



# Putting water customers first – a consultation on introducing a customer-focused condition into the licences of all water companies in England and Wales

## Southern Water response

05 July 2023

Southern Water welcomes the opportunity to comment on this important proposal regarding the introduction of a new 'principles-based' licence condition focused on customers.

As a responsible and customer-centric water company, Southern Water recognises that delivering excellent service to all of its customers, in all circumstances is paramount. In an era where customers expect excellence in every interaction, we understand that the regulatory framework should promote high standards of customer service and foster greater transparency, accountability, and satisfaction within the water sector. It is equally important that the framework provides the necessary clarity to support companies in delivering excellent customer services.

It is difficult to comment fully on the consultation without the opportunity of seeing and reviewing the full set of Ofwat guidance that is proposed to support the draft licence condition and without understanding how any new guidance will interact with the existing guidance already in place. For any licence condition to be effective there needs to be absolute clarity on what is required for compliance, and we would welcome an opportunity to comment on the proposed guidance before the statutory consultation on the detail of the licence condition itself given the high-level, principles-based nature of the proposed new licence condition. Separately, we remain equally concerned that guidance would be capable of being revised over time without consultation with or recourse by the water companies.

We also have concerns around the potential for additional annual reporting requirements, given that the volume of data now being reported as part of the Annual Performance Report has already increased significantly in the last few years and a number of additional reporting requirements have been added (for example the quarterly reporting on debt information).

We remain concerned that the timescale to implementing any changes will increase the potential risk of failure to comply.

We thank you for this opportunity to feedback and our responses to the specific consultation questions can be found below.

Should you have any questions please contact: [Regcorrespondence@southernwater.co.uk](mailto:Regcorrespondence@southernwater.co.uk)



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

We are in broad agreement with Ofwat's proposed measurable outcomes, although, as noted above, we are concerned about additional reporting burdens, notwithstanding that the proposals and examples given are reflective of Southern Water's existing processes and procedures. There may be some small amendments and changes needed to our current accessibility and options to contact. However, these are already being explored and are planned to be implemented within our AMP7 Turnaround and PR24 business plans.

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

With regard to the proposed wording of the new licence condition as presently drafted and set out in Section 5, Table 3 of the Consultation document, we believe there are a small number of amendments to the wording that would assist with greater clarity. These suggested changes are shown as tracked changes in the annex to this response below.

We would also suggest the inclusion of further points in line with the existing Condition F: Regulatory accounting statements F4 and F5 relating especially to protections available for any change to the regulatory guidelines.

Notwithstanding our proposed minor amendments and additions, we do have an overarching concern that the principles as currently drafted are very broad, particularly as the guidance that will implement and interpret them have yet to be published, and would be capable of change at a later stage without water company consultation or recourse. We believe a narrower, more closely defined set of principles would better serve the customer by providing greater clarity without the need for extensive additional guidance.

### **Question 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 have no comment and agree with your proposals.

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

We have no comment as this is only relevant to business customers in Wales or served by a NAV.

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

We are aware that Ofwat is developing guidance in relation to supporting vulnerable customers and we look forward to the associated consultation on such draft guidance. As with all related proposed guidance, we would welcome an opportunity to comment on this proposed guidance ahead of the statutory consultation on the detail of the licence condition itself. We do not believe that any other guidance is required as this could run the risk of causing confusion. It is critical, however, that OFWAT provides clarity on any areas where there will be specific expectations as to what is required for compliance.

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

As noted above, we do have concerns about the amount of guidance that already exists and how any new guidance would fit within that landscape. If there is to be any additional guidance or any changes to existing guidance, these must be fully consulted on so that water companies can have the opportunity to input based on their experience.

Case studies and examples would be preferable alongside a fair/transparent benchmarking process outside of C-MeX, so that each water company can review its performance against other water companies and recognised best practice in customer services across utilities and other sectors. This would allow us to have the freedom to be innovative and do what's right for our customers based on their specific needs, demographics, and regional differences.

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


We already work with CCW to ensure that our policies and procedures are focused on delivering good customer service, and support CCWs ongoing involvement in our and industry policy and procedural changes to ensure that any future proposals remain focused on the customer and follow best practice.

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

We would suggest further customer research building on the work already done by Ofwat and CCW. We already gather customer feedback via SMS following any customer contact and after incidents and we use this feedback to improve our processes and customer experience. We would support similar exercises across the industry and the sharing of this information and insight between companies.

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

As mentioned in earlier consultations, we are now facing an increasing regulatory reporting burden and larger volumes of data than in historic June Returns as an industry. This burden has been increased by the introduction of the in-year reporting, for example the new quarterly reports on debt information and reporting on compliance against "Paying Fair" guidelines and reporting of shared performance commitment data.



We believe that Ofwat should undertake a review of all current reporting requirements (including those imposed by CCW) before developing any new reporting requirements in relation to this proposed licence condition – this will help to ensure that reporting undertaken by companies is proportionate and delivering the right information for Ofwat to assess performance. We would also suggest that there is clear guidance in terms of what is expected in any reporting requirement so companies can ensure the right information is supplied first time.

