



Office of Utility Regulation

Guernsey Electricity Limited: Quality of Service

Report on the Consultation

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1 Introduction

As the sole generator, conveyor and supplier of electricity in Guernsey, Guernsey Electricity Limited (“GEL”) operate under a licence granted by the Office of Utility Regulation (“OUR”). The licence includes certain specific conditions relating to quality of service which are designed to ensure that the company meets quality of service targets and enable the Director General of Utility Regulation (“the Director General”) to receive sufficient information to monitor compliance.

In September 2003 the OUR published a consultation paper¹ entitled “Guernsey Electricity: Quality of Service”. The paper provided background information on the role of service standards within a regulatory regime and how quality of service requirements were included within GEL’s licence. The paper then set out GEL’s existing service standards and the company’s actual performance during 2002/03 and for the current year to date. The Director General welcomed GEL’s commitment to quality of service² and the company’s introduction of service standards in compliance with its licence conditions and noted that the company has exceeded 15 of the 17 targets it set itself in the first year of operation as a commercial entity.

However in order to demonstrate the impact of competition and regulation on quality of service in other jurisdictions the Director General presented benchmark service standards and compensation schemes in a number of European Commission Member States.

The purpose of the consultation paper therefore was to review GEL’s existing service standards in the light of the company’s actual performance and international best practice and to seek the views of interested parties on the Director General’s proposals for:

- extending the range of service standards and setting targets for new service standards which the company would be required to achieve;
- tightening the targets for the existing service standards;
- changing the status of some standards from an overall standard to a guaranteed standard which means customers would be able to claim compensation should GEL fail to achieve the required standard; and
- making a number of changes to the compensation regime in the light of international best practice.

OUR received three responses to the consultation as listed below:

- GEL;
- Mr Gary Blanchford; and
- Mr Stephen John.

The Director General wishes to thank those who have responded to this consultation paper for their contributions and in accordance with the Director General’s policy on consultation set out in Document OUR 01/01 – “Regulation in Guernsey; the OUR Approach and Consultation Procedures”, non-confidential responses to the

¹ Document OUR 03/28

² Guernsey Electricity Annual Report and Accounts 2002/03

consultation are available for inspection at the Office of Utility Regulation in normal working hours.

This report sets out the Director General's conclusions on the issues raised in the consultation following detailed consideration of the responses received. The benchmark information, GEL's current targets and levels of compensation and the company's current performance and the responses to this consultation have informed the Director General's proposals for quality of service standards to come into effect from 1st April 2004.

The paper addresses the four principal issues raised in the original consultation paper (i.e. extending the range of service standards applicable to GEL, tightening the targets for existing service standards, changing status of some standards from an overall standard to a guaranteed standard, and amending the compensation regime). Specific comments on the proposed guaranteed service standards and overall standards are addressed in sections 3 and 4, respectively. Each of these sections concludes with the Director General's position on these issues.

Section 5 summarises the position relating to other overall measures of performance and explains how these other measures will be addressed in GEL's Monitoring and Development Plans and concludes by setting out in section 6 the next steps in the process.

2 Comments on Proposals

2.1 *Extending Range of Service Standards*

Having reviewed service standards required of operators in other jurisdictions the Director General proposed to introduce a number of additional service standards for GEL relating to:

- Appointments for visiting customers;
- Notice for payment of compensation;
- Moving a meter; and
- Reconnecting disconnections for non-payment.

The Director General invited comments on this proposal to extend the range of service standards to include and asked whether there were any other service standards that should be extended to apply to GEL.

Comments

Of the two respondents who responded on this issue one agreed with the Director General's proposals in their entirety whilst the other agreed in part with the proposals. Specifically GEL agreed to the introduction of standards for making and keeping appointments, notice of payment of compensation and moving a meter (subject to specific detailed comments which are described in sections 3 and 4). GEL however did not see the need to introduce a service standard for reconnecting disconnections for non-payment taking into account the low numbers of disconnections within Guernsey (one disconnection in 2000/1, zero in 2001/2, one in 2002/3 and three in 2003/4 to date).

Director General's Position

The Director General welcomes the broad support for the proposals for extending the range of service standards which should apply to GEL. However, the Director General, acknowledging the fact that there are a low number of disconnections each year, considers that it is not necessary at this time to introduce an overall standard for reconnections but will keep the number of disconnections under review.

The Director General is of the view that GEL should introduce service standards from 1st April 2004 for;

- Appointments for visiting customers;
- Notice for payment of compensation; and
- Moving a meter.

2.2 Introducing Guaranteed Service Standards

In accordance with best practice in the UK the Director General proposed to reclassify GEL4a (estimating of charges) and GEL5 (supply interruption) Overall Standards as Guaranteed Standards for which GEL would be liable to pay compensation for any service failure in individual cases. The Director General also suggested that for Guaranteed Standards the concept of a percentage target is of little value and performance should be measured by the number of compensation payments made instead. Comments were invited on these proposals.

