

By email to: Sarah.Thomas@ccwater.org.uk

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Dear Sarah,

Guaranteed Standards of Service (GSS)

Thank you for providing the opportunity for us to comment on the 'Call for evidence' document, on the current state and future of GSS. You raise many discussion points in the document and we have endeavoured to comment on each as below. As a water-only company we have not commented on aspects that relate only to sewerage services.

We have considered the questions you raised in section D of the document. Our comments in response cover firstly the regulations as they currently are (paragraphs we number 1 to 9 below) and secondly comments focused more on the suggestions you make for the future of GSS (paragraphs numbered 10 to 26 below).

1) Interpretation (regulation 4)

The regulations should contain more interpretation and definition. It is often unclear whether GSS compensation is payable in specific circumstances, as 'real-life' situations and events can be nuanced and less clear-cut than the regulations assume. We provide guidance internally on interpretation, but it is unlikely the approach to interpretation is consistent across all companies. Often it is assumed that 'GSS is easy to understand and apply,' however this is not our experience of having worked closely with the regulations for more than thirty years. We say more on this in (5) below in relation to interruptions to supply.

2) Appointments (regulation 6)

There is scope for greater flexibility around appointments. Although reasonable, the present permitted 'slots' as defined in the regulations do not always fit or are not helpful for either customers or companies. For example, we find many customers would prefer to know an appointment day and then receive a communication on that day with a specific a time slot.

Currently in the regulations, attending an appointment late (or early) incurs the same penalty as not attending at all. We do not consider this is an equitable approach. Also, our customer research suggests that customers are more likely to be concerned about

being kept informed of when we will be attending, rather than strict adherence with a pre-determined wide time slot.

The regulation as currently written assumes appointments are only made more than 48 hours in advance. However, the regulation is unclear where we agree to make a visit at less than 48 hours' notice, perhaps in response to an emergency.

We do offer some evening and weekend appointments to accommodate our customer needs.

3) Complaints, account queries and requests about payment arrangements (regulation 7)

The consultation outlines disputed liability for measured bills, debt recovery, and incorrect account information as common areas of complaint not covered specifically in the GSS regulations. Clearly, these can be areas of customer contact which can create dissatisfaction or dispute. However, unless there are clearly defined duties of compliance, we do not see how these can be covered specifically within the regulations. Timescales for dealing with these subjects are covered by the existing regulation 7. Where there are complaints about the way in which an initial complaint has been handled, these could be covered within the 'complaints resolution' approach discussed in (16) below.

4) Notice of an unplanned interruption to supply (regulation 8)

The requirements in the regulations have not changed since first introduced in 1989 and do not reflect practices and expectations of customers today. In 1989 the only means of giving information to customers was a 'knock on the door' or a warning card through the letter box. Clearly, communication methods and customer expectations have moved-on and the regulations should reflect this, such as the use of web sites, social media, and through pro-active text messaging. Ultimately, the decision for the way in which we communicate with our customers should be driven by their choice.

Included in the current regulation is a requirement '*to notify each affected customer where an alternative supply can be obtained.*' This relates to what was common practice in 1989 whereby a company would erect a standpipe on the nearest 'live' hydrant. A standpipe on a hydrant is no longer deemed acceptable for drinking water quality purposes, and this clause should be removed as it is misleading for customers.

5) Supply not restored as promised (regulation 9)

The current regulation covers (with the same penalty level) both an unplanned interruption to supply lasting more than twelve hours and a planned interruption that overruns the notified restoration time. Both situations we work hard to avoid, but we suggest should not be weighted equally.

A planned and notified interruption could be a relatively short period and an overrun may be only minutes beyond the due restoration time. This is not comparable with customers

being without water for more than twelve hours and having no advance warning of this in which to prepare. The basic penalty for an overrun of a planned outage should be adapted or replaced with an incremental penalty for each full hour beyond the notified restoration time.

For unplanned interruptions lasting more than 12 hours, we agree with the additional payment being due for each subsequent period of 12 hours, rather than the 24 hours currently stated in the regulation. We apply this already.

We agree also with the removal of the allowance of 48 hours for a leak or burst on a 'strategic main'. Although the original intention of this proviso was clear, the definition given in the regulation for 'strategic main' allowed too broad an interpretation of when the 48-hour allowance should be applied.

As noted in (1) above, interpretation and definition provided in the regulations, particularly for interruptions to supply, could be improved. The regulations do not define what constitutes an interruption, when it is deemed to have commenced or when it ends. Ofwat previously reminded companies in Chapter 6 of the June Return guidance that 'It is not appropriate for the reporting requirements for the DG indicators to be used to interpret the GSS Regulations'. However, there is no guidance provided on supply interruptions other than the Ofwat reporting guidance (2018) and therefore it is likely companies use this as a surrogate for determining GSS eligibility. See further comments in (19) below.

