

**Customer protection for the retail market:
proposal to the Secretary of State and Welsh
Ministers for regulations in connection with
standards of performance for the supply of
water and the provision of sewerage services**

About this document

Currently, legislative standards of performance only apply to appointed companies and we have a power to apply to Ministers to propose the standards of performance that should apply to these entities. However, the Water Industry Act 1991 (WIA91) (as amended by the Water Act 2014) includes powers for Ministers to make regulations which also impose standards of performance on licensed retailers that hold water supply and/or sewerage licences (WSSLs) based on proposals from us.

Pursuant to these powers, this document sets out our proposal to the Secretary of State and Welsh Ministers for changes to the standards of performance and associated payments set out in [the Water Supply and Sewerage Services \(Customer Service Standards\) Regulations 2008 \(the GSS Regulations\)](#), which standards and payments are collectively known as the Guaranteed Standards Scheme (GSS). It also forms our formal response to the views raised in response to our September consultation '[Customer protection in a retail market: Guaranteed Standards Scheme – a consultation](#)'.

In particular, we propose additional GSS regulations so that more non-household customers are protected by it, regardless of their water supply or sewerage service provider. In effect, GSS regulations would continue to cover companies appointed as water and sewerage companies under the WIA91 ('appointed companies'), but would also apply to licensed retailers¹ under the new WSSLs introduced by the Water Act 2014 and the appointed companies with whom they contract for the provision of retail water supply and/or sewerage services.

We have used consultation responses, along with feedback received during a number of stakeholder workshops and meetings, to inform and compliment the findings of our desk-based research in order to finalise this application.

This document is structured as follows.

¹ Those retailers holding a WSSL with a retail and/or restricted retail authorisation.

Chapter 1 briefly introduces the GSS and sets out the process by which new regulations may be made.

Chapter 2 explains our proposals for GSS regulations.

Chapter 3 sets out the stakeholders to whom our proposals are to apply.

Chapter 4 provides a summary of the research carried out under the WIA91 and the results of that research, including responses to the September consultation and our reply to these.

Chapter 5 summarises the reasons for our proposals.

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1. Introduction

1.1 What is the GSS?

All customers of appointed companies are entitled to guaranteed minimum standards of service, through the Guaranteed Standards Scheme (GSS). [The Water Supply and Sewerage Services \(Customer Service Standards\) Regulations 2008 \(the GSS Regulations\)](#) provide the legislative basis for the GSS. The GSS Regulations include standards that cover categories of service such as:

- the making and keeping of appointments
- notice of interruption of supply;
- pressure standards;
- sewer flooding; and
- complaint handling.

The GSS Regulations apply to customers (both household and some non-household) of appointed companies. Details of the service standards and the payments that appointed companies must make if they do not meet these service standards are set out in Table 1. Where an appointed company fails to meet any of the standards, subject to certain exceptions detailed in the GSS Regulations, it is required to make a specific payment to the affected customer(s).

Currently, the GSS Regulations only apply to appointed companies, and not to existing retailers licensed under the water supply licensing (WSL) regime and will not apply in future to licensed retailers unless new regulations are made. This would mean that any eligible non-household customer wishing to exploit the benefits of retail competition by switching to a different retailer would not be entitled to these guaranteed minimum standards.

Table 1: GSS standards and payment amounts

GSS Regulation	GSS payment		Late payment penalty	
	Household customers	Non-Household customers	Household customers	Non-Household customers
Appointments not made properly	£20	£20	£10	£10
Appointments not kept	£20	£20	£10	£10
Incidences of low water pressure	£25	£25	–	–
Incorrect notice of planned interruptions to supply	£20	£50	£20	£50
Supply not restored – initial period*	£20	£50	£20	£50
Supply not restored – each further 24 hours*	£10	£25		
Written account queries and requests to change payment arrangements not actioned on time	£20	£20	£10	£10
Written complaints not actioned on time	£20	£20	£10	£10
Properties sewer flooded internally	Payment equal to annual sewerage charges (minimum payment of £150; maximum of £1,000)		£20	£50
Properties materially affected sewer flooded externally	Payment equal to 50% of annual sewerage charges (minimum payment of £75; maximum of £500)		£20	£50

* Supply not restored within time notified (planned work) or when supply is interrupted for an extended time under unplanned/emergency situations.

1.2 Summary of the legislative basis for and the process for making GSS regulations

Section 38 of the WIA91, in connection with water supply, and section 95 of the WIA91, in connection with sewerage services, allow the Secretary of State to make regulations applying to appointed companies that prescribe for standards of performance in connection with the provision of supplies of water and/or sewerage services. The current GSS Regulations have been made under these sections.

Sections 38ZA of the WIA91, in connection with water supply, and section 95ZA of the WIA91, in connection with sewerage services, will be inserted by sections 29 and 30 of the Water Act 2014 and will allow the Secretary of State and Welsh Ministers (as appropriate) to make similar regulations applying to WSSL holders.

For reasons set out in more detail below as ‘Proposal 1’, we are proposing to the Secretary of State and Welsh Ministers a single set of regulations to be made under sections 38, 38ZA, 95 and 95ZA to apply to all appointed companies and WSSL holders.

The statutory procedures for making regulations applicable to appointed companies (under sections 38 and 95 of the WIA91) are set out in sections 39 and 96 of the WIA91 for water supply and sewerage services respectively. The statutory procedures for making regulations applicable to WSSL holders (under sections 38ZA and 95ZA of the WIA91) are set out in sections 39ZA and 96ZA of the WIA91 (which have been inserted by sections 29 and 30 of the Water Act 2014). These sections specify that sections 39 and 96 apply for the purposes of making regulations under sections 38ZA and 95ZA as they apply for the purposes of making regulations under sections 38 and 95 of the WIA91.

The statutory process provides that the Secretary of State (as regards appointed companies and holders of a WSSL with a retail authorisation) and the Welsh Ministers (as regards holders of a WSSL with a restricted retail authorisation) may make regulations upon receiving an application from us. The application should:

- set out our proposals, specifying the persons to whom the proposed regulations should apply;
- be accompanied by a written summary of the results of the research carried out; and
- summarise our reasons for the proposals.

2. Proposals to the Secretary of State and Welsh Ministers for GSS regulations

This chapter sets out our proposals for the making of regulations in relation to standards of performance. Our proposals take into account the responses we received to our recent consultation, conversations we have had with stakeholders and the results of desk-based research carried out.

The GSS applies to both household and some non-household customers. It sets standards of performance in a range of areas, with a requirement for specified payments to be made to customers if those standards are not met. Our review of the current GSS Regulations has been limited to the application of the scheme in the non-household retail market to assess whether customers will be sufficiently protected when the enlarged retail market opens in April 2017. We have not carried out a wider review of the current standards themselves or the associated payment levels.

We propose that GSS regulations should:

1. apply to:
 - a. all appointed companies that have been appointed as water and sewerage companies or water only companies under the WIA91; and
 - b. all licensed retailers who hold a WSSL, excluding circumstances in which the retailer is providing retail services to itself or persons associated with it². In those circumstances, neither the licensee nor its associates would be a 'customer' for GSS purposes.
2. protect all customers by not allowing customers to 'opt out' of their GSS entitlement. We propose, however, to keep this under review once the non-household retail market opens, and may reconsider if non-household customers should be able to 'opt-out' when we consider that the market is working effectively for customers, if there is evidence that customers want this;

² The meaning of "persons associated with the licensee" is set out in Schedule 2A, paragraphs 11 and 12 and Schedule 2B, paragraphs 8 and 9 WIA91.

