Linking service levels to prices

February 2002

OFWAT

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1 INTRODUCTION

In July 2001, Ofwat published "Linking service levels to prices - a consultation". This sought views on the way in which service levels should be reflected in prices and set out proposals to revise the measures used in our overall performance assessment (OPA). Our proposals took account of discussions with a number of companies, the Drinking Water Inspectorate (DWI) and Environment Agency (EA) and developments in other utilities, particularly the Office of the Gas and Electricity Market's (Ofgem) information and incentives project.

We invited views on:

- **the scale of future adjustments to price limits;**
- **the timing and mechanism for making those adjustments; and,**
- **possible changes to the way in which companies' overall performance is assessed.**

Responses have been received from the Customer Service Committees (CSCs), water and sewerage companies and water only companies. Responses were also received from the DWI, EA, Water UK and from groups representing consumer and environmental interests, and companies operating in the water sector. A full list can be found in Annex 1. Respondents' views have been considered and further discussions completed where necessary.

During the consultation period we also surveyed customers' views on the relative importance of different aspects of companies' activities. The results were published in "Understanding customers' views" in November 2001. This work has been used to ensure that the weights given in the OPA to the different aspects of performance reflect customers' priorities.

This paper summarises the views expressed by respondents and sets out our conclusions on how service levels should be linked to prices in the future.

Table 1 summarises our conclusions on changes to the measures used in the overall performance assessment.

Section 2 explains our decisions on the scale, timing and operation of the incentive mechanism and links to adjusting companies' prices.

Sections 3 to 6 explain our decisions on changes to existing service measures and the introduction of new measures.

Section 7 details areas where measures will be considered for introduction following the Periodic Review from 2005-06.

A detailed explanation of how different aspects of service will be assessed and combined for the overall assessment is included in Annexes 2, 3 and 4.

If you have any general queries about this paper or require clarification of a technical point please contact Jonathan Guy of the Service and Performance team on 0121 625 1478 or by email at jonathan.guy@ofwat.gsi.gov.uk.

Table 1. Summary of final measures - overall performance assessment

Measure	Consultation proposal	Conclusions on final measure
Water supply – all companies		
DG2	Continued use of existing measure.	A measure of the percentage of properties served at risk of receiving low pressure.
DG3	Addition of a time period for interruptions, in excess of 3 hours, to the existing measure of properties experiencing unplanned or unwarned supply interruptions in excess of 6, 12 or 24 hours.	Retention of the existing assessment which measures properties experiencing unplanned or unwarned supply interruptions in excess of 6, 12 or 24 hours.
Water quality	i) Replacement of the existing three-band assessment of drinking water quality supplied to customers by a measure based on the Drinking Water Inspectorate's Operational Performance Index score. ii) Replacement of the annual comparative measure of performance by an assessment based against a fixed range of company performance in 1998-99.	i) Adoption of measure as proposed. ii) Adoption of proposed move from an annual comparison to assessment against a set performance range.
Customer service – all companies		
Customer contact	Continued use of existing measure	An equally weighted measure of performance based on the four quantitative customer service indicators (DGs 6, 7, 8 & 9). Inclusion of a qualitative measure of telephone contact when available.
Assessed customer service	Minor revisions to a number of existing assessments.	Implementation of the majority of proposed revisions. See section 4.3 and appendices 9 to 9.7 for details.
Sewerage service – Water and sewerage companies only		
DG5 (overload)	Continued use of existing measure	A measure of the number of incidents of internal property flooding due to the overload (hydraulic incapacity) of a sewer.
DG5 (other causes)	Continued use of existing measure	A measure of the number of incidents of internal property flooding due to equipment failure, blockage or collapse of a sewer (collectively called "other causes").
DG5 ("at risk" properties)	Revision of the assessment of company performance on the number of properties considered to be at risk of internal flooding by sewage due to the overload of sewers more frequently than once in ten years, to account for improvements funded in price limits.	Adoption of measure as proposed.

Table 1. Cont'd Summary of final measures - overall performance assessment

Measure	Consultation proposal	Conclusions on final measure
Environmental performance – Water and sewerage companies only		
Bathing water quality	i) Removal of measure assessing the compliance of designated bathing waters with the mandatory standards of the European Union Bathing Water Directive. ii) Introduction of a disinfection compliance assessment within the sewage treatment works compliance measure.	i) Removal of bathing water measure as proposed. ii) Adoption of disinfection compliance measure as proposed.
Sea outfalls	i) Removal of measures assessing the number of unsatisfactory sea outfalls. ii) Introduction of Urban Waste Water Treatment Directive compliance assessment within the sewage treatment works compliance measure.	i) Removal of sea outfalls measure as proposed. ii) Adoption of Urban Waste Water Treatment Directive compliance measure as proposed.
Sludge disposal	Revision of assessment basis in line with, and at the same time as, future changes to the Sludge (Use in Agriculture) Regulations.	Continued use of existing measure until suitable data for proposed measure becomes available.
Sewage treatment works compliance	Extension of the measure assessing compliance of sewage treatment works with their discharge consent conditions to include: i) descriptive consents; ii) disinfection consent conditions; and, iii) Urban Waste Water Treatment Directive consent conditions.	i) Adoption of measure when suitable robust and comparable data for proposed measure becomes available. ii) Adoption of measure as proposed. iii) Adoption of measures on additional consent conditions as proposed.
Satisfactory combined sewer overflows	i) Removal of measure assessing the number of satisfactory combined sewer overflow discharges. ii) Introduction of a new assessment of the number of Category 3 pollution incidents within the pollution incidents (sewage collection and treatment) measure.	i) Removal of measure as proposed. ii) Inclusion of an assessment of Category 3 pollution incidents as a separate measure in addition to category 1 & 2 pollution incidents measure. Subject to availability of robust, comparable data.
Pollution incidents – wastewater collection and treatment	Extension of the measure assessing the number of Category 1 and 2 pollution incidents to include Category 3 incidents from the sewage collection and treatment activities. This extension will capture the impact of poor quality combined sewer overflows and other intermittent discharges on the environment.	Inclusion of an assessment of Category 3 pollution incidents as a separate measure - see ii) above.

Table 1. Cont'd Summary of final measures - overall performance assessment

Measure	Consultation proposal	Conclusions on final measure
Environmental performance – Water and sewerage companies only		
Pollution incidents – water treatment and distribution	Introduction of a new measure assessing the number of Category 1 and Category 2 pollution incidents resulting from water treatment and distribution activities.	Adoption of measure as proposed.
Leakage and hosepipe bans and security of supply	i) Introduction of an additional measure covering the security of the supply of water. ii) Minor change to deal with companies which introduce tighter leakage targets based on a revised economic level of leakage. iii) Revision to the measure of the population subject to hosepipe bans over a rolling five-year period by discounting previous year's performance.	i) Retention of the existing leakage and hosepipe ban measures whilst further consultation is conducted with companies and the Environment Agency on a security of supply measure. ii) Revision of leakage measures as proposed. iii) Adoption of measure as proposed with minor adjustment to weightings applied to individual years.

2 INCENTIVES – LINKING SERVICE LEVELS TO PRICES

As service levels improve across the industry, and efficiency assumptions become more challenging, it was appropriate to ask consultees whether the incentives of our approach remained effective and appropriate. We want to see services continuing to improve, as might be expected in a competitive market. However, care must be taken to maintain an appropriate balance between the prices customers pay and the services they receive. It is inappropriate to encourage companies to improve performance beyond the level that customers expect, or are prepared to pay for. Conversely, we need to guard against companies reducing costs at the expense of service to customers.

