

February 2021

Consultation on changing the self-lay water metrics in D-MeX

About this document

We introduced the developer services measure of experience (D-MeX) as part of the 2019 price review (PR19). D-MeX is a common performance commitment which applies to the 17 largest water companies in England and Wales. It is designed to incentivise companies to improve the service provided to developer services customers, including property developers, self-lay providers and new appointees (NAVs).

In the PR19 final determinations, we selected a number of Water UK metrics to be included in D-MeX to measure the service provided by water companies to their developer services customers. At that time we said we may incorporate revised or new metrics that are developed by Water UK during the 2020–25 period and noted this may include proposed metrics relating to changes arising from the Code for Adoption Agreements.

This document is a consultation on changing D-MeX to reflect new metrics relating to the services provided by water companies to self-lay providers (SLPs) and the adoption of water assets.

Responding to this consultation

We welcome your views on the questions in our consultation that we have set out below by 5 March 2021. We will then consider the responses to our consultation and intend to publish our decision in advance of 1 April 2021, when we expect the revised metrics to take effect.

When responding, please identify which question number(s) your comments are in response to. Please email your response to OfwatPandO@ofwat.gov.uk, with the subject 'Response to D-MeX consultation'. Due to the Covid-19 pandemic, we are currently unable to accept responses by post.

Q1: Do you agree with the self-lay water metrics that we propose to include in the quantitative component of D-MeX?

Q2: Do you agree with the self-lay water metrics that we propose to include in the qualitative component of D-MeX?

Q3: Do you have any comments on our proposed implementation date of 1 April 2021?

Q4 Do you have any comments on our proposed approach to reporting?

We intend to publish responses to this consultation on our website at www.ofwat.gov.uk, unless you indicate that you would like your response to remain unpublished. Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with access to information legislation – primarily the General Data Protection Regulations, Data Protection Act 2018, Freedom of Information Act 2000 (FoIA), and Environmental Information Regulations 2004.

If you would like the information you have provided to be treated as confidential, please be aware that, under the FoIA, there is a statutory ‘Code of Practice’ with which public authorities must comply and which deals, among other things, with obligations of confidence. In view of this, it would be helpful if you could explain to us why you regard the information you have provided to be confidential. If we receive a request for disclosure of that information we will take full account of your explanation, but we cannot give an assurance that we can maintain confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system or a blanket request for confidentiality will not, in itself, be regarded as binding on Ofwat.

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1. Introduction

1.1 Background

We introduced the developer services measure of experience (D-MeX) as part of the 2019 price review (PR19). D-MeX is a common performance commitment which applies to the 17 largest water companies in England and Wales. It is designed to incentivise companies to improve the service provided to developer services customers, including property developers, self-lay providers and new appointees (NAVs).

As set out in the [PR19 final determinations](#), D-MeX has two components:

- a **qualitative component** – which includes a satisfaction survey of the company's developer services customers; and
- a **quantitative component** – which measures the performance of the company across selected Water UK performance metrics.

We directly use a selection of Water UK metrics in the quantitative component, and indirectly use them in the qualitative component, as the data source for the surveys of developer services customers, carried out by a survey agent on our behalf.

For the quantitative component, to inform the PR19 final determinations we appointed Jacobs to recommend which Water UK metrics should be included in the quantitative component of D-MeX. We accepted [its recommendation](#) to include 20 metrics. For the qualitative component, we included all performance-based metrics except for acknowledgements. We set out which metrics apply for the quantitative and qualitative components in the [performance commitment appendices](#) for each company.

In the final determinations, we said we may incorporate revised or new metrics that are developed by Water UK during the 2020-25 period. We noted that this may include proposed new metrics relating to the services provided to NAVs and changes arising from the Code for Adoption Agreements.

Following the introduction of 13 new NAV metrics and 10 new sewerage adoption metrics by Water UK, in July 2020 we consulted on changing the metrics in D-MeX. We published [our decisions](#) in September 2020.

