

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

United Utilities response – October 2023

United Utilities welcomes the opportunity to contribute to this call for evidence and be part of future working groups to shape the design of a modern Guaranteed Standards Scheme.

Our long standing customer commitments scheme has always been customer focussed and seeks to go above and beyond the minimum requirements of the Guaranteed Standards Scheme. We recognise the industry must continually review and challenge compensation for service failures to ensure it remains in line with changing customer expectations.

Following the previous review of GSS in 2018 we quickly adopted the proposed new standards and payment amounts and have been working to these since 1st January 2019 without the need for new mandatory compensation levels to be incorporated into statute.

We believe that customers value our approach to GSS, and compensation as a whole. In many areas we have either paid higher amounts than required or have higher standards than required. Customers and UUW gain from an adaptive approach to compensation, allowing us to apply appropriate compensation levels when service issues outside of the scope of established customer service policy emerge.

Within the current standards what works well and why?

We consider GSS arrangements play an important role in ensuring customers receive appropriate recompense when our service falls below customers' expectations. They help to set a clear promise to customers and provide transparency, removing subjectivity and supporting a customer centric culture. The payments help to ensure a sense of fairness to all customers, and demonstrate to customers the accountability placed on a company when things go wrong and the commitment to putting things right. We believe therefore that the existing standards do provide good protection for customers.

The changes recommended following the last review of GSS in 2018 led us to implement revised payment levels for interruptions and made penalty payments automatic. These changes made the GSS scheme hassle free for customers, and our processes mean that where we know a customer has been affected payments are frequently made automatically. We consider that any changes or new standards should also be easy for customers and therefore paid automatically where we can identify an individual customer as having been affected by a service event.

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

We support the approach and need to refresh the standards to better reflect customers' expectations and promote consistency across the industry. We consider it is reasonable to increase GSS payments given the length of time since they were last increased. However, we suggest that a review should only be conducted every five years and payments should be rounded to the nearest multiple of £5.

We note the values identified by CCW in the consultation document, and whilst we agree the compensation values have not been reviewed for some time and should be increased, we believe further work is required to ensure the payment is proportionate, to the type of service failure, the inconvenience incurred and understood in the context of the average bill. We review customer feedback on our service failings and we know the majority of customers appreciate the recognition of the failing and the payment gesture and unless loss /additional costs have been incurred rarely challenge the value.

What needs to be changed and why?

We agree some additional standards should be included into the scheme to ensure consistency for customers.

Under the current regime, payments must be made in either 10 or 20 working days depending on the standard. We aim to make GSS payments within 10 days and have invested to develop the ability to make

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BACS payments to customers' bank accounts directly. We recommend further work is needed to determine the practicalities of further reducing timescales for payments across the industry

From a wholesale perspective, we currently make payments automatically to the retailer. We send a notification to the retailer as soon as we determine that a payment is due. The current process for retailers to pass on GSS payments for customers lacks clarity as to the timing and the method that GSS payments should be made as this is at the discretion of the retailer. We would suggest an improvement to the process would be for wholesalers to report the compensation payments to MOSL, and MOSL provide a central monitoring, tracking and auditing role to ensure customers receive the appropriate payments.

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

We consider the current standards provide good protection for customers but would look for changes as outlined below.

We would support the introduction of GSS for boiled water advice notices. There is no industry wide standard for compensation for issuing boil water notices. Originally this arrangement was thought appropriate as there were concerns that water companies may avoid issuing a notice due to high compensation costs. However the industry has matured significantly, and there is now a robust and clear culture across companies of prioritising public health over all other issues. We therefore feel it is now appropriate to introduce minimum mandatory compensation arrangements.

We currently make discretionary payments to customers who are affected when we issue a boil water advice (BWA) and we have worked closely with CCW in order to determine a fair level of payment. We consider this is appropriate as we are applying restrictions on essential domestic use. Our payments for issuing boil water notices in the past have been considered on the basis of inconvenience experienced, estimated cost of electricity and cost of water. We consider having an industry standard based on duration of the notice would provide transparency and clarity to customers. This should also be extended to cover do not drink or do not use notices.

We do recognise the impact that frequent, but short duration events have on customers and also realise that these often don't invoke a GSS payment. Whilst the causes of repeat incidents can be different, the impact on customers can often be the same as single longer duration events. We currently make payments on a discretionary basis to customers impacted in this way but consider having an industry standard around this could be helpful. We therefore support the introduction of a GSS standard that recognises when a customer has experienced repeat service failures, but we would want to ensure that this is addressed through detailed definitions of the measures and the ability for companies to consistently and reliability report against the measures.

The use of credit sharing has developed since the GSS guidelines were developed, and we suggest it would be appropriate to introduce a GSS for incorrectly impacting a customer's credit file. There is currently no industry wide standard for compensation for this scenario. Currently, we review this for customers on a case by case basis and reassure the customer of the action we have taken to correct the matter with the credit reference agencies. We have set out a discretionary payment that we feel is fair based upon feedback from CCW. We consider having an industry standard would provide transparency and clarity to customers in these circumstances.

We would also welcome a review of the poor pressure standards, to ensure they are clear for customers to understand.

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

We consider that payments should reflect the inconvenience suffered by customers. We have other mechanisms already in place that allow customers to claim for financial costs where these have occurred.

At present when customers are impacted with discolouration of washing they have the ability to request compensation for the full financial loss incurred. The costs associated with this loss will vary by customer. Therefore we do not recommend having one standard payment as it will not always reflect the actual costs incurred. This could lead to customers experiencing financial loss and detriment due to a service failure. As such we do not feel these should be reflected as GSS payments, but instead there should be a clear expectation that companies should continue to apply an adaptable, individualised compensation approach to such events.

