

---

Office of Utilities Regulation

---

# **Quality of Service Standards for the Water Utility**

---

## **A Consultative Document**

1999 February

# CONTENTS

ABSTRACT .....	1
COMMENTS FROM INTERESTED PARTIES.....	2
TIMETABLE.....	3
<b>CHAPTER 1: INTRODUCTION.....</b>	<b>4</b>
CONSULTATIVE DOCUMENTS IN GENERAL.....	4
THE PURPOSE OF THIS CONSULTATIVE DOCUMENT.....	4
<b>CHAPTER 2: REGULATION OF QUALITY .....</b>	<b>5</b>
WHY REGULATE UTILITIES .....	5
BACKGROUND.....	6
CURRENT QUALITY OF SERVICE ISSUES AT NWC.....	6
QUALITY OF SERVICE STANDARDS FOR THE WATER UTILITY .....	8
OVERALL VERSUS GUARANTEED STANDARDS .....	9
<b>CHAPTER 3: THE GUARANTEED STANDARDS SCHEME.....</b>	<b>11</b>
INTRODUCTION.....	11
LEVEL OF COMPENSATION .....	11
<i>Minimum Level of Compensation</i> .....	11
<i>Variation in compensation payment</i> .....	13
PAYMENT METHODS.....	14
<b>CHAPTER 4: THE PROPOSED SERVICE STANDARDS .....</b>	<b>17</b>
OVERALL STANDARDS .....	17
GUARANTEED STANDARDS .....	18
FORCE MAJEURE CONDITIONS AND EXEMPTIONS FROM STANDARDS.....	21
HOW REASONABLE ARE THE STANDARDS .....	22
<b>CHAPTER 5: LIST OF CONSULTATION QUESTIONS .....</b>	<b>27</b>
QUALITY OF SERVICE STANDARDS FOR THE WATER UTILITY .....	27
OVERALL VERSUS GUARANTEED STANDARDS .....	27
LEVEL OF COMPENSATION .....	27
PAYMENT METHODS.....	27
PROPOSED SERVICE STANDARDS .....	28

## Abstract

One of the roles of the Office of Utilities Regulation (OUR) is to establish service standards for the utility companies. This is particularly important, as the utilities do not face the competitive pressures that would otherwise ensure that the standard of service provided to consumers was adequate. This document sets out specific proposals for two categories of service standards for the water utility provider, the National Water Commission (NWC). These are overall and guaranteed standards. Failure to meet *guaranteed* standards will result in NWC making a compensatory payment to the customer that has suffered a sub-standard level of service. *Overall* standards will be monitored, as a measure of NWC's performance, but failure to satisfy the standard will not result in a penalty payment. It is proposed that the minimum level of the compensatory payment for failing to satisfy a guaranteed standard be equal to the service charge, i.e. \$100 for a domestic customer. Following the completion of the consultation exercise, it is proposed that the standards be introduced in mid 1999, and that the conversion of some of them to guaranteed standards occur one year later, i.e. that compensatory payments to consumers commence in mid 2000.

Comments from interested parties are invited on these proposals (see the next page for details).

Additional copies of this document may be obtained by contacting the OUR's library (Tel 968 6053; Fax 929 3635). The document may also be downloaded from the OUR's Web site at <http://www.cwjamaica.com/~office.our>

## Comments from Interested Parties

All persons who wish to express opinions on this Consultative Document are invited to submit their comments in writing to the OUR. Electronic versions of comments will also be accepted. Comments are invited on all aspects of the issues raised, but especially the specific questions identified (set out under the text to which they relate in Chapters 2 - 4 and also listed in Chapter 5). Responses to this Consultative Document should be sent by post, fax or e-mail to: -

Adrienne Warner  
P.O. Box 593,  
36 Trafalgar Road,  
Kingston 10  
Fax: (876) 929 3635  
E-mail: [adwarner.our@cwjamaica.com](mailto:adwarner.our@cwjamaica.com)

**Responses are requested by Friday, April 30.** Any confidential information submitted should be put in a separate Annex and clearly identified. In the interests of promoting transparent debate, respondents are requested as far as possible to limit their use of confidentiality marking.

### *Comments on responses*

As in all of the OUR's consultation periods, there will be a specific period for respondents to view other (non-confidential) responses and to make comments on them. The replies may take the form of either correcting a factual error or putting forward counter-arguments. **Comments on responses are requested by Friday, May 28**, four weeks after the deadline for the receipt of responses.

Those who wish to view the responses that the OUR has received should make an appointment by contacting Granville Newell, Communications Manager, by one of the following means: -

Telephone: (876) 968 6053 (or 6057)  
Fax: (876) 929 3635  
E-mail: [granewell.our@cwjamaica.com](mailto:granewell.our@cwjamaica.com)

At the pre-arranged time the individual should visit the OUR's offices at: -

3<sup>rd</sup> Floor, PCJ Resource Centre, 36 Trafalgar Road, Kingston 10

The individual will be able to request photocopies to be made of selected responses at a price, which just reflects the cost to the OUR of its photocopying facilities. Copies may also be ordered by post by sending a cheque made payable to "Office of Utilities Regulation" (the contact details above should be used to find out the correct amount).

## Timetable

The timetable for the consultation is summarised below:

### Summary of timetable for the consultation on quality of service standards

Event	Date
Responses to this document	Friday, 1999 April 30
Comments on Responses	Friday, 1999 May 28 4 weeks after responses received
Statement	1999 July

## CHAPTER 1: INTRODUCTION

### Consultative Documents in General

- 1.1 This is the first Consultative Document to be issued by the Office of Utilities Regulation (OUR) on the water sector. As described in *Conducting Public Consultations*, (OUR November 1998)<sup>1</sup> a Consultative Document is a public discussion paper in which the OUR:
- a) brings to the public attention important issues relating to utility regulation;
  - b) puts forward options and/or proposals as to the approach to adopt in dealing with these issues and to seek to resolve them in the best interests of consumers and the society at large; and
  - c) Invites comments from the general public and from other interested parties, such as service providers, businesses, professionals and academics.

