



**ESB Customer Supply Response
CER Consultation Paper**

**Quality of Service Incentive Mechanisms
to apply during the 2006 – 2010 price control period
for ESB PES And ESB DSO**

(CER/06/016)

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1. Introduction:

ESB Customer Supply welcomes the opportunity to respond to the Commission's consultation paper 'Quality of Service Incentive Mechanisms to apply during the 2006-10 price control period for ESB PES and ESB DSO' reference CER/06/016 of 23rd February 2006. One of the main elements of Customer Supply's (CS) business strategy over the next five years is to ensure that a quality customer service is delivered to our customers. This is in line with the Commission's view that customer service is a key priority.

2. Executive Summary

2.1 NCCC Incentive Mechanism

- We accept that the NCCC Incentive Mechanism should comprise four separate elements namely – speed of telephone response; call abandonment; customer call back and mystery caller survey results.
- We would argue strongly, however, that the speed of telephone response incentive mechanism should be based on 2 measures as explained in section 3.2.1 below. The performance data for the 2 additional elements can be provided to the Commission but for the reasons outlined these should be removed from the incentive mechanism.
- We are concerned that the target levels have been set at an unrealistically high level, particularly in relation to the survey results. We now propose revised targets and present our argument for these and ask that the Commission would also respond and revise their proposed targets also.
- Our proposed speed of telephone response targets, while omitting the additional elements mentioned above, are similar to those proposed by the Commission. Our proposed call abandonment targets reflect a trajectory path similar to that of the speed of response (both of these measures have an interdependent relationship) culminating in the required target of 5% from 2008 onwards.
- Our strongly held view is that we cannot achieve an 80% target level in respect of Customer Call-backs and Mystery Calls by 2006. We detail the reasons for this in section 4.3 and 5.2 respectively. Nevertheless, we propose to achieve an 80% target in respect of Customer Call-backs by 2008 which is two years ahead of our initial proposal. However, we are convinced that our original proposals in respect of Mystery Calling should remain.
- Our Customer Callback pilot which was completed in November/December 2005 was based on three factors whilst the Commission is proposing four. We request that the Commission would accept our argument and revert to the three for the reasons we have outlined in section 4.5.
- The Commission proposes that a list of customer query scenarios is drawn up for the Mystery Calling surveys and that only the independent research company 'will be given sight of this list'. We believe that this approach is unworkable and does not provide transparency of measurement and have suggested an alternative approach in section 5.4 whereby a set of scenarios

are developed with the participation of CS, as well as the Commission and the research company. Any of the scenarios could then be surveyed without CS knowing which one is being measured at any particular time. Because processes can change over time a mechanism for the incorporation of such changes in the scenarios will be required.

- We would like to confirm with the Commission that the NCCC targets for the full five year period should be set now. We wish to also confirm that the overall assessment of ESB performance in respect of Speed of Telephone Response and Abandoned Calls will be based on the weighted/simple annual average performance and on the average score value regarding the market research measures. The latter takes account of the full spectrum of responses from customers which we believe is a fair form of measurement.
- The Commission proposes that the maximum penalty/award is capped at 1% of annual allowed revenue (adjusted for k-factors). Whilst we accept that the 1% cap should apply we are firmly of the view that the percentage should be applied to allowed operating expenditure exclusive of margin and exclusive of upstream k-factors as these 2 elements are extraneous to our operating costs.

2.2 Proposed CS Customer Charter Incentive Mechanism

- CS is concerned that the Proposed Customer Charter is only a penalty mechanism. If an incentive element was included this would provide an enhanced inducement.
- We have concerns that the Customer Charter targets will be based on 2006 charter payment levels when the Customer Charter will not be launched until the end of May 2006. 2006 is not a reliable base year for a 4 year mechanism.
- In addition we deem that the proposal to adjust compensation payments year on year is unnecessary and costly. A 2 yearly adjustment would be more appropriate.
- There are many external factor which impact on our ability to provide a high level of customer service e.g. unforeseen events, two possible price changes in 2007 arising from SEM, customer billing of transaction charges, estimated bills, the industry pre-payment meter solution and the industry disputes resolution service. Because of these significant issues CS requests that the Commission defer a decision on the introduction of a Customer Charter Incentive Mechanism until 2007.

3 NCCC Incentive Mechanism

3.1 Overview

We are pleased that the Commission has accepted our proposal that four specific measurements should be incorporated in the incentive mechanism as outlined in Section 4.2 of the consultation paper i.e.

- Speed of telephone response
- Call abandonment rate
- Customer call-back survey results
- Mystery caller survey results

As stated by the Commission, the first two components are both standard measures of call centre performance and have been in place since the first PES Price Control Review (2001-5). We have some concerns, however, that the Commission, whilst stating that these measures 'are internationally accepted, effective and objective', has introduced non-standard elements to the speed of telephone response measure and we would argue strongly that the standard form of speed of telephone response measurement is retained (see section 3.2 on Speed of Telephone Response below).

