

By email: [customerfocus@ofwat.gov.uk](mailto:customerfocus@ofwat.gov.uk)

7 July 2023

Dear Sir/Madam

**PUTTING CUSTOMERS FIRST – A CONSULTATION ON INTRODUCING A CUSTOMER-FOCUSED CONDITION IN TO THE LICENCES OF ALL WATER COMPANIES IN ENGLAND AND WALES**

We acknowledge that following the Environment Act 2021 Ofwat have increased powers to modify licences of water companies, and that the proposal to implement a customer focussed licence condition is therefore a decision for Ofwat alone. We also acknowledge the rationale and benefit of implementing such a licence condition for customers across England and Wales, to ensure that they are protected and receiving the services they need.

At Pennon, we are committed to ensuring customers are at the heart of our business. Our Watershare+ scheme ensures not only that customers are rightly at the heart of our culture and operations, but that, uniquely, customers are core to the ownership structure of our organisation. Over 90,000 customers currently hold shares in Pennon Group, entitling them to vote on the direction and management of our business. It also provides customers a stake in the performance of the business both through dividends and our Watershare+ sharing incentive.

Through Watershare+, we have been listening to our customers more than ever before through our public meetings, open to all our customers. We also listen to our customers through research, conversations and engagement through our contact centre and employees, as well as through the feedback we receive on the quality of our services. We use this valuable insight to challenge and improve our day-to-day actions, as well as our investment and improvement plans for the future. By reflecting on customer feedback, concerns and preferences, for example, we are already working hard to improve our wastewater business in a way and at locations that mean most to our customers.

We are committed to delivering high quality water and waste water services, tailored to the needs of our customers, across all of our region in the greater South West. We know that our customers rely on our services and that it is critical to ensure we meet the diverse needs of our customers. And we have also seen customers' expectations and needs changing; we are already acting to ensure we drive improved outcomes, experience and standards for our customers. In particular, we are targeting ongoing improvement to the outcomes highlighted in the consultation:

**Customers are well informed:** we believe timely, clear and open communications are key to rebuilding trust across the industry, and we have been working hard to ensure our customers receive the communications they need, when they need it and in the way they wish to receive it.

Transparency is important to build trust with customers and help them understand what we are doing and why we are doing it; we have already launched our WaterFit Live website, providing customers and stakeholders near real time data on the impact of our waste water network on beaches around our region, and are looking to extend that to all storm overflows within the next six months.

We have also provided extensive communications to customers over the past year around our water resources position, keeping customers informed and up to date on the water resources position and how we are investing to increase available resources. We have also ensured we provide information and support on what customers they can do to use less water with our water efficiency campaign and incentive, allowing customers to benefit from lower bills at the same time as benefiting water resources and the environment.

We have also been working to ensure customers have the right information to access the right services at the right time; we have improved the accessibility of our Bristol Water website, for example, and continue to review and improve services and communications we offer.

***When something does go wrong, affected customers have confidence their company will put it right:*** we know that when issues arise, it is important that customers are reassured that we will resolve the issue quickly and sustainably. We are working hard to ensure customers are at the heart of our culture, decision making and operational performance, and that we can provide swift responses, coupled with good communication, that allows customers to trust we will fix the problem.

***The full diversity of customers needs are identified, understood and met by companies in the services and extra help they provide:*** we understand that as the provider of an essential service, it is vital that we support all our customers and meet the full diversity of customers' needs; we aim to deliver a tailored, accessible service, that supports our customers. We believe we have a strong track record in delivering support to customers, both those who might be vulnerable and those that may be struggling to pay. We continue to increase our support and activity in this area, and are proud of the extensive work we do, both directly with our customers and through partners, to ensure we provide customers with the support they need.

We have responded to the specific questions raised in the consultation in the appendix and if you have any queries in the meantime, please do not hesitate to get in touch.

Kind regards

Laura Flowerdew

Chief Customer and Digital Officer  
Pennon Group  
On behalf of South West Water, Bristol Water and Bournemouth Water

## APPENDIX

### RESPONSES TO CONSULTATION QUESTIONS

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

##### *Outcomes*

Overall, we find the customer outcomes to be relevant and appropriate, although we note that the outcomes themselves are not part of the licence condition. As such, the context provided by the outcomes as defined may in reality be lost once the licence condition is implemented. Incorporating the outcomes into the licence condition may be appropriate to ensure the context, rather than only the sub-elements, are retained in the positioning.

##### *Examples*

In our view the examples do not necessarily correlate to the aims of the licence condition. The scope of the proposed licence condition is that it does 'not address individual incidents of customers, for which the complaints scheme is the mechanism for redress'. Rather, it is intended to address 'systemic shortcomings in how companies treat groups of customers'. However, examples given are predominantly related to individual customer experiences, and therefore is at odds with the proposed scope.

We suggest that instead of the examples citing individuals' experiences that they should focus more on the perceived impact on communities or groups of customers. We believe that these sorts of examples will be more helpful to companies and to those who ultimately need to conclude on whether a company is complying with the licence condition.

