

Customer Service Report 2002-03

Scottish Water

**WATER INDUSTRY
COMMISSIONER
FOR SCOTLAND**

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Foreword

This is the second annual *Customer Service Report*. It examines the level of service provided to customers by Scottish Water in 2002-03 – the first year of operation of the merged corporation.

In last year's annual report (for 2001-02), I said that I intended to use the final year of the three authorities as the baseline against which I would measure Scottish Water's performance. Unfortunately, I am not able to use this report to determine whether or not the level of service provided to customers improved or deteriorated in the first year of operation of Scottish Water. This is because Scottish Water has reassessed the basis of much of the customer service information that was reported by the three former water and sewerage authorities. The report therefore focuses on comparing the levels of service provided to customers in Scotland with those provided to companies in England and Wales.

The level of service described in this year's report will be the baseline against which I will assess Scottish Water's performance. I will ensure that any further moves by Scottish Water to change the basis of reporting will be subject to significant scrutiny. In this regard the introduction of an independent Reporter (as exists for the water industry in England and Wales) will be important.

Customers need to be confident that the service they receive meets their expectations on quality and provides value for money. This is particularly important because bills in Scotland have risen significantly in order to fund increased investment by the water industry. It is crucially important that this investment is effective, and that customers see the benefit of the spending.

Two of the most important indicators of value for money for customers are:

- how reliable the service is; and
- how the industry responds to their enquiries and complaints.

I am disappointed to report that the overall level of service provided to customers in Scotland was significantly lower than that provided by the companies

in England and Wales. The score achieved by Scottish Water was only 38% of that of the worst performing company south of the border. This is a matter of particular concern since the performance of the worst performing company in England and Wales had actually deteriorated year on year. Moreover, Scottish Water is the worst performing company on both the asset and customer contact measures.

The reported level of performance cannot be explained by the relatively poor quality of the information that has been provided. Even if Scottish Water were performing at the best level consistent with the confidence grades provided to us in its regulatory returns, there is still a considerable gap between the level of service provided to customers in Scotland and that available in each company area south of the border.

Efficiency targets are not about cutting costs or about cutting corners in the level of service provided to customers. When I assessed efficiency targets for the *Strategic Review of Charges 2002-06*, I did not penalise the industry in Scotland for its relatively poor customer service. There is therefore no reason why customers should not expect a significant improvement in the level of service.

Moreover, as my annual reports on Costs and Performance and Investment and Asset Management have highlighted, investment per property in the period 1989 to 2006 will be broadly similar in Scotland to that in England and Wales. And the condition of water and sewerage assets in Scotland appears to be no worse than that south of the border. This does not mean that there has not been under-investment in Scotland; it simply means that if there has been under-investment, the extent of any such under-investment is no greater in Scotland than in England and Wales.

I am concerned about the relatively poor level of service that is provided to customers in Scotland. In my methodology consultation for the *Strategic Review of Charges 2006-10*, I have outlined proposals to link the revenue allowed to Scottish Water to defined improvements in the level of service provided to customers. I hope that this, the introduction of the Reporter, and publication of all of the regulatory

information provided to us by Scottish Water will ensure that customers can look forward to a much improved level of service.

A handwritten signature in black ink, appearing to read 'Alan D A Sutherland'.

Alan D A Sutherland
Water Industry Commissioner for Scotland
November 2004

Executive summary

Objectives of the report

This is our second annual *Customer Service Report*. It examines the customer service performance of Scottish Water in the financial year 2002-03. The report assesses individual elements of Scottish Water's customer service and also assesses its overall customer service performance.

An important objective of this report is to establish Scottish Water's baseline performance in what was its first full year of operation. This will provide a reference point against which future performance will be assessed.

The report also aims to put Scottish Water's baseline performance into context by comparing it with performance of the water industry in England and Wales. This will provide an indication of the improvements in performance that customers can reasonably expect to see in future years.

Information

Customer service regulation relies on information. Effective regulation requires that this information:

- should be detailed and comprehensive; and
- should be reliable and accurate.

Sources of information

Our principal sources of information are the information returns submitted to us by Scottish Water. Each year, Scottish Water provides us with detailed information on all aspects of its business in its Annual Return. It also provides us with quarterly reports on its customer service performance.

We also collect information on Scottish Water's performance through our contact with customers. Customers' views are important to us because they indicate priorities and areas of particular concern.

We receive customer views from several different sources, including:

- written and telephone complaints about Scottish Water's performance;
- meetings with individual customers and customer representative groups; and
- investigations of particular incidents that impact on customer service (the cryptosporidium incident in Glasgow in 2002 is a notable example).

If problems arise, customers expect Scottish Water to resolve them properly. We carry out quality audits to ensure that Scottish Water does not compromise the standard of responses in order to meet targeted deadlines. A key measure of quality is whether a complaint is dealt with in a way that addresses the customer's concern, is easy to understand and is courteous.

Information quality

The quality of the information we receive from Scottish Water affects the analysis that we can do.

We need good quality information so that we can assess Scottish Water's performance accurately. This allows us to monitor Scottish Water's ongoing performance relative to the baseline performance.

Unfortunately, confidence grades for much of the information in Scottish Water's 2002-03 Annual Return are relatively poor. They are worse than those for the information that is provided to the Office of Water Services (Ofwat) by the companies in England and Wales.

The way forward

We will introduce a Reporter (an independent technical auditor) to scrutinise how Scottish Water derives the information it submits to us. Over time this will ensure that the confidence grades around information improve. We will also publish the Annual Return. This will allow other people to examine the information.

Our approach to assessment

Individual service indicators

In this report we outline performance for individual measures of customer service. We compare performance on these measures with those of the water and sewerage companies in England and Wales.

We look at the measures in two broad groups:

- ‘Asset performance measures’, which relate to the water supply and sewerage infrastructure. These measures indicate how reliable the service is, and include aspects of service such as water pressure, interruptions to water supply and sewer flooding; and
- ‘Customer service measures’, which depend on people and processes, rather than the infrastructure. This covers how the industry responds to customer enquiries and complaints.

Combined service indicators

We assess performance for those service areas that are most indicative of the service that customers experience.

The ‘overall performance assessment’ (OPA) combines results for individual service level measures with other information about performance in drinking water quality and environmental compliance.

The OPA provides a single score that allows us to rank Scottish Water alongside the water and sewerage companies in England and Wales. Single major incidents do not have a direct impact on the OPA. For example, a cryptosporidium outbreak (such as the one in Glasgow in 2002) is an example of poor performance. However, the OPA will not directly reflect the inconvenience that is caused to customers by such a service level failure. The OPA could, however, be indirectly impacted by, for example, an increased number of phone calls or complaints from customers.

The areas of service included in the OPA mirror the two broad categories for the individual measures. We can

assess customer service and asset performance separately. This allows us to rank Scottish Water's performance alongside that of the companies in England and Wales for each area.

Performance

Asset measures

The table below summarises Scottish Water's performance on individual asset measures. It also compares this performance with that of the industry in England and Wales. It shows that performance compares poorly with that in England and Wales for each of the measures.

Table 1: Summary of Scottish Water's asset performance

Performance measure	Scottish Water's performance	Performance relative to that in England and Wales
Pressure		
Proportion of properties experiencing low pressure	63 out of every 10,000 properties	Worse than any water and sewerage company in England and Wales
Planned supply interruptions		
Percentage of properties experiencing a planned interruption	5.1%	Higher than the England and Wales average
Number of properties affected per kilometre of mains renewed	268	Higher than the England and Wales average
Percentage of properties not restored within 4 hours of the stated time	0.2%	Comparison not possible because different timebands collected
Unplanned supply interruptions		
Percentage of properties experiencing an unplanned interruption	5.4%	Higher than all but one water and sewerage company in England and Wales
Proportion of properties where supply is not restored within 12 hours	12 out of every 10,000 properties	Higher than all but one water and sewerage company in England and Wales
Sewer flooding		
Proportion of properties experiencing sewer flooding	3.2 out of every 10,000 properties	Higher than all but one water and sewerage company in England and Wales
Proportion of properties classified as 'at risk' of sewer flooding	Once in ten years: 23 out every 100,000 properties. Twice in ten years: 22 out of every 100,000 properties.	Higher than all but two water and sewerage companies in England and Wales for service in ten years; but a relatively good performance for once in 10 years.

Customer service measures

The table below summarises Scottish Water's performance on individual customer service measures. Again, it compares this performance relative to that of the industry in England and Wales. It can be seen that performance compares poorly on most of these

measures. The exception is the percentage of complaints answered within five working days.

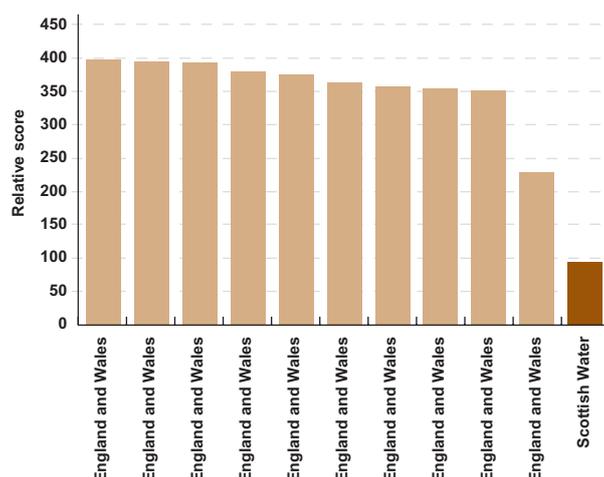
Table 2: Summary of Scottish Water’s customer service performance

Performance measure	Scottish Water’s performance	Performance relative to that in England and Wales
Billing enquiries		
Number of billing contacts	233,555	Low relative to companies in England and Wales
Percentage of enquiries answered within 5 working days	79.9%	Lower than any company in England and Wales
Percentage of enquiries answered within 10 working days	94.8%	Lower than any company in England and Wales
Written complaints		
Number of written complaints per thousand properties	3.4	Lower than the England and Wales average
Percentage of written complaints responded to within 5 working days	58.9%	Higher than the England and Wales average
Percentage of written complaints responded to within 10 working days	97.8%	Lower than any company in England and Wales
Percentage of written complaints responded to in over 20 working days	1.1%	Lower than any company in England and Wales
The quality of written responses	Target performance met in 44% complaints	Comparison not possible with England and Wales
Telephone contacts		
Percentage of telephone calls abandoned	3.5%	Worse than all but one water and sewerage company in England and Wales
Percentage of calls answered within 30 seconds	90.1%	Worse than all but one water and sewerage company in England and Wales

The overall performance assessment

The OPA determines how Scottish Water performs across all aspects of customer service. Scottish Water’s overall performance lags behind all of its peers in England and Wales. This is shown in Figure 1.

Figure 1: Relative overall performance in 2002-03



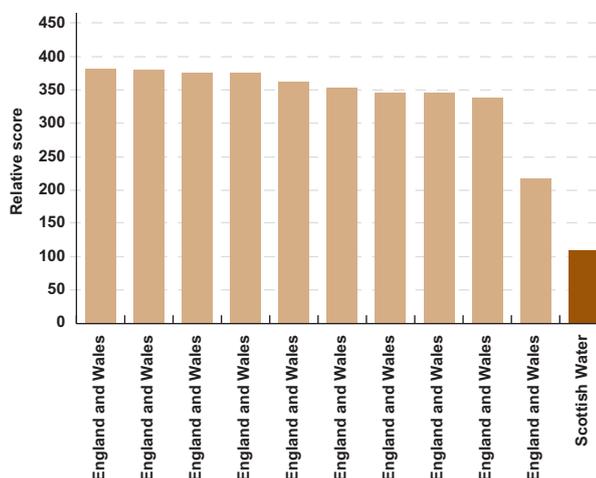
Even allowing for any uncertainty about Scottish Water’s performance caused by poor information quality, Scottish Water’s overall performance does not match that of the industry in England and Wales. In other words even if Scottish Water’s performance was at the top end of the range implied by its confidence grades and the laggard company south of the border was at the bottom end of its range, performance in Scotland would still be the worst in Great Britain.

We also assess overall performance in the two service areas of asset performance and customer service measures.

Asset performance OPA

Figure 2 shows Scottish Water’s performance on asset measures relative to that of the industry in England and Wales. Scottish Water’s performance is poor.

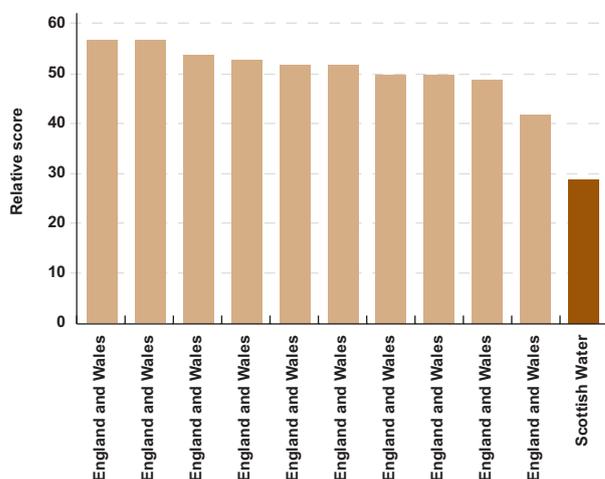
Figure 2: Relative performance for asset performance measures 2002-03



Customer service OPA

Scottish Water’s customer service performance trails that of the companies in England and Wales, as shown in Figure 3. However, the gap is not as marked as for asset performance measures.

