

Environment, Food and Rural Affairs Committee

Oral evidence: Reforming the water sector, HC 588

Tuesday 14 April 2026

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[Watch the meeting](#)

Members present: Alistair Carmichael (Chair); Juliet Campbell; Charlie Dewhurst; Sarah Dyke; Josh Newbury; Jenny Riddell-Carpenter; Tim Roca; Henry Tufnell.

Questions 1397 - 1619

Witnesses

I: David Hinton, Chief Executive, South East Water; Chris Train OBE, Chair, South East Water; Caroline Sheridan, Non-Executive Director, South East Water.

II: Dr Marcus Rink, Chief Inspector, Drinking Water Inspectorate; Chris Walters, CEO, Ofwat; Dr Mike Keil, CEO, Consumer Council for Water.

Written evidence from witnesses:

- [Consumer Council for Water](#)

Examination of witnesses

Witnesses: David Hinton, Chris Train OBE and Caroline Sheridan.

Chair: Good morning everyone, and welcome to this meeting of the Environment, Food and Rural Affairs Committee. We return to our ongoing investigation into reforming the water sector, and we will be looking in particular at matters pertaining to outages at the end of 2025 and beginning of 2026 in relation to South East Water. I thank the witnesses for their attendance this morning. Mr Hinton, welcome back; you have brought some colleagues with you this morning. For the benefit of those who are following our proceedings and our own official record, can I invite you to introduce yourselves to the Committee?

David Hinton: I am CEO of South East Water.

Chris Train: I am chair of South East Water.

Caroline Sheridan: I am an independent non-executive director at South East Water.

Q1397 **Chair:** Chris and Caroline, you are non-executive directors. As we have heard from David already, I will maybe start with you, Chris. Can you give your understanding of the role and the function of the non-executive director in a company such as this?

Chris Train: The role of the board is to have oversight and deliver good governance for the organisation. In doing that, we challenge the executive team in a constructive manner to ensure that the right thought processes and assessments are taking place in order to be able to both develop and support developments. Our role is to independently challenge the actions on behalf of the customers and shareholders of South East Water.

Q1398 **Chair:** Do you see it as being part of your role to hold the executive team to account where you see shortcomings?

Chris Train: Absolutely; that is the role and function of the board.

Caroline Sheridan: I would add that the experience the board brings to a company is very helpful to give a different perspective. Certainly, when we are able to challenge issues and events that may occur, that really helps with the company's long-term strategic approach.

Q1399 **Chair:** How many non-execs and executive directors does the board of South East Water have?

Chris Train: We have two execs and three non-execs on the board: me as the independent chair, and two shareholder representatives. That gives that balance of experience that Caroline was just talking about.

Q1400 **Chair:** As well as being customer-facing you have a responsibility to ensure that the shareholder interests are properly protected?



Chris Train: Absolutely. We have to take into account that balance of delivery to customers and the overall long- and short-term operation of the business.

Q1401 **Chair:** David, last time you were here, we spoke about the outage at Tunbridge Wells at the end of November, into the early part of December. Let us just say the door had hardly swung shut behind you last time when there was another outage of some significance, in the same area, following Storm Goretti. How would you characterise your response to that outage?

David Hinton: As you say, it was very soon after. The Tunbridge Wells area had not fully recovered and those two events effectively joined up, which meant it was disproportionately affected. Again, I really apologise for that. In terms of how I would categorise it, it was very different to the Pembury event which, as we discussed last time, was an issue with water quality that prevented the treatment works from actually producing the required drinking water to meet demand. In regard to the event that occurred in Sussex and Kent, we effectively had a freeze-thaw event prior to Goretti that increased the demand on the system. The impact of Goretti and the power impacts, as well as decreasing raw water quality, meant our supply was reduced. Effectively that made an imbalance between supply and demand—

Q1402 **Chair:** My question was, how do you characterise your response?

David Hinton: We learned something from the previous one; it was obviously very soon after. We responded by utilising the resources available to us and put all our effort into ensuring that we had as much as we could on the ground to support those customers. So, the 12 tankers we had recently purchased and new contracts to help deliver priority service water deliveries to customers: at one point we set up eight bottled water stations, which was more than we needed during the Tunbridge Wells event.

Q1403 **Chair:** You will recall that last time we discussed the input of the local Member of Parliament for Tunbridge Wells, Mike Martin. We have received correspondence from Katie Lam, whose constituents were affected. Can I just share with you what she said? "South East Water was unable to answer even the most basic factual questions such as, is there actually any bottled water at this bottled water station?" Members of her team repeatedly had to drive to the station themselves to establish the facts. She had people contact her who were registered as vulnerable and still unable to access water; some had newborn babies. There was no number for her to call to help them. "South East Water could take days to respond to its supposedly instantaneous email address. It simply had no idea what was going on." It does not sound that different from the November/December outage.

David Hinton: We learned some lessons from these concurrent events; clearly, we have more to learn. To address this we have put in place a



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short-term resilience plan and a transformation programme for the business, both in terms of engineering and response, which picks up a number of lessons from both events. I am really disappointed to hear that customers have had that experience. One of the things we have put in place—

Q1404 **Chair:** Are you hearing this for the first time?

David Hinton: No, I am not hearing it for the first time; I am just recognising that we hate it when customers, particularly those on our priority service registers, do not receive that alternative water. That is one of our key focuses; we delivered nearly 35,000 deliveries to vulnerable customers during the January event and we hate it when we miss any. It upsets me to hear that and we need to do better.

Q1405 **Chair:** Your response to the first outage was to tell us that you had commissioned your own independent report, which was prepared by Caroline. What is new in that report that was not in the Drinking Water Inspectorate report?

David Hinton: There is actually a great deal of consistency between the two reports, and I would categorise it—

Chair: Your independent report effectively found the same things as the Drinking Water Inspectorate?

David Hinton: Largely, yes.

Q1406 **Chair:** David, if I told you that the Committee felt that the Drinking Water Inspectorate gave a very different picture to that which had been given by you in the evidence, would that be fair comment?

David Hinton: Regarding the first hearing?

Chair: Yes.

David Hinton: We differed on one element: the foreseeability of the event. As I recall from the notes, I did not really give any other factual information around the water quality event that differed from the Drinking Water Inspectorate's one. The large disagreement area was one on foreseeability.

Q1407 **Chair:** The Drinking Water Inspectorate said that not only was it foreseeable, but it had foreseen it and it had warned you about it, did it not?

David Hinton: I believe that is what it said, yes.

Q1408 **Chair:** Do you now have any understanding of why you did not act on that warning?

David Hinton: How I answered the foreseeability question was largely predicated on two pieces of information. First, the stability of the plant over many decades running the same way. Secondly, the belief that the



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raw water quality had changed significantly at the point that the treatment work started to struggle. Both the independent report and the DWI report, which—

Q1409 **Chair:** The DWI report would be characterised as independent, would it not?

David Hinton: Yes, it would.

Chair: We will come to that later.

David Hinton: Both independent reports have effectively come up with the same set of conclusions: the problem-solving, the timing and the early reaction. There were definitely early warnings that the treatment was not performing as it should; we should have reacted on those early warnings quicker, and when we got into that situation, our problem-solving around it was too slow and unstructured. Both reports agree on those as a failing at the Pembury treatment works on that particular week.

Q1410 **Chair:** Are you still blaming climate change?

David Hinton: No, I am not blaming climate change. At the time—

Q1411 **Chair:** You did, and Chris, you did in your correspondence back to me following that session.

Chris Train: It is an element factor, is it not?

Q1412 **Chair:** “The speed and severity of climate change in the south-east in particular has outstripped reasonable predictions.” Would that still be your assessment today?

Chris Train: That still would be the assessment.

Q1413 **Chair:** You hold to that assessment?

Chris Train: Neither the independent nor DWI report could verify what the state of the water quality in the Pembury Pond was at that point in time. It was, and still is, our belief that that was affected by climate change and the drought that was experienced last summer, and therefore the water levels within that pond.

Q1414 **Chair:** In fact Ofwat was warning the whole industry as far back as 2008 about the impact of climate change, was it not?

David Hinton: Yes, and climate change has been a factor in our planning. Traditionally, we use government climate change forecasts, particularly when assessing the impact on potential changes to raw water quality, but also in changes to demand and available water. It is fair to say, though, the predictions have been outstripped by the actual weather, particularly the extreme weather events and the number of extreme weather events we have experienced over the last few years. In



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a period of about three years we have broken the hottest day, the warmest spring and the driest summer.

Q1415 **Chair:** This is unique to west Kent, is it?

David Hinton: It is not unique to west Kent, but the south-east of England does experience particularly the hottest summer impact more than the rest of the country. The unique factor at South East Water is our headroom; our gap between supply and demand is much closer than any other company. Other companies have it in pockets; we have it over Sussex and Kent largely. As you know, we also manage an area in Surrey and Hampshire that has larger headroom, and if that was still a company in its own right, that would be the best or second-best performing company on infrastructure. The difference between the two regions is largely the headroom that exists between supply and demand.

Q1416 **Chair:** What about your root cause analysis of the difficulties? I understand you have heard what Ofwat had to say about that; what response would you give?

David Hinton: Our root cause analysis is a combination of things. The fundamental thing for us is that our supply-demand balance is really tight. That should not be seen as an excuse; we should monitor and control our assets better in that scenario, and when it does not happen, we take full accountability.

Q1417 **Chair:** Ofwat says that you, "Fundamentally misunderstand the nature and purpose of root cause analysis" and in fact, at one point in the course of the investigation, you "sought clarification" on what root cause analysis actually meant.

David Hinton: That inquiry was so that both parties had a mutual understanding of how root cause analysis should be done in this particular case. Root cause analysis has a number of different methodologies; we were trying to establish a jointly agreed methodology so the findings could be mutually agreed once we followed that route.

Q1418 **Chair:** Having agreed that, Ofwat concluded that you, "Fundamentally misunderstood the nature and purpose of root cause analysis." That you were identifying "extreme weather," "high demand" or "leakage" as causes. It concludes that these are triggers, or "immediate causes." Does it concern you that Ofwat reaches that conclusion?

David Hinton: Of course, and we are still in that process with Ofwat and are further discussing that. We have put a lot of information into Ofwat about what we believe the root cause analysis is; we don't think it is a single thing. That is where some difficulty between the parties is arising, but we will continue to discuss this with Ofwat as this process progresses.

Q1419 **Chair:** The Ofwat work is pretty fundamental. It is saying that extreme weather is a known risk, and that you should be prepared for cold weather in January. That is not an unreasonable position to take, but



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obviously you are not.

David Hinton: In 2018 there was the industry-wide Beast from the East, but prior to that there was not really any single event that caused any impact to South East Water. Since 2020, when we started to genuinely see climate change impacting the system, we have worked through the learnings. Our ability to deal with an event is far in excess of what it used to be. We have still fallen short, we have still let our customers down when those events happen, but we have learned a lot, albeit we have more to learn. We have put some considerable resource into it: I have increased the operational resource available—in other words, the operations teams—by over 20% in the last three years and that has allowed us to be able to respond. We still have more to do.

Q1420 **Chair:** You have let your customers down. What are you going to do to make up for that?

David Hinton: As a business we have been focused on absolutely getting the infrastructure procured through the regulatory process to allow us to provide future resilience to our customers in the presence of climate change, in the presence of housing growth. That process is now finished. We now have that and we are knuckling down to deliver that infrastructure. Effectively, that is what will deliver the resilience and secure supplies for the customers.

Q1421 **Chair:** The question was about what you are doing to compensate your customers.

David Hinton: When the events occur, we compensate them using the GSS payment system for both business and household customers.

Q1422 **Chair:** What about the actual losses incurred by businesses?

David Hinton: We opened a fund last week—

Q1423 **Chair:** How big is that fund?

David Hinton: We have initially put aside £600,000 for that fund.

Q1424 **Chair:** Mike Martin MP has written to the Committee again, telling us that he has conducted his own survey—I do not think he is pretending that this is scientific—and he has had 100 businesses respond with a loss totalling something in the region of £1.2 million. So £600,000 is not going to touch the sides, is it?

David Hinton: The process closes at the end of May. We will run the process and businesses can apply. We will assess those cases as they come in and then we will have a basis on which to make that judgment.

Q1425 **Chair:** Do you anticipate that you would compensate anybody who can demonstrate a loss?

David Hinton: We will run the process and we will see how that process—



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Q1426 **Chair:** Let us look at the outcome. Is the purpose of the outcome to compensate any business that has sustained a loss?

David Hinton: We will look at sustaining a loss, insurability and a number of other factors when we pay the claim. We put aside £600,000 to do that and we will do it on a case-by-case basis.

Q1427 **Chair:** What I understand from that is that if you take the view that somebody should have insured against the risk of your company's poor performance, then you would not expect to pay them compensation?

David Hinton: I am not fully up to speed with the rules of the scheme, but what I would say is we would—

Q1428 **Chair:** It is not about the rules of the scheme, Mr Hinton; it is about what you intend to do as a company.

David Hinton: We will not make a judgment on whether they should have insured; we will just take into account whether they have been insured.

Q1429 **Chair:** Right. The last time you were here you gave yourself 8 out of 10 for your response to the outage at the end of November to January. How would you mark yourself out of 10 for the subsequent outage?

David Hinton: If I can slightly rewind. When I gave that response of 8 out of 10, in my mind I was thinking about what the teams had done to procure the extra resource, arrange the extra contracts, work on the bottled water stations, deliver in all sorts of weather, and the effort that the teams had put in behind. That was what was in my mind when I gave it 8 out of 10.

Q1430 **Chair:** All of which has to do with South East Water and very little to do with customer outcome, if I may say so.