Comments

There was no consensus view between the two respondents who commented on this proposal. One respondent agreed with the proposals and suggested that it would also be appropriate to reclassify OS4 (correspondence) and OS6 (pollution) on the basis that this would promote good business discipline and practice. The second respondent agreed that GEL5 (supply interruptions) should become a guaranteed service standard with effect from 1st April 2004, but believed that GEL4a (estimating of charges) should only become a guaranteed service standard with effect from 1st April 2005. The rationale for delaying the introduction of GEL4a as a Guaranteed Standard was primarily the time needed for the compilation of good quality service cable records within the company. This was anticipated to be available in 2005/6 and would facilitate the company's ability to speedily and accurately respond to requests for estimates.

The respondent agreed with the Director General that for Guaranteed Standards the concept of a percentage target is of little value and that these should be removed and that performance against Guaranteed Standards should be measured by the number of compensation payments made.

Director General's Position

The Director General notes the suggestion to include dealing with correspondence and responding to pollution as Guaranteed Standards, but is takes the view that at the current time it is sufficient that operational standards be treated as Guaranteed Standards as is the case elsewhere.

The Director General also notes GEL's proposal to make the estimating of charges for simple works a Guaranteed Standard in 2005 rather than 2004. Whilst acknowledging that the company will have better information once the operational information systems are updated, the Director General considers that this is an important service standard for customers and should be addressed sooner than 2005. However, the Director General is conscious of the current performance levels for this standard and the company's on-going improvements to its asset management database. Therefore the Director General believes it would be appropriate for this to become a Guaranteed Standard with effect from 1st April 2004, but with a reduced rate of compensation at £10 for the first year of operation, rising to £25 on 1st April 2005.

The Director General welcomes GEL's support for monitoring the company's performance against the Guaranteed Service standards by the number of compensation payments made rather than using percentage compliance.

2.3 Proposals to Tighten Service Standard Targets

The Director General whilst noting that that GEL exceeded its targets for 15 of the 17 original service targets in 2002/03 (and is achieving a similar level of performance in the current year to date) believed that in order to reflect developments in a competitive market it would be appropriate to tighten the quality of service standards for existing service standards. The consultation document proposed a range of tighter targets for the various Standards listed and these are addressed in section 3.

Comments

One respondent agreed with the Director General's proposal to tighten existing service standards to mimic effective competition. Another respondent did not agree that competitive markets automatically deliver better customer service as companies differentiate themselves on a range of factors including price and quality.

Director General's Position

The Director General acknowledges that in competitive markets where customers have a choice of different suppliers, companies will position themselves to exploit a competitive advantage to differentiate themselves from other operators within the market. For example low cost airlines, as suggested by one respondent, offer a basic service at a significantly lower cost to traditional national carrier airlines and thus provide consumers with greater choice.

Where products in a market are homogeneous however, companies will attempt to differentiate themselves from competitors on other factors including customer care. This implicitly assumes that customers do in fact have a choice of supplier. Competition promotes price competition, choice and innovation and where competition is not possible regulation has a role in promoting consumers interests.

Given the absence of competition in the Guernsey electricity market, the Director General concludes that it is appropriate and in accordance with international best practice, as explained in the consultation paper, for the OUR to review and where appropriate revise GEL's quality of service standards. Furthermore the Director General has received no representations that lead her to consider that the proposed targets in the consultation paper should be amended.

2.4 Revising compensation arrangements

In reviewing GEL's original service standards, the Director General also considered it opportune to review the scope and level of compensation payments for service failure. In this regard the Director General believed that GEL's compensation payments should be brought into line with international best practice and was therefore minded to increase, where appropriate, the GEL's payment schedules to be in line with levels paid by UK operators.

Comments

One of the respondents suggested that it may be appropriate to consider what incentives the company should be given for effective customer service, rather than concentrating on penalties for failure, but did not provide any suggestions as to how this could apply in practice. Another respondent took the view that it was both inappropriate and unnecessary to require GEL to pay compensation to customers for failing to achieve Guaranteed Service Standards.

Director General's Position

In relation to both these points, the Director General believes that the reason that penalties for service failure is the most commonly applied tool for protecting customer service in regulated electricity markets in other jurisdictions is because of its simplicity and ease of application. Furthermore, the existence of penalty payments acts as a clear and straightforward mechanism to incentivise the company to provide good service – thus avoiding the penalty payment.

In the light of the above, and the fact that no practicable alternatives to the proposals in the consultation paper were suggested, the Director General considers that the application of a compensation regime for GEL's customers is in accordance with international best practice, consistent with the regime that has been developed in the postal and telecommunications sectors within the Bailiwick and in the best interests of customers. The Director General has therefore decided it appropriate to revise GEL's compensation regime to reflect practices in the UK.

