

INTRODUCING CUSTOMER PROMISES IN SWEDEN AND FINLAND

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ABSTRACT

This paper describes Vattenfall Distribution Nordic (VfDN) introduction of customer promises in Sweden and Finland for network customers. In order to meet the customers in a uniformly way and at a common starting point, Vattenfall Distribution Nordic introduced customer promises during 2009 (Finland) and 2010 (Sweden).

These promises will act as a “declaration of goods” which, on one hand, tells the customers what to expect from VfDN and, on the other hand, tell VfDN what its commitment is regarding delivery and service to its customers. It is VfDN s’ conviction that this will lead to increased efficiency, quality and customers satisfaction.

INTRODUCTION

In the Nordic electricity market the distribution system operator (DSO) and the electricity supplier are completely legally separated and the customer must sign an agreement with each and one of them. This means that the customers have a direct business relation with their DSO. Each DSO has a network concession within its geographical area which leads to a monopoly situation. The network operation is regulated and supervised by The Energy Markets Inspectorate (Energimarknadsinspektionen, EI) the Swedish energy regulator.

It is VfDNs conviction that by introducing customer promises in this situation, we and our customers will gain several positive effects. Customer satisfaction and perceived value of our customers will increase at the same as we, as a DSO, will be more efficient and improve our quality of service.

BACKGROUND AND MARKET SITUATION

General

In the electricity network market the regulatory authority has a strong and vital role. The regulation will impact, most significantly, the DSOs’ activities and its relationship to its customers. The DSO may experience limitations in action due to the regulation and that a lack of competition for its operations makes it difficult to understand how well their business really works. Evaluations and measurements have to be done through benchmarks and customer surveys. The customer, on the other hand, may feel that they have a “weak” position with few or no alternatives. The possibilities to affect or influence their DSO are limited.

The customer is dependent of that the regulatory authority is defending the customer rights and interests in an acceptable manner. In a competitive market there are other companies to turn to if they are not satisfied.

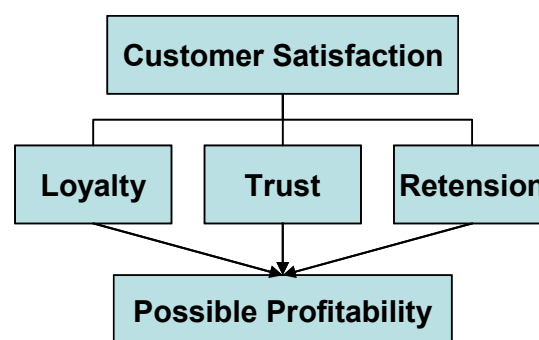
Regulation

On the basis of an EU directive there is an ongoing intensive work regarding new regulation of the electricity market. According to this EU directive all EU members shall establish ex ante regulation for the DSOs’ revenues. In Sweden, it means that from year 2012 revenues of about 170 DSOs will be decided in advance by the regulator (EI), and not as until now examined retrospectively.

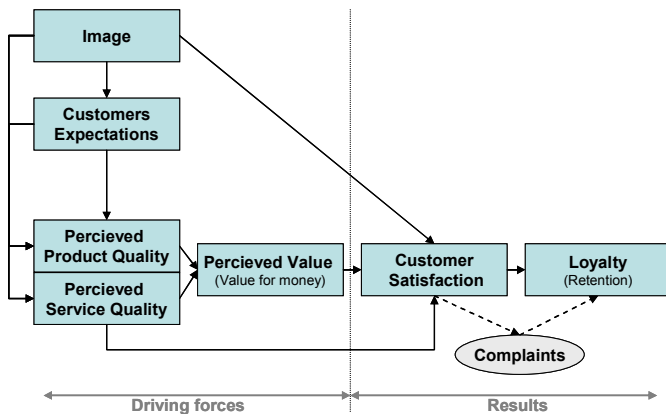
This will have a major impact on the DSOs’ activities. It requires long-term and stable planning, and even a better follow-up. The new regulation includes requirements for quality improvement and requirements of annual efficiency of the affectable costs. The regulation also provides incentive for continuous investments in the electricity network. Vattenfall DN believe that our customer promises will contribute to our work to meet these new regulatory requirements.

Customer satisfaction

It is of outmost importance for a company, to understand its customers and their expectations and how well you manage to meet them with your products and services. One way to measure this is by using CSI, which is a widely accepted research model and indicator. Indeed, there are different variations but the basic principles are the same. It is important in context to understand the relationship between customer satisfaction and possible profitability. The picture [1] below shows just this connection.



The market and corporate image create customer expectations. These are then compared with the perceived product and service quality. This results in perceived value for money. This in turn leads to customer satisfaction and loyalty.



To increase the perceived value for money and thereby increase customer satisfaction, it is required, according to the model [2] above, to create some kind of added value to a company's products and services. It can for example be an increase in quality. In a competitive market it is evident to do a deliberate positioning of the company and its products and services. This positioning must be constantly reviewed because of the market dynamics and its constant change. By offering customers some kind of added value it enables the company to differentiate itself relative its competitors and thereby create advantages. In a regulated monopoly market where development has historically been technology driven, this might not be very clear and obvious.

