

Customer service report 2003-06

PERFORMANCE

Overview

This report examines the progress Scottish Water has made in improving the service it provided to customers in the period 2003-04 to 2005-06.

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Introduction

Context

A key part of our role is to monitor and report on Scottish Water's performance in providing service to customers and to set targets for improvement.

This report examines the progress Scottish Water has made in improving the service it provided to customers in the period 2003-04 to 2005-06. We examine Scottish Water's year-on-year performance against the level of service baseline that was established in the 'Customer Service Report 2002-03' (published by the former Water Industry Commissioner for Scotland). We also put this performance into context by comparing it with that of the water and sewerage companies in England and Wales during the same period.

Associated documents

- 'Customer Service Report 2002-03', Water Industry Commissioner for Scotland, November 2004.
- 'The Strategic Review of Charges 2006-10: The final determination', Water Industry Commission for Scotland, November 2005.

Executive summary

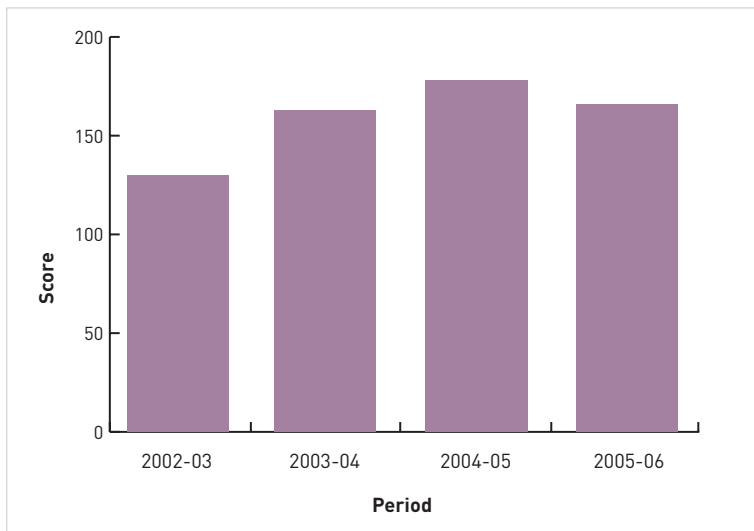
How customer service is assessed

The overall performance assessment (OPA) framework is used to monitor the level of service that Scottish Water provides to its customers. The framework takes account of the factors that customers consider to be most important. The OPA was developed by the Office of Water Services (Ofwat) to assess the performance of the water and sewerage companies in England and Wales. The OPA combines individual service measures 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.

Scottish Water's performance

Scottish Water improved its customer service performance (as measured by the OPA score) from 2002-03 to 2004-05 by 33%. However, the level of performance fell in 2005-06 by 7%. This resulted in an overall improvement of 24% during the period to 2005-06. This is shown in Figure 1.

Figure 1: Scottish Water's OPA score 2002-03 to 2005-06¹



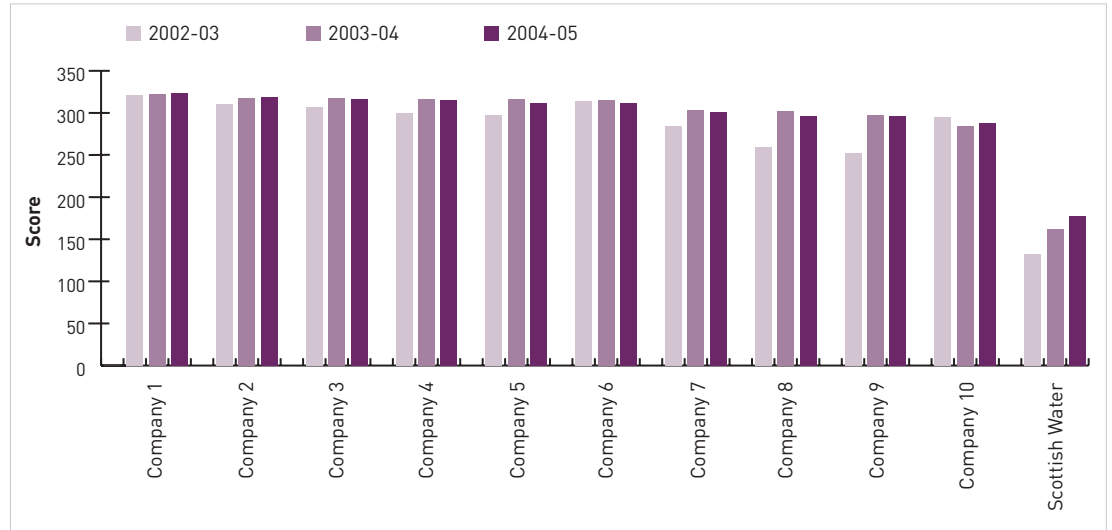
In the Water Industry Commission's final determination, Scottish Water was required to achieve a score of 250 by 2010. This represents an improvement in its OPA score of around 40% compared with its 2004-05 score of 177.

