

August 2018

Trust in water

# **Call for evidence consultation – Guaranteed Standards Scheme (GSS)**

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## 1. Context

In June 2018, we published the findings of our 'Out in the Cold' review water supply issues that followed the 'Beast from the East' – the name given to the period of cold weather in late February and early March 2018. Over 200,000 customers across England and Wales were left without supply for more than 4 hours, over 60,000 for 12 hours and nearly 40,000 for over 24 hours.

We found many incidences of poor advance planning, inadequate communication with customers and a lack of basic support such as bottled water. As a result of the disruption that customers felt, the sector paid over £7 million in compensation to customers.

There was a wide variety in the amounts of compensation paid by each company in response to the freeze thaw incidents when supply was not restored. Some companies made payments at the minimum statutory compensation scheme – the [guaranteed standards scheme \(GSS\)](#) – which is an initial payment of £20 and £10 for every additional 24 hours a residential customer is without supply (payments are £50 and 25 respectively for business customers); while others choose to exceed this minimum. A summary explaining the GSS and what it covers is set out in section 3.

In our review, we noted our concern that the current GSS arrangements are not reflective of the impact on customers of being without water for a prolonged period. We committed to launching a consultation by the end of July 2018 with a view to making proposals to revise the GSS.

Therefore, we are launching this call for evidence consultation to gather further evidence from interested stakeholders about whether changes to the GSS are needed and, if so, what form they should take. The scope of the call for evidence, and specific questions we are inviting evidence and views on, are set out in sections 2 and 4. Following this consultation, if appropriate, we will make a recommendation to the UK and Welsh Governments to amend the GSS arrangements in line with our findings.

The call for evidence consultation period will be open for 6 weeks, closing at **9:00am on Tuesday 11 September 2018**. Earlier responses, where evidence is already available, will be very helpful for our analysis. Details of how to respond to this consultation are set out in section 5.

This consultation is in addition to the work that companies are doing individually, and collectively with key stakeholders, to address the issues highlighted by our review.

## 2. Objectives and scope

Our objective through this process is to ensure that customers at least receive a minimum level of compensation, which appropriately reflects the disruption of being without supply. In addition, we want to ensure that the GSS arrangements, present or future, do not hinder customers from receiving fair, fast and free from hassle compensation.

It is important to emphasise that the GSS arrangements offer minimum levels of compensation for failures to meet guaranteed minimum standards of service. Any changes to the level of minimum compensation should not discourage companies from paying compensation to their customers that exceeds this, where appropriate.

We note that some companies 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 companies to continue to review these schemes, if applicable, to ensure they provide appropriate compensation to customers impacted by poor performance. In doing so, they should work closely with their customers and customer challenge groups (CCGs) to determine appropriate levels and standards.

These compensation payments are separate to the outcome delivery incentive (ODI) payments companies also make to customers for missing the performance commitments they made on issues such as reducing supply interruptions.

The main focus of this call for evidence consultation will be on “supply not restored” compensation arrangements under the GSS arrangements. The GSS covers many other payments for failings to meet minimum standards – see section 3 – but we are focusing this consultation on those for when supply is not restored (i.e. supply interruptions), as this was highlighted as a key issue during our review of the freeze thaw incidents earlier this year.

In addition, we are considering areas which relate to all payments under the GSS. We are asking for views and evidence on whether or not payments should be increased by inflation, differentiation between the payments different customer types receive and whether or not we should consider changes to other areas of the GSS.

### 3. Background about the GSS

#### Arrangements for all payments under the GSS

The guaranteed standards scheme (GSS) is the statutory compensation scheme setting out the guaranteed minimum level of compensation that customers should receive if companies fail to provide them with a good enough service. There are a guaranteed set of standards which companies must meet otherwise they are required to make a specified payment to the affected customer. We monitor the scheme and recommend charges. A summary table of payment amounts that apply in England & Wales under the GSS is set out in section A1.

The guaranteed standards cover a number of areas including payments relating to:

- Appointments not being kept;
- Low water pressure;
- Incorrect notice of planned supply interruptions;
- Supply not being restored (the primary focus of this call for evidence consultation);
- 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 is available [here](#).

Our review showed that the levels of compensation under the GSS had not been inflated over time and therefore had not kept up with inflation since 2001. We are considering if all GSS payments should be inflated so that customers are not left worse off in real terms. We are therefore asking for evidence and views on whether all GSS payments should be uplifted from 2001 to ensure that they have kept up with inflation<sup>1</sup>, and whether going forward a mechanism for automatically inflating these payments should be developed. See question 4 in section 4.

Residential and business customers also receive different payments. Business customers receive a higher level of compensation in some areas, including for

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<sup>1</sup> Using ONS figures for annual CPI, we estimate that this would increase GSS payments by approximately 40%. The ONS figures are available at:  
<https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/d7g7/mm23>

payments relating to supply not being restored. However, there is no further differentiation between different types of customers. Therefore, we are asking for views and evidence on whether or not there is a need to further differentiate between types of customers and, if so, whether there are any potential changes that should be implemented to reflect the disruption felt by customers in vulnerable circumstances and different types of business customers. See question 5 in section 4.

