

# Information notice

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## Guidance on collecting information for the service incentive mechanism from 1 April 2015

This information notice sets out guidance to the 18 largest monopoly water and wastewater and water only companies in England and Wales on how to collect information from 1 April 2015 for the purposes of calculating their annual service incentive mechanism (SIM) score for:

- household customers in England and Wales (the 'household SIM'); and
- non-household customers in Wales (the 'non-household SIM (Wales)').

We also highlight the results of the customer satisfaction survey we carried out for the household SIM for 2014-15.

### Background

The service incentive mechanism (SIM) is a tool to encourage companies to reduce customer complaints and get things right first time.

Each company's customer service performance is assessed each year. This includes measuring:

- the number of complaints they receive; and
- how satisfied customers are with how their contacts are handled.

We introduced the SIM in 2010 as part of the price and service package (the 'price controls') that each of the companies had to deliver in each of the five years between 2010 and 2015. We are continuing to use SIM for the five years from 2015 to 2020.

Each company is given a score out of 100 (their 'SIM score') depending on how well they do. The companies publish their SIM score each year alongside other information about their performance. We take account of companies' performance in the SIM when we [set prices](#). Companies may receive either a financial penalty or reward depending on how well they perform.

As part of our process for setting companies' price controls for each of the five years between 2015 and 2020, we consulted on changes to the SIM in '[Service incentive mechanism \(SIM\) for](#)

[2015 onwards – a consultation](#)' in 2013. And in '[Service incentive mechanism \(SIM\) for 2015 onwards – conclusions](#)', which we published in April 2014, we confirmed our future approach. The key changes we made were as follows.

- Reducing the scope of the SIM in England and Wales to household customers only.
- Implementing a separate SIM for non-household customers in Wales. All non-household customers in England will be able to choose their own supplier from 1 April 2017, so will no longer need the protection offered by the SIM.
- Giving companies no warning that we are carrying out SIM surveys.
- Including all customer contacts in the SIM survey, including those where companies are still in the process of resolving a customer's issue or complaint. Previously we only surveyed contacts where the company had resolved the matter.
- Changing the balance of measures to give more weight to customer views of their

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

experience of dealing with their water or wastewater provider.

We tested our conclusions by asking companies to pilot the revised household SIM during 2014-15.

### Collecting SIM information from 1 April 2015

In 'Service incentive mechanism – guidance for collating customer service information for calculating the SIM score', we set out guidance for the 18 largest companies for 1 April 2015 on how to collect customer contact information for the purposes of calculating:

- the household SIM; and
- the non-household SIM (Wales). This only applies to Dŵr Cymru and Dee Valley Water. We will compare their performance against the largest companies in England using available complaints data. The 16 largest companies in England already provide comparable data to the [Consumer Council for Water](#), which we will use to make these comparisons.

In our guidance we set out an overview of the household SIM and how companies SIM score is calculated. We also provide instructions for companies for:

- collecting information on unwanted phone contacts;
- providing customer experience satisfaction survey data sample to our market researcher;
- collecting information on written complaint information;
- collecting information on the

- number of connected properties;
- calculating the non-household SIM (Wales);
- collecting indicative information on the customer contacts they receive through all of the communication channels – not just those counted in the SIM. This is so we can monitor that the way the SIM is calculated remains appropriate as customers and companies change the way they communicate over time.

Complaints reviewed by the water redress scheme (WATRS) and non-household complaints are not included in the household SIM.

Alongside our guidance we have published a [household service incentive mechanism calculator](#) to help companies calculate their household SIM.

The household SIM and non-household SIM (Wales) includes measures for monitoring the most common ways that customers contact their company – such as letter, email or telephone. Emerging methods of contact, such as social media – which represent only 1% of customers' contacts – do not have a specific measure but may be included in the survey sample where customer details are known. We will continue to check their usage rates to make sure the SIM continues to capture the majority of customer contacts.

### Household SIM survey results 2014-15

In 'Ofwat SIM Survey 2014-15 annual report' we highlighted the

results of our pilot household SIM survey for 2014-15. Because of the changes we made to the format of the survey, it is not possible to make direct comparisons with the sector's results in previous years. However, the key results are as follows.

- The sector's average customer service score was 4.24 out of five, which (although not directly comparable) is slightly lower than 2013-14. The decrease is due to a higher proportion of customer contacts in the survey that have not yet been resolved. This change also had more impact on some companies compared with others.
- Portsmouth Water achieved the highest overall satisfaction score of 4.48, significantly above the sector average.
- The sector significantly outperformed comparable service providers in other sectors on customer satisfaction.

There are still areas where the sector – and individual companies – can improve. By including all customer contacts, including those that are not yet resolved, we have strengthened the incentive for each company to take ownership for improving their performance.

Most customer contacts are resolved by companies at the time of a customer contact. But some contacts may take longer to be resolved because the company may need to visit the customer's property or carry out an investigation. The survey usually takes place two to three weeks

after a customer's contact. At this point, companies may not have resolved some matters. Typically this is about a quarter of all contacts.

### Next steps

Companies in England and Wales should use our guidance from 1 April 2015 for the purposes of calculating their annual scores for the household SIM and non-household SIM (Wales).

### Enquiries

If you have any questions about this information notice or any of our requirements, please send them to [riskandcompliance@ofwat.gsi.gov.uk](mailto:riskandcompliance@ofwat.gsi.gov.uk).

## More information

[Price review](#) web pages

[Service incentive mechanism \(SIM\) for 2015 onwards – a consultation](#), October 2013

[Service incentive mechanism \(SIM\) for 2015 onwards – conclusions](#), April 2014

[Service incentive mechanism – guidance for collating customer service information for calculating the SIM score](#), March 2015

[Household service incentive mechanism calculator](#), March 2015

[Ofwat SIM Survey 2014-15 annual report](#), March 2015

The [Consumer Council for Water](#) website

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