

Customer-focused licence condition

Guidance: purpose and scope

12 October 2022

ofwat



Aim of the session

- Provide an update on programme so far
- Consider and discuss the role of guidance, and its interaction with the licence condition
- Hear from stakeholders where guidance is appropriate in relation to the licence condition

Reminder:

We are open to thoughts and feedback on any aspect of this work, please send through to: customerfocus@ofwat.gov.uk



Agenda 2-4.30pm

Section 1: Recap and update 2- 230pm

- Summary of what we have heard so far
- Update on draft principles
- Reminder of programme plan
- Autumn workshop
- Recap of big picture

Section 2: Role of guidance 2.30-3pm

- Role of guidance – what can it do?
- How does the licence link to the guidance
- What guidance already exists
- How will the licence condition change this?

Section 3: Scope of guidance 3-3.45pm

- Group exercises and feedback

Next steps 3.45-4pm





Section 1: Recap and update

Summary of previous workshop – what we heard

Area	Broad themes we have heard from you	Response
Outcomes	<ul style="list-style-type: none"> • Some duplication and overlap • Greater focus needed on vulnerability and affordability 	<p>We have made some amendments to the draft outcomes and principles based on the feedback (next slide).</p>
Principles	<ul style="list-style-type: none"> • Some overlap, particularly on the communications principles • Should we be broader than communications and instead reference engagement? • Would benefit from recognising the whole customer journey, not just isolated engagement • What does the customer want to know v what should they know? • Vulnerability, especially affordability need more emphasis within the licence 	<p>However, this remains an iterative process as we gather evidence and work on the guidance and enforcement work to accompany the licence condition.</p> <p>We will continue to revisit these throughout the process.</p>
Scope	<ul style="list-style-type: none"> • Greater clarity needed on what's in / what's out • Implications for PR24 business plans 	<p>We are working closely with colleagues in PR24, in particular on C-Mex</p>



Update on DRAFT outcomes and principles

<p>Outcome - DRAFT</p>	<p>New customer principles requiring companies to deliver the outcomes</p>
<p>informed-/</p> <p>'getting the right level of information' – not sure about this language, its very one way (companies > customers) and doesn't allow for customers contacting companies for</p>	<p>Companies are proactive in their communications so that customers receive the right information at the right time, including during incidents</p> <p>Companies must keep people informed during incidents</p> <p>Companies must make it easy for customers to contact them and provide easy to access contact information</p>
<p>Customers have a positive experience of dealing with their water company</p>	<p>Companies tailor their communications to meet the needs of their customers</p>
<p>When something does go wrong affected customers have confidence their company will put it right</p>	<p>Companies provide appropriate support when things go wrong and help to put things right</p> <p>Companies identify and address shortcomings and demonstrate continual improvement</p> <p>Companies learn from past experiences and demonstrate continual improvement to prevent foreseeable customer harm</p>
<p>The full diversity of customers needs are identified, understood and met by companies in the services and extra help they provide</p>	<p>Companies understand the needs of their customers through customer insight and provide appropriate support.</p> <p>Companies provide tailored support for customers in vulnerable circumstances</p> <p>Companies provide a range of support options for customers who are struggling to pay; and customers in debt</p>

