8th January 2025

To : customerfocus@ofwat.gov.uk
James.Hawthorne@ofwat.gov.uk

Dear James

Re: Priority services registers – a consultation on standards for water companies in England and Wales

Sustainability First is an independent charity and think tank focused on promoting practical solutions to deliver fair and sustainable energy and water sectors. We have published and engaged extensively over many years on policy, regulatory and consumer issues, including in relation to financial and non-financial vulnerability and innovation in service design.

Summary

- We welcome this consultation and strongly support the setting of minimum standards for the Priority Services Register in the water sector. This should help advisors explain the benefits of the PSR to the public and the kinds of minimum services that consumers might reasonably expect to receive from their water company. As we outline below, having a guaranteed minimum service, may also enable data matching between water companies and national and local government. This in turn could help better deliver tailored services to consumers in vulnerable situations.
- In line with good practice, we encourage Ofwat to more explicitly set out what it sees as the aims of the Priority Services Register and the outcomes it wishes to achieve in the water sector. We support Ofgem's PSR goals to: ensure equal access to information and core water services, so people are not at a disadvantage because of their personal characteristics or the situation they are in. Also that services are designed to protect those who are at higher risk of harm

during incidents or with any touch point with the company. E.g. supply interruption or a home visit.

- We are concerned however that the needs and services listed will end up being the default service level, rather than a minimum that companies strive to exceed. To address this we encourage Ofwat to commit to regularly update both the needs codes and the services. Adopting an outcomes based approach with associated guidance should also encourage companies to be flexible to changing future needs; innovate; and comply with the spirit of the rules, not just the letter of them.
- Ofwat's 'needs list' has a welcome focus on personal characteristics especially those related to health. The regulator should also consider a person's situation. E.g. being a carer, a care leaver, a refugee, living in a rural isolated area, living alone without support networks, being digitally excluded – are all factors that put people at greater risk of harm or exclusion and warrant tailored support in certain scenarios as a result.
- We also support consideration of the inclusion of some kind of financial vulnerability needs code, especially given the link between financial and non-financial vulnerability.
- Looking to the future, there's also merit in considering an 'at risk from hot weather', and 'at risk from flooding' needs code with associated services given climate change.
- There's no evidence provided that the proposed minimum PSR services have been informed by consumer insight and experience. As well as being poor practice, this seems a significant gap and a risk.
- We think Ofwat should set a higher bar for the minimum service levels than that proposed including to reflect technological innovation and changing needs e.g. requiring a customer with mobility issues to be contacted when a visiting engineer is half an hour away; offering female engineers for females alone in the home; better services for young and elderly carers; talking bills; sign technology; easy read; two-way texting are all worthy of consideration. Though ultimately the services selected should be user-led. Sustainability First's Project Inspire, Energy for All, Innovate

for All report includes scores of examples of innovative service to support customers with additional needs[1].

- We also encourage Ofwat to clarify how it sees universal design and the PSR supporting each other to improve service and reduce costs. From our experience working with water companies we believe there is confusion in some quarters as to what inclusive design actually is with some thinking it is the provision of PSR services. There's value in Ofwat shining a spot light on good practice inclusive design and providing more guidance here too.
- Lastly, but importantly, we'd also like to see minimum standards around public reporting to improve transparency and performance. In particular, data on the PSR gap for different needs, information on the services offered by the water company and the services delivered in practice, along with customer satisfaction scores. This is to encourage service innovation and improvement and ensure services are meeting consumer's different needs.

We provide answers to the consultation questions below. As always, we are happy to answer any questions on the detail of this response.

Yours faithfully

Zoe McLeod
Associate Director

Zoe.mcleod@sustainabilityfirst.org.uk
Cc: William.Baker@sustanabilityfirst.org.uk
David.Murray@sustainabilityfirst.org.uk

[1] 23587 sustainability first report front, content and graphics v3.cdr

Response to questions

Question 1: Are there any other relevant sources of insight or feedback we should look to as we finalise our standards?

There's little consumer insight referenced in this consultation which makes it hard to have confidence that the services proposed will meet current and changing customer need and expectations. We'd encourage the regulator to review and share existing research on the extent to which PSR services meet different consumer groups' requirements and commit to undertake future research as part of the review process where gaps in understanding are identified.

