

December 2019

Appendix 07.03.03

Rapid response to your enquiries and complaints

This output case describes our overall approach to setting the standards that all of our customers love and others aspire to in how we respond to and resolve customer enquiries and complaints.

In RIIO-1, our complaints handling performance was measured through a metric which brought together four aspects with various weightings to calculate a score. A fixed baseline target based on upper quartile performance during 2011-12 was set to incentivise improvements beyond this level over the period.

In RIIO-2, these improvements will be built upon through the following commitment:

- Re-baselined complaints metric score based on RIIO-1 performance. This will increase the minimum target and raise the bar in terms of performance levels for RIIO-2 by over 50%.

We have already seen significant performance improvements from the changes made to our complaint handling process in RIIO-1 and we want to stretch ourselves and to develop a similar metric for handling general enquiries. Therefore, we will:

- Establish an Enquiries handling metric which encourages rapid response and resolution of enquiries.

We will deliver:

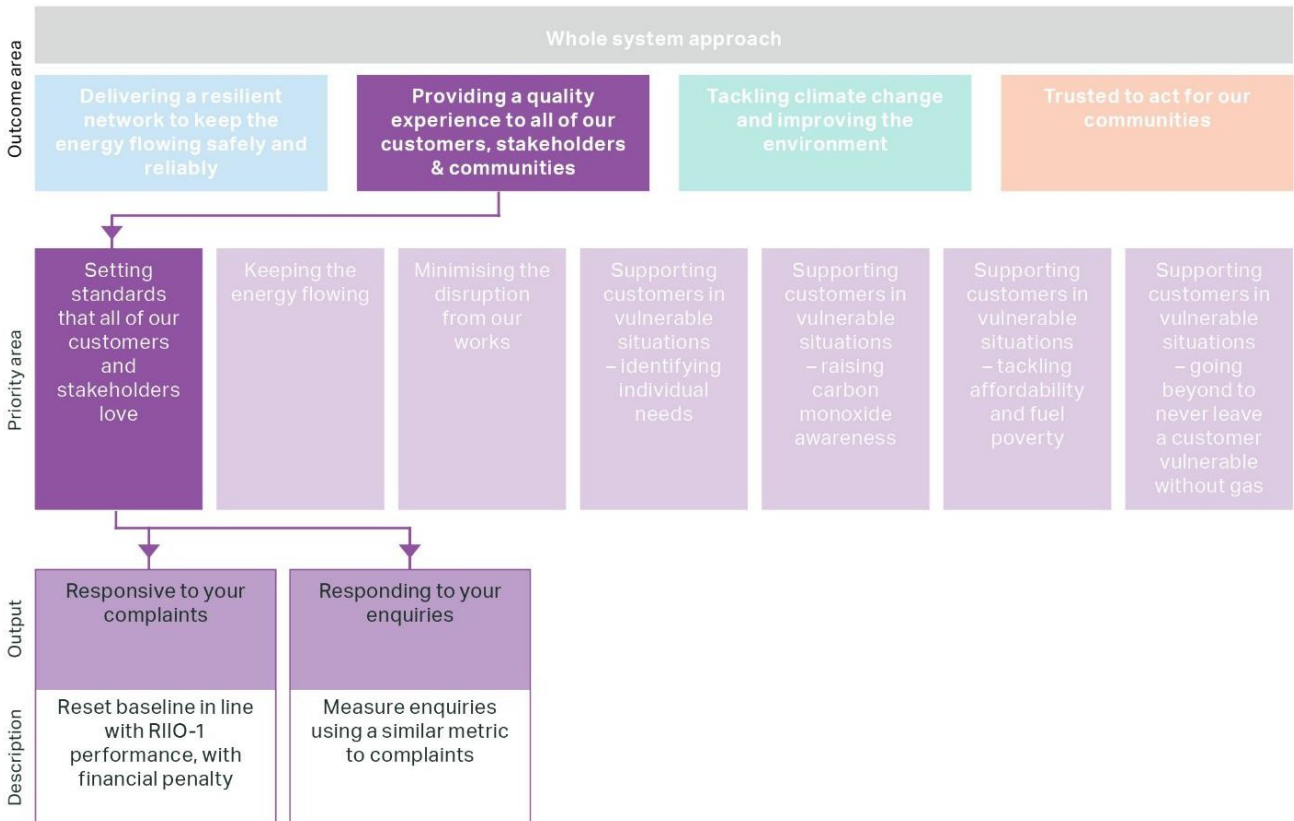


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How we have developed our proposals

1. **We started with our vision** - in order to deliver standards that all of our customers love, and others aspire to, we must measure and improve our response to ALL types of customer contact. This includes the resolution of complaints and enquiries.
2. **We reviewed how we currently measure this** – Measurement of complaints handling performance through a weighted metric has driven significant improvements in speedy resolution and ensuring customers do not have any repeat complaints.
3. **We assessed our customer service performance** – During RIIO-1 we have improved our complaints handling performance significantly. We are now consistently closing over 75% of all complaints raised within 24 hours. Part of this improvement has been driven by regionalising our customer service provision and giving accountability to local teams.
4. **We have applied our own lessons learnt from RIIO-1** – Changes we have implemented to improve the overall complaints handling process can be applied to all types of customer contact, including enquiries, however, a robust baseline must be set.
5. **This provided us with a clear problem statement** – We must continue to make improvements in complaints handling and expand our measurement to include enquiries.
6. **We gathered insights from historic experience and targeted engagement** – There are common reasons why customers complain or enquire. The most common causes of a complaint relate to a lack of communication, reinstatement quality and/or a lack of respect being displayed by an engineer. We must learn from these experiences in order to stop future contact and resolve issues more quickly.
7. **We have looked at what others are doing** - There are several methods of measuring complaints and customer contact, including response times, volumes and reasons for contact.
8. **We assessed how far the current measures and Ofgem's proposed measures take us against our ambition** – Although we support the continuation of the complaints handling metric and the re-baseline of targets to make further improvements, measurement should be expanded to encourage rapid resolution of all customer contact, including general enquiries.
9. **We have developed and considered a number of options** - Based on these insights and best practice we have developed two options; continue with a complaints metric with re-baselined targets and measuring both complaints and enquiries handling.
10. **We have undertaken qualitative business options testing of our proposals** – Customers highlighted that clarity and regularity was valued when we communicate with them, while ease, speed and customers not having to repeat themselves was valued when customers need to communicate with Cadent through a complaint or enquiry.
11. **Our commitments** - We are proposing that the complaints handling metric continues with improved-re-baselined targets and that a similar standalone metric is established for enquiries handling.
12. **We are not asking for funding to deliver this** – There will be zero bill impact to customers in delivering this commitment.

