

2016/17 PERFORMANCE – SUMMARY FOR WATER FORUM

1. BACKGROUND AND PURPOSE OF PAPER

This paper provides a short, factual summary of our 2016/17 performance in relation to our Outcomes and Performance Commitments. Its purpose is to facilitate a conversation on our performance with water forum members on 5 June 2017, in advance of publishing our full Annual Performance Report in July 2017.

Some figures in this report are currently draft, pending completion of assurance activity.

2. PERFORMANCE SUMMARY

The following table summarises our performance against our key Measures of Success for 2016/17. This represents the second year of our 2015-20 Business Plan.

Each measure has an associated performance commitment, which represents the level of performance we agreed to deliver in our 2015-20 Business Plan. These are based on the services that customers have told us they value. A number of these were also adjusted by Ofwat as a result of comparing performance commitments across the industry.

A number of these measures relate to the concept of 'asset health'. These are a means of monitoring, protecting and incentivising the long-term sustainable stewardship of our assets. As these are longer term measures they are assessed based on three year average performance, with the first assessment occurring at the end of 2017/18.

Some of our measures of success have financial incentives attached in the form of a reward for excellent performance and/or a penalty for poor performance.

Measure of Success	Units	2015 - 2016	2016 - 2017		
		Performance level	Performance level	Our Performance Commitment	Did we meet our commitment?
We provide excellent service and impress our customers					
Ofwat Service Incentive Mechanism (SIM)	Score out of 100	83.64	87.57	N/A	At or close to industry leading.
Independent overall customer satisfaction survey	Customer satisfaction score out of 10	8.5	8.5	8.2	Yes
Domestic customer satisfaction, net promoter score	% customer satisfaction	49%	46%	32%	Yes
Our customers consider the services they receive to be value for money					
Independent value for money survey	Customer satisfaction score out of 10	8.2	8.2	7.9	Yes
We supply clean, clear drinking water that tastes good					
Overall drinking water quality compliance	Compliance (%)	99.94%	99.93%	99.94%	(1)
Discoloured water complaints	No. of complaints	3,762	2,874	3,508	(1)
Satisfaction with taste and odour of tap water	No. of properties	1,225	1,229	1,069	No
We provide a reliable and sufficient supply of water					
Leakage (ML/d) - Northumbrian area	Mega litres per day	134.66	133.82	137.00	Yes
Leakage (ML/d) - Essex and Suffolk area	Mega litres per day	62.42	68.08	66.00	No
Interruptions to water supply for more than 3 hours	Average minutes and seconds per property	03:20	02:26	06:23	Yes
Properties experiencing poor water pressure	No. of properties	238	199	216	(1)
Water mains bursts	No. of burst mains	3,916	4,273	4,586	(1)
We provide a sewerage service that deals effectively with sewage and heavy rainfall					
Properties flooded externally	No. of properties	1,061	839	1,318	Yes
Properties flooded internally	No. of properties	143	119	224	Yes
Repeat sewer flooding	No. of properties	184	46	496	(1)
Properties flooded externally (TDS) (2)	No. of properties	2,506	2,730	2,931	Yes
Properties flooded internally (TDS) (2)	No. of properties	219	215	228	Yes
Sewer collapses	No.	48	34	58	(1)
Sewer collapses (TDS) (2)	No.	58	72	84	Yes
We help improve the quality of rivers and coastal waters for the benefit of people, the environment and wildlife					
Pollution incidents (category 3)	No. of pollution incidents (cat 3)	124	102	115	(1)
Bathing water quality compliance	No of bathing waters categorised as sufficient	33	34	32	Yes
Sewage treatment works discharge compliance	No. of failing works	1	1	0	(1)

Footnotes:

1. First assessed based on a three year average 2017/18.
2. Reflects performance of what were privately owned drains and sewers which transferred into water company ownership in October 2011.

3. PERFORMANCE HIGHLIGHTS AND EXCEPTIONS

3.1 Ofwat Service Incentive Mechanism (SIM)

Ofwat's SIM measures our customers' experience of dealing with us and provides a good indication of how well we are serving those customers who have had a reason to contact us.

There are two elements to the SIM measure; a customer satisfaction survey and a quantitative element which counts how many times customers have contacted us about a negative subject - including written complaints. These elements are combined to give an overall SIM score out of 100, with a higher score being better. The satisfaction survey contributes to 75% of the overall score SIM is assessed on a comparative basis, as opposed to companies having a fixed performance commitment. Above average companies will earn a reward, with below average incurring a penalty.