In addition, Ofwat may find it useful to review the responses to the former government's May 2024 consultation - *Smarter Regulation: Strengthening the economic regulation of the energy, water and telecoms sectors*. Chapter 3 included questions on the Priority Services Register[2]. This may be helpful to understand the views of any organisations that do not have the resource to respond to Ofwat's consultation and should provide cross-sectoral insight.

Question 2: Are there any additional areas that you believe should be covered by our PSR standards?

We support minimum standards for: definitions; needs and services; reach; data checking; and registration. In addition, we'd like to see standards around transparency of reporting and an expectation set for water companies to work collaboratively, in particular to support a single, multi-sector Priority Services Register. This would be valuable as progress on the common water and energy PSR needs codes has been painfully slow, taking more than a decade to get to where we are.

[2] Smarter regulation: delivering a regulatory environment for innovation, investment and growth - GOV.UK

Question 3: Do you agree with our proposal to require all water and wastewater companies to have a PSR?

Yes. While all of the main water companies have a PSR, such a move sends a clear signal as to the importance the regulator puts on meeting the different needs of consumers today and in the future. It is potentially a step closer to a single, multi-sector Priority Services Register. It ensures this baseline protection is provided which provides a common foundation for wider safeguards. As we outline below it also supports the cross-sectoral promotion of PSR services and potentially facilitates data matching – helping to better identify those with additional needs and the timely delivery of services to people in vulnerable situations.

Question 4: Do you agree with our proposal to require all water and wastewater companies to refer to their PSR as a 'priority services register' or 'PSR'?

We support having a common name for the PSR across all water companies and alignment with wider sectors. This facilitates cross-sector promotion and awareness of the scheme. The existing name is not ideal, but we agree with Ofwat that a cross-industry renaming exercise is not a priority at the present time.

Question 5: Do you agree with our overall approach to setting our expectations in this area, through non-exhaustive lists of needs and services we expect PSRs to cover?

<u>List of needs</u>

We broadly support Ofwat providing an illustrative explicitly non-exhaustive list of potential additional needs to provide guidance to water companies. For practical reasons, as a minimum this should include the common needs codes agreed already between the water and energy sectors.

In addition, as consumer vulnerabilities and 'risk factors' will inevitably change in the future, we'd encourage Ofwat to emphasize the need for company flexibility in its narrative and set an expectation that companies should be proactive in understanding and responding to any changing

future needs. E.g. during the Covid-19 pandemic, companies introduced a new needs code for 'shielding'.

List of services

We cautiously support 'setting expectations' as to the kinds of services Ofwat expects companies to offer with a non-exhaustive list. This will help advice providers explain the benefits of the PSR to the public and the kinds of minimum services that consumers might reasonably expect to receive from their water company.

Confirming services may also help to facilitate data sharing in the future. A number of water companies such as South East Water have established effective data matching arrangements with local governments, enabling customers in financial difficulties to be auto enrolled onto their water social tariff, which provides a discount on bills. This is a really effective way to get support directly to customers without the barriers associated with people having to sign up for help or raising awareness. However, legislation does not appear to facilitate the equivalent sharing of non-financial vulnerability data to support customers getting PSR services during incidents or in other situations. One of the reasons for this is because being on the PSR does not guarantee a customer will receive any particular support or service. The proposed requirements could help to address this gap which would be fantastically helpful.

Caveats - 'the buts'

- We have concerns however that the needs and services listed will end up being the default service level, rather than a minimum that companies strive to exceed. To address this we encourage Ofwat to regularly update both the needs codes and the services. Adopting an outcomes based approach with associated guidance should also encourage companies to be flexible to changing future needs; innovate; and comply with the spirit of the rules, not just the letter of them.
- Linked to above, Ofwat needs to clarify what it sees as the over-arching aims of the PSR. We suggest this reflects Ofgem's stated aims for the PSR[3]. That is to support equal access to information and

[3] Priority Services Register Review: Statutory Consultation

core services, so people aren't at a disadvantage because of their personal characteristics or situation e.g. when paying a bill, moving home, seeking advice, complaining or seeking redress etc. Also, to protect those who are at greater risk of harm, especially during incidents e.g. supply interruptions, but also during any consumer journey or company touch point that could cause detriment e.g. home visits[4].