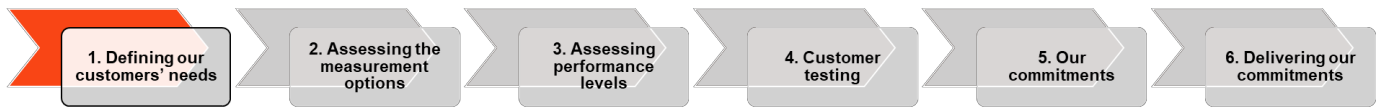
The tables below summarise our commitment in this area:

Table 1 Summary of our commitments

Responding to your complaints	
Common / Bespoke	Common
Output type	Output Delivery Incentive (F-)
Comment	Reset baseline in-line with RIIO-1 performance, with financial penalty
Target	To be determined
Cost implications (annual)	N/A
Incentive range	Up to -0.5% of revenue
Consumer Value Proposition (CVP)	No financial CVP, qualitative benefits only

Responding to your enquiries	
Common / Bespoke	Bespoke
Output type	Output Delivery Incentive (R)
Comment	Measure enquiries using a similar metric to complaints
Target	Targets to be developed in RIIO-2 once metric established
Cost implications (annual)	N/A
Incentive range	N/A
CVP	No financial CVP, qualitative benefits only

1. Defining our customers' needs



1.1. What is the area?

At Cadent, we manage four of the eight gas distribution networks in the UK. Stewardship of networks, which a large proportion of the population depends upon, brings a responsibility to respond promptly and appropriately to our customers' needs and concerns.

We strive to ensure that customers are delighted with the service they receive from Cadent, but we recognise things do not always go as planned. When this happens, it is important for us to put things right for our customers quickly, efficiently and to their satisfaction. Likewise, customers may need to contact us to answer their queries and we must ensure that we respond quickly and that we effectively answer their questions.

The current complaint-handling metric, established in RIIO-1, drives GDNs to resolve complaints to a customer's satisfaction efficiently and effectively. This metric has driven significant improvements across all of the networks, and it is important that we continue to make further improvements to our complaints-handling performance in RIIO-2. In addition, following the success we have achieved we should strive to rapidly respond and resolve all forms of customer contacts, including enquiries received, from all our customers across all communication methods or platforms.

1.2. Why is it important to customers and stakeholders?

We have established a comprehensive customer strategy that supports a shift in culture across the organisation (see Chapter 7.3 of our Business Plan). This will encourage and reward actions and behaviours that deliver outstanding customer outcomes. It places customer service at the heart of what we do and will ensure that we continue to meet and exceed the expectations of our customers and stakeholders. As part of this it is essential that we respond to, and effectively resolve, any concerns, complaints, or queries in a timely and efficient manner.

In the age of social media and rapid communication, this is increasingly important and has become an expectation from our customers. We have a range of communication channels that facilitate customer interaction, including our enquiries line, social media channels, our website and our immediate SMS feedback service. If customers complain or make an enquiry through these channels, we must have the processes in place to be able to respond as soon as possible and resolve any issues to our customers' satisfaction.

1.3. What insights are shaping our thinking?



We engaged with the following customers and stakeholders to discuss and understand how we can improve how we manage and respond to customer enquiries and complaints.

Table 2 Customer and stakeholder groups engaged

Customers	Industry stakeholders
<ul style="list-style-type: none"> • Domestic customers • Customers in vulnerable situations (CIVs) • Business customers • Future customers 	<ul style="list-style-type: none"> • Quality of Experience • Vision • Ofgem • Gas Distribution Networks • Ofgem

We discussed customer service with a range of customers and stakeholders to draw insights about how we can better handle complaints and enquiries. We have summarised each activity, the questions asked (where applicable), the numbers involved, and a robustness score based on the following criteria:

Criteria	Robustness		Relevance
The score shown is based on a combination of the robustness of the source information (judged on whether it was recent, direct and representative) and the relevance to this area.	<1.5	One or zero criteria met	Limited relevance
	1.5-2.0	Two criteria met	Significantly relevant and contributory
	>2.0	All criteria met	Highly relevant and contributory

Table 3 Engagement activities

Phase	Date	Source name	Source description	Questions asked	# of stakeholders	Score
Historical Engagement	May-19	Vision's Culture Review	We commissioned Vision to assess our culture, as an organisation, with a view to diagnosing the mood and culture in Cadent's operations and causes.	N/A	0	3.0
BAU Insights	Ongoing	Complaints	When customers or the public complain about our services, we try to resolve them as quickly as possible, and we are incentivised by Ofgem to do this. However, we also analyse the complaints we have received to try to identify potential common issues.	N/A	5,621	2.0
Willingness to Pay	Feb-19	Benefits Transfer Study	We commissioned NERA to draw on evidence from the gas, electricity and water sectors, and on published guidance from government departments and agencies to provide information that we can use to help value potential changes under consideration for our RIIO-2 business plan.	N/A	0	2.0
Business Options Testing (BOT)	Aug-19	Public consultation, BOT, qualitative phase, Traverse	We commissioned Traverse to conduct a survey of 2,605 members of the public to understand views on certain aspects of our business plan in each of the 4 outcome areas (environment, quality experience, trusted to act for society and resilience). The survey revealed strong support for utilities working together to minimise disruption and for outstanding customer service, as well as providing useful information on the relative importance to customers of different types of information and different environmental initiatives.	Participants were asked questions to understand their views and preferences on issues within each of the four outcome areas. On resilience, customers were asked which one single improvement we should make to reduce disruption the most. In relation to a "quality experience", customers were asked what level of service they'd love the most and how much they'd be willing to pay to ensure a vulnerable customer could get enhanced help if their gas stopped working. On the environment, customers were asked their relative preference for initiatives to achieve carbon neutrality and eliminate avoidable waste to landfill. Customers were also asked how much they knew about the	2,605	2.0

