



**Updating the overall performance
assessment (OPA) - Conclusions and
methodology for 2004-05 onwards**

March 2004

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Overview

Ofwat first introduced the overall performance assessment (OPA) in 1999. The OPA score is calculated each year and provides a comparative overview of company performance. It covers measures of water supply, sewerage service, customer service and environmental performance. Measures relating to sewerage services apply only to those companies that provide both water and sewerage services.

The OPA provides an incentive to companies to maintain services and, where necessary, improve because it links standards of service to the prices companies are allowed to charge. The OPA scores from the years 2004-05 through to 2008-09 will be used for the next review of price limits in 2009.

In December 2003 we consulted on updating the OPA. In this report we summarise the responses we received and set out our conclusions. A technical annex sets out the methodology for all of the OPA measures that will apply for 2004-05. We also indicate where we expect measures to change after 2004-05 but before 2008-09. We expect to undertake further technical consultation in advance of changes to these measures.

Table 1 summarises the changes to OPA measures that will apply for 2004-05 and where changes are expected after 2004-05, but before 2008-09.

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Table 1 OPA measures from 2004-05 to 2008-09

Changes in 2004-05	Changes during 2005-06 to 2008-09, once data is robust ¹
DG2 (risk of low water pressure) Update data performance range to align water and sewerage company (WaSC) and 'all companies' measure and reflect improved industry performance	No change
DG3 (unplanned interruptions) Update data performance range to align WaSC and 'all companies' ranges.	No change
Drinking water quality based on Drinking Water Inspectorate's Operational Performance Index (OPI) No change	No change
DG5 (properties at risk of sewer flooding) Update data performance range to reflect improved industry performance	No change
DG5 (Flooding incidents) No change	No change
DG6 (response to billing contacts) Update data performance range to align WaSC and 'all companies' ranges.	No change
DG7 (response to written complaints) Update data performance range to align WaSC and 'all companies' ranges.	No change
DG8 (billing of metered customers) Update data performance range to align WaSC and 'all companies' ranges.	No change
DG9 (telephone contact) Update data performance range to align WaSC and 'all companies' ranges. Continue to use measure of response time based on industry average performance until a new measure is available.	New measure that includes an assessment of all lines busy; calls abandoned and call handling satisfaction survey. Expected from 2005-06.

Changes in 2004-05	Changes during 2005-06 to 2008-09, once data is robust ¹
Assessed customer service Update assessment of call centre contact hours. Otherwise no change.	No change
Sewage treatment works consent compliance No change.	Add compliance with descriptive and flow consents. Update calculation method to reflect additional number of works at the same time. Not expected before 2006-07.
Satisfactory sludge disposal No change to measure. Move from company reporting to Environment Agency reporting. Expect to use dual reporting initially, from 2004-05.	No change to measure. Stop dual reporting after 2 to 3 years once reporting transition is complete.
Category 1 & 2 pollution incidents (sewage) No change	No change
Category 3 pollution incidents (sewage) No change	No change
Category 1 & 2 pollution incidents (water) No change	No change
DG4 (water restrictions) Update data performance range to align WaSC and 'all companies' ranges.	Security of supply measure Introduce additional measure based on security of supply index, to replace DG4. Expected from 2005-06.
Leakage Assess leakage against 3-year rolling target.	No change
¹ For the measures to be introduced 'not before'. These are the earliest introduction dates and would be confirmed to companies in advance and following further consultation. We will continue to use current measures until the proposed change is robust.	

1. Background to the overall performance assessment

Each year we assess companies' overall delivery of service to customers in the overall performance assessment (OPA). The assessment serves two purposes. Firstly, it enables the Director to make comparisons of the quality of the overall service companies provide to customers, and to take this into account at each price review. Secondly, it informs customers (and other interested parties) about the overall performance of their local water company.

In July 2001, we issued a consultation document, 'Linking service levels to prices', on possible changes to the OPA which would apply for the 2004 price review. We invited views on the scale and timing of any future adjustments to companies' price limits, and the way in which companies' overall performance was assessed.

The consultation drew responses from WaterVoice Committees, companies, other regulators (Environment Agency and Drinking Water Inspectorate) and groups representing consumer and environmental interests. In February 2002, we issued our conclusions.

- We would maintain our earlier range of possible adjustments to companies' price limits in the light of performance (that is from +0.5% for the best performing companies to –1.0% for the worst).
- We would adjust the price limits for this purpose only at each review.
- We would take company performance data for 2002-03 and 2003-04 as our base for adjusting price limits at the review of prices for 2005 to 2010.

The OPA reflects the broad range of services provided to customers. The key areas and contributing measures included are:

- water supply (water pressure, interruptions to supply, hosepipe bans and drinking water quality);
- sewerage service (sewer flooding incidents and risk of flooding);
- customer service (written complaints, billing contacts, meter reading, telephone answering, telephone access, services to elderly and disabled customers, supply pipe repair policies, debt and revenue policies, complaint handling, compensation and provision of information to customers); and
- environmental impact (leakage, sewage treatment works, pollution incidents from water and sewerage activities and sludge disposal).

We derive two sets of OPAs, one is for water and sewerage companies (WaSCs) only and one is for all companies. The WaSCs' OPA includes all

measures and the 'all companies' OPA excludes the measures associated with sewerage services.

In December 2003 we published the consultation paper 'Updating the overall performance assessment (OPA) – a consultation'. We need to review the OPA at this time because:

- we need to define OPA for the years 2004-05 to 2008-09 so that companies are clear in advance about how they will be assessed;
- legislation that will change how sewage sludge disposal is monitored has changed;
- data for measures that we have previously consulted on is now more robust and can therefore be included in the OPA as previously planned. (For example some additional elements of sewage treatment works compliance.);
- industry performance has improved significantly for the measures of 'properties at risk of low pressure' and 'properties at risk of sewer flooding'. It would be appropriate to update performance ranges to reflect this;
- we are changing the levels of service performance measures for telephone call handling and the OPA needs to change accordingly.

Even though the consultation period was shorter than usual we received a good response. Companies and WaterVoice had also been given an informal opportunity to raise issues and make suggestions in advance of the formal consultation. Key regulators, water companies and customers were all represented amongst the 28 responses to the consultation paper (see annex 1).

2. Conclusions about our proposal for using the OPA for 2002-03 and 2003-04 in the 2004 price review

We currently carry out two separate analyses of performance. One looks at 'all companies' performance for all the non-sewerage related measures. The second looks at WaSCs only and encompasses the sewerage service. The WaSCs' markings and ranks may vary between these two assessments, so we need to take this into account in making price adjustments.

We proposed

That any price adjustment derived from the WaSC OPA score should reflect sewerage turnover and any price adjustment derived from the 'all company' OPA score should reflect water turnover.

In previous publications we have also said that we will make graduated price adjustments, depending on the range of performance. And that we also wish to avoid making artificial distinctions between companies.

Responses

Responses were not all supportive of our proposal. Some companies expected that WaSCs would be compared with WaSCs and water only companies (WoCs) with WoCs and they therefore considered that the proposed change was retrospective. Others considered that the proposal was biased towards water services and customer services because they were potentially double counted.

Some did support the idea of service specific assessments, as we do for other areas of regulatory assessment, but considered that the change required would be too great to introduce retrospectively.

Companies also raised questions about how and whether adjustments would be made given the current expectation that there will be little distinction between some company scores.

We conclude

For the 2004 periodic review, we will not be making separate adjustments based on water and sewerage turnovers as we proposed in our consultation.

In addition we confirm that although we expect the differences between company performances to be less distinct than at the last periodic review, we do expect to make some OPA adjustments to price limits for 2005/06-2009/10. We are still considering the fairest way to do this. This will be set out clearly when draft determinations are published in August 2004.

3. Conclusions about our proposals for performance measures up to 2010

3.1 Weighting of measures

We proposed

Not to change the total available OPA score or the relevant weighting of the key areas.

To accommodate the security of supply index measure we proposed to reduce the weights of the DG4 (water restrictions) and the leakage measures.

Responses

The proposal to retain the existing shape of the OPA was accepted. However, views were varied about how weightings should change to incorporate the security of supply index measure.

We conclude

For 2004-05 we will not change the weightings for any of the key areas or for any individual measure. The weightings that apply are presented in annex 3.

Weightings of the DG4 (water restrictions) and the leakage measures will need to change when the security of supply index measure is introduced. The total combined weight for this set of measures will stay the same. We have deferred the introduction of the security of supply index measure for one year to allow us to address some of the concerns raised. The responses to our proposals and conclusions about the security of supply index measures are discussed further in section 3.7.4.

3.2 Performance ranges

We proposed

To retain the existing performance ranges for the majority of the OPA measures.

To change the performance ranges for DG2 (properties at risk of low pressure) and for DG5 (properties at risk of sewer flooding) to reflect the improved level of service now being delivered across the industry.

Responses

Respondents agreed that it was not necessary to make the majority of performance ranges more demanding. This would avoid giving companies the incentive to make improvements that customers did not want.

