

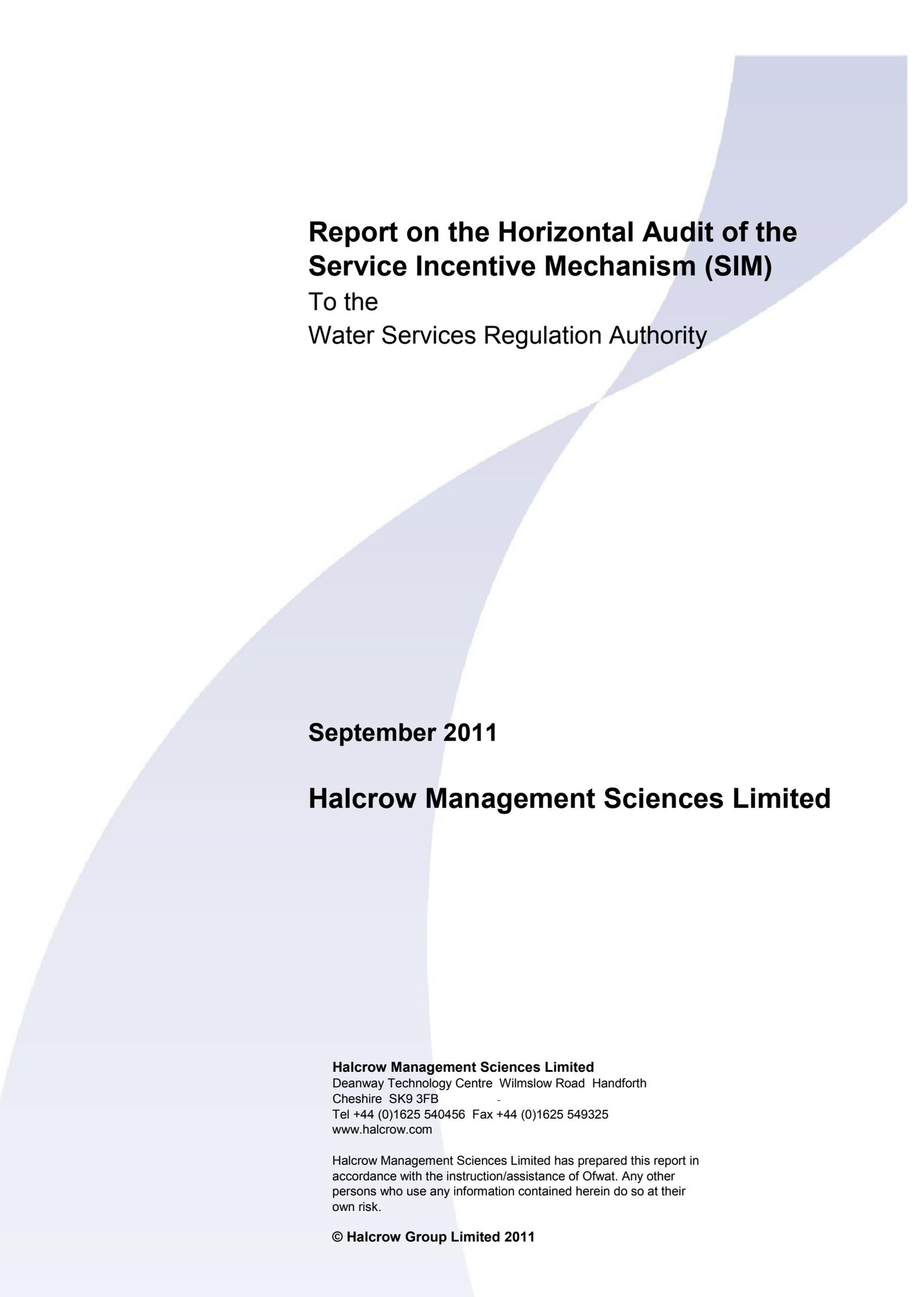
# **Report on the Horizontal Audit of the Service Incentive Mechanism (SIM)**

To the  
Water Services Regulation Authority



**September 2011**

**Halcrow Management Sciences Limited**



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# Report on the Horizontal Audit of the Service Incentive Mechanism (SIM)

## Water Services Regulation Authority

### Contents Amendment Record

This report has been issued and amended as follows:

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## Executive Summary

The Service Incentive Mechanism (SIM) aims to make companies more accountable by requiring them to focus on meeting their consumers' expectations. Since a wide variety of water company activities and service performance issues are captured through the principal forms of customer/company interaction covered by the SIM, the SIM provides an effective barometer of company performance as rated by their customers.

The SIM is also a comparative mechanism and thus, for it to be used by Ofwat as a regulatory tool, it is essential that companies interpret the guidance and reporting information in the same way. An effective tool will provide the right encouragement (through incentives and penalties) to companies to achieve the best balance of outcomes for their customers. However, companies within the water industry are not uniform. Companies are different sizes, have differing systems, organisational structures, operating circumstances and customer expectations. As a result practices to report on each of the SIM measures are all of a different nature.

The purpose of this review has been to assess the variations in practice of the companies in reporting the components that make up the SIM. This included both the quantitative element and the quality of the contact data which together form the SIM. It is essential that all companies interpret the June Return reporting guidance and report performance on a suitably comparable basis. Therefore the overall objective of the project has been to provide a robust comparable audit across all companies of how they report against the measures that make up the SIM.

Undertaking such a horizontal review is a relatively new concept in the UK water industry where vertical, company specific audits, are the norm. As such, the audit methodology adopted has utilised several innovative processes which ensured a structured and standardised approach was maintained throughout the review.

The work has highlighted some inconsistencies and weaknesses in reporting but also identified where there is common understanding across the industry. Over the course of the review we have made several observations and recommendations where we believe further discourse at an industry level would assist in improving the consistency and comparability of the SIM measure. Where the risks are considered to be high and or where confidence in the data is low we believe further, sub-component horizontal reviews, would assist in measuring improvements and would better ensure a level and transparent playing field for all. The key findings are summarised below:

### *All lines busy and calls abandoned*

- For the 'all lines busy' component, we found that companies had a good understanding of what this indicator measures and that reporting methodologies were generally mature.
- However, there are inconsistent approaches to reporting for the calls abandoned component. These include reporting abandonment within IVR clouds and other automated services. The differences identified are likely to impact upon the comparability of the SIM performance scores as the volume of the calls, especially where automated systems are in full time use, are likely to be high.
- On average, we found that the inclusion of calls abandoned within 10 seconds made a one point difference in the overall 2010/11 SIM scores. Given this relative insensitivity, we query whether the additional burden (and inconsistency) created by the requirement is appropriate.

*Written complaints and escalations*

- We found that several companies were utilising customer focused techniques in order to try and reduce customer complaints and the likelihood of repeat contacts. Methods included altering the presentation of bills, rewording communications, providing a more personalised automated response to emails and speaking to the customer to clarify the complaint and ensure substantive responses.
- A number of relatively minor inconsistencies were identified in relation to some aspects of the guidance for written complaints and second stage review which, when combined, may have a significant effect on the comparative SIM scores across the industry.
- Improved audit trails covering all categories of written correspondence (in particular DG7 exclusions and non-reportable contacts) were generally found to be necessary.
- We noted some areas where guidance could be improved to aid consistency.

*Unwanted and Wanted contacts*

- Eight companies were not able to reconcile Table 5b line 1 with the sum of lines 2 and 3. Further work should be undertaken to quantify the differences and then seek methods to capture and report on valid exclusions. Abandoned calls and multiple topics contribute to this issue.
- It is axiomatic that there will be variations in coding of contacts. Quality checking is used to varying extents by all companies. An industry wide sharing of examples, such as the scenarios used here, with feedback and guidance from Ofwat may provide some benefit in this area.
- Some companies set agents targets for coding 100% of all incoming consumer calls. It is in the company's interest to reduce the volume of uncoded calls (which should default to unwanted).
- Ideally B2B calls should be directed to specific non consumer contact numbers. Some companies cannot identify these calls and by default they can be logged as unwanted.
- Incident lines (which give customers pre-recorded information about a specific operational event) are used periodically and the number of calls made to such numbers should be captured by the telephony system and included in the reported figures. Practice here differs and needs to be made consistent.
- Some companies do not gather information on call volumes from debt agencies. All companies should collate and report some quantitative data on this component.
- It is important to identify repeat and chase calls about a wanted topic but which should be reported as unwanted as the consumer is having to call again. All companies should consider the use of screen flags to prompt agents or possibly live logic tests which flag in real time that the call type is identical to a recent previous call.
- The confidence grades reported in Table 5b are generally lower than reported for the other components of the SIM. This is unsurprising given the requirement is relatively new and company reporting methodologies and systems are still evolving. Going forward, it could be beneficial to undertake a specific review to measure company progress in improving their processes and reported confidence in the data provided to Ofwat.

*Consumer Experience Survey*

- A number of Companies do not report calls to third party debt management agencies. This puts them at an advantage against companies that carry this work out in-house as these types of calls are often difficult in nature.

In general, the horizontal review has shown that for the significant and material issues, there is a good degree of information comparability across the industry which should provide assurance that the SIM is producing results which reasonably reflect the customers' perceptions of service performance. It would therefore seem evident that the SIM can provide not only an effective high-level indicator that can be used as a regulatory incentive tool with a broad coverage but also provides information that companies can utilise to identify areas requiring improvement to meet their consumers' expectations (and thereby enhance their SIM position). This is consistent with Ofwat's move towards a lighter touch, risk-based regulatory environment.

The SIM may need some further refinement over time, for example where contact volumes are influenced by regional operating circumstances, or reviewing whether the weightings of the components are providing the right balance of incentive for improvement. There may be some more immediate improvements necessary to enhance comparability across the industry, particularly in relation to improving the classification of wanted/unwanted calls.

## 1. Introduction

Since privatisation in 1989 Ofwat has identified several key indicators to enable monitoring of the companies' performance in the areas of operations and customer service. In 1999, Ofwat introduced the Overall Performance Assessment (OPA), which used data provided by the companies in the June Returns to develop an overall score that could be used to identify how well the companies were performing. There were fifteen measures that went to derive this score, including both operational and customer service data.

By 2007, Ofwat had identified that the OPA was yielding results where most companies had very similar scores. The Service Incentive Mechanism (SIM) was developed in consultation with the industry to measure how well the companies were meeting their customers' expectations. The SIM has two elements: quantitative and qualitative measures. The quantitative measure is based on the numbers of written complaints and contacts received by each company. The qualitative measure looks at how well each company has dealt with those complaints and contacts.

The focus of this review has been to review companies practice in reporting the components that make up the quantitative element as well as the quality of the contact data which is forwarded to the market researcher to enable the qualitative component of the assessment to be made.

Companies within the water industry are not uniform. Companies have different sizes, legacy and bespoke systems which are expensive and time-consuming to reform, problems and customer expectations and differing organizational structures. Practices to report on each of the SIM measures will therefore be all of a different nature. However, a critical element of our work has been to seek out and disclose non-compliant practice and to ensure that the industry is operating on a level playing field. This is especially important as SIM performance will be taken into account in companies PR14 price determinations.

### 1.1 Aims and objectives

As the SIM is a comparative measure, it is essential that all companies interpret the June Return reporting guidance and report performance on a suitably comparable basis. Therefore the overall objective of the project is to provide a robust comparable audit of how companies report against the measures that make up the SIM.

Previous vertical approaches to auditing have been deemed not to be the most proportionate or effectively targeted mechanism for achieving a cross-industry outlook. In spring 2011, Ofwat therefore commissioned a horizontal review focussing upon the comparability and consistency of data submitted as part of the 2011 June Return submission. Designed to help in providing confidence to Ofwat and other stakeholders that the SIM results are founded on robust and comparable data, the aims of the project are to:

- Identify variation in reporting practices between companies.
- Identify areas of risk, inconsistency and good practice.
- Expose and explain any weaknesses in company reporting
- Recommended enhancements to company processes/definitions to improve consistency.

## 1.2 Review Scope

This review has focused upon the following indicators: all lines busy, calls abandoned, written complaints (and escalation methodology), unwanted (and wanted) contacts and data provided to the market researcher as part of the consumer experience survey.

We have not sought to review and comment on the SIM methodology or the weightings applied to each component of the assessment made by Ofwat.

## 1.3 Report Structure

This following report is structured as follows:

- Section 2 - Review Methodology
- Section 3 - SIM topic area reviews
  - All Lines Busy and Calls Abandoned
  - Written Complaints and Escalation
  - Unwanted and Wanted telephone contacts
  - Consumer Experience Survey
  - Confidence Grades
- Section 4 – Conclusions and recommendations

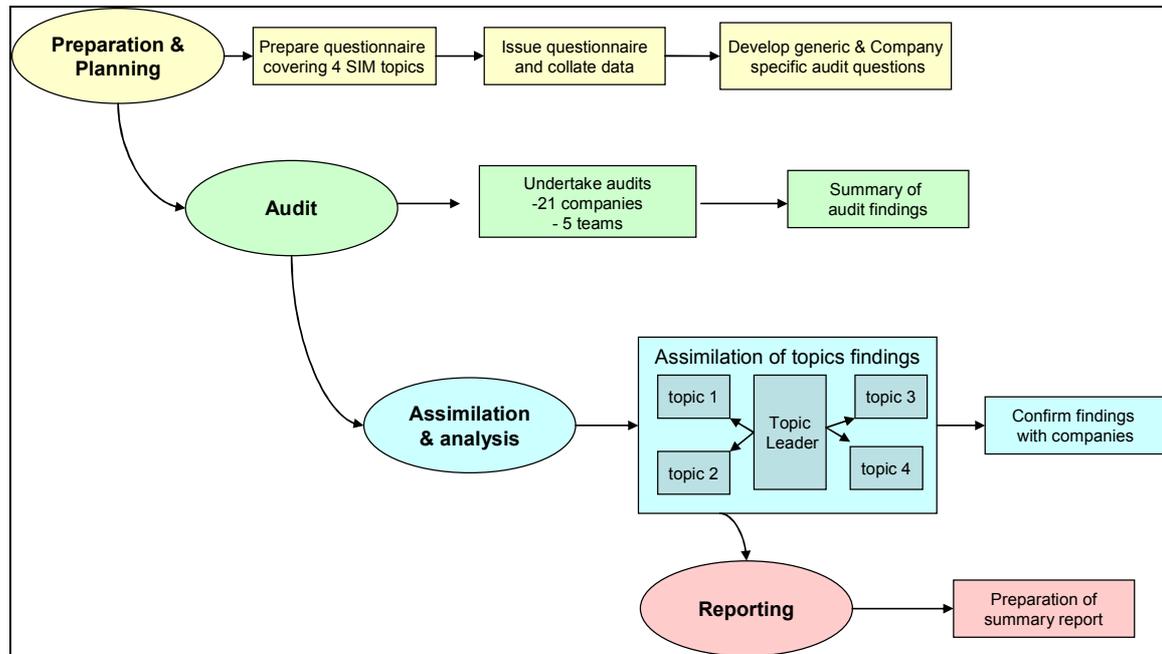
Additional confidential annexes have also been provided to illustrate the audit methodology and individual Company summaries. These are as follows:

- Annex A - Online questionnaire templates
- Annex B - Notification of Audit Forms
- Annex C – Company summaries (confidential)
- Annex D – Company questionnaire responses (confidential)

## 2. Review methodology

In this section we present the approach which was adopted to undertake the review. In approaching the task a key focus was to ensure a horizontal approach was adopted and maintained throughout.

Our designed approach facilitated this by deploying a number of audit tools and processes. These are illustrated in the context of each phase of the review in Figure 2.1 below.



**Figure 2.1 – Audit methodology**

A fundamental component of the approach adopted has been the deployment of topic area leaders. Each of the four leaders (one for each SIM component) primary responsibilities were to act as a topic expert and to ensure a horizontal approach was maintained throughout each phase of the project as discussed below. The horizontal approach was achieved specifically through each topic leader:

- Reviewing the Ofwat Reporting Requirements to develop the preliminary online questionnaires;
- Evaluating the response from all the companies to the online questionnaire to identify areas of potential inconsistency;
- Developing the notification of audit forms for the topic;
- Liaising with the audit teams, both before and after the audits, to ensure understanding of the main issues and to agree any company specific issues;
- Assessing the audit findings across all companies;
- Preparing key findings and conclusions for the topic.

### 2.1 Preparation and Planning

The first stage of the review process was to develop the online questionnaire survey. Developed in consultation with our specialist market research partner and Ofwat, each SIM topic-specific survey was developed and each question designed to provide a first tranche of data for comparison. Templates of each questionnaire script are provided in Annex A.

