

Appendix 19a: D-Mex

1. Developer Services Performance commitment – D-MeX

1.1. Description of the performance measure

1.1.1. Introduction to D-MeX

Ofwat have proposed to introduce two new measures of customer experience for PR19. The Developer Services Measure of Experience (D-MeX) along with Customer Measure of Experience (C-MeX) will be introduced to replace the Service Incentive Mechanism (SIM) that was introduced by Ofwat in 2010.

The D-MeX is a mechanism to incentivise water companies to provide an excellent customer experience for developer services customers (new connection services). This covers all customer groups that have interactions with a water utilities developer services department, such as small and large property developers, self-lay providers (SLPs), self-builders and any business or domestic customers requiring individual connections related work and new appointments and variations organisations (NAVs).

Since July 2015, Water UK has published quarterly performance results for water companies' delivery of new connection services, against a set of standard performance metrics for the provision of a range of services which developer services customers may request. This comparative performance reporting acts as a sector 'league table' offering an insight into relative performance of companies against these services. Despite this, developer services customers continue to express concerns about the level of service they receive from water companies. Whilst the Water UK reporting has encouraged improvements in the responsiveness of services delivered, Ofwat have determined that more needs to be done to improve the quality of customer service received overall by developer services customers and will introduce the D-MeX measure for PR19.

1.2. Context

1.2.1. What does D-MeX mean in PR19?

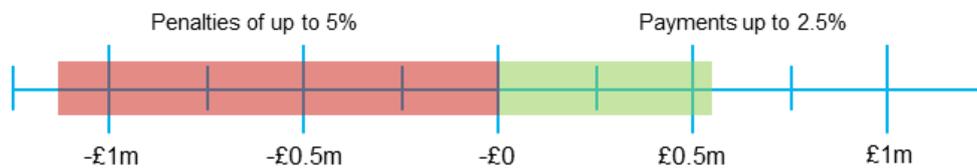
The primary purpose of customer experience performance commitment, D-MeX, is to promote a better-quality service experience to developer services / new connections customers, and to lead to greater customer satisfaction.

D-MeX introduces a new financial incentive mechanism where water companies will be subject to financial rewards and penalties based on relative performance. The financial incentives will be based on the results of two types of assessment:

- feedback from regular qualitative customer satisfaction surveys, and
- a quantitative measure of water company performance against a set of key metrics based on Water UK's existing metrics of service levels to developer services customers.

The financial performance payments available will be up to 2.5% of the annual developer services revenue for the water company and performance penalties of up to 5% of its annual developer services revenue for the best and worst performers in the sector.

Fig 1. Financial performance penalty and reward YW illustrative indication



D-MeX is an entirely new measure. An initial pilot wave ahead of the AMP7 period will be used as a scoping exercise to test the process of data extraction, assess the appropriate sample numbers, structure and quotas, review customer response rates and pilot relevant lines of questioning.

1.3. Customer participation

Our developer services plan for 2020-2025 is to deliver our performance commitments through offering a tailored service to meet the specific requirements of both large and small customers. As part of our overall plan, we also recognise the potential importance of working closely with developers and market participants to explore ways to increase the recycling and use of non-potable water.

Our ambition is to provide a leading experience for our developer services customers that is flexible, accessible and cost effective. We will deliver this by focusing our developer services function on the following approaches:

- A digital first approach for all processes;
- Personalisation and immediacy based on segmentation and real-time use of customer data;
- Pro-active customer communication together with transparency of process, progress and issues;
- End-to-End digital services promoting a 'self-service' approach for our customers, but traditional contact channels for those who need it;
- Provision of new connections services that benefit all market participants
- Affordable and competitive services for all our developer services customers.

We have actively engaged with all our customer groups to understand their needs, frustrations and how we can improve their experience of dealing with YW developer services. We have sought the advice of our customers to help shape improvements in our processes, capture the requirements for upgrades to our IT systems and to define our AMP7 strategy and vision. For example, we have held a number of focused working sessions throughout the lifecycle of our SAP refresh programme - our customers have been actively involved from start to finish, helping us to capture requirements all the way through to testing the new functionality.

We are committed to delivering 'our ambition' and have already started our improvement journey.

We understand that the developer services market is still in a state of regulatory flux and we anticipate more change over the remaining years of AMP6 and into AMP7.

Continuous engagement and feedback from customers will enable us to respond positively to any changes to ensure that we are well positioned to deliver the best possible service and experience to our customers.

