

November 2018

Trust in water

# **Guaranteed Standards Scheme: Recommended changes to the Welsh Government**

## **About this document**

This document sets out our recommended changes to the statutory minimum statutory compensation scheme – the Guaranteed Standards Scheme (GSS) – for consideration by the Welsh Government.

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## **What is the Guaranteed Standards Scheme (GSS)?**

The guaranteed standards scheme (GSS) is the minimum statutory compensation scheme setting out the minimum payment that customers should receive if companies fail to provide them with a good enough service<sup>1</sup>.

Companies must meet the guaranteed standards, otherwise they are required to make a specified payment to the affected customer(s). We monitor the scheme and recommend changes.

The guaranteed standards cover a number of areas including:

- Appointments not being kept;
- Low water pressure;
- Incorrect notice of planned supply interruptions;
- Supply not being restored;
- Complaints, queries and changes to accounts not being actioned in time;
- Sewer flooding; and
- Late payments of any of the above.

More details about all of the areas that the GSS covers are available in our guidance [here](#).

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<sup>1</sup> The scheme is set out in the Water Supply and Sewerage Services (Customer Service Standards) Regulations 2008 (as amended) ('the Regulations')

## 1. Executive summary

We recommend that the Welsh Government makes changes to the guaranteed standards scheme (GSS) – the minimum statutory compensation scheme. We recommend taking a twin-track approach with some changes being made now to address key issues, and for Ofwat and Government to consider potential changes in other areas over the longer term.

We feel that this approach is the best way to ensure that customers receive fair, fast and free from hassle compensation. It will also help us to achieve the priorities and objectives set out in the Welsh Government’s strategic policy statement to Ofwat<sup>2</sup>, particularly in terms of ensuring that companies have a strong customer focus and support customers in vulnerable circumstances.

The immediate changes we recommend are:

- Increase compensation payments for supply interruptions;
- Reduce the time between additional compensation payments for longer supply interruptions;
- Remove the provision that delays payments to customers if supply interruptions are caused by a burst or leak to a “strategic main”;
- Make all GSS payments automatic; and
- Review GSS payment amounts when cumulative inflation exceeds 10%.

Following our ‘[Out in the Cold](#)’ review of water companies’ performance in response to the ‘Beast from the East’, we were concerned that the compensation customers were getting for extended supply interruptions was not enough. Our recommendations are designed to address these concerns and others that came up from our evidence gathering (e.g. [call for evidence consultation](#)).

The proposed changes would result in a significant increase in payments of £30 to residential customers for every 12 hours they are without water supply. Currently residential customers receive £20 after 12 hours without supply (or 48 hours if

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<sup>2</sup> Welsh Government (2017), ‘Strategic Priorities and Objectives Statement to Ofwat issued under section 2B of the Water Industry Act 1991’, available at: <http://www.assembly.wales/laid%20documents/gen-ld11283/gen-ld11283-e.pdf>

caused by a burst or leak to a “strategic main”), and a further £10 for every additional 24 hours they do not have water. The changes would increase the value of payments to customers, further incentivise companies and make the system easier to understand.

We also recommend an immediate change to facilitate compensation payments so that they are automatic. This will help remove the hassle for customers. One of the findings of the ‘Out in the Cold’ review was that the payment amounts under the GSS had not been updated since 2001, and so had not kept up with inflation. To address this we are proposing that when cumulative inflation adds up to over 10%, we will review the payment levels. This will make sure that when prices change substantially, compensation payments are reviewed. See below for a summary table of recommended changes, and section 3.2 for more detailed information.

We propose that we will then undertake a fuller review into more complex areas as the second phase of this work, which will require more discussion and analysis before proposing suitable solutions. See section 3.3 for details of the areas we propose considering as part of this further work. Section 3.4 sets out the areas we do not at this stage propose to consider further.

All of these recommendations are being made based on evidence we have collected from water companies, retailers, regulators, charities, customers and others. More details about how we collected evidence are in section 2, and summaries of how this evidence has led to us making our recommendations are provided in section 3.2.

Changes to the GSS regulations are made within a statutory instrument by Government, which may take time. While any changes to the current statutory arrangements are being considered, we expect all companies and retailers to reflect on our recommendations in setting their own compensation schemes.

As several did in response to the ‘Beast from the East’, we also expect companies to continue to offer enhanced compensation to customers when necessary, which may be above these proposed levels.

**Table 1: Summary of recommended changes to the GSS arrangements**

Recommended changes are shown in (red).

GSS Regulation	GSS payment		Late payment penalty	
	Residential customers	Business customers	Residential customers	Business customers
Appointments not made properly	£20	£20	£10(†)	£10(†)
Appointments not kept	£20	£20	£10(†)	£10(†)
Incidences of low water pressure	£25	£25	–	–
Incorrect notice of planned interruptions to supply	£20	£50	£20	£50
Supply not restored(*) – initial period	£20 (£30)	£50 (£75)	£20	£50
Supply not restored(*) – each further 24 (12) hours	£10 (£30)	£25 (£75)		
Written account queries and requests to change payment arrangements not actioned on time	£20	£20	£10(†)	£10(†)
Written complaints not actioned on time	£20	£20	£10(†)	£10(†)
Properties sewer flooded internally	Payment equal to annual sewerage charges (Minimum payment of £150. Maximum of £1000)		£20	£50
Properties materially affected sewer flooded externally	Payment equal to 50% of annual sewerage charges (Minimum payment of £75. Maximum of £500)		£20	£50

(\*) Supply not restored within time notified (planned work) or when supply is interrupted for an extended time under unplanned/emergency situations.

(†) We recommend making these penalty payments automatic (i.e. not requiring the customer to claim them). This would make all late payment penalties automatic.

## 2. How we collected evidence

In recommending changes to the GSS to the Government, we must conduct research to discover the views of a “representative sample of persons likely to be affected” and consider those results. The steps we have taken, outlined below, show how we have done this.

We first noted our concern that the current GSS arrangements were not reflective of the impact on customers of being without water for a prolonged period in our [‘Out in the Cold’ review](#). The review looked at water companies’ performance in response to the ‘Beast from the East’ – the name given to the period of cold weather in late February and early March 2018. This was supported by [customer research](#) commissioned by the Consumer Council for Water (CCWater), who we worked closely with throughout the review.