The questions within each survey particularly sought to explore areas where there were deemed to be potential differences in interpretation of the reporting guidance or where perhaps there were general difficulties with reporting compliance and gaining comparative information.

The results of the online questionnaire were then assimilated on a per company, per SIM topic and per question basis. This provided the background information required for each company, whilst allowing a preliminary comparative assessment to be made by the topic leader which would identify areas of scrutiny for the audit visits. As expected, this process also helped to demonstrate some of the inconsistencies and examples of different practices across the industry.

## 2.2 Audit

Utilising the information gathered in the first phase of the project, each topic leader developed standardised audit templates (see Appendix B and C) which were subsequently followed by each team during every company audit. Each template included questions designed to:

- Test compliance to the Ofwat JR11 Reporting Requirements.
- Test the application of company methodology.
- Test company interpretations using standardised scenarios.
- Review audit trails for data reported in JR11.
- Test, on a sample basis, the treatment of various customer contacts received.

Following the audit, each of the completed templates were shared and agreed with each company and became a summary record of the audit. These summaries of audit findings (SAF's) are provided in the confidential annex, marked Annex C.

## 2.3 Data assimilation and horizontal reporting

The standardisation of the on-line questionnaire and the SAF's has enabled each of the topic leaders to assimilate and compare data in a consistent and horizontal manner.

The analysis undertaken has endeavored to identify areas of materially consistent and inconsistent practice, key risks, potential areas of uncertainty and reporting weaknesses. In addition where areas of good practice have been identified, these have also been carried forward into the discussion in Section 3 below.

Throughout each phase of the review, each topic leader utilised the tools and process outlined above to ensure a consistent approach is adopted and a horizontal perspective was achieved. Subsequently, analyses of the on-line questionnaires (see Appendix D) and SAF's have, where appropriate, been compared to individual company SIM scores. This helped to identify trends and patterns in Company performance in the context of the methodologies and processes adopted to report SIM data. These are discussed more in Section 3 below.

### 3. SIM topic reviews

#### 3.1 All lines busy

The 'all lines busy' category measures the degree of difficulty customers' experience in being able to connect with a company agent or automated system. The following section outlines the reporting practices across the industry and how sensitive the SIM calculation is to variability in the number of lines reported as all lines busy. The reporting guidance for this measure is defined in Chapter 5 of the Ofwat June Return Reporting Requirements, dated April 2011.

We found a strong common understanding of what this indicator intends to measure. Companies explained that an all lines busy tone is received once the last available incoming line becomes occupied and the telephony system has reached its' capacity. Under normal circumstances company telephony systems are configured to have sufficient capacity and flexibility so that customers should not hear an engaged tone. Generally therefore customers only experience instances of all lines busy when there is a significant operational event, failure of the company's telephony platform or that of their telephony provider.

Analysis of performance reported in JR11 show a general improvement in the number of calls being reported as 'all lines busy'. Indeed, 65,733 calls were reported across the industry in 2010/11 compared to 127,667 in 2009/10 and 120,218 in 2008/09. Whilst this generally indicates an improving trend, individual company performance varies considerably. In total, five companies (CAM, SEW, VCE, VEA, VSE) report no instances of all lines busy. However, some companies experienced difficulties during the year which led to reported performance being worse than recorded historically. In particular, DVW experienced difficulties with their telephony system in July 10 which resulted in a large volume of calls being reported as 'all lines busy'.

##### 3.1.1 Reporting methodologies

The horizontal analysis indicated that the majority of companies receive information from their telephony providers to report this information. These companies are therefore reliant upon their telephony providers for appropriate and robust data. In a number of cases we found companies were able to report, or corroborate data, from internally sourced reports but this was limited. In other cases we also found that the volume of calls affected are estimated based on expected call volumes during the time of the incident affecting the telephony system.

During each company audit we presented a number of scenarios to test how a company may report. These included planned and unplanned incidents such as lines being unavailable due to maintenance issues or due to failures with companies' telephony providers infrastructure. This revealed differing practices across the industry. For example, we found quite different treatments when we queried how companies would report calls received during an evacuation of a contact centre due to a fire drill. We observed the following:

- A minority of companies record these incidents as 'all lines busy'.
- Companies with the flexibility would be able to transfer calls to an alternative facility and report calls as per their normal methodologies.
- Some companies may intercept calls with a recorded message and resulting calls not being counted (which is not in strict accordance with the reporting requirements).

- A small number of companies are not able to report calls received during such instances.
- a small number of companies accept calls but in such an emergency these are left in the queue. Subsequently, calls may be abandoned or receive the 'all lines busy' tone if the system capacity is eventually exceeded.

Although this specific example yields relatively small differences in reporting, it exemplifies the differences in practices that were observed in a number of other areas.

Given the differences in reporting identified in the horizontal analysis we sought to assess how sensitive the SIM calculation methodology is to the number of 'all lines busy' calls reported.

It is acknowledged that the scenario's tested during the audits generally related to small scale incidents. Nevertheless, to ascertain what risk the inconsistencies identified may have upon the overall SIM score we tested how sensitive the SIM calculation is. The following graph shows the impact of the 10/11 SIM scores by illustrating the impact of increasing the reported number of all lines busy by 2, 5 and 10 times.

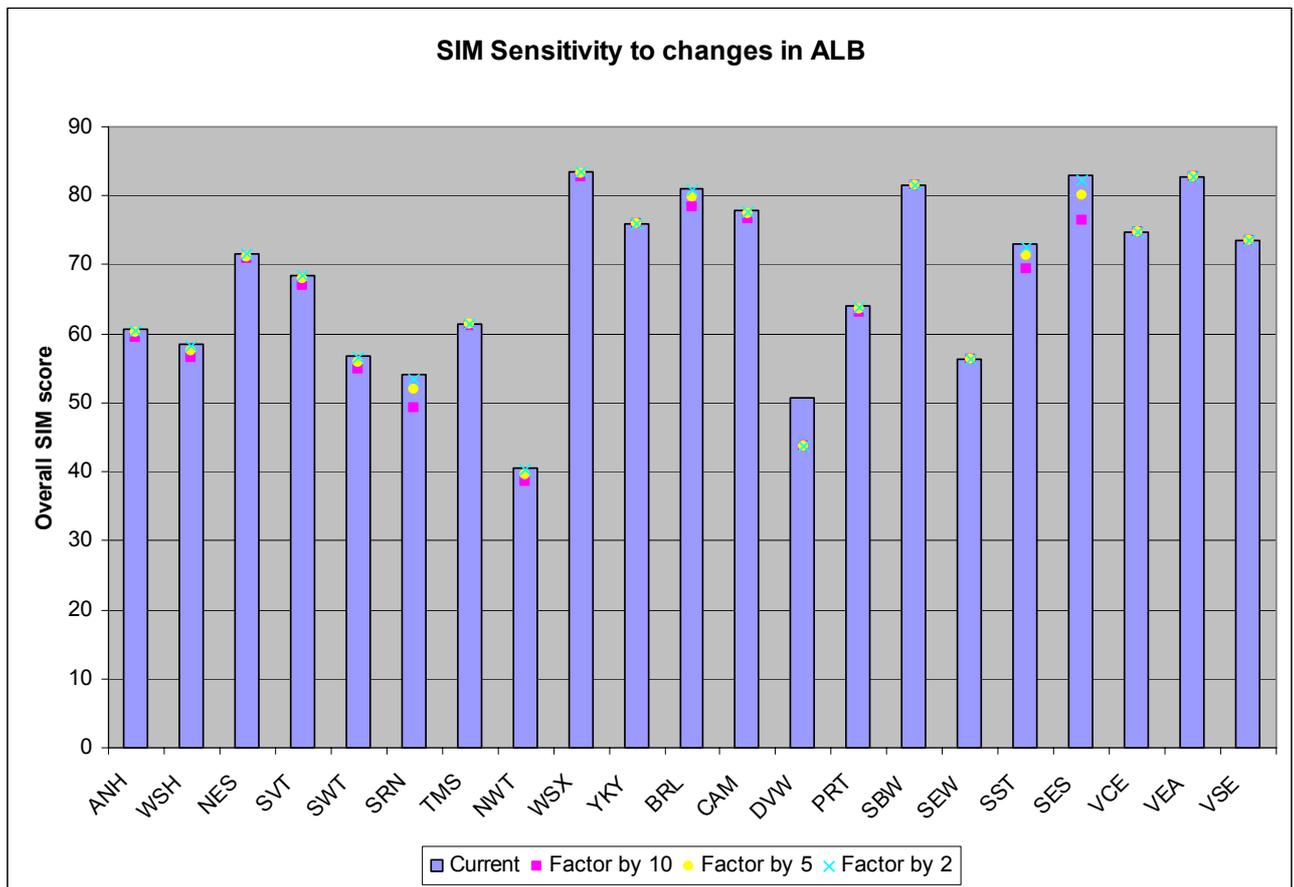


Figure 3.1 – SIM sensitivity to All Line Busy volumes

The graph above illustrates that, assuming all other indicators remain as reported in 2010/11, a relatively large increase in the number of calls receiving an all lines busy tone has little impact on most companies overall SIM score. This is in line with the weighting which is applied to this component of the SIM and the relatively low volume of calls reported.

Industry data from 2008/09 and 2009/10 has also been assessed which shows a relatively narrow spread of call volumes when compared on a normalised basis. This indicates that the 2010/11 was not atypical and if the SIM scores were applied to these years then similar levels of insensitivity would be reported.

Given these findings and the fact that the scenarios tested relate to generally small scale issues then the inconsistencies in practice evident across the industry present only a low risk to the comparability of results arising out of the SIM. It is important to acknowledge these issues and work to reporting on a more consistent basis. However, we recognise that companies are often limited by the reporting constraints of their own telephony system or by that of their third party providers.

### 3.1.2 Summary and recommendations – all lines busy

The 'all lines busy' calculation is a useful metric as it measures the degree of difficulty customers face in reaching their company. Whilst companies aim to record no instances of all lines busy, some operational incidents do result in lines being unavailable. Where the instances are significant, they are reflected in the SIM performance score. In general however the volumes typically reported make little difference to the overall SIM scoring mechanism.

We did find a number of different reporting methodologies and practices evident across the industry. However in the context of overall impact of the SIM, the impact and risk to the comparability of the SIM measure is low.

**3.2. Calls abandoned**

The aim of the ‘calls abandoned’ category is to capture the total number of callers who abandon their call before it has been substantively answered by the company. For the 2010/11 reporting year Ofwat requested that calls abandoned are distinguished between those abandoned within 10 seconds and over 10 seconds. The latter volume of calls is taken forward into the SIM performance assessment.

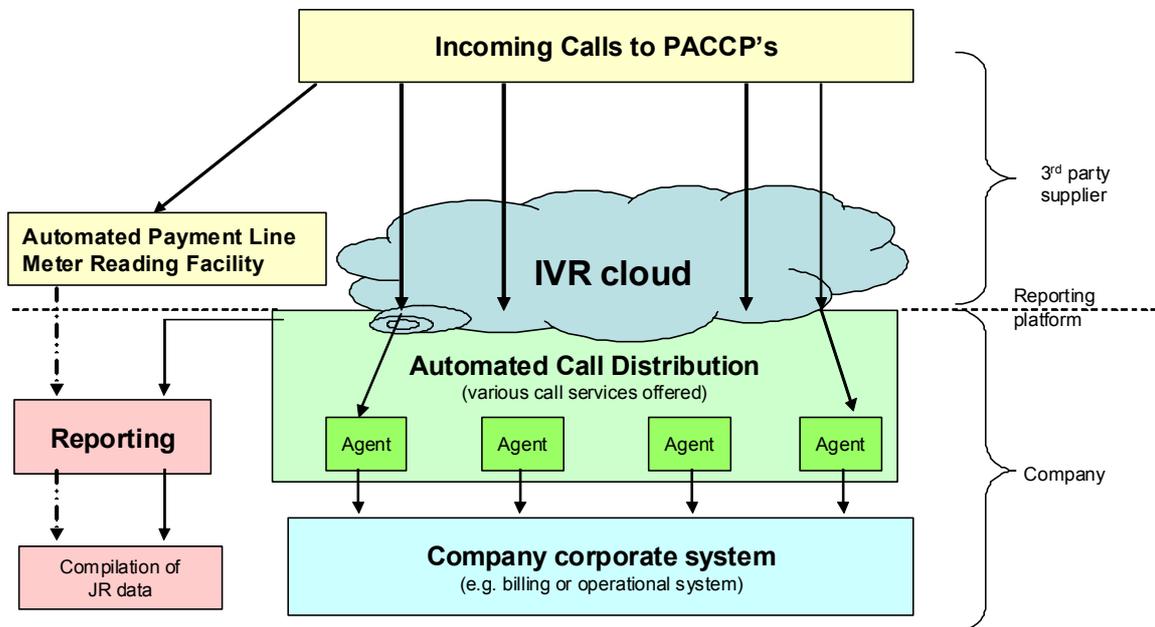
The reporting guidance for this measure is defined in Chapter 5 of the Ofwat June Return Reporting Requirements, dated April 2011.

**3.2.1 Reporting methodologies**

As this component formed part of the predecessor DG9 measure, we found that companies had a good understanding of what this indicator measures and that reporting methodologies were generally mature.

Our horizontal analysis found that companies employ an array of systems and the complexity of these systems varies. In general, water and sewerage companies tend to employ more complex automated systems whereas water only companies tend to employ simpler systems. In the context of monitoring and reporting of abandoned calls, much depends on the type of call services offered, system configuration and system reporting constraints.

To help demonstrate the potential complexity of Figure 3.2 below illustrates conceptually the typical system configuration observed during the audit process.



**Figure 3.2 – Typical telephony system configuration**

In general, all incoming Principally Advertised Customer Contact Point's (PACCP's) are monitored and reported generally at a point where the call reaches the company's own telephony infrastructure. Calls reaching this point are classified as being received and within the Automated Call Distribution (ACD) system are routed to agents where they are answered. Generally, any calls which reach the ACD but do not reach an agent are categorised as abandoned.

Within the ACD, various call services may be offered e.g. queuing facilities and our findings indicated that such systems are well understood and reported. Almost exclusively, call abandoned data was derived from system generated reports sourced from the ACD which tracks call status.

As highlighted above, one of the main influencing factors on abandonment reporting is the complexity of call services offered. Sections 3.2.2 and 3.2.3 below discuss two of the most complex areas: reporting abandonment in automated services and abandonment within messaging services.

**3.2.2 IVR and other automated services**

- IVR and touchtone facilities

Companies employ Interactive Voice Response (IVR) and other services e.g. touch tone facilities to help direct and manage customer contact. The services employed vary in complexity and structure and are largely dependent upon configuration of the telephony system employed. The table below demonstrates the prevalence of IVR and touch tone services employed across the industry.

**Table 3.1 – Use of IVR and touch tone services**

	Use of IVR			Use of touch tone		
	Full Time	Never	Occasional	Full Time	Never	Occasional
Anglian Water	✓			✓		
Bristol Water		✓				✓
BWBSL		✓			✓	
Cambridge Water		✓			✓	
Dee Valley Water		✓		✓		
Northumbrian Water		✓		✓		
Portsmouth Water			✓		✓	
Sembcorp Bournemouth Water		✓			✓	
Severn Trent Water	✓			✓		
South East Water	✓			✓		
South Staffs Water	✓			✓		
South West Water	✓			✓		
Southern Water	✓			✓		
Sutton & East Surrey Water		✓		✓		
Thames Water	✓			✓		
United Utilities	✓			✓		
Veolia Water Central	✓					✓
Veolia Water East	✓				✓	
Veolia Water Southeast		✓			✓	
Welsh Water		✓		✓		
Wessex Water		✓			✓	
Yorkshire Water	✓					✓

As illustrated in Figure 3.2 these management systems may be located before the Company’s infrastructure, hence we are aware of instances where call data may be unobtainable and not reported as these are hosted by the company’s telephony provider. In other audits we saw evidence of calls being reported within IVR networks or assumptions being made to account for reporting difficulties.

Given that each system is configured and structured differently, detailed quantification of the impact of differing reporting practices is exceptionally difficult to do, and beyond the scope of this audit. We observed that in general companies who can report fully within these systems tend to be ranked lower in this component of the SIM assessment. This suggests inconsistencies in methodologies may have an impact on reported performance. Therefore we believe that given the prominence of these systems and the likely volume of calls we believe the different practices employed across the industry presents a medium level risk to the comparability of the SIM scoring assessment.

