

Customer-focused licence condition

Pulling it all together: principles, guidance,
monitoring and enforcement

22 November 2022

ofwat



Aim of the session

- Pull together the discussions we have had over the autumn - provide updates on progress to date, including on drafting of licence condition;
- Discuss our approach to monitoring and enforcement;
- Discuss licence the licence condition based on scenarios and the customer journey;
- Next steps



Agenda 1-4pm

1 – 1.45pm Section 1: Recap and update

1.45 – 2:30pm Section 2: Monitoring, enforcement and implementation

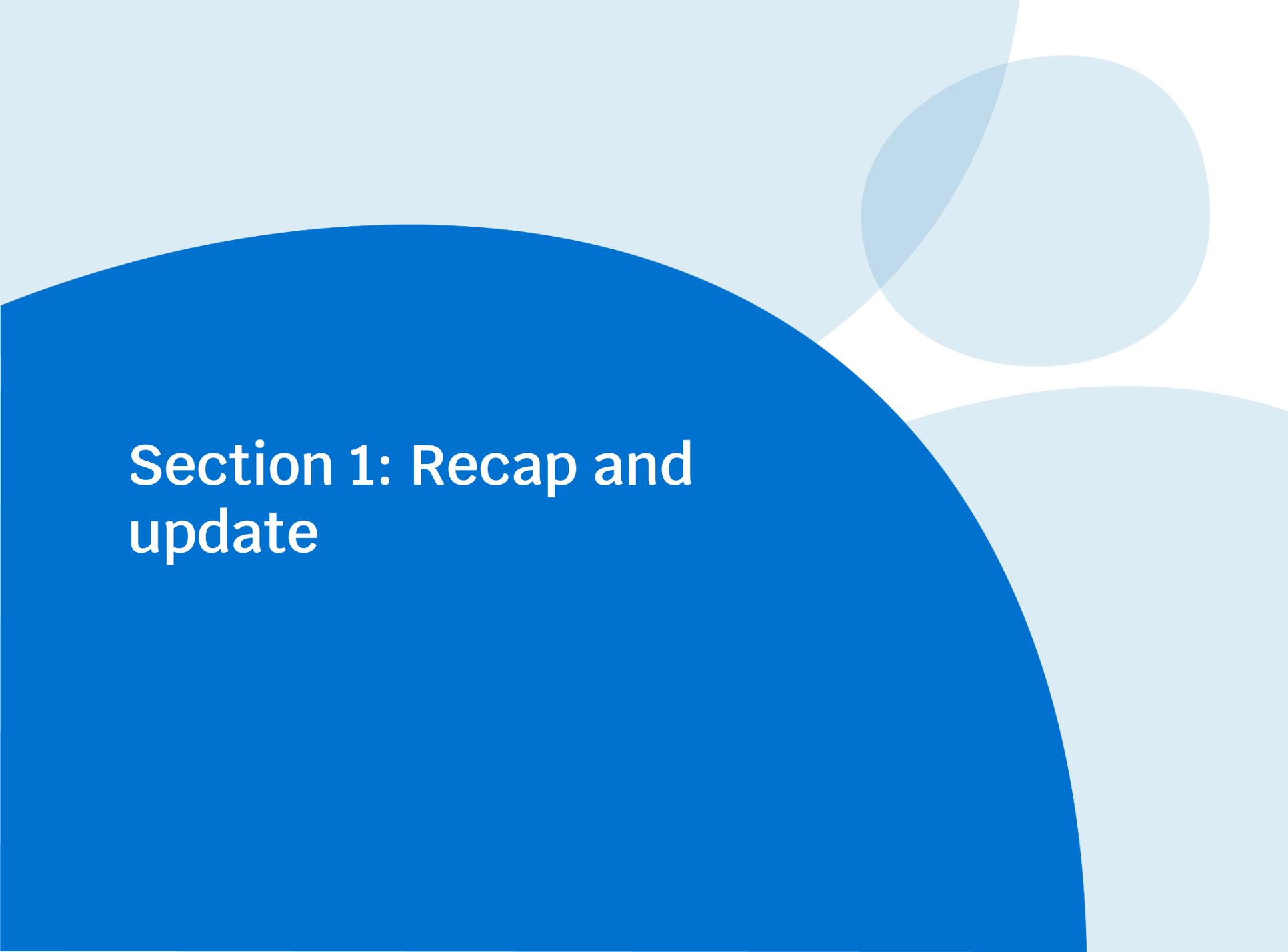
2:30 – 2:35pm BREAK

2:35 – 3:30pm Section 3: Customer journey scenarios

3:30 – 3.45pm: Feedback discussions

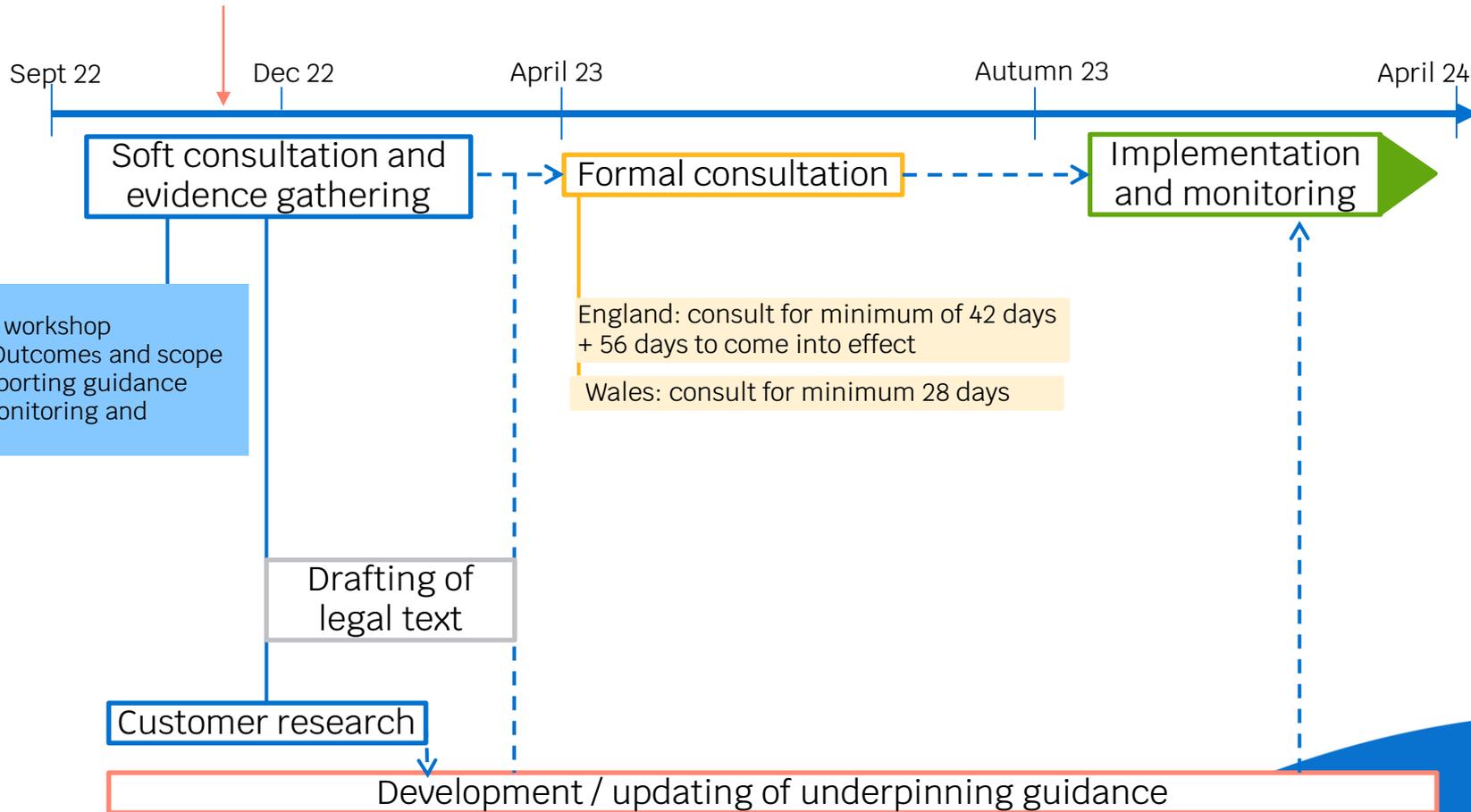
3.45-4pm Next steps



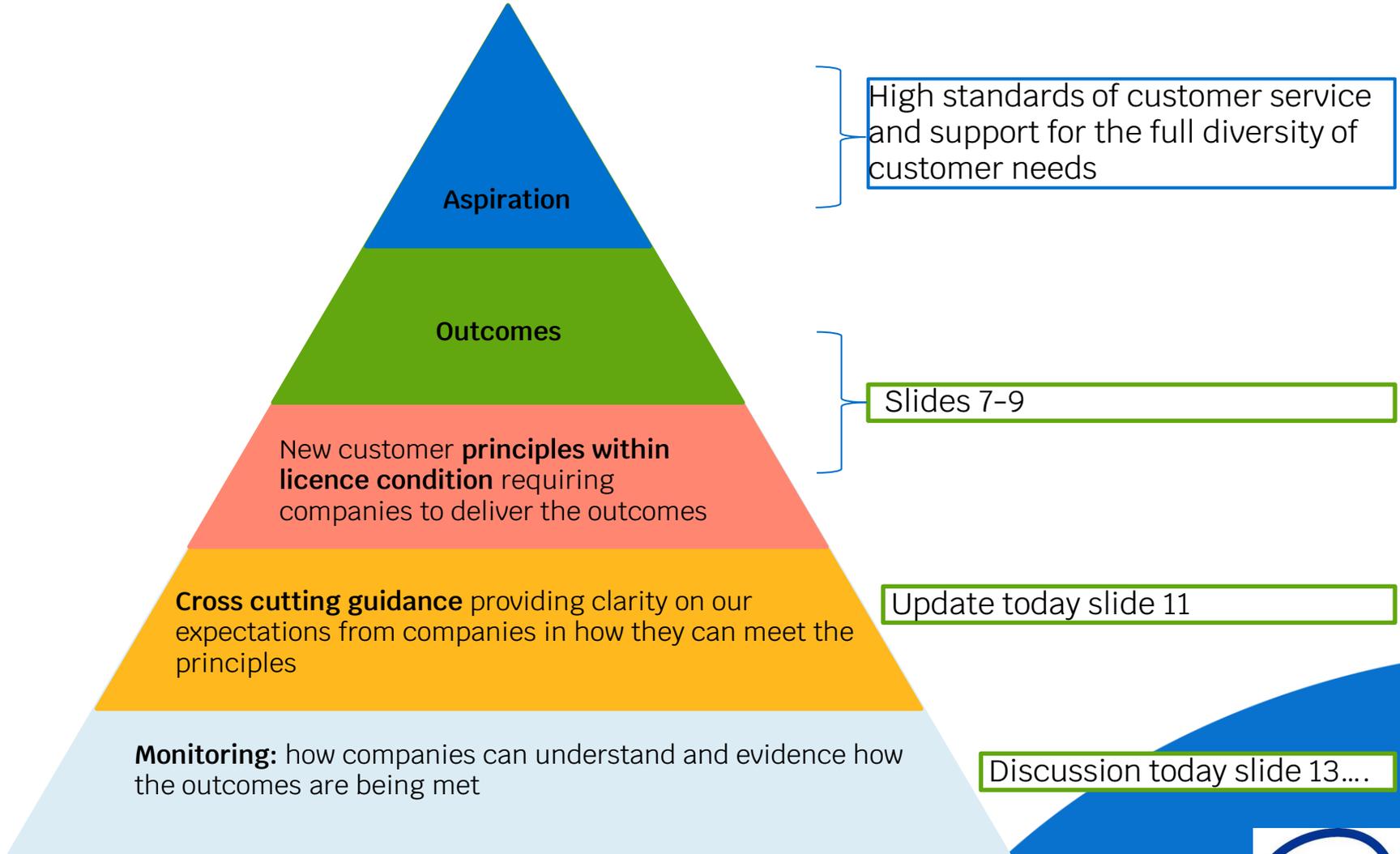


Section 1: Recap and update

Reminder of Programme plan



The big picture



Introduction

This condition requires high standards of customer service and support for the full diversity of customer needs. It requires the Appointee to deliver the seven principles for customer care set out at paragraph P2. It provides for Ofwat to issue guidance in support of attainment of the principles and a process for introducing and revising that guidance.

