

Information notice

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Service incentive mechanism (SIM) guidance

Regulatory change

In [IN 12/02](#), we set out changes to the way we regulate the water and sewerage sectors. This change to a risk-based approach to deliver proportionate and targeted regulation moves away from the historic prescriptive approach and allows the companies to take accountability for their customers. The SIM supports this change by allowing the companies more choice in how they meet their customers' needs than the previous levels of customer service measures allowed.

To support the risk-based approach, the regulatory reporting tools have changed. We will no longer collect a June return; instead the companies will take responsibility for assurance of their data and systems and submit a risk and compliance statement. They will also publish a suite of key indicators. The SIM score is one of these key indicators.

The [SIM guidance](#) consolidates and simplifies the historic June return reporting requirements to facilitate a more risk-based approach, with companies publishing performance indicators.

SIM development

We introduced the SIM in 2010, and as with any new measure a period of development and testing followed. In 2011, we commissioned an independent review of the methodology the companies had developed. It concluded that "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 review identified some areas of risk and inconsistency which we

considered in detail at industry workshops and working groups. As a result, we have made some limited changes to the SIM methodology.

What has changed?

The guidance consolidates historic SIM-related guidance into one document. It covers how to calculate the performance indicator and how to collect the consumer service performance data needed. The main changes to the methodology resulting from the review are set out below. We have focused on changes that reduce the data burden and improve data consistency.

- 'Calls abandoned' is now only counted where the caller is waiting to speak to an agent. Abandonment from automated systems is not counted. We decided this was the most pragmatic way to keep a measure of this aspect of customer service, while improving consistency of counting from the various telephone systems that the companies use.
- The existing threshold for calls abandoned and all lines busy is now also applied to unwanted

This is a formal document that alerts our stakeholders to a change in the way that we regulate the water and sewerage sectors in England and Wales.

contact and the consumer survey sample. So, 'calls to organisations acting as agents for the company, for example local authority sewerage agencies, contractors and debt collection agencies can be excluded where the number of calls to an individual agency or contractor is below 1% of the total number received by the company'.

Written complaints and information exchange with CCWater

The written complaint elements of the SIM are also used by CCWater. In addition, the companies use information from CCWater about investigated complaints in their SIM score calculation. For ease of sharing with CCWater, the complaint-related guidance is in an appendix to the SIM guidance. It includes:

- improved clarity on counting escalated complaints;
- improved clarity on complaint information exchange between the companies and CCWater; and
- details of complaint information CCWater uses in its annual consumer report.

Consumer experience survey

The survey has been modified. The changes include:

- extra opening questions to ensure that the consumer is recalling a resolved contact; and
- streamlined questions where the

consumer has used more than one contact type to reduce repetition and survey time.

The nature of data required for the survey has not changed.

Drought-related customer contact

We consider that the SIM guidance adequately covers the range of contacts the companies may experience during a drought, and how these are counted by each of the SIM elements. For clarity, we have added the following to the list of wanted contacts.

- Consumer calling to make representation on company notice of temporary use ban or drought restrictions.

Other forms of consumer contact may also increase, but we do not expect there to be a significant impact on SIM performance, since many of the contacts will be wanted and unwanted elements that are largely within company control. For example, the following wanted contacts might increase:

- requests for information or advice (are restrictions in force in my area?);
- first-time phone calls to report a leak (chasing calls count as unwanted);
- water efficiency information and product requests (water butts, shower heads, toilet cistern devices, tap flow restrictors etc);
- inquiries about recreational activities, (such as angling or

- water skiing at reservoirs);
- requests for a water meter;
- complaints about recreational amenities;
- compensation claims (for example return of claim forms); and
- complaints about advertising campaigns.

Calls in these categories where 'any element of dissatisfaction' is expressed are counted as unwanted, as is the case for any other wanted category.

Written complaints about drought-related matters would be counted (within the terms of the guidance). We consider these can be controlled to an extent with good consumer communication and engagement.

Contacts about operational issues, such as pressure reductions or supply changes, can also be mitigated by advising consumers of planned operational changes in advance.

Drought-related consumer contacts would also be included in the SIM qualitative survey sample. Since this is about how contact is handled overall, there should be no difference in how drought-related contact is dealt with, compared with any other type of contact. Contacts that are handled well will have a positive impact on SIM scores.

Next steps

This guidance applies for the SIM performance in 2012-13 and

2013-14. For 2011-12, we do not expect the companies to apply the guidance retrospectively, although some have indicated that they could.

In [IN 11/01](#), we explained the framework by which the SIM scores will be used to decide the

financial incentive applied at the next price review. Further details will be included in our consultation on price review methodology in the autumn.

In developing the methodology, we will also consider the options for consumer service incentives

from 2015 onwards. In preparing this, we will include stakeholder views expressed to us in recent workshops, meetings and consultation responses. This includes views on the quantitative and qualitative elements of the SIM given in responses to [‘Delivering proportionate and targeted regulation – Ofwat’s risk-based approach’](#), and views on the shape of future incentives in responses to the [future price limits framework consultation](#).

More information

[Service incentive mechanism – guidance for collating customer service information for calculating the SIM score](#)

[IN 12/02: Delivering proportionate and targeted regulation](#)

[IN 11/01: Service incentive mechanism – auditing, scoring and levels of service reporting](#)

[Delivering proportionate and targeted regulation – Ofwat’s risk-based approach](#)

[Future price limits – a consultation on the framework](#)



Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We are responsible for making sure that the water and sewerage sectors in England and Wales provide consumers with a good quality and efficient service at a fair price.



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