3. set out the fundamental principle that although the retailer will be responsible for processing the payment to the customer, financial liability for the payment should be incurred by the party at fault, in line with the allocation of each service standard set out in table 2 in section 2.3.2.

There will be occasions when the retailer will process a payment for a breach where the wholesaler is liable, and in such circumstances, we propose that the regulations make clear that the wholesaler be required to pay licensed retailers, who then pass on that payment in full to the customer(s) affected. This is consistent with the current provisions in the wholesale-retail code. The detailed provisions governing necessary information flows and the processing of these payments would be set out in the wholesale-retail code³; and

4. provide scope for licensed retailers to also be able to refer and be party to disputes on alleged breaches of the regulations. The regulations should also provide a mechanism by which the Authority is able to obtain, or be provided with, the relevant information on which to determine the parties to any particular dispute and the appropriate apportionment of liability.

We consider these proposals in more detail below.

2.1 Application of GSS regulations to all licensed retailers and appointed companies

We propose that GSS regulations should apply to all licensed retailers as well as appointed companies. We consider that this strikes the right balance between protecting customers and promoting effective competition.

³ We plan to take this forward with MOSL and other stakeholders over the next few months, with a view to proposing modifications to the wholesale retail code through the interim code panel during 2016.

We want to avoid a situation where eligible non-household customers could lose the protections to which they are currently entitled because they choose to switch from an appointed company to a licensed retailer without negotiating service standards within their new contract. For customers affected by retail exit, we recognise that there would also be other options to ensure that those customers continue to receive these protections (for example, under schemes of terms and conditions), but we consider that the protection the GSS provides should be provided to all eligible customers in the non-household retail market, especially when the market opens.

If our proposal is accepted, all eligible non-household customers will be entitled to the guaranteed minimum service standards, regardless of their water supply or sewerage service provider (except in circumstances where the licensed retailer is providing retail services to itself or persons associated with it). We propose that the service categories and the amounts that would be payable by retailers should be the same as those in the current GSS Regulations.

We do not consider that this will create a barrier to entry or expansion in the market. Nor do we consider that it will stifle the innovation we want to see in a competitive retail market – for example, the service standards and payment amounts are minimum levels and companies are free to enhance these if they choose to. We are not setting or creating a ‘gold plated’ standard that all retailers must meet. Instead, we are creating an environment where all retailers will face the same obligations and compete on a level playing field. The presence of further competitive threat could incentivise retailers to offer enhancements to the guaranteed minimum standards.

Proposal 1

GSS regulations should apply to all licensed retailers and appointed companies, excluding circumstances in which a retailer is providing retail services to itself or persons associated with it.

2.2 Customers should not have an option to ‘opt-out’ of their entitlement to GSS

We propose that customers should not be given the option to ‘opt out’ of their entitlement to GSS. Considering specifically non-household customers, we consider that customers, especially smaller non-household customers, need a greater degree of customer protection in the early stages of market opening. Otherwise, there may be a risk that non-household customers could inadvertently ‘opt out’ without having

taken the informed decision to do so. We think that ensuring guaranteed minimum standards of service, especially in the early stages of market opening, will also help embed trust and confidence in the market and avoid confusion, as customers will have a degree of backstop protection. Our approach is consistent with that proposed in our wider customer protection work.

We recognise that this is an area that should be kept under review as the market matures. We plan to review this when we consider that the market is working effectively for customers, provided there is evidence that customers want to be able to opt out of GSS.

Proposal 2

Subject to the exception in Proposal 1, the guaranteed standards should be mandated for all customers, and customers should not be able to forego their entitlement.

2.3 Allocating each guaranteed standard to either wholesale or retail

2.3.1 The principle of allocating the GSS

We propose that each of the current guaranteed standards of performance should be allocated to either wholesale or retail in the regulations. Where it is not possible to allocate a guaranteed standard exclusively to either wholesale or retail, we propose that the particular standard is allocated to both wholesale and retail, acknowledging the role that both wholesalers and retailers will have.

This is primarily to ensure that there is clarity about who will be responsible for each category of service under the GSS regulations once the enlarged market opens. This will make sure that wholesalers and retailers are aware of their responsibilities and ensure that customers do not experience poor service (for example, delays in responding to the customer because the wholesaler and retailer are unsure over which of them is responsible) in a situation where they may have already suffered a breach of the GSS regulations.

We expect that the retailer will always be responsible for making the payment to, and managing direct communications with, the customer about the GSS incident in all instances where a GSS breach has occurred. The proposed allocation of the obligations is to clarify where the liability lies for identifying the incident and funding any payments owed. We propose that the wholesale–retail code should set out the detailed rules about how this process should work in practice. We discuss this further below.

2.3.2 How the standards are allocated and how this will work in practice

As set out above, we recognise that some guaranteed service standards will be applicable to both the wholesaler and retailer. We therefore propose that regulations should set out:

- The guaranteed service standard, as per the current GSS Regulations;
- Whether it is the wholesaler and/or the retailer who is responsible for the guaranteed service standard. This will ensure that it is clear who will be in breach if the standard is not met, and therefore who will be accountable for any payment owed;
- Who will be entitled to the receipt of the payment from the party who breaches the standard; and
- How much is owed for the breach of a standard.

Detailed operational rules will be set out in the wholesale–retail code to underpin the GSS regulations. These rules will facilitate the effective flow of information and payments, where appropriate, between wholesalers and licensed retailers and on to the customer(s) affected. We also intend to review our information note on the guaranteed standards scheme to ensure it aligns with the new regulations, if our proposals are accepted.

Table 2 below summarises our proposed allocation of obligations between wholesalers and retailers.

Table 2: Summary of proposed allocation of GSS obligations to wholesalers and retailers, recognising that for many of the standards, both wholesalers and retailers will have certain obligations

GSS Regulation	Proposed allocation of obligations	
	Wholesale	Retail
Making appointments – GSS Regulation 6	✓	✓
Keeping appointments – GSS Regulation 6	✓	✓
Low pressure – GSS Regulation 10	✓	
Notice of interruption to supply – GSS Regulation 8	✓	✓
Supply not restored – GSS Regulation 9	✓	
Account queries and requests to change payment arrangements – GSS Regulation 7		✓
Complaints – GSS Regulation 7	✓	✓
Flooding from sewers (internal flooding) – GSS Regulation 11	✓	
Flooding from sewers (external flooding) – GSS Regulation 12	✓	

Note: Retailers will always be responsible for managing customer communications about GSS and making the payment to the customer.

2.3.3 Interaction between GSS regulations and code rules

The regulations should make clear that the customer, in all instances, claims against its retail service provider and that the retailer makes payments in all instances where a GSS breach has occurred.

The regulations should then set out that the wholesaler, where it is liable in line with Table 2 above, should pay the retailer who then passes on the payment to the customer(s) affected. Where the retailer is at fault, it will be responsible for the payment to the customer(s) affected. In both circumstances, the timescales included within the GSS Regulations should apply and we do not propose that these should be changed.