Principles of customer care

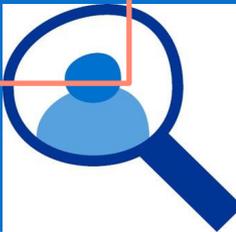
P1 The Appointee must:

P1.1 meet the principles for customer care set out in paragraph P2; and

P1.2 explain in a manner that is effective, accessible and clear how it is meeting the principles set out in paragraph P2

Draft licence condition (2/3) – outcomes and principles

Outcome	New draft customer principles requiring companies to deliver the outcomes Principles of customer care
Customers are well informed	<p>P2.1 The Appointee is proactive in its communications so that customers receive the right information at the right time, including during incidents.</p> <p>P2.2 The Appointee makes it easy for customers to contact them and provide easy to access contact information.</p>
When something does go wrong affected customers have confidence their company will put it right	<p>P2.3 The Appointee provides appropriate support when things go wrong and helps to put things right.</p> <p>P2.4 The Appointee learns from past experiences and demonstrates continual improvement to prevent foreseeable customer harm .</p>
The full diversity of customers needs are identified, understood and met by companies in the services and extra help they provide	<p>P2.5 The Appointee understands the needs of its customers and provides appropriate support [including/especially customers in vulnerable circumstances].</p> <p>P2.6 The Appointee provides appropriate support for customers in vulnerable circumstances.</p> <p>P2.7 The Appointee provides a range of appropriate support options for customers who are struggling to pay; and to customers in debt.</p>



Draft licence condition (3/3) – Guidance on customer care

P3 Ofwat may issue and revise guidance to support attainment of the principles. The Appointee shall have regard to, but not be limited by, such guidance in meeting the principles. [Guidance issued by Ofwat under this condition may include a requirement that the Appointee consult the Consumer Council for Water and take its representations into account before making or revising any policies or processes which relate to matters covered by that guidance.]