Merged this with the principle above

Removed this to avoid duplication

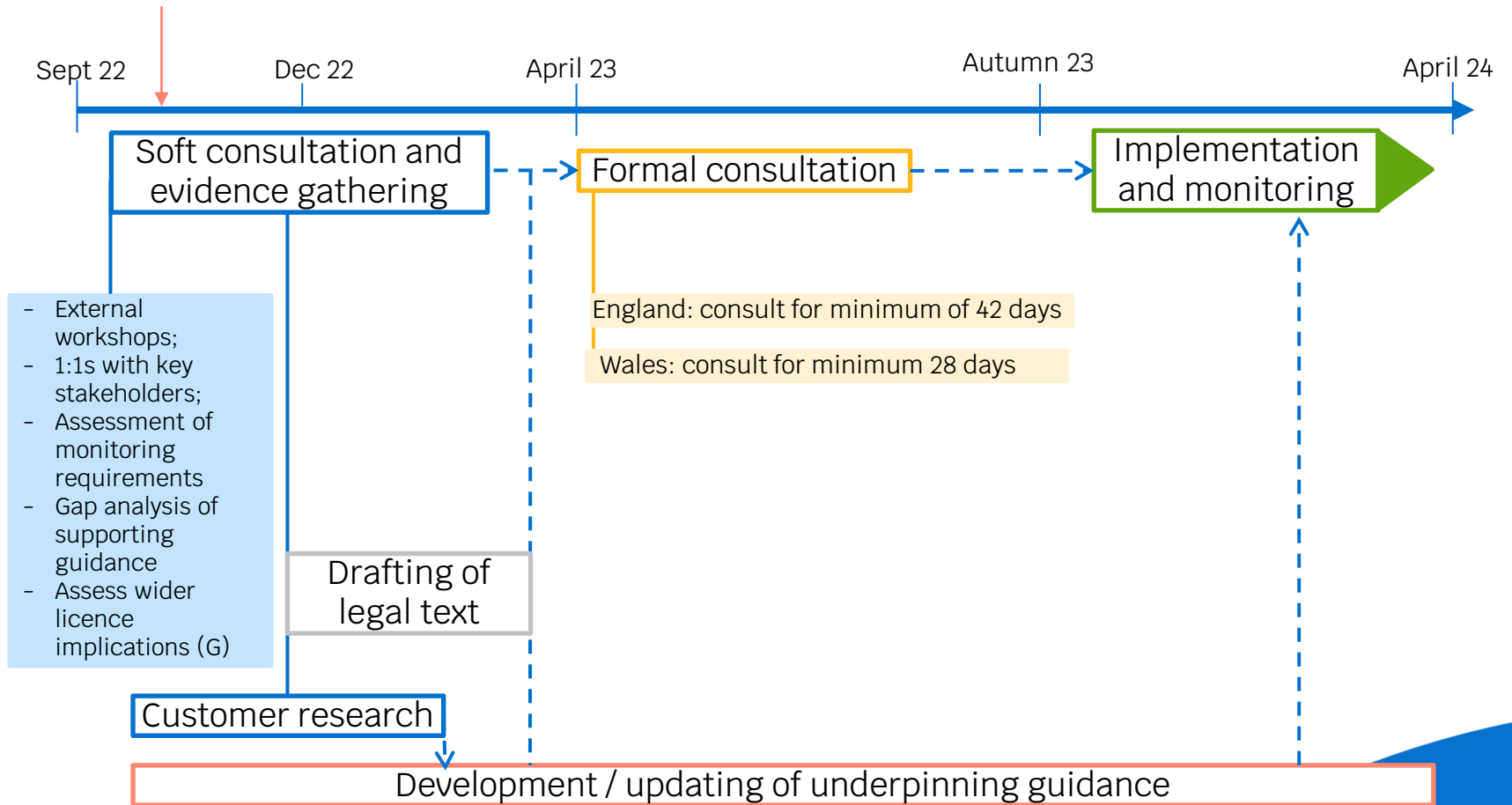
Redrafted this to make sure it is about customers who have been adversely affected

