



Wave Utilities
Priory House
Abbey Road
Pity Me
Durham
DH1 5RR

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Sarah Thomas
Policy Manager
CCW
23 Stephenson Street
Birmingham
B2 4BH

Dear Sarah

Call for Evidence – Improving how the Guaranteed Standards Scheme works for people

Wave is responding to CCW's Call for Evidence. We welcome the review of the Guaranteed Standards Scheme (GSS) and as a Retailer we have focused our response on Non-Household Customers (NHH) and the associated impact on Customers and Retailers.

We propose that GSS would be much more effective if it was focused solely on the standards expected from Wholesalers providing monopoly services, leaving the competitive market to work effectively for NHH customers receiving retail services. The competitive market enables NHH customer to switch away from poor retail service, and minimum standards are clearly set out in Ofwat's Customer Protection Code of Practice. Furthermore, Retailers should not fund Wholesaler failures, Wholesalers should commit quickly to GSS payments so that Retailers can quickly pass these onto NHH customers. For the monopoly services, each standard should be reviewed and made clearer and simpler. We think this would provide a much simpler, more cost effective and appropriate scheme.

1) Within the current standards what do you feel works well and why?

GSS doesn't work particularly well for NHH customers because either the standards are not designed for the NHH market, or the payments are too small to have any meaningful impact on NHH customers.

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

All the standards need reviewing and redrafting to reflect major shifts since the GSS standards were first designed. In particular, consideration should be given to how the market landscape has changed since Market Opening to Competition, such that Retailers now provide retail services to NHH customers which now have the benefit of a competitive market so that they can switch Retailer for better retail services if standards are not met. Accordingly, where there are competitive pressures, this should negate the need for regulation.

We propose a clear distinction is made between operational/supply standards and customer service standards. Customer service standards for NHH customers should be removed from GSS and made part of Ofwat's Customer Protection Code of Practice which also sets minimum standards. This would remove duplication and be much clearer and easier for NHH customers to understand.

The GSS should then focus solely on the monopoly operational/supply standards for all customers (NHH and HH) and customer service standards for HH customers only. There needs to be clear and simple standards that customers can easily understand. Where payments are due, Wholesalers need to commit quickly that these will be paid so that Retailers can pass these onto NHH customers without having to argue the case to get recovery from the Wholesaler when an issue is the Wholesaler's fault.

a. Appointments not made properly and Appointments not kept

This could be made clearer for NHH customers where appointments are generally made directly by Wholesalers for times within the working day.

b. Written account queries and requests to change payment arrangements not actioned on time and written complaints not actioned on time

As explained above, because of competitive pressures in place for these services it would be simpler for NHH customers if these were removed from GSS and made part of Ofwat's Customer Protection Code of Practice. Then the two current standards could be merged together to have a simple requirement that Retailers respond to customer queries within a single timescale. The market then governs the process for Wholesalers providing responses to Retailers, acknowledging that resolutions to issues often require the input of the Wholesaler which can take time, given the market processes and SLAs for raising complaints and other queries.

The GSS standard should then focus solely on responses to HH customer queries.

c. Incorrect notice of interruption to supply

It is important for NHH customers to be given as much notice as possible for planned interruptions to supply. Given Wholesalers generally plan this activity well in advance, Wholesalers should give a longer notice period than 48 hours for NHH customers to enable them to plan accordingly and minimise the impact on their businesses and their customers. It should be clear how NHH customers will be notified and what the Retailer's role is.

d. Supply not restored – initial period and each further 24 hours

This standard needs to be maintained for NHH customers but it could be simplified to be fairer and clearer to customers what payments they will receive and for what periods.

From a Retailer practical application view point, some of the larger events have been a burden on Retailers. Storm Arwen resulted in a couple of thousand GSS payments being processed by Wave. We have developed a bulk process for applying them but as frequency of extreme weather events increases with climate change, Retailers more generally may be increasingly dealing with large numbers. It can take some time before we get notified by the Wholesaler of the need to apply GSS after a big event and this may drive customer contact to Wave as the Customer's Retailer. We then have a delay (albeit usually small) before receipt of the money from the Wholesaler.

e. Low pressure

This standard is too technically complex and customers have little or no understanding of whether this standard has been met or not. If retained, it needs to be simple and meaningful to customers.

f. Flooding from sewers: internal and external

This should be updated to make clear that any annual customer bill refund is only for Wholesale Charges not Retail Charges, because the Retailer is not at fault here. The Wholesaler also needs to commit to pay and pay quickly, otherwise the customer is expecting the Retailer to pay them before the Retailer has received payment (or even a commitment to pay) from the Wholesaler. This increases risk for Retailers which is not factored into the REC price controls. The limit of £1,000 for internal flooding and £500 for external flooding for a NHH customer is too low and both limits should be removed. The exemptions should also be removed.

3) *What needs to be changed and why?*

As explained above, the design of the GSS scheme is more suited to HH Customers and its extended application to NHH customers, particularly since the NHH market opened and Retailers were introduced into the process, has never worked particularly well.

Payments should be made by Wholesalers for each failure, which is clearly and simply defined so that customers understand whether they should expect to receive multiple payments or a single payment.

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

See our response to question 2.

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

We do not support GSS payments for failures in customer service standards for NHH customers, as explained above. However, were this to continue it needs to be understood that Ofwat regulates the margins Retailers are permitted to make from serving NHH customers and these margins are extremely thin. To illustrate, for the smallest customers which make up circa 80% of the market, the REC will typically permit a Retailer to earn £50-£60 of gross margin and after deductions for efficient operating costs (billing, payment processing, customer support, meter reading etc) even a GSS payment of £20 will put the account into a loss-making position. There is no buffer for absorbing penalty payments when things go wrong, so if they do go wrong, a Retailer is in a loss-making scenario for that account.

If CCW and Ofwat (customers and other stakeholders) want to increase the value of penalty payments for Retailers, then the allowable return Retailers can make needs to be higher to reflect a higher risk premium. This needs to be factored into the allowed profit permitted by the Retail Exit Code Price Controls. For the current REC the allowed profit was benchmarked against other utilities, but to our knowledge, other utilities do not have this type of service penalty.

In addition, should GSS payments be in place for NHH customers, it should only cover those customers on Deemed Contracts because those NHH customers on commercial contracts are already protected by other contractual remedies.

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?*

We don't consider that there should be different service standards for different types of NHH customers, so we consider this question to be solely applicable to HH customers.

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 seek feedback from our customers on our services and their experience, but we haven't specifically asked for views on GSS.

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

Alongside direct customer feedback, including from Trustpilot and Net Promoter Score (NPS), we use complaints data and root cause analysis to drive performance not GSS data.

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

Although we are aware that some Wholesalers have voluntarily enhanced their GSS, as a Retailer Wave has not voluntarily enhanced its GSS. The very small margins available within the market prohibit this.

We would like to see consistency across all Wholesalers in their application of GSS to remove the current postcode lottery.

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

As the likelihood of extreme weather continues to increase all exemptions due to "severe" or "exceptional" or "severe" weather should be removed.

We trust that our views are helpful. In the meantime, let me know if you have any queries.

Yours sincerely



Wendy Monk
Regulation and Compliance Director