We propose that the detailed rules required to govern the notification of incidents, information flows and processing payments should then be included in the wholesale–retail code, instead of directly in the regulations because the code is the most appropriate place to set out operational and technical processes.

2.3.4 Disputes

Regulation 17 of the GSS Regulations states that:

“...if a dispute arises between a relevant undertaker and a customer as to the right of the customer to a payment or a credit to the customer’s account under these Regulations, either party may refer the matter to the Authority for determination.”

The new regulations, if our proposals above are accepted, will involve customers, appointed companies and additionally licensed retailers. Therefore, a dispute may arise that concerns all, or a combination of all three parties. In order to determine a dispute, we will need to be certain about who should carry the financial liability for the payment and have made a proposal on this in Table 2 of section 2.3.2 above.

We therefore propose that regulations be made to cover GSS determinations, and that the regulations provide for the licensed retailer to also be able to refer a dispute to us for determination, in addition to the appointed company and customer.

The regulations will also need to make clear how the parties to any particular dispute are established, particularly in instances where the allocation could be to either of the wholesaler or retailer. This will in part be dependent on the relevant service standard that is alleged to have been breached. Where there is potential for it to be either of the wholesaler or retailer (for example Regulations 6, 7 and 8) we will need to be able to obtain, or be furnished with, the requisite information on which we are able to distinguish who is at fault. This will also establish the appropriate apportionment of liability in our determination.

Example⁴

A customer has experienced an interruption in supply, but was not notified of this by his retailer. We would be seeking evidence from the wholesaler that he had notified the licensed retailer of the interruption of supply. If evidence was provided, we would then be able to establish that the licensed retailer was at fault, as it had not passed this information on to the customer.

Proposal 3

The GSS regulations should make clear that

- where the customer is required to claim payments for breaches of GSS, it should do so from its retailer and the retailer makes these payments in all instances;
- where the breach is the fault of the wholesaler, the wholesaler will be required to make this payment to the retailer who should then pass on this payment, in full, to the customer(s) affected in line with the timescales included within the current GSS Regulations;
- where the breach is the fault of the retailer, the retailer is responsible for the payment to the customer(s) affected in line with the timescales included within the current GSS Regulations and where possible on a proactive basis;
- Appointed companies, customers and licensed retailers will be able to refer disputes to us, and be a party to disputes. The regulations should also provide for the Authority to be able to obtain or be provided with the relevant information on which to determine the parties to any particular dispute and the appropriate apportionment of liability.

We consider that obligations on wholesalers and retailers to support the effective delivery of the GSS service standards should then be included in the wholesale–retail code and wholesale contract to ensure that the operational arrangements work effectively to underpin the regulations. We plan to take this forward with stakeholders over the coming months.

⁴ This is an illustrative example only.

Summary of amendments to the wholesale-retail code that we will be taking forward.

- We also suggest that a process should be incorporated into the wholesale-retail code, which provides a mechanism for netting off financial liabilities against sums owed in relation to GSS payments.
- We will also suggest that the wholesale-retail code includes processes for these mechanisms to operate in practice.

3. Who these proposals apply to

Sections 39(2)(b) and 96(2)(b) WIA91 requires Ofwat to specify the water and sewerage undertaker or undertakers in relation to which it is proposed the regulations should apply. In accordance with this requirement, the regulations should apply to all undertakers who currently hold, or will in the future hold, an appointment under section 6 of the WIA91. Those undertakers who currently hold an appointment are as follows.

Water and sewerage undertakers
Anglian Water Services Limited
Dŵr Cymru Cyfyngedig
Northumbrian Water Limited
Severn Trent Water Limited
Southern Water Services Limited
South West Water Limited
Thames Water Utilities Limited
United Utilities Limited
Wessex Water Services Limited
Yorkshire Water Services Limited
Water only undertakers
Affinity Water
Bournemouth Water Limited
Bristol Water plc
Cholderton and District Water Company Limited
Dee Valley Water plc
Portsmouth Water Limited
South East Water Limited
South Staffordshire Water plc
Sutton and East Surrey Water plc
Small water and/or sewerage undertakers
Albion Water Limited
Independent Water Networks Limited
SSE Water Limited
Peel Water Networks Limited

Veolia Water Projects Limited

Severn Trent Services (Water and Sewerage) Limited
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There are currently no licensed retailers. However, for the avoidance of doubt, and in accordance with sections 39ZA and 96ZA, the intention is for the regulations to apply to all licensed retailers holding a WSSL granted in accordance with sections 17A and 17BA.

4. Research required under the Water Industry Act 1991

Before making an application to Ministers, the Authority must conduct such research, as it considers appropriate with a view to discovering the views of a representative sample of persons likely to be affected and consider the results. When an application is made, it must be accompanied by a written summary of the results of that research.

4.1 Research methodology

We conducted our research from August to October 2015, and broke this down into three component parts.

4.1.1 Part One – desk based research

Part one included relatively high-level, desk-based research to get an understanding of the arrangements that are in place in other regulated sectors with regard to minimum standards of service⁵, and in particular, whether there was a route for non-household customers to be compensated in the event of a breach of these standards. Where we considered it appropriate, we supplemented this with a more detailed analysis of the arrangements in certain sectors. The results of part one of our research are included in appendix 1.

We did consider whether to also focus on the current retail market in England and Wales. However, given that offering GSS (or any form of minimum standards) is not a requirement in terms of applying for and gaining a WSL under the current regime, and we have seen no evidence of performance failings in the current market that could have been prevented or dealt with better if GSS had applied we decided against considering this market in detail. Further, the scope of this market currently

⁵ Recognising that the GSS approach is not widely used, we decided to look at general minimum standards

covers the class of customers that is least likely to be affected by GSS because they are the strongest position to negotiate their own service standards.

We decided to look at the arrangements that exist to protect non-household customers in competitive markets in other regulated sectors to give us a comparative baseline on which we could consider our proposals. We considered the customer protection arrangements that exist in each of the sectors regulated by the following regulators:

- Water Industry Commission for Scotland (WICS).
- Office of Gas and Electricity Markets (Ofgem).
- Office of Rail and Road (ORR).
- Office of Communications (Ofcom).
- Civil Aviation Authority (CAA).
- The Northern Ireland Utilities Regulator (UREGNI).

A summary of the results of this desk-based research is included within paragraph 4.1.4.

4.1.2 Part Two – the consultation process

The second part of our research process involved direct engagement with a range of stakeholders, via a range of methods.

Firstly, we set out our proposals in our formal consultation. We invited written responses to this consultation and summarise these below, along with our response to the views expressed.

Overview of our consultation process and proposals

In September 2015, we published '[Customer protection in a retail market: Guaranteed Standards Scheme – a consultation](#)'. In that consultation, we proposed that the GSS should encapsulate licensed retailers as well as appointed companies, so that all eligible non-household customers would be able to benefit from the GSS. We also included some proposals about how the obligations under GSS would apply to wholesalers and licensed retailers.

We held two stakeholder workshops at the end of September. These workshops included discussion on the material published in the consultation, and sought stakeholders' broader views on our proposals in order to inform our final recommendation.

We set out in further detail below the responses we received to the proposals included in our consultation.

We invited stakeholders to respond to a number of specific questions about our proposals, which we set out below. We also published a preliminary impact assessment alongside that consultation, on which we also sought views.

