

**Empowering water and sewerage  
customers through information  
– Ofwat's approach**

## About this document

In this document we set out how we will enable customers in England and Wales to get better access to good information from the monopoly water only and water and sewerage companies – and why we think these changes are needed. Our decisions have been informed by responses to our October 2012 consultation on our proposed approach, [‘Empowering water and sewerage customers – consultation on changing our approach to information provision’](#).

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## Key messages

- Ensuring a fair deal for customers is central to our role as the economic regulator of the water and sewerage sectors in England and Wales. This is why our approach for setting prices in 2014 puts customers, not the regulator, at the heart of companies’ decision-making.
- Improved understanding of – and responses to – customers’ information needs is an important part of this greater customer focus. Good quality information helps customers lower their bills and secure better quality services.
- Our new, less prescriptive regulatory approach gives companies the freedom to be more innovative and significantly more responsive to customers’ rapidly changing information needs. However, with this freedom comes more responsibility for delivery – developments that both companies and customer groups have welcomed.
- In line with our primary duty to protect consumers, we will be concentrating our regulatory efforts on monitoring and addressing those areas – and companies – where poor information provision risks causing customers significant harm.
- And, as part of this move to a better regulatory approach, we will be both transparent and accountable in our regulation of companies’ performance.

Based on our research – ‘[Empowering water and sewerage customers](#)’ – and the positive responses we got to our consultation we are now confirming our new approach. The changes detailed in [IN13/04](#):

- protect and empower customers;
- give greater clarity about our expectations to companies;
- encourage the companies to take full responsibility for delivering what their customers want and need and for demonstrating compliance;
- give ownership to companies, supporting more innovative approaches – for example, by using customer blogs or telling stories through brand-building campaigns to share information with customers, as happens in the communications sector;
- enable companies to adapt their approach to suit their customers’ rapidly changing needs;

- encourage variation for the needs of different groups of customers (for example, hard-to-reach and vulnerable customers);
- reduce unnecessary regulatory burdens by requiring less frequent routine scrutiny of how companies are meeting their obligations;
- target regulatory oversight on the more risky areas or companies;
- are supported by companies and consumer groups; and
- adopt best regulatory practice.

We want companies to have adopted the new approach by 15 July 2013.

## 1. Introduction

### 1.1 The existing regulatory framework

The companies’ licence conditions G, H and I set out their obligations to provide information to their customers. The conditions highlight the types of information that are important to customers and our approval framework. Together they require the companies to do the following.

1. Prepare and submit to Ofwat for approval a ‘code of practice’ (a ‘code’) which ensures that household customers (and those in mixed-use dwellings) have access to information:
  - “describing the nature of the services to domestic customers”, including:
    - services to be provided;
    - tariffs;
    - payment options;
    - complaints handling;
    - what to do in an emergency;
    - meter accuracy and liability for charges; and
    - the Consumer Council for Water’s contact details;
  - giving “guidance to domestic customers who have difficulty paying their bills”;
  - and
  - advising customers of their options and rights about the help available when they have a leaking supply pipe.
2. Review and, if necessary, change their code and the way they operate it at least once every three years – and when requested by us – but not more than once a year. Companies that change their codes must resubmit them to us to approve.
3. Consult the Consumer Council for Water (CCWater) and consider any feedback it may have on the code or the manner in which it is likely to be or has been operated.
4. Make the code accessible to customers.

## 1.2 Why are we changing our approach?

### To encourage the companies to deliver for customers, not the regulator

Currently most of the companies produce – and submit to us – three separate codes to meet each of three conditions of their licence. We do not think that this delivers the best outcomes for customers or companies for the following reasons.

- Separating approaches to information provision into three areas (that is, debt, leaks and other service issues) can lead to ways of producing and sharing information that may not best meet customers’ needs. Information should be packaged in a way that is meaningful to customers.
- By focusing exclusively on the detailed content of customer information in their codes, companies can fail to address how they will make sure information is successfully communicated to their customers. This is an important aspect of each company’s licence conditions.
- We cannot assess whether each company’s information will effectively meet its customers’ needs just by looking at what the company proposes to do.

### To encourage proactive reviews of information provision

The current process requires the companies to submit their codes to us for approval either:

- when they are being developed for the first time; or
- when an existing one is revised.

We currently review and approve all new codes and changes to existing codes.

In practice, we drive the majority of companies’ reviews of their codes. They are often triggered by our routine checks. For example, because:

- we have identified a policy change not addressed by a company in the existing information that it provides; or
- a company’s code is out of date because it has not been reviewed in three years.

A better outcome will be delivered if each company:

- took ownership of keeping its information up to date; and
- developed its approach based on an improved understanding of its customers' needs.

Such an approach will benefit customers, who will receive more accurate and relevant information. It will also help companies avoid unnecessary disputes and can improve their reputation and relationships with customers.

### **To have customers' views central to each company's approach**

Each company's licence requires it to involve CCWater in a review of its approach to information provision and consider CCWater's feedback – regardless of whether this results in any changes to its code. Under the Water Industry Act 1991, CCWater also has the power to investigate and to report directly to us any concerns it may have. This includes companies' information provision activities.

In the past, the companies have consulted with CCWater when reviewing their codes. But the companies have focused on the content of the information they will provide, rather than how they will make it available to their customers. This process does not properly meet the intention of the companies' licence conditions, which is to deliver helpful information to customers.

We want to encourage the companies to provide information to their customers based on a sound understanding of what their customers need – and when they will need it.