Phase	Date	Source name	Source description	Questions asked	# of stakeholders	Score
				decarbonisation challenge. Finally, for "trusted to act for society", customers were asked what was the most important information they wanted to know about Cadent and how we can help the customer / Cadent conversation flow. We also asked about their awareness of Cadent.		
Acceptability Testing	Oct-19	Phase 4 - Business interviews and surveys	We commissioned Traverse to test the acceptability and affordability of Cadent's proposed plan amongst business customers. This consisted of an on-line / face to face survey of 504 business customers and in-depth qualitative telephone interviews with 45 business customers. This showed that the plan had achieved high levels of acceptability and affordability from a business customer perspective.	Business customers were asked about the acceptability and affordability of Cadent's overall plan. If they said that the plan was unacceptable, they were asked to explain their response. If they said that it was neither acceptable nor unacceptable, they were asked what they would like to see in order to find it acceptable. Business customers were also asked to rate the acceptability of the outcome areas (environment, quality experience and resilience). Then, having learnt about the outcome areas, customers were asked as "informed customers" to rate the overall acceptability and affordability of the plan.	549	2.0
	Oct-19	Acceptability testing - final survey report on domestic customers	We commissioned Traverse to test the acceptability and affordability of Cadent's proposed plan amongst domestic customers. This consisted of surveying 4,446 domestic customers through on-line and face to face methods. This showed that the plan had achieved high levels of acceptability and affordability amongst domestic customers, including those who are fuel poor.	Customers were asked about the acceptability and affordability of Cadent's overall plan. If they said that the plan was unacceptable, they were asked to explain their response. If they said that it was neither acceptable nor unacceptable, they were asked what they would like to see in order to find it acceptable. Customers were also asked to rate the acceptability of the outcome areas (environment, quality experience and resilience). Then, having learnt about the outcome areas, customers were asked as "informed customers" to rate the overall acceptability and affordability of the plan.	4,446	2.0

Phase	Date	Source name	Source description	Questions asked	# of stakeholders	Score
Acceptability Testing	Oct-19	Acceptability testing - focus groups with the general population	We commissioned Traverse to explore the acceptability of our plans and commitments in each of the three outcome areas (environment, quality experience and resilience) with 79 members of the public in regional focus groups. Participants were supportive of our plans for quality experience and resilience, but no consensus was reached on our environmental plans.	A group discussion was facilitated to discuss views on Cadent's plans in each of the three outcome areas and participants were also asked to complete a survey to rank levels of acceptability and affordability.	79	2.0
	Oct-19	Acceptability testing - customer forum	We commissioned Traverse to explore the acceptability of our plans and commitments in each of the three outcome areas (environment, quality experience and resilience) with 109 customers who had attended previous customer forums. Overall, participants found our plans to be both acceptable and affordable.	A group discussion was facilitated to discuss views on Cadent's plans in each of the three outcome areas and participants were also asked to complete a survey to rank levels of acceptability and affordability.	109	2.0
	Oct-19	Acceptability testing - focus groups with future customers	We commissioned Traverse to explore the acceptability of our plans and commitments in each of the three outcome areas (environment, quality experience and resilience) with 20 "future customers" (16-18-year olds) in 2 focus groups. Participants were supportive of our plans for the environment and resilience but questioned whether helping vulnerable customers was part of our remit.	A group discussion was facilitated to discuss views on Cadent's plans in each of the three outcome areas and participants were also asked to complete a survey to rank levels of acceptability and affordability.	20	2.0
	Oct-19	Acceptability testing - interviews with CIVs	We commissioned Traverse to explore the acceptability of our plans and commitments in each of the three outcome areas (environment, quality experience and resilience) by interviewing 20 CIVs. Overall, our plans were supported, and all found the plans affordable.	Throughout the interviews the CIVs were explained the elements of the plan, asked to comment on whether they found each outcome acceptable, which particular elements were important to them, and whether they had any additional comments. They were also asked whether the new business plan was affordable.	20	2.0

Phase	Date	Source name	Source description	Questions asked	# of stakeholders	Score
Acceptability Testing	Oct-19	Acceptability testing - fuel poor focus groups	We commissioned Traverse to explore the acceptability of our plans and commitments in each of the three outcome areas (environment, quality experience and resilience) with 35 customers in fuel poverty in regional focus groups. Overall, participants were supportive of our plans in all three areas.	A group discussion was facilitated to discuss views on Cadent's plans in each of the three outcome areas and participants were also asked to complete a survey to rank levels of acceptability and affordability.	35	2.0
	Oct-19	Verve business plan consultation	We commissioned Verve to gather views on our plans to reduce our carbon footprint from 25 customers. We did this through an online forum with customers and stakeholders to discuss the key components that we shared on our EAP. This included our intentions to support our employees to make a positive difference to tackling climate change.	Participants were asked about their awareness of Cadent, discussed the three outcome areas (environment, quality experience and resilience), discussed the bill impact breakdown (both at present and as a result of the plan), risks and uncertainties and innovation funding.	25	2.0
	Nov-19	Verve acceptability testing stakeholder interviews	We asked Verve to interview a small number of expert stakeholders and ask for feedback on our plan.	We shared a summary of our October plan with stakeholders and asked them for feedback.	5	2.0

1.4. Engagement feedback and insights

Our insights have revealed a clear emphasis on communication and expectation setting. As these are the leading reasons for complaints, we need to more clearly and effectively communicate with our customers to provide a level of service that meets their demands. Setting expectations about the work that will be delivered, aiming for a great and inclusive experience, is needed for our customers to be left satisfied.

Internally at Cadent, we must put our customers at the centre of all that we do, and our processes need to be aligned accordingly.

These insights fed the early thinking in how we have developed our output commitments across our Plan, in particular against our Quality Experience customer outcome area. For example, communication levels and disruption were two of the main reasons cited for complaints, which led us to explore these areas in more detail during our exploratory and targeted engagement phases and later we refined our understanding of customer preferences (including their willingness to pay) through our business options testing phase. The detail of these areas is covered in our output case appendices related to the Quality Experience outcome area – see Chapter 7.3 for more details.

Analysis of our complaints handling process

Early in RIIO-1, Cadent networks were scoring around 10-11 for complaint handling (the lower the score the better, and anything above 11.75 incurs a penalty from Ofgem). Since then, the metric has driven significant improvements and we are now consistently performing at around a score of 3-4. The score reflects the proportion of complaints being closed in a day, a month, being repeated and being referred to the Ombudsman. A score of 10 broadly equates to around 40% of complaints being closed in a day, whereas a score of 3 equates to around 75% of complaints being closed in a day.

In 2016/17 we moved to a regionalised customer care model. Undertaken in response to customer demand, this move placed decision making and issue resolution as close to the operational activities as possible.

Our local decision making enables us to act promptly, including in instances where outcomes for customers have gone off track. This has proved to be a massive success, and we are resolving issues faster than we ever have before.

The success achieved in moving to regionalised service provision has driven thinking and strategy relating to our wider organisational setup. It has shaped our processes relating to customer accountabilities and created an ambition to empower local operational teams to drive improvements in customer experience.

In addition to this, we invested in automated intelligence and machine learning to sit across our emergency call handling process and identify potential statements of dissatisfaction before a complaint is formally raised. It uses language detectors and sentiment analysis to do this and refers recordings directly to the complaints handling teams. This allows us to be proactive to potential complaints, rather than react once on it formally raised.