The consultation paper asked a number of questions about the existing mechanism for linking service levels to prices. Questions covered:

- the way in which the incentive is linked to price limits;
- the timing of adjustments to price limits;
- the scale of incentives; and,
- ensuring clarity and transparency in the framework which sets out how the incentives are intended to affect company behaviour.

2.1 Linking incentives to revenues/price limits

Proposal

Our current approach rewards companies providing the best service with an increase in price limits. This allows them to charge their customers slightly more than they would otherwise pay. Conversely, customers of companies providing a worse service receive bills which are slightly reduced, by a negative adjustment to price limits. An alternative approach might involve all companies contributing a set amount into a fund which was then redistributed on the basis of a performance assessment.

Responses

The majority of companies and CSCs supported our proposal that differences in service levels should continue to be reflected in adjustments to the prices customers pay. There was widespread disagreement with the alternative approach based on all companies contributing a set amount into a fund. Respondents consider that the current approach remains appropriate.

Conclusion

We will continue to reflect differences in service through positive or negative adjustments to price limits.

2.2 Timing of adjustments to price limits

Proposal

Prices for 2000-05 reflect our assessment of service levels in the three years 1996-97 to 1998-99. This means that the effect on price limits of company performance in those three years continues until 2004-05. Ofwat invited views on the benefits, or difficulties, of moving from a one-off price adjustment to an annual adjustment. The consultation paper proposed that adjustments be based on a rolling three-year assessment period. For example, an adjustment to prices in 2005-06 might reflect performance in 2002-03 to 2004-05; and for 2006-07 be based on performance over the period 2003-04 to 2005-06.

This approach could provide a more immediate and powerful incentive on companies, than an adjustment made every five years. It could also provide more timely recompense to customers receiving poorer service.

Responses

Respondents were split on the proposal. Companies were, with a few exceptions, in favour of maintaining the existing adjustment to prices on a five yearly basis, in line with price reviews. CSCs and other respondents, once again with a few exceptions, supported a move to an annual adjustment based on a rolling assessment period.

Companies argued strongly that a clear link was needed between particular levels of service and the potential financial impact if incentives were to be effective.

Ofgem has recently published final proposals for their information and incentives project for electricity distribution. Following consultation it proposes a system that assesses performance annually, but revenue adjustments are made at price reviews.

Conclusions

We accept that moving to an annual price adjustment could increase regulatory risk. It could only be introduced as part of a price review because of the need to take account of any change in this risk. Companies would then have an opportunity to decide whether the overall determination was acceptable, and to appeal to the Competition Commission if necessary. There is no such readily available and practicable appeal mechanism for challenging annual adjustments in the year they are made. Only if any price adjustment were made by means of a formal licence amendment would companies have the opportunity of independent assessment by an appeal. This seems an unduly cumbersome approach. We therefore consider that to minimise any additional risk the regulator would need to set out clearly, and in advance, what financial impact companies might expect to see for any given level of service.

Having considered this issue carefully we do not believe it is possible to define, at the beginning of any five year period, precise rules which would lead to sensible price adjustments in all circumstances. For example it would be difficult to take account of any extenuating or aggravating factors and this could introduce unfairness into the system.

On balance, therefore, we have concluded that, while more frequent price adjustments may be desirable in principle, such a change is not practicable at this stage.

2.3 Scale of incentive

We took the view in 1999 that the scale of the incentive should be a price adjustment of between +0.5% to –1.0% of revenue. This reflected our wish to provide a positive incentive to companies performing well. And the views of customer representatives that customers should not pay more for good service and the need to discourage companies from cutting back service levels to reduce costs.

It might be argued that future price adjustments should be smaller to reflect convergence of companies' performance to acceptable levels. However, as efficiency savings become harder to achieve, the incentive on companies to cut service levels for captive customers will increase and, therefore, the potential for a negative price adjustment should be increased. On balance we suggested that the existing range of price adjustments remained appropriate.

We also invited views on moving from a system which impacts only on those at the extremes of the performance range to one with graduated price adjustments. This approach increases incentives for those companies in the middle of the range, but places more importance on the precise ranking achieved by each company.

Responses

A range of responses was received about the scale and range of the incentive. Most companies supported the range used, potentially or actually, at the last price review. A number argued that the range should be symmetrical, at either +/- 0.5% or +/- 1.0%. One company suggested that price adjustments of up to +3.0% could be needed to drive significant improvements in performance. Another suggested that services going beyond a level acceptable to customers should not be rewarded.

A number of companies also suggested that it was not appropriate to apply penalties where a company came at the bottom of the industry range, but delivered the base levels of service assumed in price limits.

The CSCs had mixed views; some felt the current range was about right, one felt there should be larger penalties, while several felt that the incentives were currently too great.

The majority of respondents agreed with the proposal to move to more graduated penalties or rewards. However, a number of CSCs considered that the resulting smaller price adjustments would provide only limited incentives to companies.

Conclusions

In the light of these comments we have decided to retain the range of potential price adjustments from the current +0.5% to -1.0%. We consider the asymmetry of the range is still justified. Our recent customer survey demonstrated that customers are generally content with existing service levels. They also believed that companies are delivering good value for money. There is, therefore, little justification for increasing positive adjustments to increase the incentive to improve services. These risks going beyond what customers wish to pay for.

The case remains, however, for retaining a stronger disincentive on companies to reduce costs at the expense of customer service. However, the largest penalty of -1.0% would only be applied where a company's performance was significantly worse than the industry generally. The maximum penalty was not applied at the last price review because the range of company performance did not warrant it. By the next price review the range of overall performance may have narrowed to the extent that neither positive nor negative adjustments are justified. We will not make artificial distinctions between companies where there is no significant difference in performance.

We accept that a comparative assessment will not afford the same degree of certainty as an approach based on an absolute assessment. There are certain specified outputs assumed in price limits. However, there are many elements of customer service which are not, and should not be, precisely defined as part of a final determination. We expect companies to maintain service levels and it is not unreasonable to expect them to adjust services in line with developments elsewhere in the economy. Better service does not necessarily cost more and can result from more efficient operations, which also bring cost savings. It is important to guard against cost saving measures which result in poorer service to customers.

We consider it appropriate to base the overall performance assessment on a comparative assessment of companies which would result in penalties for those providing a relatively poorer service but also provide a limited reward for companies providing the best service. We will improve the transparency of this comparison by clarifying the performance range that applies to each individual measure within the overall assessment. Fixing and publishing these ranges in advance will give companies a clear indication of the score which they can expect to achieve for a given level of performance in each area. We believe this combination of a comparative overall assessment with more absolute individual measures provides a reasonable balance between the need for clarity and our wish to retain an element of comparative competition.

We agree, with the majority of respondents, that a more graduated range of price adjustments better reflects the range of company performance and provides incentives to those in the middle of the range. We will make judgements about company specific price adjustments and consult on these when we publish our draft determinations.

3 REVISIONS TO THE OVERALL PERFORMANCE ASSESSMENT

3.1 Ensuring a fair assessment

Proposal

Companies expressed concerns about the differing size and timing of programmes to comply with European and national legislation regulated by the DWI and EA. They were keen to ensure that differences in services to customers resulting from the timing of these programmes were not treated as being solely under management control. This concerned companies that inherited a 'legacy' of environmental problems, which the Government decided should be addressed over a longer period than for others.

We proposed measures focusing on whether companies were meeting the standards expected of them. The measures were based on compliance with company specific environmental standards (eg discharge consents) in place at the time of each assessment. To address similar issues arising from the different levels of improvement in sewer flooding allowed for in price limits, we also proposed changes to our assessments.

To avoid claims that the revised OPA applies in an unreasonably retrospective way at the next price review, we proposed to apply the new method to the three years 2001-02 to 2003-04, but to give the first year lower weighting.