Respondents also agreed with the proposal to reset the performance ranges for DG2 (properties at risk of low pressure) and for DG5 (properties at risk of sewer flooding), but some questioned the levels we proposed. The periodic

review customer research tells us that customers want to see continuing improvements.

The performance ranges for the 'all company' and WaSC assessment are not exactly the same for the DG2, DG3 and DG4 measures. Respondents suggested that we should simplify the assessment and align these measures. The ranges for all other measures are already the same for the all company and WaSCs assessments.

Two respondents also suggested that we revise the range for DG3 (unplanned interruptions) to make it more stringent and to bring it in line with levels of service criteria.

We conclude

We agree that it is sensible now to align the performance ranges to measure WaSCs and WoCs on the same range. We have therefore realigned the ranges for DG2, DG3, DG4 and combined customer service.

In the light of comments received, we have reassessed the proposed ranges and made some adjustments to the new ranges we first proposed for DG2 and DG5.

We do not agree with suggestion to align the range for DG3 with the levels of service criteria, this is because some elements of some unplanned interruptions that affect a large number of properties or last a longer time may be beyond the control of the company. The current OPA range leaves a small margin to allow for these. We prefer to make a small allowance in this way rather than to exclude events.

The revised performance ranges for DG2, DG3, DG4, DG5 and combined customer service that will apply for 2004-05 are summarised in table 2. Ranges used for all performance measures are set out in annex 4.

We take this opportunity to remind companies that many of the performance ranges are set such that the top of the range is less than the highest possible position. Thus companies are only incentivised to do well, and not to achieve 100%.

Table 2 - Summary of changes to performance ranges¹

		Previous ranges		Revised range effective from 2004-05 ²
		WaSC	All companies	WaSC / All companies
DG2	Min	0.05	0	0
	Max	0.65	1.35	0.5
DG3	Min	0.13	0	0.13
	Max	3.0	3.0	3.0
DG4	Min	0	0	0
	Max	895	1025	1025
DG5 (at risk)	Min	0.012	n/a	0.012
	Max	0.22	n/a	0.1
DG6, DG7, DG8 and DG9 combined	Min	81	81	81
	Max	180	186	180
¹ Annex 2 details how performance ranges are used in the calculation of individual company OPA scores. ² Annex 4 provides more detail about the performance ranges for each of the OPA measures.				

3.3 Taking account of funding of enhancement funded in price limits

We proposed

To continue with our current approach only to account for investment programmes that relate to properties at risk of sewer flooding.

Responses

Responses broadly supported the retention of the current approach. A few companies, as at the last review, did not agree and would prefer that we extend this approach to include drinking water quality, properties at risk of low pressure and sewer flooding incidents.

We conclude

In companies draft business plans for 2005-10, the vast majority of schemes submitted for additional funding to improve service levels were to improve DG5 (risk of sewer flooding). We understand the views expressed by some

about extending this approach but we do not expect this to be material to the OPA except for sewer flooding.

We will continue with our current approach for accounting for investment programmes, and will continue only to adjust for sewer flooding programmes that reduce the number of properties at risk of sewer flooding.

3.4 Water supply measures (DG2, DG3, DG4 and drinking water quality)

3.4.1 DG2 (risk of low water pressure)

We proposed

To retain the existing methodology and to revise calculation ranges to reflect improved industry performance.

Responses

Responses supported our proposal to retain the existing methodology. The majority of responses supported changing ranges as we proposed. Some questioned if 2002-03 was the correct year to use to fix ranges because 2002-03 was a 'good operational year'.

Responses also supported the principle of changing our analysis of DG2 for the annual levels of service report from a comparative basis to absolute criteria and looked forward to our further consultation about this.

We conclude

As described in section 3.2 we will reset the performance ranges. In the light of comments received, we have reassessed the proposed ranges and made some adjustments to the ranges we first proposed to allow a small margin for operational variation and to align the assessments for WaSCs and WoCs. The ranges that will apply for 2004-05 are provided in table 2 and appendix 1.

The rest of the methodology remains unchanged, as defined in appendix 1.

3.4.2 DG3 (unplanned interruptions)

We proposed

To retain the current measure of the number of properties experiencing unplanned interruptions to their water supply. However, we did mention in our consultation that we had received a suggestion that the assessment should take account of the time of day at which an interruption occurs.

Responses

The majority of respondents support the plan to leave the current measure unchanged. One company argued that it would be relatively simple to identify the time of an interruption and would like to see this taken into account. They argued that it would assist in resource management strategies if different

weightings are given to night time interruptions that are more costly to rectify. Another suggestion received was to include planned interruptions in the measure.

We conclude

We agree with the majority of respondents who felt that the introduction of further elements would over-complicate this measure, which is adequate as it stands. Companies can use their own analysis of interruptions to manage resources where necessary. We also wish to avoid penalising companies for planned interruptions which are a necessary consequence of maintenance activity.

We will continue to use the existing measure as defined in appendix 2, with the minor change to data range as discussed in section 3.2.

3.4.3 Drinking water quality

We proposed

To retain the existing measure which is based on the DWI operational performance index (OPI), which assesses the presence of iron, manganese, aluminium, turbidity, faecal coliforms and trihalomethanes.

Responses

The response from the DWI drew our attention to the fact that the standard for trihalomethanes was tightened under the new Water Supply (Water Quality) Regulations 2000, and that this could have a marginal effect on the performance of some companies for 2004. One respondent suggested that the aesthetics of tap water should be assessed and this assessment used in conjunction with the OPI in the future to allow for more distinction between companies.

We conclude

The aesthetics of tap water are influenced by many complex factors. The six parameters that make up the OPI already capture some of the aesthetic aspects of tap water and the OPA measure as it stands is quite simple. The DWI have no plans to change the OPI.

Therefore we will continue use the OPI, provided by the DWI, as the basis of this assessment as defined in appendix 4.

3.5 Sewerage service measures (DG5)

3.5.1 DG5 (properties at risk of sewer flooding)

We proposed

This measure is an assessment based on the number of properties considered to be at risk of flooding by sewage, caused by overload, more frequently than once in ten years. We proposed to retain the existing

methodology and to revise calculation ranges to reflect improved performance.

Responses

Responses supported our proposal to retain the existing methodology. The majority of responses supported changing ranges as we proposed.

Several respondents commented on the need to ensure consistency in reporting of 'at risk properties' including specific comments suggesting a need for:

- an industry standard for determining when a property should be removed from the at risk register; and
- an industry standard for extreme weather exclusions.

We conclude

Following the comments made and the National Audit Office report 'Out of sight – not out of mind, January 2004', we will continue to work with companies and reporters to address the consistency of reporting.

We will reset the performance ranges as previously discussed in section 3.2. The ranges that will apply for 2004-05 are provided in table 2 and appendix 7.

The rest of the methodology remains unchanged as defined in appendix 7.

3.5.2 DG5 (flooding incidents)

We proposed

This measure assesses the number of properties affected by an incident of internal sewage flooding. We measure incidents caused by overload of a sewer and incidents caused by sewer blockage or collapse, or by equipment failure (other causes). We proposed no changes to this measure.

Responses

Respondents supported our proposal not to change this measure. One company suggested we should exclude uninhabited cellars from our assessment of DG5 (sewer flooding incidents (other causes)). This is not a new issue and we do not propose to change our approach.

We conclude

We will continue to use the existing measure as defined in appendices 5 and 6.

3.6 Customer service measures (DG6, DG7, DG8, DG9 and assessed customer service)

3.6.1 DG6 (Billing contacts)

We proposed

To retain the existing measure of the proportion of billing contacts dealt with in five days.

Responses

There was support for the retention of the current measure. WaterVoice suggested that different targets should be considered for email communications because, in their experience, customers expected a quicker response to email than to a letter.

We conclude

We are aware that the way customers contact their company is changing and that in the future we may need to review the DG6 measure to ensure that it remains relevant. Email contacts are encompassed within both DG6 and DG7 but we do not monitor such contacts separately. Recent research does not suggest that this is a high priority for customers. We will discuss this and the other issues with companies and WaterVoice when regulatory information requirements are reviewed after the periodic review.

Until such time as this measure is reviewed we will continue with the current measure as defined in appendix 8.

3.6.2 DG7 written complaints

We proposed

To retain the existing measure of the proportion of written complaints dealt with in 10 days.

Responses

There was only one company that responded to say they were unhappy with the workings of the current measure and would like to see a change to the way the score is derived. As for DG6 (billing contacts) WaterVoice suggested that different targets should be considered for email communications because in their experience, customers expected a quicker response to email than to a letter. Other respondents suggested including the measurement of how many complaints are responded to in five days.

Some respondents suggested they would like to see the development of qualitative work for DG7 along the lines currently being developed for DG9. This would be welcomed by the DWI who said that they 'continue to be concerned about the quality of complaints handling by some companies'.

We conclude

We are aware that the way customers contact their company is changing and that in the future we may need to review this measure to ensure that it remains relevant.