The current RIIO framework measures complaints handling. It is important that this measurement is continued as it will help us to drive further improvements in our performance.

In addition, following the success we have achieved in improving our complaints performance there is an opportunity to drive a rapid response to all forms of customer contact.

Poor communication and expectation setting are the top complaint reasons

Our analysis of 2,000 complaints found that the four processes that our customers complain about the most are emergency response and repair (ER&R): emergency and, ER&R: repair (with 959 and 942 complaints respectively), followed by plant protection (with 65) and GSOP (with 60). For each of these processes, we identified the top three complaint reasons. The most common cause across all processes was poor communication and expectation setting.

The following breakdown shows the top three reasons and percentage of the total number of complaints per process:

Table 4 number of complaints and common reasons

ER&R: emergency (959 complaints):	ER&R: repair (942 complaints):	Plant protection (65 complaints):	GSOP (60 complaints):
Poor communication/ expectation setting: 36%	Poor communication/ expectation setting: 45%	Communication on-site/office/engineers to customers: 51%	Miscommunication: 35%
Inappropriate behaviour: 19%	Restore gas supply: 8%	Lack of staff information/ knowledge: 9%	Administrative error: 15%
Customer objection to policy: 16%	Site left untidy: 8%	Timescales: 6%	Validation speed: 12%

Putting things right will also mean focusing on restoring gas supply as quickly as possible, ensuring a reliable and safe network for our customers. All this should be achieved through a way of working that is appropriate, tidy, and respectful.

Improving communication and efficiency of response is important

Customers that took part in our public consultation in summer 2019 highlighted the importance of improving the efficiency of our responses to queries or complaints and being more accessible. Some customers suggested that keeping call centres in the UK would further enable improved communication through conversation with agents who speak English as a first language. As all Cadent's call centres are based in the UK, this was seen as favourable.

Internal readiness to catch and resolve breakdowns and measure the value of the work completed

The culture review by Vision had two main findings. One was that the business is missing channels for measuring, reporting on and having conversations about the value of work completed. The other is that Cadent is missing workflows for catching and resolving service breakdowns across our network.

Further research highlighted the importance of avoided costs. As part of its benefits transfer study, NERA noted that as part of the PR19 business planning process, SES Water estimated the value of resolving customer contacts, enquiries and complaints first time around to avoid repeated contacts on the same issue. They estimated that increasing the percentage of contacts resolved first time round by 1% was worth 1.6p per household. NERA adjusted this to reflect the ratio of gross annual pay in England and Wales to that of Sutton and East Surrey to give a figure of 1.2p per household as a more realistic estimate in Cadent's areas.

Table 5 Summary of insights

Feedback/insight	How we have addressed this
The most common cause for a complaint across all our processes was communication and expectation setting.	Effective communication is key to delivering a positive customer experience. Based on insights from our customer satisfaction survey (CSAT) and our RIIO-2 engagement, we are very aware how much customers value effective communication and we are not always consistent in delivering this. We have already moved to a regionalised customer care model that has moved decision making and issue resolution as close to the operational activities as possible. We are also committing to making a number of improvements to how we communicate, including enhancing targeted communications around our streetworks (see our Appendix 07.03.08 'Minimising disruption from our works'), improving the accessibility and inclusivity of our communication

	<p>(see Appendix 07.03.05 'Measuring and enhancing accessibility and inclusivity') and overall we want to introduce measures across all our key service offerings so we can understand and analyse feedback from a wider range of our customers and stakeholders to help us improve how we communicate (see Appendix 07.03.01 'Establishing and raising the bar for all customer and stakeholder experiences').</p>
<p>Customers highlighted the importance of improving the efficiency of our response to queries or complaints and being more accessible.</p>	<p>Following on from our move to a regionalised customer care model that places decision making and issue resolution closer to operational activities, within this appendix we go on to explore how we can apply the learnings from our complaint handling operating model to how we handle enquiries. We will look to establish a new measure for how we handle enquiries to help us further understand customer queries and how we can improve the services we offer.</p> <p>We are committed to making ourselves a more accessible, inclusive and transparent organisation. For more details on our commitments in this area, see Appendix 07.03.05 'Measuring and enhancing accessibility and inclusivity').</p>
<p>The Vision report found that Cadent is missing channels for measuring, reporting on and having conversations about the value of work completed and missing workflows for catching and resolving service breakdowns across our network.</p>	<p>As part of our commitment to 'Establish and raise the bar for all customer and stakeholder experiences' (see Appendix 07.03.01) we are proposing a number of metrics based on what is most important to our customers and stakeholders. These measures will be tracked and reported on across the business at various levels to ensure we are continually improving the customer and stakeholder experience. We have also established a number of internal best practice forums and processes to ensure we are learning from past mistakes and sharing these learnings across all our regions.</p>

2. Assessing the measurement options



2.1. How is it currently measured?

Complaints are defined in the Regulatory Instructions & Guidance (RIGs) as follows:

‘Complaint means any expression of dissatisfaction made to an organisation, related to any one or more of its products, its services or the manner in which it has dealt with any such expression of dissatisfaction, where a response is either provided by or on behalf of that organisation at the point at which contact is made or a response is explicitly or implicitly required or expected to be provided thereafter. Where it is unclear if a relevant consumer or a person acting on behalf of a relevant consumer is wishing to have their contact treated as a complaint, the GDN may ask them the question for clarification.’

GDNs can be penalised up to 0.5% of base revenue for not meeting the target score for customer complaints under RIIO-1. The metric brought together four aspects with various weightings to calculate a score. A fixed baseline target based on upper quartile performance during 2011-12 was set to incentivise improvements beyond this level over the period. Anything below this level would incur a penalty up to 0.5% of base revenue.

Table 6 Indicators that form the complaints metric

Indicator	Weighting
Percentage of complaints unresolved after one working day	10%
Percentage of complaints unresolved after 31 working days	30%
Percentage of repeat complaints	50%
The number of Energy Ombudsman decisions against the GDN as a percentage of total complaints received	10%

Table 7 Fixed target and maximum penalty scores

Target score	11.57
Maximum penalty score	23.23

Internally, we also measure the complaints ratio. This is a measure of the number of complaints we receive rationalised against workload based on the assumption that complaints will be higher when we are undertaking more work. We have set internal targets to keep the complaints ratio low.

Currently there is no regulatory measure for enquiries or other customer contacts, however, we do track the volume of enquiries received internally.

2.2. How do current measures deliver against customer outcome/priority?

The current RIIO-1 measure is a common measure across all GDNs and has provided a platform to make further improvements in customer service and complaints handling.