We also have concerns that the targets proposed by the Commission have been set at an unrealistically high level and in some instances from an unrealistically early date for a utility call centre which has to deal with a varied range of telephone enquiries and which, as acknowledged by the Commission, still has to make significant capital investment during 2006-10 to improve customer service. These concerns will be clarified below in each section relating to the specific incentive mechanism measurements.

We concur with the Commission's view that for 2006 global (combined DSO/Networks and PES/Customer Supply) 'Speed of Telephone Response' and 'Call Abandonment' measures will be reported on and form the basis for the incentive mechanisms. From 2007 separate data will be available for each business line. We would like to confirm with the Commission that the NCCC targets for the full five year period should be set now. We wish to also confirm that the overall assessment of ESB performance in respect of Speed of Telephone Response and Abandoned Calls will be based on the weighted/simple annual average performance and on the average score value regarding the market research measures.

Section 4.3.1 of the Commission's consultation paper on the PES NCCC Incentive mechanism specifies that the maximum penalty/award is capped at 1% of annual allowed revenue (adjusted for k-factors). Whilst we accept that the 1% cap should apply we would request the Commission that the percentage should be applied to allowed operating expenditure exclusive of margin and exclusive of upstream k-factors. Upstream k-factors clearly reflect variances between upstream cost forecasts and outturn and are irrelevant to the operating cost of our business. They should therefore be excluded and the 1% incentive or penalty applied to the allowed operating costs of Customer Supply.

We have commenced the tendering process in respect of securing the services of an independent research organisation to conduct the Customer Call-back and Mystery Call surveys. We will submit details of the recommended company to the Commission when the tendering process is completed.

3.1 Speed of telephone response

3.1.1 Measures to be used

The Commission has proposed two separate metrics in relation to the speed of telephone response by the NCCC i.e. Telephone Service Factor (TSF) and Average Speed of Answer (ASA). These are, as stated, by the Commission standard international Call Centre metrics. However the Commission has introduced a non-

standard aspect to these measures by incorporating a second element within each of these measures i.e. TSF45 and ASA60. The Commission's argument for inclusion of these additional measures is to incentivise ESB to improve service for all customer calls. Customer Supply's view is that the introduction of these non-standard elements into the performance incentive is not required and that their absence from the incentive mechanism will not in any way dilute the effectiveness of the Commission's NCCC incentive mechanism.

The main reasons supporting for the removal of these additional Speed of Telephone Response elements (i.e. TSF45 and ASA60) are:

- Management of Contact Centre eg matching of resources to call volumes is a continuous activity and staff levels are matched to forecast call volumes to achieve a single specified level of performance eg TSF 20 of 75%
- Our present ACD's and reporting software cannot be configured to measure multiple parameters on a daily/weekly basis. The additional measures are not typical in Contact Centre applications. While information at varying timeframes is available from the system on a management information basis after the fact, it is impossible to manage multiple service level thresholds on a real-time basis. The ACD sets one default service level threshold from which to measure the TSF. This default threshold is then used by the system to calculate and record service level calls. All reports, real-time displays, wall-boards then reflect this one TSF.
- Our outsourced supplier's reporting software, apart from the TSF20 measurement, is different to ESB's configuration ie measures performance at different intervals
- Significant resources (over the last 18 months) have already been spent on creating an integrated suite of "cradle-to-grave" reports linking the Edify / Aspect / eWFM platforms. Inputs / measurement thresholds for all of this work have been locked down and based on CER standards OS1 and OS2 (Overall Standards set in PR1). These would have to be reworked to accommodate the newly proposed measures.
- We would also have to develop our own reporting pack using Cristel software which will involve some costs and take time
- Significant additional work by NCCC would be necessary to establish (a) what our current and 2005 performance against these new measures would be and (b) the level of additional resourcing necessary to achieve such targets. This would take some time to carry out and would involve work by ASPECT the software provider eg data on each call in 2005 would have to be mined to establish actual performance as an input to determining the level of resources required.

CS does not have any objection in principle to the use of the additional elements to measure the speed of call response and we will be able to provide the Commission with the performance data but for the practical reasons outlined above these should be removed from the incentive mechanism.
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3.2.2 Proposed targets

Definitions

Appendix 3 provides a detailed definition for each element of the Commission's measure of speed of telephone response (TSF20; TSF45, ASA30 and ASA60). The Commission's ASA definition is similar to TSF but excludes IVR. Although this is a

non-standard definition of ASA, CS is proposing that TSF20 (including IVR) and the defined ASA30 (i.e. more properly defined as TSF30 excluding IVR) form the total Speed of Telephone Response measure of the incentive mechanism.

