

**Gas Networks Ireland Customer
Performance Indicators
CER Consultation 16/ 243
Bord Gáis Energy Response**

21st September 2016

1. Introduction

Bord Gais Energy (BGE) welcomes the opportunity to respond to the CER consultation on *Gas Networks Ireland (GNI) Customer Performance Indicators (CER 16/243)*. We have reviewed the consultation paper in detail and sought views from around our business, particularly those areas of our business who deal with GNI on a daily basis.

BGE welcomes the fact that some of the revenues that GNI obtains will in future be specifically linked to how well it performs against certain customer performance data. We are supportive of the introduction of an incentive mechanism to encourage GNI to achieve higher standards of customer performance.

However, BGE strongly believes a number of pre-requisite processes must be put in place before the introduction of an incentive mechanism. In the absence of the following, an incentive mechanism cannot legitimately be progressed:

- GNI's acceptance of the industry standard definition of a complaint as defined by the Supplier Handbook
- An effective GNI complaint handling process that enables; all complaints to be directed to a centralised point of contact, end- to end complaint tracking and appropriate resolution times
- Incentives to improve efficiencies by reducing the amount of visits to premises

In considering the overall aim of incentivising GNI customer performance, BGE considers that a holistic view of GNI service delivery should be taken in order to realise an effective result. With that in mind, this consultation response considers the broader context of GNI service delivery and customer complaint handling beyond the customer performance indicators themselves.

There are three core consultation questions put forward by CER in its consultation paper. However, the CER presents a wealth of new information throughout the document that do not have associated consultation questions. BGE found the small number and scope of questions to be very limiting in responding to the consultation paper. BGE recognises the Commission for Energy Regulation's (CER) intention to collect feedback from respondents on all of its proposals. As such, BGE has aimed to provide a view on proposals throughout the document. In the spirit of the overall consultation, BGE trusts that these views will be taken into consideration by the CER. However, we believe the CER is limited in the decisions it can make given the restricted nature of the questions in this consultation. Other respondents may, for example choose to only answer the specific questions asked believing that it is only these answers that will inform the CER's decision. The current issues BGE experiences with the GNI complaints process as set out in this response must be taken into account if meaningful and realistic performance indicators are to be developed for GNI. For this reason we believe the CER should move next to a Proposed Decision and then proceed to consult on the wider issues we've raised in this response.

In our response, we have set out our views on the current issues with GNI's complaint-handling process, a broader look at performance including siteworks and we also answer the three specific consultation questions.

BGE would welcome further engagement with the CER regarding this consultation. As we have explained we believe this issue is far wider than the three consultation questions posed by CER.

1. Comprehensive Assessment of GNI Service Delivery

The proposals put forward in the consultation paper suggest measuring the speed and effectiveness of GNI's complaint handling as well as assessing customer satisfaction levels associated with site visits. Whilst BGE supports the inclusion of these measures, this approach examines specific aspects of customer service in an indirect manner. In developing any incentive mechanism, BGE believes that a broader approach should be taken whereby overall service delivery is examined.

BGE believes that any assessment of GNI performance should involve a direct assessment of GNI's speed and effectiveness of service delivery. This should be based on direct indicators such as number of site visits, time taken to complete siteworks etc. Whilst customer satisfaction is extremely important, the proposals put forward by the CER rely heavily on the customer's perception of acceptable service delivery and depend on an engaged customer base to share their experience of GNI service delivery.

BGE recognises that there are a range of services provided by GNI that do not involve direct engagement with the customer; for example many of the services provided via market messaging. Some of these services do not have an agreed Service Level Agreement (SLAs) at all. However, efficient functionality of these services is required to provide quality service overall. Whilst BGE recognises that these services are not the subject of this consultation, we strongly encourage the CER to consider consulting further on indirect services to customers.