Evidence showed that there was a wide variety in the amounts of compensation paid to customers by each company in response to the freeze thaw incidents when supply was not restored. Some companies made payments at standard GSS levels. Other companies chose to exceed this minimum by differing amounts.

So in August 2018, we launched a [call for evidence consultation](#) to gather further evidence about whether changes to the GSS were needed and, if so, what they should be. We particularly focused on payments for supply interruptions, but also asked for views on others potential changes. We received 26 responses from stakeholders, which are [available here](#).

To complement this consultation, we held a workshop to discuss the key issues with water companies, retailers, customer representatives and government officials. This allowed us to better understand issues raised in consultation responses and discuss potential solutions.

We gathered data from companies on the amount of compensation they have paid to customers since 2015 and what the compensation was for. This information was used to understand what companies pay compensation for most often and the potential impact of changes to payment amounts. We also undertook desk research in a number of areas, including making comparisons with compensation levels made in the energy sector.

Summaries of how this evidence has led to us making our recommendations are provided in section 3 below. A list of stakeholders that would be affected by any changes is also set out in appendix 1 at the end of this document.



## **3. Our recommended approach**

### **3.1 Overview**

As set out above, this review of the GSS arrangements stemmed from our ‘Out in the Cold’ review, where our key concern was that the payment for “supply not restored” (supply interruptions) did not adequately reflect the impact on customers of being without water for a prolonged period.

The evidence we have collected from the review and the subsequent call for evidence has confirmed our view that payments for supply not restored should be changed. The evidence has also made very clear that there are other changes that need to be made. Nevertheless, we do not want delay the introduction of changes that we have strong evidence and support for.

So we recommend a twin-track approach with some changes being made now to address key issues (section 3.2), and for us to consider potential changes in other areas over the longer term (section 3.3). We feel that this approach is the best way to ensure that all areas of the GSS arrangements guarantee that customers receive fair, fast and free from hassle compensation.

We have recommended the same approach and immediate changes to the UK Government based on the evidence provided by Welsh stakeholders. In future, the recommendations we make to the UK and Welsh Governments about the longer term areas of work may be different. In making any future recommendation, we will continue to consider the specific circumstances in Wales, including relevant legislation, and the priorities and objectives set out in the Welsh Government’s strategic policy statement to Ofwat.

## 3.2 Immediate recommended changes

### **Recommendation 1 – Increase compensation payments for supply interruptions**

Increase the initial period payment for “supply not restored” from £20 to £30 for residential customers and from £50 to £75 for business customers.

Increase the additional payment for “supply not restored” from £10 to £30 for residential customers and from £25 to £75 for business customers.

In our ‘Out in the Cold’ report, we noted our concern that the current payment for “supply not restored” does not reflect the impact of being without water for a prolonged period. We believe this concern could be simply addressed by our recommended changes, which would increase the initial and additional payments for “supply not restored”.<sup>3</sup>

Customers would feel a significant gain in payments from this increase if they lost supply. Since 2015, approximately a quarter of GSS payments have been for “supply not restored” (supply interruptions). This is the largest proportion of any of the individual GSS payments based on the information that companies submitted to us. This is based on responses to our compensation data request, which are available on our website [here](#).

The evidence summarised below shows how these recommended levels would be pushing some companies further, but we believe are proportionate and would not be an excessive increase. The ‘Beast from the East’ was an unusual event, so to set the levels of compensation above those paid during the event would be disproportionate.

### **Summary of evidence**

#### **Call for evidence consultation**

In question 1a of our Call for evidence consultation we asked, ‘Should the levels of compensation for supply not restored be maintained or increased?’

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<sup>3</sup> This recommendation relates to regulation 9 paragraph 4 of the Regulations

Generally, responses showed strong support for us to increase the payments made to customers to reflect the fact that the payments have not been adjusted since 2001. Some responses did, however, question the need for change suggesting that their customers had not raised concerns.

- Age UK: 'Levels of compensation should be increased; the current levels of compensation are inadequate. For example, a two-day interruption for an older person with mobility problems and incontinence would likely cause severe problems and distress. Compensation of £40 is completely inadequate; that person may need to spend significant sums on transport, water supplies, phone calls and possibly even accommodation.'
- Clear Business Water: 'We consider that the level of compensation for supply not being restored under the GSS arrangements should be increased to adequately reflect the inconvenience, and costs that may be incurred, as a result of the supply not being restored.'
- CCWater: 'The levels of compensation for this service failure should be increased. Current payment levels were set in 2001 and so have not kept pace with inflation.'
- Dŵr Cymru (Welsh Water): '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.'
- Northumbrian Water: '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 [CPI] inflation payment which would be £28.'
- Severn Trent Water and Hafren Dyfrdwy (joint-submission): 'We did feel the £10 for each additional 24 hour period was not sufficient and did not acknowledge the inconvenience that prolonged periods without a water supply would have on our customers.'
- Southern Water: 'There appears to be no good basis for a lower payment for subsequent periods, either from customer views or based on comparator

sectors. We would suggest that, as a minimum, the payments should be at least as much as the initial payment.’

- South Staffs Water: ‘While we support this review we have no evidence suggesting that customers are unhappy with the current arrangements.’
- United Utilities: ‘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.’
- Water 2 Business: “We feel that the amount should be maintained. We have never had a customer complain or debate the GSS payments we have provided.”
- Wessex Water: ‘We would be comfortable if the GSS compensation was increased but we believe the payment for each additional 24 hours should also be reviewed and potentially increased to match the initial payment.’

### **Inflation analysis**

We propose this increase to the initial period payment as it is in line with inflation since the levels were last changed in 2001. Using annual inflation statistics gathered from the ONS<sup>4</sup> we have calculated that cumulative inflation would equal approximately 41% using CPI or 57% using RPI. Therefore, we propose a hybrid of these two measures – a 50% increase – as both measures were used over this period (2001-2018) and the increase would be to a round number that is easy for customers to understand (i.e. £30).

### **CCWater’s customer research – compensation satisfaction**

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<sup>4</sup> ONS (2018), ‘CPI annual rate’, available at:  
<https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7g7/mm23>  
ONS (2018), ‘RPI Percentage change over 12 months’, available at:  
<https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/czbh/mm23>

Customer research commissioned by CCWater<sup>5</sup> asked a selection of customers from the companies most affected by the ‘Beast from the East’<sup>6</sup> about their level of satisfaction with the compensation they received. All of these companies chose to give compensation above GSS levels, though these amounts varied. Table 2 below summarises the findings.

