



***Consultation: Guaranteed Service Standards in Gas:
Consultation Proposals***

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1. Executive summary

The Consumer Council believe consumers should receive the highest standards of service from their energy suppliers and distributors. One way this can be achieved is by setting challenging statutory targets on energy companies. Performance results should be made available for public scrutiny. These should inform consumers how companies have performed and what level of service they are likely to receive in a number of customer service areas.

We believe that for the targets and standards to be fully embraced by the company there needs to be a mechanism in place to penalise the company when these standards are not met. In our view the most appropriate and effective mechanism would be a financial penalty whereby the company offers a financial gesture to their customers for failing to meet one or more of the statutory service standards. Performance on service standards should be linked also to the financial performance of the company through regulated Price Controls, where they exist.

Electricity customers in Northern Ireland and gas and electricity customers in Great Britain and ROI have enjoyed the benefits of regulated guaranteed standards of service in key areas of customer service. The Consumer Council welcome the Utility Regulator's commitment to enhance gas consumers' rights and entitlements by introducing Guaranteed Service Standards in Gas under the provisions laid down in the Energy Act (Northern Ireland) 2011.

2. Introduction

The Consumer Council is a Non-Departmental Public Body set up in legislation to safeguard the interests of all consumers, and particularly the vulnerable and disadvantaged. The Consumer Council is an independent organisation which operates to promote and protect the consumer interest.

We welcome the opportunity to respond to this consultation on the Guaranteed Service Standards in Gas: Consultation Proposals.

3. Response to Consultation questions

1. Do respondents have views on whether the various proposed individual service standards (as outlined in table 1) are acceptable?

The Consumer Council prepared a paper on standards of performance in 2007 stating that any proposed standard of service should be specific, measurable, achievable, realistic and time measured. We are satisfied that the proposed individual standards meet this criteria.

Looking more closely to each proposed individual standard, we would like to make reference to the Utility Regulator May 2010 report on Customer views of the Guaranteed Standards Scheme. The report identified two key priorities for gas customers: reliability and affordability of their gas supply. We are satisfied that the issue of reliability is covered under the proposed GSS with provision for notification for planned interruptions, prompt restoration of supply and repair of faulty prepayment meters.

While the issue of affordability cannot be addressed directly in the GSS, we appreciate the inclusion of standards such as Bill and standard payment queries, Meter accuracy and Provision of cost estimates. These are likely to increase billing accuracy, reducing the risk of higher than average bills and making it easier for consumers to budget for their energy use.

However, we would recommend extending the ten working days to provide entitled customers with their payments to payments made outside the GSS scheme. The evidence obtained by the Consumer Council from gas complaints shows that customers are dissatisfied with the 28 days applied currently by gas suppliers for issuing refunds.

The Utility Regulator's report also highlighted other areas of service provision likely to cause inconvenience and dissatisfaction, such as making and keeping appointments and responding to queries and complaints. We are of the opinion that these are adequately covered in the proposed Individual Standards of Service and Payments.

Finally the Consumer Council believes that GSS, including payments and targets, should be reviewed on an annual basis, with a view to improving the standards for consumers based on the performance of the company in the preceding year.

2. Are the associated timescales of the proposed standards appropriate?

The Consumer Council is of the opinion that overall the timescales in the proposed GSS are appropriate. Our opinion is based on the evidence included in pages 57 to 65 of the Utility Regulator's May 2010 report on Customer views of the Guaranteed Standards Scheme. However, we would like to point out the following:

The report stated that 90 per cent of those surveyed expected to have their supply restored in a maximum of 24 hours, which would support the Utility Regulator's proposed timescale for Supply restoration. However, 76 per cent believed that gas companies should restore supply in a maximum of 12 hours. Gas customers rely on their gas supply to heat their homes in winter. Therefore we ask the Utility Regulator to consider reducing the timescales for supply restoration during the colder winter months.

With regards to reinstatement of customer's premises, the Utility Regulator May 2010 report highlights concerns about the inadequacy of the measures put in place by gas companies to ensure the safety of the area where work is being carried out. The evidence obtained by the Consumer Council during our investigation of gas complaints supports this view. We acknowledge that this issue of safety does not fall directly under the GSS scheme. However, we recommend reducing the proposed timescales from five to three working days to minimise the potential for safety risks and also any inconvenience caused to gas customers.

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?

The Consumer Council is of the opinion that the main purpose of the proposed Individual Standards of Service and Payments is to offer an incentive to gas companies to provide the highest possible standard of

service. Secondly, the payments offered to consumers under this scheme represent recognition of the inconvenienced caused by the gas company when failing to meet one or more of their standards of service. We understand that these payments should not be reflective of any financial loss incurred, but there must be no restriction on the customer's right to seek redress through legal action.

Bearing in mind those two points, the Consumer Council is of the view that the proposed Payments would be acceptable. This view is supported by the qualitative research carried out by the Consumer Council in August 2011 (see footnote 1).

However, the Consumer Council has one reservation; the proposed payments are similar to those offered to electricity customers in NI, but these were set more than ten years ago. Since then the cost of living, and energy prices in particular, have increased considerably. Therefore we propose that provisions are included under GSS allowing the Utility Regulator to review the Payments in the future.

4. Do respondents believe that the associate payments should be claimed for by customers or be automatically paid by the company?

The Consumer Council strongly believes that Individual payments for breach of agreed standards of service should be paid automatically. We are of the opinion that the imposition of a requirement on gas customers to claim would represent an unreasonable barrier for a majority of gas customers, greatly reducing the incentive on gas companies to provide the highest possible standards of service.

Our position is supported by the evidence included in the Utility Regulator May 2010 report on Customer views of the Guaranteed Standards Scheme, with 90 per cent of responses to the quantitative survey supporting automatic payment. The report highlighted also alarmingly low levels of awareness of the GSS scheme in the electricity sector. The qualitative research carried out by the Consumer Council in August 2011 produced a broadly similar result.

