

Adverse impact on qualitative comparisons

1. Introduction

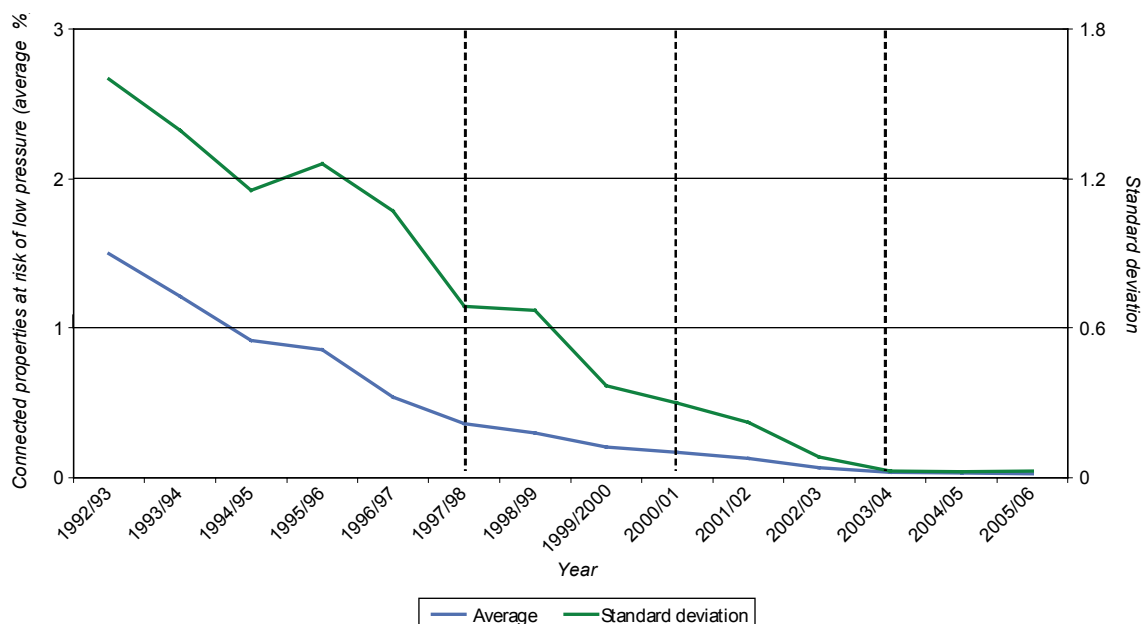
- Section 5 of our report discusses whether the merger may be expected to have an adverse impact on Ofwat's ability to make qualitative comparisons. This appendix presents the results of our analysis.

2. Movements in average scores, and in the standard deviation of scores over time, for seven DG indicators

- The vertical lines in each chart represent a reduction in the number of comparators upon which each DG score is based. Until 1997/98 there were more than 26 comparators. Between 1997/98 and 2000/01 there were 26 comparators. Between 2000/01 and 2003/04 there were 23 comparators and from 2003/04 onwards there have been 22.
- Our analysis, reported in Figures 1 to 7, shows that there was a consistent pattern of improvement in average scores, and a decrease in the dispersion of scores that appears unrelated to the number of comparators.

FIGURE 1

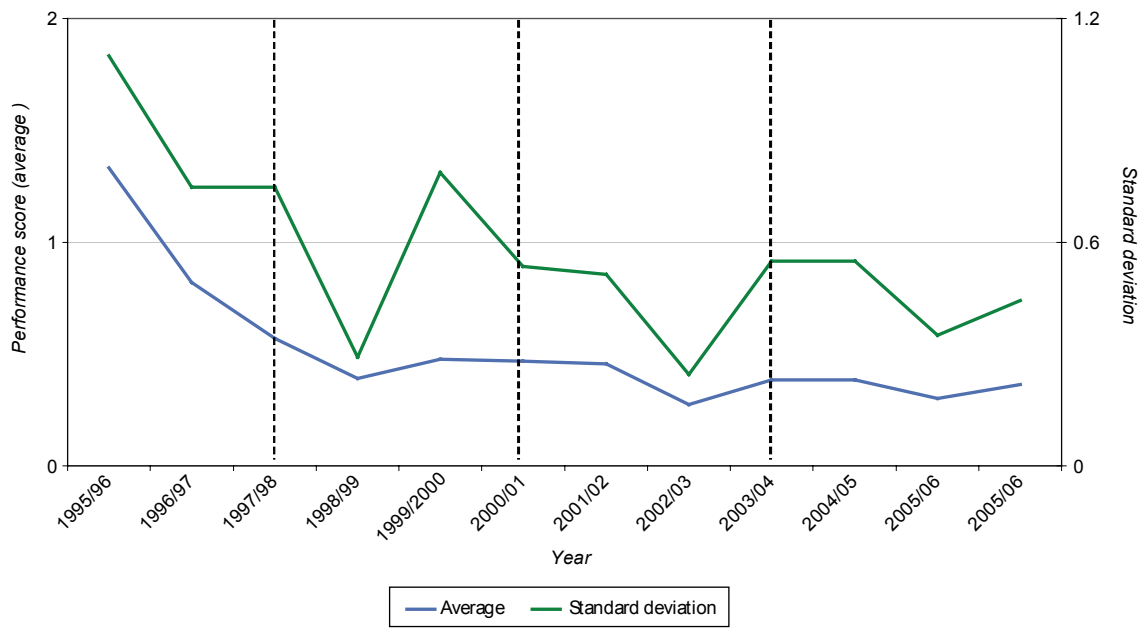
Inadequate pressure (DG2)



Source: Ofwat, CC analysis.