Figure 3: Relative performance for customer service measures 2002-03



Cryptosporidium incident

In August 2002, higher than normal levels of the parasite cryptosporidium were found in the water supply for parts of Glasgow. A notice to boil water was issued to 140,000 customers. Scottish Water's handling of the incident was widely criticised.

We investigated the incident with a focus on customer service aspects. Our main findings were that Scottish Water's approach to managing information was reactive and there was a lack of positive communication with both household and business customers. We also found that Scottish Water did not have an effective register of vulnerable customers.

Future priorities

We trust that the introduction of the Reporter and publication of Scottish Water's Annual Return will provide positive incentives to improve both performance and the information provided to us.

The level of service documented in this report will represent a baseline from which we will assess any improvement or deterioration in the level of service provided to customers.

Chapter 1

Introduction

Each year we report on progress in the Scottish water industry in three annual reports. These are:

- a costs and performance report,
- a report on the investment and asset management of the industry, and
- a report on the service provided to customers by Scottish Water.

This is our second annual *Customer Services Report*. It covers Scottish Water's first year of operation following its creation from the three water authorities in 2002.

In our first report we examined the level of service performance of the three former authorities. We also produced a combined figure for the performance of Scotland overall. This provided a closing position for the service provided by the authorities.

In this report we examine the level of service performance of Scottish Water in its first full year. This will provide a base from which to track Scottish Water's future performance.

The measures of service that we use to report on Scottish Water's performance cover aspects of service relating both to how reliable the service is and how well Scottish Water deals with enquiries and complaints from customers.

For each measure of service, we make the following assessments:

- How Scottish Water performed in 2002-03; and
- How Scottish Water's performance compares with that of the water and sewerage companies in England and Wales for the same period.

In addition, we highlight the importance of good quality information to the regulatory process. We also discuss those areas of service where improvement will be necessary in order to match best practice elsewhere.

We would like to have presented an analysis of how Scottish Water's performance compared with that of the three authorities in their last year of operation. Unfortunately, such significant revisions to important information about the levels of service provided render such comparisons invalid. A strict interpretation of the information available would suggest deterioration in the level of service; however, we do not consider that the information which Scottish Water has provided to us is sufficiently robust for us to draw such a definitive conclusion.

This report contains nine chapters. Chapter 2 sets out the sources of information we use and our concerns about information quality. Chapter 3 explains the methods we use to assess performance. In Chapter 4 we examine Scottish Water's performance on asset performance measures and compare this to that of the companies in England and Wales. In Chapter 5 we do the same for customer service measures. Chapter 6 sets out Scottish Water's overall performance assessment compared with the water and sewerage companies in England and Wales.

In Chapter 7 we examine the customer service aspects of the cryptosporidium incident in Glasgow in August 2002. Chapter 8 reports on the Guaranteed Minimum Standards.

In Chapter 9 we set out our conclusions and priorities for the future.

Chapter 2

Information

2.1 Why we need information

All regulators collect information about the customer service performance of the companies they regulate. Information is essential to the process of analysing current performance and influencing the future performance of a regulated utility.

This Office uses both quantitative and qualitative information about Scottish Water's customer service performance. We require this information from Scottish Water in order to undertake the following tasks:

- Define Scottish Water's baseline quality of service performance. Scottish Water is a new company that was formed from the merger of the three former water authorities. It is important to measure and to understand how well Scottish Water is performing in terms of the customer service it provides;
- Set objectives and identify priorities for future performance. It is possible that some aspects of Scottish Water's performance will be better than others. We need performance information in order to be sure that Scottish Water is focusing its efforts in appropriate areas; and
- Monitor Scottish Water's ongoing performance. We will monitor performance relative to the baseline and the objectives and priorities that have been set. An example of such an objective would be the *Quality and Standards II* requirement that sewer flooding does not worsen during the period. The knowledge that customer service performance will be monitored and the results published provides Scottish Water with an incentive to improve that performance.

2.2 Sources of information

We draw our information from a variety of sources, including Scottish Water and other key stakeholders such as water and sewerage service customers, their representatives, and other third parties¹. This ensures that we are able to form a balanced view of Scottish

Water's performance and are not unduly influenced by information from any single stakeholder.

Scottish Water

The Annual Return

We require Scottish Water to provide us with detailed information on an annual basis on all aspects of its water and sewerage services. This Annual Return covers the preceding financial year, April to March. It includes information about a wide range of subjects, from the number of customers to the total length of water mains. It also provides information for the customer service measures examined in this report.

WIC5

In our regulatory letter WIC5 (21 June 2000)² we asked Scottish Water to provide us with a quarterly report on customer service performance. The report covers two main areas:

- Performance against Scottish Water's 'Guaranteed Minimum Standards', which are:
 - speed of response to written and telephone billing enquiries;
 - speed of response to written and telephone complaints;
 - timely restoration of planned and unplanned supply interruptions;
 - keeping appointments; and
 - flooding from sewers.
- Performance on particular areas of customer service, such as the number of supply interruptions. Not all Annual Return items are covered by the WIC5 report. For example, WIC5 does not report on the number of customers subject to low water pressure. This is because it is not yet a Guaranteed Minimum Standard.

The WIC5 returns provide a useful supplement to the Annual Return. The quarterly reports enable us to carry out the following analyses:

¹ For instance, contractors or suppliers to the industry.

² Published in the *Strategic Review of Charges 2002-2006*, Section 9, Appendix F.

- Look at the causes of year-on-year changes in the Annual Return information. We are able to identify whether one particular quarter is the cause of a change, or whether it reflects all four quarters. This is useful when we are seeking to identify whether changes in the annual information are likely to be permanent;
- Identify seasonal patterns that are not obvious from the annual information. We are able to examine the impact of specific events, such as billing or bad weather, on the performance of a particular quarter;
- Anticipate performance issues that are likely to appear in the Annual Return submission. If the first two or three quarters are very different from the previous year then we can anticipate that the Annual Return is likely to record a significant change relative to the previous year; and
- Cross-check information in the Annual Return. We ask Scottish Water for an explanation of any inconsistencies between the Annual Return and the WIC5 submissions. However, the Annual Return is the definitive statement of Scottish Water's performance.

Quality performance audits

Although the Annual Return tells us how many complaints or enquiries Scottish Water receives, and how quickly it responds to them, it does not give any indication of the quality of those responses. We therefore carry out 'quality performance' audits of Scottish Water's responses to complaints. Each audit reviews 100 cases that are selected at random.

These audits provide an additional insight into Scottish Water's contact with customers, such as how clear and friendly the response is and how well the complaint is addressed.

During the audit we check that the Guaranteed Minimum Standards and Scottish Water's Code of Practice are

being adhered to. The results of the audits are discussed in Chapter 5.

Customer complaints

If a customer has cause to complain to Scottish Water, and is unhappy with the response they receive, then they can refer that complaint to us. We have a statutory duty to investigate any complaints that have not been resolved by Scottish Water. We investigate further on the customer's behalf, and strive to achieve a satisfactory resolution of the situation. All of the complaints that we receive are recorded, investigated and analysed.

Information about the complaints we received in 2002-03 is contained in Chapter 5.

Customers and customer representatives

Although customer complaints are a useful indicator of the issues that are important to customers, not all customers complain or make their views known without prompting. We therefore consult extensively with household and non-household customers about their perception of the industry and the issues it faces:

- During the period covered by this report we met with representative groups (such as the Federation of Small Businesses and the Scottish Consumer Council) and held 21 public meetings across Scotland. These meetings provide good opportunities for customers to express their views to the Commissioner;
- The large user group also met on a regular basis, providing the Commissioner with the views of Scottish Water's large business customers; and
- The role of the five independent Water Customer Consultation Panels is to represent the views of customers of Scottish Water³. The panels have the power to make recommendations to the Water Industry Commissioner.

³ In April 2002, the three former Consultative Committees were replaced by the five independent Water Customer Consultation Panels.

Investigations

Where necessary, we also ask for information about specific issues that are not covered in the annual report. For example, we asked for information about the cryptosporidium incident in Glasgow in August 2002. The incident is discussed in Chapter 7.

Other sources of information in this report

In this report we compare Scottish Water's performance with that of the industry in England and Wales. The information for England and Wales that we use for our comparisons comes from:

- the 2002-03 Ofwat report *Levels of service for the water industry in England and Wales*; and
- the 2003 Ofwat *June Return for the water industry in England and Wales*.

2.3 Information quality

How information quality is measured

It is essential that we understand the quality of the information that we have, so that we can use the information in an appropriate way. It also allows us to identify areas of information quality that must be improved.

The Annual Return should provide a definitive picture of Scottish Water's performance. As the quality of the information is integral to the process of monitoring performance, Scottish Water is required to provide an indicator of the quality of each number it submits in its Annual Return. Scottish Water therefore assigns a confidence grade to each piece of information⁴. This is made up of a letter indicating the reliability of the information and a number indicating its accuracy.

Reliability

The reliability of a piece of information depends on the way in which it is gathered.

- A** Sound written records, procedures, investigations or analyses that are properly documented and are the best method of assessment.
- B** The assessment has minor flaws such as partial use of old assessment, missing documentation, unconfirmed reports or extrapolation.
- C** Extrapolation from limited samples of grade A or B information.
- D** Unconfirmed verbal reports, cursory inspections or analyses.
- M** Information not available.

Accuracy

The level of accuracy assigned to pieces of information by Scottish Water is a measure of how much confidence it has in the quality of the number.

1 ± 1%

2 ± 5%

3 ± 10%

4 ± 25%

5 ± 50%

6 ± 100%

X For very small numbers where accuracy cannot be calculated or the error could be more than 100%.

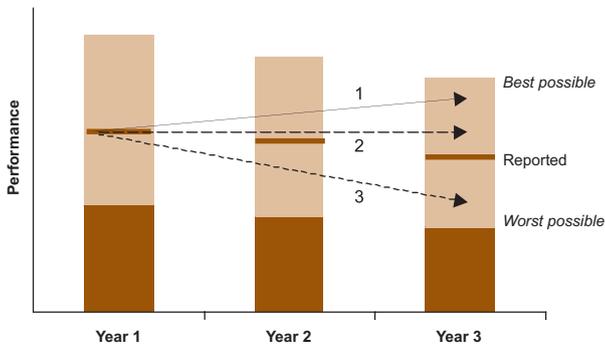
Reported information quality in 2002-03

Scottish Water reported confidence grades for the Annual Return that are broadly comparable with the low end of the range in England and Wales.

Figure 2.1 illustrates how the confidence grade that is assigned to reported information can affect year-on-year comparisons.

⁴ Scottish Water is not required to assign confidence grades in other submissions to us, such as WIC5.

Figure 2.1: Illustration of impact of confidence grades on year-on-year comparisons



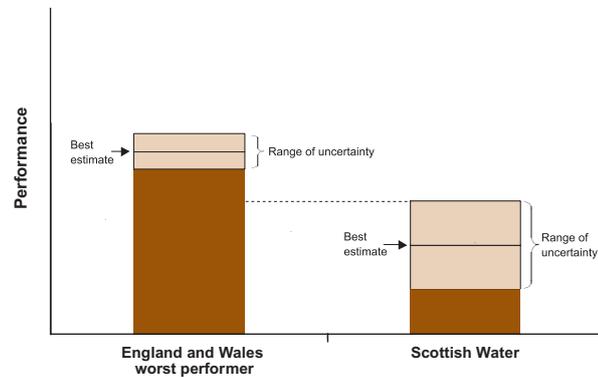
The reported performance as shown by the bars is deteriorating gradually. However, confidence grades make it difficult to be certain how performance has actually changed. Taking the same starting point in year 1, the arrows show how performance could be changing within the range of uncertainty. Arrow 1 suggests that performance may actually have improved, contrary to the reported performance. Arrow 2 suggests that performance has remained the same. Arrow 3 suggests that it has declined at a faster rate.

As Figure 2.1 shows, we need good quality information with higher confidence bandings in order to be able to make judgements about year-on-year performance with real certainty.

Ability to make comparisons with England and Wales

Figure 2.2 illustrates how the confidence grade for reported information can impact on comparisons with the companies in England and Wales.

Figure 2.2: The impact of confidence grades on our comparison with the worst performing company in England and Wales



We recalculated the OPA scores for Scottish Water and those of the worst performing company in England and Wales on the basis of the best and worse performance for each measure implied by the relevant confidence grades. These were then combined to create a best case overall score and a worst case overall score for both companies. The best and worst case scores provide an indication of the possible range of performance.

These scores are examined in detail in Chapter 6. However, it is clear that even at the top end of the possible range, Scottish Water's performance does not match the worst possible performance of the most poorly performing company in England and Wales.

2.4 The way forward

In England and Wales, independent technical auditors, known as Reporters, verify the methods used by companies to derive regulatory information for Ofwat. This detailed scrutiny helps to ensure that information is reliable and unbiased.

We will introduce a Reporter for Scottish Water in time for the 2003-04 Annual Return. Over time we would expect that the Reporter will help to ensure the accuracy of the regulatory information we use, and will allow us to make increasingly robust comparisons of detailed performance with companies south of the border.

We plan to publish Annual Return information for 2003 on our website⁵. This will provide Scottish Water's customers with the same opportunities to scrutinise information that are currently enjoyed by customers in England and Wales.

We will undertake audits where we suspect, or it is noted by the Reporter, that the confidence grade is not accurate.