Responses

Respondents were generally supportive of the principle underlying our proposed changes in approach. There were concerns about a number of the measures proposed. These are addressed in sections 4 to 7. A number of companies also suggested that the approach should be extended to other areas of the assessment, particularly drinking water quality.

Companies were almost unanimous in their opposition to the proposal to include 2001-02 performance in the next price review even at a lower weighting. They argued strongly that this ran counter to the Competition Commission's conclusions in its review of price limits for Mid Kent Water. Few of the other respondents made any comment. The most common alternative suggested by companies was to assess performance in 2001-02 using the current method and switch to the new method from 2002-03.

Conclusions

We intend to introduce revised measures to take account of differences in investment programmes to improve the environment and address sewer flooding. We do not propose to extend the approach to drinking water (see section 4.1).

In the light of the widespread opposition to applying the new overall assessment to 2001-02 we propose to limit the assessment used at the next price review to the two years 2002-03 and 2003-04. While this is not ideal we do not consider it appropriate to continue using the previous method for 2001-02. This would be difficult to justify given that we have accepted that there are unfairnesses inherent in that system.

3.2 Differentiation of relative company performance

Proposal

To improve the transparency and predictability of individual performance measures, we proposed to assess performance against a predetermined range based on that used in the 1998-99 assessment. For sewer flooding the range would be based on industry performance between 1997-98 and 2000-01 unless severe weather meant that range was unreasonable.

Responses

Companies and CSCs supported the proposal to fix and publish performance ranges. Those respondents who commented accepted that 1998-99 was a reasonable base year, although one CSC suggested that the range might need to be reviewed periodically. One company asked for clarification on scoring companies if they fell outside the established industry range.

Conclusions

We will fix and publish the performance ranges against which companies will be assessed. Where a company's performance falls outside that range it will generally be scored as if its performance was either at the maximum or minimum of the range, whichever is relevant. The range of performance on sewer flooding will only be revised if severe weather means that a significant proportion of the industry falls outside the usual range. We do not expect this to occur frequently.

3.3 Weighting of measures

Proposal

We proposed some redistribution of weightings to take account of the proposed changes to the range of measures. Together with the Ofwat National Customer Council (ONCC), we also undertook a customer survey during the consultation period to explore the relative importance of different aspects of service to customers. We were then able to test our proposals against the results.

Responses

There was little consensus among respondents. Of those who commented, several were content while others had conflicting views. The EA felt the environmental and sewerage measures should be given more weight. One company suggested that sewer flooding should be given lower weight as it affects relatively few customers. A CSC suggested it should have greater weight because of its importance to customers. A number of companies suggested that customer service measures should have less weight, but one suggested it should have greater weight.

One question in our customer survey asked customers to allocate 100 points across the four broad performance categories used in the OPA. We also asked them to score the relative importance of the more detailed measures. The results of this work are presented in Tables 2 & 3. They can be found in full in our report "Understanding customers' views" jointly published by us and the ONCC.

Table 2. Allocation of 100 points according to importance of performance categories

PERFORMANCE CATEGORY	TOTAL POINT ALLOCATION
WATER SUPPLY Ensuring a reliable supply of good quality drinking water at the correct pressure, without unexpected interruptions and hosepipe bans	35
DISPOSING OF SEWAGE Ensuring homes are not flooded with sewage.	28
ENVIRONMENTAL PERFORMANCE Avoiding pollution incidents at water and sewage works, meeting required standards for the disposal of treated sewage and controlling water leakage.	22
CUSTOMER SERVICE Answering letters and phone calls promptly and providing information and services for customers with disabilities, debt problems and complaints.	15
TOTAL	**100**

Table 3. Importance of nine aspects of company activity to customers

ASPECT OF COMPANY PERFORMANCE	IMPORTANCE				
	VI	**FI**	**NN**	**NPI**	**NAI**
Ensuring drinking water is good quality	96	4	<1	0	<1
Ensuring people's homes are not flooded with sewage	93	6	1	<1	<1
Meeting required standards when disposing of treated sewage	89	10	1	<1	<1
Avoiding pollution from incidents at water and sewage works	88	10	2	<1	0
Controlling water leakage	76	21	2	<1	<1
Avoiding unexpected interruptions to water supply	68	30	2	<1	<1
Ensuring water pressure is adequate	68	28	3	1	0
Dealing promptly with customer's letters and phone calls	52	40	7	1	<1
Providing information and services for customers with disabilities, debt problems or complaints	52	37	9	2	<1
Avoiding occasional hosepipe bans	27	33	22	12	6

Key:
VI = Very important
FI = Fairly important
NN = Neither important nor unimportant
NPI = Not particularly important
NAI = Not at all important

Conclusions

Our original proposals have been modified slightly to take account of the changes made following consultation to the range of proposed measures. Overall, however, we feel that the broad balance of weightings used at the last price review as modified in our initial proposals remain appropriate. The weightings we intend to use for the next price review are set out in Annex 3.

4 CHANGES TO EXISTING MEASURES

4.1 Water supply

Supply interruptions

Proposal

We proposed that interruptions of between 3 and 6 hours should be incorporated into this measure, which previously covered the number of properties experiencing unplanned interruptions to supply greater than 6, 12 and 24 hours.

Responses and conclusion

There was considerable opposition to this proposal from companies. Together with the DWI they voiced concerns that this might encourage companies to rush repairs, thereby taking greater risks with water quality. The measure would encourage companies to work at night and would increase costs. None of these effects would be in customers' interests. It would also disadvantage companies with large rural communities. While two CSCs supported the idea, one argued that this was not a priority for customers and could be expensive.

The results of our customer survey tend to support the view that customers are satisfied with the service they receive in terms of unexpected supply interruptions. Where customers experienced such interruptions they did not generally regard them as serious.

In light of this we will not make this change. Interruptions to supply will continue to be measured on the same basis as in the past.

Water quality

Proposal

The previous method of assessing drinking water performance led to differences in scores which did not always reflect differences in performance between companies. We proposed to alter our approach so that it was based on the score achieved in the DWI's operational performance index, rather than on the DWI's assessment of a company as below average, average or above average.

Responses and conclusion

Respondents supported this change in approach. However, a significant proportion of companies argued that adjustments should be made to reflect the impact of different sized programmes to improve water quality allowed for in price limits. Although we accept that this is technically feasible, we do not consider that the benefits of doing so outweigh the increase in complexity and

loss of transparency which would result. We do not propose to introduce such adjustments. We will introduce the assessment we proposed.

4.2 Sewerage services (water and sewerage companies only)

Sewer flooding "at-risk" properties

Proposal

To take account of differences in the size of programmes to reduce the incidence of sewer flooding funded in price limits, we proposed to adjust company data on properties at risk of flooding to discount improvements which customers were already paying for. We also proposed to fix the ranges for sewer flooding measures based on a range of performance from 1997-98 to 2000-01. Previously the range reflected the best and worst performance in the report year.

Responses and conclusions

Most companies supported our proposal to adjust the sewer flooding measure. Two argued that the proposed adjustment would disadvantage companies with large improvement programmes funded in price limits. They argued that either unadjusted scores should be used or the method should be altered to give companies credit at the outset for the improvements to be carried out during 2000-01 to 2004-05. One argued that the "at-risk" measure should be removed completely. Several respondents commented that events due to severe weather should only be excluded provided that companies applied a reasonably consistent definition.

Having considered these points carefully we see no need to adjust the method that we proposed. We do not consider it reasonable to adjust the "at-risk" score as if the 2000-01 to 2004-05 improvement programme had been delivered at the outset. If this was done it could mean that a company with a significant improvement programme because it had a high number of properties at risk could score better than one with fewer properties at risk. We do not consider this is appropriate.