FIGURE 2

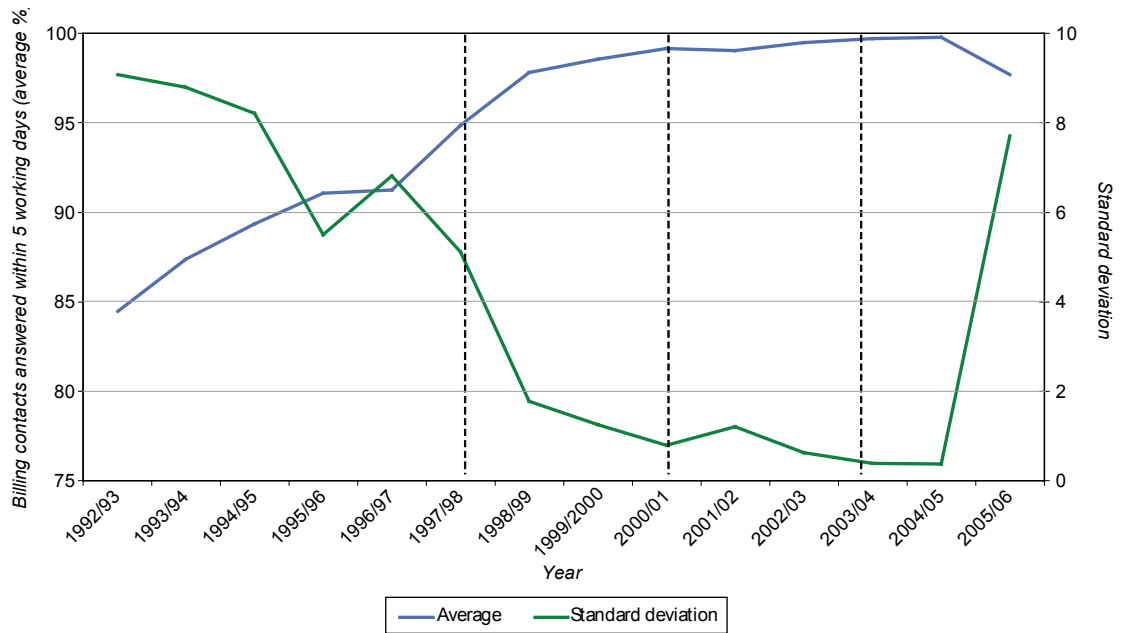
Supply interruptions (DG3)



Source: Ofwat, CC analysis.

FIGURE 3

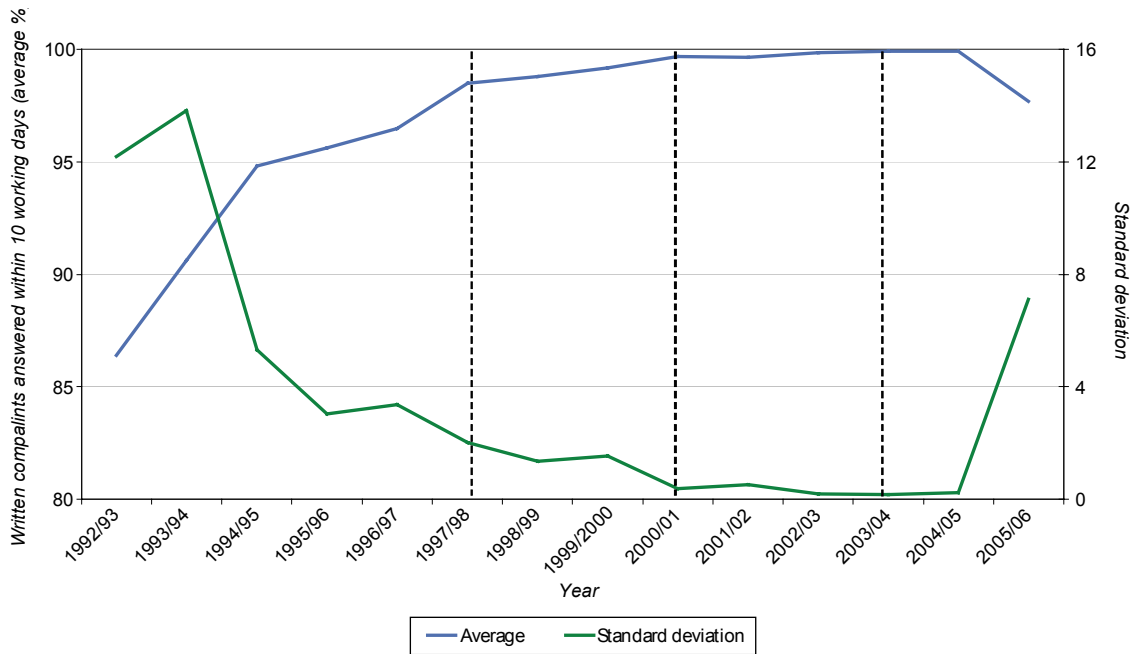
Billing contact (DG6)