¹ Scottish Water's OPA score in 2002-03 has been restated to be comparable with Ofwat's new ranges and the ranges used in the final determination.

Comparison with England and Wales

Figure 2 shows Scottish Water’s performance compared with that of the companies in England and Wales from 2002-03 to 2004-05.²

Figure 2: OPA scores for English and Welsh companies and Scottish Water 2002-03 to 2004-05



The level of service provided to customers by the companies in England and Wales is better than in Scotland. The average level of service in England and Wales improved between 2002-03 and 2004-05.

Scottish Water has narrowed the gap but it still lagged the poorest performing company south of the border by 39% in 2004-05 (47% in 2002-03). In particular, the level of service in Scotland remains poor for the individual measures of sewage treatment compliance and the number of customers experiencing inadequate water pressure.

The Commission is, however, encouraged by Scottish Water’s improvement in performance relative to the companies in England and Wales. The efforts Scottish Water has made to improve the service it provides to customers should be recognised.

Aspects of customer service that have improved or deteriorated

Scottish Water’s performance from 2002-03 to 2005-06 in providing service to customers has improved in some measures (ranked by impact on the OPA score) but deteriorated in others. This is shown in Table 1.

² At the time of writing, detailed information on the performance of the companies in 2005-06 is not available.

Table 1: OPA measures that have improved and deteriorated from 2002-03 to 2005-06

Measures that have improved	Measures that have deteriorated
Drinking water quality	Sewer flooding ³
Unplanned supply interruptions	Ease of telephone contact
Response to written complaints	
Response to billing contacts	

Information quality

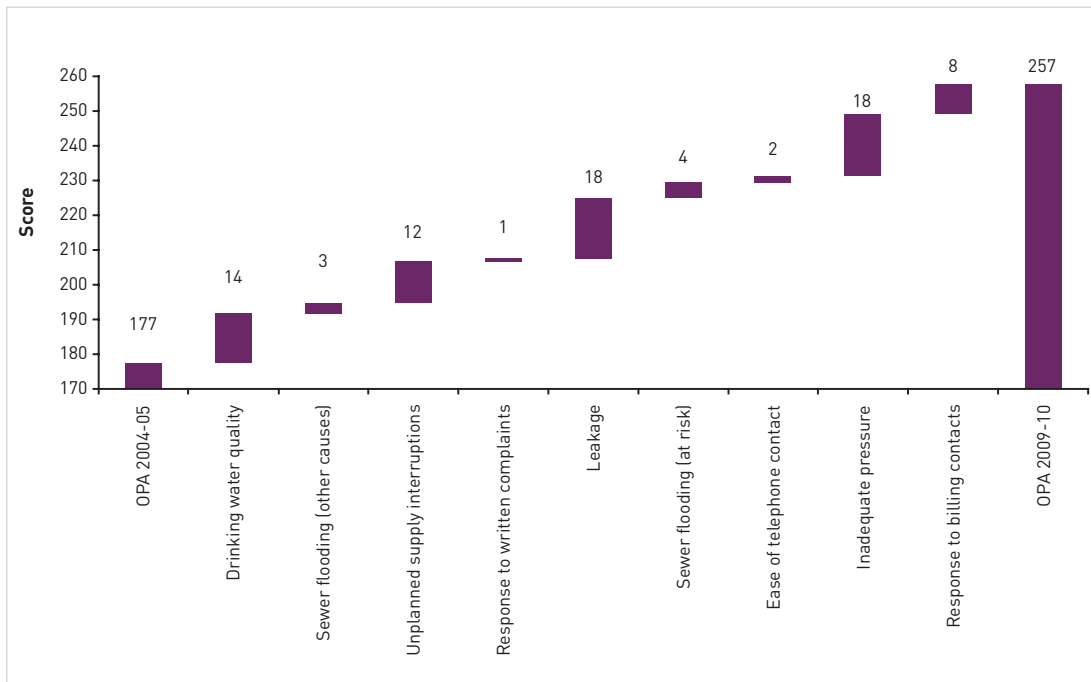
The Commission continues to have material concerns about the quality of Scottish Water’s management information.

The confidence grades for information supplied by Scottish Water imply that its information is less reliable or less accurate than that which the companies in England and Wales provide to Ofwat. This may have an impact on Scottish Water’s reported performance.

How Scottish Water plans to improve customer service

In its delivery plan for the current regulatory control period (published in May 2006) Scottish Water set out its plans to improve customer service significantly in a number of measures for the period 2006-07 to 2009-10. The planned improvements are shown in Figure 3.

Figure 3: Scottish Water’s planned OPA improvement by specific measures from 2006-07 to 2009-10⁴



³ This measure includes sewer flooding due to overload, other causes and properties at risk.

⁴ Source: Scottish Water Delivery Plan 2006-2010.

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Scottish Water's delivery plan does not forecast improvement in sewage treatment works compliance.

It also expects to continue to achieve the maximum score in sewer flooding (overloaded), sewage sludge disposal and in the measure of hosepipe restrictions by avoiding a ban.