Our proposed targets which reflect the Commission's are as follows:

Year	2006	2007	2008	2009	2010
TSF 20 (incl IVR)	65%	72%	80%	80%	80%
ASA 30 (TSF 30 excl. IVR)	65%	72%	80%	80%	80%

These targets are set are an appropriate and realistic level for a utility. Moreover,

- The TSF20 measure proposed by CS to reach 75% in 20 seconds was based on the agreed level of funding in PR2. As already indicated to the Commission, CS is investing more than allowed in PR2 in order to be able to reach 75%.
- The overall speed of response target incorporating all of the 4 proposed measures as proposed by the Commission has been set at a level of 85% from 2008 onwards. This target level is approaching a premium service provider level which is not realistically attainable by a utility Call Centre.

ESB has argued consistently that, similar to the majority of utilities internationally, we wish to provide a level of service with a speed of response within the range of 70-80%.

3.2.3 Weightings

CER proposed weightings for each of the proposed speed of telephone response measures as follows:

Measure	Weighting
TSF20	30%
TSF45	20%
ASA30	30%
ASA60	20%

Clearly, this weighting would need to be revised under our proposal to have two measures. We propose a 60%/40% weighting for each of these two measures (see table below). The implication of this is to change the workings within Appendix 3 of the Commission's document (i.e. Calculation of 'Speed of Telephone Response') and also the overall incentive PES and Networks calculations in sections 4.3.1 and 4.3.2 respectively.

Amended Appendix 3 - CER Document Ref. 06/016						
Speed of Tel Response		2006	2007	2008	2009	2010
	Weighting Target					
TSF20	60%	65%	72%	80%	80%	80%
TSF45						
ASA/TSF30	40%	65%	72%	80%	80%	80%
ASA60						
Overall Target		65%	72%	80%	80%	80%

See Appendices 1 and 2 for revised tables based on target changes proposed by ESB

3.2.4 Impact of un-predictable spike in call volumes

The Commission specifies in section 4.2.1 that in setting the performance target for the 'Speed of Telephone Response' measure it will make an allowance for conditions such as storms which cause a spike in call volumes. We would welcome some further clarity on this but suggest that an ex post adjustment for storms could be made e.g. ignore or exclude specified periods which have been agreed with the Commission in calculating the actual performance.

3.3 Call Abandonment Rate

CS proposed in our submission to the Commission on the NCCC incentive mechanism a target (7%) which is consistent with high performing electricity utility Contact Centres given the potential for supply outages caused by factors outside our control. The target proposed by the Commission is more reflective of the performance level required from, say a bank, or similar call centre where supply outages or similar disruptions to normal service are not experienced. We propose the following target trajectory which reflects the Commission's speed of telephone response target glide-path culminating in the required target of 5% from 2008 onwards:

3.3.1 Proposed Targets

Year	2006	2007	2008	2009	2010
Aban Rate CER	5%	5%	5%	5%	5%
Aban Rate CS	10%	7%	5%	5%	5%

See Appendices 1 and 2 for revised tables based on target changes proposed by ESB

3.3.2 Measurement conventions

We confirm that our systems can measure the following stages of abandoned calls as outlined in the Commissions consultation paper:

- abandoned while waiting for answer via IVR or agent
- abandoned during process of caller negotiating through IVR menus (an abandoned IVR call is defined as a caller who abandons a call in the IVR and there is no call transfer. An abandoned call can be either a call that is not-initiated i.e. caller abandons without providing any input or incomplete i.e. caller abandons call after providing input but has not successfully completed an option)
- abandoned when caller is placed in queue and waiting for agent (after being placed in queue either via IVR or by agent)

It is possible to exclude successful 'hang-ups' e.g. after hearing no supply message or after entering meter reading information as these are not treated as abandoned calls.

3.3.3 Impact of un-predictable spike in call volumes

As outlined above the Commission specifies in section 4.2.1 that in setting the performance target for the 'Speed of Telephone Response' measure it will make an allowance for conditions such as storms which cause a spike in call volumes. A similar allowance should also be made for abandoned calls during exceptional type events such as storms. Similarly to the speed of telephone response exclusion we suggest that an ex post adjustment could be made e.g. ignore or exclude specified periods which have been agreed with the Commission in calculating the actual performance.

