

OFWAT- Consultation on the measures of experience performance commitments at PR24. September 2023

The Home Builders Federation is the principal trade association for the home building industry in England and Wales. HBF's membership of more than 400 companies builds most of the market sale homes completed in England and Wales, encompassing private developers and Registered Providers. The majority of HBF's private home builder members are small or medium-sized companies.

As the main trade association for the home building industry, our members constitute one of the largest bodies of companies that will be affected by the outcome of this consultation.

The document below is the summary of the representative responses from our membership and takes account of the responses of large major housebuilders, SME (small and medium-sized enterprises) builders as well as specialist housing providers and companies. While HBF's members largely support the proposals within this consultation, they are concerned that a pragmatic, fair, balanced and considered approach should be taken.

C-MEX

Question 2;1: Do you agree with our proposal to reduce the weight of the customer experience survey to 33.3%?

HBF agrees in principle to reduce the weight of the customer experience survey to 33.3% as proposed under option 2. This will provide a more equal balance of representation across all three areas including non-contact customers, billing customers and operational contacts. HBF hopes that the same value and consideration is given to all three balanced contributors. HBF considers this will provide stronger basis in order for companies to focus on customers that are most likely to experience the worst service.

Question 2;2; Do you agree with our proposal to broaden the operational incidents component to include all customers affected by operational incidents and not just those that contacted their company?

As the home building sector, we do not feel we can competently and comprehensively respond to this point and feel this would be more appropriately answered by water companies or those closer to the management and supply of water services themselves.

Question 2;3; Do you agree with our proposal to make greater use of cross-sector benchmarks when allocating incentive payments for C-MeX?

As the home building sector, we do not feel we can competently and comprehensively respond to this point and feel this would be more appropriately answered by water companies or those closer to the management and supply of water services themselves.

Question 2;4; Do you agree with our proposed approach to calculating incentive payments for C-MeX, where maximum payments are based on a proportion of each company's return on regulatory equity?



As the home building sector, we do not feel we can competently and comprehensively respond to this point and feel this would be more appropriately answered by water companies or those closer to the management and supply of water services themselves.

D-MEX

Question 3.1: Do you agree with our proposal to have half the qualitative component for small developers and the other half for self-lay providers, new appointees and larger developers?

HBF broadly agrees with Ofwat's preferred option 2 proposal to increase the weight of competitors and larger developers who make reporting and representation via D-MeX. It is important to ensure that self-lay providers, new appointees and larger home builders and developers account for 50% of the surveys. Smaller developers and home builders should make up the remaining 50%. It is important to recognise and represent relative to the size of the developer to gain accurate representation. HBF believes that the D-MeX process should incentivise and urge an incumbent water company to place greater emphasis on providing good quality water and sewerage services to developers. HBF also considers that the D-MeX platform should be used to encourage competition and performance with water companies to return best value for customers.

Question 3.2: Should we include self-lay providers, new appointees and larger developers in the same group, as we propose?

HBF believes that self lay providers, new appointees and larger developers should also be recognised and included within the same group.

Question 3.3: How should we identify larger developers in the qualitative survey?

HBF considers that larger developers could be recognised by the size of the individual applications being made to the respective water companies and new appointee organisations.

Question 3.4: Do you agree with retaining the quantitative component in D-MeX?

It is important to retain clarity and transparency across the D-Mex method and changes should be made to enhance and incentivise an incumbent water company's performance and service to house builders and developers. Any refinement or changes required should be made in the interests of improving quality of service.

Question 3.5: Do you agree with reducing the weight of the quantitative component in DMeX to 33.3% while increasing the weight of the qualitative component to 66.6%?

HBF believes that an improvement in being able to identify differentiation between water companies' customer and developer performance is critically important. Option 2 proposed by Ofwat looks at reducing the weight of the quantitative component to 33.3%. HBF agrees that this should increase the focus of companies on the satisfaction surveys to strengthen and incentivise water companies in providing improved levels of customer service. HBF is supportive of this amendment to the existing quantitative calculation for improved performance. It is important for Ofwat to monitor this amendment such that there is no detriment to the representation made towards self-lay providers and new appointees and HBF is supportive of countermeasures to be taken by Ofwat in increasing their representation under the qualitative element.

Question 3.6: Do you agree with our proposal to keep D-MeX as a relative incentive?