1.2 Overview of recent changes to the Water UK metrics

We have been working with companies and other stakeholders to finalise revised metrics relating to the adoption of self-laid water assets under the Code for Adoption

Agreements for English companies (which we refer to in this document as ‘self-lay water metrics’). We approved the water adoption code on 3 September 2020, and it went live on 1 January 2021. Under the code, the Water UK metrics relating to self-lay providers have been revised and some will no longer apply.¹

Changes to Water UK metrics arising from the Code for Adoption Agreements for English companies do not apply to companies wholly or mainly in Wales (‘Welsh companies’). To account for this, in the final determinations we said Welsh companies should instead report against the equivalent metrics that existed prior to the changes being made. We also said that, should new metrics be developed as a result of the introduction of a Code for Adoption Agreements for Welsh companies, we expect to include them in D-MeX.

1.3 Incorporating changes to the Water UK metrics in D-MeX

In the final determinations, we acknowledged that revised or new metrics may be developed by Water UK during the 2020–25 period and that, subject to certain considerations and stakeholder consultation, we may incorporate such changes to the Water UK metrics which form the basis of the quantitative and qualitative components of D-MeX.

We said that, in determining whether to make changes to D-MeX in light of these changes, our decision would be based on the principles that revisions are in customers’ interests, support consistent and fair comparisons between companies and align with our wider duties.

As with all changes to performance commitments in the 2020–25 period, we said we would consult proportionately with stakeholders in line with annex 2 of the [‘Outcomes performance commitment appendix’ for each company](#). It states that additional or different procedures for particular performance commitments may be specified in the relevant performance commitment template, which is the case for D-MeX as set out in each company’s performance commitment appendix.

Following the introduction of 13 new NAV metrics and 10 new sewerage adoption metrics by Water UK, in July 2020 we consulted on changing the metrics in D-MeX. After considering the consultation responses we made the decision to include a

¹ [Water Sector Guidance – approved documents | Water UK](#)

selection of seven quantitative and nine qualitative NAV metrics, and two quantitative and eight qualitative sewerage adoption metrics in D-MeX, effective 1st October 2020.

We are now following the same procedure to incorporate new metrics for the self-lay water metrics and have detailed the proposal in section 2.

2. Review of self-lay water metrics

In this section we set out our proposal for the self-lay water metrics which we consider should be included in the quantitative and qualitative components of D-MeX.

There are currently seven Water UK self-lay water metrics in the quantitative component of D-MeX, and ten in the qualitative component.

The updated self-lay water metrics have been finalised, and we now need to make sure they are appropriately reflected in the quantitative and qualitative components of D-MeX, to ensure D-MeX can continue to effectively incentivise water companies to provide an excellent service to their developer services customers.

We asked a preliminary question about draft self-lay water metrics in our July 2020 [consultation on changing the Water UK metrics in D-MeX](#), and we have used the responses we received to inform our proposals.

Our approach to proposing metrics to include in D-MeX has been to map the existing metrics to their closest equivalents in the new set of metrics. We have done this to maintain the principles by which they were selected in the PR19 final determinations, which were that they:

- are in customer interests;
- support consistent and fair comparisons between companies; and
- align with our wider duties.

Our proposed self-lay water metrics are listed in appendix 1 (quantitative) and appendix 2 (qualitative) of this document.

2.1 Quantitative component

We have undertaken a mapping exercise between the current D-MeX metrics and the updated self-lay water metrics. In addition to those exclusions, where the measure does not represent stretching service delivery, we have also excluded self-lay provider facing metrics on the grounds that they do not directly measure water company activities and are not consistent with the objectives of D-MeX.

We are minded to include seven metrics in the quantitative component. We consider the metrics we are proposing are in line with the principles set out in the final determinations as follows:

- **Revisions in customers' interests:** including the self-lay water metrics in D-MeX provides an additional incentive on companies to provide improved levels of service to SLPs. We are confident that the revised measures will account for rising customer expectations and service levels. We consider the proposed metrics strike the right balance between different types of developer services customer, ensuring they are appropriately represented in D-MeX.
- **Consistent and fair comparisons between companies:** all English water companies have been reporting against these metrics since January 2021, and we consider that including these self-lay water metrics maintains consistent and fair comparisons between companies. While it could be argued those companies with an over or underrepresentation of self-lay provider activity in their area could be disadvantaged, we consider that, as with the existing metrics, this potential issue is sufficiently mitigated by the quantity of self-lay water metrics we propose to include relative to other metrics. Our approach will continue to focus on driving customer service improvements across all customer and work types, regardless of associated work volumes. Welsh companies will be assessed against the existing metrics that apply to them, until a relevant code is developed in line with legislation and the strategic priorities and objectives of the Welsh Government.
- **Alignment with our wider duties:** including the proposed self-lay water metrics will incentivise companies to properly carry out their functions and should facilitate more effective competition in the new connections market. Successful adoption of water assets depends on companies providing non-contestable services to developers or their agents. We also consider this is consistent with the strategic policy statements of the UK and Welsh Governments, which we must act in accordance with, in terms of incentivising companies to provide excellent service to customers, promoting housing growth and regulating in a way that supports sustainable development.

We set out the self-lay water metrics we propose to include in the quantitative component of D-MeX in appendix 1 of this document.

Q1: Do you agree with the self-lay water metrics that we propose to include in the quantitative component of D-MeX?

2.2 Qualitative component

For the qualitative component, in the final determinations we decided to include all performance-based metrics excluding acknowledgments, which we considered did not represent sufficiently stretching service delivery to customers.

Because the survey focuses on the quality of customer service provided to developer customers rather than just the physical service delivery, we considered it appropriate that it relates to a broader set of metrics than the quantitative component. We also noted that including this range of metrics helps to ensure a sufficient sample is provided for all customer types, supporting robust survey sample sizes.

We have undertaken a mapping exercise between the current D-MeX qualitative metrics and the updated self-lay water metrics. In addition to those exclusions where the measure does not represent stretching service delivery, we have also excluded self-lay provider facing metrics on the grounds that they do not directly measure water company activities, and are not consistent with the objectives of D-MeX.

We consider these metrics are in line with the principles set out in the final determinations, with the same reasoning as applied to the quantitative component.

We set out the self-lay water metrics we propose to include in the qualitative component of D-MeX in appendix 2 of this document.

Q2: Do you agree with the self-lay water metrics that we propose to include in the qualitative component of D-MeX?

3. Implementation and reporting

3.1 Implementation dates

In the final determinations, we said changes to performance commitments should as a default apply from the beginning of the next reporting year (so for changes made during 2020-21, from 1 April 2021) but recognised there may be circumstances where they could apply earlier; for instance changes to D-MeX to include the NAV metrics came into effect on 1 October 2020.

While the PR19 final determinations say that we expect changes to performance commitments to apply from the beginning of the next reporting year “as a default” we recognised there may be reasons to not do this, including alignment with other reporting arrangements. As companies have been reporting on metrics since January 2021 and the risk to customers from poor levels of service we consider these to be sufficient grounds for implementation of changes to this performance commitment. In this case, we expect to apply the revised self-lay water metrics from 1 April 2021.

We do not consider this will excessively increase administrative burdens on companies given they have or will report against these metrics to Water UK.

Q3: Do you have any comments on our proposed implementation date of 1 April 2021?

3.2 Reporting

Quantitative component

As with all performance commitments, companies will report their performance for the quantitative component of D-MeX in their annual performance reports following the calculation methodology set out in the [PR19 final determinations](#).

Qualitative component

As set out in the [D-MeX guidance for the 2020-25 period](#), companies should provide our survey agent with a list of relevant transactions completed in the relevant month by the 10th of the following month and they should ensure that it includes all metrics that apply from 1 April 2021.

Impact on Welsh companies

As set out in section 1.2, the new water adoption metrics do not apply to Welsh companies. As a result, based on the proposals in this consultation, we expect Welsh companies to continue to report against the existing water metrics in D-MeX.

Annual reporting

In our September decision document for the NAV and sewerage adoption metrics in D-MeX, we said that, for the 2020-21 reporting year, companies were to separately calculate their performance against the metrics that apply in each half-year period, and calculate an annual score from an average of these two half-year scores.

For the avoidance of doubt, we are not proposing a similar split-year approach for the reporting of the self-lay water metrics. All self-lay water metrics should be reported as a single annual score in the 2021-22 reporting year.

Q4: Do you have any comments on our proposed approach to reporting?

3.3 Approach for existing metrics

We propose to apply an approach to existing metrics that are affected that is consistent with our decisions in September 2020 on the new sewerage adoption metrics. This is as follows.

