



CCW

**The voice for water consumers
Llais defnyddwyr dŵr**

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

CCW CALL FOR EVIDENCE

August 2023

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Foreword

The Guaranteed Standards Scheme (GSS) has been in place since the privatisation of the water industry, over 30 years ago. Over that time, there has been little change in either the standards of service or the statutory payments that companies have to make if they fail to meet those standards.

However, there have been big changes within the water industry, the wider economy, and in consumers' expectations. We feel the GSS may no longer adequately support customers or reflect the impact that incidents have on those who experience poor service.

We want the GSS to reflect current expectations and be influenced by people's views of what actions companies should take if an aspect of their key water or wastewater service has failed. To help achieve this, we want to work with the sector to develop areas for change.

When complete, we want the final recommendations for a refreshed GSS to be formally adopted by Defra and the Welsh Government through the statutory process.

We have worked collaboratively with the sector to improve the experience of customers when things go wrong, such as on our recent End Sewer Flooding Misery campaign. We have considered the changes made by companies in relation to that campaign and we aim to take a similar collaborative approach towards updating GSS.

Dr Mike Keil

Senior Director of Policy, Research & Campaigning

Introduction

The most recent review of the GSS was in 2018 following the freeze-thaw event (the ‘Beast from the East’) when Ofwat consulted with the sector and recommended increases in payments when water supplies are interrupted and improvements to the standards associated with those payments. It also proposed that all GSS payments should be made automatically and that the level of payments should be reviewed when cumulative inflation exceeds 10%. These recommendations are yet to be formally adopted into legislation, but, at our request, almost all companies agreed to make the changes relating to payments for supply interruptions on a voluntary basis.

In general, we expect the companies to take account of changing circumstances. Methods of payment should be flexible and reflect how people prefer to manage their money. Companies should also recognise developments in the channels of communication, which have changed how some people contact their companies and affect how companies can inform their customers about when GSS payments are due. For example, telephone calls have superseded letters or emails as the main way for people to contact companies, and social media use has increased substantially. We expect companies to operate to an agreed minimum level of service for dealing with these calls and to make payments if they fail to meet these standards.

Generally, companies meet the basics. Our aim with this project is to:

- Ensure that all companies provide an improved minimum level of payment when their services fail.
- Consider how the reputational impact of GSS can drive consistently higher service standards.

Section A - Our view of the current GSS

We undertook a comprehensive review of the existing GSS scheme and wider compensation promises, including the exemptions, enhanced GSS and non-statutory or voluntary standards that some companies implement. The vast majority of companies voluntarily revised their commitments in relation to supply interruptions in line with Ofwat's 2018 recommendations. However, these levels have not risen with inflation; they have not been statutorily amended and were not adopted by all companies.

With this in mind, we identified that the following areas needed addressing:

1) Level of payment for GSS failures

We feel that the levels of payment for service failure should better reflect people's expectations.

We have considered the current levels of payment, customers' and our views of what the payment levels should be, to reflect people's current experiences. Our proposed increases are set out at Appendix A. We explain customers' views in section B below, and the full research into this is available on our website [here](#).

2) Areas where new standards could be introduced

We recognise that many companies already make voluntary payments for some aspects of service failure that other companies do not. Therefore, there is a lack of consistency across England and Wales even where those payments relate to more serious service failures, such as flooding from water mains.

We plan to take this opportunity to review and possibly increase the number of statutory standards and we would be interested in companies' views on new standards that could be introduced, with any evidence that they have to support this.

Areas for consideration:

a) Basic service failures

GSS should cover certain basic service failures by default and a core set are already included. Based on what some companies already do and our own observations, we have identified the following areas, in addition to the existing standards, where we believe the GSS should reflect the need for all companies to offer a minimum standard:

- Payment for flooding from water mains.
- Payment for boil water notices and any other supply suspensions due to water quality problems that are the company's fault.
- Damage from services failures, such as discolouration of washing, or damage from high pressure.
- Failure to provide bottled water when there is a supply interruption. As part of this, an additional payment could be made, in recognition of the likely additional impact, for example if the customer is on the Priority Services Register.
- Failure to implement a complaints resolution within promised timescales. For example, if a company agrees to pay an amount of compensation but does not make the payment.

b) Common complaints

During the 2018 review, we highlighted that the volume of complaints about different issues should help inform which areas of service are covered by standards and a guarantee of a payment for failure. Information from our complaints management system suggests that, currently, the most common complaints relate to:

- Failure to respond to a query or a complaint
- Disputed liability for measured bills
- Debt recovery
- Incorrect account information

The first of these issues is already covered in GSS but the others are not. We want to hear from companies about the above issues and other areas of customer detriment, and where new standards would be appropriate.

c) Repeat service failures

When households are subject to repeated service failures, many people suffer ongoing distress and, in some cases, the burden of distress caused by the failure may even be cumulative.

In recognition of this, we feel that the GSS should include the requirement for companies to make payments to reflect the fact that there have been repeated service failures. For example, a payment could be £50, over and above any payment per individual event, to people at premises where there have been repeat events. This could be an automatic payment, to recognise ongoing distress.

