

Customer service report 2008–09

PERFORMANCE



Overview

This report examines the progress that Scottish Water has made in improving the service it provided to customers in the period 2008-09.

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INTRODUCTION

Context

Our role is to protect consumer and business interests by challenging Scottish Water to reduce prices, by insisting on better service, and by opening up parts of the monopoly business to competition. As part of our monitoring, and to ensure transparency, we publish a series of reports each year covering different aspects of the water industry in Scotland. This objective scrutiny and comment also helps maintain appropriate stakeholder pressure on Scottish Water.

At the 2006-10 price review we recognised, based on comparisons with England and Wales, that there was still substantial scope for Scottish Water to improve its levels of service to customers. We set Scottish Water milestones for improvement in its overall performance assessment (OPA) score, with a target of around 37% improvement by 2010.

In this report we provide information about Scottish Water's performance in 2008-09 against the target we set at the price review. We also explain how performance compares with that of the water and sewerage companies in England and Wales during 2007-08.¹

This is the final year of the 2006-10 price review. We have recently published our draft determination for 2010-15, which considers customer service going forward. We will publish our final decisions on 26 November.

Associated documents

- 'Customer service report 2007-08', October 2008.
- 'The Strategic Review of Charges 2006-10: The final determination', November 2005.
- 'The Strategic Review of Charges 2010-14: The draft determination', June 2009.

¹ This is the latest year, at the time of publication, for which information is available on the performance of the English and Welsh companies.

KEY MESSAGES

How Scottish Water performed in 2008-09

We are pleased to report a significant improvement in the service provided to customers in 2008-09. For the third year running, Scottish Water's OPA score improved – to 252 from 240 in 2007-08 and 223 in 2006-07. This represents an improvement in the reporting year of around 5%.

Scottish Water's performance indicates that the clear incentive framework that is in place to regulate the water industry is serving the interests of customers well. By achieving a score of 252 in 2008-09 Scottish Water has exceeded this year's target of 223 by 13% and has already outperformed the target for next year (ie 2009-10) by 5%.²

We believe that an important factor in this regard is the clearer understanding on the part of Scottish Water's employees of the impacts of their actions on customer service. Bonuses are now linked to performance and the latest position is prominently displayed in Scottish Water's buildings.

We are pleased to note that at the same time as these customer service improvements have been delivered, bills have been rising by less than the rate of inflation.

Comparison with England and Wales

The welcome improvement narrows the gap in overall performance compared with the companies in England and Wales. However, there is no room for complacency and Scottish Water still needs to improve performance, in particular, on:

- the quality of water that it puts back into rivers,
- providing adequate water pressure, and
- building on the recent progress that has been made to reduce leakage.

Looking ahead

Looking forward to the next regulatory control period, Scottish Water has proposed further significant improvements to customer service beyond 2010. These are designed to match the current performance of the leading companies south of the border by 2013-14.

² Following the introduction of competition in April 2008, OPA targets for 2008-09 and 2009-10 were revised from those determined at the 2006-10 price review, to reflect the fact that Scottish Water was no longer responsible for some retail measures. The new OPA target for 2008-09 is 223 (previously 232) and for 2009-10 is 241 (previously 250).

SCOTTISH WATER'S PERFORMANCE

How customer service is assessed

We use an 'overall performance assessment' framework to monitor the level of service that Scottish Water provides to its customers. The OPA was originally developed by Ofwat to monitor the performance of companies south of the border. It combines individual service measures that customers consider to be most important, such as:

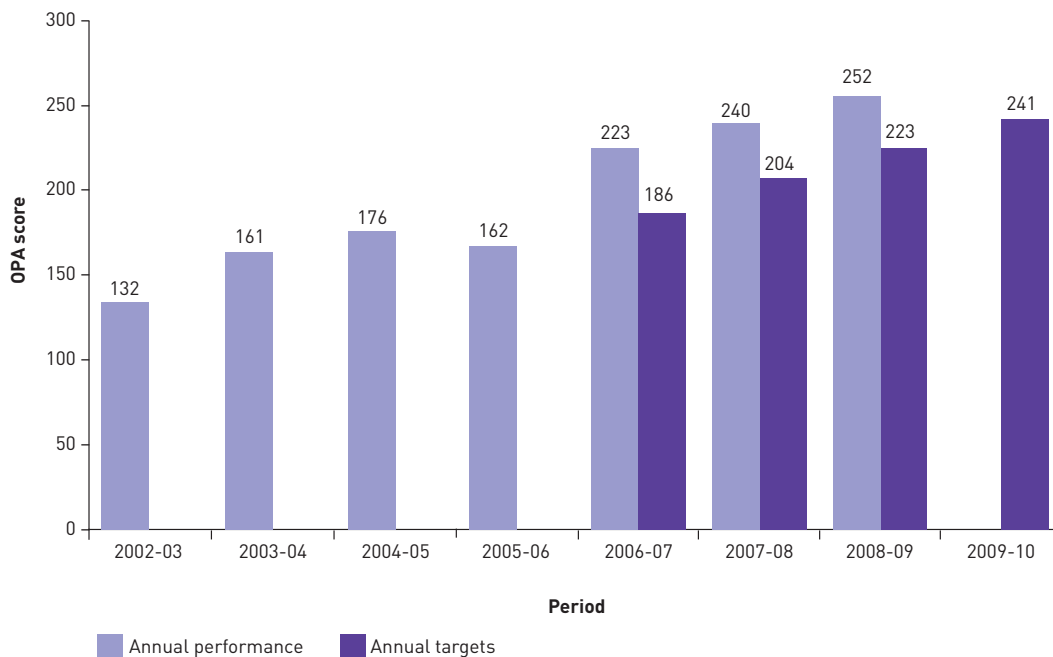
- how quickly supply is restored after an interruption,
- how quickly Scottish Water handles complaints, and
- its performance in improving drinking water quality and environmental compliance.

