

# **Guaranteed Service Standards in Gas: Final Proposals**

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# Introduction

The Utility Regulator published a consultation proposals paper on 25 July 2011, seeking the views of stakeholders on the introduction of Guaranteed Service Standards in gas. The paper sought views on two proposed Guaranteed Service Standards regimes:

- Standards of performance in *individual* cases - These are regulations set by the Utility Regulator, with the consent of the Department of Enterprise, Trade and Investment where individual customers get small, standard payments 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) 1993 and the Gas (Standards of Performance) Regulations 2005 in Great Britain.
- *Overall* standards of performance – These are general targets set by the Utility Regulator 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 also stated that with current and future market opening in gas supply it is important 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. This consultation exercise ended on 19 September 2011.

In total we received three responses during the consultation period: from the Consumer Council, Phoenix Supply Limited (Phoenix Supply) and Phoenix Natural Gas Limited (PNG). All consultation responses were carefully considered by the Utility Regulator and where appropriate the proposed scheme has been amended accordingly in light of these comments.

Our final proposals for the guaranteed standards regime are explained and outlined below. It should be noted that these may change as a result of further consultation.

# Standards of Performance in Individual Cases

The Utility Regulator intends to implement its proposal to have guaranteed standards in the Northern Ireland gas industry. As outlined in the consultation paper, this will include standards of performance in individual cases where small payments are made by the company to affected customers.

## **Details of the Guaranteed Standards**

There were 10 individual standards initially proposed in the consultation exercise for gas customers in Northern Ireland. The Utility Regulator has taken on board the consultation responses and has made some amendments. Each specific standard is outlined in turn below.

### ***Guaranteed Standard 1: Notification of supply interruption***

This standard was proposed by the Utility Regulator to ensure that customers were kept informed of any interruption in supply, so as to be aware of the event and if necessary, make alternative arrangements if required. The proposal was for distribution companies to give at least 3 days notice to customers whose supply will be interrupted by planned maintenance or replacement work.

There were two consultation responses specifically addressing this proposed standard. The Consumer Council highlighted that reliability was one of the most important priorities for gas customers and were satisfied that that this issue is covered under the proposed standards, including the standards for notification for planned interruptions. PNG were of the view that the proposal was not intended to apply to individual works and that the standard should replicate the applicable standard in Great Britain.

The Utility Regulator has decided that it will mirror Great Britain in this regard; therefore the standard will apply “where the conveyance of gas to a customer’s premises is discontinued for the purpose of carrying out planned maintenance or replacement work to the pipe-line system operated by the relevant gas conveyor.” Gas customers will now have the same rights as electricity customers in Northern Ireland, making it necessary to inform customers at least 3 days in advance of any planned supply interruption.

It should be noted however, that due to the nature of the standard it will be necessary for the customer to make a claim within 3 months of the applicable date rather than the company having to pay the customer automatically. Upon a successful claim, the company must pay the customer the sum of £25.

### ***Guaranteed Standard 2: Supply Restoration***

Consumer research has highlighted reliability of supply as a key issue for all utility users, including those with gas. The Utility Regulator therefore proposed that in line with the situation in gas in Great Britain and in electricity in Northern Ireland, any customer whose supply is cut off for a period longer than 24 hours following unplanned disruptions to the network should receive a £50 penalty payment.

There was concern from both PNG and Phoenix Supply however that it would not be possible to reconnect supply in every instance following disruption. Phoenix Supply also stated that there may be circumstances where it is not safe for the distribution system operator to restore supply and so it would be perverse to penalise the company in this case. PNG would like the proposed standard amended to restore supply *where practicable*. Alternatively, the Consumer Council, referring to the Utility Regulator's Customer Views of the Guaranteed Standards Scheme document from May 2010, pointed out that while 90% of those surveyed expected to have their supply restored in a maximum of 24 hours, 76% believed that gas companies should restore supply in a maximum of 12 hours. The Consumer Council highlighted the importance of gas supply to customers, especially in winter, and advocated reducing the timescales in winter.

The Utility Regulator will introduce a standard where conveyors must restore supply within 24 hours to a customer whose gas supply has been discontinued as a result of a failure of, fault in or damage to the pipe-line system operated by the relevant gas conveyor. The Utility Regulator is of the view that being without gas for longer than 24 hours is such an inconvenience that the typical payment of £25 is not appropriate. Upon breach of this standard therefore the distribution company must make a payment of £50 to domestic customers and £125 to I&C customers. In each successive 24 hour period without supply, a further payment of £25 will be required, up to a cap of £1000 per customer.

### ***Guaranteed Standard 3: Reinstatement of Customer's Premises***

The consultation paper proposed that the distribution company must reinstate a customer's premises within 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 a premises of a customer. Failure to adhere to this standard would lead to the company having to pay the affected customer £50 if a domestic customer and £100 if an I&C customer.

During the consultation two responses on this specific standard was received. PNG accepted this proposal as a reasonable expectation for customers and stated that the business already strives to deliver this. The Consumer Council requested that the timescale for reinstatement of premises should be reduced from the proposed 5 working days to 3 working days as there were indications that unfinished works posed a safety risk.

