

RIIO ED1 Customer and Social Issues - Working Group

05/06/2013

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RIO ED1 Customer Service Incentives - Consultation

In March we outlined our RIO-ED1 Strategy Decision. There were some elements of the incentive structure that we did not finalise in the strategy document.

We intend to consult on the remaining elements of the ED1 incentive design shortly.

Customer Satisfaction Survey

We will be consulting on:

- a) Whether targets/max reward/max penalty scores should be common for
 - i. All service types (ie connections, interruptions and general enquiries)
 - ii. All licensees.
- b) The approach to setting the targets and subsequent target values
- c) The approach to setting the max reward/penalty scores and subsequent max reward/penalty score values
- d) The incentive rate
- e) The level of influence of unsuccessful calls on the interruptions element of the customer satisfaction survey.

a) Common targets

i) All Service Types

- There are variations in performance across the three service types.

	Interruptions	Connections	General Enquiries
Average	8.2	7.76	8.05

- We consider that all customers should expect to receive similar levels of customer service, regardless the service types.

Minded to position: Common targets for all service types

a) Common targets

ii) All licensees

- There are variations in performance across the licensees.
- We have discussed the influence of exogenous regional factors on DNO CSS scores.
- We have not yet been convinced, that there is a need for special arrangements for any DNO. We consider that there are still options available for DNOs to improve the customer service provided to these customers.
- We consider that all customers should expect to receive similar levels of customer service, regardless their geographic location. We consider that DNOs should be rewarded/penalised equally for the same performance level.

Minded to position: Common targets for all licensees. We will invite further views from stakeholders as part of the consultation.

b) Targets and Max Reward/Penalty

Principles

- The target must reflect good performance. The maximum reward/penalty scores must reflect exceptionally good/bad performance.
- The target/maximum reward and penalty scores must incentivise all licensees to improve performance.

The target/maximum reward and penalty scores must be appropriate for a long term price control.

Two main approaches:

- Based on historic data
- Representative of “good performance” elsewhere

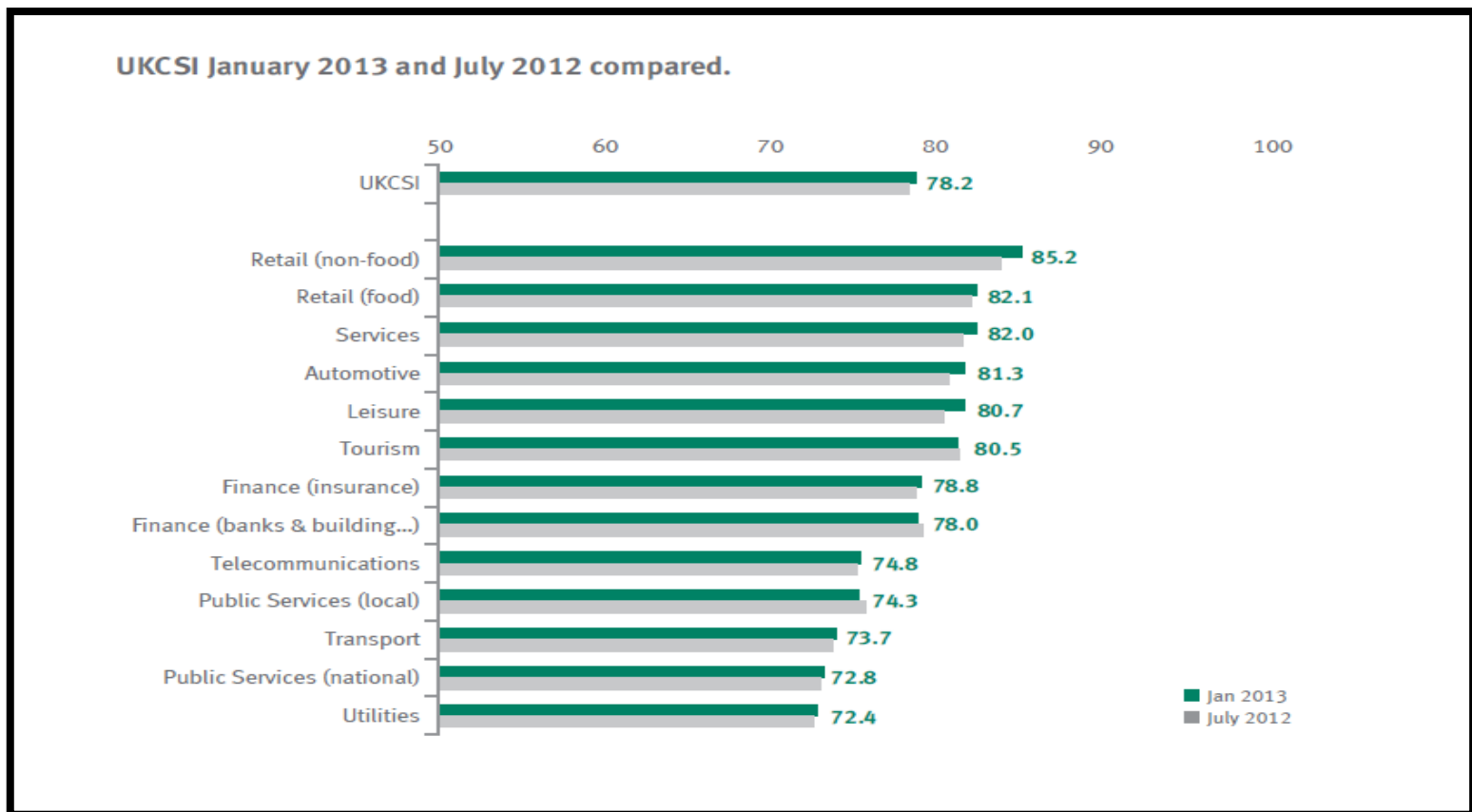
b) Targets and b) Max Penalty/Reward – previous approaches