- Automated payment lines

We found that the majority of companies employ some form of automated payment line. Indeed only WSX, CAM, BRL, DVW, VSE choose not to employ such a service (WSX and BRL offer this service through their joint venture billing company BWBSL). To test how such calls are reported during each audit we presented the Company with the following scenario:

*“A customer rings to make a payment and is directed to an automated payment line. The customer abandons the call part way through the automated process – how is this call reported”*

In the context of abandoned calls, a summary of the responses are given in the table below.

**Table 3.2 – Abandonment and automated payment lines**

Answered	Abandoned	Not reported	Facility not used
ANH, NES, PRT, SWT, SST, SRN, SES, NWT, VEA, YWS,VCE,	WSH, TMS, BWH	SVT, SEW	WSX, CAM, BRL, DVW, VSE

We found that the majority of companies categorise the call as being answered. However, some companies categorise these calls as abandoned or are not able to report such call types due to system constraints. Of those companies who report the calls as answered, company methodologies generally define calls as being answered when the automated payment option is selected or customer’s choose to interact with the automated system. From the data collected it is not clear whether companies systems allow full reporting of abandonment before this point and whether abandonment durations can be determined.

Given the differences in reporting methodologies and the likely high call volumes to automated payment lines we believe different practices employed are likely to have a material impact on the comparability of the SIM performance scores.

3.2.3 Operational/Incident messaging

We found that the majority of companies have the capability to answer calls relating to operational incidents (e.g. supply interruptions) with a recorded message. The structure and format of the types of messages played varies across the industry. However, during each audit we presented the Company with the following scenario to test how such calls are reported:

*“A customer rings an operational line to report a supply interruption and hears a message which explains there is an incident in their area and supplies are expected to be restored by 4pm. The customer is then given the choice to speak to an agent but chooses to hang up after hearing the full message which is 40 seconds in length”*

In the context of abandoned calls, a summary of the responses are given in the table below.

Table 3.3 – Abandonment and operational messaging

Answered	Abandoned	Not reported	Facility not used
ANH, DW, WSH, NES, SEW, SST, SRN, TMS, NWT, VCE, VEA, YWS, WSX. BRL, BWH	CAM, PRT.	SVT, SEW, SES* *pre Feb11	VSE, SES# #post Feb 11

Whilst the majority of companies report these calls as answered, we did find companies define the point of saliency (the requirements set out that calls are answered when the salient part of the message has been delivered) differently. For example, we found some companies use largely standardised messages and the point of saliency is pre determined whilst others use a call time duration as a surrogate for saliency. This is perhaps symptomatic of the variation in the style of the messages played and reporting constraints of the telephony system of each company.

In summary the horizontal analysis has revealed different practices in relation to messaging services. These include differences in the assessment of whether a call is abandoned or answered and the interpretation of saliency across the industry. Whilst this has the potential to create inconsistencies in any comparative assessment, in the context of total call volumes received, the likely volumes taken by messaging facilities are considered small. We therefore consider the risk of these inconsistencies having a material impact on the SIM assessment to be low.

3.2.4 Calls abandoned in under 10 seconds

In JR11, Ofwat introduced the requirement for companies to report the volume of calls abandoned within 10 seconds.

The horizontal analysis revealed that a number of companies (TMS, NES, SVT, SWW, DVW and SEW) are unable to report on this requirement. Of those companies which could report on this requirement there was consistency at the point at which the call duration commenced i.e. when the call first reaches the company’s telephony infrastructure (the ACD). However, please note that the difficulties highlighted above in terms of reporting in automated systems will impact upon this indicator also.

The fact that some companies are not able to report on this requirement creates an inconsistency in the SIM assessment as all abandoned calls are thus carried forward into the SIM assessment for those companies. Whilst this impacts negatively on those companies unable to report on this criterion, we sought to investigate what impact this has on the overall SIM performance score.

We replicated the 2010/11 SIM assessment but based the calls abandoned component on the total volume of abandoned calls i.e. those abandoned in less and greater than 10 seconds (JR Table 5 lines 15 + line 16). The impact of this exercise is shown in Figure 3.3 below.

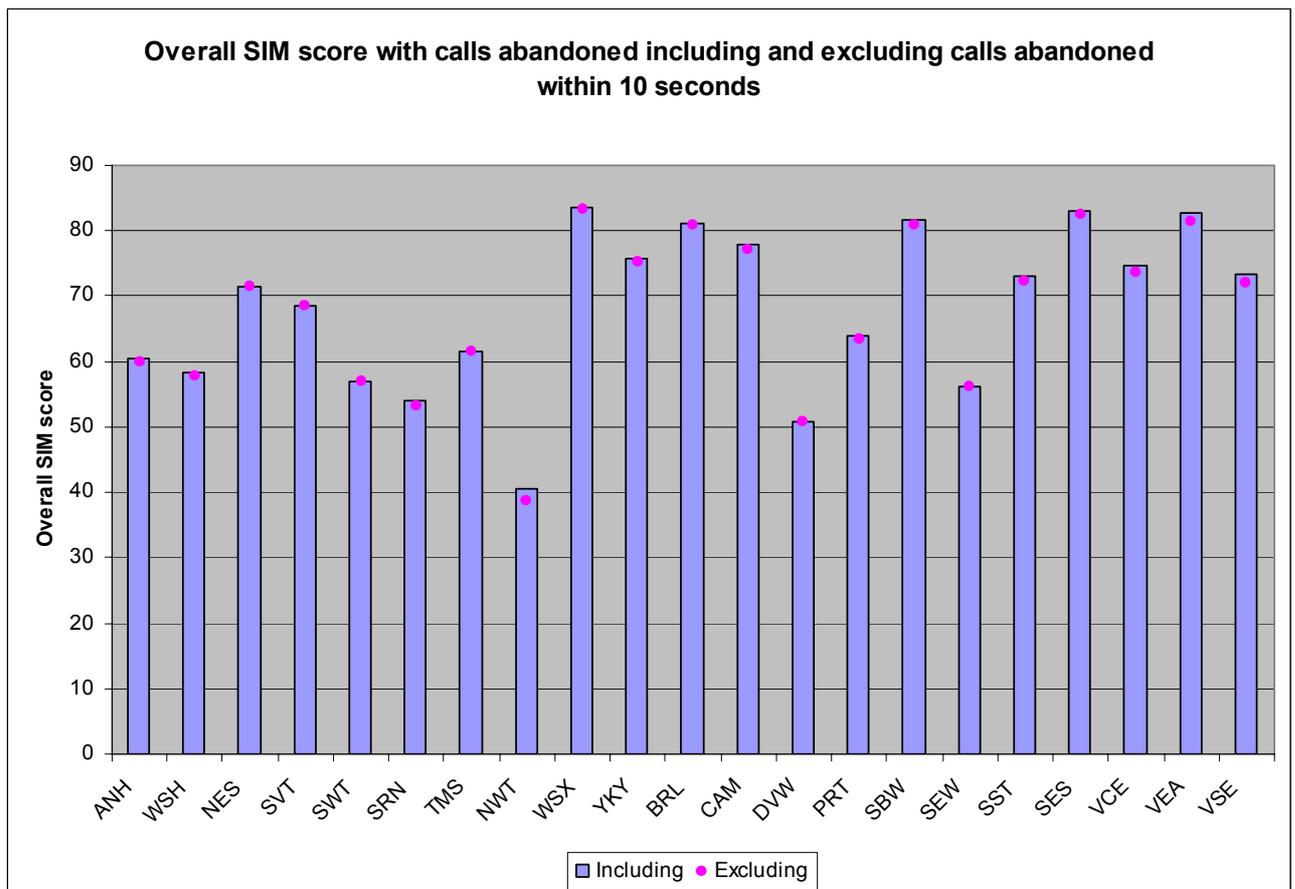


Figure 3.3 – Impact of including calls abandoned within 10 seconds on overall scores

On average, we found that the inclusion of calls abandoned within 10 seconds made a one point difference in the overall 2010/11 SIM scores. Given this relatively insensitivity, we query whether the additional burden (and inconsistency) created by the requirement is appropriate.

### 3.2.5 Summary and recommendations – calls abandoned

It is apparent that there are inconsistent approaches to reporting for this element. These include reporting abandonment within IVR clouds and other automated services. We found that some companies are able to report from such systems but others either have to rely on assumptions or do not report such calls.

These differences are likely to impact upon the comparability of the SIM performance scores as the volume of the calls, especially where automated systems are in full time use, are likely to be high. However, as each company telephony system is configured differently and call services are promoted differently it is exceptionally difficult to quantify a level of risk associated with this. We have assessed the risk of the effect of not being able to report on calls abandoned in less than 10 seconds as low but, if added with the other inconsistencies found then the cumulative materiality may be high.

We recommend that Ofwat and the industry consider ways to make reporting of calls abandoned within automated services more comparable as it appears at the moment that companies who can report within these services (and those that don't employ automated services) are disadvantaged in any comparative assessment.

A secondary recommendation would be to review, at an industry level, the appropriateness of Table 5 line 16 – “calls abandoned within 10 seconds’ to ensure this recently introduced requirement meets the regulatory needs identified during the development of the SIM.

We also believe that it may be beneficial to undertake a supplementary horizontal review focussing specifically upon IVR and automated services again in the near future. This will help to ensure and promote greater comparability and keep abreast of changes in methodology and technologies which may impact upon reporting in the future.

### 3.3 Written complaints and second stage review

The written complaints and second stage review category measures the volume of written complaints received during the report year and how these complaints are categorised in relation to the number of contacts from a single complaint and the broad nature of that complaint. The following section outlines the reporting practices across the industry and how sensitive the SIM calculation is to variability in the number of complaints received, escalated to second stage review and CCWater investigations. The reporting guidance for this measure is defined in Chapters 5 and 5a of the Ofwat June Return Reporting Requirements, dated April 2011.

The written complaint component has been present within the Ofwat reporting requirements for many years now and, unsurprisingly, a strong understanding in what this indicator intends to measure was found and that reporting methodologies were generally mature.

Typically a written contact will be the final contact avenue chosen by the customer as it requires more time to write a letter or email than to telephone a call centre (although in some cases this may be disputable with respect to emails or website forms of communication). This infers that in the context of telephone complaints, written complaints will be a relatively small fraction. Therefore data observed and taken from the nature and number of written complaints received will indicate areas to be addressed by the company that should also result in reduced unwanted telephone contacts as well as written contacts.

An overview analysis of performance reported in JR11 shows that 185,143 written complaints were received by the industry including 21,261 that were escalated to a second stage review. Assessing this data on a 'complaints per 1000 properties', this is equivalent to 6.1 complaints per thousand properties. Whilst this generally indicates a reasonable overall result, individual company performance varies considerably. In total, 6 companies (PRT, SBW, SES, VSE, VEA and VCE) report less than 2.5 written complaints per 1000 properties for their customer base across the year. However, some companies experienced volumes during the year which led to reported performance being relatively worse than their peers. In particular, NWT experienced difficulties with a major interruption to supply resulting in an increase in of around 0.3 written complaints per 1000 properties being reported by the Company. Nine companies indicated that the freeze/thaw events in winter increased written complaint volumes.

In terms of complaint reasoning, the most common complaint category of stage 2 contacts is charging and billing issues, accounting for 61% of the industry wide second stage complaints. The summary of second stage complaints is tabulated below (Please note that the industry average column does not sum to 100% as the WOC data was removed from the Sewerage service row to prevent bias in that subset of data):

**Table 3.4 –Categories of complaint**

<b>Second stage category</b>	<b>Industry average</b>	<b>Minimum range (company)</b>	<b>Maximum range (company)</b>
Charging and billing issues	61%	30%	82%
Water service	15%	0%	40%
Sewerage service (excludes WOCs)	13%	6%	17%
Metering issues	4%	0%	14%
Other	13%	0%	66%

The respective company positions for only the written complaint and second stage review category of the SIM are as follows:

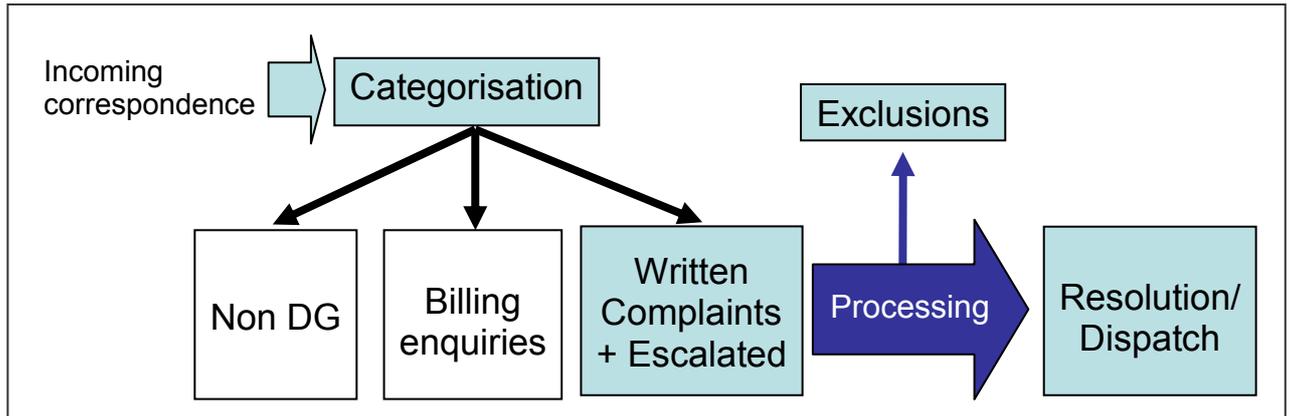
**Table 3.5 –SIM position of each company**

<b>Position</b>	<b>Company</b>
1	PRT
2	VSE
3	VCE
4	SBW
5	WSX
6	VEA
7	BRL
8	SES
9	YKY
10	CAM
11	SST
12	NES
13	WSH
14	DVW
15	SVT
16	SEW
17	SWT
18	ANH
19	TMS
20	SRN
21	NWT

To create this subsection the SIM scoring data for the appropriate components (that were normalised against population) have been utilised to derive a written complaints and escalation topic area result based on the appropriate SIM weightings. The scores have not been adjusted as a result of the audit process as any potential changes are not quantifiable in these terms. A number of possible influences that may affect these positions have been indicated below and have been tested for sensitivity in Section 3.3.9.

**3.3.1 Reporting methodologies**

The horizontal analysis found that companies employ an array of systems and the complexity of these systems varies. In general, water and sewerage companies tend to employ more complex systems whereas the smaller water only companies tend to employ simpler systems. In the context of monitoring and reporting of written complaints, much depends on the categorisation, exclusion and staging of the escalation levels. To demonstrate Figure 3.4 below illustrates conceptually the typical complaint process configuration observed during the audit process.



**Figure 3.4 – Basic schematic of written complaint process flow.** Percentages would have been allocated to give an overall demonstration of how correspondence is typically split, however lack of data for non-DG and exclusions for a number of companies would make this unreliable.

From Figure 3.4, broad process stages for written complaints are identified as:

1. Incoming complaint routes
2. Identification and categorisation of complaints
  - a. Escalation processes
3. Processing of complaints
  - a. Exclusion processes
4. Resolution and dispatch
5. CCWater interaction
6. Reporting

It is noted through the horizontal analysis that stages such as exclusion or escalation can occur at different points in individual companies and so have been identified as sub-categories of the appropriate stage.

### 3.3.2 Incoming complaint routes

All companies accepted complaints by post and email. In addition many companies have web-form facilities to allow for customer complaints to be received via their websites. The configuration of these varies with some companies employing more contact points than others. Customer services are usually separated through the use of PO Box numbers and specific customer services email addresses.

During the audit activity, typical weaknesses were established that presented a risk to companies' compliance. This being that complaints to non-core activities (e.g. complaints sent to a depot or laboratory) and contractors are not always robustly captured by the customer services teams. The industry addressed these in the following ways:

- A common approach was to have contractors obliged through the terms of their contract to either forward all complaint correspondence for the company to respond to or have the contractor respond themselves and forward both the complaint and the response to the company to enable reporting.
- Ensuring that non-core activities are aware of the customer services requirements and ask them to forward any complaints to them.
- Promote customer contact only with the water company by advertising their contact details on signage and contractors vans

- Structure the incoming correspondence routes to ensure that all correspondence passes through a team of people who then categorise and distribute all types of correspondence.
- There was some inconsistency as to whether compensation claims or letters to the companies' legal teams should be included in the data.