- The list of services selected should be informed by insight from customers with additional needs i.e. what services do they want, expect and use. It's not sufficient to rely on existing services. This appears to be a gap in Ofwat's evidence base.
- While there have been pockets of exciting innovation in PSR service design in energy, water, telecoms and financial services, mainstream water PSR services haven't changed as much as we'd expect given changing need and technological innovation. For example, the list of services Ofwat outlines arguably largely reflects the good practice guides created by Sustainability First in 2017/18[5].
- The guidance for the standards should also make clear how inclusive design and PSR provision are expected to work together. The bigger picture goal is for water companies to minimise the need for bespoke, more expensive PSR services, by providing improved inclusively designed services. In this way reducing costs for all, reducing the need for people to be on the PSR and improving customer service and satisfaction. Our anecdotal experience suggests some water companies think the provision of PSR services is 'inclusive design' - thus misunderstanding the aims of universal design.

  The British Standards Institute states, the goal of inclusive design is "*The design of mainstream products and/or services that are accessible to, and usable by, as many people as reasonably possible … **without** the need for special adaptation or specialised*

[4] See - Priority Services Register Review: Statutory Consultation.
[5] 23587 sustainability first report front, content and graphics v3.cdr

design[6]." This is especially important given the high number of consumers that may be eligible for PSR services.

- Linked to the latter we encourage Ofwat to provide more guidance on not just PSR standards but universal design standards for communications and different customer pathways e.g. all websites should have read aloud and translation built in; water bills should be designed so they are easy to read for those with common sight impairments such as long-sightedness, colour blindness, and neuro-divergence; telephone services should be easy to use and navigate including by the elderly, those with cognitive difficulties or with accents for example.

Question 6: Do you agree with the list of needs we have set out? Are there other needs we should include?

We agree with the importance of the needs captured but think there are others that should be included. We make the following recommendations and comments:

- The list as a welcome focus on personal characteristics which are vulnerability risk factors. Ofgem's risk based approach to vulnerability recognizes that harm is caused not just by a persons' physical health characteristics but the situation that they are in and the scenario at that time. In line with this, we support the inclusion of 'situational' and wider 'capability' related needs codes. In particular:
    - Care leavers, refugees, being a child, living in a rural area, are all risk factors that make these groups at greater risk of suffering detriment and not having equal access to services, information or support.
    - Young carers and elderly carers should have a dedicated needs code on the PSR. The pandemic highlighted carers as a priority group for support – if a carer suffers harm, it puts at risk not only themselves but also those that they are no longer able to support – which in turn has knock on effects on the health

[6] What is inclusive design?

service. There is good social return on investment from supporting carers!

- A needs code for those who are 'living alone' or in 'isolated areas' with no neighbours (an AgeUK recommendation). This would be valuable given the additional risks to those without household support, the growing number of single-person households and societal trends towards more dispersed families and childless older people. This is especially important during supply interruptions though the sensitivity of this data needs careful consideration.
- A 'digitally excluded' needs code to identify those customers who may lack the skills, money, devices or connectivity to engage fully with digital/online services. Despite increasing online participation, digital exclusion and digital poverty are likely to remain a significant issue, including longer-term for certain households, resulting potentially in barriers to accessing services and safety risks.

Ofgem's approach to vulnerability recognises that wider factors such as having low self-confidence, being time poor may also impact a person's ability to advocate for themselves and access information and support. While we aren't suggesting a needs code for the latter for practical reasons, setting out an outcomes-based approach (i.e. clearly stating the aims of PSR services) will help ensure water companies are sensitive to these kinds of additional needs, and understand the spirit of the PSR not just the letter of the rules.

<u>Combined needs codes</u>

We also think there is merit in considering some combined needs codes. For example:

- An 'at risk during hot weather' needs code. These households could be provided with support on how to stay safe and well before and during hot weather and be a priority during hot weather incidents. There are increasing risks to human health and wellbeing from increased exposure to heat. Individuals with underlying medical conditions such as respiratory and cardiovascular conditions, serious mental health issues, young children, elderly

people, pregnant women are more vulnerable[7]. Moreover, people living in certain types of accommodation e.g. shelters, multiple occupancy buildings, face heightened risks during heatwaves. Water companies have to be careful that messages regarding reducing water use/water efficiency don't result in some groups not drinking enough water or bathing or washing sufficiently to stay healthy.