The Commission will report on Scottish Water's performance in the next Customer Service Report, which is due to be published in September 2007.

Chapter 1: How customer service is assessed

Introduction

Each year Scottish Water supplies regulatory information. This includes information on a series of individual measures of service, covering many of the issues that matter most to customers, such as how quickly supply is restored after an interruption and how quickly Scottish Water handles complaints from customers.

This information is analysed and used to calculate a single indicator for Scottish Water's overall customer service performance (the OPA). The OPA combines results for individual service level measures with other information about performance in drinking water quality and environmental compliance.

The OPA framework was developed by Ofwat to assess the performance of the water and sewerage companies in England and Wales. It has been used by Ofwat since 1999 and is widely recognised as a valid way to measure customer service.⁵

The overall performance assessment

The OPA scores that Ofwat uses examine each company's performance in 15 individual measures. These measures can be categorised into four areas:

- water supply – pressure, supply interruptions, hosepipe restrictions and drinking water quality;
- sewerage service – sewer flooding incidents and risk of flooding;
- environmental impact – sewage treatment works compliance, leakage and pollution incidents; and
- customer service – speed of handling complaints, billing enquiries and telephone contacts.

The individual performance measures are combined to create a score for the overall level of service provided to customers.

In the assessment of Scottish Water's OPA score, the measures used by Ofwat have been included as far as possible. However, four of these measures cannot currently be translated into use in Scotland, as the parameters for the measures are either not comparable or are not measured. The following measures have therefore been excluded from our calculation of the OPA:

- category 1 and 2 pollution incidents (sewage)⁶;
- category 3 pollution incidents (sewage)⁶;
- category 1 and 2 pollution incidents (water)⁶;
- assessed customer service.

⁵ Many companies choose to tie managerial incentives to performance measured against the OPA.

⁶ In each case, there is a difference in the definition of an incident between Scotland and England and Wales. The Commission intends to work with the Scottish Environment Protection Agency to resolve these differences by ensuring that the way in which incidents are measured and reported in Scotland is brought into line with that south of the border.

CHAPTER 1

The measure 'assessed customer service' concerns the quality of customer service that is delivered in England and Wales. Ofwat does not publish information for the companies in England and Wales on 'assessed customer service'. Therefore performance in this measure cannot be assessed on a consistent basis. The measure is based on assessments of seven aspects of customer service, including complaint handling and services for disabled and elderly customers. The customer representative organisation in England and Wales, the Consumer Council for Water⁷, carries out these assessments.

The Commission is pleased that Waterwatch Scotland has agreed to contribute a qualitative assessment of Scottish Water's performance in future customer service reports.

In addition to these differences it has also been necessary to make assumptions about performance for some measures. This is because the information to create the measure is not available in Scotland. The measure for leakage is an example.

It is the Commission's view that although assumptions have been made about performance for these measures, these assumptions do not have a material impact on the assessment of Scottish Water's overall performance.

Appendix 1 sets out the measures that have been included in the assessment of the OPA, as well as the basis and comparability of each measure.

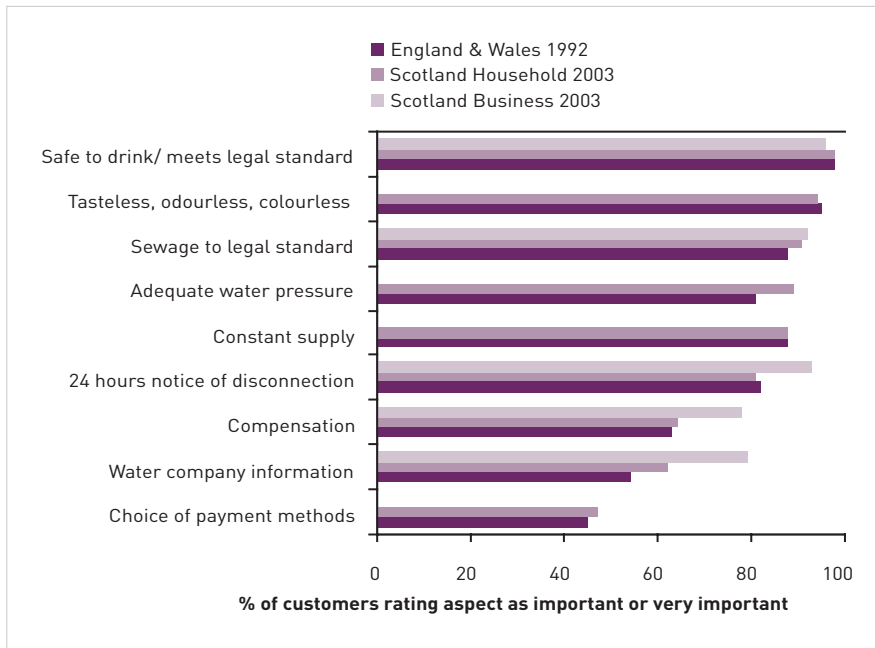
Customer preferences

When calculating the OPA for Scottish Water, weightings are applied according to the relative importance that customers attach to different aspects of service. These are the same weightings that Ofwat applies. Recent research has confirmed that customer preferences in Scotland are broadly the same as those of customers in England and Wales.

