



Finance, Smart City and City Management Policy and Scrutiny Committee report

Overview

We recognise the flooding following the 12 and 25 July storms were extremely distressing for many of our customers. The sheer volume of rain which fell was far more than our network was ever designed to cope with. To the best of our knowledge, our sewers and pumping stations performed as designed and the flooding was a result of the extreme weather events. We are committed to working with Local Authorities, the Environment Agency and other partners over the coming months to understand what more can be done to reduce the risk of reoccurrences in future. We have also commissioned an independent review which will examine the performance of our network and see if any lessons can be learned.

What happened?

On 12 July, more than a month's worth of rain fell in an hour. On 25 July, a month's worth of rain fell in two hours. The Met Office have reported that the 'return period' (the likelihood of such a storm happening) for the 12 July storms at between once in 101 to 179 years.

The intensity of these storms overwhelmed the drainage system in London, causing flash flooding, with water flowing across the ground into people's properties, or in some areas, causing the sewers to back-up and flood into their homes and businesses.

We are aware that 138 properties in Westminster were flooded from 12 July storm and 11 from the 25 July storm (figures as of 09 Sept). We are working with Westminster Council and London Fire Brigade to identify whether any further properties were flooded.

How did we respond?

The Met Office provided 'yellow' weather warnings for both storms covering most of the South-East of England, forecasting 20-25mm of rainfall with heavier localised downpours. Only late on the afternoon of 25 July was the yellow weather warning upgraded to an 'amber' warning, but with too little time for us to take any action.

Although we attended the major incident call run by the London Resilience Forum on the evening of the 12 July and had operational teams on the ground supporting customers as requests were received, we recognise we were slow to effectively mobilise a coordinated presence of customer support staff and operational leads for the multi-agency response on the ground. From the 15 - 23 July our customer support staff and our incident response vehicle, located on Kilburn Park Road, worked with Westminster colleagues to support customers in the affected area.

With the widespread nature of the forecast on 12 July, we were unable to say where would be impacted with the heavy showers so did not proactively liaise with Westminster emergency planners

in advance. For the 25 July forecast storm our Emergency planner proactively engaged with boroughs previously impacted, including Westminster, to check-in and offer support in advance of the further rainfall.

In Westminster, over the 3-week period from 12 July to 2 August, covering both storms, we undertook clean-ups at 112 properties.

Our Trust Fund, which helps our most vulnerable customers, has provided support (furniture and white goods) to 14 households.

How did our assets perform?

To the best of our knowledge, our assets operated as they should, but were overwhelmed by the sheer volume of water, which was significantly beyond the design capacity of the system. We found no blockages in the system which would have prevented the correct operation of the system.

The Northwest storm relief sewer, which runs through Westminster, was overloaded by the large volume of rainfall. Unfortunately, where this sewer would normally discharge excess flows of diluted wastewater to the Thames during heavy rainfall to prevent flooding, the high tide on the 12 July prevented the overflow flaps from opening. This design feature to stop high tides from entering the drainage system meant the sewer was unable to discharge the excess volumes and this resulted in the system backing up.

The Maida Vale flood alleviation scheme was designed to protect the 201 homes connected to the scheme against a 1 in 30-year storm. We estimate that up to 18 properties that were connected to the scheme may have flooded on 12 July. The Met Office put the intensity of the storms on 12 July in the Paddington area at up to 1 in 163 years. We are currently modelling the 12 July storm to see how the scheme performed against expectations based on its design.

The Independent Review (see below) being commissioned will help us to understand in more detail the effects of the storms and how our assets, as well as the drainage systems of Local Authorities, operated during the storms. We will pass our models and findings to the independent experts for their assessment.

Our customer call centre received more than double the number of expected calls. This led to unacceptable waiting times and understandably many people hung up.

What have we learnt?

We have undertaken internal reviews to identify what we could have done better to respond to the storms and how we could have further supported customers trying to contact us through our call centre.