Merged this with the principle below

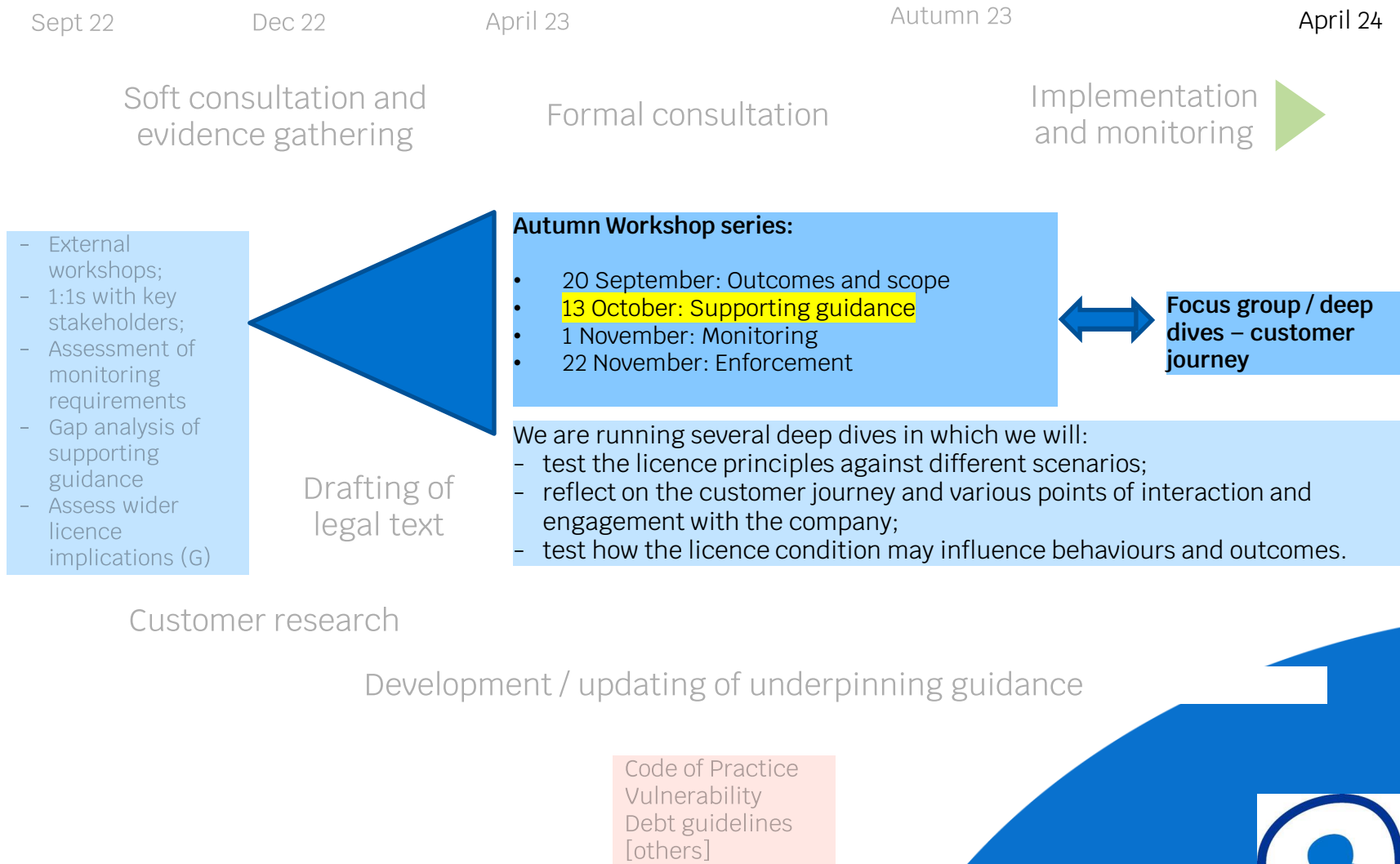
We have added this in to be more explicit



