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Professor Peter Matthews
Chairman
Utility Regulator
Queens House
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6 July 2011

Dear Peter

Putting Consumers First – Response to the 2010/11 Freeze/Thaw Incident

Thank you for your letter of 21 June 2011 in relation to the above matter.

NI Water is fully committed to taking forward the recommendations proposed in the Utility Regulator's report of the investigation into the Freeze/Thaw incident over the Christmas and New Year period. We accept that lessons needed to be learned from what was an exceptionally difficult time for many of our customers and have implemented some key actions since the incident.

Your report highlighted that much good work was done by our staff over the period of the incident and I wish also to record my sincere thanks to those people for their efforts in often extremely difficult circumstances. I would also like to extend my personal thanks to the many other Government Agencies, local Councils, voluntary groups and others who assisted in providing resources.

It remains the case however, that on a number of fronts, in particular in relation to communicating with our customers, we fell short of what they expect and what we as an organisation are determined to provide. Our focus therefore is very much on learning and embedding improvements to our service from the incident in order to ensure that we provide the best possible service to our customers.

We are pleased to note that the Board of the Utility Regulator has decided that it will seek a formal commitment from NI Water by an exchange of formal correspondence to the delivery of the Recovery Action Plan, rather than pursue the delivery of these actions by means of enforcement action under the Water and Sewerage Services (NI) Order 2006.

The Formal Commitment

NI Water is committed to taking the lead role in implementing the core of the Recovery Action Plan and instigating a change in culture to become more responsive to customer

needs. Many of the steps recommended within your report are already in progress and we will press forward to implement them in a manner that is both coherent and expedient.

We are content to commit to specific, time bounded actions in relation to:

- Establishing a baseline for monitoring and reporting progress;
- Providing monthly update reports to the Utility Regulator;
- Providing progress reports on specified dates to the Utility Regulator and the wider stakeholder group validating delivery through testing;
- Validating delivery through independent audit; and
- Reporting progress on the delivery of the plan publically.

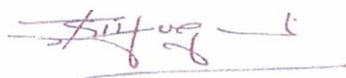
Our commitments for the provision of information in relation to the delivery of the Freeze/Thaw Recovery Plan are set out in the attached annex.

NI Water will publish on its website progress on the implementation of the Recovery Action Plan. We welcome the opportunity to agree the format of this with the Utility Regulator and note that you plan to publish same on your website.

I note your concern that cultural and internal governance issues at NI Water may hamper the ability of the company to meet the commitments identified. I can assure you that as a company we are absolutely focussed on delivering the Recovery Action Plan and have indeed assigned individual owners to each of the actions to ensure accountability over achieving milestones. We will work with all necessary stakeholders to manage the dependencies we have, particularly in the area of governance, to secure appropriate formal approval in line with public sector requirements.

I am convinced that working together with our various stakeholders and our dedicated workforce, we can provide our customers with the level of service that we are all determined to achieve and continue to restore and grow confidence for our customers in NI Water.

Yours sincerely



Sean Hogan
Chairman

CC Trevor Haslett
Shane Lynch (NIAUR)
Jo Aston (NIAUR)

Investigation into the Freeze Thaw incident 2010-11

NI Water Commitments for the Provision of Information in Relation to the Delivery of the Freeze Thaw Recovery Plan

6 July 2011

Ref	Description of Commitment	Delivery Date
RPD1	<p>NI Water will submit finalised documentation demonstrating its approach to the governance, management and delivery of the action plan to the Utility Regulator. This will include:</p> <ul style="list-style-type: none"> ○ Details of the governance structure established to manage the delivery of the action plan. ○ An overview of the governance processes being employed including proposals for reporting and tracking progress on delivery. ○ Completed action overview sheets for all actions for which NI Water has primary responsibility for delivery. ○ An overall Programme showing the delivery timeline for each action and the milestone dates for the key deliverables under each action. ○ A progress monitoring spreadsheet summarising the key information for each action and the progress status for each deliverable. ○ The format of the metrics report which NI Water proposes to use to report progress to the Output Review Group. ○ The format of the highlight report which NI Water proposes to use to report to the Output Review Group. 	All by 8 July
RPD2.1	<p>NI Water will submit a monthly progress report to the Utility Regulator which will comprise:</p> <ul style="list-style-type: none"> ○ An update of the progress monitoring spreadsheet summarising the key information for each action and the progress status of each deliverable. This will be the same version issued internally within NI Water to the monthly Project Board. ○ Details of any changes to delivery dates and/or deliverables since the last monthly report. <p>NI Water will meet with the Utility Regulator to expand on these reports on request.</p>	1 st Friday in each calendar month commencing August 2011
RPD2.2	NI Water will submit the draft format of the proposed report to the Output Review Group to all stakeholders for review and comment.	8 July
RPD3.1	<p>NI Water will submit a summary progress report to the Output Review Group or other such stakeholder meetings as advised by the Utility Regulator comprising of:</p> <ul style="list-style-type: none"> ○ A metrics report illustrating overall progress in the delivery of actions, milestones and deliverables. 	September 2011* November 2011* and quarterly as agreed with ORG thereafter

