

By email

Sarah Thomas
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CCW

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Modern Standards for a Modern Sector: Improving how the Guaranteed Standards Scheme (GSS) works for people

Dear Sarah

Thank you for the opportunity to contribute to your call for information on the Guaranteed Standards Scheme (GSS).

We note that to date, CCW has only considered domestic customers in its review of the GSS. We agree that an in-depth review of the GSS is required; however, as a retailer in the non-household (NHH) market, we consider it important that any review differentiates between domestic and NHH customers, and that conclusions from the current review are not simply applied to the NHH sector without fuller consideration of the needs of NHH customers within the context of the competitive market. It is our suggestion that a separate review is carried out of the appropriateness of the GSS for the NHH sector, in the expectation that if an NHH GSS is still considered necessary, it will look and feel different from the GSS for domestic customers.

When the market was designed, the Market Codes were drafted around the existing GSS so the Scheme could continue to function as intended. At that time, no review was undertaken to ensure GSS remained a relevant and appropriate mechanism within the context of the competitive market. With a review of GSS already underway for domestic customers, it is a suitable time to consider if the Scheme remains appropriate either at all or in its existing format for NHH customers.

Because of the Market Codes, it is our experience that appropriate compensation payments continue to be paid to customers including those that are the responsibility of the wholesaler; therefore, the existing GSS Scheme does continue to work. However, a review would identify if it continues to serve and support NHH customers in the way intended and if all elements remain necessary.

The current GSS is a mix of customer service provisions which are the responsibility of retailers and protections due to issues within the network which are wholesaler responsibilities.

Customers in the NHH market benefit from more protection than domestic customers. These additional protections are derived from the Customer Protection Code of Practice (CPCoP), Retail Exit Code (REC) and Market Performance Framework (MPF) with the CPCoP predominately focusing on customer service provision. In addition, there are natural

incentives that apply in the NHH market in that customers can transfer to another retailer if they are unhappy with the service they receive. These natural incentives mean that a retailer must ensure that it provides the highest level of customer service to retain a customer. It must also respond to queries and complaints in a timely way as well as offer suitable levels of redress if the customer receives service that is below what it should have expected. Therefore, it is our opinion that the customer service elements of the current GSS have been superseded by other protections such as the CPCoP or by the inherent natural incentives.

However, while NHH customers already receive protections and benefit from natural incentives they do not receive any additional protections from issues with the network i.e. the areas that are the responsibility of the wholesaler. Therefore, we consider there to be value in retaining a form of GSS that offers guarantees associated with service provision related to wholesalers' assets and infrastructure (which we expand on below) but the compensation payments for failure should be considered in the review. For example, while a water outage would be a frustration to any customer, for an NHH customer it could result in the customer having to temporarily close their business throughout the duration and there could be a significant loss of earnings which would not be compensated by the proposed £75 payment. Therefore, we would welcome a review of compensatory payments made for a GSS failure to an NHH customer to ensure the payment is commensurate with the impact of the failure.

To further complicate matters the review should also recognise that some customers such as those in the public sector struggle to process GSS compensation payments, while for others the cost to administer the credit will be greater than the value of the compensation, especially where they use the services of a bill validation company. Therefore, the review must consider the diverse range of customers that make up the NHH market.

The standards within a GSS (or similar scheme) for NHH customers, should reflect what an NHH customer requires from a wholesaler's network and assets, including:

- An uninterrupted supply of clean potable water which can be consumed by employees, customers and animals as well as utilised within their manufacturing processes or other business activities.
- Any interruptions to supply are notified in advance so they can make suitable arrangements.
- Consumption that can be accurately measured by a functioning asset so they only pay for what they use.
- No variations in water pressure as this can impact manufacturing processes.
- A sewerage service that safely takes dirty water away from their premises and does not cause either internal or external flooding.
- A responsive Trade Effluent service, especially with consent management.
- Allowances, such as those paid for leakage, are fair, timely and consistently applied.

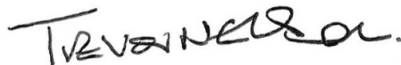
The cost of administering the Scheme sits with the retailer. Any compensation payment from the wholesaler flows through the retailer to the customer but with no consideration of the cost to the retailer such as the cost of generating the credit invoice or reconciling the payments received from the wholesaler with the credits provided to the customer. Furthermore, due to the way sewer flood payments are calculated, retailers lose the margin associated with the supply point. Therefore, the review of the GSS for NHH customers should also consider the impact of administering the Scheme on retailers due to the administrative burden placed upon them.

It is possible that the review will conclude that other tools and mechanisms may be more effective in protecting customers from wholesaler failures such as the soon-to-be-reformed Market Performance Framework and BR-MeX, which will be introduced in April 2025. These alternatives would also mean retailers wouldn't incur costs and risks in administering the Scheme.

With the points we have highlighted above it is our view that the GSS for NHH customers should be reviewed in parallel but separately from the domestic GSS review, recognising that NHH customers are different from domestic customers. The review would require input and thinking from a wider range of stakeholders and most importantly from wholesalers and retailers. We, therefore, encourage CCW to work with the industry while developing its recommendations for Defra.

Thank you once again for the opportunity to contribute to the review of the GSS and we look forward to working with CCW further as its review of the Scheme progresses.

Yours sincerely



Trevor Nelson
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