

AusNet Services Deep Dive No.1 Customer Satisfaction Incentive Scheme

Pre-reading pack

11 February 2019



Overarching objective and principle

The **proposed objective** of the scheme is:

- To improve the satisfaction of AusNet Services customers with the services we deliver.

The **key principle** is that:

- Customers should only fund initiatives to improve in customer satisfaction if AusNet Services provides measurable improvements in customer satisfaction that are valued by our customers. Conversely, if customer satisfaction deteriorates, then customers are compensated through lower bills.

The Customer Forum and the Consumer Challenge Panel have expressed support for the concept of the scheme. AusNet Services intends to work with the Customer Forum to refine the proposed scheme. In particular, we will consider whether for new connections we should separate home owners, builders and electricians in setting the incentive.

Summary of proposed scheme

We have designed a scheme to closely mirror the Service Target Performance Incentive Scheme (STPIS) as we consider this to be an accepted approach within the Australian regulatory framework. The key features of the proposal are:

- Financial rewards are received if customers satisfaction improves from current levels.
- Financial penalties are applied if customers satisfaction decreases from current levels.
- The size of the reward or penalty varies with the degree of improvement or decline in satisfaction and the incentive rate scales the size of the reward for the level of improvement or decline in performance.
- There are caps on the size of the reward or penalties that can be paid under the scheme.

This seeks to align AusNet Services incentives with the preferences of our customers.

We propose this will replace the existing telephone answering parameter from the STPIS in our determination as it will better reflect the current needs and preferences of our customers. We consider the revenue at risk applying to the telephone answering parameter (0.5%) should be applied to our proposed Customer Satisfaction Incentive Scheme instead.

Proposed performance metrics



The measures of customer satisfaction we propose to include in the scheme are:

Performance metric	Comment
Customer Satisfaction – unplanned outages	The customers are asked to rate their overall satisfaction with a recent outage event they experienced. This interaction excludes recloses or interruptions of less than 1 minute under the assumption that the customer affected may not have experienced the outage.
Customer Satisfaction – planned outages	The customers are asked to rate their overall satisfaction with a planned outage they recently experienced so would incentivise AusNet Services to handle notification and customer interactions better.
Customer Satisfaction – New Connections (Basic and Standard)	<p>The customers are asked to rate their overall satisfaction with the connections process. Basic and standard connections are captured in this interaction. A basic connection includes hanging a meter and energising the premise where network changes or upgrades are not required.</p> <p>A standard connection, does require a network change which might include a new pole installation, line extension or upgrade, pit construction and other technical changes like substation upgrades and making supply available to a site in accordance with customer’s load requirements. A standard connection does not include hanging a meter and site energisation.</p> <p>Negotiated or more complex connections that require some bespoke design and planning are excluded from this interaction.</p>
Customer Satisfaction – Complaints	The customers are asked to rate their overall satisfaction with a recent escalated complaint they made.

Proposed performance metrics

AusNet Services has implemented a quarterly satisfaction survey. As part of this survey a third party provider asks customers to rank their satisfaction with an interaction they recently had with AusNet Services. We have a quota for the number of customers surveyed each quarter to ensure a robust data set is collected.

The chosen metrics are all based on this quarterly satisfaction survey and were chosen because:

- The experiences relate to a broad set of our consumers and are interactions that materially impact customers.
- Capture customers reported satisfaction, which provides a broad view of customer service. It allows us to identify what customers consider important, rather than making assumptions about what is important to customers.
- We have commenced collecting this data for internal purposes, so this data is available without initiating additional processes or procedures.
- They are not covered by an existing incentive scheme

The selection of these metrics is validated by our customer research and engagement as these have been raised as sore points by customers.

Customer satisfaction with connections



The Customer Forum has suggested that our proposal should separately track the satisfaction of home owners, builders and electricians.

We have decomposed our existing satisfaction data to understand the differences between these groups. It is possible to include separate metrics in the satisfaction scheme for each group and this would allow more specific targeting of the incentive scheme to different customer types.

	Homeowners	Builders	Electricians
Number Surveyed	142	25	5
Overall Satisfaction level	5.5	5.4	2

Possible drawbacks:

- Additional parameters divide the incentive rate between more parameters.
- Need to implement a quota to ensure sufficient numbers of each customer type are capture.
- Repeat sampling of same customer (i.e. electricians) could become problematic.

We note that we have recently agreed with the ESC to a “Service Improvement Commitment” to improve the process for developers.

