

TANZANIAN UTILITIES REVIEW BEST PRACTICES IN CUSTOMER RELATIONS, COMMUNICATIONS AND LOSS REDUCTION

**EXECUTIVE EXCHANGE ON INCREASING ACCESS TO ELECTRICITY BY IMPROVING BILLING,
METERING & COLLECTIONS, THE PHILIPPINES**

MARCH 2014 - MANILA & CEBU, THE PHILIPPINES - Funded by the United States Agency for International Development (USAID), energy executives from the Tanzania Electric Supply Company Ltd (TANESCO), Zanzibar Electricity Corporation (ZECO), Ministry of Energy and Mineral Resources (MEM) and Energy and Water Regulatory Authority (EWURA) recently participated in the Executive Exchange on *Increasing Access to Electricity by Improving Billing, Metering and Collections* in Manila and Cebu, the Philippines. The 14 member Tanzanian delegation met with their counterparts from the Manila Electric Company (MERALCO) and Visayan Electric Company (VECO).



Delegates visit MERALCO's main call center. DELEGATES FROM LEFT TO RIGHT: Joyce Ngahyoma, Mahende Mugaya, Nicholas Kamoleka, Salome Nkondola, Makoye Ngerere, Germana Qorro, Fatuma Chungu, Leonard Masanja, Thabit Khamis, Sophia Mgonja, Mariam Mmbaga, Godwin Mnzava, Faina Faina.

The Tanzania – U.S. Utility Partnership is part of USEA's Energy Utility Partnership Program (EUPP), which is aimed at increasing sustainable modern energy services and clean energy production in developing countries through volunteer driven partnerships that mobilize overseas utilities to better address energy service priorities, while improving productivity and quality of service.

Through the Tanzania — U.S. Utility Partnership, the United States Energy Association (USEA) is providing capacity building support to the two utilities in Tanzania through executive exchanges, workshops and short-term technical

assistance assignments to learn about utility best practices from their counterparts in the U.S. and third countries.

BACKGROUND ON TANZANIA'S POWER SECTOR

TANESCO, Tanzania's state-owned, vertically integrated electrical utility, has an installed capacity of 1,501.24 MW, of which it generates 37% from hydro-electric and 62% from thermal (gas and diesel) sources. Currently, TANESCO's customer base stands at 1,175,000, while electricity connectivity in the country current is 24%. With this in mind, the utility has plans to increase the connectivity to 30% by 2015, and 75% by 2025.

High energy losses of nearly 20% continue to create challenges for TANESCO. These are due in large part to aging transmission and distribution systems, along with electricity theft. As result, TANESCO has embarked on several loss reduction programs, including a power factor correction program, smart meter technology, low voltage line improvement projects and public awareness campaigns. Furthermore, they plan to implement time of use pricing and a compact fluorescent lamp (CFL) distribution program. Taken together, these programs and initiatives aim to enable more efficient use of Tanzania's base load capacity.

ZECO supplies power to the islands of Unguja and Pemba, mainly through two submarine cables from mainland Tanzania. With access to electricity at 82% and connectivity at 40%, ZECO is seeing a growth rate of 7% annually, while its average revenue collection stands at 89% per month.

The most pressing challenges facing ZECO revolve around meeting energy demand and addressing an aging distribution system with high capital costs. In addition, low levels of bill payment by customers and losses from electricity theft continue to plague the utility. With this in mind, ZECO has begun to educate customers about the need to work in tandem with meter readers. In addition, the utility has increased its revenue collection efforts by segmenting customers, giving credit periods and using pre-paid meters.

CUSTOMER SERVICE & COMMUNICATIONS

Tanzanian delegates had the opportunity to review best practices in customer service and communications at both MERALCO and VECO, visiting the main call centers of each utility. In an effort to increase customer engagement and satisfaction, MERALCO highlighted the ways it has expanded customer options for contacting the utility. In addition to traditional walk-ins, customers may now utilize MERALCO's customer service via telephone,



A call center manager outlines MERALCO's service territory and the volume of calls received from each area.

SMS, fax, web chat, email and social media. In addition, MERLACO highlighted several key success factors within their customer service efforts, including the importance of starting projects on a small scale, studying the services and technologies that customers particularly enjoy and going step by step to implement their most successful elements. As a result of increased customer communication, response time to outages have significantly decreased. While the majority of calls MERALCO receives are related to unexpected service interruptions or bill inquiries, the call center representatives acknowledged that basic complaints are still filed routinely with the utility. On average, MERALCO explained, the utility receives about 100 complaints each month, 90% of which are resolved within one month. Generally, any unusually high influx of calls is related to a major outage event, such as a typhoon or heavy monsoon rains.