David Hinton: Yes, that is absolutely right. But when you asked me to score, a number of factors were in my mind and for that reason it is really, really hard to score. So I don't intend to score it again, if that is okay, Chair? It is so, so complicated. As you pointed out, there are staff, there are customers, there are a number of different impacts that need to be considered.

Q1431 **Chair:** If you are unable to give me a score, give me a word instead: good, bad, indifferent?

David Hinton: Disappointing.

Q1432 **Chair:** Disappointing? Disappointing suggests it is against a framework of expectation.

David Hinton: My expectation is that we deliver to all priority service customers; that the bottled water stations are completely resourced the whole time; and that customers can get access to alternative water at all



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times. Whenever we do not meet that particular yardstick, then I am disappointed.

Q1433 **Chair:** Chris, you are the non-executive chairman. What mark would you give the company for its response to the two outages?

Chris Train: I don't think that is appropriate, as this is complex. We failed on the basic objective of delivering water to customers and therefore that is a failure, and we recognise that failure.

Q1434 **Chair:** Were you told not to answer this question by somebody preparing you?

Chris Train: No, this is what I feel is the right answer to the question. We failed our customers. We worked very hard to rectify that situation, and since the events and the independent reviews we have undertaken a lot of actions to improve the resilience and the operations.

Q1435 **Chair:** The purpose of asking you to give a mark is so that your customers have an understanding of how you see your performance on a scale. That is why we ask for a figure like this. You have already told us that it is part of your responsibility as a non-exec director to look to customer interests. Do you not think your customers deserve that degree of accountability from you?

Chris Train: That degree of accountability is that we accept that we failed in our primary duty. We could have done better with all the factors, and that is one of the consistent—

Q1436 **Chair:** If I am a customer in Tunbridge Wells, what does that tell me? I think we know that you failed. It is surely important to them that you understand and you are prepared to explain the extent of the failure, and apparently you are not.

Chris Train: Failure is failure, and we have failed. What is important is that we, as an organisation, learn from that in order that we don't fail at any point in the future. It is absolutely untenable for customers to be without water. Whatever we do on alternative water, and however good we are at alternative water, from a customer's perspective that does not substitute for not being able to—

Q1437 **Chair:** Then, as the non-exec director, why do you reward failure within the company?

Chris Train: We don't reward failure.

Q1438 **Chair:** Remind me of Mr Hinton's salary increase and bonus? Is it correct that he has a £400,000 bonus?

Chris Train: No, that is incorrect.

Q1439 **Chair:** Then tell me what the figures are.

Chris Train: David's salary is subject to the remuneration committee of the board.



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Q1440 **Chair:** Yes, we know that, as with the other non-exec directors. What is the salary?

Chris Train: The salary is £400,000.

Q1441 **Chair:** Right, and the performance payment on top of that?

Chris Train: We have not finalised the performance payment for this year, but Dave has indicated that he is not prepared to take a bonus this year.

Q1442 **Chair:** You were prepared to give him one?

Chris Train: No, we—David—

Q1443 **Chair:** This is not an event that has just happened; there has been a history of systemic failing within this company since 2018 onwards, has there not?

Chris Train: There have been a number of failures in the organisation.

Q1444 **Chair:** In that time, salaries have gone up and bonuses have increased.

Chris Train: As I say, the RemCo—the remuneration committee—benchmarks the salaries of the executives in order that we make sure that we are getting the best balance of quality of executive for the organisation.

Q1445 **Chair:** A company that fails its customers, and presumably its shareholders as a consequence?

Chris Train: We are disappointed. Dave has surrendered his bonus, even if we were going to give it. That probably made the conversation of the remuneration committee a lot easier than it might have been otherwise, but Dave and the board also recognise that—within the remuneration committee also.

Q1446 **Chair:** As non-executive directors here, what effective difference do either of you make?

Chris Train: We make a big difference, I think. And the organisation—

Q1447 **Chair:** How bad would it be without you then, if you are making a big difference?

Chris Train: Governance is an important part of running an organisation. The experience, quality and challenge that the board and the non-executive directors bring to the executive team is very valuable in running a good company.

We have failed in a number of areas in terms of there being opportunities for us to learn and develop. One of the points made within the independent report is around the management of risk and the balance of risk. We have a pretty typical risk management system and framework that we use of parent risks, child risks within the organisation. I think we



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could improve on that level of balance of the operational risk and the operational decision-making.

Q1448 **Chair:** Your company has been criticised by the Secretary of State, the Prime Minister and a whole range of different public and private bodies. Your own shareholders have expressed concerns. But you are still content that you do a good job and you should remain there.

Chris Train: That is a slight misrepresentation. We are concerned; it is not a good position.

Q1449 **Chair:** NatWest Pension Fund—a 25% owner—said that it was, “Extremely concerned” by the impact on customers and that it would use its influence, “To direct South East Water’s board to ensure these issues are fully resolved.” Did it direct you in that way?

Chris Train: It did, and that is an absolutely appropriate statement; as a shareholder, you are concerned around the performance of the organisation. It is really important that we learn the lessons. As Dave said, there was no one individual cause of the event but there are a number of failures and weaknesses in the process that we need to make sure are rectified across the piece. As a board we have put a lot of focus on both the short-term and the long-term measures that will improve the resilience, particularly around Tunbridge Wells.

Chair: I have taken long enough on this; I do not think we are going to make any further progress.

Q1450 **Jenny Riddell-Carpenter:** Chris, you said earlier that you failed customers; you failed in your primary duty, “We failed in a number of areas, and there are opportunities for us to learn and develop.” As the Chair just said, how bad would things have to get for a change in leadership at the very top?

Chris Train: It is really important for the board to have good leadership in the organisation. As you would expect us to do, we have looked at what the appropriate leadership of the organisation is going forward. The board has given its commitment and its backing to Dave and the executive team going forward as the right solution for delivering what is best for South East Water customers. Alongside that, we recognise that there are a number of forward-looking challenges and we are bolstering the executive team with a number of external hires which will cover a broader spectrum of the leadership across the organisation.

Q1451 **Jenny Riddell-Carpenter:** When you were last here we were examining an issue in November. We have called you back as we are examining an issue in January. If we call you back for a third issue in the spring will we be scrutinising the same leadership team, or will it be a new face?

Chris Train: That is not an appropriate question to answer because it depends upon the circumstances. The board is backing Dave as chief executive and the executive team.



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Q1452 **Tim Roca:** I feel like we are wading through treacle here. You have not answered my colleague's original question, which is, what would it take for a change in leadership? You have had an outage that affected tens of thousands of people. Another outage that affected tens of thousands of people. A proposed fine because 286,000 customers have been failed, according to Ofwat. The Chair has pointed out that the Prime Minister feels that what has happened is unacceptable. What more has to happen for Mr Hinton's position to be untenable?

Chris Train: The reason for not answering the question is that I don't think it is appropriate to hypothesise. What is important is learning what has caused the events and making the appropriate changes within the organisation to deliver against that. The board are backing the executive team to deliver against that; that is not without its challenges, without a doubt, but we are backing the executive team.

Q1453 **Tim Roca:** Part of remedying what has happened is people having confidence. Your customers clearly do not have confidence, as has been expressed by the leader of Kent County Council and seven local Members of Parliament, and this Committee has made its concerns very clear. Why is not the confidence of your customers an important part of you turning this around?

Chris Train: Confidence is a hugely important part and we need to rebuild confidence within our customer base that we are doing the right things and delivering against the requirements of our customers. We believe that is best served by Dave and the team delivering.

Q1454 **Charlie Dewhirst:** As you have said, this is a failure of your basic objectives. It is failure after failure, excuse after excuse. The board is not doing its job: it is not delivering on governance, it is not delivering on accountability and, as my colleague Tim just said, you have lost the faith of your customers. The only way to rebuild that faith is to take action to change leadership. Why do you not see that that is a basic part of this? Any other company that has failed on its basic objectives, that has made mistake after mistake from 2018 onwards, and has failed to react to implement recommendations one time after another, would—yet here we are. I am frankly flabbergasted that nobody is accountable for the mess that the company is in.

Chris Train: We are accountable for where we are. As a board we have to step back and ask the questions that you are asking, we have to look at the broad context of the organisation, the context of the industry and the sector, and we have to do what we think is in the best interests of South East Water customers.

Jenny Riddell-Carpenter: You might be asking the right questions, but you are coming up with the wrong answers.

Chair: I can see we are not going to shift this, so we will move on. Juliet, you have some questions around foreseeability of the issues at Pembury.



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Q1455 **Juliet Campbell:** You and the DWI disagree on how far in advance the issues at Pembury could have been foreseen. You claim that between 1 and 15 November the treatment works were operating normally, but the DWI states that there had been clear signals from as early as 9 November. Do you think that the DWI is wrong?

David Hinton: No. I have gone over the information, both from the independent investigation and DWI's independent investigation, and there are signals in the early parts of November that we should have reacted to. We should have done more in the early part of the period. We should have then used different, more advanced problem-solving skills and remedied the situation quicker, and that would not have impacted customers. Both reports conclude around that same issue that it was the reaction to what was appearing to be a treatment works that was going out of control, that we were too slow on that, and I agree that that is what happened at Pembury.

Q1456 **Juliet Campbell:** The DWI identified problems with coagulant dosing assets at Pembury over 10 years ago. It states that it does not understand why you have not installed more modern systems. Could you tell us why?

David Hinton: Without getting too technical, the system at Pembury changes the coagulant with the flow rate. There are more advanced systems available. Pembury is due to be upgraded in 2028. When you change something like a coagulant system, quite often you need to change the control philosophy of the site, and that was very much planned as part of that upgrade. We should have recognised in the interim while we were waiting for that upgrade that we should have been monitoring it more often, harder and more appropriately in the space between where we were and the upgrade itself. It is absolutely intended to upgrade Pembury, when we will upgrade the plant as a whole up to a more modern coagulation system.

Q1457 **Juliet Campbell:** Do you have a timeframe for that upgrade?

David Hinton: We are starting in 2028. It will take a number of years to do the whole plant; it is the sole treatment process for Tunbridge Wells so it cannot be taken offline. As we need to do it while it is live it will be a long project, but coagulation will be very early in that process.

Q1458 **Juliet Campbell:** It was identified as needing updating 10 years ago.

David Hinton: It is not an outlier in being just a flow-controlled coagulation, but there are more modern equivalents available. As I say, without putting that in we should have monitored it more as an alternative, and we did not do that.

Q1459 **Juliet Campbell:** The argument about raw water quality changes was central to your assertion in January that this incident was not foreseeable and it was not preventable. Did you mislead the Committee?



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David Hinton: That is what I thought at the time, from the evidence I had at the time. When we have a treatment works failure, or anything, actually, we look to see what has changed because the plant was running in a certain way, and something changed. The raw water quality changed, but it did not become exceptional. At the time I thought it was exceptional but I now accept that it was not exceptional. There were a number of other causes, as highlighted by the DWI and the independent report, that contributed to that. I gave the full evidence as I understood it to be at the time. More evidence has come to light, and I absolutely agree that that position, given that information, was foreseeable.

Q1460 **Juliet Campbell:** Will you be taking different actions in the future?

David Hinton: Absolutely. We have already taken a number of actions at Pembury across the whole treatment works in terms of the process. We have installed the two filters that we discussed at the previous hearing; changed some of the washing philosophies on the filters; added more monitors into the system, and we have overall increased the jar testing. We have done a complete overhaul of the risks we face at Pembury to take us to the point where we can do the full refurb of the plant.

Q1461 **Chair:** These are the things that the Drinking Water Inspectorate has been telling you for some time to do, are they not?

David Hinton: The DWI audited us earlier in the year and we agreed a set of commitments with the DWI at that time. We are on course to deliver those by the dates that we collectively agreed with each other during that process.

Q1462 **Chair:** The difficulty I have with this, David, is that last time you told us you could not talk to your customers at the time because you were leading from the front operationally. Leading from the front operationally, you still did not know at the beginning of January that these failings were there.

David Hinton: As I said before, what I meant by that was there was an event that I was running that was impacting the Tunbridge Wells area pre-Christmas. As you will recall—we talked about this for some time—it was a complicated water quality event and I felt I could add some expertise to that so I went to site.

Q1463 **Chair:** This is fundamental stuff that you have been warned about by regulators, so you would surely have been looking for it, were you not? Yet still you are telling us you did not see it.

David Hinton: We did not see this particular issue, and we should have seen it. As I said, the DWI and South East Water have agreed a set of undertakings that we are on course to deliver. We are accelerating those, as you might imagine, and we have done a lot more than was effectively in that set of undertakings with the DWI already, including the two filters.

Q1464 **Chair:** Okay. Chris, have you discussed this internally and, as a non-



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exec, are you satisfied with this?

Chris Train: More than discussing it internally; we have been down to the Pembury works. We have had a look at the facility, the challenges that there are and the work that has been done in order to improve the resilience of the site. Clearly, one of the big things that will help to improve resilience of supplies to Tunbridge Wells is the investments in Bewl, and I am very pleased to say that the Competition and Markets Authority, in its assessment, has essentially funded an extra £100 million in resilience.

Q1465 **Chair:** You say you have been down; how often do you go down to Pembury?

Chris Train: I have been down to the Pembury works on one occasion.

Q1466 **Chair:** This is your single treatment works and you had not visited it before this?

Chris Train: This is one of 88 treatment works that South East Water run.

Q1467 **Chair:** For Tunbridge Wells, though, it is the single point, is it not?

Chris Train: It is not the only single point on the system; this is one of the challenges that South East Water faces. It is why we are very supportive of the Government's White Paper on setting resilience standards for the water sector. Without that, your ability to invest in resilience is somewhat limited.