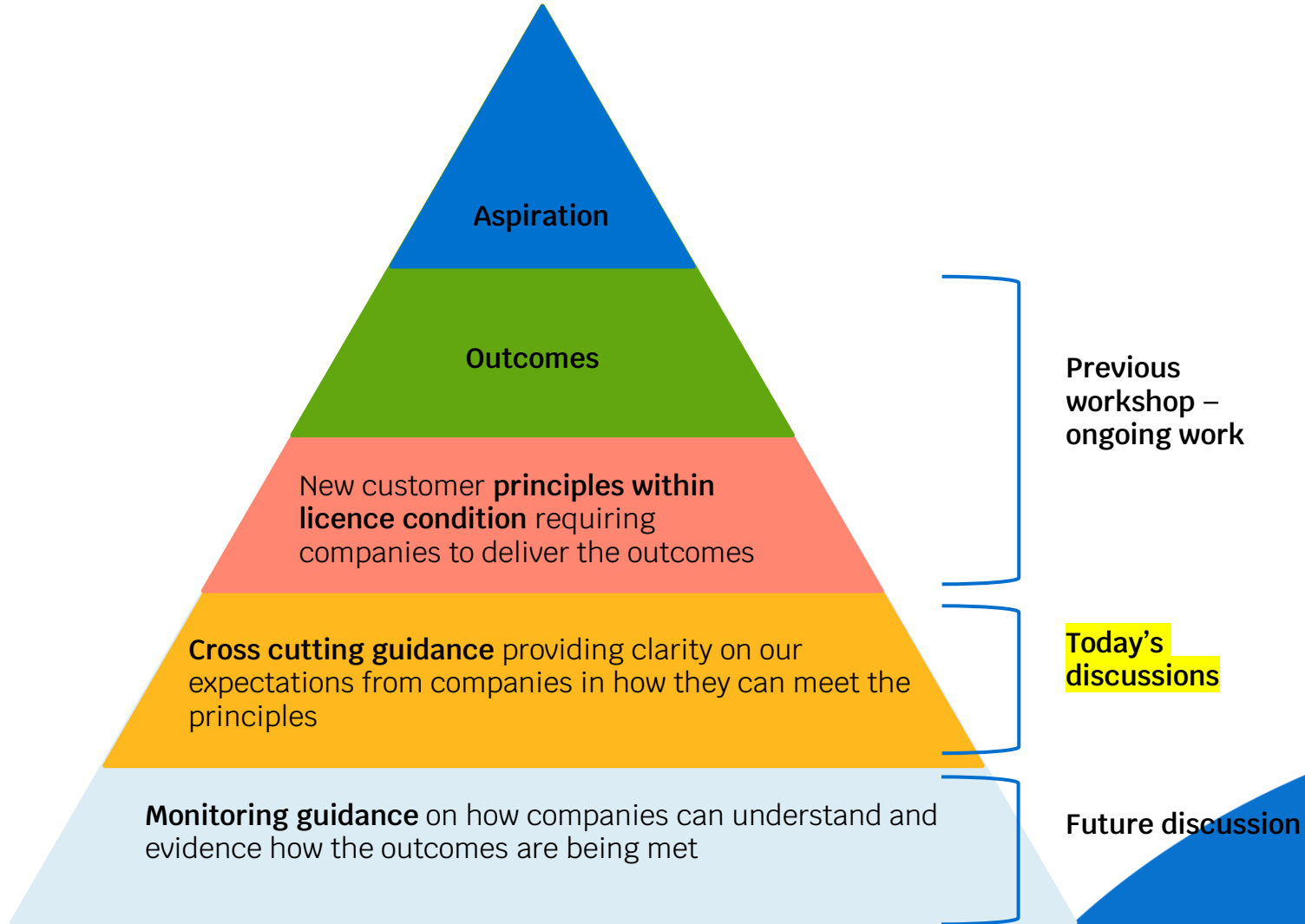
Reminder of Programme plan



Autumn workshops



Recap: The big picture



The background features a large, solid blue shape on the left side, which is a semi-circle or quarter-circle. To the right, there are several overlapping, semi-transparent light blue circles and shapes of varying sizes, creating a layered, abstract effect.

Section 2: Role of guidance

Role of guidance – what can it do?

- Provide clarity and regulatory expectations in how a company can comply with the licence principles;
- Enable innovation and flexibility for companies to meet changing customer expectations, if not too restrictive;
- Provide different levels of prescription if appropriate (e.g. can include what we consider companies must, should, and may do to comply with the principles) - different levels could be appropriate for different topics within the same guidance;
- Set out examples of good and poor practice in relation to the licence principles;
- Provide expectations and examples on how companies can monitor and demonstrate their compliance;



How does the licence link to the guidance?

The status of the guidance will flow from how it is referred to in the licence condition

