

## Call for evidence consultation – Guaranteed Standards Scheme (GSS)

### Response from Northumbrian Water Limited

Further to the call for evidence consultation launched on 2 August 2018 about whether changes to the GSS are needed and, if so, what form they should take, this is the response from Northumbrian Water Limited (NWL).

#### Overview

NWL supplies water and sewerage services to just under 4.4 million people. Water is supplied to 794,000 properties in Essex & Suffolk, with water and sewerage services provided to 1.3 million properties in the North.

Our mission is to be national leader and we believe this means providing an unrivalled customer experience to our customers, all of the time. Whilst we strive to take all necessary steps to ensure our customers enjoy positive experiences when dealing with us, we also accept that from time-to-time, things will go wrong. If this happens, it is imperative that we put things right quickly and fairly, without hassle, and that customers receive a level of compensation that reflects the scale and scope of any service failure(s).

In practice, this means that we have rigorous processes and procedures in place to ensure that any and all customers who do not enjoy the service levels we expect for them, receive appropriate statutory GSS payments *as a minimum*. Because we strive to be national leader and provide an unrivalled customer experience, we also have our own published Company Customer Charter (CCC) in place, as well as having identified a range of Enhanced Guaranteed Standards of Service (EGSS) – together, these mean we offer a higher and more wide-reaching suite of compensation payments to our customers should our services not meet the very high standards we set and expect of ourselves.

To give an example, one of these is a 'services below expectations' payment – the rationale for this is that we empower our people to recognise when we have not provided the exemplar service we strive for, and allow them to put this right for our customers by making a payment – or providing flowers, gift vouchers or a hamper – and saying sorry. We find this incredibly powerful and believe it helps to provide an unrivalled customer experience, 'wowing' our customers and going further than statutory requirements, in order to show we care about the small number of cases where things go wrong.

We plan to begin a full review of these enhanced customer promises later this year.

Full details of our own suite of standards are provided in the Appendix to this response.

As such, we welcome this call for evidence consultation and are pleased to share our responses and suggestions for making our water industry even more customer-centric, with a clear focus on ensuring that, where appropriate, customers receive fair, fast and free from hassle compensation.

We would also be delighted to contribute to the workshop – and any other appropriate discussions – outlined in the mail inviting us to take part in this call for evidence consultation. We remain committed to working with industry peers to resolve issues and continually drive forward higher standards of customer service.

In line with your request for earlier responses and to aid your analysis, our thoughts are provided below. For ease of reference, we have set out to answer the questions posed in the order presented in the call for evidence consultation, and have replicated Ofwat's numbering sequence. For ease of reading, text from the publication is shown in [blue](#).

## Call for evidence questions as published

### 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*?

We believe that the levels of compensation for supply not being restored should be increased under the GSS arrangements.

We believe that the water industry needs to do more to drive differentiated service – we call this providing an unrivalled customer experience – and we believe that an increase to compensation levels should be applied in order to encourage this, as well as to acknowledge that there has been no material increase since 2001.

Further, we believe that payments should be increased to reflect the level(s) of inconvenience our customers experience. We would fully support an increase on or just above the level of inflation outlined in the consultation documentation; for example if the £20 payment was rounded up to a more appropriate figure of £30 rather than strictly in line with inflation payment which would be £28. We think incremental values of £10 make sense as it will be easier for customers to understand and simpler to administer.

##### 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?*

Our ambition is to be national leader and to provide an unrivalled customer experience to our customers; increasing the minimum level would not result in NWL looking to pay less compensation to customers if the service they received fell below the standards we expect – and we have our CCC and service below expectations payments to ensure we're transparent in this.

We also believe that the risk of other companies reducing levels of appropriate payments would be low, and that the industry as a whole is committed to improving the standards of care provided to customers – particularly in cases where things have gone wrong.

We think that the Performance Commitment (PC) and Outcomes Delivery Incentives (ODI) regime is a much more powerful incentive for companies to do the right thing when it comes to customer service performance, and don't therefore believe that changes at this level will have a negative impact.

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

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

We support the principle of changing the payment thresholds, and increasing them, albeit with the introduction of a cap which would be applied to all customer cases.

Our experience, and insight gathered from our customers, tells us that customers may respond more positively to GSS payments being triggered at an earlier point in their journey; ie. at the 12 and 24 hour point for household and non-household customers respectively.

We also believe that further payments being triggered on a reduced graduation basis (say from 24 to 12 hours) would be well-received by customers. We believe this may better reflect how customers feel and react to the inconvenience of an interruption to supply; we also think it may better focus companies on providing a more timely response to these interruptions. We believe a 'cap' should be considered in tandem, and be introduced alongside any changes to value or frequency of payment.

NWL has been industry leading in relation to interruptions to supply for a number of years now, and we already have in place an EGSS service standard in relation to this point as we believe it is the right and fair thing to do for our customers.

