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**Date:** 10 September 2018

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Dear Sirs

**Call for Evidence Consultation: Guaranteed Standards Scheme (GSS)**

Thank you for the opportunity to respond to the consultation on GSS issues. Please find attached the response from Dŵr Cymru Welsh Water to Ofwat's consultation on the Guaranteed Standards Scheme. Dŵr Cymru Welsh Water is owned by Glas Cymru Holdings Cyfyngedig, a not-for-shareholder holding company that acquired Dŵr Cymru Welsh Water in 2001. Dŵr Cymru Welsh Water exists entirely for the benefit of our customers. Any surpluses we generate are applied to the benefit of our customers, in such as supporting social tariffs and additional investment for service improvements.

Yours faithfully



[REDACTED]  
Director of Strategy and Regulation

## Arrangements for when supply is not restored

**Ofwat Question 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?***

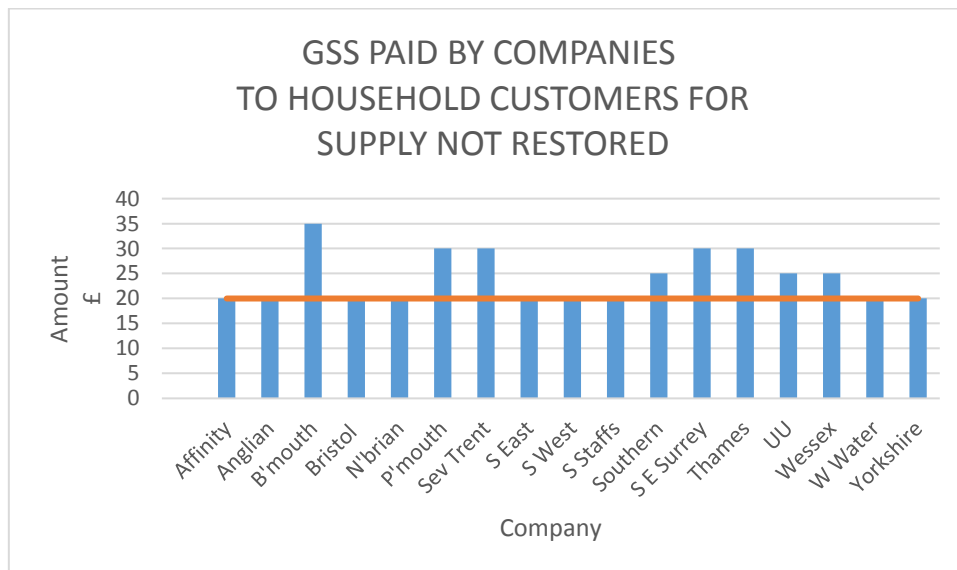
To fully answer this question we undertook some initial research in the following areas:

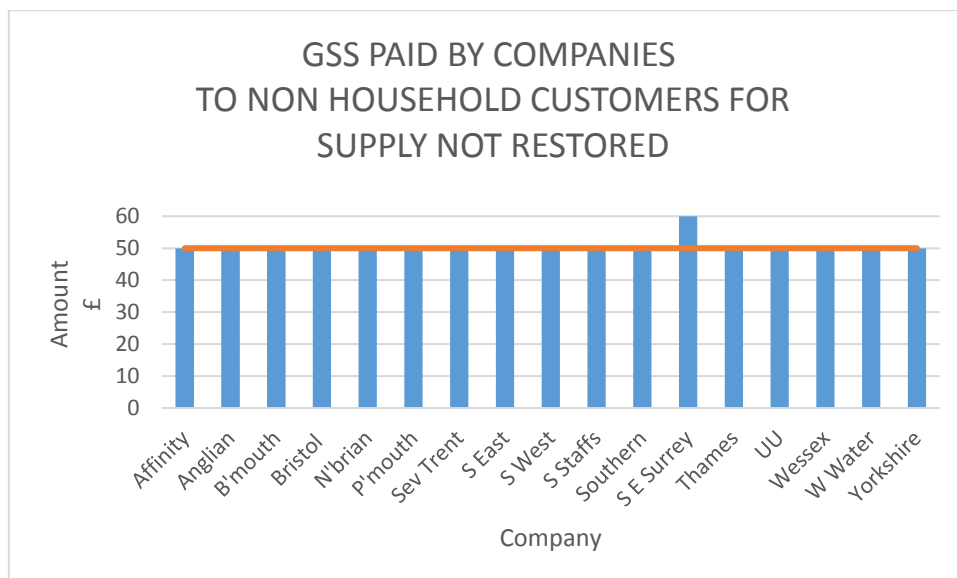
- What water companies are currently paying in terms of GSS for interruption to supply;
- What other companies in the utilities sector are paying;
- What customers think about the current levels of GSS for interruptions to supply;
- What is the effect of inflation since the payment rates were set by Ofwat; and
- How GSS payments compare to the average combined and water only household charges.