⁵ www.watercommissioner.co.uk

Chapter 3

Approach to assessment of performance

3.1 General approach

In this report we adopt the same approach that Ofwat uses in its annual report on the levels of service performance of the companies in England and Wales. Where possible, we examine the same measures of performance. Most of the information that we collect in the Annual Return is defined in the same way. This enables us to compare Scottish Water's performance with that of the companies south of the border.

We collect and analyse information on a series of individual measures of service. We assess performance for those service areas that are most indicative of the service that customers experience. This assessment focuses on measures such as how quickly supply is restored after an interruption and how quickly Scottish Water deals with complaints.

In examining Scottish Water's customer service we are primarily assessing two aspects of performance:

- Performance of the infrastructure and how Scottish Water manages problems with the infrastructure that impact on customers. The infrastructure for supplying water and handling waste water is generally reliable. However, occasionally it will go wrong and the service that customers receive will deteriorate. For example, a burst water main can lead to low water pressure or an interruption to supply. This is obviously an inconvenience to customers; however, the length of time that Scottish Water takes to fix the problem is likely to be equally important; and
- How well Scottish Water deals with customers – this includes factors such as how long it takes to respond to complaints and how long it takes to answer the phone.

The individual measures of performance in each category are outlined below.

3.2 Asset performance measures

Asset performance measures cover areas of service that depend on the water supply and sewerage infrastructure. We use the following measures:

- properties receiving a supply of water at low pressure;
- properties affected by planned and unplanned interruptions to supply;
- the speed with which supply is restored after interruption; and
- properties at risk of sewer flooding.

3.3 Customer service measures

Customer service measures assess areas of service that depend more on the management and employees of the organisation. We use the following measures:

- number of enquiries and written complaints;
- speed of response to billing enquiries;
- speed of response to written complaints; and
- speed with which telephone calls from customers are answered.

Failure to respond quickly, accurately and efficiently to customers can cause irritation; it also imposes an administrative burden on business customers.

In addition to these measures, we also consider the quality of Scottish Water's responses. We do this through audits of a sample of customers' complaints to Scottish Water. The audits focus on whether or not a response to a complaint is reasonable and courteous.

These performance measures and customer service measures allow us to compare Scottish Water's performance with that of the water and sewerage companies in England and Wales. In future, we also intend to conduct year-on-year comparisons using 2002-03 as a base year. This will provide information about whether or not differences in performance between Scottish Water and the English and Welsh companies are closing or widening.

3.4 The overall performance assessment

The 'overall performance assessment' (OPA) combines results for individual service level measures with other information about performance on drinking water quality and environmental compliance⁶.

We determine the OPA by calculating a single score based on Scottish Water's performance on individual measures and the degree of importance that customers place on each one.

Our OPA assessment builds on the work that Ofwat has carried out in England and Wales. Ofwat produces an OPA for each company then ranks them according to their individual scores.

By calculating an OPA score for Scottish Water we can rank it alongside the water and sewerage companies in England and Wales. This shows us where Scottish Water stands in relation to its peers. Over time it will also show if Scottish Water's relative performance is improving or deteriorating.

We also break down the OPA into two parts to reflect our view that service can be seen as either asset related or customer service related.

These two assessments allow us to rank Scottish Water's performance alongside that of the companies in England and Wales, giving us a picture of its relative performance in these two key areas.

3.5 Other indicators of service quality

Other incidents that may impact on customer service performance, but which are not captured by our standard measures, are considered as and when they arise.

The cryptosporidium incident that occurred in 2002 is a case in point. Scottish Water's handling of the incident is discussed in Chapter 7.

⁶ The Drinking Water Quality Regulator provides us with information about drinking water quality. Information about environmental compliance is included in the Annual Return which Scottish Water supplies to us.

Chapter 4

Asset performance measures

4.1 Introduction

In this chapter we examine Scottish Water's performance against each individual asset performance measure.

Much of the money raised from customers is spent on maintaining or replacing infrastructure assets. The infrastructure includes water mains, sewers and water and sewage treatment works. It is essential that these assets are kept in good working order. If they do not work properly, customers will not receive a constant supply of water at a reasonable pressure and sewers may not provide adequate and reliable drainage.

We analyse below the results in 2002-03 for four asset performance measures:

- pressure;
- planned supply interruptions;
- unplanned supply interruptions; and
- sewer flooding.

This provides a reference point against which we can measure Scottish Water's performance on asset measures in future years. It will enable us to determine the degree of improvement (or deterioration) in performance on each measure.

For each measure, we also compare Scottish Water's performance with that of the companies in England and Wales. This shows whether or not Scottish Water is achieving standards that are consistent with the rest of the industry in the UK. If its performance is below standard, the comparison shows the extent of improvement required. Scottish Water's performance on asset measures relative to that of the industry in England and Wales is summarised in Table 4.1.

Table 4.1: Overview of Scottish Water's asset performance

Performance measure	Scottish Water's performance	Performance relative to that in England and Wales
Pressure		
Proportion of properties experiencing low pressure	63 out of every 10,000 properties	Worse than any water and sewerage company in England and Wales
Planned supply interruptions		
Percentage of properties experiencing a planned interruption	5.1%	Higher than the England and Wales average
Number of properties affected per kilometre of mains renewed	268	Higher than the England and Wales average
Percentage of properties not restored within 4 hours of the stated time	0.2%	Comparison not possible because different timebands collected
Unplanned supply interruptions		
Percentage of properties experiencing an unplanned interruption	5.4%	Higher than all but one water and sewerage company in England and Wales
Proportion of properties where supply is not restored within 12 hours	12 out of every 10,000 properties	Higher than all but one water and sewerage company in England and Wales
Sewer flooding		
Proportion of properties experiencing sewer flooding	3.2 out of every 10,000 properties	Higher than all but one water and sewerage company in England and Wales
Proportion of properties classified as 'at risk' of sewer flooding	Once in ten years: 23 out of every 100,000 properties. Twice in ten years: 22 out of every 100,000 properties.	Higher than all but two water and sewerage companies in England and Wales for service in ten years; but a relatively good performance for once in 10 years.

4.2 Pressure

Issue

Customers expect their supplier to provide a supply of water at a pressure that is sufficient for domestic purposes (cleaning, drinking, washing and cooking). When customers turn on their tap, water should come out at a steady flow, neither too slow nor too fast.

Inadequate pressure can occur for several reasons. There may be insufficient pumping capacity or the mains pressure may be kept low to minimise the risk of bursts. Without adequate pressure some household appliances, such as boilers and electric showers, may not work. Low pressure also causes other inconvenience to customers; for example, it can cause a cistern to take a long time to refill.

Because of these possible impacts, Scottish Water undertakes to provide a supply at the customer’s tap at a ‘reference level’ of pressure⁷.

Performance

- In 2002-03, 14,942 properties were reported as experiencing low pressure⁸.

However, there are difficulties in interpreting this information:

- First, Scottish Water has assigned relatively low confidence grades to the information compared with that which is provided by companies in England and Wales (see comparisons with England and Wales). This suggests that the information has not been thoroughly reviewed and analysed since 2001-02; and
- Second, in the last two Annual Return submissions Scottish Water has sought to explain the current year’s performance by reassessing the information provided about previous year’s reported performance. This is summarised in the table below:

Table 4.2: Scottish Water’s re-assessment of Annual Return information

Annual Return year	Scottish Water’s Comment
2002-03	The 2001-02 figure was an understatement
2001-02	The 2000-01 figure was an overstatement

Scottish Water’s comments about the previous year’s information reduce the validity of year-on-year comparisons.

4.2.3 Comparison with England and Wales

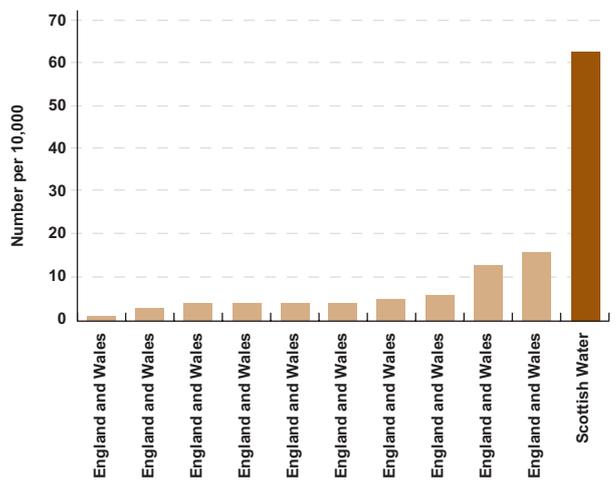
We compared performance by Scottish Water in attaining the ‘reference level’ for pressure with that achieved by the industry in England and Wales:

- In Scotland, 63 out of every 10,000 properties were affected by low pressure in 2002-03;

- In England and Wales, 6 out of every 10,000 properties were affected by low pressure in 2002-03; and
- For the poorest performing company in England and Wales, 16 out of every 10,000 properties were affected by low pressure in 2002-03.

This difference in relative performance is shown in Figure 4.1.

Figure 4.1: Number of properties affected by low pressure



The respective confidence grades for the information in Scotland and in England and Wales are as follows:

- Scotland C3 to C5 (± 10% to ± 50%); and
- England and Wales A2 to B3 (± 5% to ± 10%)

Even allowing for these margins of error in the information, it is clear that Scottish Water’s performance is poorer than that of the industry in England and Wales.

Next steps

Scottish Water is developing its understanding of the condition and performance of its assets. Information is stored in its integrated network management system.

⁷ This reference level of pressure enables water to reach the top floor of a house at a pressure of ten metres head. This means that the water should reach a storage tank in the attic of a two-storey house or fill a nine-litre bucket in one minute. As internal plumbing can affect whether this is possible, an alternative measure of 15 metres of head in the water main serving the property is used.

⁸ That is, pressure below the reference level.

Last year we noted that Scottish Water had set itself a target that 60% of the network would be covered by the system by the end of March 2004. This target has not been met. We are seeking to understand when this work will be complete.

It is vital that Scottish Water develops a sound understanding of its assets. Only in this way will it be equipped to deal with poor pressure effectively and to target maintenance and replacement of the infrastructure in an efficient way.

We will continue to monitor Scottish Water's progress towards its target. We will also ask the Reporter to examine the methods Scottish Water uses to collect and report information about water pressure.

4.3 Supply interruptions – planned

Issue

When Scottish Water needs to carry out work on the water supply network it is sometimes necessary to cut off the supply to some customers temporarily.

Planned interruptions can impact on customers in two ways: the initial inconvenience of being cut off, and the inconvenience caused if supply is not restored at the promised time.

We monitor the impact on customers by collecting information in three areas:

- the number of planned interruptions;
- the number of properties affected by planned interruptions; and
- the proportion of cases where supply is not restored within the stated time.

The number of planned interruptions

The number of planned interruptions is a reflection of the amount of work that Scottish Water is carrying out on its water mains. If more work on the network is being undertaken, then we might expect the number of planned interruptions to rise.

The number of planned interruptions can be interpreted in different ways. A low level of planned interruptions might be expected if the network is in good condition and requires minimal upkeep. If this were the case we would expect to see good performance on other asset measures, such as a low number of unplanned interruptions and few customers affected by inadequate pressure. A low level of planned interruptions might also be indicative of insufficient maintenance. This might be reflected in poor performance on other asset measures.

Performance

- There were 3,661 planned interruptions in 2002-03.

We can translate this into a measure of Scottish Water's activity on its water mains. We do this by looking at the number of planned interruptions that occur, on average, per 100km of mains. This provides us with a reference point against which to consider Scottish Water's future performance in this area.

- There were 7.9 planned interruptions per 100km of water main in 2002-03.

This performance takes place against a background of a reduction in the mains rehabilitation programme, particularly in the north of Scotland.

Scottish Water also reports that some of the work it is carrying out is not being recorded adequately. The reported performance is therefore unlikely to reflect the true number of planned interruptions.

Unfortunately, comparison with England and Wales is not possible as the companies do not report the number of planned interruptions to Ofwat.

The number of properties affected by planned interruptions

The number of properties affected will depend on the number and location of the interruptions. An interruption in an urban area will almost certainly have an impact on more properties than one in a rural area.

Through good operational practice, it is possible to minimise the number of planned interruptions when undertaking work on the network. When planning to interrupt the supply, Scottish Water can take steps to minimise the number of properties affected. In some areas, for example, it may re-route flows on the network so that properties that would otherwise have lost supply continue to receive a service.

It is also vital that when Scottish Water plans to interrupt supply, sufficient warning is given to all those customers who will be affected. This provides customers with the opportunity to minimise the impact of any disruption. Insufficient or inaccurate warning attracts a Guaranteed Minimum Standard payment that customers can claim from Scottish Water.

Performance

- 121,881 properties were affected by planned interruptions in 2002-03.
- This is equivalent to 5.1% of all properties experiencing a planned interruption, or an average of 33 properties affected per interruption.

Scottish Water's reduction in its mains rehabilitation programme in the north of Scotland suggests that the number of planned interruptions, and the number of properties affected, is smaller than it might have been.

Comparison with England and Wales

We compared the percentage of properties affected by planned interruptions for Scottish Water with that of the companies in England and Wales:

- In 2002-03, 5.1% of properties in Scotland experienced a planned interruption.
- For the same period, 2.2% of properties in England and Wales experienced a planned interruption.

