23 June 2016

The Consumer Council for Water's response to BIS Call for Evidence: Improving the consumer landscape and quicker switching

EXECUTIVE SUMMARY

1. Introduction

The Consumer Council for Water (CCWater) has been the independent, statutory consumer representative body in the water sector in England and Wales since 2005.

Our objective has been to put household and non-household consumers at the heart of the water industry. We have made great progress in realising this aim over the past decade, by delivering a single-sector focus.

When CCWater was established, there was evidence of significant consumer detriment in the water industry:

- Written consumer complaints to water companies had almost doubled between 2004-05 and 2007-08, reaching a peak of more than 273,000 in 2007-08.
- Consumer satisfaction with value for money trailed satisfaction with services by 20 percentage points due to price setting which took little account of consumers' views and the apparent generosity in financial assumptions made by the industry regulator, Ofwat.
- Associated with this, there was an acute affordability problem, with one in five consumers[1] saying they could not afford to pay their water bill.

We have moved the industry to address what the consumer wants in terms of service and price. As a result, water company performance has improved dramatically, with written complaints falling by around 60% from their peak to 107,000 in 2014-15. There is also evidence that consumers are now more satisfied with the value for money they receive from their water company.

Despite this, there are still areas of actual and potential consumer detriment which need to be addressed:

- Some water companies are performing much more poorly than others and need focused local attention in order to tackle the causes of consumer dissatisfaction and reduce the number of complaints they receive;

[1] CCWater Research: Annual Tracking Survey 2006-07. Link here.

- In April 2017 the retail market for non-household consumers will open up in England and as a result, they will need additional support - in the early years at least;
- The Government is considering the costs and benefits of introducing retail competition for household consumers in England, giving further reason to focus our energies on making market reform work for consumers and on supporting them with help and advice; and
- Consumers will need strong representation in the next price review in 2019 (PR19) and, as experts in the sector, we will provide an informed consumer perspective to balance the water company viewpoint.

In our view, given these major challenges, any move to introduce changes to consumer representation in the water sector in the foreseeable future would present a significant risk for the consumer.

2. Consumer representation in the water sector

We believe that the single sector model in water, as demonstrated by CCWater, has served household and non-household consumers in England and Wales extremely well over the past decade.

It is unclear how alternative consumer advocacy and complaint models would be as effective as the single sector model in addressing the specific issues facing the water industry.

A multi sector body (such as Citizens Advice) is unlikely:
- To have the skills relevant to, and the specific knowledge of, the water sector to be able to negotiate successfully with the industry regulator, Ofwat, or with the industry on the more technical aspects of companies' tariffs and charging policies; price reviews and the cost of capital; and financial outperformance – issues which were highlighted in the recent National Audit Office review of water regulation and the subsequent Public Accounts Committee (PAC) inquiry;
- To have sufficient knowledge of non-household water consumers to deal with issues arising from the opening up of the retail market for non-household consumers in April 2017; and
- To be successful in pressing the water companies on systemic complaint issues and in continuing to drive down the number of complaints; this would leave unaddressed complaint issues associated with compulsory and optional metering programmes and complaint issues arising from non-household retail competition in England.

These risks would be compounded if the advocacy role were to be separated from the complaints handling function.

A regulator owned function, with the consumer representation and complaints handling body being associated with Ofwat, would be insufficiently independent of the industry regulator; as such it would be unable to press hard on regulatory and price review issues including, very importantly for water consumers, the cost of capital and financial outperformance.

This would weaken the consumer's voice, including the transparent, independent challenge which needs to be made on the consumer's behalf to ensure that Ofwat properly fulfils its duty to protect consumers whilst fulfilling its other primary duty to finance the functions of water companies.

We believe that any alternative model must therefore:
- Retain CCWater's expertise in water and integrated complaints handling and advocacy;
- Be equipped to deal with and advocate for all water consumers, including non-household consumers; and
- Be able to demonstrate that it will deliver for water consumers better than CCWater has done.

3. Addressing consumer detriment

CCWater has been very effective in addressing consumer detriment in the water sector in England and Wales. There was evidence of significant detriment affecting water consumers when we were established, and we have addressed it by:
- Being single sector focused and an expert on the water industry and consumer issues;
- Informing our advocacy work through our consumer research and complaints, thanks to the integration of our advocacy and complaint handling roles;
- Identifying and managing systemic issues across the industry; and
- Representing all water consumers – both business and household.

3.1 Addressing the low level of consumer satisfaction with value for money

When CCWater was established, we identified that there was a problem with low consumer satisfaction with value for money and that there was a significant gap between consumer satisfaction with services and consumer satisfaction with value for money.

Our research[2] on what the drivers of consumer satisfaction with value for money are showed that price, quality and delivery were of equal importance.

We therefore sought to address the low levels of satisfaction with value for money and close the gap with satisfaction for services, by targeting the key causes of this consumer detriment.

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[2] CCWater Research – Value for Money: a report into the drivers of satisfaction. Link here.

The result is that consumer satisfaction with value for money has risen by 5 percentage points for their water service and by 6 percentage points for their sewerage service in the four years between 2011 and 2015.[3]

To achieve this, we focused on consumer prices, tariffs and charges:

- The detriment was exacerbated by the fact that consumers had previously had little input into the price-setting process. We therefore pressed the industry to deliver better value for money, especially through the price review process; and we used evidence, including the findings of our consumer research, to influence decision makers.
- Additionally, we pressed water companies to consult us on any changes to their tariffs and charging policies, such as compulsory metering programmes, which would have a detrimental impact on some consumers. This enabled us to intercept the causes of potential detriment and consumer complaints.

Price reviews had been generous to the water companies, generally resulting in above-inflation price increases since privatisation in 1989. Returns to companies' shareholders had significantly exceeded FTSE returns, despite the much lower risk associated with the water industry.

We addressed the lack of input by consumers into the price setting process by:

- Successfully influencing Ofwat and the industry to transform the approach to price reviews so that consumers' priorities and willingness to pay now drive the process and shape water companies' plans and the delivery of their capital investment improvement programmes; and
- Challenging Ofwat on its financing, especially on the cost of capital which is a key driver of water bills.

At the 2014 Price Review (PR14) we worked with the water companies and the Customer Challenge Groups (CCGs)[4] which each company set up, to ensure that their business plans reflected consumers' views and we influenced them to deliver a reduction in annual water bills over the five years to 2020[5], whilst funding a large-scale programme of improvements. This resulted in a high level of consumer acceptability for companies' plans – more than 70%[6].

As we approach the next price review in 2019 (PR19), we will need to continue our focus, in particular on the cost of capital. These issues were highlighted by both the National Audit Office (NAO) in October 2015 and the Public Accounts Committee (PAC) in January 2016 in their reports on the economic regulation of the water industry.

[3] CCWater's Water Matters research. Link here.
[4] CCGs are stakeholder groups which the water companies formed at PR14 with representatives from national and local consumer and environmental organisations.
[5] The reduction in consumers' bills over the five-year period to 2020 will average 5% (before inflation).
[6] CCWater research – Draft Determinations October 2014. Link here.

The NAO criticised Ofwat for not doing more to ensure that consumers had shared in unexpected financial gains that water companies had made in the five years since the price review in 2009 (PR09). Its report estimated that the water companies had made net financial gains of about £800 million due to lower than expected corporation tax rates and interest rates. This concern was echoed by the PAC which called for Ofwat to adopt new measures to secure a better deal for water consumers in future price reviews.

We played a major part in encouraging companies to share the financial gains they made following PR09. We successfully negotiated with the companies, resulting in them carrying out additional capital investment projects and other improvements to service. This meant that some consumers benefited from service improvements earlier than would otherwise have been the case, and some households which were struggling to pay their bills received extra assistance.

Although our pressure helped to secure a better deal for consumers at PR14, Ofwat will need to build on this and deliver a fair balance between company shareholders and consumers. We will work to make sure that this happens at PR19.

3.2 Addressing the affordability problem in water

Our first annual tracker of consumer views in 2006-07[7] showed that only 63% of water consumers in England and Wales thought their bill was affordable. This is therefore an area of detriment which we have consistently focused on and taken steps to tackle.

Our aim has been to help consumers with genuine affordability problems, and we have been very successful in influencing and overseeing the water companies' development and implementation of social tariffs for consumers struggling to pay their bills.

These tariffs provide help which in some cases can reduce a consumer's charges by up to 90%. At 1 April 2016 18 of the 21 water companies had put these schemes in place, with the potential over time to deliver lower bills to more than 400,000 consumers across England and Wales.

Additionally, we have promoted greater uptake of the statutory WaterSure scheme which provides financial assistance to household consumers who have a water meter and use large amounts of water for essential purposes.

The number of consumers on WaterSure in England and Wales has risen by 507% to 98,357 since 2007, when we led a project to improve the take-up of the scheme and introduced a simplified standard application form for consumers.

We have also actively pressed water companies to improve aspects of their debt management processes; this has included examining their debt collection practices to consider what more they can do to help consumers experiencing difficulties at an earlier stage.

[7] CCWater Research: Annual Tracking Survey 2006-07. Link here.

These initiatives have also focused water companies on being much tougher on water debt where consumers are able to pay but are not doing so. Water charges are not considered to be a priority debt by other consumer support bodies such as Citizens Advice, because consumers cannot be disconnected from their water supply, and water companies have to be more adept at debt collection as a result.

Addressing affordability and debt issues is a key aspect of the 'Delivering excellent services to consumers' theme in the Welsh Government's Water Strategy for Wales. We are playing a lead role in this work, developing effective partnership working with a range of local organisations and initiatives, and promoting good practice with the water companies within Wales.

More recently, our new online benefits calculator, which we launched in January 2016 in partnership with poverty relief charity Turn2us, has helped more than 2,500 consumers in hardship. It has enabled them to identify over £244,000 of annual welfare benefits, for which they could be eligible. This tool also provides information about grants for which consumers in hardship may be able to apply.

Our tracker research in 2014-15 showed that the proportion of water consumers in England and Wales who think their water bill is affordable has significantly improved to 77%[8]; this represents an increase of 14 percentage points from eight years earlier.

3.3 Fixing the water industry complaints problem

When CCWater was established, consumer complaints about water companies were rising very rapidly and reached a peak of more than 273,000 in 2007-08. We addressed this issue by:

- Publishing complaint numbers for the water companies and showing their comparative performance, in order to put reputational pressure on the poor performers;
- Working with those companies with high numbers of complaints to identify the root causes and helping them identify and implement solutions;
- Negotiating with the industry and Ofwat to develop and implement a new regulatory incentive and penalty system – the Service Incentive Mechanism (SIM) – which motivates companies to reduce consumer complaints and to resolve complaints to consumers' satisfaction;
- Identifying systemic issues across the industry and working with the water companies to pre-empt consumer complaints, particularly billing issues which account for more than 50% of all complaints, for example resulting from the introduction of new billing systems or compulsory metering programmes;
- Using complaints data to drive the focus of our advocacy work on tariff issues that need to be resolved;

[8] Data sources: CCWater's Water Matters annual tracking research. Link here.

- Using our consumer research to prepare for the new types of complaint issues which can be expected to arise following the opening up of non-household retail competition in England in April 2017 and, potentially, the introduction of household retail competition.

We continue to collect written complaints and unwanted contacts[9] data from the water companies in England and Wales on a quarterly basis. We discuss this with the companies and other attendees at our twice-yearly committee meetings which are held in public in each of the English regions and in Wales; and we publish this information in our annual Complaints Report[10].

We press all the companies to improve their complaints performance, but we focus on those companies where performance is poorest or has worsened. Through our approach to tackling complaints we seek to pre-empt future problems.

Chart 1 below shows how, as a result of our pressure, written consumer complaints have fallen dramatically.