2. Gas Network Related Complaints - Current Context & Issues

An overall examination of service delivery requires consideration of the current GNI complaint-handling process. Before the building blocks of an incentive mechanism can be laid, it is necessary to have a clear, efficient and accountable GNI complaint-handling process in the first place. BGE would argue that the current GNI complaints process is wholly inadequate and requires significant revision. We set out the context below.

Complaint Volumes

BGE receives approximately 650 complaints annually where there is a GNI element to the root cause of the issue¹. Some of these complaints are wholly caused by a GNI error or GNI activity has been a factor in a complaint. These complaints represent approximately 9% of gas complaints received by BGE annually². In 2015 GNI –related complaints were attributable to 36% of CER complex complaints for gas raised against BGE; this has risen to 39% year to date in 2016.

Due to the complexity of the current GNI complaint process, significant additional resources must be enlisted by BGE to process these complaints. If a more efficient and user-friendly process was in place then these costs could be avoided by suppliers.

The volumes of GNI-related complaints handled by BGE and other suppliers could be reduced significantly with the implementation of a fit for purpose complaint handling process and greater co-operation from GNI with suppliers.

¹This is based on volumes of complaint codes which have a specific network company related activity associated with it.

² This analysis is based on 2014- 2016 (year to date) figures

Nature of Complaints

The top drivers for GNI-related complaints are:

- Incorrect billing due to:
 - Estimated reads driven by:
 - Long term non access for GNI reads
 - Meter not registering usage leading to estimation
 - High consumption not in line with previous usage patterns
 - Meter reading service issues (e.g. access issues, inaccurate estimations etc.)
- GNI siteworks delays
- GNI siteworks charges too high

BGE has a number of complaint case studies to provide further insight into the nature of GNI driven complaints. We can provide these case studies to the CER and we would welcome further discussion with the CER on this matter.

Complaint Handling Processes – Background, Issues & Proposed Reforms

In order that we move forward, it first necessary to reflect on previous decisions which have led to the current GNI complaint handling context.

Until 2010, the S1901SQ Market Message (MM) served as a potential vehicle for communicating (mainly siteworks related) complaints to GNI, however only 50 characters of text were permitted to describe the situation. This meant that suppliers were unable to sufficiently articulate the subject of a complaint. Rather than increasing the permitted characters to allow a meaningful complaint to be made (BGE suggested 250), GNI encouraged the CER to agree to withdraw the MM from the schema. GNI did this on the basis that the MM was not being sufficiently used. This MM was withdrawn from the schema on the 31st of January 2010; however, the capability is still present to reinstate the message. Removal of the MM meant that GNI's complaint management performance could not be measured and independently verified (externally) from that point onwards.

After a significant period of time, GNI introduced a new *Customer and Supplier Issue Resolution Process* in November 2014 on a 6 month trial and there continues to be monthly updates at each GMARG (Gas Markets Arrangements Retail Group). This process does not allow for complaint tracking, meaning there is no mechanism for GNI to measure their complaint resolution effectiveness. This has resulted in suppliers tracking complaints from start to finish. This represents a pattern of poor customer service and is at odds with SI 463/2011 namely the requirement for networks operators to have a “transparent procedures for dealing with complaints”..

Issue 1 – No Definition of “Complaint” - A current barrier to effective handling of complaints by GNI is an unwillingness to categorise complaints in the same manner as suppliers. GNI does not have a definition of a complaint and have yet to accept the industry definition of a complaint as defined by the CER's Supplier Handbook:

“The expression (through various possible channels, letter, email, phone call, physical claim) of a customer's dissatisfaction and his/her explicit expectation for a response or resolution.”

This has resulted in many of the complaints referred to GNI being categorised as “queries” (“to-do's”) rather than complaints. There is no recognition of a customer complaint from the outset (as soon as the supplier raises the customer complaint with GNI). This has led to a poor level of customer service in many instances.

Required reforms:

- For any proposed incentive mechanism to be effective across the gas industry, GNI must accept the same definition of a complaint as suppliers. Both suppliers and GNI must work from the same obligations and it is essential that both define a complaint in the same manner as

used by the CER. This is considered as a minimum starting point on the road to addressing network-related complaints in a meaningful way.