The Utility Regulator has decided to implement this standard as it is clear that customers should rightly expect their premises to be reinstated satisfactorily. While we are cognisant of the safety concerns which the Consumer Council raises with regards to unfinished works, it would be difficult to justify having such a demanding timescale to reinstate premises in 3 working days, given that these standards are new. In addition, it should be noted that Great Britain's gas regulations, set as recently as 2008 have the timescale of 5 working days.

In considering all the responses, the Utility Regulator has determined that the standard shall be for a distribution company to reinstate a customer's premises within 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 a premises of a customer. Breaches of this standard attract a penalty payment of £50 for domestic customers and £100 for I&C customers. Upon expiry of each succeeding period of 5 working days the distribution company must make a further payment of £25.

### ***Guaranteed Standard 4: Provision of Cost Estimates***

Cost estimates are given by the company when a customer requests a quote for a new gas connection. In relation to this, the consultation paper proposed to introduce a standard where 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 jobs.

The Consumer Council were supportive of this proposed standard. PNG, in their response, stated that the timescales involved with this standard were not reasonable given the company's limited resources and size. PNG proposed that 10 working days for standard connections and 28 working days for non-standard connections which would be more appropriate given the associated work required.

In balancing the needs of customers with what we would expect to be feasible for a Northern Ireland gas company, we will therefore amend the standard, altering the timescales somewhat: 10 working days for standard cost estimates and 28 days for non-standard. In short, the standard will now be for distribution companies to:

- issue to a customer a standard quotation within 10 working days, for providing a new connection or altering an existing connection up to and including 275kWh per hour;
- issue to a customer a non-standard quotation within 28 days, for providing a new connection or altering an existing connection up to and including 275kWh per hour;
- issue to a customer a non-standard quotation within 28 days, for providing a new connection or altering an existing connection greater than 275kWh per hour.

Breach of this standard will result in a £50 penalty payment to the affected customer.

#### ***Guaranteed Standard 5: Responding to Failure of a Prepayment Meter***

In the consultation exercise it was proposed that distribution companies must deal with reports of problems with prepayment meters within 4 working hours or pay the affected customer the sum of £25. This is currently a guaranteed standard within electricity in Northern Ireland and in gas in Great Britain and should be seen as very relevant to gas customers in the province given the relatively large number reliant on prepayment meters.

The Consumer Council in their response was satisfied that the issue of reliability is covered under this standard, a key priority for gas customers. PNG however believed that it was unreasonable to expect PNG to attend all prepayment meter "failures" within

4 working hours. In addition they were unsure whether the standard required a response on other days or just on working hours. Phoenix Supply and PNG both stated that problems with prepayment meters can often be the fault of the customer, with Phoenix Supply stating that this can occur due to a customer's inappropriate treatment of a prepayment meter. Phoenix Supply also remarked that not all problems with prepayment meters require a site visit.

The Utility Regulator has decided that this standard should be implemented in the Northern Ireland gas industry. Therefore where a distribution company is informed by a customer who takes his supply through a prepayment meter either that the prepayment meter is not operating so as to permit a supply to the customer's premises in the manner for which it was designed, or the circumstances suggest it is not so operating, then the company must attend the premises within 4 hours to repair or replace the prepayment meter or pay the sum of £25 to the affected customer. Where information is received by the company outside working hours it shall be deemed to have been received at the commencement of the next following period of working hours. It should also be noted that the operator will not be expected to make a payment if the pre-payment meter was found to be operating in the manner for which it was designed.

In addition to this, for customer convenience the Utility Regulator also considers it appropriate to have a requirement upon gas suppliers to inform distribution companies of the prepayment meter problems within 4 working hours of being contacted by the customer or be penalised £25 under the regulations. In total however, this may mean that a customer which informs the supply company, who then refers the matter to the distribution company may have to wait 8 working hours for an appropriate person to attend. However, customers who decide to contact the distribution company directly should have a visit within 4 working hours under the regulations.

### ***Guaranteed Standard 6: Making and Keeping Appointments***

Mirroring the situation in electricity in Northern Ireland and gas in Great Britain, the Utility Regulator had proposed in its consultation paper that 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. Failure to do so would result in a £25 penalty payment to the affected customer.

The Consumer Council were of the opinion that the proposed standard was adequate. PNG noted the time bands but stated that they were at a technological disadvantage to Great Britain, having to issue all works by paper rather than being able to utilise hand held devices which would allow a mobile workforce to receive their work electronically from the office. The respondent also questioned the seeming restrictive nature of the service as it may exclude both the operator and the customer reaching a mutually acceptable appointment time outside of the prescribed time bands.

It is our contention that Northern Ireland's regulations should replicate Great Britain with regards to this standard. In short, where a customer informs the gas conveyer (or vice versa) that they wish to visit the customer's premises, the distribution company must offer and keep an appointment within a maximum two hour time band, or if acceptable to the customer an appointment within the time bands 8.30-13.00 or 12.00-17.00. We consider this approach to be fair and it will allow gas customers in Northern Ireland to have the same rights to have specific appointments as their counterparts in Great Britain.

#### ***Guaranteed Standard 7a: Meter Disputes***

With meter accuracy being an issue of key importance amongst customers, the Utility Regulator proposed that distribution companies must provide customers with 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.