### **What water companies are currently paying in terms of GSS**

We reviewed the amount of GSS paid by all water companies for failure to restore supply by the stipulated times.

It can be seen from the Tables below that of the 17 water companies, only eight pay Household customers more than the £20 required by the GSS Regulations. The highest amount paid is £35. When it comes to Non Household customers only one company pays more than the £50 legally required. The amount paid is £60.





**What other companies in the utilities sector are paying**

Electricity and Gas

The Electricity (Standards of Performance) Regulations 2015 and the Gas (Standards of Performance) (Amendment) Regulations 2008 are guaranteed standards of service levels that must be met by each distribution company. These standards have been set to guarantee a level of service that is reasonable to expect companies to deliver in all cases. If the distribution company fails to meet the level of service required, it must make a payment to the customer subject to certain exemptions.

Payments under the guaranteed standards compensate for the inconvenience caused by loss of supply. They are not designed to compensate customers for subsequent financial loss. Ofgem monitors and enforces the guaranteed standards relating to quality of supply. The guaranteed standards cover 12 key service areas, including supply restoration.

Gas

If the gas supply is interrupted as a result of a failure, fault or damage to the pipeline system the distribution company promises to restore supply within 24 hours. If it fails to do this the following payments are made:

Household	Non Household
£30	£50

## Electricity

If the electricity supply is interrupted, the Regulations differentiate between failure occurring during severe weather or normal weather conditions.

<b>Conditions</b>	<b>Household</b>	<b>Non Household</b>
Category 1 Severe Weather	£70	£70
Category 2 Severe Weather	£70	£70
Category 3 Severe Weather	£70	£70
Normal Weather	£75	£150
Normal Weather affecting more than 5,000 properties	£75	£150

## **What customers think about the current levels of GSS**

### **CCWater Research**

The Consumer Council for Water (CCWater) is the consumer watchdog which represents the interests of consumers of water and sewerage services in England and in Wales. A programme of research was carried out by SYSTRA Ltd on behalf of CCWater and a report called “Customers’ experiences of water supply interruptions following the freeze-thaw events of March 2018” was published in June 2018.

Quantitative evidence of customer perceptions was sought from a representative sample of 1,001 affected household consumers and 265 affected non-household consumers to ensure that the evidence obtained fairly reflects all those who experienced a supply interruption. Quantitative research participants were recruited via address lists (typically postal sectors where some properties had experienced a supply interruption) provided by each water company, from which telephone numbers could be obtained. Each interview was conducted via telephone and lasted 15 minutes on average.

Qualitative insights were obtained from a spectrum of different types of consumer to provide complementary depth to the quantitative findings – in particular, focus group and in-depth interview discussions provided greater detail and context to customers’ experiences and underlying rationale for their reported attitudes. The qualitative research discussions included household customers in vulnerable and non-vulnerable circumstances; customers experiencing substantially different durations of interruption; and non-household customers whose operations rely on water for their products and /or services, as well as businesses whose operations are not water-critical.

One of the key themes of the Report was the compensation arrangements for those without water for long periods.

### Satisfaction with level of compensation paid

Respondents who had received compensation stated their satisfaction, or dissatisfaction, at the level of compensation. The Table below shows the results for this sub-set.

Table. Satisfaction at levels of compensation - households and non-households who had received compensation

<b>Satisfaction at Compensation Level</b>	<b>Household E&amp;W</b>	<b>Non Household E&amp;W</b>
Very Satisfied	47%	36%
Quite Satisfied	37%	26%
Neither Satisfied nor Dissatisfied	10%	10%
Quite Dissatisfied	4%	8%
Very Dissatisfied	2%	21%

As can be seen most respondents who received compensation were quite, or very satisfied (84% HH and 62% NHH); but a significant minority (6% of HH and 29% of businesses) were dissatisfied. From a Welsh Water perspective the percentage of HH respondents who received compensation that were quite, or very satisfied was higher at 87%, while the percentage of HH respondents who received compensation that were quite, or very dissatisfied was also higher at 10%.