Scottish Water's performance relative to that of the water and sewerage companies in England and Wales is

shown in Figure 4.2⁹. One company south of the border reported a large increase in its water mains rehabilitation programme in 2002-03 and its customers therefore experienced a significant increase in planned interruptions.

Figure 4.2: Percentage of properties experiencing a planned interruption

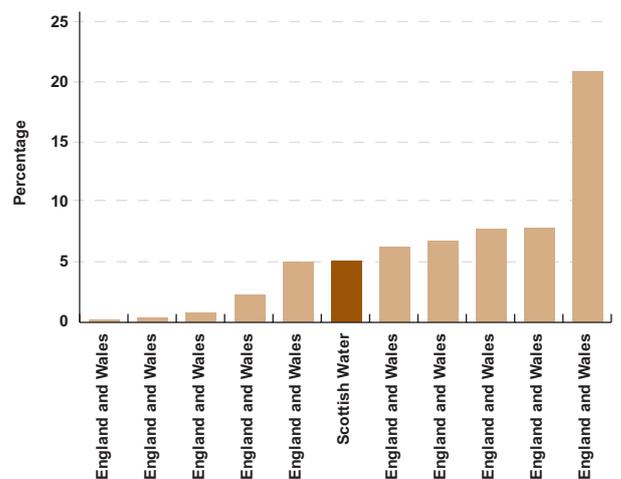


Figure 4.3 shows the average number of properties affected by a planned interruption for every kilometre of mains renewed or relined during 2002-03. This analysis confirms that performance in Scotland is below the average performance provided to customers in England and Wales. Given that Scottish Water serves an area with a much lower population density than that in England and Wales¹⁰, there are two possible reasons for the difference in reported performance:

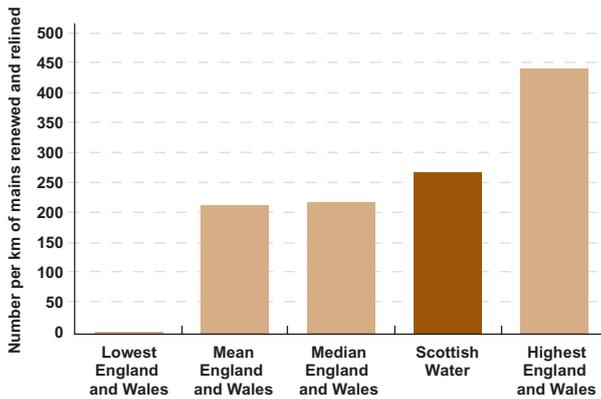
- operations are carried out in a more disruptive way in Scotland; or
- mains renewal is targeted at densely populated areas to provide better infrastructure for a greater number of customers.

Scottish Water has been testing ways to minimise disruption. We hope that this will improve its performance relative to that of the industry in England and Wales.

⁹ The industry figure of 2.2% of properties subject to a planned interruption is lower than would be expected from figure 4.2 because of relatively few properties experiencing planned interruptions by the smaller 14 water only companies in England and Wales. These are not shown in the figure.

¹⁰ England 380, Wales 141 and Scotland 65 people per square kilometre respectively, Office of National Statistics, 2002.

Figure 4.3: Number of properties affected by planned interruptions per km of water mains renewed in 2002-03



Next steps

Any operational changes that reduce the inconvenience caused to customers are to be welcomed. We will continue to monitor performance in this area to ensure that the number of customers affected by planned interruptions is kept to a minimum.

We will also continue to monitor Scottish Water's investment programme, in particular the impact this has on the number of planned interruptions. Any reduction in planned interruptions should be achieved through better operational practices, not by deferring vital maintenance work.

Restoring supply within the stated time

It is important for customers that, when a planned interruption takes place, Scottish Water takes steps to minimise disruption, give adequate notice and provide a realistic estimate of when supply will be restored.

Customers affected by a planned supply interruption should not have to suffer the further inconvenience caused by late restoration of supply. It would, of course, be unacceptable for Scottish Water to overestimate the length of time the interruption is likely to take in order to allow itself more time to finish the work.

Performance

- 0.2% of properties subject to planned interruptions were not restored within four hours of the stated time.

Performance on this measure appears to be good. However, Scottish Water has stated that not all of the work it carries out is recorded. The actual level of performance may therefore be different from the reported performance.

Comparison with England and Wales

Disruption to customers by planned supply interruptions can be minimised by restoring supply as soon as possible and certainly within the time stated. Unfortunately, we are unable to compare the number of planned interruptions exceeding the stated restoration time with performance in England and Wales. This is because we collect information for restoration 1 and 4 hours after the stated time, whereas Ofwat collects it for 6, 12 and 24 hours after the stated restoration time.

Next steps

We are reviewing the information we request from Scottish Water in the Annual Return for planned interruptions exceeding the stated restoration time. We want to ensure that by 2004-05 it is consistent with the information reported in England and Wales. Adopting comparable time bands will show us how Scottish Water performs relative to the companies in England and Wales.

4.4 Supply interruptions – unplanned

We report performance in three areas:

- the number of unplanned interruptions;
- the number of properties affected by unplanned interruptions; and
- the proportion of cases where supply is not restored within 12 hours.

The number of unplanned interruptions

Unplanned interruptions to the water supply occur for a variety of reasons. Infrastructure that is in poor condition or badly managed will be more prone to bursts. Factors that are beyond Scottish Water’s control can also cause unplanned interruptions. Bursts can develop, for example, when the ground moves because of traffic vibration or following natural events such as freezing and thawing. Activities by third parties, such as other utilities, can also damage pipes.

Performance

- There were 5,109 unplanned interruptions in 2002-03.

We can translate this into a measure of how likely it is that a customer will experience an interruption to supply. We do this by looking at the number of unplanned interruptions that occur, on average, per 100km of mains.

- There were 12.3 unplanned interruptions per 100km of water main in 2002-03.

This compares with 7.9 planned interruptions per 100km of water main in 2002-03.

It is not clear whether there is a direct link between the number of planned and unplanned interruptions. But it could be argued that if maintenance of the network drops below a sustainable level, then the extent of unplanned interruptions might increase.

Unfortunately, it is not possible to make comparisons with England and Wales as the companies do not report the number of unplanned interruptions to Ofwat.

Next steps

Scottish Water must work to achieve the most efficient balance between pro-active maintenance and reactive repair. We will continue to press Scottish Water to improve its understanding of the underground infrastructure so that it can manage its infrastructure effectively.

When unplanned interruptions occur, the inconvenience caused to customers should be kept to a minimum. We will continue to monitor how well Scottish Water responds to unplanned interruptions.

The number of properties affected by unplanned interruptions

Unplanned interruptions to the water supply cause inconvenience to customers. An important measure of the likely impact of an unplanned interruption is the number of properties affected.

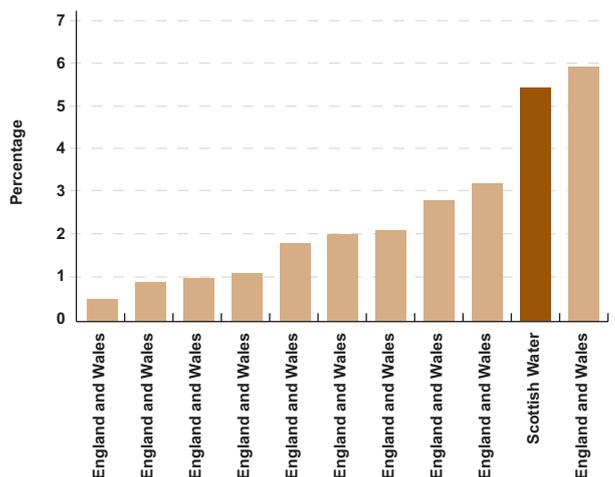
Performance

- 128,763 properties were affected by unplanned interruptions in 2002-03.
- This is equivalent to 5.4% of all properties being subjected to an unplanned interruption, or an average of 25 properties affected per interruption.

Comparison with England and Wales

Figure 4.4 compares the proportion of properties experiencing an unplanned interruption in Scotland with that for the water and sewerage companies in England and Wales. Customers of Scottish Water are more likely to be affected by an unplanned interruption than customers in most areas of England and Wales.

Figure 4.4: Percentage of properties affected by unplanned interruptions



Next steps

We will continue to monitor the performance of Scottish Water in this area to make sure that customers are not unduly affected by unplanned interruptions.

Restoring supply within 12 hours

To minimise the disruption caused by an unplanned interruption, Scottish Water should restore supply to customers as quickly as possible, and should provide information to customers about how long the interruption is likely to last.

Performance

- In 2002-03, there were 2,942 properties where supply was not restored within 12 hours of an unplanned interruption.

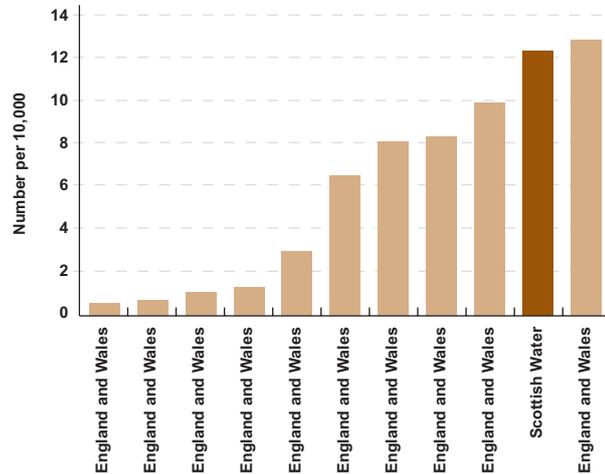
Scottish Water has stated that not all of the work that takes place to restore supply to properties following an unplanned interruption is recorded by its systems. Actual performance may therefore be poorer than is indicated by the information reported.

Comparison with England and Wales

We have compared the proportion of properties affected by unplanned interruptions where supply is not restored within 12 hours by Scottish Water with the same information for England and Wales:

- In 2002-03, 12 out of every 10,000 properties in Scotland were subject to an unplanned interruption lasting more than 12 hours.
- For the same period in England and Wales, 5 out of every 10,000 properties were subject to an unplanned interruption lasting more than 12 hours.

Figure 4.5: Number of properties affected by unplanned interruptions where supply is not restored within 12 hours



Confidence grades

The respective confidence grades for the information provided in Scotland and in England and Wales are:

- Scotland B3 ($\pm 10\%$)
- England and Wales A2 to B3 ($\pm 5\%$ to $\pm 10\%$)

Next steps

We will continue to monitor Scottish Water's progress in this area to ensure that it is better able to identify where a burst on the network has taken place and that it manages the level of service to customers appropriately.

As with planned interruptions, we expect Scottish Water to put in place improved systems for reporting this measure. This will require Scottish Water to:

- investigate why there is inadequate recording;
- provide us with an explanation;
- develop a strategy to achieve better recording; and
- demonstrate that this strategy has been implemented effectively.

We also want Scottish Water to report on the number of properties where supply is not restored within 6 and 24 hours. This will give a fuller picture of performance, and will bring the measure into line with England and Wales. We are making the necessary changes to the Annual Return and expect to be able to report performance for the revised measure in 2003-04.

4.5 Sewer flooding

We report performance in two areas:

- the number of properties affected; and
- the number of properties at risk of sewer flooding.

The number of properties affected

Fortunately, sewer flooding is a relatively rare occurrence. However, when it does occur, it is likely to be very unpleasant.

Sewer flooding can be caused by a number of factors. If a sewer does not have sufficient capacity to cope with a severe storm, it will become overloaded and waste water may back up into the customer's property. Flooding can also be caused when sewers get blocked or collapse, possibly as a result of the actions of third parties, or when a piece of equipment such as a pump fails.

It is essential that Scottish Water has a good understanding of the performance of its sewerage infrastructure. In this way it can take appropriate steps to minimise the risk of blockages or other avoidable problems that will have an adverse impact on customers.

Performance

In 2002-03, 710 properties were subject to sewer flooding. Of these:

- 344 properties were subject to sewer flooding caused by overloaded sewers; and

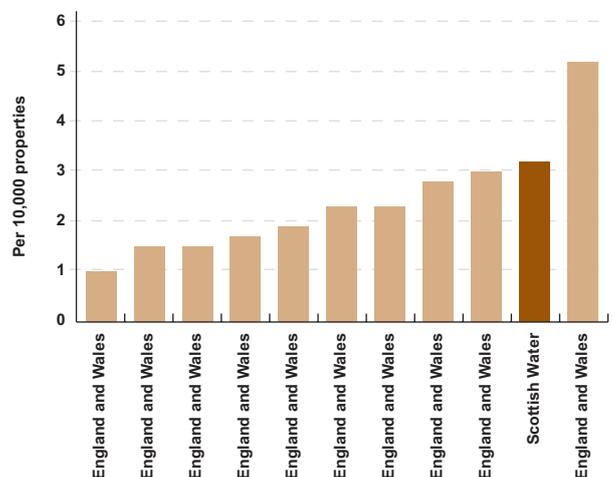
- 366 properties suffered sewer flooding as a result of other causes.

Although the number of properties affected is small relative to the total number of customers, we should not underestimate the impact on those customers that experience sewer flooding. Research¹¹ shows that customers generally agree that the number of sewer flooding incidents should be reduced as far as possible.

Comparison with England and Wales

Figure 4.6 compares the proportion of properties in Scotland experiencing sewer flooding with that in England and Wales. The three companies reporting performance most similar to that of Scottish Water report that their relatively poor performance was caused by a series of exceptional severe weather events.

