

Response to Northumbrian Water Limited's consultation on its strengths, risks and weaknesses and its draft assurance plan

As the Water Forum for both Essex and Suffolk Water (ESW) and Northumbrian Water (NW), we are pleased to have the opportunity to respond to Northumbrian Water Limited's (NWL) consultation on its strengths, risks and weaknesses in relation to fulfilling its performance commitments and obligations and providing robust information to customers and stakeholders; and to share our view on its Draft Assurance Plan.

The consultation process and documentation

We would like to start with a reflection on this consultation process as a whole – it is very positive that NWL remains committed to engaging in an open, transparent way about how it assures its performance, and very much what we would expect of the company.

We know however that much has changed recently in the environment in which the company operates, particularly over the last couple of years and, among other things, this provoked a discussion in the Forum on how the documentation provided reflects these changes and also, what is being asked of consultees. This led to some deliberation about whether NWL is getting optimum value from the way it is currently being done.

We understand that this approach to consultation was originally a regulatory requirement as part of Ofwat's monitoring framework; and that whilst it is no longer mandated by Ofwat, there is still an expectation that companies undertake this type of activity in advance of their annual reports.

It is our view that this offers a real opportunity for NWL to take a radical, fresh approach to the consultation; align it with the company's ambition to innovate and lead in how it engages with its customers; and bring it up to date with the context that water companies now operate in, thereby making the consultation even more relevant to current issues.

Further, in our experience, there is opportunity to enrich the company's own data by using customers to assure its data, and we encourage the company to consider how this could be done in future years.

Consultation response

We have considered the extent to which we believe that the company has accurately captured its strengths, risks and weaknesses, captured in Figure 2 of the consultation document and detailed in the pages that follow.

Areas of strength

Building on the points made above, the Assurance Framework appears to focus solely on risks relating to data, but does not incorporate assurance of the risks associated with the environment the NWL is working in and topics of public interest (such as climate change, storm overflows, the pandemic and affordability). From discussions at our regular meetings and challenges sessions, we know that the Company is undertaking considerable amounts of work in these areas and we feel that the assurance framework could benefit from a review through this lens to help the company steer the delivery of its commitments in the medium and longer terms.

Whilst we agree that NWL has a great track record in many areas, we urge the company to reflect upon the extent to which it assures itself that it has learned how to apply that track record to current challenges in delivering sometimes challenging and ambitious performance commitments and obligations.

We have seen significant evidence of innovative projects and approaches, and a culture of innovation at all levels of the organisation, and believe this could feature as a strength that is assured; this because it supports NWL's capability to respond to emerging and actual issues in an agile way.

Areas of risk/focus

We suggest that the company's approach and response to public interest topics be added to the list of 'other priorities for assurance' so that such issues (as described above) are adequately factored into its planning and delivery, and do not damage customers' trust in their water company – regarding storm overflows, we acknowledge NWL's work in this area, including participation in the industry working group and of the work being undertaken to identify opportunities for accelerating investment; but it would be useful to set out how the company is assuring itself that all current and potential future areas of public concern are on its radar, in so far as this is possible.

Economic changes and inflationary impacts risk putting increasing numbers of customers into situations where affordability of their utility bills, including water and wastewater, is an issue. To deliver on its performance commitments, NWL must assure itself that it remains proactive within and responsive to this changing landscape.

We have seen much evidence, including the recent Storm Arwen event, of the company being good at reviewing issues when things go wrong; our challenge is to ensure that there is opportunity to assure the embedding of any lessons learned, such that they are disseminated and reach all corners of the organisation and beyond, in an agile way.

Areas of weakness

Potentially these would be better described as 'red flags' that need robust attention for sustained future performance, and it is in this context that we make the following comments.

Achieving maximum resilience in water supply in the face of increasingly frequent and severe climate events is vital, as recent storms and other weather patterns have shown. Storms Arwen, Dudley and Eunice are likely to become the norm, not to mention the more benign events that don't receive national media attention. This is an issue that the whole industry is grappling with, and like other water companies NWL's risk plan for climate change is evolving and developing. As such we believe it sits in this 'red flag' category – whilst it

cannot solve climate change, the company must assure itself that it is ready and able to adapt to resultant issues such as overflowing rivers and increasing silt flowing from fields into water courses.

There is an important component of customer service which we see as a 'red flag', yet which does not feature in the draft documentation. Whilst meeting Guaranteed Service Standards is included, there is no mention of the ongoing challenges that customers having when trying to contact NWL by phone, with long waiting times and high drop-off rates. We note that the assurance framework forms an important part of how the company assesses itself and we feel it would be useful to flag up how you are assuring yourselves on performance on this key issue for customers.

The recent operational problems in Darlington, which resulted in a boil notice being issued to affected customers, reinforce the company's assessment that achieving maximum compliance with water quality standards is a current 'red flag'. Positively, NWL has already engaged in an improvement plan with the DWI on water quality issues, but we feel that an acknowledgement of the issues and impact should be included in this consultation document. Can the company assure itself that communication with customers was delivered as early as possible and that the processes for doing so were appropriate in a digital era? This may be something that needs to be raised with the regulators involved in such events, so that public notification is as fleet of foot as possible.

Assurance

In addition to the comments above, an area we suggest NWL reflects in its Assurance Plan is how it adds additional focus to assuring the data in those areas where its performance is very close to the target – giving consideration to what is an acceptable level of accuracy. We believe this will contribute to building customers' trust in their water company.

To conclude

We have very much welcomed the opportunity to participate in this consultation and to offer our independent suggestions for improvement; and we remain open to continued dialogue with NWL about any of the matters raised.

Melanie Laws

Chair of the Water Forum for Northumbrian Water and Essex & Suffolk Water

28th February 2021