The overall figures above aligned with the qualitative findings, as many HH respondents were pleasantly surprised that a payment was made, without them having to file a claim. Some respondents were more tolerant of the situation - expecting a degree of utilities' failure from time to time - and were, thus, not expecting compensation. Some felt the amounts were insufficient considering the amount of time they had been cut off and the inconvenience of having no water. Some concern was expressed where different households received differing amounts.

*"You've got to take your hats off to the water company because it took no lobbying or anything to actually get them to act, it was 'we're sorry, this has been a horrible inconvenience' ... it was a gesture gratefully received."*

*"Some of our neighbours...they got £40, some others they complained, further down the road and got £150...I didn't get anything, so what do we do?...Why didn't everyone get compensation, and uniform?"*

Qualitative evidence also suggested that, when customers think more fully about the inconvenience that they and their household have put up with, and the poor levels of information and unfair distribution of water bottles, etc. they conclude that maybe the level of compensation offered is insufficient, after all.

### Relationship between duration and satisfaction with compensation

Table. Satisfaction with compensation level (amongst those aware)

<b>Satisfaction at Compensation Level</b>	<b>DURATION 1 DAY OR LESS</b>	<b>DURATION 1.01 TO 3 DAYS</b>	<b>DURATION MORE THAN 3 DAYS</b>
Very Satisfied	47%	50%	34%
Quite Satisfied	36%	33%	38%
Neither Satisfied nor Dissatisfied	11%	10%	11%
Quite Dissatisfied	4%	5%	13%
Very Dissatisfied	1%	3%	5%

It was found that there was a slight correlation between satisfaction and duration. But the association was modest, with the majority of respondents experiencing an interruption of more than 3 days still being quite, or very, satisfied with the compensation offered.

The qualitative research suggested that many people were 'satisfied' with the compensation amount simply because they had not expected to receive any. This lack of expectation reflected their experience generally across all markets, that usually service failure does not lead to compensation. But they did think that compensation was deserved, as the inconvenience experienced by their HH/business was considerable.

### **Severn Trent Research**

We reviewed the responses submitted to Ofwat by other water companies in respect of the Freeze Thaw. We noted the following comments made by Severn Trent.

*"We had already started a review of whether our approach to GSS truly matches the impact having no water has on our customers, especially when they have been without water for a long period of time. This incident gave us the opportunity to reflect on this and as a result we have decided to make a permanent change to our Code of Practice and the payments made to customers who are impacted for a significant length of time. To reach this conclusion we reviewed feedback from customers from recent events which showed that customers feel that the equivalent of a month's free water (£30 payment) is appropriate recompense for the inconvenience of a 12 hour supply interruption and we have had a number of customers who have even questioned the need for any payment as they feel the provision of bottled water to cover immediate needs more than meets their expectations. We therefore felt the key focus of our changes should be on those customers who suffer the most through an extended period of interruption".*

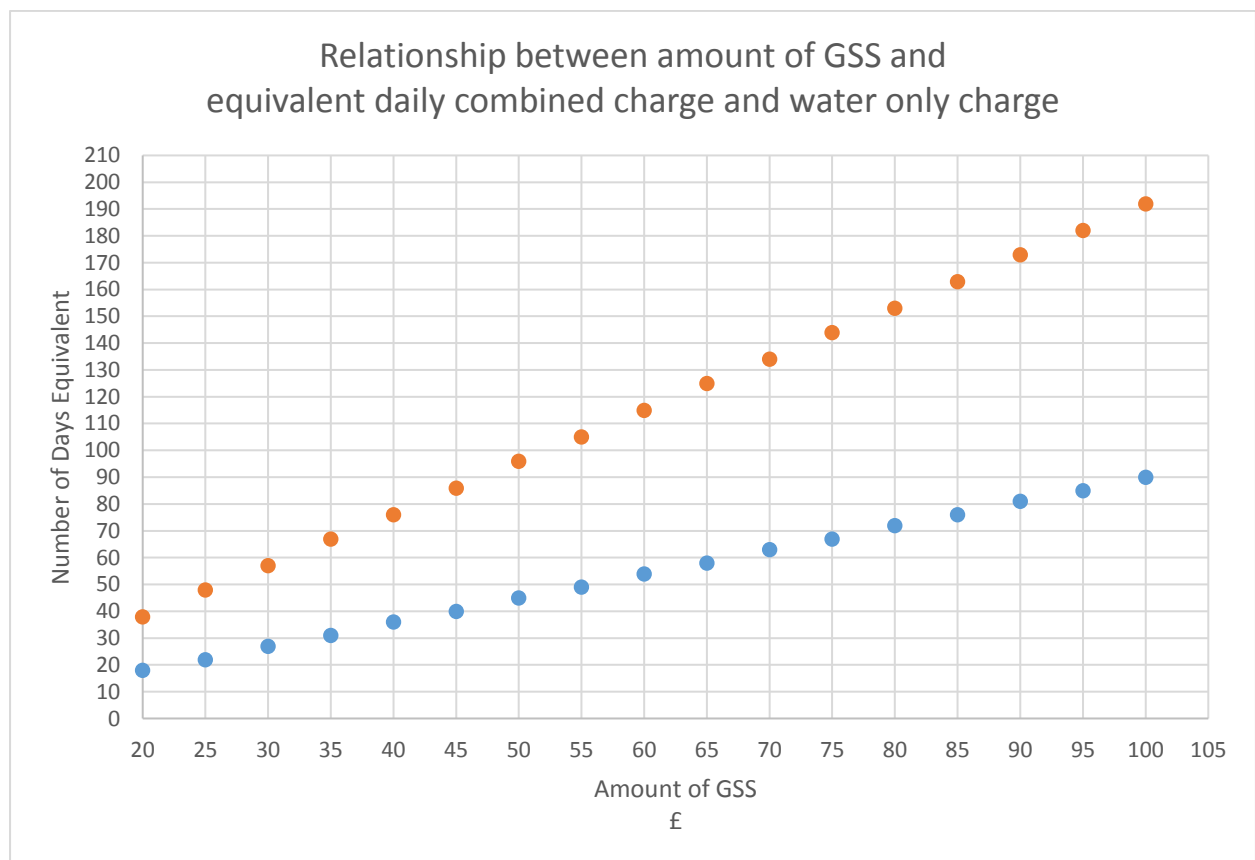
### **What is the effect of inflation?**

