

South East Water Response to Ofwat call for Evidence Consultation:

Guaranteed Standards Scheme (GSS)

We welcome the opportunity to respond to the consultation on the Guaranteed Standards Scheme, (GSS) with particular emphasis on payments to customers following interruptions to their water supplies.

We believe the GSS continues to play an important role across the industry, in providing a consistent and transparent approach to payments for failure to deliver minimum levels of service.

We support the adjustment of GSS payments to reflect inflation, and that, in future, this should be reviewed in step with regulatory price reviews.

While we think that a reducing payment scale is not appropriate, and that a simple, daily payment should be introduced.

We also support the removal of exemptions. Customers expect their water company to provide a continual water supply, and the current GSS payment exemptions would not be understood or supported if applied. For example, the recent weather conditions in March provided an exemption for payments for the Freeze-Thaw interruptions, but we, along with the other companies impacted by the event, made goodwill payments beyond the statutory levels.

Response to 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?

We support the proposal to increase all GSS payments in line with inflation.

On order to keep the system fair, fast and free from administration burden, we would recommend that payments should be kept to multiples of £5, with the payments for an interruption of >12hrs rising to £30 for a household, and to £70 for businesses.

An adjusted household GSS payment of £30 for non-return to supply following an interruption of >12 hours is the equivalent of almost 60 days water charges using the 2018-19 average UK household water supply bill, and an interruption exceeding 48 hours would result in a payment equivalent to almost half the average household water supply bill for a year.

In addition to supporting an increase to the current GSS payments, we also support the continuing review of payments, in step with regulatory price reviews. See 4(b) below), and an increase to payments for interruptions exceeding 24hrs, and for each subsequent 24hr period. See X.n below.

- 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?**

We believe that the current thresholds for payments are clear and well understood and therefore we don't support a higher minimum threshold, and therefore don't believe that increasing the GSS payments for Supply not Restored will result in companies making fewer payments.

South East Water has regularly made goodwill payments to customers in circumstances falling outside of the GGS provisions, and we support the removal of the current exemptions, making the scheme even simpler.

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 GSS payments for Supply not restored could be simplified.

Currently, the first payment is made for an interruption exceeding 12hrs. Further payments are made for each period of 24hrs beyond this, i.e. 12hr, then 36hr, 60hr, etc.

We would propose that payments are simply made for each day that a customer's supply is interrupted, with the first payment being due after an interruption exceeding 12hrs, as follows:

Payment 1: >12hr - <24hr

Payment 2: >24hr - <48hr

Payment 3: >48hr - <72hr, and so on.

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

In line with our response to 2(a), we believe that GSS payments for Supply not restored should be consistent for each day that a supply is restored.

We do not believe that payments should increase, but would support the replacement of the current diminishing payments with equal payments for each day that the supply is not restored.

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

We support the removal of the current exemptions to the GSS for Supply not restored.

The current GSS payment exemptions would not be understood or supported if applied, and South East Water has regularly made goodwill payments to customers for interruptions falling outside GSS. For example, the recent weather conditions in March provided an exemption for payments for the Freeze-Thaw interruptions, but we, along with the other companies impacted by the event, made goodwill payments beyond the statutory levels.

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 the application of GSS to supply restrictions. Temporary Use Bans an essential element of managing water resources in prolonged dry weather, and subject to significant regulation and control.

Management of resources during these periods also requires the active engagement and involvement of customers. Compensating customers for that involvement would support a narrative that they should not be engaged in the process and that the implementation of TUBs is a service failure, . Paying compensation on TUBS could well create a barrier to their implementation, with any barrier likely to create a greater impact on the environment.

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 GSS payments should be made as quickly as possible, and would support the 10 day standard for payment of simpler GSS failures being applied to payments for Supply not restored.

We would also propose that Late Payment penalties be changed, adopting a simple principle that the late payment is equal to the initial GSS payment.

Our proposed changes to GSS payments are listed in Appendix 1.

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 support this change. In order to keep the GSS a fair, fast and free from system, we would suggest that any changes to payment values be rounded to the nearest £5, and would support a move to the GSS payment values listed in Appendix 1.

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

We support this proposal.

In addition, we would support a move to reviewing the GSS payments in step with regulatory price review cycle, with changes be rounded to units of £5, in order to keep the GSS fair, fast and free from hassle

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 differentiate fairly?

We do not support a move to further differentiation within GSS based on business size.

Business that may have greater dependencies on water supplies are encouraged and assisted to develop their own risk-based business contingencies.

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 do not support a move to further differentiation within GSS based on customer vulnerability.

All South East Water customers are entitled to the same high levels of service, and we are committed to identifying and registering vulnerable customers, who may be at greater risk from reduced service levels, on our Priority Service Register.

In this way, vulnerable customers can be proactively contacted and supported through service interruptions, however we don't feel there is a need to differentiate in respect of any GSS payments that are due.

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 are generally supportive of the proposals made within this consultation.

In addition to our responses to question 3(b), we have also suggested:

1. a move to a 10 day period for all GSS payments, and
2. the increase to Late Payment penalties be changed, adopting a simple principle that the Late Payment is equal to the initial GSS payment.

We have no additional proposals beyond these.

Appendix 1: Proposed Changes to GSS Payments

	GSS Payments				Late Payment Penalties			
	HH		nHH		HH		nHH	
	Current	Proposed	Current	Proposed	Current	Proposed	Current	Proposed
Making appointments	20	30	20	30	10	30	10	30
Keeping appointments	20	30	20	30	11	30	11	30
Account queries and requests about changes to payment arrangements	20	30	20	30	12	30	12	30
Written complaints	20	30	20	30	13	30	13	30
Notice of interruption to supply	20	30	50	70	20	30	50	70
Supply not restored – initial period	20	30	50	70	20	30	50	70
Supply not restored – each further 24 hours	10	30	50	70				
Low pressure	25	35	25	35	-	-	-	-