



Complaints to Water Companies England and Wales April 2016 - March 2017



2016-17 report

September 2017

The Consumer Council for Water (CCWater) is the statutory consumer body representing the interests of the customers of water and sewerage (WASC) and water only companies (WOC) in England and Wales. Our duties include:

- Handling customers' complaints against the water companies, and providing customers with advice about water and sewerage issues;
- Monitoring company performance through our complaint handling, debt and complaint assessments and companies' quarterly reports; and
- Researching customers' views about the services they receive and the value for money of those services, and on their expectations for services.

Taken together, this allows us to work with the industry, regulators and other stakeholders to improve the services offered to, and paid for by, customers.

This is our eleventh complaints report, and the second of four reports about companies' performance in 2016/17 that CCWater will publish this year. The other reports will cover:

- Staying Afloat - customer vulnerability in the water sector (September 2017);
- Sewerage resilience (October 2017); and
- Water resilience (November 2017).

As in previous years, the main focus of this report is on the number of written complaints (via post, email, web or fax) from customers to companies. As well as providing more detailed information, written complaints continue to provide the most consistent and comparable way of assessing the performance of each company.

However, we recognise that customers increasingly contact their company by other means, principally by telephone. Some of these contacts are categorised as 'unwanted contacts' rather than written complaints. We have, therefore, looked at both written complaints and unwanted contacts before arriving at a view about an individual company's performance. Indeed, for future reports, we will be looking to report complaints through all channels, including various forms of social media.

The introduction of retail competition in the non-household market, where customers in England² can choose the provider of their billing and meter reading services, post-dates the timeframe for this report. Nevertheless, we have extended the section on non-household complaints to provide a view on whether written complaint numbers are rising or falling now that business customers have a choice of retailer.

This isn't the only change to the report. First, it is shorter. Secondly, we have extended the timeframe on several tables and charts to nine years. Thirdly, we have added more detail to the sections covering complaints to CCWater and future action by CCWater to provide a more rounded picture of complaint handling in the sector.

¹ An 'unwanted contact' is when a customer calls their water company to get an issue resolved. The contact is unwanted from the customer's perspective because they would not need to make the call if they had no issue with their bill or water or sewerage service.

² Retail water competition does not apply in Wales. Only those non-household customers who use more than 50 megalitres of water a year can switch retailer.

In various tables within the report we have used a Red, Amber, Green colour scheme. This has helped us to highlight, for example:

- Deteriorating performance in comparison to the previous year (for Table 1); or
- Performance against industry averages where Amber represents $\pm 25\%$ with Green better than, and Red worse than, that range (for Tables 2 and 3).

Detailed data on complaint and unwanted contact numbers can be found in appendices 1 to 11.

We hope you like the new look of the report, and would welcome your feedback. Comments should be sent to feedback@ccwater.org.uk

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1 EXECUTIVE SUMMARY

After significant reductions in previous years, the improving trend of written complaints and unwanted contacts has stalled since 2014/15.

The year-on-year improvements in written complaints stopped in 2015/16 with a slight increase seen and for 2016/17 the industry reported an increase in unwanted contacts, when customers call their water company with an issue considered 'unwanted' from the customer's perspective. This increase offset the improvements made for written complaints in the year.

We believe there are major opportunities for the industry to improve its handling of billing and charges issues to avoid the need for customers to contact their company.

Despite written complaints having fallen there are areas of concern which we want the industry to address. The number of written complaints and unwanted telephone contacts to companies is well over 2.2 million. This is high and we are challenging companies to reduce their complaints further. We have been pressing companies repeatedly to get their customer service right first time. If they did so they would see a dramatic decrease in customer dissatisfaction.

At a company level, performances have been mixed: Cambridge saw a substantial increase in written complaints and unwanted contacts. We have asked the company to give us quarterly reports to explain what action it is taking to tackle the root causes of its increase to get complaints back down.

Increases in both written complaints and unwanted contacts were also reported by SES Water (formerly Sutton and East Surrey Water)³ and Thames, which is above the industry average on both measures. We will closely monitor the performance of these two companies.

We are also continuing to ask for quarterly reports from three of the four worst performing companies for written complaints in 2015-16 – Southern, which still has the highest complaints per 10,000 connections; Dŵr Cymru, which remains the second worst; and Affinity. All three companies have reported decreases but need to do more to reduce their complaints even further.

95,274

Written complaints received – an 11% fall on the previous year

9

Companies reporting an increase in complaints

249

Percentage increase in written complaints reported by Cambridge

2,143,040

Total number of unwanted contacts – an increase of 41,356 on 2015-16

2:1

The ratio of complaints from non-household to household customers per 10,000 connections

17

Percentage increase in complaints about metering

³ The former Sutton and East Surrey Water was rebranded as SES Water in February 2017.

We have taken Bournemouth Water off our 'watch list' after a fall of more than 32% in written complaints and 26% in unwanted telephone contacts. However, we are seeking assurances from the company that it is taking action to avoid the problems encountered by its customers in 2015/16.

It is encouraging that some companies have performed well. Dee Valley replaced Portsmouth as the best performing company for written complaints per 10,000 connections after its written complaints dropped by 35% – a sixth successive decrease.

It is encouraging that South East has continued to improve its performance with a 30% fall in written complaints and a 19% drop in unwanted contacts.

We want to see the industry regain the momentum it had built prior to 2015/16 and improve further in both written complaints and unwanted contacts so that customers experience a better service.

Written complaints fall...

After a marginal increase in 2015-16, the industry reported an 11% fall in written complaints in 2016-17, from 106,839 to 95,274. Twelve companies reported a reduction in written complaints on the previous year. Notable reductions were Dee Valley (-35%), South East (-30%), South West (-29%) and Anglian (-25%).

Affinity, Bournemouth, Southern and Dŵr Cymru had reported significant increases in 2015-16. As a result we required them to submit quarterly reports to us to demonstrate the actions they were taking to reduce written complaints. In 2016-17 all four companies reported fewer complaints compared to the previous year: Southern (-45%), Bournemouth (-33%), Affinity (-21%) and Dŵr Cymru (-8%). We welcome these improvements but the companies still need to do more.

Whilst written complaint numbers have fallen overall, nine companies reported an increase in customers writing to express dissatisfaction. Bristol (+68%), Portsmouth (+54%), Thames (+23%) and South Staffs (+20%) had noticeable increases which went against their improving trend. Hartlepool (+19%) and SES Water (+5%) continue the upward trend of prior years. We are discussing the drivers for these increases with these companies and want to understand how they intend to reverse these rises.

Of greatest concern to us is Cambridge which reported a 249% rise in written complaints to move them from second best performer in 2015-16 to third worst performer in 2016-17. The main cause of this increase was customer disquiet about its billing and collections activity when it transferred its customer service activities to the parent company, South Staffs. The company also recorded a significant rise in unwanted contacts. We are in discussion with the company about its plans to reverse this increase so it can regain its position as one of the industry's better performers. We will be asking Cambridge to provide us with quarterly reports to explain what the company is doing to get its complaint number down again.

... but unwanted contacts increase

The annual reduction in the number of unwanted contacts from 2010-11 to 2015-16 went into reverse in 2016-17 with companies reporting a 2.0% uplift from 2.102 million in 2015-16 to 2.143 million in 2016-17. Southern's increase of 77,082 (+54%) was more than the industry uplift and was the result of a review of the company's internal recording processes.

Double digit increases were also reported by SES Water (+52%), Cambridge (+37%) and Yorkshire (+13%). There were significant reductions from Dee Valley (-42%), Bournemouth (-26%), South East (-19%), Anglian (-17%) and Northumbrian (-12%).