Figure 4.6: Number of properties flooded per 10,000 connected



Next steps

In our last report, we undertook to consult with customers to gain a greater understanding of the importance they attach to sewer flooding and their willingness to pay to see the number of properties affected reduced. This research will now be carried out as part of the consultation process for the *Quality and Standards III* investment programme¹².

¹¹ *Strategic Review of Charges*, Section 9, Appendix E

¹² Details of Q&S III are available from the Scottish Executive and at www.scotland.gov.uk

Public meetings allow us to hear first hand from customers about sewer flooding instances. Sewer flooding is clearly distressing. When it happens, customers want to know why it has occurred and what action will be taken so that it does not happen again. Scottish Water should provide information about what they will do to reduce the likelihood that customers' experience a recurrence of the problem.

We will press Scottish Water to provide more information about the specific causes of sewer flooding, and will monitor investment to ensure that customers' concerns about sewer flooding are addressed as far as practicable.

Scottish Water has a Guaranteed Minimum Standard for sewer flooding. Where sewer flooding occurs it undertakes to clear the flooding and arrange for the mess to be cleared up. It will also refund sewerage charges to those customers who have been affected.

The number of properties at risk of sewer flooding

Scottish Water is required to assess the number of properties that are at risk of sewer flooding. It reports on those properties that are liable to flood twice in every ten years and those that are liable to flood once in every ten years. This would include properties, for example, where the sewer serving that property may have inadequate capacity to cope with exceptionally poor weather. When reporting this information, no account can be taken of flooding caused by the actions of third parties (for example the blocking of a sewer by a foreign object).

Performance

- Scottish Water reported that there are 515 properties that are at risk of flooding once in ten years.
- There are a further 499 properties that are at risk of flooding twice in ten years.
- There are therefore a total of 1014 properties at risk of sewer flooding.

Although only 0.05% of all properties are at risk of sewer flooding, it is important to bear in mind the distress that sewer flooding causes.

Comparison with England and Wales

We have compared the risk that properties served by Scottish Water will be affected by sewer flooding with that of the industry in England and Wales. The outcome is shown in Table 4.3.

Table 4.3: Proportion of properties at risk of sewer flooding

Area	Twice in 10 years	Once in 10 years
Scotland	22 in 100,000	23 in 100,000
England and Wales	14 in 100,000	36 in 100,000

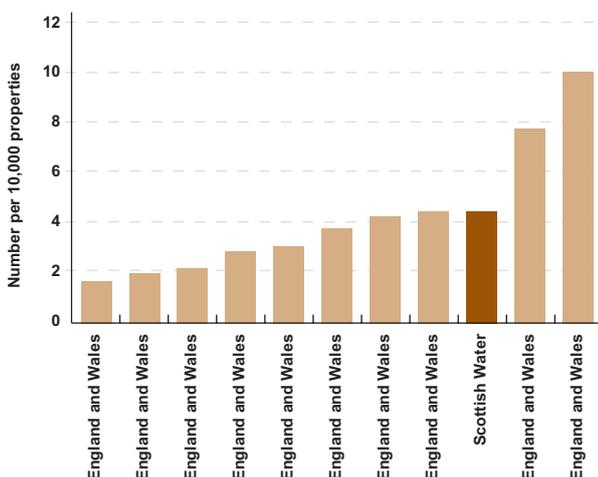
A greater number of customers in Scotland are likely to be flooded twice in 10 years than in England and Wales. However, fewer customers in Scotland are likely to be flooded once in 10 years.

The respective confidence grades for the information in Scotland and England and Wales are:

- Scotland B3 (± 10%)
- England and Wales A2 to B4 (± 5% to ± 25%).

In Figure 4.7 we compare the total percentage of properties at risk from sewer flooding in Scotland to the percentage in England and Wales.

Figure 4.7: Number of properties at risk of sewer flooding



Next steps

We expect Scottish Water to allow no deterioration in the network in the period to 2005-06 as this is an output of the *Quality and Standards II* investment programme.

We also expect Scottish Water to explain the basis for its revised estimates of properties at risk.

Chapter 5

Customer service measures

5.1 Introduction

In this chapter we examine Scottish Water's performance against each individual customer service measure.

Our contacts with customers indicate that:

- if an issue cannot be resolved by Scottish Water, customers expect a clear explanation as to why that is the case; and
- customers expect any promises made by Scottish Water to be kept.

When customers have reason to contact their water and sewerage provider – whether it is an enquiry about their bill or a complaint about an aspect of service – they should receive a prompt, clear and professional response. Their enquiry or complaint should be properly followed up, and the response should be clear and easy to understand.

If a customer's enquiry or complaint is not handled properly in the first place, this may lead to further enquiries or complaints. This imposes a real, additional cost on Scottish Water, which in turn impacts on other customers.

This chapter examines Scottish Water's performance in the following areas:

- billing enquiries;
- written complaints; and
- telephone contacts.

The information set out in this report provides a reference point against which we can measure Scottish Water's customer service performance in future years. It will enable us to see the degree of improvement (or deterioration) in performance for each measure.

We also compare Scottish Water's performance on each measure to that of the companies in England and Wales. This shows whether Scottish Water is achieving

standards that are consistent with the rest of the industry in the UK. If its performance is below standard, the comparison shows the extent of the improvement required. Scottish Water's performance on customer service relative to that of the industry in England and Wales is summarised in Table 5.1.

Table 5.1: Overview of Scottish Water's customer service performance

Performance measure	Scottish Water's performance	Performance relative to that in England and Wales
Billing enquiries		
Number of billing contacts	233,555	Low relative to companies in England and Wales
Percentage of enquiries answered within 5 working days	79.9%	Lower than any company in England and Wales
Percentage of enquiries answered within 10 working days	94.8%	Lower than any company in England and Wales
Written complaints		
Number of written complaints per thousand properties	3.4	Lower than the England and Wales average
Percentage of written complaints responded to within 5 working days	58.9%	Higher than the England and Wales average
Percentage of written complaints responded to within 10 working days	97.8%	Lower than any company in England and Wales
Percentage of written complaints responded to in over 20 working days	1.1%	Lower than any company in England and Wales
The quality of written responses	Target performance met in 44% complaints	Comparison not possible with England and Wales
Telephone contacts		
Percentage of telephone calls abandoned	3.5%	Worse than all but one water and sewerage company in England and Wales
Percentage of calls answered within 30 seconds	90.1%	Worse than all but one water and sewerage company in England and Wales

5.2 Billing enquiries

The only contact many customers have with their water and sewerage service provider is to enquire about billing matters. Most billing enquiries cover:

- notification of a change of address;
- requests to change the method of payment;
- calculation of the bill; and
- responses to metering enquiries.

Local authorities bill all unmetered domestic customers for water and sewerage services on behalf of Scottish

Water. Our analysis has shown that this is a cost-effective way to deliver bills.

Scottish Water bills all non-domestic customers, and all metered domestic customers, directly.

We receive information from Scottish Water about how it performed in responding to billing enquiries in writing and by telephone.

We monitor performance in two areas:

- the number of billing contacts; and
- how quickly Scottish Water responds.

The number of billing contacts

We have compared the number of contacts received by Scottish Water with that of three companies of comparable size in England and Wales¹³. The comparison demonstrates that Scottish Water receives relatively few contacts for its size, as Table 5.2 shows. This reflects the fact that local authorities bill most household customers.

Table 5.2: Number of billing contacts

Company	Number	Number of contacts per 1000 properties connected
Scottish Water	233,555	98
Anglian Water	2,032,983	744
North West Water	2,574,000	812
Severn Trent Water	2,545,000	640
Yorkshire Water	1,592,000	716

We expect that the number of billing contacts received by Scottish Water will increase as customers become increasingly aware about who is their water and sewerage service provider.

In setting efficiency targets at the *Strategic Review of Charges 2002-06*, we took no account of the differences in levels of service in Scotland and in England and Wales. As such, the revenues of the industry in Scotland

were set at a level that should ensure that a broadly similar level of service is provided to customers. There should therefore be no shortage of resources to provide an adequate response to customers. The relatively low absolute number of complaints also suggests that service quality should be high.

We consult with the non-domestic sector to determine their expectations of Scottish Water as their billing provider. We find that these customers highlight the following issues as being of particular importance to them:

- billing accuracy and clarity;
- regular billing; and
- regular meter reading and consumption information.

Customers also look for improved key account management and communication.

Next steps

We are currently reviewing the information provided to customers by Scottish Water's call centre staff, particularly in relation to charges. We will identify any issues that we believe need to be addressed and make recommendations to Scottish Water.

How quickly Scottish Water responds

Scottish Water provides information to us about how quickly it responded to billing, charging and metering enquiries.

Scottish Water should try to answer all customers' enquiries within the timescales set out in the Guaranteed Minimum Standards relating to payment enquiries. This standard is to respond to a customer's request to change the method of payment within five working days, and to other billing, charging and metering enquiries within ten working days.

Performance

¹³ The information provided for England and Wales is not split into household and non-household figures. Therefore, it is not possible to make a direct comparison between Scottish Water's handling of non-household customers and that of the industry in England and Wales.

- Scottish Water dealt with 79.9% of enquiries within five working days.
- It dealt with 94.8% of enquiries within ten working days.

Comparison with England and Wales

Given the much smaller reported volume of enquiries, customers could reasonably expect Scottish Water to handle enquiries at a similar speed to that of the industry in England and Wales.

We have compared the speed with which Scottish Water handles billing enquiries with that of the industry in England and Wales. The outcome is shown in Table 5.3.

Table 5.3: Percentage of billing, charging and metering contacts handled within 5 and 10 and over 10 working days

Area	Within 5 working days	Within 10 working days	Over 10 working days
Scotland	79.9	94.8	5.2
England and Wales	99.5	99.9	0.1

Scottish Water lags behind the industry in England and Wales in terms of how quickly it responds to enquiries. This is further illustrated by Figures 5.1 and 5.2.

Figure 5.1: Percentage of billing contacts answered within 5 working days

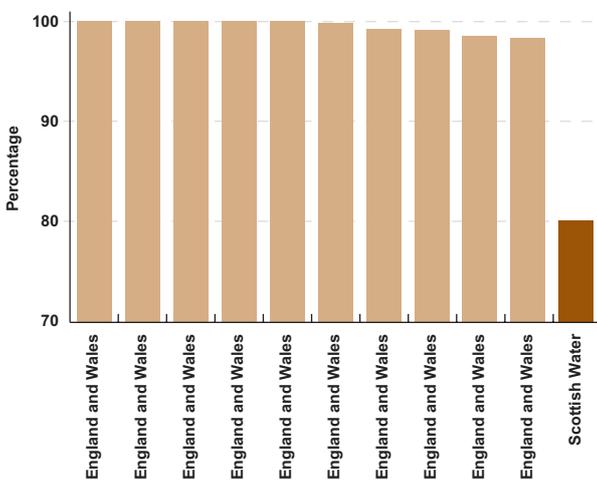
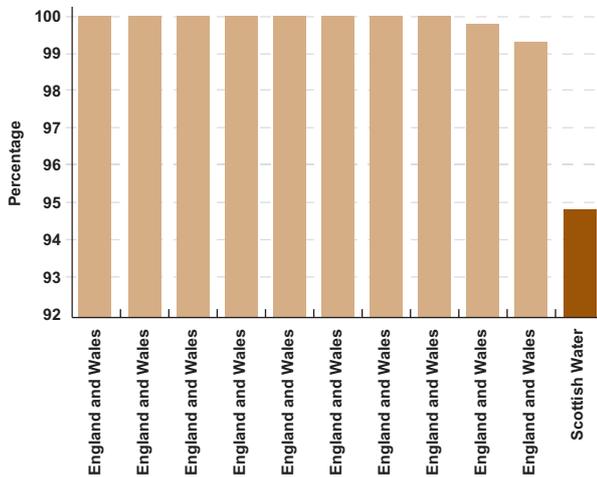


Figure 5.2: Percentage of billing contacts answered within 10 working days



There is a considerable gap in performance between Scottish Water and the poorest performing company south of the border. Scottish Water is performing at a level achieved in England and Wales before 1993.

Confidence grades

The respective confidence grades for the information in Scotland and England and Wales are as follows:

- Scotland B2 (± 5%)
- England and Wales A1 to B2 (± 1% to ± 5%).

The gap in reported performance cannot, therefore, be explained by the margin of error in the information reported.

Next steps

We will continue to press for improvements in Scottish Water’s performance in responding to enquiries within both five and ten working days. Scottish Water consolidated its regional call centres into one operation during the year; we would expect this to result in improved performance. If it does not, we will seek an explanation from Scottish Water about why there has been no improvement.

5.3 Written complaints

When a customer has cause to complain to Scottish Water, it may be because of a single, serious service failure or as a result of a number of smaller events. It is important that customers receive prompt responses which clearly address the issues they raise. Failure to do so can compound the customer's dissatisfaction.

We report performance in three areas:

- the number of complaints;
- the speed of response; and
- the quality of the response.

We also look at the complaints that we receive from customers about Scottish Water.

The number of written complaints

Customers who receive poor service or are unhappy about any aspect of the service provided to them are entitled to complain. The number of complaints could be taken as a reflection of customer dissatisfaction. However, it could also reflect greater customer awareness of complaint procedures.

Performance

- Scottish Water received 8,131 written complaints in 2002-03.
- This is equivalent to 3.4 complaints per thousand properties¹⁴.