Summary of questions included in our consultation

Q1 Do you think there are any particular issues that we should consider as part of our work on customer protection for the retail market?

Q2 Do you have any views on the potential for customers to forego their entitlement to GSS?

Q3 Do you agree with our proposal to extend the GSS Regulations so that they apply to all licensed companies?

Q4 Do you agree with our proposal to allocate each service standard to either wholesale or retail?

Q5 Do you agree with how we have proposed the service standards be allocated?

Q6 Do you agree with the proposal to recommend that this allocation is included in the GSS Regulations?

Summary of responses to our consultation and discussions

We received 21 written responses to our consultation. We have summarised these below and included our response to the points raised. The responses will also be published on our website. Some stakeholders responded to all of the questions raised, whereas others chose to respond to particular questions or issues. Where a number of respondents raised similar points, we have grouped these points into key themes. A number of issues also emerged from discussions at the stakeholder workshops – many of which were reflected in the written responses.

Responses to our consultation supported our proposal to ensure that the GSS will cover all licensed retailers as well as appointed companies. The responses also strongly suggested that we need to make sure that the wholesale–retail code aligns with, and underpins, the respective GSS obligations on wholesalers and retailers. We plan to take this forward with MOSL and other stakeholders, with a view to making any necessary wholesale-retail code modifications through the interim code panel during the next few months so that companies are able to prepare their systems and processes accordingly.

Q1 Do you think there are any particular issues that we should consider as part of our work on customer protection for the retail market?

Stakeholder views

There was broad agreement that the focus of our proposed customer protection work was appropriate. Suggestions for particular areas of focus included the following.

- To protect smaller non-household customers, we should consider how we will monitor the marketing techniques of some new WSSLs given that most smaller non-household customers are likely to have little or no knowledge of how the water sector works and so may be susceptible to clever (or misleading) marketing techniques.
- The outcome on the effectiveness of the market and the ability to support a range of retailers of different sizes and specialisms must be taken into account. Excessive bureaucracy or cost for smaller and new entrant retailers must be balanced with the need for appropriate levels of customer protection.
- Any measures introduced to protect customers should recognise the involvement of Third Party Intermediaries (TPIs), which sit between retailers and customers. Any proposed standards in this area should recognise only those TPIs that are signed to an accredited code of practice through which high standards are set and a redress scheme included.
- We should also consider issues such as handling customer complaints, unfair terms following retail exit, clarity and fairness around terms and conditions, mis-selling and improper behaviour of TPIs or brokers.
- There needs to be a mechanism in place that ensures wholesalers pay retailers promptly, but that there is also a requirement for retailers to pass through any costs and enhanced service standards that the wholesaler offers.

- Consideration needs to be given to how payments would be made to those customers that, under the GSS Regulations, are an occupier of premises but whose supply of water or wastewater services is the subject of a separate charge for which someone else is liable.
- We need to recognise that there are different circumstances in Wales and any regulatory approaches should be developed and implemented accordingly.

Our response

Reviewing the GSS is just one part of our customer protection work programme. As part of our review of some of the broader customer protection issues necessary for market opening, we are focusing on issues such as sales and marketing techniques taking account of lessons learned in other sectors. We have therefore fed these views into that wider programme of work and we published a consultation on the [draft Customer Protection Code of Practice](#).

We fully acknowledge the need to ensure that any cost that is imposed on market players as a result of our regulatory intervention is necessary and proportionate, so that it does not become burdensome. Consistent with our statutory duties and policy objectives outlined in our consultation document, this is one of the key considerations we take into account when we consider regulatory intervention.

Under questions 4 and 5 below, we discuss the issues around interactions between wholesalers and retailers (and then between retailers and customers).

We fully recognise the different regulatory frameworks and approaches in Wales and our proposals take these fully into account.

Q2 Do you have any views on the potential for customers to forego their entitlement to GSS?

Stakeholder views

Fourteen out of eighteen written responses to this question agreed with our proposal to not allow customers to 'opt out' of their entitlement to GSS. Some of the reasons given were as follows.

- Allowing customers to forego their entitlement is contrary to the principles and reasons why GSS was first introduced.
- Immediate removal of the GSS protection is not in customers' interests. Customers may be at risk of making a choice without having all of the relevant information and knowledge to make an informed decision.
- There should be a compulsory 'base' level of GSS for wholesaler issues.
- GSS is a minimum service standard with modest financial penalties. So it is unlikely to limit larger business customers from negotiating better deals if they choose to.
- Continuation of the GSS provisions provides transparent and familiar protection for customers and so should help to maintain trust and confidence in the sector.
- There would be a considerable administrative overhead associated with allowing individual customers to 'opt-out' of GSS.

While no responses explicitly disagreed with our proposal, there were some views expressed which suggested that this is an area that should be kept under review. These include the following.

- Blanket application is required at market opening, but once the market matures this is a possible area where choice could be introduced, allowing for competition to develop and retailers to offer more tailored services at prices its customers are prepared to pay, otherwise this could stifle innovation in the new retail market.
- A base level of wholesale GSS is essential as that will remain a monopoly service and this should be included as a licence condition and automatically included in any contract. However, other than for deemed contracts, customers should have the choice to 'opt-out' of retail GSS if they wish to and receive other benefits in doing so.
- Removing retail GSS standards would be preferable if customer protection could be guaranteed, as the regulatory burden would be reduced and allow customers the freedom to negotiate a package to suit their needs. Including the retail GSS standards in the deemed contract terms would be appropriate to ensure customer protection as customers would receive those standards as default and would not lose them until they actively chose to sign up to a different set of terms and conditions.

Our response

We think that it is important to make sure that customers continue to receive guaranteed minimum standards of service, especially in the early stages of market opening. Therefore, we retain our initial position not to allow customers to forego their entitlement to GSS and this is one of the proposals we are putting forward for the making of new regulations. However, this is an area that we intend to keep under review as the market matures.

We recognise that GSS may not be an important consideration for larger customers in commercial negotiations. However, we do not think that the regulatory burden associated with GSS is too onerous - our impact assessment sets this out in more detail. And we do not think that the presence of GSS will necessarily prevent larger customers from negotiating tailored deals for themselves.

Q3 Do you agree with our proposal to extend the GSS Regulations so that they apply to all licensed companies?

Stakeholder views

Nineteen out of twenty written responses agreed with our proposal that the GSS should be extended so that it applies to all licenced retailers, as well as appointed companies. One respondent disagreed with the proposal. The reasons for agreement were as follows.

- **Ensuring a level playing field** – extending the GSS to all retailers ensures that all market players are subject to the same obligations.
- **Customer protection** – all non-household customers will continue to be entitled to their current protection irrespective of their retailer. Where customers move (or are moved) to a WSSL, they have the same rights as customers of appointed companies.

Reasons given for disagreement were as follows.

- While expanding the GSS to cover retailers may help to protect customers, there is a real risk that further regulation on retailers could reduce their appetite to enter the market and therefore potentially stifle competition. It may also prevent those customers that wish to from deliberately choosing a lower level of service at a price they are happy to pay.

- Including the GSS within the ‘deemed contract’ could provide the customer protection that is required. This may then mean that it may be better to not apply the regulations to licensed retailers, so that they have flexibility in negotiating terms with their customers

Our response

Although our initial proposal was to extend existing GSS Regulations, we now consider that new regulations will be necessary. However, we remain of the view that the substance of our proposal allows us to strike the right balance between protecting customers and promoting effective competition. It is also consistent with our stated policy objectives for all of our regulatory work.

