

October 2023

**Consultation under sections 13  
and 12A of the Water Industry  
Act 1991 on proposed licence  
modifications to introduce  
customer-focused principles for  
all water companies**

**Ofwat**

## About this document

This consultation invites comments on our proposal to modify each water company's<sup>1</sup> Instrument of Appointment (**licence**) by deleting existing Condition G and replacing it with a new Condition G relating to customer service, and deleting Condition J.

Under section 12A of the Water Industry Act 1991 (WIA91), we are able to modify the conditions of an English water company's<sup>2</sup> licence subject to the procedural requirements set out in sections 12A-12I of the WIA91.

Under section 13 of the WIA91, we are able to modify the conditions of a Welsh water company's<sup>3</sup> licence if the company consents to the modifications.

Before making modifications under sections 12A and s13 WIA91, Ofwat must give notice.

In respect of each English company this document constitutes a statutory notice under section 12A of the WIA91 and in respect of each Welsh company this document constitutes a statutory notice under section 13 of the WIA91, in particular sections 2, 3, and 4.1 to 4.3 and appendices A3 and A4.

Proposed modification drafting for the licences of all English and Welsh companies' including NAV licences is shown in Annex 1.

This consultation will close on **23 November 2023**.

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<sup>1</sup> For the purpose of this document, a reference to a water company or company means a company holding an appointment as a water and/or sewerage undertaker under the Water Industry Act 1991, including new appointments and variations (NAVs).

<sup>2</sup> In the context of this document English water companies means companies appointed as water and/or sewerage undertakers whose areas of appointment are wholly or mainly in England.

<sup>3</sup> In the context of this document, Welsh water companies means companies as water and/or sewerage undertakers whose areas of appointment are wholly or mainly in Wales.

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## Executive summary

This consultation sets out our proposal to modify companies' licences to introduce a new customer-focused licence condition, following on from our consultation in May 2023.

### **We are consulting on replacing Condition G in company licences with a new customer focused licence condition under sections 12A and 13 of the WIA91.**

We have always expected companies to provide good customer service and have introduced financial and reputational incentives within our price controls. However, there is a distinct lack of customer service requirements with the current licences of water and wastewater companies. A customer-focused licence condition demonstrates the importance of a high standard of customer service and support. We see it as a key tool for driving up performance for the full diversity of customers' needs, as well as a lever for us to hold companies to account. With increased monitoring in this area, we will be able to focus on companies who are lagging behind, and / or areas of service which see repeated failures. The introduction of this new licence condition is an important addition to our regulatory toolkit and will complement our existing levers to improve customer service and support.

The aim of the licence condition is to tackle instances of poor treatment of customers and to hold companies to account where customers are harmed and / or repeatedly failed. It will enable us to hold companies to account on how they treat all their household customers including the most vulnerable in society. It will also offer protection for non-household customers who are not served by a retailer (see Chapter 3). It will not address individual customer complaints, these will continue to be handled by company complaints processes and the complaints resolution powers of the Consumer Council for Water (CCW).

In May we carried out a [consultation setting out relevant background and context, and initial drafting for the proposed new licence condition](#). All respondents were supportive of introducing a new customer focused licence condition to replace the current Condition G (see Chapter 3). We are proposing to move the current content of Condition G into guidance and will be consulting on this in Autumn 2023. Alongside this consultation [we have published a summary of responses to our May consultation and how we have considered these](#), which should be read together with this consultation document.

### **Additional licence modification – deletion of Condition J**

In addition to our proposal in relation to Condition G, we are also proposing to delete

Condition J: Levels of Service Information and Service Targets from the licences of companies which currently contain the condition.<sup>4</sup> Respondents were supportive of this proposal in our May 2023 consultation. Further detail is provided on this in Chapter 3.

We welcome comments on the modification proposals as summarised in Box 1 by 23 November 2023.

### Box 1: Customer focused licence proposals

1. Delete current Condition G and replace it with a new customer focused licence condition, the wording of which is set out in Annex 1.
2. Delete Condition J.

The rest of this paper is structured as follows:

**Chapter 1** provides the background to this work, and related and upcoming work.

**Chapter 2** sets out our wider role in customer service, current company performance on customer service, and case for change.

**Chapter 3** sets out our proposal to introduce a new customer-focused licence condition.

## Responding to this consultation

We welcome views on the proposals outlined in this paper by **23 November 2023**. Welsh water companies should also indicate their agreement or otherwise to the proposed modifications to their licences by this date. Please email responses to [customerfocus@ofwat.gov.uk](mailto:customerfocus@ofwat.gov.uk).

Subject to our consideration of responses, we propose that the modifications to each English water company's licence will take effect from a date no less than 56 days from publication of our decision to make the modifications. We will align our approach to Welsh companies with this process.

We will publish responses to this document on our website at [www.ofwat.gov.uk](http://www.ofwat.gov.uk). Subject to the following, by providing a response to this consultation paper you are

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<sup>4</sup> These are the licences of the 16 largest companies and four NAVs: Albion Water Ltd, Independent Water Networks Ltd, Leep Networks Ltd and Veolia Water Projects Limited.

deemed to consent to its publication.

