
Wholesale Retail Code Change Proposal – Ref CPW084

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| Modification proposal | Wholesale Retail Code Change Proposal – CPW084 – Introducing a Retailer Measure of Experience |
| Decision | The Authority has decided to approve this Change Proposal |
| Publication date | 11 February 2020 |
| Implementation date | 1 April 2020 |

Background

In August 2018 a working group was established under the Retailer Wholesaler Group (RWG) to measure Retailer experience (referred to as “R-MeX”) of Wholesaler services in the business retail market. The proposed solution in CPW084 was developed between August 2019 and November 2019 with input from the Institute of Customer Services, as well as Wholesalers, Retailers, MOSL and CCWater.

This Change Proposal has been jointly proposed from Thames Water and Castle Water (“the Proposer”), who were members of the R-MeX working group.

The issue

The Market Performance Framework, as set out in CSD 0002 of the Wholesale Retail Code (WRC), does not currently capture the qualitative aspects of Wholesaler performance from a Retailer perspective. CSD 0002 details a series of activities with corresponding service level agreements (SLA) with set deadlines in Business Days. This provides a standard for when market activities should be completed but does not measure the quality of the service delivered by Wholesalers from a Retailer perspective.

At present, some Wholesalers ask Retailers to complete bespoke surveys on their services but the length, format, schedule and questions of each Wholesaler survey varies. This lack of consistency creates a burden on Retailers and prevents meaningful monitoring and comparisons between Wholesalers on how well they are serving Retailers.

As such, the RWG R-MeX working group agreed the following goals before developing the proposed R-MeX survey:

- Review current Wholesaler approaches to surveying Retailers;
- Agree and design some common good practices;
- Seek support from a majority of market participants on the common approach; and
- Implement a common Retailer measure of experience.

The change proposal¹

CPW084 proposes an R-MeX survey which would be offered to Retailers and covers key areas of services from their Wholesalers. The R-MeX does not duplicate the Operational Performance Standards (OPS) and Market Performance Standards (MPS) contained in the Market Performance Framework. The R-MeX adopts a consistent content and structure for all Retailers, to ensure the survey is easier to complete and to allow better comparison of Wholesalers from the results of the survey.

Specifically, CPW084 proposes the following changes to sections of CSD 0002:

1. R-MeX shall be used to:
 - a) provide Retailers with an opportunity to give qualitative feedback on the performance of Wholesalers;
 - b) provide Wholesalers with qualitative feedback on how to improve the services delivered to Retailers; and
 - c) enable the Market Operator to compare and report upon the qualitative as well as quantitative performance of Wholesalers.
2. Introduces design principles, under which R-MeX:
 - a) Encourages companies to improve customer experience and innovate;
 - b) Is simple and meaningful;
 - c) Is proportionate;
 - d) Is practical to implement; and
 - e) Measures performance consistently, reliably and fairly.
3. Introduces parameters for the design of R-MeX:
 - a) The R-MeX shall take the form of a survey completed by Retailers;
 - b) The survey should cover key areas of service to Retailers, and should not duplicate OPS and MPS;
 - c) The R-MeX shall not result in the application of any performance standard charges;

¹ The proposal and accompanying documentation is available on the MOSL website at <https://www.mosl.co.uk/market-codes/change#scroll-track-a-change>

- d) The R-MeX survey shall be the same for all participants to allow comparison and ease of use;
 - e) The R-MeX responses from each Retailer shall have equal weighting and shall not take account of the number of supply points in any Wholesaler area;
 - f) The R-MeX should allow each Retailer to provide feedback on each Wholesaler with which it has active SPIDs;
 - g) The timetable for R-MeX surveys to be conducted should be transparent to allow Retailer preparation and surveys should be carried out twice annually and, where possible to do so, in April and October of each year; and
 - h) The survey should be kept short (around 10 questions) with a simple quantitative rating scale (0-10) and qualitative free text comment field for each question.
4. Includes an obligation on Contract Managers for each Retailer to receive an R-MeX survey for each Wholesaler for which they have both a signed Wholesale Contract and have active SPIDs at the time that the survey is issued. Retailers may, but are not obligated to, complete an R-MeX survey for each Wholesaler.
 5. Places an obligation on the Market Performance Committee (MPC) to agree the format and questions included in the R-MeX survey.
 6. Places obligations on the Market Operator (MOSL) to:
 - a) Administer the R-MeX survey;
 - b) Publish R-MeX survey document, detailing the agreed format and questions on its website and update this as and when the MPC updates the document;
 - c) Report to each Wholesaler on its specific results, including all free text comments. Specific free text comments, shall remain confidential to each individual Wholesaler to which the survey relates and shall not be shared more widely;
 - d) Compile a table of results that will allow comparison of wholesaler performance over time, through calculating mean average scores for each Wholesaler;
 - e) Report the table of results to all Trading Parties; and
 - f) Make publicly available the table of results including through its website, following each survey.

