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## National Association of Regulatory Utility Commissioners Energy Regulatory Partnership Program

### **Overview of Service Quality Regulation in NY**

Raj Addepalli – NYS PSC  
Chief, Resource Policy and Planning  
Office of Electricity and Environment  
NYS Department of Public Service

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# Overview

- The NYS PSC regulates the quality of service of energy utilities. The term “quality of service” can relate to:
  - the quality of the power or natural gas itself.
  - the frequency and duration of power outages.
  - the quality of the utility customer service as represented in customer contacts with utility personnel.
  - consumer protections offered
- Service Quality affects customer welfare; Inadequate quality leads to
  - lost production and affects economy adversely
  - health and safety concerns for citizens
  - lost comfort and convenience
  - public unrest

# Expectations Regarding Service Quality

- Service Quality has to be “Safe and Adequate”; not easily well defined or quantified; room for discretion for the PUC
- Reliability is of paramount importance; safety and well being of customers, economic vitality of the State are at stake
- Utility customer service is under intense scrutiny; it is accountable for its actions in a very public way
- Courteous, prompt and effective customer service is expected by customers; utilities cannot afford to have irate customers; politicians will not hesitate to get involved
- Utilities have to abide by Laws, Regulations, and Tariffs regarding implementing consumer protections

# Ways to Ensure Quality Service

- Standards
- Incentive, Penalty Mechanisms
- Routine Monitoring/Audits
- Special Investigations

# Service Quality Standards

## Reliability

- In July 1991, the NYS PSC adopted reliability and service standards for electricity provided by the state's electric utility companies. Electric Reliability Standards include
  - System Average Interruption Frequency Index (SAIFI)
  - Customer Average Interruption Duration Index (CAIDI) standards in place
  - Utilities monitor 10 worst circuits and report to the Commission periodically
- A NYS PSC order in October 2004:
  - examined and amended the standards and methodologies for these indexes.
  - set new utility targets for these indexes for individual operating regions.

# Service Quality Standards

## Customer Service

- Customer Service Standards include
  - Internal (examples)
    - Billing Accuracy
    - Meter Reading on time
    - Appointments Kept
    - New Services provided on time
  - External (examples)
    - Customer Satisfaction
    - Customer Complaints to the Commission

# Consumer Protection Related Standards for Customer Service

- Standards for customer service are found in NYS PSL, such as:
  - residential customers generally must receive service within five days of application
  - utility penalties of up to \$50 per day must be paid if a valid residential reconnection is not made within 24 hours
  - utilities must offer residential customers in arrears, the opportunity to repay the amount owed over time
  - utilities must provide residential customers with levelized monthly payments upon request
  - all meters used to measure electricity and natural gas in NYS must be inspected and approved by the NYS PSC for accuracy
  - customers can request that the NYS PSC inspect their meter for accuracy

# Consumer Protection Related Standards for Customer Service

- The NYCRR regulations implement all of the NYS PSL customer service standards.
- Additional standards for customer service are found in the NYCRR regulations, such as:
  - security deposits for good-paying business customers can be held for up to three years, after which they must be returned by the utility with accrued interest
  - utilities must offer non-residential customers in arrears the opportunity to repay the amount owed over time
  - utilities must provide business customers with levelized monthly payments upon request



# Staff Monitoring Role

## Reliability

- Staff continuously monitors utility performance in providing reliable service
- Staff conducts special investigations re: utility restorations after storm related outages or other extended outages to see whether the utility acted prudently
- Staff investigates major service quality problems: recent example
  - utility's prolonged distribution related outages in NYC and how it assessed and fixed the problem as well as how it communicated with public

# Staff Monitoring Role

## Customer Service

- Commission staff
  - monitors utility provided customer service
  - resolves customer complaints against utilities
  - recommends to the Commission customer service policies (penalties for poor service, slamming, cramming, utility collection practices, utility response to customers concerns)

# Additional Triggers for Review

- Generally, quality issues related to power and natural gas arise in utility rate proceedings and consumer complaints.
- Consumers with power quality issues will raise these issues in those forums to address their concerns regarding consistent voltage levels, frequency variations etc.
- Similarly, consumers with concerns about the quality of the natural gas (e.g., thermal content) will also use these forums to raise their concerns before the Commission.
- Patterns in consumer complaints could also raise questions and lead to further investigation.