Strengths – The complaints metric incentivises rapid resolution of complaints and encourages networks to minimise occurrences of repeat complaints. By bringing together several elements, the metric ensures companies do not just focus on one thing.

Weaknesses – The complaints metric score is not completely accessible to customers as it is a weighted average. The metric also does not consider complaints volumes and other customer contact such as enquiries. Our vision is to measure all services, and there is an opportunity to expand this measure to achieve this.

2.3. Good practice

Energy Suppliers

Energy suppliers are required to submit complaints data to Ofgem on a monthly and quarterly basis. They also publish domestic complaints data on their websites, including their 'top 5' reasons for complaints and the measures they are taking to improve how they handle customer complaints.

Performance is reported on the following measures:

- Number of complaints received – Reported as a proportion of customer accounts (100,000 for large and medium suppliers, and 10,000 for small suppliers).
- Number of complaints resolved.
- Percentage of complaints resolved in the same or next working day.
- Percentage of complaints resolved within eight weeks.

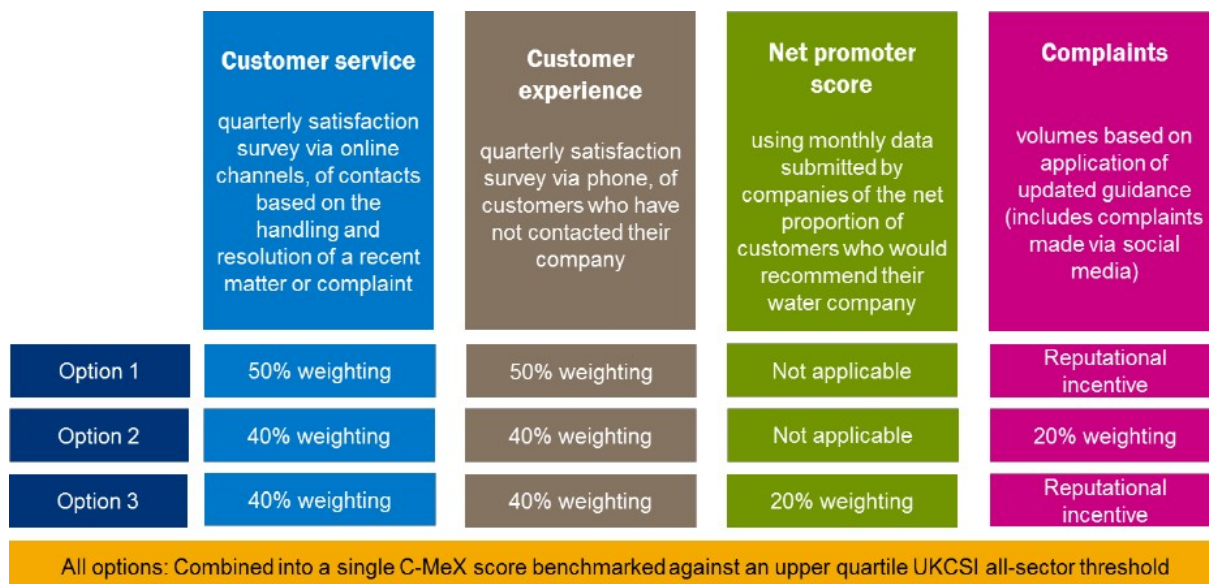
Water

Ofwat's proposed measure for PR19: Customer measure of experience (C-MeX)

C-MeX is a mechanism to incentivise water companies to provide an excellent customer experience for residential customers, across both the retail and wholesale parts of the value chain.

Ofwat consulted on three options for the design of the measure.

Figure 1 Ofwat's C-MeX measure



C-MeX will include a reputational incentive on complaints performance. The definition of a 'complaint' would also widen to include those made via any channel, including social media. Ofwat believes there is a perverse incentive to have a direct financial incentive for complaints as companies may be discouraged to deal with customer concerns if this leads to the generation of a complaint. To avoid this perverse incentive but ensure that companies take customer complaints seriously and take steps to address and manage them effectively, Ofwat will introduce a condition, or gate, to access higher performance payments available under C-MeX, based on satisfactory complaints performance. These higher performance payments will be between 6% and 12% of residential retail revenues over the control period.

There are several options for how the gate could operate. For example, it could be based on the number of complaints per connection and/or relate to escalated complaints and CCWater investigations per connection. Ofwat will develop this during the C-MeX pilot phase and communicate the design the pilot has been completed.

Telecommunications

Ofcom receives complaints from residential customers about the following services from their telecommunication companies:

- Their landline.
- Fixed broadband.
- Pay-monthly mobile.
- Pay-TV services.

Ofcom compiles this data and works out the number of complaints received by provider and by service. To account for differences in the size of providers they calculate the number of complaints received per 100,000 customers and publish this on a quarterly basis.

2.4. What options have we considered?

Defining objectives

Reflecting on the insights we have received from our customers and stakeholders and best practice across the industry, we have defined the objectives the rapid response to your enquiries and complaints output measure should deliver in RIIO-2.

Table 8 Objectives for complaints and enquiries in RIIO-2

Objective	Business insights	Customer and stakeholder insight/feedback	Best practice	Strategy / policy
Be the leading network in complaints handling		Customers expect their complaints to be handled quickly and efficiently to a resolution.	We want to set standards that our customers love and others aspire to for how we handle customer complaints. Multiple channels and localised ownership of complaints handling.	
Be the leading GDN in enquiry resolution	Customers must be able to access the information they need and not need to contact Cadent multiple times.	Customers expect their enquiries to be handled in a proactive and personable fashion.	We want to set standards that our customers love and others aspire to for how we handle customer enquiries. Multiple channels, localised ownership of enquiry handling and self-service options.	
Be responsive to customer needs, across all our services	All customer groups need to be able to access our communication channels and feel confident in contacting Cadent.	Cadent’s complaints and enquiry handling processes must be accessible to all.	Multiple channels, localised ownership of enquiry handling and self-service options.	

2.5. What are the options?

Table 9 Options for complaints and enquiries

Option 1: Enhance performance levels for resolving complaints	
Complaints handling: <ul style="list-style-type: none"> Re-baseline and strengthen performance across all elements of complaint handling To achieve an increase in performance levels, we would look to make improvements to our system and further improve our de-centralised complaints-handling model. 	
Assessing the merits and drawbacks	
Pros	Cons
<ul style="list-style-type: none"> Would maintain strong performance for complaint handling. No additional cost to the customer. No changes to the current framework, would ensure we continue to focus on complaints handling. 	<ul style="list-style-type: none"> No real step change in complaints performance. No incentive to improve the handling of all customer contact including enquiries.