6) Pressure standard (regulation 10)

The current regulation is problematic. It was not part of the original 1989 regulations and requires rethinking in terms of its precise wording.

We agree with the existing requirement of 7 metres static head in the communication pipe. A guaranteed standard cannot be based on what a customer experiences at their tap, shower head or combi-boiler, as that is determined by a host of factors of which pressure in the main is only one. Many of the factors relate to the customer's own pipework and internal plumbing. The regulation aims to reflect the duty for pressure as laid down in the Water Industry Act (WIA), and we agree this is the right approach:

(1) ... it shall be the duty of a water undertaker to cause the water in such of its water mains and other pipes ... to be laid on constantly and at such a pressure as will cause the water to reach to the top of the top-most storey of every building within the undertaker's area.

(2) Nothing in subsection (1) above shall require a water undertaker to provide a supply of water at a height greater than that to which it will flow by gravitation through its water mains from the service reservoir or tank from which that supply is taken.

The substitution of 'to the top of the top-most storey of every building' in the Act with a fixed value of seven metres head is a sensible and pragmatic approach.

Our understanding of the regulation was that the £25 penalty payment was intended for those properties covered by the WIA exclusion '*nothing shall require a water undertaker to provide a supply of water at a height greater than that to which it will flow by gravitation*', i.e. those properties situated at or close to the level of the service reservoir and therefore receiving low pressure either constantly or frequently. In effect the £25 penalty was to serve as an annual rebate to the customer's water charges; one such payment only being required in a financial year.

Temporary reductions in pressure were not intended to be covered; reductions due to 'necessary works' being specifically excluded under both the WIA and the GSS regulation. However, the mechanism for identifying continuous or frequent low pressure, namely two instances of an hour or more within a 28-day period, is too crude. Whilst most instances of temporary low pressure are due to 'necessary works' and therefore excluded, not all result from such works. This means that a customer may be entitled to a payment for as little as two hours of reduced pressure, whilst another customer may have no entitlement for a total loss of supply of up to twelve hours. This is not equitable.

The penalty payment of £25 was set in 1996 and with inflation, could now be increased to £50 for those properties that experience continuous or frequent low pressure. A £50 payment is equivalent to 95 days refund of an average annual bill. However, for those properties experiencing only occasional low pressure the threshold for penalty payment should be raised from the current two hours. We suggest twelve hours within a 90-day period may be more suitable.

At the time the pressure regulation was drafted, it was not envisaged companies would or could pro-actively monitor against a measurement of seven metres head, as there was limited continuous data logging of district pressures. Rather, that those properties experiencing pressure below seven metres continuously or frequently would be known to the company by virtue of the location of the property in relation to the service reservoir. Since then, many companies, including Affinity Water, have installed widespread coverage of permanently sited pressure data loggers and have accurate real time information on when pressures fall below 7m head. However, some companies do not have intensive coverage and will not be making penalty payments as they 'could not practicably have identified the customer as having been affected.' This penalises those companies who have better monitoring information, and customers across companies are therefore treated differently.

All-in-all, we suggest the pressure regulation needs revisiting by Defra to ensure clarity of intention and interpretation.

7) Timing of payments and penalty payments (regulation 13)

We support late-payment penalties in respect of appointments, complaints, billing enquiries and payment arrangements be paid to customers automatically, rather than having to be claimed by the customer. We do this already.

Although the regulations specify the timing of payments, this was clouded by market opening for non-household properties with alternative timescales being set out in the 2016 GSS schedule included in the OpenWater Business Terms document. Effectively, this squeezed the timescales for wholesalers because of the extra stage involving retailers. The timescales for wholesalers and retailers should be reconsidered and defined clearly within the regulations themselves. We expand on this in (18) below.

There is currently no timescale for the payments relating to the pressure standard. This is sensible as the standard relates to service over time rather than in response to a specific event and there are complexities around calculating pressures to individual properties over extended time periods. However, there should be some time limit rather than it being completely open-ended. We suggest payments should be within 90 days of the triggering event.

8) Notice of rights to be given to customers (regulation 16)

The wording of this section with the current regulations still reflects methods of communication when the regulations were introduced at privatisation. The requirements here should be revised to reflect current methods of communication, in particular the availability of information on company web sites.

9) 2017 amendment to the regulations (statutory instrument 2017:246)

The amendment, produced to allow for market opening, has made the regulations particularly difficult to read and understand.

The regulations do contain separate 'Parts' for Welsh undertakers and English service providers. This makes sense, and we suggest an approach of separate Parts be included in future versions of the statutory instrument to deal specifically and separately with the duties on wholesalers, retailers, NAVs, and any other service providers.