Sustainability First continues to advocate for water companies to do more to help prepare people for hot weather and support them when it occurs. According to the State of the Climate 2023 report[8], the year 2023 was the second warmest year on record for the UK in the series from 1884, with only 2022 warmer. Six years in the most recent decade (2014-2023) have been within the top-ten warmest in the series. Observations show that extremes of temperature in the UK have been affected much more than average temperature. The number of 'hot' days (28C) has more than doubled and 'very hot' days (30C) more than trebled for the most recent decade (2014-2023) compared to 1961-1990.

- An 'at risk from flooding' PSR needs code may also be valuable. Climate change is increasing the frequency and intensity of extreme weather events and, consequently, flooding in urban and peri-urban areas. Flooding can have a knock-on effect on lighting and heat in people's homes with associated safety risks. Customers often want to know if their water is safe to drink following a flood. The National Adaptation Programme (NAP) is the government's long-term strategy to address the risks (and opportunities) of climate change. One of its key objectives is 'to minimise the impacts of climate change on vulnerable groups in society by strengthening their resilience to better prepare for, respond to and recover from future climate risk' and recognises the threat posed to people by floods and storms. This would be consistent with that aim[9].
- We also support consideration of a financial vulnerability needs code within the PSR especially given the link between financial and non-financial vulnerability. For example, Ofwat and CCW's research into

[7] Beat the heat: staying safe in hot weather - GOV.UK
[8] State of the UK Climate - Met Office
[9] Third National Adaptation Programme (NAP3) - GOV.UK

supply interruptions found that many of the adaptive behaviours people off-supply used to keep themselves safe required money e.g. buying bottled water, driving to a water station to pick up water, using a local gym to shower, going to a hotel to live for a few days. If you have no money, in areas without transport and with no car these are not options open to you. This kind of information would help to identify higher-risk priority groups within the PSR.

CCW's independent Affordability Review for Defra and the Welsh Government argues that sharing financial vulnerability data between organisations could also help utility suppliers take a collective approach to helping customers who need it, reduce the administrative burden on the customer and streamline signposting between organisations. Notwithstanding the challenges of data-sharing to date, the review recommends that a data sharing framework is designed to provide organisations with shared access to essential data about customers' vulnerability.

Also there is a large body of evidence, including Ofwat's own research, that suggests certain groups of consumers, including those with disabilities are much more likely to struggle to pay their utility bills. Having financial and non-financial vulnerability in a single PSR could help with prioritisation of both kinds of support by enhancing understanding of those at greatest risk. Ofwat could be a pioneer here, leading the other regulators in a cross-sectoral approach.

Question 7. Do you agree with the list of services we have set out? Are there other services we should include?

Ofwat needs to be confident that (and provide evidence accordingly), the services suggested reflect what consumers with additional needs say they want, actually use, and plug gaps in service provision to date. We also encourage Ofwat to demonstrate how its proposed services are future proofed.

Taking an outcomes based approach – with the aim that services should help people be and feel safe during interactions with the water company and when things go wrong - we support:

- Delivery of alternative water supplies during a water supply interruption. However these supplies need to be 'accessible' alternative water supplies. E.g. there have been some reports of people not being able to lift water bottles because they are left somewhere the person can't get to such at the bottom of stairs in blocks of flats; that the bottles provided are too big or heavy to lift and/or people can't undo the tops.
- We can see the value of additional communications or contact, especially face to face, around outages or incidents to support some vulnerable customers. However an inclusively designed engagement programme for all consumers may reduce the need for tailored additional communications. Ofwat should consider how it can ensure compliance with this standard doesn't end up being a tick box exercise e.g. water companies sending an extra text message which delivers no additional value.
- Priority contact before or during actual or potential outages to understand impact and / or ask if further support needed.
- Signposting to other support and services within and outside of the company.
- Support for transport to hospital or other evacuation measures – this seems really positive in principle, though we would like to better understand what role Ofwat expects companies to play in this area and where it sees the 'boundary of the water company's responsibilities' and that of other parties.
- Arrangement of additional presence during visits. We'd also like there to be a 'woman-only' home visit option.
- Knock and wait facilities (where visiting staff know to allow extra time for customers to answer the door) and provision of passwords continue to have a real value but we would welcome Ofwat setting a higher bar around home visits e.g. as a minimum, a phone call when the water company are half an hour away from the home. Or providing customers with the ability to track the water company's driver if they have a smart phone, providing their vehicle registration number, car make and a photo of the visitor on their phone (as per Uber style service). It is not uncommon for people with mobility

problems to wait for hours by the door worried about not being able to reach the door in time for a utility visit (despite knock and wait). In addition, for those who suffer from anxiety when people visit their home (a growing number), this provides an additional level of 'control' that can give peace of mind.