Delegates were introduced to VECO’s customer service motto, “GUEST,” which stands for “Greet, Use name, Engagement, Smile, Thank you.” The customer service management at VECO stressed that employing this standard has helped them achieve an average handling time of 3 minutes per call while answering roughly 75% of all calls. In addition, VECO illustrated how it has managed to streamline its call center operations and reduce the time it takes to log and route customer complaint cases by implementing a new customer information system (CIS).

The Tanzanian delegation was keen to know how MERALCO and VECO control negative news – something that can often plague utilities in any country. VECO gave an overview of its public relations strategy, which begins with understanding its primary stakeholders, such as key customers, suppliers and regulators. Furthermore, the utility highlighted the various ways it uses “information pushes” in press conferences, newspapers and social media in an effort to control any potentially damaging story. VECO also showcased its bi-annual Customer Service Survey (CSS), which the utility relies upon to understand the areas of customer relations it needs to improve upon, as well as the areas in which it is having success. In total, the survey focuses on six key areas, including emergency response, complaints handling, new connections, bill delivery and bill payment.



The Tanzanian delegation toured VECO’s Cebu City SM-Mall service center, which provides in-person payment, billing inquiries and service start up applications. VECO stressed that in order to help boost collections, they must locate payment centers in easy to reach, popular areas like malls.

BILLING & COLLECTIONS

As is the case for many developing country electric utilities, revenue collection is often a unique challenge for both MERALCO and VECO. With many customers struggling to pay bills on time or at all, the utilities have initiated specific programs in an effort to boost collections. The Tanzanian delegation met with MERALCO’s revenue assurance department to review best practices in billing and collections, which include utilizing digitized data to ensure accurate and timely billing, as well as routine meter testing for its customer base of over 5 million.



Delegates visited MERALCO’s Mandaluyong Business Center, which included a trip to the payment center. Since many customers prefer to pay in person, municipal payment centers are routinely crowded.

With 70% of all customers paying after the due date and 45% being subsidized, MERALCO noted that it has taken various steps to discourage non-payment, including disconnecting delinquent customers and charging a reconnection fee. MERALCO explained that since the majority of customers still prefer to pay in person, municipal payment centers are generally extremely busy and slow. As a result, MERALCO has made a push to set up more online and remote payment systems for customers. The utility explained that for customers paying via their mobile phone, they are able to add credit when needed while receiving daily updates reminding them of their usage and balance. TANESCO and ZECO were particularly interested in MERALCO’s prepaid meter pilot project, which has currently 125 customers hooked up to the smart meters. It is MERALCO’s goal to roll out the program for its entire franchise area in the next several years.

Delegates reviewed VECO’s entire payment process, from meter reading to billing to collection. VECO explained that meters are read every 30 days, and paper bills are issued three days later.

Customers are required to pay the bill within nine days of receiving the initial bill, otherwise they incur a 2% late payment charge. If a customer has not paid a bill within 30 days of receiving it, they are delivered a 48-hour disconnection notice with their current monthly bill. A customer service representative will visit the property to discuss this with the customer and encourage payment in the following days, and if VECO still has not received the payment by day 39, service is cut. The delegation was keen to learn about the success of hand-delivering a

disconnection notice, along with the customer service representative visit. As a last resort before cutting service, VECO explained, the visit yields results as most customers in the Philippines still prefer to do business in person.

Delegates were also particularly interested with VECO's efforts to help customers understand what their bills are paying for. VECO has set up a campaign called "making sense of your electric bill" to better explain what costs are directly going to the utility, as opposed to the generation and transmission companies, government, and cross-subsidization of other customers. VECO explained that on average, only about 27% of each customer bill is claimed by VECO.

LOSS REDUCTION

With aging transmission and distribution system infrastructure, along with high rates of electricity theft, the Tanzanian grid perpetually suffers from high losses. As such, TANESCO and ZECO delegates were eager to learn how the Filipino utilities approach loss reduction, and specifically how they counter theft. Pilferage greatly affects MERALCO and VECO, prompting both to implement elevated meter centers (EMC) in high-risk areas. In an attempt to prevent tampering, meters are housed at the top of distribution poles, making them difficult for thieves to access. Since 2005, MERALCO has elevated over 300,000 meters as a method of theft deterrence, while VECO has begun to install EMC's as part of a wider advanced metering roll out project. In other preventative measures, both MERALCO and VECO have engaged in information campaigns to warn customers about the dangers of electricity theft, while also encouraging them to report any visible tampering or illegal connections. As a further deterrent, VECO has begun listing thieves, with their pictures, in the local newspaper, accompanied by a "public apology."