- BGE also believes complaints should be recorded earlier in the escalation process where it is clear the customer is making a complaint

Issue 2 – Lack of Ownership by GNI - GNI are consistently reluctant to accept responsibility for errors that had been made. At present despite the fact that a complaint has arisen due to a fault caused by a GNI asset, the management of the complaint is being conducted by the suppliers from beginning to end. This is clearly inequitable.

Required reform: GNI does have a relationship with customers and should play a much greater role in responding to their complaints. GNI should be required to provide proactive resolution offers to customer complaints where it is agreed that GNI have made an error.

Issue 3 – No Tracking Process for GNI Complaints - Tracking complaints escalated to GNI is very labour intensive as the GNI escalation path is managed by email only. The current trial procedure contains 27 contact points for supplier agents to forward complaints or queries. Apart from the initial contact list, there follows an additional series of channels where there is a requirement for the supplier to escalate further through a series of contact points. Multiple contact points can result in time delays and extensions in the possible resolution time.

As the escalation is conducted by the suppliers, GNI do not have knowledge of the resolution. Effective complaint handling provides the opportunity for a business to improve procedures. Without the knowledge of complaint resolution, customer satisfaction levels cannot be determined. Without the complaint being registered with GNI they have no method of determining where most difficulties are happening for customers.

Complaints are not logged and tracked by number but are handled on a case by case basis by various individuals. This makes reporting on SLA adherence (i.e. response and escalation timeframes), progress status and outcomes difficult.

Required reforms:

- A singular central contact point for suppliers would create greater efficiency and a better customer experience. This allows GNI to examine the complaint against their organisation.
- We believe the GNI's call centre is well-equipped to handle supplier escalated complaints. This would provide a more efficient approach to complaint handling and tracking and an expedient path to resolution.
- The application of a complaint reference number, date and time stamp is the starting point to establish a customer friendly complaints handling process. This acknowledges the customers dissatisfaction and aids turnaround time (because it can now be measured).

Issue 4 – Lack of Evidence & Poor Back-Up from GNI - BGE has found that GNI do not provide evidence to substantiate their position on certain cases. For example, where GNI explains that non-access was an issue for an unsuccessful meter read attempt and a non-access card was issued, GNI has failed to provide evidence to substantiate that the non-access card was issued. The absence of evidence, such as a log of non-access cards, means that it is difficult to come to an appropriate and evidence-based resolution with the customer. The quality of some of the responses received from GNI personnel is poor; light on factual information and detail.

Required reforms:

- GNI should implement processes to gather necessary evidence to provide to suppliers. This would enable suppliers to communicate more effectively with customers to come to an appropriate resolution.

- Evidence provision should also be improved in terms of the level of detail and factual information.

Issue 5 – No Financial Settlements offered - In many instances where there has been a financial impact to the customer due to a GNI driven issue we have requested that GNI provide compensation which we will pass onto the customer via their BGE account. GNI have not engaged in a collaborative way to resolve customer complaints and where there is a financial dispute, they have favoured CER arbitration as a means to resolve rather than making a settlement offer. As per BGE's Code of Practice we are obligated to advise the customer to escalate to the CER. BGE has experienced financial losses associated with both write-offs and goodwill gestures as GNI will simply not offer any compensation to customers even where they have clearly been in the wrong.

The overall impact on BGE of poor GNI complaint handling processes extends to other areas such as: customer loss, increased CER escalation, increased complaint volumes, a rise in operating costs associated with handling complaints and potential public relations issues, for particularly aggravated complaints.

