

Reviewing D-MeX (the developer services measure of experience) for PR24

February 2023



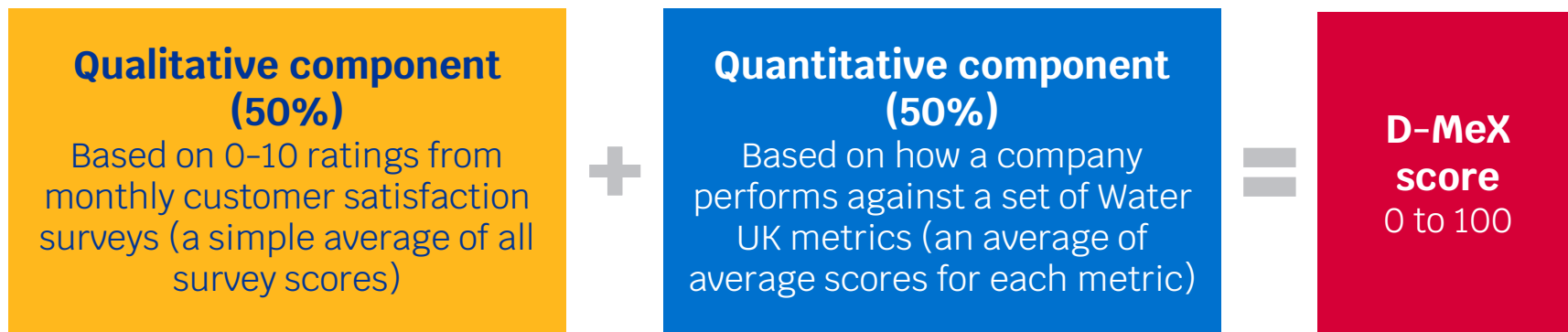


What is D-MeX? – the design

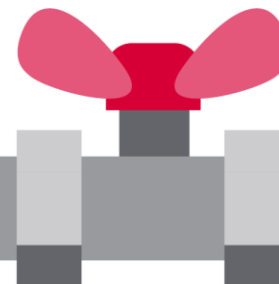
D-MeX is the **developer services measure of experience**. It was first introduced at the 2019 price review (PR19), and came into effect in April 2020.

Currently, it applies to the largest water companies in England and Wales and is designed to incentivise them to improve the service they provide to customers of developer services – this includes property developers, self-lay providers and new appointees.

Each company gets an annual score based on two components:



