



Customer Service Quality Incentive Programs New York Energy Utilities

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Why is an Incentive Needed?

- Monopoly service provider faces no competitive pressure to provide high quality services
 - Customers can't choose among delivery service providers
- Once rates are set, financial incentive exists to reduce customer service costs to increase earnings.
- Conflict between customer and shareholder interests
- Incentives provide proxy for market forces to create financial incentive to provide quality services
- Align customer and shareholder interests

Carrot or Stick?

- **Positive incentive – customers pay more if they get more**
 - Utility goes beyond what is expected for the allowed rates
 - Implication that customers are willing to pay more for improved performance
- **Negative incentive – utility compensates customers for poor service**
 - Deter deterioration of service/penalize poor performance
 - Improve existing service to levels that should be expected within existing rates – graduated improvements over long term plan
- **Possibly positive incentive – performance rewarded if earnings exceed expectations**
 - Reward for completion of non-core functions that further policy objectives of the Commission
 - Functions are outside utility traditional functions with no explicit rate allowance
- **Use Negative Incentive for Customer Service Quality Assurance**

Customer Service Performance Measures

Broad-based measures

PSC Complaint Rate

Customer Satisfaction Index

Targeted Performance Indicators

NY Service Quality Performance Indicators

- **Monthly reporting by major utilities beginning 1992**
- **Reporting on a consistent basis by utilities across a range of specific performance measures**
- **Permits examination of individual utility performance over time and comparisons among peers**
- **Monthly reporting permits performance tracking to identify changes and trends**
- **Annual average of monthly values used to measure performance in incentive plans**

NY Service Quality Performance Indicators

- Service Appointments Kept
- Number of Bills Adjusted
- Telephone Call Response
- Non-Emergency Service Response Time
- Estimated Meter Readings

NY Service Quality Performance Indicators

Monthly Report

Niagara Mohawk Power Corporation d/b/a National Grid

INDICATOR	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07
Appointments												
Appointments made	3,844	3,299	3,940	3,671	3,585	3,374	3,294	3,916	3,194	4,295	3,885	2,757
Appointments kept	3,767	3,198	3,844	3,585	3,484	3,320	3,243	3,878	3,161	4,232	3,829	2,725
Adjusted Bills												
Actual meter reads	2,154,617	2,147,085	2,157,189	2,162,641	2,218,384	2,217,778	2,216,344	2,221,259	2,224,411	2,229,422	2,175,198	2,174,805
Cancel/Rebills net of customer reads	20,207	16,313	16,466	14,006	14,495	12,818	13,224	22,200	13,734	14,607	12,987	29,682
Telephone Answer Response (All NY Call Centers)												
Total incoming calls received	324,455	252,620	283,924	290,537	312,379	338,541	336,719	345,259	297,195	327,396	283,636	260,315
Percent of calls answered	98.2%	97.8%	98.4%	98.1%	98.0%	96.5%	98.3%	98.8%	98.4%	97.7%	97.9%	97.8%
Total incoming calls requesting a representative	318,625	247,012	279,299	284,948	306,175	326,796	330,828	341,052	292,569	319,820	277,699	254,473
Percent of calls answered by a rep. within 30 secs.	83.6%	79.3%	79.2%	80.0%	81.5%	73.7%	83.3%	84.7%	82.9%	79.0%	77.0%	76.1%
Non-Emergency Service Response Time												
Service/meter work orders received	115	52	70	96	194	204	225	258	213	257	159	93
Days to complete all svc/mtr jobs	6,276	3,244	1,904	2,995	5,034	3,926	4,786	7,895	9,457	6,161	4,399	6,445
Avg. days to complete all svc/mtr jobs	54.6	62.4	27.2	31.2	25.9	19.2	21.3	30.6	44.4	24.0	27.7	69.3
Street light work orders received	2,000	955	1,216	1,087	942	1,128	885	1,393	1,242	2,252	1,892	1,611
Days to complete all street light jobs	18,971	9,640	13,705	20,266	9,941	7,756	4,312	5,631	4,204	9,625	9,400	13,440
Avg. days to complete all street light jobs	9.5	10.1	11.3	18.6	10.6	6.9	4.9	4.0	3.4	4.3	5.0	8.3
Tree trimming work orders received	928	383	537	1,074	1,528	1,742	1,764	1,546	1,375	1,281	839	446
Days to complete all tree trimming jobs	5,295	5,968	2,279	5,029	7,607	10,893	16,125	10,361	11,849	12,454	7,681	6,190
Avg. days to complete all tree trimming jobs	5.7	15.6	4.2	4.7	5.0	6.3	9.1	6.7	8.6	9.7	9.2	13.9
Estimated Readings												
Total meters scheduled to be read	2,197,639	2,198,165	2,198,250	2,198,576	2,256,866	2,258,566	2,257,987	2,259,843	2,259,321	2,261,673	2,203,662	2,205,441
Total estimated readings made	44,572	52,614	42,552	37,623	40,329	42,601	43,366	40,491	39,054	36,313	28,464	30,636
Consumer Complaints to the PSC												
Complaint per 100,000 customers	0.94	0.82	1.24	1.24	1.30	1.18	0.77	0.94	1.12	1.18	0.35	0.41
Customer Satisfaction												
Percent of customers satisfied												
Satisfaction Index (Quarterly)			79.5		79.9				80.3			81.0

Incentive Design

- How much penalty is sufficient to promote performance?
 - Penalty should exceed cost of providing expected service level
 - Coordination with electric reliability and gas safety incentives:
Customer Service = ER + GS
 - Utility interest to have positive community identity
 - Promote public confidence
 - Current range from 25 to 78 basis points of earnings annually
- Broad-based vs. targeted performance measures?
 - Broad-based is fundamental: all utilities have PSC complaint rate and customer satisfaction measures
 - Targeted measures included for most important service elements or identified areas for improvements
 - Long term plans may require more complete array of measures and periodic updates
 - Don't dilute effectiveness by including too many measures

Measuring Customer Satisfaction

- Random survey of customers vs. targeted survey of customers with recent utility service transactions
- Conducted by utility personnel or by 3rd party professional?
- Statistical validity
 - Sample design, consistency in survey, margin of error
- Periodic measurement during performance period allows for improvements if needed to meet performance expectations – don't wait until the end of the rate year

Sample Incentive Plan

Performance Measure	Year	Minimum Penalty		Maximum Penalty	
		Performance	Amount	Performance	Amount
PSC Complaint Rate	2005 and beyond	3.0	\$500,000	5.0	\$4,000,000
Residential Transaction Satisfaction Index	2005 and beyond	82.0	\$250,000	78.0	\$2,000,000
Small/Medium C & I Satisfaction Index	2005 and beyond	79.0	\$250,000	75.0	\$2,000,000
Per Cent Meters Read	2005	93.0	\$250,000	92.0	\$2,000,000
	2006 and beyond	96.0	\$250,000	95.0	\$2,000,000
Per Cent Calls Answered within 30 Seconds	2005	75.0	\$250,000	70.0	\$2,000,000
	2006	76.0		71.0	
	2007	78.0		72.0	
LICAP Enrollment	7/1/04–12/31/04	1,796	\$250,000	1,701	\$928,500
	2005 and beyond	3,591	\$500,000	3,402	\$1,00,000

New York Results

- Utilities have usually have met performance targets
 - Few penalties have occurred
 - Incentive mechanisms are working
- Some penalties in customer satisfaction
- Current pressure on call answer rates as call volumes have increased
- Incentive programs have become an accepted and expected means to promote utility performance