Chart 1: Water Industry Written Complaints 2004-2015[11]

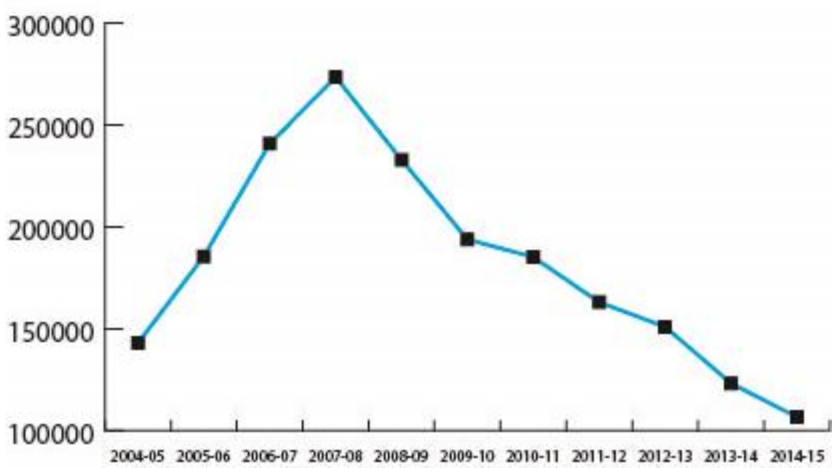


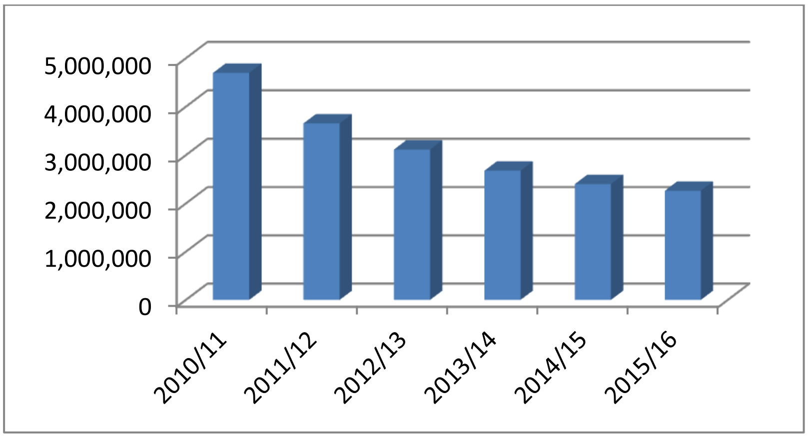
Chart 2 below shows 'unwanted' telephone contacts received by the water companies since 2010. Ofwat first began collecting this in 2009 as a trial year for the SIM. Again, this clearly indicates the impact of the companies being focused on tackling the causes of consumer dissatisfaction*.

9 Defined as "**Unwanted phone contacts.** This is the number of phone contacts received from customers that are 'unwanted' from the customer's point of view. This includes a contact about an event or action that has caused the customer unnecessary aggravation (however mild)."

10 CCWater Complaints Reports. Link here.

11 CCWater Complaints Reports. Link here.

Chart 2: Unwanted telephone contacts received by the water industry[12].



** From 2014-15 contacts related only to household consumers. The figure for 2015-16 is provisional.*

4. Making sure consumers can easily complain and obtain financial redress when required

4.1 The complaints procedure process

Water consumers have easy access to a complaints procedure process, including CCWater when they need us.

Our single sector focus has allowed us to move the industry in England and Wales to a complaints procedure process which incorporates the companies' initial handling of the complaint, the companies' subsequent review, referral to CCWater for mediation or investigation, and referral to the Water Redress Scheme (WATRS) for adjudication.

Whenever a consumer makes a complaint they are informed of their water company's complaints procedure which explains the end-to-end process, including the roles of CCWater and WATRS, and provides with our contact details. Additionally, consumers are signposted at each stage to the next stage of the process.

If a consumer's complaint remains unresolved after the company's initial response and subsequent review, they are signposted to CCWater. If, unusually, a consumer's complaint remains unresolved after CCWater has mediated or investigated on their behalf, the consumer is signposted to WATRS for an adjudication of the complaint. The outcome of a decision by WATRS is binding on the company concerned.

[12] Data Source: CCWater Complaints Report 2014-15. Link here. 2015/16 is provisional.

Our contact details are on the back of consumers' water and sewerage bills and on water companies' websites in England and Wales. Consumers can find us easily on the internet – searches will bring our website up as the top option on internet search engines such as Google and Bing. Our details are also in the Yellow Pages.

Our tracking surveys indicate that there is not a large-scale problem of consumers in the water sector who cannot get their complaint resolved.

4.2 Financial redress

Water consumers benefit from the statutory Guaranteed Standards Scheme (GSS)[13], which many water companies have enhanced in their 'customer promises'. Many GSS payments to consumers are automatic in the event of a failure by the water company and if not paid promptly, penalty payments are also mandated.

Through our role to help consumers with their complaints, we have secured nearly £5 million in compensation and financial redress for consumers who turned to us for help during 2015-16.[14] This brings the total amount we have helped return to household and non-household consumers to more than £25 million since 2005. Over the past eight years (since April 2008) we have secured £6.3 million redress for non-household consumers.[15]

Away from the complaints process, we have also helped individual consumers save water and money by switching to a water meter, with nearly 260,000 consumers visiting our water meter calculator in 2015-16. The total potential saving to these consumers is estimated at over £15.3 million.

5. Addressing complaints and possible detriment in the new retail water market

The opening up of retail competition in England for eligible non-household consumers in April 2017 is one of the most significant challenges facing the water industry. Businesses and other non-household consumers will require on-going information, advice and support as they interact with the new market. These interactions will result in some consumers experiencing new types of problems and complaints which CCWater, with our single sector focus, is best placed to handle.

As the retail water market develops, it will be important for non-household consumers to continue to be represented. We will put pressure on the poorer performing retailers to improve, so consumers who are disengaged with the market are not disadvantaged. We will also encourage consumers to seek better deals or service and we will also play a key role in raising any issues which require 'ex post' action from Ofwat.

[13] The Water Supply and Sewerage Services (Customer Service Standards) Regulations 2008. Link here.

[14] This includes an increase in the level of compensation offered to United Utilities' consumers after a boil water notice was imposed in Lancashire due to a cryptosporidium outbreak in summer 2015.

[15] £7m including mixed-use properties.

We note that the Federation of Small Businesses (FSB) echoed a comment by the Environment, Food & Rural Affairs (EFRA) Select Committee that CCWater should be retained until three years after retail competition is introduced.[16]

6. CCWater

6.1 CCWater's features and costs

After reducing our costs between 2010 and 2012, we have maintained an annual budget of £5.1 million, keeping our annual cost to water consumers in England and Wales flat at 21p per bill payer. We have done this by continuing to make efficiency savings and thereby absorbing inflationary costs.

We reorganised our operations in 2015-16, reducing our office locations from eight to two, centralising our complaints handling function in Birmingham and Cardiff, and promoting home-working for our regionally based policy managers. This has resulted in efficiency savings of £400,000 a year.

A strength of the CCWater model is that we are funded by a levy on water companies and not dependent on funding from grants or other sources. Unlike some ombudsman bodies, we are not funded proportionate to the number of complaints we handle. We are able to mediate without judging whether a consumer complaint case is within a pre-defined remit. This allows us to offer an advice and information service to consumers with a wide range of water-related enquiries or complaints. It also ensures that our focus is on pressing companies to reduce consumer complaints.

Our other key strengths which we have used to deliver benefits for consumers are:

- Our independence from water companies, the regulator and Governments;
- Our integrated approach to complaints handling and advocacy on behalf of all water consumers, non-household as well as household;
- Our national reach and our local focus on regionally based water companies whose issues vary by region; and
- Our expertise in the water sector and on water consumer research.

6.2 Stakeholder views

Our success and effectiveness in representing water consumers in England and Wales is recognised by the UK Government and Welsh Government, the sector and the broader consumer representation landscape.

In our research 93% of household consumers surveyed in England and Wales considered that having a consumer body to represent their interests was important, with 71% considering it to be "absolutely essential" or "very important".

[16] Environment Food and Rural Affairs (EFRA) Select Committee: Second report on the Water White Paper – June 2012. Link here. Federation of Small Businesses (FSB) Evidence to EFRA Committee on the Draft Water Bill – September 2012. Link here.

Our Stakeholder Perceptions Research[17] (November 2014) found stakeholders endorsed CCWater's role as an independent voice of the water consumer, with 91% of respondents stating that our role was 'important' or 'essential'.

One water and sewerage company (WaSC) said: *"We are a very big company but what they [CCWater] are good at is making sure the issues are never forgotten or that they don't fall off the list and they make sure customers are at the centre."*

A water-only company (WoC) commented: *"We need something specific to water."*

Another key government/regulatory stakeholder noted: *"What they [CCWater] achieve with the money they have available is really impressive. I think they should be very proud of what they have achieved."*

7. Conclusion

We believe that the single sector model in water, as demonstrated by CCWater, has served household and non-household consumers in England and Wales extremely well over the past decade.

It is essential that water consumers continue to have a strong voice; that their interests are promoted and protected; and that the expert help which is available to resolve their complaints and obtain redress for them is maintained.

We recognise that there is still much to do for water consumers, most notably:

- On complaints:
    - To continue to address the causes of billing complaints across the industry and the impact of compulsory and optional metering programmes;
    - To keep pressure on the poorer performing water companies; and
    - To deal with complaint issues arising from the opening up of the non-household retail market in England from April 2017.
- On price setting, value for money and affordability:
    - To keep pressure on price and tariff setting by companies, in order to continue improving consumer satisfaction with value for money and trust;
    - To keep pressure on Ofwat on its approach to regulation and industry financing, in order to avoid a return to the generosity identified by the National Audit Office and Public Accounts Committee inquiry; and
    - To continue to press water companies to develop and promote their schemes to address consumer affordability issues and the growing levels of unpaid debt in the water industry that affects the bills of all consumers.
- On market reform:
    - To keep a close eye on the opening up of retail competition for non-household consumers in England in 2017 and provide early warnings of problems to Ofwat, the market operator and specific companies.

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[17] CCWater Stakeholder Perceptions Research Link here

- To help inform the Government's decisions on retail competition for household consumers in England, to ensure these decisions are based fully on consumers' views.

Any proposals by Government to change how consumers in England and Wales are represented in the water sector must therefore clearly demonstrate a benefit compared to the highly effective model which is already in place and working well for consumers.

We are very pleased to see that the Government recognises this with its statement on page 6 on the Call for Evidence document:

"A tailored review of the Consumer Council for Water is due to take place in 2019. The Government will need robust evidence to justify any changes in this sector before this date."

Our approach to answering the questions in the Call for Evidence document has been to respond in full to the individual questions, which means that there is some duplication and overlap in our responses.

Please contact our Deputy Chief Executive, Phil Marshall if you have any query about our response. His contact details are philip.marshall@ccwater.org.uk; tel: 0121 345 1041.

Section 2: The Consumer Landscape

Section 2.1: Consumer Advice

Q1. Are there problems with the current provision and routes to advice and information for consumers in these sectors?
No, we believe this is working effectively in the water sector for consumers in England and Wales.

Our latest research shows that 78% of consumers in the water sector know where to go to receive advice and information[18].

In addition, our annual tracking of consumers' views of many aspects of their experience of the water industry does not show that there is a problem with unresolved issues with water and sewerage.

One of our five strategic priorities[19] is 'Speaking up for and informing consumers', so this is one of the key workstreams within our operational business plan each year.

We challenge and influence the water companies to help ensure that they are providing advice and information for water consumers which is accurate, tailored, timely and easily accessible. We also provide advice and information directly to consumers who contact us or visit our website, and we use campaigns in the media and social media, together with partnership working, to deliver broader messages to water consumers, for example about conserving water, the benefits of getting a water meter and accessing social tariffs.

Additionally, being a specialist water consumer representation body that is responsible for both consumer advocacy and dealing with consumers' complaints and enquiries has enabled us to identify emerging issues, often before they become a problem for consumers. As a result this has mitigated the need for many consumers to complain to their water company and to us.