4. Customer Call-back Survey

4.1 Commission's Proposed Target

We have considered the Commission's consultation paper in relation to targets associated with the customer call back survey and mystery shopping. In each category, the Commission has proposed a target of 80% to be reached by 2006 and sustained for each of the following years through to 2010. We feel that this level of service is currently too high for the role we undertake as a call centre provider to both the Customer Supply (PES) and Networks (DSO) businesses. Over 98 separate processes are covered by NCCC on behalf of Customer Supply and Networks ranging from New Connection, Supply Failure and Meter Reading calls for ESB Networks to Account Enquiry, Moving House, Estimated Bills, Direct Debit for Customer Supply. The enquiries vary significantly from very simple (e.g. payment enquiry) to very complex (e.g. new connection for supply). Notwithstanding this we had agreed in our incentive mechanism proposal to the Commission that we would reach this level of customer satisfaction by 2010. By this stage the benefits arising from the additional funding provided by the Commission in the intervening years will have borne fruit.

4.2 Satisfaction measurement using 5-point scale

The 80% target translates into an average response of 4 based on a satisfaction scale ranging from 1 (very dissatisfied) to 5 (very satisfied), and should reflect movement over time. The use of the entire scale to calculate the 80% takes into account the full spectrum of responses from customers unlike measures that only include 'very satisfied'/'satisfied' and disregard the distinctions between 'neutral', 'dissatisfied' and 'very dissatisfied'. The use of a mean or average score is consistent with the manner in which Distribution Network Operators (DNO's) in the UK are assessed and reported in the annual OFGEM 'Electricity Distribution Quality of Service Report'. We propose that the average score is used in the measurement of the survey results.

4.3 Achieving an 80% target: identifying the correct time frame.

Notwithstanding our commitment to achieving the 80% target, it remains our strongly held view that such a target is neither appropriate nor achievable by 2006. This target would present a challenge in a stable market but the environment in which it is being set is rapidly changing due to many recent changes in the electricity market arising from market opening. The performance score of 75% arising from a pilot

survey carried out in November/December 2005 has to be viewed in the context of significant and major changes over the past few years:

- the market has now been fully opened
- new IT systems to cater for this have been recently introduced and are still bedding down.
- over 80 ESB shops have been closed (53 within the past year)
- the Contact Centre is now the primary point of contact for ESB customers
- call volumes to the Contact Centre are growing each month
- significant tariff changes have been a feature over recent years
- business processes have had to be amended to cater for business separation requirements.

We believe that the imposition of this target without regard to our starting point and its associated incentive mechanism will result in almost certain failure to hit the target. However having considered the Commission's position and considering CS's commitment to delivering excellent customer service, we believe that it is more appropriate to have a path to 80% which spans a three year period from 2006 to 2008. This represents a revision of our initial proposal to achieve 80% by 2010. The reason why we believe that 80% is not achievable immediately by 2006 is threefold:

- Lag between the current investment programme in the call centre and the improvement in customer experience.
- The expectation of a rate of improvement out of line with other industry experience.
- Limited initial window to address areas of improvement

4.3.1 Lag between investment and improvement in customer experience

The relationship between access and satisfaction with call handling is well established. This was reinforced in the case of ESB by the data analysis associated with the pilot survey conducted in November/December 2005 which identified immediate access as one of the top drivers of satisfaction. Therefore, improving access is key for improving customer service scores and reaching the target. The Commission has approved capital expenditure for systems within NCCC which will allow ESB to deliver improved customer service through improved call routing, call automation and speed of response. In addition, the Commission has approved funding for increased staffing levels which will in turn allow the call centre to improve performance levels. This programme of investment spans the 2006 to 2010 timeframe. Given the relationship between access and satisfaction with call handling, it is reasonable to expect that until this investment programme is implemented at least in part, it is unlikely that there will be a material increase in satisfaction. ESB believes that achieving its target is dependent on the roll out of the investment and therefore it is unreasonable to expect it to get to its target of 80% prior to 2008.

4.3.2 Expectation of a rate of improvement out of line with other industry experience

CS completed a pilot survey in December 2005, returning a mean of 3.74 (75% of the maximum score of 5). The score of 75% compares favourably with benchmark results from other call centre satisfaction surveys across a range of industries.

These benchmarks have returned satisfaction scores ranging from 55% to 76% depending on the purpose of the call. CS acknowledges the higher scores achieved by DNO's in the UK OFGEM '2004/05 Electricity Distribution Quality of Service Report'. However, the UK has been open to full competition since 1998 and is a more stable market than currently exists in Ireland. The OFGEM scheme has been in place since 2002 and therefore the DNO's have already been able to modify and optimize their behaviour over a number of years in response to their targets. CS firmly believes that setting the target of 80% in 2006, given there is only a single prior measurement point, expects a rate of improvement from CS that is in excess of improvement rates experienced across different regions. For example, the 2005 JD Power and Associates customer survey of the 78 largest electrical utilities in the continental USA (covering the period from January to December 2005) found an average improvement of 1% in their satisfaction index. In the case of the UK DNO's, the mean satisfaction score moved from 4.25 to 4.39 between 2003 and 2004 representing an improvement rate of 3%. In setting a 2006 year end target of 80%, the Commission is requiring a 7% improvement, which is out of line with international experience. If the average rate of improvement in the UK is applied to the current ESB score, this would suggest that 2008 is a fair target date for which to set an 80% target.