Overall, companies were aware of the requirement to ensure they receive written complaints sent to their contractors regarding work undertaken. Most have developed working relationships with their contractors and are in various stages of progress as to engaging them about written complaint handling. All companies suggested that the number of complaints going to contractors are small and has an immaterial influence on their numbers, although many companies were unable to quantify the number of complaints sent to contractors.

Within this, debt agencies and external solicitors proved to be the most common contractors where written complaints may not be being registered. Typically, companies' capital contractors were already contracted to pass complaints received back to the companies.

At audit, it was noted that reviewing an audit trail for written complaints received from contractors was not simple and therefore, in many cases, these were not specifically reviewed. This made it difficult for the auditors to confirm the methodologies described.

During the sample audits it was noted that complaint recognition was not as good outside of the customer services department (for example where other functional areas receive correspondence directly) and that the risk of complaint contacts being missed appeared to increase.

In discussion with one company it was noted that their procedures for receiving written complaints from contractors has now matured to the point where experience is demonstrating that completing complaints in-house is their preference as they had identified a trend whereby a contractor was forming a significant proportion of their GSS failures.

In addition during the audits, at another company we were advised that "complaints from key customers tend to be resolved separately but in the context of overall complaint volumes these are not considered material."

Three companies are not able to log emails/faxes during out-of-hours as described in the reporting requirements which results in the actual received date being technically incorrect which will thus impact on the required dispatch date. This is due to the respective companies systems not being able to adjust the receipt time-stamp when it is entered on the system. In order to mitigate one of the companies has looked at the materiality by analysing how many email contacts are getting to day 10; which they believe is immaterial due to the rare nature of this occurring. Another company has mitigated this by setting an internal GSS response limit of 9 days to ensure compliance. However this is outside if the scope of the SIM review.

From the pre-questionnaire it was apparent that five companies outsource written complaints. Four of these outsource between 60-70% of their written complaints. The fifth only reports that complaints to debt collection agencies (DCA's) are outsourced. Ten companies outsource written billing contacts. The percentages are as follows:

**Table 3.6 – Percentage of written complaints outsourced**

Percentage Outsourced	Number of Companies
100	7
98	1
93	1
67	1
14	1
0	10

Within the written complaint and second stage review component of the SIM, it was noted that the highest ranked company that outsources complaint contacts is ninth. The highest ranked company outsourcing billing contacts is third.

**3.3.2.1 E-mail concerns**

During audit, a number of companies expressed some concern that email contacts are treated in the same manner as written complaints. It is their view that the nature of email contacts differs significantly to traditional written complaints. These companies reported that email is increasingly the contact method of choice for many customers, and improvements in companies’ online presence can see a shift from telephone to email contacts. The belief is that emails are more likely to involve repeat contacts, and therefore be escalated, thus impacting on the SIM scoring.

Although it is accepted that emails received may be written conversationally or be much more brief and concise, they form a documented contact from a customer. Many emails will be received that are written exactly as a letter will be composed. The move towards email is in part driven by the speed and ease with which an email can be sent and delivered; also avoiding any perceived risk of the letter not arriving or customers’ general experience of call-queuing. Essentially e-mail represents a more rapid way of corresponding in writing.

HMS experience of reporting on written complaints has noted that letters are received that may more accurately be notes which display dissatisfaction. This demonstrates the similarity between the two forms of communications.

It is considered that a substantive response to emails, or asking for further details should not necessarily increase the number of repeat contacts. For example:

- further correspondence giving information without expressing dissatisfaction would not be considered as a dissatisfied contact;
- dissatisfaction with new information that may change the outcome of the complaint is considered to be a stage 1 complaint; and
- where the customer needs to provide further information at the company’s request then this could be considered a managed process or responding to a company prompt (it is noted that the last scenario is not explicitly referred to in the Ofwat reporting guidance).

**Examples of good practice when receiving emails**

The email automatic response from one company provides a calendar date for when the company respond by, rather than quote a customer x working days. This provides clarity for the customer whilst also providing a degree of interaction with the customers contact.

Another company employs a part-time member of staff who processes emails received during the weekend.

### 3.3.3 Identification and categorisation of complaints

A major factor identified in complaints categorisation was whether written complaints, particularly mild complaints were linked to whether the respective companies were asking agents to distinguish between a 'complaint' and 'dissatisfaction'. Where agents were prompted to recognise 'dissatisfaction' and nothing else, the identification rate appears to be higher than where the agent is asked to identify a 'complaint'.

This correlation was not significant in terms of the companies' definitions, as many use the Ofwat guidance as the basis for the definition. The defining factor was the absence of the term 'complaint'. Companies using the HiAffinity system for correspondence for example only ever use the term 'dissatisfaction' for registering written complaints.

This trend did not always guarantee success when categorising written complaints, however, the audit results suggest that better categorisation typically existed where this was the case.

Ofwat had indicated a willingness to understand where companies had described that owing to reporting requirements changing part way through the report year, they have extrapolated 'SIM data' and whether this was likely to have potentially skewed the data submitted.

The horizontal audits showed that one company had reviewed their complaint definition, making it more stringent. A retrospective analysis determined that from a population of 14% of written billing contacts received, an extra 1.45% of these were deemed to be complaints. As a result the percentage error has been extrapolated across the dataset.

In achieving compliance with the clarification JR11/040 one company has estimated CEO responses to complaints via extrapolation based on two sampling exercises. The methodology and results have been maintained to provide a full audit trail.

Another company has adjusted their complaint reporting to move 100% of repeat contacts into the second stage review category. In doing this there is an acknowledgement that they maybe overstating the number of repeat contacts received as they were not subsequently vetted in order to ascertain whether the contacts included any further/new information that may revert them back to the first stage again.

In reporting the SIM submission one company had identified that its commercial new connection contacts may contain complaints. To ensure these were included within the SIM, and deemed to be fully compliant, the company utilised a sample calculation to include them. The company specified that its sample calculation is conservative in its application of letters as written complaints.

In contrast, another company specified that they had not undertaken any retrospective analysis.

Sample audit activity identified that the vast majority of items allocated as written complaints are correctly allocated. More written billing enquiries considered to be complaints were found, although typically these were very small in quantity. Quantifying the risk arising from the sample audits is difficult as the sample sizes achieved are not typically considered to be statistically significant. However, it is clear that there is a risk, principally with complaints that are considered to be mild.

Instances were also identified where companies had excluded complaints because the customer was alerting them to a service failure e.g. broken manhole cover but did not necessarily express dissatisfaction. Examples include companies where they:

- processed the following two items as DG6. One was a court document and the other was a compensation claim, which were both excluded as is the company policy. However they did report as a written complaint, a letter regarding a manhole cover that was making a noise.
- reported as DG6 three items of correspondence regarding a stop tap not working, a request to hear the outcome of a claim and a request to remove some water main and fitting that had been left onsite when the infrastructure was fitted
- reported contacts regarding a missing stop tap cover and from the council a damaged manhole cover as DG6, although they did report a missing meter cover as DG7 as it related to workmanship.
- reported an item referring to a broken meter cover causing a trip hazard as DG6.

In contrast a further company reported, as a written complaint, an item referring to a manhole cover that had been placed over the top of a meter. Thus demonstrating, along with the examples included above, that instances where companies include correspondence as complaints where the customer was alerting them to a service failure.

In relation to the industry as a whole it was found that letters written about service failures, for example, that were not explicit in their dissatisfaction, were not normally counted as written complaints. Given that the DG7 reporting requirement definition already includes 'written communication alleging lack of service even if written in mild and friendly terms', we recommend guidance is made more explicit regarding their inclusion so that these are included in the SIM data as written complaints. We note this approach is consistent with the recording of operational contacts as 'unwanted' elsewhere in the SIM it is recommended that the guidance is made more explicit regarding their inclusion.

The methodologies used by companies to allocate a complaint to a service area such as water, charging and billing, etc are manual lead by the agent. The subtle difference between different methodologies is that some companies will ask the agent to allocate the item directly to the CCWater categories, whereas other companies provide a list of internal categories that the agent can choose, these are then mapped automatically to the CCWater categorisations.

Some companies have quality control checks at the categorisation stage, however typically these checks are only carried out on the written complaint work stream to ensure that correspondence that is not considered to be a written complaint is not included. This was sometimes referred to as a gatekeeper. There was less evidence of similar checks undertaken for billing enquiries or other correspondence. Given the risk profile for written billing complaints and written billing enquiries being heavily skewed due to the volumes received, it is considered that a similar function on the higher risk correspondence such as debt collection teams and written billing enquiries should also have a gatekeeper exercise.

### 3.3.4 Escalation processes

Companies have mostly applied processes that are reliant on manual recognition for escalation. Although these will be held and reported within the appropriate recording system, the original decision is still with the agent. At one of our audits, it was noted that although the manual process is still in place, the billing system will prompt the agent to consider whether a item of correspondence may need escalating as it identifies whether previous correspondence relating to a similar internal category code has been received, then giving the agent the option to decide whether it should indeed be escalated.

From the horizontal analysis it appears that a 2 stage system is widely adopted but approaches are different across the industry. For example, 'third stage' complaints for some companies are included as escalated (reported in T5a) others are including these in their commentaries only. There are also more complex methods. A few examples of interpretations, taken from the SAFs are given below to demonstrate:

- One Company reported that when a third complaint letter is received and there are no new issues raised, if the company is prepared to do more by undertaking a final review then this is reported as a Stage 3. These will not be included in the company's complaint numbers but will be mentioned in the separate commentaries document. If they feel they have dealt with the complaint as far as possible then the company should advise the customer to contact CCWater, who will review the complaint on behalf of the Customer.
- Another Company described how it uses a two stage approach. Any instance where the Company decides that a further response is required instead of reference to CCWater this is recorded as a further stage 2 complaint. The company reported that these repeated stage 2 contacts are not separately identifiable nor reported in the Company commentary.
- The third example Company categorises complaints as either stage 1 or stage 2. However, the Company continues to log complaints and correspond with customers after stage 2. In their commentary the Company confirms that 23 pieces of correspondence have been logged in this way. These are not reported in Table 5a.
- A fourth Company confirmed that repeat contacts, where the complaints procedure has been exhausted, are excluded. However, the number of times a repeat contact on the same issue is received, before it is considered exhausted, is not determined. Each complaint is assessed on a case by case basis. Indeed, at audit one particular case was located where there had been seven complaints logged at stage 2 before being considered exhausted.
- The fifth Company does not have a set number of replies before a case is determined to be exhausted, it is determined on a case by case basis. In some instances a visit is paid to the customer to discuss the basis for the complaint in order to expedite a resolution.
- One company listed their complaint stages as:
  1. 1<sup>st</sup> stage
  2. Escalated (stage 2 / review 1)
  3. Escalated (stage 3 / review 2)
  4. Escalated but only reported in the commentary
  5. Refer to CCWater (count as 1<sup>st</sup> stage)
  6. 5th time is excluded

Although at first this system may seem convoluted it is at least a consistent and defined approach which does not potentially hold complaints at a perpetual stage 2 for an undetermined amount of time. Although, responding to the customer to direct them to CCWater is still counted as a stage one complaint, even though the previous contacts had been escalated.

Part of the review of escalating complaints addressed how complaints to CEO's are categorised across the industry. Nine companies action first time contacts addressed to the CEO by passing them to their customer services team or manager where a response will then be sent 'on behalf of' the CEO. Only one company specified that if the CEO responds to a first time contact that it would then be counted as a second stage item. Seven

companies reported that any response sent from the CEO will still be counted as part of a 2 stage process, with the first response being counted as stage 1.

Two audits resulted in a company advising that it will follow its complaints procedures, (2 stages plus CCWater) whether or not the managing director responds to the initial complaint. One of those companies advised that CCWater believe its approach is correct, although inconsistent with their own guidelines which CCWater indicated would be reviewed following responses from the horizontal audit.

HMS believes that directing the first stage to customer services is a sensible approach as it would appear to satisfy the guidance whilst seemingly best suiting the companies' needs. Responses from the CEO being counted as a second stage complaint in terms of the CCWater flowchart is understandable from the point of view that there is nobody higher in a company to review the response. However, this approach does seem to take away any opportunity for the CEO to review their own response in the light of further correspondence from the customer.

Overall, the changes in guidance provided to companies during the clarification process for JR11 should make it less likely that complaints will be left stranded at stage 2 repeat or equivalent. Whilst changes in methodology (and where noted, data) have therefore been reported in JR11, it is expected that both will be more stable in JR12.

#### Examples of good practice to reduce repeat contact volumes

We found that companies were utilising customer focused methods in order to try and reduce customer complaints and the likelihood of repeat contacts. Methods included altering bills in order to make them easier to understand, rewording communications, providing a more personalised auto response to emails and speaking to the customer to clarify the complaint and ensure substantive responses. Some companies reported making personal visits to tackle particularly difficult complaints.

### 3.3.5 Processing of complaints

Complaints are logged and tracked on the companies system of choice. Company systems fell in to three broad categories:

1. Recorded and tracked on the companies billing system
2. Recorded and tracked on a separate sophisticated system (such as a correspondence management tool); or
3. On a spreadsheet / access database.

Typically, users of categories 1 and 2, utilise scanning software to maintain their records in one central place. However this is usually the end result of merging technologies and so some companies utilise separate image stores. 16 companies use complaint tracking software, either through the billing system or via a third-party software.

There were five companies using spreadsheets or basic databases. These were more likely to have paper based systems, although image stores were also in use for this set-up. Where companies were only utilising paper-based systems, it is recommended that for audit purposes, longevity of the items storage and better back-up provision/disaster recovery, that companies consider scanning their correspondence.

At audit, the occurrence of operational issues was discussed. None of the companies responded that they had any issues that prevented them from complying with the Ofwat guidance. The winter freeze/thaw and cold weather was commonly reported as elevating

complaint levels as were major interruptions to supply. The problems were exacerbated at two companies which reported that they had concurrent staff shortages and two other companies reported technical issues with servers or mailboxes.

With respect to petitions, all companies were asked how they responded as responding to all signatories would result in multiple written complaints being recorded. It was evident that for the vast majority of companies the receipt of petitions is rare. Most companies reported that they would only reply to the sender of the petition; however five companies responded that they would respond to all signatories and two responded that if the sender requested a number of responses that they would oblige.

It was unexpected however, that a number of companies reported that for petitions only one written complaint would be recorded whether or not multiple responses are sent. This would appear to be in direct conflict with the reporting guidance which clearly states that the number of responses sent dictates the number of written complaints recorded.

For example one company advised that if they did send copies of the same letter to other signatories, even if they were to send multiple copies, this would only be counted as one DG7 complaint (as it only related to one service failing). That company advised that in future years it will not respond to anyone other than the actual petitioner in order not to be penalised under the SIM scoring mechanism.

All companies report undertaking a degree of quality assurance on their written complaint responses. Some methods for this are not formal (i.e. a supervisor review), some companies undertake a comprehensive retrospective audit (in terms of number of contacts reviewed and criteria checked against) whilst others are less comprehensive. A few companies undertake formal audits of responses to complaints prior to the responses being dispatched, which assists that company in ensuring it has met all the criteria for a substantive response. It is expected that this approach reduces repeat contacts.

#### Example of good practice when processing complaints 1

On receipt of a written complaint, the company agent endeavours to telephone the customer to acknowledge they have received the customer's letter and if possible to clarify any points contained within the letter. The complaint is then investigated and a written response to substantively close out the contact is sent. Several days after the response has been issued, the customer is telephoned again to establish whether the reply had been received but also whether the customer was satisfied with the company's response.

It is believed that this additional dialogue helps to build a rapport with the customer and also helps to resolve the customer's complaint at the first point of contact. In particular, the follow-up call after the substantive response has been sent would potentially assist in reducing the number of second stage or repeat contacts as any queries can be resolved at the time of the call.

**Example of good practice when processing complaints 2**

From a reporting perspective, a few companies undertake formal quality checking of every outgoing response prior to the letter being sent. This process includes the completion of a form to record against each item to be dispatched. Although other companies do undertake this sort of QA activity, not many companies have stated that they perform these checks prior to dispatch, preferring to learn from the mistake rather than intercept it prior to dispatch.

At companies where the response time is significantly under the GSS criteria, it may well be worth considering a real-time QA function rather than a retrospective audit activity.

### 3.3.6 Exclusion processes

Auditing the exclusion process via sample auditing was difficult, with three scenarios becoming evident:

1. A number of companies did not keep a record of all categories with contacts regarding third-parties or other undertaker's being sent on to the correct entity without being recorded. Typically only repeat contacts would be held under these systems.
2. A number of companies had kept records of all exclusions but due to the way they had been input to the system (usually using a reference code) these items could not be easily located for audit
3. An audit trail was available at some companies.