PNG have argued that Northern Ireland is geographically remote from Great Britain and there are instances where meters need to be sent across the Great Britain for testing. As a result, a standard of 5 working days to explain the probable cause of any meter accuracy issue is unachievable in their view. PNG also stated that the Energy Act (Northern Ireland) 2011 gives the Utility Regulator scope to implement a new local meter testing facility. PNG therefore propose a period of 15 working days, which can be reviewed as the new meter stamping and testing regime comes into force.

The Utility Regulator will amend this proposal having considered the consultation responses, taking into account that Northern Ireland does not have the appropriate technical testing facilities which would ensure a swift resolution of any meter dispute.

Therefore, where a gas conveyor is notified by a customer that he/she considers that an appropriate meter is or may have been operating outside the margins of error, the company must provide an explanation of the probable reason for the matter within 15 working days. If an appointment is necessary, the conveyor must offer this within 7 working days to investigate. Breaches of either of these standards will result in a £25 payment.

In addition to this, for customer convenience the Utility Regulator also considers it appropriate to have a requirement upon gas suppliers to inform distribution companies of the meter dispute within 1 working day of being contacted by the customer or be penalised £25 under the regulations. In total however, this would mean that a customer which informs the supply company, who then refers the matter to the distribution company may have to wait 16 working days for an explanation on the issue. However, customers who choose to contact the distribution company directly can shortcut the supply company referral period.

#### ***Guaranteed Standard 7b: Meter Mix-ups***

In addition to the standard on meter disputes and accuracy, the Utility Regulator has also identified an additional area where customers are not billed accurately – that of meter mix-ups. This is where a gas conveyor has incorrectly assigned a meter to a property leading to erroneous billing for customers by their supplier.

The Utility Regulator, in its day-to-day operations has seen how this aspect of poor service has led to great inconvenience and frustration for customers. Although all meter installations now have end-to-end testing to ensure that this does not happen, there is unfortunately a legacy issue which is still being worked through. Therefore we will add to the customer meter disputes standard an additional stipulation where any customers who are billed erroneously because of being wrongly assigned a meter will receive a £50 payment. Although this aspect of meter disputes was not included as part of the consultation exercise, the Utility Regulator strongly considers that its inclusion would greatly enhance the scheme.

#### ***Guaranteed Standard 8: Responding to Complaints***

In addition to proposing guaranteed standards for conveyors, the consultation document also highlighted additional standards for supply companies in Northern Ireland. One of

these was a requirement for supply companies to provide a substantive response to written or verbal complaints within 10 working days. If the supplier failed to meet this standard they must pay the original complainant the sum of £25.

Phoenix Supply have said that it is not always possible to make a substantive response to a complaint within 10 working days. In addition, the company believe that customers would prefer a full investigation and response to any issues rather than what they see as an arbitrary deadline of 10 working days for a substantive response. The Consumer Council however, were of the opinion that the proposed standard was adequate.

The Utility Regulator will introduce this standard in full for the Northern Ireland gas industry. Therefore the supplier must provide a substantive response to written or verbal complaints within 10 working days or pay the affected customer £25.

#### ***Guaranteed Standard 9: Bill and Standard Payment Queries***

Although a standard for dealing with bill and standard payments is not part of the standards of performance regulations for gas in Great Britain, it is a part of the equivalent regulations for electricity in Northern Ireland. The consultation document proposed that we extend the rights customers can expect in electricity to also apply to gas. In short, the proposed standard was for supply companies to deal with customer queries about their bill or standard payments within 5 working days or face a £25 penalty payment to be made to the customer.

The Consumer Council were of the opinion that the proposed standard was adequate. The Utility Regulator will therefore introduce a standard where a query as to the correctness of an account relating to the supply presented to the customer by the supplier or a query as to whether a payment ought to be made to the customer under the Guaranteed Service Standards scheme shall be dealt with in 5 working days. It will also form part of these regulations that a customer who requests a change in his payment method in respect of his/her supply will have this request undertaken also within 5 working days. Failure to undertake these actions will result in a £25 penalty payment to be made to the customer by the supplier.

### ***Guaranteed Standard 10: Making Standards Payments***

The final standard proposed within the consultation paper was a guarantee from the company that they would, upon breach of the above standards, pay the customer within 10 working days. Failure to do so would in itself, be a breach of the guaranteed standards and would result in a further penalty payment of £25.

PNG requested that Standard 10 should be amended as it was not achievable in its current form. PNG stated that they do not have the appropriate systems in place to facilitate automatic payment of compensation within the 10 working days proposed in the Consultation document and that they typically make payments on receipt of an individual claim within 28 days. Phoenix Supply stated in their consultation response that they also have a 28 day payment policy and that the numerous internal company procedures involved in such a payment make payment within 10 working days unreasonable. Related to this however, the Consumer Council have highlighted their own experience that customers are dissatisfied with the 28 days applied currently by gas suppliers for refunds.

The Utility Regulator believes that it is important that the guaranteed standards are themselves guaranteed as this ensures that there is an incentive for gas conveyors and gas suppliers to operate the scheme effectively so as to avoid further penalty. However, the Utility Regulator will amend the timescale associated with this standard from 10 working days to 20 working days, which we view as reasonable.

