

Draft Determination Representations

WSH.DD.OO.1

C-MeX

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Contents

1. BACKGROUND	3
2. REPRESENTATIONS	3
3. CONCLUSION	6

1. Background

In our response to the draft C-MeX guidance for the Shadow Year issued on 14 February 2019, we raised concerns about using the All Sector Upper Quartile (ASUQ) score from UKCSI as one of three criteria for companies being eligible for the higher C-MeX reward. This was included in section 2 of our response to the consultation.

In the Draft Determination, the ASUQ criterion has been retained. We believe that this use of the UKCSI is inappropriate and effectively rules out any chance of a water company achieving the higher C-MeX reward. We have proposed an alternative methodology, which would be significantly more robust and a fair basis of comparison across sectors.

2. Representations

The UKCSI survey works by having respondents select up to five companies with which they have had recent experience of the product or service. It is not specified in the survey that this experience should include a direct contact with the company. For the great majority of people, they only think of having an 'experience' of their water company's services when something goes wrong with the service. This may or may not have led to an actual contact (such as a phone call or email interaction). This is inherently different from most companies, who provide a product or service to a customer only when the customer has chosen to purchase that service from that company. In most cases, this happens when the customer has a previous positive experience of consuming that product or service, or has a positive perception of it.

This has two implications. The first is that the 'sample size' for water companies is low. Welsh Water did not appear at all in the UKCSI in January 2016 as there was an insufficient level of responses to be included (the minimum sample size for inclusion in the survey is only 35 responses). The sample size for utilities has since been boosted, but it remains very low (around 100 responses in recent surveys) and therefore is subject to a wide statistical margin of error, making the results unreliable as the basis for determining eligibility for significant financial rewards.

The second implication is that there is an inbuilt negative bias for responses to water companies compared to companies in certain other sectors. As noted above, in most cases in which consumers have a customer service experience, the consumer has chosen to purchase a product a service precisely because it is one that they perceive positively. For water companies this is inherently different, and we know from our customer engagement that most customers don't think about their water and sewerage service day to day (and don't wish to have to do so) as long as everything is working as it should.

Sector	UKCSI score July 2019
Retail (Non-food)	80.9
Tourism	80.2
Retail (Food)	80.1
Leisure	80.0
Banks & Building Societies	79.7
Insurance	78.8
Automotive	78.5
Services	76.6
Public Services (National)	75.4
Telecommunications & Media	74.7
Public Services (Local)	73.9
Utilities	72.1
Transport	70.8

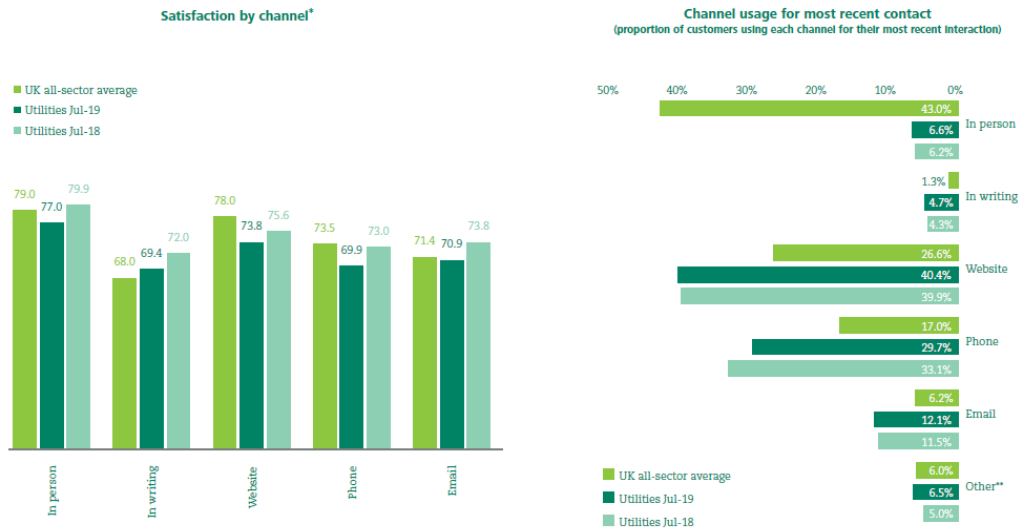
Source: UKCSI July 2019

In the relatively rare cases where things go wrong (such as a supply interruption or discoloured water), respondents may choose to include their water company as one of the five companies on the survey. If they have contacted the company as a result of the service failure, the company will have at least had the opportunity offer good customer service in the way that they respond, but often customers do not contact the company at all.

Evidence of this is provided by a comparison with the Business Benchmark survey that Institute of Customer Service (ICS) ran for us in August 2017. It used the same survey as the UKCSI survey, but the respondents were all customers who had contacted Welsh Water. The score achieved was 81.4, from a sample of 426. This is markedly higher than the UKCSI score achieved around the same time (77.1 in July 2017).

