Developer Services Measure of Experience (D-MeX) for PR19: D-MeX Working Group Set-up Meeting

19 September 2017

Timing	Item	Lead
13:30 – 13:35	Welcome and introductions	Jon Ashley
13:35 – 13:45	Background/aims of the session	Jon Ashley
13:45 – 14:00	Consultation options, questions and responses	Jasminder Oberoi
14:00 – 14:40	Topic 1: High level issues – scope of incentive	Jon Ashley / Group discussion
14:40 – 14:45	Comfort Break	-
14:45 – 15:20	Topic 2: Membership, Timetable, Future Meetings	Jasminder Oberoi / Group discussion
15:20 – 15:30	Summary and close	Jon Ashley

As part of the methodology for PR19:

- 11 July - 30 August 2017, we consulted on the establishment of D-MeX.
- In December 2017, we will publish our decision on the high level design aspects of D-MeX.
- In 2018 we will pilot D-MeX to test how it would work in practice.

The aim of the D-MeX Working Group is to **aid the design and implementation of D-MeX,** and facilitate the development of the detailed pilot, and final, guidance that water companies will apply from 2020-2025. This includes by discussing the methodological details of the data that feeds into the incentive mechanism, and helping to resolve practical issues, such as data provision. **Ofwat remains the decision maker.**

The aim of today is to:

- Establish the existence and purpose of the D-MeX working groups;
- Discuss some key aspects of the design and implementation of D-MeX raised in the consultation responses; and
- Discuss the timetable, group membership, and set-up future D-MeX working groups.

Code for Adoption Agreements

Code for Agreements that developers or SLPs enter into when they want a water or sewerage company to take over responsibility for infrastructure they have constructed. Provides for:

- more consistency amongst companies on adoption agreements and requirements for infrastructure that companies will adopt;

- minimum information & publication requirements on companies to inform customers and help SLPs/developers access input services;

- requirement to document minimum service levels companies will provide for necessary input services;

- Ofwat to take action if a company is not following sector documents

New Charging Rules for Water companies in England– April 2018

When providing new connection services for developers for water mains and/or public sewers, charges should reflect:

- fairness and affordability;

- environmental protection;

- stability and predictability;

- **transparency and customer-focused service.**

D-MeX in PR19

Financial and reputational incentive mechanism

Purpose of D-MeX is to promote a better quality **service** experience to developer services / new connections customers, and to lead to greater customer satisfaction.

Preferred Option

D-MeX Option 1: Dedicated developer services customer survey			
➢**Set up Task and Finish Group** of developer services customers (developers, SLOs, NAVs), their representatives and water companies to explore how best to develop and implement a **six-monthly satisfaction survey** for comparison across companies.	➢**Company performance ranked annually** based on an average of the two six-monthly surveys.	➢**Financial rewards / penalties** for the best / worst performers of up to 5% of annual developer services revenue applied annually.	➢Explore whether existing **Water UK measures** should be incorporated into D-MeX.
Pilot D-MeX 2018 - 2019			

Consultation questions

Q5 Do you agree with our proposed Developer Measure of Experience (D-MeX)?

Q5 a) Do you agree with our proposed approach to implementing D-MeX, in particular by conducting a satisfaction survey amongst past developer services customer contacts?

D-MeX Option 2: Relying on C-MeX to cover developer services customers	D-MeX Option 3: Financially incentivising existing quantitative metrics	D-MeX Option 4: Bespoke performance commitments
➤ **Includes developer services customers in the C-MeX contact and experience surveys.** Incentive to improve service based on the prospect of having a developer services customer included in the random selection for either survey. ➤ Companies would be ranked and financially incentivised annually based on their C-MeX scores.	➤ **Links financial incentives to the Water UK quarterly performance measures**. This option would involve us consulting developer services customers about what metrics they would like companies to be measured against. It would then use existing systems to collect and report on performance. ➤ Annual performance would be published on Ofwat's website. We would apply financial incentives annually.	➤ **All companies to propose bespoke performance commitments**, accompanied by financial incentives. Some water companies currently have these but they are non-financial.

High-level Summary

- General support for the introduction of D-MeX, a dedicated developer services incentive, especially among water companies
- Encouragement that developer services customers are being recognised more at PR19.
- Some specific concerns, as below.

Main issues raised	Raised by?
D-MeX should promote competition in connections	Representative of customer community
The emphasis on services to developers should be proportionate to services to other stakeholders and customers.	1 company and customer rep
Sample size issues may make our preferred option of satisfaction surveying difficult to implement.	Customer community and companies
The D-MeX Task and Finish group composition is important and should be managed carefully	1 developer and market operator
'Revenue' needs to be better defined. Competition in connections affects companies' developer services revenue; basing the reward on this might discourage competition.	Customer community

To be decided by Statement

Broad outline of the incentive mechanism design including:

- The scope of the incentive mechanism
- The broad components/elements of the incentive mechanism
- Whether the developer services customer base needs to be segmented for any qualitative element.
- Reward/penalty structure/ incentive design

Scope of Ofwat Proposal

A qualitative incentive based on customer satisfaction data, designed to promote a better quality service experience to developer services / new connections customers, and to lead to greater customer satisfaction.

An Alternative View (FWC)– Balanced Scorecard Approach

- Openness to Competition 25% : Achieved by being within 20% of the upper quartile, across all companies) of the proportion of connections independently provided

- Satisfy Information to customer requirements 10%: As specified by Ofwat's Code for Adoption Agreements and elsewhere. Independently assessed against a pre-issued checklist

- Locally resolved Complaints 15%: Performance lowered by the number of complaints that get referred to Ofwat for resolution (i.e. go beyond local settlement)

- ~~Guaranteed~~ Standards Performance 50%: Based on number of claims paid for non-delivery.

To Discuss: Should there be a quantitative element? How could this be implemented?

Stage	Timing
Consult on concept and timelines	July - August 2017
Task and Finish Group to discuss methodology details: implementing the mechanism to ensure fair and consistent company comparisons	September 2017 – May 2018
➢ Working group 1	19 September 2017
➢ Working group 2: a) & b)	a) 9 & b) 18 October 2017
Future Working groups to design pilot	May – September 2018
Procurement process	October – November 2018
Conduct pilot / test proof of concept	December 2018 – March 2019
Work through changes, draft guidance, pilot revision	April – November 2019
Publish final guidance	December 2019

What are your views on the Timetable?

Future meetings

- Which other groups / stakeholders should be represented?
- Are there other colleagues who are well placed to be involved?
- Would developers like their own meeting?
- Means of communicating with the group / setting up a group distribution list.

Thank you for attending