

13 October 2023

Sarah Thomas, CCW Policy Manager

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

Dear Sarah

Thank you for the opportunity to review and respond to the CCW's Guaranteed Service of Standards scheme (GSS).

We know the pivotal role GSS has played across the last 30 years in ensuring that consistent reliable services which matter most to our customers are provided and that core service expectations are met. The GSS also ensures that we are held to account and that when things go wrong they are quickly put right, and appropriate compensation is paid.

Like the CCW we agree that as the minimum standards have remained unchanged for 30 years that a review is required, one that considers and reflects a number of factors including changes in technology, evolving customer expectations and research, lessons learned but which is also proportionate, fair and easy to understand and administer.

Whilst the minimum standards have remained unchanged, we annually review GSS and have worked with Ofwat, the CCW and customers to enhance the standards and payment values wherever this is appropriate. Examples of this include the removal of all-weather exemptions for sewer flooding and an increase in the value of supply interruption payments following the industry wide review conducted following the Freeze Thaw event in 2018.

I have attached our response to each of the 10 questions in the Appendix which I hope are helpful. I am also delighted to have the opportunity to be part of the industry working group which will consider this and other responses and help you and the industry develop your final recommendations. I look forward to our first meeting and in the meantime if you have any questions, please do not hesitate to contact me.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Brett Conibere', written in a cursive style.

Brett Conibere

Head of Data, Insight and Support Services (Customer and Retail Market)

APPENDIX

1. Within the current standards what works well and why?

To answer this, we must consider the aims and purpose of the scheme when assessing whether the guaranteed standards of service (GSS) as a whole works well and if so why.

- From a customer's perspective GSS is designed to ensure that water companies provide a high level of service which is consistent across regions.
- It was designed so that within a monopoly industry where a customer is unable to choose their supplier that customers, regulators, and stakeholders can hold water companies to account for their performance.
- The aim of GSS is to incentivise companies to meet and exceed service standards while providing appropriate compensation for customers where those standards are not met.

Whilst improvements can always be made, and the standards should evolve to ensure they reflect customer needs, service expectation across sectors and developments in technology, it is our view that the current standards have and continue to work well delivering the following benefits for customers:

- **Reliable Service:** Customers can expect a reliable supply of clean water and efficient wastewater services, with the GSS a contributory factor to the minimisation of unplanned disruptions to supply and inconveniences.
- **Proactive Communication:** The GSS requires companies to plan and communicate effectively so that customers are forewarned and able to prepare or seek extra support in advance of disruption owing to the companies work required to maintain its assets.
- **Timely Response:** Comparatively Water companies respond promptly to customer requests and complaints, particularly in comparison to other utilities.
- **Compensation:** If water companies fail to meet these standards, customers are eligible for compensation, often provided automatically without the need to claim minimising customer effort.
- **Trust:** GSS standards further promote the delivery of safe and high-quality drinking water, benefiting public health and provide further confidence to customers in the management and resolution of an issue should it occur.
- **Transparency:** GSS is easily understood and visible to customers when they have an issue or need to interact with or request a service from the company.
- **Consistency:** Having consistent standards across the industry ensures that consumers receive a similar level of service, regardless of where they live in England and Wales.

2. Should the standards be refreshed and, if so, how?

Periodic refreshment or review of the standards is good practice and would ensure that GSS remains relevant and effective.

How or if the standards should be refreshed should be determined by customer research which should seek views on the current value of enhanced payments provided by many if not all companies. It should also be informed specifically by the views of customers who have been impacted by a service failure and who have received GSS.

We must also limit and challenge ourselves as to the number of standards set. There is a risk that there is a desire to produce an exhaustive set of standards without evidence of the size of the customer impact that currently exists, or the costs involved in introducing systems and processes to identify and capture these failures. These more specific examples should be captured within existing complaint processes and the overarching Principles Based Licence Condition which must both also be considered as part of this review.

