

## Introduction

United Utilities welcomes the opportunity to contribute to the discussion on GSS. GSS arrangements play an important role in ensuring customers receive appropriate recompense when our service falls below customer expectations, and provides money directly to those customers impacted by operational incidents. The existing standards do provide good protection for customers, but would benefit from some modernisation to better reflect customer expectations and promote consistency across the industry.

## 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 an increase in compensation for supply not being restored.

This view is supported by customer research carried out as part of our PR19 preparations. This research showed customer expectations in terms of a reasonable payment for an interruption of one day should be just under £30, increasing to just over £100 for a 3-day interruption. This is in excess of the current minimum GSS payment levels. As part of our customer commitment standards, we already pay in excess of the GSS minimums in recognition of the impact these operational issues have on our customers. A summary of this research is published within “Customer research and engagement reports: Executive summaries (inc. all summaries). Chapter 2: Supplementary document. Document reference: S1001”, on page 100.

#### **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 do not anticipate that an increase in minimum compensation payments to customers would result in companies paying less compensation to customers.

As mentioned above, we routinely pay in excess of the GSS minimum for supply not being restored, where we consider that the current value does not adequately reflect the customer impact. We also pay discretionary payments where, although the GSS may not have been breached, we have not provided the level of service that we would expect to provide to customers.

If the revised minimum payments were increased, but to lower values than we currently pay, we would continue to pay the level that we have deemed appropriate and would continue to pay the additional discretionary payments. Although it is likely that other companies would operate in a similar way, it may be effective to implement an industry wide no deterioration policy, requiring companies to at least match previous levels of payment, to ensure that payment levels are not reduced.

Appendix one provides details of the payments we make for this measure and all other GSS measures. These payment promises are also set out on our website within our standards of service.

<https://www.unitedutilities.com/globalassets/documents/pdf/our-standards-of-service-web-acc.pdf>.

## United Utilities response to the Ofwat call for evidence Guaranteed Standards Scheme (GSS)

### 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 consider the current initial 12 hour threshold is still appropriate as a payment threshold for supply interruptions, but would support a move to reduce the length of time between graduations from 24 hours to 12 hours.

We deem that it is appropriate to retain the 12 hour threshold, which works alongside a number of other incentives on water companies to restore supply as quickly as possible. Performance improvements in terms of restoring supply are also driven through SIM and CMEX and companies' performance commitments and outcome delivery incentives. These incentives are complementary to GSS and drive service improvements for the benefit of all customers, allowing the GSS to compensate customers directly affected by longer supply interruptions.

In terms of the length of time between graduations, we consider it is fairer to reduce these to 12 hours, rather than 24 hours as currently set out in GSS regulations. We already operate in this way in recognition of the impact longer supply interruptions have on customers. If the proposed inflationary increase of 40% is applied to current GSS payment levels they, as a minimum, would receive just under £30 for a one day interruption, and around £60 for a three day interruption. Whilst the standard for a one day interruption tallies with our customer research, the payment associated with a three day interruption is below the customer expectations identified within our research. Applying an inflationary uplift to the figures set out within table one, on the payment we would make for a three day interruption of £75, would result in a £105 payment for a three day loss of supply. This is in line with figures suggested in our customer research, referenced in question 1 (a).

Although we consider it is inappropriate to reduce the initial threshold, the ability to make discretionary payments still remains, and in some circumstances companies may deem it appropriate to make a payment before the 12 hours limit is reached.

In addition our experience does show that customers impacted by a number of supply interruptions in a short space of time express high levels of dissatisfaction. At present each event on its own may not trigger a GSS payment, but we consider it would be useful to recognise the cumulative effect such incidents have on customers.

We currently make payments on a discretionary basis to customers impacted in this way, but consider that having an industry standard around this would be helpful. One way to address this would be through the introduction of a GSS relating to repeated interruptions, although the detailed definition of the measure and the ability of companies to consistently and reliably report against this measure would need to be considered. The basis for an option to reflect the impact of the disruption caused by repeated supply interruptions could be customers experiencing three or more > 6 hour interruptions within a month.

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

We do not support increasing GSS payments exponentially for longer supply interruptions.

As set out in response to question 2(a) we support reducing graduations from 24 hours to 12 hours for periods of longer disruption. The value of the payment generated using this approach, based upon a 40% uplift to existing payments, will result in payments for a three day loss of supply which are consistent with those produced through our customer research.

As such we do not consider that it would be beneficial to implement a potentially complex exponential penalty scale for longer term events. These events are now becoming increasingly rare and we consider

## United Utilities response to the Ofwat call for evidence Guaranteed Standards Scheme (GSS)

that they would be more effectively managed through a simple GSS scale and then more specific and targeted compensation packages, which would be developed on a discretionary basis.

