

# Changing the Water UK metrics in D-MeX: consultation

Severn Trent response

August 2020

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## Summary of response

We welcome the opportunity to respond to the consultation on changing the Water UK metrics in D-MeX.

We are wholly supportive of evolving the D-MeX measure to incorporate new NAV metrics and revised metrics arising from Codes for Adoption. The way in which change is implemented is critical to maintaining credibility and confidence in this new measure of performance and its associated outcomes.

There has been significant change within the Developer arena over recent years with stakeholders still familiarising themselves with this measure, after its evolution during shadow year. As a new performance commitment, the first quarterly D-MeX results are yet to be reported. It is our belief that the timing of these proposed changes will make it unnecessarily complicated and could undermine the transparency and credibility of this new measure in its first year.

We would welcome the changes becoming effective from 1 April 2021 but cannot support a retrospective or mid-year change. We feel that making these changes, in this way, is not necessary to support consistent and fair comparisons between companies nor is it in the overall interests of our developer customers for whom we consistently strive to provide a great customer service, with or without this regulatory mechanism.

We consider that changes to an ODI should always be consulted on prior to the proposed date of change, with sufficient lead time to prepare people, processes and technology, and be applicable from the start of the subsequent year; not therefore changed mid-year or applied retrospectively. This is in line with the ODI ex ante incentive regime and the Ofwat procedures for changing a performance commitment contained in Annex 2 of the outcomes performance commitment appendix that reads:

*“As a default, we expect any changes will apply from the beginning of the next charging year, but we recognise that there may be circumstances where it may be more appropriate for a change to apply from part-way through a charging year (for example, to align with a measure reported for another regulator)”*

We do appreciate that in any given year there may be unforeseen exceptional circumstances, such as a global pandemic, resulting in a need to reflect on a measure to ensure that it still makes sense. However, we feel that this is not relevant to this scenario.

A further consideration is the impact the proposed timings will have on the development and delivery of the new Water sector Levels of Service system. Over recent months companies have collaborated and completed the discovery phase with the appointed contract partner. Both functional and design requirements have been agreed based on the methodology set out in the final determinations and companies have gained agreement to fund this build accordingly. Retrospective implementation of some measures, changing the metrics mid-year and changing the quantitative calculation mid-year will impact the design and build. It will undoubtedly impact already tight timelines and associated costs for ensuring October 2020 reporting readiness. We note the consultation decision date is September 2020 meaning there will be very little time, at best, to adapt and test the final metric configuration and D-MeX calculation.

Specific comments in respect to each of the questions are contained within this document. Should you require any further information please do not hesitate to contact me.

**Steve Betteridge**  
**Head of Developer Services**

## Response to detailed questions

### **Q1: Do you agree with the NAV metrics that we propose to include in the quantitative component of D-MeX?**

We agree that the proposed NAV metrics should be included in the D-MeX quantitative component, from 1 April 2021.

The seven proposed metrics do cover the key stages of the physical service delivery for NAV customers.

We also agree with Jacobs assessment that a period of stability to establish a level playing field for reporting and confidence in consistency of reporting is important.

### **Q2: Do you agree with the NAV metrics that we propose to include in the qualitative component of D-MeX?**

We agree that the proposed NAV metrics should be included in the D-MeX qualitative component, from 1 April 2021.

In practice, the number of NAV companies who are currently active is small (with 2-3 in the STW area) so inclusion in the qualitative component is likely to be limited relative to other customer groups, especially considering the survey deduping methodology.

### **Q3: Do you agree with the sewerage adoption metrics that we propose to include in the quantitative component of D-MeX? Do you agree that the existing sewerage metric S7.1 should be removed where the new metric SAM3/1 applies? Should any other metrics also be removed?**

We agree that the sewerage adoption metrics proposed be included in the quantitative component of D-MeX.

We agree that S7.1 should be removed and replaced with SAM3/1.