Q1468 **Chair:** But given all the previous warnings and the history of this plant, you have only visited it once. You have been a non-exec director since 2022.

Chris Train: 2022.

Chair: And chairman since then as well?

Chris Train *indicated assent.*

Chair: Okay. We are going to move on now to questions around monitoring, maintenance and culture.

Q1469 **Henry Tufnell:** I will start with the maintenance and monitoring. Mr Hinton, you gave an answer to my colleague just now about the need for more advanced problem solving, but what is striking when you look at the DWI report is about the basics. It sets out that routine maintenance was just not being undertaken. Seven of 13 scheduled site visits relating to the DAF stage—the dissolved air flotation filtration stage—were not started or completed between 9 and 25 November, and filters were not being washed adequately in the months before the incident. So you are not doing the basics, are you?



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David Hinton: That was one of the root causes identified by the two different investigations.

Q1470 **Henry Tufnell:** Hold on a second, because you say that, but in the report you talk about gaps in operation. This is not just a gap, is it? You are not doing over half of what you are meant to be doing.

David Hinton: The maintenance that you are talking about is routine daily maintenance that the individual technicians on site perform. That will never be totally 100% because they react to what is happening on the plant as well, and they were judged on that risk assessment. Seven out of 13 is not good enough. What this has shown to us as an executive team is that the teams are too reactive and are not spending enough time on the routine tasks.

The Kent and Sussex area, and particularly the Kent area, needs to have all the treatment works running at all times: it is a very tight supply-demand balance. That has generated a reactive culture that we really need to resolve. This is not the choice of the individuals; it is the pressure that we put on it. That is one of the reasons we have increased the operational staff by 100 people and put in a planned maintenance team that is dedicated to doing the planned maintenance so the operators can operate.

These are not things I have put in since November; these have been in for a while. It is a key part of the transformation programme that we have launched going forward. It is to refocus our teams which have been under pressure, ensuring that all plants are running at all times to meet the really tight supply-demand balance in the area. As I said before, the investment is the long-term solution to that, but in the interim we need to get better at this; that is why those changes are already in. We really need to get them deeply embedded to ensure that what we are doing ensures that the plant we have is running at all times.

We have the second-best outage record in the industry. In other words, our works run more than anyone else in terms of the percentage of the time they need to run. But that focus has meant that we need to restore some of the resource available to do some of the more basic daily tasks, in my view. That is why we made those changes already—we made those changes 18 months ago, and we are now recruiting into those roles.

Q1471 **Henry Tufnell:** Part of understanding what maintenance needs to be done is that you have to monitor what is happening in the first place. The DWI also set out that there was not enough monitoring going on at the Pembury works, particularly around optimising that coagulation process. There was no continuous temperature monitoring, and the critical treatment parameters—raw water conductivity, coagulant flow, aluminium concentrations—were not being monitored. After the evidence you gave in January, Marcus Rink said to the Committee that you were effectively flying blind in the lead-up to the event. Do you accept that you were flying blind?



David Hinton: I accept that we were not recording absolutely what we should have been recording. We were reliant on the fact that the works had run stable for so long with the parameters we were measuring that we did not think enough about the risk.

Risk has been a big learning from both the independent review and the DWI review. One of the big parts of the transformation is to have risk embedded right down to a site level so we have complete visibility throughout the business. The water industry historically manages risk at a site level; that allows the operators to manage the risk, and we want more of that visibility. We are deeply embedding risk right across the organisation so we can see when these issues begin: when issues around maintenance start to arise, when issues around water quality performance start to arise. We need that visibility, so risk has become a really strong learning for us from both the independent reviews.

Q1472 **Henry Tufnell:** You have touched on risk, and in your reports there was no structured mechanism for how to capture or escalate risks from the operators during site interviews, so that presumably was incredibly concerning to you?

David Hinton: Just to be clear, it is not my report; the board commissioned this report. Bit that is exactly what I am talking about. Historically—certainly in my experience, though it might not be more widely undertaken—in the water industry the risk is managed at a local level. As you might imagine, they manage it with, “This is the job list for the day and I’m going to undertake this.” That is not good enough any more. It effectively needs to be escalated so there is complete visibility of risk right the way through the organisation, which would have prevented this event. It allows us to operate in an environment that is really water-stressed, and everything needs to be running to maintain supply. That is a key element of the transformation we have launched as a result of these two events, and from the learnings of the previous years, in terms of how tight our system is operating.

Q1473 **Henry Tufnell:** You talk about risk, and the regulator is there to manage that risk and hold you to account. The DWI found that you did not carry out any jar testing in October, despite there being a requirement under regulatory notice to do so, and that the original coagulant should have worked had the optimisation process been followed. There seems to be a complete lack of any acceptance that risks need to be managed, they need to work; you are not even complying under your regulatory notices in respect to the lead-up to this event.

David Hinton: We did miss a jar test, I agree, and that is unacceptable. In terms of being able to control the process, post the water quality challenges, as I mentioned earlier, it is a problem-solving process. So once we are presented with a treatment works that is not behaving, there is a set of things to try and do. I don’t think we did that in a structured enough way to get to the point of resolution. We ended up changing the coagulant as the solution, but the DWI is right.



Henry Tufnell: You did not do a jar testing until 28 November.

David Hinton: We missed a jar test, and that is unacceptable; it may well have given us an even earlier warning than the one we had in November. But, as the DWI said, 9 November was the earliest indication that the treatment works was not performing as it should. I fully take it that we should have reacted earlier to that. As I said, we were doing a lot on problem solving—you can see from the Drinking Water Inspectorate's report that we were not asleep at the wheel in terms of the response on the site—it was just ineffective in terms of resolving the issue.

Q1474 **Henry Tufnell:** Let us talk about being asleep at the wheel, shall we? The DWI set out what you were doing in the control room. It is only manned Monday to Friday during the day, and there is no one there otherwise to monitor issues and nothing to see the emerging problems. Do you not think that is being asleep at the wheel?

David Hinton: No, I am afraid that is not correct. We have a 24/7 manned control room that has full visibility of all our 88 treatment works, and the different steps that exist, and they are all alarmed. In fact, I could fire it up on my laptop and look at all 88 treatment works now. So we have full visibility of all those 88 treatment works. As I say, they have warning alarms, high alarms and low alarms; there are alarms set on all those different treatment works.

Q1475 **Henry Tufnell:** The DWI recommended better response systems in respect of your control rooms in 2018, 2022 and 2023, but even in April '24 you still had not taken up any of those recommendations.

David Hinton: I am not familiar with recommendations relating to the control room.

Henry Tufnell: This was in terms of your response systems.

David Hinton: The control room had visibility. The control room operates largely to assist when staff are not on site. The staff on site have local alarms, they see a local, effectively a mimic of the treatment works, and they operate that. The control room operates out of hours, if you like, and has the same view. The alarms—and more importantly than the alarms, the trends—showed there was an issue. Again, I go back to: we did not respond to it quickly enough. I don't think it was an issue of visibility so much as the reaction to the visibility. We have all looked at the data since—including both independent reports—and, not generating any new data, can see where there was a response required that was different to the one we gave.

Q1476 **Henry Tufnell:** It is quite concerning because, Mr Train, I think you have set out in correspondence that this is in line with industry standards in terms of staffing—

Chris Train: And it isn't.

Henry Tufnell: "Nothing to see here, guv; it's all fine."



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Chris Train: The response that I put in writing was an attempt to demonstrate why we had said what we had said, which was the question that the Chair asked us within his letter. Different companies, different scales of works and different vulnerabilities will operate sites in different ways. But this is a pretty normal industry standard, running site control room operations. Is there an opportunity to improve that? Yes, there is, and that is part of our transformation plan: to get a more proactive rather than reactive view of the situations on site so that we can proactively manage better. We have essentially become a very responsive organisation rather than a proactive organisation, and when we talk about control systems, this is one of those areas where we really need to invest as an organisation.

Q1477 **Henry Tufnell:** You told the Chair that you have been in post since 2022, and obviously your role is to hold the executive to account. Are you concerned that safety was not one of the company's values, or is not one of the company's values?

Chris Train: No, safety is very much in the company's DNA.

Q1478 **Henry Tufnell:** But it is flagged in your own report that you have got a reactive and distinctive approach to safety; so it is not part of your—

Chris Train: Our response in this situation was very reactive. That is one of the learnings in terms of what data we were looking at to understand the risks that were being taken on the site. We have said that we did not react to the signals of the changes quickly enough.

Q1479 **Henry Tufnell:** In terms of the culture of the organisation that you oversee, and the scrutiny and accountability, are you not concerned that you have been in post for over two years and you have never thought that maybe safety should be part of the organisational thinking?

Chris Train: It is part.

Henry Tufnell: But it is not, in your report.

Chris Train: That is talking of one dimension of safety in terms of the processes. There are multi-factors in terms of the organisation. But organisationally we want to do the right thing for customers, and we have talked about our failures in doing that in this instance.

Q1480 **Henry Tufnell:** The reason why I am pushing this point is that the report talks about groupthink. As the chair and non-executive directors, it is your responsibility to guard against that; it is concerning that you do not seem to be doing your job properly.

Chris Train: In looking at the outcome of the investigation report, we are bolstering the executive team. The people we have brought in and will be bringing in are from outside the organisation, and that will create more challenge in the executive team around the decisions, actions and the directions that are taken. We have recognised that.



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Q1481 **Henry Tufnell:** Do you understand why it is so important, though? Because if you read the DWI report, "The company focused too much attention on the bad batch theory for the coagulant," which means that that theory effectively fits the narrative being put forward that it is outside the company's control, even though DWI states there is no evidence for that being the case. If there is a lack of critical thinking going on in respect of you in your role and the role of your non-executive team, that seeps through into the company's culture. That then has a real direct impact on its customers and on how it operates in the day-to-day.

Chris Train: At the point in time that the incident was occurring, the first thing you do as a response is to look at what is different. What was different was a change in the coagulation batch—there was a changeover—so there was a natural response to look at cause and effect at that point in time. That turned out to be false, and that therefore delayed the organisational and operational response in this instance, in this measure.

Q1482 **Chair:** I am struck by the fact that you keep conceding mistakes, but you have never yet explained why these things were allowed to happen and why these things were allowed to happen over a course of years. Caroline, how long have you been a non-exec director for?

Caroline Sheridan: I have been a non-executive for just over a year.

Q1483 **Chair:** Just over a year, so some of this was happening on your watch?

Caroline Sheridan: Yes, that is right.

Q1484 **Chair:** But you were still allowed to mark your own homework.

Caroline Sheridan: The reason for instigating the independent review was from discussions with the board members around how the Pembury incident and the impact on customers in Tunbridge Wells was not something that we were talking about as a board. To be brutally honest, it was not on our risk radar.

Q1485 **Chair:** You do not think, if you had been doing the job of a non-exec, it should have been?

Caroline Sheridan: We were very heavily focused on some of the known issues across South East Water, which have been the lack of resilience, lack of headroom, and the impact on customers because of the supply-demand issue. It is true to say that we spent a lot of time focusing on that.

Q1486 **Chair:** We have heard from David here about risk, as if suddenly you have just discovered risk as an issue for the first time.

Caroline Sheridan: No. I have a lot of experience in asset management and engineering, plus water sector and safety-critical environments, and I have been meeting with the team to discuss asset management and to discuss how we look after and maintain our assets.



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One of the key findings from this report is around the visibility of some of the risks. That is something that we absolutely need to improve so that we can see the risks on single points of failure such as Pembury and can review that we are taking the right action, as has been recommended in this report and the DWI report, and have direct visibility that that is happening so that we can prevent incidents such as Pembury happening again.

Q1487 **Chair:** Can you sit there today and tell us that it will not happen again?

Caroline Sheridan: Unfortunately I cannot sit here today and say it will not happen again. Specifically for Pembury, we have taken the action and overseen that the action has been taken for immediate responses to ensure that we have greater visibility of the system, of the water quality process that goes on in Pembury. The DWI is absolutely right to talk about early monitoring and visibility of that.

Q1488 **Chair:** In the same way that it was right to talk about all the various things that it would have been talking about for years, and frankly South East Water had just ignored?

Caroline Sheridan: It is very true to say that having the two independent reports has really given us a different perspective to help really inform the conversations that we are having.

Q1489 **Chair:** Let us just look at the independence of your report. You were commissioned by the board. You later brought in three other assessors, if I can put it like that. How far into your report process were these people brought in?

Caroline Sheridan: When did we appoint them?

Chair: Yes.

Caroline Sheridan: It was before Christmas that I had the first conversation with the lead investigator. He is known to me; I have not worked with him.

Q1490 **Chair:** When was he appointed?

Caroline Sheridan: He started work between Christmas and new year; in terms of payments, that would have been early January.

Q1491 **Chair:** What has your report found that the DWI had not already found when we heard from it in January?

Caroline Sheridan: The findings that the DWI presented at the first Committee are in line with what we have found. The reason we did this was to provide a—

Q1492 **Chair:** Did you not accept the findings of the DWI report? If you accepted them, what was the point of your report?



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Caroline Sheridan: The point of our report was to look internally at broad factors as to what was going on, and how we had not seen this coming when we really should have done. We brought in a range of independent people who had not been associated with South East Water previously to provide that insight. It has been really helpful that they have looked at this. They have had the opportunity to talk to a number of employees of South East Water to help really inform the view of what we must do next. It is fair to say that things were already in motion on a lot of the findings that we have in the independent review.

Q1493 **Chair:** Why did they go wrong in the first place? That is the question that we have not heard answered by David.

Caroline Sheridan: Why did it go wrong?

Q1494 **Chair:** Why did the failings that led to the incidents in November, December and then the later one in January, happen?