Incentive	Element	Approach	Value
DPCR5 Customer Satisfaction Survey	Target	Mean	Changes annually
	Max penalty/reward	1.75SD from mean	Changes annually
RIIO-GD1 Customer Satisfaction Survey	Target	UQ	Connection (8.04) Planned Interruption (8.09) Unplanned Interruption (8.81)
	Max penalty/reward	Simple approach (broadly equivalent to 1.5-1.75SD from mean).	Connection (7.3 – 8.4) Planned Interruption (7.5 – 8.5) Unplanned Interruption (8 – 9)

2012/13 DNO Performance

	Overall Mean	Interruptions	Connections	General Enquiries
WPD West Midlands	8.31	8.39	8.21	8.34
WPD East Midlands	8.46	8.48	8.42	8.53
Electricity North West	7.59	7.77	7.62	7.14
Northern Powergrid Northeast	7.79	8.06	7.36	8.07
Northern Powergrid Yorkshire	7.81	8.04	7.48	8.01
WPD South Wales	8.59	8.78	8.33	8.71
WPD South West	8.59	8.58	8.57	8.65
UK Power Networks plc (LPN)	7.29	7.56	7.23	6.87
UK Power Networks plc (SPN)	7.78	7.92	7.47	8.11
UK Power Networks plc (EPN)	7.82	8.11	7.34	8.23
SP Distribution	7.77	8.13	7.41	7.79
SP Manweb	7.91	8.29	7.33	8.33
SSE Hydro	8.35	8.73	8.14	7.99
SSE Southern	7.89	7.97	7.78	7.97
Average	8.00	8.20	7.76	8.05
Standard Deviation	0.40	0.36	0.47	0.52
Upper Quartile	8.34	8.46	8.19	8.34

Customer satisfaction performance elsewhere...



b) and c) based on existing data

Target	UQ (12-13 data)	8.34
Max Reward	1.75SD from average (overall category 12-13 data)	8.69
Max Penalty	1.75SD from average (overall category 12-13 data)	7.3

	Interruptions		Connections		General Enquiries		£m impact	% of total CSS exposure
WPD East Midlands	8.48	38.89%	8.42	22.22%	8.53	52.78%	0.833333	33%
WPD West Midlands	8.39	13.89%	8.21	-12.50%	8.34	0.00%	-0.05208	-2%
Electricity North West	7.77	-54.81%	7.62	-69.23%	7.14	-100.00%	-1.77644	-71%
Northern Powergrid Northeast	8.06	-26.92%	7.36	-94.23%	8.07	-25.96%	-1.50962	-60%
Northern Powergrid Yorkshire	8.04	-28.85%	7.48	-82.69%	8.01	-31.73%	-1.40865	-56%
WPD South Wales	8.78	100.00%	8.33	-0.96%	8.71	100.00%	1.237981	50%
WPD South West	8.58	66.67%	8.57	63.89%	8.65	86.11%	1.729167	69%
UK Power Networks plc (LPN)	7.56	-75.00%	7.23	-100.00%	6.87	-100.00%	-2.3125	-93%
UK Power Networks plc (SPN)	7.92	-40.38%	7.47	-83.65%	8.11	-22.12%	-1.45913	-58%
UK Power Networks plc (EPN)	8.11	-22.12%	7.34	-96.15%	8.23	-10.58%	-1.42067	-57%
SP Distribution	8.13	-20.19%	7.41	-89.42%	7.79	-52.88%	-1.53365	-61%
SP Manweb	8.29	-4.81%	7.33	-97.12%	8.33	-0.96%	-1.25481	-50%
SSE Hydro	8.73	100.00%	8.14	-19.23%	7.99	-33.65%	0.341346	14%
SSE Southern	7.97	-35.58%	7.78	-53.85%	7.97	-35.58%	-1.11779	-45%

*Based on 2012-13 data.