As discussed for DG6, any changes would require new regulatory information requirements and could therefore not be introduced in the short term or without further consultation.

3.6.3 DG8 Bills for metered customers**We proposed**

To retain the existing measure of proportion of metered bills based on either a company or customer reading each year. We invited comments on a suggestion we had received to increase the minimum requirement for this measure to two readings per year. We acknowledged that the overall shape of meter reading might change before 2010.

Responses

We received varied responses on the development of the DG8 measure. Most respondents acknowledged our view that this measure may change before 2010, and offered views on where there is scope for improvement.

Only one respondent argued that the measure should be changed to increase the minimum standard to two readings per customer per year. Most respondents stated that they were not aware of customer support or demand for such a change to the measure. Concerns about the cost and practicality of an increase in meter reading requirements in terms of limiting the use of customer meter readings and access to internal meters were also raised. One respondent suggested that if the minimum standard is increased then a customer reading should be sufficient to satisfy the standard and that they would like to see the inclusion of banding of frequency of meter reading in the OPA.

During the consultation period we met with representatives from Water UK to talk specifically about difficulties associated with access to meters inside properties or within locked gardens. The representatives proposed changes to both the OPA methodology and levels of service monitoring. The change proposed for the OPA was to allow estimated meter readings where customers had not challenged the estimate.

We conclude

We consider that it is reasonable and desirable to obtain at least one reading each year, either from the customer or by the company (or their representative) reading the meter. We are aware, from complaints received by WaterVoice, that estimated bills generate more complaints than requesting customers to provide meter readings.

We agree that, as meter reading technology changes and as more properties are fitted with meters, there is potential for development of this measure and that it may need to be reviewed before 2010 to ensure that it remains useful and relevant

However, for the time being, there will be no change to this measure, as defined in appendix 8.

We are considering the proposal from the Water UK representatives about changes to the levels of service monitoring secondary criteria (percentage of meters unread by the company for two years or more).

3.6.4 DG9 Telephone contact

We proposed

To continue with the use of an industry average score of the proportion of calls answered within 30 seconds for the purposes of the OPA (as we have done for the past two years) except where a company's performance is clearly below average.

We also outlined the current development of the revised DG9 measure, which we are developing with an industry working group that includes WaterVoice.

Responses

The respondents supported the interim use of an average industry score.

The majority of responses supported the development of DG9 and welcomed the change to the measure. We understand the disappointment of some companies that we (and the industry) have been unable to find a consistent and meaningful measure of speed of response. However, we believe surveying customer views is a reliable alternative.

One of the aims of the revised measure is that it will remain useful in the long term without change. The current speed of response measure has become difficult to use consistently due to recent changes in technology. We expect that the new measure will be less vulnerable to these changes and so more robust in the future, while still allowing companies the flexibility to use new technology where appropriate.

We conclude

We will continue to use an industry average score of the proportion of calls answered within 30 seconds for the purposes of the OPA (as we have done for the past two years) except where a company's performance is clearly below average.

We expect to have reached conclusions, in discussion with the industry working group, on the revised DG9 measure in time for a detailed consultation in December 2004, but we are pleased that there is a good level of support

from the responses we have received. All comments provided will be examined and discussed in depth by Ofwat and the working group, and will be used to inform the development of the revised measure. Following the consultation we expect to use the revised measure from 2005-06. See also appendix 8.

3.6.5 Assessed customer service

We proposed

Not to change to the overall methodology for this measure of assessed customer service.

Telephone contact hours: We proposed a minor change to the way that we assess telephone contact hours to allow companies more flexibility over when to offer customers extended contact hours.

Appointments: We also mentioned in the consultation that we had received a suggestion to include an assessment of the hours appointments are available and how well a company keeps appointments.

Responses

Telephone contact hours:

The responses we received were generally supportive of the change. WaterVoice considered that the proposal would lead to a reduction in call centre hours offered by companies, and suggested that we use the following criteria instead:

Top	More than or equal to 55 hours per week
Middle	More than or equal to 50 hours but less than 55 per week
Bottom	Less than 50 hours per week

Appointments:

Inclusion of assessments of times that appointments are available and how well a company keeps appointments received little support. Ofwat does not currently collect this data. Most respondents argued that they do not feel that the numbers of missed appointments would warrant a separate measure (or, that if it was brought in, it would have to be weighted down to avoid any distortion of the effects of such small numbers).

The other point made was that the Guaranteed Standards Scheme already provides enough incentive to keep the number of missed appointments to a minimum. In terms of appointment flexibility, the general feeling is that it would be difficult to assess, although we did receive two suggestions based on a banding assessment to distinguish those companies offering an exact time, two hour slot or morning/afternoon appointments.

We conclude

We acknowledge the general comments we have received about the transparency of the assessed customer service element of the OPA. We have expanded the technical appendix 9 in order to clarify this.

Telephone contact hours:

We have thought further about this measure and the aim of changing it. We do not wish to drive service levels beyond what customers want and as such believe that a change to this measure will allow more flexibility for companies. They will be able to match their contact hours to their customer call patterns more easily without being constrained to weekend hours if they don't need them.

We have assessed the impact of the proposal suggested by WaterVoice and it has the same minimal impact on current OPA scores as our original proposal, but with the benefit of offering a higher level of protection to customers against deteriorating services. It also more closely reflects the standards that previously applied.

We will update this measure to reflect the change suggested by WaterVoice. We believe that this will strike the correct balance between protecting the level of service offered currently offered by companies and allowing companies the level of flexibility they need to be able to best satisfy their particular customers. See appendix 9 for the full definition.

Appointments:

In view of the lack of support for either of the suggestions on appointments, we do not feel the inclusion of either of them would add anything to the current OPA and so do not propose to do so.

3.7 Environmental performance measures**3.7.1 Sewage treatment works consent compliance****We proposed**

To add to our existing measure of compliance with consents at sewage treatment works the compliance with descriptive consents and discharge flow consents once data is robust. At the same time we would change the way this measure is calculated to reflect the number of works as well as population served.

Responses

There was broad support for the proposal to add compliance with descriptive consents once data is robust. Some suggested that the weighting of this aspect of compliance should be lower than for numeric consents to reflect the smaller potential environmental impact. We will consider this once we have robust data to work with. (See also comments below about the Environment Agency's new scheme.)

The proposal to add compliance with flow consents once data is robust was also broadly supported. It was suggested that because a flow breach does not necessarily result in an increased environmental risk, then a small margin of error should be allowed. We will consider this once we have robust data to work with. (See also comments below about the Environment Agency's new scheme.)

Our proposal to account for number of works as well as population served was also welcomed. We will prepare some detailed examples of how this might work in practice when we work on the other changes described above.

The Environment Agency supported the changes we have proposed. In addition they told us about a new classification method they are developing. The scheme is called the Compliance Classification Scheme (CCS) and is currently being trialled by the Environment Agency who expect CCS to go fully live by 1 January 2005. One of the overall objectives of introducing the scheme is to allow the Environment Agency to compare environmental impact across different sectors. The Environment Agency confirmed to us that the scheme does not change the basis of consents or permits. What the scheme will do is to classify the severity of any breaches. The classification will be linked to the categories contained in the Environment Agency's Common Incident Classification scheme (CICs) thus the CCS categories should be consistent with the existing pollution incident measures.

The Environment Agency have not yet finalised the classifications for discharges from sewage treatment works. Whilst we reserve full judgement until more detail about CCS is available to us, our first impressions are that this scheme could simplify the way we include sewage treatment works compliance in the OPA. Several other consultation responses note that we currently do not take account of severity of breaches and the CCS may offer a way to address this concern.

We conclude

We will retain the existing measure of sewage treatment works consent compliance, as defined in appendix 10, without change until data about descriptive consents and flow consents is fully robust. We do not expect data to be robust before 2006-07. At that time we will consult with stakeholders again about how these measures will be included, taking account of the responses to this consultation.

In parallel we will look closely at the Environment Agency's CCS as it develops and consider any implications of the scheme for the OPA. We will let companies know our views on this in due course.

3.7.2 Satisfactory sludge disposal

We proposed

Retaining the existing measure and data range for unsatisfactory sludge disposal. As legislative changes are implemented we will start to receive the data required for this measure from the Environment Agency rather than the companies. During the transition from company reporting to Environment Agency reporting, we proposed that companies continue to report to us until the transition is complete. We expect this to take two to three years. We will check that the data range is unaffected by the reporting change.

Responses

Respondents acknowledged the need to reflect the legislative changes in the OPA. Some companies and the Environment Agency noted that currently many of the practical operational details are still being worked out.

We conclude

We note companies' concerns and confirm that we will continue to work with the Environment Agency to establish the aspects of sludge disposal that are appropriate to include in the OPA. This measure will continue to only contain the aspects of sludge disposal that companies are able to control. We will proceed as proposed. The definition of this measure is described in appendix 11.