The levels of compensation under the GSS have not been inflated over time and therefore have not kept up with inflation since 2001. We reviewed the Consumer Price Index details on the Office of National Statistics website (as suggested by Ofwat) and estimated that all GSS payments would need to be inflated to £30 for Household and £75 for Non Household to ensure that customers are not left worse off in real terms.

## How GSS payments compare to the average combined household charge

We reviewed the Discover Water website and noted that the average annual combined household bill for 2018/19 was £405 which equates to £1.11 per day. The figures for water only are £189, the equivalent of 52p each day. We undertook a quick analysis to understand the relationship between potential GSS payment amounts and the daily average charge.

GSS Amount (£)	No of Days Equivalent Combined Charge	No of Days Equivalent Water Charge Only
100	90	192
95	85	182
85	76	163
80	72	153
75	67	144
70	63	134
65	58	125
60	54	115
55	49	105
50	45	96
45	40	86
40	36	76
35	31	67
30	27	57
25	22	48
20	18	38



The levels of compensation under the GSS have not been inflated over time and therefore have not kept up with inflation since 2001. Using information obtained from the Office of National Statistics website it is estimated that the £20 GSS payment would need to be inflated to £30 to ensure that Household customers are not left worse off in real terms.

This equates to almost one month's charges (27 days) based on the average annual combined household bill. In terms of the average annual bill purely for water charges this equates to two months (57 days).

The monetary value of loss of supply to different customers is very difficult to judge and is always going to be highly subjective.

The concept of the GSS payments is one of a "token of contrition", rather than a specific compensation for loss. The actual liquidated loss suffered by the customer will vary hugely from customer to customer, from nothing to many thousands of pounds (for example for a process industry such as steel making if production has had to stop). The GSS payments concept is not in lieu of insurance for customers and the payments should not therefore risk giving that impression. The scale of individual payments will always, therefore be limited and, to some extent, arbitrary.

It is important that the value of payments is an incentive to the water companies to provide good service, without becoming a hindrance to investing in good service.

***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?***

There is certainly a risk that if companies see that "going further than required" simply raises the bar going forward and leads to a compensation "arms race" then there is a real risk that companies will revert to minimum payments. However, staged thresholds with higher minimum levels for greater service failures are likely to help incentivise customers to ensure that periods of service failure are kept to a minimum.

Companies have always had the option of "enhancing" the standards outlined in the GSS Regulations. We value the option of paying more in immediate compensation for customers where the circumstances of a particular interruption of supply merit this.

The potential not to exceed a higher maximum could be addressed by requiring water companies to show on their website the level of compensation to be paid and the levels actually paid by other water companies in the preceding year. The comparison has to be backward looking in order to give a stable comparison.



