

## **Consultation response: Putting water customers first – a consultation on introducing a customer-focussed condition into the licences of all water companies in England and Wales**

Thank you for the opportunity to comment on this consultation.

We share Ofwat's aspiration of high standards of customer service and support for the full diversity of customer needs across the water sector. At Wessex Water we put customers at the heart of everything we do and regularly go the extra mile. This has led to our excellent C-Mex performance year on year and the achievement of a variety of external accreditations including Service Mark with distinction from the Institute of Customer Service.

We do not believe that a customer focussed licence condition is necessary for a company with a well-embedded and strong customer culture li, but also recognise there are differences in performance across companies that other measures such as C-MeX may not currently address.

We summarise our key comments below and provide more detail and answers to the specific questions in the Appendix:

- Companies should be able to design their customer service to meet the needs of their local customers and be able to continually improve and innovate based on the feedback they receive. So, we support the general outcomes-based approach with a set of high-level principles underpinned by supporting guidance and best practice examples. This should help drive the right behaviour alongside other tools such as C-MeX.
- The overall customer service inputs covered by the licence condition very much align to what we see in our customer research and feedback as the key drivers of satisfaction.
- The principles as currently drafted are high level and subjective, particularly when compared to the examples of basic expectations. There is also a lack of developed supporting guidance, particularly for G4.1-G4.4. We agree there is a balance to be struck between letting companies operate versus providing detailed guidance on how to run their businesses, but companies will need sufficient detail to be able to reasonably assess and monitor compliance with the licence condition and understand the basis upon which Ofwat may consider enforcement action.
- We believe that guidance urgently needs to be developed to clarify expectations for principles G.1-G4.4. There is a large amount of wording that is open to interpretation, for example "promptly deal with", "sustained outages" and "communicate clearly". Companies will need to understand how various aspects of the principles should be measured, evidenced, and reported to ensure consistency and fairness of assessment.
- For these reasons we also believe that this supporting guidance should be issued sufficiently in advance of any licence change to facilitate that process.

- Given the lack of supporting guidance and detail on companies monitoring and reporting requirements, we believe either the implementation of the licence condition should be delayed beyond Q3 2023/24, or a grace period given to water companies in terms of enforcement.

We hope you find our response helpful and if you have any queries, please do let us know. In the meantime, we would be pleased to help with an assessment of how best to address the concerns we have raised around clarity of expectations.

Yours sincerely

Sue Lindsay

Director of Customer Policy & Engagement

## Appendix 1

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

Overall, we support an outcomes-based approach with a set of sensible high-level principles underpinned by supporting guidance and best practice examples.

The outcomes and examples of basic expectations are very much aligned to what we see in our own research and feedback surveys as the key drivers of satisfaction and reflect what customers expect from their water company in terms of great customer service.

We note though that the measures set out are outputs rather than outcomes. For example, communicating regularly, offering a range of communication channels, and having short wait times are all inputs. The output is that customers are well informed, and the overall outcome would be satisfied customers.

Assuming that the measures stay the same, we have the following comments on the specific wording:

- Customers are well informed

We are concerned about the wording in the example “customers expect to be able to speak to a human when needed without needing to repeat their issue to multiple advisors”. This could be taken to mean that each time a customer contacts their water company they need to speak to the same adviser in the call centre.

It would not be feasible to implement this approach in a call centre with shift working, holidays and sickness. Instead, we propose that this expectation would be met if companies ensure that all advisors are equally trained to speak to a wide range of customer issues. If the advisors have the full history and background of the customer contact to hand, they should be ready and able to provide any updates and answer any queries without the customer repeating themselves.

It may be necessary, on occasion, to refer customers to other colleagues (e.g., in event of an unusual or complex query) and in that case the transfer process should be clear and managed in a way to avoid the need for any lengthy repetition by the customer.

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

The wording below the measure focusses entirely on the continuous improvement element so may need to be expanded. It doesn't really make mention of putting things right when something goes wrong.

The examples of basic expectations include a lot of very high-level statements that companies are going to struggle to really understand in terms of what compliance looks like. For example, “promptly deal with”, “sustained outages” and “communicate clearly”. Such phrases will need further detail in the supporting guidance as each company will have a different view on whether they have, for example, promptly dealt with an incident.

We would be pleased to help with an assessment of how best to address these concerns around clarity of expectations.

The examples also include reference to compensation reflecting the impact of the incident on the customer. This makes no reference to the Guaranteed Standards Scheme which sets out the compensation that companies should offer as a minimum for certain service failures and GSS does not form part of the supporting guidance in table 5.

