



## Customer measure of experience (C-MeX)

**Purpose:** This performance commitment is designed to incentivise the company to provide an excellent customer experience for residential (household) customers.

**Benefits:** A higher level of customer service satisfaction indicates that customers are receiving a positive experience related to the level of service from their company.

### Version control

Version	Date of issue	Performance commitment changes
1.0	11 July 2024	Published at draft determinations.

# Performance commitment definition and parameters

## 1.1 Detailed definition of performance measure

C-MeX will be a single score for the company. This measure is defined as the average customer service score resulting from two sets of customer surveys:

- **Customer service survey (CSS)** – a satisfaction survey of a sample of residential customers who have recently contacted the company, relating to that recent contact. These contacts can be related to billing and general enquiries or an operational incident.
- **Customer experience survey (CES)** - a satisfaction survey of a random sample of residential customers relating to their overall experience of the company.

The score for each survey is based on the question "taking everything into account how satisfied are you with your water company".

The output for each survey shall be presented as an average score on a scale of 0 to 100, where 0 is the lowest score and 100 is the highest. A customer's satisfaction score is initially recorded on a 0-10 scale, with 0 being the lowest and 10 the highest, through the survey responses, which is then converted to a 100-point scale. Each survey's average satisfaction score is combined into a single C-MeX score for the company.

The company will have a quota for the number of survey responses required to calculate its score per quarter.<sup>1</sup>

The Agent will collate the data from the responses and scores from each survey. The company's score on each component will be calculated based on an average from all the responses.<sup>2</sup>

The calculation of the company's overall C-MeX score is carried out in the following way:

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<sup>1</sup> The size of the quotas will be confirmed at final determinations.

<sup>2</sup> Arithmetic mean.

$$\begin{aligned}
 & [33.3\% \times \text{CSS (billing and general enquiries)}] + [33.3\% \times \text{CSS (operational)}] \\
 & + [33.3\% \times \text{CES}] = \text{Annual C-MeX score.}
 \end{aligned}$$

**Figure 1: Calculation of a C-MeX score**



## Weighting

The results from the customer service survey account for 66.6% of the overall C-MeX score (split equally between operational contacts (33.3%) and billing and general enquiries contacts (33.3%)). The remaining 33.3% of the C-MeX score is derived from the customer experience survey.

If the company provides both water and wastewater services, the operational contacts component of the customer service survey will also be split equally between water and wastewater contacts.

## Customer service survey

The customer service survey is a contact-based survey of a random sample of residential customers who contacted the company in the designated period. This is split equally between contacts related to operational incidents or service failures and those related to billing and general enquiries. An example of an operational incidents contact could be a customer who contacted the company regarding a water supply interruption to their home. An example of a billing contact could be a customer who contacted the company regarding a direct debit query.

For the customer service survey, we will survey customers using a mixed methodology approach. We will use a mixture of email, SMS, telephone and postal invitations.

## Customer experience survey

The customer experience survey is designed to gauge the satisfaction of all of the company's customers, including those who have not contacted the company. This means a random sample of customers from the company database will be surveyed about their satisfaction with the company based on their general experience.

For the customer experience survey, we will survey customers using a mixed methodology approach. We will use a mixture of email, SMS, telephone and postal invitations.

### Interview questions

When conducting fieldwork for the customer service and customer experience surveys, the Agent will base its interviews on the questionnaires.<sup>3</sup> Ofwat may change the questions from time to time during the period having regard to factors such as survey duration (that is the time taken for customers to complete the survey) and the effectiveness of C-MeX.

## 1.2 Measuring performance and payments

C-MeX is a financial outcome delivery incentive, with performance measured on an annual basis. Performance payments are calculated relative to a cross-sector benchmark based on the UK Customer Satisfaction Index (UKCSI) all sector average calculated each year.<sup>4</sup> This compares water company performance to that of service providers in the wider economy.

The customer measure of experience performance commitment will be allocated a level of risk equivalent to  $\pm 0.5\%$  of the company's return on regulatory equity (RoRE). The RoRE risk allocation will remain consistent across the 2025-2030 price review period. It will automatically align as a percentage of the company's entire regulatory capital value, calculated in line with the financial year.