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

The research carried out on behalf of CCWater stated that the issue of perceived fairness of compensation payment level is a delicate one. The focus groups indicated that categorised payments can lead to a perception of unfairness, as the different compensation amounts get communicated between customers in ignorance of the level of the possibly different interruption durations (and associated inconvenience) that may have been experienced by different customers – thereby creating further annoyance for some customers. The research concluded that while equal payments would avoid this issue, such an award may not reflect different levels of inconvenience and/or interruption durations that might have applied to an individual.

Currently, the GSS Regulations require a payment of £10 for Household customers and £25 for Non Household customers for each subsequent full 24 hour period that the supply is interrupted or cut off.

We note that a few companies enhance their GSS obligation to customers in this area.

<b>Company</b>	<b>Enhancement</b>	<b>Additional Amount</b>	<b>Customers</b>
United Utilities	Payment is made for each subsequent 12 hour period instead of 24 hours		Household and Non Household
Bournemouth	Additional money paid	£35/£50	Household/Non Household
Wessex	Additional money paid	£25/£50	Household/Non Household
Sutton & East Surrey	Additional money paid	£20/£35	Household/Non Household

Our customers tell us that being without water for a relatively short period is not necessarily a problem but that the problem does become acute the longer water is off, when washing and cooking become more important. This would suggest that compensation payments should rise on a growing scale.

It is critical, however, that the structure of payment levels is simple and clear, too many steps of a compensation level which cannot easily be predicted or understood by customers could end up undermining any larger payments.

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

There is a case to align the GSS exemptions with Ofwat's guidance on Outcomes for PR19.

In relation to Outcomes Definitions for PR19 Ofwat produced a document called "Reporting guidance – supply interruptions".

In this document Ofwat makes it clear that the default position is that the water company manages the risk of supply interruptions and there are no exclusions. The guidance goes on to say that the cause of the interruption is not relevant to the calculation of the reported figure. That is, asset failure caused by third parties would be treated the same as the failure of the company's assets and planned or unplanned interruptions are the same.

**Ofwat Question 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?***

Temporary Use Bans (TUBs) are relatively rare and are not undertaken at all lightly by water companies.

In times of water shortage, the common cause between customers and water companies can be strong, which is very helpful in reducing demand and thereby ensuring enough water for all.

GSS payments for TUBs would risk undermining this cooperation. Customers would be financially better off by not cooperating and reducing water demand, if the high demand leads to a TUB. This would be a perverse incentive. In addition, as recent experience has shown, periods of potential drought can have a significant effect on companies' operational costs, as measures are taken to reduce/manage leakage more closely and to move water around the network to keep customers on supply. Requiring companies to pay GSS for a TUB would place a double costs burden on companies.

In addressing the challenge of climate change we may need to retain the option of TUBs. If during a drought companies were 'negligent' i.e. a sustained loss of supply / intermittent supply then they should be covered by the supply interruption / poor pressure existing GSS arrangements.

In addition, some customers would be receiving "compensation" for a water use that they do not use anyway (for example in urban areas, flats etc.) which is not a good use of money, nor is it compensation. Trying to distinguish between customers who would or could use a hosepipe and those who would not/could not would be an impossible distinction which would be arbitrary and therefore unfair in many cases.

***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?***

The immediacy of the compensation is key. To ensure the payments are made as fast as possible to the right people, the structure needs to be simple and clear, with little potential for customers and companies interpreting them differently.

Compensation which customers have to claim (even if in excess of the minimum required) is therefore not consistent with this fair, fast and free principle. All compensation should be automatic, therefore, not only given when claimed.

The research carried out on behalf of CCWater indicated that amongst those customers who had received compensation, the vast majority (99% of Welsh Water respondents and 91% of total household respondents) were satisfied with the method of payment – which typically took the form of a cheque in the post accompanied by a letter, or a credit in the customer's account with no corresponding notification. Qualitative evidence suggested that customers were satisfied that it had not been necessary to 'apply' for compensation as the company processed it automatically.

We strongly support automatic compensation as a way of giving consumers redress and incentivising companies to improve their services. Compensation which requires consumers to make a claim is less effective and leads to poorer consumer experiences.

Currently, the only payment that a customer has to claim for is under Regulation 12 Flooding from sewers – external flooding. We can understand this as the rationale is that the customer must explain the effect of the entry of effluent on their land or property.

## 1. Payments and Penalty Payments

### Penalty Payments Appointments and Complaints

If a company fails to make a payment in relation to its obligations under Regulation 6 (Appointments) or Regulation 7 (Complaints, Queries and Requests) within 10 working days it has to make a penalty payment of £10 if the customer makes a written claim within 3 months. This amount is payable to both Household and Non Household customers.

