

Guaranteed Service Standards in Gas: Consultation Proposals

July 2011

Contents

| | |
|---|----|
| Introduction | 4 |
| Background | 7 |
| Individual Standards of Performance | 8 |
| Proposed standards of service..... | 8 |
| Compensation Payments | 10 |
| Cost Recovery and Other Issues | 11 |
| Overall Standards of Performance | 12 |
| Proposed Standards of Service | 12 |
| Implementation..... | 14 |
| Summary of consultation questions..... | 15 |

Introduction

At present there are no guaranteed standards in the gas industry in Northern Ireland; however, these have been in place for a number of years for electricity customers in the province. Consumers in Great Britain have benefitted from service standards across gas, water & sewerage and in electricity, with these now forming a key standard in consumer rights and entitlements.

The [Energy Act \(Northern Ireland\) 2011](#) enables the Utility Regulator to make individual standards of performance regulations for the gas industry in Northern Ireland, where affected customers can be compensated for breaches in expected levels of service. In addition, the legislation also allows the Utility Regulator to determine overall standards of performance, setting the general expected service levels gas companies should be achieving. This paper sets out our proposals on what form these service standards should take and seeks views and comments on the proposed approach.

A full list of the consultation questions posed in this document is given on page 15, however the main issues discussed in this paper in relation to implementing a standards of performance regime are:

- The base standards of service which should be guaranteed to all customers;
- The appropriate amount of customer compensation upon poor performance in individual cases;
- Whether such payments should be automatic or claimed;
- How the scheme should be funded.
- The general targets for overall standards of performance

Section 75 of the Northern Ireland Act 1998

As a public authority, the Utility Regulator has a number of obligations arising from Section 75 of the Northern Ireland Act 1998. These obligations concern the promotion of equality of opportunity between:

- (i) persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
- (ii) men and women generally;
- (iii) persons with disability and persons without; and
- (iv) persons with dependants and persons without.

The Utility Regulator must also have regard to the promotion of good relations between persons of different religious belief, political opinion or racial groups.

In the development of its policies the Utility Regulator also has a statutory duty to have due regard to the needs of vulnerable customers i.e. individuals who are disabled or chronically sick, individuals of pensionable age, individuals with low incomes and individuals residing in rural areas. Some of the above equality categories will therefore overlap with these vulnerable groupings.

Currently, proposals to help protect, and improve services for, vulnerable customers in relation to accessing energy services in Northern Ireland have been taken forward in the Utility Regulator's [Consultation on the Implementation of the EU third Internal Energy Package](#). However, in order to assist with equality screening of the proposals contained within this consultation paper, the Utility Regulator requests that respondents provide any information or evidence in relation to the needs, experiences, issues and priorities for different groups which they feel is relevant to Guaranteed Service Standards / standards of performance in gas. Furthermore, the Utility Regulator welcomes any comments which respondents might have in relation to the overall equality impact of the proposals.

Responding to the Consultation

As a public body and non-ministerial government department, the Utility Regulator is bound by the Freedom of Information Act which came into effect on 1 January 2005. According to the remit of the Freedom of information Act, it is possible that certain

recorded information contained in consultation responses can be put into the public domain. Hence, it is possible that all responses made to consultations will be discoverable under Freedom of Information Act, even if respondents asked the Utility Regulator to treat responses as “confidential”. It is therefore important that respondents note these developments and in particular, when marking responses as “confidential” or asking the Utility Regulator to treat responses as confidential, should specify why they consider the information in question to be confidential.

Confidentiality disclaimers created automatically by your company’s e-mail system will not normally be treated as sufficient in terms of a confidentiality request.

A full list of the consultation questions posed in this document is given on page 15, but it should be noted that respondents are free to comment on any aspect of standards of performance which they feel is relevant. All responses should be sent by 19 September 2011 to:

Roy Mitchell
Utility Regulator
Queens House
14 Queen Street
Belfast
BT1 6ED

e-mail: roy.mitchell@uregni.gov.uk

Background

On 10 February 2011 the Energy Act (Northern Ireland) 2011 introduced additional powers and requirements in relation to the gas industry in Northern Ireland. As a result of the Act, the Utility Regulator can determine expected standards of performance measures which gas companies are expected to provide for its customers.