Required reform: Where a GNI driven complaint has been identified, financial compensation must be provided to the supplier to pass through to the customer,

Issue 6: Timeframes to Resolution – The trial system recognises the need for applying timeframes for resolution. Previously these were not used by GNI. This is essential for the customer to provide comfort in respect of resolving their complaint with the supplier and GNI. GNI do not know if an issue is closed, resolved or resolved unsatisfied. When GNI return responses to supplier questions, these need to be communicated/positioned with our customers and we have no clear indication of the GNI complaint case status. At present it is unclear if complaints are classed as closed after the GNI SLA passes.

However with the current system there is no means for GNI to track outstanding cases and ensure that they are dealt with. As such there is limited pro-active complaint handling efforts in the present trial structure. Once a complaint is provided with a date and time this allows for the application of timeframes to be used.

Required reform:

There is a need to adapt the timeframe presently applied where GNI would be obliged to respond to a complaint/issue within X business days. With a reference number, the complaint could be officially declared closed/open etc.

Although, BGE agrees with the principle of introducing an incentive mechanism for GNI, this proposal cannot legitimately be progressed without the solid foundation of an adequate complaint handling process. Lack of a process would severely limit the overall goal of striving for continuous improvements in effectively dealing with customer queries. We urge the CER to support the implementation of an effective complaints handling process in the form described above which BGE have been advocating in industry fora since January 2010. This is an essential step in motivating GNI to deal effectively with complaints received.

The GNI complaints handling trial period has been extended and we eagerly await a response from GNI to a BGE paper submitted as part of the trial. BGE's paper on the trial period is currently under review by all suppliers through the GMARG.

3. Incentivising Efficient Siteworks

At present a price per premises visit for various GNI siteworks can be costly and ineffective for customers, suppliers, and moreover any mechanism catering for repeated visits to complete siteworks is not in the interest of the consumer. Some examples include:

- Numerous site visits can take place for special reads. Special reads are often required for account closure and any delays can result in account closure being stalled unnecessarily.
- Should multiple site visits occur for a meter exchange (e.g. credit to pre pay financial hardship), the customer may be delayed in being enabled to re-pay debt in the most appropriate manner for them
- Repeated site visits for meter locks can result in the unnecessary payment of network charges by suppliers
- Multiple site visits for revenue protection purposes may cause further stolen gas consumption and delays in prosecution

What is desired are incentives for greater efficiency with an aim to reduce the amount of visits to premises. BGE would like to present a number of different options to drive efficiency in this space.

Option 1

A model based on a flat “all-in fee” seeing a baseline figure forming part of an agreed rate of return. This would be set to an international benchmark figure. In turn this would form a “best practice” total, from which performance would be judged. If this benchmark could be achieved with the flat fee structure, there would be a bonus applied ex-post each year following the annual review within the 5 year price control mechanism.

Standard Setting

Focus perhaps should be to establish standards which are backed by incentives. Performance standards will demand a given level of delivery but may also allow GNI to design processes to achieve this delivery. Breach can be reduced by care in performance, and performance indicators will be applied in enforcement.

These principles are put forward in the consultation paper as the basis for incentivising improved complaint handling and effective siteworks delivery (via the customer survey). BGE urges the CER to apply these principles to incentivise efficiency in siteworks delivery.

In the current process being applied, whereby each visit, whether successful or not payment is made, may indirectly create revenue when repeated visits occur. The arrangement now is an imbalanced relationship and is clearly an inefficient process, as can be viewed from the figures. Cost reflective charges for suppliers, backed by an incentive on GNI's to improve access rates, needs to be devised.

Contracting

Further, it is how these services are contracted which may be in need of change. Incentives could possibly be provided on the ground to the individual as well as to the transporter. Through the contract process, competition can be introduced to the practice, which is a concept that should be encouraged by the CER.

Option 2

Suppliers may become directly involved with contractors by paying GNI appointed contractors directly upon siteworks visits and suppliers could be a party to these GNI contracts. It would further be designed on a simplistic incentive model where the supplier will pay per siteworks visit, but with further financial incentives the more successful siteworks above X% per month, based on a scale, the higher above the percentage, the greater the bonus achieved. This could be seen as the rudimentary alternative structure to the present model.