### **Payment Amounts**

The Utility Regulator proposed in their consultation document that the payments made when expected service levels are breached should be aligned with what is currently the case in electricity in Northern Ireland. Within electricity this is £25 for most standards, with £50 for more serious breaches in service. The typical payment to gas customers in such cases in Great Britain is £20.

The Consumer Council were of the view that the payment levels were acceptable and would provide a sufficient enough incentive to provide the highest possible standard of service. The Consumer Council did propose however that provisions should be included under the scheme to review the payments in future given that the £25 typical payment level in electricity was set more than ten years ago and would have been eroded by

inflation somewhat. Comparing the situation for supply companies in Great Britain, Phoenix Supply contended that £25 per payment was not appropriate in Northern Ireland given that Phoenix Supply's regulated margin is currently capped at 1.5% while the margin of gas suppliers in Great Britain is in excess of 8%. PNG in their response on the issue stated that as their costs and performance are benchmarked against gas network operators in Great Britain they do not believe a higher payment for service breaches in Northern Ireland than in the rest of the UK is reasonable or appropriate.

The Utility Regulator has decided to have the typical payment amount when specific standards are not met at £25, with more serious breaches at £50. Industrial and Commercial customers will receive £25-£125 depending on the standard breached. The scheme does not affect any legal rights to compensation that customers may have.

### **Payment Mechanism**

The Consultation Paper briefly outlined the merits and drawbacks of both a system where customers must make a formal claim to be considered for payment in the event of breaches in guaranteed standards and a system where customers receive payments automatically.

PNG in their consultation response stated that they do not have an appropriate system to facilitate automatic payment of compensation within the 10 days proposed, but that payments would have to be manually validated and processed. Currently, PNG typically makes payments on receipt of an individual claim within 28 days. The Consumer Council were strongly of the view that individual payments for breaches of agreed service should be paid automatically. This was because the alternative of requiring customers to make a claim would present an unreasonable barrier for a majority of gas customers. They also pointed out that the automatic payment approach was overwhelmingly supported by the public.

In considering the relevant issues the Utility Regulator has decided that the advantages for customers in not having to submit a formal claim, more than outweigh the disadvantages to the company in having to make an automatic payment. The company should be aware through their day-to-day operations when a customer has not received the required standard, and where necessary should put in place procedures to ensure this occurs. In addition, this approach does not rely upon the customer being well

informed of their rights under the scheme, as some individuals will inevitably be unaware of the scheme. It should be noted however, that it is the nature of some standards that a claim will be necessary. However, for the majority of standards, payment should be automatic. On reflection the Utility Regulator believes the 10 day payment period may be unduly short given that this is a new scheme for the gas industry in Northern Ireland and so has decided that a 20 day payment period would be more appropriate.

Although supply companies tend to have a more direct relationship with customers than distribution companies, in most cases the individual standards are such that the distribution company would be directly dealing with the customer. Therefore they should be aware of the customer contact details and whether the company has met the required standards under the regulations. In addition, the regulations will also deal with the payment relationship between distribution and supply companies. Under the framework, where a gas conveyor fails within the prescribed standard, they must pay the affected customer the relevant sum under the regulations, or give this to the relevant gas supplier which must pass this on to the relevant customer. As supply companies have a direct relationship with the customer, they must pay the customer directly when they have breached the standards applicable to them.

### **Cost Recovery**

The Utility Regulator was of the view within the Consultation paper that it would be unfair to ask other customers to share the burden of company failings with respect to service delivery; believing that there should be no regulatory allowance for guaranteed standards for gas companies in Northern Ireland.

All responses received made comments on this issue, with the Consumer Council response stating that to achieve the highest possible level of customer service the gas companies must not pass the cost onto consumers but should be borne by the company and taken from their profits. The Consumer Council also encouraged gas companies to use their standards of service as a selling point and marketing tool. PNG did not believe that individual standards should be funded by the company as it would be paramount to setting a 100% performance target which they viewed as totally unreasonable. PNG stated that there will always be events outside of their control meaning that certain standards cannot be met in every instance and that an allowance should be made as part of their price control process. Phoenix Supply in their response believed that the

proposed regime was unrealistic and unjust, stating that it was not practical to expect companies to meet more stringent service standards while cutting resources at the same time. Without a regulatory allowance for guaranteed standards, the Utility Regulator, in Phoenix Supply's view, is imposing 100% service targets upon suppliers.

After considering the consultation responses, the Utility Regulator still considers in principle that consenting to an allowance for companies to pass on to customers would be inappropriate in the case of guaranteed standards. Firstly, it is apparent that gas companies should have a customer service framework already in place to deal with many of the areas covered under guaranteed standards, therefore companies can build on these arrangements. Secondly, with regards to payments, it would create a poor incentive for improving performance in the future if customers, in effect, had to fund a scheme for service underperformance. It is also important to note that there is no regulatory allowance within the electricity price controls to cover these payments.

### **Exemptions**

The Consultation paper had discussed that there may be certain instances where it would be unreasonable and inappropriate for the operator to be penalised for non-delivery of expected standards. This may include circumstances such as extreme weather, industrial disputes or vandalism for example.

