# Four-way meeting 26 April
# Business customer experience in Wales

**Ofwat**

# Introduction

We agreed to work **collaboratively** on the development of the business customer experience in Wales performance commitment for PR24.

Today, we are discussing options for three key policy issues:
- Policy issue 1 – absolute vs relative incentive
- Policy issue 2 – adding a contact element
- Policy issue 3 – accounting for large customers

**Data request**
In order to work through the different options and inform our decision making we asked for data on:
- Contacts (operational and billing)
- Indications of year 3 performance

# Policy issue 1: Absolute vs relative incentive

**Option 1: Absolute targets** as now, with tweaks

- Move to 0-10 rating
  - Set targets using historic data of the two companies' existing performance commitments (e.g., average)
  - Set targets with reference to customer satisfaction with business retailers in England

**Option 2: Change to a relative approach using a benchmark**, similar to at PR19 for PR14 business SIM

- Explore setting a cross-sector benchmark 'pivot' using satisfaction against retailers in England

Option 1 is simple. Moving from 1-5 scoring to 0-10 is more granular and it greater aligns with C-MeX.

Option 2 would be a bigger change and would be more complicated – which may not be proportional. There is also a question on comparability – is it appropriate to use retailers in England as a benchmark?

**We are minded to keep as an absolute target. We welcome views**

# Example of payments for PR14 business SIM



Business retail SIM scores and resulting adjustments as a % of 2017–18 actual business retail revenue

Y-axis: Notional business retail SIM adjustment %
X-axis: Business retail SIM score

Labels: Hafren Dyfrdwy, Dŵr Cymru

Legend: —— English company average

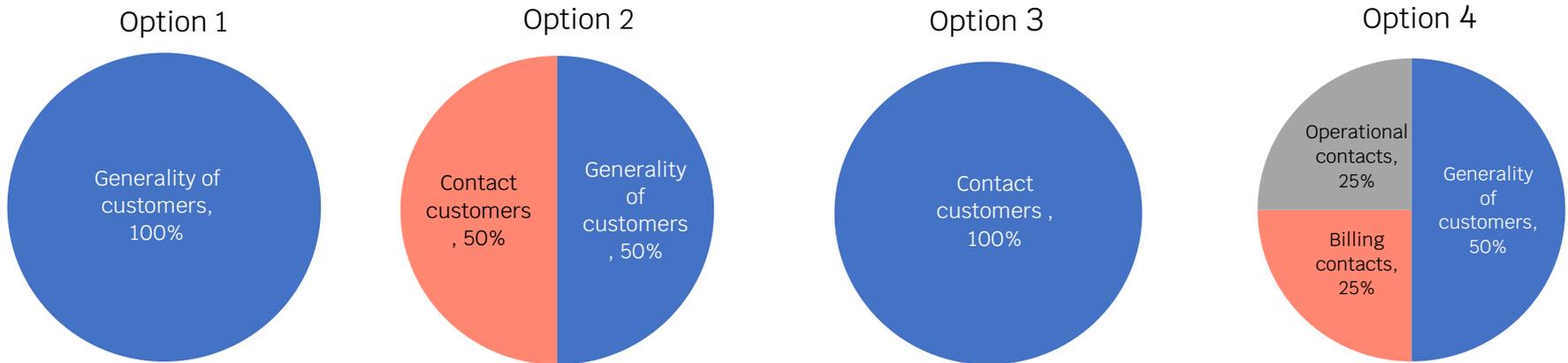# Policy issue 2: Adding a contact element

**Adding a contact element to this PC may greater represent actual customer service that business customers in Wales are receiving. We are considering 4 options:**

**Option 1: Remaining with current approach: taking survey sample 100% from general customers**, which includes customers who have not been in contact with their water company.
**Option 2: Adding a contact element**, to have 50% from generality of customers and 50% from direct contact customers (similar to C-MeX).
**Option 3: 100% of sample from contact customers**.
**Option 4: Split by billing and operational contacts,** to increase focus on all customer service contacts.



Option 1 — Generality of customers, 100%
Option 2 — Contact customers, 50% / Generality of customers, 50%
Option 3 — Contact customers, 100%
Option 4 — Operational contacts, 25% / Billing contacts, 25% / Generality of customers, 50%

**Adding a contact element adds complication but may be more reflective of actual customer service and it greater aligns with C-MeX.**
**However, there may be feasibility issues due to small sample sizes.**

**We are minded to add a contact element but need to explore how feasible it would be, using evidence from data.**

# Policy issue 3: Accounting for large customers

**Should large customers be given greater weight within this PC?** We could upweight large customers relative to volumes to address the issue of large customers being underrepresented.
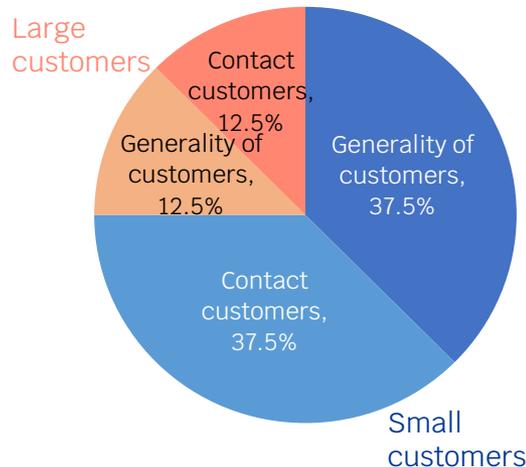
Large customers could be defined:
- Based on number of contacts
- Based on water consumption
- Based on revenue
- Based on number of supply points
- Self selected

Example split:
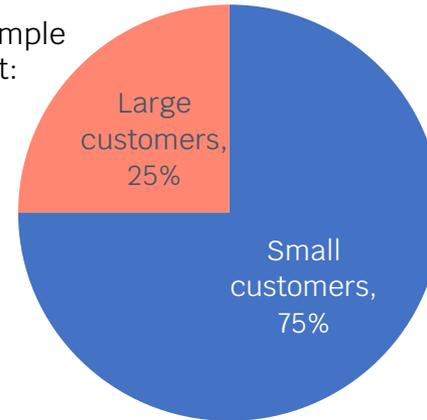


We can weight large customers and also have a contact element:



**This may add complication to the PC but may better represent larger customers.**

**We welcome views on adding a large customer element to this PC. Is there any evidence from data to inform our thinking?**

# Next steps

- 17th May – Wales PR24 Forum
- June/July – Ofwat consultation on the measure of experience performance commitments

**Do you have any views on next steps?**
**How do we get wider views from business customers?**