Source: Ofwat, CC analysis

FIGURE 4

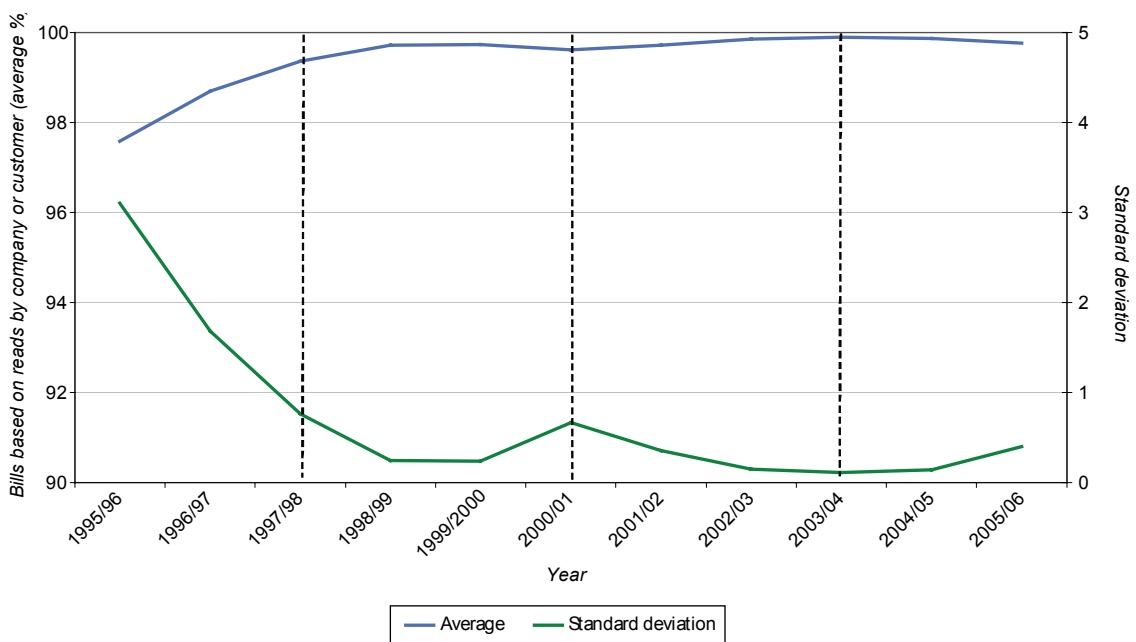
Written complaints (DG7)



Source: Ofwat, CC analysis.

FIGURE 5

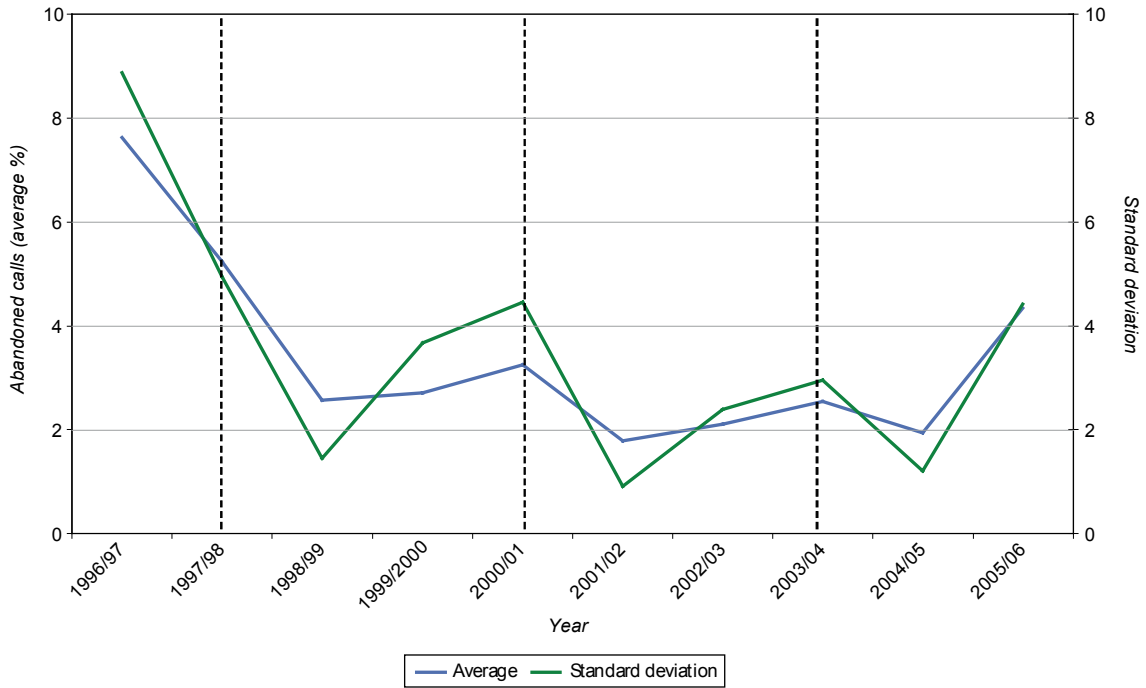
Bills for metered customers (DG8)



Source: Ofwat, CC analysis.

FIGURE 6

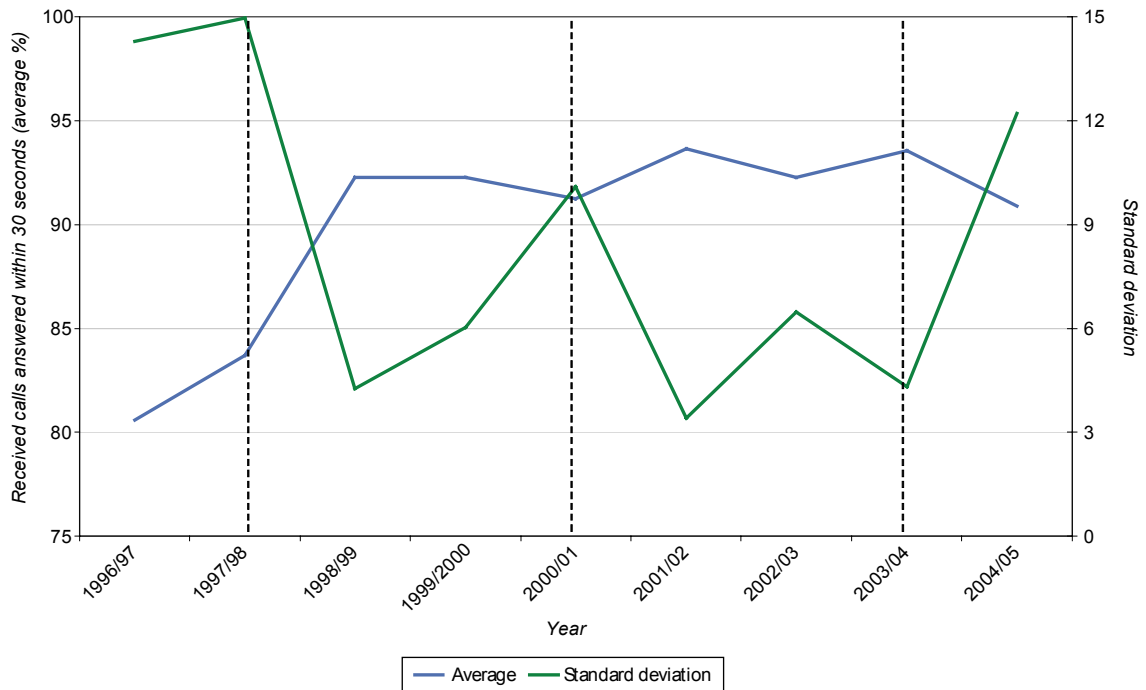
Ease of telephone contact (DG9)—calls abandoned