Consumer complaints and enquiries
Since 2005 CCWater has been working with the water companies in England and Wales - and with the industry regulator Ofwat - to help ensure that the industry provides good advice the first time the consumer contacts them. 'Services that are right first time' is another of our five strategic priorities.

We dealt with more than 18,000 written and telephone complaints and enquiries from consumers about water companies in 2015-16. This brings to over 350,000 the total number of complaints and enquiries we have handled since 2005.

[18] CCWater 'Water Matters' research 2015-16 (due to be published in June 2016).
[19] CCWater's Forward Work Programme. Link here.

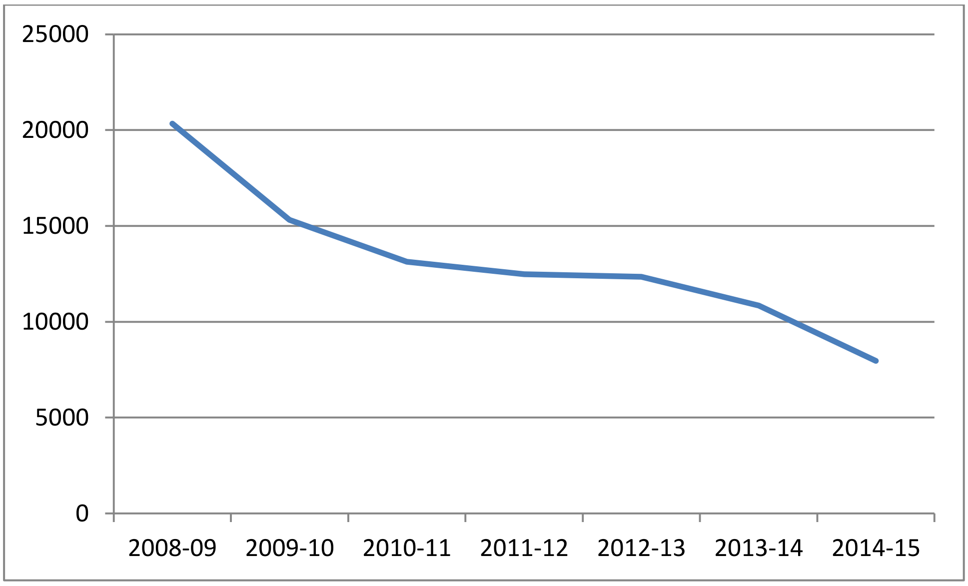
We also secured nearly £5 million in compensation and financial redress for consumers during 2015-16. This brings the total amount we have helped return to household and non-household consumers to more than £25 million since 2005. Over the past eight years (since April 2008) we have secured £6.3 million redress for non-household consumers.[20]

When problems arise and result in complaints, consumers are informed of the complaints procedure process and that they can contact us to obtain free, independent advice. If a consumer's complaint is not resolved by the company, they are signposted to us and we will mediate or investigate the complaint on their behalf.

Consumers can contact us by telephone and email, Twitter or via letter. Our contact details are also on the back of consumers' water bills and on water companies' websites in England and Wales. We can be easily found on the internet; various relevant search searches will bring our website up as the top option on internet search engines such as Google and Bing. Our details are also in phone books and Yellow Pages.

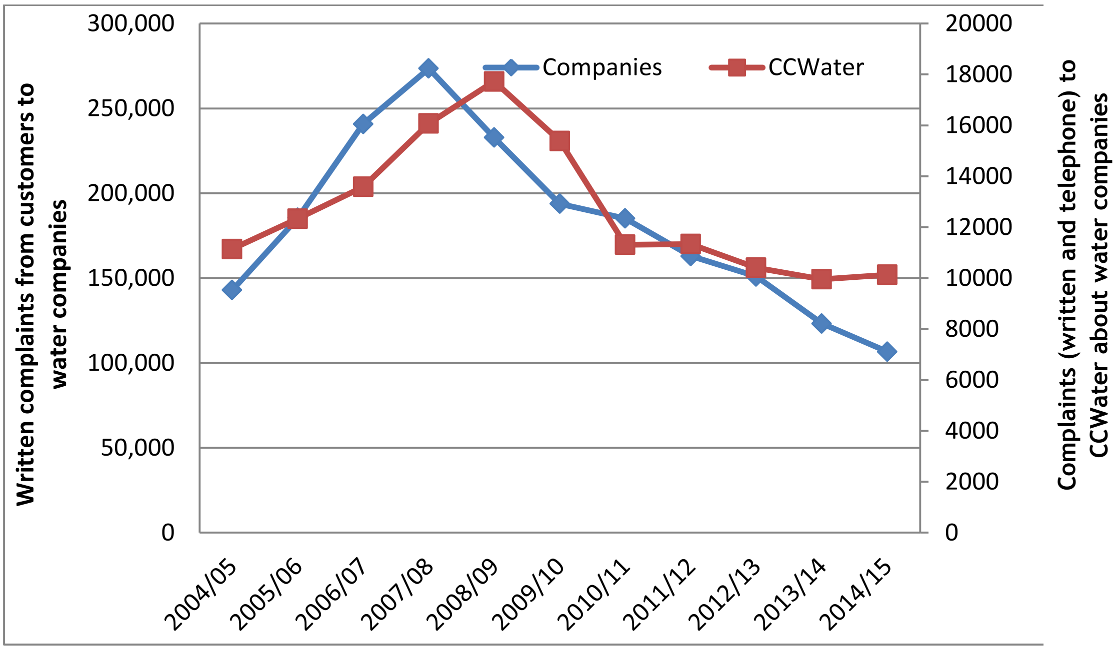
The trend of consumers seeking our advice and help mirrors the downward trend of complaints received by the water company and the consumer complaints against the companies which we handle. **Chart 5 (below)** demonstrates that water companies are getting it 'right first time' more often then they used to. Our ability to link the information and evidence we get from complaints through to the local teams who then target areas that need improvement has proved to be a valuable combination. **Chart 4** shows the trend of enquiries we have dealt with from water consumers.

Chart 4: Direct consumer contacts to CCWater 2008/09 to 2015/16



[20] Figure is £7m including mixed-use properties.

Chart 5: Written complaints from consumers to water companies and complaints to CCWater about companies from 2004/05 to 2014/15



Other routes to our advice and information

We also provide advice and information to water consumers via our website, the media and social media, and directly to those who attend our meetings in public. This advice can be about a consumer's complaint or on a range of water-related consumer issues, such as water metering, billing and payments, debt recovery, social tariffs, water quality, water hardness, drainage and sewer flooding.

We provide online services which deliver advice, information and help directly to consumers. These are through the consumer support section of our website, our water meter calculator, our social tariffs guide, and our benefits calculator.

Our successes include:

- Improving online access for consumers. Our consumer support website remained the first port of call for many consumers in need of clear and reliable advice on their water and sewerage services. Over 93,000 consumers viewed 78,000 answers and submitted almost 1,500 online complaints or enquiries to our consumer contact team in 2015-16. This means that fewer than 2% of visitors to our support site had to ask us a question after looking at our free, online information.
- Helping consumers save water and money by switching to a water meter. The total potential saving to consumers who visited our water meter calculator in 2015-16 was estimated at over **£15.3 million.**

- Helping consumers identify more than £244,000 of annual benefits as over 2,500 consumers accessed a benefits calculator and grants search tool[21] to help low-income consumers after our launch (in partnership with financial hardship charity Turn2Us) this January.
- Engaging in several successful media campaigns, often in partnership with other organisations, to advise consumers on issues such as drinking tap water; using water wisely; not blocking up drains with fat, oils, grease and wet wipes; promoting water metering; protecting pipes in winter from bursting; and bogus callers. As a result, the number of opportunities for consumers to see our messages in media increased to 160 million in 2015-16 from 140 million in 2014-15.
- Increasing our Twitter following by 900 to 4,100 after a focused effort during the period from April 2015 to March 2016.

Evolving water consumer expectations and requirements
We believe that the provision of consumer advice and information needs to evolve to meet the changing expectations and requirements of water consumers. It needs, for example, to evolve to reflect new and changing communication channels.

Additionally, there is still plenty to do within the water sector to ensure that the right advice, information and help is available and accessible to different groups of consumers, including those who find it harder to access services.

This focus is not only needed in respect of the poorer performing companies and the issues which can lead to detriment for consumers, but also in respect of a wide range of changes which can affect them - changes to tariffs and charges, to regulations and policies, to water companies and to the sector as a whole.

Information for non-household consumers
There is significant change taking place in the sector. For example, with the opening up of retail competition in England for eligible non-household consumers in April 2017, businesses and other non-household consumers will require specialist ongoing information, advice and support as they interact with the market; and these interactions will also result in some consumers experiencing new types of problems and complaints.

CCWater meets business consumers and their representatives on a continuing basis. We hold meetings with our business consumer groups at least twice a year where we tell them what is happening in the industry and to hear about problems that they have which we build into our advocacy programmes.

We are concentrating on the introduction of retail competition in April 2017 with this group and are playing a major part in communicating directly with business consumers and their representative bodies. This will continue for a number of years. We anticipate that our focus will increase on exploring any teething problems with the new market in the early years of the new regime.

[21] Benefits calculator and grants search tool. Link here.

Our recent survey[22] with business (non-household) consumers found that the industry needs to do more to deliver unprompted advice. It has provided insight into the types of issues about which they would like to receive advice from their water company, and we will be pressing the industry to deliver this.

Other possible developments
Other developments which may drive new advice and information requirements for water consumers include the possible introduction of retail competition for household consumers in England; boundary changes affecting consumers on the borders of England and Wales (arising from the recommendations of the Silk Review); and upstream reforms.

Section 2.2: Consumer Advocacy

Q3. Are there problems with the way that consumers are represented in these sectors?
No, we believe this is working effectively in the water sector for consumers in England and Wales**.**

Consumer advocacy in the water sector in England and Wales
In the water sector in England and Wales consumer advocacy has been and continues to be effective, with CCWater playing a leading role in championing consumers' interests, voicing their priorities and highlighting potential concerns and risks for them. This takes place both at a national level in England and Wales with, for example, governments, parliamentarians and regulators, and locally with water companies and other stakeholders, such as councillors and local businesses and their representatives. We can uniquely use evidence from our complaint handling work, as well as evidence gained from research, to demonstrate where detriment is happening and put pressure on water companies to improve.

When we were established in 2005, there was evidence of significant detriment and consumer concern with the water industry. Strong advocacy has been needed to make progress in achieving our aim of putting consumers at the heart of the water industry. We now often hear both the industry and the regulator, Ofwat, talk about the importance of putting consumers at the heart of their plans. There is evidence that this is happening, for example, at the 2014 Price Review (PR14). We consider this a success and it shows that continual pressure on behalf of consumers is influencing the industry.

More needs to be done. If we eased the pressure, then other industry interests would no doubt rise again to the fore. CCWater is the critical voice for the consumer, representing their interests against those of the investor and of the regulator who, as well as protecting consumers, has a duty to ensure that the water companies' functions can be financed.

Our approach to advocacy is to influence both nationally, at regulator, industry and government level, and locally with the water companies in their areas.

[22] CCWater research report – 'Testing the Waters' 2016. Link here.

Using comparative data
We use comparative performance data from England and Wales, and other evidence, particularly from consumer research, directly with water companies in their area. This is important in a sector that has 18 water or sewerage companies operating regionally because it allows us to adopt appropriate regional variations to address differing needs regionally but also to take a consistent approach to ensuring that water consumers do not receive a patchwork of provision in key areas that could cause detriment.

Promoting good practice
Sharing good practice can be a very effective advocacy tool. For example, both in PR14 and in the lead up to this next Price Review in 2019 (PR19), we have brought together the companies to encourage them to consider what good practice looks like and how best to engage with consumers.
We also share good practice and ideas across a range of topics, for example in relation to water poverty where we shared the findings of our report[23] into the pressures facing those on low incomes. This has led to initiatives such as our online benefits calculator and grants search tool, working in partnership with poverty relief charity Turn2us.