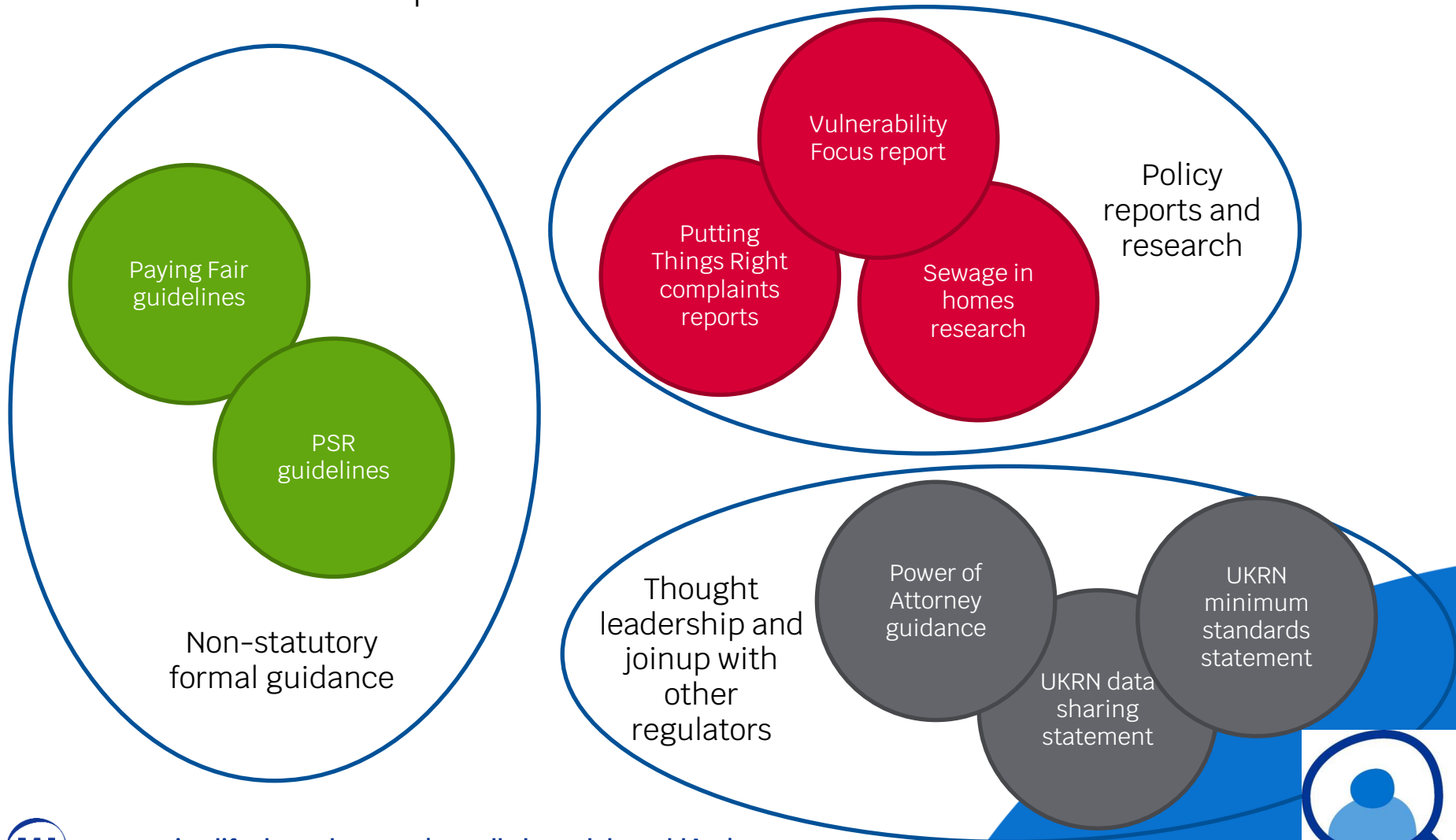
Models are already available, although we need not be constrained by them. The more “mandatory” or prescriptive and detailed guidance tends to be accompanied by a process set out in the licence condition for Ofwat when developing the guidance.

Condition	Status of guidance	Process in the condition
F	Mandatory; “in accordance with the Regulatory Accounting Guidelines” and “comply with all other requirements that are set out in the Regulatory Accounting Guidelines”	Before any revision Ofwat must consult, have regard to any representations and give adequate notice of coming into force. The Appointee may dispute the revision, in which case it does not come into force until the CMA determines it will
R and S	Mandatory; “complies with Compliance Guidance” and “conform to ... relevant guidance”	Ofwat must consult and publicise
P	Not mentioned in the condition although the guiding provisions says “We would normally expect companies to adopt the guiding provisions in the course of meeting the objectives. While the provisions are not rigid requirements, company boards should consider and reference them when explaining how they are delivering the objectives.”	None