3 Guaranteed Service Standards, Targets and Compensation Levels

Two respondents to the consultation provided detailed comments on the proposed Guaranteed Service Standards which have been considered in setting the final service standards in Table 1 below:

Having taken into account the responses to the consultation the Director General considers the GEL should adopt Guaranteed Service Standards to come into effect from 1st April 2004 as shown in Table 1.

Table 1: Guaranteed Service Standards for Guernsey Electricity Limited

Reporting Code	Service	Performance Level	Penalty Payment
GS1	Service Fuse Failures	To repair faults inside GEL's electricity network within three hours of notification.	£25
GS2	Restoring Supplies	Supplies must be restored within 18 hours (except in exceptional circumstances as approved by the OUR).	£50 domestic customers, £100 non-domestic. Domestic and non-domestic entitled to £25 for each additional 12 hours.
GS3	Providing a Supply	To connect new customers with an existing supply of electricity within three working days	£25
GS4	Supply Interruptions	To give customers at least five working days notice when the supply of electricity is to be temporarily interrupted during planned maintenance work.	£25
GS5	Voltage complaints	To investigate the reasons within seven working days and correct within six months.	£25
GS6	Charges and Payments	To answer queries regarding charges and payments within three working days	£25
GS7	Meter Disputes	To investigate and explain why meters might be operating outside acceptable margins of error within seven working days.	£25
GS8	Pre-payment meters	When a GEL prepayment meter has failed, GEL will visit the customers' premises within four hours of notification	£25
GS9	Changing a meter	When a customer wants to change method of payment or tariff, GEL will change the meter within seven working days.	£25
GS10	Making and Keeping Appointments	GEL must offer and keep a morning or afternoon appointment, or a timed appointment if agreed with GEL (within 30 minutes and excludes non-core business).	£25

GS11	Notifying customers of payments owed under the standards	Payment to be made within 10 working days (excluding exceptional circumstances approved by the OUR).	£20
GS12	Estimate of charge	When a new electrical supply needs to be installed or an existing supply altered, GEL to provide an estimate of the charge within five working days.	£10

4 Overall Service Standards and Targets

One respondent agreed with the proposed overall standards. The other respondent saw no need to tighten the targets for the overall standards simply because the company had exceeded the targets in the previous year. The Director General however takes the view that as the original target levels were set by GEL it is appropriate to review and revise the targets in the light of the company's actual performance. The Director General welcomes the fact that the company has been able to exceed its original targets and in the light of this fact, and in order to ensure that service standards continue to improve over time, it is appropriate for the targets to be revised upwards.

The Director General considers GEL's Overall Service Standards from 1st April 2004 should be set as shown in Table 2.

Table 2: Overall Service Standards for Guernsey Electricity Limited

Reporting Code	Service Standard	Service	Target
OS1	Restoring Supplies	Minimum percentage of supplies to be reconnected following faults within three hours.	90%
OS2	Estimate of charge	To be provided within 15 working days if significant network reinforcement is required.	97%
OS3	Meter Readings	To obtain actual meter reading from all customers at least once a year.	99.5%
OS4	Customer correspondence	To answer supply or distribution queries within 10 working days.	100%
OS5a	Cable Enquiries	Respond to single site / cable enquiries inside one hour	97%
OS5b	Cable Enquiries	Respond to multiple site / cable enquiries within two working days	98%
OS6	Pollution	Answer complaints regarding pollution within eight hours of notification.	98%
OS7	Relocating meter	Relocating meters at customer's request within 15 days.	95%

5 Overall Quality of Service Measures

The Director General is pleased to note that GEL already measures indicators that are similar to the overall measures of quality of service that are tracked and reported on in other jurisdictions. This provides valuable and useful information on the company's overall performance. For example, the Customer Minutes Lost ("CML") doubled between 2001/02 and 2002/03 increasing from 34 minutes to 68 minutes (compared with a UK average of 83.7 minutes in 2001/02). Furthermore, GEL's Annual Report shows that there were increases in the number of high and low voltage faults during 2002/03, with the number of high and low voltage faults increasing from 15 and 109 in 1998/99 to 33 and 199 in 2002/03 respectively.

The Director General believes that these indicators represent important measures of the overall quality of service to customers and that they are best addressed in the company's Monitoring and Development Plan. This will allow for a thorough examination of the underlying network and any reasons for trends in the existing measures, thus facilitating the setting of targets that are relevant to Guernsey.

6 Next Steps

This report sets out the customer service standards which the Director General considers should come into effect from 1st April 2004. The Director General will require GEL to prepare Monitoring and Development plans which encompass these standards, as well as the overall standards described in section 5.

The Director General wishes to thank again all those who participated in this consultation and believes that these targets will benefit consumers and are both challenging and achievable for the company.

/ENDS