3.7.3 Pollution incidents

We proposed

To retain the existing three measures which assess:

- i. the number of category 1 and 2 pollution incidents resulting from sewage collection and treatment activities;
- ii. the number of category 3 pollution incidents resulting from sewage collection and treatment activities; and
- iii. the number of category 1 and 2 pollution incidents resulting from water treatment and distribution activities.

Responses

There were only a few comments on these measures. The industry responses considered that it would not be appropriate to increase the weighting of these measures. The Environment Agency considered that we should increase the weighting of the sewage treatment related incidents.

We conclude

We note the difference of opinion between companies and the Environment Agency. We believe that the current measure will continue to provide sufficient incentive to avoid pollution incidents and a balance between views. Therefore we will continue to use the existing measures as defined in appendixes 12, 13 and 14.

3.7.4 DG4 (water restrictions), security of supply index and leakage

We proposed

To retain the DG4 (water restrictions) measure.

To update the methodology of the leakage measure to bring it in line with the way we now monitor a company's leakage performance.

To incorporate a measure based on Ofwat's security of supply index (SoSI) and at the same time to reduce the weighting of the leakage and DG4 (water restrictions) measures.

Responses

Respondents did not fully support our proposal for the SoSI measure as detailed, but did broadly support the principles behind the proposed changes.

Some of the issues that were cause for concern included:

- The SoSI is a measure of risk that doesn't reflect service actually delivered.
- The SoSI is regionally biased.
- There are perceived inconsistencies across the industry for calculating target headroom.
- The outcome of the SoSI is too closely linked to investment assumed in price limits.
- The DG4 (water restrictions) measure should be dropped (or further reduced in weight) to allow companies to apply drought plans without OPA penalty.

The responses about our proposal to measure leakage over three years were supportive. Some questioned the scale of the reduction in weighting that we proposed. One company suggested a method to determine a 'wetter than average year' rather as an alternative to using a three year average. We acknowledge this suggestion but consider that it is more straightforward, and less retrospective, to use the measure we proposed which is in line with how we now assess leakage performance.

We conclude

Although many of the responses support the principle of improving how the OPA reflects security of supply to customers, we acknowledge there are issues which require clarification. Therefore, we will undertake further discussion with stakeholders to discuss the concerns raised before we make any changes to this aspect of the OPA. We believe that once the business plans for 2005-10 are agreed later this year, companies will be in a better position to understand how the proposed measure will operate.

We will not introduce the security of supply index measure in the OPA in 2004-05 as proposed but we will undertake further discussion with the stakeholders with a view to including the measure in the OPA from 2005-06.

We will retain the DG4 (water restrictions) measure unchanged until we are able to introduce the security of supply index measure. At that time we would remove the DG4 measure from the OPA. We would continue to monitor and report DG4 as part of annual performance monitoring.

We will update the way leakage performance against target is assessed as we proposed.

The current weightings of the DG4 (see appendix 3) and leakage (see appendix 15) measures will be retained for 2004-05. At the time of introducing the security of supply index measure and removing the DG4 measure we consider it may be appropriate to reduce the weighting of the leakage measure.

4. Other potential measures

This section summarises the responses we received about ideas for future development of the OPA measures. Views specifically about using the OPA for the next price review in 2009 are reported in section 5.

The majority of respondents agreed with us that the relative weightings of the key areas of the current OPA still reflect what customers view to be important. One company suggested that the weighting for drinking water quality should be increased and the Environment Agency, English Nature and the Countryside Council for Wales each suggested they would like to see additional environmental measures introduced to the OPA and the weighting of some of the current environmental measures increased.

We also note that some responses (including WaterVoice) considered that the current OPA is comprehensive enough and further measures should only be brought in if they are relevant to the current key areas.

4.1 Environmental performance – compliance with discharge consents at clean water assets

In our consultation we asked for views about a suggestion to include a measure of compliance with discharge consents at industry assets other than sewage treatment works (such as water treatment works or pumping stations). We received mixed views on this suggestion and some respondents were concerned that this would increase the complexity of the OPA without adding much value. Others were concerned about the merits of such a measure as the environmental impact of failures is generally low relative to the damage caused by a failure at a sewage treatment works. Incidents that do have an environmental impact are already taken into account when they cause pollution incidents. However, some respondents felt that it may become difficult to justify the exclusion of these failures in light of the inclusion of compliance at sewage treatment works.

On balance we do not think that it is appropriate to extend the OPA to include such consents.

4.2 Environmental performance – compliance with water abstraction licence consents

We also asked for views about a suggestion to include a measure of compliance with abstraction licences in the OPA. The reaction of respondents to this suggestion was again mixed. Several respondents said they would have no objection to the inclusion of a measure in principle, but were concerned about how this could be quantified and assessed, as there are a number of possible options. Some emphasised that they would like any measure included in the OPA to be strictly to help give an overall assessment of company service and should not be used as a further penalty. Overall

there was a general feeling from the responses that judgement on this matter had been reserved until more facts were available.

We do not consider that it is appropriate to add this to OPA currently, but we consider there is merit to do so in the longer term. We would need to increase the weighting of the environmental measures to accommodate this.

4.3 Sustainable performance

We received many comments about the potential development of future measures of 'sustainability' or 'corporate behaviour'. These will be useful to us when we develop our thinking about the new duty for Ofwat on sustainable development, which has yet to come into force.

The general feeling was that any comparative measure of sustainable development would be difficult to establish without duplication of some of the measures that are already included in the OPA, and that care would have to be taken to avoid precedence being placed on one element of sustainability (such as demand management) over the other measures. Several respondents also highlighted the avoidance of over-complication of the OPA. Many respondents suggested that the recent work done by Water UK Sustainability Network, which derived a UK suite of sustainability indicators, could be a useful basis for any new measures.

We also received several specific suggestions from respondents for future measures of sustainability. They are listed below, in no particular order:

- Monitoring numbers of domestic customers with a meter.
- Monitoring numbers of business customers who are visited by demand management advisors.
- Development of targets for volume of water saved per day.
- Development of a method to alleviate the need for estimation of per capita consumption.
- Improvements to the sewage sludge indicator to take account of the fact that sludge is a resource if recovered in a sustainable manner.
- Inclusion of key tests of commitment to biodiversity.
- Measurement of energy management. For example, the percentage of renewable energy generated as a proportion of total energy demand.

4.4 Other suggestions for the future development of the OPA

We also received the following suggestions for the development of the OPA in future years. They are listed below, in no particular order:

- Inclusion of the consequences of sewer flooding, such as the depth of the flooding and length of time a property was flooded.

- Measurement of the number of Sites of Special Scientific Interest within company catchment areas that are damaged or at risk of damage from abstraction, or that are in favourable or recovering condition.
- An overall measure of customer experience, to establish in particular how well expectations are met.
- Inclusion of more measures for business customers, such as analysing account management and customer charters.
- Extension of the pollution compliance measures to all water company activities with protection permits in place.
- Development of a measure for odour and emissions to air from water company assets.
- Assessment of overall performance in the delivery of drainage services, including the percentage of sewers of adequate capacity and in satisfactory condition, and the adequacy of drainage plans.
- Monitoring of workforce indicators such as employee training and development, and health and safety standards.

5. Using the OPA from 2004-05 to 2008-09 for the 2009 price review

We did not ask for views on any specific proposals, but we welcome the responses that offered views on how the OPA might be used during the next price review. These will be useful when we prepare our consultation about whether the period between price reviews should be changed for the next review and any consequent impact on the use of the OPA.

Many respondents offered support for the continuation of current policy and some offered ideas for reshaping how we use the OPA for price adjustments. In particular there was strong support for continuing with a one-off adjustment to prices only at each review. Only one company said they supported a move to annual adjustments. Respondents considered that one-off adjustment offers more certainty and stability, which amongst other things is important for raising the cost of capital. They also considered that annual adjustments could lead to short-term management behaviour that was at odds with the longer-term customer interest. On the other hand, annual adjustments were seen as a way to help smooth the five-year investment cycle.

Some respondents suggested that as company OPA scores are now converging towards the maximum score, we could move to a more absolute mechanism and set upper limits for good performance. The suggestions varied and included:

- the setting of a threshold total score that would guarantee a positive price adjustment;
- the setting of threshold targets for individual measures (although it is not clear how this differs from the current use of range maxima);
- the setting of company specific performance targets for some measures (as we already do for leakage), which could also be used to account for differences in funding; and
- one company suggested that if the maximum potential positive adjustment was increased from 0.5% to 1.0%, then this would provide scope to reward good performance, whilst retaining scope for graduated rewards based on comparative performance.