### The Purpose of This Consultative Document

- 1.2 This paper aims to provide an overview of the principles on which service quality standards for the water sector are set and make suggestions on what standards might be appropriate for the National Water Commission. It will also introduce the concept of compensation for poor service, that is, a guaranteed service standards scheme.
- 1.3 The OUR has specified a set of service standards for Jamaica Public Service Company (JPS), which has been agreed to by the utility. These standards were implemented in April 1998 and are currently being monitored. In April 2000, some or all of these standards will be converted to guaranteed standards, at which time, compensatory payments will commence. The scheme being proposed for NWC is similar to that which was introduced for JPS.
- 1.4 On completion of the consultation, OUR will publish a Statement (intended for 1999 July) outlining the results of the consultation and hence, the decisions made regarding quality of service standards for the water utility.
- 1.5 Chapter 2 will give an outline of why quality of service standards are needed for the water utility and the appropriate categories for which performance should be measured. Chapter 3 will discuss the Guaranteed Standards Scheme while Chapter 4 will present a detailed description of the proposed service standards. The paper will end with a summary of the list of consultation questions.

---

<sup>1</sup> Copies of all of OUR's documents can be obtained from its library or its Web site at [www.cwjamaica.com/~office.our](http://www.cwjamaica.com/~office.our)

## CHAPTER 2: REGULATION OF QUALITY

### Why Regulate Utilities

- 2.1 Many basic infrastructure systems, such as a piped water system, are traditionally regarded as natural monopolies. This is so because they are capital-intensive and it is not efficient or practical for more than one provider to supply the market.
- 2.2 There are several shortcomings in such monopoly systems. Firstly, the lack of competition prevents consumers from switching suppliers when they are no longer satisfied with the current quality of service provided. Monopolies therefore have weak incentives to maintain a high quality of service. Another problem with monopolies is that because prices are not set by competition between vendors to win consumers (market forces), in the absence of regulation, the monopoly would be able to limit its output and charge excessively high prices. The monopolist would also have an incentive to keep out competitors and may create barriers to entry. These barriers could be in the form of predatory pricing in which the monopolist lowers its prices to prevent a potential supplier from entering the market after which the price is increased again. Another barrier would be failure of the incumbent to allow interconnection to its system. Monopolists also have little incentive to keep production and operating costs down. Although lower costs will increase their profits, monopolists do not have as high an incentive as competitive firms to reduce costs or improve efficiencies since they are usually able to charge higher prices.
- 2.3 One of the functions of the regulator is to oversee issues of price and quality (investment and operating decisions are strictly left up to the utility). Price regulation can be either rate of return, price cap or a hybrid of the two. In price cap regulation, the regulator sets a maximum price level, called the price cap. The regulated firm can then set its price at or below this level and is permitted to keep all the profits it earns at that price level. This is aimed at providing an incentive for the firm to minimize its costs. In rate of return regulation, however, the focus is on maximum profits, or returns, instead of a maximum price level. This form of regulation creates the incentive to over-invest in capital. That is, the firm will have little or no incentive to minimize costs since it is guaranteed a particular level of profit.
- 2.4 In competitive markets, the existence of more than one provider of particular goods or services creates an incentive for the firms to supply goods and service of the highest quality. This happens because a rational consumer will not tolerate poor quality of service. Given a choice, consumers will switch from a provider of poor quality to one who provides a higher quality of service, all other things being equal. In monopoly markets, however, consumers have no choice and firms therefore do not have as high an incentive, as firms in a competitive market, to maintain a high quality of service.
- 2.5 When an industry is subjected to price controls, such as price cap regulation, problems of quality degradation can arise. This happens as the price control is intended to make the firm minimize its costs. However, in an effort to maintain or increase its profits, a price-regulated

firm may reduce operating and maintenance costs to an extent which often leads to a downgrade in the quality of its outputs. Therefore, when a monopoly firm, which already has little incentive to provide high quality service, is subjected to price control, it is highly probable that service quality will further deteriorate as it tries to increase profits by cutting costs. This decrease in service quality manifests itself in the form of customer calls and complaints.

- 2.6 The regulator therefore has a duty to devise ways of monitoring and responding to poor performance in utility customer service programs. Licences or regulations may specify performance and service standards, and the regulator will monitor the observance of these standards by the utility. Violations of the standards by the utility may lead to the customer receiving compensation, in which case, the standards are guaranteed.
- 2.7 One of the responsibilities of the Office of Utilities Regulation (OUR) is to safeguard consumers' interests with respect to the quality of service provided by the Utility. The OUR will set a series of overall standards against which the utility's overall performance in terms of customer service will be measured. Also, to encourage commitment to customer service, the OUR and the utility service provider will agree on specific Guaranteed Standards against which the utility will be obliged to make payments to customers when those standards are not met.

## **Background**

- 2.8 The National Water Commission (NWC) has primary responsibility for the construction, operation and maintenance of Jamaica's potable water and wastewater systems. The Commission serves 65% of the population via house connections. The other 35% are served by other methods, which include standpipes, wayside tanks and community catchment tanks, a portion of whom are provided service by the Parish Councils. NWC customers are categorized as domestic, commercial, schools, condominium or staff and different rates are applied to each category. The Commission manages water supply through its five operating regions: metro, southern, central, western and northern. It also operates forty-nine (49) sewage treatment plants islandwide. The Commission's Mission Statement is:
- To efficiently provide and distribute potable water.
  - To safely collect, treat and dispose of wastewater at the lowest possible cost, consistent with long term viability.
  - To provide a reliable supply of water, at affordable costs, to all consumers and maintain good conditions of employment.

## **Current Quality of Service Issues at NWC**

- 2.8 Information received through the OUR's Customer Affairs Department (CAD), which has been receiving complaints from consumers, reveals that the majority of complaints pertains to bill accuracy and has been consistently greater than 50% of all complaints in the review periods. Another area of discontent seems to be that of disconnection for outstanding or late payment



of bills. (See Table 2.1). Also, often reported in the media, is the complaint of broken mains not being repaired in a timely manner.