Areas where such a payment might be appropriate include:

- Water supply failures. An example of this might be if the water is off more than four times, each lasting over 3 hours, within a 12-month period; or situations

where water supply failures reoccur but are too short to trigger GSS payments. Ofwat set out in its 2018 recommendations that more consideration is needed on the thresholds that trigger payments

- Water quality events, such as cryptosporidium outbreaks, boil water notices or cases of discoloured or cloudy water
- Repeat flooding from water mains or pipes that are the company's responsibility and within a reasonable time period
- Errors created during the billing process, or a complaint investigation, that reoccur after a company has promised to tackle them.

Such payments could apply for multiple incidents of the same service failure at the same premises, or for multiple different service failures at the same premises. We would welcome your views on where repeat service failure payments might be appropriate.

3) Areas where the existing standards could be improved

a) Payments for extended periods of service failure.

Longer periods of service failure can cause a greater level of distress and we feel this should be reflected in any payment companies make. One way of doing this could be by applying a multiplier to calculate additional payments, over and above the basic payment. Issues where this may be appropriate include:

- Pressure failures. Problems with pressure can interfere with supply. In some cases, failures may not be enough to trigger payments under the current GSS scheme but may make it very difficult for people to operate appliances.
- Groundwater inundation filling sewers with water and preventing people from flushing their toilets.
- Failure to handle complaints in a timely manner. If a company misses a deadline for dealing with a complaint, it will pay the same amount whether it responds one day later or six months later. In other cases, companies' actions could extend the length of time needed to resolve a complaint – for example if there is a delay in investigating a complaint or if the company relies on information that it should have known was incorrect.

b) Extreme weather exemption

As part of our End Sewer Flooding Misery campaign, we worked with companies to remove this exemption for people who experienced repeat sewer flooding events. This should now be formalised within a revised GSS. In addition, given the change in weather patterns in recent years, it seems appropriate to review the approach to taking account of the weather within the GSS.

c) Simplifying late payment penalties

Part of the recommendations, that were implemented on a voluntary basis in 2018, related to ensuring companies made automatic penalty payments to customers, if they were late in making GSS payments for poor service. At the time, Ofwat flagged up the potential for further changes to the process for making late payment penalties, such as standardising the levels of penalty or the point at which they are triggered. However, Ofwat also said it was necessary to understand the impact of automating late payment penalties before it could consider any further changes.

Our proposed revisions to the level of payment, at Appendix A include a £40 late payment penalty, for every standard. We would be interested in companies' views on this and what other improvements could be made in this area.

d) Changes to appointment requirements

In 2018, Ofwat also suggested that the flexibility around appointments could be improved. The current standards is for companies to offer a morning or afternoon slot for appointments, or a two-hour period if the customer asks for it. Additionally, companies could offer customers a time window shorter than two hours for the appointment, or appointments at flexible times, for example evenings.

e) Greater visibility and clarity of service standards

When a service fails, people will need to find clear and accessible information about the standard of service they should have expected. This needs to include a clear explanation and signposting of standards, especially where payments are not automatic and a customer may need to make a claim.

We welcome suggestions on what good would look like for this standard.

The developing Customer Licence Condition's principles reflect some of the issues we raise in this document. We will work with Ofwat on the GSS review so our recommendations will work in the context of the new Licence Condition.

Section B - What customers feel about the current standards

For this GSS review, we felt it was vital that customers have the opportunity to input their views. To facilitate this, we commissioned qualitative research into people's views on the current scheme. This involved a mixture of focus groups and depth interviews to explore the views of household and business customers. Fieldwork took place in February and March 2023.

This research was designed to gather customers' uninformed and informed views on the GSS standards and their views on how these might need updating. The key findings were as follows.

- People defined 'service' as meaning that companies deliver their promises, on both customer service and service delivery, generally by providing consistent and reliable services and by helping customers feel valued during interactions.
- Customers' main concern is that companies provide a reliable supply of water, and communicate proactively, including when things go wrong.
- People are positive about the idea of standards, although expectations of services and standards were slightly misaligned. For example, people tended to imagine that standards were less than what they were in reality; and people expected standards to be attached to providing a clean water supply but they did not expect standards in relation to providing a good customer experience, despite good customer service being a customer expectation.
- In general, people were unaware of the GSS. When introduced, the idea was met with some cynicism due to many having low expectations of utility companies. However, the overall idea of having standards to meet was welcomed.
- People wanted standards to be fair for all, including consumers who need extra help or customers on the Priority Services Register (PSR). In some instances, this means additional standards were warranted, for example help with re-booking, however this may not be applicable to every single consumers who need extra help, due to the variety of situations that make someone vulnerable.
- Similarly, people felt that consumers who need extra help or customers on the PSR did not necessarily need different amounts of compensation every time for every standard, just where it was linked to their individual vulnerability, for example additional compensation where bottled water fulfils a medical need.
- When asked to consider the levels of payment, participants identified impact on customers as being an important factor and felt that bigger impacts should result in bigger payments.
- The exceptional weather conditions exemption for sewer flooding was felt to be unfair considering the potential impacts of climate change. In addition, people

saw no difference between internal flooding and external flooding where that affected a detached garage, garden office or other outside building.