4.3.3 Limited initial window to address areas of improvement

Experience in other industries shows that upon receipt of customer satisfaction metrics, a period of mobilisation is required in order to refine and roll out an improvement action plan. There is a wide range in complexity of queries directed at NCCC. At one end of the spectrum, queries can be as simple as phoning in a meter reading, which is a straight forward stepwise process. At the other end of the spectrum, the NCCC can attract very varied and unfocused queries such as what is required to bring electrical supply to an outbuilding, or why a customer believes their light bulbs are blowing too quickly compared with their neighbours. Given this range and the potential complexity of the queries handled by NCCC, it is fair to assume that the communication and interpretation of results, the engagement of staff towards refining their action plans and the implementation of those plans will require a number of months. Further, the continued improvement in approach and customer focus must be paced in order to ensure that excellent behaviours are embedded and the improvement is sustainable over time. It is our opinion that the objective of an effective and sustainable improvement may be compromised by front-loading of the targets. As mentioned earlier upon consideration of the Commission's report, CS is willing to fast track this process but believes that this will only allow the 80% target date to be moved back from 2010 to 2008 in the best case scenario. To achieve this will be difficult and will require significant investment of resources.

We agree that the Commission and CS will need to consult with the appointed research company to determine the required samples needed to provide representative data in respect of both the type of calls made and the timing of when calls are made.

4.4 Customer Supply Proposed Targets

Based on the above arguments we propose that the Commission's proposed targets be amended as follows:

Year	2006	2007	2008	2009	2010
Callback - % CER	80%	80%	80%	80%	80%
Callback Supply – average mean	3.87 77%	3.92 78%	4.00 80%	4.00 80%	4.00 80%

See Appendices 1 and 2 for revised tables based on target changes proposed by ESB

4.5 Composition of satisfaction

The Commission has requested that the satisfaction level of the call experience be sought from the customer in respect of:

1. Politeness of staff member
2. Willingness to help
3. Accuracy of the information given
4. Usefulness of the information given

The CS pilot measurement was based on three factors:

1. Professionalism of staff member
2. Knowledge of staff member
3. Accuracy of information given

There is strong convergence between the metrics identified by the Commission and those measured as part of the CS pilot measurement. In the case of the third item in each list (“Accuracy of the information given”) is identical. One of the areas of divergence is the metric related to the disposition of the call centre agent. In particular, we believe that the Professionalism metric encompasses the desired aspects of Politeness and Willingness to help. This is because in the context of a call centre interaction, the important attribute for the caller is that the staff member acts in a professional manner, which will include, but not be limited to, being polite and appearing helpful.

With regard to the final item on the Commission’s list, CS is concerned about introducing a metric called “Usefulness of the information given” to call centre assessment. The reason for this is that “Usefulness” is a subjective term and in cases of typical calls to the call centre such as Supply Interruption or Bill Query, the information may be correct but may not be acceptable to the customer. Therefore, “Usefulness” of response becomes confused with acceptability of the response to the caller. Call centre staff cannot control the perception of usefulness of information, but customer perception of staff knowledge is very much in their control. On this basis, we propose that we retain the initial driver (“Knowledge of staff member”), which effectively captures the underlying intent of the proposed metric without the subjective implications.

5. Mystery Caller

During the previously mentioned pilot surveys in November/December 2005 CS requested a research company to complete a programme of mystery calling using a set of four scenarios:

- How to apply for a new connection
- Inquiring about payment options
- Understanding estimated readings
- Querying the public service obligation levy

These were designed to reflect the range of services provided by ESB to its customers. ESB set a very high bar on success in this measurement, capturing a very comprehensive outline of the end-to-end process in each scenario. For example, the New Connection scenario ran to 8 pages of information to be provided to the mystery caller incorporating a potential 35 questions to be asked of the contact centre agent.

The result of the pilot was a mean score of 2.92 (58%) comprising three aspects of this interaction (scenario coverage, agent approach and disposition and information and delivery). As with the Call-back Survey, a target of 80% has been proposed by the Commission from 2006 onwards.

5.1 Mystery Calling measurement using 5-point scale

As with the call back survey, CS confirms that it is committed to achieving an 80% target. Given the three different measurement aspects, it is important that the target of 80% represents the ratio of mean score to maximum potential score on the five-point scale. Thus, the 80% should translate into an average response of 4 based on a satisfaction scale ranging from 1 (very dissatisfied) to 5 (very satisfied), and should reflect movement over time across different categories within the scale. The use of the full range to calculate the target incorporates the full spectrum of responses from customers as distinct from measures that focus on only 'very satisfied'/'satisfied' and disregard the potentially significant movement between 'neutral', 'dissatisfied' and 'very dissatisfied'. As mentioned in the call back survey section, this use of the mean score is consistent with the manner in which Distribution Network Operators (DNO's) in the UK are assessed and reported in the annual OFGEM 'Electricity Distribution Quality of Service Report'. We propose that the average score is used in the measurement of the survey results.