To work out Scottish Water's OPA we use customer service information that it provides to us each year. This information is scrutinised for accuracy and reliability by an independent technical Reporter.

How Scottish Water performed

Scottish Water continues to respond well to regulatory challenge. As Figure 1 shows, in 2008-09 Scottish Water outperformed its OPA target for that year, and is in a strong position to outperform the target for 2009-10. As a result it will be well placed to build on this progress and make further improvements during the 2010-15 period.

Figure 1: Scottish Water's OPA targets and actual performance to date



PERFORMANCE

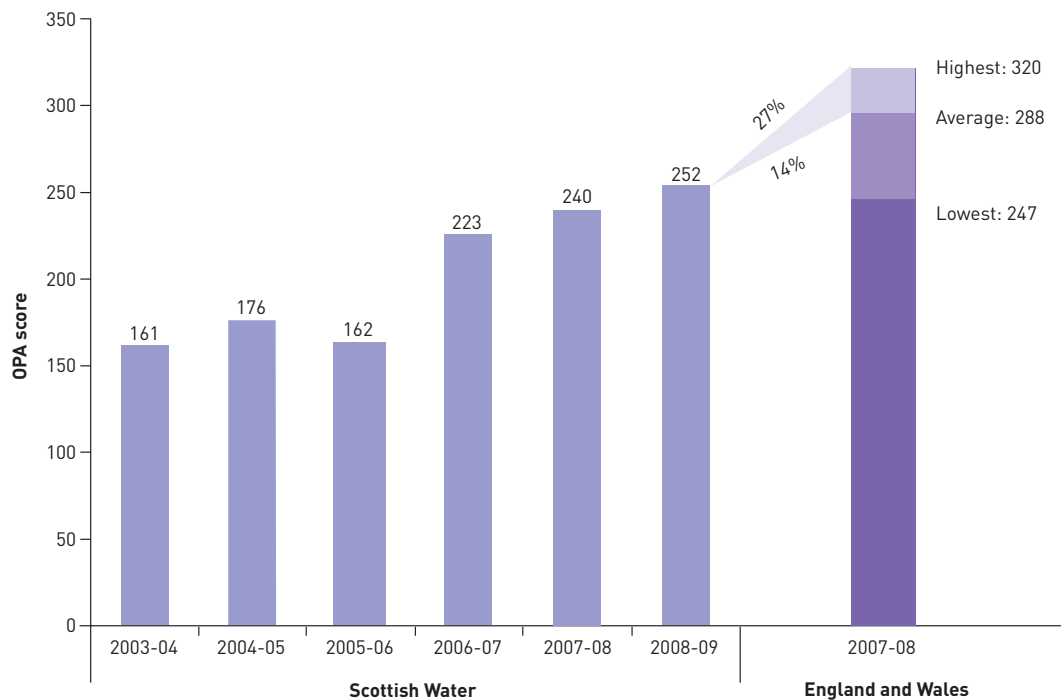
Scottish Water’s commitment to the OPA targets has resulted in material improvements to customer service. In this regard we believe that the decision of Scottish Water’s board to make the level of service to customers an important factor in the award of bonuses to management and staff has had a material impact on performance.

Comparison with England and Wales

In Figure 2 we compare Scottish Water’s performance in 2008-09 with that of the highest, average and lowest OPA scores achieved by the companies in England and Wales in 2007-08.³ We recalculate the scores for all of the English and Welsh companies to remove elements of the OPA that are not currently included in the index in Scotland.⁴

Our analysis shows that while the level of service provided to customers by the best companies in England and Wales is still better than that provided in Scotland, Scottish Water is narrowing the gap. We are pleased that, for the third year running, Scottish Water’s customers are receiving a level of service within the range of that received by customers in England and Wales.

Figure 2: Comparison of Scottish Water’s OPA scores with performance in England and Wales



Although Scottish Water’s overall improvement this year means that it is 11 points ahead of our target for 2010, it should not be complacent. There is significant scope for Scottish Water to improve its service to customers and begin to match the performance of the best companies south of the border.

³ This is the latest year, at the time of publication, for which information is available on the performance of the English and Welsh companies.

⁴ Measures that are currently excluded will form part of Scottish Water’s OPA score from April 2010.