**Table 2.1**

**CATEGORIES OF COMPLAINTS/OPINIONS - WATER & SEWERAGE**

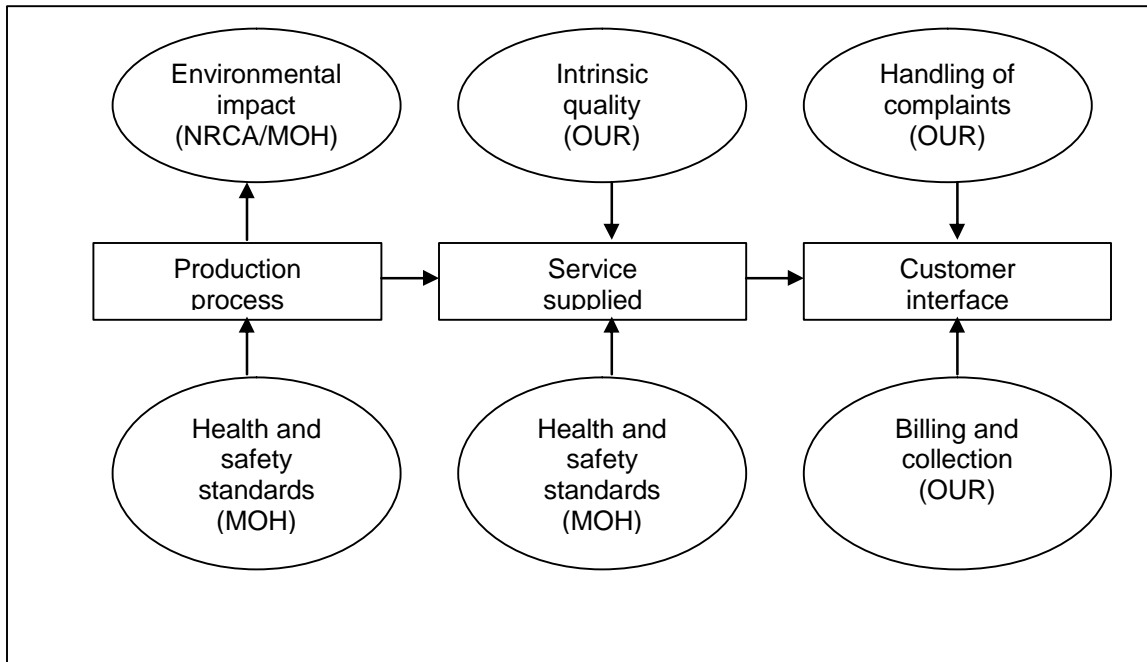
CATEGORIES	1996/97	1997/98	1998/99
	Quarter 4 Jan - Mar		Quarters 1 & 2
Incorrect Billing	14	213	126
Unable to understand bill	0	4	2
Bills not received	0	1	2
Equipment damage	0	0	0
Property Damage	1	5	0
Disconnection	0	29	22
Re-connection	0	4	3
Irregular Supply	4	12	3
Metering	2	11	1
Unscheduled interruption of service	1	8	1
Health and safety	0	1	0
Service Connection	0	6	2
Unavailability of service	1	11	5
Other	2	51	42
<b>TOTAL</b>	<b>25</b>	<b>356</b>	<b>209</b>

Source: OUR's Customer Affairs Department

- 2.10 To address these and other issues of service quality and to ensure that the NWC carries out its stated mission, the OUR intends to introduce a set of quality standards for the water sector in July 1999. The utility's adherence to these standards will be monitored for one year after which the OUR intends to convert some or all to Guaranteed standards against which compensatory payments must be made to consumers, should the utility fail to meet the standard.
- 2.11 These standards can be divided into three major areas and cover the entire operation of the Utility namely, the production process, service supplied and customer interface. (See Figure 2.1). However, although the OUR will monitor the conformity of the utility to all the set standards, only those standards relating to customer service and intrinsic quality will be determined by OUR. That is, health and safety standards and environmental impact are the responsibilities of The Ministry of Health (MOH) and The Natural Resources Conservation Authority (NRCA). The OUR, however continues to maintain an interest in the NWC's compliance with those standards.

**Figure 2.1**

**RELEVANT QUALITY DIMENSIONS**



Adapted from Policy Research Working Paper 1694, "Economic Regulation of Water Companies". World Bank Private Sector Development Department.

**Quality of Service Standards for the Water Utility**

2.12 The categories for which performance should be measured depend on the type of utility, its previous record on customer service compliance, current issues, existing regulations and the availability of the utility's historical data. Most service quality monitoring plans include measurements of customer satisfaction, business office performance and service reliability. For a water provider an appropriate set of service standards includes the following categories:

**1) Customer Service**

- Meeting commitments to customers to connect water services
- Response times to written complaints
- Providing accurate bill information
- Ease of telephone contact
- Meter installation

**2) Reliability of Water Supply Services**

- Pressure (too high or too low)
- Interruptions to supply

**3) Sewerage Service**

- Flooding from sewers

**Q2.1 *What are the appropriate categories of performance, which service standards for NWC should cover?***

2.13 Although NWC receives and addresses complaints from customers they have not been monitoring their customer service performance in terms of response times to complaints. Given the unavailability of historical data from the NWC regarding customer service performance, OUR's only means of assessing NWC's service quality performance is to examine the complaints which have been received by OUR's Customer Affairs Department. It should be noted that OUR only accepts complaints, which the customer has already lodged at the Utility and, after exhausting the Utility's complaints procedure, the customer is still dissatisfied. OUR has also looked at standards which have been set for other utilities in Jamaica, such as JPS as well as standards which are used in other countries, the UK in particular. The UK was chosen as a model because it has a well-developed quality of service and guaranteed standards scheme for the water industry. OUR has not been able to access data for other developing countries.

**Q2.2 *What information and benchmarks should OUR use in developing the service standards?***

**Overall versus Guaranteed Standards**

2.14 Overall standards will attract no penalty for poor performance. A set of overall standards for compliance by NWC will be determined on the above bases. These standards will be monitored by the OUR and are primarily a basis on which the utility's performance is rated. That is, the compliance of the utility to these standards will be used just as an indication of whether or not the utility is performing at the required level.

2.15 The OUR also intends to introduce a set of guaranteed standards for the water utility. These are standards, not only against which the utility's performance is measured, but it must also make compensatory payments to customers should it fail to meet a particular standard.