5.2 Achieving a 4.00 (80%) target with Mystery Shopping: identifying the correct time frame.

While in no way undermining our commitment to achieving the 4.00 (80%) target, it remains our strongly held view that such a target is simply not achievable by 2006. We believe that the imposition of this target without regard to our starting point of 2.92 and its associated incentive mechanism will result in almost certain failure to hit the target. The reason why we believe that 4.00 (80%) is not achievable immediately in 2006 are similar to those put forward in the call-back section, specifically:

- Staged roll out of current investment programme in the call centre and the consequential staged improvement in customer experience.
- The expectation of a rate of improvement is out of line with other industry experience.
- Limited initial window to address areas of improvement

5.2.1 Staged roll out of current investment programme in the call centre and the consequential staged improvement in customer experience.

The Commission has approved capital expenditure for systems within NCCC which will allow CS to deliver improved customer service through improved call routing, call automation and speed of response. In addition, the Commission has approved funding for increased staffing levels, which will in turn allow the call centre to improve performance levels. It is expected that the increasing systems efficiency will allow the agents more time to deal with customer queries comprehensively without causing excessive queues and backlogs. The availability of this slight increment in calling time will afford the agent greater opportunity to simultaneously increase the success and efficiency calls and associated customer satisfaction. It is reasonable to expect that until this investment programme is implemented at least in part, it is unlikely that there will be a material increase in satisfaction. CS believes that achieving its target is dependent on the roll out of the investment and therefore it is unreasonable to expect it to get to its target of 80% prior to 2010.

5.2.2 The expectation of a rate of improvement out of line with other industry experience.

CS completed a pilot Mystery Calling in November/December 2005, achieving a mean of 2.92 (58% of the maximum score of 5). This offers much opportunity for CS to improve but we do not believe that setting a 2006 target of 4.00, which translates into an improvement of 37%, is any way achievable. As noted earlier, CS firmly believes that setting the target of 80% in 2006, given there is only a single prior measurement point, expects a rate of improvement from CS that is in excess of improvement rates experienced across different regions. If we accept an aggressive rate of improvement of 7% per annum, the target of 4.00 would be achievable by 2010 which is in line with our original proposal.

5.2.3 Limited initial window to address areas of improvement

The impact of this component is even more pronounced in the case of mystery calling given the starting point. Experience in other industries together with the range and complexity of the scenarios presented to agents at NCCC means that it is reasonable to expect that the communication and interpretation of results, the engagement of staff towards refining their action plans and the implementation of those plans will require a number of months. Further, the continued improvement in approach and customer focus must be paced in order to ensure that excellent behaviours are embedded and the improvement is sustainable over time.

5.3 Customer Supply Proposed Target

Based on the above arguments we propose that the Commission's proposed targets be amended as follows:

Proposed Targets

Year	2006	2007	2008	2009	2010
Mys Caller CER - %	80%	80%	80%	80%	80%
Mys Caller Supply – average mean	3.33 67%	3.61 72%	3.79 76%	3.90 78%	4.00 80%

See Appendices 1 and 2 for revised tables based on target changes proposed by ESB

5.4 Mystery Caller Scenarios

The Commission proposes that a list of customer query scenarios comprising both typical and uncommon queries ranging from simple to complex in nature would be drawn up. The Commissioner further suggests that only the research company and the Commissioner will know this set of scenarios. CS believes that this approach does not provide transparency of measurement and potentially the scenarios may not provide a representative snapshot of the full set of activities at the call centre.

As an alternative, ESB proposes that a suite of 10 – 15 scenarios be developed with the active participation of ESB, the research company and the Commission's office. The Commission can then select from the suite of scenarios and instruct the research company to execute a particular scenario during a particular measurement period. It is important to note that processes can change within a relatively short time period. A mechanism to incorporate changes would need to be allowed for. ESB accepts that it will not know which scenario is being measured at any point in time but it will be guaranteed that the scenario will be from the agreed suite. This proposal will have the following benefits:

- Transparency of measurement
- Consensus on the aspects included within each scenario
- Coverage of the complete range of NCCC processes within the larger set of scenarios

6. Proposed CS Customer Charter Incentive Mechanism

CS is concerned that unlike the NCCC mechanism there is only a penalty target proposed in the Customer Charter mechanism. This means there is no provision for an incentive to be earned were we to improve our performance against the base year. This we believe is a flawed approach as it offers no reasonable inducement other than to avoid further penalties based on the percentage of base year compensation payments volume.

