



Customer Challenge Group (CCG) chairs: Additional meeting on the outcomes consultation

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A reminder - What are outcomes?

Examples

Outcomes are the high level objectives valued by customers and society.

Performance commitments (PCs) are the pledges companies make about service levels in order to make progress towards their outcomes.

Outcome delivery incentives (ODIs) are the rewards and penalties that encourage companies to deliver their PCs. ODIs can be reputational or financial.

Secure and reliable water supplies

Supply interruptions

Asset health - infrastructure

Financial reward or penalty

Financial penalty

Outcomes were one of the biggest innovations of PR14, and have helped re-focus companies on delivering for customers.

In the November consultation we are consulting on four areas where the outcomes framework can be improved:

1. Making performance commitments (PCs) more stretching
2. More powerful Outcome Delivery Incentives (ODIs)
3. Better reflecting resilience in outcomes
4. Making PCs more transparent

Separately we are consulting on a licence modification for in-period outcome delivery incentives for all companies.

We plan to consult on a number of ways of making performance commitments more stretching:

Making comparative information more easily available to customers and CCGs so that they are empowered to challenge companies' proposed performance commitments.

Consulting on a set of common PCs which all companies must have and whether these should have standard definitions.

Considering more stretching targets for common PCs: using the frontier company; using a dynamic approach etc.

Reviewing the guidance on setting bespoke performance commitments.

Discussing options for a new common performance commitment on customer satisfaction which will stretch companies to improve customer satisfaction (see next slide).

Area 1 - Future Customer Service Measure ('Future of SIM')

- SIM has made a very significant and positive impact on the customer service provided by companies, and has driven real culture change at the companies across all levels. However, a number of developments and challenges suggest that it is time to review SIM
- We want to retain a customer service measure, and we have an open mind as to what this could look like. There is a range of options for us to consider. We want our measure to be ambitious and forward-looking.

Retain	Reform	Replace
Retain in current format with minimal changes	<p>Reform with significant changes in methodology. For example:</p> <ul style="list-style-type: none">• maintain qualitative element only• cover more contact channels• increase sample sizes• introduce customer segmentation	<p>Replace entirely with different mechanism(s). For example:</p> <ul style="list-style-type: none">• external measure, e.g., ICS, PWC measure of trust, TransportFocus customer emotional tracking 'in the moment', etc.• new/innovative technique for measuring satisfaction, trust, other.• bespoke solution but targeting different outcome(s)

Some fundamental questions:

- Which outcome should we measure against (e.g. satisfaction, trust, confidence, ...other)?
- Should water companies be compared against: other water companies; other utilities; or all markets/industries?
- Should we try to measure the customer experience with both the network and retail elements of the operations? What does the potential arrival of domestic retail competition mean in this context?

We plan to consult on a number of ways of making ODIs more powerful

Discussing the benefits of in-period ODIs and how they might be applied at PR19. We are consulting separately on a licence modification to enable in-period ODIs.

Discussing approaches to attaching more revenue to ODIs e.g. encouraging companies to hit a financial range for their rewards and penalties, encouraging companies to have a higher proportion of financial ODIs.

Considering alternative approaches to setting ODI rewards and penalties for PR19 drawing on a wider set of information on customer preferences.

Considering some of the issues raised by more powerful ODIs such as the need for stretching targets, clear definitions and good quality engagement on the ODIs.

We will revisit the issue of increasing the power of ODIs, in more detail, in the July 2017 methodology consultation when we will consider all the price review incentives in the round and responses to the November 2016 consultation.

We plan to consult on a number of ways of better reflecting resilience in outcomes

Reiterating the importance our May 2016 customer engagement policy statement attaches to resilience.

Concluding on our approach to long-term performance commitments.

Consulting on resilience planning principles for PR19.

Consulting on options on resilience measures.

Consulting on asset health expectations for PR19 and whether we should move towards some standardisation of companies' approaches to asset health.

We plan to consult on a number of ways for making PCs more transparent

Consulting on some principles for making PCs easier to understand

Consulting on reporting requirements for all sub-measures that underlie PCs

Proposing circumstances when scheme-specific PCs (i.e. PCs that measure progress against a specific investment scheme) might and might not be appropriate. And proposing some process improvements for the development of any scheme-specific PCs.

Timeline for the work on outcomes