# Incentive Mechanisms

## Reliability

- Penalties for failure to meet SAIFI and CAIDI targets are set in individual utility rate cases.
  - incentive targets are set within the rate cases to either maintain satisfactory levels or improve unsatisfactory levels
  - incentives are generally structured to come from utility earnings above the allowed rate of return (ROR)
  - when service meets the targets, more over-earnings are retained by the utility before sharing them with ratepayers

# Incentive Mechanisms

## Customer Service

- Customer Service Performance Incentives (CSPIs) are also set in rate cases to address areas of utility performance for which improvement is sought or deterioration is unwanted.
- Areas targeted for CSPIs include:
  - consumer satisfaction levels from surveys
  - telephone wait time to talk with representative in call center
  - number of missed appointments to meet with customers

# Additional Regulatory Tools

- NYS Public Service Law (PSL) Section 25 allows for the assessment of penalties of up to \$100,000 per day in situations where a utility or its employees knowingly fails or neglects to obey or comply with:
  - the PSL
  - a PSC regulation
  - a PSC order

. . . related to the protection of human safety.

# Prudence Investigations

- Where an individual situation is severe (e.g. results in the loss of life), a prudence investigation can be initiated.
- Prudence investigations can be directly handled by Department staff or can be assisted by the use of independent consultants.
- Prudence investigations are thorough reviews of the incident(s), the practices in place to address such situations, and the way in which those practices were followed in the incident(s).
- Substantial penalties can be assessed to the offending utility if it is found to be in violation of prudent preparation or execution of the proper practices for addressing the incident(s).

# SQ Incentive Mechanism

- Well designed mechanisms can motivate utilities to improve service/value to customers and reduce the need for invasive regulatory oversight
- Dimensions:
  - Service Quality Measures
  - Measurement
  - Benchmarks
  - Reward/penalty amount



# SQ Incentive Mechanism

- Classification of Measures
  - Output vs Input
    - Output: measures that matter to customers (e.g., SAIDI)
    - Input: measures that lead to outputs (e.g., tree trimming expenditures)
  - External vs Internal
    - External: measured by asking end users (e.g., customer satisfaction)
    - Internal: measured within utility (e.g., training \$ for customer reps)
  - Macro vs Micro
    - Macro: looking at big picture (e.g., customer satisfaction)
    - Micro: specific micro measures (e.g., billing accuracy)

# SQ Incentive Mechanism

- Criteria for Measures
  - Measurable
  - Quantitative
  - Auditable
  - Reflect consumer needs and expectations
  - Cost Effective
  - Benefit System

# SQ Incentive Mechanism

- Frequency of Measurement:**

- Monthly or Annual; sometimes cumulative performance measured over a number of years
- Criteria: seasonality issue; incentive signals; flexibility; cost of measurement and reporting

- Setting Benchmarks:**

- Primarily Time Series Data is used; some Cross Sectional Data is also used; select appropriate base line; select appropriate targets; Reopeners
- Criteria: Retain status-quo performance level; seek improvement if performance is poor; contributes to meeting policy goals; cost effectiveness, customer expectations;

# SQ Incentive Mechanism

- **Rewards and/or Penalties:**

- Typically Tied to ROE: 10 to 50 Basis Points; sometimes expressed as \$/customer or % of revenue; Symmetric v. Asymmetric
- Criteria:
  - Sufficient Motivation to Utility
  - Adequate Value to Customers
  - Cost Effectiveness
  - Acceptable to Stakeholders
  - Address Specific Needs in Service Territory (reason for differences among utilities)

# Summary of Customer Service Performance Incentive Plans

Service Measure		CHG&E	Con Ed	NYSEG	NMPC	O&R	RG&E	KeySpan	NFG
General Info	Max Penalty - Customer Svc	\$875,000	\$18,000,000	24 BP	\$13,000,000	\$360,000	\$750,000	\$5,000,000	\$2,640,000
	Max Penalty - Elec Reliability	\$875,000	\$22,000,000	16 BP	\$11,000,000	\$360,000	\$750,000	n/a	n/a
	Max Penalty - Gas Safety	13.5 BP	25 BP	25 BP	12 BP	30 BP	25 BP	12 BP	26 BP
Customer Service	PSC Complaint Rate	6.0 - 8.0	7.0	4.0	5.0 / 7.5	10.6	9.0	8.0	10.0
	Customer Sat. Survey	No	80-83% (3 surveys)	Yes	No	1 Res / 1 Comm	Yes	Yes	Yes
	Contact Sat. Survey	Yes	No	Yes	No	No	No	No	No
	Answer Time (%)	No	94.9%	No	78 / 72	No	73 / 70	No	74%
	Bill Accuracy	No	97.2%	No	To be developed	No	97 / 97.3	No	No
	Meters Read (%)	No	86.9%	No	89.5 / 88.5	No	No	No	No
	Missed Appointment	No	No	No	No	2.73 / 2.65	1%	No	No
	Installation-Initial (days)	No	7.5	No	No	No	No	No	92%
	Installation-Final (days)	No	10	No	No	No	No	No	No
	Investigations Comp.	No	94.9%	No	No	No	No	No	No
	Corp Res Trans Index	No	No	No	Yes	No	No	No	No
	Low Income Asstance	No	No	No	Yes	No	No	No	No

