
Centre City Tower, 7 Hill Street, Birmingham B5 4UA
21 Bloomsbury Street, London WC1B 3HF

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

22 November 2018

Dear Steve

‘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 Thames Water, highlighting specific concerns and issues we identified from our analysis.

In this [letter](#), we said that Thames 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 Thames 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 letter of 28 September 2018 and your published attached [plan](#). We acknowledge the level of effort that Thames Water has put into its response to this, 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 the areas of concern that we have identified when reviewing Thames 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 Thames Water's Board and Executive has signed off on this plan and that therefore, they are fully accountable for its delivery. The company's action plan has also been externally assured and it must now 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 Thames 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 Thames 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. Thames Water now needs to ensure that it has taken all reasonable steps to ensure that it is ready for this winter.

We note that by December 2018 Thames Water is expected to have completed the majority of the actions on its plan. Some of the improvements that Thames Water and the sector have to put in place 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 now 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

As we approach winter, we expect Thames 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 they deliver for their customers and meet their statutory obligations. In doing this, Thames 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, who 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 Thames 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

The freeze and thaw incident revealed that Thames Water's weather modelling system significantly under-predicted the impact of the cold weather and subsequent thaw on the network, which affected its ability to effectively prepare for and respond to the event. In its response, Thames Water has acknowledged these shortcomings, and states that it has enhanced its models and taken on board the latest learnings from the summer heatwave forecasts. The company states it will also be reviewing contingency plans for all of its critical systems. It has implemented a number of trigger points for the extremities of the models and is planning for worst case scenarios.

We encourage Thames Water to continue improving its models and to learn from and build on best practice from the sector. The company should note that the robustness of any plan relies on it having been tested on the ground. Therefore, we would encourage Thames Water to ensure that the changes it is making to its systems and processes are tested, to increase its readiness in actual events. Particularly, Thames Water should ensure that these changes put it in a good position to cope with this coming winter.

Incident response

We expect companies to be proactive in their incident management and to have a clear view of the number of customers that are affected, so they are able to co-ordinate and plan delivery of alternative supplies. We note that Thames Water has adopted a new gold and silver command incident structure. It is positive that it was able to test this new structure as part of its incident response to the summer heatwave, where it had to provide alternative supplies. It is vital that the company has appropriate escalation triggers and governance processes in place to ensure that it can respond quickly and effectively to incidents.

We also note that Thames Water is improving its ability to understand the numbers of customers affected by supply interruptions, and has carried out some improvements over the short term, such as on its 'Event Viewer', an incident visualisation system. However, we note there is further work that Thames Water needs to do to better understand the number of customers affected during large scale events, and we expect the company to focus on ensuring it has done as much as it practicably can ahead of this winter, so customers are better protected.

Our review highlighted that Thames Water experienced issues with storage and distribution of bottled water, as demand for water far exceeded what Thames Water

could supply and the location of supplies was poor. In responding to this, the company states it has re-evaluated its alternative supply arrangements to significantly increase its holding of bottled water, is looking to produce its own bottled water, has purchased bulk delivery vehicles to move alternative bottled water on a larger scale to localised hubs, and has increased its tanker fleet and procured tankers with the ability to pump directly into the network.

It is encouraging that these actions have been completed ahead of the coming winter. We would recommend that robust testing of emergency plans involving these new arrangements is undertaken to ensure Thames Water's deployment can be effective and efficient to minimise interruptions and protect customers. We would encourage Thames Water to ensure that Security Emergency Measures Direction (SEMD) requirements can be met for the planned scenarios.

Customer communication

Thames Water did not communicate well with customers during the freeze and thaw event, and this was an area where we required it to evidence improvement. In response, Thames Water states it has reorganised its customer communications team to ensure that all forms of communication fall under one team. We note that Thames Water is also making extensive changes to its call centre infrastructure in response to our feedback, such as to its phone-in services. It has tested its text messaging service during the summer heatwave, sending text messages to customers asking them to conserve water. The company states it has trained more staff and has arranged rapid deployment teams with its partners.

However, we note there are still some actions that are yet to be progressed, and we would have liked to see more evidence of plans to proactively get in touch with its customer base beyond text messages, reflecting the need to effectively use multiple communications channels to reach different types of customers.

Stakeholder Communication

We note Thames Water proposes to take a more proactive approach in communicating with wider stakeholders when incidents arise, an area in which our review identified the company needed to significantly improve. We also note some high-level engagement with wider stakeholders is underway or planned to expand the company's priority service register.

Thames Water is entering into bilateral agreements with retailers so it can have up to date contact information which will allow it to proactively and directly notify business customers and keep them up to date as an incident progresses – something that was trialled over the summer. We encourage the company to continually review, in

collaboration with retailers, the most appropriate methods for communicating effectively before, during and after incidents. In doing so, we encourage the company to engage with the Water UK co-ordinated sector-wide work on this.

Customers in vulnerable circumstances

Thames Water's plan evidences several improvements it is putting in place to improve the offer for customers in vulnerable circumstances. However, 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.

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 have new born children). Therefore, we expect Thames 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.

We note that the action proposed to improve the company's delivery of alternative supplies to customers in vulnerable circumstances is not due to be completed until March 2019. 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.

Thames Water also states it is working to improve data provision and quality, which was a key concern we highlighted in our 'Out in the Cold' report. Having accurate information and making best use of data will be key – 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

The freeze and thaw event exposed Thames Water's difficulty in accurately identifying all impacted customers, with some customers reporting that they received payments they did not need while others had not received a payment.

In responding to our concerns, Thames Water states it has engaged with Lambeth Council and it is progressing some actions, such as reviewing property data to better match it with operational data, taking a more conservative approach to the 'likely affected' areas. We note its plans to simplify payments to customers in future to reduce disputes regarding the length of disruptions. However, we note that there are

still concerns relating to compensation, such as identifying customers who are due compensation and paying them the appropriate amount.

Lambeth Council and individual customers have raised concerns that Thames Water has not been consistent in its messaging on compensation entitlement, and in the methodology it used to identify which customers are compensated. This is something that we expect Thames Water to resolve as a matter of priority. Thames Water should ensure that it is consistent in its messaging to customers as to what compensation they are entitled to and, where customers haven't received automatic payments, ways to claim. Such information should be clear, easy to understand and readily available for customers.

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.