**Q2.3 *Is guaranteed standards, and the scheme of compensatory payments, an appropriate method for customer service regulation in Jamaica at the present time?***

2.16 All the standards will be introduced in mid 1999. However, compensatory payments to customers for non-compliance to the guaranteed standards will not be mandated until one year later to enable NWC to implement the systems which will be required to effectively manage the scheme. Thus, NWC's performance against the standards will be monitored for a period of one year before the compensatory scheme is implemented.

**Q2.4 *Should the standards be introduced and monitored for a period before compensation payments commence? If so, is one year adequate? What period of time should be allowed?***

- 2.17 The overall standards will include the categories that are not customer specific such as: (see Table 4.1)

#### **Reliability of Water Supply Services**

- Quality
- Pressure
- Interruption

These categories are either general in nature or affect a group of customers, in which case, NWC may not be able to identify all the parties affected. It would be almost impossible for NWC to be able to monitor the pressure or quality of each customer's water. NWC is however already required, by the Ministry of Health, to ensure that water supplied to consumers is of a specified quality. OUR will therefore only monitor NWC's compliance to the established water quality standards. Interruptions to supply for planned work is inevitable as NWC needs to carry out maintenance and other works occasionally. This will normally affect groups of customers.

- 2.18 The guaranteed standards will cover primarily customer service issues and will include the following: (see Table 4.2)

#### **Customer Service**

- Connection
- Re-Connection
- Response to complaints
- Billing (accuracy and timeliness)
- Meter installation

#### **Sewerage Service**

- Overloaded sewers
- Pumping station failures

These categories are generally customer specific. This means NWC will be able to identify the customer who should be compensated. With respect to sewerage, it is felt that customers who suffer flooding from sewers should be guaranteed compensation if it is due to overloaded sewers or pumping station failures, in which case, NWC is at fault. If, however, the flooding is a result of blocked sewers and the customer is at fault, no compensation is due.

#### **Q2.5 Which categories of performance should constitute overall standards and which, guaranteed? Why?**

## CHAPTER 3: THE GUARANTEED STANDARDS SCHEME

### Introduction

- 3.1 The establishment of a set of guaranteed standards for NWC is aimed at addressing the inherent problem of monopolies that quality of service may be too low. Under the guaranteed standards scheme, customers are compensated for poor quality of service. The compensation payments serve two main purposes: -
- i) To compensate consumers for suffering a poor quality of service
  - ii) To provide an incentive for NWC to avoid falling below the specified service standards

### Level of Compensation

- 3.2 The penalty amount is a matter of wide discretion. The payments should not be so low that the utility is not encouraged to improve its performance. A larger payment may provide greater incentive for NWC to comply with the specified standards than a smaller payment. However, beyond a certain amount, compensation to consumers becomes excessive in relation to the harm suffered. The amount should be sufficiently high to be a real nuisance to the utility without being penal or detrimental to its operations while not becoming a source of income to customers.
- 3.3 The ways in which the minimum amount of compensation can be determined will be discussed. This will be followed by an examination of how the amount may vary between different sets of customers or standards.

### *Minimum Level of Compensation*

- 3.4 There are various methods by which the level of compensation can be set. One option is to set the payment equal to the average monthly consumer bill. Another option would be an amount in line with the service charge. Alternatively, the compensation could be a percentage of the consumer's next (or last) bill when the payment becomes due.

### *Option 1*

- 3.5 The penalty amount can be set equal to the average monthly consumer bill. For example, based on calculations by the OUR, using information made available by NWC, the average monthly bill, for water only, is about \$500 for a domestic customer and \$6000 for a commercial customer. (These are based on an average monthly consumption of 5000 gallons for a domestic customer and 25000 gallons for a commercial customer). This would mean a penalty amount of \$500, for each offence, to domestic customers who receive service below the specified standards. Commercial customers could either receive the same level of

compensation as domestic or they could also be compensated by the amount of \$6000, which is the average monthly bill (water only) for a commercial customer.

#### *Option 2*

- 3.6 The compensation amount could be in line with the service charge, which is approximately \$100 (PAM<sup>2</sup> added) for domestic customers and ranges from \$200 to approximately \$3000 for commercial customers. This is the amount that customers are charged for the service they receive from NWC, which is separate from the amount NWC charges for the water it provides. In this case, if NWC fails to provide the required service, customers will be compensated by the amount, which NWC actually charges, for service provision, independent of usage.

#### *Option 3*

- 3.7 The penalty amount could be set as a percentage of the consumer's next (or last) bill. In this case the compensation amount would vary from consumer to consumer and based totally on usage levels. The same offence would result in different compensation amounts to different consumers.
- 3.8 This method however, would result in high usage customers being paid more than low usage customers for the same standard. In this respect it can be argued that a customer who uses more water suffers a greater inconvenience, for example when supply is interrupted, than one who uses very little water and is therefore justified in getting a payment based on usage. However, in cases where NWC fails to keep an appointment or does not respond to a complaint, both customers have suffered typically the same inconvenience and compensation should therefore be the same to both customers. A payment based on usage level may not be justified here.
- 3.9 The OUR thinks option 2 is the best option and that the principle of a compensation amount which is equal to the service charge is reasonable. At this level, the compensation achieves its two objectives; namely, the customer receives some compensation for the poor quality of service and the utility is penalised by the portion of its expected revenue from the customer that relates directly to service provision. It will also be simpler to administer than option 3 since the payment does not vary among customers.
- 3.10 OUR thinks also that, given NWC's current financial position, any of the penalty amounts discussed, regardless of how low they may seem, will provide an incentive for the Commission to improve its performance.
- 3.11 The amount of \$100 also seems reasonable when compared to the \$200, which was suggested for the proposed JPS guaranteed service standards scheme (although this has not yet been implemented). On average, a customer pays approximately \$500 per month to NWC but approximately \$2000 per month to JPS. Therefore, as a proportion of the average revenue that the company receives per customer, \$100 does not appear to be unreasonable.

---

<sup>2</sup> PAM is the Price Adjustment Mechanism designed to automatically adjust cost by movements in electricity prices, exchange rate and inflation.

