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Our Ref	MH/13102023
Your Ref	

13th October 2023

Portsmouth Water: Call for Evidence on Improving how the Guaranteed Standards Scheme (GSS) works for people

Dear Sarah,

We are pleased to be able to provide our view on your call for evidence published on August 9, 2023 "*The Guaranteed Standards Scheme: Call for Evidence.*"

As a company we are supportive of a review of The Guaranteed Standards Scheme (GSS) to ensure it adequately supports customers and is reflective of the impact that incidents have on those who experience poor service.

We have considered your call for evidence in detail and responded to each section, as outlined below.

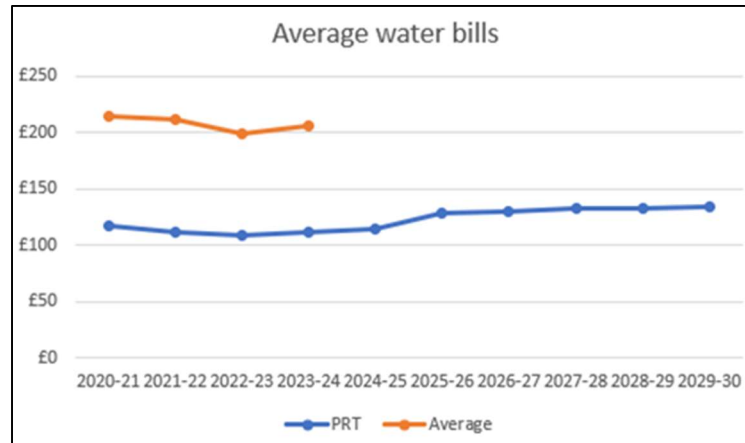
Section A - Our view of the current GSS

1) Level of payment for GSS failures

As a company our overall GSS payments are significantly lower in volume than many other water companies, based on our size, but also lowest, we believe, if comparisons were equalised per 10k connections.

Whilst we recognise that the result of certain types of impacts do not always relate to water service supply, many of those do. Whilst customer expectations rise, certain elements should be intrinsically linked to what customers pay for their equivalent service.

Our bill (as can be seen below) shows our current average household bill for water services compared to others.



We are fully supportive of the issues CCW have identified and the need to reimburse, but we ask CCW to consider the size of the water company and the impact on the overall bill.

As can be seen, the level of minimum payment in most scenarios amount to over 50% of our annual bills. The penalty, based on the current scale and revenue per household, has a greater impact on us compared to other companies, which seems inherently biased.

Where the current reimbursement levels provide a range, we rarely compensate customers to the minimum levels, instead opting to compensate to the mid-range of the threshold (unless exceptional circumstances support the higher range).

We believe this to be a fair level of payment for the service failure, alongside the cost our services are to deliver. We would ask CCW to look at alternative reimbursement calculations through a percentage base of the overall bill, rather than a set figure.

2) Areas where new standards could be introduced

Although we have no published policy for dealing with non-GSS payments covering basic service failures, common complaints or repeat service failures, outside the guidelines, we do make voluntary payments on a case-by-case basis.

The unique circumstances of these types of cases we believe makes it difficult to publish guidelines relating to these rare failures. In the previous 12 months we have only had 3 instances of non-GSS payments being made to customers where our services have repeatedly fallen below the standards that we believe are expected and reasonable.

We are in strong agreement that the guidelines should focus on a multiplier or additional payment for repeat events, as the inconvenience and distress caused to customers is exasperated in these scenarios. As a company we have a strong ethos that drives the delivery of fixing issues first time and although we do recognise that there are always anomalies, we tend to meet this promise most times.

Although we only have a c.37% meter penetration, with a plan to increase this over the next two AMPs, we do believe that meter reading is a potential area that would benefit from a review. This is an area that we recognise can cause customers frustration and anxiety if promises are not delivered, that enables accurate billing through actual and accurate reads. This can also result in financial impacts on customers and with a clearer view on appropriate compensation, it will be helpful to remove inconsistencies across companies for customers.