The number of complaints received by Scottish Water fell slightly compared with 2001-02. This could be taken as an indication of increasing customer satisfaction. Alternatively, it could be that customers were less likely to complain in 2002-03 because they had less expectation that any complaint would lead to a satisfactory resolution of their problem.

The number of complaints that WICS receives about Scottish Water has been increasing¹⁵. This increase would appear to be at odds with the reduction in the reported number of complaints to Scottish Water.

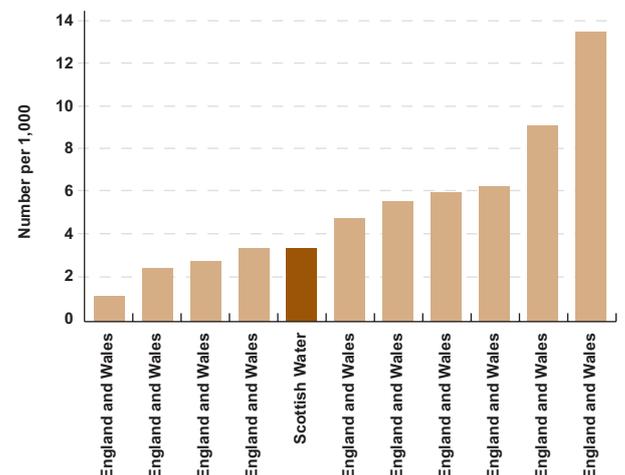
Comparison with England and Wales

We have compared the number of complaints received by Scottish Water per thousand properties with those of the industry in England and Wales.

- In 2002-03, Scottish Water received 3.4 complaints per 1,000 properties.
- Companies in England and Wales on average received 4.8 complaints per 1,000 properties for the same period.

Figure 5.3 shows how Scottish Water's performance compares with that of the water and sewerage companies in England and Wales.

Figure 5.3: The number of complaints per thousand properties



Across Scotland in 2002-03, Scottish Water reported fewer complaints per thousand properties than the average number for England and Wales.

¹⁴ There are 2.2 million household customers and 0.2 million non-household customers in Scotland.

¹⁵ In 2001-02 - 351 complaints were received by WICS. In 2002-03 - 583 complaints were received by WICS.

Next steps

We will continue to monitor the number of complaints received by Scottish Water.

The speed of response to written complaints

Scottish Water should try to respond to a complaint within the time specified in its Guaranteed Minimum Standards, responding effectively and quickly when a customer has complained.

Performance

- In 2002-03, Scottish Water dealt with 58.9% of complaints within five working days.
- It dealt with 97.8% of complaints within ten working days.

Scottish Water established a central complaint handling team in 2002-03, following the merger of the three authorities. It reports that there were transitional problems which may have resulted in a less satisfactory performance during that time. We would therefore expect performance to improve significantly next year.

Comparison with England and Wales

We have compared the speed with which Scottish Water handles written complaints with that of the industry in England and Wales. The relative performance of Scottish Water is shown in Table 5.4.

Table 5.4: Percentage of complaints handled within 5 and 10 and over 20 working days

Area	Within 5 working days	Within 10 working days	Over 20 working days
Scotland	58.9	97.8	1.1
England & Wales	54.0	99.8	0.03

Scottish Water’s performance is compared with that of the individual water and sewerage companies in Figures 5.4, 5.5 and 5.6.

Figure 5.4: The percentage of complaints answered within 5 working days

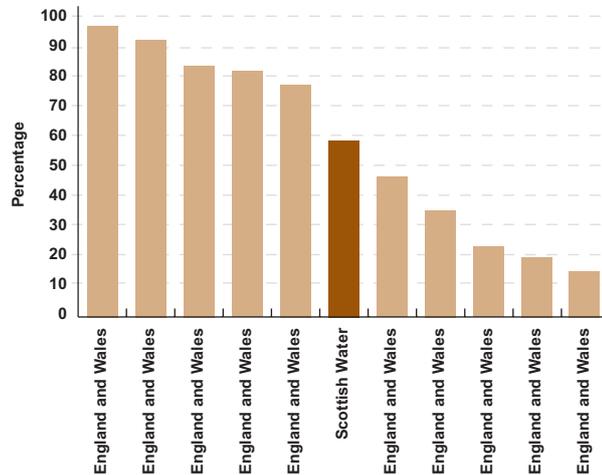


Figure 5.5: The percentage of complaints answered within 10 working days

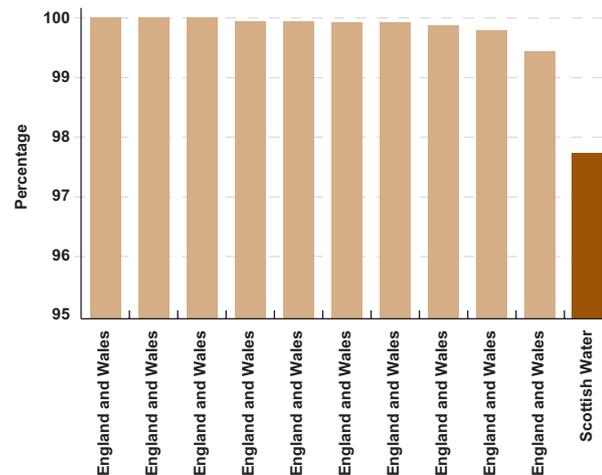
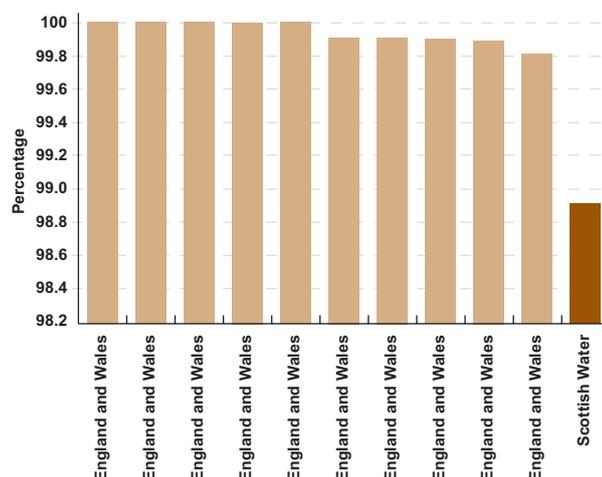


Figure 5.6: The percentage of complaints answered within 20 working days



Scottish Water performs reasonably well in handling complaints within five working days. However, the remainder of complaints take longer to deal with than they do south of the border. After 20 working days, 1.1% of complaints to Scottish Water remain unanswered, compared with only 0.03% in England and Wales.

Confidence grades

The respective confidence grades for the information in Scotland and England and Wales are as follows:

- Scotland B2 ($\pm 5\%$)
- England and Wales A1 to B2 ($\pm 1\%$ to $\pm 5\%$).

The difference in performance between Scotland and south of the border cannot therefore be explained by the quality of information available.

Next steps

We believe that Scottish Water should significantly increase the number of complaints it answers within ten working days. We monitor performance in this area through quarterly reports that Scottish Water submits to us. If we do not see evidence of improvement we will seek an explanation.

Through our audits of complaint handling we will also ensure that improvements in the speed of response are not achieved at the expense of quality.

The quality of written responses

When a customer makes a complaint, Scottish Water's response should clearly and accurately address the issues raised. It is not acceptable for Scottish Water to compromise on the quality of its answer in order to meet targets for response times.

Our quality performance audits measure the quality of responses using objectively set criteria for which there is a clear "yes" or "no" outcome. These include whether:

- the response was dealt with by the correct person in Scottish Water;
- it addressed the substance of the complaint;

- it was written in plain English and avoided technical jargon; and
- the tone was appropriate.

On the basis of these criteria, Scottish Water receives a score for each written response that is examined. This score is then converted to a percentage score. The target, defined in the audit as 'what Scottish Water should aim to achieve', is 98% or higher.

Performance

In 2002-03, Scottish Water achieved the target standard for 44% of complaints.

For many indicators, the quality of Scottish Water's response was good. Of the random sample, all were consistently well presented, and most were polite and courteous.

There were, however, some relatively simple mistakes. For instance, few responses included a copy of the leaflet about Scottish Water's complaints procedure. It is important that this leaflet is included so that customers are aware of the process for handling complaints.

For some of the cases we sampled, Scottish Water failed to provide us with sufficient evidence of its response. In these instances we were unable to provide a percentage score.

Next steps

We expect Scottish Water to provide us with complete evidence about how it has handled complaints. Gaps in information restrict our ability to make fair and consistent comparisons.

We are reviewing our audit process to ensure that it continues to assess the issues that are important to customers.

Customer complaints referred to the Water Industry Commissioner for Scotland

If a customer has cause to complain to Scottish Water, and is unhappy with the response they receive, then they

can refer that complaint to us. We will investigate further on the customer's behalf, and will strive to achieve a satisfactory resolution of the situation.

In 2002-03 we received 583 complaints about Scottish Water. These complaints can be categorised as follows:

- charges and billing;
- water supply
 - supply interruptions – unacceptably frequent interruptions or a failure to restore supply within a specified time;
 - water pressure – usually when pressure is too low, but occasionally when it is too high;
 - water quality – although water quality is the responsibility of the Drinking Water Quality Regulator (DWQR), customers express their concerns to us about water discolouration, taste and odour;
- sewerage, including instances of sewer flooding and clean-up, and odour from sewage treatment works;
- customer management – how well Scottish Water interacts with its customers, how easy it is for customers to contact Scottish Water, and the quality and promptness of the response that customers receive;
- metering (installation and reading); and
- water mains and pipes, including damage and disruption, inadequate repairs and disputed liability.

Table 5.5 shows the range of complaints received from both domestic and non-domestic customers.

Table 5.5: Complaints received, 2002-03

Complaint type	Domestic	Non-domestic	Total	Percentage
Charges				
Payment queries	17	97	114	19.6
Increase in charges	18	84	102	17.5
Other billing policy	17	84	101	17.3
Supply interruptions				
Frequent interruptions	1	0	1	0.2
Failure to restore within stated time	1	0	1	0.2
Failure to notify of interruption	2	1	3	0.5
General	34	7	41	7.0
Water pressure				
Low pressure	18	2	20	3.4
Pressure surges	1	1	2	0.3
Water quality				
Poor water quality	30	3	33	5.7
Sewerage				
Sewer flooding	36	7	43	7.4
Other	26	9	35	6.0
Customer management				
Failure to respond to query/complaint	0	4	4	0.7
Poor interaction with customers	11	7	18	3.1
Metering				
Optional meter schemes	2	6	8	1.4
General	0	5	5	0.9
Water mains & pipes				
Disputed liability	6	2	8	1.4
General, including damage and repairs	36	8	44	7.5
Total	256	327	583	100

5.4 Telephone contacts

Many customers find that it is more convenient to make contact with Scottish Water by telephone, rather than in writing. Scottish Water recognises this by providing low cost telephone numbers for household, business and emergency calls.

Performance

In 2002-03, Scottish Water received 928,220 telephone contacts. We have compared the number of calls received by Scottish Water with the numbers received by three companies of comparable size in England and Wales. This comparison reveals that Scottish Water receives relatively few calls for its size, as Table 5.6 shows.

Table 5.6: Number of telephone contacts

Company	Number	Number of contacts per 1000 connections
Scottish Water	928,220	389
Anglian Water	2,112,824	773
North West Water	2,872,037	906
Severn Trent Water	3,164,132	795
Yorkshire Water	1,815,007	817

Scottish Water asserts that the number of telephone contacts has increased because customers are becoming more aware about how to make contact.

Speed of response to telephone calls

Customers expect their calls to be handled efficiently and effectively. We believe that Ofwat’s minimum standard for the speed with which calls should be answered provides a reasonable benchmark against which we can assess Scottish Water’s performance. This standard is that at least 90% of calls should be answered within 30 seconds, with no more than 5% of calls abandoned. If customers are made to wait much longer than 30 seconds they are more likely to abandon their call.

Performance

We are pleased to report that Scottish Water achieved Ofwat’s acceptable minimum standard in 2002-03. Of all calls, 90.1% were answered within 30 seconds; 3.5% of calls were abandoned.

Comparison with England and Wales

We compared the speed with which Scottish Water answers the telephone with that of the industry in England and Wales. We also examined the percentage of calls abandoned by customers. The outcome is shown in Table 5.7.

Table 5.7: Percentage of calls answered within 30 seconds and percentage of calls abandoned

	Answered within 30 seconds	Calls abandoned
Scotland	90.1	3.5
England & Wales	93.2	1.8

Scottish Water’s performance is compared with the individual water and sewerage companies in Figures 5.7 and 5.8.

