EXPLANATORY MEMORANDUM TO

THE WATER SUPPLY AND SEWERAGE SERVICES (CUSTOMER SERVICE STANDARDS) (AMENDMENT) REGULATIONS 2025

2025 No. 662

1. Introduction

1.1 This explanatory memorandum has been prepared by the Department for Environment, Food and Rural Affairs and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Emma Hardy MP, Parliamentary Under-Secretary of State (Minister for Water and Flooding) at the Department for Environment, Food and Rural Affairs confirms that this Explanatory Memorandum meets the required standard.

2.2 Martin Woolhead, Deputy Director for Water Sector Delivery, at the Department for Environment, Food and Rural Affairs confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Candice Patten at the Department for Environment, Food and Rural Affairs, telephone: +44 7831 121170 or email: candice.patten@defra.gov.uk can be contacted with any queries regarding the instrument.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 This legislation amends the Water Supply and Sewerage Services (Customer Services Standards) Regulations 2008 ("the 2008 Regulations"). The 2008 Regulations set out the statutory scheme of customer service standards in the water sector. The scheme sets standards of service which water and sewerage companies must comply with, and payments which water and sewerage companies must make to affected customers when a company fails to comply with these standards.

4.2 The amendments increase the minimum payment values which must be made to customers affected by certain service failures, amend some definitions regarding specific service failures, introduce new service standards and corresponding payments to broaden the scope of the scheme, and require payments to be made automatically in certain circumstances and to be uprated in certain circumstances.

Where does the legislation extend to, and apply?

4.3 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales.

4.4 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England only.

5. Policy Context

What is being done and why?

5.1 The statutory requirements set out in this legislation are often referred to as the Guaranteed Standards Scheme (GSS) in the Water and Sewerage sector. The GSS was introduced in 1989, and the values and standards it includes have been updated at various points since. The payment values were last updated in 2000; the standards last changed in 2008. Amendments were also made in 2017 to introduce standards and payments for water supply licensees and sewerage licensees in England.

5.1 The GSS provides a form of consumer protection for water and sewerage customers in England and Wales with service standards and corresponding payments for service failures it mandates. This includes standards for customer service issues such as responding in a timely manner to customer contacts, keeping to appointment times, and for supply issues such as water supply outages, low water pressure and sewer flooding.

5.2 This instrument amends the GSS by uprating payment values in line with inflation, or further, to reflect the adverse impact of service failures on customers. It introduces clarifications to existing standards in order to ensure alignment with customer expectations for service provision and expands the scope of the GSS to include new standards which have been identified as areas which require a consistent baseline service across the sector.

5.3 Government is making these changes now because payment values are significantly out of date when accounting for inflation, and to account for weaknesses and inconsistencies in the application of the GSS in practice. All companies have voluntarily enhanced the existing GSS to varying degrees from the statutory standards due to some outdated aspects and compensation amounts of the 2008 Regulations.

5.4 Therefore, government is seeking to redefine the scheme to include an increased baseline standard of service provision, including a more comprehensive range of standards with payments which more fairly reflect the impact of service failures on customers.

5.5 The changes apply in practice only to England (to water companies operating wholly or mainly within England). Welsh Government has indicated that similar changes will be pursued separately in Wales.

What was the previous policy, how is this different?

5.6 The previous policy followed similar principles to those to this amending SI including setting baseline service standards and corresponding payments to provide water customers with a form of consumer protection against certain service failures identified as particularly impactful.

5.7 The instrument retains much of the framework established in the previous policy, including the general standards and payment arrangements. It differs in the increased payment values, uprated at least in line with inflation from the previous values, newly added service standards which broaden the scope of the scheme, and amendments made to existing standards. The baseline standards of service expected by customers from water customers have increased, whilst the compensation levels no longer reflect the disruption caused by service failures. This instrument seeks to provide a consistent baseline of strengthened consumer protections and increased payments for service failure across the water sector in England.

6. Legislative and Legal Context

How has the law changed?

6.1 Payment amounts have been uprated across the standards to account for inflation since the last update of payment values in 2000.

6.2 As well as uplifting the payment rates, the following changes have been made to existing standards:

i. Complaints, account queries and requests about payment arrangements: The standard has been amended to reflect modern communication methods such as email and messaging services

ii. Entitlement to payment where supply not restored: The standard has been amended to capture supply interruptions caused by external issues such as weather.

iii. Flooding from Sewers: Introduction of increased payment ranges for cases of repeated incidents within a 12-month period.

6.3 The following additional standards have also been introduced;

1. Domestic Customers In Arrears

   Where a water company considers that a domestic customer has failed to pay charges which are due, the water company must first give the customer an 'outstanding charges' notice and an opportunity to make payment arrangements or make representations in connection with them before taking formal debt action (for example, by beginning legal proceedings or informing a credit reference agency of the non-payment).

2. Moving to Measured Charging for Supply of Water

   The Water Industry Act 1991 allows water customers to request that their water company installs a water meter, so that the charges they pay reflect the volume of water used. The water company must (subject to some exceptions) install a water meter upon request and then begin to charge the customer on the basis of the volume of water used. If the company fails to do this within the relevant time, the regulations require the water company to pay the customer for this service failure.