6.1 Components of the Charter

As per section 5.3 of the Commission's consultation document CS confirms that we are currently in consultation with the Commission regarding the development of an enhanced Customer Charter to fully reflect requirements set out in Statutory Instrument 60 and in anticipation of obligations included in the pending PES Licence. CS has submitted a new Customer Charter to the Commission for approval which includes 3 existing service guarantees and incorporates our guarantees in relation to 4 new Codes of Practice i.e.

- SG1 – Billing Accuracy Guarantee
- SG2 – Payment Query Guarantee
- SG3 – Refund Guarantee
- SG4 – Customer Complaint Code of Practice Guarantee
- SG5 – Customer Billing & Payments Code of Practice Guarantee
- SG6 – Marketing Code of Conduct Guarantee
- SG7 – Vulnerable Customer Code of Practice Guarantee

It should be noted that the Commission recently requested CS to provide a draft Code of Practice on Billing which is excluded from the Customer Charter Mechanism table in section 5.3.1 of the consultation paper. This has recently been submitted along with the Vulnerable Customer code incorporating the de-energisation guarantee.

Enhancements are currently being made to IT systems to provide an automatic system of payment and which will not rely on customer requests as required by the Commission. These enhancements are targeted to be ready to go live by the end of April '06.

6.2 Commission's Proposed Target

The Commission proposes to set payment volume targets each year based on the 2006 volume of payments made and reduce the target level each year thereafter by 5% i.e. 2006 target level will be 100 % and 2007 target level will be 95% of the 2006 level and so on culminating in a target level of 80% of the 2006 level by 2010.

Considering that the new Customer Charter will not be publicly launched until at least the end of May 2006 CS has a concern in relation to how the 2006 volume target, which is the base target for remaining years, will be derived. We note and welcome that the Commission is to make an adjustment each year to take account of any variation in customer numbers served by CS but request clarification on how this will operate.

6.3 Revision of Compensation Payment Amounts

CS has a number of concerns in relation to section 5.4 of the Commission's consultation paper which refers to the revision of Customer Charter Compensation payments. Under the CS Customer Charter we have proposed to make individual penalty payments of €35 to customers for failure to deliver the promised standard of service. This figure is the equivalent of 4.5 years allowed margin on a typical domestic customer (annual bill of c€600). This is sufficient to drive us to ensure that we meet our charter guarantees without a further mechanism being imposed on top of it. The proposal to adjust the compensation payments year on year for electricity payments will result in additional cost for CS as it will require us to update our literature, web forms and systems annually. It also does not take into account the fact that customers may take a complaint to ELCOM (or its replacement service) seeking further compensation nor indeed that customers could resort to legal action against ESB. Essentially we believe that the Commission proposals in this regard are unnecessary and are not realistic in light of the margins allowed on domestic customers ie the vast majority of our customers.

We agree with the Commission's aim as stated in section 5.5 of the consultation document that customers need to be fully educated in relation to the service level guarantees made under the Customer Charter. Our objective will be to ensure that all our customers will be made aware of the new revised Customer Charter when it is launched via bill inserts, advertisement and publication on relevant web-sites. We would also ask the Commission to bear in mind that CS is exposed, as the mass market supplier, to any unforeseen events such as mass estimations, high consumption queries due to cold weather snaps, major outages or changes to market rules such as urban/rural. Potentially, CS may also be facing in 2007 two possible price changes including PSO levy due to SEM, a new fuel cost variation component on the bill as well as billing customers for field service transactions provided by the DSO. These changes have the potential to drive large numbers of customer queries

and complaints into our business swamping both the Contact Centre and back office functions.

6.4 Estimated Bills

From our analysis of 2005 customer queries and complaints, it is evident that high levels of estimated meter reads are continuing to be a source of customer complaints and additional queries in bill adjustments. In 2005 alone, CS received over 5 million estimated readings which equates to a rolling average of 43% per month. In its determination on PR2 for DSO (CER 05/138) the Commission gave an undertaking to review the issues arising from estimated reads for suppliers and customers during 2006. CS believes that the Commission should commence this review immediately as it is critical to delivering on our commitments under the Customer Charter.