Figure 5.7: Percentage of calls abandoned

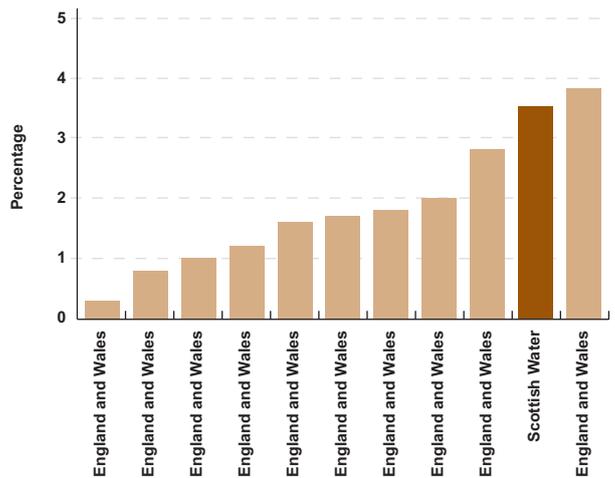
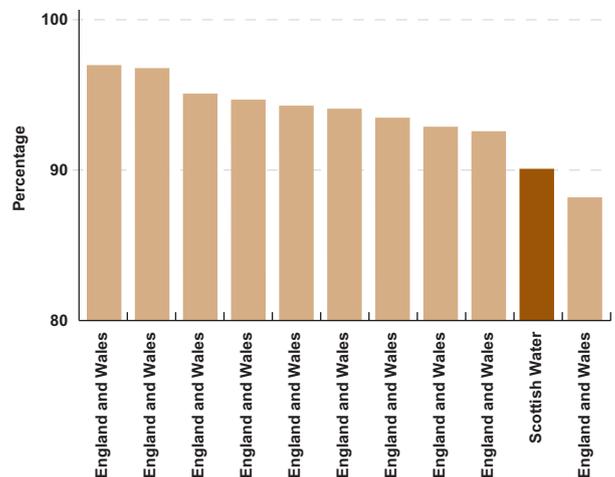


Figure 5.8: Percentage of calls answered within 30 seconds



Confidence grades

The respective confidence grades for the information in Scotland and England and Wales are as follows:

- Scotland B2 (± 5%)
- England and Wales A1 to B2 (± 1% to ± 5%).

This suggests that the gap in reported performance is not explained by the quality of the information available.

Next steps

We expect Scottish Water to build on its performance in this area.

Scottish Water is a member of an industry working group that is working towards a consistent measure of telephone service across England, Scotland and Wales. This may include elements of 'connectivity' (how easy it is to get through to Scottish Water) and customer satisfaction. We will work with Ofwat to ensure that we are able to compare performance in Scotland with that of the companies south of the border.

The feedback that we receive from complaints to us about Scottish Water indicates that the way it handles telephone contacts could be better. We will investigate this through our audits.

We will also continue to encourage Scottish Water to demonstrate that it can maintain service at all times. This is particularly important in the event of a major service failure, such as the cryptosporidium outbreak in Glasgow in August 2002 (see Chapter 7).

Chapter 6

Comparison with England and Wales: overall performance assessment

6.1 Introduction

The overall performance assessment (OPA) provides a single measure of overall performance that allows us to compare Scottish Water with the companies in England and Wales.

The OPA combines results for the individual asset performance and customer service measures. We also add information about performance in drinking water quality and environmental compliance. The measures that make up the OPA are set out in Appendix 1.

In this chapter we explain the basis for the comparison. We also examine the impact that poor quality information has on the results.

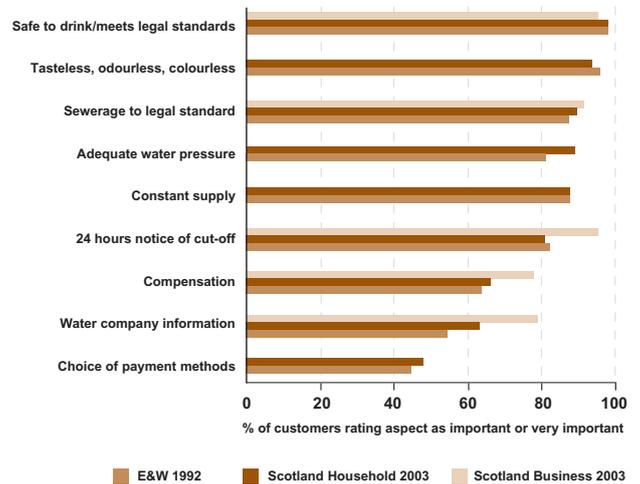
6.1.1 Relative weightings

We assign each measure a weighting according to the relative weight that customers attach to it. We use the same relative weightings that Ofwat uses, on the assumption that the preferences of Scottish, English and Welsh customers are the same. The weightings for the elements of the OPA are set out in Appendix 1.

In 2003, we reviewed customer research in order to confirm that this assumption was correct. We compared customer research commissioned by Ofwat for its price reviews in 1994, 1999 and 2004¹⁶ with our own customer research and that of the Water Customer Consultation Panels (WCCP). This revealed strong similarities between customer preferences either side of the border.

In particular, the 1992 survey for Ofwat¹⁷ and the 2003 survey for WCCP both used a similar methodology and revealed very similar results, as Figure 6.1 shows.

Figure 6.1: Importance of individual service standards to customers



It is perhaps not surprising that both domestic and non-domestic customers overwhelmingly want their water to be 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.

Interpreting the OPA results

In some cases we have had to exclude measures from the OPA so that we can make comparisons with the water and sewerage companies.

This has been necessary because:

- the information to create the measure is not available in Scotland, for example leakage;
- it is not measured in the same way, for example supply restoration times where the information we collect covers different timebands from Ofwat¹⁸; or
- the measure itself is not applicable, for example hosepipe bans, which are far less frequent in Scotland than in England and Wales.

Excluding particular measures in this way is likely to have influenced Scottish Water's OPA results to their favour.

¹⁶ The customer research was undertaken in 1992, 1999 and 2002.

¹⁷ The three Ofwat surveys indicate that preferences remain fairly stable over time.

¹⁸ We are reviewing the information we collect for this measure and intend to bring it into line with the measure in England and Wales.

The OPA indicator covers a broad range of service measure categories, each containing a number of separate measures¹⁹:

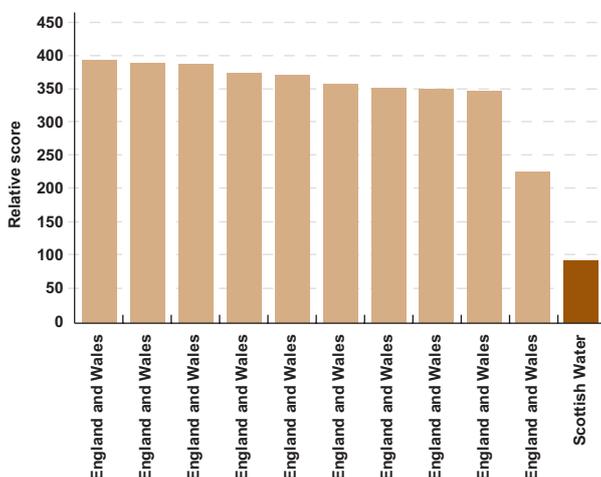
- water supply – pressure, supply interruptions and drinking water quality;
- sewerage service – sewer flooding incidents and risk of flooding;
- environmental impact – sewage treatment works compliance and pollution incidents; and
- customer service – speed of handling complaints, billing enquiries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

Individual major incidents do not have a direct impact on the OPA. For example, a cryptosporidium outbreak (such as the one in Glasgow in 2002) is an example of poor performance. The OPA will not directly reflect the inconvenience caused to customers by such a service level failure. The OPA could, however, indirectly be impacted by, for example, an increased number of phone calls or complaints from customers.

6.2 Overall performance assessment 2002-03

In terms of overall performance, Scottish Water ranked below all companies in England and Wales in 2002-03²⁰. This is illustrated in Figure 6.2.

Figure 6.2: Relative overall performance 2002-03



¹⁹ See Appendix 1 for a detailed list of measures.

²⁰ The England and Wales companies are shown anonymously because our adjustments have changed some of the relative ranking compared to that shown in Ofwat's levels of service report 2002-03.

Figure 6.2 also shows that in 2002-03, Scottish Water's performance score is:

- 22% of the performance score of the frontier company in England and Wales;
- 38% of the performance score of the poorest performing company in England and Wales.

The England and Wales frontier company fell back by 3% in 2002-03 but the worst performing company achieved a score 25% lower than the worst performer in the previous year.

The effect of uncertain information on the OPA

As outlined above, the OPA suggests that Scottish Water's overall performance is significantly worse than that of the industry in England and Wales.

The OPA combines several performance measures and there is a risk that the confidence grades ascribed to information could reduce the validity of conclusions about performance. We have therefore examined whether it could be possible that information uncertainty could lead us to draw inappropriate conclusions about Scottish Water's performance.

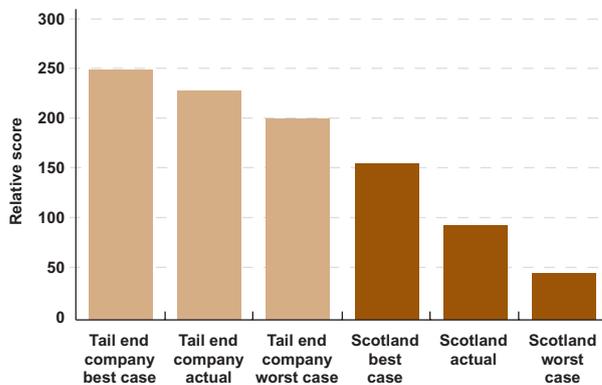
To check this, we recalculated the OPAs for Scottish Water and for the poorest performing company in England and Wales. We took account of the confidence grades attached to each element of the OPA. This produced a range of scores that are possible for both Scottish Water and for the laggard company. In particular we calculated the following:

- The best case score – for each element of the OPA we calculated the best possible score that is 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 are combined to produce a best possible OPA score;
- The actual score; and

- The worst case score – for each element of the OPA we calculated the worst possible score that is 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 are combined to produce a worst possible OPA score.

The results of this exercise are shown in Figure 6.3.

Figure 6.3: Best and Worst OPA scores for Scottish Water and the worst performing company south of the border



As the figure shows, even allowing for the best possible score for Scottish Water and the worst possible score for the laggard company, there is still a gap in performance of around 22%.

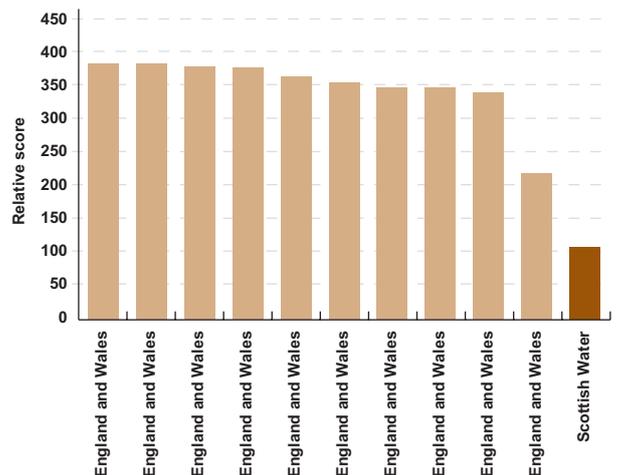
6.3 Overall performance: asset performance measures

We also examine the overall performance assessment by considering the asset performance measures and customer service measures separately.

Asset performance measures are a reflection of the condition of the assets and how they are operated. A water supply interruption, for example, may be caused by a burst, indicating an asset in poor condition. However, the service received by those customers who are affected by the burst will also depend on how promptly Scottish Water resolves the situation (ie its operational performance).

Figure 6.4 shows Scottish Water’s relative performance for asset performance measures.

Figure 6.4: Relative performance for asset performance measures 2002-03



In 2002-03, Scottish Water’s performance score is:

- lower than that of any water and sewerage company in England and Wales;
- 28% of the score of the best performing company in England and Wales;
- 50% of the score of the poorest performing company in England and Wales.

The frontier company’s performance fell by 4% in 2002-03 and the laggard company in 2002-03 was 32% worse than the laggard company in the previous year.

There appears to be three main drivers of Scottish Water’s performance:

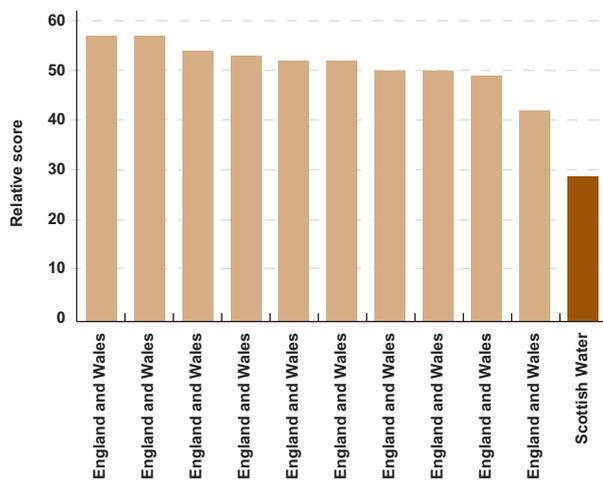
- Scottish Water reports a substantially higher proportion of properties subject to low pressure;
- It also reports a relatively high number of sewer flooding incidents due to overloaded sewers; and
- There is a higher population equivalent served by non-compliant sewage treatment works in Scotland than in England and Wales.

6.4 Overall performance: customer service measures

Customer service measures assess the service provider's performance when interacting with its customers. This includes how well it responds to billing enquiries and complaints.

The relative performance of Scottish Water on customer service measures is shown in Figure 6.5.

Figure 6.5: Relative performance for customer service measures 2002-03



In 2002-03, Scottish Water's performance score is:

- lower than that of any company in England and Wales;
- 51% of the score of the best performing company in England and Wales; and
- 69% of the score of the poorest performing company in England and Wales.

The frontier company's performance fell by around 1% in 2002-03 and the laggard company's score was 3% worse than that achieved by the worst performing company in the previous year.