Source: Ofwat, CC analysis.

FIGURE 7

Ease of telephone contact (DG9)—received calls answered within 30 seconds



Source: Ofwat, CC analysis.

3. Distribution of companies' OPA scores

4. Ofwat assesses companies' overall performance in water services in three broad areas: levels of service (see section 3(a)), customer service (see sections 3(b) and (c)) and environmental impact (see section 3(d)).¹ Each of these areas includes a number of indicators that jointly make up companies' scores for that area. Ofwat calculates the score for each indicator in such a way that it falls into a range of 5 to 50. The better a company's performance, the higher the score.

(a) Level of service indicators

5. Ofwat's level of service assessment encompasses four indicators:
- the proportion of properties at risk of low water pressure (DG2);
 - the proportion of properties with unplanned and planned supply interruptions largely as a result of mains activity (DG3);
 - the proportion of properties with restrictions to water supply, eg hosepipe bans or Drought Orders (DG4); and
 - whether water quality is failing DWI standards.

Properties at risk of low pressure (DG2)

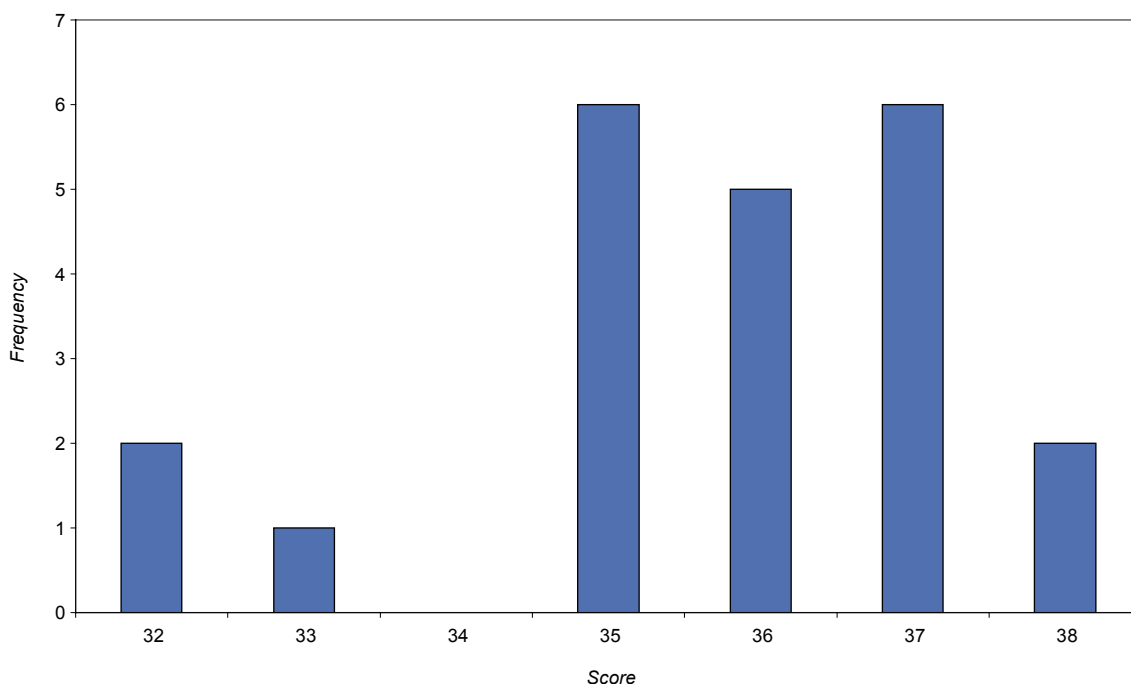
6. This assessment is based on the number of properties served at risk of receiving pressure below the reference level.² The unit of assessment is the number of properties at risk of receiving pressure below the reference level expressed as a percentage of the total connected properties.

¹Ofwat's OPA has other quality-of-service indicators for sewerage (eg flooding from sewers) that are unaffected by the merger (which is of two WoCs) and are not considered further.

²Reference level: 10 metre head at a flow of 9 litres per minute.

FIGURE 8

Properties at risk of low pressure (DG2)



Source: Ofwat.