Caroline Sheridan: There is no single root cause. I would say that it is not due to water quality variances of extremities, it is fragility across the system. Pembury fundamentally operates a chemical process; layers of protection have been gradually eroding and we did not have sight of the system as a whole.

Q1495 **Chair:** Is that not what you are there to do as a non-exec director?

Caroline Sheridan: That is what we are there for.

Q1496 **Chair:** Why did you not do so?

Caroline Sheridan: At the time a lot of the focus was on the long-term resolution that is desperately needed: the investment that we need to make in Pembury. There has been a breakdown in some of the layers of risk reporting and the approach to report risk at a site-by-site level, which is quite normal within the water sector, but we need to be much better at analysing this and looking at our single points of failure.

We are in a very good position, having the investment now to be able to increase headroom and resilience. But fundamentally, until we get there we really do need to be making sure that we have control of the sites as a system and understand the controls that need to be in place to ensure that water can be supplied to our customers.

Q1497 **Chair:** What sort of company did you think you were joining when you joined the board? Did you realise you were coming into this sort of set-up?

Caroline Sheridan: I knew I was joining a water-stressed company.

Q1498 **Chair:** The problems of the company go far beyond water-stressed; surely they are much more deep-seated than that?

Caroline Sheridan: Prior to me joining the company, that is not something that—



Q1499 **Chair:** Did you read the DWI and the Ofwat reports going back to 2018 before you joined the board?

Caroline Sheridan: Not going back to 2018, but I did read the DWI reports. It is an excellent source of understanding how a company is performing. But I am very passionate about the water sector and wanted to bring my experience to the board when it has significant demands in increasing the amount of investment, and clearly a need to look at the asset management and the resilience of the network.

Chair: Charlie, you are going to do some questioning in relation to changes on incident preparations.

Q1500 **Charlie Dewhirst:** If we go back to 2018 and the Beast from the East incident, and then four years on from that, Mr Hinton, when the 2022 outage occurred affecting 85,000 customers, the company's own analysis at the time found that 61 actions identified for the 2018 event had not been implemented. Then, at the end of 2025, another 60,000 customers were impacted. What faith can we have now that you are learning lessons and we are not going to get into this Groundhog Day situation, as my colleague Ms Nus Ghani described it, where, one year after another, there is just problem after problem and the company is not learning its lessons?

David Hinton: I am going to have to come back to you on that. I do not recognise 61 incomplete actions on Beast from the East.

Charlie Dewhirst: That was in 2022.

David Hinton: Okay. There were a number of actions in there in 2022; again, I do not recognise 61 being incomplete. We have the list of actions we put in place following all these events. The scale of our response across a wide geographical area is one of the real challenges. As I said before, we have employed 20 tanker drivers just to do alternative water, and we can set up 10 or 12 bottled water stations; for Beast from the East we could only do two. We have contracts to deliver to livestock with third parties so that we can peak block, and third parties to deliver to vulnerable customers. We have third parties to assist with bottled water stations. You will understand that it is necessary to have the third party support because you suddenly—potentially instantaneously—have a demand on resource. All those things are in place, as are some of the learnings already from the recent event. The communication about bottled water stock levels has already been mentioned today. We have developed, for want of a better expression, an app that allows us to communicate with each other and soon to be with customers about livestock levels, so there is a list of learnings that we have taken from each one.

Prior to 2018 we had not had any events that were greater than a burst main—an 18-hour interruption for a much smaller number of customers. We have had to resource and increase the resource exponentially. As I



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said before, we are not all the way there. There is more we need to do on livestock and more resource we need to do on the priority services register. I get deeply upset about missing any customer on the priority services register, and we have to make sure that that does not happen. That is further resource in the technology, largely, and in the list of priority services. We have moved on an enormous amount, but we are not fully there yet.

Q1501 Charlie Dewhirst: You mentioned livestock; that is interesting as my colleague, Helen Whately, said to me ahead of the meeting that you were frankly dismissive of farmers when they raised concerns because they could not access water towards the end of last year. I appreciate there is a hierarchy of priorities in terms of vulnerable customers and so on, but would you accept that you were dismissive of farmers?

David Hinton: Absolutely not. I found it a really tricky issue. We were trying to prioritise, as you rightly say, between the different areas, and it was an uncomfortable conversation. I would not like anyone to be concerned about their livestock. This issue does not exist across all our patches. There is both farming livestock and, if you like, owned livestock as on a domestic property, so horses. We have now set up, again with dedicated contracts, to be able to deliver standing water to livestock.

Our next step we promised is to create a livestock register, which will be the first in the UK, so we understand where the livestock are prior to the event happening rather than being reactive to the livestock needs. I apologise if I came across as dismissive; that was not my intention.

Q1502 Charlie Dewhirst: Just in terms of escalating matters more quickly, which was something we discussed at the previous hearing here, there was some criticism that perhaps things had not escalated. Do you have faith in a multi-agency approach—the local area, the local resilience forum and so on—to be able to implement action plans more quickly?

David Hinton: Yes, and we are working really hard with the local resilience forums. We are doing some workshops with local resilience forums and stakeholders to examine the response to alternate water in what everyone is calling peacetime, so that we can look at locations of the bottled water for different times of the year that we all agree on. We are working really closely with the local resilience forums to run joint exercises to test both of our responses.

There is a real keenness from the local resilience forums to assist in some areas, such as priority service register deliveries. Again, I go back to the biggest worry, which is that they do not get a delivery, so we need co-ordinated resources and co-ordinated activity. But we are working very hard with the local resilience forums to do that; they are very receptive to that, and they were extremely supportive during both events.

Q1503 Charlie Dewhirst: Would you accept that some of the sites chosen to distribute water last time were pretty farcical in terms of their



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accessibility? The other services that they were being used for at the time, for example, was the shuttle bus to Heathrow location, a train rail replacement service, and so on. I hope all of that has now been taken into account, but can you give us confidence that, in a future event, those sites are already identified and are appropriate?

David Hinton: Yes, we had the sites identified, and what we need to do and what this event and the Christmas event highlighted to us—that seems obvious when I say it now—is that we need different sites for different times of year and an understanding of what is going on locally.

For example, there was a Christmas event that needed to use the car park that we intended to use. We did not know that. If we had spoken to the local authority it would have informed us that that car park was not available. Again, with the rail strike we were not effectively aware that the buses would be using the car park, and so on. That goes back to working really closely with local resilience forums to understand the local situation. The local response is the response that we need to give.

The other thing we are working hard with local authorities on is local, if you like, bespoke bottled water stations that are effectively dropped off in parish car parks, cub Scout huts—those kinds of things. The populations of small villages very much wanted to run that themselves. Again, it is a control issue, making sure everyone gets it, but it then eliminates the need for some of those really rural communities to travel a long way to, say, the centre of Tunbridge Wells or the centre of East Grinstead. Again, that is on our action list. We did it on a couple of occasions in this particular period, but that is definitely on our action list for the future.

Q1504 **Charlie Dewhirst:** Mr Train, you received a letter from six local MPs in January—Helen Whately, Mims Davies, Rosie Duffield, Helen Grant, Katie Lam and Tom Tugendhat—calling for a change in leadership. MPs are not shy of writing letters, but it is unusual for them to write a letter calling for such a severe change in a local private company. Ms Sheridan, what was your reflection on that letter?

Caroline Sheridan: We have already discussed the board backing Dave and the reasons for that. I acknowledge that we, as a board, really hear the voice of the MPs; they have an important job to do and are representing their constituents. As Chris has already outlined, we have to look at the entire picture and the risks that we are trying to manage. It is fair to say that, while the reading of both the independent reports—our internal one plus the DWI's—is difficult reading, a lot of the findings have already had action undertaken by Dave and the executive team that are simply just not going fast enough. We therefore need to ensure that we put this transformation plan around South East Water so that it can go faster for customers.

We have made changes to the leadership team and new people have been coming in. As a board, the independent non-executives have been working very closely with the executives to help articulate our concerns,



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and the focus that is necessary. In response, we acknowledge and understand their concerns, but we are ultimately here to do the right thing for our customers, for now and for the long term.

Q1505 **Charlie Dewhirst:** Was there unanimous support for the current leadership from the board?

Caroline Sheridan: As a board, yes.

Q1506 **Chair:** Do you think that, by adding people to the leadership team, you will fix the culture of groupthink you have identified?

Caroline Sheridan: We will fix it, first, by acknowledging that there is a risk within the culture of South East Water, which comes from the history of the company. There is a very family feel to the company; many people have worked there for a long time and are themselves residents in the local community. That has strong benefits, but it also has red flags.

We have therefore strengthened the executive team, deliberately bringing in people with broader experience who have a voice and are able to challenge. I see that dynamic on the board as well, where we bring in a voice and a different perspective to the challenge—

Q1507 **Chair:** This culture has not just happened; it has grown up over years, has it not?

Caroline Sheridan: Yes, and changing a culture will not happen immediately. But we need to take steps, first to identify the risks—

Q1508 **Chair:** What are the metrics that you identify as important in showing that you have been successful in changing the culture?

Caroline Sheridan: As a board, there are a number of things that we need to consider in how we measure—

Q1509 **Chair:** What are the metrics? How will we know what success looks like?

Caroline Sheridan: First, the outcomes for customers will definitely change. Because there is a common thread between the culture of an organisation and the ability for people to speak up and have a systematic approach to risk management, we will ultimately see that in customer outcomes, so we can measure the journey to get there.

Q1510 **Chair:** Do you have a metric for customer satisfaction?

Caroline Sheridan: It is certainly something that we should be considering.

Q1511 **Chair:** You should be considering it?

Chris Train: There is a measure on customer satisfaction, but the question is whether it is differentiated enough.

Q1512 **Chair:** What major improvement do you intend to see in that metric? Can you give us figures today?



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Chris Train: The bit that I think is really important—

Q1513 **Chair:** Sorry, I am running this long, so please keep tight to answering the questions that are asked.

Chris Train: The point I am trying to make is that what is really important is what local customers are feeling, and that can get hidden in a metric.

Q1514 **Chair:** You measure that. You have a figure at the moment; you have your baseline. Where do you want to get that figure to? Do you have that figure?

Chris Train: Not off the top of my head.

Chair: You do not. Okay. Sarah, you wanted to ask a question.

Q1515 **Sarah Dyke:** David, the last time you were before the Committee you told us that during the crisis back in November and December, your natural position was to go to the operational side—that was your comfort zone. You explained that you had a team of scientists and technologists who were there to carry out the role. Do you feel that you are now embedding a culture with those frontline staff where they do not feel undermined, and that they can escalate their concerns without you feeling as though you have to head into that space? It felt as if you had dropped the reins on the wider strategic elements required in your role as chief executive at that time.

David Hinton: The Pembury event was different to what we were experiencing in the business; it was a water quality driven event. I have over 15, 20 years' experience in water quality. We are not a massive company, so I was contributing to the debate on that particular issue. On every other debate, I operate the gold command: I oversee the overall approach to incident management.

We have talked a lot about the culture of South East Water, and Caroline is absolutely right. The risk of groupthink is one thing, but it has a strong, unified culture where we operate effectively under a period of stress while nevertheless working for each other. In that particular example I wanted to lend support to the team, which I knew was under stress. For that same reason I visited bottled water stations and other areas where we were looking at vulnerable customer support. That is the good part of the culture of South East Water.

But on all other events and incidents, I am very much running the gold command, as you would expect from a CEO, overseeing the company overall with the rest of my executive and key members of the management team. I did that for the January event and I have done that for many other events. The Pembury event was different because of the area affected; I felt I could add a non-CEO piece of expertise, and that is what I did.



Q1516 **Sarah Dyke:** What do you think you would do differently in future?

David Hinton: I would do very much what we did at Pembury, but I would put in early warnings, better monitoring, improved escalation processes, and problem-solving earlier in the process. We put on extra filters at Pembury as an extra stop. Obviously, we are going across the business to make sure this is not replicated anywhere else, and that exercise has already started. Pembury is a complicated works that ran stably for a very long time, and that meant we were not monitoring what we should have done. It did not give us any alarm bells as we went through, but using the risk approach we have all spoken about, we should have spotted those issues earlier. The transformation and change programme we put in place very much adds the resource and impetus for the business to be able to do this.

Q1517 **Sarah Dyke:** What lessons have you taken from other utility companies in preparing for a stronger incident response performance? How have other chief executives guided you in terms of your role in an emergency?

David Hinton: On the first point, we are well aware that Severn Trent is a company that has done a very good job in recovering from interruptions. Although as an industry we are meant to compete in a regulatory framework, we always share best practice and we always share water quality. So we went to see how Severn Trent manage this, and it was very similar to how we organised our tanker stock and how we ran it, and was based on a model that we saw working elsewhere.

In terms of supporting my role as chief executive, we discussed last time whether I communicated early enough in the event. I canvassed their opinion on that and they agreed with me that I got it wrong. That is very much a lesson we have learned and it has gone into the playbook of how we handle future events. The industry is very good at mutual support and trying to understand these difficulties because we are all trying to provide a public health service for our customers. That fundamentally runs through the DNA of anyone who works for a water company and that is why this sharing goes on.

Q1518 **Sarah Dyke:** In terms of your response as a chief executive, how would you implement that change going forward? You have admitted you got it wrong.

David Hinton: I did; it was something that I had not experienced at that level before. We are now using consultants to help us work out an effective crisis comms playbook, and the role everyone has in that playbook. We went through the pain of getting it wrong; part of the transformation process is to learn from that, and it is already well embedded into the organisation. We have made a lot of progress in that area in the last three months.

Q1519 **Sarah Dyke:** How do you think you are empowering your scientists, your technical staff and your new senior team members?



