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## Reporting guidelines for SIM proxy and C-MeX and D-MeX in 2019-20

This document accompanies [IN 20/03: Expectations for monopoly company annual performance reporting 2019-20](#).

### SIM proxy

While financial incentives for the service incentive mechanism (SIM) for residential customers do not apply in 2019-20, some companies have bespoke performance commitments from the 2014 price review (PR14) relating to SIM score or ranking.

For this reason, as set out in the [PR19 methodology](#), we require all companies to estimate a proxy for their SIM score in 2019-20. In the [shadow year guidance for the customer measure of experience \(C-MeX\)](#) we set out a methodology for companies to calculate their SIM proxy score. This methodology included a qualitative component and a quantitative component.

For the 2019-20 annual performance reports, companies should follow this calculation methodology. As stated in the shadow year guidance for C-MeX, Ofwat's survey agent will provide companies with a score for the qualitative component. A revised approach is required for the quantitative component and this is set out below.

### Revised calculation for the quantitative component

In September 2019, we told companies that we were considering an alternative approach for telephone complaints within the quantitative component of the SIM proxy calculation. This was due to the change in the definition of telephone complaints and the delay in the application of the new definition in 2019-20.

We have decided to not use telephone complaints in the calculation of the SIM proxy score. This is because there is sufficiently consistent data under the new definition of telephone complaints available. As a result, companies should not include telephone complaints in the calculation of the SIM proxy score and instead use a revised calculation of the quantitative component. We have amended the approach to calculating the SIM proxy score to reflect the exclusion of telephone complaints and to enable comparability with previous years of SIM.

Given the high proportion of telephone complaints to other types of complaints, the exclusion of telephone complaints from the quantitative component calculation requires changes to the 'contact score maximum' to reduce it from 500 to 75 (i.e. 15% of 500). This reflects the quantity of written complaints expected based on the relative numbers of written complaints and unwanted contacts received by companies since 2014-15. This is estimated to be around 15% at an industry level after weightings have been applied to each type of complaint (e.g. x5 to written complaints). Revising the calculation in this way ensures companies do not receive disproportionately high quantitative scores which would substantially limit comparability with SIM scores from previous years.

This changes the calculation as follows (from the version on page 24 of the C-MeX shadow year guidance):

**SIM proxy calculation – revised quantitative component**

$$[ 1 - [(C - CL) / (CH - CL)] ] \times WC$$

where:

C = total contact score (see below).

CL = contact score minimum (set at 0).

CH = contact score maximum (set at 75).

WC = contact score weighting (set at 25).

Total contact score:

$$[ (\text{total post} + \text{email} + \text{webform complaints}) \times 5 + (\text{total stage 2 post} + \text{email} + \text{webform written complaints}) \times 100 + (\text{CCWater investigated complaints}) \times 1000 ] / (\text{connected household properties} / 1000)$$

As before, companies should report this information in table 3D of their annual performance reports, which we have amended for 2019-20 to reflect this change.

**Performance commitment targets**

In the C-MeX shadow year guidance we recognised some companies may need to adjust the absolute targets in their PR14 performance commitments to remain

relevant in 2019-20 under the proxy calculation. Where this is the case, companies should submit an evidenced explanation of their adjusted 2019-20 target.

## Shadow year reporting for C-MeX and D-MeX

The new customer measure of experience (C-MeX) and developer services measure of experience (D-MeX) mechanisms introduced as part of PR19 have been running in shadow form since 1 May 2019 and until 31 March 2020. No financial incentives apply during the shadow year.

Companies should report their annual C-MeX and D-MeX scores from the shadow year in their 2019-20 annual performance reports. This guidance applies to the shadow year only. The calculation methodology for C-MeX and D-MeX scores as set out in the PR19 final determinations will apply to the 2020-25 period.

While we have not created new annual performance report tables for this information, we expect companies to ensure these scores are reported in a clear and accessible manner within their annual reporting.

### C-MeX

For C-MeX, our survey agent for the shadow year will provide final scores to companies by June 2020 which are to be included in each company's annual performance report. Annual shadow year C-MeX scores will be an average of four quarterly scores during the shadow year. Each quarter's shadow year C-MeX score will be based on 40% customer satisfaction scores from the customer service survey, 40% customer satisfaction scores from the customer experience survey and 20% net promoter scores from both surveys.

The communication channels adjustment as set out in the PR19 final determinations does not apply to shadow year C-MeX scores. For the 2020-25 period, if relevant, companies will apply the communication channels adjustment to the C-MeX scores they report in their annual performance reports.

### D-MeX

For the **qualitative component** of D-MeX, our survey agent for the shadow year will provide scores for the qualitative component to companies by June 2020. Each company's annual qualitative score will be an average of the quarterly scores that are available from the shadow year.

For the **quantitative component**, companies should follow the calculation methodology set out in the [shadow year guidance for D-MeX](#) (on page 7). This means calculating a simple average of the score for each relevant Water UK metric (only including those metrics where the number of transactions is greater than zero).

The relevant Water UK metrics for the 2019-20 shadow year are as follows:

<b>Relevant Water UK metrics for the D-MeX shadow year</b>		
W1.1	W18.1	W29.1
W2.1	W19.1	W30.1
W3.1	W20.1	S1.1
W4.1	W21.1	S2.1
W5.1	W22.1	S3.1
W6.1	W23.1	S4.1
W7.1	W24.1	S5.1
W8.1	W25.1	S6.1
W16.1	W26.1	S7.1
W17.1	W27.1	S8.1
W17.2	W28.1	S9.1

On the same basis as the qualitative component, companies should calculate separate quarterly scores using quantitative data from each quarter. As a result, each company's annual quantitative score will be an average of all quarterly scores from the shadow year.

The **overall annual D-MeX score** will therefore be calculated using the above approaches for the qualitative component and the quantitative component, with both components weighted equally (i.e. 50%). This is to be included in each company's annual performance report.