Industry consultation and assessment

Through the work of the RWG working group, a Request for Information (RFI) on how to run a pilot survey was held in spring 2019. The RFI received 18 responses, including 12 from Wholesalers, five from Retailers and CCWater. The pilot survey was run over July and August 2019 as a proof of concept and to seek views on how to improve the respondents' experience.

Views on the design parameters of R-MeX

The majority of respondents agreed (nine Wholesalers and two Retailers) with the suggested design parameters. The respondents that agreed stated that the design parameters were simple and would highlight areas of improvement to Wholesalers and contained the key considerations for a successful service-orientated feedback mechanism.

Six respondents (two Wholesalers, three Retailers and CCWater) did not indicate whether they agreed or not with the design parameters. These respondents cited that further clarity may be required on the purpose of the survey and made a number of comments on practical elements of the survey, such as the length of the survey and specifying which party will carry out the survey. A Retailer stated that they were confused about the survey objectives and what it was trying to achieve. They further stated that part of the confusion was due to the mix of short quantitative questions with a large number of open ended qualitative questions. A Wholesaler questioned whether it was too soon to conduct a survey as switching levels remain fairly static. They further stated that they believed that there should not be any financial incentives at this time and a simple questionnaire was best.

One Wholesaler that did not agree with the design parameters stated that a different and more suitable approach could be achieved on an individual company basis.

Views on the proposed questions

The majority of respondents agreed (eight Wholesalers and three Retailers) with the proposed questions. Respondents indicated that the proposed questions covered the key requirements of a Wholesaler's offering to Retailers, covered a good range of topics, helped identify areas of improvement and could be responded to quickly.

Five respondents (two Wholesalers, two Retailers and CCWater) did not specify whether that agreed with the proposed questions and cited the following reasons that would require further consideration:

- The questions seem to be measuring more than one topic yet only a single score is available for respondents of the survey;
- The questions should be designed so that they closely resemble D-MeX and C-MeX questions where reasonably practical;
- A suggestion for an additional question on disputes or general issues resolution; and
- The survey included too many questions.

Two respondents (a Wholesaler and a Retailer) disagreed with the proposed questions. It was suggested that the questions were leading, too general and contain unsuitable prompts.

Views on the proposed scoring system

The majority of respondents (nine Wholesalers and three Retailers) agreed with the proposed scoring system. Respondents expressed the view that the scoring system suggested was logical and should be familiar to parties completing the survey.

Of the respondents that did not specify whether they agreed with the proposed scoring system (two Wholesalers, two Retailers and CCWater) a number of potential improvements were suggested. These included a requirement for Retailers to justify low scores given in the survey and ensuring controls are in place to ensure appropriate scoring by all sizes and types of Retailer. One respondent asked for clarifications on how questions that are not relevant to individual Retailers should be considered.

The Wholesaler who did not agree with the proposed scoring system believed another scoring mechanism would be more appropriate.

RWG working group response

As set out in section 2.4 of the Panel's Final Report, the outcomes of the RFI and survey confirmed overall Trading Party agreement with the design parameters. In addition to the specific quantified questions asked in the RFI, the R-MeX working group considered the detailed comments prior to carrying out the pilot survey and also in reviewing feedback from the pilot survey. Following this process, the working group agreed that the R-MeX survey shall:

- Take the form of a survey completed by Retailers;
- Cover key areas of service to Retailers, and should not duplicate OPS and MPS;
- Not result in the application of any performance standard charges;
- Be the same for all participants to allow comparison and ease of use;
- Have results weighted evenly to maintain a level playing field;
- Allow each Retailer to provide feedback on each Wholesaler with which it has active SPIDs;
- Have a timetable for surveys to be conducted, which should be transparent to allow Retailer preparation and the survey should initially be carried out twice annually, and where possible to do so, in April and October each year; and
- Be kept short (around 10 questions) with a simple quantitative rating scale (0-10) and qualitative free text comment field on each question.

The working group also agreed that the most practical way to ensure a common approach was to codify the main elements of the R-MeX to ensure simplicity is kept when distributing the R-MeX to Retailers, and to get MOSL and the MPC to lead the survey.

Views from the Institute of Customer Services

RWG working group members liaised with the Institute of Customer Services to sense-test and improve the survey questions. This engagement concluded that there were no fundamental problems with the design of the survey and little improvement could be made without asking significantly more questions. The working group felt that a longer survey will be overly burdensome on Retailers.