**Table 2: Satisfaction at enhanced levels of compensation**

Satisfaction at compensation level	Residential respondents (England and Wales)	Business respondents (England and Wales)
Very satisfied	47%	36%
Quite satisfied	37%	26%
Neither satisfied nor dissatisfied	10%	10%
Quite dissatisfied	4%	8%
Very dissatisfied	2%	21%
Base (n)	397	55

The research shows that 84% of residential customers and 62% of business customers surveyed in England and Wales were ‘quite satisfied’ or ‘very satisfied’ with the enhanced level of compensation they received.

CCWater note that the lower satisfaction for business customers is likely due to the impact felt on their revenues. The GSS arrangements do not cover loss of earnings. When supply interruptions or similar lead to a loss of earnings, business customers should speak to their water company and retailer about how to make a claim for this and discuss emergency supply options that could be implemented. Businesses may also choose to insure themselves against the impact of supply interruptions.

Nevertheless, there were generally high levels of satisfaction with the enhanced compensation levels offered. The GSS levels we have recommended are similar to these levels. We feel that this shows that there would be strong support from customers that the recommended increase is proportionate and welcome.

<sup>5</sup> CCWater (2018), ‘Customers’ experiences of water supply interruptions following the ‘Beast from the East’ in March 2018’, available at: <https://www.cewater.org.uk/research/customers-experiences-of-water-supply-interruptions-following-the-freeze-thaw-events-of-march-2018/>

<sup>6</sup> Affinity Water, Dŵr Cymru (Welsh Water), Severn Trent, South East Water, Southern Water, South West Water and Thames Water.

## Stakeholder workshop

There was strong support for increasing the payment levels from both the wholesaler and retailer representatives at the workshop. Representatives noted that it seemed appropriate to do so given the payment had not kept up with inflation since it was last changed in 2001.

Further, companies noted that many offered compensation at above this minimum level as standard because the current minimum did not feel appropriate. Therefore they showed support for increasing this minimum.

## Comparison with the energy sector

We compared the levels of compensation available in the water sector with the energy sector. For unexpected power cuts, the level of compensation you can claim depends upon the cause and the number of homes affected.<sup>7</sup>

Table 3 shows a comparison of the payment levels available for residential customers, showing the value of payment and what percentage of the average annual household bill<sup>8</sup> they represent (in brackets).<sup>9</sup> The table shows the value of payments that customers would receive for interruptions of varying times by adding initial period payments to additional period payments; this is not cumulative.

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<sup>7</sup> Ofgem (2018), 'Power cuts: Help and compensation under the Guaranteed Standards', available at: <https://www.ofgem.gov.uk/consumers/household-gas-and-electricity-guide/extra-help-energy-services/power-cuts-help-and-compensation-under-guaranteed-standards>

<sup>8</sup> Energy: the average dual fuel standard variable tariff as of August 2018 was £1,192 per year. <https://www.ofgem.gov.uk/publications-and-updates/infographic-bills-prices-and-profits>  
Water: the average combined water and wastewater bill is £405 per year. <https://www.discoverwater.co.uk/annual-bill>

<sup>9</sup> It is worth noting that bills are different across the different companies in England and Wales, so the percentages shown will be different depending on each company.

**Table 3: Comparison between compensation payments for supply interruptions in the energy and water sectors**

<b>Interruption</b>	<b>12-24 hour interruption</b>	<b>24-36 hour interruption</b>	<b>36-48 hour interruption</b>	<b>48-60 hour interruption</b>
Power cut – caused by a storm or poor weather	-	£70 (6%)	£140 (12%)	£210 (18%)
Power cut – caused by another issue	£75 (7%)	£110 (9%)	£145 (12%)	£180 (15%)
Water supply interruption – current GSS minimum payment <sup>10</sup>	£20 (5%)	£20 (5%)	£30 (7.5%)	£30 (7.5%)
Water supply interruption – proposed GSS minimum payment	£30 (7.5%)	£60 (15%)	£90 (22.5%)	£120 (30%)
Maximum 'Beast from the East' payment	£75 (19%)	£100 (25%)	£100 (25%)	£150 (37.5%)

Having made this comparison we see that the current water payment levels are considerably lower than those in energy for longer interruptions, in value and as a percentage of the annual bill. The proposed changes would equate to a larger percentage of the annual bill for longer disruptions than those in the energy sector.

However, it is appropriate for this percentage to be higher given that water is arguably the most essential public service, given the health risks of being without supply for a prolonged period. Further, these proposed levels would still be below the amounts that some companies chose to pay in response to the 'Beast from the East'.

## **Advantages and disadvantages**

### **Advantages**

- Customers would be better compensated for prolonged losses of supply.
- The changes would better reflect that people are more vulnerable the longer they are without supply. It does not seem appropriate that the current additional payment is lower than that for the initial period.

<sup>10</sup> Customers are eligible for these payments as long as the cause of the interruption was not a burst to a "strategic main". If this was the cause then the initial payment of £20 is not paid until supply has been lost for 48 hours (i.e. no compensation would be due for a 12 or 24 hour interruption). See recommendation 3.

- These changes would simplify the structure for this payment by making the values of each payment the same. This will help in making the GSS easier for customers to understand so that they know the amounts they are entitled to.
- In terms of balancing payments, this more appropriately reflects that a loss of supply is more significant than low pressure. The payment for two instances of low pressure for one hour or longer in a 28 day period is currently £25 for residential customers, compared with £20 for being without supply for 12 continuous hours. The low pressure payment being higher than that for supply loss seems inappropriate. We also propose further considering the relationship between the payments for low pressure and loss of supply in section 3.3, by assessing the case for developing an intermittent supply payment.
- The changes would further incentivise companies to address supply interruptions faster.

### **Disadvantages**

- Companies could be deterred from paying payments above this level. Question 1b of our call for evidence consultation referred to the concern that an increase in the minimum compensation level could result in companies paying less compensation to customers. This is because they could be discouraged from paying enhanced compensation well above the current minimum.