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David Hinton: I am not a command and control leader; that is not the style of South East Water, so they are heavily empowered. Bringing in the two external executives is adding a different dimension, particularly in terms of allowing the existing executive to have more resource. We have had a five-person executive for a number of years, but we are a bigger business now. That is one of the big drivers of change. Just in terms of the effect of the totex we need to spend, that has gone from £1 billion to £2 billion over a five-year period, so there is a lot for us to do. The focus is very much on new ideas, new impetus and new experience against a lot more to do for our customers, which we are really excited to do. We think we have a real opportunity to make a difference and these two new roles are doing that. We very much empower them to do what they need to do in their area, and to deliver the assets they need to deliver.

We have a new technical information director who will be looking at the insights we are getting from smart meters. This is a new world where investments can allow us to get customers' resilience back on track where we want it to be and get us ahead of climate change, so that we can get back to a new place where we are really delivering for our customers. That is the north star of our business.

Q1520 **Chair:** You said that you are bringing in consultants now.

David Hinton: We are bringing them in on communications; as a water company, the internal expertise on crisis communications was not there.

Q1521 **Chair:** Right; so you are just bringing them in on the communications side of things.

David Hinton: We use consultants for various roles, as most businesses do, but the one I was referring to there—

Q1522 **Chair:** How much are these consultants going to cost you?

David Hinton: I do not know the number off the top of my head, but our customers told us that, apart from the fundamental lack of water supply, one of our biggest issues was that communications were poor.

Q1523 **Chair:** I am intrigued to explore your role in Pembury. You lost days because of the "bad batch" theory. Did you author that theory? Who was responsible for that?

David Hinton: It was not mine. I did not—

Q1524 **Chair:** Did you challenge it?

David Hinton: Yes. By the time I arrived on site and had the site-level detail, they had already swapped the batch to try a different batch. As Chris said, they went back to a scientific principle; if something starts behaving differently, what is the changing input? But we should have explored more than one potential cause.

Q1525 **Chair:** Is there any reason why you did not?



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David Hinton: Again, I go back to problem-solving.

Q1526 **Chair:** Exactly; that is what I hoped we would get to this morning.

David Hinton: The thing is, sometimes issues with treatment works take a number of days to resolve. That is just a fact; it happens all over the industry. We did not help ourselves because we did not spot it early enough, and that lost days. As we have said elsewhere, because there is not a lot of storage in the South East Water area system, we do not have days to spare, and those two things combined. Fundamentally, I am not blaming the storage in the system; that is a fact, but it has nothing to do with this. The issue is that we did not spot it early enough. If we had spotted it earlier, we would have resolved it. We could also have made it less likely to happen with some impacts on site, but most importantly, we could have worked our way through that issue and solved it if we had spotted it earlier and responded to it earlier.

Q1527 **Henry Tufnell:** How long have you been working with Severn Trent on best practice? How long have you been learning from it?

David Hinton: We have probably been talking to Severn Trent since we ordered the tankers about three or four years ago.

Q1528 **Henry Tufnell:** You have been taking best practice from Severn Trent for three or four years?

David Hinton: On the tanker design, yes.

Q1529 **Henry Tufnell:** Then why have you not been doing best practice internally within your company? That was something your report identified.

David Hinton: In which particular area?

Q1530 **Henry Tufnell:** The report says that on-site visits and interviews were observed where best practice was not implemented. So why were you learning from best practice with Severn Trent, but not doing that internally?

David Hinton: We always try to seek best practice. On this particular example, we were not following it.

Q1531 **Henry Tufnell:** Your own report says that you do not.

David Hinton: It says that we did not follow best practice.

Chair: Tim is going to lead with questions on long-term infrastructure concerns, and then we will come back to Josh.

Q1532 **Tim Roca:** Mr Train, lack of interconnectivity, historically low levels of mains replacements and other issues have been flagged as affecting resilience at South East Water. In your view, why was greater resilience not a priority in earlier price reviews?



Chris Train: It was. From South East Water's perspective, we are very conscious of the challenges of the evolution of the network and the fact that there are no resilience standards. The regulatory framework assumes that water balance is the prime driver, whereas you will always end up with challenges, particularly towards the end customer points of the infrastructure. If you do a comparison with the energy sector, that sector has capacity and capability standards that are in statute, and therefore you can make a judgment around whether investments are adding to resilience. Putting forward resilience plans is very challenging in the current regulatory framework, and that was our rationale for going to the Competition and Markets Authority on Ofwat's final determination. Thankfully, the issue was recognised by the Competition and Markets Authority, particularly where Tunbridge Wells customers are concerned. The investments sanctioned through the CMA for Bewl improve the level of connectivity—and therefore alternatives—in the system.

Other networks, other water companies, have more interconnectivity, particularly those that have had historically large industrial activity. That activity has gone as the world has changed, but the existing infrastructure capacity has allowed a greater level of flexibility. One of the challenges of the framework is that comparisons do not always take into account the actual infrastructure in the ground. Again, that is illustrated through 88 treatment works for 2.3 million customers, which is very unusual for an organisation. Historically, local communities have developed their own resources, and a framework has then been introduced which does not recognise modern requirements and modern interconnectivity. As population has grown in the south-east, that has exacerbated the situation.

Q1533 Tim Roca: The Committee recognises the points you make about regulation; Mr Hinton made those points in January as well, and welcomed the IWC's recommendations. However, I do not think you can completely hide behind the regulatory framework. A core part of your business should be an understanding that in terms of infrastructure, resilience is important. Ofwat's price reviews between 2009 and 2024 showed that many of the service reservoirs had deteriorated from grade 3 to grade 4 or grade 5 conditions, so there was a resilience issue.

Mr Hinton, you told us that Ofwat failed to give you sufficient funding to invest in the resilience of the infrastructure. But Ofwat has told us that the company often failed to make a robust case for funding. Can you respond to that?

David Hinton: Chris's point is that resilience, in terms of a line of funding, is relatively new in the water industry. In the past, it has been handled under the guise of water resource plans or quality issues. To my mind, resilience can be an outcome in itself, but it can also be an input. Chris has mentioned resilient standards; for me, just so everyone is clear—

Q1534 Tim Roca: Can I say that I am short of time; I have to go bother a



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Minister about something else in my constituency. My question was that Ofwat says you failed to make a robust case for funding or had already received funding to invest in resilience in previous price reviews. How do you respond to the suggestion that you are not providing robust business cases?

David Hinton: The business case is difficult to make in the absence of standards. The business case is effectively on a case-by-case basis, and on a community-by-community basis, the most recent example of which is the expansion of Bewl Water that Chris mentioned, which we effectively needed to take in front of the CMA as an assessment. I am not criticising Ofwat; the framework by which an assessment can be made and therefore judged is not there. The White Paper is proposing that it should be there, and once it is, it will be easier for both sides—both for the regulator to judge and for the company to make the case.

Q1535 **Tim Roca:** I take that point, and it is an important point. But two of you today have talked about the extra £100 million from the CMA's redeterminations. Am I right in remembering that, when you asked about this in January, you felt you needed £300 million of investment? Are you satisfied with £100 million, or do you still feel it was the £300 million figure that was needed?

David Hinton: We actually have over £300 million for resilience in total, so that is an extra £100 million. We do not have everything, but we have the lion's share of the resilience money that we need, and we can very much progress and markedly improve the resilience of the south-east with that level of investment. In the previous price review we had around £70 million to £80 million, so we have procured a huge step up in our resilience funding for customers of South East Water.

Q1536 **Tim Roca:** In fact, you received one of the largest increases in revenue overall, so hopefully customers in the region should be seeing improvements in the future. Can I ask about the issues I mentioned at the beginning? Ofwat found problems with the upkeep of treatment works, trunk mains, boreholes and reservoirs, and said that you should have applied for maintenance funding over 10 years ago. How can you turn this around as quickly as possible?

David Hinton: Ofwat made some points in the investigation that we recognise. Within the regulatory framework we are always balancing the risk of different maintenance choices, of which we have thousands every year. We have 88 treatment works, all which have thousands of assets on them in total. We are very acutely aware of boreholes, and the overall yield on those is very much in the transformation programme. We would not have made a choice about intervening on another asset when we chose to reduce the maintenance on boreholes; we are constantly making that trade-off choice. We overspent our totex by £100 million, so it was not as if we were not spending the money; we were trying to trade off across different assets. Sometimes those trade-off choices can be



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challenged and can be wrong, but they are very much choices made at a point in time.

Q1537 Tim Roca: Ofwat said that for at least 10 years you failed to ensure service reservoirs were adequately and regularly inspected, and that you failed to maintain trunk mains by undertaking sufficient preventative maintenance. It is interesting that since 2017, by your own papers, you have rated the risk of trunk main failure as high or extreme. I appreciate you have a trade-off of different choices around maintenance, but this has been a major issue on your business radar for a long time.

David Hinton: Even if they were brand-new, trunk mains would be high risk for South East Water because we have a linear system. If a trunk main fails, every customer downstream of that trunk main will fail. The risk register recognises the importance of those trunk main assets in delivering water to customers, irrespective of the maintenance on them. We monitor our trunk mains really closely, and our record of repairing them when they go is very good. Trunk mains are highly expensive, and again, you have to balance replacing the trunk main at the right point in that asset life against boreholes, reservoirs and so on. That is the constant asset management issue.

Q1538 Tim Roca: So even after work, even after mitigation, something would remain high risk?

David Hinton: Yes, it would because it is a single asset failure point.

Q1539 Chair: The Ofwat report said that in some cases you were already funded to deliver resilience projects, but you did not. Why was that?

David Hinton: In the last price review in particular—it was different to this one—we were funded a totex number, so the risk decision was effectively ours to make, and we traded off different projects. I will give you an example of one we were not going to do but did. Barcombe is our key works on the south coast and supplies 50,000 to 60,000 customers. As we went into the period, we started to see more climate change. We had planned a set of work at Barcombe, but recognising that it was a key risk, we completely accelerated that and added much more to the scope, which meant that we moved money from another allocated area. Ofwat did not fund any schemes against resilience because it was a totex envelope, so the risk choice was ours.

I cannot point to any schemes that were not done, but we are constantly trading risk. That is one of our main roles as an executive team in a water company because we are trying to balance affordability with water supply risk. That is the constant challenge that we have.

Q1540 Chair: So these were your choices?

David Hinton: Yes.

Chair: Josh, you are going to do some questioning around communications and vulnerable customers.



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Q1541 **Josh Newbury:** I will start with a straightforward question to Mr Hinton. How many people work on communications at South East Water?

David Hinton: The team is around 20.

Q1542 **Josh Newbury:** That is quite a substantial number, but do you think it is sufficient in light of the clear shortcomings in your crisis communications over these outages?

David Hinton: I have mentioned already that we have effectively bolstered that resource with third-party expertise in crisis comms. My team are excellent at doing the comms that we need as a water company in what you call peacetime, and we were all—not just the communication team—challenged on what happened in the last few months. They are adept at providing information to customers on events, water efficiency, and all the key things a water company needs in its BAU, but we have bolstered that team since in terms of expertise for crisis communications.

Q1543 **Josh Newbury:** You have brought consultants in, but what happens when they leave? Has the number of people working on comms increased? Have you spoken directly with that team about these failings? Are you addressing the apparent breakdown between the operational and communications teams? Has any crisis comms training occurred? I am trying to get to the bottom of how you are addressing these clear shortcomings.

David Hinton: Between ourselves and the consultants, we are developing joint playbooks for the fundamental handover point—playbooks that the home team can effectively adopt if the consultants are not there. We are not a huge company; I speak to the comms team all the time, they are literally around the corner from me, and we have conversations about what we could do differently. There is no question that we have had significant learnings out of this. It is not something we were used to dealing with, but we have now developed that skill set. The team size is almost certainly going to increase; I cannot tell you to what number, but the team size is going to increase when we get back into the position of BAU because BAU is very different to what it used to be.

Q1544 **Josh Newbury:** I have worked in communications myself, in the NHS. My last team had six members and we worked in a big organisation. We made sure that we had not just playbooks, but proper crisis comms plans and strategies in place for health emergencies across a whole city, and we did that with six members of staff. So why do you think that, with more than triple that number, you failed so comprehensively to communicate properly with your customers?

David Hinton: I need to expand on what the comms team do. A significant part of our role is to put infrastructure in the ground, and when we do that, we like to make sure we engage fully with stakeholders, local authorities and planning authorities; we hold open days and so on. The comms team are very much involved in that; it is part of the delivery of a capital scheme and a big element of what they



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do. When I say playbook, I mean that this is a process, this is what we are going to do, this is how we are going to handle it in the future. We can always call on the external resource to do that.

A key stream of how we want to improve going forward, with the transformation programme we have in place, is how we effectively communicate externally to stakeholders, customers and the media. That communication needs to be on a different level to how it used to be; it needs to reflect the new position the business is in. We are absolutely committed to improving the trust of our customers, and there are a number of ways of doing that: communication needs to be better, absolutely, but we also need to deliver the infrastructure and process changes that we have already talked about in the transformation programme.

Q1545 Josh Newbury: The picture of what you need to do in an outage has not fundamentally changed since the company was set up. You have mentioned all the things that the comms team do from day to day. Why was the preparation work not done for outages, particularly given that you have had outages in the past? You said then, "We will learn lessons," but it does not seem that any lessons were learned. When we look at what happened in November, customers were not given the information they needed, and your response was haphazard and inconsistent. How can you say, "We did not realise until that point that something was wrong and that we needed to bring in external help," when we see how this is dealt with across the whole industry?