We accept that it is important that companies are not able to manipulate their performance scores by excluding unjustifiable numbers of incidents due to severe weather. There is no evidence to date that this issue is distorting the data which companies report. However, with the assistance of the Reporters, we will continue to monitor the definitions which companies apply, and to challenge unreasonable exclusions.

We received no comments on our proposal to move from a range based on companies' performance in the report year for each of the three sewer flooding measures, to one based on a range of performance from 1997-98 to 2000-01. We will introduce the revised ranges.

4.3 Customer services

4.3.1 Customer contact

Respondents, with a few exceptions, supported the inclusion of qualitative measures, particularly for telephone handling, once established. We will be taking this forward with the industry.

4.3.2 Assessed customer service

Proposals

We proposed a number of modifications to the current assessments to take account of changes in legislation or to place subjective assessments in a more systematic framework.

The CSCs and companies which commented were generally supportive and accepted that our proposals made this part of the OPA more transparent. Our conclusions are set out in more detail in appendices 9 to 9.7.

However, one area attracting criticism from a number of companies was debt and disconnection, and payment methods. We agree with companies that it is important that assessments by CSCs are made on a reasonable and consistent basis if we are to include them in the OPA. We have recently published, and consulted on, revised guidelines and assessment criteria following detailed discussions with CSCs and the industry during the year. This should help to ensure that CSCs are applying consistent judgements. We will also apply a consistency check based on our knowledge of companies' procedures and reports from the CSCs.

A number of companies and CSCs said that it was no longer appropriate for the OPA to encourage companies to subsidise legal costs for customers who had not paid their bills. We accept this and have removed this element from the OPA. However, we would expect that when CSCs audit company practice they will comment where unreasonable costs are imposed.

4.4 Environmental performance (water and sewerage companies only)

4.4.1 Bathing water quality

Proposal

We proposed that the measure of bathing water compliance should be removed as it reflected effects which were not in the control of sewerage companies. We suggested that compliance of the sewage treatment process with disinfection consents should be included instead.

Responses and conclusions

A majority of the companies that commented, and the EA, supported our proposal to remove the existing measure. However some concern was expressed about the need for agreement with the EA on the way compliance with UV consents is assessed.

We have raised this issue with the EA. It assures us that problems experienced in the past have now been resolved. We therefore intend to proceed as proposed.

4.4.2 Sea outfalls

Proposal

To replace the measure of the number of unsatisfactory sea outfalls with a measure of compliance with Urban Waste Water Treatment Directive (UWWTD) discharge consents.

Responses and conclusions

All respondents who commented, including the EA, supported this proposal, which we will adopt.

For clarity we confirm that our assessment of discharged effluent quality will be based only on sanitary determinands (bio-chemical oxygen demand [BOD], suspended solids and ammonia) and phosphorus.

4.4.3 Sewage sludge disposal

Proposal

We proposed to revise our assessment to reflect the revised Sludge (Use in Agriculture) Regulations once suitable data are available.

Responses and conclusions

The few respondents who commented supported this proposal. We will, therefore, consult on a revised assessment once suitable data is available. In the meantime the assessment will continue on the existing basis.

4.4.4 Sewage treatment works consent compliance

Proposal

We proposed to extend the existing assessment to include compliance with additional parameters:

- UWWTD consent conditions (BOD and phosphorus);
- Disinfection standards; and,
- Descriptive consents (as robust data becomes available).

Responses and conclusions

As reported above, respondents including the EA generally supported, with some reservations, the inclusion of UWWTD consents and disinfection standards. However, concern was raised over the consistency of EA assessments of compliance with descriptive consents.

We therefore intend to proceed with the extension to UWWTD and disinfection standards. Compliance with descriptive consents will only be introduced once the EA has established clear procedures to ensure consistency of assessment; we are working on this with the EA.

4.4.5 Removal of the assessment of combined sewer overflows and introduction of an assessment of Category 3 pollution incidents

Proposal

We proposed to remove the assessment of combined sewer overflows (CSOs) because it measured the fitness for purpose of a company's assets rather than their operation, and because there are significant differences between companies' programmes allowed for in price limits. Instead we proposed to assess the environmental impact of unsatisfactory CSOs and other intermittent discharges through the pollution incidents they cause. Category 3 incidents would in future be captured as well as Categories 1 and 2.

Responses and conclusions

While not generally averse to the removal of the existing CSO measure, companies were almost unanimous in their concern over the inclusion of Category 3 pollution incidents. The main issue related to the robustness and comparability of data collected from different regions of the EA. Companies were concerned that such incidents were not clearly and consistently defined. They were also concerned that a discharge could be classed as causing a Category 3 incident even though it had been given a consent by the EA.

Another point made by the companies and EA was that the number of Category 3 incidents far outweighs that of the more serious Category 1 and 2 incidents. If included, Category 3 incidents should be given a lower weight to reflect their less serious impact or be put in a separate measure.

We share the companies' wish to use data in the OPA that is robust and comparable. We are in discussion with the EA over the improved systems and procedures which it is developing to ensure the quality and consistency of information which it collects on Category 3 incidents. We also believe it is inappropriate for our assessment to include any incidents which arise from discharges complying with their consent. These will be extracted from the data we use for the OPA.
We will therefore only extend the pollution incident to include Category 3 incidents once we are satisfied that the EA can provide comparable, quality controlled data. We anticipate that new guidance being prepared by the EA will mean that data for 2002-03 is sufficiently robust to be included in our performance assessment.

When Category 3 incidents are included we intend to keep them separate to avoid confusion with more serious incidents. They will also be given a lower weight to take account of the difference in environmental impact of Category 3 incidents (see Annex 3 for details).

5 HOSEPIPE BANS, LEAKAGE AND SECURITY OF SUPPLY

Proposal

We consulted on several modifications to the existing measures for hosepipe bans and leakage. For hosepipe bans we proposed to reduce the weight attached to early years in the rolling five year period used to assess performance each year. This would provide a fairer reflection of current performance levels. For leakage we proposed to modify the existing measure slightly to avoid disadvantaging those companies which reassess their economic level of leakage (ELL) and set themselves more demanding targets. Such companies would be assessed against their previous target for two years to give them time to work towards the new tighter target.

We also asked for views on whether a new measure of security of supply should be introduced either in place of or alongside the existing measures.

Responses and conclusions

Responses from companies varied. Some supported the introduction of a new measure of security of supply either alongside or in place of the existing measures of hosepipe bans and leakage. A significant number of companies, particularly those in the drier parts of the country, were unhappy with the proposed new measure, either in principle or for technical reasons. The EA also expressed some concern with the proposal as presented. Some argued that the measure disadvantaged companies in the drier regions and that it measured resource availability, which is outside management control. Some argued that the measure would disadvantage companies with an integrated network rather than isolated supply zones. It was also argued by some that the proposal would measure theoretical rather than real differences in service.

Those CSCs which commented supported the introduction of a measure of security of supply alongside the existing measures.

We believe it is right to move towards a more integrated measure of the security of customers' water supplies. This work is being taken forward as part of our annual performance monitoring. We have recently written to companies and other stakeholders detailing our proposed approach[1]. Once the approach has been finalised, and the measure's operation established, we would expect to incorporate it into the assessment of company performance from 2005-06 onwards.

In the light of this conclusion we intend to retain the existing measure of hosepipe bans and leakage. While we accept that these measure only certain aspects of security of supply, they do reflect issues which impact on customers and which they regard as important. We accept that hosepipe bans are a legitimate demand management tool in particularly dry years, but propose to retain the measure, at least until a more comprehensive security of supply measure can be incorporated. We will proceed with our proposal to apply a lower weight to the earlier years in the rolling five-year period. One company suggested that the weightings initially proposed should be such that poor performance in any two years was never outweighed by poor performance in any one year. We agree with this and have modified the proposed weightings.