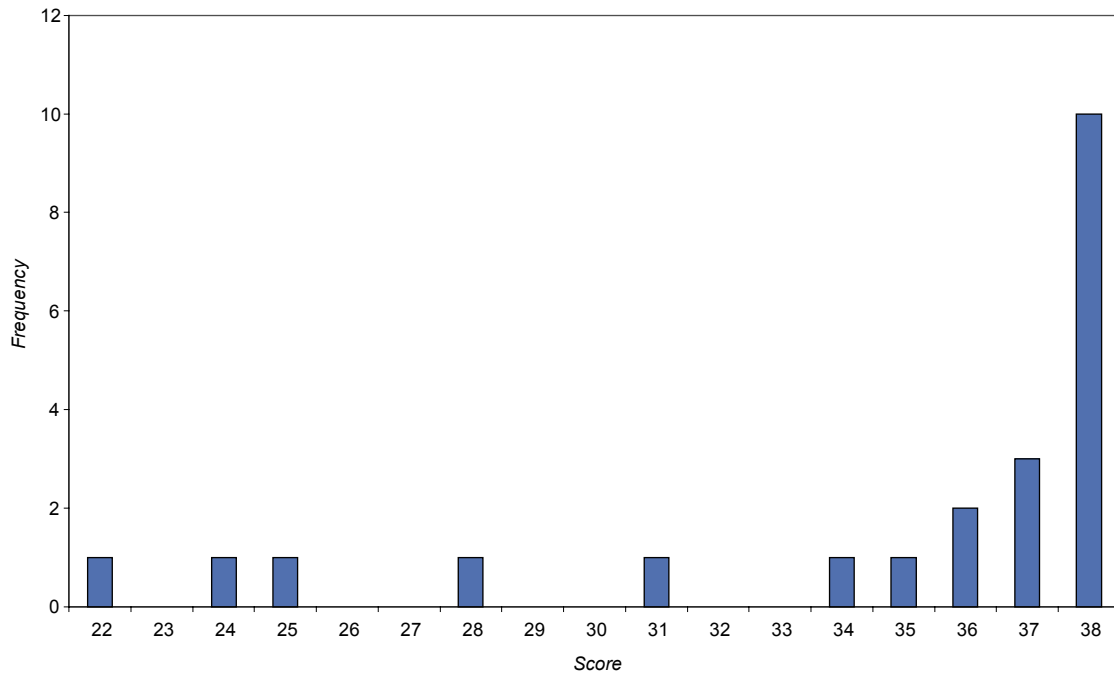
7. Figure 8 above illustrates that, although the range of possible scores is 4 to 38, the observed scores range from 32 to 38. In this assessment, SEW scored 37, and MKW scored 33.

Unplanned supply interruptions (DG3)

8. This assessment is based on a measure of properties experiencing unplanned supply interruptions (where the customer has not been warned) in excess of 6, 12 and 24 hours. The unit of measurement is the number of properties experiencing unplanned and unwarned interruptions to supply in excess of 6, 12 and 24 hours, normalized against the number of properties served by each company.

FIGURE 9

Unplanned supply interruptions (DG3)



Source: Ofwat.

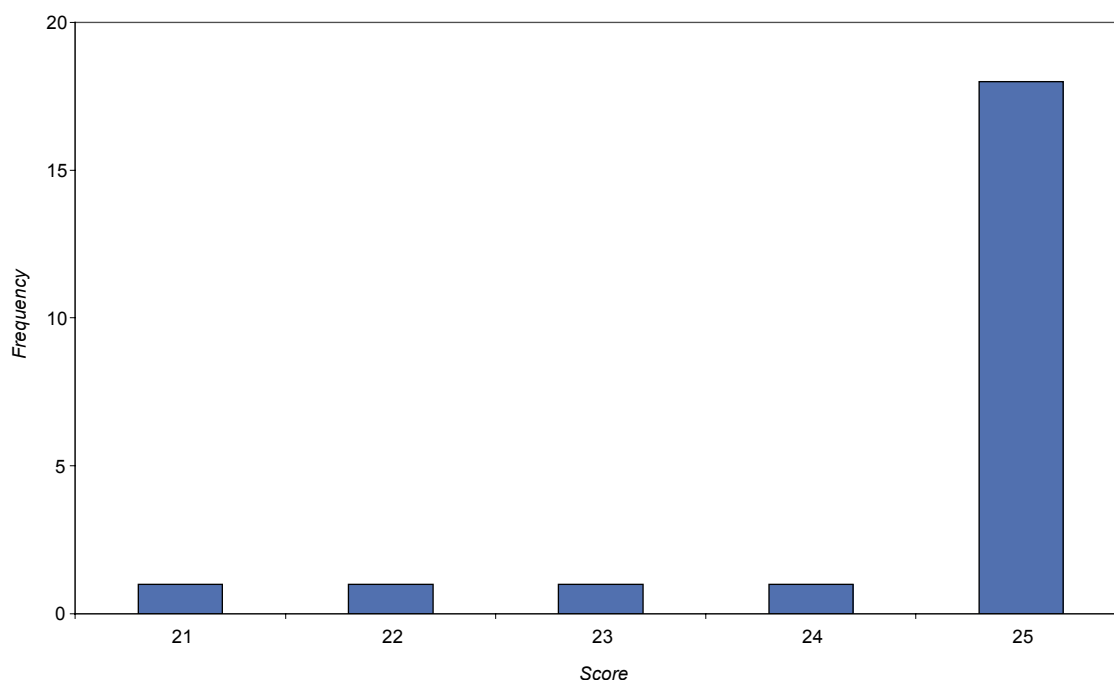
9. Figure 9 illustrates that, although the range of possible scores is 4 to 38, the observed scores range from 22 to 38. In this assessment, SEW scored 38 and MKW scored 36. Nine other companies in addition to SEW scored 38.

Restrictions to water supply (DG4)

10. This assessment is 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. The unit of assessment is the population weeks of hosepipe restrictions over a rolling five-year period.³

FIGURE 10

Restrictions to water supply (DG4)



Source: Ofwat.