We are encouraged that the majority of responses from companies highlight their commitment to paying fair compensation which reflects the disruption felt by customers. We would like to make clear our expectation that companies should consider compensation on a case-by-case basis and, where appropriate, exceed the minimum level mandated by the GSS in order to accurately reflect the impact on customers of the service failure. We set out our expectations for the sector in section 4 of this document.

- Payments for other service failures are not being increased at this point.

We have strong evidence to suggest that the balance between payments is off, with the “supply not restored” payment being comparatively too low. It is appropriate to uplift this payment separately and think through the best approach for other payment levels, as well as wider considerations (e.g.



exemptions, additional payments), as the case for changing them at this stage is less clear.

- Responses to our call for evidence consultation suggested that there may need to be a cap introduced on the maximum amount a customer can receive as a result of supply not being restored. With the increased payments relating to this, some companies would need to pay a higher level of compensation to customers, which could lead to compensation payments that exceed the cost of water charges as a result of prolonged interruptions.

We note that this is a considerable increase in associated payments but feel this more accurately reflects a minimum payment level for the impact of being without water for an extended period. Further, it is desirable that the additional payment is increased to the same amount as the initial payment, so that it does not suggest that customers are less affected the longer they are without water.

- We are recommending a flat increase in payments for prolonged interruptions, rather than increase by a larger amount the longer disruption lasts (i.e. exponential). An exponential increase would reflect that customers become more vulnerable the longer they are without supply.

We feel that a flat increase is preferable because this makes the compensation amounts easy for customers to understand and the proposed increase in the additional payment already represents a significant uplift. This proposal will triple this payment and recommendation 2 shortens the threshold between payments. We therefore feel that this sets an appropriate minimum level, which companies can choose to exceed when appropriate.

### **Recommendation 2 – Reduce the time between additional compensation payments for longer supply interruptions**

Reduce the threshold for the additional payment from a further full 24 hour period after the initial payment period, to a further full 12 hour period.

We recommend reducing the time that customers need to wait for additional compensation for prolonged interruptions to their supply from a further full 24 hour period after the initial payment period, to every further full 12 hour period.

This change would mean that customers would be better compensated for prolonged losses of supply, the arrangements are easier to understand and would further

incentivise companies. These were concerns that were initially raised during our 'Out in the Cold' review through interaction with customer representatives and local government.

This recommendation relates to regulation 9 paragraph 4c of the Regulations, and we believe that these changes could be introduced easily. Further changes would not be necessary and this would not affect other GSS payments.

## Summary of evidence

### Call for evidence consultation

In responses to question 2a and 2b of our call for evidence consultation, there was strong support that the current time between payments was too long and not as easy for customers to understand as it could be.

However, we note that some responses suggested aligning additional payments to each full day a customer goes without supply, rather than every 12 hours as we recommend, or a multiplier.

- CCWater: 'One option could be for compensation levels to be subject to a multiplier based on the time taken to restore supplies. For example the following multiplier might apply to additional payments over and above the initial amount – x1 after 24 hours x2 after 48 hours and x3 after 72 hours. Thus a 72 hour interruption would attract compensation 7 times that of a 12 hour interruption. The payments would need to be accompanied by communication that laid out the approach to compensation, because our research found that customers were confused about why some customers got a different level of compensation to them.'
- Dŵr Cymru (Welsh Water): '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.'
- Northumbrian Water: '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.'

- South East Water: 'We believe the GSS payments for Supply not restored could be simplified.' '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.'
- United Utilities: '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.'

### **Stakeholder workshop**

There was support at the stakeholder workshop for simplifying and shortening the amount of time between payments.

There was debate between whether it would be most appropriate to make this every 12 hours or align payments with full days. There was not universal agreement on this point and some raised concerns that potentially increasing the value and regularity of payments could substantially increase the amount of compensation that companies paid. Others suggested that it would be positive for this to happen because it would increase the amount of compensation that customers would receive for service failures.

### **Comparison with the energy sector**

The thresholds used for additional compensation payments in the energy sector are for each additional 12 hour period.<sup>11</sup> The initial payment period differs depending on the circumstances that caused the interruption – 12 hours in most situations or 24/48 hours if the outage is caused by storms or poor weather.

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<sup>11</sup> Ofgem (2018), 'Power cuts: Help and compensation under the Guaranteed Standards', available at: <https://www.ofgem.gov.uk/consumers/household-gas-and-electricity-guide/extra-help-energy-services/power-cuts-help-and-compensation-under-guaranteed-standards>

## Advantages and disadvantages

### Advantages

- Customers would be better compensated for prolonged losses of supply.
- The changes would better reflect that people are more vulnerable the longer they are without supply. It does not seem appropriate that the current additional payment is lower than that for the initial period.
- Shortening the threshold between payments further incentivises companies to address issues quickly and ensure that customers receive services. We note that companies always work hard to restore supply but feel that by placing additional financial penalties on a failure to do this in a timely manner can only encourage companies to go further for their customers.
- These changes would simplify the structure for this payment as, alongside recommendation 1 and 3, it would mean that for every 12 hours without supply, a residential customer would receive a payment of £30 (£75 for business customers). This makes it much easier for customers to understand the amounts they are entitled to.

### Disadvantages

- The change we are recommending does not increase proportionally by larger amounts for longer interruptions.

We considered making increases exponential over time but felt that this would add undue complexity for customers and create confusion regarding the amount of compensation they are entitled to. Further, we are recommending that the value of the payments is increased as well so it feels proportionate to propose a flat increase over time.

- This recommendation increases the amount of payments, and therefore the total value, of compensation that companies are liable to pay in the event of a supply interruption.

We feel this is an appropriate and justifiable change to this payment, which more accurately reflects the impact on customers of being without water for a prolonged period for the reasons set out above.

### **Recommendation 3 – Removing the “strategic main” distinction for initial payments for supply interruptions**

Remove the distinction between the initial payment for “supply not restored” being made to customers after 48 hours if supply was cut off because of a leak or burst in a “strategic main”, rather than 12 hours for all other causes of supply loss.

This distinction is intended to reflect the increased difficulty, and wider impact, of bursts or leaks to strategic mains as opposed to other network assets. However, we recommend that this distinction is now removed.

It was raised in our stakeholder workshop particularly that the definition of a “strategic main”<sup>12</sup> is open to interpretation and so could be construed in different ways. Rather than develop a more specific definition, which would prove difficult due to these varying interpretations, we feel a more appropriate approach is to remove this distinction entirely. For customers, the experience of being without water is the same, irrespective of whether the interruption is caused by a leak or burst to a strategic main or another network asset.