We are delighted that our performance for the satisfaction survey was industry leading in 2016/17. When combined with the quantitative element we expect our overall score to be at, or very close to, an industry leading position.

3.2 Independent overall customer satisfaction score

We also conduct our own customer satisfaction research which is carried out quarterly by an independent company. In 2015, we achieved our best ever satisfaction score and we are delighted that customer satisfaction has remained at this high level in 2016, beating our performance commitment.

3.3 Net Promoter Score (NPS) for domestic customers

NPS measures customer advocacy which is the loyalty that exists between a company and its customers. It serves as an alternative to traditional customer satisfaction research. It also enables companies to assess their performance across a wide spectrum of industries. Our performance in 2016 was better than our performance commitment, but slightly worse than our best ever performance in 2015. While we were disappointed to see this, as our aim is to constantly improve our NPS, we remain proud that our NPS ranks us alongside leading UK companies.

3.4 Independent customer satisfaction with value for money

In our independent customer satisfaction survey, we also ask customers how satisfied they are with value for money. We achieved a score of 8.2, beating our performance commitment of 7.9.

We also scrutinise research conducted by CCWater on value for money.

3.5 Overall drinking water quality compliance

The water we supply must meet strict national standards, set by the Drinking Water Inspectorate, to ensure that it is safe to drink and the quality is acceptable to customers.

The figures show our annual performance in 2016 was 99.929%. This is a deterioration from our 2015 achievement of 99.957%. Out of the 73,484 tests carried out there were 57 failures in 2016 compared to 29 in 2015.

None of the failures represented a risk to health and our performance represents a very high level of compliance. Nevertheless this level of performance places us behind other companies and we are committed to improving. We aim to achieve this through a combination of improved water treatment and targeted maintenance of the network.

We are expecting our 2017 performance to return to 2015 levels.

From 2017 onwards our performance commitment tightens to 100% compliance, reflecting the fact that these are statutory standards. This is a level of performance rarely achieved by any company.

3.6 Discoloured water complaints

Very occasionally, for a brief period, our water may appear discoloured. This is caused by the disturbance of harmless deposits in our water supply network, possibly caused by a disturbance such as a burst or a leak, which make the water appear brown, black or orange in colour.

This measure reflects the number of times we have been contacted by customers due to their tap water being discoloured.

We have been working to improve discoloured water complaints for more than ten years now and the current good performance is due to culmination of this work. Our current strategy continues to 2019 focusing on the reduction of discolouration material coming from water treatment works and accumulating in pipes.

3.7 Satisfaction with taste and odour of tap water

Our drinking water is of a very high quality but occasionally our customers become aware of a different taste or smell. This could be due to:

- The use of chlorine to maintain good hygiene in our water supply network.
- A change in where a customer's water comes from.
- Issues with customer's own plumbing, inside their house.

This measure reflects the number of times we have been contacted by customers to complain about the taste or smell of their water.

We received 1229 taste and odour contacts in 2016. This level of performance is better than the industry upper quartile, however is worse than our performance commitment. This commitment tightens further in 2017 to 903 contacts, which presents a significant challenge and creates a risk of incurring a penalty.

We have carried out bespoke customer research to better understand taste and odour. Understanding the reasons for taste and odour contacts is complex. Some customers are more sensitive to changes in their tap water than others. Water that tastes of chemicals or chlorine is unacceptable. We have commenced a number of initiatives to improve our service, for example we optimised the chlorine level in the water leaving treatment works. We are also training teams to provide consistent advice. A number of taste and odour issues arise in the property due to internal plumbing issues and we are improving plumbing knowledge so that when troubleshooting at the customer property the issue can be found and resolved.

3.8 Leakage

We met our performance commitment for Leakage in our Northumbrian region.

In our Essex & Suffolk region we experienced higher leakage than usual throughout the summer and autumn in 2016, after a period of unprecedented dry weather. This caused ground movement and stress on pipes and resulted in increased leakage. This area is receiving greater focus, particularly with regards to finding and fixing leaks. While we were unable to correct performance in time to meet our 2016/17 performance commitment, we aim to achieve our target in 2017/18.