Annex 1

List of respondents

Anglian Water
Bournemouth & West Hampshire Water
Bristol Water
Dŵr Cymru/Welsh Water
Folkestone & Dover Water
Mid Kent Water
Northumbrian Water
Portsmouth Water
Severn Trent Water
South East Water
South Staffordshire Water
South West Water
Southern Water
Tendring Hundred Water
Thames Water
Three Valleys Water
United Utilities
Wessex Water
Yorkshire Water

Drinking Water Inspectorate
Environment Agency
Water Industry Commissioner for Scotland
English Nature
Water UK
Health and Safety Executive

W S Atkins

WaterVoice

Unison
Association of British Insurers
Countryside Council for Wales

Annex 2

How company performance is turned into an overall performance assessment score

Each performance measure is converted to a score out of 50 points. The better a company's performance, the higher the score.

Why does a performance score need to be converted into an OPA score?

- Many of the elements of performance result in scores of different order of magnitudes and also with different units (eg some scores are measured in percentages and some as numbers of events).
- Adding these scores together would mean that some elements, where the scoring methodology results in a large score, would dominate the result. Therefore it would not matter how a company performed in the other elements, where the scoring methodology results in a smaller score, as this would have little impact on the total score.
- In order to ensure that all elements of performance are scored on the same scale, each performance score is converted into an OPA score of between 5 and 50. These individual OPA scores are then weighted (to reflect the importance of that element in the total OPA score) and then added together to form the total OPA score.
- The following calculation converts the score for each element of performance into an OPA score which feeds into the total OPA score.

$$\frac{(\text{Company score} - \text{range min} \times 45) + 5}{\text{range max} - \text{range min}}$$

There are three parts to the calculation. Firstly the performance score is converted into a score of between 0 and 1. Then it is factored into a score of between 0 and 45 and finally changed into a score of between 5 and 50. These three calculations are explained in more detail below.

How does the equation change a performance score into an OPA score?

1. Firstly each performance score is changed so that it is in the range of 0 to 1. Then all scores are on the same scale and when the scores are added together one performance measure does not dominate the score.

- This is calculated, for each element of performance, using the following part of the equation:

$$\frac{\text{Company score} - \text{range min}}{\text{range max} - \text{range min}}$$

- The bottom part of the equation calculates how big the range is that a company can differentiate itself in. So if the maximum performance score expected is 100 and the minimum is 90 then a company **can** score up to 10 points over the minimum (100-90).
- The top part of the equation calculates how far away from the expected minimum a company **actually** scores. In this example, if a company scores 95 then it scores 5 points above the minimum.
- Dividing the scores gives the proportion of the available points scored by a company (a value between 0 and 1). The company described in this example, will get a score of 5/10 ie 0.5. A company achieving the maximum performance score of 100 will have this converted into a score of 10/10 ie 1, whilst a company achieving the minimum performance score of 90 would have this converted into a score of 0/10 ie 0.
- This is done for each element of the performance assessed and so there are now a range of scores between 0 and 1 for each element.

2. Secondly the score is increased so that it is between 0 and 45. This is calculated by multiplying the above score, which is now between 0 and 1, by 45. This is to avoid scores being below one decimal place which are more difficult to read.

3. Finally the score is changed so that it is between 5 and 50. The OPA score is calculated by adding 5 to the above scores (currently between 0 and 45). This is to set the minimum score for each assessment to be 5 and the maximum to be 50.

What if a company's performance is outside the expected ranges?

The ranges have been chosen based on historic performance. If a company performs better than the maximum expected they will receive the top score of 50. If they perform below the minimum expected then they will receive the lowest score of 5.

EXAMPLE

Below is an example of the calculation applied to data for drinking water quality as assessed by the DWI for a water company (on a scale of 0 to 100) in 1999.

In this example the company has scored 99.86. The performance range for this assessment is:

Maximum: 100

Minimum: 98.4

The OPA score is calculated by entering the ranges and the company's score into the calculation below:

$$\left[\frac{\text{company score} - \text{range minimum}}{\text{range maximum} - \text{range minimum}} \right] \times 45 + 5$$

$$\left[\frac{99.86 - 98.4}{100 - 98.4} \right] \times 45 + 5$$

$$\left[\frac{1.46}{1.6} \right] \times 45 + 5$$

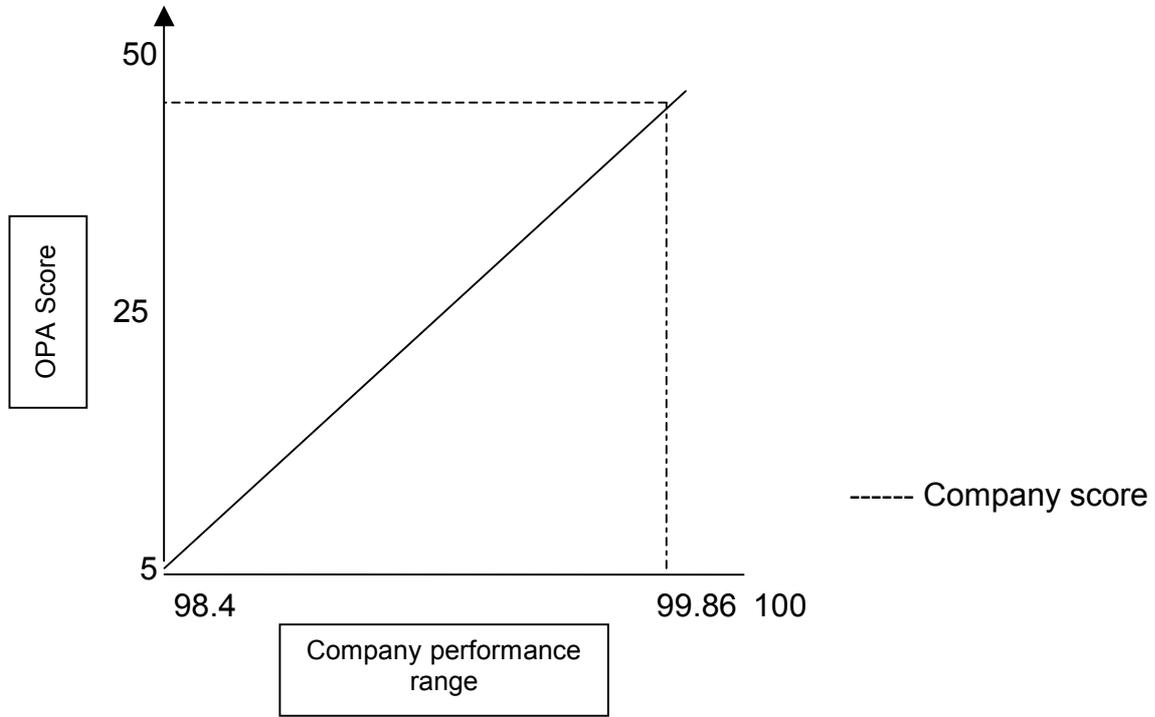
$$[0.9125 \times 45] + 5$$

46.0625 rounded to 46

The first part of the equation provides the company's performance in terms of the range between a value of 0 and 1.

The second part ($\times 45, + 5$) transposes the figure into a base score of 45, and the addition of 5 increases the value based on the premise that no company scores less than 5.

Graphically the company's performance can be explained in the diagram below



Annex 3

Current weighting of performance measures

Key area / measure	Weighting for water and sewerage companies	Weighting for all companies
Water supply	3	3
DG2 - risk of low pressure	0.75	0.75
DG3 - unplanned interruption	0.75	0.75
DG4 - water restrictions	0.5	0.5
Drinking water quality	1	1
Sewerage service	1.5	0
Sewer flooding incidents (capacity)	0.5	-
Sewer flooding incidents (other causes)	0.75	-
Properties at risk of sewer flooding more than once in 10 years	0.25	-
Customer service	1.5	1.5
Company contact	0.75	0.75
Other customer service	0.75	0.75
Environmental performance	2.75	1.25
Category 1 and 2 pollution incidents per million equivalent resident population (sewage)	0.5	-
Category 3 pollution incidents per million equivalent resident population (sewage)	0.25	-
Sludge disposal	0.25	-
Percentage equivalent population served by STWs in breach of their consent	1	-
Category 1 and 2 pollution incidents (water)	0.25	0.25
Leakage	0.5	1
Weightings total	8.75	5.75

Annex 4 – Detailed methodology for all OPA measures

These appendices describe the methodology that will apply for 2004-05. We have indicated where we expect our methodology to change for future years. We will consult further and confirm the methodology in advance for these measures.

Appendix 1 – Inadequate pressure (DG2)

Description

An assessment based on the number of properties served at risk of receiving pressure below the reference level, expressed as a percentage of the total properties.

Reference level: 10 metre head at a flow of 9 litres per minute.

Unit of assessment

Number of properties at risk of receiving pressure below the reference level expressed as a percentage of the total connected properties.

Calculation

$$\frac{\text{Properties below reference level}}{\text{Total connected properties}} \times 100$$

Performance range

The performance range against which individual company OPA scores are calculated will be:

Max 0.5

Min 0

Future methodology

No change expected during 2004-05 to 2008-09.

Appendix 2 - Supply interruptions (DG3)

Description

An assessment based on a measure of properties experiencing unplanned supply interruptions (where the customer has not been warned) in excess of 6, 12 and 24 hours.