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

We support the principle of compensation levels increasing exponentially in correlation to the length of a disruption to supply – as stated in question 2a) above, we would also suggest, at the same time, the introduction of a 'cap' to the overall level of GSS compensation that could be applied per customer. We would be happy to discuss payment levels at a future opportunity.

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

We believe the current exemptions are fair and reasonable and so no changes are necessary.

**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 support the principle of a GSS payment being introduced to cover supply restrictions such as temporary use bans. We believe this would help the industry continue to strive to improve its overall service standards, and to manage water resources wisely and in a sustainable and resilient way.

We would support the principle either of a set GSS payment, or something like the refund of the company's daily water charge for the duration of the restriction. Again, we would be happy to discuss payment levels at a future opportunity.

It may be worth noting that in our NWL CCC we already have a payment outlined for when we enact emergency drought restrictions, and the subject of payments in the event of supply restrictions is something we will be reviewing in our own internal review scheduled for later this year.

*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 believe that the current standards and their associated timelines – taking into account the normal penalty payment arrangements – are sufficiently rigorous to ensure a fair, fast and free from hassle compensation arrangement.

## 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?*

We would support this principle, and believe the approach to be both reasonable and proportionate. Please see our answer to question 1a) to cross-reference.

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

We support the principle of automatic price inflation in the future and would suggest that any amendments to payments be tied into the five year price review cycle to ensure that the approach is both reasonable and proportionate.

To explain our position, we support the principle of applying inflation and think it is the right thing to do for our customers. However, there is a balance to be struck between: amending compensatory payments to take into account inflation; keeping things clear and easy-to-understand for our customers; and keeping things simple and fair to administer for all businesses in the water industry.

For example, if inflationary changes were to be applied every year, then it is likely that there would be 'odd' amounts to be levied as a payment: we believe it would be better to 'wrap up' the changes to coincide with our price review periods, and then amend the inflationary payment (in favour of the customer, of course) to reach a rounded payment figure – ie. to the nearest £5 or £10 increment. This would be more straight forward for customers, easier to explain, and also more straightforward to account for.

This would also be a more reasonable and proportionate approach in respect of the administrative burden that would be placed upon all companies in the water industry who would be compelled to react to the changes; to reconfigure systems, to change all print and online marketing collateral, customer literature and company websites etc. on a more frequent basis would be both costly and disproportionate, and with very little positive upside for customers.

### 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?*

We believe that it would be very complicated to do this, and we don't believe it would have a positive impact on businesses commensurate with the effort expended in making the changes.

In our experience, many companies have their own insurances and indemnities in place and do not see value in the payments we are bound to pay them through GSS in cases of interruptions to service etc.

We have examples where companies find it more expensive to cover the administration cost of receiving a cheque from the water industry than the cheque itself is worth, and therefore they do not seek to cash it. The same is true of the application of a 'credit' to business accounts; this causes more challenge for the company than if no payment were made, as it throws up anomalies with their finance departments and the cost of dealing with the credit outweighs the value of the credit itself.

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 believe that our approach to dealing with customers in vulnerable circumstances focuses on delivering unrivalled service. In our Inclusivity Strategy, launched in May this year, we set out our industry leading ambition to make sure customers who require extra help and support can enjoy it easily. Our 2020 to 2025 Business Plan also establishes measures to ensure our performance and the customer experiences we offer reflects this.

We are confident customers who register with our Priority Services Register (PSR) receive a positive experience in challenging circumstances, alongside fair, fast and free from hassle compensation payments in situations where those may be necessary.

We believe further differentiation would be difficult to apply, as well as complex to accurately measure, and challenging to ensure the right customers benefit.

**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?**

We believe that the principles already in place under the GSS – alongside the changes we've suggested – provide a comprehensive and well-structured suite of guidelines that will ensure the water industry continues to provide, and strive for even greater, standards of customer care.

A further amendment we believe could add further differentiation is the extension of the principles in place as regards automatic payments for issues like sewer flooding. Whilst this may require some changes to working practices, it could be a useful tool to support the fair, fast and free from hassle principles of this call for evidence consultation. We would support this principle and would welcome the opportunity to further discuss its potential inclusion.

We would also advocate and support a wider benchmarking exercise to review how water sector standards of service compare with other sectors such as electricity and gas. This would provide comparisons to an open market and is something we will do as part of our own review later this year.