Table one provides further details as to how the mechanism could work. Adding the suggested 40% inflationary increase to the sum we pay on a discretionary basis for a three day supply interruption would take the payment to £105, a similar level to the amount identified within the research referenced in our answer to question 1(a).

**Table one. GSS payments for unplanned interruptions.**

Interruption length	GSS total	UU GSS payment
Initial interruption >12hrs	£20	£25
>24hrs		£25 +£10
>36hrs	£20 + £10	£25 + £20
>48hrs		£25 + £30
>60hrs	£20 + £20	£25 + £40
>72hrs		£25 + £50

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

We consider the current exemptions remain appropriate and therefore would not look for any changes.

## 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?

#### Boiled Water Advice notices (BWA)

We would support the introduction of GSS for Boiled Water Advice notices.

Our customer research shows that customers think the impact of a supply interruption or a BWA to be greater than for a TUB. Research undertaken following a recent BWA in our region asked customers to consider if other water related incidents were better or worse. When comparing a BWA to a hosepipe ban the response was as follows 43% better, 27% same, 20% worse and 10% don't know. When comparing a BWA to a supply interruption the results were as follows 10% better, 14% same, 71% worse and 5% don't know. Customer research carried out following two recent boil water incidents showed that customers were overwhelmingly in support of receiving a payment when affected by such an incident. Research undertaken following a BWA showed that 95% and 92% of household customers and 93% and 84% of non-household customers were supportive of compensation payments being made. Following recent incidents we have worked closely with CCWater in order to determine a fair level of discretionary payment, this was very helpful.

We currently make discretionary payments to customers who are affected when we issue a boil water advice (BWA). We consider this is appropriate as we are applying restrictions on essential domestic use, unlike the introduction of a TUB and consider this approach should be formalised industry wide, through a new GSS measure.

## United Utilities response to the Ofwat call for evidence Guaranteed Standards Scheme (GSS)

Any new payment associated with a BWA would need to be dependent on exemptions relating to the cause of the disruption. We expect that this GSS should only apply if the water company is the cause of the restricted use, rather than disruption caused by third party incidents. However, where the water company is at fault we would welcome a standardisation of response under the GSS. This standard should also cover do not drink (DND) and do not use (DNU) events.

### Temporary Use Bans (TUB)

We do not support the introduction of GSS for temporary use bans.

The introduction of a TUB does not impact on companies' abilities to provide water for essential domestic uses, as stipulated in the Water Act. The potential additional costs associated with GSS payment for introducing a TUB could deter water companies from implementing these bans, which could be at odds with our other responsibilities such as protecting the environment. In addition it would be problematic to apply unless payments were made to all customers, including those unaffected by the introduction of the TUB.

### Discolouration, taste and odour

We deem it inappropriate to introduce a GSS for discoloured water or taste and odour issues. These events are highly subjective and it would be difficult to identify those affected, leaving it open to abuse and dispute. We consider that these events are more effectively addressed through performance commitments and outcome delivery incentives and that it would be more appropriate to address individual issues on a discretionary basis. This could include a contribution to the cost of bottled water, damages to washing or personal inconvenience, such as preparing babies bottles, where appropriate.

### **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?**

Under the current regime, all customers affected by supply not being restored events are automatically compensated in a fair and free from hassle way. The timescale companies have to make GSS payments to customers is currently 20 working days. We aim to make GSS payments within 10 days and have invested to develop the ability to make BACS payments to customers directly impacted adversely by our operations. In the current financial year we have been able to make 67% of payments via this method. We would welcome further review of the time scales for making payments to determine the practicalities of reducing timescales across the industry.

## 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 consider an increase in all GSS payments is reasonable given the length of time since they were last increased, and would support an increase in line with inflation as suggested.

The consultation suggests an increase of 40%; we agree with this although suggest that the resultant values should be rounded to the nearest £5 for simplicity.

This approach would bring payment levels for supply interruptions into line with those made in the energy industry, and would better reflect customer expectations from PR19 research outlined in response to question 1(a). It is worth noting however that energy bills are significantly higher than water bills, so the GSS minimum payment levels for water are a greater proportion of the bill than GSS payments for failures in energy standards.

## United Utilities response to the Ofwat call for evidence Guaranteed Standards Scheme (GSS)

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

Although we agree payment should increase over time, automatic increases in line with inflation would result in payment levels not being a round number. In order to ensure GSS arrangements are fair, fast and hassle free, we suggest reviewing the levels again in 5 years' time, and keeping any increases to increments of £5. This will be clearer for customers and also avoid the need to change companies systems on an annual basis.