We are pleased to be part of the CCW's GSS Working Group which has the task of deciding on a set of recommendations for the industry. As part of this process it is important that an assessment criteria is determined which builds on the considerations and inputs detailed above but also includes the following elements:

- **Changing Technology:** The standards should consider the evolving use of technology whether this be in how customers choose and expect to communicate with companies or how the technology now available to identify where an issue has occurred could lend itself to the automatic payment of GSS, removing the need for a customer to claim.
- **Consumer Expectations:** Consumer expectations change over time; GSS should be updated to align and reflect this. Within this we must also consider comparative commitments in energy and other sectors with the view to potentially adding, removing enhancing, and potentially loosening the measures in place to ensure the most appropriate and efficient service is provided for the benefit of all customers.
- **Lessons Learned:** The water industry can learn from past experiences and incidents. Standards should be updated to incorporate lessons learned. An example of this was the Beast of the East where companies committed to enhance standards to better reflect the customer impact where an outage and / or prolonged outage occurs.
- **Regulatory Compliance and Focus:** Changes in regulation or focus may require adjustments to GSS so that the standards match evolving and changing priorities as customers would expect.
- **Proportionate:** Whilst reflecting the impact on the customers particularly those who may have had repeated or prolonged issues GSS standards and compensation values be balance and fair as well as not becoming burdensome to administer.
- **Easily Understood and Consistent:** GSS must be easily understood by customers as should the standards themselves avoiding technical terms or clauses wherever possible. An example of this would be the current standard in relation to complaints where underpinning this is a complaint definition which may not be easily understood or recognisable and which may differ to that used and measured by other regulators or in other sectors. Similarly, all payment values and triggers should be uniformed across the industry wherever possible.

3. What needs to be changed and why?

Specific changes would require detailed analysis, research, consultation, and assessments to ensure they are appropriate and effective in addressing the evolving needs of the water industry, our customers, and the environment. They must also consider each of the factors outlined in answer to the previous question.

We are supportive of the following changes recommended by the CCW and in many cases have already enhanced our GSS standards to meet or exceed the recommendations made.

- **Increase compensation payments for supply interruptions.**

South West Water, Bournemouth Water and Bristol Water all meet or exceed the recommended levels of payment for supply interruptions.

- **Reduce the time between additional time between additional compensation payments for longer supply interruptions.**

South West Water and Bournemouth Water both compensate for supply interruptions in +12-hour increments. Following the acquisition of Bristol Water, we are currently working to review and align each of our standards and value of payments across all three brands wherever appropriate. This annual review is currently being undertaken with this and any other changes to be introduced from April 2024.

- **Remove the provision that delays payments for customers if supply interruptions are caused by a burst or leak to a strategic main.**

South West Water and Bournemouth Water do not delay or differentiate between a supply interruption whether on a strategic main or not. Bristol Water currently pay a different amount where the interruption was caused by a burst or a leak from a strategic main. As above we are currently working to review and align standards across all three brands.

- **Make all GSS payments automatic.**

Wherever possible we should we remove all customer effort (the need to claim) but we must also be pragmatic. Should the current claimed standard be appropriate and validated as working as intended, and the cost, impact or reporting burden to implement an automatic identification, payment and reporting process outweigh the benefit to customers, then this should guide the outcome.

- **Review GSS payments amounts when cumulative inflations exceed 10%.**

We believe that a more proportionate approach to adjusting GSS payments by inflation is to agree principles now around how this should be applied, and the frequency with which payments should be adjusted. This could take the form of a five year review.

Additionally, whilst linked to inflation the value of any payment must be recognisable and meaningful and should only increment by a rounded value of £5.

We also believe that caps should be considered for some standards especially where these may increment. As an example, we may wish to cap the amount of compensation for a supply interruption to the equivalent of a year's annual water charge.

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

This should be determined through the comprehensive review process and be informed by customer research and consultation, however we agree with the CCW that all standards whether existing or new must reflect developments in technology and channels of communication.

We also agree with the CCW where a GSS payment should be made that the method should be flexible and reflect how people prefer to manage their money.

Feedback from customers tells us that they value choice around how compensation payments are received. While they believe it is appropriate for customers in arrears to receive payments as a credit to their water account, those not in arrears should have more options available rather than the default of receiving payment by cheque. Customers felt that as it was becoming more difficult to access high street banking services with the closure of many local branches, receiving a GSS payment by cheque could result in the customer effectively not receiving the benefit of the payment if they do not deposit the cheque.