3. Reading of Meters

   The water company must read a customer's water meter (excluding smart meters) at least once every 13 months.

4. Core Priority Services

   The water company must keep and maintain a list of domestic customers whose particular circumstances (such as a medical condition or disability) are such that they require additional services to be provided in certain circumstances. Examples include delivery of an alternative water supply during any supply interruption or use of alternative forms of communication, such as large print or braille. The water company must provide the relevant service to the customer in response to an incident.

5. Water Quality Notices

   Payment is to be made to a customer if a water quality notice is served and supply is not restored by the end of a 48-hour period.

6. Indexation

Payment amounts are to be adjusted by the relevant consumer prices index amount and rounded to the nearest £5 if the consumer price index increases by at least 10% compared to the consumer prices index from September 2025.

Why was this approach taken to change the law?

6.4 The payment amounts have not been amended for 25 years. The standards in the 2008 Regulations no longer reflect customer service expectations, modern communication methods or the severe inconvenience that certain service standard breaches can cause customers. The government believes that water customers are entitled to expect better performance from their water companies and are entitled to payments that adequately reflect the distress and inconvenience caused when things go wrong.

6.5 Following the consultation that the government carried out (see section 7 below), the government considered that there were exceptional reasons for the Regulations to be made now in the public interest and that the relevant changes should be made urgently, without an application to Ofwat, who would then have to arrange for research before making recommendations to the Secretary of State. Such an application and research would delay the making of the regulations, and the consumer protections associated with them (such as updated service standards and higher compensation amounts). In the context of the cost-of-living pressures, recent high inflation and a number of significant supply interruptions recently shining a light on various issues with the 2008 Regulations, the government considers that there are exceptional reasons to make the regulations as soon as possible. This urgency made the alternative, slower approach of Ofwat arranging for research and making recommendations to the Secretary of State, impractical.

7. Consultation

Summary of consultation outcome and methodology

7.1 A public consultation was launched on 12 August 2024 and closed on 7 October 2024, remaining open for responses for 8 weeks. The consultation was published online, with options for responses via the Citizen's Space online portal or otherwise by email or written letter. Ofwat and the Consumer Council for Water have also been engaged during the development of the policy and these Regulations.

7.2 The consultation was open for responses from all interested parties including, but not limited to, members of the public and businesses who are water and/or sewerage company customers, industry and regulatory bodies, charities and NGOs, and water and/or sewerage wholesalers, undertakers, licensees, and non-appointees and variations (NAVs).

7.3 The consultation received 251 responses, of which 215 were received on the Citizen's Space online platform and 36 were received by email. Of the respondents, 218 were categorised as "a customer or individual" and 33 were categorised as "a representative of an organisation or company".

7.4 The questions in the consultation separated proposed changes to general standards from specific changes to payment values, to differentiate between support for change from support for specific payment values.

7.5 The support for general standards ranged from 62% to 93% agreement. Most of the proposals had over 80% agreement (with a median of 82%). The specific payment values questions had a support range of 45% to 69% (with a median of 62%).

7.6 Responses to the consultation were predominantly supportive of the changes proposed, and Government published a response to the consultation on 17th December 2024[1] committing to proceed to implement updates to the GSS with secondary legislation.

7.7 Welsh Government were consulted on the changes. Welsh Government plan to make changes to the scheme as it applies to Wales with support from Ofwat in a different timeline.

8. Applicable Guidance

8.1 Ofwat will publish applicable guidance pursuant to these Regulations being made in due course.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full Impact Assessment has not been prepared for this instrument because the equivalent annual net direct cost to business (EANDCB) is below the De Minimis threshold of +/-£10m. Payments made by companies for failing to provide services to the standard mandated by the GSS are considered non-compliance payments and so do not factor into the EANDCB. A De Minimis Assessment has been completed, confirming this position. Costs estimated in the DMA are familiarisation, implementation and administration costs, resulting in an EANDCB of £4.1m.

Impact on businesses, charities and voluntary bodies

9.2 The impact on business, charities or voluntary bodies is below +/-£10m.

9.3 The legislation does impact small or micro businesses.

9.4 An exemption for small and micro businesses from the requirements of the regulations is not possible as this would result in differing standards for customers dependent on the size of their service provider, creating inequalities in customer protection across regions.

9.5 There is no, or no significant, impact on the public sector because this regulation imposes requirements on private companies, with corresponding payments for failure to be made to customers of those private companies, with no implications for the public sector.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 The approach to monitoring this legislation is that there is an existing statutory Post-Implementation Review clause in the 2008 Regulations which was completed.

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

[1] Summary of responses and government response - https://www.gov.uk/government/consultations/water-and-sewerage-changes-to-the-service-standards/outcome/summary-of-responses-and-government-response#summary-of-responses

12. European Convention on Human Rights

12.1 The Parliamentary Under-Secretary of State (Minister for Water and Flooding) at the Department for Environment, Food and Rural Affairs has made the following statement regarding Human Rights:

"In my view the provisions of the Water Supply and Sewerage Services (Customer Service Standards) (Amendment) Regulations 2025 are compatible with the Convention rights."

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023 ("relevant European Union Acts").