Information provided in response to this document, including personal information, may be published or disclosed in accordance with access to information legislation – primarily the Freedom of Information Act 2000 (FoIA), the General Data Protection Regulation 2016, the Data Protection Act 2018, and the Environmental Information Regulations 2004. For further information on how we process personal data please see our [Privacy Policy](#).

If you would like the information that you provide to be treated as confidential, please be aware that under the FoIA there is a statutory [Code of practice](#) which deals, among other things, with obligations of confidence.

If you think that any of the information in your response should not be disclosed (for example, because you consider it to be commercially sensitive), an automatic or generalised confidentiality disclaimer will not, of itself, be regarded as sufficient. You should identify specific information and explain in each case why it should not be disclosed and provide a redacted version of your response, which we will consider when deciding what information to publish. At a minimum, we would expect to publish the name of all organisations that provide a written response, even where there are legitimate reasons why the contents of those written responses remain confidential.

## 1. Background

### Our May 2023 consultation and wider stakeholder engagement

In May 2023 we carried out a [consultation](#) on our proposal to modify water company licences to introduce a new customer focused licence condition, which sets clear and binding expectations on water companies, including new appointees, with regard to the service and support they provide to household customers and those non-household customers in England and Wales who are not supplied by a retailer.

Prior to this, we:

- hosted workshops through Autumn 2022 attended by representatives from companies and stakeholders, including customer representatives from within and outside the sector, and held one-to-one meetings;
- carried out a stakeholder survey; and
- invited comments to our dedicated email inbox.

Alongside this engagement we have worked with the Consumer Council for Water (CCW), which is the customer representative body for water customers in England and Wales, and stakeholders from across and outside of the water sector, to understand the risks and opportunities associated with introducing a new licence condition relating to customer service.

Responses to our May 2023 consultation, and this wider engagement, have informed our proposals within this statutory consultation. In this document we build on what we said in our May 2023 consultation and present our updated proposal to modify company licences in relation to customer service. Alongside this, we are publishing a summary of responses to our May 2023 consultation, where we explain how we have considered this feedback to inform our licence drafting.

### Guidance, research, and working with CCW

#### Supporting guidance

Alongside the development of this licence condition we propose to maintain a guidance record, set out in Annex 2, to list all relevant guidance, and supporting information which companies may find useful when considering the licence principles. We propose

to take this guidance into account when considering compliance with the licence condition. Below we list areas of relevant guidance:

- Vulnerability guidance, [Service for All](#), which we have recently consulted on.
- Later in Autumn 2023 we expect to consult on our new guidelines on Core Customer Information, including when companies should consult CCW on customer service related policies.
- Our existing guidance documents; [Paying Fair Guidelines](#), our joint [Complaints Practice Report with CCW](#), and the follow-up report [Improving complaint processes 2021](#).

## Customer research programme

Customer research has provided customer insight as we have developed our licence proposals. Customer research will continue to play an important role in informing our approach to developing guidance, understanding company customer service performance and the impact of this licence condition. We work closely with CCW and conduct joint pieces of research, including current research on [customer experiences when things go wrong](#).

More information can be found on our [customer research webpage](#).

## Working closely with CCW

We work closely with CCW to protect customers. CCW's role includes:

- handling customer complaints about companies;
- the provision of advice and research; and
- engagement with water companies on their charges and social tariffs.

We have worked with CCW in the development of this licence condition, including commissioning joint customer research and incidents research. We will continue work in partnership with CCW as we develop and implement this licence condition, including how CCW can support us in monitoring compliance. CCW provides important insight including through its statutory role in relation to unresolved customer complaints and information gathering, as well as its customer research insight. We see its role as vital in relation to how we ensure companies are adhering to the new licence condition and delivering better outcomes for customers. CCW will remain an important consultee for companies in relation to some aspects of customer service, including what best practice looks like and we will set this out in the accompanying guidance.

Our proposed new licence condition does not affect the functions of CCW in relation to the investigation of individual customer complaints.

## 2 The case for change

In this chapter we provide evidence and examples of where companies are failing to deliver good customer service. We consider these examples show that Ofwat's regulatory toolkit in the area of customer service needs to be strengthened, and that the introduction of an enforceable customer focussed licence condition is an appropriate and proportionate tool for Ofwat to use to improve company performance in this area.

### Aspiration and outcomes

Within our May 2023 consultation we presented our aspiration and intended outcomes of our wider customer policy work and believe that the new customer focused licence condition will be a significant tool in achieving those outcomes.

Our aspiration is to see **high standards of customer service and support for the full diversity of customer needs across the water sector**. We see the introduction of a new customer focused licence condition as a significant step towards achieving this.

In order to achieve this aspiration, working with the sector, we have developed three outcomes which customers should expect in terms of customer service from their water companies:

- Customers are well informed;
- When something does go wrong affected customers have confidence their company will put it right; and
- The full diversity of customers' needs is identified, understood and met by companies in the services and extra help they provide.