Unit of assessment

A measure of the number of properties experiencing unplanned and unwarned interruptions to supply in excess of 6, 12 and 24 hours, normalised against the number of properties served by each company.

Calculation

$(\%>6\text{hours} \times 1) + (\%>12\text{hours} \times 1) + (\%>24\text{hours} \times 2)$

Performance range

The performance range against which individual company OPA scores are calculated will be:

Max 3.00

Min 0.13

Future methodology

No change expected during 2004-05 to 2008-09.

Appendix 3 - Hosepipe restrictions (DG4)

Description

An assessment based on the average number of person weeks of hosepipe restrictions over a rolling five-year period. Each year is weighted to discount the effect of historic years' performance.

Unit of assessment

A measure of the population weeks of hosepipe restrictions over a rolling five-year period.

Calculation

$$\frac{((\text{yr1} \times 1) + (\text{yr2} \times 1.25) + (\text{yr3} \times 1.5) + (\text{yr4} \times 1.75) + (\text{yr5} \times 2))}{7.5} \times 100$$

(Winter population five years / 5)

Year five is the most recent reporting year

Performance range

The performance range against which individual company OPA scores are calculated will be:

Max 1025

Min 0

Future methodology

We expect to remove this measure from 2005-06 and replace it with a measure based on our security of supply index.

Appendix 4 – Drinking water quality

Description

An assessment of drinking water quality based on the DWI's operational performance index (OPI), which assesses the presence of iron, manganese, aluminium, turbidity, faecal coliforms and trihalomethanes. Details of companies' OPI performance can be found in the DWI's annual report. Noting that this assessment is by calendar year, ie for the 2004-05 OPA we will use the OPI from 2004.

Unit of assessment

The OPI score for drinking water quality.

Performance range

The performance range against which individual company OPA scores are calculated will be:

Max 100.0

Min 98.4

Future methodology

No change expected during 2004-05 to 2008-09.

Appendix 5 – Sewer flooding – overload (DG5)

Description

An assessment based on the number of properties affected by an incident of internal sewage flooding caused by overload of a sewer (also termed hydraulic incapacity).

Unit of assessment

Number of properties affected by an incident of internal flooding caused by overload of a sewer, excluding those incidents resulting from severe weather. The value is expressed as a percentage of total connected properties.

Calculation

$$\frac{\text{Total flooding incidents} - \text{Flooding incidents due to severe weather}}{\text{Total connected properties}} \times 100$$

(overloaded sewers) (overloaded sewers)

Performance range

The performance range against which individual company OPA scores are calculated will be:

Max 0.036
Min 0.0015

Future methodology

No change expected during 2004-05 to 2008-09.

Appendix 6 – Sewer flooding – other causes (DG5)

Description

An assessment based on the number of properties affected by an incident of internal sewage flooding caused by equipment failure in, blockage or collapse of, a sewer (also termed 'other causes').

Unit of assessment

Number of properties affected by an incident of internal flooding caused by equipment failure in, blockage or collapse of, a sewer. The value is expressed as a percentage of total connected properties.

Calculation

$$\frac{\text{Flooding incidents (equipment failure)} + \text{flooding incidents (blockages)} + \text{flooding incidents (collapses)}}{\text{Total connected properties}} \times 100$$

Performance range

The performance range against which individual company OPA scores are calculated will be:

Max 0.029
Min 0.0047

Future methodology

No change expected during 2004-05 to 2008-09.

Appendix 7 - Sewer flooding – ‘at-risk’ (DG5)

Description

An assessment based on the number of properties considered to be at risk of flooding by sewage, caused by overload, more frequently than once in ten years.

Unit of assessment

Number of properties considered to be at risk of flooding by sewage, caused by overload, more frequently than once in ten years. The assessment will be normalised by the number of properties removed as a result of individual companies’ enhanced service level allowances (ESL) to address at risk properties in the reporting year. The value is expressed as a percentage of total connected properties.

Calculation

$$\frac{((2 \text{ in } 10 \times 1) + (\text{problems solved due to ESL funding}^1) + (1 \text{ in } 10 \times 0.5))}{\text{Total connected properties}} \times 100$$

Total connected properties

Performance range

The performance range against which individual company OPA scores are calculated will be:

Max 0.1

Min 0.012

Future methodology

No change expected during 2004-05 to 2008-09.

¹ Number of properties planned to be removed from the risk register as stated in company final determination supplementary reports.

Appendix 8 – Customer contact (DG6, DG7, DG8 and DG9)

Description

An assessment of four aspects of company performance covering:

- Response to billing contacts (DG6);
- Response to written complaints (DG7);
- Billing of metered customers (DG8); and
- Ease of telephone contact (DG9).

Unit of assessment

An equally weighted measure of the four aspects of company performance based on the following:

- The number of billing contacts answered within five working days as a percentage of billing contacts received (DG6).
- The number of written complaints answered within ten working days as a percentage of written complaints received (DG7).
- The number of bills based on a meter reading as a percentage of metered accounts (DG8).
- The percentage of calls answered within 30 seconds as a percentage of total calls received on customer contact lines (DG9).

Calculation

<u>Number of billing contacts dealt with in 5 days</u>	x 100	
Total billing contacts		(DG6)
<u>Written complaints answered in 5 days + written complaints answered in 5 to 10 days</u>	x 100	
Total written complaints		(DG7)
<u>Number of bills based on a meter reading</u>	x 100	
Total number of metered accounts		(DG8)
<u>Calls answered within 15 seconds + calls answered within 15 to 30 seconds</u>	x 100	
Total calls received		(DG9)

Performance range

The performance range against which individual company OPA scores are calculated will be:

	All companies		WaSCs	
	Min	Max	Min	Max
DG6	90	100	90	100
DG7	95	100	95	100
DG8	98	100	98	100
DG9 ¹	83.13	98	83.13	98
Combined Score ²	81	180	81	180

¹ Until we are able to use the revised DG9 measure, which we expect to be from 2005-06, we will continue to derive an average assessment for DG9 as we did for 2001-2003, except where it is clear that company performance is far worse than average.

² The combined score is the sum of the OPA scores for the four individual measures. Note that the maximum score of 50 is not required for each individual measure in order to achieve the maximum combined score of 180.

Future methodology

No changes are expected to the methodologies for DG6, DG7 and DG8.

The DG9 measure is expected to change from 2005-06 when it is expected to combine three measurements of telephone call handling.

1. Measurement of customer satisfaction by a standard customer survey carried out by an independent researcher (satisfaction score).
2. Proportion of callers who cannot get through (all lines busy).
3. Proportion of callers who abandon the call before completion (calls abandoned).

Appendix 9 – Assessed customer service

Description

This aspect of the OPA measures the quality of customer service. It is based on seven equally weighted measures, which are:

- revenue and debt collection;
- complaint handling;
- information to customers;
- telephone contact hours;
- compensation policy;
- supply pipe repair policy; and
- service for disabled and elderly customers.

Each of the seven aspects are assessed against specific criteria. Companies are awarded one of three marks: 1 = good, 2 = average, 3 = poor for each of the seven aspects. These are totalled to determine an overall mark for the company. The best possible performance is 7 marks and the worst is 21 marks, noting that companies need only achieve 10 marks to receive the maximum OPA score.

Details of each of the seven assessments can be found in appendices 9.1 to 9.7.

Performance range

The performance range against which individual company OPA scores are calculated will be:

Max 18
Min 10

Future methodology

No change expected during 2004-05 to 2008-09.

Appendix 9.1 – Assessed customer service: revenue and debt collection

Description

An assessment of five aspects of payment collection (revenue) and three aspects covering the provision of facilities provided to customers in debt.

Method of assessment

Individual company practice is assessed against a total of eight aspects of customer service. The extent and nature of customer service is determined using the criteria set out below. We have also detailed where we look for this information to be set out.

Revenue

- Number of standard payment options advertised on bills/accompanying leaflets (1 point for each) (bills and leaflets).
- Whether weekly or fortnightly payments are advertised on bills or leaflets (2pts yes or 1pt no) (bills and leaflets).
- Whether bill payments are free of charge at banks or building societies (3pts free, 2pts subsidised or 1 pt full charge levied) (bills and leaflets).
- Whether bill payments are free of charges at post offices or equivalents payment outlets, eg Paypoint (3pts free, 2pts subsidised or 1pt full charge levied) (bills and leaflets).
- Whether there is a “difficulty in paying message” on the bill (2pts yes or 1pt no) (bills and leaflets).

Debt

- Free phone debt line (3pts dedicated 0800 line advertised on initial bill; 2pts debt line available but not necessarily advertised; 1pt no debt line) (bills and leaflets).
- Provision of charitable trust/hardship fund (3pts yes; 2pts planned; 1pt no) (WaterVoice assessment. See next page for details).
- WaterVoice assessment of company’s handling of indebted customers (8pts good, 6pts satisfactory; 4pts basic) (WaterVoice assessments. See next page for details).