Wording as it stands – do send through any comments to our inbox



Wider licence implications

Condition G – Core customer information

A detailed condition whose contents include:

- How to contact the company and CCWater
- The services offered and the terms, including charges
- Complaints procedures, including ADR
- Information to include with bills
- Review of core customer information, including CCWater consultation

Clear overlap between this condition and our suggested condition, and its principles 2.1, 2.2 and 2.3.

Our initial thinking is to make revise condition G into a customer-focussed, principle-based condition, with the current detail in guidance.

What views do people have about this proposition?

Are there other conditions we should consider treating in the same way?



Moving forward with the guidance – building on feedback

Our aims for guidance:

- The regulator is not best placed to set out in detail how a company should meet the principles. However, we do have a role to ensure companies understand our expectations, in terms of what good / bad looks like.
- Guidance will be taken into account by us when considering if the condition was being complied with;
- The drafting of the guidance will allow for companies to innovate and deliver in the best interests of their customers and where appropriate we do not intend to be comprehensive; it will set examples of good and bad practice, and provide high level expectations;
- There are areas where the guidance will need to be more prescriptive (e.g. in relation to vulnerability protections).
- In most cases we would consult when we make any revisions to the guidance.

Our focus:

- Development of the line of sight from outcomes > principles > guidance;
- Drafting examples of areas of good and bad practice to support guidance for each principle;
- Identifying if / where updates are required to existing guidance;
- Using these to understand if gaps remain, assessing the risks and benefits of these gaps, and whether additional guidance is required.



Guidance – what already exists?

New customer principles requiring companies to deliver the outcomes	Evidence / Case studies (not exhaustive)	Guidance / recommendations
<p>P2.1 The Appointee is proactive in its communications so that customers receive the right information at the right time, including during incidents.</p> <p>P2.2 The Appointee makes it easy for customers to contact them and provide easy to access contact information.</p>	<p>Information on stream CCW (ccwater.org.uk)</p>	<p>Company licences – Condition G</p> <p>Cmex (communication channels)</p>
<p>P2.3 The Appointee provides appropriate support when things go wrong and helps to put things right.</p> <p>P2.4 The Appointee learns from past experiences and demonstrates continual improvement to prevent foreseeable customer harm .</p>	<p>Customers' experiences of water supply interruptions following the 'Beast from the East' in March 2018 CCW (ccwater.org.uk)</p>	<p>Joint Ofwat CCW research into customer experiences of sewer flooding</p> <p>Out in the Cold - Ofwat</p>
<p>P2.5 The Appointee understands the needs of its customers and provides appropriate support [including/especially customers in vulnerable circumstances].</p> <p>P2.6 The Appointee provides appropriate support for customers in vulnerable circumstances.</p> <p>P2.7 The Appointee provides a range of appropriate support options for customers who are struggling to pay; and to customers in debt.</p>	<p>PSR Guidelines 2013</p> <p>Vulnerability Focus Report 2015</p> <p>Paying Fair Guidance</p> <p>Complaints practice report 2020</p> <p>Charging rules</p>	





Section 2: Monitoring, enforcement and implementation

Monitoring

Purpose:

- Track compliance and progress against outcomes;
- Deep dive into areas of concern;
- Understand sector position in terms of customer service;
- Understand the impact of this policy.

Our aims:

- We want monitoring to be proportionate; we do not want to create a 'cottage industry';
- We already have many sources of data and insight that reveal how companies are servicing customers, and will utilise these;
- Where there are gaps in our understanding we will look for proportionate ways to gain further insight.



Monitoring and gaining insight – options

Formal proactive monitoring <ul style="list-style-type: none">- Annual compliance report *new (see slide 17)*- Service Delivery Report (being reviewed)- Customer contacts- Future RAGs and APR- C-MeX (being reviewed)- CEO / Executive interviews *new*- Research External <ul style="list-style-type: none">- CCW Water mark- UKCSI	Formal reactive monitoring <ul style="list-style-type: none">- Inform inbox (good and bad practice)- Company transformation plans- Casework- Open data- RFIs- Audits / deep dives e.g. complaints External <ul style="list-style-type: none">- CCW research- CCW internal Company issues summary (would need an agreement to share)
Informal proactive insight <ul style="list-style-type: none">- Review company websites / press releases	Informal reactive insight <ul style="list-style-type: none">- Regular general company engagement External <ul style="list-style-type: none">- Media – traditional and social- Political / MPs

Are we missing anything?
Are there other options?