We also pay discretionary compensation when it is appropriate on a case by case basis. This allows for a full review and understanding of the mistake that we have made and the impact that this has had on someone's everyday life. This allows us to take everything into account and decide on what is the right thing to do to compensate an individual customer. We currently make discretionary payments when there has been supply interruption and customers feel they should have been supplied bottled water. We recognise the costs a customer may have incurred along with inconvenience and the impact that this has had. As such we feel that it is right that compensation payments in respect of this remain to be reviewed on a case by case basis to ensure customers get the most appropriate resolutions for their circumstances.

We suggest a revision to standards in relation to arriving early for appointments. The nature of operational appointments means it is difficult to predict the exact duration required for any one visit. There are occasions where it may be possible to arrive earlier than the appointed time frame, but the GSS regulations inhibit us from doing this. We would like to see flexibility for arriving earlier, with the prior consent of the customer via a phone call, which would create some operational flexibility and allow customers to get on with their day sooner. If early arrival wasn't convenient then the agreed appointed time would still be expected to be adhered to.

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?

Any GSS scheme should be equitable across the customer base. Our priority services scheme provides a high level of support for customers who need it and is complementary to our GSS scheme. For example, as part of our Priority Service offering we ensure we communicate with our Priority Service customers during supply interruptions, so they know what is happening and what to expect. We also deliver bottled water. We deem this practical support is more important than having an increased payment level after the event. As we are in direct communication with these customers we can identify where we need to carry out discretionary activities. We consider that providing different levels of compensation could cause confusion for customers and create an unnecessary level of administration complexity for companies. On this basis we therefore consider that, rather than enhanced GSS payments for vulnerable customers, the onus should be on the company to make prioritised efforts to support vulnerable customers in the event of service disruption.

We also believe if we fail to meet our needs of customers who need extra help the impact should be assessed on a case by case basis to understand the impact rather than one standard payment.

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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 are committed to hearing what our customers think and we ask for, receive and analyse lots of customer feedback. We have a dedicated Customer Insight Programme that has completed over 90 pieces of bespoke research and while we have completed research on Expectations of Service we have not specifically asked questions in relation to GSS for Household Customers. We listen to our customer’s feedback on our service recovery and this is how we have developed our approach to discretionary compensation which we continuously review and develop.

Recent research conducted by Ofwat and CCW for the price review sets out relative impact scores for a range of different service failures, identifying the service areas that customers value most highly. We have used this research to assess whether or not the service failures customers value the most are covered by the existing GSS arrangements. It shows that sewer flooding, which has the highest GSS payments associated with it also attracts the greatest customer valuation. This is followed by ‘unexpected supply interruptions greater than 24 hours’, which also carries substantial GSS payments. Finally we note that this research shows customers place high value in avoiding ‘do not drink’ and ‘boil water’ advice, which we recommend are included in future GSS arrangements.



Data for table taken from Ofwat report *Using collaborative customer research to set outcome delivery incentive rates August 2023*. <https://www.ofwat.gov.uk/publication/pr24-using-collaborative-customer-research-to-set-outcome-delivery-incentive-rates/>

From a wholesale perspective, we have completed our own direct research on what is important to business customers regarding the service they receive. The key criticism of GSS for business customers tends to relate to the payment amount when compared to the bills for the larger users. In the research we have heard comments that “it costs more to process the cheque than the actual value of the payment”. It would seem that the payments are considered to be disproportionately low compared to the impact of the supply interruption for a business customer. We do not consider this feedback supports differing GSS for business customer as there are other mechanisms in place for dealing with the impact for business customers such as business insurance claims. So, rather than having a different GSS payment it is better dealt with through the existing claim processes on a case by case basis., or to consider the payment is a credit applied to the water charges as oppose to a direct payment.

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How do you use GSS data internally to drive performance?

We monitor and analyse the reason for payments across all areas of GSS and take steps where we can to change processes or make other service improvements to reduce failure levels. We hold regular monthly meetings with the business areas and we use the data to provide insight in the trends and to drive action plans for improvements.

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

We are passionate about delivering great service to customers and we routinely pay in excess of the GSS minimum if supply is not restored promptly or where sewer flooding has occurred.

The decision to introduce higher compensation levels was made as we did not feel the current minimum value adequately reflected the customer impact of some event types, and to demonstrate our commitment to customer service. We also pay discretionary payments to customers in some instances even if GSS standards have not been breached.

We automatically make payments for customers who experience internal flooding and earlier this year we extended this to also automatically make payments to those experiencing external sewer flooding. This means the customer does not have to make a claim or demonstrate how they were materially affected, making it a more proactive and hassle free process for many customers.

Faced with the changes arising from climate change, how should we consider the issue of ‘extreme weather’?

We do not apply the severe or exceptional weather exclusions for any of the standards. Whilst we are aware of the guidance note produced by Ofwat we believe it is in the best interest of customers to continue to make payments where we could have applied exclusions. We believe that applying exclusions could, in some cases, cause frustration and confusion with customers who have still been inconvenienced regardless of the weather. In addition where the GSS standard has a relationship to a performance commitment, e.g. Supply interruptions companies do not have the benefit of excluding the impact from the performance commitment. There is potential therefore for conflict and confusion between GSS and the performance commitment as well as creating onerous and complex reporting.

We agree with the need to update the industry guaranteed standards scheme, and we welcome the opportunity to continue to work with CCW and industry colleagues to develop proposals that can ensure consistency and fairness for all customers.