

14 February 2020

Ms Sarah Proudfoot
Regulatory Innovation
AER

Submitted by email to: regulatoryinnovation@aer.gov.au on February 14th 2020.

Dear Sarah,

RE DRAFT CUSTOMER SERVICE INCENTIVE SCHEME (ELECTRICITY DISTRIBUTION NETWORKS)

We are delighted to see progression towards more inclusive, contemporary and customer lead incentives being considered for the Energy distribution networks. We see room for this approach to apply to both electricity and gas networks and look forward to the scheme progressing for gas in due course. We welcome the opportunity to make a submission and draw on our expertise as Customer Experience Research partners to 4 Electricity and 5 Gas distribution networks across Australia to comment on the following aspects of the proposed scheme:

- Customer consultation and Principles based approach
- Selecting Performance Parameters
- Measurement Methodology
- Assessing Performance

CSBA has been modelling a customer satisfaction benchmarking program on the scheme currently active in the UK, OFGEM, in partnership with several network distributors. We can certainly see evidence that embedding a target-based customer listening program drives commitment to improving service delivery from the executive suite throughout the businesses. We have also worked through a range of inefficiencies associated with the current market structure and present a summary of some of those for consideration in this consultation phase.

With warm regards,



Michelle O'Donoghue
CX Director - Utilities

Context/Background

Starting out as Customer Service Benchmarking Australia back in 1997, CSBA pioneered syndicated, sector based, customer research programs in Australia. We quickly grew and evolved – becoming experts in customer experience and extending our services to include CX strategy, research, quality assurance, training and of course CX benchmarking.

While we pride ourselves on designing and delivering robust projects with reliable, defensible, data – our passion is to help organisations use that data to make **decisions**, take **action**, drive **improvement**.

After reviewing the proposed scheme, we agree that the design elements you have outlined will drive improved outcomes for customers with considerably more efficacy than the current incentive scheme. We see this as a great step in the right direction and applaud the AER for its willingness to explore, contemplate and trial regulatory innovation.

Customer consultation and a principles-based approach

Community consultation on the incentive scheme is consistent with human centred design principles evident in today's most customer centric environments. There is wonderful work going on across the sector in community engagement and it is pleasing to see those established routes can be used to substantiate engagement efforts given the law of diminishing returns of this sort of effort and investment.

There is, however, a design challenge in that the variation within the group of customers (needs/views) of a single distributor is likely to be bigger than the variation between similar customers (needs/views) serviced by two different distributors.

RECOMMENDATIONS

1. The approach to consultation be audited as part of the recommended audit of methodology and performance referred to in the principles – to ensure a truly representative mix of customer profiles is consulted. We would also
2. Publicly sharing the engagement findings to drive up return on investment for the whole sector given the point made about variation/commonality between distributors above.

Selecting Performance Parameters

We are broadly supportive of the three considerations you're implementing; That the selected service is

- 1) valued by the customers of the distributor,
- 2) Is substantially within the control of the distributor, and
- 3) For which the distributor does not already have another incentive

We agree that investment in collecting customer feedback should result in the distributor being able to act and influence an improvement in experience. We are already seeing distributors work back through their own supply chain and embed expected customer experience standards and including portions of contract value at risk. We also think the Energy Charter industry working groups have a great opportunity to eliminate/reduce the causal factors of poor customer experience that arise due to the retail/distributor interface challenges.

RECOMMENDATION

3. We ask the AER to expect/demand leadership, ownership and creativity from distributors about domains that they control. As an example - while it is clearly true that a distributor cannot fully control (nor predict) the impact of weather events – they can control how they communicate, prepare residents, plan for and execute recovery operations, demonstrate empathy, manage safety and a range of other factors which ultimately impact the customer’s experience of an outage.

Measurement Methodology

We acknowledge and endorse the attributes proposed as the measurement methodology principles.