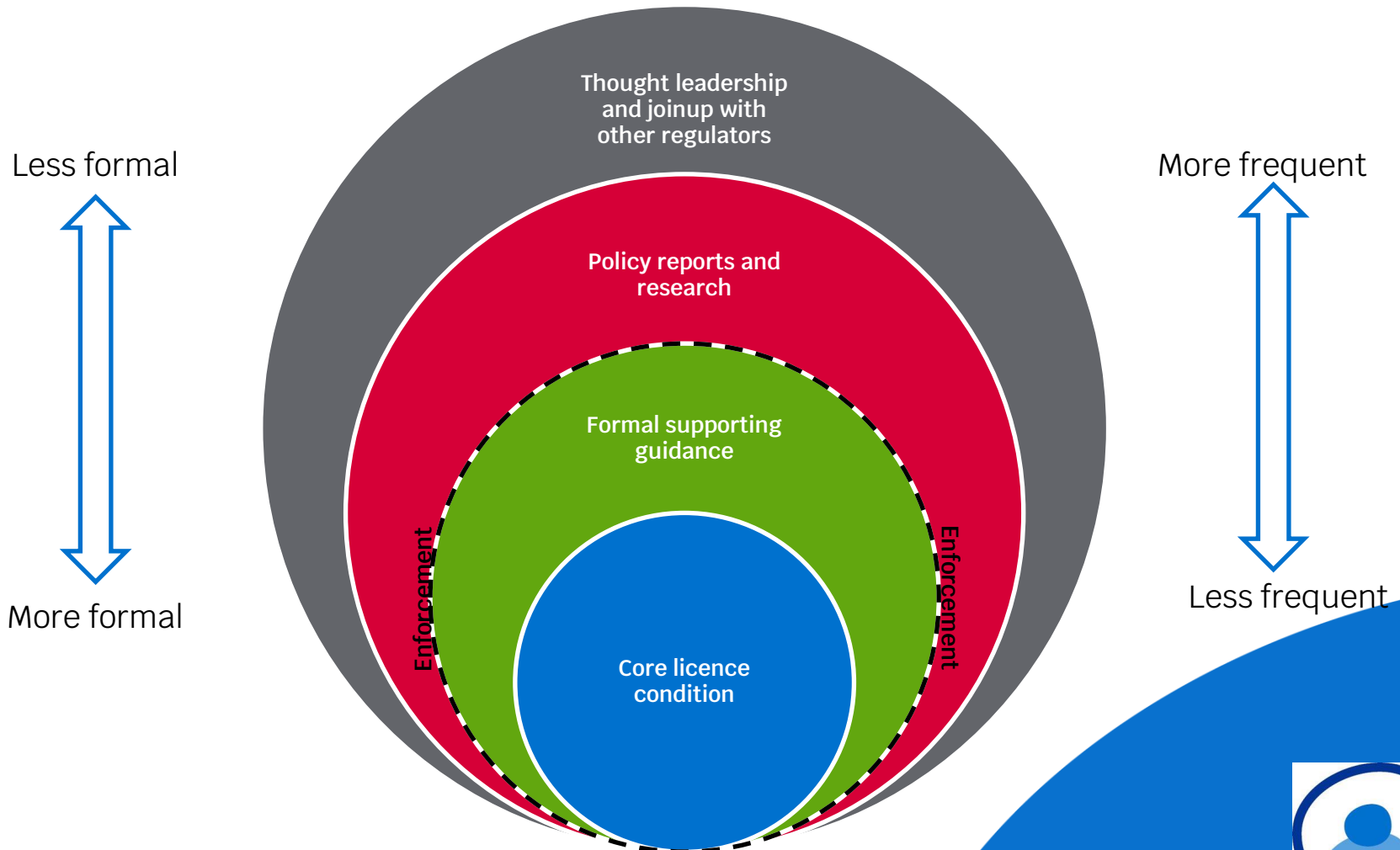
What guidance already exists?