At a minimum, customers feel that the payment method for compensation under GSS should reflect the methods by which they pay their bills, i.e. if they pay by direct debit the GSS payment should be made directly to their bank account with a letter sent to the customer to notify them this has been done. Others thought that customers should have the choice as to how to receive GSS payment, either cheque, direct into bank account or as a credit against their water bill but felt that the range of options should be balanced against any potential administrative burden to the company which could increase costs.

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

We view the current compensation levels as a minimum and where customers are particularly impacted by a supply interruption, or other issue covered by GSS regulations, we review the compensation paid on a case by case basis.

Through the GSS review process impact and proportionality should be a key consideration in ensuring that standards and values reflect normalised direct financial costs and inconvenience with anything outside of this being considered on a case by case basis.

6. 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?

It could be appropriate to have different standards or considerations for customers who are registered for Priority Services particularly for those who may require extra support during service interruptions or emergencies.

Priority Service customers may include the elderly, disabled individuals, or those with medical conditions that make them especially vulnerable during service disruptions. Different standards could help ensure their specific needs are met.

In the development of our PR24 Business Plan we have assessed the characteristics of our customers by region and worked with the National Grid to understand the volume of customers registered for Priority Services.

Nearly 10% of our customers are currently registered for Priority Services and, using this information, we have set ourselves a challenge to identify to, wherever appropriate, and register 25% or more of our customers by 2025 through cross industry data sharing as well as:

- The continued empowerment of our staff to identify all types of vulnerability, from transient to long-term, to find the right support for our customers.
- Further expanding our partnerships to build on our work with debt charities and organisations such as MIND and dementia friends to identify customers in need of extra help and to develop, innovative training and ongoing support for our staff.
- Our largest ever community outreach program, working in communities where our data tells us that customers may be more vulnerable and in need of extra support.

It is important that consideration is given to the increasing need for additional support when / if any new standards are set, as well as a company's ability to accurately identify and report where these standards have been met which may require significant system investment.

If we are to introduce specific standards for customers in vulnerable circumstances this may also require a rigid definition to determine eligibility for the specific service required. If not, this could lead to circumstances where there is a delay in getting alternative supplies to customers in genuine need during a supply interruption.

7. 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 asked customers specific views on GSS since PR19 and directly following the Freeze and Thaw in 2018 where customers view were specifically sought in relation to supply interruptions and restoration.

In our response to Ofwat's GSS Call for Evidence in September 2018 we provided an overview of this research which we would be happy to share this response should CCW not already have access to this.

Whilst we are now five years forward of this, we would recommend that the feedback collated from this consultation from all companies and stakeholders, which should include details of the the customer research gathered at this time which has informed the evolution and enhancement of specific GSS standards, is considered as part of this review process.

8. How do you use GSS data internally to drive performance?

GSS acts as trigger with each payment / event requiring review and authorisation by a responsible manager within that business areas. Customer Services also complete regular reconciliation and audit of the application of standards with register owners (e.g. those responsible for sewer flooding). This not only provides assurance but also facilitates positive confirmation and allows for identification of risks, issues, and opportunities. This alongside other inputs and lessons learned form part of a continuous improvement with the overarching aim to deliver a service which negates the need for GSS to be paid.

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

We like all other companies have and continue to review and refresh the GSS standards, along with our own Company Charter, to reflect changing customer expectations since GSS was introduced. This process takes places annually with details or this and any proposals for change being shared with the CCW prior to implementation.

Customer research, lessons learned from industry impacting events such as the 2018 Freeze Thaw and our continuous review process has and continues to inform this process and acts as a trigger for change wherever required. This is reflected in the current standards and the number of enhancements we have made.

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

We absolutely understand how distressing sewer flooding can be, and how we react in such situations can really show what we are made of. As we confirmed to the CCW in April 2022 we do not apply the extreme weather caveat when determining if compensation payments should be paid and have removed this from our Customer Promise.

The impact of climate change and severe weather is part of operational resilience and agree that this exemption should be removed from all standards.