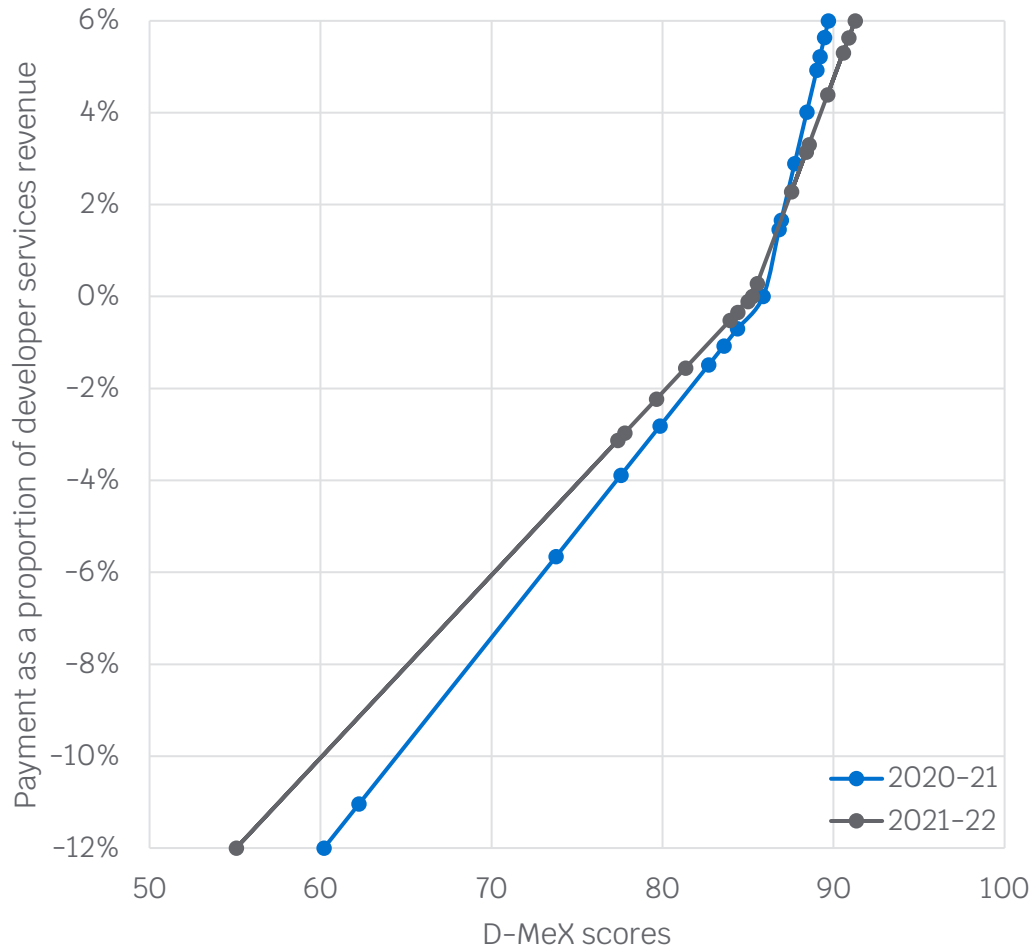
We are reviewing its design and incentives for the 2024 price review (PR24), which will apply from April 2025 to March 2030.





What is D-MeX? – the financial incentives

D-MeX is currently a relative incentive. This means that the size of a company's incentive payments depends on its D-MeX score relative to those of other companies.



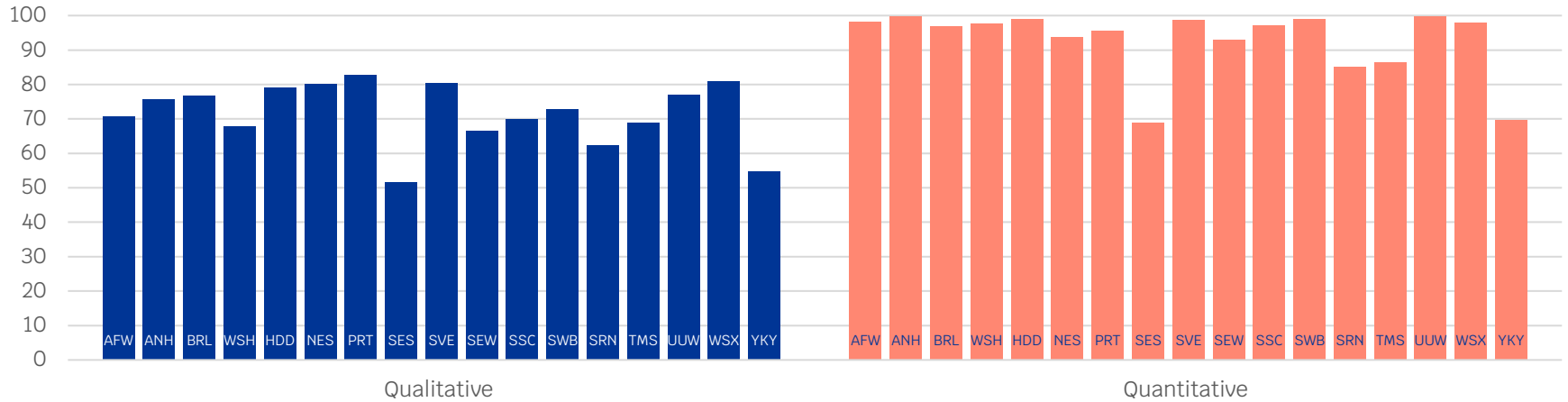
Currently, a company's D-MeX payments are calculated by **multiplying its incentive rate by its annual developer services revenue.**

Each year, companies above the median score can earn payments up to +6% of developer services revenue while companies below the median score can lose up to -12%.