This contrasts with failures to meet the payment deadline on the other Regulations which requires an automatic payment of £20 for Household customers and £50 for Non Household customers.

All company systems should be able to identify any failures to pay failures relating to Regulations 6 and 7 easily and quickly without customers having to apply. We note from our research that many companies (including Welsh Water) actually do. In addition, these payments are penalties for a breach of standards and should attract a consistent level of payment.

Consideration should also be made whether the additional payment for failure to make a GSS payment on time should be larger than other payments, in recognition of this further breach of standards. This could act as an incentive to ensure systems are in place to deliver standards and payments where due.

### Payments and Penalty Payments Low Pressure

Regulation 13 of the GSS Regulations deals with the timing of payments. The only Regulation not subject to any payment limits is Regulation 10 Pressure Standard.

However, most companies make automatic payments within 20 working days, although there are a few exceptions.

In addition, this Regulation requires a payment of £25 which is more than the standard £20 paid for failures associated with the other Regulations.

<b>Company</b>	<b>Low Pressure Payment Arrangements</b>
Yorkshire	Automatic payment within 10 working days
Welsh Water	Automatic payment within 20 working days
Affinity	Automatic payment within 20 working days
Anglian	Automatic payment within 20 working days
Northumbrian	Automatic payment within 20 working days
Severn Trent	Automatic payment within 20 working days
South West	Automatic payment
Southern Water	Automatic payment
Thames	Automatic payment
Wessex	Automatic payment
Bournemouth	Automatic payment
Bristol	Automatic payment
Portsmouth	Automatic payment
South East	Automatic payment

Company	Low Pressure Payment Arrangements
South Staffs	Claim payment
Sutton & East Surrey	Claim payment
United Utilities	Claim payment

## 2. Repeat Interruptions

The current threshold for payment for interruption to supply is 12 hours. Therefore, a customer can suffer say three interruptions to supply, each lasting 11 hours and not be entitled to any compensation under the GSS Regulations.

We note that some companies currently pay compensation for repeated supply interruptions that individually may or may not qualify for payments under the GSS Regulations. Perhaps this is an area that should be explored further.

Our only observation would be that some companies require the customer to claim this compensation. We appreciate that systems could be introduced to capture this information. Indeed we have developed similar systems ourselves to capture data for our At Risk Customers Measure of Success. Data capture is made more difficult if customers suffer supply interruptions while living at different addresses.

Company	Enhancement
Northumbrian	If in any 12 month period (April to March) the customer experiences unplanned interruptions totalling more than 18 hours which do not individually qualify for a GSS payment they will automatically receive a payment of £20.
Severn Trent	A payment of £30 (Household) £50 (Non Household) can be claimed by the customer if there are 3 or more repeat interruptions totalling 15 hours or more.
South West	Where a water supply is interrupted three or more times in any 12 month period by a burst main, a payment of £10 may be claimed for the third and any subsequent supply interruption. A payment is not due if the burst main is caused by third party damage. For Business customers the company will provide an alternative water supply for domestic use purpose only.
Southern Water	If Household customers experience three or more unplanned interruptions lasting more than 15 hours in total within a 12 month period, they can claim £25.
Yorkshire	Households - If the company interrupts the supply to carry out emergency work on 3 or more occasions totalling 15 hours within a 12 month period the customer can claim 10% off their water charges.
Bournemouth	The customer can claim a payment of £35/£50 compensation if within a year they have 3 or more unplanned interruptions that last more than a total of 15 hours.
Portsmouth	Customers are entitled to a £30/£50 payment if the property suffers a supply interruption of 12 hours or more than three occasions in 12 months period.

### 3. Alternative Supplies

The research carried out on behalf of CCWater indicated that most (72% Household England, 52% Household Wales; 74% Non-Household customers) did not receive any alternative water supplies during the interruption. Of those that did, in England, most had a long walk, or short drive, to get to alternative water supplies (e.g. bottled water stations). In Wales, there was a fairly even split between recipients having a long walk/short drive, having a short walk, or having bottles of water delivered to their door.

The qualitative research revealed that, in many areas, the provision of alternative water supplies was too little, too late; and that the distribution and availability of those supplies was often done with little information on their whereabouts, and so were often perceived to be unequal and unfair.

Faced with no water supply for hours which stretched into days, and with no reason to believe that their water company was about to provide them with sufficient alternative supplies, many of those affected sought to buy bottled water from their local shops. This led to local, commercial bottled water supplies selling-out quickly, particularly in rural areas, and many focus group participants reported this being the case for all shops within a large radius (sometimes of more than 20 miles in remote areas).