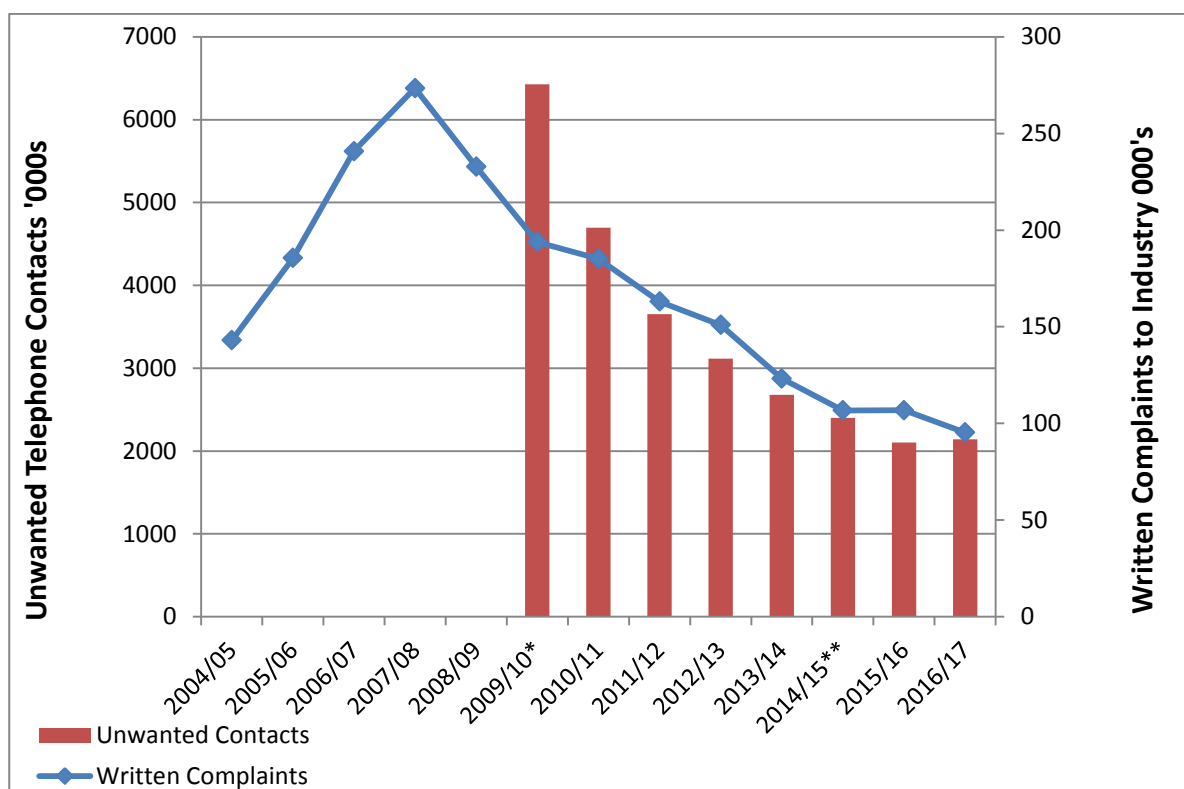
Performance in the round

Up to 2015/16 we saw an improving trend in both written complaints and unwanted contacts. This reflected a mixture of factors:

- below inflation bill increases;
- companies simplifying and/or improving the policies and processes that annoy customers; and
- companies being more active in engaging with customers through webchat and social media about activities that have impacted, or might impact, customers in a specific locality.

However, following a slight increase in written complaints in 2015/16, the industry reported a rise in unwanted contacts for 2016/17. This was partly down to Severn Trent incorrectly reporting the number of written complaints in 2015/16 and Southern reviewing its internal process of its recording of unwanted contacts in 2016/17. But even taking these two companies out of the equation, the improvements would only have been slight. We want to see the industry do more to avoid the need for customers to complain in the first place.

Chart 1: Written complaints and unwanted telephone contacts, 2004-05 to 2016-17



*2009/10 was a pilot year for unwanted contacts which may not be truly reflective of industry performance.

**Before 2014/15 the figures for unwanted contacts included both household and non-household customers. From 2015-16 the number is solely for household customers.

Across the industry the picture is mixed. Nine companies reported a fall in both written complaints and unwanted contacts, and are to be commended for doing so. Foremost among these were Dee Valley, Bournemouth, South East and Anglian. Reasons for these improvements vary from changes to company complaint handling processes, faster response times to telephone calls, greater empowerment of staff, and increased customer empathy.

However, four companies reported an increase in both written complaints and unwanted telephone contacts. As already mentioned, the performance of Cambridge is particularly worrying as the company had for several years been one of the industry's best performers. SES Water's increase in unwanted

contacts, at over 50%, is also of concern as this company, too, generally has been a solid performer. While written complaint increases for Thames and Wessex could be considered as glitches against their long-term downward trends, the increase in unwanted contacts may not be. But with only two years of comparable data to draw upon we will monitor the companies' performance closely over the coming year, as well as the unwanted contacts for the industry, to ensure a worsening trend is not emerging. Thames remains a comparatively poor performer, being one of the worst for unwanted contacts per 10,000 connected properties. Wessex, however, is in a much better position for both written complaints and unwanted contacts.

Table 1: Written complaints and unwanted contacts, 2016-17 v 2015-16

Written complaints				Water and sewerage companies	Unwanted telephone contacts			
2015-16	2016-17	Change %	Per 10,000 connected properties		2015-16	2016-17	Change %	Per 10,000 connected properties
15,797	8,773	-44.5	42.5	Southern	143,224	220,306	53.8	1125
7,128	6,582	-7.7	42.0	Dŵr Cymru	116,095	111,667	-3.8	774
4,018	2,840	-29.3	34.1	South West	59,240	55,055	-7.1	716
15,823	19,384	22.5	33.0	Thames	499,337	511,792	2.5	917
12,681	9,478	-25.3	31.6	Anglian	135,718	112,570	-17.1	395
13,033	10,479	-19.6	30.7	United Utilities	195,438	183,403	-6.2	577
11,175	13,305	19.1	30.5	Severn Trent	254,076	238,398	-6.2	580
8,065	6,740	-17.4	27.9	Yorkshire	185,517	210,300	13.4	925
3,771	3,404	-9.7	26.4	Northumbrian	92,702	81,950	-11.6	675
1,678	1,950	16.2	15.0	Wessex	69,086	75,984	10.0	625
				Water only companies				
140	488	248.6	34.8	Cambridge	4,297	5,897	37.2	449
123	146	18.7	32.6	Hartlepool	1,865	1,809	-3.0	427
5,360	4,237	-21.0	28.4	Affinity	151,447	157,736	4.2	1116
2,590	2,101	-18.9	25.7	Essex & Suffolk	44,298	40,138	-9.4	520
745	1,251	67.9	23.6	Bristol	27,280	26,229	-3.9	528
579	610	5.4	21.1	SES Water	14,887	22,563	51.6	830
652	440	-32.5	21.3	Bournemouth	9,963	7,407	-25.7	385
830	999	20.4	15.7	South Staffs	22,303	20,053	-10.1	360
2,147	1,496	-30.3	14.9	South East	51,338	41,764	-18.6	444
275	423	53.8	13.3	Portsmouth	11,609	11,031	-5.0	369
229	148	-35.4	11.6	Dee Valley	11,964	6,988	-41.6	594
106,839	95,274	-10.8	30.0	Total/average	2,101,684	2,143,040	2.0%	721

Key

Increase on previous year for written complaints or unwanted contacts and >25% above average per 10,00 connections	
Average written complaints or unwanted contacts per 10,000 connections	
Decrease on previous year for written complaints or unwanted contacts and <25% below average per 10,000 connections	

Complaints from non-household customers

For the past two years companies have provided data on written complaints from non-household customers. This has helped CCWater, the companies and others to understand whether there are underlying problems being experienced by non-household customers which need to be fixed. Most non-household customers use more water than households and therefore pay higher charges for both usage and other tariffs, such as surface water drainage based on site area and standing charges. These and other reasons, such as entitlement to a leakage allowance and loss of trade through supply interruptions, brought about the higher proportion of non-household customer complaints. On a per 10,000 connections basis non-households remain twice as likely to complain as household customers. For 2016/17 this was 63.3 v 30.0 written complaints per 10,000 connections.

The introduction of retail competition for non-household customers in England from 1 April 2017, therefore, presented retailers (of existing companies and of new entrants) with a challenge: reduce the causes of complaints or potentially see customers switch to another retailer. Although the new retail market is less than six months old, the early signs are that written complaints to the new retailers are lower than those for the same period in 2016-17. However, CCWater has received an increase in written complaints together with a six-fold increase in enquiries from non-household customers. Much of the increase in complaints can be attributed to teething problems in the new retail market which should disappear once retailers become more familiar with the processes that underpin it. Nevertheless, we are monitoring this closely to ensure that problems are resolved quickly for customers.

Causes of complaint

Of the 95,000 written complaints (household and non-household) received during 2016-17, more than 54,000 related to billing and charges matters. This category has always accounted for over half of all written complaints received by companies. They also account for over half of all complaints handled by CCWater. The near 10,000 fall in this category accounts for the vast majority of the overall reduction in complaints. We believe that there are major opportunities for the industry to improve its handling of billing and charges issues to avoid customers having to complain.

Written complaints about water supply, sewerage services and other activities all showed modest falls. However, written complaints about metering increased by 17% mainly because of problems experienced by Severn Trent when it outsourced its metering operations in 2015, and by Bristol and Wessex who introduced compulsory metering programmes for premises that changed occupancy.

Table 3 in Chapter 3 provides data for each company against each of the five written complaint categories: billing and charges, water supply, sewerage service, metering and 'other' complaints.

Written complaints escalated to company senior management

In last year's report we challenged all water companies to resolve 95% of their written complaints at the first point of contact by 2020. After several years of being close to the target, the companies collectively beat it in 2016-17 with 95.2% resolved first time. But the picture is uneven with SES Water resolving 99.2% at the first contact but Dee Valley unable to resolve 13.5% of written complaints without them being escalated to the company's senior management.

Chart 6 in Chapter 3 provides data for each company.

Complaints to CCWater

Each year CCWater handles approximately 9% of the written complaints received by companies. In 2016-17 we received 8,711 telephone and written complaints against water companies, around 1,250 fewer than in 2015-16. We formally investigated six complaints which were not resolved through the companies' complaints procedures.