We have also sought to share good practice that we see during our complaints and debt assessments of the companies which involve us going into water companies and assessing the consumer journey and the effectiveness of the companies across a sample of cases. Our annual Complaints Report[24] outlines new ideas or approaches to improve how companies respond to their consumers.

We recently introduced a good practice symbol which will appear in all our future reports and on our website to highlight examples of where individual companies have introduced innovative practices or are leading the way for the benefit of consumers.

Advocacy is often about treading a fine line between influencing and encouraging, and challenging and holding companies to account. The companies do not always respond well to being criticised, so we try to find the right balance in our approach in order to achieve our objectives.

Here's the view of one water and sewerage company on our role in promoting good practice:

"They should define best practice and then leave it up to the individual companies in terms of what they actually do." Primary, WaSC[25]

Clearly, where there are areas of strong detriment, as was evident from the rising number of complaints in the sector when we were first established, this needs to be acted on quickly and assertively. We did this and the trend reversed.

[23] Living with Water Poverty 2014. Link here.
[24] CCWater Complaints Report. Link here.
[25] CCWater Stakeholder Perceptions Survey. Link here.

Advocacy at price reviews to improve consumer satisfaction with value for money

Strong advocacy is needed during negotiations with the water companies during price reviews. During PR14 we influenced the industry to deliver a reduction in annual water bills over the five years to 2020[26], whilst funding a large-scale programme of improvements. This consolidated the work we contributed to in order to secure a consumer-focused Price Review in 2009. This delivered a good outcome for consumers and was better by the equivalent of over £50 per consumer, compared to PR04.

Value for money is a key measure of consumer satisfaction. In 2015-16 the proportion of water consumers in England and Wales who were satisfied with value for money was 76% for water services and 78% for sewerage services[27].

We continue to focus on addressing the gap though between consumers' satisfaction with the services they receive and how they perceive those services in relation to value for money; and we know from our research[28] that the key driver for consumer satisfaction with value for money is price and service.

This has therefore been a focus of our advocacy work over the past ten years, and in particular our role in relation to Ofwat's five-yearly price review process.

We believed that to maintain or improve consumer satisfaction with value for money, prices needed to be kept low and any price rises needed to be justified by improvements to services and acceptable to consumers; and to achieve this, consumers needed to be at the heart of the price setting process.

We therefore made the case for this, successfully influencing Ofwat and the industry to transform the approach to price reviews so that consumers' priorities and their willingness to pay for improvements to services were key drivers in the process.

We have continued to challenge both the regulator and each water company during the price review process, with a view to ensuring that the consumer voice is heard and that water companies' plans are in the consumer's best interest.

In particular, we have challenged Ofwat about the cost of capital, using expert analysis and pressing Ofwat to deliver a fair balance between company shareholders and consumers. It is clear that in previous price reviews companies have over-inflated potential financing costs, to the detriment of consumers.

[26] The reduction in consumers' bills over the five-year period to 2020 will average 5% (before inflation).

[27] CCWater research. 'Water Matters' 2015-16. Due to be published July 2016.

[28] CCWater Research: Value for Money:
A report on Drivers of Satisfaction in the Water and Sewerage Industry. Link here.

We gave evidence to the Public Accounts Committee on 4 November 2015[29], explaining that Ofwat had been over-generous in the assumptions it had included in its Final Determinations at the 2009 Price Review (PR09), and companies had outperformed those assumptions. The companies 'net gains' were also highlighted in the NAO's report *The economic regulation of the water sector*.[30]

We sought to address these 'net gains' from PR09 through our advocacy work between 2011 and 2014. We were one of the key players in negotiating with the water companies the return to consumers of some of their outperformance' gains,[31] which the NAO referred to in its report. As a result consumers benefited from additional capital investment work and improvements to service.

Consumers have told us[32] they want a direct say in water company price and investment proposals. Therefore regionally across England and in Wales we work with the water companies' stakeholder representative panels known as 'Customer Challenge Groups' (CCGs).

The CCGs were introduced by Ofwat at PR14, following representation from CCWater. They consider and challenge the companies' business plans, including the consumer research and engagement the companies have undertaken to help them develop and shape their plans. Each CCG submits a report to Ofwat.

We have ensured that we will continue to play a very active role as the water 'consumer expert'[33] in these CCGs, providing a strong voice for consumers at PR19. Our regional representatives bring the knowledge and expertise to these CCGs that they have acquired from being part of a water-focused consumer body which holds comparative performance and complaints data for the whole industry across England and Wales. This in turn assists local representatives from other organisations such as regional trade bodies, local Citizens Advice Bureaux, regional Age UK offices and environmental groups who are typically invited to join these groups.

We, together with the company CCGs, played an important part in the pacing and scale of environmental improvements and other large infrastructure projects to ensure that companies keep bills affordable for consumers, while meeting environmental and other regulatory standards. When we asked consumers about how acceptable the outcome of their company's 2014 price review was for them, 'uninformed' acceptability of Ofwat's Draft Determination was 74% overall[34].

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[29] Public Accounts Committee: Oral evidence: Economic regulation of the water sector. Link here.

[30] NAO report: The economic regulation of the water sector. Link here. "We consider that the price cap regime does not balance risks appropriately between companies and consumers, and so does not yet achieve the value for money that it should."

[31] The outperformance term is used to reflect instances when a company has (financially) performed significantly better than was expected at the previous regulatory review.

[32] CCWater research: A Tide of Opinion: The Customer Voice Within the Price-setting Process. Link here.

[33] The role consumers wanted us to play in our Tide of Opinion research.

[34] CCWater research – Draft Determinations October 2014. Link here.

There were, however, times during PR14 when it appeared that some members of the groups might have been ‘captured’, losing their independence from the companies and becoming less focused on the consumer perspective by endorsing company plans that overstated the cost of capital, for example. We believe that with our single focus and expert knowledge we play an essential role on these groups not only in challenging the water companies to ensure that consumers are at the heart of their business plans but also in helping other CCG members maintain their independence from the companies and reduce the risk of ‘capture’.

In addition, CCWater is the only body that challenges Ofwat on its cost of capital and other financing assumptions, which have a very large impact on consumers’ bills. The National Audit Office (NAO) report on ‘Economic Regulation of the Water Industry’ and the subsequent Public Accounts Committee (PAC) enquiry highlighted the issues of the apparent generosity of the regulatory system and its impact on consumers.

Engaging directly with water companies
CCG meetings complement our quarterly meetings with companies in which we address performance issues. These meetings provide an opportunity for companies to outline new initiatives or innovations. Consumers also have the chance to question companies directly during our twice-yearly regional or Wales committee meetings in public.
This is what one water company said about CCWater’s quarterly meetings:

“When you have to sit in front of them at the quarterly meetings, explaining why the complaints are higher in comparison to others in the industry. It's something you don't want to have to do and I think that process makes companies want to improve... nobody wants to be at the bottom of the pile when they put out cross industry values.” Primary, WoC [Stakeholder survey][35]

Using consumer research
In order to help shape the sector and the industry in a way that consumers want, we use evidence of consumers’ views to develop our strategies and policies. Since 2011 we have published 30 consumer research reports[36] which we have used to develop our policy lines so that we can represent water consumers’ views accurately and appropriately.

[35] CCWater Stakeholder Perceptions Research. Link here.
[36] Listed in appendix A

The effect of our advocacy work
Our advocacy work for water consumers has had a real impact on:

Getting poorly performing water companies to improve their performance in addressing the causes of consumer satisfaction, their complaints handling and their debt management

Our impact can be clearly seen in **Chart 6** which shows that when we were established in late 2005, complaints were rising rapidly. We addressed this through our local advocacy work with those companies with high complaint numbers to identify the root causes of complaints and help them with solutions. This, and our negotiations with the industry and Ofwat on a new regulatory incentive and penalty system that incentivises companies to reduce complaints and resolve complaints to consumers' satisfaction, was very successful in driving down written complaints and unwanted contacts.[37] This is shown by **Chart 6** (below).

Chart 6: Water Industry Written Complaints 2004-2015[38]

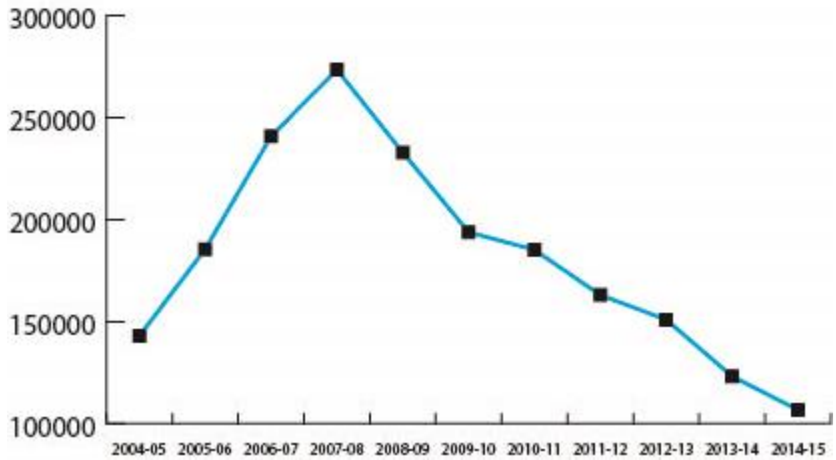
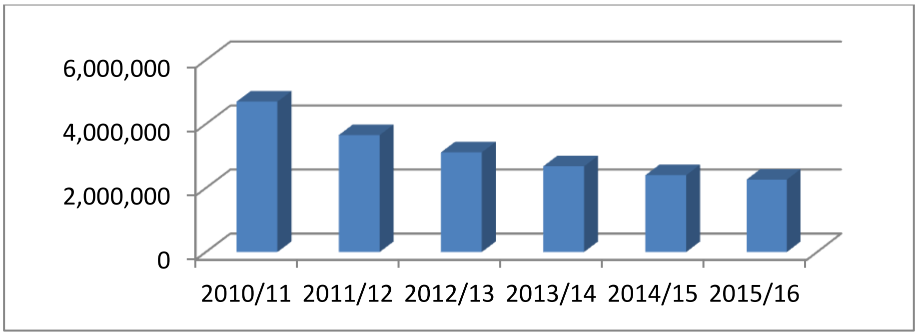


Chart 7: Unwanted telephone contacts to companies from 2010/11 to 2015/16



Please note that from 2014-15 the contacts related only to household consumers. The 2015-16 figure is provisional.

[37] **Unwanted phone contacts.** This is the number of phone contacts received from customers that are 'unwanted' from the customer's point of view. This includes a contact about an event or action that has caused the customer unnecessary aggravation (however mild).
[38] CCWater Complaints Reports. Link here.

Advocacy on complaint handling does not stop there. We use the issues identified through our complaint handling service and through our regular meetings with the companies locally to identify and stop early problems with companies. We are working with companies to pre-empt these, particularly billing complaints which account for the majority of complaints.

This is important because the increase in metering programmes across the industry would otherwise push up complaints. We are also using our research, particularly with non-household consumers, to anticipate and counteract the problems business consumers might have as the water market opens for business.

Ensuring company metering programmes are implemented sensitively
We have done this by encouraging the water companies to promote the benefits more effectively of optional metering and, along with other stakeholders, to signpost consumers to our online meter calculator. We have also persuaded a further nine companies to extend the 'trial' period during which consumers can try out a meter before deciding whether to continue to revert to unmetered charging from 12 months to two years.

We have also worked closely with water companies on the implementation of compulsory water metering programmes in water scarce areas, for example in Southern Water's region, to ensure that the pace and approach is consumer - orientated and avoids large bill shocks to those who have had to move to a meter[39].

Addressing affordability
We have argued for water companies to help those with genuine affordability problems. We redesigned the form for the WaterSure scheme in 2006-07 to make it simpler. This resulted in a large increase in the number of consumers using WaterSure[40].