We acknowledge that in extending the scope of GSS, we are (by default) placing a burden on all retailers. However, as set out in our final impact assessment, we think that this burden is negligible and would not create a barrier to entry in itself.

In addition, we also estimate that in the majority of cases the financial liability and responsibility for dealing with GSS incidents will remain with appointed companies.

Q4 Do you agree with our proposal to allocate each service standard to either wholesale or retail?

Stakeholder views

There was general agreement with the principle of allocating obligations under each of the service standards between wholesale or retail. However, there was a strong view from stakeholders that much more clarity is needed on how this would work in practice. This issue prompted most of the discussion, both in the written responses we received and in the stakeholder discussions. Common themes raised were as follows.

- **The purpose of the allocation** – we need to be clear whether the proposed allocation was to set out who should deliver the GSS, who should register the GSS breach, who should make the payment or who should be ultimately responsible for funding the payment. We were asked to provide much more clarity on this.
- **Role of retailers** – respondents raised a number of issues in relation to the payments that would wholesalers would make to retailers, and the proposed role of retailers to make any GSS payments to the customer.

- **Cost pass-through to customers** – a number of respondents stated that there needs to be a clear obligation on retailers to pass on any payments to the customer that a wholesaler makes.
- **Timescales** – consideration is needed to ensure that the timescales for payments allow the payment to be made to the retailer and subsequent payment to the customer, the timescales needs to mirror what is in the wholesale–retail code (or vice versa), and any delay in wholesale related payments do not leave retailers exposed. This may be particularly relevant where a wholesaler needs to investigate an issue.
- **Frequency and handling costs** – the handing and reconciliation of GSS payments will be an administrative burden on retailers – in particular, where there may have been a large-scale wholesale incident. So consideration needs to be given to whether (and how) retailers can be recompensed for this (except for where the GSS payment is a retail issue) – they should not be expected to simply absorb the cost, given the thinness of the margins available and the proportion of the bill that GSS payments represent.
- **Information flow** – respondents raised a number of issues regarding the importance of ensuring efficient information flows are in place.
- **Allocation of payments** – wholesalers will need to provide clear information on the amount of any GSS payment and the specific customer(s) it should be allocated to.
- **Potential for disputes** – if the new arrangements are not clear, there is a risk of an increase in the number of disputes relating to GSS – in particular, where responsibility may be ambiguous.

Our response

Under question 5 below, we cover some of the issues around implementation that respondents have raised.

To be clear, we expect the retailer to be responsible for making the payment to the customer(s) in all instances where a GSS breach has occurred. The purpose of our proposed allocation is to provide clarity around where the responsibility for identifying the breach and funding that payment lies so that it rightly sits with the party that is at fault. This would also help to inform any determination action we are asked to consider.

We expect a retailer to pass on 100% of the GSS payment it receives from wholesalers on to its customer(s).

We acknowledge that there are a number of issues around timescales and information flows that are important for implementation. We expect our work with stakeholders and the interim code panel to review, and if necessary, update the draft wholesale–retail code in order that it provides for the process and timescales for making payments from wholesaler to retailer. However, we do not propose that the timescales included in the GSS Regulations should or need to be reviewed at this time.

A particular issue we have considered is in relation to large-scale incidents in the context of making sure that the new obligations do not impose a detriment on retailers. For example, whilst a large-scale interruption to supply will be a wholesale issue, there will be a role for retailers to play in receiving and passing on payments to customers.

Therefore, when considering the process and timescales for making payments from wholesaler to retailer, we acknowledge the need to be conscious of the timeframes the retailers will have to make payments to customers. We think it is appropriate for the payment to be made from the wholesaler to the retailer before this is passed onto the customer(s) affected and the wholesale-retail code will need to include the appropriate processes to underpin this.

In terms of disputes, we think that the proposed allocation of obligations will assist in providing clarity in relation to where obligations lie and who is responsible for maintain the guaranteed service standard. Furthermore, we have made proposals around the making of new regulations that would allow us to be able to address any issues that are referred to us for dispute. If our proposals are accepted, we are confident that our determination powers allow us the scope to address disputes concerning GSS when we are requested to do so. But as part of the review of the wholesale–retail code we will need to ensure that any necessary additional processes or mechanisms for GSS are reflected so that we can address disputes that arise.

Q5 Do you agree with how we have proposed the service standards be allocated?

Stakeholder views

There were 17 responses to this question. Building on the previous question, there was acceptance of the principle behind the proposed allocation, but a strong view again from stakeholders that more clarity is needed on how this would work in practice. Common themes that emerged from stakeholders' responses included the following.

- **The proposed allocation is too simplistic** – most respondents accepted the need to split GSS payments between wholesale and retail to ensure clarity of accountability. However, many respondents thought there was a risk in doing so of over-simplifying what can in some instances be quite complex issues, where both retailers and wholesalers may have certain obligations relating to the same incident.

Respondents acknowledged that some standards can be clearly allocated as wholesale issues (for example, low pressure and sewer flooding) and some appear to be only retail issues (for example, account queries and complaints). But respondents thought that the allocation for some service standards was not as clear cut, which could risk ambiguity and confusion that could potentially lead to deterioration in service for customers. These were around handling complaints, making and keeping appointments and notice of interruption to supply, which many respondents thought should be allocated to both wholesale and retail.

- **Practicalities for implementation** – it is important that the wholesale–retail code and wholesale contract sets out the processes and obligations on wholesalers and retailers for the relevant service standards.
- **Automatic payments** – we need to consider how these will work if the retailer is responsible for making the payment to the customer, but it is only the wholesaler that can determine the requirement for payment to be made in some circumstances.
- **Resolving disputes** – we need to have a mechanism in place to make sure we can resolve GSS disputes in a reasonable amount of time. This is particularly important if retailers and wholesalers cannot agree on responsibility.

- **Penalty payments** – we need to be clear where the identification of customers eligible for a GSS payment is also the wholesaler or retailer’s responsibility, and that the penalty payment falls to the respective wholesaler or retailer if they fail to do so. Where it is the wholesaler’s responsibility, they need to advise the retailer promptly of eligibility for a GSS payment.

One response suggested that as the GSS and customer compensation are part of the retail interface with the customer, all GSS measures should be allocated to the retailer. Where payment of GSS is dependent on the performance of the wholesaler, then terms for payment between the wholesaler and the retailer should be covered either in the market codes or by contract.

Our response

We accept that our proposed allocations could create some confusion and ambiguity. While we do not think we will be able to account for every eventuality, there are some GSS standards where we think we should allocate the obligations to both wholesale and retail, and so have proposed a revised allocation that leaves account queries as the only standard that is allocated exclusively to retail.

We agree that the wholesale–retail code and wholesale contract should set out clearly the processes for all market players, underpinning the GSS regulations. We think that this can effectively capture issues raised throughout responses around timescales, information flows and allocating payments (including penalty payments) to customers. We will work with MOSL and other stakeholders to ensure that the wholesale-retail code and GSS regulations are fully aligned.