Option 2: Enhance performance levels for resolving complaints and establish enquiries handling metric	
Complaints handling: <ul style="list-style-type: none"> Re-baseline and strengthen performance across all elements of the complaint handling. 	
Enquiries handling: <ul style="list-style-type: none"> Develop a scorecard measure bringing together D1 enquiries closure, D31 enquiries closure and repeat enquiries. 	
Assessing the merits and drawbacks	
Pros	Cons
<ul style="list-style-type: none"> Would maintain strong performance for complaint handling. Ensures we focus on responding rapidly to all types of customer contact, not just complaints. Improved processes and techniques for quick resolution of complaints can be applied to enquiries. 	<ul style="list-style-type: none"> No robust GDN baseline performance for enquiries in order to set targets or financial incentive.
Potential unintended consequences	
<ul style="list-style-type: none"> Broadening measure to include enquiries handling could lead to a reduced focus on resolving complaints, which should be prioritised above enquiries. 	

2.6. Why are these the options?

The current methodology has driven large scale improvements to all customers over the course of RIIO-1. We therefore, whilst seeking to understand measurements that other organisations and industries apply, have chosen options that seek to evolve the current methodology. Through engagement with Ofgem and the other GDNs, we understand that there is an intention to retain the current approach, which we therefore support. This also helps us to minimise any cost inflation pressure from making a change.

Insights from our RIIO-2 engagement indicate that customers expect good customer service with quick response times. Cadent must be responsive to customer needs and keep communication channels open. Customers have highlighted the importance of a friendly, accessible telephone system that allows for any issue to be easily transferred to the right person. Customers have also highlighted the importance of seeking feedback once a job is completed so that Cadent can learn and improve.

All proposed options focus on improving how effective we are at resolving customer complaints and enquiries. In doing this we want to improve our day-to-day processes for handling customer interactions as well as

reducing hand-offs. These options will align with our proposed options for improving our overall approach to communications.

2.7. How the options deliver against our objectives

Table 10 Options appraisal against objectives

	Option 1: Enhance performance levels for resolving complaints	Option 2: Enhance performance levels for resolving complaints and establish enquiries handling metric
Be the leading GDN in complaint handling		
Be the leading GDN in enquiry resolution		
Be responsive to customer needs across all our services		

No delivery	Weak delivery	Some delivery	Delivery	Strongly delivery
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Customer and stakeholder preference

Based on initial business insights and qualitative engagement, customer and stakeholder preference would be towards option 2, strengthening our performance across the complaint handling service and, measuring and improving enquiries handling performance. We tested this further during business options testing and acceptability which is detailed in section 4.

3. Assessing performance levels



The introduction of the complaints metric in RIIO-1 has driven improved complaints handling performance across all GDNs, delivering a more efficient resolution process for all customers. At the start of RIIO-1, Cadent networks had a score around 10-11, but the metric has driven significant business improvements and we are now consistently performing around a score of 3-4. This means we are now resolving customers' issues much more efficiently than at the start of the period.

Table 11 Complaints handling performance in RIIO-1

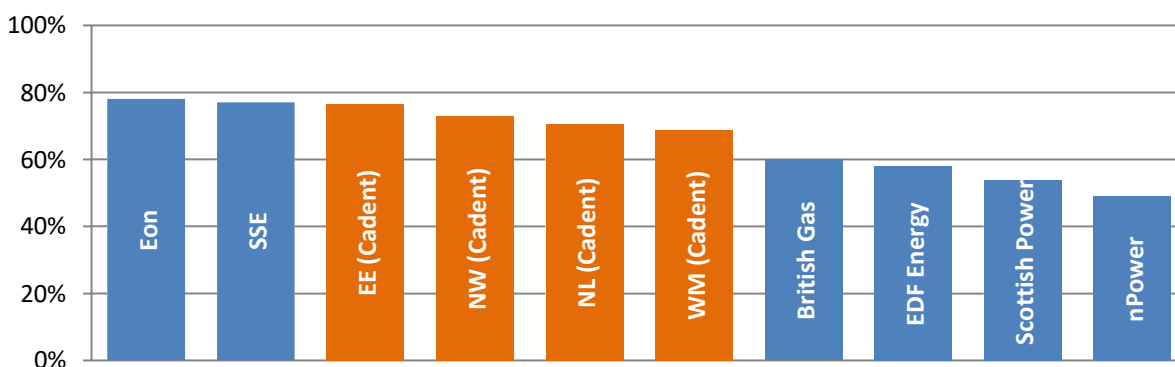
	13/14	14/15	15/16	16/17	17/18	18/19
East of England (EE)	10.4	9.9	9.5	9.3	5.7	2.8
North London (LO)	11.5	11.5	10.6	11.0	7.5	3.5
North West (NW)	10.3	10.1	9.8	9.3	7.8	3.2
West Midlands (WM)	10.7	9.9	9.5	10.2	7.6	4.4
Northern Gas Networks	5.0	2.7	3.1	2.7	3.4	2.8
SGN – Scotland	9.1	8.8	3.0	2.6	2.1	2.1
SGN – Southern	10.2	9.6	4.1	3.7	4.4	3.6
Wales and West Utilities	7.4	6.9	4.4	2.8	2.8	2.5

Complaints handling is an area where all GDNs have improved performance which has benefitted all gas distribution customers. In RIIO-1 targets were set based on industry upper quartile performance in 2011-12. For RIIO-2, we propose a similar approach where a target is set at the start of the control, based on RIIO-1 performance, and maintained throughout the five-year control.

Performance data shows that GDNs continued to improve complaints handling performance as well as outperforming the regulatory targets. We propose setting a target that is based on average performance across RIIO-1, with a penalty applied for companies performing below this level.

Benchmarking with other companies in the industry demonstrates the strong performance of Cadent networks. The graph below shows our performance in resolving customer complaints before the end of the next working day (i.e. D+1) compared to the big six suppliers.

Figure 2 Complaints resolved by end of next working day (%) (18/19 YTD)



3.1. What performance levels have we considered for RIIO-2?

The Complaint handling metric has worked well in RIIO-1 to improve the timeliness and effectiveness of complaint resolution across GDNs. There is scope to strengthen the metric and ensure we as a business are being responsive to customer needs and resolving complaints and enquiries to the satisfaction of the customer. We continue to use Artificial Intelligence to analyse our customer interactions to ensure no expressions of dissatisfaction are missed. Fundamentally, as already highlighted, we want to learn from our mistakes and make process improvements to ensure we never receive a repeat complaint. The commitments we are looking to make in improving our overall communications will work alongside this commitment and help try and prevent complaints happening in the first place.