3.9 Interruptions to Supply

This measure reflects how often we have had to interrupt customers' water supplies as a result of needing to carry out planned work on our water pipes, or as a result of an unexpected event such as a burst pipe.

Our industry leading performance on supply interruptions has continued to improve. We have reduced the average length of time our customers experience interruptions greater than three hours to 2 minutes 37 seconds. This level of performance is currently beyond the reach of all other water companies.

3.10 Pressure

Our customers should expect water to arrive at their home at a certain pressure so that it flows well from the tap. The number of properties experiencing pressure below the minimum standard has reduced to 197, beating our performance commitment.

3.11 Sewer flooding

Sewer flooding can occur when rainfall is so heavy that there is more water than the sewers are designed to transport and they become 'overloaded'. It can also happen when sewers become blocked or broken. In either case sewage escapes from our network and finds its way into our customers' gardens (external flooding), homes and business premises (internal flooding).

This is one of the worst service failures our customers can experience. It is very unpleasant and distressing and any escape of sewage from our network can also have a detrimental effect on the environment.

We have five measures of success for sewer flooding, covering internal and external flooding and also repeat flooding. There are two measures focused on the performance of what were previously privately owned drains and sewers which were transferred into water company ownership in 2011.

We are currently achieving or beating our performance commitments for all these measures, and in the cases of internal flooding and repeat flooding, are outperforming our commitments by a substantial margin.

3.12 Sewer collapses

Occasionally the structure of a sewer pipe fails and the pipe 'collapses'. This can be due to a number of reasons including the age and condition of the pipe, ground movement or other factors. These collapses can result in other problems such as sewer flooding or pollution.

The number of sewer collapses is a key measure of the health of our sewerage network.

We are currently beating both our performance commitments for sewer collapses.

3.13 Pollution Incidents

Problems with our sewerage system can result in untreated sewage escaping from our sewers and causing environmental damage. Very rarely, problems with our water supply systems can also result in environmental damage.

While every effort is made to reduce the risk of this happening, a small number of pollution incidents do occur. Incidents are categorised by the Environment Agency (EA), with category 1 incidents being the most serious. Category 2 incidents have a significant environmental impact and category 3 incidents have minor or minimal environmental impact.

Pollution has been an area of significant attention, and our performance for category 3 pollution incidents is improving, currently beating our performance commitment. We aim to improve further, however, in order to achieve the best possible rating from the EA.

The number of more serious category 1 and 2 pollution incidents increased to nine in 2016 from five in 2015. We continue to work closely with the EA to identify lessons that can be learnt to ensure that serious incidents aren't repeated. Our aim is to have zero serious incidents by 2020.

3.14 Bathing Water Quality Compliance

Sea water at beaches in the North East are amongst the cleanest in the country.

Under the current regulations, each bathing water is classed as Poor, Sufficient, Good or Excellent. 'Sufficient' is the minimum acceptable standard.

We have a key role to play in maintaining the quality of our region's bathing waters. These can also be affected by a number of other factors such as run-off from agriculture and other sources of pollution.

All 34 designated bathing waters in our region now meet the minimum standard of Sufficient or better. This meets our performance commitment that all 34 bathing waters are Sufficient or better by 2020. Our region has the highest percentage of Good (6) and Excellent (27) bathing waters in England with 33 out of 34 (97%) meeting this higher classification.

3.15 Sewage Treatment Works Discharge Compliance

Our Sewage Treatment Works (STWs) treat waste water from homes and businesses so that it can safely be returned to the environment: to rivers or the sea.

Before it can be returned, this waste water must comply with strict permits. Compliance is assessed by taking regular samples which are analysed for the levels of chemicals present including phosphorous and ammonia.

This measure of success shows the number of STWs which failed these standards.

Our performance against this measure has been excellent for a number of years with at most one failure. This places us close to, or at, an industry leading position.

Our aim (and performance commitment) is zero failures, reflecting the fact that these are statutory standards.

4. PENALTIES AND REWARDS

In our Annual Performance Report we are obliged to share our expectations for rewards and penalties for the period 2015-2020. We currently expect to achieve a net reward for the five year period in the region of £15m. This is largely based on our excellent performance for interruptions to supply and sewer flooding, off-set by a small penalty for leakage and the potential of a larger penalty for taste and odour performance.

These numbers exclude any potential reward for our performance against SIM.

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25 May 2017