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

We agree that external accreditations are helpful as they require a company to do a full review of the services provided against a standard that's relevant across multiple sectors. We have BS18477, the British Standard for inclusive service provision, and it has been one of our bespoke performance commitments since 2015. We also work with multiple partners who endorse the services we provide to their clients and allow us to use their logo in our vulnerability strategy.

The basic expectations also refer to tailored communication channels. This may be a duplication of the first outcome on communication.

The bad practice example is a more appropriate fit under the second outcome, putting something right.

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

We appreciate that Ofwat wants “companies to consider what the principles mean for their customers, their people and their business and assess whether they are currently meeting these, where changes need to be made and where there are areas requiring continuous improvements”.

Overall, we feel the principles as currently drafted are too high level, particularly when compared to the examples of basic expectations. Our concerns may be allayed if sufficiently detailed supporting guidance is developed. But between the principles and supporting guidance, companies will need sufficient detail to be able to reasonably assess and monitor compliance with the licence condition and understand the basis upon which Ofwat may consider enforcement action.

In terms of specific comments on the proposed wording:

- The condition as worded only seems to refer to customers of the appointee, which we have taken to mean bill-paying customers. In the first outcome, reference is made to communication with the wider community, and it would be helpful to have clarification on the extent to which provisions are intended to apply to consumers more generally.
- G.2 – We are not clear what is meant by trivial.
- G3.1 – This suggests that policies always need to be developed and that relevant policies may not already be in place. Amending the wording to “develop or have in place policies...” would be helpful. Also, it isn't clear if those policies have to be specific for the licence condition or simply related to it, for example our Wessex Promise (GSS), the format they should take and if they are internal documents or external customer facing. It is our view that there should be no specific requirements on the form that such policies or approaches take, as long as they substantively address the relevant principles and can be made available to customers on request.

- G3.2 – Likewise if policies are already in place this wording should be amended to “implement or continue to follow those policies.....”.
- G3.3 – We are not clear what the wording “explain in a manner that is effective, accessible, and clear how it is meeting the principles” means in practice. This is referred to on page 33, but we are still not clear what’s considered to be effective, accessible, and clear. It would also be helpful to clarify the audience in terms of whether it is Ofwat and CCW and/or customers.
- G4.1 and G4.2 - The current wording of the principles seems inconsistent with the examples of basic expectations. For example, there is nothing included about clear and accurate information, that customers should be able to get in touch quickly, or the conduct of employees.

#### G4.3 and G4.4

- Similarly, the wording of these principles seems inconsistent with the examples of basic expectations. For example, G4.3 refers simply to appropriate support when things go wrong whereas the basic expectations specifically mention response time, communication, compensation, provision of alternative supplies of water etc.
- For information, there appears to be a typo in the wording of G4.4. We believe “share” should be “shares” and that a new sentence should start after “other sector players”.
- The wording refers to companies helping to put things right. If the incident is the responsibility of a water company to resolve, then it should put it right but if it’s a broader multi-agency issue or a failure on a customer’s own internal pipework then the company may only be able to help. It might be better to amend this phrase to cover both scenarios.
- The term “put things right” is very open to interpretation and it’s not clear if that will be covered more clearly in the supporting guidance. There may be instances where the water company cannot put things right, for example using rateable value as a basis of charge. Further wording would be required to clarify that there are limits on what a company can do in some cases.
- It is also unclear what would constitute “customer harm” in respect of 4.4. We would welcome clarification or alternative wording to be considered.
- It would also be helpful to clarify what is meant by “sector players”.

#### G4.5 and G4.6

- The principle as written implies that a water company should understand the needs of all its customers, which is unrealistic. Water companies do not have contracts with their customers and are reliant on a customer sharing information with them, for example when applying for Priority Services, or through external data sources. Supporting guidance will need to clarify what is considered appropriate support for each customer type.
- Communication features very heavily in the example of basic expectations under this outcome but is omitted from the principles.

- We believe the wording in the bottom left box next to G6 is incorrect and should include non-households without a retailer as well as Welsh companies and NAVs.

**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?**

Yes. There is protection through the market mechanisms for non-household customers.

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

Yes, we agree this is sensible.

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

Ofwat acknowledges the guidance listed only covers a subset of the activities captured in the draft licence condition and ask companies to consider how they are meeting the principles in fully when they are implemented.

Although we accept that supporting guidance cannot cover the principles fully, there are so many major gaps that companies will be unable to reasonably assess compliance with the licence condition and understand the basis upon which Ofwat may consider enforcement action.