Other possible metrics



Other performance metrics considered, that we chose not to adopt are:

Performance metric	Rationale for Excluding
Customer Satisfaction - Distributed Energy Resources (DER) Connections	<p>We are commencing collecting this data from February 2019</p> <p>This is another important interaction with customers and so could be considered for inclusion in the incentive scheme</p>
Customer Satisfaction – New Connections (negotiated connections)	<p>We are not currently collecting this data.</p> <p>This is another important interaction with customers and could be considered for inclusion in the incentive scheme</p>
Customer Satisfaction – Call Centre Performance	<p>We are not currently collecting this data.</p> <p>This would provide a broad incentive to improve customers satisfaction with the call center. This may be partially covered by the other metrics as our overall communication impacts our performance. This could be a good option to improve the incentive scheme at a later date.</p>
Number of Ombudsman Complaints	<p>AusNet Services already faces a financial cost for each complaint that reaches EWOV so this would be a duplication.</p>
Cancellations of planned outages (measure either on % of jobs cancelled, or number of customers effected)	<p>This is a measure of the number of planned outages that are cancelled. This would provide an incentive to improve planning functions to avoid cancelled outages.</p> <p>Customers often make alternative arrangements when an outage is planned (for some businesses this includes hire of back-up generators) and are unhappy if the outage is cancelled and rescheduled.</p> <p>Including this would duplicate part of the overall planned outage customer satisfaction measure.</p>

Other possible metrics

Other options we chose not to adopt are:

Performance metric	Rationale for Excluding
<p>OVERRUNS ON RESTORATION TIME FOR PLANNED OUTAGES</p> <p>(could measure either on % of jobs cancelled, or number of customers effected)</p>	<p>This is a measure of whether supply is restored in the allocated time. Customers plan around the outage times and are unhappy if the outage extends into other times of the day.</p> <p>Including this would duplicate part of the overall planned outage customer satisfaction measure.</p>
<p>CONNECTIONS TIMEFRAME -PRELIMINARY ADVICE – CYCLE TIME (DAYS)</p>	<p>This would measure the average time taken from initial enquiry to preliminary advice being provided. This could be further disaggregated into connection types or board categories (small, medium and large)</p> <p>Including this in addition to the overall new connections satisfaction measure would be duplicative, as both are impacted by the timeframe.</p>
<p>CONNECTIONS TIMEFRAME – PREPARE FIRM OFFER (DESIGN) – CYCLE TIME (DAYS)</p>	<p>This would measure the average time taken from fee payment for design work to a firm offer being provided to the customer. This could be further disaggregated into connection types or board categories (small, medium and large)</p> <p>Including this in addition to the overall new connections satisfaction measure would be duplicative, as both are impacted by the timeframe.</p>
<p>CONNECTIONS TIMEFRAME – CONSTRUCT (FROM COMMIT TO SERVICE AVAILABILITY) – CYCLE TIME (DAYS)</p>	<p>This would measure the average time taken from acceptance of the firm offer to service availability at the property. This could be further disaggregated into connection types or board categories (small, medium and large)</p> <p>Including this in addition to the overall new connections satisfaction measure would be duplicative, as both are impacted by the timeframe.</p>

Questions regarding our draft incentive scheme



- ▶ **Your feedback is sought on the performance metrics to include in the incentive schemes.**

Are there metrics we selected that should not be included?	Are there metrics in our short list that should be included? Particularly, should we separate connections into different customer types?	Are there additional metrics that we should have considered?

Proposed Targets

- We propose the targets should be the average performance over the data available at the time of the AER's final decision (October 2020). This will incorporate customer satisfaction data from 2018, 2019 and 2020. This matches the approach used by the AER in setting the STPIS targets and are simple, easy to understand and communicate
- Alternatives approaches to setting targets are:
 - Moving or updating targets.
 - Targets based on a measure other than average performance. i.e. the number of customers with satisfaction below a threshold. This would focus the incentive scheme on improving the satisfaction of the customers with the lowest satisfaction levels.

Questions regarding our draft incentive scheme



▶ Your feedback is sought on the targets for the incentive schemes.

Should the targets be set on historical average performance?	Should another approach to setting the targets be used?	Any further comments?

Revenue at risk

- We propose the existing telephone answering parameter in the STPIS should not apply to AusNet Services in the 2021-25 regulatory period.
- We consider the revenue at risk applying to the telephone answering parameter (0.5%) should be applied to our proposed Customer Satisfaction Incentive Scheme instead. This means the maximum penalty or reward AusNet Services can receive for improving customer satisfaction is approximately \$3.5 million per annum. We propose that the cap on revenue at risk should be split in the following way:
 - Planned outages: +/- \$1m
 - Unplanned outages: +/- \$1m
 - Connections: +/- \$1m
 - Complaints: +/- \$0.5m
- We chose a lower revenue at risk for complaints as it impacts relatively few customers and split the revenue at risk evenly between the other parameters.
- We note that the rules allows for a maximum of 1% revenue at risk (with the agreement of both AusNet Services and the AER). However, at this stage we are proposing to continue with the current revenue at risk of 0.5%.

Incentive rates

- The incentive rate will determine the amount of reward or penalty for any level of improvement in customer satisfaction.
- We propose to calculate the incentive rate so that the cap on rewards is reached if AusNet Services achieves industry leading performance. We propose that this “high level of satisfaction” is set at the upper end of results for similar businesses.
- The best information we currently have available is benchmarked satisfaction data from gas distribution businesses. Satisfaction levels around 8-9 are being achieved by the highest performers for planned outages, unplanned outages and connections. For complaints, satisfaction levels of around 6 look to industry leading performance. We propose using the best information available at the time the AER’s final decision is made.

Questions regarding our incentive scheme



▶ Your feedback is sought on the appropriate revenue at risk and incentive rates

Is 0.5% the appropriate level of revenue at risk.	Should the full reward be achieved if AusNet services achieved industry leading performance	Have we appropriately split the revenue at risk between the performance metrics