In addition, we think Ofwat should include:

- A range of services for carers including young carers. For example, in our recent stakeholder engagement research for a gas network company, Aging without Children said they would like text alerts to be sent not just to the vulnerable person suffering the supply interruption, but to them directly, and for it to be clear whether the supply interruption referred to their area or where the person they care for lives as this may not be the same place. This is especially important given the projected growth in carers.
- Clarity on the support services consumers will receive during flooding and heat waves. This includes tailored advice on staying hydrated and using water to stay healthy and well for at risk groups.
- Generally a greater focus on preventative services – that can help people feel safe, not just be safe e.g. alongside priority contact before or during supply outages, advice and support before home visits, heatwaves and flooding.

To ensure equal access to information and communications we'd welcome Ofwat demonstrating that it understands the current challenges that different groups of consumers face during different customer journeys e.g. when trying to pay bills, budget, move house, manage their water use/water efficiency, complain and seek redress etc.

We don't yet have confidence that Ofwat understands the challenges people face, the degree to which universal design or inclusive mainstream services can address their needs, and where bespoke PSR services are then required. That said, in principle we support:

- Additional metering support or services by the company. Some examples of best practice would be useful here.
- The requirement to provide alternative communication formats such as braille, audio information, large print, etc;

- Third party billing support (where a trusted contact is allowed to manage a customer's account on their behalf).

Arguably such services are needed for water companies to comply with wider equalities legislation.

We'd suggest a bit more research and thinking on service provision else we are in danger of setting the minimum standards as the services we've always had, without having taken sufficient time to really understand if these are, or ever were the right ones.

Question 8: Do you agree with our proposed requirement that all companies should strive towards having as comprehensive a picture as possible of PSR service requirements of individual customers in their area?

We think all companies should strive towards as comprehensive a picture as possible of current and changing needs (as they relate to their role as a water company) of consumers in their area. Not just the 'PSR service requirements' as needs will change. Also there should be a focus not just individual customers but other household members' requirements.

A focus solely on Ofwat's PSR service requirements will inevitably have unintended consequences, with wider needs and new vulnerabilities which should be needs codes likely missed or ignored. This wouldn't then deliver the big picture outcomes required i.e. ensuring people are safe and have equal easy access to information and services regardless of their situation or circumstances.

Question 9. Do you agree with our proposal to set an eligibility estimate, and require incumbent companies to grow their PSRs towards this each year?

On balance yes. The eligibility estimate is challenging but not unfeasible, as illustrated by the detailed customer profiles in other sectors. The estimate is useful as an ambition to strive for and is a stark reminder of the scale of potential additional needs among the population.

We support not having specific year by year targets and not setting individual company level eligibility targets. However we would like transparency around company vulnerability assessments and think companies should report on progress. In particular, we'd like to see how many customers are on each PSR needs code, and what services have been provided in practice.

As mentioned, in addition, we think further consideration is needed as to the extent to which different needs must be met by bespoke PSR services rather than by inclusively designed mainstream services.

Greater clarity around how companies are prioritising support during incidents given large numbers on the register would also be welcome i.e. who do they prioritise and why within the large numbers on the PSR.

Question 10: Do you agree with our proposed eligibility estimate, and the method we have used to calculate it?

We support the ambition of companies aiming to grow their PSRs to a potential 52% (on average) of their customer base, although we consider it should be possible to adjust this according to the specific demographics of each water company's area.

The methodology appears sound, although we would have liked to see more detail. We consider it might be possible to extend the analysis by including indicators for families with children under 5 and people with limiting long term illness, given that the Census provides data on both these factors.