2 COMPANY PERFORMANCE - OVERVIEW

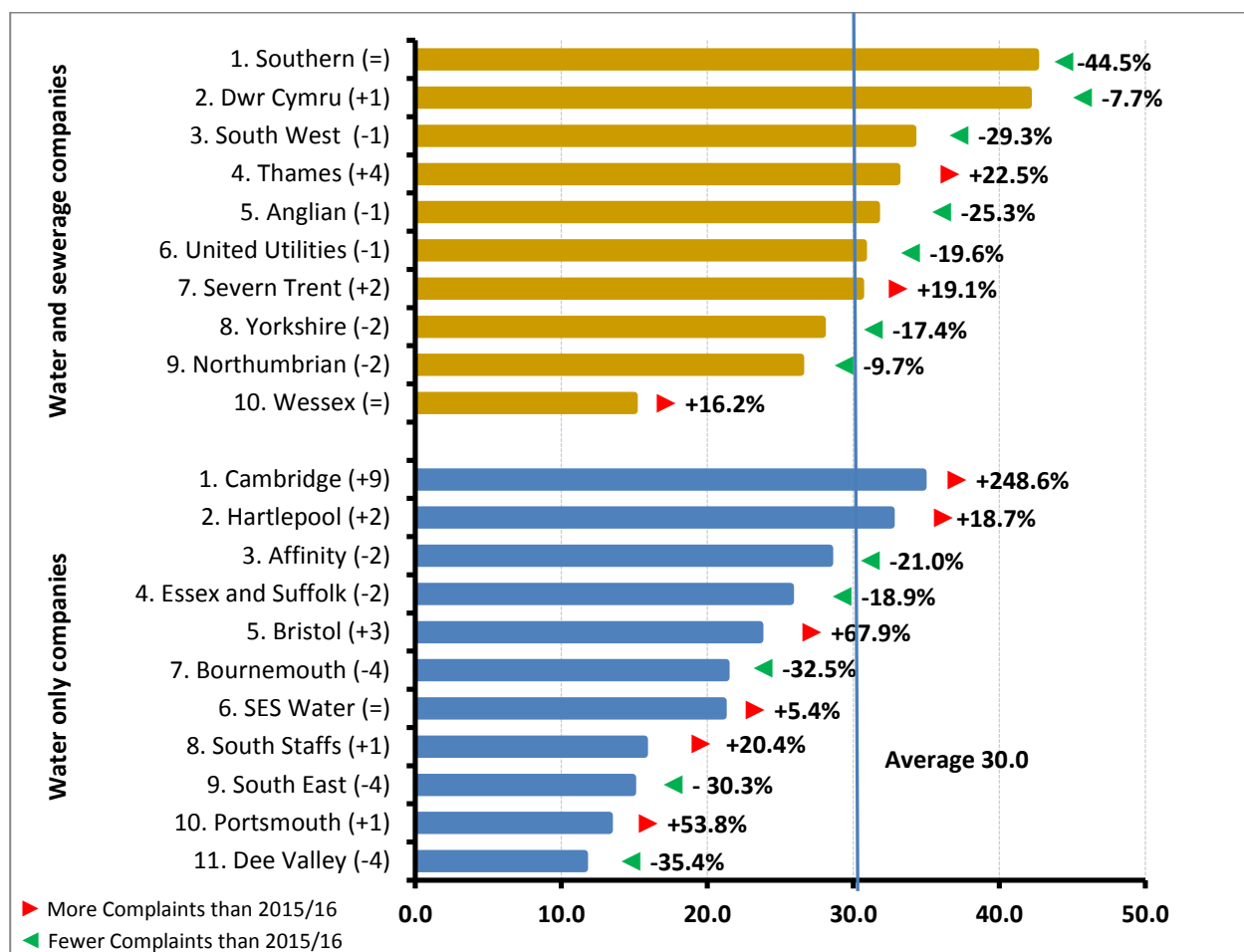
Since CCWater was created in October 2005, we have worked with the water companies to get them to adopt a ‘right first time’ approach to dealing with customers. Whether customer queries are about bills, operational issues or are simple enquiries, we want companies to deal with them quickly and without any hassle. When things do go wrong it is crucial that companies apologise and correct the mistake quickly. Their failure to do so can lead to a complaint, whether by telephone (an unwanted contact) or in writing. We know customers are using other channels to complain, including social media, webchat and text messaging. We are working with the industry and Ofwat to include data from these channels in company complaints reporting, and will incorporate this into our future annual complaints reports.

Over the past two years we have seen mixed results from both the industry as a whole and from individual companies. There was a slight increase for written complaints in 2015/16 and last year companies reported a higher number of unwanted contacts. We welcome the improvements but feel that a total of 2.2 million written complaints and unwanted telephone contacts is not acceptable.

Written complaints fall by 11%

For the first time in more than 20 years, fewer than 100,000 written complaints were received by the water companies of England and Wales. In total, companies received 95,274 written complaints, an 11% fall on the previous year and a continuation of the downward trend seen since the peak year of 2007-08 when over 273,000 written complaints were made against water companies. While the overall reduction is welcome, the picture across the industry is uneven: 12 companies reported a reduction in written complaints while nine received more complaints than in the previous year, as can be seen in Chart 2.

Chart 2: Written complaints per 10,000 connections in 2016-17 and change from 2015-16

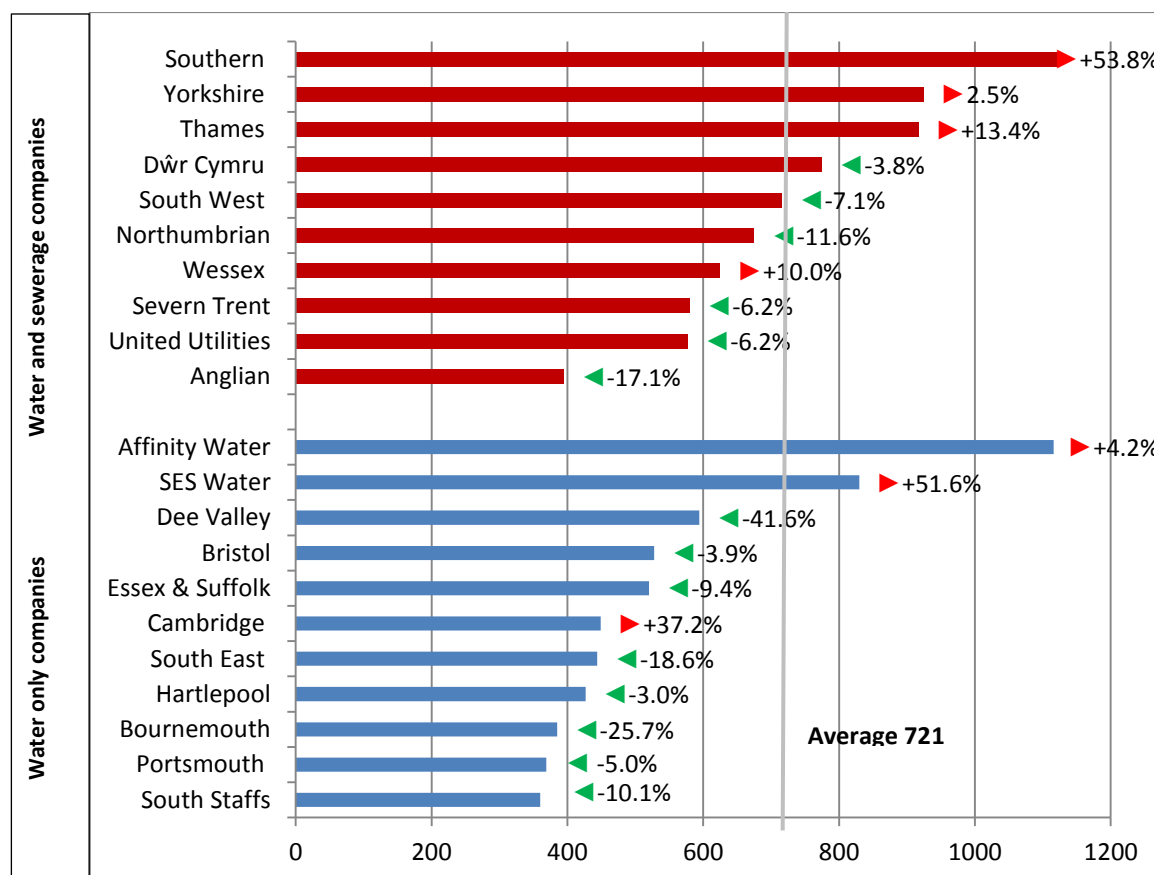


Unwanted contacts increase by 2.0%

Companies report telephone contacts from household customers considered to be ‘unwanted’ from the customer’s point of view. These include contacts about the level and make-up of bills, customer reports of a service issue, and repeat calls about a leak or sewer blockage.

The annual reduction in unwanted contacts from 2010-11 to 2015-16 went into reverse in 2016-17 with companies reporting a 2.0% uplift, from 2.101 million to 2.143 million. Seven companies reported increased levels of unwanted contacts, as can be seen in Table 1 in the Executive Summary and in Chart 3 below.