In particular, the 1992 survey for Ofwat and the 2003 survey for the Water Customer Consultation Panels both used a similar methodology and revealed very similar results. This is shown in Figure 4.

⁷ Formerly WaterVoice.

Figure 4: Importance of individual service standards to customers



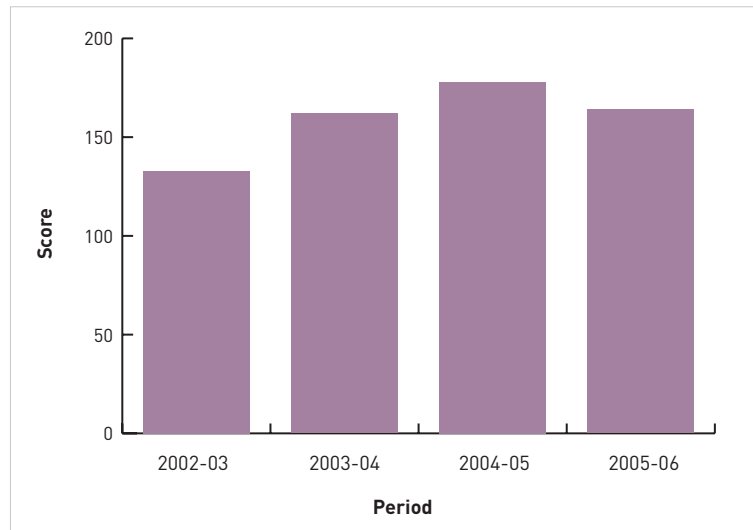
It is also perhaps not surprising that both household and business customers place most value on their water being safe and free from taste, odour and colour. On the waste water side, they attach particular importance to high standards of sewage treatment and disposal.

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Chapter 2: Scottish Water's performance

Scottish Water's performance in the period 2002-03 to 2005-06 is shown in Figure 5.

Figure 5: Scottish Water's OPA score 2002-03 to 2005-06⁸



As Figure 5 shows, Scottish Water's OPA score improved during the period 2002-03 to 2004-05 from 133 to 177. However, it fell back in 2005-06 to 165. The 2005-06 score is broadly comparable with its score in 2003-04. In other words, Scottish Water improved its customer service performance from 2002-03 to 2004-05 by 33%. However, the level of performance fell in 2005-06 by 7%. This resulted in an overall improvement of 24% during the period to 2005-06.

This improvement is encouraging and the Commission expects to see Scottish Water building on its improvements in the future.

In the Commission's final determination, Scottish Water was required to achieve a score of 250 by 2010. This represents an improvement in its OPA score of around 40% compared with its 2004-05 score of 177.

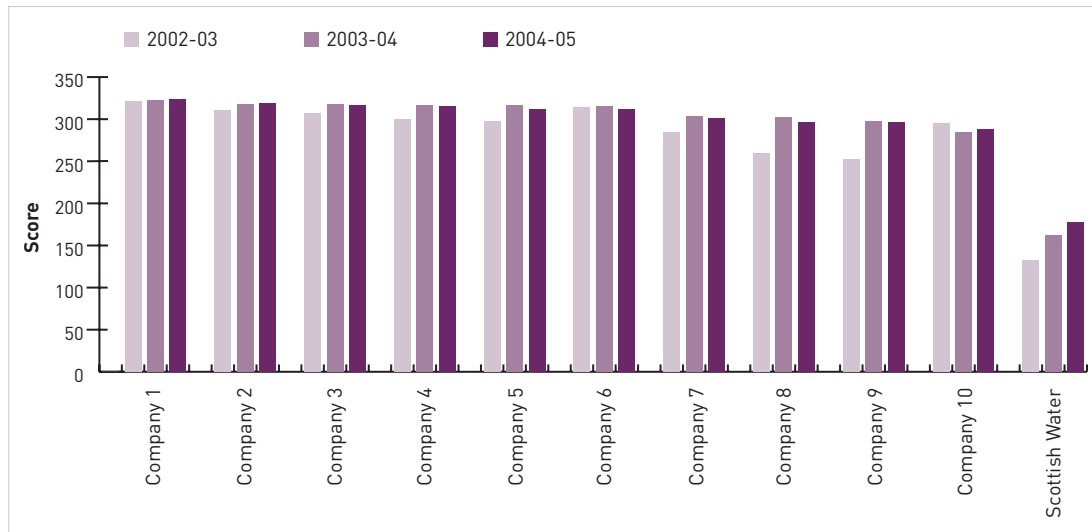
Comparison with England and Wales

Figure 6 highlights Scottish Water's performance compared with that of the companies in England and Wales from 2002-03 to 2004-05⁹.

⁸ Scottish Water's OPA score in 2002-03 has been restated to be comparable with Ofwat's new ranges and the ranges used in the final determination.