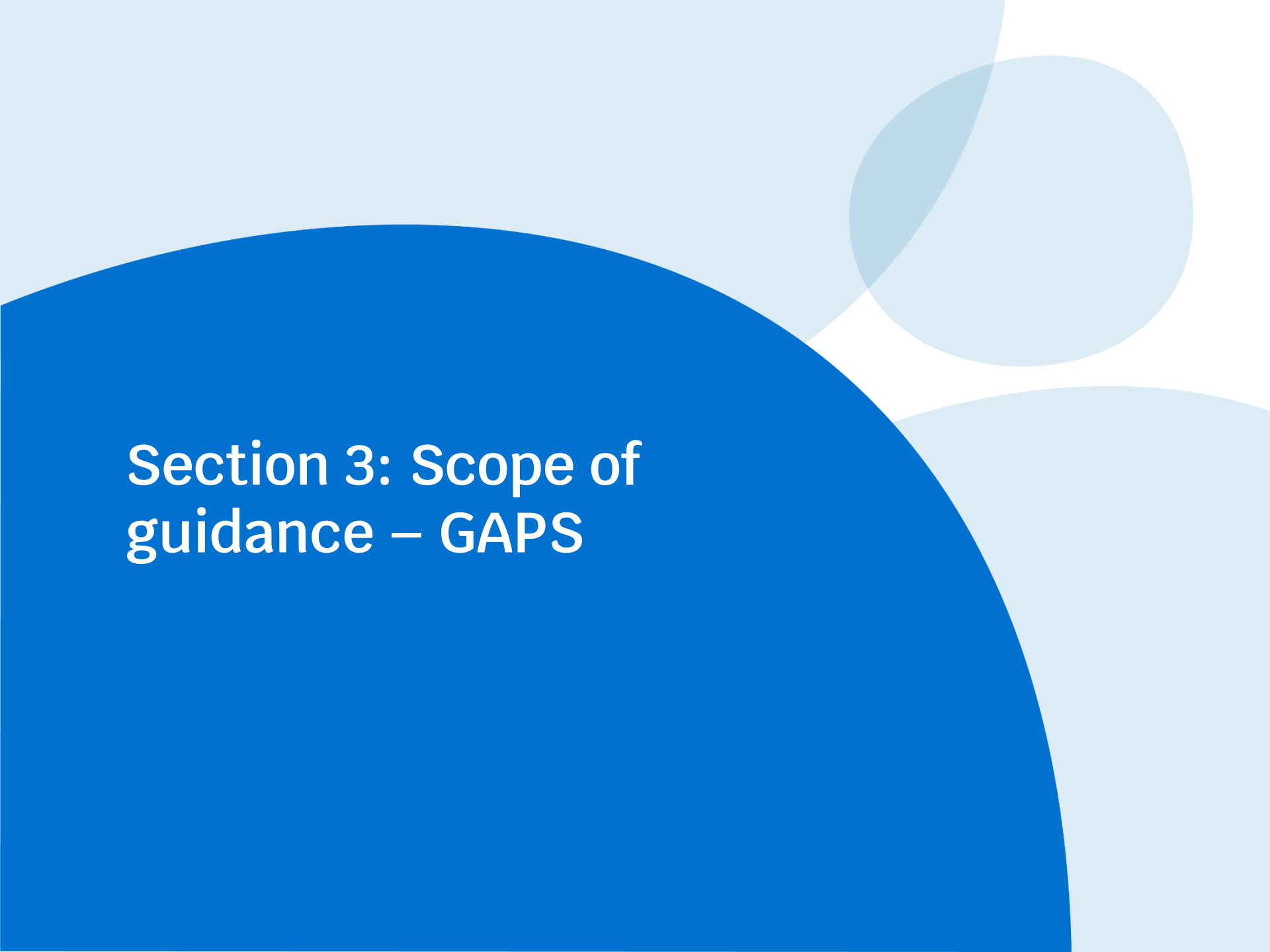
Ofwat's expectations on customer-related issues are currently expressed in a number of different places. These include:



How will the new licence condition change this?

We expect that the new licence condition will provide a clearer framework for interpreting different types of guidance and policy development in the future.





Section 3: Scope of guidance – GAPS

Group exercises

Please think about:

- What is for the regulator to set out, v what is better for companies?
- Where might more detailed guidance be beneficial v signalling best practice
- Place suggestions on the scale from more principles based to more prescriptive

High level guidance

Prescriptive guidance



Areas where we could develop guidance

Companies are proactive in their communications so that customers receive the right information at the right time, including during incidents

Companies must make it easy for customers to contact them and provide easy to access contact information

High level guidance



Prescriptive guidance



Areas where we could develop guidance

Companies provide appropriate support when things go wrong and help to put things right

Companies learn from past experiences and demonstrate continual improvement to prevent foreseeable customer harm

High level guidance



Prescriptive guidance



Areas where we could develop guidance

Companies understand the needs of their customers through customer insight and provide appropriate support.

Companies provide tailored support for customers in vulnerable circumstances

Companies provide a range of support options for customers who are struggling to pay; and customers in debt

High level guidance



Prescriptive guidance



Feedback



Next steps

- We will use this feedback to inform our gap analysis and inform our development of the licence and underpinning guidance
- Continuing to meet on 1:1 basis, and in smaller groups – please reach out if you would like to discuss any of this further
- Next workshop will consider monitoring – 1 November
- We will be organising smaller focus groups to test the licence against scenarios of the customer journey

customerfocus@ofwat.gov.uk

