

From the Chairman

Sean T Hogan
Chairman
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Dear Sean

Putting consumers first – response to the 2010/2011 freeze/thaw incident

The disruption caused by the freeze/thaw incident of December 2010–January 2011 was significant. Although the incident itself was unavoidable, its adverse impact on consumers was greater than it should have been as a result of poor information flows and inadequate consumer communications by Northern Ireland Water. The service provided to consumers by the company was ineffectual in a number of respects.

The Utility Regulator’s report following its investigation into the incident (“the Report”) stated that, while the water mains in Northern Ireland are relatively new compared with those in other parts of the United Kingdom and performed as well as could be expected:

- Northern Ireland Water was not prepared for a crisis of the magnitude of the freeze/thaw incident;
- in particular there was a failure of the company’s executive leadership;
- the company’s emergency planning and execution were deficient, particularly in respect of its communication with consumers; and
- that whilst the technical and operational response to the problem was on the whole acceptable, the incident revealed a culture in the company which was not focused enough on customers.

The Report incorporates a Recovery Action Plan which is designed to ensure that relevant lessons are learned and that, as far as possible, similar problems to those experienced by consumers during the freeze/thaw incident can be avoided in the future. Northern Ireland Water is required to take the lead role in implementing the core of the Recovery Action Plan and instigating a change in culture to become more responsive to consumer needs.

From the Chairman

The Actions in the Recovery Plan may be summarised as those relating to:

- supply failures;
- contingency planning and implementation;
- communications;
- governance and leadership of the company particularly in times of crisis; and
- future risks and resilience measures

As an undertaker appointed under the Water and Sewerage Services (Northern Ireland) Order 2006, Northern Ireland Water also has various statutory duties. These include the duties to maintain an efficient and economical system of water supply, to supply domestic consumers and (through its licence conditions) to maintain adequate systems of planning and internal control. The Utility Regulator is concerned to ensure that Northern Ireland Water is, and will be in future, fully compliant with its legal obligations.

The Board of the Utility Regulator has decided that, in the interests of speed and simplicity, it will require a formal commitment from the company, by an exchange of formal correspondence, to the delivery of the Actions under the Recovery Action Plan. For the time being it is not minded to pursue the delivery of these Actions by means of enforcement action under the Order. However, if the terms of the formal commitment are not adhered to, the Regulator will revisit this question and consider statutory enforcement action.

The Utility Regulator welcomes the fact that the company has already made some progress in implementing those parts of the Recovery Action Plan for which it has responsibility. In particular it has demonstrated adequately to the Utility Regulator that it has put in place processes and governance arrangements which are capable of managing effectively the delivery of the Plan.

It is essential that all actions in the Plan are implemented with rigour and vigour. The Utility Regulator needs to be confident that the company will take all appropriate actions in advance of the winter months so that consumers will be protected if the severe weather conditions of last year are repeated.

The Formal Commitment

The Utility Regulator requires Northern Ireland Water to make a formal commitment to implementing the Recovery Action Plan.

The commitment must be made by way of a formal letter to the Utility Regulator in response to this letter. The Utility Regulator will publish both letters on its website.

From the Chairman

In addition to setting out a broad commitment to the delivery of the Recovery Action Plan in full, the company must commit itself to specific, time bounded actions in relation to the following:

- 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 publicly.

The attached Annex sets out the commitments that the Utility Regulator would expect the company to make.

Northern Ireland Water must publish on its website, progress on its implementing of the Recovery Plan in a format to be agreed by the Utility Regulator. This should be meaningful to and inform consumers and the wider stakeholder group of progress on delivery. The Utility Regulator requires the initial focus to be on the delivery of the short term actions in the Plan. These progress reports are to be submitted to the Regulator who will also publish them on its website.

Actions

In the wake of the 2010/2011 freeze/thaw event, it is essential that Northern Ireland Water ensures that all relevant lessons are learned and that the interests of consumers have precedence. The company must co-operate with the Utility Regulator to take the actions that are necessary to ensure that this is the case.

The Utility Regulator regards a formal commitment from Northern Ireland Water, of the type outlined above, as an important step in this process. It requires a formal commitment to be made within a week of NI Water's June Board meeting scheduled for 30 June 2011.

There is the potential for cultural and internal governance issues at Northern Ireland Water to hamper the ability of the company to meet the commitments identified. The Utility Regulator must stress that such internal issues cannot be allowed to impact adversely on the full and timely delivery of the Recovery Action Plan and therefore on the achievement of an appropriate level of service by the company to Northern Ireland consumers. Rapid restoration of consumer confidence in the company will be imperative in moving forward.

From the Chairman

The successful delivery of an appropriate response to the freeze/thaw incident is the ultimate responsibility of Northern Ireland Water in accordance with the legal framework within which it operates. Northern Ireland Water must assure itself that its governance arrangements and the work that it undertakes to fulfill any commitment given to the Utility Regulator are sufficient to ensure the successful delivery of the Recovery Action Plan and avoid any repetition of the serious deficiencies in consumer service that occurred during the freeze/thaw incident of 2010/2011.

Yours sincerely



PROFESSOR PETER MATTHEWS
Chairman

Cc Shane Lynch
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