⁹ At the time of writing, detailed information on the performance of the companies in 2005-06 is not available.

Figure 6: Adjusted OPA scores 2002-03 to 2004-05



As Figure 6 shows, the level of service provided to customers by the companies in England and Wales is better overall than in Scotland. It is important to note that the average level of service in England and Wales has improved in the period 2002-03 and 2004-05.

However, because Scottish Water's performance has improved at a relatively faster rate, the gap between Scottish Water and the poorest performing company in England and Wales has decreased in size. The Commission is encouraged by Scottish Water's improvement in performance relative to the companies in England and Wales. The efforts Scottish Water has made to improve the service it provides to customers should be recognised.

Despite this improvement, however, Scottish Water lagged the company that achieved the lowest score south of the border by 39% in 2004-05 (47% in 2002-03).

Year-on-year comparisons

Having established an overview of Scottish Water's performance from 2002-03 to 2005-06, a more detailed look at Scottish Water's performance for each year follows.

Performance in 2003-04

In 2003-04, Scottish Water's OPA score was 162, compared with 133 in 2002-03. The main reason for this increase was an improvement in drinking water quality, where Scottish Water's score increased by around 15 points (almost half of the total improvement).

There were also improvements in the following measures:

- a reduction in the number of properties affected by sewer flooding;
- a reduction in the number of properties affected by inadequate pressure; and
- the speed with which written complaints from customers were responded to.

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Comparison with England and Wales

The leading score for a company south of the border during this year was 323, with the poorest performing company achieving a score of 285.

In most of the measures that make up the OPA, the companies in England and Wales performed better than Scottish Water. Scottish Water's performance was relatively poor in the following measures:

- sewage treatment compliance;
- the number of properties affected by supply interruptions;
- the number of properties experiencing inadequate pressure; and
- drinking water quality.

Performance in 2004-05

In 2004-05, Scottish Water achieved an OPA score of 177. In other words, the overall level of customer service had improved by 9% compared with the previous year. Improvement in the quality of the drinking water supplied to customers was again an important factor in Scottish Water's higher OPA score. However, the most significant improvement was accounted for by a reduction in the number of properties that were affected by unplanned supply interruptions.

Despite the continued overall improvement in the level of service provided, Scottish Water reported a deterioration in its performance in the following measures:

- sewer flooding; and
- the number of properties affected by inadequate pressure.

Comparison with England and Wales

Despite the improvement in Scottish Water's performance in 2004-05, the companies in England and Wales performed better in most measures. However, the performance gap between the company that delivered the lowest overall score and Scottish Water decreased. In particular, Scottish Water closed the gap with England and Wales in drinking water quality and the number of properties affected by supply interruptions.

There were still gaps in the level of service provided by Scottish Water in some measures, and there had been no improvement in closing the gap in:

- sewage treatment compliance;
- properties experiencing inadequate pressure; and
- leakage.

Performance in 2005-06

In this year, Scottish Water's OPA score fell back from 177 to 165 (to a level comparable with 2003-04). The main reason for this deterioration in performance was an increase in the reported number of properties experiencing sewer flooding. If the score for this measure had remained at the same level as in 2004-05, then the OPA for Scottish Water would have increased to 181. Scottish Water stated that there was no evidence that there has been any actual deterioration in the risk of sewer flooding at customers' houses or premises. This would suggest that actual performance in 2004-05 was not as good as was reported at that time.

The quality of drinking water continued to improve, although at a slower pace than in previous years.

Comparison with England and Wales

The 2005-06 OPA information is not available for the companies in England and Wales at the time of writing. It is therefore not possible to make a comparison for this period.

The effect of uncertain information on the OPA

Scottish Water and the companies in England and Wales are asked to assign confidence grades to the information they supply to their respective regulators.

The confidence grade system has been established so that companies can comment on the reliability and accuracy of the information they supply in a reasoned way.

The confidence grades for the information supplied by Scottish Water imply that its information is less reliable or less accurate than the information that the companies in England and Wales provide to Ofwat.

As stated previously, the OPA combines several performance measures and there is a risk that the confidence grades that are ascribed to information could reduce the validity of the conclusions about performance. To ensure that this is not the case, it was necessary to examine whether it is possible for information uncertainty to lead us to draw inappropriate conclusions about Scottish Water's performance.

This was done by recalculating the OPA for Scottish Water and for the poorest performing company in England and Wales (in 2004-05), using the potential ranges of performance implied by the confidence grades for each element. This produced a range of scores that are possible for both Scottish Water and for the company that achieved the lowest score in England and Wales. In particular, the following scores were calculated.

