

REGAINING CUSTOMER CONFIDENCE

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ABSTRACT

Within Swedenergy, the electricity industry – both distributors and suppliers – launched a programme in 2004 covering 33 points for joint action with the basic aim of regaining customer confidence. Following deregulation of the market in 1996, the industry came under heavy pressure and began to gradually lose public support and customer confidence. The motive for the programme was to “get the industry’s own house in order”. Of these 33 proposals, some have been ratified as new laws while others have been adopted as internal industry recommendations. Among the five problem areas, we can already see improved customer confidence in one of these: the customer-perceived readability of billing information has improved by 15 per cent in the past three years. But the outcome of entire initiative is more long term.

Background

For years, the electricity distribution companies in Sweden have been struggling with a lack of confidence among customers. Deregulation of the electricity market in 1996 was the starting point for many changes. But repeated outages during the winter gave rise to increased criticism of the industry.

Parallel to this, the industry was not ideally equipped to meet the new needs of customers in a deregulated market. A great number of problems were identified that were related to large movements among customers on the supply side. Every customer that wanted to switch supplier initiated a process that also involved the distribution company. Many complications arose and it took a long time to get all the details sorted out. In the end, the entire electricity sector was subject to growing criticism, a deteriorating reputation and lower confidence among customers.

Major investments coming up

The Swedish electricity distribution industry will be investing more than 5 billion Euro over the next five years.

Sweden’s electric power industry has come under attack in recent years as public and customer confidence has plummeted to record low levels. Criticism has been directed

to both suppliers and distributors of electricity, with a focus on the following areas:

- The players in the electricity market were clearly not prepared to meet the demands sparked by increased customer mobility after deregulation of the market in 1996. These problems were further aggravated at the end of 1999 when the final obstacles to total mobility were removed. A barrage of negative publicity was devoted to what were considered overly complex and confusing billing statements, unreasonably high electricity bills resulting from problems in connection with annual meter reading and excessive waiting times for customer service. Suddenly, the power industry was “fair game” for journalists and critics – a situation that was partly warranted.
- In response to a series of major distribution disturbances caused by winter snow storms in the late 1990s, the electricity transmission companies were threatened with stricter legislation. To avoid this, the industry launched a voluntary contingency collaboration with self-imposed penalties for customers exceeding 24 hours interruption that has been highly effective.
- Recent years’ price turbulence on the Nord Pool power exchange has created insecurity among electricity customers. Furthermore, the introduction of the EU Emissions Trading Scheme has added to the Nordic power producers’ already high profits, due to their large share of hydro and nuclear production – while customers have seen their electricity bills rise sharply. The latter was the most damaging strike against the power industry.

After an alarming surge in negative public sentiment during 2001, the industry decided to take action. There was a growing awareness that the electricity companies should solve their own problems; that they were on their own. There was also a threat that legislators would take action unless the industry itself did its own homework.

Analysis and method – five problem areas identified

Within Swedenergy, the industry initiated a project to

identify and analyze many of the central problems affecting customers in their contacts with suppliers and distributors. A large-scale study was carried out in the spring of 2004, led by Cap Gemini, to subjectively review and catalogue the problems experienced by electricity customers in all types of contacts with their electricity companies. In this extensive inventory, the problems were grouped in five main areas for joint action. One critical condition was that the measures decided upon had to be competition-neutral. These are the five problem areas that were identified:

- Supplement the current rules and propose improvements – everything from legislative texts to industry recommendations.
- Improve the flow of information between electricity sellers and distributors.
- Create the conditions for a successful electricity meter reform – effective 1 July 2009.
- Implement standardised billing information.
- Implement standardised customer information.

After the analysis was finalised, a total of 70 experts from 25 member companies worked on a tight schedule to formulate proposals for measures to eliminate various obstacles. In total more than 30 proposals were put forward. These covered the entire range from minor adjustments in the current industry recommendations to whole new laws.

In the next step, the entire industry – consisting of nearly 170 distribution companies and 120 electricity suppliers – has been deeply involved in implementing all the agreed changes in their day-to-day operations.

Daily newspaper headlines about an industry in which the elementary hygiene factors were lacking cast a pall over the entire sector. The industry had problems carrying out simple annual meter readings, and it seemed almost impossible to implement simple and secure routines – between electricity sellers and distributors – when customers change supplier or move to a new address. It was obvious that the industry did not have sufficient routines to carry out these everyday tasks with high quality assurance.

The Swedish power industry had to realign itself to the demands of the 21st century.

What did we do – and what was the outcome?

Problem area one – to strengthen the current laws and rules – resulted in a number of proposals. Most of these have later been adopted as new legislation and industry recommendations for daily routines. This paper will not address this problem area any deeper, instead it will focus on the others.