This legislation enables the Utility Regulator to introduce a standards of performance framework for gas companies to their customers. It is proposed to introduce two levels of service regimes in the Northern Ireland gas industry:

- Standards of performance in *individual* cases - These are regulations set by the Utility Regulator, along with the consent of the Department of Enterprise, Trade and Investment where individual customers get small, standard compensatory amounts when a company fails to deliver on prescribed levels of service. This will take the form of a formal Guaranteed Service Standards policy, reflecting similar provisions in the Electricity (Standards of Performance) Regulations (Northern Ireland) 1999 and the Gas (Standards of Performance) Regulations 2005 in Great Britain.
- *Overall* standards of performance – These are general targets set by the Utility Regulator within company licences for the company to achieve on certain service standards. These are monitored by the licensee and then reported upon on an annual basis.

The Utility Regulator considers that it is important with current and future market opening in gas supply that a certain base level of service is guaranteed across the board for all customers. With regards to distribution service performance we view this as especially important due to the fact that customers cannot switch their gas conveyer. We believe the benefits of the regime will be high for consumers while the cost of the regime will be relatively modest in financial terms.

Individual Standards of Performance

Introducing regulations for standards of performance in individual cases will ensure that consumers which do not receive satisfactory customer service from their gas company are entitled to compensation. In Great Britain this is typically £20, although it can be higher for some more serious service breaches, such as failure to restore supply. It should be noted that these are minimum expected payments; companies can provide customers with higher compensation on a voluntary basis if they wish.

Proposed standards of service

Analysis undertaken on behalf of the Utility Regulator has shown that, as expected, utility customers are most concerned with supply issues. The recent [Customer Views of the Guaranteed Standards Scheme](#) report has highlighted that time taken to restore supply and the notice given for planned interruptions to supply were the most salient issues with utility customers in Northern Ireland. Also viewed as important was how efficiently complaints were dealt with, making and keeping appointments and time taken to respond bill queries. There are guaranteed standards for these aspects of service within the electricity sector in Northern Ireland and the Utility Regulator proposes to extend these for the benefit of gas customers in the province.

With Northern Ireland having a high proportion of gas customers on Pay as You Go metering systems, it is important to ensure these customers are guaranteed a reliable prepayment service as any prepayment faults may mean the customer being without gas supply for a period of time. It is proposed that distribution companies must respond to reports of problems with prepayment within 4 working hours (8.00am - 8.00pm on each working day and 9.00am - 5.00pm on any other day).

Like similar schemes in electricity and within the gas industry in Great Britain, it is proposed that payments under the scheme are themselves guaranteed. Companies which fail to make a payment to an entitled customer within 10 working days must make an additional payment. An outline of the proposed individual standards of service, along with the associated customer compensation is given below.

Table 1: Proposed Individual Standards of Service and Payments

| | Proposed Guaranteed Service Standard | Payment |
|-----------|---|---------------------------------------|
| 1 | Notification of supply interruption Distribution companies must give at least 3 days notice to customers whose supply will be interrupted by planned maintenance or replacement work | £25 £50 (I&C) |
| 2 | Supply restoration Distribution companies must restore customer's gas supply within 24 hours following unplanned disruptions on their network | £50* (£125 I&C*) |
| 3 | Reinstatement of customer's premises Distribution companies must reinstate customer premises with 5 working days following work to a service pipe and any associated work to a distribution main where the pipe or main lies under or within the premises of a customer | £50 £100 (I&C) |
| 4 | Provision of cost estimates Distribution companies are required to provide customers with a cost estimate for a new gas supply within 7 working days for standard jobs, and 15 working days for non-standard work | £50 |
| 5 | Responding to failure of a prepayment meter Distribution companies must deal with reports of problems with prepayment within 4 working hours | £25 |
| 6 | Making and keeping appointments Distribution companies must offer and keep an appointment acceptable to the customer within the time bands 08.30-13.00 or 12.00-17.00 | £25 |
| 7 | Meter accuracy Distribution companies must provide customers an explanation on the probable cause of any meter accuracy issues within 5 working days. If an appointment is necessary, the company must offer this within 7 working days to investigate | £25 |
| 8 | Responding to complaints Supply companies must provide a substantive response to written or verbal complaints within 10 working days | £25 |
| 9 | Bill and standard payment queries Supply companies must deal with customer queries about their bill or standard payments within 5 working days | £25 |
| 10 | Making standards payments Distribution or supply companies which fail to provide entitled customers with their standards payments within 10 working days must make an additional payment | £25 |

* Further payments due (of the same amount) for each subsequent 24 hour period during which the failure continues, up to a cap of £1000 per customer

Compensation Payments

It is the Utility Regulator's position that most service breaches should incur a penalty of around £25, with more serious breaches attracting higher compensation. Industrial and Commercial (I&C) customers will receive higher sums than households for certain guaranteed standards breaches in recognition that their financial loss may be higher in the event of supply interruption etc.