The Consumer Council acknowledged that extraordinary circumstances can occur even while all reasonable measures to avoid it were undertaken; however, they were of the view that there should be no predetermined exceptions to the application of guaranteed standards. In this regard the Consumer Council proposed a system where disputes are referred to the Utility Regulator for determination. PNG in their response indicated that exemptions should be more prescriptive. They stated that exemptions should include industrial action, vandalism or terrorism including damage caused by consumers and actions or defaults by third parties, not being able to gain access to premises, legislative constraints, and reasons of safety. With regard to exemptions in extreme weather they did not agree with the Utility Regulator's contention that the previous cold winter period should be regarded as manageable for gas companies, describing December 2010 as having record freezing temperatures with PNG experiencing a spike in customer contacts as a result.

The Utility Regulator considers that matching the arrangement for exemptions in Great Britain would be appropriate for Northern Ireland's guaranteed standards. In Great Britain, where it is not reasonably practicable for the relevant operator to take the action required by the regulations, then the company is exempt from making a payment. A system where the Utility Regulator arbitrates on disputes, perhaps on a case-by-case basis, is not seen as an optimal solution as a system where exemptions are clearly laid in the regulations out would be much clearer for customers and companies alike and less protracted in our view.

In line with the regulations in Great Britain, the Utility Regulator determines that the circumstances where a payment is not required should include when:

- (a) The customer informs the relevant operator before the contravention time that the customer does not wish the relevant operator to take any action, or any further action in relation to the matter.
- (b) The customer agrees with the relevant operator that the action taken by the relevant operator before the contravention time shall be treated as the taking by the relevant operator of the action required by the regulation and, where the action taken by the relevant operator includes a promise to perform any action (whether before or after the contravention time), the relevant operator duly performs that promise.
- (c) Information to be provided by the customer was not provided or was not provided in accordance with company requirements.
- (d) It was not reasonably practicable for the relevant operator to take the action required by the regulation before the contravention time as a result of:
  - (i) severe weather conditions;
  - (ii) industrial action by the employees or contractors of the relevant operator;
  - (iii) the act or default of a person other than an officer, employee or agent of the relevant operator, or a person acting on behalf of an agent of the relevant operator;

- (iv) the inability of the relevant operator to obtain any necessary access to any premises;
  - (v) the existence of circumstances by reason of which the relevant operator could reasonably expect that if he took the action he would or would be likely to be in breach of an enactment;
  - (vi) the effects of an event for which emergency regulations have been made under Part 2 of the Civil Contingencies Act 2004;
  - (vii) delays imposed by a requirement to obtain a permit for street works;
  - (viii) other circumstances of an exceptional nature beyond the control of the relevant operator, and the relevant operator had taken all such steps as it was reasonable to take both to prevent the circumstances from occurring and to prevent them from having that effect.
- (e) The relevant operator reasonably considers that the information given by the customer was frivolous or vexatious.
- (f) The customer has:
- (i) committed an offence by tampering with gas fittings
  - (ii) failed to pay any charges due to the relevant operator after receiving a notice
- and the action taken or not taken by the relevant operator was in exercise of his powers under those paragraphs.
- (g) The relevant gas conveyor has disconnected or refused to connect the customer's premises.

### **Scheme Promotion**

In the consultation document the Utility Regulator expected that the gas companies would be best placed to make customers aware of their rights under the scheme as they have a direct relationship with customers. This would mean that any information conveyed would be targeted at the right individuals.

The Consumer Council in their response to the consultation were of the view that this would be the most effective way of informing customers, although they did caution that there may not be a strong incentive for the companies to promote the scheme. The Consumer Council also stated that it would be best if the companies consulted with the Utility Regulator and themselves, and for the arrangement to be monitored. PNG believed that the scheme would be best promoted by publishing the standards on the websites of the relevant gas companies. PNG also suggested that the Consumer Checklist currently being considered as part of the Implementation of the EU Third Internal Energy Package could refer to the standards. They believed that this arrangement would minimise costs, yet still keep customers informed.

The Utility Regulator believes that the best way forward would be for companies to publicise the scheme as they have a direct relationship with consumers and would be able to target those potentially affected. Regulations should therefore mirror the arrangement in Great Britain where gas suppliers and transporters must give consumers 'notice of rights' under the standards scheme. Also reflecting the practice in Great Britain, it will be a requirement for the companies to copy the Utility Regulator and the Consumer Council into any such information.

However, in variance with the case in Great Britain, the Utility Regulator does not believe that it is cost effective for the company to be required to dispatch this information every 12 months to customers as they are required to in Great Britain. The Utility Regulator will instead expect the companies to inform customers by appropriate means. However, mirroring Great Britain it will be a requirement for the company to dispatch a copy of a statement describing their rights to any person who requests it and for inspection at the relevant office. As in most instances the gas companies in Northern Ireland are tasked with making automatic payments upon breaches in standards of service, the scheme is not entirely reliant on customer awareness to be effective.