### Caps and Collars

This performance commitment has symmetrical caps and collars set at  $\pm 0.5\%$  of the company's appointee return on regulatory equity (RoRE).

### UK Customer Satisfaction Index (UKCSI) benchmarks

The UKCSI is an independent benchmark of customer satisfaction across different sectors, including telecommunication services, supermarkets and other utility providers.

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<sup>3</sup> We expect to confirm the questionnaire for the customer surveys at PR24 final determinations.

<sup>4</sup> Based on the July release of the UKCSI data.

To allocate outperformance payments, the threshold will be based on the UKCSI all-sector average for each reporting year (based on the results of the July survey) and the mean average C-MeX score for the same year. This is calculated following the equation:

$$\text{CMeX average} + [(\text{UKCSI all sector average} - \text{UKCSI water company average}) \div \text{UKCSI water company standard deviation}] \times \text{CMeX standard deviation} = \text{UKCSI average benchmark}$$

**Table 1: Calculation of data sources**

Data source	Calculation
C-MeX	Mean average and standard deviation will be calculated annually.
UKCSI all sector average	Take the mean average of all organisations scores in the UKCSI from the July survey each year.
UKCSI water company	Mean average and standard deviation are calculated from the water companies (operating in England and Wales) participating in the UKCSI from the July survey each year.

**Box 1: Worked example of calculating the cross-sector benchmarks.**

This example shows how the UKCSI average benchmark would be calculated.

C-MeX mean average = 79.61

UKCSI all sector average = 78.96

UKCSI water company average = 75.99

C-MeX standard deviation = 4.31

UKCSI water company standard deviation = 3.88

$$79.61 + \frac{(78.96 - 75.99)}{3.88} \times 4.31$$

$$79.61 + \frac{(78.96 - 75.99)}{3.88} \times 4.31$$

$$79.61 + \frac{2.96}{3.88} \times 4.31$$

$$79.61 + 3.295$$

$$= 82.90$$

Companies with C-MeX scores above the UKCSI average benchmark will earn outperformance payments. Whilst companies with C-MeX scores below this will incur underperformance payments.

The company's C-MeX incentive rate each year will depend on the numerical distance between its C-MeX score and the UKCSI average benchmark in that year. The distance from the UKCSI average benchmark is multiplied by the maximum incentive, divided by the distance between the benchmark based on the UKCSI all sector upper quartile and the UKCSI average benchmark or based on the bottom performer in the UKCSI and the UKCSI average benchmark. This is calculated in the following way:

Outperformance payments (if the company's score is greater than UKCSI average benchmark) will be:

$$(Company\ score - UKCSI\ average\ benchmark) \times (0.5\% RoRE \div (UKCSI\ upper\ quartile\ benchmark - UKCSI\ average\ benchmark))$$

Underperformance payments (if the company's score is lower than UKCSI average benchmark) will be:

$$(Company\ score - UKCSI\ average\ benchmark) \times (0.5\% RoRE \div (UKCSI\ average\ benchmark - UKCSI\ minimum\ benchmark))$$

If the company's score is equal to the UKCSI average benchmark, then the performance payments would = 0%.

### **Box 2: Worked example of calculating a company's payments.**

This example shows how outperformance payments would be calculated for a company with a C-MeX score above the UKCSI average benchmark.

UKCSI average benchmark – 82.9

UKCSI upper quartile benchmark – 86.2

Example company C-MeX score – 84.55

$$(84.55 - 82.9) \times (0.5\% RoRE \div (86.2 - 82.9))$$

$$1.65 \times (0.5\% RoRE \div 3.3)$$

$$0.5 \times 0.5\% RoRE = 0.25\% RoRE$$

## **1.3 Exclusions**

### **Customer service survey**

The company may exclude from the contact data provided to the Agent:

- Contacts made by or in relation to a deceased customer;
- Non-household or private network customers;
- Contacts made by, or in relation to developer services;
- Wrong numbers, such as where a customer calls referring to another company, or where the customer refers to a non-appointed activity and the call has no connection with the appointed business. For example, plumbing or heating services enquiries;
- Non-customer contacts, for example, calls from contractors or suppliers;

