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south east water

# Putting water customers first – a consultation on introducing a customer-focused condition into licences

## South East Water response

### 7<sup>th</sup> July 2023

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## 1. Introduction

Thank you for providing your consultation, regarding proposed modifications to water company licences, to set clear and binding expectations, with regards to the service and support provided to household and non-household customers.

Within our response we have provided responses to the questions posed in the consultation. We have also provided some general comments around the need for the licence change.

## 2. General comments

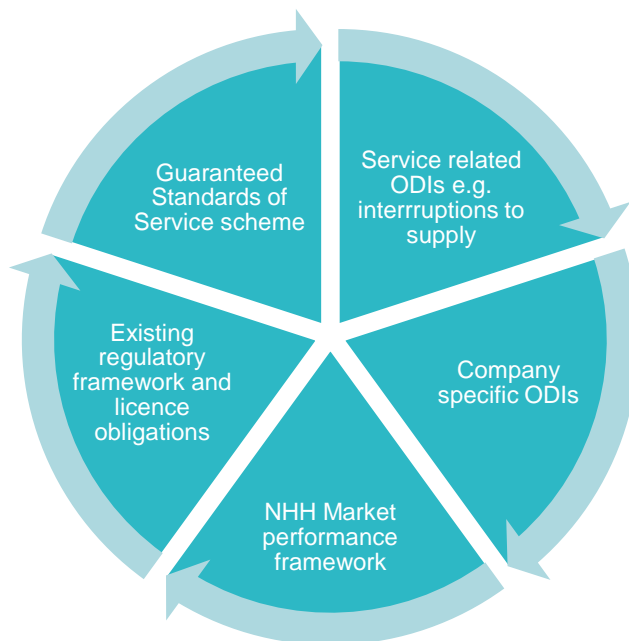
### 1. The need for a licence condition

While we welcome any changes that provide additional protection to customers, we still have questions regarding the need for this licence condition, given existing obligations and commitments to customers.

As noted within the consultation, C-MeX is Ofwat’s primary tool for driving improvements in customer experience overall. In addition to C-MeX, there are published expectations with regards to the complaints process, supporting customers who are struggling to pay their bill and ensuring those who are in debt are managed appropriately.

We would add to this, there is a wider set of tools that apply when customers receive a ‘poor experience’, additional areas where customer outcomes are protected.

**Figure 1 Methods of customer protection**



For example, when customers experience an interruption to their water supply, the impact of this is felt in multiple mechanisms:

- Customer satisfaction with the water company is negatively impacted and the company receives a poor C-MeX experience score, not only for those impacted but across regions and poor C-MeX service scores = ODI penalty and a reduction in customer bills.

- Customers receive a GSS payment, if the outage is over 12 hours = reduction in customer bills.
- Interruptions minutes are added to the service ODI = ODI penalty and a reduction in customer bills.
- Company specific customer and stakeholder satisfaction metrics are negatively impacted = reputational damage when noted as failing performance metrics.

In addition to these mechanisms, companies must comply with the Security and Emergency Measures Direction, and have regard to any relevant guidance, procedures, requirements, best practice and any risks, including long term risks, relating to civil emergencies and national security. Specifically within this Direction, companies must identify, prioritise and support vulnerable customers. Companies are incentivised to comply by enforcement action by the DWI.

All of the above provide a material incentive for companies to provide the very best service and ensure that when things do go wrong, they are well managed.

We would welcome further consideration and explanation from Ofwat on the need for this additional, overlapping, tool. In parallel to consideration that the regulatory framework that the companies operate within, is also fit for purpose for driving improvements to service.

## 3. Consultation questions

### 3.1 Aspiration and outcomes

#### 1. Do you have any comments on the outcomes or examples?

We agree with and support the three outcomes outline in the consultation.

### 3.2 Proposed wording of the licence condition

#### 2. Do you have any suggested changes to the proposed wording of the principles to meet our specified outcomes for households?

We would note that there is some subjectivity that requires clarification. For example 'high standards of customer service' and 'appropriate support' can be viewed different by different stakeholders. We suggest these are picked up for further guidance in section 5 below.