Where there is an absence of a visible audit trail, the audit of these areas has relied mostly on discussion with the company regarding methodology. Companies reported the number of exclusions made, however this figure only included those items recorded as excluded which mainly related to repeat contacts that had exhausted the complaints procedure. For example a few companies have reported zero exclusions, but will still have received complaints regarding third parties or other undertakers.

In terms of the overall complaints process as shown in figure 3.4, it was common for exclusions to occur at two of the stages shown. Items such as third party or other undertaker complaints were often removed at the categorisation stage. Repeat contacts required processing prior to exclusion.

In addition to the allowable exclusions listed in the Table 5 guidance document, companies were found to be adding the following two categories to that list:

- Frivolous or vexatious complaints
- Duplicates (i.e. multiple copies of the same correspondence sent to several recipients which only require a single response)

Both of these categories appear reasonable and it is recommended that they are included with in the Ofwat guidance.

All companies were found to reply to abusive and offensive contacts unless the complaint is vexatious. Only two examples of complaints being excluded on the basis that they were abusive/offensive were located during audit. One of which was still responded to despite exclusion.

One Company reported that "other undertakers are not included in DG7 exclusions as they are recorded as enquiries. The Company does respond to customer contact meant for other undertakers. Complaints about other undertakers billing is counted in the Company's DG6 figure."

<b>Example of difficulty for auditing allowable exclusions</b>
At companies where a manual system is in place and only paper records are kept, allowable exclusions, such as complaints to third parties, would not be recorded - thus removing a visible audit trail of correspondence received to that processed. This reduced the audit effectiveness.

**3.3.7 Resolution and dispatch**

The resolution and dispatch of items was not an objective of the horizontal auditing as the SIM scoring does not have any allowance for this. However the following observations were made.

Typically, complaints are responded to by the same means as they were received. Thus emails and web-forms are responded to by email. Letters are still sent in response to hardcopy complaints received. It is evident from a number of audits that answering complaints by using a telephone call is:

- Quicker, thus the GSS time limit is easier to meet and agents use their time more efficiently
- More personal - as direct human contact is made with the complainant
- Better at reducing repeat written or telephone contact - as the query can be raised and answered during the call

A negative side-effect however is that if agents pass their direct dial to customers as part of this process then accounting for unwanted telephone calls is potentially made more complicated.

Calls made to customers in response to complaints are required to have a robust audit trail. This is usually done by completing a form detailing the contents of the telephone call.

**3.3.8 CCWater interaction**

Although not directly impacting on the SIM scoring it was noted during the JR11 guidance clarification process that the interaction between companies and CCWater were visited several times. Due to this the way in which each company reported contacts from CCWater was analysed.

**Table 3.7 – Method of handling CCWater contacts**

<b>Method of handling CCWater contacts</b>	<b>Number of companies</b>
As received by CCWater from customer	14
As received by company from CCWater	5
Always counted as written contacts	2
Always counted as telephone contacts	1

Although not entirely consistent, the majority of the industry is recording contacts from CCWater in a way that is compliant with clarification JR11/032, it is noted that the company always counting the contact as a telephone contact (as this is the primary method of interaction between CCWater and the company) may also record written contacts if written correspondence is forwarded to them. These can potentially result in double counting of the contact.

3.3.9 SIM score sensitivity

Given the differences in reporting identified in the horizontal analysis, an assessment of how sensitive the SIM calculation methodology is to the number of ‘written complaints’, ‘written complaints escalated to second stage review’ and ‘CCWater Investigations’ reported was undertaken.

It is acknowledged that during the audits any potential discrepancies appear to be small. Nevertheless, to ascertain what risk the inconsistencies identified may have upon the overall SIM score, a coarse test of how sensitive the SIM calculation is was undertaken. The following graphs show the impact of the 10/11 SIM scores by illustrating the impact of increasing the reported number of each component by 2, 5 and 10 times.

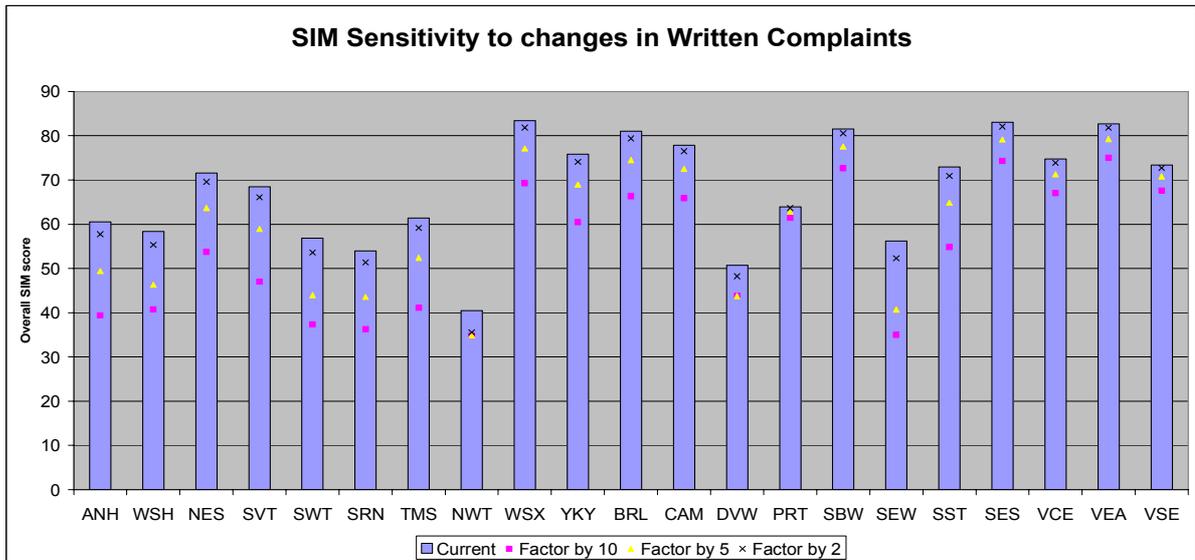


Figure 3.5 – SIM sensitivity to changes in written complaints

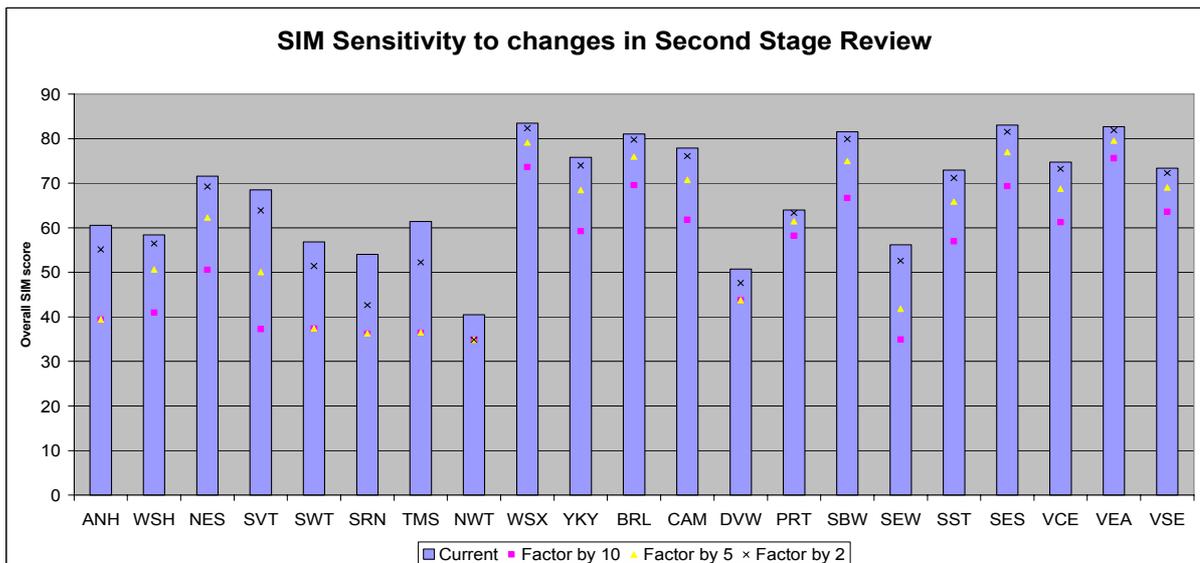


Figure 3.6 – SIM sensitivity to changes in second stage review

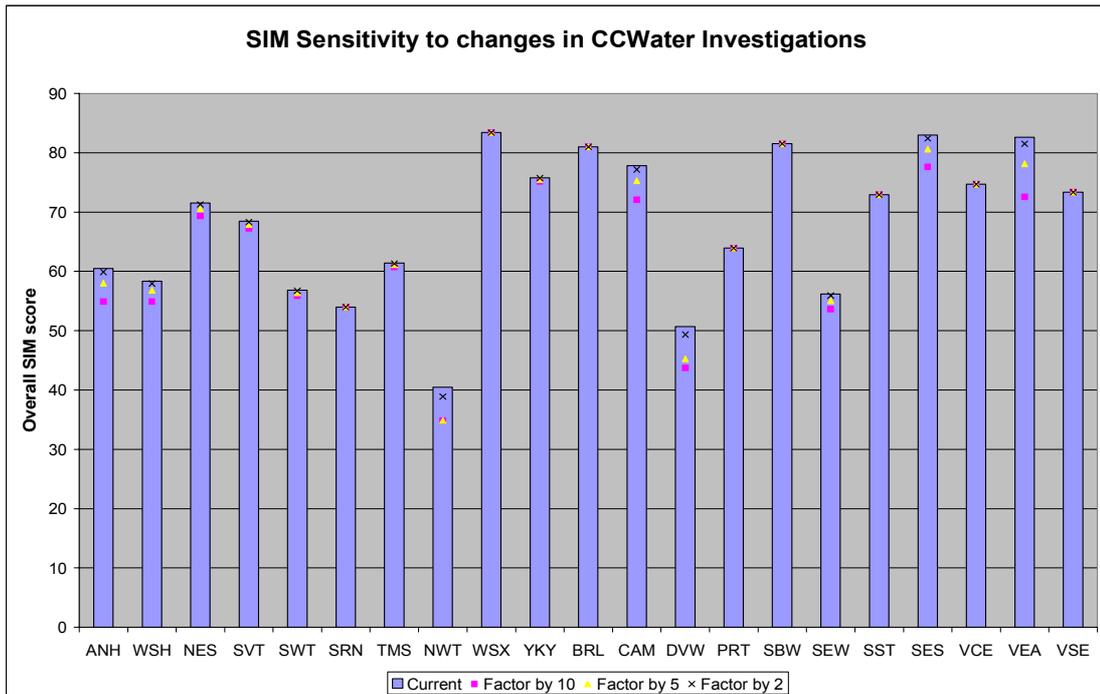


Figure 3.7 – SIM sensitivity to changes in CCWater investigations

As would be expected the larger the volume reported the higher the resultant variance from the factoring exercise. However it is fairly clear that the numbers of written complaints, plus those escalated to a second stage review are the highest risk factors in terms of the overall SIM scoring based on this factoring exercise. This is particularly significant where a smaller company receives a petition and responds to all signatories as this has the potential to skew the SIM data significantly.

The above graphs demonstrate that it is possible to score zero for the quantitative element of the SIM if the volume of complaints or escalated complaints is high enough. For example the companies where the factor by 5 and 10 times sensitivity tests appear as the same value, have dropped to zero score for the quantitative element and the remaining score is that derived from the consumer experience survey. This is particularly evident for the ‘written complaints’ and ‘second stage review’ graphs.

For the ‘CCWater investigations’ chart where the factorial points overlap and coincide with the current value, this is due to the company having few (typically less than 5) CCWater investigations. Again the degrees of change depend on the balancing affect of the other components.

These results would appear to indicate that the categorisation of written complaints and the use of second stage review (which define the overall number of complaints in these categories), plus the allowable exclusion of contacts (reducing the number reported) are key areas for accurate SIM scoring.

It was noted during the audits that a number of companies would continue to correspond with the customer even when it may be considered under the CCWater scheme that the complaints procedure had been exhausted. A further sensitivity analysis was performed to determine the impact of a factorial drop in second stage complaints combined with the equivalent factorial increase in CCWater investigations. However the results are inconclusive due to low numbers of CCWater investigations and to inconsistencies in the reporting of second stage review data.

### 3.3.10 Summary and recommendations - Written complaints and second stage review

It is apparent that there are inconsistent approaches to reporting for this element of the SIM in all the major stages of complaint recognition and escalation (including referral to CC Water). Some of these inconsistencies may be rectified by undertaking cross industry discussion, other inconsistencies may be assisted by clarification to the guidance. For example there is some debate over whether legal correspondence, compensation claims or letters regarding a service failure should be included as written complaints. It may be that they should all be included in the written complaint metric due to dissatisfaction being the root cause of these contacts. However, these types of contacts may result in more prolonged correspondence which may not fit within the second stage review requirements.

It is considered beneficial to undertake a supplementary horizontal review on certain written correspondence aspects again in the near future. In particular, written correspondence quality control, contractor complaints and exclusions. This will help to ensure and promote greater comparability and keep abreast of changes in methodology and technologies which may impact upon reporting in the future.

Subjectivity in the categorisation of complaints will continue to be an issue for companies. Resolving this may be helped by clarifications to the guidance but will not be solved by this alone. It is considered that this may be an area where further horizontal auditing or industry working groups assist in developing a more consistent approach.

An additional consideration would be to more closely align the written complaints and second stage review metrics with the unwanted telephone contacts guidance. We are aware this consultation option was discounted as it wasn't thought to make a significant difference. However, the audit findings of our horizontal audit suggest that restructuring the written complaint guidance would provide an opportunity to address apparent inconsistencies and result in a more comparable metric. In particular the mapping of certain types of correspondence (such as compensation claims and service failures) and replacing the issue of what is dissatisfaction and/or a complaint should have immediate benefits.

### Incoming complaint routes

Overall the incoming routes for written complaints are clearly defined and signposted by the industry. Although customers may use the wrong address, this is usually picked up within the written correspondence processes and rectified without any issue. The good practice identified assists in humanising the auto-response to emails and making it easy for the customer to understand. It is considered that correspondence received directly to the customer services addresses make-up the vast majority of overall complaints received. The date of receipt attached to items is only material where a company is reporting significant levels of items resolved over Day 8.

With respect to contractors working on the behalf of companies, it would be beneficial for companies to form a comprehensive understanding of incoming mail to these organisations to allow for more efficient auditing through a comprehensive audit trail of how written complaints are recorded for reporting purposes. A more transparent audit trail would also increase confidence that all potential contact points are included. Where contractors are missed, particularly customer facing contractors, such as metering or debt collection, will bias the SIM comparison against those companies who do not use contractors in these areas.

Regarding concerns raised by some companies over the inclusion of emails as written contacts, although it is believed that emails should be recorded as written contacts, a degree of clarification to the Ofwat reporting requirements would assist in ensuring that the SIM scoring methodology is not potentially impacted by unnecessary repeat contacts (e.g. contacts which provide further information). It is considered that further clarification of guidance with respect to letters received to debt collection teams/agencies, legal departments and compensation claims may be beneficial.

### Identification and categorisation of complaints

This area of the written complaints process has by far the most significant impact of the resultant SIM scoring and there is a degree of concern over inconsistency of approach on this aspect. It is however noted that no hint of deliberate misreporting was identified, but that the potential differences are based on varied interpretations of the guidance and small yet unquantifiable omissions in the audit trail.

Identified difficulties such as including contractors and particular types of correspondence are issues to be addressed but at this stage it is unclear whether they will have a significant impact on the total number of complaints received. Potentially it is the second stage datasets that are more likely to see an impact from their robust inclusion.

The written complaint process and the quality checks therein are fairly robust and operate as described. However that same quality checking is not always applied to written enquiries. Given the statistical significance that a small categorisation error may have, this would appear to warrant closer scrutiny.

It is noted that although sample audits have been undertaken to gain a basic understanding of the categorisation process, the sample populations are not generally considered statistically significant.

### Escalation processes

Differences in escalation staging and, in particular, the number of acceptable repeat contacts prior to referral to CCWater may have a significant effect on the resultant SIM scoring. Although there is a degree of individuality to each complaint, a consistent approach across the industry would provide a more consistent SIM score.

Assessing the degree of significance is difficult. A sensitivity analysis has been undertaken on the scenario of less escalated complaints being reported versus more CCWater investigations reported. This analysis only provides a limited insight and is far from conclusive.

### **Processing complaints**

The GSS aspects of resolving complaints within 10 working days were not specifically addressed by the SIM audits, however no material issues were identified in this area whilst completing audit activity.