**Table 1: Individual Standards of Service and Payments**

	<b>Guaranteed Service Standard</b>	<b>Payment</b>
<b>1</b>	<b>Notification of supply interruption</b> Distribution companies must give at least 3 days notice to customers whose supply will be interrupted by planned maintenance or replacement work to the pipe-line system operated by the relevant gas conveyer.	<b>£25</b> <b>(£50 I&amp;C)</b>
<b>2</b>	<b>Supply restoration</b> Distribution companies must restore supply within 24 hours to a customer whose gas supply has been discontinued as a result of a failure of, fault in or damage to the pipe-line system operated by the relevant gas conveyer.	<b>£50*</b> <b>(£125 I&amp;C*)</b>
<b>3</b>	<b>Reinstatement of customer's premises</b> Distribution companies must reinstate customer premises within 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.	<b>£50*</b> <b>(£100 I&amp;C)</b>
<b>4</b>	<b>Provision of cost estimates</b> Distribution companies are required to provide customers with a cost estimate for a new gas supply within 10 working days for standard jobs and 28 days for non-standard work.	<b>£50</b>
<b>5</b>	<b>Responding to failure of a prepayment meter</b> Distribution companies must deal with reports of problems with prepayment within 4 working hours. It is also necessary for suppliers to notify the distribution company of any report of problem on the customer's behalf within 4 working hours.	<b>£25</b>
<b>6</b>	<b>Making and keeping appointments</b> Distribution companies must offer and keep an appointment within a maximum two hour time band, or if acceptable to the customer an appointment within the time bands 8.30-13.00 or 12.00-17.00.	<b>£25</b>
<b>7a</b>	<b>Meter accuracy</b> Distribution companies must provide customers an explanation on the probable cause of any meter accuracy issues within 15 working days. If an appointment is necessary, the company must offer this within 7 working days to investigate. It is also necessary for suppliers to notify the distribution company of the issue on the customer's behalf within 1 working day.	<b>£25</b>
<b>7b</b>	<b>Meter mix-ups</b> Distribution companies must ensure that customers are not billed erroneously due to a wrongly assigned meter.	<b>£50</b>
<b>8</b>	<b>Responding to complaints</b> Supply companies must provide a substantive response to written or verbal complaints within 10 working days.	<b>£25</b>
<b>9</b>	<b>Bill and standard payment queries</b> Supply companies must deal with customer queries about their bill or standard payments, or change in payment method within 5 working days.	<b>£25</b>
<b>10</b>	<b>Making standards payments</b> Distribution or supply companies which fail to provide entitled customers with their standards payments within 20 working days must make an additional payment.	<b>£25</b>

\* Further payments due (of £25) for each subsequent successive period during which the failure continues, up to a cap of £1000 per customer

# Overall Standards of Performance

In addition to introducing standards of performance in individual cases, for which the customer can receive payments, the Energy Act (Northern Ireland) 2011 also allows the Utility Regulator to prescribe overall standards of performance which should be also achieved by gas companies. These are general targets set by the Utility Regulator for the company to achieve on certain service standards. The metrics are monitored by the licensee and then reported upon on an annual basis and would 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.

Within the consultation paper it was envisaged that the overall standards of performance regime would be set out in company licences. This is now deemed to be unnecessary as the Energy Act (Northern Ireland) 2011 gives the Authority the power to determine overall standards from time to time. The Utility Regulator will therefore publish these standards following the consultation exercise and it shall be the duty of every gas supplier and gas conveyor to conduct business in such a way as can reasonably be expected to lead to the achievement of the standards.

It is important to note that these overall standards are specific standards with associated percentage targets and that these are in addition to various services, provisions and special arrangements which have been expected and will continue to be expected from supply and distribution companies as stipulated within company licences. Those licence conditions which currently exist (relating to efficient use of gas, vulnerable persons etc) will not be deleted and will still stand.

There were 9 overall standards initially proposed in the consultation exercise for the gas industry in Northern Ireland. Following the consultation exercise the Utility Regulator has re-evaluated the proposals in light of the comments received. The discussion below deals with each proposed standard in turn and outlines our final proposals on the matter. It should be noted that these will be subject to a public notice commencing a 28 day consultation exercise.

### ***Overall Standard 1: Supply Restoration***

Within the consultation document it was proposed by the Utility Regulator that an overall standard for supply restoration would be introduced in Northern Ireland to complement the individual supply restoration standard where customers receive payments. Under the proposed overall standard however, gas conveyors would be expected to reconnect at least 97% of customers within 24 hours after a fault in the distribution system.

In a general comment the Consumer Council were satisfied that the list of overall standards proposed by the Utility Regulator will ensure gas customers receive high levels of service provision in key areas. The Consumer Council stated that while they did not possess sufficient information to comment on whether the proposed targets are achievable, they did note that the targets were consistent with those for electricity in Northern Ireland and for gas and electricity in Great Britain. They expressed concern if the proposed targets were lowered. In a comment specifically related to this standard, the Consumer Council were satisfied that it helped ensure security of gas supply.

PNG in their consultation response on this issue remarked that they already have a 90% target for restoration of supply and saw no rationale for raising the targets to 97% as proposed within the consultation document. They also made the point that this overall standard and its associated target was previously endorsed by both the Utility Regulator and the Consumer Council.

It is the Utility Regulator's view to have the overall standard for 97% of customer's supply to be reconnected within 24 hours after a fault in the distribution system is appropriate. Given that conveyors will be expect to face penalty payments in the case of individual standards of performance when supply is not restored within 24 hours, they will be incentivised to restore supply as quickly as possible. For this reason we consider that this standard should be introduced without any modifications.