Banding

1	Top	>25 points
2	Middle	20-25 points
3	Bottom	<20 points

WaterVoice assessments of companies handling of customers in debt

A form is sent each year to every WaterVoice office which asks them to assess the companies they cover against the five debt guidelines as revised in October 2002, plus give an overall view of company practices based on the annual audits they carry out.

The five areas are:

- contact with customers;
- payment options;
- information for customers in debt;
- payment arrangements for customers in debt; and
- debt recovery agents.

We also ask them to inform us whether companies have a charitable trust in place, are planning to establish one, or do not have a charitable trust and have no plans to set one up.

Guidelines are sent with the form to each office each year to ensure consistent assessments.

Appendix 9.2 – Assessed customer service: complaint handling

Description

An assessment of two aspects of complaint handling: WaterVoice audits of company complaint files, and the number of customer complaints to the company, which are accepted by WaterVoice for further investigation.

Method of assessment

Individual company activity on both aspects are assessed and awarded a band score. The combined band score for the two assessments determines the total score for the measure.

WaterVoice audits

WaterVoice audits/assessments of complaint handling are converted into a numerical score as shown in the following example.

An audit assessed 20 complaints as 'good', three as 'acceptable', and two as 'not acceptable'. These assessment attract 2 points, 1 point and -2 points respectively. In the above example the audit score would be $(20 \times 2) + (3 \times 1) + (2 \times -2) = 39/25 = 1.56$. This audit score is then converted into a banding score.

Band	Audit score
1	>1.75
2	1.50-1.75
3	1.00-1.49
4	0.00-0.99
5	<0.00

WaterVoice investigations

The number of complaints accepted for investigation by WaterVoice as a percentage of complaints received by the companies. Company performance is converted into a banding score derived.

Banding	% investigated
1	<1.00%
2	1.00-2.00%
3	2.01-3.00%
4	3.01-5.00%
5	>5.00%

Overall banding

1	Top	2-4
2	Middle	5-7
3	Bottom	8-10

Appendix 9.3 – Assessed customer service: information to customers

Description

A two-part assessment of information sent unsolicited to customers during the report year: whether it covers a number of essential areas of company activity; and, the clarity of the literature.

Unsolicited information is information that is sent to all customers without request and includes company-produced leaflets sent alongside bills and company magazines/newspapers or information available on the company's website.

Method of assessment

The extent to which company literature sent to customers or available on the website covers essential information. These areas of information are defined below:

- explanation of charges;
- availability of free meter option;
- surface water rebate;
- help for vulnerable customers;
- payment options;
- payment methods;
- services for elderly and disabled customers;
- customer charter/Guaranteed Standards Scheme;
- complaints handling; and
- water efficiency.

Clarity of information will be assessed on the use of plain language and clear presentation.

Banding

Each of the ten topics listed above attracts up to 3 points for the extent of information provided. Clarity of information will attract 2 points per topic broken down into one point for use of plain language and one for presentation (eg colour contrast, use of appropriate fonts). Companies can score a maximum of 50 points. This is converted into a percentage score.

Where a water only company does not bill on behalf of a water and sewerage company there is no requirement to provide a surface water rebate message on the bill or in an accompanying leaflet. The scoring system reflects the fact that water only companies can only score a maximum of 45 points.

Appendix 9.4 – Assessed customer service: telephone contact hours

Description

An assessment of the advertised accessibility of company call centres in handling billing contacts and general operational enquiries. Companies are required to provide emergency cover at all times, which does not form part of the assessment.

Method of assessment

The accessibility of company call centre is assessed by reference to the number of hours the service is advertised and provided during weekdays and weekends or bank holidays.

Banding

Opening hours per week (7 days)

1	Top	greater than or equal to 55 hours
2	Middle	greater than or equal to 50 hours, but less than 55 hours
3	Bottom	less than 50 hours

Appendix 9.5 – Assessed customer service: compensation policy

Description

An assessment of companies' advertised compensation policies and customer charters.

Method of assessment

Assessment of companies' advertised compensation policies and customer charters against the requirement of the Guaranteed Standards Scheme¹ (GSS).

Banding

1. Goes significantly beyond the provision of GSS in terms of:
 - (a) value of payments; and
 - (b) extended range of compensation payments.
2. Goes beyond GSS for some standards, eg increased value of payments (enhanced GSS).
3. Standard GSS criteria applies.

¹ The Guaranteed Standards Scheme lays down minimum guaranteed standards of service to customers by companies. If the standards are not met customers are entitled to compensation.

Appendix 9.6 – Assessed customer service: supply pipe repair policy

Method of assessment

Assessment of companies' advertised policy for the repair and replacement of supply pipes.

Banding

1. Free locate and repair/replacement service with only minor restrictions.
2. Free locate and repair/replacement service with two or less major restrictions.
3. Does not meet the above criteria.

Minor restrictions

- i. No repair if the pipe passes under a building.
- ii. Available only to domestic customers.
- iii. Charge applies after a certain length of pipe is repaired or replaced.
- iv. If renewal work has not been carried out by the customer, additional repairs will be charged.
- v. Cost limit or subsidy applies if replacement rather than repair is necessary.
- vi. The scheme is available for two leaks per customer only.

Major restrictions

- i. Only one repair available per property/customer.
- ii. Work limit (e.g. two excavations) applies.
- iii. Rented properties are not included.
- iv. Mobile homes/caravan sites are not included.

Appendix 9.7 – Assessed customer service: services for disabled and elderly customers

Description

An assessment of companies' advertised policy for the provision of service to disabled or elderly customers.

Method of assessment

Using the leaflets produced by companies and a form (which is sent to each company every year) detailing unadvertised services (such as access to their offices for disabled customers) they offer, an assessment of individual company activity is made. A list of guideline criteria considered essential elements of policies and procedures needed to meet the needs of disabled or elderly customers is used for this assessment. The criteria include the following:

- Provision of a register.
- Company activity raising customer awareness of services, including regular circulation of literature and communication with relevant organisations.
- Provision of essential information provided in alternative formats.
- Availability of a password scheme available for any customer who feels vulnerable.
- Meter reading/re-siting service.
- Bill reading/nominee service, or provision of bills in Braille or large print.
- Access to company premises for disabled customers.
- Provision of advice on aids and equipment.
- Services for those customers or households vulnerable to drinking water contamination/boil water notice incidents.
- Allowing carers to register a client if necessary.

Banding

1	Top	provides good service across all areas of guidelines.
2	Middle	all key areas of guidelines addressed to some degree.
3	Bottom	some key areas of guidelines not addressed.

Appendix 10 – Sewage treatment works consent compliance

Description

An assessment of sewage treatment works (STWs) with the conditions of their discharge consents.

Unit of assessment

An assessment of the percentage population equivalent (pe) served by STWs that do not comply with the conditions of their discharge consents. The measure addresses compliance with conditions covering the following.

- Sanitary determinands of 1991 Water Resources Act numeric consents.
- Bio-chemical oxygen demand and phosphorus determinands of Urban Waste Water Treatment Directive (UWWTD) consents.
- Phosphorus determinands of 1991 Water Resource Act numeric consents.
- Disinfection conditions of 1991 Water Resource Act consents.

Sewage treatment works compliance conditions included in the OPA

Parameter	Legislation	Compliance condition
Biochemical oxygen demand (BOD)	WRA ¹ UWWT ²	Compliance with the look up table (LUT) effluent consent condition limits
	UWWT ²	Compliance with LUT consent condition limit requiring percentage removal of BOD across the works, as assessed by influent and effluent BOD concentrations.
Suspended solids (SS)	WRA	Compliance with the LUT effluent consent condition limit
Ammonia (NH ₄)	WRA	Compliance with the LUT effluent consent condition limit
Phosphorus (P)	WRA UWWT ²	Compliance with the effluent consent condition limit
	UWWT ²	Compliance with the consent condition limit requiring percentage removal of P across the works, as assessed by influent and effluent P concentrations.
UV Disinfection	WRA	Compliance with the required UV dose for 99% of the time (where the period of time is annual or seasonal as specified in the consent conditions ³).

¹ WRA – Water Resources Act

² UWWT – Urban Waste Water Treatment Regulations

The UWWT regulations provide two approaches for BOD and P: A works is considered to have met compliance conditions if it passes either of these conditions.

³ Some works are required to apply UV disinfection year round, others during the bathing season only.

Calculation

Percentage of STWs failing their consent conditions for sanitary
determinands, phosphorus determinands and disinfection conditions x100
Relevant population served (resident) (numeric consents)

Performance range

The performance range against which individual company OPA scores are calculated will be:

Max 4.93

Min 0

Future methodology

This measure will be extended to include descriptive consents and flow consents. We will only do this when data is fully robust, which we do not expect to be before 2006-07. At the same time we expect to revise the calculation method to account for the number of works as well as population served. The new Environment Agency Compliance Classification Scheme may result in some changes to this measure. This scheme is currently under development.

Appendix 11 – Sewage sludge disposal

Description

An assessment of sewage sludge disposed of in an unsatisfactory manner.