**Q3.1 What minimum level of compensation do respondents consider to be appropriate and how should it be determined? Are there any other options you would suggest?**

*Variation in compensation payment*

- 3.12 The amount of compensation can be made to vary between residential and commercial customers, in which case, a residential customer would receive a different payment from a commercial customer for a particular offence, by NWC. The compensatory payment can also be made to vary between offences, whereby different standards would attract different payment amounts.
- 3.13 It may be argued that the commercial customer suffers a greater loss than the domestic customer if there is interruption to supply and the business needs water to operate, in which case a greater compensation to the commercial customer may be justified. However, if NWC fails to turn up for an appointment to visit the customer's premises, it might result in greater inconvenience for a domestic customer who had to make arrangements for someone to be at the premises. A commercial customer will normally have staff at the premises on most occasions. In the UK, a business may receive a higher compensation than residences in instances where water is turned off for emergency drought restrictions.
- 3.14 The OUR recognises that there is a case for commercial customers to receive a larger compensatory payment than domestic customers, for example because they pay a higher service charge. However, there is a wide range of service charges paid by commercial customers, which might lead to excessive complexity in the scheme. Therefore, the OUR suggests the same compensatory payment for all commercial customers, of \$200, which is the lowest service charge paid by such customers.

**Q3.2 Should domestic and commercial customers be compensated by the same amount? Why?**

- 3.15 A set figure for compensation will ensure uniformity in the system in that there will be equal compensation for equal offences for particular customer groups. This system of compensation is currently practised in the UK. Under the Guaranteed Standards Scheme (GSS) for the water industry in England and Wales, customers are entitled to a payment of £10 (about J\$600) or more if certain standards of service are not met. This set figure could be applied in two ways:
- a) The charge of \$100 ( for domestic customers) is applied to all the standards
  - b) The charge of \$100 is applied to some standards, with others attracting a higher penalty of \$200 or \$300 (twice or three times the amount).
- 3.16 In the UK, for almost all of the standards, customers are entitled to a payment of £10. Deviation from this amount occurs when the utility has applied for a court summons to disconnect supply and have already received payment settling the customer's bill or has disconnected supply when not supposed to. In such cases £30 is paid to the customer for the distress and inconvenience caused.

3.17 In Jamaica, offences which can be considered serious and would therefore attract higher penalties would be those which result in significant consumer inconvenience, and possibly loss of revenue for a commercial customer. Examples of such offences would be failure to connect a new customer or reconnect a customer after settlement of debt, by a particular time.

**Q3.3 Do respondents agree that some guaranteed standards should attract a higher penalty? If so, which types of guaranteed standards should carry larger penalties and how large should the greater penalty be?**

## Payment Methods

3.18 The penalty must be paid in a way that benefits consumers. If the utility does not meet the required standards, customers may:

- a) be required to claim payment within a specified period (such as 3 months) of the incident;  
or
- b) automatically receive compensation from the utility

3.19 If the customer is required to claim payment then there is a disadvantage in that the customer will have to be aware that a relevant service standard exists and that it has been breached. The customer would also need to understand the procedure for applying for compensation. Otherwise, this could lead to the compensatory payments not being claimed and would lessen the impact of this scheme as an incentive for the utility to perform.

3.20 This, however, could be addressed by NWC embarking on an intense campaign to educate its customers about the standards and the compensatory payment scheme. In this respect, the OUR would place an obligation on NWC to provide the relevant information to all its customers. The most effective way is for NWC to include a leaflet outlining the standards and all relevant information, in the bills on a periodic basis, e.g. every three months. This may not guarantee that customers will know all the standards and when they have been breached because it requires customers to remember the details of the standards and/or retain the leaflet.

3.21 In the UK it has been observed that where payments have to be claimed, actual payments to customers are significantly below potential entitlement to payment. Customers appear to be unaware of their entitlement and very few make the claim for the £10 compensation. In 1995/96 35,000 properties had their water supply restored after the time the companies stated when customers were being notified, but less than 400 customers claimed payment under the guaranteed standards scheme.<sup>3</sup>

3.22 If NWC automatically compensates customers for providing service below the required standards, then this would be more advantageous to the customers. NWC would need to

---

<sup>3</sup> 1995-96 Report on levels of service for the water industry in England and Wales, OFWAT



ensure that adequate systems are installed to identify occasions for which automatic payments are due.

- 3.23 For JPS, it was proposed that customers should claim compensation. This was primarily based on the fact that it is believed that customers would be more aggressive in claiming than JPS would be in automatically paying. JPS also felt that they would not be able to implement systems, which would be needed to administer an automatic compensation system. However, OUR believes that a mix of the two methods could be employed for NWC. That is, in most cases, the onus will be on NWC to automatically compensate customers who are provided with poor service rather than the customer being requested to claim compensation.
- 3.24 Situations which would require that the customer claim would be those in which a whole area is affected and for some reason NWC might not be able to identify all affected parties, for example interruption to supply. NWC would therefore need to indicate these possible circumstances and also justify their inability to identify affected parties. Otherwise, if NWC fails to meet specified deadlines, such as response time to complaints, NWC will be expected to automatically compensate the particular customer. But even where the onus is on NWC to compensate automatically, the affected customer would still be able to complain that compensation was due and had not been paid.
- 3.25 The current practice in the UK is that the utility makes automatic payment to the customer in most cases. The customer is required to claim in instances related to supply interruption and sewer flooding.

**Q3.4 *Should compensation payments be made automatically by NWC, should the customer be required to make a claim or should a mixture of the two methods be employed?***

- 3.26 These payments can either be in the form of a one-time credit on customer bills or the utility can make a separate payment to the customer in the form of a cheque. Whatever the payment method, NWC should inform customers of the failure to achieve adequate service quality, by either including a message on the bill or attaching a note to the payment, especially if payments are made automatically. This message on the bill could be labeled as "compensation for below standard service" and ideally, should indicate the particular guaranteed service standard breached.
- 3.27 A one-time credit on customers' bills may be preferred by NWC since it not only makes the process of compensation faster but also reduces the actual passing of cash from NWC's account. However, the additional trouble of preparing a cheque might provide an added incentive for NWC to maintain the specified service standards.
- 3.28 If NWC compensates customers by way of a cheque, a problem arises when the account holder is not the person who actually resides at the particular premises. For example in cases where premises are rented and the account is in the name of the landlord but the tenant is responsible for paying the bill. There may also be cases where the name on the account has not been changed even though that person no longer resides at the premises. In such cases, compensation by cheque, which would be made payable to the account holder, would be

disadvantageous. On the other hand crediting the bill directly will always compensate the user of the service, whether or not the account holder is the person who actually receives the service and pays the bill. Based on this, OUR considers a one-time credit on consumers' bills preferable to a cheque payment.