We have been a key influence on water companies developing and introducing social tariffs, which in some cases can provide reductions of up to 90%. Through our 'Living with Water Poverty' work we have successfully encouraged water companies to adopt a range of measures to enhance the help they offer to those struggling to pay and raise consumers' awareness of that help. This work continues, and we will highlight and share good practice.

[39] We researched the consumer impact of metering programmes so lessons learnt could inform the future roll-out of compulsory metering programmes. CCWater research – 'The Customer Impact of Universal Metering Programmes'. Link here.
[40] 507 per cent increase since the WaterSure form was rebranded in 2007.

This has included encouraging companies to work more closely with organisations that have regular contact with those facing financial difficulties, such as the local CAB which can offer specialist holistic debt advice to consumers where needed. A better understanding of consumers' circumstances can help companies to target assistance and ensure early interventions before significant debt arises. Rising contacts to local CAB about WaterSure and social tariffs is likely a result of that, but our advocacy is working through whether there are underlying causes that we can influence water companies to change.

These initiatives have also focused water companies on being much smarter on water debt where consumers seem able to pay but are not doing so. Water charges are not considered to be a priority debt by other consumer support bodies such as Citizens Advice, because consumers cannot be disconnected from their water supply. As a result water companies have to be more adept at debt collection. Reducing debt is important as Ofwat estimates that the annual costs associated with debt are currently equivalent to around £21 per consumer in England and £32 per consumer in Wales.[41]

Increasing the help available to those struggling to pay, and reducing the debt cost that falls on other consumers' bills is an important way for the water sector to judge its success in this area. Work still needs to be done on affordability and debt.

Ensuring the design of the new non-household retail market works for consumers

Our research[42] into non-household consumers' views has formed the basis for our input into the development of non-household retail competition in England. We want to ensure that when the market opens for business in April 2017 there is a system and approach that works for all non-household consumer segments, including micro businesses and Small, Medium Enterprises (SMEs), and that it provides adequate protections for both eligible and ineligible consumers.

Tariff changes that affect consumers

Companies are required to consult us on their annual charges schemes[43]. We also expect them to consult us in respect of any tariff changes they are considering or other changes to charging policy that would have a detrimental impact on consumers, even if the number of affected consumers is low.

Often there is a detrimental impact on a particular group of consumers. For example, we found that with proposals for some compulsory metering programmes in water stressed areas, the incidence effects could have pushed some consumers' bills up by as much as £200. We worked with the companies concerned to phase in these impacts and provide additional support for those who consumers would struggle to pay.

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[41] 'Affordability and debt 2014-15 – supporting information', Ofwat (December 2015). Link here.

[42] CCWater research – 'Uncharted waters: Non-household customers' expectations for competition in the water industry'. Link here.

[43] Water Industry Act 2014. Link here.

Our complaints work also means that we can monitor developments, and we then feed any insights or trends back to our regional teams for direct engagement with the relevant companies.

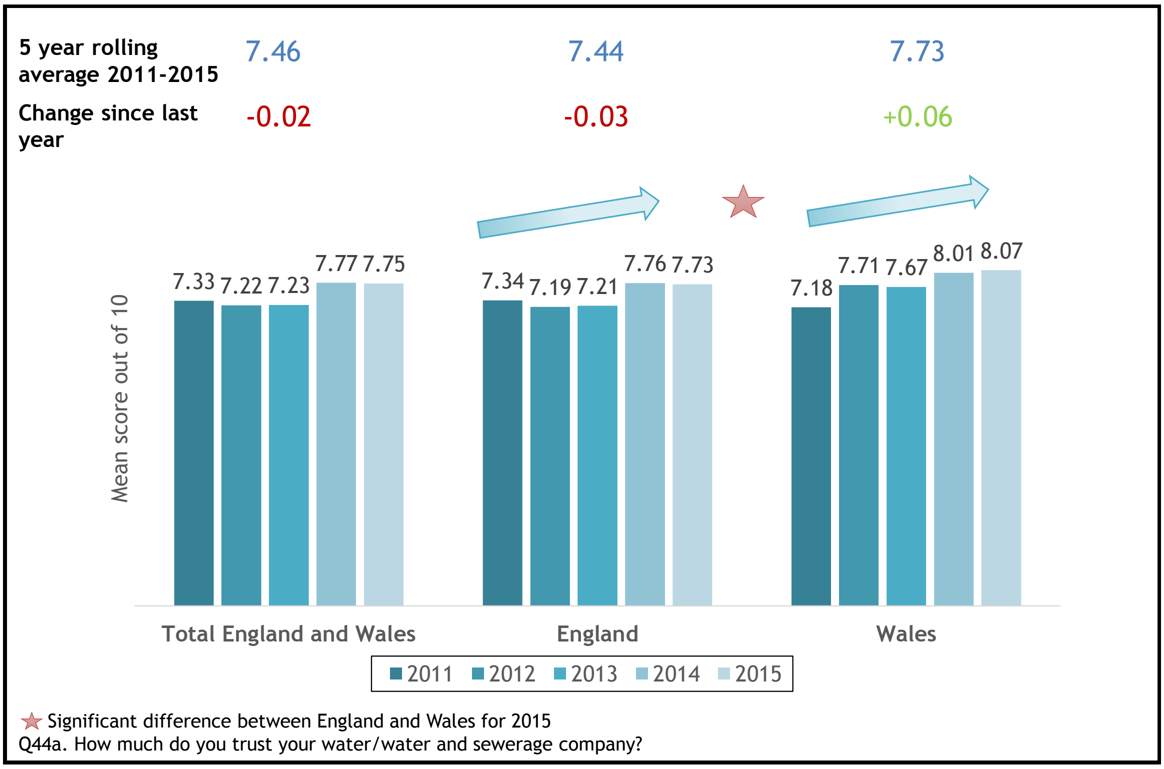
Impact of CCWater's advocacy work on key consumer satisfaction metrics in water

We believe that our single sector approach to consumer representation, integrating complaints handling and advocacy, has been cost-effective and delivered real benefits for water consumers in England and Wales. This continues to be the best model for water consumers.

As a result of CCWater's integrated work on advocacy and complaints we have pushed the industry and its regulation to produce improvements across all the key consumer satisfaction metrics.

The water sector has improved from a consumer perspective as a result of our work. For example, **Chart 8** (below), taken from our 'Water Matters' research report (2015)[44], shows the water sector's performance in the key metric of consumer trust.

Chart 8: Level of trust in water companies

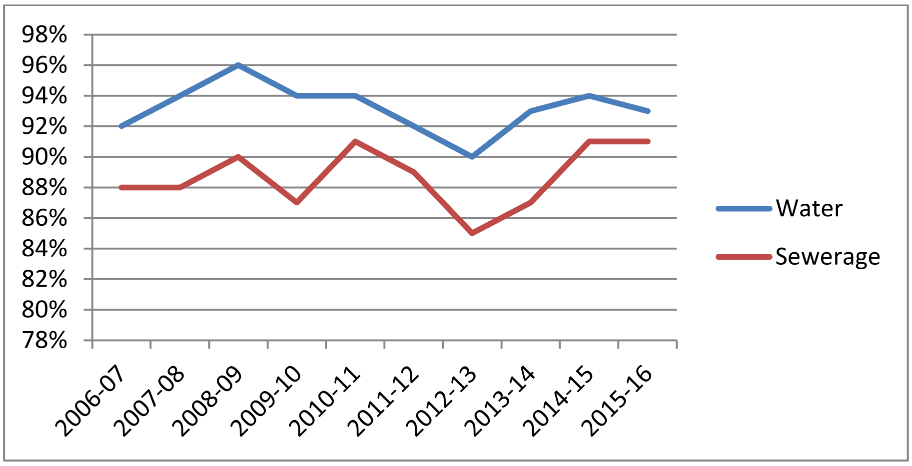


Our 'Water Matters' annual tracker research also plots the long-term trend of consumer satisfaction with services and value for money.

[44] Data Source: CCWater 'Water Matters' research (June 2015): Link here.

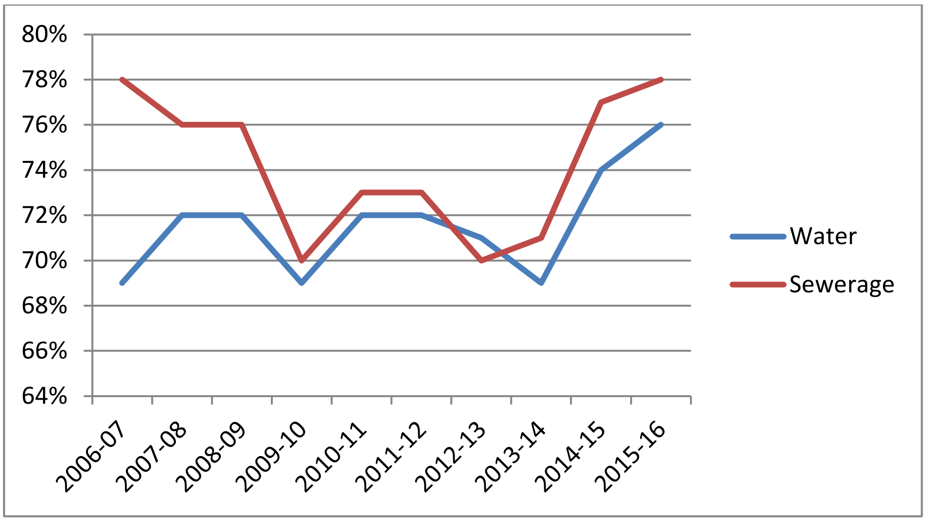
Consumer satisfaction with service has improved
This shows that consumer satisfaction with water and sewerage services has performed consistently well and has shown an improved trend over the past ten years, maintaining a level of satisfaction of greater than 90% for water services and greater than 85% for sewerage services. In 2015-16 satisfaction with water services was 93% and with sewerage services was 91%. This is shown in **Chart 9**.

Chart 9: Consumers' overall satisfaction with the services they receive[45] [46]



Consumer satisfaction with value for money has improved:
Overall, as a result of our advocacy work to date, consumer satisfaction with value for money for water services has been on an upward trend over the last ten years, increasing from 69% for water services in 2006-07 to 76% in 2015-16. The rating for sewerage services has typically been a little higher, starting and finishing the ten-year period at 78%. This is shown in **Chart 10**.

Chart 10: Consumer satisfaction with value for money[47]



[45] This asks the consumer to take into account all aspects of the service they receive.
[46] Data sources: CCWater's 'Water Matters' research. Link here
[47] Data source: CCWater's 'Water Matters' research. Link here

Our work in this respect continues, with our focus now on PR19, as the industry regulator and the companies begin the next price setting process. We will work with Ofwat and the industry to build on the successes of the PR14, and we will continue to press for even better consumer engagement and focus on consumers' priorities; we will again challenge where needed to ensure that the outcomes of PR19 achieve a fair balance between the consumer and the company shareholder.

Section 2.3: Alternative dispute resolution

Q5. Are there problems with the current provision of ADR in these sectors? No, we believe that it is working very effectively for consumers in the water sector.

Complaints resolution is provided in the water sector for consumers in England and Wales by CCWater mediating and investigating unresolved complaints on behalf of consumers; and subsequently by the Water Redress Scheme (WATRS) which provides adjudication and a binding outcome for consumers in the relatively small number of cases in which CCWater has been unable to find a satisfactory outcome for the consumer.

Written complaint numbers are falling
Overall, written complaints to the industry fell again in 2015-16 for the seventh successive year. Written complaints are now less than half the figure they were five years ago, as shown in **Chart 11**. Unwanted contacts[48] reported by companies have also reduced significantly, as shown in **Chart 12.**

When CCWater was established in 2005, complaints were rising rapidly. We addressed this issue by working locally with poor performing water companies with high complaint numbers to improve their performance by identifying root causes of complaints, their complaints handling and their debt management. Our impact can be clearly seen in **Chart 11**. This, and our negotiation with the industry and Ofwat on a new regulatory incentive and penalty system that incentivised companies to reduce complaints and to resolve complaints to the consumers' satisfaction, was very successful in driving down written complaints and unwanted contacts (see **Chart 12**).