The role of a compliance statement

We are considering the role of a compliance statement on the licence condition.

- Assurance by company leaders that the licence has been adhered to in the form of an annual compliance statement;
- Explain how they are delivering the intended outcomes;
- Acknowledgement of where improvements can be made and how these will be achieved;
- Supports the embedding of the licence condition throughout the company.

Welcome views and discussion on this as an approach.



Enforcement – our approach

We can learn from our wider approach to enforcement, and other areas of the licence.

Board, leadership and transparency framework

“We will review how companies have met the principles by taking into account their compliance statement, past issues and best practice in the sector and beyond to assess whether companies’ substantive behaviours in the round are delivering the objectives. ” – for example from the BLT guidance.

More broadly, our approach to enforcement will follow our published guidance [Enforcement guidance consultation \(ofwat.gov.uk\)](https://www.ofwat.gov.uk/enforcement-guidance-consultation/)

“10. In considering and pursuing enforcement action our aims are to secure companies’ compliance with their statutory and licence obligations, and change behaviour, so that customers’ interests are protected. We can only take enforcement action against the companies we regulate, but we seek to ensure that the outcome of any enforcement action benefits the sector as a whole.

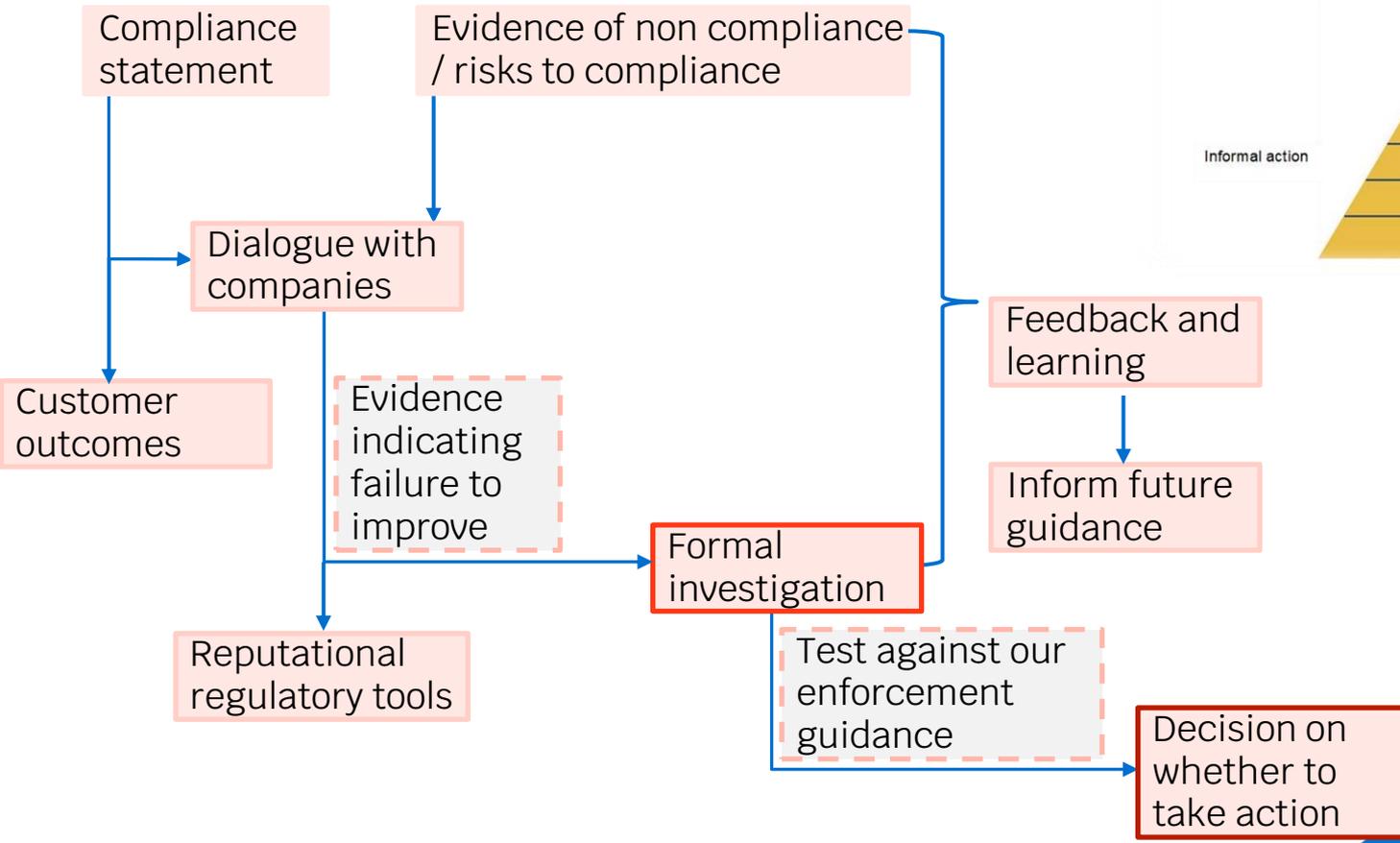
27. When we consider the appropriate action to take, we will consider the effect of the contravention or failure on: the company’s customers; customers in general; and the regulatory framework.