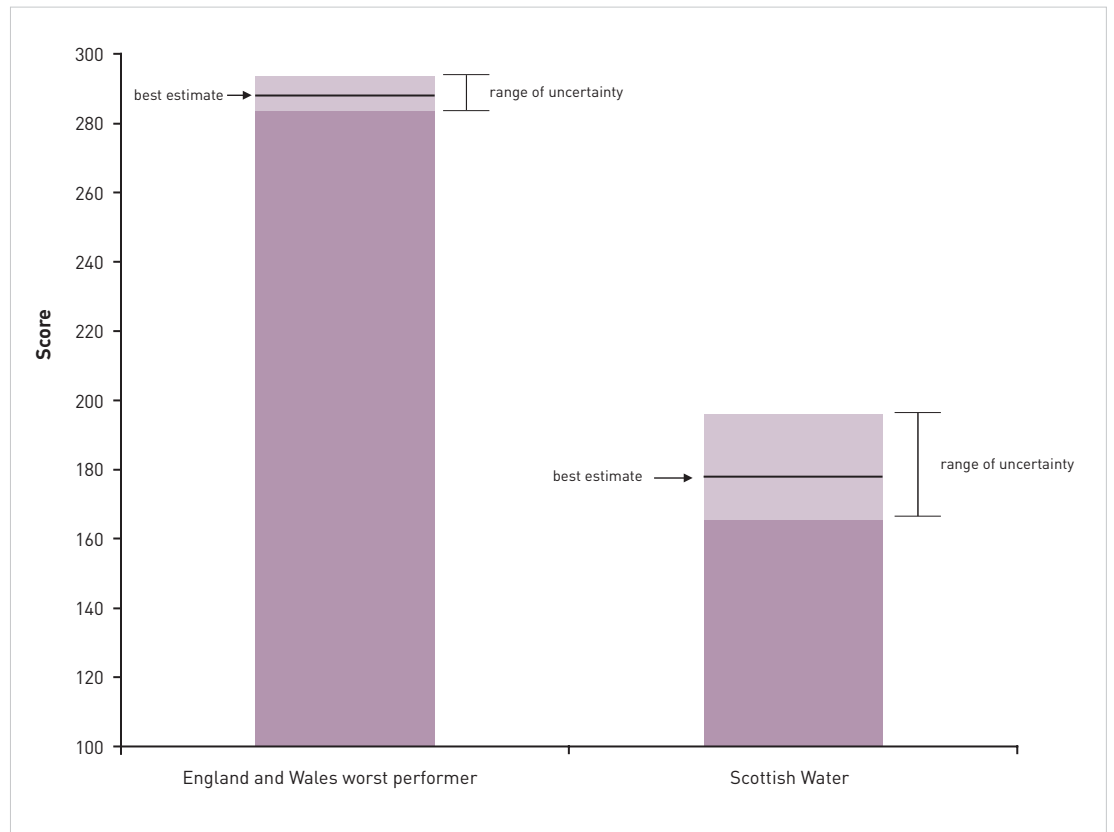
- The best case score – for each element of the OPA the best possible score was calculated that was consistent with the information. For example, if the reported score is 10 with a margin of error of ± 2 then the best possible score is 12. The best scores for each element were combined to produce a best possible OPA score.

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- The actual score.
- The worst case score – for each element of the OPA the worst possible score was calculated that was consistent with the information. For example, if the reported score is 10 with a margin of error of ± 2 then the worst possible score is 8. The worst scores for each element were combined to produce a worst possible OPA score.

The results of this exercise are shown in Figure 7.

Figure 7: Upper and lower accuracy limits on OPA for Scottish Water and the poorest performing company in England and Wales



As Figure 7 shows, there is still a gap in customer service performance even allowing for the uncertainty in the quality of information provided.

Chapter 3: Individual performance measures

The individual measures that make up the overall OPA are considered in four areas:

- water supply – pressure, supply interruptions, hosepipe restrictions and drinking water quality;
- sewerage service – sewer flooding incidents and risk of flooding;
- environmental impact – sewage treatment works compliance, leakage and pollution incidents; and
- customer service – speed of handling complaints, billing enquiries and telephone contacts.

Figures 8 to 11 summarise the year-on-year movements in each area against the baseline position that was established in the 2002-03 Customer Service Report, and compares this with performance in England and Wales during 2002-03 to 2004-05.