HBF broadly agrees with Ofwat in keeping D-MeX as a relative incentive if data and results are used in a meaningful way and water companies use the information to enhance and improve developer experience.

Question 3.7: Do you agree with our proposal to not have separate calculations for English and Welsh companies?

HBF agrees that Ofwat should not have separate calculations for English and Welsh companies. Customer service and developer services should remain consistent across both England and Wales and the experience and quality of delivered service should be identical despite operating in different legislative and regulatory environments. HBF also agrees that excluding Welsh companies from the league table and changing to absolute targets could potentially weaken incentives for companies by removing benchmarks and comparable scoring with others in the sector.

Question 3.8: Do you agree with our proposal to not have separate calculations for water and wastewater services?

HBF are not of the opinion that Ofwat should separate out the calculations for water and wastewater services from incumbent water companies. It is our opinion that water only companies could potentially be unfairly compared against with other organisations providing both water and wastewater services. We believe it is therefore safer and proves for a more balanced view to not separate calculations for water companies.

Question 3.9: Do you agree with our proposed approach to calculating incentive payments for D-MeX, where the maximum incentive payments are based on a proportion of each company's return on regulatory equity?

HBF believes that option 3 is most preferable to home builders based on maximum incentive payments on each company's return on regulatory equity. HBF believes this provides the strongest incentive for a water company to improve their performance and all similar water companies also must improve from the perspective of their investors.

Business customer experience in Wales

Question 4.1: Do you agree with our proposal to add a contact element to the business customer experience in Wales performance commitment?

HBF believes that Option 3 is the most preferable for Ofwat to pursue. This option will introduce new elements for customers that have contacted their water company or experienced operational incidents. HBF believes this would increase the focus of companies on their quality of service in addition to improving quality of service to those who have been affected by operational incidents. This format would also align it with similar scenarios in England for water companies and developers operating in that jurisdiction.

Question 4.2: Do you agree with our proposed weightings of 33.3% for non-contact customers, 33.3% for billing-related contacts and 33.3% for customers that have experienced an operational incident?

HBF believes that the allocation of proposed weightings of 33.3% for non-contact customers, 33.3% for billing customers and 33.3% for customers with experience of operational incident is a fairer identification and allocation of performance. This will align it with similar scenarios in England and will help address concern where companies may not otherwise have been sufficiently incentive to provide good quality service.

Question 4.3: Do you agree with our proposal to equally weight customers in the survey?

HBF believes that option 1 is the most practical approach providing equal weighting or allocation to a customer regardless of an organisations size. Given the nature of operating in Wales, this provides protection for smaller



businesses whilst at the same time recognising their importance and contribution towards improving a water companies performance and level of customer/developer service.

Question 4.4: Do you agree with our proposal to set absolute targets for both Welsh companies?

HBF believes that individual and developer customers in Wales should have access to comparable information and performance data to those water companies operating in England. Customers in Wales have no choice but to use the incumbent water companies and therefore have no frame of reference neither the choice to switch or have water services provided to them by a competing new appointee for example. It is important therefore for developers, contractors and home builders in addition to individual customers in Wales to have transparency across all performance indicators that allows them to compare accurately the quality of services delivered in Wales to those offered by competitors in England. Targets for water companies operating in Wales should include transparency in relation to connection and sewerage charges and costs associated with providing water companies services in addition to customer and developer experiences to those offered and provided in England.

Question 4.5: Do you agree with our proposal to move from a 1-5 rating to 0-10 in the satisfaction survey?

HBF does not agree that customer satisfaction scoring should move from 1-5 to 0-10 as this could dilute the performance and representation of an incumbent water company's performance in both customer and developer scoring. However, HBF acknowledges that Ofwat is best placed to decide on a company performance rating and scoring matrix.

Question 4.6: Do you agree with our preferred option for calculating incentive rates for this performance commitment based on a maximum return on regulatory equity?

HBF believes that option 3 is a more practical and proportionate representation to calculate incentive rates and payments for performance. Using a top-down approach should provide a strong and meaningful way of providing customer service to housing developers, customers and contractors. HBF believes this is a consistent approach and would deliver more accurate return on regulatory equity.

Question 4.7: Do you agree with our suggested approach to set caps and collars on this performance commitment?

As the house building sector, we do not feel we can competently and comprehensively respond to this point and feel this would be more appropriately answered by Ofwat, water companies or those closer to the management and supply of water services themselves.