6.5 Other factors outside Customer Supply's control

Finally, CS would like to remind the Commission that there are 2 additional customer service related issues that need to be addressed in 2006 which will also impact on CS, our customers and our ability to deliver under the new mechanism. These are:

- A decision on the industry pre payment meter solution to replace Token Meters. These are a key component of CS's strategy to improve service delivered to customers with payment difficulties. Under PR2, the Commission has capped CS's bad debt write off at 0.5% of turnover. CS is under increasing pressure following the full opening of the market to contain collection performance and debt levels. In order to meet these targets CS will need to implement a strong focus on credit management which involves among other things increasing the numbers of customer on pre payment meters as an alternative to de-energisation.
- A decision on the disputes resolution service for the industry. Currently ELCOM fulfils a critical role for ESB CS and Networks in providing an arbitration service for unresolved customer disputes. Despite the fact that CS is preparing for a May/June launch of its Customer Charter and associated Codes of Practice there is a lack of clarity as to the future of ELCOM and any possible replacement body. This lack of clarity could impact severely on CS and its customers if a void develops which could result in unresolved disputes becoming more protracted with resulting possible legal action and negative publicity.

6.6 Conclusion

In summary, CS asks that the Commission defer any final decision on Charter incentives until early 2007 in order to:

- allow implementation of the new customer charter to bed in and
- ensure that the above issues are addressed and resolved so that a proper analysis can be undertaken to allow realistic targets to be set.

Appendix 1

Section 4.3.1 PES NCCC Incentive Mechanism - revised based on target changes proposed by ESB							
Year	Weights	Targets	2006	2007	2008	2009	2010
			%	%	%	%	%
Speed of Tel Response	30%		65.0	72.0	80.0	80.0	80.0
Abandonment Rate	30%		10.0	7.0	5.0	5.0	5.0
Mystery Shopper	20%		67.0	72.0	76.0	78.0	80.0
Callback Survey	20%		77.0	78.0	80.0	80.0	80.0
	100%						
ESATRAT			75.3	79.5	83.7	84.1	84.5
		Actuals	%	%	%	%	%
Speed of Tel Response			64	70	78	79	80
Abandonment Rate			12	8	7	6	5
Mystery Shopper			60	70	73	75	80
Callback Survey			75	71	75	77	80
SATRAT			71.7	76.2	80.6	82.3	84.5
PSATRAT (per 1% variation)			95,000	150,000	150,000	150,000	150,000
Allowed Revenue (€)			72,000,000	119,397,326	121,378,540	125,062,275	130,468,551
Max Reward/Penalty (€)	1%		720,000	1,193,973	1,213,785	1,250,623	1,304,686
Actual Penalty (Reward) - NCCCT			342,000	495,000	465,000	270,000	0
SATRAT at which max penalty paid			67.0%	72.0%	76.0%	76.0%	77.0%
SATRAT at which max reward paid			83.0%	88.0%	92.0%	92.0%	93.0%

Note: the figures for actual performance and allowed revenues are illustrative figures only

Appendix 2

Section 4.3.2 DSO NCCC Incentive Mechanism - revised based on target changes proposed by ESB							
Year			2006	2007	2008	2009	2010
	Weights	Targets	%	%	%	%	%
Speed of Tel Response	30%		65.0	72.0	80.0	80.0	80.0
Abandonment Rate	30%		10.0	7.0	5.0	5.0	5.0
Mystery Shopper	20%		67.0	72.0	76.0	78.0	80.0
Callback Survey	20%		77.0	78.0	80.0	80.0	80.0
		100%					
ESATRAT			75.3	79.5	83.7	84.1	84.5
	Weights	Actuals	%	%	%	%	%
Speed of Tel Response			64	70	78	79	80
Abandonment Rate			12	8	7	6	5
Mystery Shopper			60	70	73	75	80
Callback Survey			75	71	75	77	80
SATRAT			71.7	76.2	80.6	82.3	84.5
PSATRAT (per 1% variation)			1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Allowed Revenue (€)			561,754,631	595,810,603	618,177,066	631,899,752	646,135,644
Max Reward/Penalty (€)	1.50%		8,426,319	8,937,159	9,272,656	9,478,496	9,692,035
Actual Penalty (Reward) (€)			3,600,000	3,300,000	3,100,000	1,800,000	0
SATRAT at which max penalty paid			67.0%	72.0%	76.0%	76.0%	77.0%
SATRAT at which max reward paid			83.0%	88.0%	92.0%	92.0%	93.0%

Note: the figures for actual performance and allowed revenues are illustrative figures only

Appendix 3

Telephone Service Factor and Average Speed of Answer definitions per Appendix 3 of CER Consultation Document (Reference 06/016)

TSF20: is the percentage of calls to the Call Centre 'initially' answered (either by an Agent or IVR) within 20 seconds.

TSF45: is the percentage of calls to the Call Centre 'initially' answered (either by an Agent or IVR) within 45 seconds.

ASA30: is the percentage of calls (that are waiting in a queue to speak to an Agent after being placed in the queue either via the IVR or by an Agent) that are answered within 30 seconds.

ASA60: is the percentage of calls (that are waiting in a queue to speak to an Agent after being placed in the queue either via the IVR or by an Agent) that are answered within 60 seconds.