28. We also consider whether the company has wrongfully benefited from the incident. This may include financial or reputational benefits.”

How / should we reflect our monitoring expectations within the licence itself v guidance?



Enforcement approach



[Enforcement guidance consultation \(ofwat.gov.uk\)](http://ofwat.gov.uk)

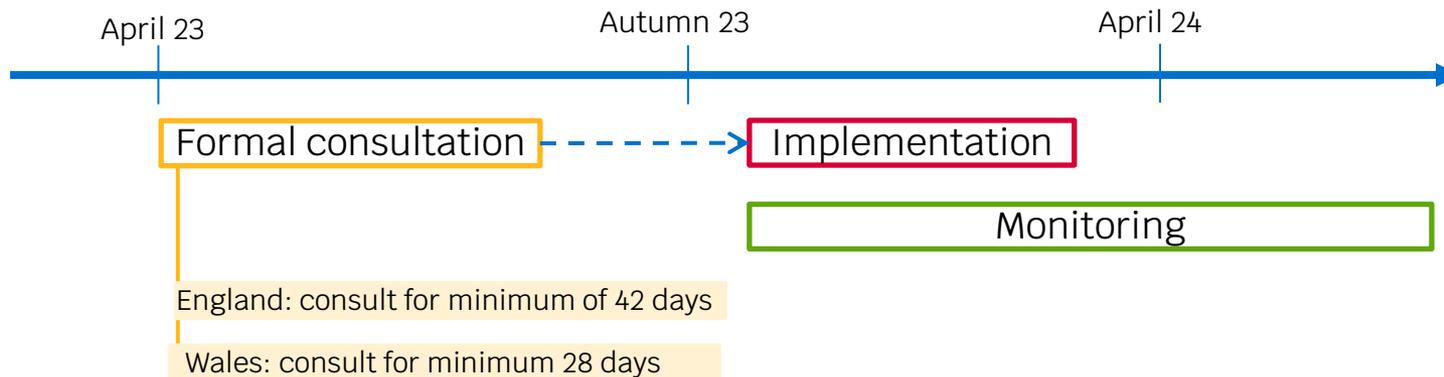


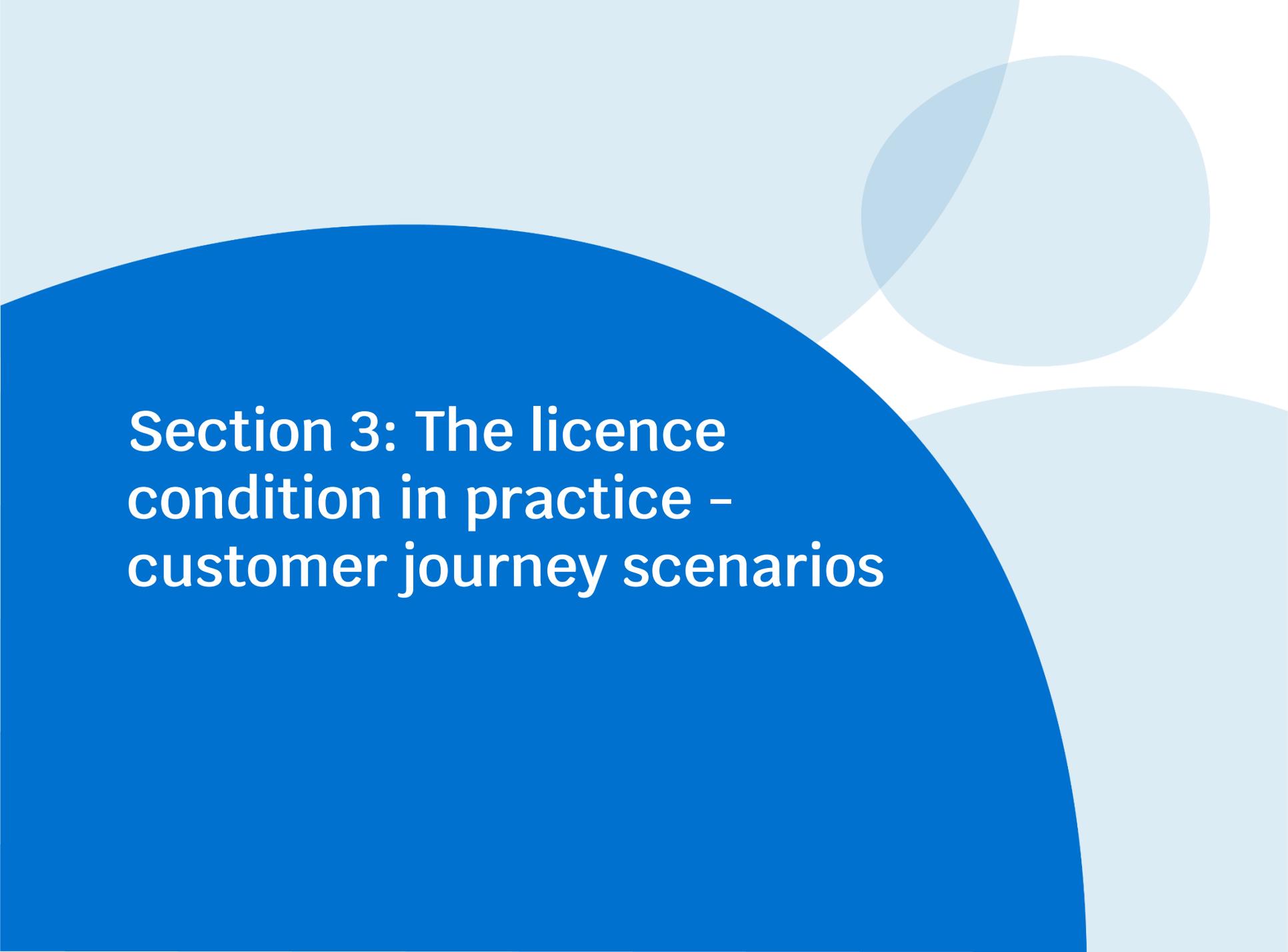
Implementation

We are mindful that customers need to be protected, and that introducing this licence condition is an important tool to ensuring that.

We are keen to ensure that compliance with the licence condition is required immediately from the point at which we introduce the licence condition.

Welcome thoughts and considerations on this.





Section 3: The licence condition in practice - customer journey scenarios

Purpose of discussions

We want to test our draft principles against some scenarios, to help us inform and refine guidance.

We will have group discussions to consider the scenarios and the role / influence that a licence condition might have before the event, and after.

For example:

- How might the company's understanding of their customers, and the use of customer data influence their behaviours?
- How might the choice of communication tools, frequency, messaging influence the customer experience?
- How might the company's complaint process influence the customer outcome?
- What might the customer reasonably expect from the company?
- How could the company assure itself it had acted in accordance with the licence condition in each scenario?



Customers are well informed

Circumstance	Company contacts
Mr J is a teacher and commutes from his home to school. One morning he notices his water is off. But as he's usually in a rush, decides to forgo his shower to get to work.	
On the way he is stuck in traffic for over an hour (it usually takes 10 minutes in the car). Roadworks he wasn't expecting	Operations
On arriving at school, he discovers the water to the school is also off. There has been a burst water main serving the area.	Retail