We expect the target to be reset based on RIIO-1 performance of all networks. In Ofgem's Sector Specific Methodology Decision they state that **'the RIIO-2 target will refer to RIIO-1 performance and will be set at a more challenging level than the current target'**.

Enquiries handling

There is an opportunity to measure enquiries handling in a similar way to the complaints handling metric. A few options could be explored.

Option 1: Enquires handling **combined** with existing complaints handling measures with existing weighting and four elements:

- Complaints and enquiries unresolved in one day (10%).
- Complaints and enquiries unresolved in 31 days (30%).
- Repeat complaints and enquiries (50%).
- The number of Energy Ombudsman decisions that go against the GDN (as a percentage of total complaints) (10%).

Option 2: Enquires-handling measures **added** to existing complaints handling measures with existing and new weightings and seven elements:

- Complaints unresolved in one day (5%).
- Enquiries unresolved in one day (5%).
- Complaints unresolved in 31 days (15%).
- Enquiries unresolved in 31 days (15%).
- Repeat complaints (25%).
- Repeat enquiries (25%).
- The number of Energy Ombudsman decisions that go against the GDN (as a percentage of total complaints) (10%).

Option 3: **Separate** metrics for complaints (existing) and enquiries (new), providing two scores with mirrored weightings:

- Complaints handling metric (current measure):
 - Complaints unresolved in one day (10%).
 - Complaints unresolved in 31 days (30%).
 - Repeat complaints (50%).
 - The number of Energy Ombudsman decisions that go against the GDN (as a percentage of total complaints) (10%).
- Enquiries handling metric (new measure):
 - Enquiries unresolved in one day (10%).
 - Number of repeat enquiries (50%).
 - Number of unresolved enquiries at D10 (30%).
 - The number of Energy Ombudsman decisions that go against the GDN (as a percentage of total enquires) (10%).

Our preference is option 3, a separate metric for enquiries to avoid impacting the historic data gathered for complaints in RIIO-1.

An example of the enquiries-handling metric is shown below. Data is based on our 18/19 ER&R process.

The enquiries score is calculated in the same way as the complaints metric. However, references to the Ombudsman have been excluded as this is usually factored in at the end of the year.

Table 12 Example enquiries metric

	Repeats	Rec 1114	D1 % 67.2%	D10 % 87.3%	D31 % 97.0%	RIO Target (e.g. 3.00)	Still Open <D31	Current Closed in D31	Over D31	Value Per Close
EE	0	287	81.2%	95.1%	97.9%	2.51	1	281	5	0.10
LO	0	406	64.8%	84.0%	98.5%	3.97	4	400	3	0.07
NW	0	221	59.3%	79.6%	91.0%	6.79	9	201	13	0.14
WM	0	200	61.0%	91.5%	99.5%	4.05	2	199	0	0.15

4. Customer testing



As there were no bill impacts associated with our proposals and we are not proposing a range of performance levels, we took a less detailed approach to testing options with customers and stakeholders than we did with other commitments. We also factored in that Ofgem are minded to keep the current measure which we agree with given the clear evidence of improved service to customers during RIIO-1. We did, however, undertake a number of workshops during the qualitative phase of our business options testing to understand customer priorities with the regards to customer service and being responsive to complaints and enquiries.

4.1. Business options testing

Customer forum

During our fourth round of qualitative customer forums with returning members (108) and new members (92), we discussed customer service across our four networks in four 2-day workshops.

The objective of the session was to understand what customers thought exceptional customer service looked like and gather examples of what we should do so that our customers would love our standards. Customers were asked to think about experiences of good and bad customer service in terms of when they have provided positive feedback and when they had to make a complaint, and what motivated them to do this in these experiences.

Customers highlighted that communication was a big influence on good and bad customer experiences. Clarity and regularity were valued when we communicate with our customers, while ease, speed and customers not having to repeat themselves were valued when customers need to communicate with Cadent through a complaint or enquiry. Another theme which some customers highlighted was the tone of communications, ensuring it comes across as polite, clear and non-patronising.

Customers also highlighted that it should be part of our core responsibility to deliver on our promises and take responsibility when things go wrong. Customers want to be treated as individuals by ensuring we communicate with them as humans, not reading/typing from a script and showing empathy when answering queries or resolving issues.

Business customers

We also undertook three workshops with our business customers in Liverpool, London and Cambridge. The objective of these workshops was to understand the views of our business customers on our proposed customer commitments.

As part of the workshops, we discussed how we could go over and above minimum standards to improve the overall customer experience. A key theme that emerged from the workshops was for us to ensure we responded more quickly to customer complaints and enquiries and invest in efficient call back systems to enable this. In addition, customers wanted us to upskill our call centre staff to ensure they have greater knowledge to resolve questions and complaints effectively as soon as possible. Business customers highlighted that this could be a 'quick-win' that could be achieved in a short space of time with minimal investment. Our shift to network alignment for complaint resolution has significantly addressed this feedback.

4.2. Acceptability testing of our Quality Experience customer outcome

In our acceptability testing, the quality experience aspects of our business plan were generally found to be acceptable:

- Of domestic customers, 83% of those surveyed found the quality experience section of the plan acceptable, and only 1% found it unacceptable. When asked what would make it acceptable, those who answered that they found it neither acceptable nor unacceptable suggested a further reduction in prices (14%) or wanted more detail on how it would be implemented (6%). This was broadly consistent across the regions.

- 49% of Cadent business customers said that they found the quality customer experience aspects of Cadent's business plan "very important" and 37% "fairly important" (86% in total). The breakdown across business sizes was broadly consistent, but overall acceptability increased with business size, with the percentages finding the plan either very acceptable or acceptable being 79%, 87% and 90% for sole traders, businesses with 1-9 employees and business with 10-49 employees respectively. Customers said that a quality experience was an essential element of delivering a service.
- At our acceptability testing focus groups with the general population, participants were supportive of Cadent's commitment to go beyond its legal responsibilities. They were pleasantly surprised by Cadent's social action. Quality Experience participants did not see any issues with Cadent's quality experience commitments, and thus supported them. The majority of participants thought that this outcome was either important or very important. 89% of participants found Providing a Quality Experience important, with 53% finding it very important.
- Overall, customers in our acceptability testing focus groups with CIVS were supportive of the Quality Experience commitments outlined by Cadent.
- Generally, customers at our acceptability testing focus groups with those in fuel poverty felt that Cadent's plans to provide a quality experience were going 'above and beyond' what was expected.
- Future generation focus groups did not see any issues with Cadent's Quality Experience commitments, and thus supported them.