Implementing a £25 penalty for many of the guaranteed service breaches brings the gas sector in line with what is currently in place within the electricity industry in Northern Ireland. Doubling the compensation to £50 for more serious service failings such as failing to restore supply, not reinstating customer premises and failing to provide cost estimates are regarded as reasonable given that customers tend to view these as the most important service issues. By keeping the majority of guaranteed standards with a compensation payment of £25, the scheme can be simple, consistent across utilities and with compensation high enough to act as an incentive for companies to perform satisfactorily.

It is proposed that for many of the guaranteed standards the payments are made automatically, without the need to claim. This arrangement would mean every incident will be compensated and would not be reliant on consumer awareness of the scheme. It would also be a less protracted process; however it may lead to more payments by companies than under a system where a customer submits a claim. It is important to note however, that it is the nature of some incidents that customers may need to make a claim, in order for the company to be aware that a breach occurred. This should be subject to a reasonable time limit - within one month of the incident for example.

The payment method by which customers are to be compensated will also need to be determined. The most obvious and common arrangement in such schemes would be for customers to receive a cheque through the post for the compensatory amount. Although cheque use has declined markedly in recent years, it will now still continue to be a valid payment form as the Payments Council has recently cancelled its target for phasing out the use of cheques in the UK by October 2018.

Cost Recovery and Other Issues

The Utility Regulator is of the view that it would be unfair to ask other customers to share the burden of company failings with respect to service delivery; therefore we believe that there should be no regulatory allowance for guaranteed standards for gas companies in Northern Ireland. In addition, it would create a poor incentive for improving performance in the future if customers, in effect, had to fund a scheme for service underperformance.

Any disputes under this scheme may be referred to us by either the company, customer or with the agreement of either party, by the Consumer Council. Any determination by the Utility Regulator will be final and is binding upon both parties.

It is anticipated that informing customers or potential customers of their rights under the guaranteed standards scheme will be the responsibility of the gas companies. The Utility Regulator regards the companies themselves as best placed to inform their customers of their rights under the scheme, as they can inform their customers directly.

Consultation questions

- 1. Do respondents have views on whether the various proposed individual service standards (as outlined in Table 1) are acceptable?*
- 2. Are the associated timescales of the proposed standards appropriate?*
- 3. Do you regard the proposed payments companies must make in the event of failure to deliver the guaranteed standards (in Table 1) as reasonable?*
- 4. Do respondents believe that the associated payments should be claimed for by customers or be automatically paid by the company?*
- 5. Should the individual guaranteed standards scheme be funded by the company?*
- 6. Do respondents agree with the Utility Regulator's view that companies should be responsible for promoting the guaranteed standards scheme?*

Overall Standards of Performance

In addition to enabling standards of performance in individual cases, for which the customer can receive compensation, the Energy Act (Northern Ireland) 2011 also allows the Utility Regulator to prescribe overall standards of performance which should be achieved by gas companies. These are general targets set by the Utility Regulator within company licences for the company to achieve on certain service standards. The metrics are monitored by the licensee and then reported upon on an annual basis. These create a further incentive for the company to improve overall service levels, allowing the Utility Regulator and interested parties to monitor general service performance. Overall standards of service are also useful in certain possible cases such as when problems with good service delivery do not directly affect specific customers, such as in the case with uncontrolled gas escapes, which may not necessarily occur at the site of someone's property.

It should be noted that some gas companies operating in Northern Ireland have had overall standards of performance targets already in place, on a voluntary basis. These companies have monitored and reported on a number of service metrics including telephone answering, customer correspondence and complaints, controlled and uncontrolled gas escapes and restoration of gas supply for a number of years.

Proposed Standards of Service

The overall standards of performance which the Utility Regulator initially proposes, along with their associated targets are shown in the table below (next page). The proposals mirror as much as possible what is currently in place in the electricity industry in Northern Ireland and are also similar to regulations in the gas industry in Great Britain.