The school contacts the water company but are given no timeframe when the water will be back on. There is no information available on the company website. The children are sent home and parents are angry with the teachers and school	
Mr J returns home but discovers his own water supply is still off. He checks the water company website and finds information that says water supplies should be returning to normal.	Retail
He contacts the water company, but is told there may be a small number of houses that may take longer to get back on supply. Mr J is given an address to collect bottled water from, but its already shut. So he goes to the shop instead.	
The school are not provided with any other information. The next day the water comes back on	Retail & Operations
Mr J is angry that his water was off, he got no information and no bottled water. He also feels frustrated for the school	



When something does go wrong affected customers have confidence their company will put it right

Circumstance	Company contacts
Long Lane is an inner City street with a mixture of houses and flats, rented and owned by families, single adults and pensioners	Billing
For the last year, every time there is heavy rain, the drains in the gardens overflow, bringing raw sewage up and into the gardens on the street. One of the residents rings the company each time to tell them.	Retail
The issue has been ongoing for a number of years, and the company has visited the street multiple times.	Engineering & Clean up
The residents often have to clean up the mess themselves. Some are more able than others and some neighbours help each other. But nothing is ever done to fix the issue	
The smell often means residents can't have the windows open when it happens. They have made multiple complaints by phone but receives different messages each time.	
The residents are fed up and have complained to their local paper and MP	Communications



The full diversity of customers needs are identified, understood and met by companies in the services and extra help they provide