We do not think it is appropriate to allocate all of the standards to retail. Doing so could create a perception that the burden on retailers is such that it acts as a deterrent to entering the market. But more importantly, we want to make sure that licensed retailers are not unfairly exposed to issues where they have no control (and vice versa with wholesalers).

Q6 Do you agree with the proposal to recommend that this allocation⁶ is included in the GSS Regulations?

Stakeholder views

There were 17 responses to this question. In general, most respondents agreed with our proposal to include an allocation of each GSS to either retailers or wholesalers within the new GSS Regulations in order to set out clearly the responsibilities of each party. But this was dependent on more clarity being provided in response to the comments received to questions 4 and 5.

There was strong support for the detailed processes to be included in the market architecture documents – for example, the wholesale–retail code and the wholesale contract – rather than in any new GSS Regulations.

Additional views included the following.

- There needs to be consideration of whether it is necessary for retailers to set administration charges for dealing with wholesale complaints. GSS payments due from a wholesale issue will not only involve a retailer incurring costs in relation to collecting the payment from a wholesaler and passing that payment on to a customer, but inevitably involve other customer communications including extra unwanted contacts, potential complaint handling as well as the risk of late payment penalties.
- The wholesale–retail code should mirror the GSS Regulations and include provision to resolve issues where there is ambiguity as to which party is at fault.
- More detail is required about how the service would be monitored and reported on from a wholesale and retail perspective. Any changes should avoid making the process less efficient and more costly to operate.

⁶ This allocation is set out in table 2 within paragraph 2.3.2

Our response

Our view remains that the detailed rules required to confirm responsibilities between wholesalers and retailers under the GSS arrangements should be included in the regulations.

As set out earlier, we acknowledge the need to ensure that the wholesale-retail code and GSS regulations are aligned and will work with MOSL and the sector to make sure that the obligations are clear.

We do not think that administration charges should be added. However, issues such as administration charges arrangements for penalty payments could be included in the contract between wholesalers and retailers. This would give wholesalers and retailers the flexibility to agree specific arrangements to suit specific circumstances.

4.1.3 Part Three - additional conversations with stakeholders

Finally, in parallel to the formal consultation process, and the two stakeholder workshops, we held bilateral conversations with a range of interested stakeholders, including:

- the Water Industry Commission for Scotland (WICS);
- Castle Water (a new entrant in Scotland);
- the Consumer Council for Water (CCWater); and
- the Federation of Small Businesses (FSB).

In summary, these conversations told us that

- in Scotland, at market opening, WICS required all licensed retailers to offer minimum standards as part of the 'default package';
- minimum standards are an essential pre-requisite for a well-functioning market; and
- the imposition of minimum standards should not be seen as a burden on retailers.

4.1.4 Conclusions from our research

We have not carried out a full review of the standards of performance associated with GSS and the payment levels at this time. We have focused our research so as to consider the scope and application of the existing standards and payments to the enlarged retail market. Therefore, the scope of our research was limited to considering whether minimum standards of performance in other sectors were imposed on all licensees.

The three-part process that we set out above was intended to gauge both arrangements in other sectors (and as such, the arrangements that potential entrants into the water sector currently face) as well as the opinions of a wide range of stakeholders who may be affected by our proposals.

In addition to the bi-lateral discussions we held, we also received written responses to our consultation from a range of stakeholders including appointed companies, customer representative bodies, retailers and a body representing the Third Party Intermediary sector. Our impact assessment also considered the impact of our proposals on appointed companies and prospective licensed retailers. We therefore consider that the approach we have followed has been appropriate for the purposes of discovering “the views of a representative sample of persons likely to be affected”.

As can be seen from the table in appendix 1, customers are subject to a range of different protections and redress across the various regulated sectors. This partly reflects the varying complexities of the different sectors and the different industries that they regulate. But it also reflects the stage of the journey that they are each on in relation to the competitive landscape within which they operate.

Part one of our research demonstrated that generally:

- household customers are more likely to benefit from, and therefore be likely to claim under regulated standards of service than non-household customers;
- incumbent monopoly companies are more likely to have regulated standards of service imposed upon them than retail/supply licensees; and
- the form of standards of service tends to be sector specific to respond to the particular needs of stakeholders in that sector

In the Scottish water sector, non-household customers are protected through the Default Standards of Service, which a licensee is required (as part of its licence) to offer as part of its default tariff⁷. The Default Standards should cover areas of service that were covered under the Guaranteed Service Standards prior to the introduction of competition to the non-household retail market. These Guaranteed Service Standards mirror very closely the GSS in England and Wales.

There are also broad similarities in analogous sectors to water – namely, telecoms and energy. In these sectors, licence conditions rather than guaranteed standards are the primary source of customer protection. However, in both sectors, smaller customers receive additional protections.

In energy, micro-business customers are protected by licence conditions in the same way as large businesses. But they are also protected by specific licence conditions and have some additional protections under a specific Standard of Conduct and a guaranteed standard for making and keeping appointments that applies to them in the same way as it applies to household customers.

The characteristics of each sector meant that we were not expecting to find examples of direct equivalence with our proposals. However, we did establish that there are instances where there is a principle of ensuring some form of minimum standards were in place (for example, in Scotland's water sector) where customers are entitled to some form of minimum standard of service and recompense if these are not met.

In other sectors, such as the telecoms and energy sectors, particular non-household customers (for example, small business and/or micro-business customers) also receive additional protections, which can include different forms of redress. In these sectors, the competitive market is more advanced than the water sector in England and Wales that has seen limited retail competition over the last ten years. So there is less emphasis on customer protection, given the ability for all customers to switch provider.

Parts two and three of our research allowed us directly to engage with a range of stakeholders.

⁷ This requirement currently only applies to Business Stream. It is suspended for other licensees.

In responses to the written consultation, there was widespread support with our proposal that guaranteed minimum standards should apply to all retailers. There was also general agreement with our proposal to allocate each service standard to either (or both) wholesale and retail.

We also held bi-lateral discussions with stakeholders, who each supported our proposal to mandate minimum standards for all retailers. Other views that were raised during these discussions and which fed into the development of our proposals included the following.

- Applying minimum standards should not be seen as a burden – instead, in terms of the aspects of service that the standards cover, it should be seen as a cap on the liability for market players (albeit market players may be subject to further penalties in circumstances where customers have suffered a deterioration in service).
- Minimum standards are more important to smaller non-household customers as their behaviour can mimic that of household customers.
- There needs to be scope for minimum standards to be altered once the market opens so that they remain responsive to market developments.
- Minimum standards can be a useful default level of service for new entrants to offer when negotiating deals with customers, but should also not restrict innovation

We consider that our research supports the proposal to apply minimum standards of service (the GSS) to all licensed retailers to help ensure that customers are protected and also supports our proposal to allocate the service standards to either or both of wholesale and retail.

The most relevant example we can take is that of the Scottish water market. Licensees in Scotland have a licence condition that requires them to offer Default Service Standards as part of their default tariff offerings. This licence condition now only applies to Business Stream, having been suspended for other licensees after market opening. However, at the time of market opening, all licensees were required to offer these standards as at that time it was considered by WICS to be appropriate until such a time that the market was considered to have matured. As set out above, these Default Standards should cover areas of service that were covered under the Guaranteed Service Standards that virtually mirror those that apply in England and Wales.