**Q3.5 *Do respondents think that compensation should take the form of a one-time credit on consumer bills or other means such as a cheque?***

## CHAPTER 4: THE PROPOSED SERVICE STANDARDS

- 4.1 Below is a detailed description of the suggested quality of service standards, which OUR intends to introduce for NWC in 1999. Some or all of these will be converted to Guaranteed Standards one year later. Tables 4.1 and 4.2 respectively, summarise the overall and guaranteed standards.

### Overall Standards

#### *Drinking Water Quality*

Objective: To ensure that the water supplied is always of the highest quality and fit for consumption.

##### WS1 - Testing samples for impurities

Definition: It is the duty of the NWC to make periodical analyses of water samples to ensure quality. NWC is required to take any water samples necessary for analysis and ensure that it is within the standards specified by The Ministry of Health (MOH) Environment Control Division.

#### *Water Pressure*

Objective: NWC is required to maintain a pressure of 35lbs. per square inch in the pipes that will ensure that customers receive a supply of water at all times

##### WS2 - Minimum water pressure

Definition: NWC should ensure that the pressure of water supplied to consumers is within the specified level. During drought conditions, NWC should continually advise customers of areas affected by low pressure or no supply and this standard will be waived for the period that the drought persists.

#### *Reliability of Supply*

Objective: To minimize interruptions to supply for planned work

##### WS3 - Restoration after planned work

Definition: NWC is required to let customers know at least 24 hrs. beforehand, if they need to turn off the water supply for more than 4 hrs. and when it will be turned on again. NWC also has to give at least 12 hrs. notice of work that is expected to last between 1 and 4 hrs. If NWC cannot restore water supply at the specified time, they will let the public know. NWC will notify the public preferably in writing, e.g. in the newspaper. If time does not permit, a notice on the radio or television will suffice.

## Guaranteed Standards

### Access

Objective: To ensure that new customers are promptly connected to NWC's system.

#### GWS1 - Connection to Supply

Definition: NWC is required to connect all new customers, where water supply is available at the property boundary, within 5 working days after signing the contract for connection.

*Guarantee: If NWC fails to connect a customer within the specified period, NWC will automatically pay the customer \$ (the customer can claim \$)*

#### GWS2 - Issue of First Bill

Definition: NWC must issue a bill to a new customer within 48 days after connection.

*Guarantee: If NWC fails to issue a bill within the specified period, NWC will automatically pay the customer \$ (the customer can claim \$)*

### Inquiries

Objective: To minimize the inconvenience to customers of having to wait for NWC's representatives to attend appointments and to ensure that customer complaints about water service (either written or by telephone) are dealt with promptly and satisfactorily by NWC.

#### GWS3 - Keeping appointments

Definition: NWC has a responsibility to satisfy a request for a representative to visit the customer's premises, to deal with an identifiable problem, and should let the customer know whether the visit will be before or after 12 noon.

NWC must guarantee to keep all appointments or to give the customer at least 12 hours notice if an emergency prevents them from keeping the appointment.

*Guarantee: If for any reason NWC does not keep an appointment they have made with a customer or does not give at least 12 hours notice of a change, they will automatically pay the customer \$ (the customer can claim \$)*

*If the customer does not keep the appointment, he will not be entitled to payment on the first subsequent rescheduled appointment.*

#### GWS4 - Response to complaints not related to billing

(Complaints not related to billing include, faulty meters, low pressure, poor water quality)

Definition: If a complaint is made in writing to the NWC, NWC must acknowledge inquiry within 5 working days after receipt and a reply to the customer should be made in writing within 30 working days of receipt.

NWC is required to take details of telephone complaints at the time of the call. If the complaint has to be investigated NWC will still be required to provide an answer within the specified period.

*Guarantee: If NWC does not meet the specified time, the customer will automatically receive \$ compensation (the customer can claim \$)*

### *Bill Inquiries*

Objective: To ensure that customer queries (written and by phone) about correctness of bills and other bill related issues are dealt with promptly and satisfactorily by NWC.

#### GWS5 - Bill accuracy

Definition: NWC is required to acknowledge inquiry within 5 working days and reply to all queries whether written or by phone regarding correctness of bills within 30 days of receiving the inquiry.

*Guarantee: If NWC does not then they will automatically pay the customer \$.*

#### GWS6 - Final Bill

Definition: If a customer is closing an account NWC is required to read customer meter on the day the customer is moving as long as (5) working days notice is given. NWC is also required to provide a final bill within 48 working days of the customer's moving.

*Guarantee: If NWC does not then they will automatically pay the customer \$.*

### *Reliability of Supply*

Objective: To minimize interruptions to supply for unplanned work (emergencies)

#### GWS7 - Restoration after emergency lock-off

Definition: If there is a burst water main or other emergency, NWC may not be able to warn customers that water will be off. NWC will however be required to provide an alternative supply of water if necessary (trucking water to affected customers), and to restore supply within 24 or 48 hours (for urban or rural customers, respectively).

*Guarantee: If NWC does not meet the specified time, customers can claim \$ by letter. Claims should be made within a specified period (3 months) of the incident.*

### *Water Meters*

Objective: To ensure that customers are promptly provided with a properly functioning meter.

### GWS8 - Meter installation

Definition: NWC is required to fit a meter to all un-metered customers who request one within 30 working days of receiving the customer's order.

*Guarantee: If NWC does not, the customer will automatically receive \$ compensation.*

### GWS9 - Repair or replacement of faulty meters

Definition: If a customer's meter is faulty, NWC will repair or replace it within 40 working days of being informed by the customer.