Option 3

A further example of a contractual reform model would be the ability of suppliers to acquire services from a panel of contractors, appointed by way of tender conducted by GNI and approved by CER. The tender would primarily focus on maintaining GNI standards and indicative costs in the interests of lowest cost to the consumer, the primary commercial arrangement should vest with the supplier.

There is also the possibility of the franchising of this service. Franchising is used to replace competition in the market, with competition for the market. Applicants for franchises make competitive bids for an exclusive right to serve the market. This could be for example bidding on price per unit, and the result may reduce cost as well as increase efficiency.

Option 4

CER has forwarded the view that “a mechanism where targets would be set for specific numbers of revisits.” These suggestions for reform can demonstrate direction for GNI. The model could be revised, in that there would be a limit to the amount of two visits after which GNI will incur the costs of the relevant siteworks, and if siteworks is not achieved within X period of the last visit to which the supplier was liable to pay, GNI will receive a penalty payable to the supplier for every subsequent week the siteworks remains incomplete.

This is an example of a model where “the distribution business would still charge suppliers for actual visits, but would receive a separate reward/penalty for exceeding or missing targets” such examples may need additional incentives in its assembly. There is a danger in certain alternatives of reform that a minimum threshold of successful siteworks becomes the maximum standard, and so will not create a greater increase in success rate. A certain stream of revenue will be sustained from visit numbers with the only target the minimum standard. Also if a price were to lessen on second or subsequent visits, there may be a lessening of will to achieve successful completion of the siteworks. There must be on-going sanctions if above average targets are to be achieved. A reasonable obligation will be backed by a reasonable sanction but must not be founded merely on the amount of visits, but on timeframes within which the siteworks has not been successful.

Price and Sanction Balance

A modification to the suggestion above, is that siteworks requests will be grouped together, for instance on the number and type of siteworks requested in a given week (e.g. number of special reads in week x). When certain percentages are reached within this group, payment is provided by suppliers. GNI will not be paid per visit, but per group of meters, with the amount paid connected to the percentage of siteworks jobs completed. Further financial incentives will be provided the more successful siteworks jobs are achieved above a certain percentage for a week. If the amount is below a certain percentage, GNI will receive a penalty from the supplier, which will consist of less pay; this being based on a sliding scale. Again this may be in danger of establishing a minimum standard as the maximum if it lacks a mechanism where further on-going sanction can be applied. The application of further sanction may be judged against other grouped targets in a given month (e.g. one week against the next). The concept of ‘earned autonomy’ may be incorporated where high performances are rewarded; when numbers are consistently high the sanction is less rigidly applied.

4. Consultation Question Responses

1) *Whilst in Britain Ofwat places a high weighting on the qualitative element, the CER invites comment on the balance to be attributed to the customer survey element of customer performance indicators*

As explained above, BGE believes that a broader approach should be taken to service delivery incentives. Measuring complaint handling and customer service through surveys is an approach where overall service delivery is measured in an indirect manner. BGE believes that any assessment of GNI performance should involve a direct assessment of GNI's speed and effectiveness of service delivery. This should be based on direct indicators such as number of site visits rather than relying on the customer's perception of acceptable service delivery alone. This approach would not depend solely on an engaged customer base to share their experience of GNI service delivery. As such, any alteration to the proposed incentive mechanism would require an appropriate weighting to be placed on the direct service delivery indicators.

The qualitative weightings provided in the paper range from 33.3% to 75%. BGE agrees with the principle of the qualitative customer performance indicators having an equal or higher weighting as they provide a more detailed insight into GNI's performance. This is under the condition that there no step change in the proposed indicators put forward. Should such a significant change occur, further consultation would be required. Whilst BGE have provided initial thoughts on appropriate principles, it would be premature to provide a specific percentage in response to this question. We look forward to providing further input on this point as part of the wider consultation due to take place in 2017.