Evidence from the qualitative research suggests that many who accessed the water supplies only did so if they happened to be near the distribution point, heard information via word-of-mouth or came across the supplies by accident, rather than as a result of effective communication from the water company. This had led to a random uptake of provisions.

One of the areas identified for improvement in provision of alternative water supplies in future was:

- clear and timely information about when, and where, alternative supplies will be distributed so that everyone can access their fair share.

GSS Regulation 8 states that:

- Where the supply is interrupted or cut off to carry out necessary works in an emergency the Company must, as soon as is reasonably practicable, take all reasonable steps to notify affected customers:
  - That the supply has been interrupted or cut off;
  - Where any alternative supply can be obtained;
  - The time by which the supply will be restored; and
  - Of the phone number of an office from which further information may be obtained.

However, the GSS Regulations do not require any payment to be made if any of the above are not met.

We observed that a number of companies provide a level of compensation for failures regarding the provision of alternative supplies.

South West	Where customers experience a planned or unplanned interruption, lasting more than 12 hours, the company will provide an alternative water supply. If they fail to do this the customer can claim £20.
Wessex	For any planned or unplanned interruptions for more than 5 hours the company will provide alternative supplies and take reasonable steps to advise of their location. If they fail to do so the customer can claim a payment of £25/£50.
Yorkshire	For Household customers if the company does not provide an alternative supply for any planned or unplanned interruption more than 5 hours the customer can claim a payment of £20.
United Utilities	For Household customers if the company is repairing a major trunk main they will make other sources of water available (such as water tankers in the street) within 12 hours. If the company fail to do so, the customer can claim compensation of £20.
Bournemouth	For Household customers - in the case of an interruption to the water supply exceeding 24 hours, the company will supply at least 10 litres of water each day. If the interruption lasts more than 5 days, this will be increased to 20 litres. If necessary, the company will make more water available to the customer, either as bottled or bowser. Customers will be notified of the location and availability of alternative supplies.

#### 4. Strategic Main

The Water Supply and Sewerage Services (Customer Service Standards) Regulations 1989 provided a definition of a “strategic main”. This was defined as “a main conveying water in bulk to centres of population which have no other supply that can fully meet normal demand”.

The same definition is contained within the Water Supply and Sewerage Services (Customer Service Standards) Regulations 2008.

It might be an opportune time to review this definition to ensure there is clarity and consistency.

Arrangements for all payments under the GSS

**Ofwat Question 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?***

The concept of GSS is that the payments are penalties for breach rather than actual compensation. Inflation and price rises will erode the value of the GSS payments over time and so as well as the current proposed increase for inflation we believe that payment levels should be kept under review and increased as appropriate, at appropriate intervals.

However, simplicity and predictability is important to customers and therefore changing the values every five years and then keeping the values rounded to the nearest £5 would maintain simplicity and avoid a spuriously precise figures.

Should there be occasions where there is a negative inflation value we do not consider that payments should be reduced.



## Ofwat Question 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?***

The research carried out on behalf of CCWater in relation to the Storm Emma Freeze/Thaw Event found that there was very little difference in compensation payments amongst water-critical, or large water-consuming, businesses compared with other Non Household respondents – around a fifth had received compensation (compared to almost double, 37%, of Household respondents). Their expectations for compensation were bespoke, focusing entirely on their unique business circumstances, and extent to which a situation beyond their control had affected their revenues.

Amongst Non-Households, there was little qualitative evidence that any loss of earnings had manifested itself into compensation claims, despite many expressing, verbally during the interviews, a desire for compensation for loss of earnings.

Businesses were much more likely to judge the compensation level to be insufficient (as it seldom covered the loss of earnings the interruptions had caused). Only one business had given consideration to pursuing further damages but had been told to go through their own insurance arrangements.

Some of the pertinent quotes from business customers included:

*“[The compensation] did not really make a lot of difference to be honest, it’s a nice thing to do but it didn’t make a great deal of difference...you’re receiving a cheque for £70 which doesn’t make up for it really, unless they’re going to start paying out thousands of pounds, there’s not much they can do to improve it.”*

*“That [£75] didn’t seem quite enough for a business, especially a café which depends on people coming in for a coffee.”*

*“The amount of credit we got was effectively almost what we pay, per day, in charge anyway so, to me, that’s like, well, we didn’t have water for 5 days so we would expect to see that much less on our bill...we were told that if we had greater losses [than the compensation provided] we should look at recovering those through our own insurance...[cost incurred over £1,000]...we’ve got loses all over the place, realistically, trying to push those back on our insurance is a bit off...[the water company] should take responsibility for their actions and if they are causing us losses by their actions in their failure to maintain their network then why should I bear the costs.”*

The concept of GSS is that the payments are penalties for breach and will never fully cover all losses sustained. Consequently, there isn’t a right level of compensation for these group of customers. In addition, most Business Customers (in particular those who use water for production) will have contingency plans in place supported with adequate water storage arrangements and insurance to cover a wide range of risks that can lead to business interruption.