David Hinton: The biggest challenge—the independent report recognises this—was not the lack of volume of communications; it was due to the accuracy of providing customers with what they need, which is a resolution or some reassurance. For example, we sent well over 1 million SMS messages to update customers, and there were multiple daily updates. The thing we had to learn from was the fact that we could not give a firm resolution—particularly in the November event—and that frustrated customers. We were attempting to provide a resolution where one did not exist. We were still working on the issue, and that meant we continuously missed timings, which, as we all know as consumers and customers, is really irritating.

We handle many burst mains every year, and we know when they are going to get fixed. The communications around those get really good feedback from customers because the resolution is clear, the communications are clear, and the timing is clear. This was a different event, and that is what the learnings have been about—how we should handle an event such as this where there is no resolution.

Q1546 Josh Newbury: The Drinking Water Inspectorate's report said that it asked for a communications strategy. In its view, what was provided was just a series of templates, and there was no evidence that, during outages, you were adapting the communications going out based on feedback from customers. It said that decisions were taken on an ad hoc



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basis, and those were not properly recorded. I have no idea how you are supposed to learn from these comms failures in the future, consultants or no consultants.

It also said that there was no proper plan and procedure for comms about support for customers in an emergency. As a comms professional in my past life, I have to tell you that that is about as abject as failure can get in our world. So when are you going to have this fully formed strategy in place and this adequately trained workforce? It is not good enough just to rely on external resource; I do not think you can do that for ever. What are you doing to make sure that your own team are properly prepared for an incident like this in future?

David Hinton: I talked a minute ago about the gold level command. When we set up an incident team, the communications team are in every single one of those meetings, and the reason they are there is to communicate the position, as the company understands it live at the time, to the relevant customers and the relevant stakeholders. That is the drumbeat we effectively use throughout. We have not mapped that out and written it down as a set of procedures, but that is literally our emergency planning process, which we feed from there.

I take the criticism that we did not write down the process we follow, but that is the process we follow.

Q1547 **Josh Newbury:** That is why having a strategy is so important. As someone who has been a comms professional, who has been stuck on a call and often had to listen to some really technical information, I can tell you that you need to understand, first what the customer needs to know, secondly when they need to know it, and thirdly in what format you are going to put it out. It is not good enough just to say, "We have somebody from comms on the call," because a breakdown in communications can happen between them and the people who are looking at this on a very technical basis. That leads to situations like you had last year where you were communicating wildly optimistic information—we can see from these reports that you probably knew it was unlikely to be the reality—and the goalposts constantly shifted on when customers were going to get their supply back.

You are putting your comms team in an unfair position by not giving them the information that they need to make sure customers are as informed as possible. None of us has a crystal ball, as you said to us last time; but it is unfair to leave your team without a strategy, and to not expect them to have a strategy about how all the different parts of your organisation are going to link in with them when the chips are down and you have a crisis on your hands.

David Hinton: As I said before, that is what we are seeking help in achieving. The comms team were not inventing their statements; the optimism was coming from the field team running the event. It was not the comms team who were being optimistic and telling customers something they wanted to hear. As a group, we have to challenge



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ourselves when the resolution is not obvious and the timing is not obvious. We have had feedback, and we do quite a lot of customer satisfaction surveys after events. One of the things customers always say is, "I just want to know when it is going to come back on." I have heard that quoted a number of times in different research pieces. The temptation is for us to tell them when we think it might be on, and that is a trap we fell into. We are working through a strategy right now of what we do in a situation where we cannot nail the resolution time. In many of these events we do have a firm resolution time, but this is one of those where we really need to learn the lessons.

Josh Newbury: Time is short, so I am going to move on to vulnerable customers, but there is a lot more work that needs to be done on the comms side.

Q1548 **Chair:** I am sorry, Josh, but just before you do that, I want to ask Mr Hinton how he fell into that trap. This is surely Water Company Management 101.

David Hinton: The trap I was referring to is providing the customers with an estimation of completion when we were not entirely certain about whether that would come off or not.

Q1549 **Chair:** Why?

David Hinton: Because otherwise you are communicating an open-ended resolution. We were giving our best estimate at the time we made the estimate; there is always a debate between how certain that estimate is, and therefore how willing you are to share it with customers. Should you maintain the line of—

Q1550 **Chair:** You have described this as a trap; it is the most fundamental one, and you walked right into it.

David Hinton: We also fell into the other trap, which is not providing a resolution. There is a choice when you talk to customers about which one to provide, and the choice is governed by certainty. Now, we thought we were more certain about the resolution than we should have been. That is the trap we fell into. Every time we have an event, there is a real trade-off between telling customers when we think it will be resolved or effectively leaving that open.

Q1551 **Josh Newbury:** The bottom line is that, if you give people overly optimistic information, then that is what they use to make their decisions on whether to stay put or whether to make any alternative arrangements.

David Hinton: I agree.

Q1552 **Josh Newbury:** If you give people communications that are open-ended, such as, "We don't know when this is going to come back on," it is frustrating, but the lesson I hope you will learn is that it is far more frustrating for your customers to be told it is only going to be 48 hours



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when it lasts for a week.

David Hinton: I agree. That is the lesson.

Q1553 **Josh Newbury:** You will understand the importance of clean water to vulnerable consumers better than I do; we know that some people have medical conditions that require them to wash regularly, while others work in professions where hygiene is paramount, including in their home life. Your investigation concluded that public health was protected during the Tunbridge Wells incident, but how can you say that when thousands of people could not wash? The DWI has also found that you did not prioritise your vulnerable customers adequately.

David Hinton: The public health piece is that at no time did we put out water that was unwholesome, which for us means safe to drink, other than under a board water notice, which we did later. The DWI report talks about that as well. That choice was one of public sanitation, so the public health point was related to that.

Q1554 **Josh Newbury:** Public health is not protected overall if some people do not have access to water.

David Hinton: We know how important what we do is for society, and I am really proud of my job as a water company CEO. We know how important it is for communities; it is absolutely fundamental, and it all breaks down when we cannot do that role properly. Vulnerable customers in particular are at the heart of what we are trying to do and trying to achieve. As I said before, we did 35,000 deliveries, but I hated that we missed 70. Public health is at the heart of how water company people think about their jobs.

Q1555 **Josh Newbury:** Back in January, we asked you about support for vulnerable customers, particularly with bottled water; we talked quite a lot about that. Miss Sephton said there were a few isolated issues—I think that was her phrase. But having looked at this extensively, the analysis from the DWI is that there was a lack of early action and a lack of planning which had a massive impact on vulnerable customers in particular. For example, a vulnerable customer team was not set up until days after the incident had even started, and you did not grasp the needs and locations of vulnerable customers or important sites like care homes and GP surgeries.

You have said that many of the recommendations and action points that you found in your report have already been actioned. So have you looked at those points as part of that?

David Hinton: Absolutely. There is a difference between setting up a vulnerable customer team and dealing directly with vulnerable groups; we started delivering to many of our PSL customers in advance of them going off water over the weekend. It is right to say we did not set up a team, but we were delivering to those customers.



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In terms of critical establishments like GP surgeries and so on, we have an already agreed process that we test. In fact, we are routinely testing another hospital today to check whether we can provide it with tanked water. We have a number of very defined ways of dealing with particular named care homes and so on, but they tend to be bespoke. Some have tanks and we can immediately just tanker water in to them. Some do not have tanks and need a pressurised input.

Without doing the full survey piece in advance of all the different potential critical units, including GP surgeries, nursing homes, and schools, we have committed to go around all those so that we can understand what their needs are, and how we could supply alternative water to all those individual premises.

Q1556 Josh Newbury: Are you confident that when the next incident comes you are not going to have five dozen vulnerable customers who are not supported?

David Hinton: That is absolutely what we are aiming at. We have had great support from the local resilience forums; it is often a question of understanding the live PSR as well. People do not necessarily register with us. We do what we can to try to promote the scheme, and we welcome any support we get from third parties with that promotion. But we do have customers appear during the event saying, "I am vulnerable" for a different reason; it might be a transient vulnerability, but we need to respond to them also. Quite often that is the area in which it becomes more difficult to deliver the service needed.

Q1557 Josh Newbury: Just to tie this off, it seems to me that whether it is crisis comms or support for vulnerable customers, the preparation that you as South East Water deemed to be adequate does not stack up against either the practices of pretty much the whole of the rest of the industry or the expectations of your customers. So are you going to have these emergency plans properly audited independently to make sure they are fit for purpose?

David Hinton: They are audited independently. Many of our emergency response documents are audited by the DWI in its capacity of overlooking the security and emergency measures direction. Our independent report said that we had a very full emergency plan, but it was not overly accessible.

Q1558 Josh Newbury: The DWI said that you did not provide it with what it was looking for on the communications front, and that what you sent it was wholly inadequate.

David Hinton: I am afraid I do not know the detail of that particular request or our response, but we are absolutely committed to making sure those things are in place and that emergency plans are in place, and that is very much a part of our response going forward.

Q1559 Chair: Do you think communication would be better if you had more of a



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command and control style, as you referred to earlier on?

David Hinton: In some instances, one particular style all the time is something that—

Q1560 **Chair:** You did not go out and face the public in Turnbridge Wells, and the same happened again in January.

David Hinton: I did not go on the media. I have been to numerous scrutiny committees since, and I have met with—

Q1561 **Chair:** At the moment when people were turning on their taps and nothing was coming out, you were not to be found.

David Hinton: I was running the gold command for that event. As I described at the last hearing, we have a communications playbook, which is that an operations person runs the first interview and then it escalates. I admit—as I have already—that I should have gone out earlier. I did broadcast to all our customers in the south-east of England, and I have been to numerous scrutiny committees and local events to discuss South East Water's plans with customers directly.

Q1562 **Chair:** Chris, Caroline, you cannot be happy with what you have heard about communication with customers, and safeguards for customers.

Chris Train: No.

Q1563 **Chair:** Were you aware of just how bad things were when you gave your confidence to David?

Chris Train: I was aware of the fact that we had—

Q1564 **Chair:** So it was your decision, then?

Chris Train: I am fully aware that we made a lot of mistakes on communications.

Q1565 **Chair:** Do you mean as non-execs, or as South East Water?

Chris Train: I mean as South East Water.

Q1566 **Chair:** Right. As non-execs, would you do the same thing again?

Chris Train: It was a very dynamic situation where—

Q1567 **Chair:** The question is, would you do the same thing again? With hindsight, do you think you made the right call?

Chris Train: In terms of?

Q1568 **Chair:** Knowing what you knew—which you have told us—would you then continue to give confidence to your chief executive?

Chris Train: Yes.

Chair: Jenny, that could not be clearer.



Q1569 Jenny Riddell-Carpenter: Thank you, Chair. David, trust is at the heart of communications and the heart of your social contract to operate in your role as chief executive. Do you agree that your trust with your customers and that social contract to deliver is central?

I would put it to you that your trust has not improved. In fact, I would say it is worse. Your communications have not improved; again I would say they are worse, purely on the fact that in March 2026, you sought to get an injunction against Ofwat's investigation and report on you. Whose decision was that? Do you recognise that to seek to challenge that knowledge and subsequently to seek an injunction to stop the report coming out—a report that, by the way, does not even refer to what we are talking about today but refers to issues between 2020 and 2023—does nothing to build trust with your customers? It does the complete opposite.

David Hinton: To answer your first question, that was a board decision. What was behind the decision was that we felt more dialogue was to be had with Ofwat on a number of issues in its investigation decision; we did not feel that we had exhausted the process. We had a decision to make on trust about whether we should do that, but equally, we wanted to make sure that Ofwat's decision, which ultimately goes in the public domain and impacts trust, would properly reflect the dialogue that we would like to have had with Ofwat at the time. So we were balancing that.

We are super conscious of the trust impact of anything that we say or do publicly, and anything we do with our regulators. But we made that decision in good faith. We made it in an attempt to try to complete the dialogue with Ofwat before it was published, and that was fundamentally behind the decision.

Q1570 Jenny Riddell-Carpenter: Were communications in the room when you made that decision?

David Hinton: We absolutely consulted.

Q1571 Jenny Riddell-Carpenter: Were they in the room when you made that decision?

David Hinton: I do not know.

Q1572 Jenny Riddell-Carpenter: I would imagine they were not in the room because I cannot imagine that anyone would advise you that it would be a good move to seek an injunction against criticism of your organisation so that the public could not see it. If you wanted to build trust with your customer base and to fulfil your social contract, you would be confident having that discussion in public with Ofwat, and to say, "We do not agree with this, we have questions on this, we have invested in this." You would have that discussion publicly, you would not seek to have an injunction.

David Hinton: We were not trying to stop it.

Q1573 Jenny Riddell-Carpenter: That is what an injunction does.

David Hinton: We just delayed it. We were trying to effectively finish the dialogue. That was what we were trying to achieve by that particular—

Q1574 Jenny Riddell-Carpenter: It is not an honest conversation about the failings and flaws and issues within your organisation that you are prepared to have publicly. We are clearly not going to agree on this, but I would suggest that until you can understand that, you cannot build trust with your customer base, nor can you have good communications.

David Hinton: We understand, and we discussed the issue of trust in making that decision at the board.

Q1575 Jenny Riddell-Carpenter: I would refer to a fleeting comment I made earlier; you might be asking the right questions, but you are not finding the right answers.

You mentioned at the beginning that you have brought in additional skills to the board, either exec or non-exec, I cannot remember which. Can you tell me whether those skills come from inside the sector, from other organisations within the sector, or from outside the sector?

David Hinton: We have two different roles. We have an investment delivery director, who focuses on delivering the capital that we need, the infrastructure, and the resilience that we have talked about. That activity used to sit under the operations director, but it is such a big and important programme that we created a new director for it.