We do not feel it appropriate that a customer should go without supply for such a long period without receiving compensation, if the reason for the burst or leak was within the company’s control. We propose, as part of further work, to consider whether or not the exemptions that companies can use in certain circumstances remain appropriate (see section 3.3).

This recommendation relates to regulation 9 paragraph 3b and 7 of the Regulations, and we believe that these changes could be introduced easily. Further changes would not be necessary and this would not affect other GSS payments.

### **Summary of evidence**

#### **Call for evidence consultation**

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<sup>12</sup> “A main that conveys water in bulk to centres of population that have no other supply that can meet normal demand” –regulation 9 paragraph 7 of the Regulations.

We did not explicitly ask a question in our call for evidence consultation about “strategic mains”. However, question 2c did ask about whether the current exemptions to the GSS payment for supply not being restored were appropriate.

“Strategic mains” are not included in exemption to the GSS, but some responses make the case for removing the distinction between supply interruptions for customers being caused by bursts to “strategic mains” and all other causes. Other responses did not see a need for any changes to the current exemptions, though it is unclear if this included consideration of the “strategic mains” distinction.

- CCWater: ‘We believe no distinction should be made in the case of strategic mains, and that compensation should be paid in all cases where supplies are not restored within 12 hours. The focus of the scheme should be the end result for customers and compensating them where their service has not been good enough.’
- Dŵr Cymru (Welsh Water): ‘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.’
- Portsmouth Water: ‘We do not believe there should be any changes, we do not see any issues with these exemptions.’
- Severn Trent Water and Hafren Dyfrdwy (joint-submission): ‘We feel on the whole the current exemptions are still valid.’
- Thames Water: ‘While leaks or bursts on strategic mains are operationally more challenging to address, the distinction does not take into account that the customer experience is essentially the same. We propose, therefore, that the distinction is removed so that it is only duration of the interruption that triggers a payment. This is likely to be more in line with customer expectations and will simplify GSS for customers and companies.’
- Wave: ‘There should be a reduction in the timescale before GSS payments are made where the supply is interrupted or cut off in an emergency due to a leak or burst in a strategic main. The current 48 hours has a considerable impact on businesses and storage for that period is simply not practical for many larger customers due to the volumes involved. Where business

customers have storage, this will typically be for a period up to 8 or 12 hours. To reflect this, the current 48 hours should be reduced to 12 hours.'

### **Stakeholder workshop**

In the stakeholder workshop we held, there was support for removing the “strategic mains” distinction. There were two main reasons highlighted in discussions. First, the current definition, as outlined above, was seen to be ambiguous. Representatives from multiple companies noted that they would likely define the term in different ways. So it is possible that this distinction might be used in an inconsistent manner. Some stakeholders did not feel that this was a particular concern and could be addressed, if needed, through a tighter definition.

Second, it was noted that the material impact on customers would be the same irrespective of whether an interruption was caused by a burst to a “strategic main” or another network asset. So it was suggested that customers may find it difficult to understand why they are not due compensation in such a situation.

### **Advantages and disadvantages**

#### **Advantages**

- For customers, the experience of being without water is the same, irrespective of whether the interruption is caused by a leak or burst to a strategic main or another network asset.
- Removing this distinction would simplify the structure for this payment as, alongside recommendations 1 and 2, it would mean that for every 12 hours without supply, a residential customer would receive a payment of £30 (£75 for business customers), making it easy for customers to understand the amounts they are entitled to.
- Bursts to strategic mains are within the company’s control in most circumstances. It is not appropriate for a customer to go 48 hours without supply without receiving compensation if the reason for the burst or leak was within the company’s control. Exemptions regarding third party impacts, industrial action and severe weather will be considered as part of the further work outlined in section 3.3.
- Removing this distinction would remove the ambiguity around the definition of a “strategic main”, treating all bursts within the company’s control the same.

## Disadvantages

- Removing this distinction would not reflect that it is more difficult, and often time consuming, to repair bursts to a strategic main.

We feel that this distinction is inappropriate as it does not reflect that customers are left without supply and the impact of this is the same irrespective of the cause of the supply interruption. If companies are responsible for the interruption then customers should receive compensation for the disruption.

- An alternative option could be to reduce the threshold from 48 hours to 24 hours, which could reflect the difficulty of repairing strategic mains but reduce the time that customers could lose supply for without receiving compensation.

We feel that the distinction itself is inappropriate, for the reasons outlined above, and therefore recommend that it is removed rather than changed.

### **Recommendation 4 – Make all GSS payments automatic**

Extend the provisions for automatic payment to the late payment penalties for (1) appointments not made properly, (2) appointments not kept, (3) written complaints not actioned on time and (4) written account queries and requests to change payment arrangements not actioned on time.

Automatic payments are already made for all standard GSS payments as well as for the late payment penalties for supply interruptions and sewer flooding (internal and external).

This recommendation would mean extending the provisions for automatic payment to the late payment penalties for (1) appointments not made properly, (2) appointments not kept, (3) written complaints not actioned on time and (4) written account queries and requests to change payment arrangements not actioned on time. Note that there is no late payment penalty for low pressure and therefore no changes are proposed to this payment.

It would be appropriate to extend this to the remaining penalty payments to ensure that the process of receiving compensation is free from hassle for customers. Making customers claim for compensation makes the process more difficult, particularly for some customers in vulnerable circumstances. This change would reduce the burden on customers and increase the speed of compensation payments.



This recommendation relates to regulation 13 of the Regulations, and we believe that these changes could be introduced easily.

## Summary of evidence

### Call for evidence consultation

Responses to question 6 of our call for evidence consultation, asking for any other changes to the GSS that should be considered, displayed support for ensuring that all compensation payments are automatic.

- Dŵr Cymru (Welsh Water): '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.'
- Northumbrian Water: '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.'
- Severn Trent Water and Hafren Dyfrdwy (joint-submission): 'Payments should be made proactively and not have to be claimed by customer.'
- United Utilities: '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.'
- Yorkshire Water: 'Currently some penalty payments under GSS must be claimed by a customer. To make it fair, fast and hassle free it would be better if these were all automatic payments, as there would be less inconvenience to customers and there would be a consistent approach across all water companies.'

