

## **Dee Valley Water's response to the consultation document on SIM**

Thank you for the opportunity to respond to this consultation.

We agree that there is a need to update and amend SIM, in order to ensure that it continues to improve the industry's customer service. Whatever changes are made to SIM, it remains important that all companies are reassured that the industry is interpreting the guidelines in exactly the same way.

The current situation could be improved by ensuring that benchmarking exercises and the answers to queries relating to SIM are provided to all companies and not just to the individual company seeking clarification from Ofwat. This would ensure that all companies are interpreting and applying the guidelines in the same manner.

We feel that this is an important issue because it is used by customers, Ofwat and other stakeholders such as CCWater to compare company performance. Companies need assurance because of the reputational and financial penalties/benefits involved.

SIM should continue to be used to incentivise service throughout all aspects of a company, to concentrate only on certain areas would risk a reduction in performance in other areas. Evaluating all aspects of service gives a clearer illustration of the actual service experienced by customers. We envisage that contractual arrangements would be made between retail and wholesale businesses to ensure that penalties and rewards were passed from retail to wholesale functions. The split between retail and wholesale issues could be achieved by using the contact types that are currently used to apportion billing/operational contacts and wanted/unwanted calls.

### **Design issue 1 – symmetric or asymmetric incentive**

We think that SIM should continue to incentivise all companies to improve their service. For companies with the highest SIM scores, there will be diminishing returns of service improvements on any investments. Given this diminishing return, option 3, utilizing a symmetrical incentive system should generate sufficient benefit for companies to continue improving their performances.

### **Design issue 2 - magnitude of financial incentive**

Keeping the current magnitude, whilst using a symmetric range of -1% to +1% will provide sufficient incentive for companies.

### **Design issue 3 – balance of qualitative and quantitative measures**

Part of the reason for the spread in companies' quantitative performance is the calculation method. If the calculation methods for the qualitative and quantitative elements of SIM were the same, there would either be less of a spread in the quantitative element or a greater spread in the qualitative element.

We believe that option 3, removal of the quantitative element should be adopted. The qualitative element of SIM reflects the overall experience of the customer and any

dissatisfaction with the quantitative elements would be expressed during the qualitative survey.

#### **Design issue 4 – detailed design**

We would prefer to see design option 2 adopted.

We would welcome a simplification and shortening of the survey (as proposed by UKWIR) as we believe that this would be less onerous on all parties involved. However, we think that the survey should be confined to customers that have contacted a company, rather than the wider population. Smaller companies and WOCs who bill on behalf of a WASC suffer from mis-identification by customers, this would be much worse if customers who have not contacted the company are surveyed.

We welcome the removal of phone availability from SIM scoring if it will remove a degree of discrepancy between companies.

All contact routes should be included in the SIM measure, as this will enable the future-proofing of SIM as new technology is introduced. It will also remove the advantage that some companies currently have as they are able to exclude some contacts due to their use of communication mediums other than telephones, eg web-chat.

#### **Design issue 5 – use of absolute or relative performance**

It is difficult to see how absolute levels for option 2 could be set, in light of this, option 1, continuing to use relative performance appears to be the most practical way to compare performance.

#### **Design issue 6 – non-household SIM design for Wales**

Business customers have a different perspective than domestic customers and tend to score lower than domestic customers, so ensuing parity and fairness when integrating this additional aspect for Welsh only companies into SIM will be difficult to achieve.

Establishing a separate measure just for business customers will be onerous for DVW will due to the relatively small numbers involved. We currently need to collect operational contacts over a long period, typically 4-6 weeks for each per survey in order to obtain sufficient contacts. This creates issues due to the timescales involved as customers frequently become confused about which contact is being discussed and after so many weeks the experience is not fresh in their minds or they have had subsequent contacts with the company. More frequent or prolonged surveys for business customers would be unfairly onerous and disproportionate compared to the treatment of other companies.

Surveying all non-household customers regardless of whether they have contacted the company or not would be an unfair comparison and at odds with the rest of the industry. In our experience customers frequently get confused about which company provides their water and sewerage services, particularly as we are a water-only company. Being surrounded by much larger, more well-known companies further contributes to this issue.