It was noted during sample auditing that one of the best ways of resolving a complaint at stage one involved undertaking quality checks prior to the item being dispatched. This would appear to be the ideal way of implementing the most efficient quality standards.

### **Allowable exclusions**

Exclusions from written complaints proved difficult to audit in many cases due to the lack of a robust audit trail. The exception to this was repeat contacts that had exhausted the complaints procedure.

The exclusions of abusive and/or offensive written correspondence appears to be largely redundant following the audits as only one exclusion due to this was reported, with most companies taking the approach that answering an angry customer was preferable to ignoring the contact.

It is suggested that companies look to improve the audit trails in this area in order to boost confidence and provide a robust record of correspondence received and then processed.

Based on discussions with the companies the exclusion criteria are largely adhered to. All companies were aware of the requirements.

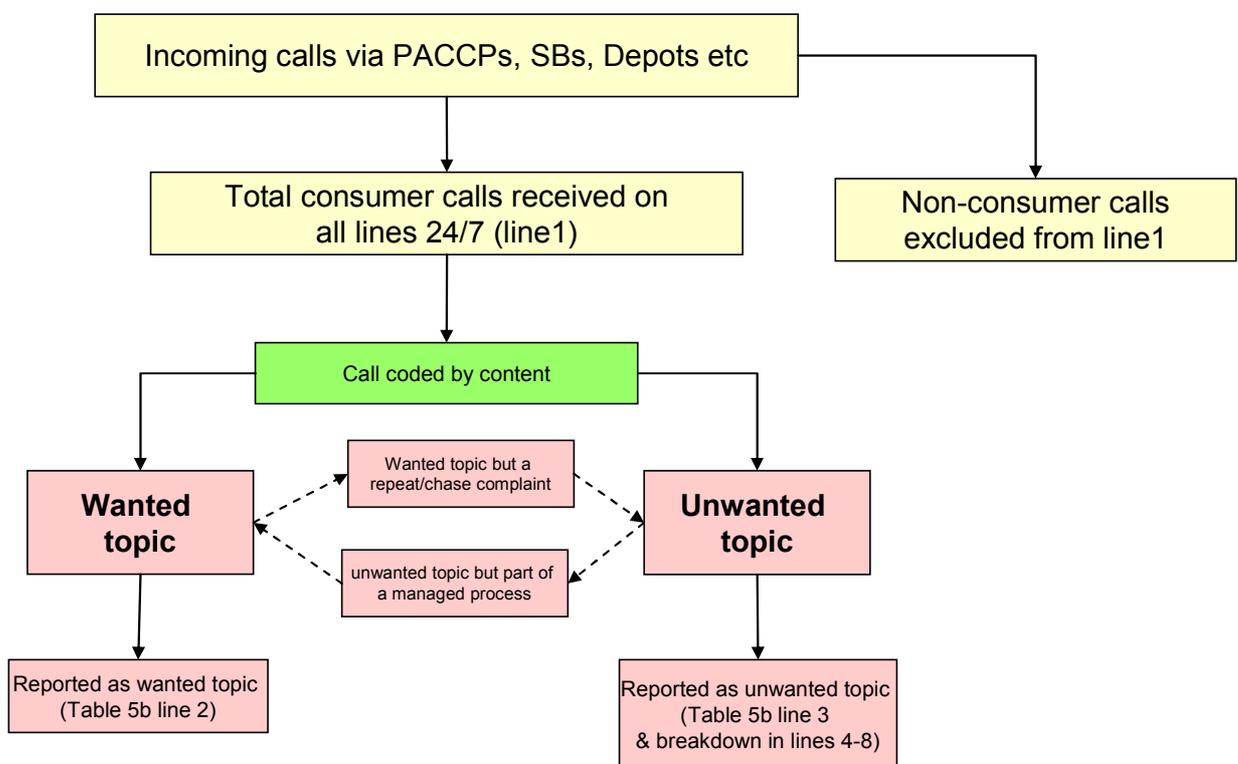
### **CCWater interaction**

There appear to be potential inconsistencies in the approach taken towards communication between companies and CCWater when passing on customer complaints. It is recommended that CCWater and companies consider their interaction to assist with providing a consistent approach which would in turn assist consistency of SIM reporting.

**3.4 Unwanted and wanted telephone contacts**

This measure identifies the total number of unwanted telephone contacts from consumers received during the year. The reporting guidance for this measure is defined in Chapter 5b of the Ofwat June Return Reporting Requirements and definitions manual 2011, Issue 1.1 – March 2011.

The flow chart below illustrates conceptually how the information on calls received is handled to generate the data reported in Table 5b. The information received from the online survey and audits undertaken as part of the horizontal audit process has been used to assess consistency of interpretation of the reporting requirements and the robustness of systems used. The findings of this analysis are presented below and focus on key areas/points that could have implications for the SIM scores.



**Figure 3.9 – Overview of call coding methodology**

**3.4.1 Total Consumer Calls received on all lines 24/7**

The Ofwat definition for this measure for Line 1 is “all consumer calls to all lines into the company 24 hours a day, 7 days a week, regardless of whether the line is a principal advertised contact point or whether the call was taken outside office hours”.

The full range of possible consumer telephone routes into a company was explored and the findings are summarised below.

**Table 3.8 – Overview of telephony routes**

Consumer calls to:	Number of companies that report call volumes	Number of companies that do not offer this form of contact	Number of companies that do not capture call volumes for a specific form of contact
PACPs	21		
Automated systems	15	6	
Message manager	12	9	
Text message	1	20	
Switchboards	12	6	3
Debt agencies <sup>1</sup>	16	3	5
Back office	15	6	
Company works and depots	5	16	
Contractors <sup>2</sup>	21		
Leak lines	21		
Incident lines	16	3	2
Staff mobiles	6	11	4

As expected all the companies actively promote their principal advertised contact points (PACPs) through their literature, bills, web sites, signage on sites and depots etc. Thus, through the PACPs and the automated services, the majority of consumer calls are received and logged.

There are just four contact routes used by some companies on which they do not record or report consumer call volumes. Those to switchboards and staff mobiles represent very small call volumes which are not material in relation to the overall volume of calls reported. Two companies operate occasional incident lines for operational purposes but do not capture call volumes for reporting. In 2010/11 one company reported that this line was used 14 times. Both companies report that call volumes are not high.

Use of external debt agencies is the main area where five companies acknowledge that they do not capture consumer call volumes. One company reported that the estimated number of call is around 4,000 per annum equating to 0.3% of the total call volume and the missing information is therefore reflected in the confidence grade applied.

**3.4.2 Excluded Calls**

The reporting guidance permits certain calls to be excluded from the reported figures provided that they can be robustly identified. These are:

- Non consumer calls
- Calls by company staff
- Wrong numbers

All the companies were aware of the exclusions allowable. For non consumer calls, some 12 companies either have dedicated lines for these calls or can robustly identify and hence exclude them from the reported figures. For staff calls, more companies (16) have robust systems in place. The remaining companies cannot robustly quantify these elements of callers: typically such calls are not logged and reported by default in the unwanted call volumes.

<sup>1</sup> Some companies operate both internal and outsourced debt agency functions. Some can capture only the volume of calls to the internal function but not to the external function. Total across this line will be greater than the number of companies as this reflects the additional external function where provided.

<sup>2</sup> All companies confirmed that the signage on site works referred consumers to the company’s PACPs.

Calls defined as a wrong number are subject to greater variability in how the companies treat these. During the audits a wide range of examples were presented by the companies of calls that were deemed to be ‘wrong numbers’. However it is not considered a material issue in terms of the volumes of call reported. Nevertheless, this area may benefit from further clarification from Ofwat.

**3.4.3 Table 5b reconciliation**

The reporting requirements set the expectation that line 1 – ‘total calls received’ should equal the sum of line 2 – ‘wanted calls’ and line 3 – ‘unwanted calls’. There appears to be two main approaches to generating the values for line 1:

- data is sourced from the telephony system with correlation back to wanted and unwanted calls logged on company databases (14 companies)
- data is sourced from customer call databases (7 companies)

Eight of the companies report a larger value in line 1 than is represented by the sum of lines 2 and 3, see illustration below. (Note: the difference at Thames is less than 1% which is too small a difference to show on the graph).

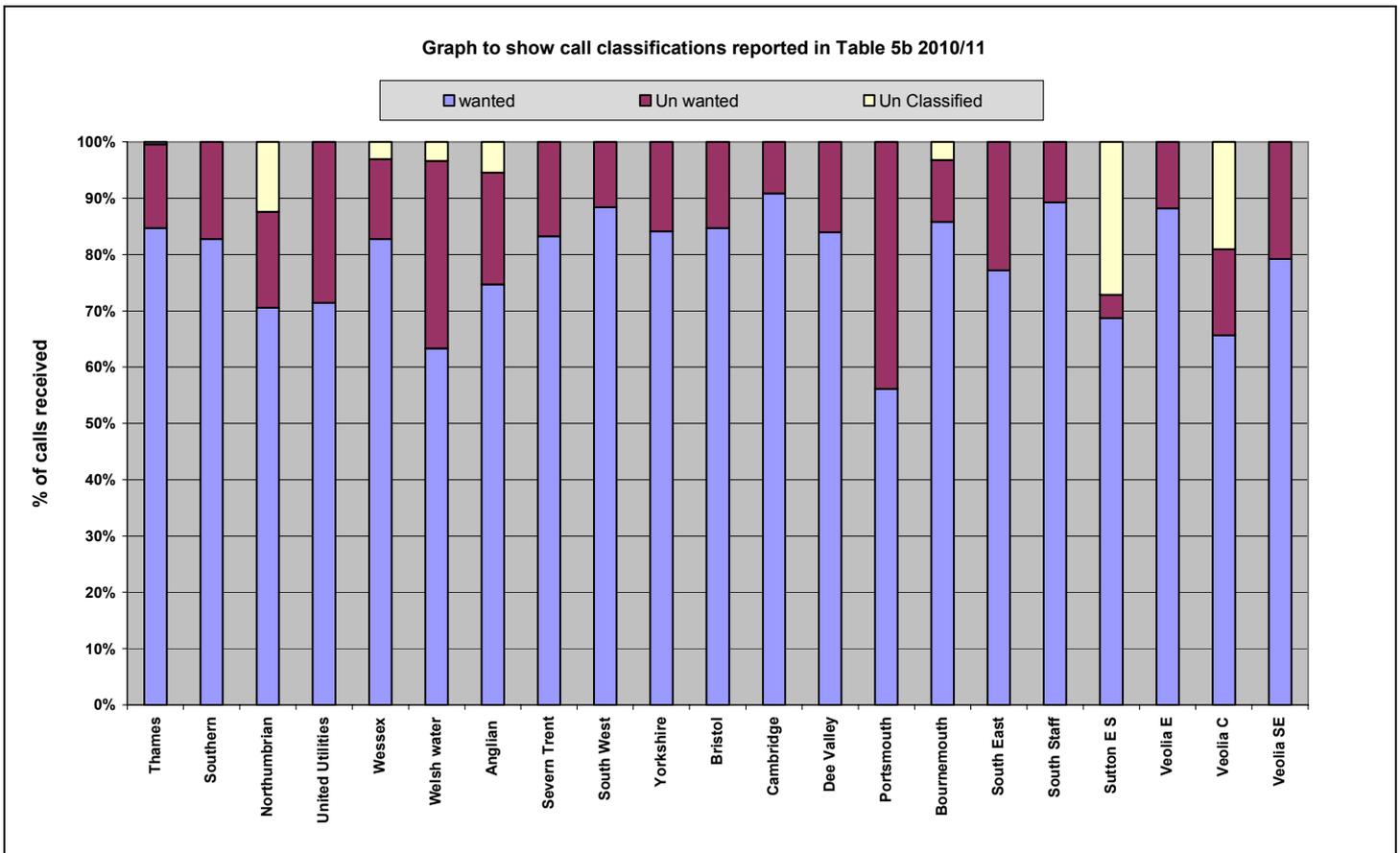


Figure 3.10 – Table 5b call classification

The main reasons for ‘unclassified’ contacts are that Line 1 includes:

- abandoned calls
- calls that are to a wrong number
- calls that are business to business (B2B) or other non consumer
- some internally generated calls

Some of these calls fit in the scope of valid exclusions. However, the difficulty lies often in a company being able to robustly identify and quantify these contacts. The Company with the largest proportion of unclassified contacts attributes this to a high proportion (10%) of calls included that were not from consumers;

To ascertain what risk the inconsistencies identified may have upon the overall SIM score we tested how sensitive the SIM calculation is. The following graph shows the impact of where there is a difference between the total volume of wanted and unwanted calls and the volume of calls received by a) assuming any difference is reported as unwanted and b) assuming any difference is pro-rated between unwanted and wanted in the same proportion to that reported. The results of this analysis are illustrated in the graph below.

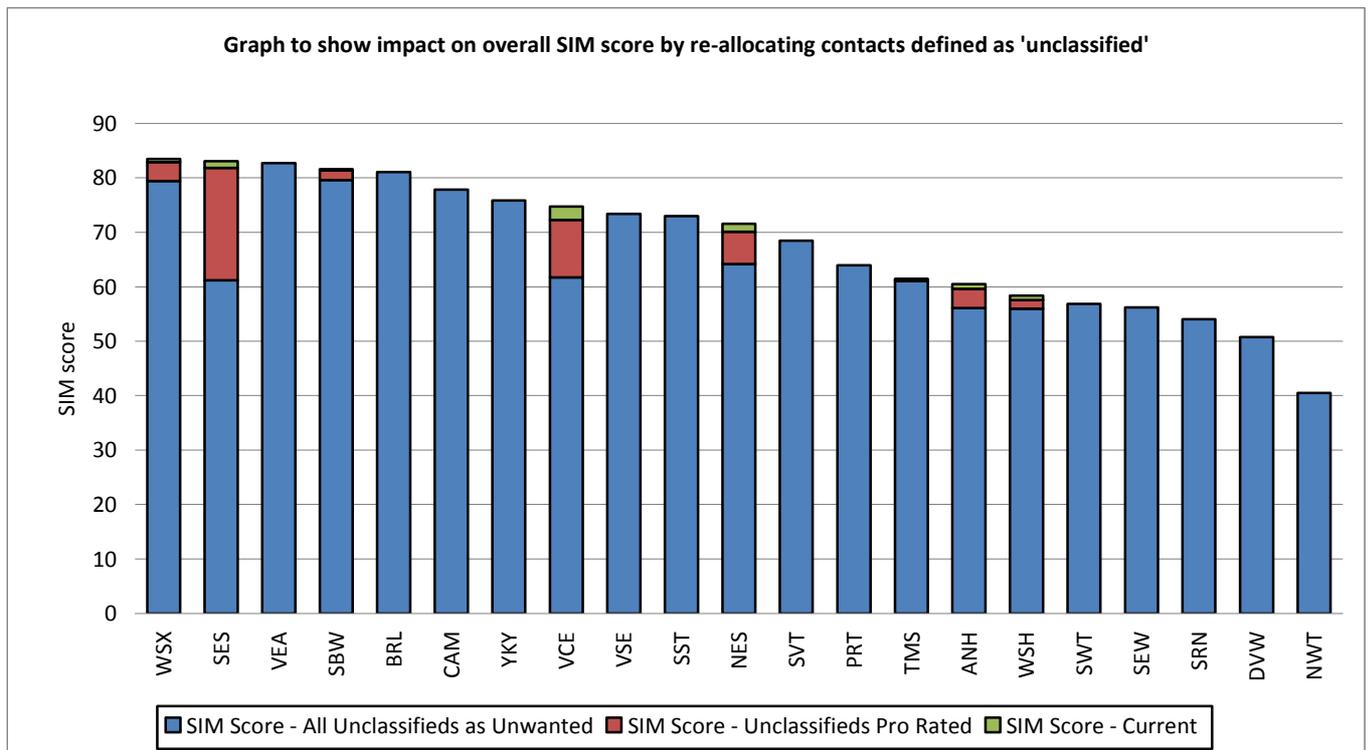


Figure 3.11 – Table 5b reconciliation and impact upon SIM

This analysis shows that the SIM scoring mechanism is materially affected by the inconsistency observed in the Table 5b reconciliation highlighted above. Further discussion to verify both the applicability of the reporting guidance and ability of companies to report the required data will help to provide comparability of results. Specific discussion on how abandoned calls should be reported within the Table 5b reconciliation especially will help to improve consistency in the methodologies employed.

