

Call for evidence consultation – Guaranteed Standards Scheme (GSS)

Jaguar Land Rover (JLR) welcome the opportunity to respond to your consultation.

Background - Preamble

JLR believe it is important to respond to this consultation following a year in which water issues have caused significant disruption to its business operations. JLR's position as a world class motor manufacturing organisation relies on its suppliers to provide comparable levels of service coupled with guaranteed security of supply. This is not in relation singularly to utilities, but also across the entire supply chain. JLR operate manufacturing plants in the UK, Europe and across the world. In the UK, JLR have identified significant short falls in the standard of security of supply both in water and power infrastructure. In the UK these have not kept pace with standards in the rest of the world. The lack of investment in infrastructure to support the resilience of water supplies is clearly evident. And it is also looking that within the power industry, with the advent of vehicle electrification, will be challenged in a similar fashion.

De-regulation within the water market has compounded issues in an industry that has spent millions preparing for this process. However it cannot provide the basic requirement of water supply to our business securely or bill correctly in a timely manner. JLR are struggling to see the advantages of a deregulated market that has no national water infrastructure. Evidently when we look at the national infrastructure for gas and power the benefits of this approach are self-evident. Allowing for security of supply and national control.

This brings us onto the Guaranteed Standards of Service. It is JLR's position that these are not fit for purpose for an organisation such as JLR, which uses in excess of 1.7 mega litres per annum. The GSS provide little in terms of acknowledgments of responsibility or recompense where appropriate. All JLR require is clean water, the waste removed and in some cases the trade effluent to be treated. In addition, security of supply of 24 hours per day 365 days per year. At this juncture JLR will not be pursuing any form of compensation. The priority is security of supply and adequate water pressure to protect the manufacturing process. JLR have now invested in increased storage facilities at two sites. This increased resilience will provide water for up to 36 hours. However it is not practicable at all sites to store water in this manner. When we consider the volume of water involved (the equivalent of an Olympic swimming pool) it is easier to understand challenges faced. Moreover, at the Gaydon site, Severn Trent are unable provide water at the required pressure to fill our storage tanks at night to last the following day. They have proven to be slow at providing solutions to this site critical issue.

Security of water and waste supply is a major concern to JLR. Our Solihull site had its water supply switched off this year incurring millions of pounds in lost revenue to JLR and Suppliers. We recognise the rationale behind turning the water supply off, to support water repairs and security of supply to Hospitals etc. However, JLR believe that GSS had no effect on Severn Trent who simply quoted the Water Act and what the minimum level of support they have to supply in an emergency is.

At the Gaydon site JLR have carried out extensive works to maintain viability and security of supply. This includes a new larger bore pipe from the external reservoir into site. JLR has also upgraded the storage tanks to increase capacity and make them modern and fit for purpose. However, the water pressure is so low that it is not possible to fully top up the water during the night. Therefore we have to wait until the weekends to fully top up our newly installed storage tanks. JLR have significant concerns that over the next 5 years building is taking place in the Gaydon area with an additional 2,500 homes that are being fed from this existing reservoir. At this stage has any thought been given by Severn Trent as to how this will affect not only JLR but also existing domestic customers?

Response to your Water Consultation Questions:

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?

JLR Response: As discussed, JLR believe that Ofwat and the Wholesaler have a duty to invest in the water and waste infrastructure rather than talking about levels of compensation. This is because they are best placed to provide resilience and security of supply and treatment of waste as they are the experts in this area.

The relationship between Wholesaler and Retailer needs to be vastly improved and something MOSL and Ofwat have ignored whilst trying to develop a competitive market. JLR do not expect that the role of the regulator is to manage either the Wholesaler or the Retailer on a day to day basis. However clearly the output of the relationship between wholesaler and retailer affects all Customers in different ways. For example we have meters and data loggers that do not work and it is almost impossible to obtain confirmation of dates for installation or attending site via Severn Trent. In Gas and Power, clear SLA's and dates are provided in a timely manner. Wholesalers should guarantee to replace a faulty meter or data logger within 10 working days and water should be provided free to customers until these are replaced. This works to encourage better performance and practices.