We took the individual who is running that from a water delivery supply chain role; effectively they were working in other water companies.

Q1576 Jenny Riddell-Carpenter: Which water company do they come from?

David Hinton: One of their experiences is with Anglian, but they have more than that. The other role is the technical insight director. This is the area where we are looking to grab useful insights from smart metering and smart networks, which we have started and which is going to be an exciting development for the whole industry, and putting that into actionable insights for the rest of the business. That director role is relatively unique in the industry, and we took the individual from a power company where they had gone through a transition programme because change for the business is within their programme of work as well. So the transformation programme sits—

Q1577 Jenny Riddell-Carpenter: Which power company?

David Hinton: It was UKPN. Under the UKPN banner, he was doing very much the same thing; his role was about change and transformation using digitalisation. That is a big part of our future strategy, and that is why we wanted to seek expertise from a relevant organisation, but one with a very different mindset.

Q1578 Jenny Riddell-Carpenter: Caroline, you were at Thames Water. What



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years were you there?

Caroline Sheridan: I was there from 2021 to 2023.

Q1579 **Jenny Riddell-Carpenter:** That was not exactly the heyday of Thames Water.

Caroline Sheridan: No, it was not.

Q1580 **Jenny Riddell-Carpenter:** What skills, advice and critical questions are you bringing to the board?

Caroline Sheridan: I spent just over two years at Thames Water, and during my time there as engineering and asset director, I learned a huge amount about the water sector.

Q1581 **Jenny Riddell-Carpenter:** Including what does not work.

Caroline Sheridan: Absolutely. I learned about the potential challenges that Thames and the water sector are facing both with water and waste.

The reason I went to work at Thames was the broad breadth of experience I have had across sectors to bring in that learning. I have worked at safety-critical organisations; in fact, the organisation I work for now is a safety-critical organisation. It is about having that breadth of experience of the challenges that these organisations face, and the importance of having effective asset management at the heart of the risk management decisions that are needed. That is what I brought to Thames Water, and it is what I bring as a non-exec to South East Water.

Q1582 **Jenny Riddell-Carpenter:** Going back to Ofwat's report, as I said earlier, it identified an array of issues between 2020 and 2023, including that you contravened section 27 of the Water Industry Act. Why has compliance been such a problem for you?

David Hinton: That is the subject of the investigation—running an efficient network. On compliance, the wider question of regulations and the compliance framework is a key thing for a water company, and water quality compliance is the most important of all—the ability to supply wholesome water, which is generated effectively—quite often said to be the best water quality in the world, in the UK, that compliance framework. It is fundamental. We are not achieving it 100% of the time, but we are always striving to reach 100% compliance. Sometimes we do not achieve compliance because of conflicting pressures; that is not a choice we make. But I cannot emphasise enough that this is not just about South East Water, but about how important compliance is. It is the fundamental trust underpinner of the UK water industry and the drinking water quality as a whole.

Q1583 **Jenny Riddell-Carpenter:** Yes, but you are not compliant.

David Hinton: We are not 100% compliant, but we strive for compliance. Compliance is an absolute No. 1 objective of South East Water, as well as many other water companies.

Q1584 **Jenny Riddell-Carpenter:** This goes back to the point I was trying to make at the beginning: when you say that it is absolutely vital and fundamental to what you do, and you are not doing it, you cannot build trust, and we do not see any improvement coming through.

I will leave this as my final question here. Your company is one of the worst performers in the sector that we have examined in thorough detail in the last two sessions where you have appeared. In your appeal to the 2024 price review, you received a compromise from CMA for your supply interruption targets. Are these now achievable?

David Hinton: Someone once described South East Water as a good company with a really big interruptions problem. We are often described as poor—

Jenny Riddell-Carpenter: That is like saying that BA are a really good airline but the planes cannot get off the ground.

David Hinton: I understand that, but our water quality performance is good, our leakage performance is good. There are a number of other areas where the teams perform really, really well. As we have talked to at both hearings now, the interruptions are a real challenge for us and are massively solved with infrastructure investment. The targets are still very challenging, but the infrastructure is going to help us achieve those, as will the others. I think they are challenging for all companies. There are not many companies that achieved the five-minute target in the last period. But as I said before, it is the infrastructure investment that is absolutely key.

Chair: The operation was a success, but the patient died.

David Hinton: I was trying to make a point, Chair, that we do other things well. Water quality generally is good, performance leakage is good; I was trying to make a wider point.

Q1585 **Chair:** As we heard from the DWI last time, that is generally true in this country. You go to the tap, you turn on the tap and you get water that you can drink. Is that so exceptional?

David Hinton: This country is exceptional.

Q1586 **Chair:** I want to go back to the question that Jenny raised about the injunction because the judge's comments in relation to that injunction application were quite remarkable, were they not? Have you read them, Chris?

Chris Train: Yes.

Chair: Caroline, are you aware of them?

Caroline Sheridan: I am aware of the précis of what was said.

Q1587 **Chair:** The judge said that blocking publication to protect a company reputation among credit rating agencies was "objectionable in principle"



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and demonstrated “real incoherence” as investors are unlikely to be content to rely on a credit rating “based on materially incomplete information.” He goes on to say that misleading credit rating agencies could cause investors to enter into contracts that they would not otherwise have entered into.

When I asked you about the role of the non-executive director at the top, you spoke about the importance of governance. Is this the sort of governance that you as a company feel comfortable with?

Chris Train: We had been in dialogue with Ofwat around this inquiry since 2023, and there had been a continuing dialogue. As Dave said, there were still elements where we were in discussion, so this came as a surprise to us. We had absolutely no intention of misleading anybody in terms of the nature of the organisation.

Q1588 **Chair:** You can understand why the judge said what he said.

Chris Train: I—

Q1589 **Chair:** Would you dispute it? Do you think the judge was wrong?

Chris Train: The judge has a perspective on the basis of the information that was submitted to him, and he made a judgment on that information. Do I feel he was absolutely right in his assessment? No, I do not.

Q1590 **Chair:** Where was he wrong? What have I read out to you that you disagree with?

Chris Train: I absolutely disagree with the “misleading” comment.

Q1591 **Chair:** So you think that leaving incomplete information available to credit agencies is not misleading?

Chris Train: I don’t think we were aiming or intending to mislead anybody at that point in time. We were still then—

Q1592 **Chair:** Whether or not that was the purpose, you could see how it would be misleading to anyone who was a prospective investor, could you not?

Chris Train: I could, yes.

Q1593 **Henry Tufnell:** Is there a power in this country that you feel you have to adhere to? You dispute the judges; you do not take seriously what the Prime Minister says; you do not take seriously what the Secretary of State says. You seem to hold Parliament— What power in this country do you feel that you, as a company, can adhere to?

Chris Train: I think that is a complete misrepresentation of the comments.

Chair: I do not think anybody has anything else to ask, so that concludes our questioning for today. I will not pretend that I feel that the Committee yet has all the answers that I feel it needs to have. It may be that we need to follow this further upstream and see where the



shareholders and owners are involved in all this, because what we have here is something that is wholly unsatisfactory for the customers, it is clearly unsatisfactory for the regulators, and I am still no clearer about who thinks that it is satisfactory. For the moment, however, we will conclude this part of the proceedings and I will suspend the Committee for a minute or two while we change the witnesses at the table.

Examination of witnesses

Witnesses: Dr Marcus Rink, Chris Walters and Dr Mike Keil.

Chair: We resume our evidence session and we have a fresh panel of witnesses. Gentlemen, can I invite you to introduce yourselves for those following our proceedings and for our own official record?

Chris Walters: Good morning. I am the chief executive of Ofwat.

Dr Rink: I am the chief inspector at the Drinking Water Inspectorate.

Dr Keil: Hello. I am the chief executive of the Consumer Council for Water.

Q1594 **Chair:** Gentlemen, you have sat through and listened to the last evidence session and you have provided reports for the Committee already. Marcus, I will start with you. Where are the most salient agreements and differences between your report and what South East Water keep insisting on calling their independent report into the Tunbridge Wells incident?

Dr Rink: My initial thought on the independent report was that it was very high-level. It lacked detail and it was not underpinned by evidence. Most notably—maybe I am a detail person but it did say it lacked detail. The executive summary seemed to make up the larger part of the report. I thought there were some fundamental issues with it, probably on the grounds that it seemed to be papering over some of the cracks. That is the mildest way I can put it. It is asserted that DWI mounted its investigation based upon the fact that there was political pressure. Actually, the reason we responded to the event was because we were not notified by the company. I was notified by my staff that there was a developing event and we deployed to the site because we were not notified.

The second observation I made about the report is that it seemed to suggest that because they did not have monitoring at site, they could not understand or did not understand the root cause of the problem. I found that rather strange because if you recall, following my last appearance on 6 January giving evidence, I said that the problem was because there was insufficient monitoring and that is what led to the failure. So in some ways the report agrees with what I said in that there was insufficient monitoring. There were about seven points, I think, overall, which I gave evidence to the Committee last time, which were refuted by the chair of



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South East Water. I say that it is an independent report but it is a report by the company, for the company, and written for the executive.

Q1595 **Chair:** We are with you on that.

Dr Rink: For instance, I said there were insufficient tests. The chair said that was true but there was no causal link. The South East Water independent report said that they actually had not done any tests at all over the months; it was supposed to be monthly. So, our report then said that there was reduced visibility and it would have likely improved the situation had they done that.

We identified that there was poor filter performance. The chair refuted that. He said that there was some deterioration, but it was under control until 28 November. Their report said that there was worsening performance, which was not escalated, and we said that the signals were clear that there was loss of control over a projected period. In fact, we were able to show that there was loss of control since about summer: there were signals.

I said there were manual interventions and no visibility. I was specifically talking about the visibility around coagulation. Thank you for making the point about coagulation, because in 2015 the company had put forward a proposal to have visibility on coagulation. We do not understand why the company did not do that. A decision taken 10 years ago has had an outcome 10 years later because they did not have that visibility.

The letter from the chair said there was 24/7 monitoring, which was monitoring of turbidity. There was also a point about the control room. In fact, we have noticed that the control room on 26 November when DAF 3 failed, reset the alarm, which should not have been done; there may have been visibility on turbidity but it was reset, so I would challenge that.

On the critical parameters, South East Water said that they were not monitoring. We have said that the absence of critical parameters led to the loss of control and it was the loss of control of that coagulation, which was fixed manual dosing, that led ultimately to the failure of the optimisation of the works, which ultimately led to the distress of the DAFs. The DAFs were eventually not able to backwash sufficiently, which allowed the breakthrough. The signals on that were the turbidity on the DAF, which was showing signs of distress, and the number of times of washing. That led to the breakthrough to the activated carbon, which ultimately led to the turbidity in the tank and ultimately led to the shutdown of the works. So, what happened is the lack of visibility led to the failure of the works progressively.

Q1596 **Chair:** Long story short: I am not hearing anything where you say, "No, we have been contradicted in our findings by what was in the South East Water report." It strengthens your conclusions.



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Dr Rink: Yes, it has. Listening to the panel this morning from South East Water, I did not hear anything which contradicted anything that we have said within that report. In fact if anything, they have accepted it all.

Q1597 **Chair:** Is any useful purpose served at all by their doing their own report?

Dr Rink: No.

Q1598 **Chair:** Chris, Ofwat also recently published its findings on historical supply interruptions for South East Water customers. You have heard what you have heard today. Do you think the lessons have been learned at all?

Chris Walters: What I have heard today from Mr Hinton and Mr Train at various points in their answers is more of a recognition of Ofwat's position than historically had been the case. Very early on in his answers Mr Hinton talked about wanting to engage even more constructively with the regulator. I welcome both those reflections.

Chair: Outside court.

Chris Walters: Outside court. They also touched on two other areas, which are relevant to your question, Mr Chairman. The first was on economic regulation and the role of the price review and the Competition and Markets Authority's process. It is not uncommon in economic regulation for there to be disagreements between the regulator and the regulated, but that is the first time I have heard them couched in a way that I thought was much more conciliatory than is normal. Again, I welcome that.

The third reflection is that Mr Hinton went through in some detail the company's transformation programme, which builds upon its action plan as a response to the incidents. My colleagues discussed that plan with Mr Hinton and his colleagues on Thursday. The initial views were that it was a constructive discussion and from our perspective there is a step change in the amount of responsibility that the company appears to be taking. None of that is a guarantee, but if those three things together represent a long-overdue reset moment in the company's engagement with its economic regulator, I would welcome that.

Q1599 **Chair:** The application for an injunction to prevent publication of your report is quite remarkable, is it not?

Chris Walters: It is not something we were expecting. It turned out to be a moot point because of the decision that the judge made, and we were able to publish our decision for consultation when we had intended. That public consultation closed yesterday.

Q1600 **Chair:** Does that raise any concerns in your mind about the culture within the company?



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Chris Walters: Part of the reason I made the three reflections that I have made is that what I have heard today is more conciliatory and more constructive than the sort of mindset that might have led to the injunction, notwithstanding what Mr Hinton and Mr Train said was the rationale for it.

Q1601 **Chair:** We had concerns about the candour and transparency with the way the company was dealing and since then it tried to block the publication of the report. Is this a company that is learning anything? Is it changing its behaviour at all?

Chris Walters: Based on what I heard today and my interactions with the company since then, we are seeing steps forward being made. Only time will tell if those are sufficient, which is part of the reason I welcome South East Water's commitment to work constructively with us and we will work constructively with them, but only time will tell.

Q1602 **Chair:** Marcus, you have told us in the past that DWI lacks sufficient powers to require co-operation in some circumstances. Chris and Mike, do you feel this is also true of Ofwat and the Consumer Council for Water?