*Guarantee: If NWC does not, the customer will automatically receive \$ compensation.*

### GWS10 - Changing meters

Definition: If NWC needs to change a customer's meter, they are required to leave written details of the date of the change, meter readings on the day and serial numbers of the new meter.

*Guarantee: If NWC does not, the customer will automatically receive \$ compensation.*

### GWS11 - Meter reading

Definition: NWC has the responsibility to provide at least one bill approximately every three months and will guarantee to read customers meter at least once every three months as long as it can be accessed.

*Guarantee: If NWC does not, the customer will automatically receive \$ compensation*

### *Reconnection*

Objective: To encourage prompt reconnection of customers after payment of overdue amounts

### GWS12 - Reconnection after payment of overdue amounts

Definition: NWC is required to reconnect customers, whose supply has been locked off for debt and who have settled their accounts, within 24 or 48 hours (for urban or rural customers, respectively) after debt settlement.

*Guarantee: if NWC does not, the customer will automatically receive \$ compensation.*

### *Sewerage*

Objective: To minimize flooding from sewers due to overloaded sewers or pumping station failures.

### GWS13 - Correction of sewerage problems

Definition: NWC must correct all problems, which result in flooding from sewers, within 24 hours of being informed.

*Guarantee: If not, the customer can claim \$. The customer will not be entitled to compensation if the flooding is a result of blocked sewers and the customer is found to be at fault.*

#### **Compensation Payment**

Objective: To ensure that the value of the compensation is not undermined by late receipt of payment.

#### **GWS14 - Payment of Compensation (to be introduced in April 2000)**

Definition: NWC is required to make payments that are due under the Guaranteed Standards scheme within 60 days of

1. the date the standard was breached, for automatic payments; and
2. the date the claim was made, for claimed payments

*Guarantee: If the payment due under a particular standard is not paid within the specified period, the customer will receive \$ in compensation. This will repeat itself for subsequent periods until payment is made.*

**Q4.1 Do respondents agree with the OUR's proposed service standards? If not, please set out your suggested modifications, additions or deletions.**

4.2 NWC operates five distinctly separate operational regions. Each region, because of geographic and socio-economic conditions, has different priorities for water supply.

**Q4.2 Should the standards be applied island-wide or should specific regional standards be developed?**

#### **Force Majeure Conditions and Exemptions from Standards**

4.3 The Guaranteed Standards scheme will be suspended in circumstances where compliance is beyond the control of the Utility. The OUR must be promptly notified by the Utility in all cases of suspension or proposed suspension of the scheme indicating the exact duration of such suspension. The burden of proof of exceptional circumstance will lie with the utility, with the exception of the following events, which will be deemed to be exceptional circumstances:

- ? Exceptional weather or natural disaster: and
- ? Exceptional system conditions such as major breakdown of treatment plants or pumping stations
- ? Drought

On receiving the concurrence of the OUR that a force majeure condition exists, the utility will use appropriate means to advise customers. The utility must also make the necessary effort to restore a normal service to its customers as quickly as possible.

**Table 4.1**

**OVERALL STANDARDS**

<b>FOCUS</b>	<b>CODE</b>	<b>DESCRIPTION</b>	<b>PERFORMANCE MEASURE</b>
Water Quality	WS1	Testing water samples	To ensure that water is within standards as specified by NRCA
Water Pressure	WS2	Minimum/maximum water pressure	To maintain a pressure ranging from 25 to 35 psi
Reliability of Supply	WS3	To minimise interruptions to supply for planned work	Minimum notification time of 24 hours for extended lock-offs (more than 4 hours) and 12 hours for shorter lock-offs (not more than 4 hours)

4.4 For the guaranteed standards, OUR proposes to increase the level of the standards over time as indicated in the Table 4.2. This is to ensure that NWC strives to improve its quality of service over time. A similar plan was developed for JPS.

**Q4.3 *Should a plan be developed now for the level of the standards to increase over time in a specified manner, or should subsequent changes to the standards be the outcome of a review some time after they are in place?***

**How Reasonable are the Standards**

4.5 Each standard was developed based on NWC's current performance in the category, as indicated by OUR's Customer Affairs Department, NWC's current policy regarding the particular category, the corresponding standard as specified for JPS (where relevant) and standards in other countries, the UK in particular. The UK was chosen as a model because it has a well-developed quality of service and guaranteed standards scheme for the water industry. Table 4.3 indicates the proposed standards and how they compare to other standards (where such information is available).



**Table 4.2**

**GUARANTEED STANDARDS SCHEME**

<b>FOCUS</b>	<b>CODE</b>	<b>DESCRIPTION</b>	<b>PERFORMANCE MEASURE</b>	<b>UNITS</b>	<b>1995</b>
ACCESS	GWS1	Connection to supply	Minimum time to connect new customer	Working days	5
	GWS2	Issue of first bill	Maximum time to issue a bill after connecting a customer	Working days	48
INQUIRIES	GWS3	Keeping appointments	Must offer to keep at least a morning or afternoon appointment with a customer – 12 hours notice to be given if rescheduling is necessary	n.a.	n.a.
	GWS4	Response to complaints (not bill related)	Time to acknowledge inquiry, after receipt	Working days	5
Maximum time to complete investigation and respond, from date of receipt of inquiry			30		
BILL INQUIRIES	GWS5	Bill accuracy	Time to acknowledge inquiry, after receipt	Working days	5
			Maximum time to complete investigation and respond, from date of receipt of inquiry		30
	GWS6	Final bill	Maximum time to provide bill after notification of move by customer	Working days	48
	GWS7	Restoration after emergency lock-off	Maximum time to restore supply after payment is made (urban, rural)	Hours	24,4
WATER METERS	GWS8	Meter installation	Maximum time to install meter after receiving customer's order	Working days	30
	GWS9	Repair or replacement of faulty meters	Maximum time to repair or replace meter after being informed	Working days	40
	GWS10	Changing meters	NWC must provide written details of the date of the change, meter readings on the day and serial number of the new meter	n.a.	n.a.
	GWS11	Meter reading	Maximum time between each meter reading	Months	3
Maximum time between issue of bills			3		
RECONNECTION	GWS12	Reconnection after payment of overdue amounts	Maximum time to restore supply after payment is made (urban, rural)	Hours	24,4
SEWERAGE SERVICES	GWS13	Correction of sewerage problems	Maximum time to correct problems which result in flooding from sewers, after being informed	Hours	24