### Stakeholder workshop

In the stakeholder workshop we held in September, there was support for making all payments automatic to reduce hassle for customers in receiving the compensation they are due. It was noted that this is particularly important for customers in

vulnerable circumstances who may find claiming for compensation more difficult. A further point was that automating these payments should not stop customers from claiming for additional compensation.

## **Advantages and disadvantages**

### **Advantages**

- Reduces burden on customers to claim for compensation that they are due.
- As the response to our call for evidence consultation from Citizens Advice notes, “increased automatic compensation practice also helps to equalise access to compensation, as less engaged consumers receive compensation they otherwise would not. Often the least engaged consumers are those who can least afford to miss out on compensation, such as those on low incomes or are vulnerable, e.g. having a disability.”
- Further incentivises companies to make payments quickly.
- Removing the need for customers to claim this compensation should also reduce the amount of time that staff at companies spend processing these claims.

### **Disadvantages**

- If companies have poor quality data on customers, automatic payments may lead to some customers ‘missing out’.

We accept that this recommendation does rely on companies improving their customer data to ensure that they understand who has been affected by a service failure and for how long. This was an issue raised in the ‘Out in the Cold’ review and we expect companies to do everything they can to identify all customers due compensation, making best use of data in doing so. We encourage companies to get involved in the Water UK sector-wide work that stemmed from the ‘Out in the Cold’ review looking at this and the recent

UKRN facilitated work to improve data sharing between the water and energy sectors.<sup>13</sup>

Overall, we feel that the benefit provided to customers through less hassle in claiming compensation outweighs any potential downside. Further, customers can still claim for these payments if they have not received compensation they are due but this recommendation would allow for more swift payments to customers affected that the company is aware of.

In the event that the customer receives an automatic payment but does not feel that they were impacted then they may wish to return this. We note that this happened during the freeze thaw earlier this year and some companies chose to donate these returned compensation payments to charity.

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<sup>13</sup> UKRN (2018), 'Making better use of data to identify customers in vulnerable situations', available at: <http://www.ukrn.org.uk/wp-content/uploads/2018/11/UKRN-Making-better-use-of-data-to-identify-customers-in-vulnerable-situations-follow-up-report.pdf>

**Recommendation 5 – Review GSS payment amounts when cumulative inflation exceeds 10%**

Ofwat, in partnership with the UK and Welsh Governments, should review GSS payment amounts when cumulative annual CPI inflation exceeds 10%.

Ofwat, in partnership with the UK and Welsh Governments, should commit to reviewing GSS arrangements when cumulative annual CPI inflation exceeds 10%. We want to ensure that the arrangements are regularly updated to ensure that they deliver fair, fast and free from hassle compensation for customers and a trigger for a review would help to ensure this.

During our ‘Out in the Cold’ review it became apparent that, as payments had not kept up with inflation, compensation for prolonged supply interruptions was not appropriate. This recommendation would help to future proof against this recurring.

This would trigger a review of all areas of the GSS arrangements with a particular focus on whether values of payments should be altered to reflect changes in real prices.

Setting this level at 10% annual cumulative CPI inflation is appropriate because it will ensure that the arrangements are reconsidered when there are substantial changes in prices that could have a material impact on the real value of payments. When triggered, Ofwat would engage with the UK and Welsh Governments regarding the need for and scope of the review.

There could still be cases in which Ofwat, the UK Government or the Welsh Government may wish to undertake a review of the GSS arrangements when this threshold has not been reached, and this should not change. This would, however, add an additional checkpoint to ensure updates are regularly considered for the GSS.

We suggest that including a provision into the Regulations for automatic increases in payments in line with inflation could be the best way to make this change. This would allow for increases to be made with minimal legislative burden when other changes to the GSS are not considered to be needed at that time. Automatic increases to rounded figures (e.g. nearest £5) would ensure that customers continue to receive an appropriate minimum level of compensation.

Putting into place this recommendation may require an additional regulation being added to the Regulations or changing the wording of the current statute. We would

welcome the opportunity to work with both Governments to develop appropriate wording for the Regulations.

## Summary of evidence

### Call for evidence consultation

Question 4b of our call for evidence consultation asked, 'All payments could be price inflated automatically in future. Would this approach be reasonable and proportionate?'

A large number of respondents showed support for ensuring that customers were not left worse off over time as a result of inflation but warned against making payment increases annual. This was because it would likely lead to payment amounts looking 'odd' (i.e. not rounded to the nearest £5), which could confuse customers and place an extra administrative burden companies to regularly change these amounts.

Respondents preferred the idea of linking payments to inflation going forward on a five-yearly basis, in line with the price review period, rounding payments to the nearest £5 so that it was easy for customers to understand.

- Age UK: 'We see no reason why compensation should not keep up with inflation.'
- CCWater: 'Going forward it would make sense to adopt mechanisms for both annual increases in compensation, in line with inflation, and more fundamental reviews of the scheme and compensation levels at fixed intervals. Rounding should be applied to compensation amounts increased with inflation in order to avoid 'odd' payment amounts, which might be questioned by customers.'
- Dŵr Cymru (Welsh Water): '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.' Dŵr Cymru (Welsh Water) also sets out that it would be appropriate to round payments to the nearest £5 to ensure that it is easy to understand, and that payments should not be reduced in the event of negative inflation.'
- United Utilities: '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.’

## Advantages and disadvantages

### Advantages

- This would ensure a regular review of the GSS arrangements when prices are changing substantially.
- This additional trigger does not stop Ofwat, the UK Government or the Welsh Government from undertaking separate reviews of the GSS arrangements for other appropriate reasons.
- 10% seems an appropriate threshold to encourage regular reviews without being burdensome for the regulator or Government (i.e. having to make regular, time-consuming legislative changes). This approach would lead to a review every five years if the Government’s inflation target of 2%<sup>14</sup> is met each year. This would seem appropriate.

### Disadvantages

- A number of responses to our call for evidence consultation suggested that aligning a five-yearly review of GSS in line with the price review could be preferable and provide certainty on timings of reviews.

Though this approach would not be unacceptable, we feel that a threshold is preferable to a timescale requirement. This is because it will ensure that when there is a substantive change in prices, Ofwat and the UK and Welsh Governments would consider the need for changing the GSS compensation levels to ensure that customers are not left worse off. If inflation is high for multiple consecutive years, a fixed review period could lead to the GSS payments being considerably out of line.