	<ul style="list-style-type: none"> ○ A highlight report summarising progress, key highlights, exceptions, risks and issues for the current reporting period and the outlook for the next reporting period ○ Completion reports for any actions signed off during the current reporting period. The completion report will provide a summary of work carried out and any action taken as a result. It will describe and quantify the improvements made and the benefits for consumers. It will identify any follow on actions and the means by which these will be delivered. 	
RPD 3.2	This information will be submitted to the Utility Regulator one working week in advance of the Output Review Group for review and consideration.	
RPD 4.1	<p>NI Water will submit the following information to the Utility Regulator in relation to the Mock Incident Exercise:</p> <ul style="list-style-type: none"> ● Notification of the relevant qualifications and experience of any external facilitators and industry experts appointed to assist with the scoping and delivery of the exercise. ● Details of the planned exercise including: <ul style="list-style-type: none"> ○ How the exercise has been designed to provide an appropriate test of the overall plan. ○ Specific provisions for testing areas of concern and failure identified by the Freeze/Thaw Investigation and any new systems and processes that have been implemented as a result. Particular emphasis will be given to the areas of information flow and the consumer interface. ○ How the exercise has been 'scaled' to provide an appropriate test of NI Water's ability to cope with a similar event. ○ How NI Water will be able to stimulate the level of activity, operational constraints and 'disruptors' associated with such live events. 	All one month in advance of the due date of the exercise*
RPD 4.2	<p>In addition the following information will be provided to the Output Review Group and the Utility Regulator following completion of the exercise:</p> <ul style="list-style-type: none"> ● A copy of the mock incident exercise report and any recommendations produced. ● A copy of the action plan produced as a consequence of the exercise detailing deliverables and delivery dates for any actions. ● Verbal feedback on the delivery and outcome of the exercise. 	November 2011*
RPD 5.1 (See Note 2)	NI Water will provide the following information to the Utility Regulator relating to the Independent Audit of the emergency planning processes	8 July

	<p>and procedures:</p> <ul style="list-style-type: none"> • Notification of the relevant qualifications and experience of the individual/organisation chosen to undertake the independent audit of the Incident Plan. • Details of the independent audit including: <ul style="list-style-type: none"> ○ How the plan as a whole is to be audited. ○ Specific provisions for focusing on areas of concern and failure identified by the Freeze/Thaw investigation and any new systems and processes that have been implemented as a result. 	
RPD 5.2 (See Note 2)	<p>In addition the following information will be provided to the ORG and the Utility Regulator following completion of the exercise:</p> <ul style="list-style-type: none"> • A copy of the independent audit report findings and any recommendations produced. • A copy of the action plan produced as a consequence of the audit detailing deliverables and delivery dates for any actions. • Verbal feedback on the outcome of the audit. 	<p>8 July</p> <p>29 July</p> <p>September 2011*</p>
RPD 6.1	<p>NI Water will publish the following on its website:</p> <ul style="list-style-type: none"> • The open letter and associated Annex issued to the Utility Regulator confirming NI Water's commitment to the delivery of the action plan. 	<p>8 July</p>
RPD 6.2	<ul style="list-style-type: none"> • Progress updates on the delivery of the action plan following review by the Output Review Group. A narrative will be provided which describes to stakeholders and the public the beneficial outcome of the actions for the consumer and how NI Water has assured itself of the sufficiency of the action taken. 	<p>September 2011*</p> <p>November 2011 *</p> <p>and quarterly as agreed with ORG thereafter</p>
RPD 7	<p>NI Water will revisit longer term actions to ensure delivery and in particular alignment with the Price Control process</p>	<p>January 2012</p>

Notes:

Note 1: An asterisk symbol (*) indicates that the date is to be confirmed

Note 2: In 2011 NIW engaged an Independent expert to undertake an audit of the Major Incident Plan. The details of this audit will provided in relation to commitments made in RPD 5.1 and RPD 5.2. NIW will carry out annual independent audits on its Major Incident plan from April 2012 onwards.