The water sector is at a natural disadvantage to other sectors in another way. The data shows that the best scoring channel of contact for customers in terms of customer satisfaction is 'face to face' contacts, where a customer is attending a store or branch in person. As water customers do not engage in this way with their water company, the overall score is brought down in comparison. A comparison using UKCSI across sectors is therefore not on a 'like for like' basis. This is illustrated in the chart below.

Channel usage and satisfaction

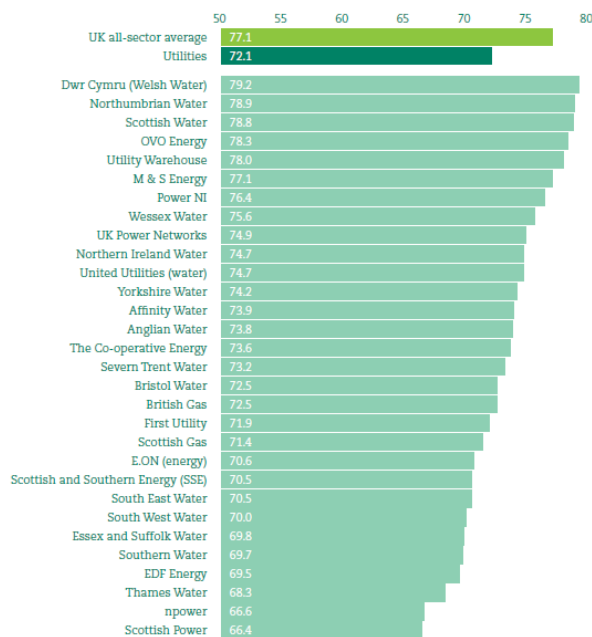


Source: UKCSI July 2019

More broadly, from the data available, it appears that no public sector or utility company has ever achieved the UKCSI upper quartile score arising from the UKCSI survey

This effect is clearly shown in the latest July 2019 UKCSI results, in which we were not close to achieving the All Sector Upper Quartile (ASUQ), despite being the best performing utility company, outperforming market leading, “disruptor” energy companies such as Ovo Energy, M&S Energy and Utility Warehouse.

Organisation ranking by UKCSI score



	Jul-19 UKCSI	Jul-18 UKCSI	Y-o-Y Change
UK all-sector average	77.1	77.9	-0.8
Utilities	72.1	74.7	-2.6
Dwr Cymru (Welsh Water)	79.2	76.8	2.4
Northumbrian Water	78.9	73.3	5.6
Scottish Water	78.8	76.6	2.2
OVO Energy	78.3	81.0	-2.7
Utility Warehouse	78.0	78.3	-0.3
M & S Energy	77.1	79.7	-2.6
Power NI	76.4	75.1	1.3
Wessex Water	75.6	76.4	-0.8
UK Power Networks	74.9	N/A	N/A
Northern Ireland Water	74.7	N/A	N/A
United Utilities (water)	74.7	78.4	-3.7
Yorkshire Water	74.2	76.2	-2.0
Affinity Water	73.9	72.1	1.8
Anglian Water	73.8	75.7	-1.9
The Co-operative Energy	73.6	75.5	-1.9
Severn Trent Water	73.2	77.4	-4.2
Bristol Water	72.5	79.6	-7.1
British Gas	72.5	75.0	-2.5
First Utility	71.9	77.5	-5.6
Scottish Gas	71.4	72.6	-1.2
E.ON (energy)	70.6	72.8	-2.2
Scottish and Southern Energy (SSE)	70.5	74.4	-3.9
South East Water	70.5	77.2	-6.7
South West Water	70.0	73.2	-3.2
Essex and Suffolk Water	69.8	74.9	-5.1
Southern Water	69.7	69.8	-0.1
EDF Energy	69.5	74.9	-5.4
Thames Water	68.3	71.2	-2.9
npower	66.6	71.9	-5.3
Scottish Power	66.4	69.0	-2.6

Source: UKCSI July 2019

3. Conclusion

We therefore believe that using the gap between the UKSCI all sector scores and the water company UKCSI scores as the basis of deriving the eligibility for achieving enhanced C-MeX rewards is flawed. It is statistically unsound due to the self-section of respondents and the small sample sizes involved, resulting in a large margin of error. It also risks undermining the purpose of the C-MeX framework in practice, which is to incentivise companies to outperform.

We would propose instead that such an 'eligibility gate' is either dropped, or it should be adapted to use a methodology that relies upon customers who have had direct contact with the company with a robust sample size (such as the ICS's Business Benchmark approach), with a comparator group of other providers of essential services to allow a fair comparison.