



# Ofwat customer focused licence condition: 9 June 2022 workshop

## Speech by Emma Kelso, Senior Director – Markets and Enforcement, Ofwat

Welcome to our workshop. I'm delighted to see so many colleagues from across all parts of the sector here to discuss our work on a customer-focused licence condition.

I know your time is precious, so I'd like to thank you all for being here today and contributing to the discussion.

### The big picture

Working at Ofwat, every week I see examples of water companies stepping up to come up with new ways of supporting its customers.

From the outstanding proposals that have come forward during our innovation competitions;

To the many water companies who have sought out and achieved accreditation from the British Standards Institution for the inclusivity of their services.

But we all know that it's not always a positive story. Across the sector we still see too many examples – both anecdotal, and potentially systemic – of companies lacking the focus that customers expect to see.

Rather than pick a handful of examples I want to focus on just one internal sewer flooding.

Last month, Ofwat and CCW published joint qualitative research on sewage in homes – covering internal and external sewage. We expected to identify areas for improvement alongside good practice to learn from in relation to how companies support customers through this experience.

Instead, the research found little to learn from and a lot to be changed.

People told us about coming into contact with sewage, properties damaged, long term anxiety and sleepless night.

And, consistently, we heard from participants that the response from companies was making a bad situation worse.

Participants shared their views on what companies could do to improve their responses in these circumstances: better and proactive communication, a permanent fix of the problem, and compensation that reflected their experience.

## **Our regulatory toolkit**

Examples like this make me reflect on what more we as a regulator could be doing to improve the service and support for these customers. Because we do have levers to try and help these customers.

For example, our C-MeX regime means that companies can strive for outstanding customer service, across the whole customer experience, knowing that they have a financial rationale for doing so.

We and CCW have also sought to highlight best practice within the sector, using our soft power to shine a light on good – and poor – performance.

And we have previously used our price review to try and deliver specific outcomes that support customers. For example, our PR19 common performance commitment around growing the Priority Services Register.

We've also put in place guidance for fair treatment, such as our recent Paying Fair guidelines.

But I think for some time now, we have felt that the tools available to us as a regulator have been somewhat lacking.

This has meant that, at times, our ability to hold the sector to account has not matched the scale of the challenge, and the weight of customer expectations.

## **Why a licence condition**

That's why, in our 2019 strategy *Time to Act, Together*, Ofwat committed to considering the case for new high-level licence obligations, to provide binding requirements on how companies treat their customers and the most vulnerable in society.

Of course, a lot has happened since 2019. But if anything, the Covid pandemic reinforced the need for our regulatory toolkit to be flexible, future-proofed, and focused on delivering the best outcomes for customers.

We know that the new licence condition needs to be supple enough to handle the challenges of a changing economic picture and the impacts of climate change, while also grasping emerging opportunities such as increasing digitalisation, and responding to changing customer expectations in all their diversity.

In a changing world, we believe that it's this type of adaptive regulation that will put the onus on companies to deliver.

## **Building the case for change**

We know water company employees are passionate about doing the right thing for their customers.

And we're keen to support that passion and commitment by putting a spotlight on the importance of the best customer service.

So let's work together to make sure that great performance becomes the norm, and standards are raised across the whole sector.

## **What do we want to achieve today**

So the time is right to act, and Ofwat will be taking forward the necessary steps to design and implement a new customer-focused licence condition over the coming months.

Today marks an important point in that roadmap. It is your opportunity to contribute your thoughts and ideas, that will be vital as we – together – make a success of the new world of the customer licence condition.

We'll also hear from leading experts – within and outside the water sector – to consider the key problems that customers face, and the ways in which principles-based regulation can help to address them.

I'd like to thank you all again for joining us – and hope you enjoy the workshop.