11. Figure 10 illustrates that, although the range of possible scores is 2.5 to 25, the observed scores range between 21 and 25. In this assessment, SEW scored 23 and MKW scored 21.

Drinking water quality

12. This assessment is based on the DWI's operational performance index (OPI).⁴ The unit of assessment is the OPI score for drinking water quality.⁵

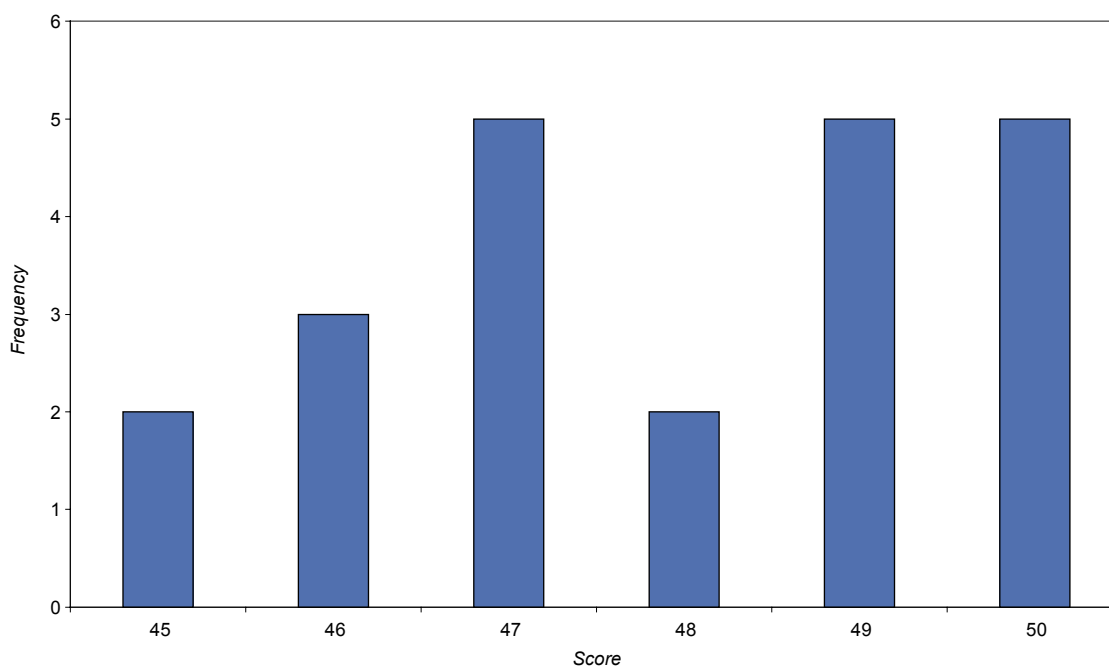
³Restrictions mean that customers cannot use hosepipes for watering the garden and washing cars. The restrictions are agreed in advance with the EA and are set out in the companies' drought plans. These also set out trigger points for when companies should consider applying restrictions. Although such measures are unwelcome to some customers, they are sometimes necessary so that enough water is available for essential uses such as drinking, cooking and washing.

⁴The OPI assesses the presence of iron, manganese, aluminium, turbidity, faecal coliforms and trihalomethanes.

⁵Water companies provide the DWI with the results of all tests they carry out to demonstrate compliance with drinking water standards.

FIGURE 11

Drinking water quality



Source: Ofwat.

13. Figure 11 illustrates that, although the range of possible scores is 5 to 50, the lowest score in this assessment was 45 and the highest score was 50. In this assessment, SEW scored 49 and MKW scored 50.

(b) Customer service indicators

14. Ofwat's customer service assessment encompasses two indicators: customer contact (DG6–9 combined) and other customer services.

Customer contact (DG6–DG9 combined)

15. Ofwat combines four customer contact measures into one overall customer contact indicator.⁶ The four individual measures are:
- the speed of handling written or telephone billing contact, eg notification of change of customer's address, request to change customer's payment method, customer questions about charges (DG6);
 - the speed of responding to written complaints (DG7);
 - the percentage of customers receiving at least one bill based on an actual meter reading, and the number of meters not read by the company in the last two years (DG8); and
 - the ease of telephone contact (DG9), measured with a 'satisfaction score' based on a survey of customers contacting each company, a measure of how often

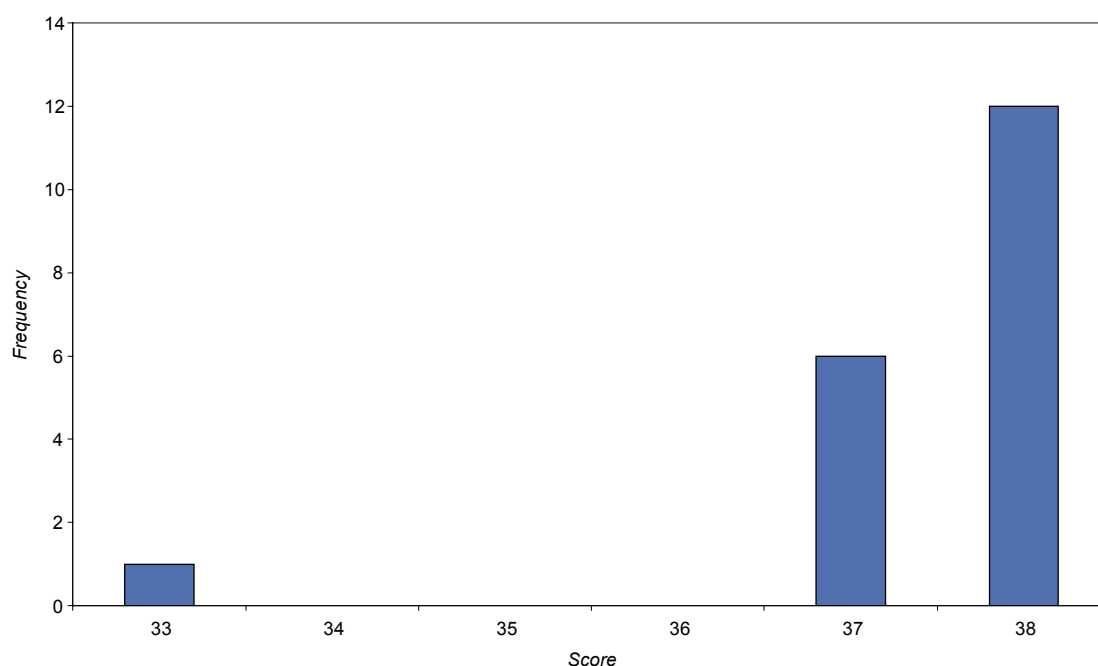
⁶Customers may wish to contact their water company by telephone for a number of reasons, including notifying a change of address, enquiring about a bill, reporting a problem, making a payment, or leaving a meter reading.