Another similar example is in Northern Ireland. Standards of Performance for network companies (GDNs) are made up of two kinds of standards: 'Guaranteed Standards' (applicable at the individual customer level) and 'Overall Standards' (targets applicable to the general customer body level). Both types tell customers precisely what level of service they can expect from their GDN in each area of service covered. Where a company fails to achieve a guaranteed standard, there is a payment due to the customer(s) impacted – either automatically or by way of a claim made by the customer

In terms of allocating the service standards to wholesale or retail, the most relevant examples were found in energy and the Scottish water sector. The electricity and gas standards include an allocation to the wholesale and retail companies. And in Scotland, the Wholesale Services Agreement clearly sets out the obligations on both wholesalers and retailers for each of the respective service standards, which are very similar to the GSS.

The GSS provisions will remain unchanged for household customers. Given that the retail market will be opened up to all eligible non-household customers for the first time in April 2017, we think that a sensible first step is to ensure that any customer who is provided with a retail service should be protected under the GSS and that wholesalers and retailers should have clear obligations with regard to each service standard.

5. Reasons for our proposals

We have explained throughout this document the reasons behind our proposals. But to summarise, the reasons that underpin our proposals are that they are

Consistent with our statutory duties and the objectives for the retail market, that are encapsulated in the objectives and principles of the wholesale – retail code

In designing the regulatory arrangements for the new retail market, we are required to act in accordance with our statutory duties and with the guidance we receive from the UK and Welsh Governments. Based on those statutory duties and the guidance we receive from the UK and Welsh Governments, we have developed the following key objectives for our regulatory work in relation to the opening of the new retail market.

1. The new market arrangements must **promote effective competition by:**
 - not creating unnecessary or avoidable barriers to entry or expansion;
 - not creating any undue discrimination between market participants;
 - ensuring, as far as possible, that there is a level playing field between appointed companies and licensed retailers; and
 - encouraging eligible, non-household customers to engage with the market arrangements and support the highest levels of rivalry.
2. **The new market arrangements will continue to protect eligible, non-household customers** where things go wrong by providing:
 - proportionate mechanisms that protect customers in the event that they are harmed through their experience of the market arrangements.
3. The new market arrangements must continue to **ensure that wholesalers remain financeable and are able to carry out their functions by:**
 - not constraining the ability of wholesalers to meet their legal obligations; and
 - allowing an efficient wholesaler to finance their functions.

4. The market arrangements must be efficient and proportionate. This means they must:

- be designed in a way that is economic and efficient; and
- be proportionate, including for small market participants.

As well as our statutory duty to protect consumers, we have a shared vision for the water sector for customers, and wider society, to have trust and confidence in vital public water and wastewater services. Making sure that customers are protected is a key part of this.

Supported by our research and gained broad stakeholder agreement

We have explained in section 4 how the results of our research supports our key proposals around ensuring the regulations apply to all licensed retailers and appointed companies to maintain the minimum standards of protection afforded to customers. We also identified examples that support our proposal to allocate each service standard to wholesale or retail.

There was broad support for our proposals in the written responses to our consultation and at the stakeholder workshops. That said, we received significant but constructive challenge on some of our proposals (in particular the allocations of each service standard to wholesale or retail). These views have directly informed our proposals, and in some cases have resulted in us changing our approach from those included in our September consultation.

Appendix 1: Results of desk-based research

Regulator	Responsibility	How are customers protected?	Does the same protection apply to all non-household customers, including those of new entrants?
Water Industry Commission for Scotland (WICS)	Independent regulator of water and sewerage services in Scotland	<p>Business customers of retailers in Scotland are protected through the Default Standards of service. Licensed providers are required to offer business customers a default level of service for a default tariff. This requirement is in everyone's licences. But the licence condition is suspended for everyone except Business Stream, the incumbent.</p> <p>The Default Standards should cover areas of service that were covered under the Guaranteed Service Standards prior to the introduction of competition to the non-household retail market. The Default Standards should provide protections to customers while not placing a significant burden on new entrants.</p>	<p>Non-household customers are protected through the Default Standards, which licensees must provide for a default tariff as part of the default package. Because these are default levels of service, they are not the same as guaranteed minimum standards of service. The customer protection can vary from provider to provider as customers are free to agree to other services level with providers as part of their negotiation processes.</p> <p>The default package is the Default Services at the Default Standards at no more than the Default Tariffs.</p>
Ofgem	Independent regulator for the electricity and gas companies in England, Scotland and Wales	<p>Ofgem's role is to protect the interests of current and future consumers and to do so, where appropriate, by promoting competition.</p> <p>Among other responsibilities, Ofgem sets statutory complaint-handling standards for the regulated companies and monitors companies' compliance with their licence obligations.</p> <p>Household customers are currently protected through the Guaranteed and Overall Standards of Performance in Energy, which were replaced by the Electricity and Gas (Standards of Performance)</p>	<p>No. Non-compliance may result in enforcement action by the regulator, which would result in a fine for the provider rather than compensation payable to the customer.</p> <p>Micro-business customers are protected under consumer law and licence conditions in the same way as large businesses, but also have some additional protections under a specific Standard of Conduct and the Guaranteed Standard for making and keeping appointments which applies to them in the same way as it applies to household customers.</p>

Customer protection for the retail market: proposal to the Secretary of State and Welsh Ministers for regulations in connection with standards of performance for the supply of water and the provision of sewerage services

Regulator	Responsibility	How are customers protected?	Does the same protection apply to all non-household customers, including those of new entrants?
		<p>(Suppliers) Regulations 2015 on 1 January 2016. These are similar to the guaranteed minimum standards of service in water, which set compensation due to customers if the provider fails to comply with a standard.</p> <p>From 2016, one of the standards on making and keeping appointments will also apply to micro-business customers. Micro-business customers are also covered by specific Standards of Conduct, which require suppliers to treat micro businesses fairly.</p> <p>Customer protection for large non-household users is in the form of licence conditions and compliance with consumer protection law, rather than Guaranteed Standards. This means that the regulator can take enforcement action against the company in the event of non-compliance, but there is no specific redress to the customer in the form of compensation.</p>	<p>There are also differences between gas and electricity. For example, the current guaranteed standard on making and keeping appointments applies to all customers in electricity (including larger businesses) but only to domestic customers in gas.</p> <p>This inconsistency between gas and electricity was removed with the introduction of the new standards on 1 January 2016 as all the standards now apply to household customers, with the appointments standard also applying to micro businesses. There will be no coverage for larger businesses.</p>
Ofcom	Independent regulator and competition authority for UK communication industries – TV and radio sectors, fixed line telecoms, mobiles, postal services and the airwaves over which wireless devices operate	<p>Customers are protected by the General Conditions of Entitlement set by Ofcom which apply to anyone/any company providing an electronic communications service or network.</p> <p>These general conditions include the establishment of procedures, standards and policies in relation to the handling of complaints, provision of remedies and redress for complaints, information about service standards and any other matter Ofcom considers relevant for the protection of customers.</p> <p>Specific provisions within the General Conditions to protect consumers include emergency call numbers, public pay telephones, minimum term contracts,</p>	<p>Micro-businesses (“Small Business Customers” with ten employees or fewer) benefit from similar protections to residential consumers under the General Conditions (with one exception, the ban on contracts of more than two years). There are also General Conditions that apply to all businesses.</p> <p>In relation to all businesses, the conditions which apply are:</p> <ul style="list-style-type: none"> • condition 9.2, 9.3 (excluding 9.3a), 9.5 and 9.6 relating to contracts: • 10 on tariffs: • 11, 12 and 13 on billing; and