**£m impact based on an allowed revenue of £250m

***The scope of the connections and general enquiries categories are changing for RII0-ED1.

a) and b) based on performance elsewhere

Minded to support DNO suggestion.

Target	UQ (CSI data)	8.2
Max Reward	1.75SD from average (UKCSI data)	8.9
Max Penalty	1.75SD from average (UKCSI data)	6.8

	Interruptions		Connections		General Enquiries		£m impact	% of total CSS exposure
WPD East Midlands	8.48	40.00%	8.42	31.43%	8.53	47.14%	0.928571	37%
WPD West Midlands	8.39	27.14%	8.21	1.43%	8.34	20.00%	0.321429	13%
Electricity North West	7.77	-30.71%	7.62	-41.43%	7.14	-75.71%	-1.12679	-45%
Northern Powergrid Northeast	8.06	-10.00%	7.36	-60.00%	8.07	-9.29%	-0.87143	-35%
Northern Powergrid Yorkshire	8.04	-11.43%	7.48	-51.43%	8.01	-13.57%	-0.79643	-32%
WPD South Wales	8.78	82.86%	8.33	18.57%	8.71	72.86%	1.217857	49%
WPD South West	8.58	54.29%	8.57	52.86%	8.65	64.29%	1.389286	56%
UK Power Networks plc (LPN)	7.56	-45.71%	7.23	-69.29%	6.87	-95.00%	-1.68393	-67%
UK Power Networks plc (SPN)	7.92	-20.00%	7.47	-52.14%	8.11	-6.43%	-0.83393	-33%
UK Power Networks plc (EPN)	8.11	-6.43%	7.34	-61.43%	8.23	4.29%	-0.79464	-32%
SP Distribution	8.13	-5.00%	7.41	-56.43%	7.79	-29.29%	-0.88929	-36%
SP Manweb	8.29	12.86%	7.33	-62.14%	8.33	18.57%	-0.5875	-24%
SSE Hydro	8.73	75.71%	8.14	-4.29%	7.99	-15.00%	0.439286	18%
SSE Southern	7.97	-16.43%	7.78	-30.00%	7.97	-16.43%	-0.58036	-23%

*Based on UKCSI data

**£m impact based on an allowed revenue of £250m

d) The incentive rate

We propose that the incentive rate should be:

Positive Incentive Rate = Maximum revenue exposure / (Target value – Max Reward Score value)

Negative Incentive Rate = Maximum revenue exposure / (Target value –Max Penalty Score value)

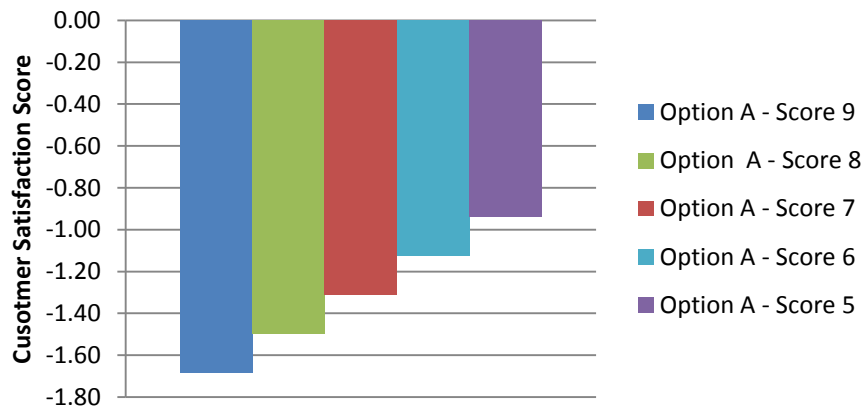
This is the same approach that has been used for GD1. We are willing to consider alternative suggestions.

