

# Meeting note

13:00 – 15:00, Tuesday 7 March 2023

## Outcomes working group – C-MeX and D-MeX

This note provides a summary of the key points raised by water companies and other stakeholders during a virtual workshop on the **customer measure of experience** (C-MeX) and **developer services measure of experience** (D-MeX).

This meeting was part of our [review of both mechanisms](#) for the 2024 price review (PR24).

### 1. C-MeX

#### 1.1 Allocating incentive payments

On whether C-MeX should be a relative or absolute incentive:

- There were mixed views. Some stakeholders suggested there was insufficient evidence to change from the current approach, noting that C-MeX has only operated for two years.
- Some stakeholders said that a relative incentive provides stronger incentives on companies, simulating a competitive market.
- However, some stakeholders suggested that relative incentives could be discouraging collaboration between companies and may provide less certainty for companies when making investment decisions within their businesses.
- One stakeholder suggested an alternative approach could be to have relative incentives within a certain range, and absolute incentives outside of that range.
- Some stakeholders suggested standard payments for C-MeX should be made symmetrical. One company suggested increasing the size of underperformance payments, to encourage higher levels of service.

On the use of cross-sector benchmarks:

- Some stakeholders suggested a cross-sector benchmark based on the UKCSI is unachievable, or insufficiently robust. Concerns included the relatively low sample sizes underpinning water companies scores in the UKCSI, and whether UKCSI scores of other sectors are likely to be driven by external factors.

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- Some stakeholders proposed using measures within the water sector instead of a cross-sector benchmark to stretch water companies or achieve higher incentive payments, such as measures based on vulnerable customers, the priority services register or complaints. However, some stakeholders queried whether this would sufficiently stretch companies.

## 1.2 Coverage of customers

On the balance of customers within C-MeX:

- There was broad support for reducing the weight of the customer experience (non-contact) survey, with some concerns that marketing and external factors may be driving satisfaction levels, as well as wider issues such as the levels of charges.
- While a few stakeholders suggested removing the customer experience (non-contact) component, most stakeholders supported maintaining it to drive companies to consider the views of their wider customer base.
- A number of stakeholders supported increasing the weight of the billing and operational components of C-MeX.
- One stakeholder disagreed with increasing the weight of operational incidents, suggesting that water-only companies are disadvantaged because they do not have wastewater contacts in their operational component.

On increasing the representation of some customer groups or adding new components:

- Some stakeholders supported introducing a new total complaints component, though others noted it potentially overlapped with the contact component and the complaints definition may be insufficiently robust.
- Some supported introducing a new component focused on capturing the experiences of vulnerable customers. Other stakeholders suggested sampling more vulnerable customers within the existing surveys, though some stakeholders considered vulnerable customers were more likely to be included in the customer service (contact-based) survey.
- Some stakeholders noted that the existence of other tools (such as the customer-focused licence condition and complaints action plans by CCW) suggested that limited changes in C-MeX were required.
- One stakeholder said we should avoid double counting or over-incentivising improvements through the operational component of C-MeX and other performance commitments, such as sewer flooding.

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## 1.3 Wider points to revisit

- Survey and sampling approaches, including sample sizes, the online correction factor, and the scope of the check and challenge process.
- Any data provision requirements and timings should be aligned with other mechanisms (such as BR-MeX) where possible.

## 2. D-MeX

### 2.1 Coverage and stretch of D-MeX

On the balance of customers within D-MeX:

- Stakeholders generally agreed with increasing the weight of self-lay providers and new appointees within D-MeX, particularly within the qualitative component.
- Some stakeholders noted that larger developers are likely underrepresented in the qualitative survey as well, with some water companies estimating that the current split between one-off customers on one hand and large developers or self-lay providers on the other was around 50:50.
- Some stakeholders noted the practical challenges with surveying very few customers that operate across multiple company areas, with suggestions including reducing the exclusion period between interviews for these customers, and a monthly survey that asks about interactions with multiple water companies.
- Some stakeholders suggested shortening or simplifying the survey, as well as changing to an email survey, which may boost response rates and enable more frequent surveying of larger developers.
- There were mixed views about whether D-MeX should be the primary mechanism for encouraging growth in the developer services market.

On the relative weights of the qualitative and quantitative components:

- There was some support for increasing the weight of the qualitative component (such as to 75% of D-MeX) with some noting that this would increase stretch and reduce any concerns with the quantitative component. However, others said they were content with the current 50:50 weighting.
- One stakeholder suggested a new component that would reward companies based on their self-lay penetration, though some noted this may differ greatly between regions.

On the quantitative component:

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- Most stakeholders did not identify missing activities from the quantitative component. Some stakeholders suggested reducing the number of metrics within the quantitative component, with a focus on metrics that are more stretching or a priority to developer services customers.
  - There was limited support for increasing the underlying service level agreements (targets) within each of the metrics – some suggested the metrics are already stretching, while other suggested they are already outperforming these targets. Some stakeholders suggested setting more stretching targets could squeeze out competitors if they are above current service levels in the developer services market.

## 2.2 Allocating incentive payments

On whether D-MeX should be a relative or absolute incentive:

- There were mixed views. Some stakeholders supported retaining a relative approach, arguing that it is relatively simple, promotes competition and that it would be challenging to set absolute targets.
- However, it was noted that a relative incentive could reduce collaboration and that there was a potential trade-off with promoting competition. Some stakeholders suggested that an absolute approach would provide greater certainty for companies and would enable us to take account of different legislative contexts for English and Welsh companies.
- Some stakeholders suggested payments for D-MeX should be made symmetrical.

## 2.3 Wider points to revisit

- Whether developer services customers, or the generality of customers, should fund incentive payments for D-MeX.
- How the percentage adjustment for D-MeX will be calculated to reflect changes to the scope of developer services within the revenue controls at PR24.
- Whether data from the survey agent should be provided sooner than now.
- Whether companies are consistently reporting the quantitative component of D-MeX.