In order to achieve these outcomes, companies need to work together and with wider stakeholders to foster a learning culture that continually seeks to meet the changing expectations and needs of their customers, and tailor their services appropriately in all their customer interactions. We have designed the new licence condition to encourage these behaviours.

## Current company performance

Across England and Wales many people are satisfied with services they receive from their water company (or companies – if they have different suppliers for water and wastewater). And there are many examples of where water companies and their staff are going above and beyond for their customers.

However, there are many instances where customers feel let down, for example:

- **Overall satisfaction has fallen in recent years:** Trust in water companies has fallen, with customers feeling that companies do not have their interests at heart;
- **Negative experiences during events:** Companies often fail to support and communicate with customers or manage complaints and compensation fairly when things go wrong;
- **Negative experiences of worst-served customers:** Repeated failures, where water companies aren't learning from their mistakes which result in customer detriment;
- **Vulnerable customers left unsupported:** companies not planning for or acting quickly enough to support customers who need extra help.

We provide more detail on these below.

## Overall customer satisfaction has fallen in recent years

C-MeX is our primary tool for incentivising and measuring improvements in the overall customer experience. We [recently consulted](#) on C-MeX as part of PR24. The most recent C-MeX scores (2022-23), published in our [Water Company Performance Report](#), show that in 2022-23 there was a fall in customer satisfaction across most companies. This follows a decline in scores in 2021-22, and customer satisfaction is now currently lower for all companies than it was in 2020-21.

This aligns with the findings of the July 2023 UK Customer Satisfaction Index which shows, with exceptions, customer satisfaction for water companies remains below the UK cross sector average (as of July 2023, at 72.6 and 76.7 respectively, with the energy sector average at 67.9)<sup>5</sup>.

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<sup>5</sup> The utilities sector (made up of water and energy) is the only sector in the UK to have a negative Net Promoter Score. Water companies have fallen by 3.5 points from July 2022. This decline has been experienced by all water and wastewater companies in England and Wales with the exception of Affinity Water (a 0.2 point increase on July 2022). The latest UKCSI data also shows a significant variation in the customer satisfaction across the sector, with scores ranging from 77.6 (Bristol Water) to 63.1 (Southern Water). We recognise that each of the 13 UKCSI sectors has lower customer satisfaction than a year ago.

[CCW's most recent complaint report](#) (2022–23) found that written complaints rose by 13% and made up 45% of all complaints to companies, with the most common driver of complaints being billing issues.

## Negative experiences during events

[CCW found that complaints](#) about water services almost doubled in the summer months of 2022 and remained high throughout the autumn as hosepipe restrictions were in place. Complaints relating to restoring a water supply after an interruption increased three-fold on 2021 to become the second highest reason for water related complaints to CCW.

We are currently carrying out customer research to explore how companies support customers during incidents, and will publish the findings of this over the coming months.

## Negative experiences of worst-served customers

Evidence from our [sewage in homes](#) work, and also evidence on bills, from our recent [paying fair compliance](#) work show that there continues to be a repeated poor service to individual customers. This includes examples of threatening or aggressive debt recovery action against customers for relatively small amounts of debt or that previously had a good payment history, and examples of companies seeking final payment / debt collection from customers who have no record of being contacted.

## Vulnerable customers left unsupported

Respondents to our May 2023 consultation provided further evidence of the experience of vulnerable water customers.

In Money and Mental Health's recent survey conducted with their Research Community, they found that one in four (22%) did not think that communications from their water company are clear and easy to understand, and 17% found that they struggled to understand how much they are paying from the communications they receive. Particularly stark from this research is the finding that only:

- three in ten (28%) respondents were aware of the support water providers have in place to help them if they're struggling with their bills;
- one in five (21%) respondents were aware of the support available to help access their water provider's services; and
- only one in ten (11%) knew about how to disclose their mental health condition to their water provider.

In its response to our consultation, [Plain Numbers](#) noted the opportunity for companies to improve how they communicate with their customers, particularly accounting for those who struggle with numeracy and literacy in order to improve service.

We also continue to hear about occasions where customers whose accounts are managed by debt recovery agents do not receive the same level of service and care as those whose accounts remain with the water company.

Our [Customer licence condition research](#) report found that customers want water companies to get the basics right, and be easy to deal with, both in general communications and when things wrong. We have designed the new customer-focused licence condition to address these expectations.

### 3 A new customer focused licence condition

#### Addressing a gap in our toolkit

We have a range of regulatory tools for providing customer protection and better outcomes. However, we cannot enforce any obligations on them in relation to customer service and support, other than in isolated, very specific circumstances<sup>6</sup>.