Figure 8: Reported score for water supply parameters included in the OPA¹⁰

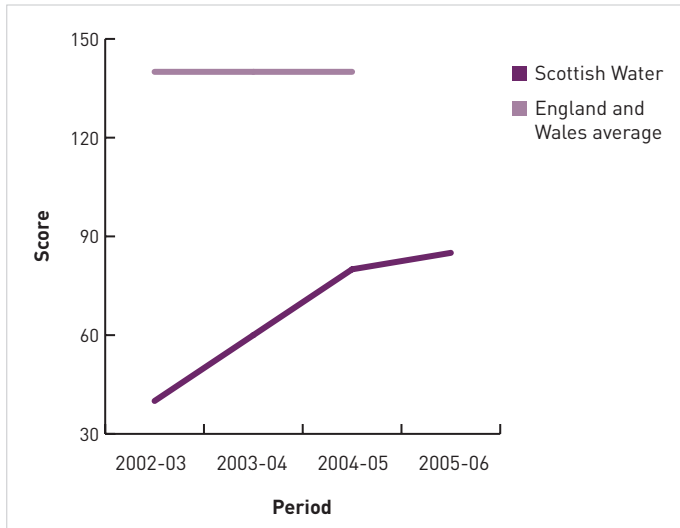
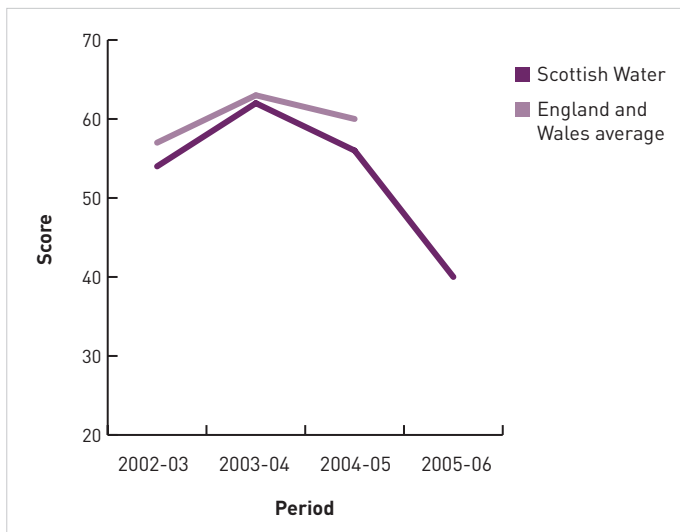


Figure 9: Reported score for sewerage service parameters included in the OPA



¹⁰ Revised version of OPA used by the Commission.

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Figure 10: Reported score for environmental impact parameters included in the OPA

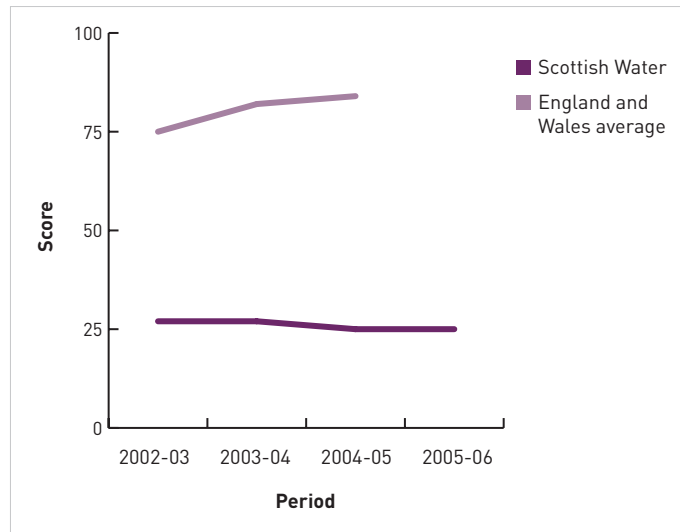
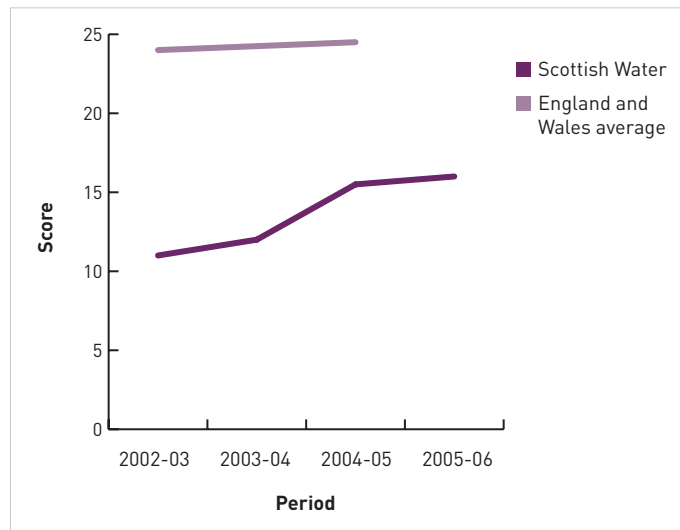


Figure 11: Reported score for customer service parameters included in the OPA



As is shown, Scottish Water’s performance in each area is poorer than that of the companies south of the border. The areas where the gap is most significant are environmental impact and (notwithstanding recent improvements) water supply.

Scottish Water has also reported that its sewerage service performance has deteriorated in the period 2002-03 to 2005-06. This deterioration may be accounted for by improved information on the actual level of service provided to customers.

Chapter 4: How Scottish Water plans to improve customer service

In its delivery plan for the current regulatory control period (published in May 2006) Scottish Water set out its plans to improve customer service performance and outperform the OPA target set in the final determination for the period 2006-07 to 2009-10.

Scottish Water has set itself targets for significant improvement in five measures. These are shown in Table 2.