We would also request that there is some additional wording added in relation to the reasonableness of the expectation of appropriate support. For example, we can fully understanding the full diversity of needs, however it may not be reasonable to adopt and differentiate for all expectations. We would suggest the wording is amended to 'appropriate, reasonable and proportionate support'.

#### 3. Do you agree with our proposed approach to exclude non-households from the condition relating to customers struggling to pay or in debt, consistent with corresponding non-households served by a retailer?

We agree with the proposed approach.

#### 4. Do you agree with our proposed approach that the remainder of the licence condition apply to non-household customers without a retailer?

We agree with the proposed approach.

### 3.3 Guidance

#### 5. Should any areas of customer service be prioritised in our development of the guidance? If so, which areas?

We welcome the plan to publish a guidance register and also the acknowledgement of balancing flexibility and with minimum expectations.

The area of communication should be a priority. Our own research has shown that expectations and preferences in this area can vary considerably. For example, sending an SMS to customers during an incident is requested and welcomed by many, but for some it is not seen as enough.

As noted above, to remove subjectivity some areas of wording would benefit from further guidance. The adoption of high standards of customer service can mean different things to different people. While we would not expect Ofwat to be prescriptive on this, further information on expectation would be valuable, to remove ambiguity. Ofwat may also want to consider the use of external accreditations in this area, akin to the use of the British Standard for Inclusive Services, for vulnerable customers.

This feedback also applies to the term ‘appropriate support’. We have best practice guidance on supporting vulnerable customer and we have statutory obligations with regards to support during incidents e.g. Defra guidance, however the current wording is ambiguous.

**6. Which matters / company activities will benefit from having more detailed guidance, and which less?**

See section 5 above.

**7. Do you agree with our proposal to include reference to CCW as a consultee within guidance?**

We agree with the inclusion of CCW as a consultee.

**3.4 Monitoring and compliance**

**8. How can we gather further insight on company performance in this area?**

The approach followed in recent times, for companies to explain and evidence who it is complying with detailed guidance and expectations is a reasonable approach to understanding and gaining insight on company performance. However, these one-off requests can be disproportionate in their burden.

As noted above, external sources can be a valuable benchmark for gaining further insight, such as external accreditations. However when using sources such as CCW assessments, the purpose of these high level assessments and their construct needs to be considered before reliance of its use is agreed.

Additionally, Ofwat may want to consider the use of wider stakeholder groups when gaining insight. For example, many companies have formed partnerships and collaborations with third parties to ensure their support for vulnerable customers is appropriate and these organisations would be able to provide valuable insight.

**9. What are your views on annual reporting requirements to monitor compliance against the licence condition?**

To ensure companies can provide sufficient assurance around compliance with the licence condition, it will be crucial that sufficient detail is provided within the annual reporting guidelines in a timely manner. Companies will need time to amend annual assurance processes to ensure this new requirement is captured.

**10. What are your views on our proposed timescales for implementation?**

While we acknowledge that the draft licence condition covers activities companies are already doing, there will for all companies be areas where changes will be required to be able to evidence compliance and meet expectations, of detailed guidance that is yet to be shared or finalised.

The proposed timescale is therefore not reasonable. The timescale for implementation should be a minimum of six months from the point of final wording and guidance being available.

### **3.5 Changes to other areas of the licence**

#### **11. What are your views on consequent changes to other conditions in licences and are there any other changes we should make?**

Tidying up other overlapping conditions is appropriate. However, this means that requirements will go into guidance, which means that compliance with guidance will have to be considered as a matter of compliance with the licence.

It will be important therefore, that there is robust tracking of what guidance is or is not relevant to the licence condition and version control of guidance is robust. We would recommend Ofwat publishes a clear set of relevant minimum guidance, relevant to the licence condition.

This would not prevent companies from going beyond or take account of other good practice documents, but if the licence condition is introduced, it will be crucial to manage the guidance with the rigour this requires.

We support the simplification of the licence conditions as suggested in the consultation document, with the removal of existing conditions G and J, in connection with the introduction of the new customer-focused condition and the related guidance.



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