### ***Overall Standard 2: Uncontrolled Gas Emergencies***

Under this proposal, it is expected that distribution companies must attend reports of uncontrolled gas escapes or other gas emergencies within one hour in 97% of cases.

PNG in their consultation response said that they already have a 95% target for restoration of supply and saw no rationale for raising the target to 97% as proposed within the consultation document. The Consumer Council stated that they were satisfied that the proposed standards covered gas safety, a priority issue for customers.

The Utility Regulator views uncontrolled gas emergencies as such a potentially serious issue that it should always be attended within as short a timeframe as possible. It is also important to note that the previously agreed standards and targets were agreed a few years ago and we consider that it is always important to improve performance over time as companies become established in their operations. For these reasons we consider that this standard should be introduced without any modifications.

### ***Overall Standard 3: Controlled Gas Emergencies***

Under this proposal, mirroring the case in Great Britain, it is expected that distribution companies must attend reports of controlled gas escapes or other gas emergencies within two hours in 97% of cases.

PNG in their consultation response said that they already have a 95% target for restoration of supply and saw no rationale for raising the target to 97% as proposed within the consultation document. The Consumer Council stated that they were satisfied that the proposed standards covered gas safety, a priority issue for customers.

Using the same principles and rationale as with uncontrolled gas escapes the Utility Regulator views uncontrolled gas emergencies as such a potentially serious issue that it should always be attended within as short a timeframe as possible. It is also important to note that the previously agreed standards and targets were agreed some time ago and we feel it is always important to improve performance over time as companies become established in their operations. For these reasons we consider that this standard and the associated 97% target should be introduced without needing to be amended.

#### ***Overall Standard 4: Reconnection after Non-Payment***

This proposal saw the Utility Regulator setting a 100% target for the distribution company to reconnect customers disconnected for non-payment within 24 hours after all overdue payments have been made. This standard and associated target is the same as in electricity in Northern Ireland.

PNG expressed a number of reservations about this proposal. They stated that suppliers are responsible for determining if they require a customer to be disconnected for non-payment and for requesting a reconnection of a customer after they receive all overdue payments. With suppliers having a direct relationship with the customer and not the distribution company, PNG receive instructions from the supplier and therefore were of the view that this standard cannot be implemented by the company.

In light of these comments the standard will be amended. It will now be necessary for distribution companies to reconnect 100% of customers disconnected for non-payment within 24 hours *after a referral by a supplier*.

#### ***Overall Standard 5: Moving of Meter***

Under this proposal, gas conveyors must move a domestic meter within 15 working days of a customer request in all cases. This was proposed by the Utility Regulator so that gas customers in Northern Ireland could have the same benefits with regards to this as in electricity in the province as well as their counterparts in Great Britain.

In their consultation response PNG stated that this was an activity covered by their connection policy. However, they did request that the standard should be amended to read: "Move domestic meter within 15 working days of customer acceptance of quotation and payment thereof" as a charge is levied. The Consumer Council in their response welcomed the inclusion of the moving of meter overall standard proposal, stating that it would improve the accessibility to the gas meter for those who need it.

In line with electricity in Northern Ireland, the Utility Regulator will introduce this standard worded in the same way: "Reposition all ordinary meters within 15 working days of their quotation being accepted." Mirroring the situation in electricity, this standard should be achieved in 100% of cases.

### **Overall Standard 6: Change of Meter**

The consultation paper proposed that distribution companies must change a domestic meter within 10 working days of a customer request in 100% of cases.

PNG stated that as suppliers have the relationship with customers who wish to change a meter it is therefore suppliers who request a change of meter from PNG. They stated that this standard cannot be implemented by PNG in its current form.

The Utility Regulator will therefore amend this overall standard. However, we will amend the wording to reflect the relationship between conveyor and supplier on meter issues. The standard will be for distribution companies to change a domestic meter within 10 working days *of request (including referral by a supplier)*. The associated target for this standard will be for 100% of cases to be met.

### **Overall Standard 7: Faulty Pay-As-You-Go Meter**

Under this proposal, a faulty pay-as-you-go meter must be visited within 4 hours in 97% of cases during working days and 97% on other days. Two separate time periods were proposed so as to ensure that conveyors did not readily attend on working days at the expense of those customers experiencing problems on other days.

During the consultation exercise a response from the Consumer Council suggested that this overall standard is amended slightly to make the requirement to visit the property within 4 *working* hours. It was their view that it would not be detrimental to consumers and would allow gas companies to reduce operational costs. PNG also responded on this issue stating that they believed this standard would penalise them unfairly as Northern Ireland's natural gas industry has almost 60% pay-as-you-go meters, compared to 10% in Great Britain and only 1 in 3 for NIE. PNG were of the view that this standard should be removed.

Given that the standards of performance in individual cases will have a requirement to deal with reports of problems of problems with prepayment meters within 4 working hours, distribution companies will be incentivised to perform well on this indicator. Therefore the Utility Regulator considers that it is appropriate and fair to have this standard, however it will be amended to allow companies to respond in 4 working hours of being made aware of the problem.