### **Q4: Do you agree with the sewerage adoption metrics that we propose to include in the qualitative component of D-MeX? Do you agree that the existing sewerage metric S7.1 should be removed where the new metric SAM3/1 applies? Should any other metrics also be removed?**

Overall, we believe that it is important to capture the views of our developer customers at the key stages of their developer journey, assessing their experience at points of significant importance to them. Consideration also needs to be given to potential survey fatigue. Therefore, our proposal is to rationalise the number of metrics included in D-MeX whilst ensuring that the following are included in D-MeX from 1<sup>st</sup> April 2021:

Metric	Activity	Supporting commentary
SAM 2/3	Design Acceptance	Customers have completed the application and design review stages and are now able to begin construction, following an early start request, as technical approval has been issued. This is a significant milestone in the process and one that many developers currently begin construction from. Also, by this point all technical elements of the application have been finalised before the legal aspect of the agreement stage. A good place to reflect on from a customer experience perspective.
SAM 4/1	Pre-start meeting	This meeting is crucial to enable works to begin on site and is an important delivery aspect undertaken by company's field teams.

		Therefore, this is an appropriate stage of the process to demonstrate the service experience provided by non-office-based staff.
SAM 5/1 or SAM 5/2	Maintenance Inspection/Maintenance certificate	At this point customers have completed all construction works and will have interacted with both field and design teams. Being able to get a new system on to maintenance is another significant milestone in the whole process, marking the end of any major construction works barring any required remedials.

We agree that S7.1 should be removed and replaced with SAM3/1.

**Q5: Do you have any comments on which draft self-lay water metrics should be included in the quantitative and qualitative components of D-MeX? Which existing metrics should be removed?**

We consider it important to ensure that the metrics included in the D-MeX reflect the key process stages that matter most to the SLPs, these being the design, construction and connection stages. We also think that it is important to capture the views of potentially different customers with whom we engage throughout the SLP development journey. Therefore, we favour the following self-lay water metrics being included in both the D-MeX qualitative and quantitative components.

Metric	Activity
S1/2	Company to agree point of connection (POC)
S2/2a	Company to produce and provide design
S2/2b	Company to review and approve SLP design
S4/1	Company agrees date when they will provide the source of water for testing purposes (contractually binding in the Water Adoption Agreement)
S5/1a	Company completes final connection
S5/1b	Company agrees date for SLP to make final connection
S7/1	Company issues consent, plot reference information, and costing details

We would also consider metric S6, the issue of a Vesting certificate, appropriate for inclusion in the quantitative metric only. There seems minimal benefit in seeking to explore customer experience as a result of receiving a vesting certificate.

We support removal of existing corresponding metrics.

**Q6: Do you agree with our proposal that the NAV metrics which we choose to include in D-MeX should apply from 1 April 2020, with survey fieldwork based on relevant transactions made from 1 October 2020, and the sewerage adoption metrics which we choose to include should apply from 1 October 2020?**

We are unable to support a mid-year or retrospective adjustment to the D-MeX ODI methodology.

We consider that changes to an ODI should always be consulted on prior to the proposed date of change, with sufficient lead time to prepare people, processes and technology, and be applicable from the start of the subsequent year; not therefore changed mid-year or applied retrospectively. This is in line with the ODI ex

ante incentive regime and the Ofwat procedures for changing a performance commitment contained in Annex 2 of the outcomes performance commitment appendix that reads:

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A further consideration is the impact the proposed timings will have on the development and delivery of the new Water sector Levels of Service system. Over recent months companies have collaborated and completed the discovery phase with the appointed contract partner. Both functional and design requirements have been agreed based on the methodology set out in the final determinations and companies have gained agreement to fund this build accordingly. Retrospective implementation of some measures, changing the metrics mid-year and changing the quantitative calculation mid-year will impact the design and build. It will undoubtedly impact already tight timelines and associated costs for ensuring October 2020 reporting readiness. We note the consultation decision date is September 2020 meaning there will be very little time, at best, to adapt and test the final metric configuration and D-MeX calculation.

**Q7: Do you have any comments on our proposed approach to reporting?**

We continue to believe that the ODI ex ante incentive regime, and therefore the default position of making changes to performance commitments applicable from the beginning of the next reporting year, is the appropriate position.

The proposed change to the quantitative measurement methodology in 4.2, that wishes to revise the calculation approach set out in the final determinations by asking companies to calculate separate half year performance then report the average of these two half-yearly scores, appears to be out of line with the requirements of Table 3D of the RAG reporting guidelines consultation

We believe that the calculation methodology set out in the PR19 final determinations should remain applicable for year one of this new ODI. Therefore, we are unable to support the proposal to change the quantitative calculation and reporting methodology to reflect the averaging of two half yearly performance scores based on differing measures of performance. A position that will be further complicated by the metric differences between Welsh and English companies.