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

Recognising and supporting that Ofwat consulted customers on the proposed wording, we believe that further refinement is needed to for the condition to work effectively when practically applied. We also consider that including the outcomes in the licence condition would be helpful to be clear on what overall customer outcomes are expected.

Licence condition wording should leave as little margin for ambiguity as possible. While we accept that principles-based conditions will always remain broad we make the following observations.

Principle	Comment
G1	This paragraph requires Appointees to 'adopt high standards of customer service'. This is very subjective and open to interpretation. Recognising that the requirement could be interpreted as Principle G4 we would welcome confirmation within the guidance, for example by amending to 'to adopt standards of customer service and support that meet the principles set out in paragraph G4 below.'
G2	The paragraph refers to "...the Appointee's customers in their capacity as such which is not trivial". This is unclear as to whether this means as a group or for individual customers. We would welcome greater clarification in the guidance.
G3.3	The word 'explain' is insufficiently clear to understand to whom the explanation is targeted. If this is targeted at customers, then this should be clarified.

G4.4	<p>We would propose simplifying this to demonstrating continuous improvement from its own and others' experience, to prevent foreseeable harm. We question whether sharing with other sector players should be contained within the licence itself.</p> <p>We would however support its inclusion in the guidance to ensure active engagement and collaboration across the industry, and indeed, into other sectors.</p>
G5	<p>We question whether the Guidance needs to specify G3 and/or G4, or just the whole of the condition. That would be simpler.</p>

**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 proposal in relation to customers struggling to pay or in debt.

We have concerns, however, around the proposal to include non-households in respect of G4.5 as the direct relationship with non-household customers currently resides with retailers, and consider that further work is needed in this regard in order to clarify obligations between the Appointee as wholesaler and the relevant retailers. It will be key to ensuring that retailers are clear on the obligations and expectations of sharing data, allowing direct contact from wholesalers, etc with the relevant customer base, to prevent customers from missing out on support.

**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, noting that the consultation recognises these customers as almost all non-household customers of Welsh companies and English new appointees.

However, customers in the Isles of Scilly are not mentioned but we presume that they too would be covered by this approach until such time as South West Water's current licence condition G15 is removed.

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

**Vulnerability:** We are supportive of the prioritisation of the Vulnerability Guidance to ensure clarity on best practice and guidelines in this area.

**Building confidence in putting things right;** this is an important element of the condition and should build confidence and trust in the industry. However, in incorporating this into the licence condition, providing a framework of what is expected and agreeing best practice in terms of communications and engagement, will be key to ensuring clarity ahead of any implementation of the licence condition.

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

Consistent with the principles based nature of the licence condition, we consider that guidance should be principles based. Whilst guidance is important and necessary for clarity, our view is that guidance should remain at a level that avoids it becoming prescriptive, and as such, remains at a broader level rather than being detailed. Guidance should set a framework within which companies can operate and be confident of compliance, without

prescribing a list of necessary actions, which may limit scope for flexibility, innovation, and response to customer's preferences at a local level.

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

We agree that including reference to CCW as a consultee is appropriate albeit that in some areas, other parties may also be relevant to consult.

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

We agree that the effectiveness of the licence condition will require monitoring of compliance in respect of customer outcomes. As with all such monitoring, balancing the burden of such monitoring on companies with the value that such monitoring can provide is key. Clarity around the monitoring framework and consistency across the industry is also critical to ensuring fair outcomes and meaningful conclusions to be reached.

In our view ongoing compliance monitoring would be more effective if conducted through a broader monitoring of customer themes and would be further strengthened through collaboration and information sharing among regulators and companies.

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

In our view ongoing compliance monitoring would be more effective if conducted through a broader monitoring of customer themes and would be further strengthened through collaboration and information sharing among regulators and companies.

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

With the work conducted to date it is fair for Ofwat to expect companies to already have processes and systems in place to ensure good customer outcomes and experience. Where such measures are not in place, it is also not unreasonable to expect companies to be starting to work towards addressing any perceived gaps in their processes. However, given guidance and monitoring frameworks for this licence condition are not yet in existence, we would suggest it is reasonable for their to be clarity on the guidance before the licence condition comes into effect.

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

We agree with the proposal to delete existing Conditions G and J, recognising that they are out of date and that Condition M empowers Ofwat to collect information from companies.

Principles G4.5 and G4.6 of the new licence condition require companies to provide adequate support for customers in vulnerable circumstances, including those struggling to pay. We would like to highlight that, to varying degrees, the ability of companies to fulfil this requirement, now and in the future, is constrained by the current interpretation of what may constitute undue discrimination in charging under Condition E of the licences

As stated in our response to question 4, South West Water's licence currently contains a unique Condition G15 relating to business premises on the Isles of Scilly. We presume that on removal of the existing Condition G that the new licence condition sub-condition G6, or a variation of it, of the new condition will be applied to South West Water's licence.