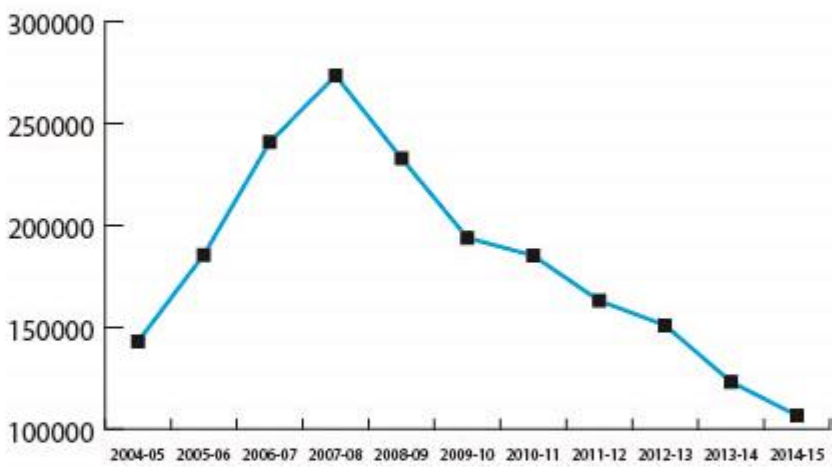
We bring reputational pressure on poor performers in the water sector to this work by publishing our research that compares companies' relative performance in terms of consumer satisfaction with services and with value for money. We also publish our annual Complaints Report which reveals the number of complaints made to each company and their comparative performance, thereby exposing the poorer performers.

[48] **Unwanted phone contacts.** This is the number of phone contacts received from customers that are 'unwanted' from the customer's point of view. This includes a contact about an event or action that has caused the customer unnecessary aggravation (however mild).

Advocacy on complaint handling does not stop there. We use the issues identified through our complaint handling service and through our regular meetings with the companies locally to identify and stop problems at an early stage.

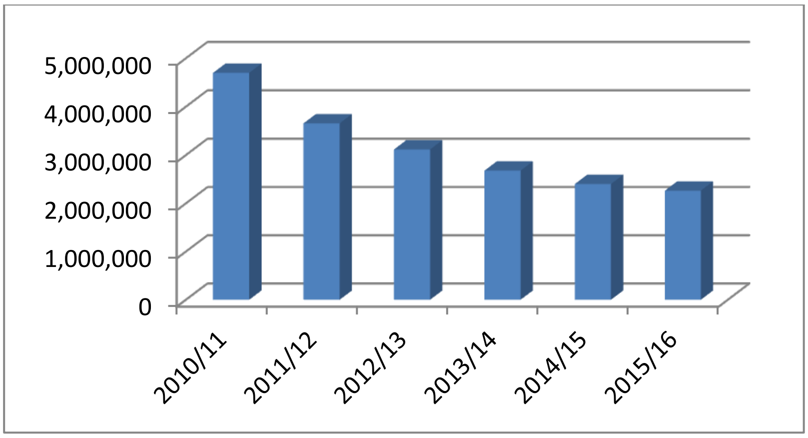
We are working constantly with companies to pre-empt these problems, particularly billing complaints. This is important as increasing metering programmes (including compulsory metering programmes) across the industry otherwise will push complaints up. We are also using our research, particularly with non-household consumers to anticipate and counteract the problems business consumers might have as the water market opens for business in April 2017.

Chart 11: Water Industry Written Complaints 2004-2015



The unwanted telephone contacts (**Chart 12,** below), which is information collected since 2009[49] by Ofwat, also shows the impact of sector attention on consumer dissatisfaction.

Chart 12: Unwanted telephone contacts received by the water industry.



Please note that from 2014-15 the contacts related only to household consumers. The 2015-16 figure is provisional.

[49] 2009-10 was a trial year.

The complaints procedure process

- The water companies in England and Wales operate a complaints procedure process which incorporates the companies' initial handling of the complaint; the companies' subsequent review; referral to CCWater for mediation or investigation; and referral to WATRS for adjudication.

- Whenever a consumer makes a written complaint, they are informed of the company's complaints procedure which explains the process including the roles of CCWater and WATRS. Similarly, when a consumer escalates a telephone complaint they are informed of the complaint procedure.

- If a consumer's complaint remains unresolved after the company's initial response and subsequent review, the consumer is signposted by the company to CCWater. When we close a case that has exhausted the company procedure and we feel it has been suitably resolved or cannot be progressed, the consumer is signposted to WATRS. If the consumer is unhappy with the conclusion of the case by CCWater, WATRS can adjudicate on the matter. The outcome of a decision by WATRS is binding on the company concerned (providing that the consumer accepts the decision).

- CCWater's contact details are also on the back of consumers' water bills and on water companies' websites in England and Wales. We can be found easily on the internet- various relevant search searches will bring our website up as the top option on internet search engines such as Google and Bing. Our details are also in phone books and in Yellow Pages.

The ADR scheme

The ADR scheme, WATRS, is a relatively new development, and has been operational for just over a year. We have data about WATRS' first six months of operation from the ADR Independent Oversight Panel's six month review - available here[50] - and from the data that we have collected.

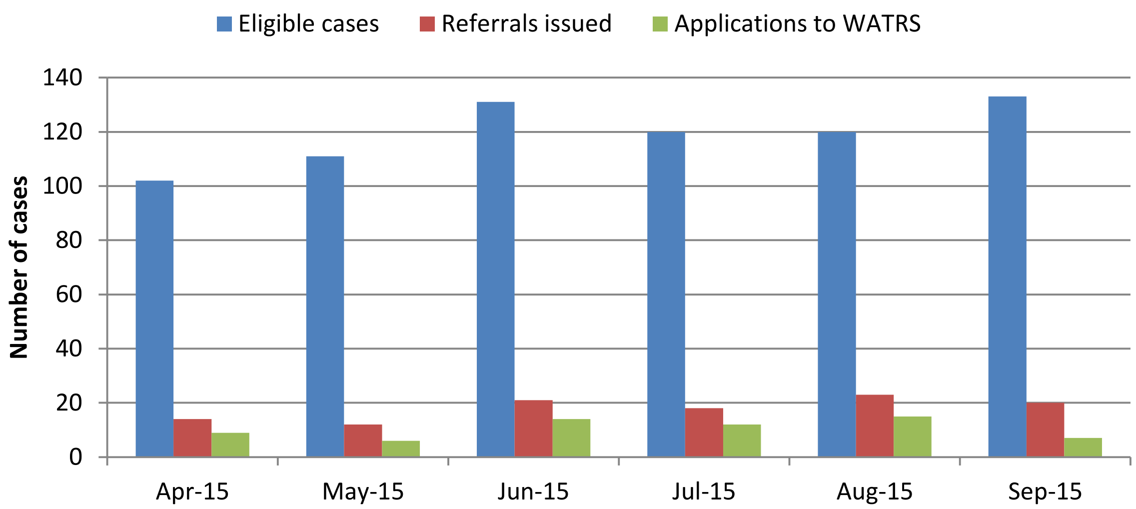
CCWater resolved the majority of complaints we handled between April and September 2015 through informal mediation, by early stage resolution (without us needing to make a formal complaint to the consumer's water company), or by referral to the company at the first stage of its complaint procedure.

In 2015-16 we closed 1,509 consumer complaints that were eligible for WATRS and signposted consumers accordingly. Of these eligible consumers, 287 expressed an interest in applying to the scheme (19% of eligible cases, or 3% of all complaints that we handled in 2015-16).

Fewer than six in ten of those consumers who asked for a referral went on to make an application to WATRS.

[50] WATRS Panel 6 month review

Chart 13: WATRS eligibility, referral and application numbers



The reason for the low conversion rate from referrals to applications to WATRS is being considered by the ADR Review Panel in its 12-month review.

When consumers do choose to access WATRS very few applications are rejected on account of eligibility. Over the first six months of operation, five cases were rejected, seven were settled before full adjudication was entered into, 24 cases succeeded in part and 21 were not successful. No case was completely successful, meaning that none of the consumers concerned received the full outcome they were seeking.

At the six-month review, feedback on satisfaction with the scheme was only available from 11 consumers - too small a sample from which to draw any meaningful conclusion. The 12-month review will look at satisfaction with the scheme as a wider sample should have been obtained.

From our consumer satisfaction survey we know that some eligible consumers are unhappy with the outcome of their case but have not yet pursued the matter through WATRS. We need to better understand why this is. We have amended our survey for 2016-17 to ask these eligible consumers if they intend to approach WATRS and, if not, why not. The result of this survey will give us an insight into why consumers who may benefit from the scheme have not used it. We will share the information with the ADR review panel so that it can consider improvements to the scheme to ensure people access WATRS when they need to.

We do not turn consumers away, as some ADR schemes do, and WATRS only rejected 8% of the referrals it received in its first six months. Even if a consumer has not contacted their water company we will offer advice on how to make a complaint, what questions to ask and what a reasonable and proportionate answer would look like. Where a consumer would like assistance we make the referral to their company for them. In 2015-16 there were only 15 cases where we recorded the outcome as a consumer having been signposted to somewhere else, such as to Ofwat or Citizens Advice.

Financial redress
The water sector in England and Wales has a statutory compensation scheme, The Water Supply and Sewerage Services (Customer Service Standards) Regulations 2008[51], which are referred to as the Guaranteed Standards Scheme (GSS). This covers failures relating to: the time taken to complaints; account and payment related contacts; appointments for visits to consumers' premises; planned and unplanned supply interruptions; low water pressure; and internal sewer flooding and external sewer flooding. Most payments are automatic and penalty payments apply if the original payment is not made within a required timescale. Many water companies supplement the statutory scheme with enhanced service levels, increased payments and additional commitments in their customer charters.

Under the terms of their operating licences, water companies in England and Wales are also required to make financial redress to consumers whose supplies are interrupted as a result of water shortages[52].

CCWater secured nearly **£5 million in compensation and financial redress** for consumers who turned to us for help during 2015-16. This brings the total amount we have helped return to household and non-household consumers to more than **£25 million** since 2005. Over the past eight years (since April 2008) we have secured £6.3 million redress for non-household consumers.[53]

Performance of complaint handling organisations
We attempted to find comparable data in order to compare the performance of organisations that handle complaints, including ADR schemes in relevant sectors, but this was difficult. However, we believe that our performance compares well.

Q7. Should the criteria for allowing the use of the word Ombudsman be strengthened and if so how?
Yes

We do not have a strong view on the criteria for the use of the word 'Ombudsman', but the word does carry some meaning for consumers. There may be an assumption that such organisations and bodies are part of government or at least government-appointed. Those which are permitted to call themselves 'ombudsman' should therefore be regularly reviewed in relation to their operations and performance to ensure that they are cost-effective, easily accessible to all consumers and transparent about their performance; and that they are having a positive impact on the sector in terms of addressing consumer detriment.

[51] The Water Supply and Sewerage Services (Customer Service Standards) Regulations 2008. Link here.
[52] Licence condition Q where water supplies are cut off or interrupted under the authority of a drought order.
[53] Figure is £7 million, including mixed-use properties.

Section 2.4: Consumer Data

Q8. Is there scope to make consumer complaints data in these sectors easier to access and more widely available?
No, not in relation to water

CCWater has the statutory responsibility to publish complaints data for the water and sewerage sector in England and Wales. The publication of our annual Complaints Report[54] puts reputational pressure on the water companies because it has widespread coverage in national and regional media[55]. This enables consumers to see how their company compares on a normalised basis against other water companies and its own trend. This has been an important factor in helping to drive down complaints and address consumer detriment. Complaints to the industry are now 60% lower than they were at their peak in 2007-08.

As well as the reputational pressure it places on companies to improve, we have used the comparative data in this report to target the poor performers with high complaint numbers, and continue to do so. We describe our work on this more in the Consumer Advocacy section.