3) Areas where the existing standards could be improved

a) Payments for extended periods of service failure

We agree that the use of a multiplier to calculate additional payments for prolonged and repeated service failures to customers would help to meet customer and stakeholder expectations and would support the application of such an approach.

b) Extreme weather exemption

As a company we have never invoked the 'extreme weather exemption' and see it unlikely that we would ever wish to. However, as climate change impacts more and more on water usage, networks, and infrastructure across the UK, we would support a definition of when such clauses should be used may be prudent to consider. This would ensure consistency across companies, which would help to reduce complaints across the industry and strengthen customer trust.

c) Simplifying late payment penalties

We agree with the principal of charging late payment fees but ask for the definition of clear service levels and a review of the flat fee approach (as per our comments in Appendix A), to be considered compared to a set figure.

d) Changes to appointment requirements

The current guidelines, we believe, work for our customers, and we see minimal reimbursement to our customers in this scenario.

As we embark on our universal metering programme, our appointment levels will increase exponentially. With this in mind, we ask for flexibility of AM/PM slots, given the magnitude of the installation volume over AMP8 and 9 of such programmes.

To deliver for our customers, it is worth highlighting that we shall be looking to embed automated appointment setting for customers and geo-tagged data for consumers to track the installer on the day of the appointment. This will ensure we are giving full transparency to our customers and providing the best possible customer experience.

One area of consideration is the splitting of appointments between those where it is critical for customers to be in the property and available, compared to those where the appointment is merely an awareness for our customers. In most scenarios, it is not necessary for customers to be present to enable the work to be undertaken i.e. meter installs and exchanges external to the property.

e) Greater visibility and clarity of service standards

We agree with the need to provide clear and accessible information about the standard of service. We would point CCW to two industries that we feel have improved transparency of their schemes:

- (1) In the aviation industry for flight delays within the EU where there is clear and consistent signposting in notifying the consumer of their rights when they experience poor standards of service (delays and cancellations).
- (2) The delay repay scheme in the UK rail industry where there is significant signposting by train operators when delays are encountered and simplified approaches.

Section B - What customers feel about the current standards

We are fully supportive of the approach to utilise customer views from the fieldwork earlier this year, to inform and develop the new standards. As per recent PR24 centralised research views, which are reflective of individual companies, regions, and of course different customer segments to help inform any changes to the scheme.

One particular area where customer views should be considered with care. are those relating to the enhanced elements of the Priority Services Register and whether an exceptional approach should be applied. We are not clear on whether customers in the research recognised the following;

- (1) There are now a broad range of customers on the scheme, and they all have different circumstances to be considered i.e. are customers supportive of all customers with a child under the age of 5 receiving enhanced payments compared to other households?
- (2) Awareness of the volume of households that the industry is moving to support with an expectation that this in future could grow to almost 30% of the property base.
- (3) That not all customers with the most difficult disabilities are in different positions. For example one customer may live alone, with support from carers, compared to one in a household surrounded by family members providing support. Impacts of failures can be significantly different.

With this in mind we would recommend that blanket approaches would not be ideal or whether customers would be truly supportive of approaches when considered in more depth research.

We would recommend the obligations placed on companies through engagement should be considered to determine whether the research provided is appropriate to design, or whether CCW should undertake a wider programme.

Section C – Additional issues to consider

1) Business customers

We currently offer standard GSS rates to business customers. As we no longer own the relationship with the customer, and to comply with the Operational Code, the GSS payment is made to the retailer and the retailer is responsible for passing it on to the customer. In the past we have found that retailers do not always pass this payment on, and we therefore now write to each customer to advise a GSS payment is being made to their retailer and to contact their retailer to find out how it will be paid to the customer with a copy of that letter also being sent to the retailer. Under the NHH Market Codes, the retailer is only obliged to pass on standard GSS payments rather than any enhanced payments.

If there is an expectation for Wholesalers to enhance GSS payments then there should also be a Change Consultation to amend the wording in the Market Codes so that either the retailer is obliged to pass on the full GSS amount, or to allow Wholesalers to issue the payment directly to the business customer(s).

It may also be worth considering what GSS payments could be implemented for retailers to customers and retailers to wholesalers if Standards are not met, however any future GSS proposals should consider the Market Performance Framework and ensure there is no risk of double jeopardy for wholesalers or retailers.

These elements will become more important for us as a company as the new Business Measure of Experience is implemented in AMP8.

2) A robust and flexible regime

As a company, we recognise that the approach we take to GSS, and our interaction with our customers is critical to ensuring both trust from customers and also ensuring that we retain our high C-MeX position, dealing with things when they go wrong.