On customer segmentation it makes sense to retain a separate and slightly higher payment for business customers – but what is more important is an ‘easy’ route / process for business customers to submit a claim for actual loss as a result of a supply interruption. We used this approach following the severe weather event earlier this year and as a result we made a number of ‘compensatory’ payments to affected business customers promptly.

In Ofwat's Report "Out in the Cold" it stated that it had tasked Water UK with coordinating a number of areas across the industry. One of these is to:

- Consider how to improve the co-ordination and the sharing of information between wholesalers, retailers and business customers in emergency situations.

Clarity and predictability of payments due is vital. This therefore requires a simple structure of payments. Having more levels of payments would blur this concept and would encourage customers to consider the GSS payments as compensation for their specific loss (which could lead to lengthy and dissatisfying negotiations) or in lieu of insurance.

***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?***

The research undertaken on behalf of CCWater highlighted a number of areas for improvement in provision of alternative water supplies in the future. One of these areas was:

- sufficient provision so that all consumers' basic requirements can be met - including a more comprehensive register of all consumers in vulnerable circumstances in the water company's supply area.

Our response to Storm Emma included a 'triage' process for Vulnerable Customers at the call centre and we got alternative supplies to 75% of those who contacted us. However, we plan to review our Vulnerable Customer emergency management plan for these customers. In our strategy for supporting Vulnerable Customers that we are publishing as part of our AMP7 plan, we have committed to creating a specialist team that will be a single point of contact for customer and colleague queries. This team will play a vital role in our emergency management plans for Vulnerable Customers.

The most important aspect of customers in vulnerable circumstances is to ensure that water companies are aware of such customers and restore supply to them as a priority. Different compensation payments will not help this primary aim.

**Ofwat Question 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?**

### **1. Payments for Developers**

Our customers who are active in the development market are a very important customer group that we regard with the upmost importance. Over the last 8 years we have put in place a dedicated Developer Services team that provides the complete service portfolio a developer customer would require from the very start of their project to its completion.

Our absolute focus on this customer group has led us to be the top performing company in the industry for the Water UK Developer Services Levels of Service for both water and sewerage measures since they were introduced in April 2015.

We have also deployed a number of innovative initiatives to support our developer customers throughout this 8 year period and as part of our continued commitment to developer customers. We are the first company to have voluntarily introduced a 'Developer Customer Service Commitment' this year which covers all of the Water UK Developer Service Levels of Service. Hence in the event that we fail to deliver a service to a customer in line with the Levels of Service requirements, we will automatically notify the customer of the failure and make a payment to them in line with our service commitment. The feedback we have received so far from customers about this scheme has been very positive and has in particular emboldened their view that we are very committed to do everything we can to support economic development within our operating area.

### **2. Written Complaints and Account Queries**

We consider that response times stipulated in Regulation 7 should be reduced to 5 days; 10 days is too long and it needs to be shortened.

### **3. Appointments**

We appreciate that failure to keep an appointment or failure to attend within the agreed timescales can be a source of great frustration for our customers. To this end a payment of £20, the same as other failures, may appear a little low.

It must also be frustrating if we turn up for a morning appointment scheduled between 8am and 12 noon at say 11.45am. We appreciate that under the GSS Regulations customers have the option of requesting a two hour time slot.

It may also be an opportune time to consider the issue of early arrival for an appointment. Occasionally, due to for example favourable road conditions, we may arrive a little earlier than expected for the allocated appointment slot. If we attend the customer early it will generate a GSS payment. Alternatively, the customer sees that we have arrived early and may prefer we attend straightaway. In fact, we are often invited to start early by the customer as it is more convenient for them.

#### **4. Low Pressure**

Although Ofwat stipulates that water companies must maintain a minimum pressure in the supply pipe of seven metres static head (0.7 bar pressure) at pavement level, most water companies typically quote a standard of service which specifies that water pressure should not normally fall below ten metres head (1 bar pressure). Perhaps there is a case to increase the minimum standard contained within Regulation 10.