Companies which commented generally agreed that the measure should reflect progress towards economic levels of leakage (ELL) where a robust ELL assessment is available. Where companies re-assess their ELL and set themselves more demanding targets we will assess this against their existing ELL for two years as proposed. This will allow those companies to make reasonable progress towards the new target. One company suggested agreeing a glidepath for any company setting itself a tighter leakage target which would take more than two years to reach. However, we consider that our original proposal has the merit of simplicity and we will therefore proceed with it. In order to provide an incentive to complete a robust ELL, scores for companies without an ELL will be adjusted down by one performance band (details of performance bands can be found in Appendix 15).

[1] The details of this proposal are available from Ofwat in our letter to Regulatory Directors - RD23/01 "Proposed Ofwat security of supply index".

6 NEW MEASURES

6.1 Category 1 and 2 pollution incidents - water treatment and distribution

Proposal

To introduce a new measure of serious pollution incidents arising from companies' activities in treating and distributing water.

Responses and conclusions

All but one of the companies which commented supported this proposal, which the EA also welcomed. We will therefore proceed as proposed.

7 LOOKING BEYOND THE PERIODIC REVIEW IN 2004

7.1 Street works

We asked for comments on the possibility that street works performance might in future be included in the OPA. All the companies that commented opposed this proposal on the grounds that it was an issue for local authorities and that penalties were either in place or being proposed by the Government. The CSCs had mixed views.

In view of the continuing developments in government policy in this area we do not intend to take this proposal any further at this stage.

7.2 Other changes

As discussed earlier in the document, new measures of security of supply and quality of customer contact will be incorporated in the OPA from 2005 onwards, if sufficiently well developed.

Various respondents suggested additional measures which might be included in the OPA. These ranged from sustainability indicators to water company activities in providing education, leisure facilities, or energy efficiency advice. Other suggestions related to planned interruptions and pollution incidents which impact on drinking water.

However, a significant number of respondents proposed no additional measures. It is not possible to attempt to capture every facet of a company's performance without making the overall assessment unduly complex. So we do not propose to broaden the OPA further at this stage.

Annex 1

LIST OF RESPONDENTS

Water companies
Anglian Water
Bristol Water
Bournemouth & West Hampshire Water
Cambridge Water Company
Dee Valley Water
Dŵr Cymru/Welsh Water
Folkestone & Dover Water
Mid Kent Water
Northumbrian Water
Portsmouth Water
Severn Trent Water
South East Water
Southern Water
South Staffordshire Water
South West Water
Sutton and East Surrey Water
Tendring Hundred Water
Thames Water
Three Valleys Water
United Utilities

Quality regulators
Drinking Water Inspectorate
Environment Agency

Ofwat Customer Service Committees
Central CSC
Eastern CSC
Northumbria CSC
North West CSC
Southern CSC
South West CSC
Thames CSC
CSC for Wales
Yorkshire CSC
Ofwat National Consumer Council

Environmental organisations
RSPB
The Wildlife Trusts

Organisations representing customer interests
Mencap
National Union of Residents' Associations

Trade bodies
Water UK
UK Society for Trenchless Technology

Other organisations
British Gas Trading
Linkwork Ltd
Metcalf & Eddy

Other respondents
R Sander

GLOSSARY OF TERMS

Combined sewer overflows (CSOs)
CSOs operate in storm conditions to divert excess sewage to a nearby watercourse preventing a build-up of sewage within the wastewater collection system. Their operation avoids the flooding of pumping stations, public or private property.

Descriptive consents
Discharges from small sewage treatment works (STWs) are often regulated by 'descriptive' consents which prohibit through words, not numbers, the release of poisonous or injurious matter.

Discharge consent
A discharge consent is a permit issued by the Environment Agency which sets out the conditions under which a consent holder may make a discharge of sewage or trade effluent to controlled waters.

Economic level of leakage (ELL)
The level of leakage at which it would cost more to make further reductions in leakage than to produce the water from another source is known as the ELL. Operating at ELL means the total cost to the customer of supplying water is minimised and companies are operating efficiently. In determining this it is important to include consideration of environmental and social costs as well as other costs.

Enhanced service levels (ESL)
Enhanced service level allowances are funds provided within price limits to provide a significant step change in customer service.

Equivalent population
Includes both the domestic population served and the non-domestic load on the sewage treatment service.

Final Determination
Outcome of a price review including company price limits which operate for a 5 year period and specific outputs which the company must deliver.

Guaranteed Standards Scheme
A scheme which lays down minimum guaranteed standards of service to customers by companies. If the standards are not met customers are entitled to compensation. In many cases this is paid automatically.

Hydraulic overload
The inability of a sewer to pass forward (pass downstream) a flow of sewage due to the incapacity of a particular pipe, or section of the sewerage system.

June returns
Annual data submissions by water companies to Ofwat regarding their activities and performance.

Numeric consents
Discharges from larger STWs are regulated by 'numeric' consents which prescribe the quality, in numerical and chemical terms, of the discharge.

Operational Performance Index
The DWI's measure of the operational performance of water treatment works and distribution systems, calculated by averaging the compliance of water supply zones for six parameters: iron, manganese, aluminium, turbidity, faecal coliforms and trihalomethanes.

Overall performance assessment
The overall performance assessment (OPA) provides an overview of company performance covering water supply, customer service, sewerage service, and environmental performance (only water and sewerage companies are assessed for the last two areas).

Periodic review
The resetting of all water companies' price limits. Price limits are set every five years.

Pollution incidents
Pollution incidents are categorised according to their impact on the environment, Category 1 being the most severe, Category 4 the least severe.

Price limits
The annual increase in charges companies can make is limited by the licences. The limit is described as RPI + K + U. K represents the amount by which average charges can rise in any year, RPI is the Retail Price Index and U is unused K from previous years. A specific K value is set by the Director for each company for each year, usually at a Periodic Review. The value reflects what a company needs to charge to finance the provision of services to customers.

Resource zone
The largest possible zone in which all water resources, including external transfers, can be shared. It delineates a zone in which all customers will experience the same risk of supply failure from a resource shortfall.

Sanitary determinands
All numeric consents contain so called 'sanitary' conditions which control the quantity of suspended solids, biochemical oxygen demand, and in most cases, ammonia, in discharges from STWs.

Sludge
The final form of solid matter that is removed during sewage or water treatment.

Target headroom
The minimum buffer a water company should allow between supply and demand to cater for specified uncertainties in the overall supply/demand balance.

Wastewater
A term for sewage, either influent to, or effluent from, a sewage treatment process.

Annex 3

WEIGHTINGS FOR KEY AREAS AND INDIVIDUAL MEASURES.

Key area / measure	WaSCs only		All companies	
	Previous weight	New weight	Previous weight	New weight
Water supply	**3**	**3**	**3**	**3**
DG2 – risk of low pressure score	0.75	0.75	0.75	0.75
DG3 – unplanned interruption score	0.75	0.75	0.75	0.75
Hosepipe bans	0.5	0.5	0.5	0.5
Water quality	1	1	1	1
Sewerage service	**1.5**	**1.5**	**0**	**0**
Sewer flooding incidents (capacity)	0.5	0.5	-	-
Sewer flooding incidents (other causes)	0.75	0.75	-	-
Company assessed risk of flooding more than once in 10 years	0.25	0.25	-	-
Customer service	**1.5**	**1.5**	**1.5**	**1.5**
Company contact score	0.75	0.75	0.75	0.75
Other customer service	0.75	0.75	0.75	0.75
Environmental performance	**2.5**	**2.75**	**1**	**1.25**
Category 1 & 2 pollution incidents per million equivalent resident population (sewage)	0.25	0.5	-	-
Category 3 pollution incidents per million equivalent resident population (sewage)	-	0.25	-	-
Bathing waters	0.5	-	-	-
Sea outfalls	0.25	-	-	-
Sludge disposal	0.25	0.25	-	-
Percentage equivalent population served by STWs in breach of their consent	0.5	1	-	-
Unsatisfactory combined sewer overflows as a percentage of population served by outfalls	0.25	-	-	-
Category 1 & 2 pollution incidents (water)	-	0.25	-	0.25
Leakage	0.5	0.5	1	1
Weightings total	**8.5**	**8.75**	**5.5**	**5.75**

HOW COMPANY PERFORMANCE IS TURNED INTO AN OVERALL PERFORMANCE ASSESSMENT SCORE

Each assessment of company performance in the OPA is turned into a score out of 50 points. The better a company's performance the higher the score.