### **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 do not support differentiation of GSS payments for different business customer groups.

The impact on customers is not purely dependent on the size of their bill. For example a supply interruption may have a greater impact on a small customer such as a hairdresser than on a manufacturing facility that uses a large amount of water in production. A larger customer is more likely to have storage, whereas a smaller customer such as a café may have to close in the event of a supply interruption.

Other mechanisms exist in order for impacted business customers to receive appropriate levels of compensation tailored to their individual circumstances. So rather than through GSS, compensation is better dealt with through the existing claims process, which takes into account loss of earnings.

In addition, differentiation between business customers is problematic as wholesalers do not hold the relevant information on customer size. Customer classification would need to be obtained from the retailer and could lead to delays in payment. This is at odds with the desire for GSS to be fair, fast and hassle free.

From a wholesale perspective the current process for retailers to pass on GSS payments to customers lacks clarity as to the timing of the GSS payment to the customer. It would seem sensible for the timely payment of GSS to be monitored within the market. This provides assurance that business customers are receiving GSS payments on a timely basis.

#### **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 consider the support that we should provide to our Priority Service customers during events or incidents, is removing the need for them to worry. As part of our Priority Service offering we ensure we communicate with our Priority Service customer during supply interruptions, so they know what is happening and what to expect. We also deliver bottled water. We deem this practical support is more important than having an increased payment level after the event. As we are in direct communication with them we can identify where we need to carry out discretionary activities, this has included paying for taxi fares to visit friends or family for the duration of the event, or for longer interruptions or for flooding this could include moving into a hotel for the evening. On this basis we therefore consider that, rather than enhanced GSS payments for vulnerable customers, the onus should be on the company to make prioritised efforts to support vulnerable customers in the event of service disruption.

We have received positive feedback on the benefit of this support including, *"Well done UU, we are Priority Service registered customers due to our son's disabilities. There was a local fault yesterday evening and we were notified by text, email and later a courtesy call. We also had an emergency supply of water delivered for which we are grateful. Really pleased with the extra mile you went, all without us contacting you once! Many thanks keep up the good work everyone!"*

## United Utilities response to the Ofwat call for evidence Guaranteed Standards Scheme (GSS)

In terms of the payments themselves, we recognise that some customers may need financial support during the incident and we have the ability to make interim payments to these customers. We know not all customers have bank accounts so we have other ways in which we can make payments to this group of customers. Furthermore, in recognition of the levels of deprivation in some of our region, we do not automatically apply the payment to a customers' bill when in arrears. Following the Franklaw BWA for example we took the decision to give compensation directly back to those customers impacted by the event irrespective of arrears and for those without a bank account received a post office voucher which they could exchange for cash.

### **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?**

As set out in response to question 3(b), we consider that the timescale companies have to make GSS payments should be reviewed, understanding that some will necessarily take time to process (through validation processes), whereas others should be more automatic and could warrant a reduction.

We would also welcome a review of the detailed definition and wording of some of the measures to ensure that they reflect modern day practices and are being consistently applied.

For the scheme to be hassle free for customers some existing penalty payments that have to be claimed by customers could be made automatically. For example, if the water company fails to make the payment within the time allowed, the customer has to claim the late payment penalty. Where possible we consider these should be made automatically.

**United Utilities response to the Ofwat call for evidence  
Guaranteed Standards Scheme (GSS)**

**Appendix one. Summary of GSS payments.**

GSS regulation	GSS payment		UU payment	
	Residential customers	Business customers	Residential customers	Business customers
Appointments not made properly	£20	£20	£25	£50
Appointments not kept	£20	£20	£25	£50
Incidences of low water pressure	£25	£25	£50	£100
Incorrect notice of planned interruptions to supply	£20	£50	£25	£50
Supply not restored (*) – initial period	£20	£50	£25	£50
Supply not restored (*) – each further 24 hours	£10	£25	£10 (enhanced to 12 hours)	£50
Written account queries and requests to change payment arrangements not actioned on time	£20	£20	£20	£20
Written complaints not actioned on time	£20	£20	£25	£25
Properties sewer flooded internally	Payment equal to annual sewerage charges. (Minimum payment of £150, maximum of £1000)		Payment equal to annual sewerage charges. (Minimum payment of £150, maximum of £1000)	
Properties materially affected sewer flooded externally	Payment equal to 50% of annual sewerage charges (minimum payment of £75. Maximum of £500)		Payment equal to 50% of annual sewerage charges (minimum payment of £75. Maximum of £500)	