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Ofwat  
Centre City Tower  
7 Hill Street Birmingham  
B5 4UA

**Registered Office:**  
Portsmouth Water Ltd  
PO Box 8  
Havant  
Hampshire PO9 1LG

Tel: 023 9249 9888  
Fax: 023 9245 3632  
Web: [www.portsmouthwater.co.uk](http://www.portsmouthwater.co.uk)

Dear Ofwat,

We are highly supportive of doing the right thing for our customers. A key part of this is recognising when we have failed to meet agreed standards and compensating customers accordingly. This is supported by the fact that we currently make enhanced GSS payments to all domestic customers.

In reviewing GSS payments we feel that there is an opportunity to consider whether fixed, industry-wide values continue to be the most appropriate approach. In particular whether these are proportionate to the level of bill. For example, with an average bill of c£100 our £30 enhanced payment represents a significant proportion of the customer's bill. This is not the case for other companies with much larger bills. Whilst we recognise that the value to customers of a loss of supply is greater than what they pay, fundamentally it feels equitable that the GSS payment be proportionate to the level of bill payment that the customer makes for the Water Company's services.

***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?*

There is an argument that GSS payments should be raised, however, it should also be recognised that for many companies, including Portsmouth Water, bills have fallen in real terms and therefore the increase should not be indexed to inflation.

*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?*

This is a real possibility but should not be a problem if the minimum levels are appropriate.

***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?*

We believe the thresholds are appropriate, customers generally accept that events happen and for shorter durations are more interested in communication than compensation.

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

We would support an increase in compensation the longer the event lasts (although possibly an exponential curve may not be appropriate and a linear or “kinked curve” may be more proportionate). The value of inconvenience to customers certainly increases and the compensation should reflect this. However, it should also be proportionate to the underlying bill level as we have noted above.

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

We do not believe there should be any changes, we do not see any issues with these exemptions.

**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 do not support, or feel it appropriate, to expand GSS payments for the use of TUBs, where the Company is meeting its level of service promised to customers. For example, our Statutory Drought Plan calls for TUBs in an event of greater than 1 in 20-year scenario. In such a scenario, it would not be appropriate to pay GSS and would create an incentive to take risks which could impact supplies to a greater level and impact the environment. However, where TUBs are imposed outside of the level of service promised to customers GSS should apply.

*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 the current arrangements provide timely compensation.

**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?*

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

Rather than linking payment levels to inflation we feel that a more appropriate approach would be to link them to a percentage of bill level. This gives a direct relationship between the “loss of service” experienced and the payment that the customer has made for that service. It should also be noted that many bills have fallen in real terms over time (as noted above) and therefore an inflationary increase would not seem appropriate.

**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 understand that different types of business can have a differing level of impact as a result of loss of supply etc. There may also be a variation in the extent to which business customers can take out forms of insurance for business interruption. A compensation approach which related to bill level (for the particular site effected) may therefore be the most effective approach. This could be applied as a sliding scale if eg it were felt that SMEs should receive a proportionately larger compensation than larger customers.

*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 understand the relevance of giving larger compensation to those customers who may be more significantly impacted. It could be the case that enhanced compensation be given to those vulnerable customers who have registered with the Company as having particular need for water eg those with particular medical conditions.

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 have no further comments in addition to those covered above.