Water companies are appointed under the WIA91 to maintain and operate the water networks for their appointed area, in line with the statutory and regulatory framework, and are issued with a statutory instrument of appointment (licence). We enforce licence conditions in line with our enforcement duty, taking account of our policy '[Ofwat's approach to enforcement](#)'. Our policy sets out how we decide upon what regulatory action to take in relation to suspected contraventions of company licences, including the process that we follow when we do take action. If we are satisfied that a company has breached a condition of its licence we can take formal enforcement action to secure compliance, which can include fines of up to 10% of the company's turnover<sup>7</sup>. We use a range of tools from informal to formal enforcement action depending on the scenario.

In addition, the new licence condition can empower stakeholders such as charities and customer groups to challenge companies in how they improve their support for customers.

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<sup>6</sup> For example, there are some requirements to provide customer information in current condition G, and requirements in relation to customer charges in conditions E and H

<sup>7</sup> Ofwat's Statement of policy with respect to financial penalties: [https://www.ofwat.gov.uk/wp-content/uploads/2016/01/pap\\_pos\\_101124statementpenalties.pdf](https://www.ofwat.gov.uk/wp-content/uploads/2016/01/pap_pos_101124statementpenalties.pdf)

## Our proposal for a new licence condition

We are proposing to establish a new regulatory basis for how companies treat their customers, including customers in vulnerable circumstances, in the form of a dedicated condition in the licence of each water company in England and Wales. Licence conditions can help increase companies' customer focus and incentivise the very best service for customers while ensuring that we have the right mix of tools to effect change when service falls short.

This new licence condition will place enforceable obligations on companies. Through meeting the principles of the licence condition, companies will be required to put the customer experience at the heart of any decision they make and, in the process, deliver the good service that customers want. In doing this, they will tackle systemic poor behaviour in relation to their treatment of customers and hence the licence condition provides an important level of protection. Table 1 below sets out the new principles of customer care within the proposed licence change. Please refer to Annex 1 for the full licence change for English, Welsh and NAV companies.

**Table 1: Proposed principles of customer care for Condition G.**

G3.1	The Appointee is proactive in its communications so that its customers receive the right information at the right time, including during incidents.
G3.2	The Appointee makes it easy for its customers to contact it and provides easy to access contact information.
G3.3	The Appointee provides appropriate support for its customers when things go wrong and helps to put things right.
G3.4	The Appointee learns from its own past experiences, and shares these with relevant stakeholders. The Appointee also learns from relevant stakeholders' experiences and demonstrates continual improvement to prevent foreseeable harm to its customers.
G3.5	The Appointee understands the needs of its customers and provides appropriate support, including appropriate support for customers in vulnerable circumstances, and including during and following incidents.
G3.6	As part of meeting principle G3.5 above, the Appointee provides support for its customers who are struggling to pay, and for customers in debt.

Please refer to Annex 1 for the full proposed licence change.

We set out in Chapter 2 evidence and examples of poor customer service and support. We propose to tackle this through strengthening our regulatory tools. We therefore consider it appropriate and proportionate to introduce a new principles based customer focused licence condition.

## Our duties and strategic priorities

In considering introducing a new customer focused licence condition we have taken account of all our statutory duties, including our duties to further the consumer objective to protect the interests of consumers, and secure that companies properly carry out their functions.

We must also have regard to the principles of best regulatory practice<sup>8</sup>. These include that regulatory activities should be transparent, accountable, proportionate, consistent and targeted.

The UK government's [Strategic Policy Statement for Ofwat](#) includes a priority for us to push water companies to provide a better and fairer water service for all by improving customer services and complaints handling. It states we should challenge water companies to meet the needs of vulnerable customers, including those who are 'transiently' vulnerable. The Welsh Government's [Strategic Priorities and Objectives Statement to Ofwat](#) sets an objective for Ofwat to ensure the regulatory framework encourages companies to meaningfully involve and engage with customers and stakeholders on long-term outcomes, priorities, and the pace of delivery, and take account of their views.

We consider our proposal to modify companies' licences to replace the existing Condition G with a new customer-focused licence condition is consistent with our above duties and both the UK and Welsh Governments' SPSSs.

## Learning from other sectors

We have considered approaches to improving customer service taken in other sectors. In July 2022 the Financial Conduct Authority (FCA) introduced a new consumer duty, which all financial service providers had to comply with by July 2023<sup>9</sup>. The duty, supported by guidance, sets higher and clearer standards of consumer protection across financial services, and requires firms to put their customers' needs first. This duty has a wider scope than what we are proposing for the water sector given the wider range of activities undertaken by financial firms. However, we have considered carefully the expectations imposed on financial firms in relation to communications and support as we have developed our proposals.

Ofgem requires energy suppliers to achieve Standards of Conduct, updated in 2019, via

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<sup>8</sup> S.2(4) WIA 91

<sup>9</sup> Further information can be found on the FCA's website: <https://www.fca.org.uk/firms/consumer-duty>

a licence obligation<sup>10</sup>. These Standards of Conduct focus on treating customers fairly. These are enforceable overarching rules that relate to how suppliers behave, provide information, and carry out customer service processes. In the case of domestic consumers, the Standards also relate to how suppliers seek to identify each consumer in a vulnerable situation and respond to their needs. Given the similarities between energy and water sectors, we have considered the scope and requirements set by Ofgem on energy firms, and where there are synergies with water.