With regards to payments under the GSS scheme, the Consumer Council's qualitative research in August 2011 showed overwhelming support for payments in the form of credit to the gas account. However, we appreciate

the majority of gas customers use the Pay As You Go payment method, therefore we would support the use of payments by cheque as an alternative.

5. Should the individual guaranteed standards scheme be funded by the company?

The Consumer Council believes that GSS should principally be an incentive for gas companies to provide the highest possible level of customer service to their customers. We believe that the only way of achieving this is ensuring that gas companies do not pass the cost they incur for failing to meet their standards onto other consumers; any cost should be borne by the company and taken from their profits.

Furthermore, the Consumer Council would encourage gas companies to use their standards of service as a selling point and marketing tool in a competitive energy market, by offering the highest possible standards to their customers.

6. Do respondents agree with the Utility Regulator's view that companies should be responsible for promoting the guaranteed standards scheme?

GSS should be visible to consumers and widely accessible, as consumers have a right to know what standards to expect from their gas company, and what they can reasonably expect when things go wrong. The most effective way of achieving this would be for gas companies to be responsible for promoting the guaranteed standards scheme as they have access to gas customer contact details.

However, we are concerned that given the existence of financial penalties on gas companies for breach of GSS, they have little or no incentive to promote the scheme. Also we must consider the low levels of awareness of GSS and GSS payments amongst electricity customers in Northern Ireland (see our response to question 4 for more details). On the other hand, the importance of this issue of lack of awareness of GSS payments would ultimately depend on whether automatic payments are introduced or not.

The Consumer Council is of the opinion that it should be a licence condition that gas companies promote GSS. This could be a timely licence change under IME3. However, given our concerns and the evidence from electricity

customers we recommend that gas companies should develop their promotional plans in consultation with the Utility Regulator and the Consumer Council and that there should be a mechanism in place to monitor its effectiveness. The Consumer Council is willing to assist with the promotion of the GSS, as it is in the best interest of consumers.

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?

The Consumer Council is satisfied that the list of overall standards proposed by the Utility Regulator will ensure gas customers receive high levels of service provision in three key areas: security of the gas supply, gas safety and customer service. We welcome also the inclusion of the standard Moving of meter, which should improve the accessibility to gas meter for those who need it.

8. Do respondents regards the associated targets for the various overall service measures (in Table 2) as challenging and achievable?

The Consumer Council believes that the proposed targets associated to the overall service standards included in table 2 are sufficiently challenging. When implemented they will ensure that consumers in Northern Ireland receive the highest possible standards of service from gas companies. However, we would suggest a small amendment to the overall standard number 7, "Faulty gas pay as you go meter"; to make the requirement to visit a property within **four working hours** instead of the proposed four hours. It is our opinion that there would not be any detriment to consumers and that this would allow gas companies to reduce operational costs.

The Consumer Council does not possess sufficient information to comment on whether the proposed targets are achievable, particularly the 100 per cent proposed targets for reconnections and moving/changing meters. However, since the proposed targets are consistent with those for electricity companies in NI and gas/electricity companies in GB, the Consumer Council would be concerned if the proposed targets were lowered.

The Consumer Council supports the implementation of a system whereby gas companies will monitor and report annually on their compliance with targets on overall standards of service. The Consumer Council believes that the

information should be made widely and easily available to third parties and individual consumers, otherwise the incentive to gas companies would be lost.

Given the lack of consumer awareness about the existing GSS for electricity companies, the Consumer Council is concerned that the publication of compliance reports annually by gas companies alone would not represent sufficient incentive to achieve the proposed overall targets. The Consumer Council proposes that consideration is given to the inclusion of financial penalties for non compliance within price control mechanisms of gas companies.

We appreciate the complexities of this proposal, but believe that this would ensure gas customers receive the highest possible standards of service consistently. In a fully competitive market this issue may be addressed by the fear of losing customers because of perceived poor customer service. However, competition in Northern Ireland's gas market is new and regulation is still required.

9. Is the implementation start of early 2012 appropriate?

The Consumer Council believe that gas customers should have the same rights and entitlements and receive the same high standards of service as electricity customers. Therefore we are of the opinion that the proposed GSS should be implemented at the earliest possible opportunity.

However, gas companies should be given a reasonable opportunity to review and upgrade any current systems or infrastructure that would not meet the requirements set under GSS. Subsequently the Consumer Council would support an implementation date of early 2012 as appropriate and reasonable.

10. Under which circumstances, if any, do you believe companies should be exempt from adhering to the standards of performance policies?

The Consumer Council believes that there should be no predetermined exceptions to the applicability of the standards of performance included in the GSS scheme.

However, the Consumer Council acknowledges that extraordinary circumstances can occur that could not have been avoided even if all reasonable measures such as adequate maintenance or human resource

management had been taken. Therefore the Consumer Council would support the idea of implementing a system whereby consumers, gas companies or the Consumer Council can refer disputes around the GSS scheme on an individual basis to the Utility Regulator for final determination. Any decision made by the Utility Regulator must be transparent and publicly announced.

Conclusion

Electricity customers in Northern Ireland have enjoyed the benefits of regulated standards of performance whereby companies are set targets for high standards on key areas of service provision and customers receive financial compensation for breaches on the electricity companies' part.

The Consumer Council welcomes the Utility Regulator's plans to extend Guaranteed Service Standards gas customers in Northern Ireland. The Consumer Council is committed to working with the Utility Regulator and energy companies in reviewing and improving standards of performance in Northern Ireland, and we look forward to working with all in achieving this.



The Consumer Council

Making the consumer voice heard and making it count

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