A recent survey of customer satisfaction in the Swedish electricity market shows the following [3]:

- DSOs have in general low customer satisfaction values
- the three major DSOs (Vattenfall, EON and Fortum) are well grouped and well below those DSOs that are "best in class"
- Except generally low customer satisfaction values the survey shows that there is a big difference between customer expectations and the perceived price value for the DSOs' products and services.

The survey shows the need for Vattenfall DN as a DSO to actively work with customer satisfaction and value. Previously, there was nothing that made Vattenfall DN unique and differentiated from the other DSOs on the Swedish electricity market. By the introduction of customer promises for our distribution business, Vattenfall DN achieve just that.

CUSTOMER PROMISES

Brief history

Initially Vattenfall DN created and introduced two customer promises regarding billing and change of electricity supplier. Vattenfall's network company in Finland continued our work with customer promises by developing and introducing five promises in June 2009. At the Swedish market ten customer promises for household customers were introduced in April 2010. The first two and variants of the five Finnish were of course among those ten promises. Work has continued during 2010 and from January 2011 we have ten customer promises for enterprises and four promises for electricity suppliers. The customer promises for enterprises is a further development and adaptation of the previous ten promises for households.

As far as Vattenfall DN know, there are currently no other DSO that have customer promises in the same sense as those we have introduced.

Why customer promises

Knowledge of the electricity industry and how its market works vary widely between customers. This also applies to the expectations on the DSO and its services and products. By creating customer promises, Vattenfall DN tell its customers what to expect in a number of areas that we (and our customers) feel are important. You can compare the customer promises as a "declarations of goods".

Customer promises contributes partly to create a common starting point and "playing field" for the customer dialogue. By providing clear service commitments Vattenfall DN improve the opportunities for constructive and fruitful dialogue. In several cases the focus of the dialogue moves, for example from whether it should be a compensation or not to whether the compensation is adequate or not.

Customer promises is a completely voluntary commitment to the customer that is better than the general conditions. This shows Vattenfall DN's ambition and willingness to stretch itself beyond what regulatory authority requires.

Due to the customer promises our customers, wherever they live geographically or how they contact us, will be managed and compensated uniformly. The result is a greater clarity and efficiency of our own staff and it helps them to avoid unnecessary discussion and handling that ultimately may affect our customer and the customer satisfaction.

Clear promises to customers create clear commitments internally in a number of focus areas for activities. Of course Vattenfall DN's goals and target settings internally is more detailed, but summarized, they shall contribute to and support the individual customer promises. By working in the customer interface more clearly, allows our business control to partially move from technology-oriented to more customer- and market-oriented.

Customer promises and the dialogue with customer help to highlight areas of activity that need to be reviewed and improved or changed. Customer promises also have some impact on how we control our investments and our maintenance. We are experiencing our customer promises as a good tool and help in our contact with our customers and work to develop and improve our own operations.

The picture below shows the 10 customer promises introduced 1/1 2011 for our enterprise customers

Our customer promises to you

- 1. New Connection**
"You will always get your own handling officer for your new connection."
- 2. Long Outages**
"You will be economically compensated if you have a long outage."
- 3. Repeated Outages**
"You will be economically compensated if you have repeated outages."
- 4. Voltage Quality**
"If you experience lack of voltage quality, we promise to investigate it in a mutual dialog with you."
- 5. Outage Information**
"You will quickly receive actual and updated information when an outage occurs."
- 6. Invoicing**
"If you haven't received an invoice within 12* months, we appreciate all our claims older than this."
- 7. Supplier Switch**
"We have a fast handling when you want to switch supplier. We will compensate you if we are delayed."
- 8. Service**
"It shall be easy to be our customer. You'll get a dedicated contact for you errands."
- 9. My Pages (e-service)**
"You can easy access information about your connections and agreements 24 hours a day – log on to 'My pages'."
- 10. Environment**
"We promise to environment compensate all possible emissions of greenhouse gases from our network equipment".

More info at www.vattenfall.se

Evaluation and follow-up

Because of our customer promises recent introduction, we have not been able to do any extensive follow-ups. Therefore we can not do any deep analysis or draw any firm conclusions on how well we succeeded or how much the introduction of our customer promises has affected our business. However, we can note that the introduction of the initial two customer promises have led to significant improvements and reduced costs. We can also see that about 23 500 household customers in Sweden have received some type of compensation since the introduction in April 2010.

CONCLUSION

We have in connection to the introductions of our customer promises received much attention and positive reactions. As customer promises are something new to Vattenfall DN as a company (and to the industry), we will actively and continuously try to adapt, develop and improve our promises. It is our belief and conviction that the promises contribute to a win-win situation for us and our customers and we also hope that they will influence the market and its various stakeholders in a positive direction.

REFERENCES

- [1], [2], [3]
Svenskt Kvalitetsindex. Mari Nilsson, Johan Parmler, 2010-12-13. "Pressinformation Elbranschen och Fjärrvärme 2010 enligt Svenskt Kvalitetsindex", p 3, 8-9.