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<sup>14</sup> Bank of England (2018), ‘Monetary Policy’, available at: <https://www.bankofengland.co.uk/monetary-policy>

### **3.3 Areas for further consideration**

Below are some of the areas where we feel that more work is needed before proposing a recommendation. This may involve collecting more evidence and views on the need for change and potential solutions. We may make different recommendations to the UK and Welsh Governments about the longer term areas of work, based on the specific circumstances in Wales, including relevant legislation, and the priorities and objectives set out in the Welsh Government's strategic policy statement to Ofwat.

This is not an exhaustive list of all of the areas that should be considered, as there may be other areas that arise over time, including areas for potential extension of the GSS arrangements. In considering the below, it does not mean that Ofwat will necessarily make recommendations relating to each of them in the future.

#### **A payment for intermittent supply interruptions**

Consider whether the GSS arrangements should include a payment with respect to intermittent supply interruptions.

There is no such payment under the current arrangements for the water sector. In the energy sector there is a similar payment available to customers if they are cut off more than four times, and for at least three hours, in a 12 month period. We also note that a number of companies compensate their customers for intermittent loss of water supplies through their enhanced schemes. However, these companies use varying definitions to determine when there has been a service failure.

We feel that more work is needed to consider the most appropriate thresholds for when a payment would be due to customers, and the value of any payment. Also it is important to consider its potential relationship with the current low pressure payment under the GSS. We are keen to ensure that there is an appropriate balance between compensation paid to customers without supply, compared with those with supply but at low pressure.

#### **Balancing between ODIs and GSS**

Consider what the appropriate balance is between outcome delivery incentives (ODIs) and GSS payments at a sector wide level.

Both of these mechanisms cover similar areas, including supply interruptions. They can both be powerful and we are keen to ensure we strike the right balance between

them in terms of incentivising companies' behaviour and appropriately compensating customers for service failures.

It is essential that the distinction between what each mechanism is doing is clear and appropriately give companies out performance payments when it goes beyond "business as usual" and compensates customers for underperformance.

### **Change/remove exemptions to the GSS**

Consider further whether or not exemptions currently allowed under the GSS should be changed or removed.

These exemptions are available for companies to use in relation to a number of GSS payments for factors outside of their control. Areas to consider further include exemptions relating to severe or exceptional weather, industrial action and third-party action. As these exemptions relate to a number of payments and are open to interpretation, it is important that time is taken before deciding whether or not these exemptions remain appropriate.

In making this assessment, it is important to consider this from the perspective of a customer and whether a customer feels it would be appropriate for companies to not need to make compensation payments in each circumstance. There also may also be a case for providing further clarification or guidance around the exemptions, rather than removing them.

### **Simplifying late payment penalties**

Consider whether or not there are changes that could be made to the current GSS penalties for late payments to ensure that compensation is fast and free from hassle for customers.

It would be important to understand whether standardising the current penalties, or other changes, could reduce complexity for customers and make the process for making these payments simpler. This may involve considering whether all late penalties should be made after the same amount of time, which is currently not the case where late payments are generally made after a period of 10 or 20 working days depending on the payment.

It would be useful to consider the impact of making all late penalty payments automatic, as we have recommended above, before deciding if anything further needs to be done.



### **Changes to appointment requirements**

Consider whether or not the current requirements around appointments need to be modernised to allow for and encourage better customer service.

This could include considering provisions about offering customers a shorter time slot in which a representative from the company will arrive for the appointment, as well as offering appointments at flexible times (e.g. evenings). Currently the arrangements require companies to let customers know whether they will be coming in the morning or afternoon, or offer a two hour period in which they will arrive at the customer's request. In our stakeholder workshop, it was noted that this inflexibility could discourage companies from offering more.

We note that some companies do already offer more flexible appointments but want to consider whether the GSS arrangements could help to, and need to, further encourage positive steps in customer service.

### **Changes to the complaints process**

Consider whether or not there are changes that should be made to the GSS arrangements to improve the complaints process for customers.

The Environment, Food and Rural Affairs Committee recently noted concerns that the complaints process in the water sector was not always easy for customers.<sup>15</sup> On top of the changes to automatic payments we have recommended above, we will consider whether there are further potential changes to the GSS that could improve the handling of complaints. This would involve close working with CCWater and the wider sector.

### **A payment for failing to deliver alternative supplies in a timely manner**

Consider whether or not there is a need to introduce a payment for a failure to deliver alternative supplies (e.g. bottled water) in a timely manner.

This was raised in some responses to our call for evidence consultation, including by CCWater. We agree that it would be useful to consider if a payment for late delivery

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<sup>15</sup> The Environment, Food and Rural Affairs Committee (2018), available at: <https://www.parliament.uk/business/committees/committees-a-z/commons-select/environment-food-and-rural-affairs-committee/news-parliament-2017/regulation-water-bill-report-published-17-19/>

could be an incentive to encourage faster and wider delivery of alternative water supplies when needed.

This would involve considering appropriate standards for any potential payment. For example, these could relate to the Security and Emergency Measures Direction (SEMD) requirements.

### **3.4 Areas not for further consideration**

Based on the evidence gathered as part of this review, we propose that we will not consider the below topics in developing further recommendations at this stage. However, this may change if compelling information becomes available at a later stage.

#### **Extending compensation payments to cover temporary use bans**

We asked in our call for evidence consultation (question 3a) whether or not GSS payments should be expanded to cover supply restrictions, such as temporary use bans (e.g. hosepipe bans). This would not be appropriate at this stage.

A number of responses to our call for evidence consultation and comments raised during our stakeholder workshop noted strong reasoning for why this should not be introduced. First, that such a payment is inconsistent with our approach to encouraging water efficiency. This is because it could discourage companies from putting in place a temporary use ban, leading to greater supply issues at a later date (e.g. drought).

Second, compensation in the event of a temporary use ban could also discourage customers from being water efficient in periods of hot weather, as they may receive a compensation payment as a result of increased use. This would not be appropriate as it is important that we encourage and incentivise responsible use of water to ensure that we protect the environment.