Based on the current information provided around the proposed licence condition we would be generally supportive of reporting a narrative on Customer Service and how we have met the licence condition as it enables us to highlight the positive work we have done, and any changes implemented due to customer feedback. We would, however, like to understand the specifics around what will be reported annually, and how this will integrate with the existing annual reporting process and consultation on Regulatory Accounting before making any final comments.

There is an existing measure that tracks customer experience in C-MeX. Our view is that this would not be a suitable tool to assess compliance against the proposed licence condition. C-MeX scores are based on small samples and are significantly influenced by media/social media stories, which detracts from understanding the actual service levels customers are experiencing. The scores also don't consider the acknowledged regional differences in customer expectations around service.

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

We absolutely understand that customers need to be protected, with a licence condition to ensure compliance. Given the undoubted importance of the proposed new condition, we think it is imperative that companies are given sufficient time after publication of the final wording of the licence condition and all relevant guidance to undertake gap analysis and ensure the right internal structures are in place to ensure compliance. This would include working with our service delivery partners to ensure any contractual obligations reflected the new condition.

We don't believe that the current proposed timeline would allow sufficient time for this to happen and suggest that aligning the implementation with the beginning of the new AMP would be an appropriate and logical timeline.

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

Whilst the proposed consequential changes prevent duplication in the Licence and Codes ensuring a clear and transparent expectation, we still think that it is important that any such changes are only undertaken with full visibility of all relevant materials given to the industry alongside the opportunity to comment.

We would also ask that any further modifications contain provisions similar to Conditions F4 and F5 to provide the statutory protections relating to licence modifications.

## **Annex: Current Licence Condition Drafting**

| <b>Corresponding outcome or guidance (not in licence condition)</b>                                    | <b>Proposed licence condition wording</b> |   |
|--|---|---|
|  | <b>G.1</b>                                | <p>This Condition requires the Appointee to adopt <b>generally</b> high standards of customer service and <b>provide appropriate</b> support for the full diversity of customer needs. It requires the Appointee to deliver the six principles set out at paragraph G4 in relation to the Appointee's customers.</p> <p>Nothing in this Condition has the effect of removing or affecting the duties of the Consumer Council for Water in relation to individual customer complaints.</p> |
|  | <b>G.2</b>                                | <p>In this condition:</p> <p>an 'incident' means an event or situation which causes or may <b>reasonably be expected to</b> cause damage, disruption, distress or inconvenience to the Appointee's Customers in their capacity as such which is not trivial.</p>  |
| <b>Principles of customer care</b>   | <b>G.3</b>                                | The Appointee must:   |
|  | <b>G.3.1</b>                              | develop policies and approaches to meet the principles for customer care set out in paragraph G4;   |
|  | <b>G.3.2</b>                              | implement those policies and approaches in a way that <b>generally</b> meets the principles for customer care set out in paragraph G4; and  |
|  | <b>G.3.3</b>                              | explain in a manner that is effective, accessible and clear how it is meeting the principles set out in paragraph G4;   |
| <b>Outcomes</b>  | <b>G.4</b>                                | The principles are:   |
| <b>Customers are well informed</b>   | <b>G4.1</b>                               | The Appointee is proactive in its communications so that customers of the Appointee receive the right information at the right time, including during incidents.  |
|  | <b>G4.2</b>                               | The Appointee makes it easy for customers of the Appointee to contact it and provides easy to access contact information.   |
| <b>When something does go wrong affected customers have confidence their company will put it right</b> | <b>G4.3</b>                               | The Appointee provides appropriate support for the Appointee's customers when things go wrong and helps to put things right.  |
|  | <b>G4.4</b>                               | The Appointee learns from its own past experiences, and share these with other sector players, it also learns from other <b>appointees'</b> experiences and demonstrates continual improvement to prevent foreseeable customer harm to the Appointee's customers.   |

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|--|-------------|--|
| <b>The full diversity of customers needs are identified, understood and met by companies in the services and extra help they provide</b> | <b>G4.5</b> | The Appointee understands the needs of customers of the Appointee and provides appropriate support, including appropriate support for customers in vulnerable circumstances, and including during and following incidents.   |
|  | <b>G4.6</b> | As part of meeting principle 4.5 above, the Appointee provides support for customers of the Appointee who are struggling to pay, and for customers in debt.  |
| <b>Guidance</b>  | <b>G5</b>   | Ofwat may issue and revise guidance in relation to paragraphs G3 and/or G4. Guidance issued by Ofwat under this condition will include an expectation 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 some or all of the matters specified within the principles or that guidance. |
| <b>Classes of customer – this condition applies to Welsh companies and new appointees only</b>   | <b>G6</b>   | <p>In relation to the Appointee's customers acting in their capacity as occupants of Household Premises, the relevant principles are those at G4.1- G4.6</p> <p>In relation to all other customers of the Appointee, the relevant principles are those at G4.1-4.5</p>   |