## 4 Proposed changes to the licence

### A principles based licence condition

In our May 2023 consultation we proposed that the new condition uses a principles-based approach. This remains our preferred approach over more detailed and prescriptive requirements. An important element of good customer service is that companies can understand, tailor, adapt and respond to their customers, which a principles based condition will allow for. Principles also enable companies to innovate and future proof the licence against unanticipated changes, such as changing technology and customer expectations. Using principles in the licence aligns with the approach taken in our recent modifications to company licences in relation to [Board Leadership, Transparency and Governance](#), which are outcomes focused and which have driven a positive change within companies. It also reflects the approach taken by other regulators.

In response to our May 2023 consultation, stakeholders were supportive of a principles based approach in order to allow for flexible and tailored approaches by individual companies.

### Replacing current Condition G wording with guidance

Condition G within company licences currently defines core customer information and the provision of it. This includes, for example, contact details, charges and descriptions of services. It also sets out a process for reviewing that information provision. In addition, it requires the Appointee to have a complaints handling procedure and to provide specified information with its bills.

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<sup>10</sup> Further information can be found on Ofgem's website: <https://www.ofgem.gov.uk/publications/licence-guide-standards-conduct>

We are proposing that these issues are instead covered by new principles and guidance. We have incorporated principle numbers 3.1 and 3.2 in our new licence condition proposal to do this.

We propose to review and move the existing rule-based requirements into guidance. We plan to consult on this later in Autumn 2023.

Guidance is a better location for such specific requirements in that they are easier to maintain and keep up to date. For example, the original wording of this condition was kept since privatisation until 2018, despite the fact it was drafted before the internet revolutionised information provision. The risk of the currently specified information not being provided is very low as it would be a clear breach of the principles. The process for reviewing the core information could be taken into guidance, specifically including a requirement to consult CCW on certain matters as happens at present.

The existing Condition G also contains information provisions in respect of customers now served by the business retail market in England. However, we consider that the necessary protections are contained in the Customer Protection Code of Practice which regulates that market.

## Proposed wording for new Condition G

Our proposed licence wording for the new licence condition is set out in Annex 1. We have considered the feedback we received through the May 2023 consultation and as a result have made some drafting changes.

In response to our May 2023 consultation some stakeholders suggested drafting changes to our proposed principles. We agree that some suggested changes will improve the clarity of the principles and / or are helpful in achieving our outcomes. Where this is the case, we have amended the drafting accordingly. Where we consider that suggested changes will weaken the language of the new licence condition and subsequently make the new licence difficult to enforce against, and / or restrict the positive outcomes for customers, we have retained our original drafting. We have also made some further changes to the drafting to improve clarity.

Details on where we have made changes are below and for clarity we have included a table setting out changes in Annex 3. More information on how we have considered responses to our May 2023 consultation are set out in our corresponding publication alongside this.

**Changes to formatting and numbering:** we have made some changes to the ordering and numbering of the paragraphs, and inserted headings where appropriate.

These changes do not affect the substantive requirements set out in the condition.

**G1.2 and G1.3 – defining customers:** we have defined what we mean by customers in the context of the new licence condition, rather than repeatedly use the defined term from Licence Condition A throughout. This enables us to use more natural language in the sub-paragraphs setting out the principles.

**G3.4 – ‘sharing learnings’:** where we previously referred to sharing learnings with ‘other sectors players’ we have amended this to ‘relevant stakeholders’. Taking account of responses to our May 2023 consultation, we consider this wording clearer. This will take account of instances where learning can be generated from outside of the sector and which may be of benefit to this sector and its customers.

**G3.5 – ‘appropriate support’:** where we referenced providing ‘appropriate support’ to customers, one respondent suggested we expand this to include ‘appropriate, reasonable and proportionate support’. However, we have since published our draft vulnerability guidance which provides for detail on what is expected in relation to appropriate support and therefore have maintained our original drafting in this area.

**Removal of G5 relating to issuing of guidance:** in our May 2023 consultation we included a paragraph which signalled our intention to issue guidance in relation to the new licence condition. We have now removed this paragraph. It is still our intention to issue guidance, but as there is no corresponding licence obligation on the company to follow the guidance, we do not consider it necessary to include reference to it within the new licence condition. previously, G5 paragraph also made reference to us including an expectation within guidance that CCW should be consulted when water companies make changes to policies and procedures. We have moved this into Clause G2.1. We will include the areas on which we expect CCW to be consulted on within our Core Customer Information guidance, which we expect to publish in Autumn 2023.

## Scope of the new licence condition

We are proposing to introduce this licence condition to licences of all water companies, by which we mean those holding an instrument of appointment for an appointed area as a water and/or sewerage undertaker. This includes new appointees, also known as NAVs, which are small water companies that typically supply some new housing developments.