Customer protection for the retail market: proposal to the Secretary of State and Welsh Ministers for regulations in connection with standards of performance for the supply of water and the provision of sewerage services

Regulator	Responsibility	How are customers protected?	Does the same protection apply to all non-household customers, including those of new entrants?
		<p>itemised bills, transparency of information, non-payment of bills, price transparency for non-geographic calls, codes of practice and dispute resolution, services for disabled people, quality of service, sales and marketing of mobile and fixed line telephony services.</p> <p>Ofcom is also responsible for setting, monitoring and enforcing statutory complaint handling standards for communications providers. It has established a single code of practice for complaint handling to be adopted by all communications providers, and has approved two ADR schemes.</p> <p>Ofcom also has powers to protect customers under consumer law.</p>	<ul style="list-style-type: none"> • 18 on switching. <p>Small Business Customers receive additional protections in General Conditions:</p> <ul style="list-style-type: none"> • 9.3a on contracts; • 14 and 14.5 on complaints; and • 22 and 23 on mis-selling and switching. <p>General Conditions apply to all communications providers.</p> <p>Where telecoms differs from water, is that there is not a specified redress/compensation where a provider fails to comply with one of the conditions.</p> <p>Any compensation provided is expected to be proportionate to the harm caused to the consumer. Where Ofcom becomes aware that this might not be the case – for example, through a customer complaint – it has the power to take enforcement action and impose a fine on the provider. But the fine goes to the Treasury rather than to the consumer.</p>
Civil Aviation Authority	Independent specialist aviation regulator	<p>The CAA is not an ombudsman and it does not pursue individual claims on behalf of passengers. But it can prosecute companies for failing to meet their obligations under EU-wide compensation regimes. The CAA protects the interests of customers in a number of different ways:</p> <ul style="list-style-type: none"> • It sets airports' (Heathrow's and Gatwick's) price caps, which contain penalties and bonuses if the airports fall short of or exceed certain service quality targets. These cover aspects of service 	Not applicable to non-household customers.

Customer protection for the retail market: proposal to the Secretary of State and Welsh Ministers for regulations in connection with standards of performance for the supply of water and the provision of sewerage services

Regulator	Responsibility	How are customers protected?	Does the same protection apply to all non-household customers, including those of new entrants?
		<p>quality that are directly relevant to passengers (for example, security queue times, cleanliness, seating availability) as well as operational services provided to airlines. The penalties or bonuses lead to adjustments in the level of airport charges that airline pay, but there is no direct mechanism for adjusting fares or paying compensation to passengers (but it cannot intervene in individual cases).</p> <ul style="list-style-type: none"> • It enforces the mandatory EU compensation scheme. Standard compensation is payable by airlines if flights are significantly delayed or cancelled, or if passengers are denied boarding. Passengers can complain to CAA if airlines are not making the payments required under this scheme, and CAA can take formal enforcement measures against airlines (but it cannot intervene in individual cases). • The CAA can take action against airports that do not provide the legally required assistance to disabled passengers or comply with safety and security standards. • The CAA manages the ATOL protection scheme, which protects customers who book flights and holidays through ATOL-licensed firms from losing money or being stranded abroad if the firm goes out of business. 	
UREGNI	Independent non-ministerial government department set up to ensure the effective	Different provisions with respect to customer protection apply to customers of electricity and gas	Yes, but the customer protections vary between utility services and whether the provider is a network operator or retailer. The greatest customer

Customer protection for the retail market: proposal to the Secretary of State and Welsh Ministers for regulations in connection with standards of performance for the supply of water and the provision of sewerage services

Regulator	Responsibility	How are customers protected?	Does the same protection apply to all non-household customers, including those of new entrants?
	<p>regulation of the electricity, gas and water and sewerage industries in Northern Ireland.</p>	<p>companies in Northern Ireland, and to retail and network companies.</p> <p>Standards of Performance for network companies (GDNs) are made up of two kinds of standards: “Guaranteed Standards” (applicable at the individual customer level) and “Overall Standards” (targets applicable to the general customer body level). Both types tell customers precisely what level of service they can expect from their GDN in each area of service covered. Where a company fails to achieve a guaranteed standard, there is a payment due to the customer(s) impacted – either automatically or by way of a claim made by the customer. There are no payments attached to overall standards but the data gathered can be published for reputational purposes.</p> <p>The above standards also apply to gas retail companies and customers will also be compensated by way of a payment where the standards fail to be applied. These guaranteed standards do not as yet apply to electricity retail companies or to Northern Ireland Water (the sole water wholesaler and retailer). This is an upcoming project.</p> <p>However, customers of electricity and gas retailers and Northern Ireland Water are protected by licence conditions within supply licences, codes of practice (including the mandatory marketing code of practice) and requirements under market procedures. Non-compliance with market conditions or codes can result in the enforcement action by the regulator and financial penalties.</p>	<p>protections apply for the network gas and electricity companies and the electricity and gas retail companies.</p>

Customer protection for the retail market: proposal to the Secretary of State and Welsh Ministers for regulations in connection with standards of performance for the supply of water and the provision of sewerage services

Regulator	Responsibility	How are customers protected?	Does the same protection apply to all non-household customers, including those of new entrants?
ORR	Independent safety and economic regulator for Britain's railways and monitor of Highways England	<p>ORR works to ensure that the rail market is fair – for passengers, freight customers, railway operators and taxpayers.</p> <p>It has powers under consumer law with regard to the railways. Consumer law aims to ensure that businesses are fair and open in their dealings with consumers.</p> <p>In addition to such general rights, consumers of rail services are protected by certain industry specific arrangements when trains are delayed or cancelled. These rights are set out in the National Rail Conditions of Carriage (NRCoC) and individual train companies' Passenger's Charters, and they form part of the contract between the passenger and the train company.</p> <p>The NRCoC apply to every train operator. They set out the minimum compensation, which is reflected in the charter. An individual operator's charter may be more generous, and is superseded where the franchise requires the Delay Repay arrangements. Non-franchised operators are only subject to the NRCoC – not Delay Repay, so the overall minimum applies but compensation may still vary.</p> <p>In addition to this, train (and station) operators are subject to licence conditions relating to:</p> <ul style="list-style-type: none"> • having an approved complaint handling process, and complying with this; • having a 'disabled person protection policy', which sets out the operators' practices and information to assist disabled passengers including meeting 	Not applicable to non-household customers.

Customer protection for the retail market: proposal to the Secretary of State and Welsh Ministers for regulations in connection with standards of performance for the supply of water and the provision of sewerage services

Regulator	Responsibility	How are customers protected?	Does the same protection apply to all non-household customers, including those of new entrants?
		<p>specific minimum standards or requirements – for example, providing a national booking service, treatment of mobility scooters and assistance at stations; and</p> <ul style="list-style-type: none">• setting out requirements to provide information to passengers during disruption, ensuring that disruptions are handled well and passengers kept informed.	

Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales. Our vision is to be a trusted and respected regulator, working at the leading edge, challenging ourselves and others to build trust and confidence in water.

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