Chart 3: Unwanted contacts per 10,000 connections in 2016-17, and change from 2015-16



Southern’s increase of 77,082 (+54%) in unwanted contacts – by far the highest in the industry – was the result of a review of internal recording processes and positioned it as the worst performing company. This is important because unwanted contacts form part of Ofwat’s Service Incentive Mechanism⁴ which can provide companies with a reward or a penalty depending on their customer contact performance.

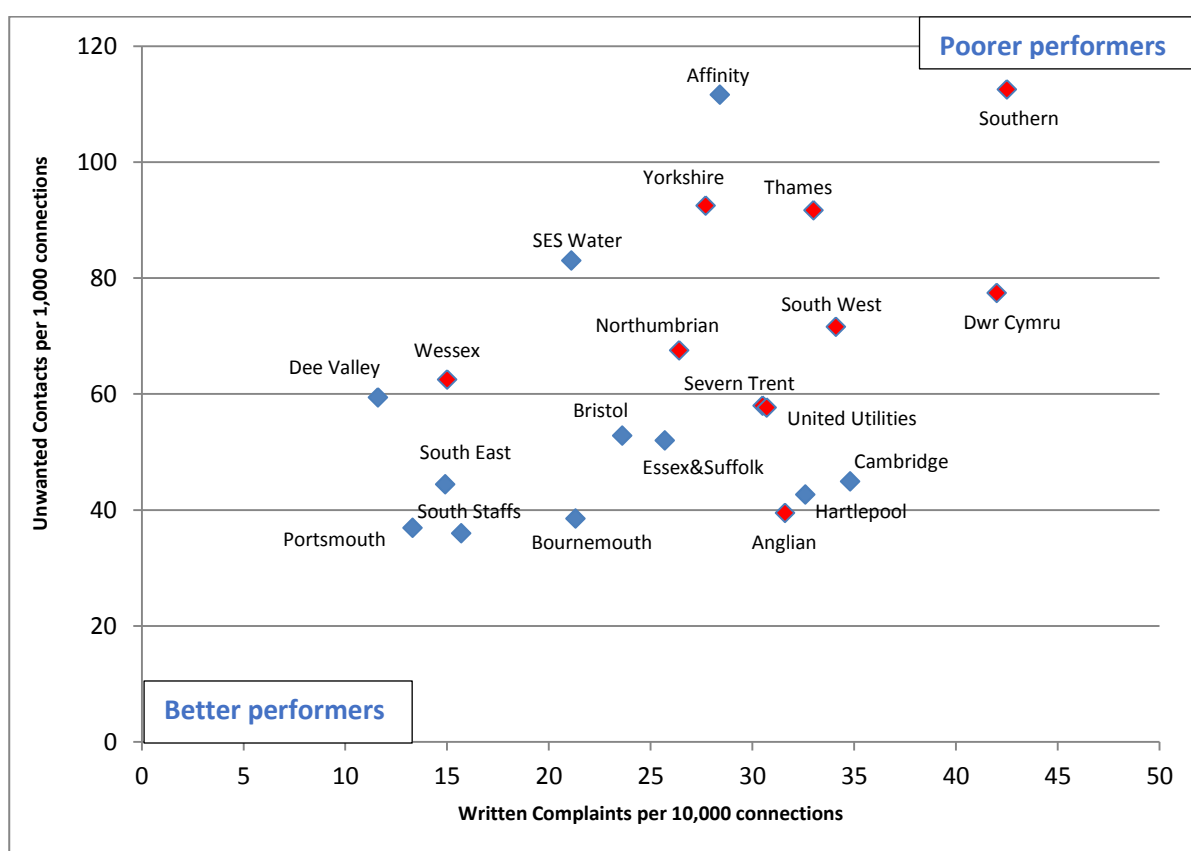
⁴ Ofwat incentivises water companies to improve their customer service performance through its Service Incentive Mechanism (SIM). This measures service to household customers through a count of total customer contacts and complaints and a survey of customers who contacted their company. Companies that perform well are given up to 0.5% additional revenue in the first year of the five-year price review period, with poor performers handed a penalty of up to -1%.

Performance in the round

In previous years, most companies have reported annual falls in both written complaints and unwanted contacts. This year, only nine companies reduced both measures of customer contact. For the remaining 12 companies, the picture was more complicated.

To provide a more rounded picture of company performance we have used both written complaints and unwanted contacts to inform our view of company performance. An increase against one or both measures may not necessarily be a cause of concern if it was small, a temporary spike in the long-term downward trend or did not materially affect the company's position as one of the better performing companies. Chart 4 below shows how companies fared against both measures in 2016-17 with the better performing companies shown in the lower left area of the scattergraph.

Chart 4: Written complaints and unwanted contacts, 2016-17



Key

Water and sewerage companies	◆
Water only companies	◆

Cause for concern – update on 2015-16

Last year's report identified that four companies – Affinity, Bournemouth, Dŵr Cymru and Southern – had reported increasing or continuing high levels of written complaints. We asked those companies to provide us with interim reports for the first six months of 2016-17 (and subsequently for each quarter). In these reports, we asked the companies to demonstrate how improvements to their policies, processes and practices were leading, or would lead, to reductions in written complaints.

Our *Delving into Water 2016* report commented that while all four companies were making progress in reducing complaint numbers they were unlikely to be below 2014-15 levels by the end of the reporting year. With the exception of Southern Water, this early view was confirmed when the companies' submitted their full year data.

Southern

Although Southern continues to be the worst performing company, it reduced written complaints by almost 45%. During the year, the company improved its digital communication channels and made a series of changes to its billing and debt prevention processes. This included establishing a dedicated customer service team to contact customers most likely to see increases in metered bills, to check whether this was attributable to a leak on the customer's supply pipe or a change in household size, and to offer water efficiency advice. However, as mentioned above, the company's performance on unwanted contacts was very poor.

Bournemouth

Bournemouth reduced written complaints by one-third through improvements to their case management system and better analysis of the root causes of complaints. The company has now returned to its usual position of being one of the better performing companies. It also reduced unwanted contacts by 26%.

Affinity

Affinity reduced written complaints by 21% through a focus on improving operational processes as a series of lengthy supply interruptions had been a major cause of customer dissatisfaction. Making it easier for customers to contact the company and keeping customers informed about issues were other reasons the company cited for a fall in complaints. However, it did see an increase in unwanted contacts in the year which we expect the company to reverse in 2017/18. The company is the second worst performer for unwanted contacts per 10,000 connected properties.

Dŵr Cymru

Dŵr Cymru created a team to target problems early before they developed into a complaint. The company also addressed some billing system errors and modified some of its debt management related communication. However, the company's ongoing debt recovery focus and human errors meant that complaints did not reduce as quickly as we would have liked. Dŵr Cymru's written complaints fell by just 8%. The company remains the second worst performer with the gap between it and the industry average not narrowing to an appreciable degree. Unwanted contacts fell by just 4%.

Even though all four companies reduced written complaints during the year, for Affinity, Bournemouth and Dŵr Cymru it was not to a point where they bettered their respective 2014-15 performance. As such, we have asked Affinity, Dŵr Cymru and Southern – as it remains the worst performer for written complaints and unwanted contacts – to continue to provide interim reports for the first six months of the 2017-18 reporting year. We will then assess whether their performance has improved sufficiently to allow us to discontinue such reports. We are content that the actions taken by Bournemouth have put it on course to deliver improved results, and we no longer require it to submit interim reports.

Cause for concern in 2016-17

For most of the past decade Cambridge has been one of the better performing companies, often receiving between one-third and one-half of the industry average of written complaints per 10,000 connections. 2016/17 was very different, with the company reporting a 249% increase in written complaints. At 34.8 per 10,000 connections the company is now worse than the industry average.

A major reason for the significant increase in written complaints was the decision to transfer billing and collection activities to the offices of the parent company, South Staffs. As is the case with many company system changes, they can have an adverse effect on customer service. We have, therefore, asked Cambridge to update us every three months on what action it is taking to reduce written complaint numbers and allay customer concerns.

Eight other companies reported increases in written complaints. In some cases, this may be a temporary downturn rather than a sign of a longer-term deterioration in performance. For example, Thames, which had been steadily reducing written complaint numbers over several years, saw a 23% increase this year. This took them above the industry average for the year but still below their 2014-15 performance, as Table 2 shows.

The increases reported by Wessex (+16%), Bristol (+68%), Portsmouth (+54%) and South Staffs (+20%) were from a comparatively low base and have not affected their standing as the better performing companies. Wessex, however, also reported an increase in unwanted contacts, many relating to the company's decision to compulsory meter on change of occupancy.

We will monitor the performance of all four companies during 2017-18 to assess whether they are reversing the rise in written complaint numbers. If not, we will take whatever action is appropriate.