We are proposing that the licence condition relates to household customers in England and Wales. In a more restricted form (see below), we are proposing that it encompasses companies’ treatment of non-household customers (also referred to as business customers) where they are not supplied by a retailer: in practice this means all but the

largest non-household customers of Welsh companies, and non-household customers of most new appointees in both England and Wales<sup>11</sup>. For customers of new connections, they will be protected via the NAVs licences, rather than the licence of wholesalers

Almost all non-household customers in Wales are served directly by water and wastewater companies rather than retailers; there is no market for retail services. As a result we have extended this licence condition to cover non-household customers of Welsh companies, with the exception of principle G3.6 in the new licence condition. This allows for non-household protections in Wales to align better with those offered within the Code of Practice in the English retail market, which we consider offers appropriate protection.

- Principles G3.1 to G3.5, relating to non-financial vulnerability, is extended to non-household customers who aren't served by a retailer. We are taking this approach because we think that some small non-household customers may have specific needs, for example if the owner has a disability, and that some non-household customers, such as hospitals and care homes, are serving vulnerable communities.
- Principle G3.6 relating to financial vulnerability would not apply to Welsh non-household customers. (This is similar to financial provisions for non-household customers in the English business retail market).

We propose that new appointees that have not exited the English business retail market have licence conditions equivalent to those of Welsh companies.

### **Non-household customers on the Isles of Scilly**

The existing Condition G within South West Water's licence includes a bespoke condition that extends the existing Condition G requirements to include non-household customers on the Isles of Scilly for a transitional period until 31 March 2025, recognising that South West Water currently is the supplier for non-households on the Isles of Scilly until business retail market operates well there. This arrangement is set out in our [2020 variation decision document](#). Consistent with our approach for other companies, we propose that the licence condition applies, in its more restricted form, to these non-household customers while they are not supplied by a retailer.

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<sup>11</sup> As of October 2023, NAVs that serve non-household customers directly are Albion Eco Ltd, Albion Water Ltd, County Water Limited, Icosa Water Services Limited, Independent Water Networks Ltd and Leep Networks (Water) Ltd. NAVs that have exited the retail market and therefore do not serve non-household customers directly are ESP Water Ltd, Severn Trent Services (Water and Sewerage) Ltd and Veolia Water Projects Ltd.

## Removing Condition J

Licences are a key tool in holding companies to account and it is important that licences are transparent and clear, to ensure there is simplicity and clarity about the standards and requirements for which regulated companies are held to account.

We consider the simplification and modernisation of licences to be an important underpinning of our strategy. We have reviewed other areas of the licence which may benefit from simplification.

Condition J requires the Appointee to report to us annually on levels of service, based on a 1989 letter from the Secretary of State. The information provided must be accompanied by information setting out the methods used for monitoring and reporting and a statement explaining why any standards have not been met.

Condition J overlaps to a degree with the provision in paragraph 3.3 of our proposed condition G, about explaining how the Appointee is meeting the principles. Condition J also overlaps with our ability to require provision of information in Condition M and the processes for setting, monitoring and assessing customer service levels in the price review, including the [Annual Performance Report process](#). Condition J contains a provision allowing us to collect information to justify a change to the [Guaranteed Standards Scheme](#) (GSS), but Condition M allows us to collect this kind of information in any case.

In our May 2023 consultation we proposed to remove condition J licences. We received 15 responses in support of our proposal, and no objections.

We are proposing to delete Condition J from the licences that currently contain the condition.<sup>12</sup>

## Next steps

We welcome comments on the modification proposals to Condition G and J by 23 November 2023.

We plan to introduce the new licence condition as soon as reasonably practicable following on from the formal consultation process. Subject to our consideration of responses, we propose that the modifications to each English water company's licence will take effect from a date no less than 56 days from publication of our decision to

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<sup>12</sup> These are the licences of the 16 largest companies and four NAVs: Albion Water Ltd, Independent Water Networks Ltd, Leep Networks Ltd and Veolia Water Projects Limited.

make the modifications. We will align our approach to Welsh companies with this process.

## Annex 1 – Proposed Condition G

### Proposed Condition G for companies operating wholly or mainly in England and have exited the retail market<sup>13</sup>

#### Introduction

This Condition requires the Appointee to adopt high standards of customer service and appropriate support for the full diversity of its customers' needs. It requires the Appointee to deliver the principles for customer care set out at paragraph G3.

Nothing in this Condition has the effect of removing or affecting the functions of the Consumer Council for Water in relation to the investigation of individual customer complaints.

#### Interpretation and application

- G1 In this condition:
- G1.1 an 'incident' means an event or situation which causes or may cause damage, disruption, distress or inconvenience to the Appointee's customers in their capacity as such which is not trivial.
  - G1.2 References to customers in principles G3.1 to G3.6 means the Appointee's customers in their capacity as occupants of Household Premises.

