Defra, which oversee the Security and Emergency Measures Direction (SEMD), that issues identified in the freeze and thaw reviews should be considered as part of the forthcoming SEMD certification process this winter. This annual assessment process considers companies' ability to maintain essential water supply and wastewater services at all times.

We have intervened to hold companies to account and to make clear what we expect of them in response to severe weather. It is now for South East Water to make sure that it is ready for the coming winter and beyond. We will be closely watching the company's performance to ensure that its customers are protected. If there is evidence of the company failing its obligations to customers, we will take further action to address this.

Yours sincerely



Rachel Fletcher
Chief Executive

Appendix – comments from our analysis

Planning and preparation

South East Water has made clear how the lessons learned have been themed into strategic goals with action points. We note that many of the action points identified are scheduled for completion this winter.

In completing this work, we expect South East Water to ensure that its emergency response and planning is robust and flexible, and that it has considered and tested for different potential scenarios and events of different severities. We expect the company to have used the learning of the freeze and thaw incident, as well as the recent summer heatwave, to inform its processes so that it is continually improving.

We noted concerns in our review and letter to South East Water in June that the company must improve its ability to forecast impacts on the network. This is important because it will enable the company to begin to mitigate issues earlier and mobilise resources in time to ensure customers are not affected for longer than is necessary. Limited actions have been proposed to address this. We expect the company to ensure that it has improved its ability to identify risks early and put in place appropriate measures to protect its customers.

Incident response

We note that South East Water will be carrying out a major event simulation exercise to test its plan. This will test the robustness of its planning and processes, and should give customers and stakeholders confidence that the company's plan is deliverable. We encourage the company to continue to undertake practice exercises to test its plans and ensure that they work on the ground. It is particularly important to carry out these exercises with relevant stakeholders who will be involved in supporting the company's response.

We also set out in our June letter that the provision of alternative supplies and the location of bottled water sites were key concerns. To that end, we note that the company has increased its own supply of bottled water and the volume held by a third-party supplier. South East Water is also looking to improve its processes of delivering alternative supplies directly to customers, particularly those in vulnerable circumstances.

We note that the timescales for some of these actions are not before the 18/19 winter period and strongly encourage the company to ensure that it has taken all necessary actions to ensure it is able to provide alternative supplies to customers who need it. It is for companies to ensure that they can meet customers' needs and

fulfil their statutory obligations using their own resources or those of third parties. This includes considering how to directly deliver alternative supplies to those who need them.

All companies must ensure they have adequate plans in place to cope in situations where supply interruption persists on a wider scale, a key learning that came from our 'Out in the Cold' review. We encourage South East Water to continue to engage with the Water UK work to improve the national coordination of alternative supplies.

Customer communication

We note South East Water's efforts to increase its ability to deal with calls from customers after this was highlighted as a key concern in our previous letter. It is vital that the company undertakes practice exercises, working closely with wider stakeholders, to ensure that its procedures and response are robust, effective and work on the ground. This includes ensuring that they can meet the resourcing demand for call centres.

As we set out in our letter in June, South East Water must ensure that it effectively uses multiple channels proactively, with targeted messaging, to reach different customer groups. We note that South East Water is looking to use data mapping tools and is developing geographically based communications crisis plans. We expect the company to continue to refine its communications approach to ensure that customers receive tailored, informative messaging before, during and after incidents.

The company noted after the 'Beast from the East' that it had already commissioned an independent review of its media and social media communication to help identify areas for improvement. We note that the company's action plan provides little mention of this and encourage the company to ensure that it has applied the learnings from this review. We also encourage the company to share learnings from this process with other water companies through the work that Water UK is coordinating in this area.

Stakeholder communication

Effectively communicating with wider stakeholders is essential in co-ordinating an effective response to incidents. Therefore, it is positive that South East Water is engaging with local resilience forums and local parishes to support the delivery of alternative supplies to customers, particularly those in vulnerable circumstances. We strongly encourage the company to undertake practice exercises with these parishes, and other local partners, to ensure that the processes being established

work effectively and result in more alternative supplies directly reaching customers who need them.

We note multiple actions that South East Water has committed to, relating to improving its communication with retailers, which we noted as a particular concern when we wrote to the company in June. We encourage the company to work collaboratively with retailers to develop the most appropriate methods for communicating effectively before, during and after incidents. As we have stressed above, it is key that the company tests these arrangements. We also encourage the company to engage with the Water UK co-ordinated sector-wide work on improving interactions between wholesalers and retailers.

Customers in vulnerable circumstances

South East Water stated that its vulnerable customer plans worked well, but additional customers requiring help were identified during the incident. We note that the company is actively training field-based agents to recognise vulnerability, and it is important that it ensures this knowledge is regularly refreshed and updated so that staff have access to the latest information and learn from examples of best practice across all sectors.

We believe there is still more that can be done to ensure that the company is able to proactively identify and support customers in vulnerable circumstances throughout its area. For example, one area where we expected to see more progress is in identifying and supporting people who are temporarily in vulnerable circumstances (e.g. because of short-term health issues or having new born children).

Therefore, we expect South East Water to consider its processes for identifying customers in vulnerable circumstances who are not already on the company's Priority Services Register, as well as the needs of those already registered.

Having accurate information and making best use of data will be key, as we set out in our 'Out in the Cold' report. Therefore, we encourage the company to consider and engage more with the Water UK co-ordinated sector-wide work on this, the recent [UKRN cross-sector data sharing report](#) and CCWater's [Vulnerability in the Water Sector](#) report.

Compensation

We note that South East Water has developed a repeatable assessment and payment approach for compensation for severe incidents. The company should regularly review its processes to ensure it is providing its customers with fair, fast and free from hassle compensation when something goes wrong.

We consider it is important that companies engage with business customers, and work closely with retailers to make them aware of the compensations they are entitled to, including how to make claims for additional losses – something which is not evidenced in South East Water’s plans.

We have published a recommendation to the UK and Welsh Governments about changes to the minimum statutory compensation scheme – the Guaranteed Standards Scheme. While any changes to the current arrangements are being considered, we expect all companies to reflect on our recommendations in compensating their customers.