Table 2: Written complaints per 10,000 connections 2008-09 to 2016-17

Water Company		Complaints Per 10,000 Connected Properties								
		2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Water and Sewerage Companies	Anglian	87.3	63.0	67.3	60.8	57.3	44.5	44.5	42.4	31.6
	Dŵr Cymru	83.3	87.6	72.4	30.4	26.0	26.4	21.4	45.8	42.0
	Northumbrian	74.0	53.0	49.2	39.6	38.1	35.1	27.0	29.4	26.4
	Severn Trent	64.4	49.5	57.2	48.8	41.9	43.8	33.8	25.7	30.5
	Southern	128.3	77.8	62.5	64.5	113.3	81.1	70.4	77.1	42.5
	South West	118.1	111.7	77.1	56.8	53.1	55.6	49.7	49.0	34.1
	Thames	68.2	58.3	54.2	60.7	56.5	38.2	35.5	27.1	33.0
	United Utilities	131.8	110.4	117.7	81.5	49.4	40.8	34.2	38.5	30.7
	Wessex	65.5	62.7	37.8	22.5	20.4	17.1	16.2	13.0	15.0
	Yorkshire	26.2	33.4	41.1	36.1	45.0	37.8	30.2	33.5	27.9
Water Only Companies	Affinity	43.6	31.0	20.3	17.1	15.0	17.4	20.1	36.3	28.4
	Bournemouth	29.6	24.1	23.7	23.0	18.5	18.0	16.7	31.7	21.3
	Bristol	70.8	67.8	39.3	23.2	22.3	20.3	18.6	14.1	23.6
	Cambridge	24.3	20.6	31.8	24.5	20.6	12.4	10.3	10.1	34.8
	Dee Valley	33.6	48.0	59.5	50.4	35.8	29.6	20.9	18.1	11.6
	Essex & Suffolk	48.5	45.2	44.6	41.3	34.6	28.7	27.4	31.9	25.7
	Hartlepool	21.5	18.5	26.5	30.1	26.1	18.5	27.1	27.5	32.6
	Portsmouth	6.5	7.0	6.6	8.1	10.4	7.6	10.8	8.7	13.3
	SES Water	19.9	26.0	23.4	19.7	17.8	16.4	15.9	20.2	21.1
	South East	113.5	102.7	93.0	147.1	98.0	69.4	35.5	21.9	14.9
	South Staffs	54.8	55.7	48.4	43.4	28.7	22.9	21.0	14.1	15.7
Industry Average		77.0	63.9	60.8	53.2	49.0	39.8	34.2	33.9	30.0

After several years of steadily reducing written complaints, both SES Water and Hartlepool have now reported increases for two and three successive years respectively. In Hartlepool's case this moves them to worse than the industry average and, interestingly, to worse than their parent company, Anglian. SES Water remains one of the better performing companies but a 5% increase in written complaints coupled with a 52% increase in unwanted contacts is worrying. We are in discussion with both companies about their plans to reverse this upward trend.

Better performers

For the sixth successive year, the number of written complaints Dee Valley received has reduced. This year's 35% fall enabled the company to replace Portsmouth as the best performing company. Dee Valley also reported a 42% fall in unwanted contacts.

South East has continued its improvement with a further 30% fall in written complaints and a 19% reduction in unwanted contacts and is now one of the better performing companies.

Notable improvements

Last year Anglian and South West were among the poorer performing companies for written complaints. This year, following written complaint reductions of 25% and 29% respectively, they have moved into the average performance band. Both companies also reported reduced unwanted contacts during the year. South West, however, continues to compare poorly and we expect the company to improve further.

United Utilities and Essex & Suffolk also reported double-digit decreases in written complaints. The fall in United Utilities' written complaint numbers came from household customers as the company's non-household customers continue to complain in large numbers – further detail is provided in Chapter 4. Both companies also managed to reduce unwanted contacts this year.

While Yorkshire reported a 17% reduction in written complaints this was offset by a 13% increase in unwanted contacts. The company remains in the average performance band for written complaints but is now the a poor performer on unwanted contacts. This is something the company will need to address during 2017-18 and beyond.

Monitoring company performance

We will continue to monitor company performance on written complaints and unwanted contacts. While we welcome the fall in written complaints overall, we are concerned that almost half of the companies reported a rise in complaint numbers. We acknowledge that for some companies this may be a temporary issue. If, however, this turns out to be a sign of a longer term deterioration in performance then we will press the companies concerned to tackle the cause of the problems.

On unwanted contacts, we expect those companies with increasing numbers to put in place measures to arrest the slide.

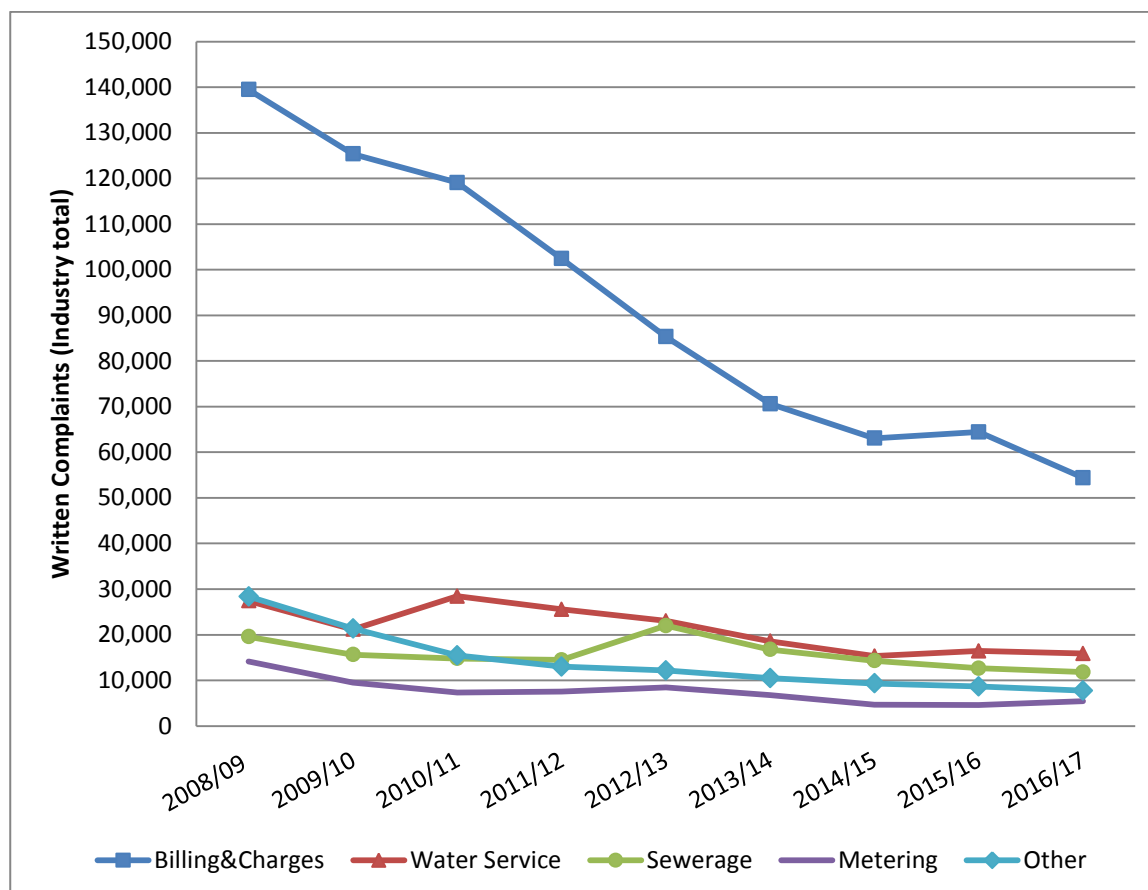
3 COMPANY PERFORMANCE – FURTHER DETAIL

Causes of complaints by category

We ask companies to report written complaints data against five main categories: billing and charges, water supply, metering, sewerage services and ‘other complaints’ which includes administrative activities.

As Chart 5 shows the biggest fall in written complaints has come in the area which has consistently generated over half of all written complaints, namely billing and charges.

Chart 5: Written complaints by main category, 2008-09 to 2016-17



Billing and charges

The reduction in written complaints about billing and charges is due in large part to both CCWater and the companies having devoted considerable time and effort on:

- Affordability issues – all companies now have social tariffs in place to help those in financial difficulty pay their bills. While the terms of each scheme and level of support available to customers varies, social tariffs are currently helping over 260,000 customers. Many customers struggling to pay their bills may not be claiming their full benefit entitlements. CCWater’s website includes a Benefits Calculator, supplied and updated by Turn2Us, a national charity that helps people access not only available benefits but also charitable grants and support services.
- Debt management – customers must pay their bills, but sometimes short-term family or financial circumstances can cause a customer to miss a payment or two. We are working with companies and advice agencies on the quick identification of such customers. By doing so, companies can

provide reassurance to the customer that debt recovery action will not be taken while they are in a temporary vulnerable position.

- Simplifying tariffs – water companies have a multitude of tariffs, many of which are for historical reasons, including those where two companies merge but retain their old tariffs. This can cause confusion especially where a customer moves property within the same company area but finds that they are paying totally new (and possibly higher) charges.

Many companies have also invested in new billing systems designed to make payments easier to process and to interface with other IT systems. As Table 3 shows, written complaints about billing and charging matters were 21.1 per 10,000 billed properties with most companies mentioned under ‘cause for concern’ in the previous chapter reporting higher than industry average figures.

