

## Assessing Scottish Water's overall service performance

**This note provides guidance to the Customer Forum on how it might wish to approach its assessment of Scottish Water's overall service performance. It also outlines how this approach could be used in creating a regulatory contract for the period 2015-21.**

### Introduction

This note builds on earlier notes for the Customer Forum that we provided in October 2012.

Note 2 gave an outline of the current framework for measuring levels of service performance, and how this framework could be improved for 2015-21. It explained that although we could no longer use the 'overall performance assessment' (OPA) framework for benchmarking Scottish Water, we nevertheless wished to retain an objective, outcome-based measure that accurately reflects the service provided to customers and the environment. We therefore invited the Customer Forum and Scottish Water to propose improvements to the OPA framework, so that it better reflects customers' priorities.

Note 3 gave a brief overview of Scottish Water's performance trends, looked at the latest available comparative information from England and Wales and set out our initial expectations for performance in 2015-21. This was not intended as a firm goal, but rather to assist the Customer Forum in its deliberations with Scottish Water.

### What do customers want from their water company?

This is an area where the Customer Forum will bring greater clarity on what customers value. Our experience to date suggests that, in the broadest of terms, customers expect:

- bills to represent value for money and any increases to be seen to be reasonable (potentially an important input from the Customer Forum);
- the water supply to meet all public health and environmental standards, to taste pleasant, and to be delivered without interruption or restriction;
- that the risk of flooding from water company assets will be kept to a minimum;
- that their waste water will receive the appropriate treatment before it is discharged into the environment;
- to be offered a 'one stop shop' approach to customer service, where queries and problems are resolved first time;
- the water companies to maintain assets for future generations and deliver services in a sustainable way.

### Which measures are currently used?

Most, if not all, water companies already measure their performance against these broad outcomes. Many of the measures that are used are statutory requirements that are monitored by the quality regulators. Other measures have developed into standard reports to economic regulators, while others are common management practice.

Examples of the measures associated with each area of activity are as follows:

Area	Typical measure
Water supply	<ul style="list-style-type: none"> <li>• Drinking water quality compliance</li> <li>• Number of taste and odour complaints</li> <li>• Customer hours without water</li> <li>• Customers affected by use restrictions</li> </ul>
Waste water	<ul style="list-style-type: none"> <li>• Flooding incidents from storms whose intensity is less than X</li> <li>• Number of pollution incidents</li> <li>• Population equivalent served by works meeting discharge consent standards</li> </ul>
Customer service	<ul style="list-style-type: none"> <li>• Number of contacts resolved first time</li> <li>• Speed of response</li> <li>• Customer satisfaction with response</li> <li>• Customer perception of value for money</li> </ul>
Asset maintenance and sustainability	<ul style="list-style-type: none"> <li>• Number of mains bursts</li> <li>• Proportion of sewers in poor condition</li> <li>• Number of days when a treatment works or reservoir suffers an unplanned outage</li> <li>• CO<sub>2</sub> tonnes emitted</li> </ul>

It is important that any measure that is used is not only relevant to customers but also reported in a transparent and consistent way, preferably by independent regulators.

### How may these measures be used?

Customers tend only to pay attention to water and sewerage services if they go wrong in some way or if there is a large or unexpected increase in their price. Consequently measures should be looked at together, but weighted to reflect their relative importance. In doing so it is possible to create an overall assessment of performance. This is what Ofwat did in England and Wales when it developed the original OPA. The OPA was the metric used to measure levels of service performance for the companies south of the border.

The original OPA is no longer directly reported across England and Wales, but it can still be measured. It is important that this continues to happen as it will allow performance to be assessed on a like-for-like basis through time, so retaining management focus.

There is evidence that some companies’ performance on some measures of the OPA has deteriorated since Ofwat stopped monitoring and reporting on OPA performance. However, this need not preclude the Customer Forum from adding to the existing OPA by creating its own forward looking assessment of performance that can form part of a regulatory contract with Scottish Water.

There could still be significant benefits from using a similar framework, provided it objectively measures Scottish Water's performance and reflects the priorities of customers in Scotland. Customer Forum Note 2 set out a number of ways in which the current framework could evolve to achieve this.

It will be important to ensure that, in developing new measures, consideration is given to the full spectrum of customer requirements. The power of such measures to influence behaviour is significant and care is needed to ensure that an undue focus in one area does not adversely impact performance in other important areas. In this regard, it will be important that the Customer Forum works closely with the quality regulators, SEPA and DWQR, in developing the measure.

In outline the Customer Forum could:

- determine the outcomes that are important to customers;
- agree the metrics that best measure these outcomes;
- assign a score or points to each measure; and
- weight the measures to reflect customer priorities.

Any future index need not include the former OPA parameters, although an agreement between the Customer Forum and Scottish Water should allow for the collection of this information.

In doing so it could create an index whose current value is, say, 100. It could then target Scottish Water to achieve a score of X by date Y. Scottish Water's performance can then be evaluated against this target and in conjunction with its position in the financial tramlines.

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