The Utility Regulator will consider responses made on the anticipated overall standards of service outlined below and following review of these responses will publish a notice setting out our final proposals to be incorporated within company licences.

Table 2: Proposed Overall Standards of Service and Targets

| | Standard of Service | Business Area | Proposed Target |
|----------|--|----------------------|------------------------------------|
| 1 | Supply Restoration Reconnect customers within 24 hours after a fault on the distribution system | Distribution | 97% |
| 2 | Uncontrolled gas emergencies Reports of uncontrolled gas escape or other gas emergencies attended within 1 hour | Distribution | 97% |
| 3 | Controlled gas emergencies Reports of controlled gas escape or other gas emergencies attended within 2 hours | Distribution | 97% |
| 4 | Reconnection after non-payment Reconnect customers disconnected for non-payment within 24 hours after all overdue payments have been made. | Distribution | 100% |
| 5 | Moving of meter Move domestic meter within 15 working days of customer request | Distribution | 100% |
| 6 | Change of meter Change domestic meter within 10 working days of customer request | Distribution | 100% |
| 7 | Faulty gas pay as you go meter Faulty gas pay as you go meter to be visited within 4 hours | Distribution | 97% working days 97% other days |
| 8 | Customer correspondence Written correspondence to receive a reply within 10 working days. | Supply | 100% |
| 9 | Customer complaints Complaints receive a full response within 10 working days | Supply | 97% |

Consultation questions

7. Do you regard the proposed overall standards of service (in Table 2) as sufficient for ensuring good general levels of service in Northern Ireland?
8. Do respondents regard the associated targets for the various overall service measures (in Table 2) as challenging and achievable?

Implementation

It is the Utility Regulator's view that both the individual and overall standards of performance schemes should be in operation as soon as reasonably practicable so that customers can benefit as soon as possible. The Utility Regulator is also mindful however that it will be necessary to allow companies time to put procedures in place for dealing with the scheme. It is therefore proposed that the individual standards of service are introduced at the same time as the overall standards of service, with both schemes to be implemented in early 2012.

In order to monitor company performance, the Energy Act (Northern Ireland) 2011 allows the Utility Regulator to collect data on both individual and overall standards of service levels. We will use this data to monitor the service performance of the companies and publish a report outlining on an annual basis how effectively these companies have performed. This will create an incentive for companies to improve their service performance if required.

There may be circumstances where gas supplier and conveyers should be exempt from making compensatory payments in failing to provide adequate service. Such circumstances may include extreme weather conditions, industrial action, acts of terrorism or vandalism, and/or accidental damage by a third party. It is the Utility Regulator's view that such circumstances should be truly exceptional in nature and that where the service failure is as a result of factors within their control, the company should be held responsible. We regard events such as the previous cold winter period, to be manageable for gas companies, however, where the company is not deemed to be at fault due to factors clearly outside of their control it would be unreasonable be expected to pay customer compensation or to miss overall targets.

Consultation questions

9. *Is the implementation start date of early 2012 appropriate?*
10. *Under which circumstances, if any, do you believe companies should be exempt from adhering to the standards of performance policies?*

Summary of consultation questions

The following is a summary of questions presented throughout the consultation document. These ten questions can form a framework for responding to the consultation document, but it should be noted that respondents are free to comment on any aspect of standards of performance which they feel is relevant.

- 1. Do respondents have views on whether the various proposed individual service standards (as outlined in Table 1) are acceptable?*
- 2. Are the associated timescales of the proposed standards appropriate?*
- 3. Do you regard the proposed payments companies must make in the event of failure to deliver the guaranteed standards (in Table 1) as reasonable?*
- 4. Do respondents believe that the associated payments should be claimed for by customers or be automatically paid by the company?*
- 5. Should the individual guaranteed standards scheme be funded by the company?*
- 6. Do respondents agree with the Utility Regulator's view that companies should be responsible for promoting the guaranteed standards scheme?*
- 7. Do you regard the proposed overall standards of service (in Table 2) as sufficient for ensuring good general levels of service in Northern Ireland?*
- 8. Do respondents regard the associated targets for the various overall service measures (in Table 2) as challenging and achievable?*
- 9. Is the implementation start date of early 2012 appropriate?*
- 10. Under which circumstances, if any, do you believe companies should be exempt from adhering to the standards of performance policies?*