#### Principles for customer care

- G2 The Appointee must:
- G.2.1 develop or have in place policies and approaches to meet the principles for customer care set out in paragraph G3, consulting with the Consumer Council for Water where appropriate;
  - G.2.2 implement or continue to follow those policies and approaches in a way that meets the principles for customer care set out in paragraph G3; and
  - G.2.3 explain in a manner that is effective, accessible and clear how it is meeting the principles set out in paragraph G3.
- G3 The principles for customer care are:
- G3.1 The Appointee is proactive in its communications so that its customers receive the right information at the right time, including during incidents.
  - G3.2 The Appointee makes it easy for its customers to contact it and provides easy to access contact information.
  - G3.3 The Appointee provides appropriate support for its customers when things go wrong and helps to put things right.
  - G3.4 The Appointee learns from its own past experiences, and shares these with relevant stakeholders. The Appointee also learns from relevant stakeholders' experiences and demonstrates continual improvement to prevent foreseeable harm to its customers.
  - G3.5 The Appointee understands the needs of its customers and provides appropriate support, including appropriate support for customers in vulnerable circumstances, and including during and following incidents.

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<sup>13</sup> The companies whose licences we propose to modify with this text pursuant to s.12A WIA91 are Anglian Water Services Limited, Affinity Water Limited, Northumbrian Water Limited, Portsmouth Water Limited, Severn Trent Water Limited, South East Water Limited, Thames Water Limited, South Staffordshire Water plc, Southern Water Limited, South West Water Limited, Sutton and East Surrey Water plc, United Utilities Water Limited, Wessex Water Services Limited, Yorkshire Water Services Limited, ESP Water Ltd, Severn Trent Services (Water and Sewerage) Ltd and Veolia Water Projects Ltd.

- G3.6 As part of meeting principle G3.5 above, the Appointee provides support for its customers who are struggling to pay, and for customers in debt.

## **We propose that South West Water's licence contains the additional transitional provision**

### **Eligible Premises on the Isles of Scilly**

- G4 Unless Ofwat notifies the Appointee otherwise, and until 31 March 2025, paragraphs G1, G2 and G3 must be read as also applying to Customers of Eligible Premises on the Isles of Scilly.

## **Proposed Condition G for companies operating wholly or mainly in Wales or who have not exited the retail market<sup>14</sup>**

### **Introduction**

This Condition requires the Appointee to adopt high standards of customer service and appropriate support for the full diversity of its customers' needs. It requires the Appointee to deliver the principles for customer care set out at paragraph G3.

Nothing in this Condition has the effect of removing or affecting the functions of the Consumer Council for Water in relation to the investigation of individual customer complaints.

### **Interpretation and application**

- G1 In this condition:
- G1.1 an 'incident' means an event or situation which causes or may cause damage, disruption, distress or inconvenience to the Appointee's customers in their capacity as such which is not trivial.
  - G1.2 References to customers in principles G3.1 to G3.6 means the Appointee's customers in their capacity as occupants of Household Premises.
  - G1.3 References to customers in principles G3.1 to G3.5 means the Appointee's customers.

### **Principles for customer care**

- G2 The Appointee must:
- G.2.1 develop or have in place policies and approaches to meet the principles for customer care set out in paragraph G3, consulting with the Consumer Council for Water where appropriate;
  - G.2.2 implement or continue to follow those policies and approaches in a way that meets the principles for customer care set out in paragraph G3; and
  - G.2.3 explain in a manner that is effective, accessible and clear how it is meeting the principles set out in paragraph G3.
- G3 The principles for customer care are:
- G3.1 The Appointee is proactive in its communications so that its customers receive the right information at the right time, including during incidents.

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<sup>14</sup> The companies whose licences we propose to modify with this text pursuant to s.13 WIA91 are Hafren Dyfrdwy, Dŵr Cymru and Albion Eco Ltd. The companies whose licences we propose to modify with this text pursuant to s.12A WIA91 are Albion Water Ltd, County Water Limited, Icosa Water Services Limited, Independent Water Networks Ltd and Leep Networks (Water) Ltd.

- G3.2 The Appointee makes it easy for its customers to contact it and provides easy to access contact information.
- G3.3 The Appointee provides appropriate support for its customers when things go wrong and helps to put things right.
- G3.4 The Appointee learns from its own past experiences, and shares these with relevant stakeholders. The Appointee also learns from relevant stakeholders' experiences and demonstrates continual improvement to prevent foreseeable harm to its customers.
- G3.5 The Appointee understands the needs of its customers and provides appropriate support, including appropriate support for customers in vulnerable circumstances, and including during and following incidents.
- G3.6 As part of meeting principle G3.5 above, the Appointee provides support for its customers who are struggling to pay, and for customers in debt.

## Annex 2 – Supporting guidance

### Guidance intentions to support the licence condition

Our new licence condition will be supported by supplementary guidance. Table 2 below sets out the guidance related to the proposed new licence condition. We will publish a maintain this guidance register which will list all relevant guidance, and supporting information which companies may find useful when considering the licence principles.