- Calls about recreational and amenity activities, such as skiing or angling facilities at visitor sites;
- Contacts with organisations representing the company, such as a local authority wastewater agency or debt collection agencies can be excluded where the number of customer calls to an individual agency or contractor is below 0.5% of the total number received by the company for that particular operational area. (The 0.5% is calculated using a denominator of total calls for that particular operational area including the agency calls, for example, a debt collection agency's contacts would be compared against the total number of billing contacts received including any agents dealing with billing contacts. This is to avoid an undue data burden);
- Contacts in response to feedback requests, returned to or alongside a customer satisfaction survey/ text/ call/ webform/ or research exercise where the outgoing contact is solely a survey;
- Where a customer comments exclusively about another customer's social media posts rather than a direct enquiry regarding the company;
- Enquiries from the Consumer Council for Water on behalf of a customer;
- The customer is under the age of 18; and
- Ofwat agrees there is an exceptional circumstance where it would not be in the best interest of the customer to be contacted.

### **Customer experience survey**

All customers are in scope for surveying as long as they are aware of who their water company is (with or without prompting). But they may be subsequently excluded if:

- The customer cannot identify or recognise their water company after prompting, including if the Agent uses their postcode to identify the company;
- The customer incorrectly identifies their water company, and this is not corrected before the survey begins;
- The customer includes their experience of non-household supply in their response;
- The customer is under the age of 18; and
- Ofwat agrees there is an exceptional circumstance where it would not be in the best interest of the customer to be contacted.

### **Do not contacts (DNCs)**

Ofwat's Agent can contact a customer for the purpose of conducting C-MeX surveys, regardless of whether that customer has opted out of company contact, so long as they have not expressly opted out of receiving surveys from Ofwat. The company is not to ask customers whether they wish to opt in or out of being contacted in relation to Ofwat

surveys and must share contact data for all relevant customers, including that of company DNCs.

The Agent will check the data submitted by the company against its list of Ofwat DNCs.

The details of Ofwat DNCs will be passed on to the relevant water company on completion of each fieldwork session. Ofwat DNCs' data must no longer be processed for the purposes of the C-MeX survey (they may be contacted for other purposes). Therefore, the company, upon receipt of this information, must maintain an up-to-date record of Ofwat DNCs and, when providing customer information to the Agent, must ensure all Ofwat DNCs are excluded.

## 1.4 Additional details

### Customer service survey

The company will provide all inbound contacts (regardless of resolution status) to Ofwat's Agent.

The company will provide the Agent with accurate details surrounding the type of contact (billing, general enquiry or operational incident). As well as the customer's contact details, including telephone number (where the customer or representative called the company), email address and/or digital contact.

### Customer experience survey

Customers will be randomly selected from the company's database. The company is expected to provide up-to-date customer lists with all customer contact details.

Customers will be randomly selected from the customer lists to participate in the surveys.

### Combined samples

Some companies have an arrangement where customers of multiple companies are served by the same provider (for example, a common billing centre). In these cases, customers may have the same experience regardless of which company they are a customer of. In such cases, there may be reason for the company to submit combined samples (such as where customers of multiple companies are served by the same provider, for example, a common billing centre).

### Data provision

The company will supply the Agent with details of the service type of the contact (that is, billing, water operations or wastewater operations, as applicable) and where available the customer's telephone number (or telephone number of any representative calling on their behalf) for non-digital contacts and also the customer's email address for digital contacts. All records must be transferred to the Agent using a secure file transfer system and not as email attachments.

The company will allocate each customer contact to a specific service type (billing, water or wastewater) based on a list of common queries. The company will ensure all contacts are allocated to a service type.

Where the company uses regional company names or frequently used third party organisations who act on behalf of the company, these should also be indicated in the data provision so customers can more readily associate with and recall the company contact. For example, South Staffs Water may include 'Cambridge Water' in the data provision for its relevant customers.