The key findings are:

- We need to improve our preparation for adverse weather, especially where there is uncertainty about the intensity of the weather and confidence of the forecast.
- We need to be able to better determine when and where an incident is arising, especially when our assets haven't failed (i.e. there isn't a broken water main/ collapsed sewer)

- We need to improve our communications with other emergency responders on how we collaboratively plan for, respond to and limit the impact of further incidents (we did this in preparation of the 25 July storms and this had a positive impact)
- We need to be able to increase the capacity of our call centres at short notice, especially outside normal working hours, and find other ways to reach our customers to provide them with the information they need
- Where there is uncertainty over the cause of the incident and therefore responsibility for it, we need to take action to support our customers without concerns that in taking action we are wrongly accepting liability

We have already initiated a number of actions:

- We have increased the capacity of our call centres to respond to an incident by 20%
- We are monitoring social media to identify potential incidents and have 'scouts' ready to visit sites to validate whether an incident is building/occurring
- We have provided more information on our website on what to do during a flood and have made it easier to report a property as being flooded.

Independent Review

Given the seriousness of the flooding and the increasing risk of more severe weather events in the future due to climate change, we have commissioned an independent review to better understand how our assets performed and to identify potential solutions to make London more resilient to extreme rainfall.

The independent review will establish what happened on the days in question, how Thames Water's assets performed, with a focus on key flood alleviation measures (including Maida Vale flood alleviation scheme). The review will consider what factors may have contributed to the flooding and the wider implications for London's drainage infrastructure. The outcome will be a set of recommendations to Thames Water and other parties on how individually and collectively we can make London more resilient to extreme rainfall.

The review will be led by three industry-leading independent experts, supported by a team of consultants. They will be paid by us but be otherwise independent.

We have asked the experts to balance the desire for detail and comprehensive stakeholder engagement with the need to produce a report in a time where the findings can meaningfully inform our and other parties' plans. We estimate that the review should report in about six months, with interim reports as it progresses.

We have also set up a 'Strategic Stakeholder Panel' to enable stakeholders to input into the review. The panel includes senior officer representatives from the Greater London Authority, London Councils, the London Drainage Engineers' Group, Environment Agency, the Thames Regional Flood & Coastal Committee, Consumer Council for Water. Ofwat have been invited to join the stakeholder panel and we anticipate that they will attend as observers, as they wish to maintain their independence. The independent expert group will consult the stakeholder panel on the terms of reference for the review and the interim and final reports.

Thames Water – key facts

Bills

Water companies operate in five-year business cycles, known as AMPs, with the current one running from 2020-2025. For each cycle, we agree our business plan with the regulator Ofwat. This plan will set out how much money we can invest in our water and wastewater networks and how much we can charge customers in their bills. We do not therefore set our bills and once agreed, bills cannot be changed during the AMP other than for inflation.

Turnaround plan

Our CEO Sarah Bentley started a year ago and spent her first six months taking the time to understand the business and speak with stakeholders.

She found there are clearly identifiable problems in the business, and we accept that performance has not been good enough. We have put a 'turnaround plan' in place to become a well-run business with an improved reputation.

The company now has a strong leadership team following a range of new appointments, including a new Retail Director whose main focus is improving our poor customer service record.

We are harnessing new innovations such as a new workforce management system which centralises data from all customer interactions.

The recent extraordinary storms have shown the importance of tackling climate change so we recently announced our 2030 Net Zero roadmap and we are supporting the Mayor's 'Grow Back Greener' scheme to make sure every Londoner lives within 10 minutes of green space.

It will be a difficult journey, taking several years, but everyone in the business is committed to moving forward.

Ownership

There has been a lot of changes in recent years. The company is jointly owned by 10 institutional investors, made up mostly of pension funds, representing key workers, and sovereign wealth funds. The two largest investors represent pension funds in the UK and Canada. All the investors take a long-term view of the company's infrastructure, customers, and the natural environment.

Dividends

Our shareholders are committed for the long-term and have not taken a dividend for four years to prioritise investment in improving service for customers and to protect the environment which will benefit everyone.

Shareholder Investment

Earlier this month, it was announced following discussions with Ofwat, our shareholders are investing a further £300m to enable a major overhaul of the capital's Victorian water supply network. This investment unlocks a further £300m already provisionally included in the company's spending plans for 2020-2025 and will improve service by accelerating work to reduce leaks and bursts.

The additional funding to improve our water supply network will address longstanding issues, like leaks and bursts, and has been agreed through a regulatory process that ringfences the investment

for that purpose alone. The independent review we are currently commissioning into the performance of our assets during the flooding will help inform our future investment in London's wastewater network.