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Don't Own, Don't Earn, What Do You Do With Utility Customer Metrics?

DEFG's Survey of Regulators Points to How Utilities are More Likely to be Penalized for Poor Customer Satisfaction Scores and Complaints than Rewarded for Excellent Customer Service

Alpharetta, GA … DEFG, a management consulting firm specializing in consumers and consumer-facing offerings in the utility sector (http://defgllc.com/), released today the findings from a survey of 30 regulators across the country conducted in September on utility customer metrics, service-level metrics, and operational metrics.

The survey was designed to test the proposition that implementing alternative customer metrics (such as customer effort scoring) would better align utility business requirements with evolving customer expectations. Alternative metrics would complement traditional metrics which focus on customer satisfaction and service levels.

"There has been an assumption that customer satisfaction scoring by JD Powers and others is the best proxy for the utility's performance vis-à-vis the customer, and that regulators reward high customer satisfaction scores with an increase in the allowed rate of return," stated Jamie Wimberly, CEO of DEFG LLC. "The survey findings question those assumptions."

"If you are the Chief Customer Officer of a utility and don't entirely own customer metrics (i.e., customer satisfaction scores are driven by price, reliability, and other factors outside your control), and you can't earn from improved or excellent customer service, then what do you do?" asked Wimberly. "Presently, the Chief Customer Officer's best strategy is to do everything possible to avoid customer complaints, which is different than trying to be in the top quartile of performers for customer satisfaction. There is an opportunity, however, to invest and earn by having a discussion with regulators around performance-based ratemaking or taking a more segmented view of the customer base."

Top line findings from the regulatory survey are:

- Regulators understand that monthly bills, reliability, restoration time, bill accuracy, and complaint resolution are very important drivers for customer satisfaction
- Regulators are more likely to penalize utilities for poor customer satisfaction scores than reward utilities for excellent customer service
- Complaint statistics are the most important driver of regulator perceptions on the "voice of the customer" and utility's performance vis-à-vis customers, followed by staff reports
- Operational metrics are used by some commissions to measure utility performance, usually due to customer complaints that led to increased reporting requirements and, in a few cases, mandated service levels

- The operational metrics mostly likely to be tracked and reported are service levels at the contact center and reliability metrics
- A majority of respondents recognize that operational metrics do not fully capture the drivers of increased customer satisfaction
- Commissions are open to utility requests for additional customer-focused investments and considering new issues (improved pricing, payment, or service options; investments in CIS; new service options and channels; and new interactive technologies) but there is no guarantee of opportunity for utility earnings rather than simply operating expense recovery
- Two-thirds of respondents are open to the proposition of turning improved customer service into an earning opportunity for the utility, rather than simply treating it as an operating expense
- Utilities could have an opportunity to leverage regulatory discussions and proceedings to consider performance-based ratemaking (PBR) to explore a customer angle
- "Alternative metrics" (customer effort score and net promoter score) are viewed cautiously and there is very slow acceptance
- There is an appreciation of the case-specific nature of new investments and the need for careful treatment of the complexity of new digital strategies
- Regulators are open to an argument that certain customer segments (e.g., residential solar customers or low-income customers), have significantly different needs and requirements than the general customer base; therefore, a different customer service model with different metrics will need to be considered

"There is definitely a positive story in the findings," continued Wimberly. "Two-thirds of regulator respondents are open to the proposition of turning improved customer service into an earning opportunity for the utility rather than simply treated as an operating expense. This is an intriguing prospect but a different case will need to be made by utilities."

For a free copy of the report, go to: http://defgllc.com/.

DEFG is a management consulting firm specializing in consumers and consumer-facing offerings in the utility sector. We believe that customers are the future of energy. Since 2003, we have helped clients create value in a commodity marketplace. In our rapidly changing marketplace, customer engagement is key to success, and our clients learn to better engage with residential and commercial customers. These customers provide unique resources, reduce risks, and increase revenue potential.

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