We would urge Ofwat to develop guidance in relation to principles G4.1 and G4.2 as a matter of urgency as none of the quoted sources are sufficient for companies to interpret what's expected. We also feel much more guidance is needed for G4.3 and G4.4. All of these principles are open to interpretation. As the licence condition is due to take effect later this year, there is limited time.

We appreciate that Ofwat also wish to keep supporting guidance up to date over time and will consult on any material amendments. It would be helpful for Ofwat to clarify what is considered material and also to confirm companies will be given suitable time to implement any changes.

Table 5 does not include GSS as a piece of relevant guidance. We assume this needs to be added.

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

As stated in question 5, we believe more detailed guidance is needed for G4.1, 4.2, 4.3 and 4.4 as these are the ones most open to interpretation and have large gaps. For example, the guidance around communication is very old and doesn't help companies understand expectations in this area. It doesn't in any way cover what would be considered clear and regular communication and what would be deemed a long delay or wait time. There is also no guidance on continuous improvement. We focus heavily on continuous improvement, but our approach may be different to other water companies.

CCW encourage best practice sharing and over this last year have proposed a number of voluntary changes for companies to make to their service to improve the experience of water customers, such as shortening response times for sewer flooding and extent of

clean ups. These are often in the form of a letter to CEOs or Customer leads to consider. Once the licence condition is in force, this process should be formalised and any requests from CCW included as changes to supporting guidance.

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

Yes, we think this is sensible and reflects our normal collaborative approach to policy setting with CCW. It will be important for CCW to be adequately resourced to undertake this role for all water companies and that they are consistent in their approach.

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

We understand that Ofwat will want to monitor compliance and take appropriate action where companies fail to comply with the licence, and we welcome their intention to keep this proportionate.

For Ofwat and companies to monitor effectively against the principles, there needs to be much more supplementary guidance in place around the principles themselves and how they will be measured. For example, companies are required to share best practice, but it is not clear how that will be measured. Also, they are required to be proactive in their communications. If these aren't defined sufficiently companies will still be offering different levels of service from one another as they do now.

We agree existing insight is very helpful and there are many sources that can be used. When using customer research, we would ask Ofwat to make sure it is meaningful and robust, so it adequately reflects the views of customers in each water company area. Some of the previous research studies have only involved very small numbers of customers from each water company in a qualitative discussion.

Requests for information are useful for monitoring purposes but again we would ask Ofwat to give companies sufficient notice if these are to become regular requests.

We agree that CCW can have a part to play in monitoring. Indeed, all water companies report on elements of their service to CCW on a quarterly basis. CCW use a proforma to ensure consistency across their data collection and these could be expanded to capture elements of the licence condition.

All companies undertake feedback surveys post resolution of incidents and undertake customer research. These could be shared more widely as part of the monitoring regime.

If CCW complaint and debt assessments are to be used, then CCW will need to make this process more robust to ensure consistency of approach across the individual water companies. They are still subjective.

External accreditations may also be useful to monitor compliance particularly if there is a read across to the principles. Obvious ones include the Customer Service Excellence award, Dementia Friends, Friends against scams, BS 18477 (or the equivalent ISO).

All companies also have an ICG or CCG who have a role to play in ongoing monitoring of company performance. This group could be used to monitor compliance of parts of the licence condition if not all.

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

We agree it is sensible to use an annual reporting approach, but Ofwat will need to set out the requirements in detail as soon as possible so that companies can make sure any additional data collection, particularly from systems, can be implemented in time and reporting is consistent across all.

Companies will be monitoring many of these aspects of customer service now but may be measuring and reporting them in a different way.

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

Even though the licence condition covers activities that companies should already be doing to provide good customer service, we are concerned that Ofwat expect compliance with it immediately from the point at which it is introduced. Companies may be carrying out the same activities, such as communicating with their customers, but the extent and quality of that will vary enormously. Companies' compliance must be judged consistently and fairly.

Given there are large gaps in the supporting guidance and limited information on the requirements around monitoring and reporting compliance, we believe either the implementation of the licence condition should be delayed beyond Q3 2023/24, or a grace period given to water companies in terms of enforcement.

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

We agree it seems sensible to delete Condition G.

Principles G4.5 and G4.6 of the new licence condition require companies to provide appropriate 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 licence.

We would welcome assurance from Ofwat that in line with the principles-based approach, and its objective of ensuring companies adequately support financially vulnerable customers, it will apply greater flexibility in its future interpretation of licence Condition E, broadening what it deems to be due discrimination accordingly. An updated perspective taking account of the new duty and wider economic circumstances would empower companies to effectively meet customer needs and to fully discharge their responsibilities under the new licence condition.