To calculate any score a standard calculation is used. However, the assessments do not have similar units. Some are measured in percentages (eg inadequate pressure – DG2), others use specific units (eg hosepipe bans – DG4). To account for this each calculation uses two specific values to normalise the scores between all measures. These values also define a range of maximum and minimum performance for each measure. If companies performance is better than the maximum they receive a score of 50 points, and if below the minimum they receive a minimum score of 5 points.

Below is an example of the calculation applied to data for drinking water quality as assessed by the Drinking Water Inspectorate for Bournemouth and West Hampshire Water Company (on a scale of 0 to 100) in 1999. Further details of the assessment are provided in appendix 4.

In this example the company has scored 99.86 on the measure in 1999. The performance range for this assessment is:

Maximum: 100
Minimum: 98.4

The OPA score is calculated by entering the ranges and the company's score into the calculation below:

$$\left[\frac{\text{company score – range minimum}}{\text{range maximum – range minimum}} \times 45\right] + 5$$

$$\left[\frac{99.86 - 98.4}{100 - 98.4} \times 45\right] + 5$$

$$\left[\frac{1.46}{1.6} \times 45\right] + 5$$

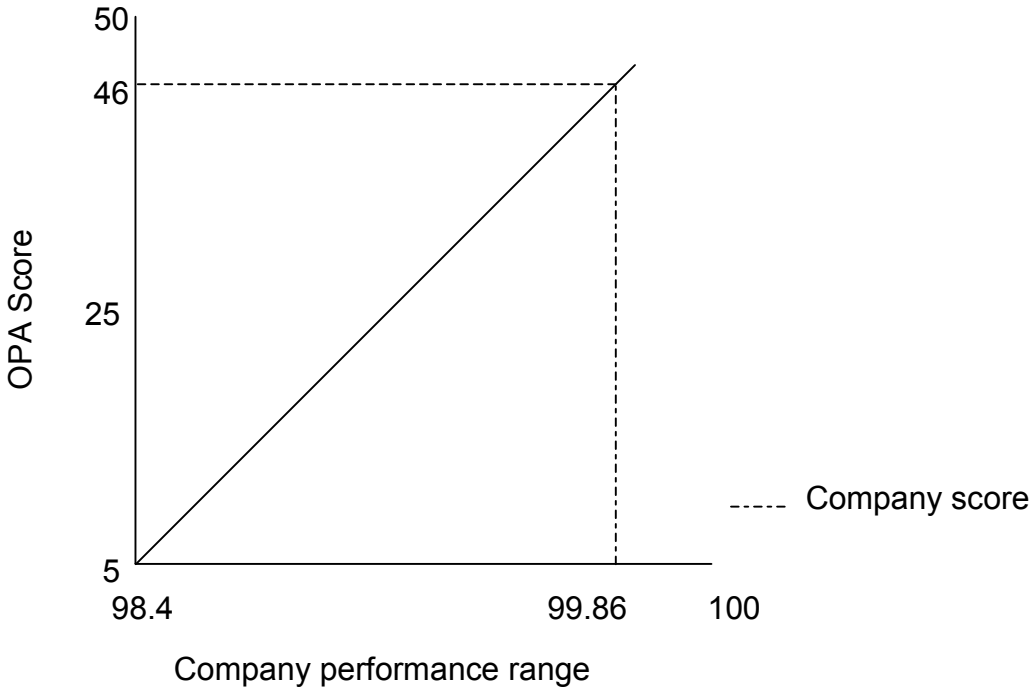
$$[\ 0.9125 \times 45\ ] + 5$$

46.0625 rounded to 46

The first part of the equation provides the companies performance in terms of the range between a value of 0 and 1.

The second part (x 45, + 5) transposes the figure into a base score of 45, and the addition of 5 increases the value based on the premise that no company scores less than 5.

Graphically the companies performance can be explained in the diagram below



TECHNICAL APPENDICES

INADEQUATE PRESSURE (DG2)

Description

An assessment based on the number of properties served at risk of receiving pressure below the reference level, expressed as a percentage of the total properties solved.

Reference level: 10 metres head at a flow of 9 litres per minute.

Unit of assessment

Number of properties at risk of receiving pressure below the reference level expressed as a percentage of the total connected properties.

Calculation

$$\frac{\textbf{Properties below reference level}}{\text{Total connected properties}} \times \textbf{100}$$

Performance range

The performance range against which individual company OPA scores are calculated will be:

All companies assessment
Max 1.35
Min 0

WaSCs assessment
Max 0.65
Min 0.05

SUPPLY INTERRUPTIONS (DG3)

Description

An assessment based on a measure of properties experiencing unplanned and unwarned supply interruptions in excess of 6, 12 and 24 hours.

Unit of assessment

A measure of the number of properties experiencing unplanned and unwarned interruptions to supply in excess of 6, 12 & 24 hours, normalised against the number of properties served by each company.

Calculation

(%>6hours X 1) + (%>12hours X 1) + (%>24hours X 2)

Performance Range

The performance range against which individual company OPA scores are calculated will be:

All companies assessment
Max 3.00
Min 0.00

WaSCs assessment
Max 3.00
Min 0.13

HOSEPIPE RESTRICTIONS (DG4)

Description

An assessment based on the average number of person weeks of hosepipe restrictions over a rolling five year period. Each year is weighted to discount the effect of historic years' performance.

Unit of assessment

A measure of the population weeks of hosepipe restrictions over a rolling five-year period.

Calculation

$$\frac{((yr1x1) + (yr2x1.25) + (yr3x1.5) + (yr4x1.75) + (yr5x2)) \ / \ 7.5}{\text{(Winter population 5 years / 5)}} \times 100$$

Year 5 is the most recent reporting year

Performance range

The performance range against which individual company OPA scores are calculated will be:

All companies assessment
Max 1026.13
Min 0

WaSCs assessment
Max 895.76
Min 0

These ranges are derived from a calculation using company performance data from the years 1994-95 to 1998-99.

DRINKING WATER QUALITY

Description

An assessment of drinking water quality based on the Drinking Water Inspectorate's operational performance index (OPI), which assesses compliance for six determinands. These are iron, manganese, aluminium, turbidity, faecal coliforms and trihalomethanes. Details of companies' OPI performance can be found in the Drinking Water Inspectorate's annual report[2].

Unit of assessment

The OPI score for drinking water quality.

Performance range

The performance range against which individual company OPA scores are calculated will be:

Max 100.0
Min 98.4

These limits are based on the range of OPI scores in 1998.

[2] Data for 2000 can be found in "Drinking Water 2000: A report by the Chief Inspector Drinking Water Inspectorate", page 37.

Appendix 5

SEWER FLOODING – OVERLOAD (DG5)

Description

An assessment based on the number of properties affected by an incident of internal sewage flooding caused by overload of a sewer (also termed hydraulic incapacity).