A VECO meter reader takes a photo of an EMC, showing the reading of each individual meter. These photos are then taken back to a customer care center and uploaded into a database and stored for three months, should there be any customer complaints on readings. Once the readings are entered into the database, bills are generated and delivered three days later. Customers are also able to observe a display screen at the base of each EMC pole, which shows their accumulated usage.

Tanzanian delegates were also keen to know how MERALCO and VECO deal with catching thieves "in the act" and any potential collusion between a meter reader and customer. The Filipino utilities both outlined their efforts to work with the country's regulator to significantly increase any fine or length of imprisonment for electricity thieves. MERALCO explained that the company has transitioned from prevention to apprehension. Once theft is reported, MERALCO immediately notifies the local municipal police force, and is required to have them accompany any workers to the theft site. As a result of this model, deterrence efforts were intensified by the utility, leading to 580 tons of illegal wires being confiscated in 2009 alone, and many thieves being prosecuted by law. Ultimately, this helped reduce losses down to 8.6% for MERALCO in 2009.

VECO highlighted their efforts to rid the company of any collusion between meter readers and customers; a challenge exacerbated by the fact that many meter reader positions are contracted to outside companies. To combat collusion, VECO begins by ensuring any meter reader is accredited by the utility's standard, and enforces a policy of zero toleration of employee theft. Any employee caught assisting with theft or intentionally providing false readings is immediately terminated and prosecuted. Additionally, the utility also charges the contractor a fee for any error in reading, along with a fine for any "lost" material. Should there be a "zero" reading, indicating no usage, VECO automatically charges an average taken from 3 different months. Taken together, these steps have led to system losses of only 7.8%.

RESULTS & BEST PRACTICES PRESENTED

Over the course of the program, the Tanzanian delegates were exposed to numerous best practices in customer service and communications, billing and collections, and loss reduction. TANESCO and ZECO recognized many similarities in the challenges MERALCO and VECO face with their own operations, and observed the Filipino utilities approaches to mitigate these issues. Beyond the key topics of customer service and communication, billing and collections, and loss reduction, the exchange also highlighted related issues in emergency response, outage and restoration, utility unbundling and restructuring, regulatory affairs and the integration of renewables into the grid.

Upon the conclusion of the workshop, TANESCO, ZECO, MEM and EWURA were introduced to many best practices, which included:

Customer Service & Communications

- Expand the number of ways customers can reach the utility for questions or complaints. This includes traditional walk-in visits, telephone, SMS, fax, web chat and social media
- Start small with new customer service programs and eventually implement them on a wider scale once they have proven successful
- Utilize annual or bi-annual customer service surveys to help better understand what areas of customer relations a utility is having success in, and what areas it needs to improve
- Implement a customer information system (CIS) to help streamline call center operations and expedite customer communications
- Engage in “information pushes” to get ahead of any potentially damaging or negative news for a utility.
- Employ a customer service motto which all customer representatives can easily follow and replicate, such as VECO’s “GUEST”

Billing & Collections

- Adhere to a strict and regular schedule for meter testing to ensure false readings are minimized
- Quickly disconnect customers who are delinquent with payments, and charge a reconnection fee for customers who fail to pay. Taken together, these will help incentivize timely payments
- Understand how customers prefer to pay; for example, if it is in person, establish payment centers in easy to reach, popular locations
- Implement a standardized payment process, from meter reading through the payment stage, which can be followed for all customers’ payment cycles
- Encourage customers to utilize alternate payment methods, including mobile or internet payments.
- For any impending disconnection notice, hand-deliver the notice to the property with a utility representative available to clearly explain the consequences of non-payment
- Launch an initiative or program specifically aimed at helping customers understand their bills, emphasizing that only a portion actually goes back to the distribution company, while many of the charges are related to generation, transmission and regulations

Loss Reduction

- Utilize elevated meter centers (EMC’s) in high-risk areas to deter theft
- Engage in information campaigns to warn of the dangers of theft and the potential legal consequences associated with it
- If needed, publicize those caught stealing electricity, using public shaming as a means of deterrence
- Encourage customers to report observed theft or any visible signs of pilferage
- Work with the country’s regulator to implement strict fines and length of imprisonment for those caught stealing electricity
- Always have police present when attempting to apprehend electricity thieves to help ensure safety of the utility representative and also legitimize apprehension
- Immediately terminate any employee caught stealing or colluding with a customer

- Require that all meter readers are accredited with the utility, in addition any third party that is contracted to work with the utility
- Charge a fee for any utility equipment or material that is “lost” by a meter reader as a way to discourage theft

UTILITY EXCHANGE PROGRAM PARTICIPANTS

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The delegation from Tanzania in front of a “transformer” at MERALCO.

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