e) Level of Influence for unsuccessful calls

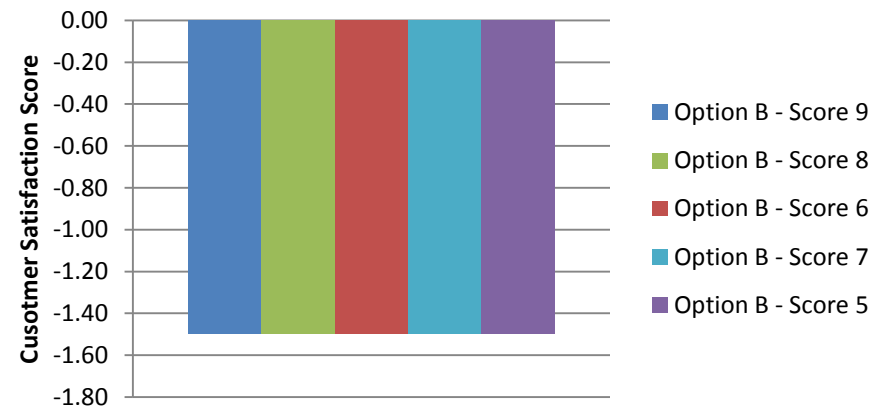
Option A) Score = Interruptions Customer Satisfaction x (1 – (percentage of unsuccessful calls x ???))

Option B) Score = Interruptions Customer Satisfaction Score – (??? * (percentage of unsuccessful calls*100))

**Impact of unsuccessful calls –
Option A**



**Impact of unsuccessful calls -
Option B**



*Both examples based on DNO that has 25 per cent unsuccessful calls.

**Option A graph based on weighting of 75 per cent (same as DPCR5 telephony incentive).

***Option B graph based on reduction of 0.06 per percentage of unsuccessful calls.

Minded to: Option B.

A reduction of 0.06 for each percentage of unsuccessful call (because based on DPCR5 telephony weightings a score a 8 (average overall mean performance) would reduce by 0.06 for each percentage of unsuccessful calls).

Complaints Metric

We will be consulting on:

- a) How to set the target. The subsequent target values will be agreed once we have received 2012-13 data.
- b) How to set the max penalty scores. The subsequent max penalty score value will be agreed once we have received 2012-13 data.
- c) The incentive rate

a) Target and b)Max Penalty

Incentive	Element	Approach	Value
DPCR5 Complaints	Target	UQ	Change annually
	Max penalty	Fixed	70
RIIO GD1 Complaints	Target	UQ (fixed)	11.57
	Max penalty	1.75SD from the mean (fixed)	23.23

Principles

- Should incentivise all DNOs to improve complaint handling performance.
- Should incentivise DNOs to improve performance beyond DPCR5 levels.
- The penalty received should be reflective of performance.
- The target/max penalty should not drive any perverse outcomes.

a) Target and b)Max Penalty – trial data

- 2012-13 data will be available 31 July 2013.
- Trial 2011-12 data available below (using ED1 weightings).

	Weighting	SEPN	EPN	LPN	SEPD	SHEPD	ENW	SPM	SPD	NPN	NPY	WPDSW	WPDWales	WPDEM	WPDWM
Percentage of complaints unresolved by day +1		61.11%	60.71%	62.59%	45.54%	61.37%	52.45%	70.44%	74.03%	51.01%	53.72%	58.59%	56.43%	53.16%	55.08%
Percentage of complaints unresolved after day +31		6.94%	8.63%	10.35%	8.81%	27.45%	2.51%	14.05%	29.28%	6.21%	6.27%	2.30%	2.03%	10.04%	12.20%
Percentage of repeat complaints		6.75%	7.44%	9.41%	0.26%	0.25%	0.29%	0.92%	2.07%	0.14%	0.00%	0.00%	0.00%	0.06%	0.00%
Obudsman findings against the DNO		0.99%	0.60%	1.18%	0.00%	0.12%	0.08%	0.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	Weighting														
Percentage of complaints unresolved by day +1	10.00	6.11	6.07	6.26	4.55	6.14	5.24	7.04	7.40	5.10	5.37	5.86	5.64	5.32	5.51
Percentage of complaints unresolved after day +31	30.00	2.08	2.59	3.11	2.64	8.23	0.75	4.21	8.78	1.86	1.88	0.69	0.61	3.01	3.66
Percentage of repeat complaints	50.00	3.37	3.72	4.71	0.13	0.12	0.15	0.46	1.04	0.07	-	-	-	0.03	-
Obudsman findings against the DNO	10.00	0.10	0.06	0.12	-	0.01	0.01	0.00	-	-	-	-	-	-	-
Combined complaints metric		11.67	12.44	14.19	7.33	14.51	6.15	11.72	17.22	7.03	7.25	6.55	6.25	8.36	9.17

a) Target - options

Target	Values*		Example**
UQ (our minded to)	7.1	% Unresolved Day 1	46%
		% Unresolved Day 31	5%
		Repeat Complaints	2%
		% EO against	0%
Average - 1SD	6.4	% Unresolved Day 1	45%
		% Unresolved Day 31	3%
		Repeat Complaints	2%
		% EO against	0%
GDN value	11.57	% Unresolved Day 1	51%
		% Unresolved Day 31	20%
		Repeat Complaints	1%
		% EO against	0%
Average (DNO pref)	10.0	% Unresolved Day 1	50%
		% Unresolved Day 31	10%
		Repeat Complaints	4%
		% EO against	0%