We believe these elements fall under a number of framework elements which will ensure that as a company, we are clearly delivering our obligations without the need for an additional framework to be created.

We believe GSS, policies and processes maintained by customers will clearly fall under the proposed Customer License Condition that is proposed to be implemented in 2023 by Ofwat.

The current work between Ofwat and companies show that there will be a number of guidelines that sit under this license condition and examples of this include vulnerability guidelines, debt guidelines and complaints. Alongside this, there will be other ongoing elements of guidance such as CCW's expectations of engagement (understanding vulnerable customers in business as usual reporting such as complaints), adherence with complaints process and publication of required documents and information by way of example.

Through delivering these guidelines companies will be able to prove their compliance with the license condition and which forms part of every company annual Board Assurance to Ofwat in the Annual Performance Report process.

Section D – In Conclusion

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

- *Within the current standards what works well and why?*

The current standards provide a consistent baseline for compensation to customers across the industry. In turn, this also provides clear protection for customer service standards. We can provide the customer with assurance that the standards are fair and reflective, referencing our own code of practice, alongside CCW's.

- *Should the standards be refreshed and, if so, how?*

We believe the standards do need to be refreshed. Customer expectations have increased dramatically since the legislation was put in place. CCW's recent research shows customers expect more and we are supportive of this.

Compensation amounts are generic across all service elements when some scenarios are likely to have greater impact on customers, and therefore compensation amounts should reflect this.

Areas covered should be continuously reviewed to understand if these are still appropriate and if new scenarios should be included.

We believe that complaints to CCW and companies form a key part of understanding the shift in customer expectations in this area.

- *What needs to be changed and why?*

The value of compensation amount to ensure its reflecting customer impact, whilst also factoring overall bill. Ongoing reviews need to be made around new and existing legislation to ensure standards reflect customer priorities and are still fit for purpose.

- *Are there new standards we should add, are there others that are out of date and need revising?*

We have already identified that the appointment element is currently too binary as there are appointments which require customer attendance and appointments which are purely for customer awareness. Whilst customers should be made aware then we would suggest CCW consider a differential.

Additionally on appointments not all customer needs are the same. For example, customers may elect to be happy with a day, a half day (AM/PM) and those who might wish or need to limit their time at home and require a more fixed appointment. The approach should enable customer choice whilst providing appropriate compensation as well.

- *Should payments better reflect the impact of service failures on customers, considering both the direct financial costs and the inconvenience?*

The research carried out by CCW showed that this is a minimum expectation of the customer, so a review of reimbursement levels needs to be reviewed. We ask CCW to consider the small water company impact of having flat amount compared to other company bill values.

- *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?*

We believe water companies needs to be challenged on how they respond to service failures for customers who need extra help, as a priority. The reimbursements that apply to those customers should align with the standardised guidelines that CCW propose.

We have already outlined in this response the considerations that can influence level of impacts for customers on the PSR and would ask that this be considered during further research and scheme design stages.

- *Has your company asked customers for their views on GSS and, if so, what did they say? Can you share the research with us?*

We have not completed any research to get customer views on GSS, but plan to include this in our ongoing customer engagement. We would be happy to share any research we obtain, as well as working with CCW to shape future research requirements.

- *How do you use GSS data internally to drive performance?*

Historically we have had an exemplary performance on GSS, however we will always use the data to identify and deliver improvements. GSS data has informed process improvements where failures have occurred, whilst also identifying trends.

- *All companies have, at some point, voluntarily enhanced their GSS. What triggered this decision for your company?*

We enhanced our GSS payments from £20 to £30 along with the rest of the industry several years ago. No further enhancement has been made as we feel the additional reimbursement compared to the service cost would not be appropriate.

- *Faced with the changes arising from climate change, how should we consider the issue of 'extreme weather'?*

We have already suggested that clearer definitions should be developed that give a clear trigger of when this exemption may and may not be applied. We would also suggest that prior to any use of the exemption be triggered that this should be agreed with regulators (CCW and Ofwat) to ensure that data is evidenced and supported.

We look forward to working with CCW in the review of The Guaranteed Standards Scheme and delivering further support to the customer.

If you have any further questions in relation to our response, then please feel free to contact me in the first instance.

Kind Regards,

A handwritten signature in black ink, appearing to read 'M. Hamilton'.

Matthew Hamilton
Chief Customer Officer