How Scottish Water performed on individual measures

Scottish Water managed to improve its level of performance in five areas during 2008-09.

For customers, this meant:

- fewer experienced problems of inadequate pressure,
- a reduction in the amount of water lost through leakage,
- fewer experienced flooding from their property's sewer,
- written complaints were dealt with more quickly,
- making contact with Scottish Water by telephone was easier.

Scottish Water maintained its performance in a further three measures.

We are particularly pleased with the progress that Scottish Water has made this year in tackling leakage. Such action is not only economically justifiable, but will also help Scottish Water deliver its sustainable development obligations and reduce its carbon emissions.

Table 1 summarises Scottish Water's performance on the individual measures.

Table 1: Performance on individual measures 2008-09

Measures where performance has improved	Measures where performance has been maintained	Measures where performance has deteriorated
Inadequate pressure	Hosepipe restrictions	Unplanned supply interruptions
Leakage	Sewage treatment works compliance	Drinking water quality
Sewer flooding ⁵	Sludge disposal	
Response to written complaints		
Ease of telephone contact		

⁵ Sewer flooding includes sewer flooding due to overload, other causes and properties at risk.

In Figure 3 we outline where Scottish Water improved its OPA score in 2008-09. The greatest improvements were in the areas of inadequate pressure and leakage.

Figure 3: OPA improvements between 2007-08 and 2008-09 for individual areas of customer service

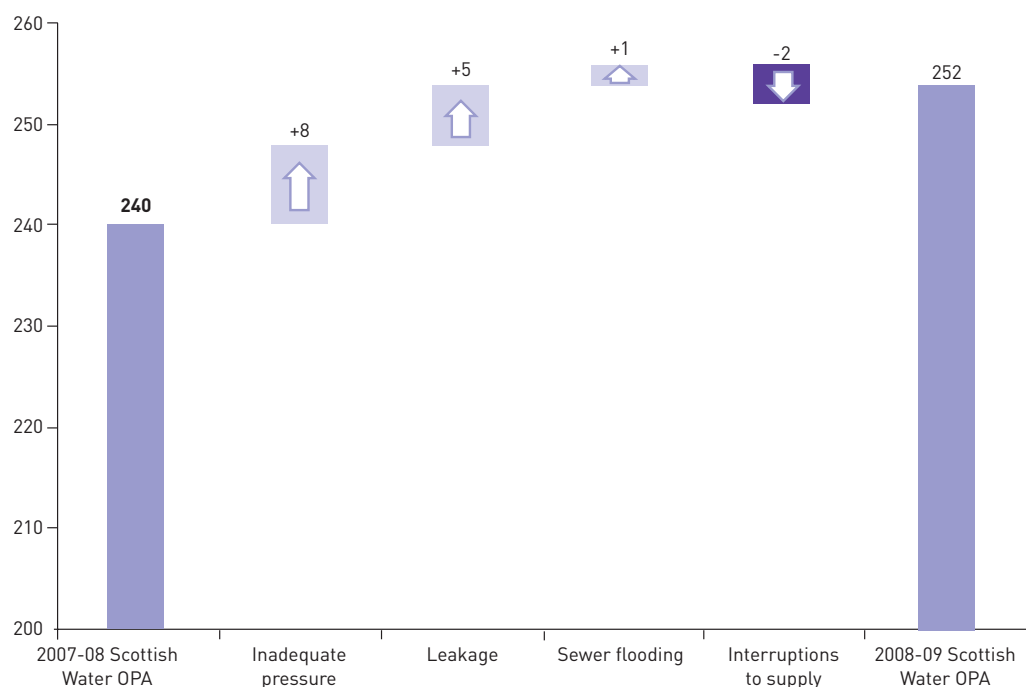


Table 2 compares Scottish Water's performance in 2008-09 with that of the average score achieved by the companies in England and Wales in 2007-08. Scottish Water's performance is ahead of the average score south of the border for some measures of customer service. However, for other measures, particularly sewage treatment works compliance, there is still scope for Scottish Water's performance to improve.

Table 2: Comparison of Scottish Water's performance with the average score in England and Wales⁶

Measure	Number of points <i>above</i> average score in England and Wales	Number of points <i>below</i> average score in England and Wales
Sewer flooding ⁷	20	
Response to written complaints	1	
Ease of telephone contact	1	
Drinking water quality		3
Unplanned supply interruptions		3
Leakage		5
Inadequate pressure		6
Sewage treatment works compliance		41

⁶ Numbers in this table are rounded, so do not reconcile exactly with the comparison shown in Figure 2.

⁷ This measure includes sewer flooding due to overload, other causes and properties at risk.

GOING FORWARD

Scottish Water proposed further significant improvements to customer service beyond 2010, designed to match the level of performance reported by the leading companies in England and Wales in 2007-08. We welcomed these proposals in our draft determination and are considering our conclusions on them for our final determination, which we will publish on 26 November.

In the meantime, we will continue to measure the customer service that Scottish Water provides and will report our findings in the next 'Customer service report', which is due to be published in October 2010.

GOING FORWARD

07.10.09



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