The company will provide accurate data for all contacts received from all Channels.

The company will not remove duplicate contacts from their contact data. The Agent will do this.

To facilitate the Agent's process of compiling, checking and preparing the contact lists from which to survey as efficiently as possible, the company should provide all data in a single Excel worksheet, one row per transaction and should not separate out the file into one worksheet per transaction, or any other format.<sup>5</sup>

The company will complete an audit sheet as specified by the Agent each time sample details are sent, outlining:

- the total number of contacts received through each contact Channel in the designated period;
- the number of customers excluded from the contact data provided; and
- the reasons for any exclusions.

All records must be transferred to the Agent using a secure file transfer system and not as email attachments.

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<sup>5</sup> The form, manner and timing of data provision may be subject to revision by Ofwat from time to time.

## Reporting and assurance

The company will provide the Agent with a complete and accurate list of unique customer identification numbers (updated on an annual basis),<sup>6</sup> from which the Agent will select the sample for the customer experience survey. The company shall maintain up-to-date contact information for all customers, to enable the Agent to contact them in the event that they are selected for survey. At the Agent's request, the company will provide the Agent with contact details of all customers selected for survey.

The company shall maintain accurate, complete and verifiable records of all customer contacts for the purposes of the customer service survey.

**Table 2: Definition parameters**

Parameters	
<b>Measurement unit and decimal places</b>	Average customer satisfaction on a scale of 0 to 100, reported to two decimal places.
<b>Measurement timing</b>	Annually.
<b>Incentive form</b>	Revenue.
<b>Incentive type</b>	Outperformance and underperformance payments.
<b>Timing of underperformance and outperformance payments</b>	In-period.

<sup>6</sup> ie, an anonymised identification number to allow the selection of a sample, this may be an account number or any other unique customer identifier used by the company.

<b>Price control allocation</b>	100% residential retail.
<b>Frequency of reporting</b>	Annual.
<b>Any other relevant information</b>	N/A
<b>Links to relevant external documents</b>	N/A

## Annex 1 Additional Survey Details

### **Customer service survey**

#### **Method of contact**

Customers may contact the company in any of the following ways:

- Online channels, such as email, social media, webform, live chat, apps, or online accounts; and
- Non-online channels, such as phone, post, in person, short message service, or automated telephone.

This includes all calls to all lines, 24 hours a day, seven days a week, regardless of whether the line is a principal advertised contact point. This also includes contacts to automated systems and/ or agencies working on behalf of the company, for example debt collection agencies or a customer representative such as a contractor.

## Annex 2 Definitions

For the purposes of this performance commitment these terms shall have the following meanings:

- **Agent** – the contractor appointed by Ofwat to run the C-MeX surveys from time to time.
- **Channel** – any route by which a customer or consumer can contact the water company including non-online channels and online channels.
- **Company DNC** – an individual customer who has told the company that they do not want to be contacted for marketing or other purposes.
- **Customer or consumer** – any household user of water or wastewater services, not only account holders.
- **Designated period** – the period of time specified by the Agent when requesting a customer service survey sample.
- **Ofwat DNC** – an individual customer who has told Ofwat or any agent of Ofwat that they do not want to be contacted regarding the C-MeX incentive mechanism.
- **Online channels:**
  - Email – incoming contact via email.
  - Social media – any platform used by consumers and businesses for the purpose of publishing comments, photos, media and text on which the company has a presence. It is expected this will include but not limited to, platforms such as Facebook, X (formerly Twitter) and Instagram. A customer should only be included where they have contacted the company directly using the company social media handle, the company can identify the customer and the customer has provided further details in order for the company to follow-up with the customer.
  - Webform
  - Live chat
  - App – where the App provides a direct means of contacting the company, rather than only signposting other contact channels.
  - Customers carrying out a transaction using their water company online account – where customers carry out a transaction or provide information for example, bill payments, setting up a direct debit, applying for a meter, reporting an incident, submitting meter readings etc.
- **Non-online channels**
  - Phone (including fully automated – for example, a bill payment).
  - Post
  - In person by visit.
  - Short message service
  - Automated telephone