3.4.4 Multiple Issues

Another issue with the comparability of the data is that of multiple issues. This was explored at the audits which found that:

- 11 companies reported just one topic only per call.

- 7 companies reported that multiple topics could be generated from one call (particularly when a single call raises both a billing and an operational issue). However, these instances were judged to be rare and are reflected by the confidence grades.
- 3 companies record multiple issues per call (particularly with regard to billing matters) and report in lines 2 and 3 on the number of issues raised rather than calls. These companies have undertaken analysis to quantify the call/topic ratio and have reflected the difference in confidence grades.

Anecdotal evidence suggests, that overall, multiple issues are not considered to be a material matter in reporting. The three WASCs that do report on multiple issues have quantified the difference and factored this into the confidence grades applied.

### 3.4.5 Call Coding to Wanted and Unwanted Call Subjects

All but one of the companies have sets of codes (ranging from 10's to >1,000) which the agents use to record the purpose of a consumer call. At each audit the codes were examined and found to map appropriately to the Ofwat defined wanted and unwanted topics. Some companies have modified their codes for the JR11 reporting period to provide refined reporting for codes that had previously been ambiguous and which had, for example, contained a mix of wanted and unwanted contacts.

Across the companies there is a consistent approach to an ongoing review of codes in use. Two companies with particularly high volumes of codes (accessed through a hierarchy of menus) are seeking to rationalise and reduce the number of codes in use.

Three companies in particular acknowledged that they have a large volume (75,000 in one case) of calls that are not coded and which by default are mapped to unwanted. These companies are looking at ways to reduce these volumes through encouraging agents to ensure that all calls are logged and coded. This is currently one area of inconsistency, for example a consumer may call to simply request an address or the name of the Chairman. At audit this example came up during the call listening and the call was logged. However, at another company audit it was stated that such calls are not logged on the customer database.

All companies with lists of codes use the software systems to generate the volumes of wanted and unwanted calls. Thus, the agents have only to determine the primary purpose of the call and do not explicitly have to identify whether it is a wanted or unwanted type.

The one company that does not have a set of codes uses manual records to capture the required data. This company receives less than 250,000 consumer calls per year.

Through the audits a number of areas of inconsistency were identified:

- In the case of a “no water” call, this is logged on receipt to an unwanted code. However, if the subsequent investigation identifies the customers’ asset failure as being the cause some companies can change the code to a wanted one whilst other companies cannot. It should be noted, however, that the initial call should be logged on the basis of the information provided during the call. Calls should not be retrospectively changed based on further communications and information. Following this practice would enable all companies to report the initial contact on a comparative basis.
- At audit one company advised that it had not been able to quantify and exclude calls relating to the winter freeze. This was in response to an Ofwat clarification (JR11/022) advising that such first time calls could be recorded as wanted. No other company

explicitly mentioned this clarification but we understand a number have been able to comply.

- One Water Only Company (WOC) explicitly codes calls (that are redirected to a sewerage/drainage issue message) as being wanted. For a WOC this approach seems appropriate as sewerage and drainage is not its area of responsibility. Other WOC’s treat similar calls about the services of another company as either wrong numbers and therefore excluded, or code them to a ‘wanted/information provided’ code. The overall aim being not to be penalised through the activities of another party.

A common concern expressed was that of the subjectivity of this measure and in particular the reliance on agent subjectivity. This was explored further in the scenarios that were presented to each company.

**3.4.6 Subjectivity of Coding**

Subjectivity to coding of calls is a known issue. To explore this further, 23 scenarios were developed and at audit each company was asked how it would code such calls; i.e. would the call be wanted, unwanted or excluded. The findings, which are summarised below, confirm that some call types are consistently coded across all the companies whilst other call types demonstrate a high degree of variability.

**Table 3.9 – Call scenarios (shaded boxes illustrate the response indicated by the Ofwat Reporting Requirements and clarifications)**

Scenario No.	unwanted	wanted	Wanted or unwanted depending on information	Excluded or not logged
S1 – A water only consumer (who is an account holder with you) calls you about the waste water services of another water company	4	13		4
S2 - A water only consumer (who is NOT an account holder with you) calls you about the waste water services of another water company	2	12		7
S3 – A consumer calls you about frozen pipe work <sup>3</sup>	8	9	4	
S4 – A consumer calls you about a non appointed activity – i.e. insurance, plumbing services etc	3	7	3	8
S5 - A consumer calls you to complain about a non appointed activity – i.e. insurance, plumbing services etc	9	4	1	7
S6 – A consumer calls about a billing matter which the agent deals with, the consumer then raises an operational issue and is transferred to another agent			21	
S7 – A consumer calls to advise they are moving home, during the call they discover that their new property will be metered and expresses dissatisfaction with this	21			
S8 – A consumer calls to make a card payment but the card is declined. The consumer then calls back with another card. How is the second call coded <sup>4</sup>	2	19		
S9 – A consumer calls to say “thank you” shortly after the original contact and issue was made and closed out	2	18		1

<sup>3</sup> In accordance with clarification JR11/022, first time calls about frozen pipe work should be reported as wanted if this can be established during the initial call that the matter does in fact relate to the customers’ private pipe work.

<sup>4</sup> This scenario was raised in clarification JR10/003.

Scenario No.	unwanted	wanted	Wanted or unwanted depending on information	Excluded or not logged
S10 – A consumer calls again about the activities of another water provider e.g. a repeat sewerage query	10	8		3
S11 – A consumer calls to give new bank details. Three weeks later the customer calls to provide the same information again and was advised that action had been taken on the first call. How is the second call coded	15	6		
S12 – A consumer calls and is cut off	1	0	16	4
S13 – A consumer calls and is cut off. The consumer calls back. How is the second call coded			21	
S14 – A consumer made an initial call about no water (an unwanted call). The consumer then calls back with further information e.g. neighbour also has no water. How is the second call coded	8	13		
S15 – A consumer calls to ask a question about a bill, make a payment, updates account with partners' details, asks for progress on an inspection prior to a meter being installed and is unhappy with the time taken to get a meter fitted	21			
S16 - A consumer calls to request details of plumbers in their area who can be used to solve an internal problem and two names are provided. The customer calls back one day later. Both those plumbers can not help so the customer asks if there are any further plumbers we can recommend and further names are supplied. How is the second call coded	5	11		5
S17 – A consumer calls the billings number after the contact centre has closed and hears a message advising of times when calls can be taken <sup>5</sup>		1		20
S18 – A consumer calls about traffic lights on the site of company road works not working	19	2		
S19 – A consumer who is a council tenant calls about loss of water. (Note: the interruption could be due to planned council maintenance – or it may be a water company issue	15	1	5	
S20 – A consumer calls a debt collection agency claiming that they haven't received a bill/payment book	12	9		
S21 – Following on from scenario above, bill sent and consumer calls again to claim not received	16	5		
S22 - A consumer calls a meter reader on a mobile number following a card through the door <sup>6</sup>	0	1		20
S23 – A consumer writes to request a copy bill, a follow up call is made several weeks later. How is the call coded	18	3		

<sup>5</sup> As stated in clarification JR10/014, “the definition refers to calls ‘taken outside office hours’ not made outside office hours. If out of hours calls are dealt with by a message manager or automated transaction/voice recognition system that means it is possible to resolve or determine the nature of the customer’s issue it should be categorised according to the appropriate wanted/unwanted category.” Companies should justify and provide an explanation of how such calls are treated.

<sup>6</sup> Most companies do not permit mobile numbers to be given out and therefore this scenario is not applicable in the main.

One area in which the companies are consistent in their reporting is that of complaints or customer dissatisfaction. On scenario 7 all the companies allocated this to unwanted even though the initial purpose of the call was a positive call type. Similarly, scenarios 15, 18, 21 and 23 all contain an element of complaint which the majority of companies would reflect through the use of an unwanted code.

Another area with strong agreement is that of recording of compliments. The majority of companies report these as wanted. However, two companies don't log these and so by default they are included in the unwanted figures.

Scenario 6 deals with a caller who raises both billing and operational issues in one call. All companies stated that they would report on the basis of the first topic mentioned or a complaint if there was one. Seven companies indicated that such a call might lead to multiple contacts being logged. This confirms the earlier observation on multiple topics as noted above.

Scenario 8 relates to a customer having to make a second call because a card payment was declined. The majority of companies treat this second call as wanted as the reason for the customer having to make the second call was the customer's fault and not to do with the company. However, the guidance from Ofwat, provided in clarification JR10/003, states that the second call is a repeat call and therefore should be classed as unwanted even though it is a positive one.

Scenario 13 deals with a customer call that is cut off and the customer calls again. The companies are consistent in this situation with the second call being treated as a continuation of the first or a new call (if no information had been exchanged before the first call had been terminated). All companies made the point that this second call would not be treated as a repeat call. Several companies also made the point that they would try to return the call if they had sufficient information to identify the caller.

Scenario 14 relates to the use of a managed process with consumers. Eleven companies can differentiate calls made as part of a managed process and report such calls as wanted.

Scenario 17 relates to where a call is made to a billings number out of office hours. All but one company do not include these call volumes in their reported figures. Just one company captures this call volume as wanted calls.

Scenario 22 was aimed at exploring how companies control the use of mobiles. The majority of companies only allow PACPs to be provided on calling cards left by meter readers. Thus all calls made in response to such cards would be logged via the call centre agents. The one company that provided customers with mobile numbers acknowledged that they capture the calls received against a wanted code.

The other scenarios indicate a high degree of variability across the companies on how the various contacts would be logged. There is no discernable trend within any of the companies. Whilst we accept that some of the scenarios identified represent relatively low call volumes, it does highlight the subjectivity in the coding of calls. Further work to identify similar scenarios and agreed classification may help to improve understanding and consistency.

### 3.4.7 Complaints

The Ofwat definition of a complaint was used consistently across all companies in training manuals and briefings to staff.

There are various approaches used to aid agents in identifying and coding such calls. The approaches include:

- a. Agents rely on verbal clues and tone of voice to discern dissatisfaction
- b. Data input screen has a flag which prompts the agent to record dissatisfaction if expressed
- c. On call wrap up screen, the agent is prompted to ask an explicit question about customer satisfaction

Option c appears to be the most robust approach as it removes some of the subjectivity on the decision from the agent and is based explicitly on the views of the customer; provided that the system still reports on unwanted topics regardless of customer view.

The capture of data on this measure is widely recognised as being very subjective. From the audit sampling and the call listening undertaken at audit several companies were observed to code contacts as complaints based on very mild degrees of dissatisfaction or disagreement. Conversely, we observed other companies setting a slightly higher threshold based on more explicit verbal statements from the caller.

From the audits, the following areas of inconsistency were identified:

- At one company, there was some uncertainty on the training provided to agents about complaints about non-appointed activities; these are potentially being reported as 'unwanted' although they are 'wanted'.
- Another company reported that it cannot record operational complaints. However this is not a material issue as most operational contacts are unwanted by definition.

### 3.4.8 Repeat/Chase Calls

The reporting requirements define repeat or chase calls as being unwanted. Through the horizontal audit we sought to explore the methods by which companies identify and record such calls and the robustness of such measures. The methods employed are, in order of increasing robustness:

- a. Company not able to record repeat or chase calls
- b. Agent relies solely on verbal clues from the caller (4 companies)
- c. Agent has immediate sight of account history during call and can link call to an earlier contact (5 companies)
- d. Agent has account history access, relies on verbal clues from the caller but has a prompt button on the screen for them to check if call is a repeat or chase (8 companies)
- e. Contact type has to be coded to one of 3 options; the options being a first call, more information (i.e. part of a managed process) or a repeat/chase (1 company)
- f. Agent inputs call topic, the system will then immediately flag if this is the same as an earlier call and raises a flag for the agent. Agent then determines from the nature of the call if this is a repeat or chase or a new issue (4 companies)

Some companies have different systems for operational and billing contacts so the total number of companies is greater than the 21 surveyed.

Three WOC's apply system based analysis of the contacts entered onto their customer information database to generate the JR data for this measure. The logic that is applied in these cases is:

- The system analyses billing contacts made by the same customer on same code occurring within x number of days.
- The system analyses contacts made by same customer using same code regardless of timing.
- The system identifies repeat codes on a customer account within a 6 month period. All such contacts are then deemed to be unwanted. Certain codes are excluded from this analysis such as those that are used in situations where the customer is encouraged to maintain regular contact with the company.

The companies concerned recognise that this is a simplification and likely to result in conservative reporting with volumes of repeat/chase calls being overstated. They advised that this is factored into their reported confidence grades.

#### 3.4.9 Managed Process

A managed process is defined as being a *“process that has been agreed to by the customer and the company to resolve a known issue”*. Thus subsequent contacts from the customer as part of this process could be classed as wanted; the exception being when the customer expresses dissatisfaction about having to call back. This was explored at audit to determine the degree of consistency across the companies as to if and how this was achieved.

Ten companies reported that they were not able to differentiate such calls, for example if a customer is asked to do some internal checks and then phone back with more information about no water this can only be coded in the current system as a “no water” and hence an unwanted contact.

Eleven companies reported that their systems can distinguish between such calls. Of these three companies stated that their preferred approach to the managed process is for the agent to call the customer back within a set timeframe so as to avoid the need for the customer to make a further call back to the company.

The companies that are unable to distinguish consumer calls that are part of a managed process will be reporting higher numbers of unwanted calls than those companies that can identify these contacts. Although the volume of such calls was not examined within this audit, the view is that this is not a material issue and can be mitigated through the companies being pro-active on calling customers back.

#### 3.4.10 Audit Trails & Company Sign-offs

Without exception, all the companies retain audit trails and records of how the JR data was generated. Evidence was also provided that the submissions are subject to internal controls and scrutiny at senior management level before submission.

### 3.4.11 Conclusions & Recommendations – Unwanted and wanted telephone contacts

This study has identified the following areas which would provide benefits through more comparable reporting across the industry. These are presented in order of potential materiality, i.e. higher material issues are raised first.

- a. Reconciliation between line 1 and the sum of lines 2 and 3. Eight companies currently are not able to reconcile these numbers. Further work could be undertaken to quantify the differences and then seek methods to capture and report on valid exclusions. Abandoned calls and multiple topics contribute to this issue. For example, those companies that can generate multiple topics from one call should seek to quantify the ratio.
- b. Subjectivity on coding. It is axiomatic that there will be variations in coding of contacts through agent subjectivity. Quality checking is used to some extent by all the companies. An industry wide sharing of examples, such as the scenarios used here, with feedback and guidance from Ofwat may provide some benefit in this area.
- c. Non-coded contacts which default to unwanted. Some companies set agents targets for coding 100% of all incoming consumer calls. It is in the company's interest to reduce the volume of calls which default to unwanted.
- d. Internal clarification within companies on how non consumer calls are treated. Ideally B2B calls could be directed to specific non consumer contact numbers.
- e. Incident lines (which give customers pre-recorded information about a specific operational event) are set up as required and the number of calls made to such numbers should be captured by the telephony system. Call volumes should then be available for inclusion in the reported figures as unwanted contacts.
- f. External debt agencies. Some companies already gather information on call volumes from these agencies. This varies from simple hand written tallies to telephony analysis. All companies should be able to collate some quantitative data on this component.
- g. Repeat/chase calls. This is an important distinction for calls that are about a wanted topic but which should be reported as unwanted as the consumer is having to call again. All companies could consider the use of screen flags to prompt agents or possibly live logic tests which flag in real time that the call type is identical to a recent previous call.
- h. Managed process. This is considered to be a minor proportion of all calls. Those companies that currently cannot record such calls are at a disadvantage and should seek ways to accommodate this.
- i. Wrong numbers. Although not considered to be a large volume of calls there is wide variability on how such calls are treated. Clarified guidance on this may benefit.

In addition to the points raised above, the confidence grades reported in Table 5b are generally lower than reported for the other components of the SIM. This is unsurprising given the requirement is relatively new and company reporting methodologies and systems are still evolving. Going forward, we therefore believe it would be beneficial to undertake a specific review to measure company progress in improving their processes and reported confidence in the data provided to Ofwat

**3.5 Consumer Experience Survey**

The Consumer Experience Survey category measures the overall perception of customer service from the standpoint of the consumer. It is measured by means of a telephone survey carried out four times a year by McCallum Layton and relies on the Companies providing details of consumer contacts resolved in the nominated week. We found a strong understanding in what this indicator intends to measure.

The score is provided by McCallum Layton for inclusion in Table 5b along with the associated confidence grade. As such this measure is without interpretation by the Companies.

**3.5.1 Results and Sensitivity - JR11**

The CES represents the Qualitative part of the overall SIM score and 50% of the total score. The SIM score is therefore sensitive to the results of the survey.