DNO	Score	Average –			
		UQ	1SD	GDN Value	Average
ENW	6.2	0%	0%	0%	0%
WPDW	6.3	0%	0%	0%	0%
WPDSW	6.5	0%	-2%	0%	0%
NPN	7.0	0%	-7%	0%	0%
NPY	7.3	-2%	-9%	0%	0%
SEPD	7.3	-3%	-10%	0%	0%
WPDEM	8.4	-14%	-20%	0%	0%
WPDWM	9.2	-23%	-28%	0%	0%
SEPN	11.7	-50%	-53%	-2%	-26%
SPM	11.7	-50%	-54%	-3%	-27%
EPN	12.4	-58%	-61%	-18%	-38%
LPN	14.2	-77%	-79%	-55%	-66%
SHEPD	14.5	-80%	-82%	-62%	-71%
SPD	17.2	-100%	-100%	-100%	-100%

* Values currently based on 2011-12 data. They will be updated for 2012-13 data.

**There are numerous ways that Complaint Metric scores could be achieved.

***Max Penalty assumed to be 1.75SD from average (16.3)

b) Max Penalty Score - options

Max Penalty Score	Values	Indicator	Example *
Average + 1.75SD	16.3	% Unresolved Day 1	56%
		% Unresolved Day 31	21%
		Repeat Complaints	7%
		% EO against	9%
GDN Values	23.23	% Unresolved Day 1	100%
		% Unresolved Day 31	40%
		Repeat Complaints	2%
		% EO against	2%
Worst Performer	17.22	% Unresolved Day 1	61%
		% Unresolved Day 31	22%
		Repeat Complaints	7%
		% EO against	10%
Worst performer in each indicator	21.01 (DNO preference and our minded to)	% Unresolved Day 1	74.03%
		% Unresolved Day 31	29.28%
		Repeat Complaints	9.48%
		% EO against	1.18%

DNO	Score	Average +1.75SD	GDN Values	Worst performer	Worst performer in each indicator
ENW	6.2	0%	0%	0%	0%
WPDW	6.3	0%	0%	0%	0%
WPDSW	6.5	0%	0%	0%	0%
NPN	7.0	0%	0%	0%	0%
NPY	7.3	-2%	-1%	-2%	-1%
SEPD	7.3	-3%	-1%	-2%	-2%
WPDEM	8.4	-14%	-8%	-13%	-9%
WPDWM	9.2	-23%	-13%	-21%	-15%
SEPN	11.7	-50%	-28%	-45%	-33%
SPM	11.7	-50%	-29%	-46%	-33%
EPN	12.4	-58%	-33%	-53%	-38%
LPN	14.2	-77%	-44%	-70%	-51%
SHEPD	14.5	-80%	-46%	-73%	-53%
SPD	17.2	-100%	-63%	-100%	-73%

*Values currently based on 2011-12 data. They will be updated for 2012-13 data.

**There are numerous ways in which the Complaint Metric scores could be achieved.

***Target assumed to be UQ (7.1).

C) The incentive rate

Minded to position:

Incentive Rate = Maximum revenue exposure / (Max Penalty score value – Target value)

This is the same approach that has been used for GD1 Complaints Metric. We are willing to consider alternative suggestions.

Stakeholder Engagement and Social Objectives

We are not consulting on any elements of the stakeholder engagement framework at this time.

Next project: agree how to incorporate social objectives into the stakeholder engagement. We may be able to trial this alongside next years' stakeholder engagement trial.

Proposed assessment categories for social assessment scorecard

Strategic understanding and commitment to role DNO can play in tackling relevant social issues

Use of data and customer insight, to underpin design, planning and delivery of services for **vulnerable households**

Approach taken to management and use of **Priority Service Register** and associated services.

Affordable warmth initiatives, including off-gas activities, integration with others' schemes.

Development of, and participation in **referral networks for services for vulnerable households** and quality of associated systems and processes.

Level of integration of social role into **customer-facing services** and associated processes.

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