**Overall Standard 8: Customer Correspondence**

Under the requirements of this standard, it was proposed for supply companies to reply to all written correspondence within 10 working days.

Phoenix Supply stated in their response on this issue that the 100% target was unreasonable and was much more stringent than the current target of 90%, with Phoenix Supply currently meeting 97% of cases. They also noted that there are often genuine business reasons why it may take longer than 10 working days to respond to written correspondence.

The Utility Regulator notes the improvement which Phoenix Supply has made in this area. On reflection, we will keep this standard but amend it to 97% of cases, which upon achievement, would still represent excellent customer service and is substantially higher than its current target of 90%.

**Overall Standard 9: Customer Complaints**

The final overall standard which was proposed by the Utility Regulator covered the important area of customer complaints. Under this proposal 97% of complaints to a gas supplier must be responded to within 10 working days.

Phoenix Supply commented on this proposal, describing the proposed target of 97% as not feasible, noting that some complaints require a lengthy period of action and investigation prior to providing a full response to the customer. They stated that this target was significantly in excess of the current 85% target, with Phoenix meeting 90% of cases. Phoenix Supply also stated that it was clear in their view that the current proposed targets were not achievable.

The Utility Regulator will keep this standard at 97% of cases as it is a reasonable expectation that a company should respond fully to most complaint issues within 10 working days.

**Table 2: Proposed Overall Standards of Service and Targets**

	<b>Standard of Service</b>	<b>Business Area</b>	<b>Proposed Target</b>
<b>1</b>	<b>Supply Restoration</b> Reconnect customers within 24 hours after a fault on the distribution system	Distribution	97%
<b>2</b>	<b>Uncontrolled gas emergencies</b> Reports of uncontrolled gas escape or other gas emergencies attended within 1 hour	Distribution	97%
<b>3</b>	<b>Controlled gas emergencies</b> Reports of controlled gas escape or other gas emergencies attended within 2 hours	Distribution	97%
<b>4</b>	<b>Reconnection after non-payment</b> Reconnect customers disconnected for non-payment within 24 hours after referral by a supplier	Distribution	100%
<b>5</b>	<b>Moving of meter</b> Reposition all ordinary meters within 15 working days of their quotation being accepted	Distribution	100%
<b>6</b>	<b>Change of meter</b> Change domestic meter within 10 working days of request (including referral by a supplier)	Distribution	100%
<b>7</b>	<b>Faulty gas pay as you go meter</b> Faulty gas pay as you go meter to be visited within 4 working hours of being notified	Distribution	97% working days 97% other days
<b>8</b>	<b>Customer correspondence</b> Written correspondence to receive a reply within 10 working days	Supply	97%
<b>9</b>	<b>Customer complaints</b> Complaints receive a full response within 10 working days	Supply	97%

# Scheme Implementation and Operation

This section looks at some general aspects of guaranteed standards and how it will operate in practice.

## **Implementation Date**

The consultation paper proposed that the operation of both the individual and overall standards of performance regimes should begin concurrently, with a start date around the beginning of 2012. This was chosen so as to ensure a balance between the consumers who would want to be covered by the scheme as soon as possible and to ensure that the relevant companies have enough time to implement processes required to operate the scheme effectively and efficiently.

The consultation exercise had two respondents strongly opposing the start date of early 2012. PNG described the early 2012 proposed start date as completely unfeasible, believing that a minimum period of 12-18 months should be given between determining the standards and when they should apply. Phoenix Supply described the start date as unrealistic, citing the requirement for processes and procedures to be in place planning and review. Phoenix Supply suggested a period of 12 months from determination of standards to implementation. The Consumer Council in their response stated that the arrangements should be implemented at the earliest opportunity; that gas customers should have the same rights and entitlements as electricity customers in the province. While they also recognised that gas companies should be given a reasonable opportunity to meet the requirements of the standards of performance framework, the Consumer Council supported the proposed start date overall, describing it as appropriate and reasonable.

Given that we are already into 2012, it will not be possible to meet the original proposed implementation date. However, the Utility Regulator will be issuing consultation exercises on both the draft regulations for standards of performance in individual cases and the draft publication for overall standards of performance shortly. Companies will already have customer service infrastructure in place to interact with their customers on a day-to-day basis; these can be modified to accommodate the new level of

performance which companies are expected to meet. In addition it is important to consider that Northern Ireland gas companies have an advantage over a brand new regime in that they can emulate how the scheme is implemented and operated by the gas companies in Great Britain as the regime is the same in most cases and very similar in most other cases.

### **Monitoring and Review**

Under the powers of the Energy Act (Northern Ireland) 2011, the Utility Regulator will collect and publish data on an annual basis for standards of performance in individual cases and for the overall standards of performance regime.

The Consumer Council in their consultation response requested that the payments and targets associated with the scheme should be reviewed on an annual basis.

In accordance with best practice, the Utility Regulator will monitor and re-evaluate the Guaranteed Service Standards on a continual basis in order to review its effectiveness. It is important to note that customer expectations and company operations can change over time, so any formal review of the scheme in future should be seen in this light. Data and information gathered by the Utility Regulator, the Consumer Council and the companies can be used to inform this ongoing process.