### **To stop company practices which cause significant harm to customers**

We currently routinely consider for approval all companies' codes when they are submitted to us for review. We think we can better protect customers if we target these resources at monitoring and addressing company practices which represent a high risk of causing significant harm to customers because they have potential to cause either:

- a significant number of customers to pay higher bills or receive a lower quality of service than they should; or
- a few customers extreme harm (for example, to their health, psychological or financial status).

## 2. Our new approach

### 2.1 Information principles

We expect each company to make sure the information it provides its customers to be consistent with our information principles. These principles, which complement each company's existing licence obligations, describe what we regard as effective information provision. They capture the objectives of relevant legislation – such as the Equality Act 2010 and Government guidance, such as that produced by the Department of Environment, Transport and the Regions to accompany 'Water Industry Act 1999: Delivering the Government's Objectives'. Our principles are as follows.

- **Accurate** – each company should make sure the information it provides is correct by regularly reviewing it – for example, to make sure it is consistent with its charges scheme. Any updates should be shared with customers directly and with advice providers.
- **Transparent** – information should not be misleading. It needs to be unbiased and enable individual customers to make informed decisions.
- **Clear** – information should highlight key messages and direct customers to more detailed information.
- **Accessible** – each company should provide different information and use different communication channels to meet the needs and preferences of particular customer groups ('customer segmentation').
- **Timely** – companies should design and deliver information in a way that makes sure customers get the right information at the right time – for example, when a customer moves house.
- **Customer-led** – each company should actively seek its customers' views and representatives' views and feedback on the information it provides and how it provides it. It should respond to customer and customer representatives' information needs.

## 2.2 Code of practice

Companies' licence obligations currently require them to submit to Ofwat a code of practice containing, as a minimum, specific information for customers. This information does not need to be packaged in the way indicated by the three licence conditions. Companies have freedom to design their code in a way that best meets customer needs and they must meet their information provision obligations in their licences having regard to our information principles.

## 2.3 Demonstrating compliance

To satisfy customer appetite for quality information, we suggest that each company conducts yearly reviews of its codes. However, it should update its information and approach to providing it to customers as often as necessary.

We will be conducting risk-based reviews of companies' compliance from 15 July 2013 – the deadline we are giving companies to ensure they are fully compliant and meeting our expectations. Companies will need to be able to demonstrate – on request – that their information provision is compliant. Our principles will support this process and help ensure the quality of information for customers. We will use intelligence, including from customer complaints, to help us decide whether there are any significant risks to customers from a company's practice and whether we need to take action to protect their interests.

## 2.4 Engaging with customers

Customers' needs are best understood through the companies engaging with them and their representatives directly. So, each company should use insights from its customers and consumer bodies to design its code and the information it provides – and how it delivers it. This includes customers or representatives that may have particular expertise in how to effectively communicate with certain customer groups or on specific issues. We will use CCWater's views on companies' information provision and insights from other consumer bodies to inform our approach to checking compliance.

We suggest companies carry out their yearly review alongside their annual revisions of their customer charges. This will help companies keep their information accurate since changes to a company's charges scheme can be reflected in its customer information. This timing will also help with an effective and efficient consultation approach because each company already consults CCWater on its charges scheme. Companies need to consider how to communicate the content of policy documents like charges schemes to their customers.

Companies will also want to review their information provision and consult with CCWater at other times of the year – for example, when there are significant changes that might impact on their approach.

## 2.5 Our approach to checking compliance

In future we will adopt a risk-based approach for checking whether the companies are meeting their obligations on information provision to their customers. We will use intelligence, such as customer complaints, to determine whether there are risks to customers and whether we need to take action on their behalf. This is consistent with our overall [risk-based approach to regulation](#). Depending on the intelligence we receive, we will conduct reviews of a single company or across a number of companies or the sector if we have intelligence that leads us to consider that there is a widespread or systemic problem.

We will only review an individual company’s information provision approach where we have reliable intelligence that there are significant risks to customers. For example:

- if a company has a higher than average level of complaints and customers and their representatives alert us that critical information to help customers check and potentially lower their bills is not readily accessible; or
- if we receive intelligence that a number of the companies’ communications are inadequate on a particular issue – for example, if they do not make customers sufficiently aware of free supply pipe repair services while advertising insurance that covers these types of repairs.

If risks to customers indicate the need for us to check a company’s approach to information provision, we will:

- use our [information principles](#) to structure our investigation;
- consider the contents of relevant companies’ codes; and
- require companies to demonstrate that their actions are compliant with their obligations and the information principles.

This may include, for example:

- the range of information they provide to their customers;
- an up-to-date detailed communications plan; and
- how the company has taken account of feedback from customers, representatives and the Consumer Council for Water.

So each company should make sure this information is readily available on request.

We will publish the conclusions of our reviews on our website.

We do not intend to actively approve codes. In accordance with each company’s licence obligations, if a company submits a revised code to us and we do not specify any changes to it within two months, it will be deemed that we approved it.

However, if we have any concerns about a company’s practices, we can require it to review its approach and make changes.

In the unlikely event of any company failing to take responsibility for meeting its customers’ information needs by failing to comply with its licence obligations or related statutory duties, we may consider appropriate enforcement action.

### **3. Keeping our approach under review**

As part of our work to simplify licences, we are considering other changes that further support our move to a principles-based framework for companies. And, given the importance of good customer information, we will continue to keep this area under review. We will consider what else we, or the companies, need to do to make sure that customers have the information they need, when they need it.



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