Unit of assessment

Number of properties affected by an incident of internal flooding caused by overload of a sewer, excluding those incidents resulting from severe weather. The value is expressed as a percentage of total connected properties.

Calculation

$$\frac{\text{Total flooding incidents (overloaded sewers)} - \text{Flooding incidents due to severe weather (overloaded sewers)}}{\text{Total connected properties}} \times 100$$

Performance range

The performance range against which individual company OPA scores are calculated will be:

Max 0.036
Min 0.0015

These limits are based on maximum and minimum company performance between 1997-98 and 2000-01.

Appendix 6

SEWER FLOODING – OTHER CAUSES (DG5)

Description

An assessment based on the number of properties affected by an incident of internal sewage flooding caused by equipment failure in, blockage or collapse of, a sewer (also termed “other causes”).

Unit of assessment

Number of properties affected by an incident of internal flooding caused by equipment failure in, blockage or collapse of, a sewer. The value is expressed as a percentage of total connected properties.

Calculation

$$\frac{\text{Flooding incidents (equipment failure)} + \text{flooding incidents (blockages)} + \text{flooding incidents (collapses)}}{\text{Total connected properties}} \times 100$$

Performance range

The performance range against which individual company OPA scores are calculated will be:

Max 0.029
Min 0.0047

These limits are based on maximum and minimum company performance between 1997-98 and 2000-01.

SEWER FLOODING – "AT-RISK" (DG5)

Description

An assessment based on the number of properties considered to be at risk of flooding by sewage, caused by overload, more frequently than once in ten years.

Unit of assessment

Number of properties considered to be at risk of flooding by sewage, caused by overload, more frequently than once in ten years. The assessment will be normalised by the number of properties removed as a result of individual companies' enhanced service level allowances (ESL) to address at-risk properties in the reporting year. The value is expressed as a percentage of total connected properties.

Calculation

$$\frac{((2 \text{ in } 10 \text{ X } 1)+(\text{problems solved due to ESL funding}))+(1 \text{ in } 10 \text{ X } 0.5)}{\text{Total connected properties}} \text{ x100}$$

Performance range

The performance range against which individual company OPA scores are calculated will be:

Max 0.22
Min 0.012

These limits are based on maximum and minimum company performance between 1997-98 and 2000-01. The range maximum may be revised due to an outlier in the data set.

Appendix 8

CUSTOMER CONTACT (DG6, DG7, DG8 & DG9)

Description

An assessment of four aspects of company performance covering:

- Response to billing contacts (DG6)
- Response to written complaints (DG7)
- Billing of metered customers (DG8)
- Ease of telephone contact (DG9)

Unit of assessment

An equally weighted measure of the four aspects of company performance based on:

- The number of billing contacts answered within 5 working days as a percentage of billing contacts received (DG6).
- The number of written complaints answered within 10 working days as a percentage of written complaints received (DG7).
- The number of bills based on a meter reading as a percentage of metered accounts (DG8).
- The percentage of calls answered within 30 seconds as a percentage of total calls received on customer contact lines (DG9).

Calculation

$$\frac{\textbf{Number of billing contacts dealt with in 5 days}}{\text{Total billing contacts}} \textbf{ x 100} \quad \text{(DG6)}$$

$$\frac{\text{Written complaints answered in 5 days} + \text{written complaints answered in 5 to 10 days}}{\text{Total written complaints}} \times 100 \quad \text{(DG7)}$$

$$\frac{\textbf{Number of bills based on a meter reading}}{\text{Total number of metered accounts}} \textbf{x100} \quad \text{(DG8)}$$

$$\frac{\text{Calls answered } \textbf{within 15 seconds} + \text{calls answered } \textbf{within 15 to 30 seconds}}{\text{Total calls received}} \textbf{x100} \quad \text{(DG9)}$$

Performance range

The performance range against which individual company OPA scores are calculated will be:

	All companies		WaSCs	
	Min	Max	Min	Max
DG6	90	100	90	100
DG7	95	100	95	100
DG8	98	100	98	100
DG9	83.13	98	83.13	98
Combined score	81	186	81	180

ASSESSED CUSTOMER SERVICE

Description

This aspect of the OPA measures the quality of customer service. It is based on seven equally weighted measures, which are:

- Revenue and debt collection
- Complaint handling
- Information to customers
- Telephone contact hours
- Compensation policy
- Supply pipe repair policy
- Services for disabled and elderly customers

Each of the seven aspects are assessed against specific criteria. Companies are awarded one of three marks: 1 = good, 2 = average, 3 = poor for each of the seven aspects. These are totalled to determine an overall mark for the company. (Best possible performance = 7 marks, worst = 21 marks).

Details of each of the seven assessments can be found in appendices 9.1 to 9.7.

Performance range:

The performance range against which individual company OPA scores are calculated will be:

Max 18
Min 10

ASSESSED CUSTOMER SERVICE: REVENUE AND DEBT COLLECTION

Description

An assessment of five aspects of payment collection (revenue) and three aspects covering the provision of facilities provided to customers in debt.

Method of assessment

Individual company practice is assessed against a total of eight aspects of customer service. The extent and nature of customer service is determined according to the criteria set out for each aspect below. The total combined score for all eight aspects is assessed against three bands and an overall mark for the measure determined.

Revenue

- Number of standard payment options advertised on bills/accompanying leaflets (1 point for each);
- Whether weekly or fortnightly payments are advertised on bills or leaflets (2pts yes or 1pt no);
- Whether bill payments are free of charge at banks or building societies (3pts free, 2pts subsidised or 1pt full charge levied);
- Whether bill payments are free of charge at post offices or equivalent payment outlets, eg Paypoint (3pts free, 2pts subsidised or 1pt full charge levied); and,
- Whether there is a ”difficulty in paying message” on the bill (2pts yes or 1pt no).

Debt

- Free phone debt line (3pts dedicated 0800 line advertised on initial bill; 2pts debt line available but not necessarily advertised; 1pt no debt line)
- Provision of charitable trust/hardship fund (3pts yes; 2pts planned; 1pt no)
- CSC assessment of company’s handling of indebted customers (8pts good; 6pts satisfactory; 4pts basic)

Banding

1	Top	>25points
2	Middle	20 –25 points
3	Bottom	<20 points

ASSESSED CUSTOMER SERVICE: COMPLAINT HANDLING

Description

An assessment of two aspects of complaint handling: Customer Service Committee (CSC) audits of company complaint files, and the number of customer complaints to the company which are accepted by the CSC for further investigation.

Method of assessment

Individual company activity on both aspects are assessed and awarded a band score. The combined band score for the two assessments determines the total score for the measure.

CSC audits

CSC audits/assessments of complaint handling are converted into a numerical score as shown in the following example:

An audit assessed 20 complaints as 'good', three as 'acceptable', and two as 'not acceptable'. These assessments attract 2 points, 1 point and –2 points respectively. In the above example the audit score would be (20 x 2) + (3 x 1) + (2 x –2) = 39/25 = 1.56. This audit score is then converted into a banding score.

Band	Audit score
1	>1.75
2	1.50 –1.75
3	1.00 –1.49
4	0.00 – 0.99
5	<0.00

CSC investigations

The number of complaints accepted for investigation by the CSCs as a percentage of complaints received by the companies. Company performance is converted into a banding score derived.

Banding	**% Investigated**
1	<1.00%
2	1.00 – 2.00%
3	2.01 – 3.00%
4	3.01 – 5.00%
5	>5.00%

Overall Banding

1	Top	2-4

2	Middle	5-7
3	Bottom	8-10

ASSESSED CUSTOMER SERVICE: INFORMATION TO CUSTOMERS

Description

A two part assessment of information sent unsolicited to customers during the report year: whether it covers a number of essential areas of company activity; and, the clarity of the literature.