Table 3: Written complaints per 10,000 connections* by main category per company, 2016-17

Company	Billing and charges	Water supply	Metering	Other	Sewerage service
Water and sewerage companies					
Anglian	28.8	5.1	1.7	3.9	4.8
Dŵr Cymru	26.3	3.8	0.9	12.3	3.3
Northumbrian	20.8	3.7	2.9	1.5	2.1
Severn Trent	14.8	8.6	13.4	2.0	5.1
Southern	36.4	3.3	0.9	0.6	4.5
South West	15.7	4.5	1.3	9.7	5.1
Thames	29.7	9.1	3.0	0.4	6.2
United Utilities	22.3	4.9	4.2	1.2	3.1
Wessex**	12.2	5.8	0.9	2.5	2.5
Yorkshire	12.9	7.3	1.6	2.0	6.4
Water only companies					
Affinity	15.3	8.4	5.5	1.7	
Bournemouth	14.1	3.6	1.6	2.4	
Bristol**	7.3	8.2	1.8	7.2	
Cambridge	25.6	2.8	1.1	5.2	
Dee Valley	7.9	2.7	0.8	0.7	
Essex & Suffolk	19.9	3.3	1.8	1.4	
Hartlepool	11.4	11.6	1.7	8.9	
Portsmouth	7.6	5.3	0.3	0.3	
SES Water	17.2	2.3	2.2	0.6	
South East	7.9	4.1	2.4	1.1	
South Staffs	11.3	1.8	2.9	2.3	
Industry average	20.8	6.2	3.3	2.4	4.8

*The company and industry average numbers in this table do not total those in Table 2. This is because, in this table, we use billed properties, metered properties, and water and sewerage connections as denominators for billing metering, water and sewerage complaints, respectively.

**Billing services for Bristol and Wessex are carried out by a joint billing operation, ‘Bristol and Wessex billing services’. Under billing and charges where the services are shared by both companies we have only included Bristol Water’s connections.

Operational complaints

In 2016-17 the weather was generally benign with the result that written complaints for water supply and sewerage services fell by 4.9%. On a per 10,000 connections basis, written complaints about water supply were 6.2 while those about sewerage services were 4.8. However, Hartlepool reported a high level of written complaints about the water supply, largely due to a series of supply interruptions in the early part of 2016, and there were higher than average figures reported by Thames, Severn Trent, Affinity and Bristol.

Two companies had significantly higher than average levels of written complaints about sewerage services. For Thames, this was for the third successive year, although it did represent a fall on previous years. Yorkshire also reported a fall in written complaint numbers as there was no repeat of the wide scale flooding of the previous year. During the year CCWater received fewer sewerage service complaints against both companies compared to 2015-16.

Metering complaints

Written complaints about companies' metering activities include the siting of the meter, its installation, repairs, and restoration of gardens and pathways disturbed during an installation or repair. Written complaints about metered charges are included within the billing and charges category.

Over half of all properties in England and Wales are metered. Most companies in the water-stressed south and east of England have implemented, or are implementing, compulsory metering programmes that aim for around 95% of all properties to be metered. Some properties can't be metered because of technical difficulties, such as the layout of the property or pipework. Other companies across England and Wales are selectively metering on change of occupancy or are promoting the meter option.

Given this backdrop, it had been encouraging that written complaints about metering had fallen for three successive years to under 5,000. This downward trend was thrown into reverse in 2015-16 and last year the increase continued with a 17% rise in written complaints to over 5,400. Most of this increase was attributable to Severn Trent which, having fully outsourced its metering operations, failed to put in sufficiently robust management controls for the contract. The company has now fully reviewed the processes and procedures of its partner, rectified the problems, and is carrying out regular audits to ensure compliance with agreed customer service standards.

Two other companies reported higher than average levels of written complaints about metering, though both companies reported a fall on the previous year. Affinity has embarked on a compulsory metering programme and received some customer complaints relating to the timing and quality of the installation of its meters. United Utilities' household metering complaints reduced in the year and we expect this progress to continue into 2017-18.

Other complaints

This category mostly includes complaints about administrative issues including those associated with the company's telephone system or website, or about the making and keeping of appointments.

As in previous years, two companies – Dŵr Cymru and South West – reported the highest number of written complaints in this category. At 12.3 and 9.7 per 10,000 connections respectively their performance is five and four times the industry average. Bristol, at 7.2, also has a history of high levels of written complaints in this category.

We plan to talk to all three companies to better understand what is driving written complaints in this category, such as administrative or telephone issues, for example.

Complaints not resolved first time

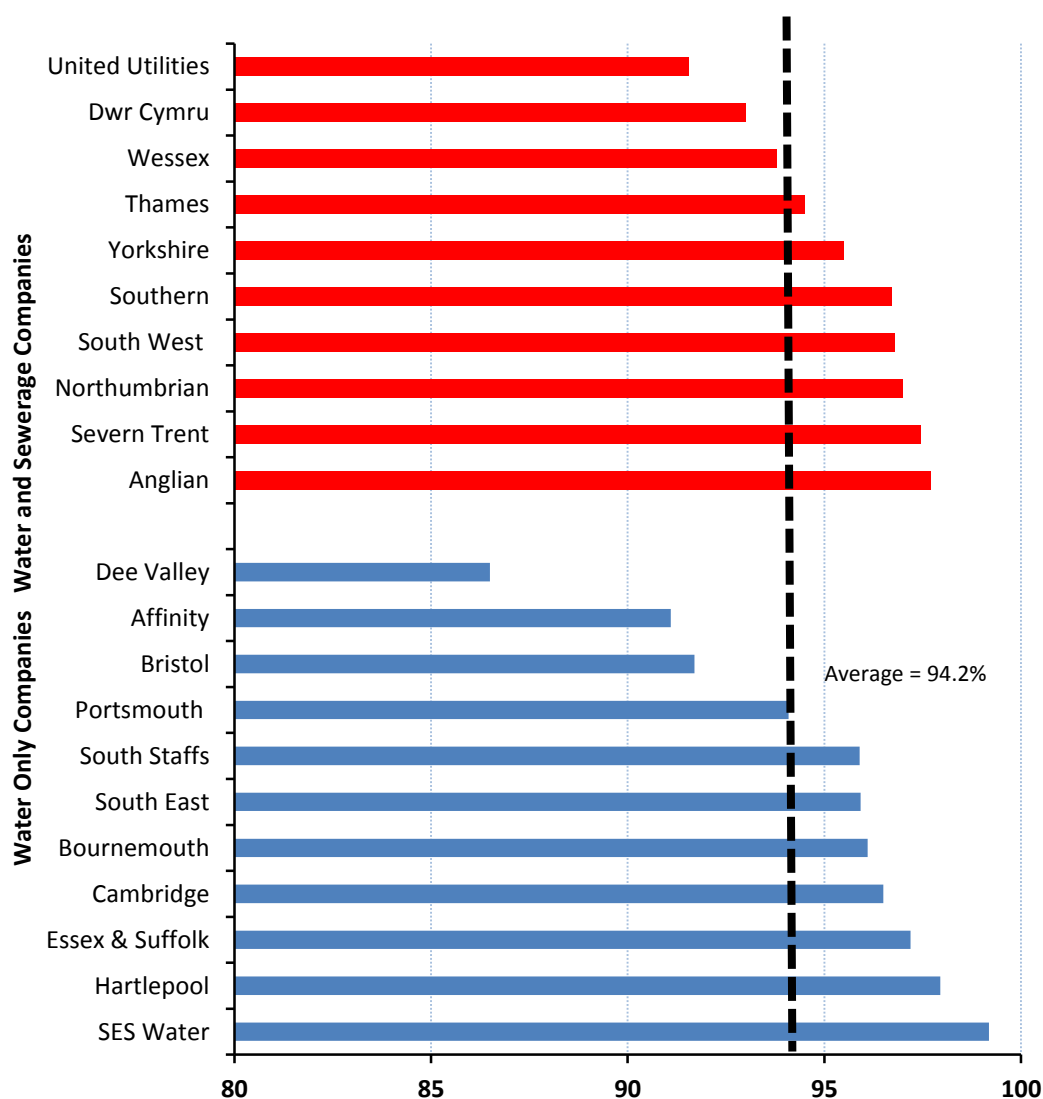
Companies should work to resolve written complaints quickly and to the customer's satisfaction. This may take the form of an agreement to follow through on an operational issue, an apology, a compensation payment or an explanation of a company policy.

Sometimes a company will escalate a written complaint which has not been resolved first time to the second stage of its complaints procedure. In this case the complaint will be handled by a dedicated team or, particularly within smaller companies, by a member of the senior management team. Customers may complain a second time because not all the points they raised in their initial complaint were addressed, or the complaint handler lacked the necessary authority to resolve the complaint, or poor communication within the company hampered progress in resolving the complaint.

In last year's report we challenged companies to resolve 95% of the written complaints they receive from customers at the first point of contact by 2020. After several years of being close to the target we set them, the companies collectively beat it with 95.2% of written complaints being resolved first time. We welcome this improvement and want to see it continue.

However, as Chart 6 below shows, the picture is very uneven with almost 13 percentage points between the best and worst performing companies. The gap was around 8 percentage points in 2015-16.