Table 2: Scottish Water's planned customer service improvements

Measure	OPA scores 2004-05	2009-10 target
Drinking water quality	33.8	43-48
Inadequate pressure	5.2	19-23
Unplanned supply interruptions	17.9	27-30
Leakage	7.5	25
Response to billing contacts	0.9	9.4

If Scottish Water achieves these targets, performance in these measures will be 8% below the average level of service that was provided to customers in England and Wales in 2004-05.

If Scottish Water achieves its target for the number of properties affected by inadequate water pressure, its level of performance will lag behind the average performance in England and Wales by approximately 35%.

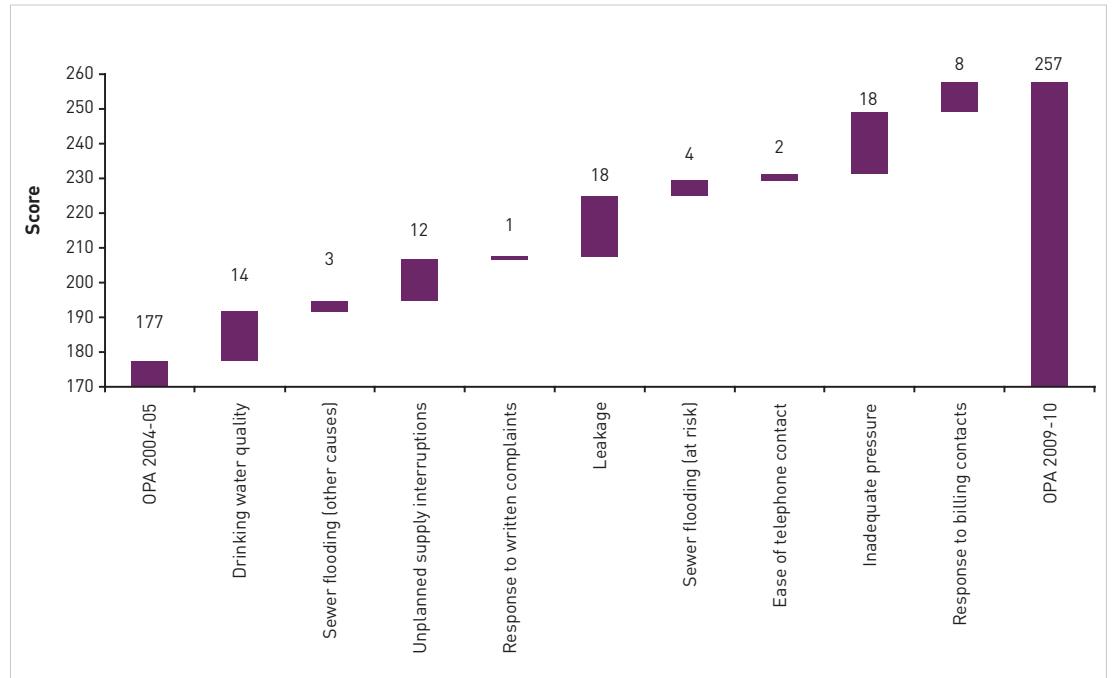
Scottish Water also plans improvement in the following four measures:

- reduction in the number of properties experiencing sewer flooding due to causes other than hydraulic overload;
- reduction in the number of properties at risk of flooding because of sewer overload;
- increase in the speed of telephone answering; and
- responding to written complaints more quickly.

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The planned improvements are shown in Figure 12.

Figure 12: Scottish Water’s planned OPA improvement by specific measures 2006-07 to 2009-10¹¹



Scottish Water’s delivery plan does not forecast improvement in sewage treatment works compliance.

Scottish Water also expects to continue to achieve the maximum score in sewer flooding (overloaded), sewage sludge disposal and in the measure of hosepipe restrictions by avoiding a ban.

Further relative improvement will require Scottish Water to address sewage treatment works compliance and sewer flooding.

The Commission will report on Scottish Water’s performance in the next Customer Service Report, which is due to be published in September 2007.

¹¹ Source: Scottish Water Delivery Plan 2006-2010.

Appendix 1: Components of the OPA assessment

OPA component	Included or not in Scottish Water's OPA	Basis and comparability of measure
Inadequate pressure	Included	Actual performance, equivalent measure
Unplanned supply interruptions	Included	Actual performance, equivalent measure
Hosepipe restrictions	Included	Assumed performance
Drinking water quality	Included	Actual performance, some difference in definition of measure
Sewer flooding (overloaded sewers)	Included	Actual performance, equivalent measure
Sewer flooding (other causes)	Included	Actual performance, equivalent measure
Sewer flooding (at risk)	Included	Actual performance, equivalent measure
Company contact (3 out of 4 measures)	Included	Actual performance, equivalent measure
Assessed customer service	Not included	
Sewage treatment works compliance	Included	Actual performance, equivalent measure
Sewage sludge disposal	Included	Actual performance, equivalent measure
Category 1 & 2 pollution incidents (sewage)	Not included	
Category 3 pollution incidents (sewage)	Not included	
Category 1 & 2 pollution incidents (water)	Not included	
Leakage	Included	Assumed performance

APPENDIX 1

15.09.06



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