10) Boil notices and other water quality events

GSS for boil and similar notices was suggested at the time of the first drafting of the regulations ahead of privatisation. It was rejected as boil and similar notices are *precautionary* principles of public health. It was recognised that introducing GSS for these could create perverse incentives around the decisions about issuing such a notice. Any decision in this area should be based purely on public health grounds with no risk of influence from other considerations. We consider this argument still stands and would not wish to see GSS introduced for water quality health issues.

Discolouration is a different matter, but any regulation would need to be specific as to what constitutes discolouration in this context, for example, its concentration. Many instances of discoloured water are due to the customer's own pipework and plumbing and not to the water supplied by the company. Complaints of discoloured water often

necessitate an inspection inside the property, which would make timescales for GSS problematic as access would be dependent upon the customer.

11) Bottled water

Any GSS regulation relating to bottled water would need to reflect specific duties as laid down in Acts or licence conditions.

Our business is supplying water through pipelines and what is best for all customers is that we remain focused on restoring supplies quickly in the event of an interruption. This is something where performance across the industry has improved considerably since privatisation.

12) Discolouration of washing

We do not consider a regulation relating to discolouration of washing would be appropriate. This is best dealt with as a claim against the company for loss.

13) Damage from high pressure

There has never been a statutory maximum for mains pressure. There is therefore no basis for setting a regulation in GSS.

14) Flooding from water mains

Whilst this appears to correspond to the regulations relating to flooding from sewers, water that escapes from a water main obviously does not have the same noxious properties as sewage; irrespective of the volume, any escape of sewage into a property is unwelcome and potentially hazardous to health.

Unless the flooding from a water main were to wash mud or silt into a property, the effect is likely to be little different to what happens during a heavy downpour of rain. If the volume of water is substantial such that it causes actual damage to the property, that is a different matter. Situations such as this are dealt with through the company's insurance claim process.

There could possibly be a regulation to the effect that an undertaker must not wilfully or negligently allow water to flood a property i.e. when carrying out activities such as flushing a water main. Again though, volume would be key, as sometimes some water getting into gardens is unavoidable due to the slope of the road where the flushing is taking place.

15) Extreme weather

From when first introduced, the regulations have recognised there is a difference between meeting service standards that are within a company's control and where particular factors such as extreme weather may make meeting standards unlikely in all cases. Water companies should not be seen as a vehicle for compensating the public for inconvenience that will inevitably arise from extreme weather. It is apparent that with climate change extreme weather events are going to become more frequent. These

events find the weaknesses and faults in supply and distribution networks not otherwise visible, and also exacerbate the effects of both planned and unplanned outages. This provides the opportunity for companies to address these issues, so a potential option for GSS payments could consider where service failures resulting from extreme weather events continually reoccur in similar conditions, i.e. that the company had not taken sufficient steps to prevent reoccurrence.

16) Complaints resolution

We agree there is scope for a regulation to make it a duty on the company to implement an action that has been agreed with a customer to resolve a complaint, and for a penalty to be payable should the company fail to comply. It would need to be a resolution and timescale given in writing by the company so there is certainty over the outcome which can be challenged via different routes of independence.

Companies may well already give an ex-gratia payment in situations like this, but a regulation to this effect within the statutory instrument would make clear the duty to comply and the payment required if failing to do so.

17) PSR customers

This is a difficult area as customers will be on the register for a wide range of reasons and may have differing needs. Any specific inclusion within GSS for PSR customers should reflect companies' duties under primary legislation and/or licence conditions.

We would not consider it appropriate for customers to receive increased rates of compensation simply by virtue of being on the PSR.

18) Business customers and interactions with retailers

We mentioned in (9) that the duties specific to wholesalers and retailers should be separated out and made clearer in the statutory instrument.

There needs to be greater transparency that end customers are receiving the GSS payments they are entitled to. In many cases, but particularly with supply interruptions and pressure, compensation payments are made by wholesalers to retailers, for the retailer to make that payment to their customers. It should be a duty under the regulations that the retailer confirms to the wholesaler that the end customer has received the credit or refunds the wholesaler if for any reason the credit cannot be made.

Market opening had the effect of introducing an additional step in the GSS payment process i.e. the wholesaler pays the retailer rather than the end customer. Timescales for making payments were set in the OpenWater Business Terms document which had the effect of simply reducing the available process time on wholesalers for payments to business customers. This makes it more likely a business customer will receive an additional payment for late payment than will a residential customer for the same event. We do not feel this to be equitable.