### **Arrangements for when supply is not restored**

The current GSS arrangements set out thresholds for when customers become eligible for payments for supply not being restored. A company must automatically make a GSS payment to all affected customers if:

- the supply is interrupted or cut off to carry out necessary works, and the supply is not restored by the time stated in the written notice given to affected customers;
- the supply is interrupted or cut off in an emergency due to a leak or burst in a strategic main and is not restored within 48 hours of the company first becoming aware of the interruption or that the supply was cut off; or
- the supply is interrupted or cut off in an emergency for any other reason and is not restored within 12 hours of the company first becoming aware of the interruption or that the supply was cut off.

We are asking for views as to whether or not these thresholds should be changed in any way as part of question 2 in section 4.

The compensation payment for supply not being restored for residential customers is currently increased by £10 for every further 24 hours a customer is without supply (£25 for business customers) after the initial £20 payment (£50 for business customers). As well as asking for views on whether or not this level of compensation is appropriate, we are also asking if the level of compensation should increase by a larger amount the longer disruption lasts. See questions 1 and 2 of section 4.

There are exceptions to the requirement to make a GSS payment if a supply is not duly restored. These are if:

- industrial action by the company's employees prevented the supply being restored;
- the act or default of a person other than the company's representative prevented the supply being restored;

- severe weather prevented the supply being restored.<sup>2</sup> You can find out more in our [guidance to companies on weather-related exemptions](#);
- where the supply was interrupted or cut off due to a leak or burst on a strategic main, or for any other unplanned reason, the circumstances were so exceptional that it would be unreasonable to expect the supply to be restored within the relevant period;
- it is impractical for the company to have identified the particular customer as being affected, and the customer has not made a claim within three months of the date of the supply not being duly restored; or
- the regulation does not apply where supply is interrupted or cut off due to a drought. There are different arrangements under companies' licences relating to compensation in drought situations.<sup>3</sup>

We are also asking for views on whether or not there should be any changes made to these exemptions as part of question 2 of section 4.

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<sup>2</sup> During our review of the freeze thaw incidents, some companies noted that they considered that the weather they faced in late February and early March was potentially severe enough to justify a weather-related exemption to making GSS payments. However, no companies put an exemption in place relating to these incidents.

<sup>3</sup> All companies are required under licence conditions (condition Q) to pay compensation to customers where essential household water supplies are interrupted as a result of restrictions authorised by emergency drought orders. This includes water supplies for purposes such as cooking, washing, drinking and flushing the toilet but does not include watering the garden, car washing or filling a pool.

Companies should pay residential customers £10 for each day (or part day) that the water supply is interrupted or cut off. This payment is £50 per day (or part day) for business customers. Although this measure is not part of the GSS, it does mean that customers have access to compensation if essential supplies are not maintained. Note that there are currently no compensation arrangements for when temporary use bans (often referred to as hosepipe bans) are implemented.

## 4. Questions

We welcome evidence and views on the below questions. **Respondents are strongly encouraged to provide details of the evidence and data in their responses**, which support their positions to enable us to understand more fully the basis on which those conclusions have been reached.

There is no obligation to respond to all of the questions but we would appreciate if respondents could use the appropriate question numbers in submissions to enable easier analysis.

### Arrangements for when supply is not restored

1. **Adjusting the levels of compensation for supply not being restored under the GSS arrangements.**
  - a) Should the levels of compensation for supply not being restored under the GSS arrangements be maintained or increased?
  - 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?
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)?
  - c) Should there be any changes made to the current exemptions to the GSS for supply not being restored?
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?
  - 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?

### Arrangements for all payments under the GSS

4. **Adjusting all payments under the GSS by inflation.**

- a) All payments could be increased by inflation retrospectively from 2001 when the levels of compensation were last changed. Would this approach be reasonable and proportionate?
  - b) All payments could be price inflated automatically in future. Would this approach be reasonable and proportionate?
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?
  - 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?
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?

## 5. How to respond

The call for evidence consultation period will be open for 6 weeks, closing at **9:00am on Tuesday 11 September 2018**. Earlier responses, where evidence is already available, will be very helpful for our analysis.

**By email (preferred):** If you would like to submit your response by email, or if you would like to attach a document in response to the call for evidence, please email a copy to [GSS.Consultation@ofwat.gsi.gov.uk](mailto:GSS.Consultation@ofwat.gsi.gov.uk)

**By post:** If you would like to submit your response by post, please send to GSS Consultation, Ofwat, 21 Bloomsbury Street, London, WC1B 3HF.

Responses may be published on our website and shared with the UK and Welsh Governments. Therefore, if there is any information which is commercially sensitive or confidential please make this clear in your submission in a covering note. We will take these representations into account when considering whether information should be redacted.

## A1 Summary of GSS payment amounts that apply in England & Wales

These are the minimum payment amounts. Some companies may voluntarily increase these – ask your company for details.

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	£50	£20	£50
Supply not restored(*) – each further 24 hours	£10	£25		
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
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(\*) Supply not restored within time notified (planned work) or when supply is interrupted for an extended time under unplanned/emergency situations.

Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales. Our vision is to be a trusted and respected regulator, working at the leading edge, challenging ourselves and others to build trust and confidence in water.

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