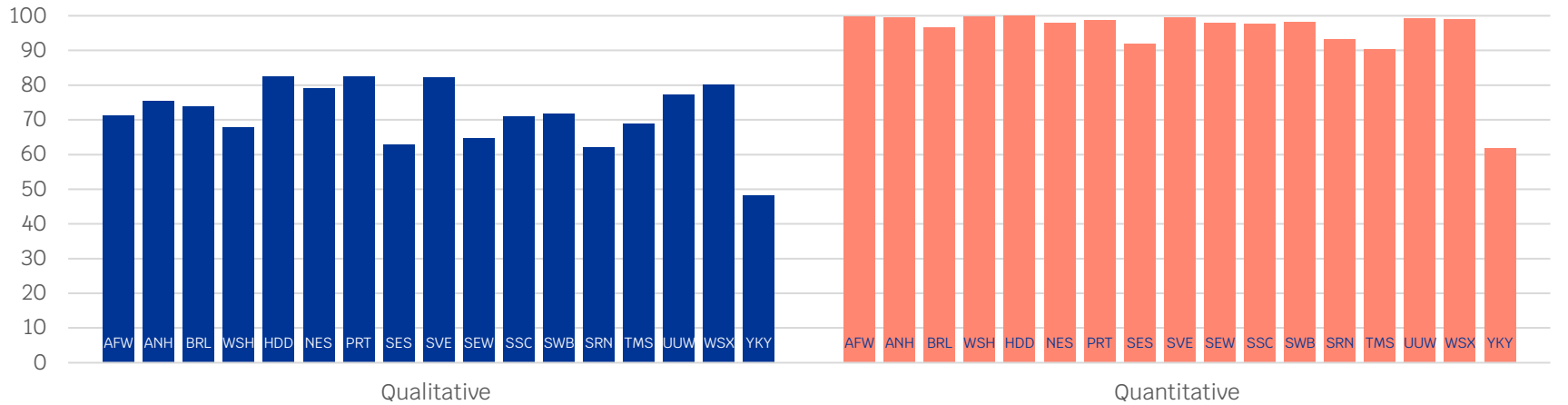
We **apply D-MeX payments every year** through adjustments to each company's allowed revenues, which limit how much companies can charge their customers.

Performance for the qualitative and quantitative components

2020-21



2021-22



Our approach to policy development

Strong and effective incentives



Robust comparisons and measures



Practical and proportionate



Focus on the long term

Deliver greater environmental and social value

“



Reflect a clearer understanding of customers and communities

Drive improvements through efficiency and innovation



Initial focus of our review – high-level issues

Coverage of customers

Currently, property developers, self-lay providers and new appointees that interact with a water company **are treated the same in the D-MeX survey**. Larger and more frequent customers have **higher representation in the quantitative metrics**.

Given changes to the developer services market, such as greater competition for contestable services in some regions, should this change?

Incentive design

Currently, D-MeX allocates payments between companies based on how they perform **relative to other companies**.

We could change D-MeX so that payments are instead based on **absolute targets for each company**, which could be the same.

We could also explore **separate approaches** for water and wastewater services, and for English and Welsh companies.

Quantitative metrics

Currently, the **quantitative metric includes a range of metrics** relating to activities provided by water companies to developers, self-lay providers and new entrants (see annex for details). We use an **average of average scores** for selected Water UK Level of Service metrics.

Do these metrics reflect the full scope of activities? Are they sufficiently stretching?