Chart 6: Written complaints resolved at the first stage of companies' procedures, 2016-17



It is interesting to note that three of the five companies with performance levels above 97% were also companies with increased levels of written complaints this year. These were Hartlepool, SES Water and Severn Trent.

In contrast, Dee Valley, which reported the lowest level of written complaints this year, was by far the worst performer with 13.5% complaints escalated to the company's senior management team. Three-quarters of the escalated complaints were about billing and charges matters with the remainder about operational issues.

Once again, United Utilities (91.6%) and Affinity (91.1%) appear among the poorer performers. United Utilities household customers saw a reduction in second stage complaints. However, its non-household arm, Water Plus⁵, reported a high number of second stage billing complaints. We expect Water Plus's performance to improve during 2017-18.

⁵ Water Plus is a water retail company formed in 2016 as a joint venture between United Utilities and Severn Trent.

4 NON-HOUSEHOLD COMPLAINTS

Level of complaints still a worry

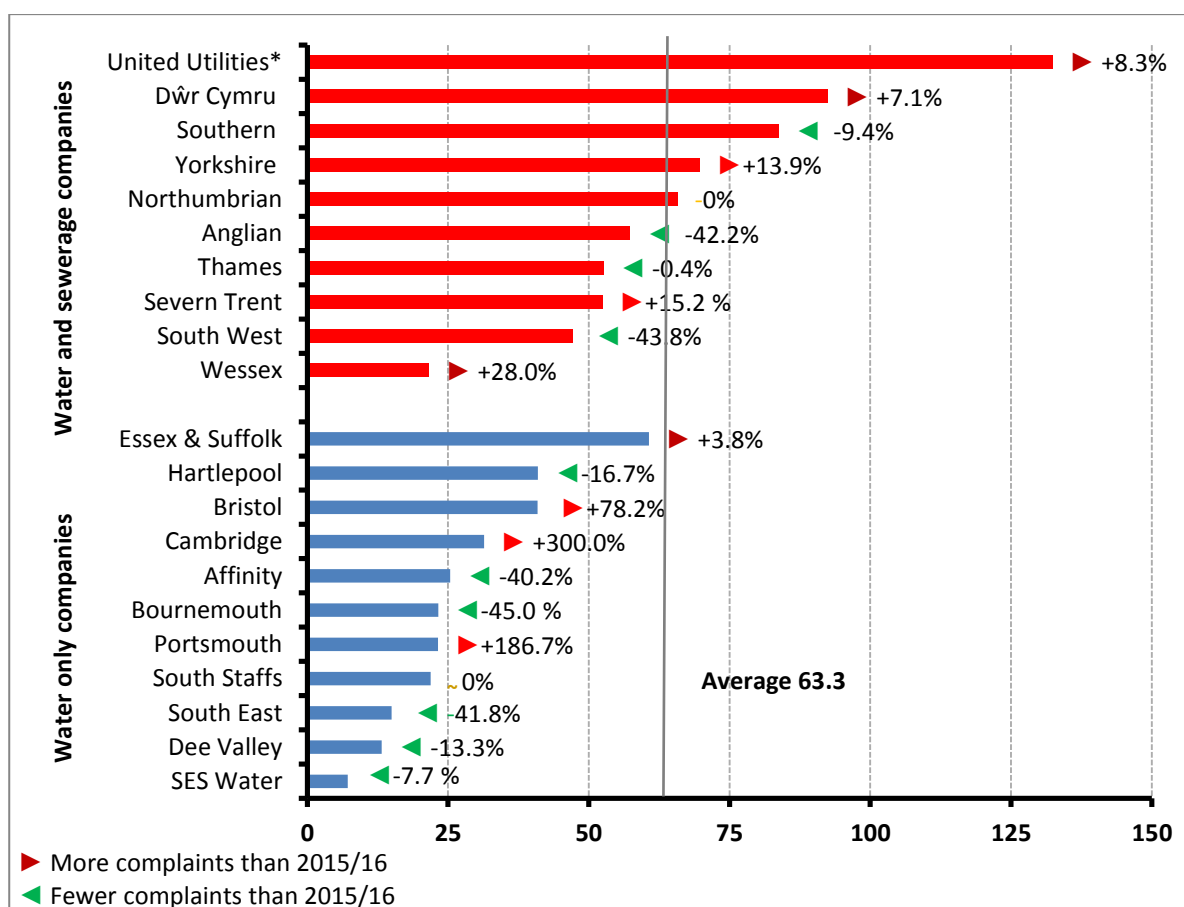
For the past two years, companies have provided data on written complaints from non-household customers who include commercial premises, factories, farms, educational establishments, hospitals and local authorities. We will use this data to make sure any service failures are addressed quickly.

With the non-household retail market (the billing, meter reading and front line customer service) in England⁶ opening on 1 April 2017, retailers participating in the market (existing companies or new entrants) are faced with a challenge: reduce the causes of written complaints – either through improving their own offering or by putting pressure on wholesalers to improve their services – or face the threat of their customers switching to another retailer.

Although the number of written complaints fell from 12,196 to 11,722, non-households remain twice as likely to complain as household customers. On a per 10,000 connections basis this was 63.3 v 30.0 respectively in 2016-17.

There are, as ever, significant variations between companies, as Chart 7 shows.

Chart 7: Non-household written complaints per 10,000 connections: 2016-7 v 2015-16



*From 1 June 2016 United Utilities traded as Water Plus, a water retail company for its non-household customers.

⁶ In Wales, the non-household retail market is limited to customers who use at least 50 megalitres of water per year. In England, no such thresholds apply.

At 132.4 written complaints per 10,000 connections United Utilities (trading as Water Plus) is by far the worst performing company – 40% higher than the next worst company, Dŵr Cymru. Of the 3,000 written complaints that United Utilities received, 380 related to water supply and sewerage services, both of which remain the responsibility of the company's wholesale arm. 2,600 complaints were about billing which will need to be addressed next year.

In Wales, most non-household customers have no choice of retailer so we monitor complaints from non-household customers very carefully. It is, therefore, disappointing that Dŵr Cymru should have high – and growing – numbers of written complaints from their non-household customers. This is in stark contrast to Dee Valley, the other company operating mainly in Wales, where non-household written complaints reduced by 13%. Dŵr Cymru needs to do more to improve its service to non-household customers and compare well to the new retailers in future reports.

CCWater helping business customers in the new retail market

CCWater has an important role in the new retail water market in resolving complaints against both wholesalers and retailers. Some customers will resolve a dispute with their retailer by switching but many customers might find that this option has limited or no benefit.

Smaller businesses that use less water and do not have procurement experts on hand could find themselves less able than larger organisations to negotiate price savings. For these smaller businesses, customer service may be a more important market factor for them.

CCWater will continue to offer advice and support to non-household customers; helping to raise awareness of the retail market and what choices customers have. And we will continue to assist customers in resolving complaints that reach an impasse with retailers and wholesalers.

Forward look

The non-household retail market in England is less than six months old but early signs are that written complaints to retailers are lower than for the same period in 2016-17. However, CWater has received more complaints and enquiries from non-household customers. Most of those contacting us are small and medium sized businesses which are:

- unsure about the name of their retailer – this is unsurprising as water companies have either sold their non-household retail business to a new retailer, merged with another company, or rebranded their retail arm. With many retailers having similar names, this may be causing confusion amongst customers;
- unable to find tariffs from other retailers to compare prices and thus engage effectively in the market; and
- upset about delays in resolving operational problems because of poor communication between the retailer and wholesaler.

These may be teething problems but nevertheless we will continue to monitor the new market through the complaints we receive and other available information to ensure companies address complaints quickly and effectively. We will also continue to monitor how the companies in Wales – where retail competition is available only to a small number of large water users – are responding to their non-household customers.