Chris Walters: I am sorry, I missed that. Could you repeat the question?

Chair: We have heard from Marcus in the past that he feels that part of the inspectorate's set-up involves a lack of sufficient powers to require co-operation in some circumstances. I am not talking specifically about South East Water, although it is perhaps quite an instructive case study in many ways. Do you share the same concerns about the powers that your respective bodies have?

Chris Walters: As you will know, the Government published a White Paper on water sector reform in February, which talks about establishing an integrated regulator for England and a separate regime for Wales. Beneath that, there is a strong desire for the regulator to have a more coherent, stronger set of powers. We support that White Paper. An integrated approach that irons out and streamlines the gaps, inconsistencies and overlaps between our respective responsibilities is something that we have advocated for.

Q1603 **Chair:** Your investigation is fairly comprehensive, but it took over two years to complete. Does that length of investigatory time have an impact on the ability of water companies to learn lessons and, as a consequence, your ability as a regulator to maintain public trust?

Chris Walters: Any enforcement action is towards the top of a pyramid of interventions that we have as the economic regulator for companies. In this particular case, it came after a period of increasingly intense interaction between South East Water and us over a number of years. The investigation itself, as you point out, has taken a certain amount of time because it relied on very complex, detailed, specific engineering information. The company's stance towards us was perhaps not as



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conciliatory as what I heard this morning, which also adds an amount of time, and we wanted to ensure that we were doing our best job for customers by making our decision robust to legal challenge. All of which is to say that we have a system, as an economic regulator, that holds companies to account and oversees and supports them in delivering the record levels of investment needed to improve things for customers and the environment.

Q1604 Chair: Mike, from the Consumer Council for Water's point of view, what assessment do you have of what you heard in relation to the communication and the ultimate outcomes for the customers of South East Water?

Dr Keil: None of us should forget just how disruptive this event was. This was not just an afternoon.

Chair: These events, in fact.

Dr Keil: Yes, the December one was two weeks, which was incredibly disruptive. It is really important to recognise that this type of interruption of this duration has lasting damage and lasting consequences. In the session we talked about trust. We know that trust is incredibly low with South East Water across a number of metrics. We have just completed a survey which has not been released yet. The fieldwork was finished last Monday, which looked at the two events: the November/December event and the events in January. It has a big sample of people who were affected by the November/December events, the January events, or both. The lasting legacy that this has, not just on trust but on behaviour, is incredibly concerning. Forgive me—I have to turn to my notes.

Chair: There were quite a lot of notes.

Dr Keil: The research is massive. Some 54% of people now store bottled water at home to prepare for future incidents.

Q1605 Chair: Is that 54% of people in the South East Water area?

Dr Keil: It is the people surveyed who were affected by these incidents. Some 25% feel less comfortable using tap water for washing and brushing teeth and 19% now only drink bottled water since the incident. We are in a country with world-class drinking water; this is absolutely awful, but those are the consequences. I did not hear from the previous panel what the company is going to do to turn this around. This is not about new assets. This is culture, which we have touched on. There are serious cultural issues here about engaging with customers and treating them with respect. In this case, the company is going to have to do a lot of work to win them back and rebuild confidence. This is not a situation we want to live with. We cannot afford to let this persist.

Q1606 Chair: I asked Chris Train about the targets that he would set for customer confidence. As I understood it, South East Water knows that it has to get better, but it does not seem to have set any goals. Is that your



understanding?

Dr Keil: Correct. There is a customer experience score called C-MeX, which measures overall customer experience. In quarter 3 of the last financial year, which is the last full set of results, South East Water was 14th out of 17, so in the lower quartile. Some of the company it keeps in that lowest quartile is not great in terms of water companies. There is a lot to turn around, and we know that trust in the water sector is at an all-time low; it has a lot of work to do to turn that around.

That is just one metric. You can repeat surveys like this to test whether people are still keeping stashes of bottled water because they do not trust that, when the weather changes, they will have water.

I have to say, I did not like what I heard about climate change at the beginning of this session. It is dangerous and misleading to suggest that there are some predictions that are wrong. It is a misrepresentation. Of course, new extremes of climate are what happen with climate change. You are going to go outside the envelope, and companies know this. You referred to Ofwat's 2008 climate change statement. I wrote that document. It was my first job in the water sector. Companies cannot say they did not know. Companies need to prepare for climate change and not be prepared to reel that out as an excuse.

Q1607 **Chair:** In fairness, Ofwat has made that point repeatedly. Your evidence, as I understand it, is that there is a readily available, objective, customer-facing matrix which would be there. This is not something that South East Water needs to build from the ground up. You are collecting customer satisfaction and customer response data, but we heard nothing in the company's analysis about how it would use it. Does that cause you the same concern that is causing me?

Dr Keil: Yes, I am really concerned. There are a whole bunch of ways you can test this: formal regulatory metrics like C-MeX or just measuring things such as how many incidents you have. We measure customer minutes lost. It is another regulatory metric you can see with South East Water, but that is not a clever metric either. There are things you can use as proxies as well.

Q1608 **Chair:** This is what you all do day in, day out, week in, week out. How bad is the Tunbridge Wells incident in the scope of the outages that you routinely deal with?

Dr Rink: That is quite a good question because it was worse than it should have been. In terms of the number of people affected, which was 60,000, it is by far not the largest event that has ever been seen. For instance, Franklaw in 2015 affected 725,000 people, and Mythe in 2007 affected 275,000 people for 14 days with a complete loss of supply due to flooding. The Mythe incident particularly was well outside the company's control. What separates this is that the Tunbridge Wells incident was caused in two parts. First, by the company's inability to see the risk. It had normalised risk and therefore could not visualise when it was going



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wrong for a prolonged period of time. Secondly, once it went wrong, they did not have any plans to put in place for communication, either to their customers, stakeholders or regulators, which greatly exacerbated the outcome. That was followed by a level of deniability, which the company was not able to self-recognise. I am glad that it has gone some way towards recognising it, but it has not gone far enough.

While the number of people affected by water supply loss is not as great as those which have occurred in the past, it is probably one of the worst that I have come across in terms of the way that it happened, the way that it was handled, and the way it has been approached afterwards. It shocks me. I am grateful to Mike for providing his research to us, but it concerns me greatly. In a country with world-leading drinking water, it is very important that people have confidence in what comes out of the tap. We produce something like 15 billion litres of water per day. That is twice the volume of the entire bottled supply to the UK for the year. We cannot manage without it. It only takes one incident for people to lose confidence in drinking water, the infrastructure, or the belief in the infrastructure, which creates a loss of trust and people start stashing away a bottle of water in their cupboard. We need to really drive the industry into a place where this does not happen.

Q1609 Chair: The figures that Mike gave us would suggest that we are actually going down that road now, at least in the South East Water area, if that is the extent to which people want to safeguard themselves.

Dr Rink: We are. The problem is that when people lose trust, it is really hard to regain it. Any salesman in any industry who is trying to sell a product and has a customer knows that as soon as you have lost that customer the likelihood of them going back to buying your product is quite small. We do not have a competition in water.

Chair: There is no competition in water. We do not have two pipes going to our houses.

Dr Rink: What comes out of your tap is what you should drink. Companies must put even more effort into ensuring that people have confidence. I am completely with Mike on his assertion here.

Q1610 Chair: Looking at the industry regulation as a whole, we have some changes coming on now: customer focus, licence conditions and the rest of it. Is that going to shift the dial in this or do we need to be doing more?

Chris Walters: We certainly hope so. Just to reflect on the earlier question, the events at Tunbridge Wells post-date our investigation into the historical lack of resilience of the water supply, but they are entirely consistent with it. It is the same overall issue and is reflected in the severity of the fine, which is right towards the top end of what we are able to fine a company under our rules. South East Water had been a poor performer on water supply interruptions for quite a long time, which



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is why we opened our investigation through that pyramid of interventions that I described earlier.

Other companies that have had poor performances on water supply interruptions have managed to turn that around by working constructively with us—for example, Severn Trent Water and Affinity Water—and that is what we need South East Water to do. The customer-focused licence condition was only introduced in 2024. What we have heard from customers and others at the time of the interruptions, Marcus's report, Mike's research, and my own conversations with residents and businesses in Tunbridge Wells was entirely consistent with the severity of that, which is why we opened our first investigation.

Q1611 Chair: You have an investigation ongoing into the appropriateness of the licence.

Chris Walters: Yes, we have. I do not want to sound evasive, but there is only a very limited amount I can say about how it is progressing because it is ongoing.

Q1612 Chair: Of course. Would you be able to give us an indication of a timescale?

Chris Walters: Our ambition is to finish it in this calendar year. That said, it depends on how constructively South East Water wants to engage with us, and on the consistency of the evidence we uncover in our analysis.

Q1613 Chair: The CMA had its redeterminations and took away some penalties for underdelivery and gave South East Water less ambitious supply interruption targets. I am sorry; I am laughing. I am still visited by the idea of South East Water being a good company with an interruption problem. You were opposed to that. Does that suggest that there are deficiencies in the price review process if you can be overruled in that way?

Chris Walters: The Government's White Paper proposes a different system for review of final determinations to replace the full redetermination we have at the moment. It is more like the judicial review standard we see in other economic regulators, which we have supported.

Q1614 Chair: Ofwat has introduced restrictions on bonuses and a fitness and propriety rule for senior leaders. What impact will these reforms have on South East Water?

Chris Walters: In terms of the prohibition on performance-related pay, it is triggered in financial years. The decision and enforcement order and fine that we consulted on, with the consultation ending yesterday, is in one financial year. If that goes on to be the final decision, then that is the sort of thing under the bonus ban rule that would trigger the bonus ban.

Q1615 Chair: This is possibly an unfair question, but let me ask it anyway: is



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this how water companies were supposed to function? You clearly have executive failure here. It seems to me you have also got non-executive failure. At what point do you move from the governance controls to the regulatory controls?

Chris Walters: For any organisation, who its senior executives and non-executives are is a matter for that company's board. As an economic regulator, up to this point our focus has been on the company itself, holding it to account, overseeing it and supporting it to deliver improvements. But as you point out, we have new powers under the Water (Special Measures) Act, of which some became active in 2025, some will become active this month, and some will become active next year, that have more of a focus on senior executives than in the past. As we move towards the creation of a new integrated water regulator for England and a separate regulator for Wales, my view is that economic regulation will probably have more of a focus on executive directors than it has had in the past.

Q1616 **Chair:** Do you think that having an integrated regulator will make it easier to tackle companies that behave like South East Water?

Chris Walters: Yes, I do.

Q1617 **Chair:** What is the difference going to be? In this respect, at least the regulators have all taken a fairly strong line, but it does not seem to make much difference to the company.

Chris Walters: The issue is broader than just water supply resilience for South East Water. There are gaps, inconsistencies and overlaps in our relevant responsibilities that need to be ironed out. In particular, we need to approach planning for water and wastewater investments at a catchment basis in a much more integrated way, and the proposals in the White Paper should enable that. That process will be followed in due course by a couple of more stages of transition plan and then legislation.

Q1618 **Chair:** Do our witnesses have any further observations in relation to the evidence that you heard?

Dr Rink: From the evidence from South East Water, I would be quite keen to see whether they actually deliver. From our experiences, the gap between cause, effect, recognition and delivery seems to be quite wide. For instance, in our alternative supplies, the company did an exercise on low service reservoir levels. When we went to audit we noted that it had not taken notice of its own report, which recommended that it should have a more timely approach. We have then recommended against that.

I am quite keen that my team, whom I am grateful to for producing such an extensive, detailed report to evidence what was said, are not in the position where they have to keep pursuing the company to meet the expectations of us—the regulator—to make sure that the water supply is fit for future generations, whether it is the occurrence every winter or climate change.



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Dr Keil: I have three numbers and a point, if you will let me. First, you asked the witnesses earlier for a number to score. We have got a number. We know that 74% of customers were dissatisfied with how this event was handled. There is a number, from a statistically significant sample. It is not that we asked the wrong people; this is what people felt. The second number is that 47% of people who were on the property service registers felt they did not get the support they expected. That is not good enough. The third number is that 43% of people who were not on the PSR but went to bottled water stations believed they did not get enough water to meet their needs, which was something that Marcus and his team talked about in their report. There is an obligation to provide 10 litres per person per day for these types of events. Those are three numbers that help frame how people felt during that incident. Those numbers paint a very bleak picture. We need to be better at responding to incidents, because we know that it will get tougher with climate change.

The final point is a cultural point, because during a lot of these issues we hear complaints of not getting enough money for resilience or whatever, but culture is a big issue: is customer experience top of mind within the company? Was the challenge done in the right way? Was the escalation done properly? Are people willing to front up and explain to their customers? All those points are cultural. This is not about multimillion-pound investment programmes, although of course that is part of the mix. The cultural aspects are really important because a lot of them directly affect the customer experience. There needs to be a lot more focus on culture to ask the question: who are the customers for the water company? Professor Dieter Helm said, "The regulatory body has become the primary customer of water companies, rather than the consumers." That needs to change.

Q1619 **Chair:** Yes, absolutely. We have preached the sermon on culture many, many times in this Committee. Maybe you have noticed. Chris, do you have anything to add?

Chris Walters: If what we have heard today marks South East Water stepping up, taking responsibility, getting a grip and improving things for its customers, that is to be welcomed. To repeat what I said earlier: only time will tell.

Chair: Time will tell, indeed. Time will not only tell, but it has run out. We are very grateful to you and to all your staff for the hard work that they have done in the public interest in bringing a very thorough analysis of something which has a very real day-to-day impact on the lives of many of our constituents. As I say, I fear we may not be at the end of the story yet. We shall see. For the moment, we will conclude today's proceedings.