Timelines

February – May 2023

Summer 2023 – Spring 2024

Summer 2024

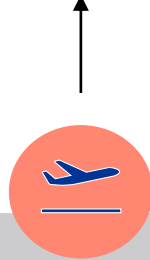
April 2025

Engage with stakeholders on high-level design issues

Potentially engage with stakeholders on detailed implementation issues

Publish companies' D-MeX performance for 2023-24

Changes to D-MeX take effect



December 2022

Summer 2023

May – June 2024

December 2024

Confirm we will retain and review D-MeX in the PR24 final methodology

Publish companies' D-MeX performance for 2022-23

Consult on proposals in the PR24 draft determinations

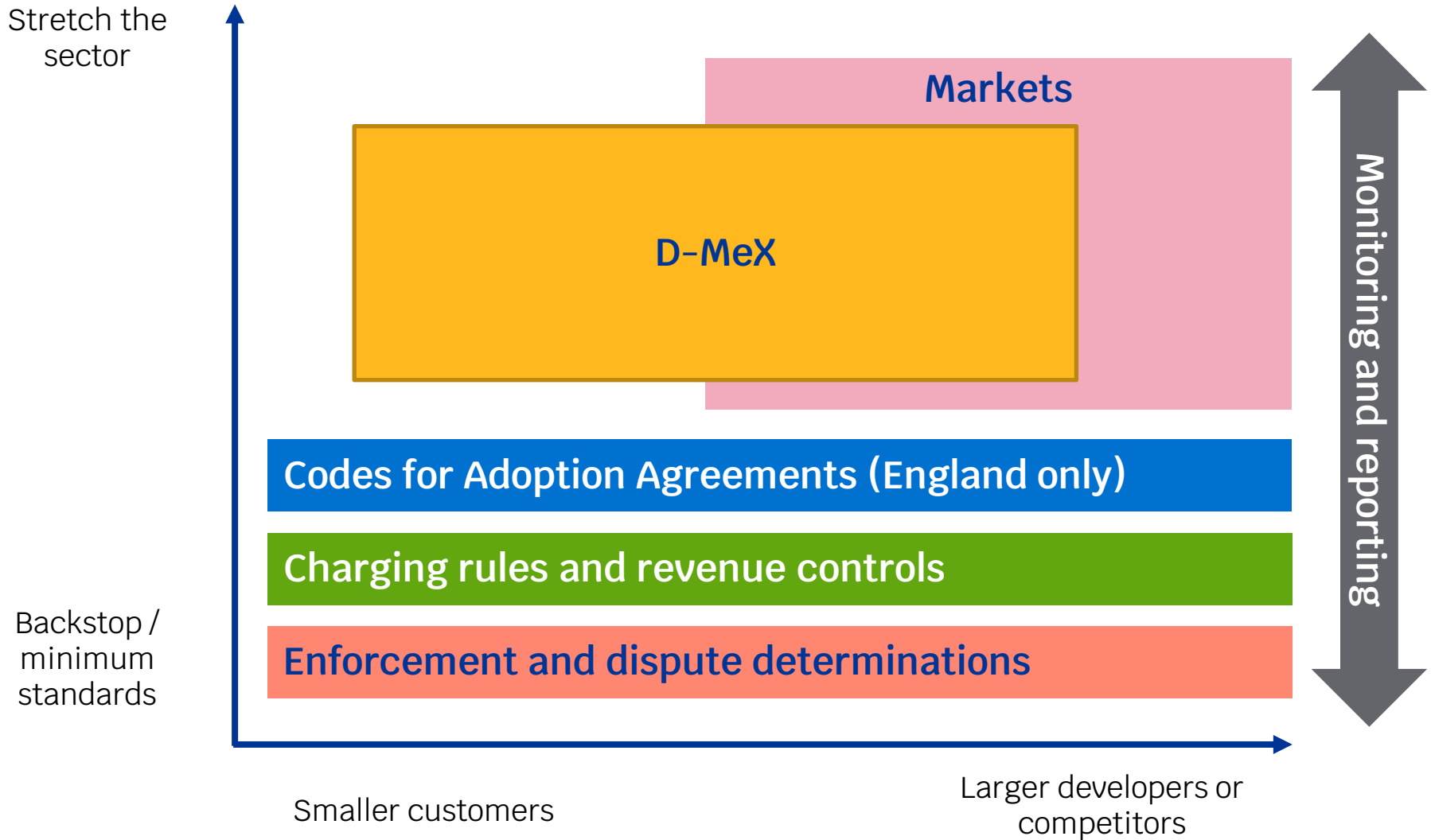
Publish decisions in the PR24 final determinations



The background features a large, solid blue shape on the left side, which is a quarter-circle or a similar curved form. To the right, there are several overlapping, semi-transparent light blue circles and shapes, creating a layered, abstract effect. The overall color palette is monochromatic, using various shades of blue.