- The pressure standard was felt to be a particular concern by participants. The research highlighted how this standard confuses people. It is felt to be overly complicated and nearly impossible for customers to understand at a level where they can make a complaint. We would be interested in hearing about companies' experiences with this standard, and to know about any claims, successful or otherwise, that have been made. Reviewing the pressure standard could be within the remit of the industry working group that we are hoping to set up, which we mention under 'Next steps'.

The research can be found [here](#) and we will be taking the detail of the report into account when we develop new standards.

Section C – Additional issues to consider

1) Business customers

Although we included business customers in our research, our review of GSS to date looked at the standards relating to household customers only.

We would like to better understand what the opportunities are for improving existing, and introducing new standards for business customers. Are there any fundamental differences that would warrant a different approach?

For companies working in England, we would also like to understand more about the processes between companies and retailers when there are service failures, how you work with retailers to ensure payments are received by business customers, and what some of the challenges might be in offering enhanced GSS payments to this group.

2) A robust and flexible regime

In general, this call for evidence will be the opportunity for companies to get involved in helping to introduce changes to GSS. Our main goal is to develop some recommendations for Defra and for Welsh Government relating to a revised GSS. As formal changes to GSS are not made on a regular basis, we anticipate that, as part of this work, we will need to develop a framework that encourages companies to improve their schemes on a more regular basis. We welcome views on the best way to achieve this.

Section D – In Conclusion

We have highlighted our thinking in a number of areas above and summarised the main views of customers. We are interested in understanding more about what water companies and other stakeholders think of the current GSS, as well as any comments on our views of how GSS could be updated and improved.

1) Questions to consider as part of our call for evidence

- Within the current standards what works well and why?
- Should the standards be refreshed and, if so, how?
- What needs to be changed and why?
- Are there new standards we should add, are there others that are out of date and need revising?
- Should payments better reflect the impact of service failures on customers, considering both the direct financial costs and the inconvenience?
- Should different service standards apply for customers who need extra help or who have been identified as needing extra help, especially those on the priority services register?
- Has your company asked customers for their views on GSS and, if so, what did they say? Can you share the research with us?
- How do you use GSS data internally to drive performance?
- All companies have, at some point, voluntarily enhanced their GSS. What triggered this decision for your company?
- Faced with the changes arising from climate change, how should we consider the issue of ‘extreme weather’?

Next steps

We welcome views on the issues in this paper, and any other comments on GSS, by 13 October 2023.

We will set up an industry working group on GSS and welcome volunteers for this. We are aware of the need to time this work carefully in light of the industry's involvement in PR24. For this reason, we are aiming to start the work of the group early in October. However, early volunteers will be able to get key dates in their diaries sooner.

We anticipate the work for the working group will involve:

- Considering the perspectives expressed in response to this consultation
- Developing a list of recommendations for change
- Looking at areas that need further work.

In the current climate, this work could represent a real opportunity for companies to improve customers' perception of their performance when a service failure occurs. This is why we also feel that this is an opportunity for companies to review their processes for managing and operating GSS, if they have not done this recently. This is especially true if we recommend increases to the levels of GSS payment. Some companies have expressed concern that our final proposals may increase costs to companies, which would ultimately be passed on to customers. This could increase the level of people's dissatisfaction with water and sewerage companies. We believe that updating GSS should be considered from a customer-centric position. The evidence has shown that companies who do the right thing for customers improve their performance, which in this case would reduce the need for GSS payments to be paid out.

Please address any responses or enquiries about this request for evidence to:

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Policy Manager

CCW

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Please note: If you have any concerns about making your response public, then please let us know. Unless we are informed otherwise, we will assume that we can publish all responses on our website.

Appendix A - Increasing the levels of reimbursement for all standards

Issue	Standard	Current level of payment (including voluntary enhancements)	Proposed minimum level of payment
Making appointments	Failure to give notice or allot a specific appointment time.	£20 -£50	£30
Keeping appointments	Company does not keep allotted appointment or cancels without notice.	£20 - £50	£50
Account queries	Failure to send substantive reply to query.	£20 - £35	£50
Requests about changes to payment arrangements	Failure to send substantive response to request for change in payment arrangements.	£20 - £35	£50
Complaints	Failure to send substantive response to complaint.	£20 - £50	£50
Notice of planned supply interruption	Failure to give appropriate notice of planned supply interruption.	£20 - £35	£75
Notice unplanned of supply interruption	Failure to notify customers of emergency supply interruption.	£20 - £35	£75
Supply restoration	Failure to restore supply within promised timescale.	£20 - £35	£75
Water pressure	Pressure fails on two occasions within 28 days.	£20 - £50	£75 for basic level failure as described
Internal flooding from sewers.	Effluent enters a customer's property.	Annual charges, capped at maximum of £1000	Raise maximum by £750
External flooding from sewers.	Effluent enters a customer's land.	Annual charges, capped at maximum of £500	Raise maximum by £500

In addition, it is proposed that the payment for late payment of GSS be increased to £40, applicable to all standards.

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