Under transitional arrangements established by Water UK, some existing metrics will continue to be reported against in future, for example where customers received a quote under the previous levels of service. Because we do not want these customers to be disadvantaged, we are not proposing to remove existing metrics from D-MeX. Instead we will allow these metrics to remain until no transactions relate to them.

Under the calculation approach for the quantitative component of D-MeX, metrics that have zero activities reported against them do not affect the D-MeX score.

For the qualitative component, we consider customers should continue to have a chance of being selected for interview each month if they complete a relevant transaction with a water company. In the long term, this may lead to a number of outdated metrics in D-MeX being listed with zero activities against them. While we do not consider this to be a material issue as these metrics will not affect D-MeX scores, we may consider to formally remove them at a future date if there is a sufficiently low risk to customers from doing so.

To support fair and consistent comparisons, companies are to continue to ensure that individual transactions are not reported against multiple metrics. This approach will apply to all existing metrics that may be superseded or replaced by new metrics

4. Next steps

We welcome your views on the questions set out in this consultation by 5 March 2021. We will then consider the responses, and intend to publish our decision in advance of 1 April 2021.

Our proposal is for these changes to D-MeX to be effective from 1 April 2021 and to replace the Water UK metrics that were set out in each company's PR19 performance commitment appendices.

For each relevant company, we will publish a notice setting out the changes that apply to that company's PR19 Outcomes performance commitment appendix as a result of our decisions. We will include these notices on [our website](#) that summarises all changes and corrections made to companies' PR19 performance commitments during the 2020-25 period.

We will reflect the outcomes of our decision in the Regulatory Accounting Guidelines for 2021-22 which we are due to consult on in spring 2021.

Appendix 1: Proposed self-lay water metrics (quantitative component)

Proposed to include from 1 April 2021:

Metric	Description	Proposed to include?
SLPM – S1/1	Initial Application review	No
SLPM – S1/2	Review PoC proposal	Yes
SLPM – S2/1a	Review Design Application	No
SLPM – S2/1b	Water Company to Review SLP design application	No
SLPM – S2/2a	Provide design	Yes
SLPM – S2/2b	Water Company to Provide design acceptance	Yes
SLPM – S3	Review / revise Water Adoption Agreement	Yes
SLPM – S4/1	Source of Water Delivery Date	Yes
SLPM – S4/2	Provide sample results and submit construction records	No
SLPM – S5/1a	Review request and carry out Final Connection	Yes
SLPM – S5/1b	Review application and agree date of Final Connection	No
SLPM – S5/2	Complete connection and provide information to the Water Company	No
SLPM – S6	Issue vesting certificate	No
SLPM – S7/1	Validate notification and provide consent to progress with connection	Yes
SLPM – S7/2	SLP to notify Water Company that the connection is made	No
SLPM – S7/3	Install 'screw in' meter and record details	No

Appendix 2: Proposed self-lay water metrics (qualitative component)

Proposed to include from 1 April 2021:

Metric	Description	Proposed to include?
SLPM – S1/1	Initial Application review	No
SLPM – S1/2	Review PoC proposal	Yes
SLPM – S2/1a	Review Design Application	No
SLPM – S2/1b	Water Company to Review SLP design application	Yes
SLPM – S2/2a	Provide design	Yes
SLPM – S2/2b	Water Company to Provide design acceptance	Yes
SLPM – S3	Review / revise Water Adoption Agreement	Yes
SLPM – S4/1	Source of Water Delivery Date	Yes
SLPM – S4/2	Provide sample results and submit construction records	No
SLPM – S5/1a	Review request and carry out Final Connection	Yes
SLPM – S5/1b	Review application and agree date of Final Connection	Yes
SLPM – S5/2	Complete connection and provide information to the Water Company	No
SLPM – S6	Issue vesting certificate	Yes
SLPM – S7/1	Validate notification and provide consent to progress with connection	Yes
SLPM – S7/2	SLP to notify Water Company that the connection is made	No
SLPM – S7/3	Install 'screw in' meter and record details	No

**Ofwat (The Water Services Regulation Authority)
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We regulate the water sector in England and Wales.**

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