companies' telephone lines are busy, and a measure of how often customers abandoned their calls.

16. The unit of assessment is an equally weighted measure of the four aspects of company performance based on the following:
- the number of billing contacts answered within five working days as a percentage of billing contacts received (DG6);
 - the number of written complaints answered within ten 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 abandoned as a percentage of total calls received on customer contact lines (DG9 I);
 - the percentage of all lines busy as a percentage of total calls received on customer contact lines, plus all lines busy (DG9 II); and
 - an average score based on responses to question 19 of the customer satisfaction survey⁷ (DG9 III).

FIGURE 12

Customer contact (DG6–9)



Source: Ofwat.

17. Figure 12 illustrates that, although the range of possible scores is 4 to 38, the observed scores range between 33 and 38. In this assessment, SEW scored 33 and MKW scored 38.

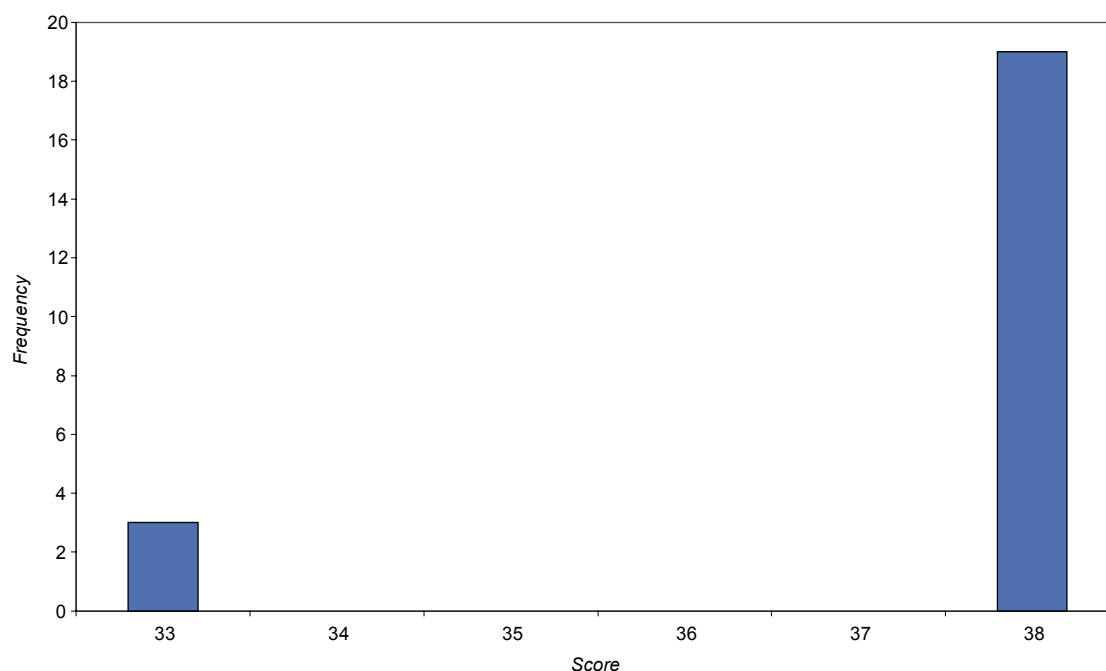
⁷Question 19 queried overall satisfaction with how the customer's call was handled.

(c) Assessed customer service

18. This indicator 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; and
 - service for disabled and elderly customers.
19. Each of the seven aspects is 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 summed to determine an overall mark for the company. The best possible performance is 7 marks and the worst is 21 marks. Companies must score at least 10 marks to receive the maximum OPA score.
20. Figure 13 illustrates the distribution of companies' scores in the OPA assessment 'other company service'.

FIGURE 13

Other customer service



Source: Ofwat.

21. The figure above illustrates that, although the range of possible scores is 4 to 38, the observed scores vary between 33 and 38. In this assessment, SEW and MKW both scored 38.