Table 1. Summary of approach types and feedback from our customers to derive these

Approach Type	Feedback from our customer engagement
A digital first approach for all processes and promote the value of digital to our customers	<ul style="list-style-type: none"> • Submitting traditional application forms via email and/or post feels a bit outdated. • It is frustrating for the customers when they are contacted post-application to provide more information, especially as this slows down the application process. • The progress of the application is not easily accessible
Personalisation based on segmentation and real-time use of customer data	<p>The feedback from our customers is that it can be difficult interacting with us as it is sometimes unclear what the exact requirements are.</p> <p>We also recognise that our customers have different needs and service requirements – e.g. a small builder vs a large home developer vs a self-lay provider.</p>
Pro-active customer communication together with transparency of process, progress and issues	<p>Our customers have commented that:</p> <ul style="list-style-type: none"> • our processes aren't always clear • status of applications/jobs isn't always known or accessible • communicating change can sometimes be too slow
End-to-End digital services promoting a 'self-service' approach for our customers, but traditional contact channels for those who need it	<p>We live in an era of unparalleled technology innovation, bringing with it changes to human behaviour and expectations, as well as new business and operating models in organisations. Whilst not all will fully embrace digital technology, many will and we need to be ready to meet expectations and enable the benefits of lower cost digital services.</p>
Affordable, competitive and equitable services for all our customers	<p>Our customers have commented that:</p> <ul style="list-style-type: none"> • both our contestable and non-contestable services are more expensive than other providers (e.g. SLPs) • Our costs and charges are confusing and hard to understand • When challenged on charges we often can't provide an explanation or a further breakdown <p>We will ensure we can demonstrate our services are provided equitably to all market participant types.</p>

1.4. Track record

There is an increase in volumes due to the current upward trend of building – however there are areas within developer services that can improve to achieve the Performance Commitment and provide an excellent service to our customers.

Water UK increased the number of metrics reportable in April 2017 together with making the SLA's more stretching. As a result, performance as now reported has deteriorated. YW DS needs to adapt to change to meet these new SLA's in the current AMP period by improving processes both within developer services and Third-Party contacts that impact on the service being delivered to customers. In addition, we are working to introduce internal SLA's to further improve the customer experience.

We are undertaking a review of procedures, resources and ensuring that effective training and support is provided to achieve our near-term goals:

- Achieve sector average performance by the end of 2018-2019;
- Strive to achieve sector upper quartile performance by the end of 2019-2020.

1.5. Options, innovation and resilience

The options and innovations that will deliver our developer services plan for 2020-2025 are focused on the following themes which align to the 'five' approaches listed in Section 1.3:

- Enhancing the customer journey through our SAP refresh programme, portal development and website re-design
- Having truly robust and transparent end-to-end processes
- Effectively communicating regulatory change

Our options and innovations are detailed in Table 2. below.

Table 2. Our options and innovations to provide UQ performance and customer experience to our customers

Approach Type	Our options and innovations moving forward to AMP7 utilising feedback from our customers
<p>A digital first approach for all processes and promote the value of digital to our customers</p>	<p>We will deliver a new customer portal and an improved website that will enhance the customer journey by:</p> <ul style="list-style-type: none"> • provide an easily accessible platform to allow customers to quickly submit applications and make payments online • Ensuring that all required information is captured first time • allowing customers to view the progress of their applications • providing a repository of information that customers can visit in the first instance
<p>Personalisation based on segmentation and real-time use of customer data</p>	<p>We need to ensure that we are providing our customers with the individual services they require whilst maintaining a consistent high-level of service across our customer base.</p> <p>This will also include providing a multi-channel approach for customers to interact with us as we understand that our customers all have different preferences.</p>
<p>Pro-active customer communication together with transparency of process, progress and issues</p>	<p>As part of the portal development and the website re-design we have included functionality that provides our customers with our latest news, links to publications and access to key documentation.</p> <p>We will provide guides that detail our processes and how customers can not only interact with us but how they can track progress and raise issues if they arise.</p> <p>We will also endeavour to communicate any changes, no matter how small, as quickly as possible to our customers ensuring that it is concise and easy to understand. In particular, we will remain proactive with communicating our New Connection Services Charging Arrangements, developments in D-MeX and Water and Sewerage Adoption Codes.</p> <p>We will continue to support all our customers, small to large developers, NAVs and SLPs, through our journey of change. A stakeholder engagement plan has been produced to ensure a smooth transition of regulatory change into AMP 7.</p>
<p>End-to-End digital services promoting a 'self-service' approach for our customers, but traditional contact channels for those who need it</p>	<p>We have undertaken a full review of our processes for all the services we provide to customers with a focus on migrating these onto our new digital 'portal' platform.</p> <p>However, listening to the feedback from our customers we will continue to provide the more traditional contact channels for those who prefer these. We will therefore review these processes in parallel to ensure that a consistent level of service and customer experience is provided no matter how our customers contact us.</p>