One main problem was the difficulty of finding accurate systems for identification of customers that the entire

industry could agree on.

- **GSI and social security number as ID**

How are electrical installations and electricity customers identified? The industry has no uniform standards for this. Instead, 168 electricity distributors might be forced to coordinate as many as 168 different systems for transmission of computer-based information. For obvious reasons, it just wasn't feasible. The human factor had been given too much importance, rather than deploying reliable automated routines to eliminate error-prone manual tasks.

One solution was to identify all 5.2 million household customers by using their social security numbers. However, effective 1 March 2009 – electrical installations will instead be identified by GSI numbers, previously known as an EAN codes, a practice that is now in full swing and working well.

The results so far? The board of Swedenergy decided that the reform with GSI numbers should be finalised by 1 March 2007. It seems as though companies accounting for 99.9 per cent of the customers were on board from day one, which is a significant and encouraging result.

The experience from Norway, which introduced EAN numbers a few years back, showed that the new system eliminated around 50 per cent of the problems in customer service. We have reason to believe that we will see the same effect in Sweden.

- **Huge exchange of computer-based information**

Creating the conditions for a successful meter reform effective 1 July 2009 – requiring investments in the range of SEK 15 billion – was another main area of the customer offensive. In the early phase of analysis in 2004, one key question was whether our industry could agree on a common vision to handle the huge volumes of meter readings being transmitted between electricity distributors and suppliers. This was a source of many problems and negative headlines in the media.

Every year, around 500,000 customers change supplier and some 600,000 customers change address. More than 5 million meter readings are transmitted yearly and these numbers can be expected to grow further. As of 1 July 2009, when Sweden has completed its nationwide meter reform and all of the country's 5.2 million customers have hourly metering and usage-based billing, these data volumes will increase tenfold.

The answer is a something known in Sweden as EMIX, a computer-based monitoring system to which all players in the electricity market are connected. EMIX will facilitate the exchange of customer-related information regarding change of supplier and/or change of address. Another major benefit is that the system will dramatically enhance quality

assurance. The objectives for the system are to ensure:

- Efficient transmission of data
- Only quality controlled data may be transmitted
- Clear responsibility regarding master data.

When this step has been taken, we have reasons to believe that we have done our “homework”. Then, if not before, we have the opportunity to go from being a harshly criticised and questioned industry to regaining our position as a respected supplier of vital goods and services.

Initially, EMIX is planned to be a non-profit company owned by the industry. This will most likely be implemented during 2008.

- **An industry that speaks the same language**

One of the other priority areas – standardised billing information and customer information – can be summed as “getting the industry to speak the same language”.

For a long time, the power industry had overlooked the importance of speaking a universally understood language with its customers. For this reason, standardised texts were formulated to describe the six or seven most common situations when customers contact their electricity supplier or distributor. The package also included an industry-wide glossary and several other printed materials – all for the benefit and convenience of our customers. These have now been translated into Sweden’s most common minority languages – Finnish, English, Arabic, Croatian, Serbian and Bosnian.

Why are electricity bills so complex and confusing? In reality, our bills contain only four different charges – two fixed and two variable for the distribution and the sales of electricity respectively. Despite this, the working group assigned with this task came up with a list of nearly 40 different terms currently in use!

To make the billing information easier to understand, the industry has agreed on a standardised terminology and layout. Another key objective has been to simplify the way basic facts are presented. Once again, customers should be able to recognise the important billing information regardless of which company issues the invoice.

Strong criticism from customers

Our recurring opinion polls in collaboration with Synovate show that the electric power industry’s foremost positive values lie in reliable deliveries and infrequent outages, according to 69 per cent of Swedish respondents. Opinions regarding the industry in general are rather less flattering, with around 50 per cent of Swedes stating that:

- We lack strong ethics and morals (55%)

- We do not put the customers first (60%)
- We do not use reader-friendly wording and terms (50%).
- We do not take our responsibility (44%).
- We have no strong commitment to the environment (44%).

As highlighted in this paper, we are confident that we will improve the rating of the industry in future customer surveys.

Conclusions

With these examples I have tried to describe a unique industry manifestation – at least in our country. One can say without a doubt that no other industry in Sweden has taken this kind of joint action to strengthen customer relations and once and for all regain both customer respect and customer confidence.

With this massive programme, the Swedish electricity distributors have paved the way for much better customer service and handling in their day-to-day operations. In a few years time, this will hopefully have earned the industry a better reputation.

What can fail? Remember that the programme is based on voluntary action – to avoid new and stricter laws. The success of this voluntary action relies on the commitment of everyone – and I mean everyone – in the industry to adopting and following the new rules.

As a whole, the situation currently looks better than only a few years back. Further actions may be needed, but for now it is likely that the suggested actions, and the actions already taken, will result in a clear lift in the customer confidence for the electricity industry.