This approach has proved very successful, focusing companies on improving service, tackling the causes of consumer dissatisfaction and reducing complaint levels. Written consumer complaints to the water companies in England and Wales fell for the seventh consecutive year in 2014-15; and the same downward trend can be seen for unwanted contacts[56].

This single-sector focused approach has been very effective in the water sector and may help drive down complaints in other sectors.

Chart 14 shows that the industry overall has responded well to our continued pressure to drive down complaints by embedding a 'right first time' ethos into their consumer service. The reversal of the upward trend of written complaints up to 2007-08 has been evident since 2008-09 and continued during 2014-15 with water companies reporting 13.4% fewer complaints than the previous year, falling from 123,218 to 106,693. The chart also shows the progress made in driving down unwanted contacts since 2009-10 when water companies were first required to report this data.

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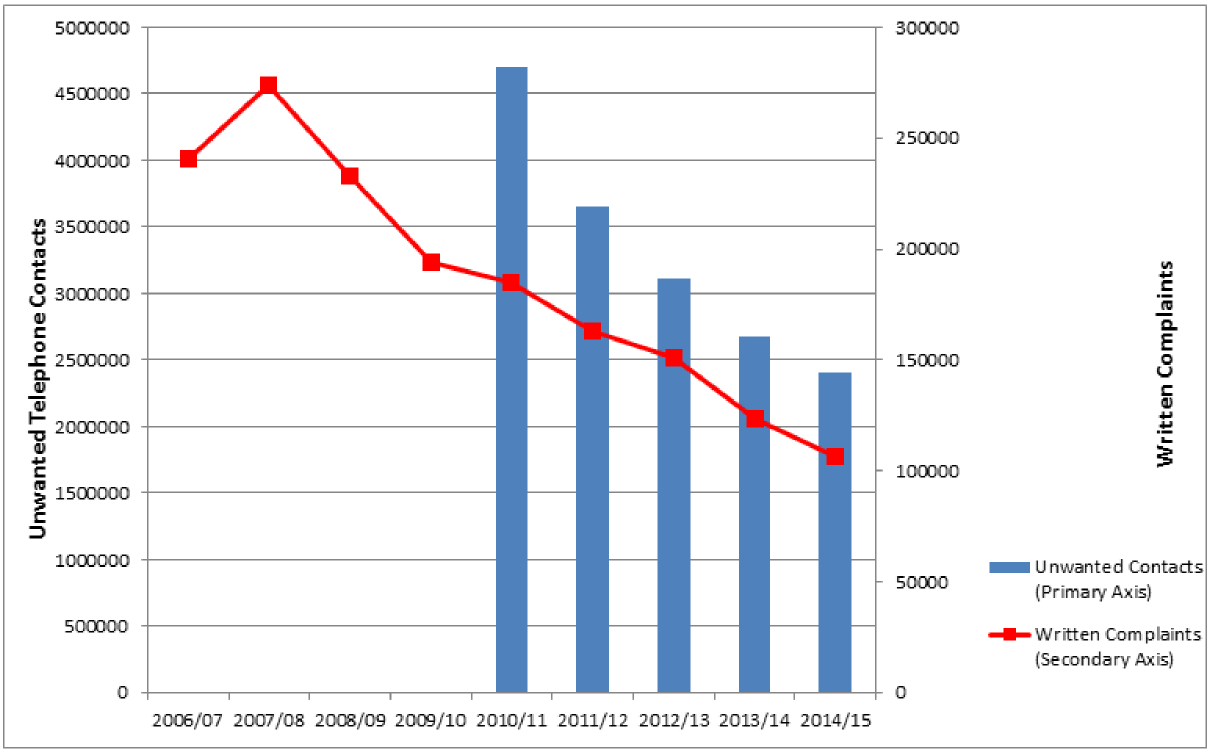
[54] CCWater Complaints Report. Link here.

[55] The publication of the report is popular with the media and had the potential to reach nearly 50 million people. This, for example, compares to our April 2016 media coverage which had the potential to reach 21 million people across England and Wales.

[56] **Unwanted phone contacts.** This is the number of phone contacts received from customers that are 'unwanted' from the customer's point of view. This includes a contact about an event or action that has caused the customer unnecessary aggravation (however mild).

Chart 14: Unwanted telephone contacts and written complaints to companies from 2006-07 (Complaints) and from 2009/10 (Unwanted contacts) to 2014/15



Consumer complaints data for the water sector is easy to access and available to all. We publish on our website total complaints numbers and company specific numbers, as well as publishing our 'Delving into Water' report[57] which gives a wider overview of company performance. We also provide the '*how is my company doing'* section of our website to allow consumers to compare their company's performance with others.

We are working with Water UK and other stakeholders on a water sector 'dashboard' for England and Wales which will contain strategic performance information for consumers and others to see. We have proposed that the dashboard should include our data on company complaints and operational performance. We are also pressing Water UK to ensure that the information is transparent, easily understood by consumers and focussed on the information that consumers are most interested in.

We also provide opportunities for consumers to question and challenge their water company by holding our committee meetings in public in each region and Wales twice a year. Complaints and other performance data is examined and discussed at these meetings. We also hold five Board meetings in public a year at locations around England and Wales. Complaint case studies and data are also examined and discussed during these meetings. Our Board papers are publicly available here.

[57] CCWater 'Delving into Water' report. Link here.

The provision of and accessibility to complaints and other performance data is very important for consumers, and we will continue to make this happen in the water sector in England and Wales. However, we believe that where consumer detriment is evident from consistently high or rising complaint numbers, pressure needs to be exerted directly on the companies by our advocacy team.

Strong advocacy on behalf of consumers in this way helps ensure that the poorer performing companies are focused on addressing the causes of consumer dissatisfaction and reducing complaints. This advocacy role is one which CCWater continues to carry out very effectively, as evidenced by the successful reduction of complaints and unwanted contacts in the sector.

Q10. What new opportunities or risks for businesses, workers and consumers would be created if they were able to port their reputation and feedback data between platforms?

We recognise the usefulness to consumers of their water company's reputational ratings and feedback data, as well as complaints and other performance data, being available and accessible.

This information is particularly valuable in relation to retail competition and switching between retail suppliers. Evidence from our consumer research about Scottish water market reform[58] (to be published on 5 July 2016) supports the need to get information into the public domain to inform consumers' choice of retail water suppliers.

The ability to port consumer ratings and feedback data about retailers between platforms therefore has potential benefits for consumers.

Q11. What are the barriers to doing this?
The format of this information would need to be compatible across the different platforms.

Additionally, there may be risks around data validation, particularly ensuring that ratings are genuine especially in a developing market where reputations may not yet be established.

[58] CCWater's research webpage: www.ccwater.org.uk/blog/category/reports/

Section 2.5: Enforcement of Consumer Law

Q12. What more can be done to get consumers their money back and give them information on a business' past performance when consumers have suffered detriment in these sectors?

Getting consumers their money back

Although water consumers do not have a contract with their water company they do have good access to financial redress and compensation. There are two key ways for consumers to get compensation or their money back if a problem has occurred:

- Through the complaints procedure process: if a household or non-household consumer has a complaint and is seeking financial redress, and it has not been properly dealt with by their water or sewerage company, they can refer the matter to CCWater for mediation or investigation and, where necessary, to WATRS for adjudication. In some limited areas, consumers may have recourse to Ofwat.

- Through the Guaranteed Standards Scheme (GSS)[59]: if the problem affecting the consumer is covered by this statutory scheme, then the consumer is automatically entitled to and given compensation or a rebate of charges.

i) Through the complaints procedure process

Water consumers have easy access to a complaints procedure process if they need to get their money back. Our single sector focus has allowed us to move the industry in England and Wales to a consistent process, which incorporates the companies' initial handling of the complaint; the companies' subsequent review; referral to CCWater for mediation or investigation; and referral to the Water Redress Scheme (WATRS) for adjudication.

Whenever a consumer makes a written complaint to the water company, they are informed of the company's complaints procedure which explains the process, including the roles and contact details of CCWater and WATRS. Similarly, if a consumer escalates a complaint made by telephone, they are made aware of the complaints procedure.

CCWater's contact details are also on the back of consumers' water bills and on water companies' websites in England and Wales. We can also be easily found on the internet and in the Yellow Pages.

In 2005 there were inconsistent practices which meant that water consumers were subject to different procedures depending on where they lived. We moved to change this, so that consumers have access to the same approach regardless of what water company supplies them.

Our approach of mediation and negotiation with the water companies has delivered for consumers the help, rebates and compensation they need. We

[59] The Water Supply and Sewerage Services (Customer Service Standards) Regulations 2008. Link here.

secured nearly **£5 million in compensation and financial redress** for consumers who turned to us for help during 2015-16. This brings the total amount we have helped return to household and non-household consumers to **£25 million** since 2005. Over the past eight years (since April 2008) we have secured £6.3 million redress for non-household consumers.[60]

If other sectors were looking to improve their accessibility for consumers then introducing a mediation service could greatly help the ability for consumers to gain rebates and compensation on issues that maybe outside of the relevant Ombudsman's remit.

ii) Through the Guaranteed Standards Scheme[61]
The water sector in England and Wales has a statutory compensation scheme, The Water Supply and Sewerage Services (Customer Service Standards) Regulations 2008, which are referred to as the Guaranteed Standards Scheme (GSS).

This covers:

- Complaints
- Account and payment related contacts
- Appointments for visits to consumers' premises
- Planned and unplanned supply interruptions
- Low water pressure
- Internal sewer flooding
- External sewer flooding

Most payments to consumers are automatic and penalty payments apply if the original payment is not made within a required timescale. Water companies supplement the statutory scheme with enhanced service levels, increased payments and additional commitments in their consumer charters.

Additionally, under the terms of their operating licences, water companies in England and Wales are also required to make financial redress to consumers whose supplies are interrupted as a result of water shortages[62].

Giving consumers information on a business's past performance
CCWater publishes significant amounts of comparable material on issues that matter to consumers, particularly through our '*How is my company doing'* page on the website; our annual Delving into Water Report and our annual Complaints Report.

Our annual 'Delving into Water' report[63] has information on water companies past performance back to 2010-11. Household and non-household consumers can also get information on a company's past performance by calling us.

[60] Figure is £7m including mixed-use properties.
[61] The Water Supply and Sewerage Services (Customer Service Standards) Regulations 2008. Link here.
[62] Licence condition Q where water supplies are cut off or interrupted under the authority of a drought order.
[63] CCWater 'Delving into Water' report, 2014-15. Link here.

We also publish information on consumers' views on each company, obtained through our research: 'Water Matters'[64] and 'Testing the Waters'[65]. The 'H*ow is my company doing'*[66] pages of our website provides this information in a user friendly way.

We are currently working with Water UK (the industry trade body), Ofwat and the water sector on a performance 'dashboard' which will allow consumers easy access to company performance information. This is needed because a reduction in regulatory reporting requirements has created a gap in the information available to consumers in respect of some performance areas, such as on sewer flooding.

Additionally, Ofwat has introduced some new ways for companies to measure their performance outcomes. This has resulted in only limited comparable data, so in the lead up to the next price review in 2019 (PR19) we will assess what information is needed to enable us and consumers to monitor and compare a company's performance without placing an unreasonable burden on it.

Section 3: Consumer Switching

The issue of consumer switching has not been an issue in the past for the water sector in England and Wales because it has been regulated on a regional monopoly basis, with only very limited retail competition available to large commercial water users. However, eligibility for the market is opening up to almost all non-household consumers in England for retail water services from April 2017[67].

We have been representing non-household water consumers in England and Wales for the past ten years, providing information and advice; liaising with representative bodies such as trades associations; providing help with complaints; and pressing water companies to provide tailored services and tariffs.

In readiness for the opening of the retail market in England we have been researching consumers' experiences in other sectors and in Scotland where non-household consumers have been able to choose their retail water provider since 2008. We have been reflecting the lessons learnt and consumers' expectations of what they want to see in a retail water market in our discussions with, and our responses to consultations issued by, those designing the framework for non-household retail competition in England.