**Table 2** setting out guidance relating to the proposed new customer focused licence condition

Existing guidance	Proposed new guidance to address gaps	Supporting information
G3.1 The Appointee is proactive in its communications so that its customers receive the right information at the right time, including during incidents. G3.2 The Appointee makes it easy for its customers to contact it and provides easy to access contact information.		
No existing guidance	Core Customer Information – reviewing and moving content of the current Condition G into guidance.	<a href="#">Information on stream</a> (CCW, 2015)
G3.3 The Appointee provides appropriate support for its customers when things go wrong and helps to put things right. G3.4 The Appointee learns from its own past experiences, and shares these with relevant stakeholders. The Appointee also learns from relevant stakeholders' experiences and demonstrates continual improvement to prevent foreseeable customer harm to its customers.		
<a href="#">Customer experiences of sewer flooding – a joint report by CCW and Ofwat</a> (Ofwat, 2022)  <a href="#">Improving complaint processes in water – a follow up report</a> (Ofwat, 2021)  <a href="#">Putting things right: Household complaints practices in the England and Wales water industry</a> (Ofwat and CCW, 2020)  <a href="#">Out in the Cold</a> (Ofwat, 2018)		<a href="#">Complaint-reporting-guidance-for-household-customers.pdf</a> (CCW, 2022)  <a href="#">Complaint reporting guidance for non-household customers - CCW</a>  <a href="#">Household customer complaints report</a> (CCW, 2022)
G3.5 The Appointee understands the needs of its customers and provides appropriate support, including appropriate support for customers in vulnerable circumstances, and including during and following incidents. G3.6 As part of meeting principle G3.5 above, the Appointee provides support for its customers who are struggling to pay, and for customers in debt.		

Consultation under sections 13 and 12A of the Water Industry Act 1991 on proposed licence modifications to introduce customer-focused principles for all water companies

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<a href="#">Paying Fair Guidelines</a> (Ofwat, 2022)  <a href="#">Listen, Care, Share: Water customers' experiences during Covid-19</a> (Ofwat, 2021)	<a href="#">Vulnerability guidance – Service for all</a> (Ofwat, 2023)	
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## Annex 3 – Changes to proposed Condition G since our May 2023 consultation

Proposed licence condition wording changes from our preliminary consultation – for illustration purposes only. Please refer to Annex 1 for formal draft licence amendments.

May 2023 consultation		Formal consultation	
Previous number	Previous wording	New number	New wording
<b>G.1</b>	This Condition requires the Appointee to adopt high standards of customer service and 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. 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.	<b>G.1</b>	In this condition:
<b>G.2</b>	In this condition: an 'incident' means an event or situation which causes or may cause damage, disruption, distress or inconvenience to the Appointee's Customers in their capacity as such which is not trivial.	<b>G1.1</b>	an 'incident' means an event or situation which causes or may cause damage, disruption, distress or inconvenience to the Appointee's customers in their capacity as such which is not trivial.
<b>G.6</b>	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 In relation to all other customers of the Appointee, the relevant principles are those at G4.1-4.5	<b>G1.2</b>	References to customers in principles G3.1 to G3.6 means the Appointee's customers in their capacity as occupants of Household Premises.
		<b>G1.3</b>	References to customers in principles G3.1 to G3.5 means the Appointee's customers.
<b>G3</b>	The Appointee must:	<b>G.2</b>	The Appointee must:

<b>G3.1</b>	develop policies and approaches to meet the principles for customer care set out in paragraph G4;	<b>G2.1</b>	develop or have in place policies and approaches to meet the principles for customer care set out in paragraph G3, consulting with the Consumer Council for Water where appropriate;
<b>G3.2</b>	implement those policies and approaches in a way that meets the principles for customer care set out in paragraph G4; and	<b>G2.2</b>	implement or continue to follow those policies and approaches in a way that meets the principles for customer care set out in paragraph G3; and
<b>G3.3</b>	explain in a manner that is effective, accessible and clear how it is meeting the principles set out in paragraph G4	<b>G2.3</b>	explain in a manner that is effective, accessible and clear how it is meeting the principles set out in paragraph G3.
		<b>G.3</b>	The principles for customer care are:
<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>G3.1</b>	The Appointee is proactive in its communications so that its customers 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>G3.2</b>	The Appointee makes it easy for its customers to contact it and provides easy to access contact information.
<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>G3.3</b>	The Appointee provides appropriate support for its 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 others experiences and demonstrates continual improvement to prevent foreseeable customer harm to the Appointee's customers.	<b>G3.4</b>	The Appointee learns from its own past experiences, and shares these with relevant stakeholders. The Appointee also learns from relevant stakeholders' experiences and demonstrates continual improvement to prevent foreseeable harm to its customers.
<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>G3.5</b>	The Appointee understands the needs of its customers and provides appropriate support, including appropriate support for customers needing extra help, 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>G3.6</b>	As part of meeting principle G3.5 above, the Appointee provides support for its customers who are struggling to pay, and for customers in debt.
<b>G5</b>	Ofwat may issue and revise guidance in relation to paragraphs G3 and/or G4.		

	<p>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.</p>	
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**Ofwat (The Water Services Regulation Authority)  
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