5 COMPLAINTS RECEIVED BY CCWATER

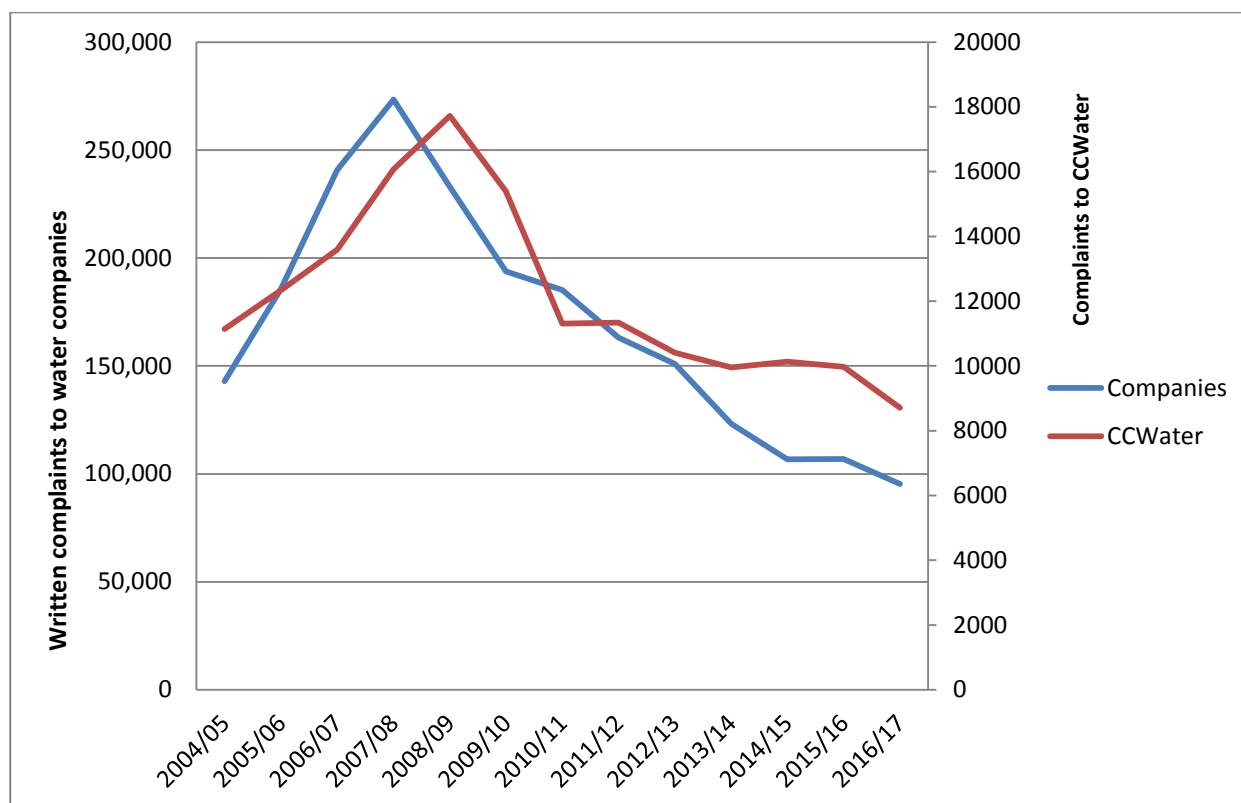
Complaint numbers fall by 13%

A key focus of our role is to work with companies to make sure they get things right first time for their customers. We help customers who have queries and concerns about the services they receive, the cost of those services, and their company's response to their enquiry. Although our website has answers to a series of Frequently Asked Questions about water and sewerage services, we nevertheless receive around 10,000 enquiries from customers each year.

We provide customers with advice on how they should take forward a dispute with their water company or provide assistance in pursuing a formal complaint against their company. Last year, 8,711 customers registered a complaint⁷ with us about their company, a 13% fall on the previous year and in line with the reduction in written complaints received by the companies.

Indeed, as Chart 8 shows, complaints to CCWater have broadly followed the downward trend in written complaints to the water industry.

Chart 8: Written complaints received by companies and all complaints received by CCWater, 2004-05 to 2016-17



⁷ Complaints registered by CCWater can either be in writing (letter or email) or via the telephone. In the case of complaints received by telephone we follow these through with the complainant and company.

CCWater investigations

Some customers approach CCWater for advice before they write to their water company but others seek our help immediately because they are unsure about how to express their concerns or because English is not their first language. In those circumstances we write to the company on behalf of the customer setting out their concerns and suggesting a pragmatic resolution. Companies nearly always accept our recommendations as this ensures a speedy conclusion to the complaint.

Occasionally, when a customer is still dissatisfied after going through their company's complaints process, we will open a formal investigation. Last year, we carried out six formal investigations which we believe reflects the constructive relationship we have developed with the water companies over many years. All the complaints we investigated formally resulted in the company taking further action or making a payment to the customer.

If, after CCWater involvement, the customer remains dissatisfied with the outcome of their complaint, there is an option to use an alternative dispute resolution scheme called WATRS. For complaints which reach deadlock, WATRS will make a decision that is binding on the company although the customer may still pursue the complaint via legal means. Nearly all complaints were resolved without the need for customers to use the scheme. In 2016-17, 164 customers used WATRS.

Compensation and rebates

Many complaints are resolved through the company apologising for its action or inaction, making good damage caused during operational activities, or amending a policy.

For some billing complaints, a rebate together with interest charges or a goodwill payment will resolve the complaint. During 2016-17 we secured a total of approximately £800,000 in rebates for customers. In addition, we also secured around £500,000 of compensation for customers where the service received from their companies was not acceptable.

How we use our complaints data

The enquiries we receive and the complaints we handle tell us a lot about the operational activities and customer service issues of each company. We hold regular meetings with the companies to discuss complaint issues, and to explore how individual companies might improve their policies, processes or practices to reduce complaints. We also encourage companies to adopt good practice and we share our view on which companies are offering the best service to customers.

6 FUTURE CCWATER WORK

Keeping the pressure on companies who gave us cause for concern

The water industry has managed to steadily reduce written complaint numbers from over 273,000 in the peak year of 2007-08 to just over 95,000 in 2016-17. However, nine companies reported increases in written complaints in 2016-17, with Cambridge moving from the better to the poorer performance band following a 249% rise in complaints. Seven companies reported an increase in unwanted contacts.

As stated in earlier chapters, we will:

- Require Affinity, Dŵr Cymru and Southern to provide us with quarterly reports for the first six months of the 2017-18 reporting year. We will then assess whether there is a continuing need for these reports;
- Require Cambridge to provide quarterly interim reports for the entirety of the 2017-18 reporting year to demonstrate how it is going to address its customer service issues and reduce complaints; and
- Monitor the performance of the worst performing companies on written complaints and unwanted contacts per 10,000 connections to assess whether their respective increases were temporary spikes in performance or signs of a longer term deterioration. If they are the latter, then we will take appropriate action to get the problems resolved.

We have also been in discussion with Hartlepool about its written complaints numbers and with SES Water about both measures. We expect both companies to show improvement in performance in next year's report.

Targeting further reductions in written complaints and unwanted contacts

The challenge for all companies, irrespective of current performance, is how to further reduce customer dissatisfaction with the price of water and sewerage services, with the services themselves and with administrative activities.

Billing and charges issues remain the largest source of customer dissatisfaction at over 50% of all written complaints received, so starting there would seem sensible. Annual increases in unmetered charges or unexpectedly large metered bills often generate contact and complaints, but so do billing errors. As this report shows, some companies have established teams to interrogate meter reading data, identify higher than normal bills and then proactively contact the customer to discuss possible reasons for it. Those companies with high levels of billing complaints may like to consider following suit.

While customers rate highly the services provided by the companies, it is often because they are available 24/7 without fail. When there is an operational incident, customers can be understanding if the period off supply is short and the company is both seen to be working to restore the service and keeping customers informed of what is going on.

As CCWater's annual *Water Matters* research shows, customer satisfaction with the value for money of the services provided is consistently 15-20 percentage points below satisfaction with those services. Surprisingly, given that energy bills are typically three times water and sewerage bills, energy companies fare better on customer perceptions of value for money. The water industry should look again at how the best companies interact with their customers so that they can emulate the messaging and promotional work.

No single initiative will dramatically reduce unwanted contacts and written complaints. Instead, water companies should look at existing policies, processes and practices to see whether and how they can be improved. Root cause analysis of complaints may help. CCWater can also provide advice on where

improvements could be made to reduce customer dissatisfaction. We would encourage the better performing companies to share their good practice with the rest of the industry.

Extending our reporting of complaints

In future years, we intend to report on complaints received by companies through all channels, including various forms of social media. This is intended to provide a complete picture of customer dissatisfaction with services given that customers are using multiple channels to contact companies. Clearly, this will be a significant change from our current practice of focussing on written complaints and unwanted contacts.

Complaints assessments

Each year, we undertake assessments of a selection of companies' written complaint handling processes. We adopt a risk-based approach to these assessments, focusing on those companies whose complaints performance gives us cause for concern.

Our assessments involve visiting a company to examine 25 randomly sampled written complaints. This is designed to test whether the companies are following their complaint procedure and our written complaint guidance in the identification, recording and handling of customers' written complaints. Over the past few years we have been successful in getting companies to change those processes for the benefit of customers. For example:

- All companies now operate a simpler, two-stage process for customers which speeds up the time it takes to resolve a written complaint;
- Some companies have introduced mechanisms to keep customers better informed about issues that might take a considerable time to resolve. This is particularly important where the resolution may involve a large capital scheme to improve reliability of supply or to prevent sewer flooding; and
- Greater empowerment of front-line staff to resolve queries or complaints to the customer's satisfaction rather than to meet internal targets on closing complaints.

Overall view of industry performance

We are disappointed that the industry has not been able to maintain its year-on-year improvement for written complaints and unwanted contacts. 2.2 million negative customer contacts is too many and the industry needs to work harder to improve.

We welcome the reduction in written complaints. However, there is still a lot of work to be done on unwanted telephone contacts and complaints across the industry.

The huge increase in written complaints from customers of Cambridge turned it from one of the best performers to one of the worst in the space of a year. Where we see companies needing to do better, as in this case, we will press them to do so.

The gap between the best and worst companies for complaints per 10,000 connections has started to close but we want to see this reduce even further in future years. We also want to see the downward trend of unwanted telephone contacts over previous years resume in 2017-18 and beyond.