Unit of assessment

Percentage of sewage sludge disposed of in an unsatisfactory manner.

Calculation

$$\frac{\text{Sewage sludge unsatisfactory disposed}}{\text{Total sewage sludge disposed}} \times 100$$

Performance range

The performance range against which individual company OPA scores are calculated will be:

Max 4

Min 0

Future methodology

This measure will continue to assess the percentage of sludge disposed of in an unsatisfactory manner. What will change is how 'unsatisfactory' is defined (because the law is changing) and how we received the data (because the Environment Agency will provide us with the data instead of the companies). There are a number of details yet to be worked out about how this will work. Until they are resolved we will continue to use company reported data. The transition to Environment Agency reporting is expected to take two to three years.

Appendix 12 – Category 1 and 2 pollution incidents (sewage)

Description

An assessment of the number of category 1 and 2 pollution incidents resulting from sewage collection and treatment activities.

Unit of assessment

The number of category 1 and 2 pollution incidents resulting from sewage collection and treatment activities per million population equivalent (pe) served. See table for details of which pollution incidents are included.

How we use the pollution incidents reported in table 1d of the Environment Agency's annual report

Source/premises	Category 1& 2	Category 3
Sewage treatment works	Included in OPA.	Included in OPA.
Combined sewer overflow	Category 1 & 2 pollution incidents (sewage).	Category 3 pollution incidents (sewage).
Storm tank		
Rising main		
Water treatment works	Included in OPA. Category 1 & 2 pollution incidents (water).	Not included in the OPA.
Water distribution system		
Surface water outfall	Not included in OPA.	
Pumping station	Included in OPA. Category 1 & 2 pollution incidents (sewage).	Included in OPA. Category 3 pollution incidents (sewage).
Foul sewers		
Other		

Calculation

Category 1 and 2 pollution incidents

Population equivalent served resident / 1,000,000

Performance range

The performance range against which individual company OPA scores are calculated will be:

Max 6.17

Min 1.06

Future methodology

No changes expected during 2004-05 to 2008-09.

Appendix 13 – Category 3 pollution incidents (sewage)

Description

An assessment of the number of category 3 pollution incidents resulting from sewage collection and treatment activities.

Unit of assessment

The number of category 3 pollution incidents resulting from sewage collection and treatment activities per million population equivalent (pe) served. See table in appendix 12 for details of which pollution incidents are included.

Calculation

$$\frac{\text{Category 3 pollution incidents}}{\text{Population equivalent served resident} / 1,000,000}$$

Performance range

The performance range against which individual company OPA scores are calculated will be:

Max 145.07

Min 9.44

Future methodology

No changes expected during 2004-05 to 2008-09.

Appendix 14 – Category 1 and 2 pollution incidents (water)

Description

An assessment of the number of category 1 and 2 pollution incidents resulting from water treatment and distribution activities.

Unit of assessment

The number of category 1 and 2 pollution incidents resulting from water treatment and distribution activities per million winter population served. See table in appendix 12 for details of which pollution incidents are included.

Calculation

Category 1 and 2 pollution incidents

Winter population / 1,000,000

Performance range

The performance range against which individual company OPA scores are calculated will be:

Max 1.7

Min 0

Future methodology

No changes expected during 2004-05 to 2008-09.

Appendix 15 – Leakage

Description

An assessment of leakage performance where actual performance is compared with pre-set leakage targets as published by Ofwat².

Method of assessment

Each year we assess leakage performance against target using data from the last three years (ie a 36-month rolling average). The annual OPA score is determined against six bands of 'percentage of target not met', based on the last three years' performance.

Percentage of target not met – based on last three years' performance	OPA score
<= 0%	50
0.1% to 5.0%	45
5.1% to 10%	40
10.1% to 15.0%	35
15.1% to 20.0%	30
20.1% to 25.0%	25
>25%	20
No set target ¹	20
Target not robust ²	Reduce actual score by 5 points
¹ The lowest score applies when a company does not have set leakage targets (For example when a company is subject to an investigation to establish a robust water balance). ² Where company targets are mandatory because a company's ELL analysis is not considered robust, the OPA score is reduced by five points to provide an incentive to improve the analysis.	

² We publish the leakage targets for companies in our annual report 'Security of supply, leakage and the efficient use of water'.

The 2004-05 targets are in the 2002-03 report and the targets for 2005-06 to 2009-10 will be in the 2003-04 report following analysis of the companies' ELL appraisals submitted as part of their final business plans.

After we have set targets for 2005-10 we will expect companies to closely monitor their ELL analysis but will not expect a formal submission until the next periodic review of prices unless there is a change to the supply/demand circumstances of the company. In this instance targets may have to be revised.

Examples of how we calculate OPA scores for leakage

Company A	Year 1	Year 2	Year 3	Year 4
Leakage target (MLD)	100	100	90	90
Actual leakage (MLD)	100	90	100	90
Three-year assessment – percentage of target met			$(100+100+90)/(100+90+100) = 100\%$	$(100+90+90)/(90+100+90) = 100\%$
Percentage of target not met			0%	0%
OPA score			50	50

Company B	Year 1	Year 2	Year 3	Year 4
Leakage target (MLD)	100	100	90	90
Actual leakage (MLD)	100	100	100	90
Three-year assessment – percentage of target met			$(100+100+90)/(100+100+100) = 96.6\%$	$(100+90+90)/(100+100+90) = 96.5\%$
Percentage of target not met			3.3%	3.3%
OPA score			45	45

Annex 5

GLOSSARY OF TERMS

Combined sewer overflows (CSOs)

CSOs operate in storm conditions to divert excess sewage to a nearby watercourse preventing a build-up of sewage within the wastewater collection system. Their operation avoids the flooding of pumping stations, public or private property.

Descriptive consents

Discharges from small sewage treatment works (STWs) are often regulated by 'descriptive' consents, which prohibit through words, not numbers, the release of poisonous or injurious matter.

Discharge consent

A discharge consent is a permit issued by the Environment Agency which sets out the conditions under which a consent holder may make a discharge of sewage or trade effluent to controlled waters.

Economic level of leakage (ELL)

The level of leakage at which it would cost more to make further reductions in leakage than to produce the water from another source is known as the ELL. Operating at ELL means the total cost to the customer of supplying water is minimised and companies are operating efficiently. In determining this it is important to include consideration of environmental and social costs as well as other costs.

Enhanced service levels (ESL)

Enhanced service level allowances are funds provided within price limits to provide a significant improvement in customer service.

Equivalent population

Includes both the domestic population served and the non-domestic load on the sewage treatment service.

Final Determination

Outcome of a price review including company price limits which operate for a five-year period and specific outputs which the company must deliver.

Guaranteed Standards Scheme

A scheme that lays down minimum guaranteed standards of service to customers by companies. If the standards are not met customers are entitled to compensation. In many cases this is paid automatically.

Hydraulic overload

The inability of a sewer to pass downstream a flow of sewage due to the incapacity of a particular pipe, or section of the sewerage system.

June returns

Annual data submissions by water companies to Ofwat regarding their activities and performance.

Numeric consents

Discharges from larger STWs are regulated by 'numeric' consents, which prescribe the quality, in numerical and chemical terms, of the discharge.

Operational Performance Index

The DWI's measure of the operational performance of water treatment works and distribution systems, calculated by averaging the compliance of water supply zones for six parameters: iron, manganese, aluminium, turbidity, faecal coliforms and trihalomethanes.

Overall performance assessment

The overall performance assessment (OPA) provides an overview of company performance covering water supply, customer service, sewerage service, and environmental performance (only water and sewerage companies are assessed for the last two areas).

Periodic review

The resetting of all water companies' price limits. Price limits are set every five years.

Pollution incidents

Pollution incidents are categorised according to their impact on the environment, Category 1 being the most severe, Category 4 the least severe.

Price limits

The annual increase in charges companies can make is limited by their licences. The limit is described as $RPI \pm K + U$. K represents the amount by which average charges can rise in any year, RPI is the Retail Price Index and U is unused K from previous years. A specific K value is set by the Director for each company for each year, usually at a periodic review. The value reflects what a company needs to charge to finance the provision of services to customers.

Resource zone

The largest possible zone in which all water resources, including external transfers, can be shared. It delineates a zone in which all customers will experience the same risk of supply failure from a resource shortfall.

Sanitary determinands

All numeric consents contain so called 'sanitary' conditions which control the quantity of suspended solids, biochemical oxygen demand, and in most cases, ammonia, in discharges from STWs.

Security of supply index (SoSI)

The index used by Ofwat to assess water resource availability and leakage issues within a wider security of supply context and to track changes in the service offered to customers over time.

Sludge

The final form of solid matter that is removed during sewage or water treatment.

Target headroom

The minimum buffer a water company should allow between supply and demand to cater for specified uncertainties in the overall supply/demand balance.

Wastewater

A term for sewage, either influent to, or effluent from, a sewage treatment process.