2) *Respondents are invited to give their view on such positive versus negative financial incentives*

Although the consultation paper presents information on the nature of financial incentives in other jurisdictions, BGE would welcome the presentation of further information on what impact these different financial incentives have had before fully assessing the options presented. BGE makes this request with a view to establishing what degree of financial incentives/weightings must be put in place to result in meaningful changes in behaviours and service delivery. There are a range of weightings being applied in other jurisdictions from -1.0-+.5%, it is essential that the weightings put in place are not simply a copy of those elsewhere but meaningful figures designed to bring about change.

Whilst a full response cannot be provided at this point in time, BGE's initial thinking is that Ofgem's granular approach to applying financial incentives is considered appropriate as it provides suitable scales for each indicator. For example, the complaints indicator can only result in a negative financial impact. BGE believes this is a fair approach; positive service delivery should be rewarded by a positive financial increase and negative service delivery should be dis-incentivised with a negative reduction in financial returns rather than a slightly smaller positive gain. BGE believes that the scale for each indicator should be reviewed on a case by case basis. Whilst some indicators are appropriately designed to dis-incentivise, it is important to avoid a structure that is focused solely on dis-incentives as certain activities require investment meaning there should be an appropriately sized incentive in place to encourage continuous improvement. Again, it is worth reiterating that BGE believes that significant ancillary work needs to be done before this issue is addressed. Therefore we have not given it the comprehensive consideration it deserves.

3) *Respondents are invited to comment on the proposed weighting of the KPIs, If possible, respondents should outline whether they are in favour of applying an equal weighting to each of the KPIs as a first step*

BGE believes that the weightings attributed to each of three incentive mechanism parts (call centre response, complaints and customer survey) should reflect what is of most value to the customer. Although the customer generally appreciates a speedy response, the effectiveness of complaint handling is thought to be of most importance. Indeed the customer may be willing to wait slightly longer for a response, if he/she is confident the matter will get resolved. The structure of weightings should prevent any adverse incentive to handle complaints at high speed and low adequacy. BGE would like to understand the rationale behind the speed of telephone response figure of 20 seconds. It is not clear

whether this is driven by safety (i.e. gas emergency calls) or customer performance. These are obviously very different drivers.

'Complaints referred to CER where GNI is party to the complaint' is mentioned as a measure. Although BGE supports the inclusion of this measure, it is requested that the CER consider a clear definition of 'party to' is provided to prevent any confusion over what type of complaints will be included.

Finally, consideration should be given to how frequent the indicators will be reviewed. The indicators must remain appropriate to the nature of customer contact maintained by GNI. BGE notes that the manner in which complaints are handled may change in the future. For example, it is possible that an increasing number of complaints being handled by online complaint messaging/chat services rather than call centres. BGE requests that these indicators and their associated weightings are reviewed periodically to ensure that they are fit for purpose.

5. Conclusion

In considering the overall aim of incentivising GNI customer performance, BGE considers that a holistic view of GNI service delivery should be taken in order to realise an effective result. This consultation response looked at the broader context of GNI service delivery and customer complaint handling beyond the customer performance indicators. Although not subject to consultation questions, BGE trusts that these views will be taken into consideration by the CER.

BGE is supportive of the introduction of an incentive mechanism to encourage GNI to achieve higher standards of customer performance. However, we strongly believe the following pre-requisite processes must be put in place before the introduction of an incentive mechanism:

- GNI's acceptance of the industry standard definition of a complaint as defined by the Supplier Handbook
- An effective GNI complaint handling process that enables; all complaints to be directed to a centralised point of contact, end- to end complaint tracking and appropriate resolution times
- Incentives to improve efficiencies by reducing the amount of visits to premises

BGE believes the CER is limited in the decisions it can make given the restricted nature of the questions in this consultation, BGE requests that the CER move next to a Proposed Decision and then proceed to consult on the wider issues we've raised in this response.

BGE would welcome further engagement with the CER regarding this consultation. As we have set-out we believe this issue is far wider than the three consultation questions posed by CER.