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Briefing Note #2

Water Industry Preparations for 'No Deal' EU Exit

Introduction

Leaving the EU without a deal introduces a number of risks to the normal business of water companies. For example, as with many other sectors, we have considered the risk of knock-on disruption from other infrastructure services, like power or fuel supplies, and have planned for any additional time that might be needed to secure spare parts from abroad.

Since the start of 2019 Water UK and water companies have been collectively working to ensure that we have a detailed understanding of our supply chains from Europe and have put in place robust processes and procedures to mitigate known risks. We have a system of reporting on stock levels that we will assess on a national basis to ensure that early warning of interruptions to the supply chain is provided. We have developed close working relationships with the key chemical suppliers and will be ensuring that we increase that engagement through September and October.

We have an enhanced incident management structure that was developed leading into the April 2019 EU Exit date. This enables the sector to respond to any impacts and ensures that we can reduce the risk to water and waste water services. This structure was reviewed after April and will be exercised in September.

Throughout the process we have worked with officials in Defra and have developed our reporting to align with that requested by government. We will be meeting with officials from the industry regulators and devolved administrations in September to share our planning processes and preparedness.

Working together, the water industry is managing these risks at both a local level (for example, by companies increasing their stocks of pipe repair material to avoid relying on imports) and at a national level (for example, through new cooperation arrangements).

Based on the action we have already taken, and a full assessment of government planning assumptions, the highest water-specific risk is the possibility that congestion at ports or on roads could delay the import of chemicals used in water and wastewater treatment processes. Companies are ensuring they carefully manage supplies over coming weeks, but a limited shelf life means that there could be an impact if there are border issues over a sustained period.

Water companies are working closely with Defra and other Government Departments, the devolved administrations, and regulators across the UK to ensure that all parties are fully apprised of our plans for managing this.

Communications

Water companies are working together to ensure that we have a unified approach to communications in the period before Brexit and also agreed processes for communicating with customers and

stakeholders if the risks posed by leaving without a deal were to crystallise. Regular communications meetings also take place involving Defra, OFWAT, the Drinking Water Inspectorate and the Environment Agency. A communications exercise will take place in early October involving the companies, government and regulators.

Managing the Chemical Supply Chain Risk

Every UK water company is performing its own contingency planning, with regular reports to their Boards on progress. The Industry as a whole has also put in place a cross-sector programme to prepare for and manage any issues that do occur.

This programme has established a decision-making and incident control group, on which every UK water company sits at senior level. The programme has completed a Water Sector Chemical Supply Risk Assessment, and we are building a highly-detailed understanding of chemicals transport routes and storage arrangements. This should allow us to spot any problems well in advance of any effects being felt. To support this, water companies are also:

- taking forward senior, strategic liaison with suppliers to assure the quality of their individual contingency arrangements;
- evaluating and developing measures to minimise the residual risk, like mutual aid arrangements between companies;
- routinely sharing company information, risk assessments and plans, and pooling technical and other expertise across industry.

Preparing for the Risk of Disruption

The sector has learned a lot from recent years of dry weather, freezes and floods, and is accustomed to dealing with significant operational issues. By drawing from that, we have also put in place the following actions:

- mobilisation, on a precautionary basis, of an incident management group overseen by senior leaders and supported by staff from across industry. This will ensure readiness to manage operational issues covering multiple Companies should they occur;
- development of an incident management manual for identifying and thinking through the responses to different issues that may occur, and the thresholds and triggers for escalation and action;
- exercises and other tests of assumptions and processes.

Sharing information and co-ordinating effort

As a result of these extensive preparations, customers and stakeholders should feel reassured that the right mitigations are in place for minimising risk to the services provided by the Water Companies.

Water UK will be overseeing the production of a single situation report that will be used as the basis of information to Defra to cascade to other government departments and regulators.