<b>FOCUS</b>	<b>CODE</b>	<b>DESCRIPTION</b>	<b>PERFORMANCE MEASURE</b>	<b>UNITS</b>	<b>1995</b>
COMPENSATION PAYMENT	GWS14	Payment of compensation	Maximum time to make compensation payment when it becomes due	Days	60

**Table 4.3**

**COMPARATIVE INFORMATION ON STANDARDS**

<b>CODE</b>	<b>DESCRIPTION</b>	<b>PROPOSED PERFORMANCE MEASURE</b>	<b>NWC'S CURRENT PERFORMANCE/ PRACTICE/POLICY</b>	<b>STANDARD FOR</b>
WS1	Ensuring water quality	Quality within standards as specified by MOH	Current policy is within MOH and PAHO standards	-
WS2	Water pressure	Must maintain a pressure ranging from 25 to 35 psi	Current policy of 25 to 35 psi	-
WS3	Notify public of intention to interrupt supply – planned interruptions	Minimum notification time of 12 hours for short interruptions (not more than 4 hours) and 24 hours for longer interruptions (more than 4 hours)	Tries to give a minimum of 24 hours notice for planned interruptions	Minimum notification time 48 hours
GWS1	Connection to supply	Maximum time of 5 working days	Maximum of 10 working days after agreement	Maximum time of 5 working days for a simple connection
GWS2	Issue of first bill	Maximum time of 48 working days after connection	Within 2 <sup>nd</sup> month of service depending on the billing cycle	Maximum time of 48 working days after connection
GWS3	Keeping appointments	Minimum notice of 12 hours if rescheduling is necessary	-	12 hours notice to be given if rescheduling is necessary
GWS4	Response to complaints not bill related	Maximum of 5 working days to acknowledge inquiry, after receipt. Maximum time of 30 working days to complete investigation and respond, from date of receipt of inquiry	-	Maximum of 5 working days to acknowledge inquiry after receipt. Maximum time of 30 working days to complete investigation and respond from date of receipt of inquiry
GWS5	Response to billing complaints	Maximum of 5 working days to acknowledge inquiry, after receipt. Maximum time of 30 working days to complete investigation and respond, from date of receipt of inquiry	-	Maximum of 5 working days to acknowledge inquiry after receipt. Maximum time of 30 working days to complete investigation and respond from date of receipt of inquiry
GWS6	Final bill	Meter to be read on same day customer is moving, providing 5 days notice of move is given. Maximum time of 48 working days to provide final bill after move	Meters read on request	-
GWS7	Restoration after emergency lock-off	Maximum time of 24 hours to restore supply in urban areas. Maximum of 48 hours in rural areas.	-	Maximum time of 24 hours to restore supply in urban areas. Maximum of 48 hours in rural areas.
GWS8	Meter installation	Maximum of 30 working days	-	-

<b>CODE</b>	<b>DESCRIPTION</b>	<b>PROPOSED PERFORMANCE MEASURE</b>	<b>NWC'S CURRENT PERFORMANCE/ PRACTICE/POLICY</b>	<b>STANDARD FOR</b>
		to install meter on customer's request		
GWS9	Repair or replacement of faulty meters	Maximum time of 40 working days to repair or replace meter after being informed	-	-
GWS10	Changing meters	NWC must provide details of the date of the change, meter readings on the day and serial numbers of the new meter	-	-
GWS11	Meter reading	Maximum of 3 months between each meter reading and between bill issues	NWC (Water Supply Services) (Rates and Charges) regulations, 1985, states a maximum of 3 months for issue of bills	-
GWS12	Reconnection after payment of overdue amount	Maximum of 24 hours to restore supply in urban areas. Maximum of 48 hours to restore supply in rural areas.	NWC's Customer Service information booklet states that supply is usually reconnected within 2 working days. Customers currently being told that reconnection will be within 5 working days	Maximum of 24 hours restore supply in urban areas. Maximum of 48 hours restore supply in rural areas.
GWS13	Correction of sewerage problems	Maximum of 24 hours to correct sewerage problems, after being informed	-	-
GWS14	Payment of compensation	Maximum of 60 working days to make payment when it becomes due	-	Maximum time of 60 working days to make compensation payment after receipt of claim

## **CHAPTER 5: LIST OF CONSULTATION QUESTIONS**

### **Quality of Service Standards for the Water Utility**

- Q2.1 What are the appropriate categories of performance, which service standards for NWC should cover?
- Q2.2 What information and benchmarks should OUR use in developing the service standards?

### **Overall versus Guaranteed Standards**

- Q2.3 Is guaranteed standards, and the scheme of compensatory payments, an appropriate method for customer service regulation in Jamaica at the present time?
- Q2.4 Should the standards be introduced and monitored for a period before compensation payments commence? If so, is one year adequate? What period of time should be allowed?
- Q2.5 Which categories of performance should constitute overall standards and which, guaranteed? Why?

### **Level of Compensation**

- Q3.1 What minimum level of compensation do respondents consider to be appropriate and how should it be determined? Suggestions, with reason, in addition to the options put forward by the OUR would be welcome.
- Q3.2 Should domestic and commercial customers be compensated by the same amount?
- Q3.3 Do respondents agree that some guaranteed standards should attract a higher penalty? If so, which types of guaranteed standards should carry larger penalties and how large should the greater penalty be?

### **Payment Methods**

- Q3.4 Should compensation payments be made automatically by NWC, should the customer be required to make a claim or should a mixture of the two methods be employed?
- Q3.5 Do respondents think that compensation should take the form of a one-time credit on consumer bills or other means such as a cheque?

## **Proposed Service Standards**

- Q4.1 Do respondents agree with the OUR's proposed service standards? If not, please set out your suggested modifications, additions or deletions.
- Q4.2 Should the standards be applied island-wide or should specific regional standards be developed?
- Q4.3 Should a plan be developed now for the level of the standards to increase over time in a specified manner, or should subsequent changes to the standards be the outcome of a review some time after they are in place?