The gap in performance between Scottish Water and that of the industry in England and Wales is a result of:

- a smaller proportion of billing enquiries answered within five working days than for any comparable company;
- a smaller proportion of complaints answered within ten working days than for any comparable company; and
- a below average proportion of telephone calls answered with 30 seconds.

Chapter 7

Cryptosporidium incident: Glasgow, August 2002

7.1 Introduction

The main sources of information on Scottish Water's customer service performance are the formal submissions that Scottish Water makes to us, and the contact that we have with Scottish Water's customers. We may also conduct an investigation into Scottish Water's performance following specific incidents that may have an impact on the service received by customers. One such incident was the 2002 cryptosporidium incident in Glasgow. These investigations can highlight important customer service issues.

7.2 The incident

On 3 August 2002, higher than normal levels of cryptosporidium²¹ were detected in samples of the water supply for Glasgow. As a result, the Consultant in Public Health Medicine for the Greater Glasgow area issued a Boil Water Notice. The Notice affected some 140,000 customers across much of Glasgow and its surrounding areas. The Notice was lifted on 7 August.

Scottish Water's handling of the incident came under significant criticism from customers, customer representative groups, the media and politicians.

Ross Finnie, Minister for Environment and Rural Affairs, wrote to us on 12 August 2002 asking for our view on "the procedures Scottish Water has in place for alerting its customers in circumstances where Health Authorities are considering declaring, or have declared, the drinking water supply to be unfit".

Our report²² focused on communication, resourcing and implementation of incident response plans and the extent to which the needs of customers (in particular vulnerable groups) were addressed during the incident.

7.3 Evidence

In compiling our report we gathered evidence from the following sources:

- Scottish Water;
- Drinking Water Quality Regulator;
- Scottish Executive;
- domestic customers;
- non-domestic customers;
- local councils;
- customer representative groups;
- Scottish Centre for Infection and Environmental Health (SCIEH); and
- Consultant in Public Health Medicine for Glasgow (CPHM).

In talking to these sources our main aim was to form an objective view of Scottish Water's management of the incident.

The methods we used to gather evidence included direct interviews, public meetings, correspondence and questionnaires. We also asked key parties involved in managing the incident to draw up timelines of events.

7.4 Our findings

Our investigations found substantial evidence that Scottish Water could have managed the incident in a more effective way. Our findings are summarised below.

Reactive approach

Throughout the incident, Scottish Water's management of information to customers was essentially reactive.

²¹ Cryptosporidium is a waterborne parasite causing illness in humans.

²² 'Report on the provision of information by Scottish Water to customers during the Glasgow Cryptosporidium incident in August 2002', February 2003. Available on our website: www.watercommissioner.co.uk.

There appears to have been little proactive decision making and no framework for managing the incident. This resulted in delays.

The Incident Management Team did not appear to have followed any incident management plan. This caused confusion in the roles and remits of the various groups established to monitor and manage the incident, a lack of leadership and ownership of tasks, and inefficient and ineffective use of resources. As a result, the communication of vital information to customers affected by the incident was delayed.

Lack of a priority register of vulnerable customers

The incident highlighted the need for Scottish Water to develop an effective register of vulnerable customers who should be contacted during incidents of this nature. The register would include customers with special needs and also non-household customers who are involved in sectors relating to health, catering and leisure. It appears that during the cryptosporidium incident, communication with these customers was variable. Many customers heard about the Boil Water Notice from the media, some time after the incident had started, rather than from Scottish Water itself.

Media management

Our investigations highlighted a lack of coordination in terms of relaying messages to customers through the media. Better media management would have enabled important messages to be communicated to customers more quickly and effectively. For example, publication of the Boil Water Notices in the press was delayed because of discussions about the content of notices and because no processes had been established beforehand about how to handle this kind of activity.

Communication with domestic customers

There were significant shortcomings in the way Scottish Water communicated with domestic customers. These failings can be grouped into the following headings:

- **Speed of action**
There were considerable delays in both agreeing messages and communicating them to customers.
- **Accuracy of message**
There is evidence that information relayed to customers via press releases was inconsistent and succeeded only in confusing customers.
- **Lack of any apology**
During our investigations many customers said that they felt Scottish Water should have apologised for the inconvenience caused by the incident.
- **Wrongful identification of areas affected**
During the early stages of the incident large areas that should have been subject to a Boil Water Notice were not given this advice. This situation was not rectified until some time into the incident.

Communication with non-domestic customers

Our investigation showed that there were shortcomings in the way communication with non-domestic customers was managed:

- **Speed of action**
There were significant delays seen in contacting business customers once the Boil Water Notice had been finalised.
- **Accuracy**
During our investigations, customers told us that they thought the information that Scottish Water's call centre staff gave out was very inconsistent. As a result they did not have confidence in the staff handling their calls. For businesses such as those in the catering and leisure sectors, the level of information supplied was insufficient. Confusion continued during the whole incident, and when customers sought written confirmation that the incident was over they were not given such guarantees, even though call centre staff were giving verbal assurances that the water supply was safe for consumption.

- Lack of an apology
Non-domestic customers also said that they did not feel Scottish Water had apologised for any inconvenience that had been caused by the incident.
- Lack of direct contact from Scottish Water to customers
None of the non-domestic customers who provided information to us during our investigations reported that Scottish Water had contacted them directly.

Communications with key industry stakeholders

There is evidence that during the initial stages of the incident there were significant delays in Scottish Water notifying key industry stakeholders about the incident. Worryingly, this includes the Drinking Water Quality Regulator and Argyll and Clyde Health Board (part of which was affected by the incident).

7.5 Report recommendations

We held detailed discussions with stakeholders when drawing up the recommendations from our investigations. We were encouraged to note that Scottish Water made significant progress towards implementing the recommendations before the final recommendations were published. Our report made the following recommendations:

- Flexible incident management plan
We recommended that Scottish Water should draw up a framework incident management plan, defining and prioritising the decision making and communication processes. We suggested that the framework should cover roles and responsibilities and should include checklists of key action points, including communicating with customers and other stakeholders.
- Communicating with customers and other stakeholders
This incident highlighted the need for Scottish Water to develop its register of customers who should be contacted in the event of an incident.

It also underlined the need for Scottish Water to have in place a clear customer communication strategy. This would include:

- a media checklist covering key contacts, deadlines, the types of media outlets and their coverage, and which personnel within Scottish Water has lead responsibility for communicating with the media (and will ensure that messages are accurate and consistent); and
- draft copies of Boil Water Notices and other incident warnings, so that these only need to be customised with specific details prior to distribution – these should be agreed in advance with the appropriate health professionals (such as the Consultant in Public Health Medicine and the Scottish Centre for Infection and Environmental Health) and with other stakeholders.

If an incident requires the use of call centre staff, they should be charged specifically with communicating with customers about the incident. They should not be asked to carry out their usual duties (for example, handling complaints or operational calls from customers) at the same time as handling incident-related calls.

All operators should be given consistent, accurate and up-to-date information, including detailed lists of which areas are affected.

Operations

This incident highlighted the need for Scottish Water to have accurate and detailed information about its water supply infrastructure. Incorrect boundary mapping meant that some affected areas were excluded from the original Boil Water Notice.

7.6 Compensation issues

Generally, poor service to customers should result in compensation being paid, and most recurrent incidents (such as planned interruptions to supply) are covered by the GMS scheme. Compensation paid by Scottish Water comes from the money it raises from customers' bills.

However, larger incidents such as the cryptosporidium incident raise broader issues about compensation.

As Scottish Water is in public ownership, there are no shareholders to cover the cost of compensation for poor service by the company they own. Large sums of compensation would mean that there is less money available for Scottish Water to spend on making sure that the problem does not re-occur.

Chapter 8

Guaranteed Minimum Standards

Guaranteed Minimum Standards were introduced in Scotland in October 2000. These are common minimum standards of service that Scottish Water must meet, and which customers have a right to expect.

Failure to comply with any of the standards entitles the customer to financial compensation. In most instances, compensation is £20. The exception to this is for cases of sewer flooding, where Scottish Water is required to clean up and reimburse the annual sewerage charge to the customer affected.

For most standards, payment will be made automatically to the customer. However, for standards relating to service interruptions and major incidents, customers must make a claim to Scottish Water in order to receive a payment.

The scheme does not cover every situation where poor service might arise, and Scottish Water is of course free to compensate customers for poor service in situations that fall outside the Guaranteed Minimum Standards. Scottish Water has set itself additional targets in its Code of Practice.

Table 8.1 shows the number of payments made by Scottish Water and the average payment. We would have expected the average payment to be £20. Where it is more, either the number of payments is understated or payments have been greater than £20. Payments of less than £20 are unacceptable.

For many standards, the number of payments made has fallen significantly. Where those payments are made automatically, this decline suggests that Scottish Water has improved its GMS compliance.

However, it is perhaps surprising that so few payments were made for payment enquiries. Scottish Water states that its GMS payments system is not yet fully automated. Therefore, some customers who qualify for a payment may not have received one.

For other standards the number of payments has increased. In Chapter 6 we noted that the percentage of complaints that Scottish Water responds to in over 10

days has increased. This deterioration in performance is reflected in the number of payments made for this standard.

In our 2001-02 report, we stated that we would be pressing Scottish Water to include a Guaranteed Minimum Standard for pressure. We are pleased to note that this standard is being introduced in 2003-04. We will comment on the number and level of payments made in the Customer Service Report for 2003-04.

Table 8.1: Guaranteed Minimum Standards 2000-01, 2001-02 and 2002-03

	2000-01		2001-02		2002-03	
	Number of payments	Average payment	Number of payments	Average payment	Number of payments	Average payment
Planned interruptions						
	115	£40.09	267	£26.52	163	£26.01
Unplanned interruptions						
	247	£46.88	167	£33.77	47	£37.30
Sewer flooding						
	447	£181.33	478	£264.52	821	£141.99
Payment enquiries						
	n/a	n/a	49	£14.29	2	£20.00
Billing, charging and metering enquiries						
	1,220	£20.75	6,234	£19.85	278	£20.47
Written complaints						
	56	£22.14	58	£21.21	105	£21.90

The Guaranteed Minimum Standards are as follows:

- Planned interruptions – give 48 hours notice of a planned interruption likely to last more than four hours and restore supply within the stated time;
- Unplanned interruptions – restore supply within 12 hours of an unplanned interruption (or within 48 hours for a trunk main);
- Following an internal sewer flooding incident – visit within 3 hours and solve the problem within 8 hours, clean up the mess and refund annual sewerage charge;
- Payment enquiries – respond to a request to change the method of payment within 5 working days, and to other billing, charging and metering enquiries within 10 working days; and

- Complaints – respond fully in writing to a written complaint, or to a telephone complaint where a written response is requested, within 10 working days.

Chapter 9

Conclusions and future priorities

This report shows that the level of service provided to customers by Scottish Water in its first year of operation compared poorly with that received by customers of the companies in England and Wales. For only one measure, the percentage of written complaints responded to within five working days, did Scottish Water exceed the average performance in England and Wales. Performance on other measures was below average.

We have based our analysis on the information provided to us by Scottish Water. The information is subject to wide confidence grades. Despite this, our analysis shows conclusively that Scottish Water's performance lags behind that of the companies in England and Wales.

We intend to use 2002-03 performance as the baseline for examining whether the level of service provided to customers of Scottish Water has improved or deteriorated.

Future priorities

We are introducing a Reporter (an independent technical auditor) to scrutinise Scottish Water's Annual Return for 2003-04. The Reporter will examine the way in which Scottish Water collects each piece of information.

We will also publish Scottish Water's Annual Return each year, starting with 2002-03. Scottish Water is a public company and we believe that customers and other stakeholders should have the opportunity to see the information. Publishing the Annual Return will also provide Scottish Water with an incentive to improve the confidence levels for the information quality it reports to us and, more importantly, to improve its performance.

Appendix 1

The overall performance indicator

The individual measures that make up the overall performance indicator are as follows:

- The percentage of water samples taken at the tap that comply with water quality parameters;
- The percentage of connected properties experiencing unplanned interruptions of longer than 12 hours;
- The percentage of properties subject to inadequate water pressure;
- The number of sewer flooding incidents per 100,000 connected properties caused by overloading;
- The number of sewer flooding incidents per 100,000 connected properties caused by other factors;
- The number of category 1 and 2 sewerage activity pollution incidents per million of population equivalent served;
- The number of category 3 sewerage activity pollution incidents per million of population equivalent served;
- The percentage population equivalent served by noncompliant sewage treatment works;
- The percentage of customer billing contacts responded to within five working days;
- The percentage of written complaints responded to within ten working days; and
- The percentage of received telephone calls answered within 30 seconds.

- assessed service including revenue and debt collection, complaint handling, information to customers, telephone contact hours, compensation policy, supply pipe repair policy and services for disabled and elderly customers;
- sewage sludge disposal;
- Category 1 and 2 water service pollution incidents; and
- leakage levels.

When calculating the overall performance indicator we used the Ofwat methodology, as set out in Linking service levels to price (February 2002). Ofwat divides all of the indicators of performance into four categories. It then assigns a weighting to each based on customer preferences. Where we have had to exclude a particular measure, we have maintained the balance between categories. Ofwat's weightings are set out in Table A1.

Table A1: Categories of measures

Category of measures	Weighting
Water supply	3
Sewerage service	1.5
Customer service	1.5
Environmental performance	2.75

Some measures included by Ofwat in its assessment were excluded on the grounds that the information was not comparable or relevant. The following measures were omitted:

- hosepipe restrictions;
- bills based on meter readings;

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