Circumstance	Company contacts
Mrs F is a pensioner living on her own since the death of her partner last year. She is too frail to leave the house and receives regular visits from carers. Her daughter also visits occasionally.	
Mrs F had a water meter installed at her property. Her direct debits were around £30 a month beforehand.	Metering
The meter is read six months later and the company sends a letter to Mrs F to notify her of high consumption and that her direct debits will increase to £200 a month. Mrs F disputes the bill and refuses to pay – and the debt mounts up.	Billing
The company have recorded the debt against Mrs F's credit history, affecting her credit rating	Revenue collection
Mrs F's daughter spots correspondence on one of her visits and asks her mother about it. Mrs F tells her daughter she doesn't trust the company as they're just trying to rip her off.	
Mrs F's daughter queries the bill on her behalf. She explains her mother lives alone and cannot possibly be using the volume of water.	Retail
After an engineering team visit, a leak is detected on Mrs F's property	Engineering
The company have offered to find and repair the leak. And rebill her for her correct consumption. They have also amended her credit history so it is no longer affected by the dispute over charges.	Customer service



The full diversity of customers needs are identified, understood and met by companies in the services and extra help they provide

Circumstance	Company contacts
Mr L is a single father on benefits with three young children. Mr L would like to work but is unable to afford childcare. They live in a rented flat with an energy pre-payment meter. Mr L has a pay-as-you-go mobile and has no credit cards.	
Mr L tries to stay on top of bills but often falls behind due to paying for food, electricity, school uniform and unexpected bills. He's built up debts with a number of creditors, including water. He pays via Payzone at his local shop.	Billing
Mr L suffers from poor mental health and finds disclosing his condition upsetting and exhausting.	
Mr L is not sleeping, forgoes meals and worries constantly about bills. He puts official letters in a drawer when they arrive as they make him anxious.	
One day there's a knock at the door and a man shouts through the letter box about being from a debt collector.	Debt collection
Mr L hides out of sight of the door and waits for the man to leave. This happens regularly. Mr L doesn't know who the debt collectors are collecting money for and doesn't want to answer the door in case its for something he can't pay back.	
Mr L doesn't know where to go for help. And doesn't want to tell anyone in case he loses his children.	
Mr L has just received a letter with a HM Courts logo on it, So he decides to open it. He reads that a County Court Judgement has been made against him.	



Feedback



Next steps

- Pulling together all the feedback we have received
- Customer research
- Consultation plans
- Companies responding to Paying Fair Guidelines
- Developing guidance on specific issues, including updates to existing where required
- Envisage this as the close of co-creation stage, but may pick up specific topics in the new year if we identify further need.



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Appendix



Summary of previous guidance workshop – what we heard

Draft Principles of customer care	Comments on approach to guidance
<p>The Appointee is proactive in its communications so that customers receive the right information at the right time, including during incidents.</p> <p>The Appointee makes it easy for customers to contact them and provide easy to access contact information.</p>	<ul style="list-style-type: none"> - Guidance should set out need for companies to ground what they do in customer needs. - Tension between what companies should do and could do - Such a large area that doesn't benefit from very prescriptive guidance. - Companies are in the best position to determine how to implement these conditions, particularly in relation to incidents. - CMeX is a useful reference for these principles e.g. it talks about communication channels. - Companies would benefit from good and bad practice guides, in order to understand the expectations on them from the regulator. - Energy Guide is a good example – a skeleton document to point in the direction of guidance and expectations, and how Ofgem would employ guidance in its enforcement. - Guidance should set out what's in and out of scope e.g. not about individual customers, what scale etc.
<p>The Appointee provides appropriate support when things go wrong and helps to put things right.</p> <p>The Appointee learns from past experiences and demonstrates continual improvement to prevent foreseeable customer harm.</p>	<ul style="list-style-type: none"> - Some detail required here, but much comes to down individual business practices and regulator shouldn't get in the way of this. - Guidance should be clear on how companies comply, e.g. aspects of staff training, internal processes, but not being overly prescriptive. - We already do have guidance for some of this areas e.g. complaints, although these principles are much broader than complaints, - What's in and out of scope, do companies need to learn from wider than their own companies? What is the regulator's expectation? - What good looks like will help companies to understand the expectations on them. - Need to ensure element of consistency in guidance over time, whilst recognising the need to keep it updated. Will the regulator consult? - Making sure there isn't any overlap with ODIs, using these to inform approach and filling in gaps where necessary. - Best from the East is a good example of how these principles could be tested.
<p>The Appointee understands the needs of its customers and provides appropriate support [including/especial y customers in vulnerable circumstances].</p> <p>The Appointee provides appropriate support for customers in vulnerable circumstances.</p> <p>The Appointee provides a range of appropriate support options for customers who are struggling to pay; and to customers in debt.</p>	<ul style="list-style-type: none"> - Already much guidance in this space, although needs updating. - This is the place for more detailed guidance – this is more about customer protection than the other principles. - The guidance should look to introduce consistency in how companies deliver service to make sure customers aren't more at risk in certain areas / circumstances. - Ofgem learnt that there is more need to put additional protections on vulnerability with the licence. - Approach to vulnerability should be embedded in everything that a company does, it's not just a tag on.