Specific improvements included an additional question focused on the top three priorities and that the overall satisfaction question could align better with the similar question asked in wider Institute of Customer Services surveys, which may enable future benchmarking.

Panel recommendation

The Panel considered this Change Proposal at its meeting on 10 December 2019. It recommended, by unanimous decision, that the Authority approve this proposal. This recommendation has been made on the basis of improving the principles of efficiency, proportionality and transparency. The recommended date of implementation is 1 April 2020.

The Panel challenged the Proposer on the reasoning for why performance standard charges would be excluded from the R-MeX results. The Proposer explained that as part of the RFI it was made explicit that no performance standard charges would be included in the Change Proposal. Following advice from MOSL, the Panel noted that CSD 0002 could be amended in the future if R-MeX evolved to the point where it felt that it should attract performance charges.

It was also highlighted that the Proposer had taken CPW084 to the MPC to discuss the change ahead of the Panel meeting. The MPC had challenged the legal text in terms of making it clear that the survey would be conducted twice a year without mentioning specific months. This was noted by the Panel and was not challenged further.

A Panel Member raised a concern that CPW084 may affect the reputation of poor performing Wholesalers. The Panel noted this, but no further action was taken.

Our decision

We have considered the issues raised by the Change Proposal and the supporting documentation provided in the Panel's Final Recommendation Report and have decided to approve CPW084. We have concluded that the implementation of CPW084 will better facilitate the principles and objectives of the Wholesale Retail Code detailed in Schedule 1 Part 1 Objectives, Principles and Definitions, and is consistent with our statutory duties.

Reasons for our decision

Having reviewed the evidence provided by the Panel in its Final Recommendation Report we understand the rationale for recommending this Change Proposal. We are therefore, approving the Change Proposal with the expectation that MOSL and the MPC keep R-MeX under review.

We welcome the collaborative work that has been done by the RWG working group to develop R-MeX. We are also encouraged to see the RWG working with MOSL and the Panel to codify some of industry's important work. We consider that the implementation of R-MeX could bring significant benefits to the business retail market in terms of reputational incentives, with Wholesaler performance being one of the three principle market frictions. Specifically, customers should benefit as the results of the R-Mex surveys will help to identify and drive service improvements across Wholesalers, and poor performing Wholesalers should also be incentivised to improve their performance through the publication of league tables.

We acknowledge that more work is needed to finalise the questions of the R-MeX survey and embed the process. For example, we encourage the standardisation of the grading for all questions, as it will improve the underlying data on which Wholesaler performance comparisons are made. The MPC also has an important role to play in evolving R-MeX overtime, including by making appropriate improvements to survey questions and format as R-MeX is embedded and the market matures. We suggest MOSL and the MPC regularly monitors and evaluates the impact R-MeX has on Wholesaler performance.

We believe that R-MeX could be strengthened into a financial incentive over time and suggest this is something that MOSL considers as it reforms the market performance framework. Furthermore, we think it would be beneficial for MOSL and the MPC to keep under review the non-mandatory obligation for Retailers to complete R-MeX surveys. Specifically, we note potential issues with not all Retailers completing the surveys for all Wholesalers (where applicable), and/or returning surveys each period. This could lead to gaps in the data being collected and challenges in making year on year comparisons. In the meantime, we encourage all

Retailers to actively participate in the R-MeX surveys to ensure their views are captured – this should lead to improvements in wholesaler service, which will benefit the operation of the market and customers.

Finally, we suggest that MOSL endeavours to publish the results of the first survey (including overall company scores as well as composite company scores) as soon as possible. In the absence of any financial incentive being applied, it is important the reputational incentive of making the results public and transparent is achieved as soon as possible. We would also encourage wholesalers to be transparent about the improvements they are making in response to feedback received from retailers so others can learn from best practice.

We have set out below our views on which of the code principles are better facilitated by the Change Proposal.

Efficiency

We agree with the rationale provided by the Panel and Proposer that this Change Proposal should drive improvements to Wholesaler services offered to Retailers, reduce market frictions and also improve the efficiency of retailers completing consistent surveys.

Proportionality

We consider this Change Proposal to be proportionate as it provides a simple and efficient means of measuring Retailer satisfaction with Wholesaler services in the business retail market.

Transparency

We believe this Change Proposal ensures transparency due to the requirement to publish R-MeX results giving more transparency of Retailer views on Wholesaler performance.

Decision notice

In accordance with paragraph 6.3.7 of the WRC, Ofwat approves this Change Proposal.

Georgina Mills
Director, Business Retail Market