We have set out below the results of the CES for JR11 by Company (grouped into Water & Sewerage Companies and Water Only Companies) and the corresponding Qualitative Score and SIM Score. The final two columns show the affect of improving the CES score by 5% and 10% on the total SIM score respectively.

**Table 3.10 –CES results for JR11**

	<b>CES Score JR11</b>	<b>Qualitative Score</b>	<b>Total SIM Score</b>	<b>+5% CES Score</b>	<b>+10% CES Score</b>
WASCs					
ANH	4.15	39	61	63	66
WSH	4.26	41	58	61	64
NES	4.14	39	72	74	77
SVT	3.98	37	68	71	73
SWT	3.99	37	57	59	62
SRN	3.90	36	54	56	59
TMS	3.92	37	61	64	66
NWT	3.79	35	40	43	45
WSX	4.47	43	83	86	89
YKY	4.36	42	76	79	81
<i>Average</i>	<i>4.10</i>	<i>39</i>			
WOCs					
BRL	4.40	43	81	84	87
CAM	4.28	41	78	81	83
DVW	4.50	44	51	54	56
PRT	4.50	44	64	67	70
SBW	4.43	43	82	84	87
SEW	3.80	35	56	59	61
SST	4.19	40	73	76	78
SES	4.33	42	83	86	88
VCE	4.30	41	75	77	80
VEA	4.59	45	83	86	88
VSE	4.26	41	73	76	79
<i>Average</i>	<i>4.33</i>	<i>42</i>			

### 3.5.2 Reporting methodologies

The survey requires the Companies to provide contact details of customers who have had their contact with the Company resolved within the survey week. Smaller Companies provide data for a longer time span to give McCallum Layton a sufficient population of contacts to carry out their survey from.

All Companies use a suite of reports or queries to generate the data required.

### 3.5.3 Resolved contacts

The reporting requirements state that the companies must devise means to interrogate its various systems so as to identify consumer contacts which have been “resolved”; this is not necessarily the same as “closed”.

The majority of companies reported that they provided “resolved” contacts to McCallum Layton. This was achieved by various means and in some cases required an element of assumption on the part of the Company.

Some small exceptions were noted:

One Company advised that it takes jobs closed within its primary work system however certain jobs may be closed in this system but with a related job being opened in a secondary system. These tend to be meter option requests where the job is closed after the survey but the actual installation would be raised in the secondary system.

A second Company reported that in the case of DG7 written complaints, the system will show a contact as resolved when a substantive response is sent (i.e. closed from a DG7 perspective). The Company is aware that in this instance not all actions may have been completed at that point.

At another Company a different procedure was in place for JR11 (Wave 4) which has been updated for JR12 to iron out difficulties in reporting contacts as fully resolved.

For certain types of jobs the one Company adds lag days, e.g. for domestic meter installations the Company excludes any meter applications received within 30 days of the survey period to ensure that the request is completed before the dataset is provided for the survey.

A company reported that it continues to “wrestle” with resolved contacts as this is not a point in the customer process which is logged. The Company makes certain timing assumptions to add a time lag to certain jobs. This is being addressed in the new CRM system for JR12.

Another reported that feedback from the survey indicated that there were issues with whether a customer considered their contact to be resolved. The Company does not pass calls to its contractors to McCallum Layton although this is to be addressed in JR12.

Some companies do not include contacts with its debt management agency.

The final Company use jobs closed on its billing system to populate the survey data. However, in the case of jobs requiring work booked via its job management system these can be closed on the billing system and still open in the job management system and therefore by definition are not resolved. The Company also does not capture contacts to its debt management agency.

During each company audit we presented a number of scenarios to test how a company may report, in the context of resolved contact, each of the various circumstances noted. This revealed small areas of differing practices across the industry.

*“A call is received and the customer is moving house, at what point is the contact deemed to be resolved?” Closed at time of call if all information required is available. If a meter read is needed, this is resolved once the meter read has been taken.*

- A minority of companies report this as resolved once the closing bill was dispatched
- One Company reported moves that required a change to a direct debit to be resolved once this action had taken place (always post meter read)
- Another Company reported that this could result in duplicates being sent to the survey as there would be a resolved contact from its billing system and a resolved contact in its ops system if a meter reading had taken place. However we understand the survey methodology removes any duplicate contacts.

*“A customer writes in querying their meter reading, at what point is the contact deemed to be resolved?” Substantive response would normally close this DG6 matter. For the survey, the contact is not resolved until all actions are completed, e.g. meter read/visit etc.*

- It was reported by a Company that this could result in duplicates being sent to the survey as there would be a resolved contact from its SAP system and a resolved contact in its ops system if a meter reading had taken place.
- Similarly another reported that there would be two closed contacts, one from it despatching of a response to the customer and one from the separate system that logs meter read requests.
- One Company reported a potential duplication of contact for this type of enquiry.
- Another Company reports such a contact as resolved once the customer has been advised that a check meter reading will take place rather than once the read has happened.

*“Meter installation request; at what point is this contact deemed to be resolved?” Completion is the point of meter installation or at point of issuing a letter confirming the installation.*

- Some Companies report this as resolved at the point of booking the survey or meter fit, others do not report it resolved until meter actually fitted.
- For a simple request of information this is resolved at the point of despatch of leaflet.
- It was reported by a Company that it would be resolved on point of survey but acknowledged that if a job was still open in its operational works system for the installation this would still be reported as resolved.
- Some Companies used the date of change of account designation between unmeasured and measured as the point for resolution
- One Company was unable to answer this question

*“Customer calls to complain about low pressures; at what point is this contact deemed to be resolved?” For the survey, the contact is not resolved until all actions are completed, e.g. flow reading, visit etc.*

- One Company reported that if the low pressure was due to an ops situation these types of call may not be logged and therefore not forwarded as part of the survey.
- Resolved once investigations had been carried out and communicated to customer.

- Another Company remarked that resolution may only take place as part of a long term scheme and in those instances the job would be marked resolved once this had been communicated to the customer.
- It was remarked by a further Company that there may be instances where a job is resolved from a system point of view (i.e. investigatory visit has taken place) but the customer is not aware of the outcome if they were not present and outcome had yet to be communicated.
- One Company reported that this would be marked as resolved once the customer was informed that a visit would take place.

#### 3.5.4 Useable contacts

Some Companies provide the phone number used for the actual call whereas others report the phone number(s) stored on the customer's account. For developer/business calls it may be difficult to ascertain who exactly made the call in the first place if a switchboard number is given.

Some Companies log contacts against dummy account records for short calls that need no action.

Some customers refuse to give a telephone number and some Companies highlighted that the way in which they store a customer's address may not be compatible with McCallum Layton's address matching service.

#### 3.5.5 Company feedback

Given the level of influence the CES score has on a Company's SIM score we gave each Company the opportunity to air any specific concerns they had about the survey. These points have not been audited/tested/validated in any way and are simply collated here for information.

A substantial majority of the Companies reported that they felt the survey was too long and contained too many questions, some of which were very similar. A number of Companies remarked that on listening to the surveys they felt they could hear the customer become irritated with the amount of time the survey was taking and therefore this could influence the overall score the customer gave.

Some of the WASCs commented that they felt WOCs would do better as in general the type of operations calls received by water only companies are not as emotive and stressful as waste type operations calls.

Some of the smaller companies need to provide up to a month's worth of contacts and at certain time of the year (e.g. bad weather) this may mean their calls have a different bias in terms of customer complaining versus contacting. Similarly there is a long time span between the contact point and survey and some Companies would prefer this to be shortened towards near real time.

One Company noted that as they reduced contact with customers by the introduction of more self service functions the contacts used in CES data will become increasingly dominated by unwanted calls/unsatisfied customers. In this vein a second Company noted that this element of SIM ignored the silent majority of customers who do not contact the Company.

Another was concerned that their population-served had a worse socio-economic situation than other Companies and these customers were more likely to be dissatisfied. The same Company also commented that calls concerning non-appointed activities (such as HomeServe) should be excluded.

Another commented on the scoring system. If 100% of contacts are satisfied this score would be  $4 \times 100\% = 4.0$ . If 80% were very satisfied and 20% very dissatisfied the score would be higher ( $5 \times 80\% + 1 \times 20\% = 4.20$ ) and therefore there is a risk of poor service scoring above good service.

Concern was expressed by one company over how McCallum-Layton carried out the survey interviews and whether they were audited.

One Company commented that they do not believe that solicitors, letting agents, estate agents, DWP and other third parties who regularly make contact should be included in the survey as the feedback they have is that they are too busy and do not wish to be bothered.

### 3.5.6 Summary and recommendations – Consumer experience survey

The consumer survey is a key part of the SIM score. All companies are keen to hear customer feedback and some carry out their own regular surveys in addition to the SIM surveys.

It is apparent that there are inconsistent approaches to survey sample provision; a number of companies do not include calls to third party debt management agencies which may put them at an advantage against companies that carry this work out in-house as these types of calls are often difficult and other Companies do not include contact with their contractors, although these are low in terms of contact volumes. For contacts that involve meter fitting the point of resolution can be anywhere between a survey being carried out and actual conversion of an account from unmeasured to measured.

Some Companies provide the telephone number used to make the contact whereas others use the system stored telephone contact number for the customer. Where the telephone number of the caller is taken and provided to the survey, this results in a greater proportion of useable contacts as there is less chance of the number provided being out of date, being the number for another named party on the account or being the switchboard number of a commercial customer or customer agent.

### 3.6 Data confidence

In the horizontal analysis, a review of the confidence grades reported by the companies was undertaken. Data was analysed to identify whether there was any noticeable correlation between the SIM component score and the confidence grade assigned to that component.

This exercise was undertaken to investigate whether a lower confidence grade resulted in a company receiving a lower component SIM score. Since the SIM uses the figures reported by the companies, this review may indicate whether the systems and processes employed by a company have an influential bearing on their reported central estimates. The review covered the confidence grades assigned to each of the four components of the SIM and also those assigned to the number of total billing contacts received in Table 4 line 1 of the June Return. The observations made during this review included;

- there does not appear to be a significant correlation between the confidence in the data reported and the SIM performance
- a small number of exceptions to this were noted but these tended to be stand-alone and company-specific issues
- a wide range of confidence grades were reported in each element. All but one of the grades reported were assigned an 'A' or a 'B' level of confidence. However, there was a significant range of accuracy estimates reported.
- the confidence grades assigned by the companies were generally reflective of the processes and systems employed, although in a number of cases the primary factor for assigning the confidence grade was the system used without always considering the manual/subjective aspects of inputting data to that system.
- confidence grades assigned to the recently introduced Table 5b requirement tended to be lower than those observed in any of the other SIM components.

Whilst no significant correlation was noted between the confidence grades assigned to the data and the SIM performance, the analysis did indicate some points worthy of note. For example:

- those companies which, through their confidence grades, indicated that they currently have generally poorer quality systems or processes for handling and/or reporting telephony activity, tended to score more poorly against these components (suggesting that improvements in the systems and processes would enhance their customer service and thereby the SIM score in this respect);
- the component of the SIM score relating to written complaints was tested against the confidence grades for written complaints and billing contacts (about which most written complaints relate). Here there was a weak correlation which indicated that companies which consider that they have poorer systems and processes for billing contacts scored more poorly on written complaints.

Further, as the confidence in the data relating to table 5b is lower, this may signify that further work is required in this particular component to improve understanding of the requirements and to ensure greater consistency between companies.

We also noted a wide range of accuracies were reported (e.g. A1 to C2 in Table 5b line 9 – consumer experience score) but as this confidence grade is assigned by McCallum Layton we are unable to comment on this element. We do however understand that all companies should have a '2' assigned to this line to reflect the sampling approach but the range from A-D is defined by the Company to indicate the quality of the sample provided.

The SIM uses the figures reported without reference to the confidence grades. Whilst outside of the scope of this review, further work to investigate the potential sensitivity of the SIM score to the tolerances of the confidence grades assigned may be beneficial.

## 4. Conclusion

The purpose of this review has been to assess the variations in practice of the companies in reporting the components that make up the SIM. This included both the quantitative element and the quality of the contact data which together form the SIM. It is essential that all companies interpret the June Return reporting guidance and report performance on a suitably comparable basis. Therefore the overall objective of the project has been to provide a robust comparable audit across all companies of how they report against the measures that make up the SIM.

The work undertaken has highlighted some inconsistencies and weaknesses in reporting but also identified where there is common understanding across the industry. Over the course of the review we have made several observations and recommendations where we believe further discourse at an industry level would assist in improving the consistency and comparability of the SIM measure. Where the risks are considered to be high and or where confidence in the data is low we believe further, sub-component horizontal reviews, will assist in measuring improvements and will better ensure a level and transparent playing field for all.

The key findings are summarised below:

### *All lines busy and calls abandoned*

- For the 'all lines busy' component, we found that companies had a good understanding of what this indicator measures and that reporting methodologies were generally mature.
- However, there are inconsistent approaches to reporting for the calls abandoned component. These include reporting abandonment within IVR clouds and other automated services. The differences identified are likely to impact upon the comparability of the SIM performance scores as the volume of the calls, especially where automated systems are in full time use, are likely to be high.
- On average, we found that the inclusion of calls abandoned within 10 seconds made a one point difference in the overall 2010/11 SIM scores. Given this relative insensitivity, we query whether the additional burden (and inconsistency) created by the requirement is appropriate.

### *Written complaints and escalations*

- We found that several companies were utilising customer focused techniques in order to try and reduce customer complaints and the likelihood of repeat contacts. Methods included altering the presentation of bills, rewording communications, providing a more personalised automated response to emails and speaking to the customer to clarify the complaint and ensure substantive responses.
- A number of relatively minor inconsistencies were identified in relation to some aspects of the guidance for written complaints and second stage review which, when combined, may have a significant effect on the comparative SIM scores across the industry.
- Improved audit trails covering all categories of written correspondence (in particular DG7 exclusions and non-reportable contacts) were generally found to be necessary.

- We noted some areas where guidance could be improved to aid consistency.

#### *Unwanted and Wanted contacts*

- Eight companies were not able to reconcile Table 5b line 1 with the sum of lines 2 and 3. Further work should be undertaken to quantify the differences and then seek methods to capture and report on valid exclusions. Abandoned calls and multiple topics contribute to this issue.
- It is axiomatic that there will be variations in coding of contacts. Quality checking is used to varying extents by all companies. An industry wide sharing of examples, such as the scenarios used here, with feedback and guidance from Ofwat may provide some benefit in this area.
- Some companies set agents targets for coding 100% of all incoming consumer calls. It is in the company's interest to reduce the volume of uncoded calls (which should default to unwanted).
- Ideally B2B calls should be directed to specific non consumer contact numbers. Some companies cannot identify these calls and by default they can be logged as unwanted.
- Incident lines (which give customers pre-recorded information about a specific operational event) are used periodically and the number of calls made to such numbers should be captured by the telephony system and included in the reported figures. Practice here differs and needs to be made consistent.
- Some companies do not gather information on call volumes from debt agencies. All companies should collate and report some quantitative data on this component.
- It is important to identify repeat and chase calls about a wanted topic but which should be reported as unwanted as the consumer is having to call again. All companies should consider the use of screen flags to prompt agents or possibly live logic tests which flag in real time that the call type is identical to a recent previous call.
- The confidence grades reported in Table 5b are generally lower than reported for the other components of the SIM. This is unsurprising given the requirement is relatively new and company reporting methodologies and systems are still evolving. Going forward, it could be beneficial to undertake a specific review to measure company progress in improving their processes and reported confidence in the data provided to Ofwat.

#### *Consumer Experience Survey*

- A number of Companies do not report calls to third party debt management agencies. This puts them at an advantage against companies that carry this work out in-house as these types of calls are often difficult in nature.

The SIM may need some further refinement over time, for example where contact volumes are influenced by regional operating circumstances or reviewing whether the weightings of the components are providing the right balance of incentive for improvement. There may be some more immediate improvements necessary to enhance comparability across the industry, particularly in relation to the quantitative components of table 5b, or to improving the classification of wanted/unwanted calls. However, this horizontal audit has shown that

there is a high degree of information comparability across the industry which should provide assurance that the SIM is producing results which reasonably reflect the customers' perceptions of service performance.

It would therefore seem evident that the SIM can provide not only an effective high-level indicator that can be used as a regulatory incentive tool with a broad coverage but also information companies can utilise to identify areas requiring improvement to meet their consumers' expectations (and thereby enhance their SIM position). This is consistent with Ofwat's move towards a lighter touch, risk-based regulatory environment.