- 1) accurately measure the aspect of the performance addressed by the relevant performance parameter
- 2) be sufficiently independent,
- 3) be compiled in an objective and reliable manner, and
- 4) produce results that could be audited by an independent third party

While enabling each Distributor to elect to design their own scheme we think some fundamentals would be important to standardise:

RECOMMENDATIONS:

4. The distributor ought to assess performance across a range of customer interaction types (not a single interaction type – eg Call centre enquiries)
5. To be **accurate**;
 - the feedback about an interaction ought to be collected as closely as practicable to real time
 - the volume of feedback collected needs to generate statistically reliable data to an agreed confidence interval
 - We argue the sweet spot for this sort of work is 95%+/-5% Standard Error – any higher is cost prohibitive
 - We advise the results should be collected all year and deliver confidence at/near the 12 month mark to account for seasonal swings. A monthly survey of 30 odd respondents is more likely to reflect the average customer experience than a single wave of 360 responses collected in a month
 - the collection mechanism/s should be as inclusive as possible (online/telephone etc)
 - comparing results between periods relies on survey stability
 - eg the placement of the Overall Satisfaction question ahead of or after a series of attribute questions” is known to materially affect the Customer Satisfaction Score because of priming. if in year 1 the Overall Satisfaction question is asked in one place in the survey and in year 2 it is moved both results might be statistically accurate/robust – but they would not be comparable between periods as a justification for claiming an incentive/been penalised.
6. To be **independent**
 - of all the sample methods, random sampling delivers the optimal result and removes the ability for the result to be influenced
 - random sampling relies on all possible records being supplied and respondents randomly being offered the chance to provide feedback
 - defining the sorts of interactions is important to clearly define the “population” being sampled – for example requesting a DER connection – is that part of all new connections’ population – or part of DER connections population? etc

- o sample frame/active quota management is important within a period (month) as well as over the 12-month period

Measurement Methodology recommendations continued...

7. To be objective and reliable

- a robust quality management framework needs to be in place that outlines when to remove/delete data – this is particularly relevant for online data collection methods but also for telephone surveys. This ensures the research partner determines when to delete/alter results – not the distributor
- on occasions the research partner should advise when surveying is not advised – eg following the recent bushfires there were pockets in South Australia, Victoria, Tasmania and New South Wales where surveying about their experience in November during the month of December was unlikely to yield reliable results.

8. Results being auditable

- We strongly endorse this parameter and feel it builds confidence and credibility in the reliability of the results. For this reason – we recommend standardising the incentive scheme as much as practicable across the distributors over time.

Setting Targets and Assessing Performance

We acknowledge the reference to establishing baseline/neutral performance as the index to which future performance would be referenced.

RECOMMENDATION

9. We reiterate the need for stability in the measuring/assessment process between periods to underscore the validity of the results. Subtle changes in wording, scales, collection method, choosing to incentivise responses vs not and a plethora of design considerations can materially impact scores. The auditing process will need to allocate substantial time auditing process year on year – not just the results.
10. Our experience suggests that the first 12-18 months of a CSAT program is spent focussing on and understanding data quality- it takes time for teams to stop interrogating/querying/challenging the data and to start listening to the actual feedback and taking action. It is for this reason – we would caution all entities to ensure the neutral/baseline values are well understood, embraced and robust before committing to improvement targets.
11. We note the decision to proceed without reference to benchmarking. One of the reasons we encourage benchmarking is because it does drive stability in process, standardised questions and methodology and scale. There is an efficiency dividend which reduces total costs across the design, collection and reporting and auditing elements of such a scheme for all participants. While benchmarking is not a necessary precondition- there is the obvious benefit that comes from comparability – understanding the art of the possible and learning/collaborating/sharing best practise between parties is often born out of gazing in wonder at someone else’s result and asking – “I wonder what is driving their result – can we replicate that here?”. We recommend the AER observe the notable improvement delivered for customers in the UK as a direct result of their incentives linked to a benchmarking scheme. The reputational pride of being “better than last” has driven all to strive for improvement – a kind of rising tide raises all the boats in the harbour effect.

A word on market inefficiencies

We would like to urge the regulator to consider the inefficiencies caused by the current rules about customer “ownership”. Distributors know that their customer’s preferred method of communication is SMS – almost every customer interaction across all sectors is leading to a one way (minimum) or increasingly two-way communications via messaging. It is cost effective, convenient, direct and trackable. Limitations regarding the current sharing, storing and accessing of accurate customer contact details severely restricts the ability for distributors to communicate – including – the ability to collect their feedback.

RECOMMENDATION

12. We think there is a role for the regulator to review the data sharing/data platforms and consider committing to a single view of customer to deliver a better energy experience for customers. Much the same way that personal information is being handled sensitively with the Myhealth concept – there is room for considering an Energy profile that travels with individuals. This will perhaps become increasingly necessary to support an equitable transition to cleaner energy options.