Unsolicited information includes company-produced leaflets sent alongside bills and company magazines/newspapers or information available on the company's website.

Method of assessment

The extent to which company literature sent to customers or available on the website covers essential information. These areas of information are defined below:

- Explanation of charges
- Availability of free meter option
- Surface water rebate
- Help for vulnerable customers
- Payment options
- Payment methods
- Services for elderly and disabled customers
- Customer Charter/Guaranteed Standards Scheme
- Complaints handling
- Water efficiency

Clarity of information will be assessed on the use of plain language and clear presentation.

Banding

Each of the ten topics listed above attracts up to 3 points for the extent of information provided. Clarity of information will attract 2 points per topic broken down into one point for use of plain language and one for presentation (eg colour contrast, use of appropriate fonts). Companies can score a maximum of 50 points. This is converted into a percentage score.

Where a water only company does not bill on behalf of a water and sewerage company there is no requirement to provide a surface water rebate message on the bill or in an accompanying leaflet. The scoring system reflects the fact that these water only companies can only score a maximum of 45 points.

1	Top	>80%
2	Middle	60 to 80%
3	Bottom	<60%

ASSESSED CUSTOMER SERVICE: TELEPHONE CONTACT HOURS

Description

An assessment of the accessibility of company call centres in handling billing contacts and general operational enquiries, etc. Companies are required to provide emergency cover at all times. This is not part of the assessment.

Method of assessment

The accessibility of company call centres is assessed by reference to the number of hours the service is provided during weekdays and weekends or bank holidays.

Banding

		Weekday opening	Weekend/ Bank Holiday
1	Top	=/> 50 hours	=/> 5 hours
2	Middle	=/> 50 hours	< 5 hours
3	Bottom	< 50 hours	< 5 hours

ASSESSED CUSTOMER SERVICE: COMPENSATION POLICY

Description

An assessment of company compensation policies and customer charters.

Method of assessment

Assessment of individual company compensation policy and customer charters against the requirements of the Guaranteed Standards Scheme[1] (GSS).

Banding

1	Goes significantly beyond the provisions of GSS in terms of: (a) value of payments; (b) automatic payments where these are normally claimed; and, (c) extended range of compensation payments.
2	Goes beyond GSS for some standards, e.g. automatic payments where these are normally claimed **or** increased value of payments (but generally not both).
3	Standard GSS criteria applies.

[1] The Guaranteed Standards Scheme lays down minimum guaranteed standards of service to customers by companies. If the standards are not met customers are entitled to compensation. In most cases this is paid automatically.

ASSESSED CUSTOMER SERVICE: SUPPLY PIPE REPAIR POLICY

Description

An assessment of company policies for supply pipe repairs and replacements.

Method of assessment

Assessment of company policy for the repair and replacement of supply pipes.

Banding

1	Free locate and repair service and free replacement service (some restrictions, eg no repair if pipe passes beneath building).
2	Free locate and repair service and free replacement service but with significant restrictions (eg one leak per property lifetime, one leak repaired per five years).
3	Does not meet the above criteria.

ASSESSED CUSTOMER SERVICE: SERVICES FOR DISABLED & ELDERLY CUSTOMERS

Description

An assessment of company policy for the provision of services to disabled or elderly customers.

Method of assessment

Assessment of individual company activity against a guideline list of criteria considered essential elements of policies and procedures needed to meet the needs of disabled or elderly customers. The criteria include:

- Provision of a register
- Company active in raising customer awareness of services, including regular circulation of literature and communication with relevant organsiations;
- Essential information provided in alternative formats;
- Password scheme available for any customer who feels vulnerable;
- Meter reading/resiting service;
- Bill reading/nominee service, or bills provided in braille or large print;
- Access to company premises for disabled customers;
- Provision of advice on aids and equipment;
- Those customers or households vulnerable to drinking water contamination/boilwater notice incidents;
- Carers should be able to register a client if necessary, and;
- Additional services (varies) – not part of assessment but used to inform judgements.

Banding

1	Top	provides good service across all areas of guidelines
2	Middle	all key areas of guidelines addressed to some degree
3	Bottom	some key areas of guidelines not addressed

SEWAGE TREATMENT WORKS CONSENT COMPLIANCE

Description

An assessment of sewage treatment works (STWs) with the conditions of their discharge consents.

Unit of assessment

An assessment of the percentage population equivalent (pe) served by STWs that do not comply with the conditions of their discharge consents. The measure addresses compliance with conditions covering:

- Sanitary determinands of 1991 Water Resources Act numeric consents.
- Bio-chemical oxygen demand and phosphorus determinands of Urban Waste Water Treatment Directive (UWWTD) consents.
- Phosphorus determinands of 1991 Water Resource Act numeric consents.
- Disinfection conditions of 1991 Water Resource Act consents.

Calculation

$$\frac{\text{pe of STWs failing their consent conditions for sanitary determinands, phosphorus determinands and disinfection conditions}}{\textbf{Relevant} \text{ pe served (resident) (numeric consents)}} \times 100$$

Performance range

The performance range against which individual company OPA scores are calculated will be:

Max 4.93
Min 0

Appendix 11

SEWAGE SLUDGE DISPOSAL

Description

An assessment of sewage sludge disposed of in an unsatisfactory manner.

Unit of assessment

Percentage of sewage sludge disposed of in an unsatisfactory manner.

Calculation

$$\frac{\text{Sewage sludge unsatisfactorily disposed}}{\text{Total sewage sludge disposed}} \times 100$$

Performance range

The performance range against which individual company OPA scores are calculated will be:

Max 4
Min 0

CATEGORY 1 & 2 POLLUTION INCIDENTS (SEWAGE)

Description

An assessment of the number of Category 1 and 2 pollution incidents resulting from sewage collection and treatment activities.

Unit of assessment

The number of Category 1 and 2 pollution incidents resulting from sewage collection and treatment activities per million population equivalent (pe) served.

Calculation

$$\frac{\text{Category 1 \&2 pollution incidents}}{\text{Population equivalent served resident / 1,000,000}}$$

Performance Range

The performance range against which individual company OPA scores are calculated will be:

Max 6.17
Min 1.06

CATEGORY 3 POLLUTION INCIDENTS (SEWAGE)

Description

An assessment of the number of Category 3 pollution incidents resulting from sewage collection and treatment activities.

Unit of assessment

The number of Category 3 pollution incidents resulting from sewage collection and treatment activities per million population equivalent (pe) served.

Calculation

$$\frac{\text{Category 3 pollution incidents}}{\text{Population equivalent served resident} / 1{,}000{,}000}$$

Performance range

The performance range against which individual company OPA scores are calculated will be:

Max 145.07
Min 9.44

CATEGORY 1 & 2 POLLUTION INCIDENTS (WATER)

Description

An assessment of the number of Category 1 and 2 pollution incidents resulting from water treatment and distribution activities.

Unit of assessment

The number of Category 1 and 2 pollution incidents resulting from water treatment and distribution activities per million winter population served.

Calculation

Category 1 &2 pollution incidents
Winter population / 1,000,000

Performance range

The performance range against which individual company OPA scores are calculated will be:

Max 1.7
Min 0

LEAKAGE

Description

An assessment of the distance between the current level of leakage and that level considered to be economically viable, termed the economic level of leakage (ELL).

Unit of assessment

The percentage difference between the ELL target for the report year and the actual level of leakage recorded, measured in megalitres per day of leakage.

Calculation

An OPA score is determined against 6 performance bands.

<= 0%	50
0.1% to 5.0%	45
5.1% to 10.0%	40
10.1% to 15.0%	35
15.1% to 20.0%	30
20.1% to 25.0%	25
> 25%	20

Performance range

The range of possible scores has a minimum of 20 and a maximum of 50.