Third, there is not a need for an additional incentive for companies to avoid introducing a temporary use ban. The reputational impact of putting in place a temporary use ban (or similar) is already a very strong incentive for companies to avoid this situation.

#### **Adapting the current requirements around payment methods**

Responses to our call for evidence consultation noted that we could consider adapting the GSS arrangements to make changes to payment methods.

The current arrangements allow sufficient flexibility for companies to determine the most appropriate method of compensation. We saw a number of examples of companies working closely with their customers and Customer Challenge Groups (CCGs) in determining appropriate methods doing so.

This is reflected by the results of the CCWater customer research after the freeze thaw event earlier in 2018, where 91% of customers surveyed in England and Wales said that they were satisfied with the method used to make payments to them. This was 99% for surveyed customers of Dŵr Cymru (Welsh Water). Therefore we do not see this as an issue at present and believe a change to a more prescriptive approach would not be appropriate.

### **Further customer segmentation of the GSS payments**

We asked in our call for evidence consultation (question 5) whether or not the GSS arrangements should further differentiate between different types of residential and business customers.

One of these areas was considering whether big businesses should be compensated a different amount to smaller businesses. In not taking forward this suggestion we noted concerns that further segmentation would significantly increase the complexity of the arrangements, increasing issues regarding why some customers receive higher levels of compensation for the same event.

Further, the key concern from business customers has been that the payments mandated under the GSS arrangements do not cover loss of earnings. When supply interruptions or similar lead to a loss of earnings, business customers should speak to their water company and retailer about how to make a claim for this and discuss emergency supply options that could be implemented. Businesses may also choose to insure themselves against the impact of supply interruptions.

In terms of making changes to promote the interests of customers in vulnerable circumstances, responses to our call for evidence emphasised that the provision of water – or alternative supplies (e.g. bottled water) – is the most essential thing when supply is lost. Receiving higher levels of compensation after the event is comparatively less important. Therefore we are not considering increased payments for these customers.

However, we are considering whether there should be an additional GSS payment for alternative supplies not being delivered in a timely manner (see section 3.3 above).

## 4. What we expect companies to do

Changes to the GSS regulations are made within a statutory instrument by Government, which may take time. While any changes to the current statutory arrangements are being considered, we expect all companies to reflect on our recommendations in setting their own compensation schemes. We note that some expectations will only be relevant for wholesale companies, but encourage retailers to consider the areas relevant to them.

Beyond what is mandated in the GSS, we have further expectations for companies regarding compensating customers for service failures.

Companies should prepare for and plan to ensure that they can provide this essential public service to everyone, whatever the weather. However, in some cases this will not be possible and companies will need to respond quickly to restore supply.

When this happens, we expect companies' priority to be restoring supply to customers as quickly as possible, and providing tailored support (e.g. alternative supplies) in a timely and accessible way for all affected customers.

Having accurate information is key in understanding the needs of different customers at different points in time. This allows companies to offer appropriate tailored support to those who need it, particularly customers in vulnerable circumstances. We encourage companies to consider and engage with the recent [UKRN cross-sector data sharing report](#) and CCWater's '[Vulnerability in the Water Sector](#)' report.

Throughout any incident, we expect companies to ensure that customers and stakeholders receive clear, accurate information about what is happening and when it is likely to be fixed.

This will involve interaction between wholesalers and retailers, though to a lesser extent in Wales. All parties should make sure that this relationship works effectively and that responsibilities are clear, so that customers receive the best possible service. This may involve undertaking practice exercises to learn lessons and improve processes. We encourage all parties to get involved with the sector-wide work that Water UK is coordinating to improve wholesale-retail interaction, which was highlighted as a key issue in our 'Out in the Cold' review earlier this year.

Once normal service has been restored, we expect wholesalers and retailers to deliver fair, fast and free from hassle compensation to all affected customers.

It is important to emphasise that the GSS arrangements offer minimum levels of compensation for failures to meet guaranteed minimum standards of service. As several companies did in response to the 'Beast from the East', we also expect wholesalers and retailers to continue to offer enhanced compensation to customers when necessary, which may be above these proposed levels.

We note that some wholesalers and retailers have their own enhanced compensation schemes guaranteeing compensation in excess of the current GSS and/or offering a higher standard of service. This is positive and we encourage them to continue to review these schemes to ensure they provide appropriate compensation to customers impacted by poor performance.

If these enhanced schemes offer higher levels of compensation than we are recommending, we would expect these wholesalers and retailers to at least maintain these levels where appropriate. Companies should not reduce the amount of compensation available to customers.

All companies should work closely with their customers and (where appropriate) customer challenge groups (CCGs) to determine appropriate levels of compensation, standards and methods of payment.

Further to this, we expect wholesalers and retailers to ensure that all potentially affected customers are aware of the compensation they are due and of how they can make additional claims (e.g. out of pocket expenses, loss of earnings). It is also important that customers are quickly and clearly made aware of when, and why, they are receiving compensation (e.g. a letter from the company to the customers).

## **A1 Water undertakers and water retailers that would be affected by changes to the GSS arrangements**

Sections 39(2)(b) and 96(2)(b) of the Water Industry Act 1991 require Ofwat to specify the water and sewerage undertaker or undertakers in relation to which it is proposed the regulations should apply. In accordance with this requirement, the regulations should apply to all undertakers who currently hold, or will in the future hold, an appointment under section 6 of the WIA91.

In accordance with sections 39ZA and 96ZA of the Water Industry Act 1991, the intention is for these regulations to apply to all licensed retailers holding a WSSL granted in accordance with sections 17A and 17BA.

## **A2 Respondents to our call for evidence consultation**

We thank each of the following stakeholders for providing responses to our call for evidence consultation to help to inform this recommendation and future work on the GSS. Their responses are published on our website [here](#).

- Affinity Water
- Age UK
- Anglian Water
- Bristol Water
- Business Stream
- Citizen's Advice
- Clear Business Water
- Consumer Council for Water
- Dŵr Cymru (Welsh Water)
- Jaguar Land Rover
- Northumbrian Water
- Portsmouth Water
- SES Water
- Severn Trent Water and Hafren Dyfrdwy (joint-submission)
- South East Water
- South Staffs Water
- South West Water
- Thames Water
- United Utilities
- Water 2 Business
- Water Plus
- Water Scan
- Wave Utilities
- Wessex Water
- Yorkshire Water



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November 2018

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