On reviewing the reporting measures it could be advisable that the weekly performance of both Wholesaler and Retailer are publish on the website. With regards to billing, it could be that invoices aged over 6 months should be void. JLR have been receiving bills recently that are nearly two years old. These predate market deregulation. Ofwat should consider within the GSS including billing performance for each retailer and wholesaler. Penalties such as stopping the acquisition of new sales until their billing performance reaches an agreed SLA could be part of the solution.

JLR would also recommend a national emergency help line to be set up by wholesalers and Ofwat. This would help to provide clear communication in emergencies. One solution could be a traffic light system to provide daily updates and assurance that the network is operating correctly.

With water supplies being challenged over the summer another proposal may be that reservoirs could adopt the traffic light system for storage availability to reassure customers.

It was also clear this year that a number of water companies said the demand for water was so great that they could not process clean water quick enough, again reaffirming that JLR's concern that a lack of investment by the water industry regulator and the water companies is causing great concern that investment in the UK is fragile.

£50 compensation for effectively closing a factory that cost millions of pounds to run is not acceptable. If you were to introduce a linear compensation model based on daily water, waste and trade effluent use by an individual, multiplied by a formula. This would be a more commensurate model.

For example. Most business operate 8 hours per day on a standard business operation. Therefore compensation is paid for a full day of water, waste, trade effluent every 8 hours off the supply turned off multiplied by 7 days for inconvenience caused. Clearly this would not compensate JLR in this example as it would cost us far more in production losses.

Maybe greater than 24 hours we should be looking at compensation of a Months bill

JLR fundamentally believe Ofwat need to increase the speed that water companies are required to invest in building better infrastructure in terms of new reservoirs. Creating a national system linked to each area. Increasing the capacity to cleanse drinking water and maintain better water pressure. This is seen as being far more important than a peppercorn sum of compensation.

JLR also believe that the compensation paid out to business should also be replicated in compensation to Ofwat to re-invest in infrastructure development.

To reiterate, for JLR water is a fundamental component in producing vehicles. Therefore, without it, we cannot operate. If security of supply cannot be guaranteed then measures need to be put in place to penalise the wholesaler and the retailer. Not a token gesture of £50 compensation.

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?

As above in a) JLR believe changes are needed to the Water Act to prevent wholesaler and retailers hiding behind what is classed as an emergency and what is their obligation. It is no use introducing improvements in GSS if you allow companies to quote “force majeure”. In cases of frost or a dry summer that has clearly been a challenge in the production of fresh water and water pressure. Most people acknowledge that the change in the world climate is causing changes in seasons and weather patterns and improvements in the infrastructure are needed.

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?

JLR have responded in 1 a) and b).

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

Yes as responded in 1 a) and b). However, for clarification. £50 compensation is not acceptable to a business that uses large volumes of water and should be based on total daily use plus a formula to put pressure on water wholesalers and retailers to perform their statutory obligation to provide services.

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

Yes, we need to remove heat waves, cold spells, from the Water Act over the next 5 years and ensure all water companies both retailer and wholesaler have the ability to provide resilience of supply, both in terms of cleaning water, providing storage in reservoirs coupled with guaranteed water pressure, and only leave in national disasters etc.

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?

JLR believe that many interruptions are inevitable. However it is more about how these are managed. Clear communications are of vital important and good emergency procedures are worth

investing in. Something that has not been evident between WaterPlus and Severn Trent. A lower water pressure limit should be set nationally and failure to attain this should be added to GSS.

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?

JLR have answered already some of its concerns fully

4. Adjusting all payments under the GSS by inflation. Call for evidence consultation – Guaranteed Standards Scheme (GSS) 8

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?

If you adapted this process with a rate of inflation at 2% per year for the past 17 years the increase would be approximately £67. This is wholly inadequate to ensure that wholesalers and retailers focus their efforts on investing in the future.

JLR have previously proposed a method for compensation, and would welcome the opportunity to work with Ofwat to come up with alternatives if you decide to have a working group.

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

As per 4 a

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?

JLR responded on this previously but it should be proportional to the daily bill for water, waste and trade effluent. This would be fairer for all customers then.

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?

JLR cannot comment on this from a domestic point of view

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?

JLR just want to reinforce the situation that GSS should always be a last resort and should be reflective of the price paid daily in linear position.

However JLR believe the four fundamental needs that require addressing by Ofwat are;

- Increased water storage by wholesaler
- Increased capacity of water cleaning
- Standardise and maintain water pressure
- Security of supply – linked to better communication