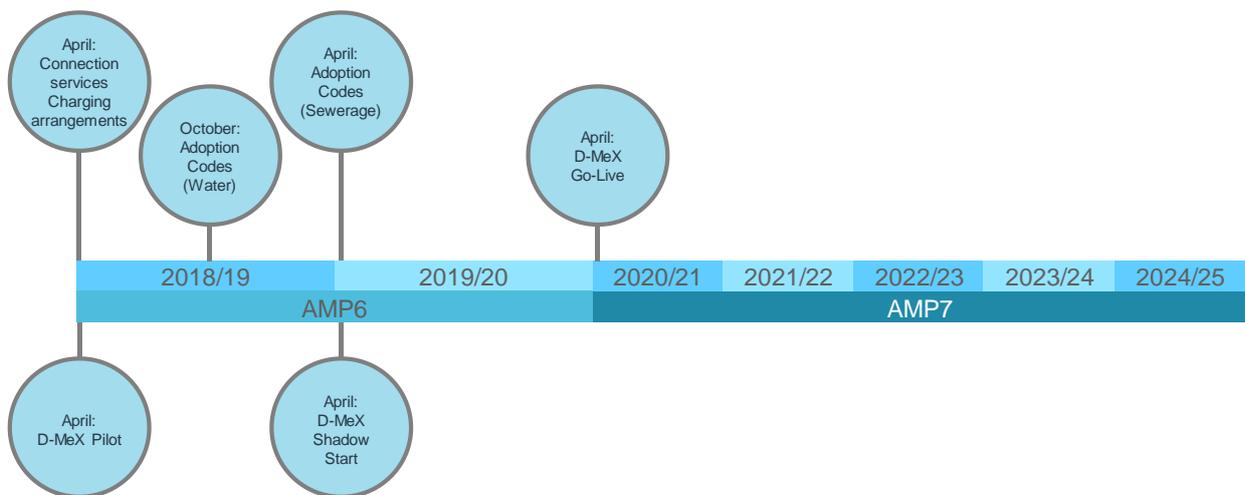
<p>Affordable, and competitive and equitable services for all our customers</p>	<p>We have undertaken a thorough review of our supply chain for all services we provide to:</p> <ul style="list-style-type: none"> • firstly, provide the best value for money services to our customers • understand our own charges and costs in more detail • challenge and improve our supply chain to ensure we minimise and remove any unnecessary charges/costs and that these are not passed on to our customers • be able to provide evidence and justification to the cost of our services where they are higher than other providers • Take learnings from within the water sector and other sectors on how best to operate our supply chain, including our Third-Party partners. <p>We have commenced a review of our procedures in order to ensure we can demonstrate we deliver our services fairly across all market participant types without favour or discrimination.</p>
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Throughout AMP7, we will continue to actively engage with water companies, other sectors and our third-party partners to understand new, innovative and proven methods, techniques and tools that will proactively contribute to us delivering exceptional resilient and affordable services to all our customers. We understand the importance of continuous improvement and ensuring that our services are as resilient and affordable as possible, we will therefore also engage and seek feedback from our customers throughout AMP7 to understand what really matters to them.

As we transition to a ‘digital first’ approach for all processes, we understand the importance of ensuring that our systems, processes and contact channels are resilient to increased volumes and a changing regulatory environment.

We also understand there is currently a lot of regulatory change to be implemented within the remaining time in AMP6 and at the beginning of AMP7 within the developer services sector. Providing the opportunity to provide greater customer service through collaborative working with our customers. The timeline in figure 2. below is an indication of the current changes.

Fig 2. Regulatory Timeline for AMP6 & AMP7



1.6. Costs and value for money

Where we can realise savings as a result of the options and innovations we deploy (listed in Table 2. above) we will ensure these are passed onto our customers. The charges we make cover the costs for undertaking the services for our customers.

To ensure that any efficiencies delivered by the options and innovations are passed on to our customers in the form of reduction in future charges, we will regularly review and document improvements in time taken to undertake our services / improvements in the end-to-end customer journey experience and make sure these are fully considered when we undertake our annual review of developer services performance and costs required in order to calculate our future charges.

As part of the new Connection Services Charges Arrangements, we offered environmental incentives in the way of reductions on infrastructure charges to our developers. If a developer constructs dwellings that use less water or dispose of surface water to a source other than the existing public sewer a reduction of infrastructure charges will be applied.

With the upcoming adoption of SuDS, we plan to review our current environmental incentives to ensure they promote innovative water and wastewater solutions and help developers, self-lay providers, NAVs and communities work with us to deliver more sustainable long-term outcomes. For example, where premises enable surface water disposal to the existing public sewer to be through the use and management of a SuDS system we may make a further reduction infrastructure charges and/or ongoing supply and discharge tariffs.

We are early in our thinking in this area and will work with market participants and other stakeholders in developing the right mechanisms to promote the greater deployment of sustainable and resilient water and wastewater solutions.