Our 'Uncharted Waters' research[68] shows that the majority of non-household consumers in England welcome the opening up of the retail water market to competition. Larger business consumers have told us that they are keen to understand more about the market early; whereas medium and small business consumers are looking for information nearer to April 2017. We are therefore

[64] CCWater 'Water Matters' reports. Link here.
[65] Testing the Waters: SME customers' views on water & sewerage services 2014. Link here.
[66] How is my company doing? Link here.
[67] Non-household consumers of water companies which are wholly or mainly in Wales and some non-household consumers whose premises are mainly used for domestic purposes are not eligible.
[68] Uncharted Waters: Non-household customers' expectations for competition in the water industry. CCWater 2014

working with various trade bodies and associations to provide relevant, timely information to different consumer segments.

Additionally, in November 2015 the Government announced that it is considering the costs and benefits of introducing retail competition for household water consumers in England. We have been researching household consumers' views in order to feed these into Ofwat's cost-benefit analysis. We have also been discussing with Government and Ofwat the various policy considerations, for example metering, vulnerable consumers and debt.

Q14. What would be the benefits and drawbacks to consumers of quicker (7 day) switching?

Our research on non-household consumers' experiences in the Scottish retail water market (due to be published later this summer)[69] shows that the perceived 'hassle' of the switching process is a major reason given by non-household consumers for their reluctance to engage with the non-household market. However, this perception is not borne out by those who have actually switched in Scotland and who found that the existing process worked well.

Guaranteeing a switch within seven days could be seen as helping to remove the 'hassle' from the switching process for some water consumers, as it will be achieved relatively quickly. The findings of our 'Uncharted Waters' research[70] indicates that non-household water consumers would support shortening the end-to-end process but they also highlighted concerns about potential failures in the switching process, such as double billing or billing gaps, if things were to go wrong.

The energy and telecoms sectors have also had to address problems with switching processes (such as erroneous transfer of consumers or contract rollovers) that have affected consumers. Such problems need to be avoided in the water sector if consumers are to have confidence in engaging with the market.

Furthermore, while a seven-day switching process may be attractive to consumers, this might increase the risk of sharp selling practices being used to coerce consumers into signing up for deals that they have not properly considered or understood.

[69] Open for business: Lessons for the non-household water market in England based on customer experiences in Scotland. (Report due to be published late June).
[70] Uncharted Waters: Non-household customers' expectations for competition in the water industry. CCWater 2014

There was support among non-household consumers responding to our research for a cooling-off period to allow consideration of whether they wanted to proceed. A seven-day switching window would not allow this and would require robust protections to be put in place to ensure that consumers fully understood what they were signing up for.

Q20. If a switch breaches the 7 day requirement, do you agree that this should be handled via existing redress mechanism in that sector? If not, what would be the most appropriate form of redress?

Yes, we believe that this is the right approach for water consumers. The water sector in England and Wales has a very effective complaints procedure process and there is no reason why issues arising from switching cannot be resolved within this process.

The complaints procedure process incorporates:

- CCWater's mediation and investigation roles, which consumers are able to access for advice and representation, and
- An ADR scheme, WATRS, which provides adjudication for any complaints or disputes which remain unresolved.

For this to work effectively in water it would require the co-operation of all the retailers and possibly the central market operator, MOSL. Additionally, the ADR scheme would require enhancement.

Q23. What would be the advantages and drawbacks of banning terms and conditions that prevent the consumer from allowing third parties to manage consumers' accounts and switch for them?

Consumers should have the right to choose to use a third party if they wish to do so. Banning T&Cs which prevent consumers from using third parties would support this principle.

The activities of Third Party Intermediaries (TPIs) such as brokers was generally well received by consumers responding to our research on the Scottish retail water market (due to be published later this summer)[71]; in some cases it is evident that TPIs had afforded consumers entry into a market of which they would otherwise have been unaware.

However, we believe that an effective independent accreditation scheme, allowing consumers to choose a TPI with a good reputation and track record, should be put in place in order to ensure there is adequate protection for consumers, without creating a barrier to entry to the market.

[71] Open for business: Lessons for the non-household water market in England based on customer experiences in Scotland. (Report due to be published late June).

The water sector has experienced issues with a third party company signing-up consumers with the promise of guaranteed savings, failing to deliver these savings or becoming insolvent. This led to a number of consumers having to pay their water charges twice, since the money paid to the third party company was lost and had not been paid on to the water company.

Q24. Should Government explore whether all regulated sectors should provide tariff and T&C data in an open, standard format?

Yes, we recognise that this would benefit consumers in the water sector and therefore we would support this principle.

In the energy sector, Ofgem's consumer research in recent years has shown that consumers find or perceive there to be too many tariffs offered by retailers to allow them to assess and compare properly. Additionally, these tariffs are often overly complex.

Transparency and clarity in the information available to consumers may help address this. We therefore support clear and easily comparable tariff information for consumers in the water sector.

Our consumer research relating to retail competition for household water consumers in England[72] shows that of those household consumers who opposed the principle of retail competition, 26% said they felt that it would overcomplicate the market. This was by far the most common reason for opposing market reform in water.

Complexity, leading to consumer confusion, was also a key area of potential detriment for water consumers in respect of the non-household retail market identified in the cross-sectorial review which we commissioned in 2014[73].

Without a standard format, it can be almost impossible for consumers to compare prices from different suppliers and risks them being duped into signing up for contracts which do not represent the best deals available.

The standardisation of quote formats to allow like-for-like comparison by water consumers was also a key recommendation arising from our research into the experiences of consumers in the non-household water market in Scotland.[74]

[72] Floating the idea: Household customer views on water market reform in England. CCWater 2016
[73] Lessons Learned: A cross-sectoral study of issues that have been detrimental or a risk to customers through the introduction of market reform. PWC for CCWater, 2014
[74] Open for business: Lessons for the non-household water market in England based on customer experiences in Scotland. (Report due to be published in late June 2016)

An open, standard format should include information such as:

- Timescale (length of contract);
- Service Levels (Guaranteed standards of service)
- Payment Terms & Conditions (T&Cs), for example monthly billing;
- Standard Late Payment Fees;
- Tariff Structure (Standard, Green, etc. with standard measure of unit costs shown);
- Annual Consumption Data ; and
- Notice Period (& any early exit fees).

Q25. How could this data be kept up to date and how helpful would this be to consumers?

In relation to the non-household retail water market in England, retailers could be mandated to keep this information up to date and also to provide it to one or more independent sources. For example, this could be the Open Water website, where consumers could then access it for comparison purposes.

The use of price comparison websites has proliferated in recent years and our 'Uncharted Waters' research[75] found that SMEs will often use these sites in a similar way to consumers in non-household markets, particularly if they are seeking to negotiate the marketplace without the assistance of a broker.

Section 7: Making Switching Easier and Improving Consumer Choice

Q26. What are the benefits and drawbacks to consumers of rolling over contracts?

Benefits: Rolling over a contract would maintain the existing T&Cs which the consumer is likely to have negotiated and been happy with initially. This would mean they are not worse off, which they are likely to be if contract expires and they are transferred to a deemed/standard contract. Allowing a rollover on the same tariff would also remove some of the hassle from consumers, allowing them to choose to remain as they are if they are a happy, rather than being effectively forced into the market simply to avoid detriment.

Drawbacks: Automatically rolling over a contract without notifying the consumer that it is coming to an end and without highlighting the opportunity to renegotiate it would mean that consumers might continue to pay a tariff at a higher level than could be achieved through negotiation. This could be seen as effectively hiding potential savings from the consumer and locking them into a higher price for another year or more.

[75] CCWater research Uncharted Waters: Link here.

Protection against rollover contracts was the biggest concern raised by non-household water consumers in response to our 'Uncharted Waters' research[76]. Any rollover of contract must only be allowed if consumers are also informed that they could be paying more than they need to by not searching for a better deal.

Communication is the key here, as consumers must be informed that their deal is ending and what will happen if they do not renegotiate; and this must occur in sufficient time (at least 30 days before the contract ends) to allow consumers time to investigate their options.

Additionally, if a consumer is 'rolled over' onto the same contract for an extended period of time, they should be able to switch to a new contract at any time without incurring an exit fee.

Q27. Should any renewal paperwork sent to consumers always include reasons for any cost increases?

Yes, we recognise that this would benefit consumers in the water sector and therefore we would support this principle.

There is no justification for not informing water consumers why their charges have increased. Transparency of charges is important in maintaining consumer confidence and trust in both the market and the supplier.

Consumers responding to our 'Uncharted Waters'[77] research named '*Transparency*' as one of the four key pillars that should inform the design of the non-household retail market in water.

Q28. Should any renewal paperwork sent to consumers always include the price that would be offered to a new customer in exactly the same circumstances?

Yes, we recognise that this would benefit consumers in the water sector and therefore we would support this principle.

CCWater's 'Uncharted Waters'[78] research found that it was critical for bills to highlight the default/standard tariff offered by a supplier, so that the consumer could see how their charges differed.

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[76] Uncharted Waters: Non-household customers' expectations for competition in the water industry. CCWater 2014

[77] Uncharted Waters: Non-household customers' expectations for competition in the water industry. CCWater 2014

[78] Uncharted Waters: Non-household customers' expectations for competition in the water industry. CCWater 2014

Q29. Are any changes needed to ensure that all ‘lock-in’ contracts have a fair and clear exit price?

Heavy buy-out penalties were a major concern for non-household consumers discussing their expectations for the opening up of retail water market in England, based on their experiences in other sectors.[79]

Provision of a clear, standardised key facts document could help ensure that consumers are fully aware of the terms and conditions of any contract they sign up for.

Mandating a cooling-off period once the contract has been signed also helps consumers to better understand the full implications of the contract they have signed.

Q30. What difficulties exist for consumers who want to cancel a contract?

Our research of non-household consumers’ experience[80] with the Scottish non-household retail market in water found little actual evidence of difficulties for consumers seeking to cancel a contract. Of those who had been unable to leave, the most common reason was an outstanding debt owed to the existing supplier.

[79] Uncharted Waters: Non-household customers' expectations for competition in the water industry. CCWater 2014

[80] Open for business: Lessons for the non-household water market in England based on customer experiences in Scotland. (Report due to be published late June).

Appendix A

A list of the Consumer Council for Water's consumer research reports published since 2011.

2011-12
Annual Tracking survey (now 'Water Matters')
Understanding the needs of Small to Medium Enterprises
Transfer of private drains and lateral sewers into water company ownership

2012-13
Annual Tracking survey (now 'Water Matters')
Value for money –a report on drivers of satisfaction in the water and sewerage industry
Preparedness for winter
Expectations of the Consumer Council for Water
Understanding drought and resilience
Third Party Marketing – Understanding customer views of third party marketing via water and sewerage companies
The customer impact of Universal Metering Programmes
Research into customer water saving
Research into customer perceptions of leakage

2013-14
Annual Tracking survey (now 'Water Matters')
Outcome and Delivery Incentives in the water industry: the customer view
Research into customer perceptions of leakage stage 2
Research into threshold for acceptability
Uncharted waters – non-household customers' expectations for competition in the water industry
Testing the Waters –SME customer's views on water and sewerage services 2014

2014-15
PR14 Draft Determination acceptability
Water Matters: household customer views on their water and sewerage services
Stakeholder perceptions research
Retail exit – views of non-household customers
Living with water poverty
Household water customers' views on water companies exiting the retail market
Web usability and benchmarking research
Market Reform phase 2 (follow up to Uncharted waters)
A tide of opinion: the customer voice within the price setting process
Information on Stream
Using water wisely and attitudes to tap water

2015-16
Floating the idea – household customer views on competition in the water industry

To be published in 2016
Using water wisely and attitudes to tap water (summer 2016)
Water Matters: household customer views on their water and sewerage services (28 June)
Scottish market reform – the experiences of business customers and learning points for the English market (summer 2016)
Testing the Waters – business customer satisfaction tracking (late summer 2016).