We also suggest companies carry out a gap analysis of individual needs codes, i.e. the extent to which they are meeting potential demand for each specific PSR service. Different vulnerabilities will be more prevalent in some areas than others which should influence companies' service design and provision.

We suggest water companies can do this by comparing current customer numbers for each code against potential demand for that service by using proxy indicators, similar to the three indicators used by Ofwat to establish its eligibility estimate (but extended to include, for example, families with children under 5, those with a limiting long term illness).

Question 11. Do you agree with our proposal to not expect new appointees to meet our eligibility estimate?

No. The estimate is an aspirational target. All customers should be able to expect the same level of protections and additional support regardless of their provider. This should be easier to achieve for a company with a smaller customer base.

Question 12: Do you agree with our proposal to retain our expectations on data checking from our 2020-25 common performance commitment?

We agree that regular data cleansing is important. But the actual and targets proposed by Ofwat seem unambitious. That is specifically, that the company achieves actual contact with 35% of households on the PSR every two years; and it attempts contact with 90% of households on the PSR every two years. Companies should be encouraged to use all their touch points with customers to check and update data.

We note Ofwat's concern about the same customers being contacted multiple times by different providers – this seems like a nice problem to have! We'd encourage Ofwat to set an expectation that water companies work with energy companies to explore developing a coordinated approach to data cleansing if there is evidence that this is a problem. Ofgem could require electricity network companies and suppliers to do the same.

Question 13: Do you agree with our proposed standards on PSR registration?

We agree with the proposals to require water companies to add customers to the PSR as soon as possible after they request it; confirming registration with the customer; and being clear about they support they will receive. We'd like the companies to be required to get feedback from customers on the quality of service provision, in particular if services meet their needs or they have other suggestions.

Ofwat's guidance says that "*This communication should be made available in accessible formats. It should also include details of how to contact the company, in case the customer's needs change.*" We'd welcome this being amended so it says "*This communication should be provided in an accessible format taking into consideration the person's additional needs…*" As it reads, it suggests that an accessible format can be requested, rather than the communication provided already being tailored to that customer.

Question 14: Do you agree with our proposals for implementation, monitoring, and reviewing our PSR standards?

We broadly support the proposals for implementation. We'd also like to see minimum standards around public reporting. In particular, we'd like transparency around:

- The estimated number of people water companies expect to have on the PSR and the gap between that number and those on the register broken down by additional needs/service offered.
- The number and type of services offered and take-up by consumers. This provides insight on whether the PSR is delivering on its aims and whether services are meeting needs.
- Progress on data cleansing – attempted and actual contacts, but more importantly, the number of PSR entrees updated, added and removed.
- PSR customer satisfaction scores and qualitative insight on service provision.

Ofgem already requires the provision of this kind of information for energy companies as part of its social monitoring reporting. This is to provide a) greater transparency on the service provided in practice b) helps companies better understand the effectiveness of different service provision c) can be used to identify where new services or improvements may be needed or better promotion of a particular service may be required d) helps identify if there are weaknesses in referrals by frontline advisors so further training may be required e) Allows some comparison between companies to track relative performance.

The PSR is an important tool but being on the PSR is no guarantee of the receipt of high-quality service and this needs to be addressed. Transparency across all companies is important to ensure a consistent minimum baseline service rather than a postcode lottery of support for consumers.

We'd like to see the standards reviewed annually especially in the first couple of years to ensure changes are delivering the intended outcomes.

We'd like regulators to do more to encourage and require companies to innovate more around service provision to better meet changing and future vulnerable customer requirements. There are notable gaps in service innovation around home visits, helping carers, and supporting resilience.

As noted, there's a role for Ofwat to annually shine a spotlight on good practice and more innovative practice. We have seen a range of innovation in service provision across different sectors but this this is often slow (if at all) to be embedded into BAU practices.

We'd love to see regulators carry out mystery shopping of the accessibility of companies' services by customers with additional needs and compare the cross-sector results. This alongside comparative customer satisfaction scores of PSR customers across sectors.

If the PSR is to be expanded to other sectors there will soon be value in reviewing the overall effectiveness and operation of the system and how it might be improved and future proofed. Any system adopted should be flexible to respond to changing circumstances. At present the PSR focusses on recording a customer's individual condition or circumstances, but it would be worth exploring if a parallel focus on 'service need' might be more effective.