Annex

D-MeX in the context of our regulatory tools



Quantitative metrics: detail

Currently, 50% of the overall D-MeX score is based on the performance of the water company across selected [Water UK metrics](#).

To calculate a company's quantitative component score for D-MeX, we take an average of the average score for each metric for that year. A company's score for the quantitative component is reported out of 100.

The set of metrics represents the main elements of service delivery for different types of developer services customer.

Services provided to	By English companies	By Welsh companies
Developers	15	13
Self-lay providers	7	7
New appointees	7	7

Reflecting their different contexts, water companies in England and Wales report against metrics that are relevant to them. For example, English companies report against self-lay metrics that relate to the Codes for Adoption Agreements in England.

Current list of quantitative metrics used in D-MeX

Developer metrics

- W1.1: Pre-development enquiry (reports issued within 21 days)
- W3.1: s45 quotations (within 28 days)
- W4.1 - s45 service pipe connections (within 21 days)
- W6.1: Mains design <500 plots (quotations within 28 days)
- W7.1: Mains design >500 plots (quotations within 42 days)
- W8.1: Mains construction (within 90 days)
- W17.1: Mains diversions (without constraints) (quotations within 42 days)
- W17.2: Mains diversions (with constraints) (quotations within agreed target)
- W18.1: Mains diversions - construction/commissioning (within 90 days or agreed target)
- S1.1: Pre-development enquiry (reports issued within 21 days)
- S3.1: Sewer requisition design (offers issued no later than date agreed)
- S4.1: Sewer requisition - constructed and commissioned (within 180 days or agreed extension)
- S7.1: Adoption legal agreement - draft agreements issued (within target 14 days)

Additional sewerage adoption metrics (English companies only)

- SAM 3/1: Update draft agreement (within 14 days)
- SAM 4/1: Inspections & construction period (within 14 days)

Self-lay provider metrics (English companies only)

- SLPM - S1/2: Review PoC proposal and validate / propose PoC (within 14 days)
- SLPM - S2/2a: Design Self-Laid Main (Stage 2) - Complete design of self-lay works (within 28 or 42 days depending on complexity)
- SLPM - S2/2b: Provide formal design acceptance (within 14 or 21 days depending on complexity)
- SLPM - S3: Issue the Water Adoption Agreement (within 7 days of receiving the request)
- SLPM - S4/1: Right day metric - agreed date when the Water Company will provide the Source of Water for testing purposes
- SLPM - S5/1a: Complete the Final Connection (within 14 days)
- SLPM - S7/1: Issue consent, plot reference information, and costing details (5 days)

Self-lay provider metrics (Welsh companies only)

- W20.1: Self lay Point of Connection report < 500 plots etc (reports issued within 21 days)
- W21.1: Self lay Point of Connection reports >500 plots etc (reports issued within 28 days)
- W23.1: Self lay design and terms request <500 plots etc (quotations within 14 days)
- W24.1: Self lay design and terms request >500 plots etc (quotations within 28 days)
- W26.1: Self lay water for pressure/bacteriological testing (provided within 28 days)
- W27.1: Self lay permanent water supply (provided within 14 days)
- W30.1: Self lay plot references and costing details (issued within 14 days)

New appointments and variations (NAV) metrics

- WN1.1 - % of confirmations issued to the applicant within target period (within 21 days)
- WN2.2 - % Bulk supply offer letters issued to the applicant within target period (within 28 days)
- WN4.1 - % of main laying schemes constructed and commissioned within the target period (within 90 days)
- WN4.2 - % of testing supplies provided within target period
- WN4.3 - % of permanent supplies made available within the target period
- SN2.2 % Bulk discharge offer letters issued to the applicant within target period (within 28 days)
- SN4.1 % of main laying schemes constructed and commissioned within the target period (within 180 days)