(d) Environmental Impact Indicators

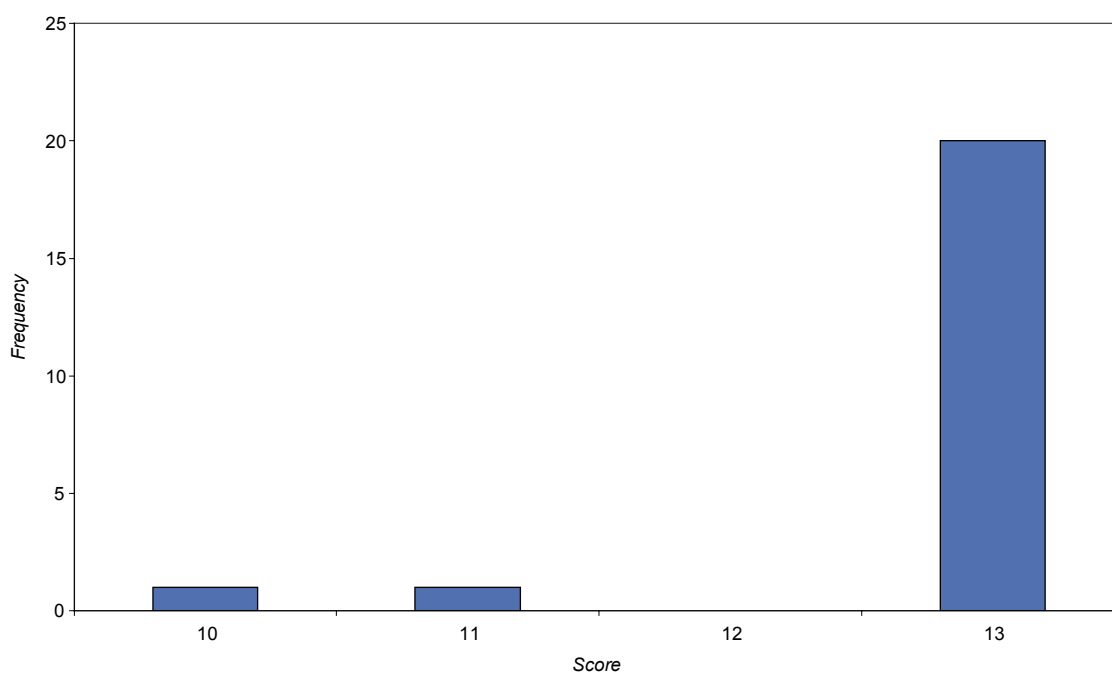
22. Ofwat’s environmental performance assessment encompasses two indicators: number of pollution incidents and leakage.

Category 1 and 2 pollution incidents (water)

23. There are three categories of pollution incidents for WaSCs (categories 1, 2 and 3 in descending order of seriousness), and two categories for WoCs. The assessment of pollution incidents is based on the number of category 1 and 2 pollution incidents resulting from water treatment and distribution activities. The unit of assessment is the number of category 1 and 2 pollution incidents resulting from water treatment and distribution activities per million winter population served.

FIGURE 14

Category 1 and 2 pollution incidents



Source: Ofwat.

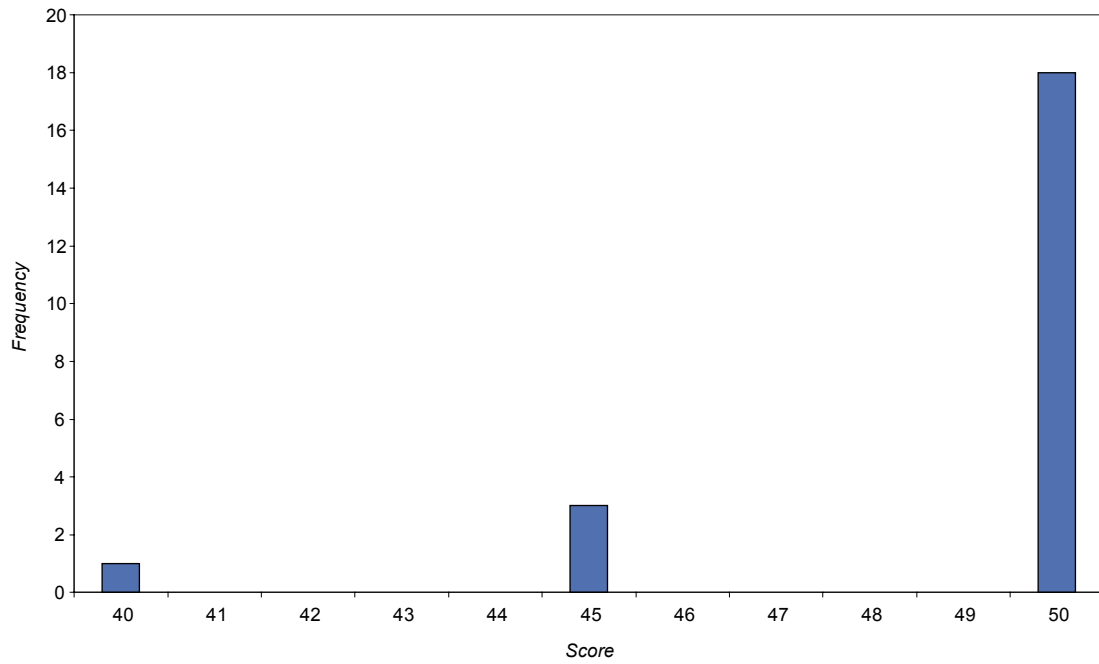
24. Figure 14 illustrates that, although the range of possible scores is 2 to 13, the observed scores vary between 10 and 13. In this assessment, SEW and MKW both scored 13.

Leakage

25. This assessment is based on leakage performance where actual performance is compared with pre-set leakage targets as published by Ofwat. Each year Ofwat assesses leakage performance against target using data from the last three years (ie a 36-month rolling average). The annual OPA score is determined against six bands of ‘percentage of target not met’, based on the last three years’ performance.

FIGURE 15

Leakage



Source: Ofwat.

26. Figure 15 illustrates that, although the range of possible scores is 5 to 50, the observed scores vary between 40 and 50. In this assessment, SEW and MKW both scored 50.