As part of the Verve business plan consultation, a quality experience was seen as critical obligation for any organisation. Most customers saw this as a hygiene factor and it surprised a few that it was part of the plan, although many welcomed it being spelt out. Many expected the commitments to be manageable, though no customers had any real experience of Cadent's services. Providing detail of what the commitments should entail provides comfort, though failure to deliver will quickly harm trust. Reliability and reassurance in relation to safety and service delivery stood out. Some customers had issues with jargon e.g. PSR and some commitments felt hard to achieve. Despite Cadent admitting that direct contact with their customers is rare, the promise that they are available, if needed, was reassuring.

Whilst the above feedback is not directly in relation to our proposals to continue with the existing regulatory complaints handling measure, it clearly points to support for us raising the bar in all customer interactions, such as extending the measure to enquiries also.

5. Our commitments



In RIIO-2 we will enhance and improve our performance in the following areas:

Table 13 Our commitments

Output commitment	Measure definition	Benefits to current customers	Benefits to future customers
Complaints handling	Complaints handling metric	Rapid response to complaints and fast resolution, and continuous improvements through higher baselines	Continual improvements to complaints resolution encouraging higher baselines
Enquiries metric score	Enquiries handling metric	Establishing robust baselines to encourage rapid response to enquiries	Continual improvements to enquiries response encouraging higher baselines

We have undertaken an assessment of these outputs against Ofgem’s criteria to understand the best form of regulatory treatment.

Table 14 Regulatory treatment assessment

Regulatory treatment	Criteria	Rating	Further explanation of assessment
Reputational ODI	Demonstrate this is important to customers and/or stakeholders.	Green	Our engagement for these outputs has shown that customers support quick response times to complaints and enquiries.
	Funded elsewhere in our plan, or inappropriate for funding.	Light Green	These outputs are not appropriate for funding and instead relates to delivering customer service to a determined level.
	Can robustly measure performance improvement.	Green	The complaints output is a standardised measure that can be easily measured, and performance tracked and compared between GDNs over time. The enquiries output can be measured; however, a robust baseline must be set.
Financial ODI	Demonstrate this is important to customers and/or stakeholders and they are willing to pay.	Green	As described for Reputational ODI.
	Not funded elsewhere in our plan.	Green	These outputs are not funded elsewhere in the plan. We support Ofgem’s proposals to continue with the application of a penalty only financial ODI.

	Can robustly measure performance improvement.		As described for Reputational ODI.
Price control deliverable	Specific deliverable with clear timeline and targets.		Our preferred option for this output is not a specific deliverable, but instead a targeted level of performance against a standardised measure of complaints and enquiries handling.
	Demonstrable benefit to customers which they support.		Our preferred option for this output will deliver faster responses to a greater number of customer enquiries.
Licence Obligation	Absolute minimum, with significant customer harm if we do not deliver it.		Customers are already protected by GSOP14 which sets minimum standards in relation to customer complaints. Our preferred option involved service improvements above minimum standards.
	Applicable to all GDNs.		Complaints performance is applicable to all GDNs, with this output already reported against in RIIO-1.
Business Plan Incentive	Adds to the quality of our plan, but not a specific deliverable or performance measure.		Our preferred option for this output includes performance targets for complaints. However, for enquiries we need to establish a robust baseline.
	Funded elsewhere in our plan, or inappropriate for funding.		This output is not appropriate for funding and instead relates to delivering customer service to a determined level.

Doesn't meet criteria	Weakly meets criteria	Partially meets criteria	Meets criteria	Strongly meets criteria
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We support Ofgem's proposals to continue the application of a financial ODI for the complaints output. This is a well-established measure that is currently reported across the industry. This also allows us to develop target levels of performance for RIIO-2 that can be benchmarked against other GDNs. However, as we have no robust baselines for enquiries performance, we propose a reputational ODI for enquiries handling.

Output measures

Table 15 Output measures

Output	East of England	North London	North West	West Midlands	Cadent	Comparison to RIIO-1	Cost
Complaints metric score	<i>To be rebased on 1 performance – Ofgem to confirm in Draft determinations.</i>					Re-baselined benchmark	£0
Enquiries metric score	We will establish an Enquiries handling metric which encourages rapid response and resolution of enquiries. This will follow a similar structure to the Complaints metric.					New measure for RIIO-2	£0

How are we incentivised to perform?

For the enquiries-handling output, we are proposing that a reputational (ODI) is set. There will be a positive reputational impact from measuring and improving our enquiries handling performance.

We are supportive of the continuation of financial incentives against the Complaints metric (penalty only).

Table 16 Financial incentives

Output	Type	ODI	Target levels	Incremental cost	Incremental benefit	Min (collar)	Max (cap)
Rapid response to your complaints	Common	F-	Ofgem will decide – our proposal is average RIIO-1 performance	Zero	Ofgem common ODI – assumed incentive rate is as-per RIIO-1	Ofgem proposed a range of -0.5% revenue	Zero – penalty only

6. Delivering our commitments



6.1. How we will deliver our commitments

Table 17 How we will deliver our commitments

Area	What we will do to deliver commitments
Customer communications	<ul style="list-style-type: none"> We are looking to improve our customer-performance levels by simplifying call agent scripts, making improvements to the processes followed by Customer Liaison Officers and the continuation of a number of improvement activities already in effect across the business. We will continually review our written and digital communications, including website accessibility with videos in multiple languages which help give greater context to our works and reduce enquiries.
Processes / systems	<ul style="list-style-type: none"> We will look to make use of Automated Intelligence, including self-service portals and chat functionality, to ensure we can continue to respond promptly to enquiries from our customers.
Engagement	<ul style="list-style-type: none"> We will be establishing ongoing regional customer forums and regional stakeholder groups to monitor and improve our customer performance.
Skills and resource	<ul style="list-style-type: none"> We will train front line delivery teams and customer call agents to ensure they are equipped with the latest skills in engaging with customers and ensuring they are always satisfied with our services. We will continue to ensure that our front-line staff have the autonomy and responsibility to resolve customer concerns and queries at source.

6.2. How we will protect against non-delivery

Table 18 Protections against non-delivery of our commitments

Regulatory tool	How it will help in protecting customers from non-delivery
Guaranteed standards of performance	GSOP14 - Minimum delivery standards to respond to complaints within 5 working days (or 10 working days if site visit required) and £24 compensation when we fail.
Complaint handling incentive	Downside financial incentive -0.5% of revenue. GDNs are penalised if they score above a certain level within the complaint handling metric. GDNs are measure on timely handling of complaints, repeat complaints and Energy Ombudsman referrals.
Reputational	Non-delivery against the reputational incentives proposed will have a negative reputational impact.