# Summary of Electric Reliability

## Performance Incentive Plans

Service Measure		CHG&E	Con Ed		NYSEG	NMPC	O&R	RG&E
Reliability Measures	Stats Basis	Co. wide	CW - Network / Radial		CW - Simple Avg	Co. wide	Co. wide	Co. wide
	CAIDI (outage duration)	2.1 / 2.2	3.35	1.75	2.08 / 2.18	2.07	1.54	1.90
	Standard (Min)	1.84 - 2.45	2.75-3.75	1.12-1.77	1.30 - 2.50	1.52 - 3.00	1.46 - 1.70	1.41 - 1.80
	Penalty	\$437,500	\$1,500,000	\$1,500,000	8 BP	\$4,400,000	\$180,000	\$375,000
	SAIFI (outage frequency)	1.10 / 1.20	.006-.015	0.34-0.62	1.33 / 1.40	0.93	1.70	1.27 / 1.33 / 1.40
	Standard (Min)	1.08 - 1.60	.006-.020	0.34-1.23	0.70 - 2.75	0.60 - 1.41	2.00 - 2.50	1.01 - 2.20
	Penalty	\$437,500	\$5,950,000	\$3,050,000	8 BP	\$4,400,000	\$180,000	\$375,000
	Momentaries	No	No		No	Trans/Mid/Dist	No	No

# Utility Gas Safety

## Performance Measures

Utility	One Call Ticket	Reduce Mismatch Total	Gas Leak/Odor Calls	Reduce Leak Backlog Level	Main Replacement
CHG&E	✓	✓	✓	✓	✓
Con Ed	✓		✓	✓	✓
Keyspan	✓		✓	✓	✓
NFG	✓	✓	✓	✓	✓
NYSEG	✓		✓		✓
NMPC	✓			✓	
O&R	✓		✓	✓	✓
RG&E	✓				✓

# SQ/Consumer Protection

## Requirements for Competitors

In New York, there are certain requirements regarding consumer protections/service quality on competitive providers.

Uniform Business Practices, Case 99-M-0631 and 98-M-1343:

- Disclosure of Terms to Prospective Customers Prior to Sign Up
- Billing and Payment Options are Non-Discriminatory
- Customer Data is Confidential; no Sharing Without Authorization
- ESCOs Must Provide Advance Notice of Termination of a Billing Option
- Bills Must Comply with Consumer Protection Requirements For Utility Charges
- Payments Allocated First to Utility Charges and Then ESCO Charges
- Failure to Pay for Regulated Services May Lead to Disconnection
- Consolidated Bills Must Provide a Summary of Charges and Separate Itemization of Utility and ESCO Charges



# Resources

- Information about SAIFI and CAIDI can be found at:

<http://www.dps.state.ny.us/standard.htm>

- Information about the NYS PSL can be found at:

<http://public.leginfo.state.ny.us/menugetf.cgi?COMMONQUERY=LAWS>

- Information regarding interconnection standards can be found at:

<http://www.dps.state.ny.us/distgen.htm>

- Typical reports on utility performance in storm response can be found at:

[http://www.dps.state.ny.us/2006\\_Windstorm\\_Reports.html](http://www.dps.state.ny.us/2006_Windstorm_Reports.html)

- Information regarding complaint statistics and trends can be found at:

[http://www.dps.state.ny.us/ocs\\_stats.html](http://www.dps.state.ny.us/ocs_stats.html)

- Information on billing and bill formats can be found at:

[www3.dps.state.ny.us/pscweb/WebFileRoom.nsf/Web/8A80FE024CF5A65285256DF1007567D2/\\$File/doc5647.pdf?OpenElement](http://www3.dps.state.ny.us/pscweb/WebFileRoom.nsf/Web/8A80FE024CF5A65285256DF1007567D2/$File/doc5647.pdf?OpenElement)

and

<http://www.dps.state.ny.us/cba.htm>