  
Customer Director  
Northumbrian Water Limited

**Appendix - Table of payment categories – GSS (Guaranteed Standards), EGSS (Enhanced GSS) and CCC (NWL Company Customer Charter)**

Payment Category	Payment Amount		GSS/EGSS/CCC	Automatic/Claimed
	Household	Non-Household		
Appointments	£30.00	£30.00	EGSS	Automatic
Penalty – Appointments	£20.00	£20.00	EGSS	Claimed
Account Enquiries	£20.00	N/A	GSS	Automatic
Penalty - Account Enquiries	£20.00	N/A	EGSS	Claimed
Payment Arrangement Refusals	£20.00	N/A	GSS	Automatic
Penalty – Payment Arrangement Refusals	£20.00	N/A	GSS	Claimed
Written Complaints	£50.00	£50.00	EGSS	Automatic
Penalty – Written Complaints	£20.00	£20.00	EGSS	Claimed
Telephone Account Enquiries	£20.00	N/A	GSS	Automatic
Penalty – Telephone Account Enquiries	£20.00	N/A	EGSS	Claimed
Telephone Complaints	£50.00	£50.00	EGSS	Automatic
Penalty – Telephone Complaints	£20.00	£20.00	EGSS	Claimed
Planned Interruption 1-4hrs	£20.00	£50.00	EGSS	Automatic
Planned Interruption 1-4hrs - Additional 24hr Payment	£10.00	£25.00	EGSS	Automatic
Penalty - Planned Interruption 1-4hrs	£20.00	£50.00	EGSS	Automatic
Planned Interruption >4hrs	£20.00	£50.00	GSS	Automatic
Planned Interruption >4hrs - Additional 24hr Payment	£10.00	£25.00	GSS	Automatic
Penalty - Planned Interruption >4hrs	£20.00	£50.00	GSS	Automatic
Unplanned Interruption Restore 12hrs	£20.00	£50.00	GSS	Automatic
Unplanned Interruption Restore 12hrs – Additional 24hr Payment	£10.00	£25.00	GSS	Automatic
Penalty - Unplanned Interruption Restore 12hrs	£20.00	£50.00	GSS	Automatic
Unplanned Interruption - Strategic Main - 24hrs	£20.00	£50.00	EGSS	Automatic
Unplanned Interruption - Strategic Main - 24hrs - Additional 24hr Payment	£10.00	£25.00	EGSS	Automatic
Penalty - Unplanned Interruption - Strategic Main - 24hrs	£20.00	£50.00	EGSS	Automatic
Interruptions – Drought	£20.00	£50.00	EGSS	Automatic
Water Pressure	£25.00	£25.00	GSS	Automatic
Sewer Flooding – Internal	100% of annual sewerage charge or statutory minimum of £150.00 (whichever is greater up to £1,000).	100% of annual sewerage charge or statutory minimum of £150.00 (whichever is greater up to £1,000).	GSS	Automatic
Penalty - Sewer Flooding – Internal	£20.00	£50.00	GSS	Automatic

Sewer Flooding – External	50% of annual sewerage charge or statutory minimum of £75.00 (whichever is greater up to £500).	50% of annual sewerage charge or statutory minimum of £75.00 (whichever is greater up to £500).	GSS	Automatic
Penalty - Sewer Flooding – External	£20.00	£50.00	GSS	Automatic
Sewer Flooding - Service Below Expectations	Where a customer has claimed for sewer flooding outside of three months we will make a payment equivalent to the amount a customer would have received under GSS.	Where a customer has claimed for sewer flooding outside of three months we will make a payment equivalent to the amount a customer would have received under GSS.	EGSS	Claimed
Blocked Access – Access to a household property is blocked by planned non-emergency work with no prior warning	£20.00	N/A	CCC	Claimed
Meter Reading Once a Year - Provide a bill based on an actual read in a year (April to March)	£20.00	N/A	CCC	Automatic
Leakage Allowance – Customer’s account credited for water lost through leakage (subject to certain criteria)	Amount dependant on consumption registered	N/A	CCC	Claimed
Discoloured Water Allowance – customer account credited for running supply due to discolouration	Amount equivalent to 5m <sup>3</sup> of water	N/A	CCC	Claimed
Failure to Withhold Debt Recovery (when a debt advice agency or CCWater has asked to place a hold on recovery)	£50.00	N/A	CCC	Claimed
Summons Issued in Error (when the customer has already paid)	£100.00	N/A	CCC	Claimed
Judgment Set Aside/Default registered in error	£150.00	N/A	CCC	Automatic
Repeated Unplanned Interruptions in a year (April to March)	£20.00	£20.00	CCC	Automatic
Water Flooding – Main living area of property flooded	100% annual water service charge or minimum £100 (whichever is greater up to £1,000).	N/A	CCC	Claimed
Water Quality – Attendance within 4hrs following a report of illness	£30.00	N/A	CCC	Automatic
Boil Water Notice (Where notice period exceeds 72hrs)	£20.00	N/A	CCC	Automatic

Stained Washing (following discoloured water)	Amount equivalent to replace items damaged	N/A	CCC	Claimed
Emergency Fund – Customers without household insurance may apply for a contribution towards damaged household items following sewer flooding.	Amount judged on a case by case basis	N/A	CCC	Claimed
Customer Assurance Scheme – Goodwill discretionary payments are made for Service Below Expectations, Inconvenience and Loss or Damage	Amount judged on a case by case basis	N/A	CCC	Claimed