

GSS Consultation
Ofwat
21 Bloomsbury Street
London
WC1B 3HF

By email to : GSS.Consultation@ofwat.gsi.gov.uk

We are pleased to have the opportunity to offer our comments in response to the call for evidence on changes to the Guaranteed Standards Scheme (GSS). Before considering the specific questions posed by the consultation document, we offer these general comments:

- The GSS Regulations are relatively complex. For us, we have to determine whether an event requiring compensation has occurred, which customers are eligible, whether a penalty payment is payable, how much to pay and how to make the payment. Customers also need to be able to understand the circumstances under which they might expect compensation. It is very important to keep any arrangements as simple as possible if the burden of administering the Regulations, and the associated financial cost, are to remain proportionate to the payments made and if customers are to remain confident that their statutory rights are being upheld. We would ask that this principle of simplicity is borne in mind if changes to the Regulations are proposed.
- We often go beyond GSS. For significant events, such as lengthy interruptions, we typically pay a larger amount than the Regulations require. The amount of the payment we make will be bespoke to the incident and is determined by the scale of the impact on the customers. Furthermore, if we are to pay compensation beyond the statutory levels we often find it is better to compensate a community in the form of, say, a new village amenity than to offer individual small sums which, to some customers, are relatively insignificant.
- Finally, we would observe that the need to contain GSS payments is not a significant driver of behaviour when we are responding to service failures. Bigger considerations to us are the impact on ODIs, including SIM, our reputation and our public service obligation. We would not expect this to change.

Arrangements for when supply is not restored

1. Adjusting the levels of compensation for supply not being restored under the GSS arrangements.

- a) Should the levels of compensation for supply not being restored under the GSS arrangements be maintained or increased?

Provided Parliament considers that a statutory compensation scheme is still appropriate for the water industry, we agree that the rates for supply not being restored should be increased.

- b) Could an increase in the minimum level result in companies paying less compensation to customers than they currently do by encouraging them to not exceed a higher minimum? If so, how could this be addressed?

There is certainly a risk of this happening. However, as set out above, we tend to offer packages of compensation according to the circumstances of the particular service failure and often go well beyond the levels of the statutory obligations. We would expect to continue doing this irrespective of any changes to the GSS payment levels.

2. Payment thresholds and exemptions for supply not being restored.

- a) Should these thresholds be changed in any way (e.g. brought forward, reduce the length of time between graduations)? If so, how and why?

Please see our response to the following question.

- b) Should compensation increase by a larger amount the longer disruption lasts (i.e. exponential)?

We agree that the current payment structure is odd, with residential customers receiving £20 for an interruption of more than 12 hours then only £10 for each additional 24 hours. Given that the inconvenience of disruption increases with time, we think that some form of stepped payment structure would be better matched to customers' needs.

- c) Should there be any changes made to the current exemptions to the GSS for supply not being restored?

We do not think any extension to the exemptions is required.

3. Other areas to consider relating to compensation for supply not being restored.

- a) Should GSS be expanded beyond supply interruptions to cover supply restrictions, such as temporary use bans?

We would strongly oppose the expansion of GSS to cover temporary use bans (TUBs). The imposition of a TUB is a legitimate strategy for coping with temporary water resource challenges, necessary to avoid environmental damage and to reduce the risk of further, more stringent supply restrictions. We think the decision on whether or not to apply a TUB should not be compromised by considerations of the potential GSS cost. Furthermore, we promote Waterwise messages to our customers in the interests of environmental quality and the ability of our region to develop sustainably. To pay a compensatory amount for asking customers to save water risks undermining these messages.

- b) Are there any other changes to the arrangements we should consider relating to payments for supply not being restored to ensure that customers receive fair, fast and free from hassle compensation?

We have no suggestions on this.

Arrangements for all payments under the GSS

4. Adjusting all payments under the GSS by inflation.

- a) All payments could be increased by inflation retrospectively from 2001 when the levels of compensation were last changed. Would this approach be reasonable and proportionate?

This would seem a reasonable step, given the length of time since GSS levels were set. We would ask that changes to payments were signalled well in advance of the new rates taking effect and that there would be no retrospective application.

- b) All payments could be price inflated automatically in future. Would this approach be reasonable and proportionate?

We would not be opposed to this in principle. However, to maintain our principle of simplicity, we suggest that rates should not change annually and should always be expressed in whole pounds. We would therefore oppose an annual automatic indexation.

We suggest it would be preferable to review GSS payments less frequently – say, every five years. If necessary, a reasonable allowance for future inflation could be factored in to keep payment levels at whole pounds.

5. GSS arrangements for different types of customers.

- a) Should the arrangements differentiate between compensation for businesses of different sizes (e.g. big businesses and SMEs)? If so, what approaches could be adopted in order to do differentiate fairly?

At current payment levels it is highly questionable whether GSS is relevant for large non-household customers. It is important to note that we would consider other forms of compensation where large business customers have suffered financial loss due to a service failure. In some circumstances customers could consider legal action.

If differential payments levels were to be introduced, the criteria on which we might differentiate between businesses of different sizes are not obvious. The scale of the impact is determined by the nature of the business rather than the size of it. For example, a small hairdresser may be more severely impacted by a supply interruption than a large manufacturing company whose use of water is less critical. Furthermore, the criteria which may appear well suited to one service failure covered by GSS may not be appropriate to another. Having a different set of criteria for each Standard would inevitably introduce further complexity into the Regulations.

There is also a practical problem with this suggestion in that we would not necessarily hold the information within our systems to allow us to apply the determining criteria accurately.

- b) Should there be different compensation arrangements for customers in vulnerable circumstances? If so, what approaches could be adopted in order to do differentiate fairly?

We would caution against an over-simplistic approach. The impact of a service failure is not necessarily greater because someone is in a vulnerable circumstance; the definition of 'vulnerable circumstance' is very varied and covers many differing scenarios.

In the event of a service failure the key is to ensure the company's response meets the need of the customer rather than to increase monetary compensation. We would expect that any customer in vulnerable circumstances would be on the Priority Services Register and in turn would receive the appropriate extra care service during an incident appropriate to their particular needs. Our PR19 sets out a comprehensive package of plans to improve the support we provide to customers in vulnerable circumstances, which we think will deliver substantially greater benefit than changes to GSS payments.

6. Are there any other changes to the arrangements we should consider relating to all compensation payments under the GSS to ensure that customers receive fair, fast and free from hassle compensation?

Paragraph 16 of the current Regulations requires that companies 'must, at least once in each financial year, give every customer to whom it sends an account in that year a detailed statement of the rights provided by these Regulations.' In common with other companies we draw attention to the Regulations in our billing literature and provide the detail in our online customer code of practice. We suggest that paragraph 16 is amended to bring it into line with modern practice.

We are also concerned that the Regulation regarding appointments may be a barrier to customer service improvements. To meet customers' expectations, we would like to offer more appointments in narrower time windows. However, we are dissuaded from doing this by the administrative burden of monitoring the large number of appointments that we might make. We suggest the form of this Regulation should be amended and would be happy to contribute to discussions about how this could be achieved whilst still providing the intended protection to customers.