19) Repeat failures - interruptions

We mentioned in (7) above, that a supply interruption and its duration are not defined in the GSS regulations. As companies are most likely using the 2018 Ofwat reporting guidance as a surrogate for GSS eligibility, then payment will only be made if the interruption is for a continuous period of more than twelve hours. If supply is restored for a period of an hour or more, then the event will be counted as two separate shorter-length interruptions. The regulation should be clearer in its definition, and we suggest that twelve hours of interruption within any 24-hour period may be a clearer standard.

We do not support the idea of cumulative effect of supply interruptions over a year. This would be a purely compensation mechanism and not related to failure to give good service to customers, i.e. a company may have performed well on each occasion to restore supply quickly.

20) Repeat service failures (all & any type)

We do not feel a 'mix-and-match' approach to service failures is appropriate or realistic from a practical view.

21) Customer views on GSS

We have not actively sought customers' views on GSS but agree with the view expressed by customers in the cited survey that they want service standards to be met, rather than not met with compensation. The introduction of defined minimum standards of service with the introduction of the GSS regulations in 1989 was an important step in the development of the water industry.

22) Level of payment for GSS failures

Page 4 of the consultation sets out "*that the levels of payment for service failure should better reflect people's expectations.*" We suggest payment levels should also reflect what customers pay on average for their water services. The average annual water service charge for Affinity Water customers (water only) is £192.

A GSS payment is in effect a rebate on the customer's annual bill. It could therefore be expressed as being equivalent to a given number of days of refunded water charges. Taking the levels of payment you suggest in the appendix A, we have indicated the equivalent number of days of refunded charges for the average Affinity Water customer:

Issue	Standard	Proposed minimum level of payment	Equivalent days of refunded water charges
Making appointments	Failure to give notice or allot a specific appointment time.	£30	57

Keeping appointments	Company does not keep allotted appointment or cancels without notice.	£50	95
Account queries	Failure to send substantive reply to query.	£50	95
Requests about changes to payment arrangements	Failure to send substantive response to request for change in payment arrangements.	£50	95
Complaints	Failure to send substantive response to complaint.	£50	95
Notice of planned supply interruption	Failure to give appropriate notice of planned supply interruption.	£75	143
Notice unplanned of supply interruption	Failure to notify customers of emergency supply interruption.	£75	143
Supply restoration	Failure to restore supply within promised timescale.	£75	143
Water pressure	Pressure fails on two occasions within 28 days.	£75	143
In addition, it is proposed that the payment for late payment of GSS be increased to £40, applicable to all standards (76 days of refunded water charges).			

It is difficult to see that the penalty sums proposed are commensurate with customer bills. The proposals could, as an example, entitle a customer to a minimum of twenty weeks free water as compensation for as little as two hours of low pressure. Viewed this way, we do not support the increase in GSS payment values you propose.

23) Automatic increase in compensation rates for inflation

We agree that GSS payment values should increase over time to take account of the effect of inflation. Defra could do this as and when amendments are made to the statutory instrument. However, there is perhaps a belief that GSS values have remained fixed since first introduction. Aside from the low pressure regulation, which was not introduced until some years later, this is not the case. When introduced in 1989 the penalty payment levels were set at £5. Allowing for RPI, the equivalent value today would be £12.54. This is less than the £20 or £30 Affinity Water pays now to household customers, and we do not see a need currently to make increases for inflation.

24) Enhancements

We do not feel 'voluntary' enhancements to the regulations by companies to be desirable. It would be better for all customers to have the same standards of service guaranteed and receive the same level of compensation for service failures. Better understanding of entitlements would be achieved if there were one set of standards for all and the industry worked towards clear and common understanding of what those standards are.

25) Reputational impact of GSS for driving performance

We always aim to meet the customer service standards in GSS. The regulations are there to define the minimum standards of service customers can expect from their water company and are not intended as a mechanism for continuous improvement in performance. The common performance commitments set at each five-year price review is a better suited mechanism to achieving service improvements.

We do not feel GSS currently has any real reputational impact. After 2011 Ofwat no longer asked companies to report on GSS in their annual returns, meaning there is no visibility of GSS across the industry.

26) Volunteers for CCW working group

We have volunteered the following colleagues for the working group:

Abbie Quinn, Business Manager Abbie.Quinn@affinitywater.co.uk

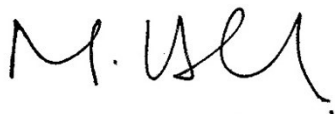
Stuart Moody, Service Design and Change Manager

stuart.moody@affinitywater.co.uk

David Beesley, Regulation Support Manager david.beesley@affinitywater.co.uk

Abbie Quinn will be main invitee for any workshops.

Yours sincerely,



Martin Hall

Head of Economic of Regulation