

Guaranteed Service Standards in Gas Consultation Proposals

This response details the comments of Phoenix Natural Gas Ltd (PNG) to the Utility Regulator's (UR) consultation on Guaranteed Service Standards in Gas.

PNG is committed to delivering a high quality service to its customers and therefore welcomes the opportunity to respond to this consultation. The basis upon which our performance is currently measured is the company's service standards. These are published on PNG's website and the targets themselves have been fully endorsed by UR and the Consumer Council for Northern Ireland (CCNI).

However it is well recognised that PNG is significantly smaller than any gas operator in Great Britain (GB) or any electricity operator in Northern Ireland (NI) and as such the size and limited resources of PNG must be taken into consideration when setting any individual or overall standards of service.

Furthermore the standard of service being offered to consumers cannot be viewed in isolation. It must be recognised that there will always be cost implications in delivering a certain level of service to consumers and it is therefore necessary for UR to decide whether the revised level of service being offered outweighs the additional cost to the consumer. An optimum balance of cost and service must be achieved. The standards as proposed by UR will result in PNG incurring additional costs for resources which will ultimately result in increased costs to consumers. At the time of PNG's price control submission, there was no requirement for gas distribution licence holders to "guarantee" their standards of service. PNG based its price control submission on the licence principles prevailing at the time of its submission and therefore, as agreed with UR, no consideration was given to the anticipated step change in costs which PNG would require to implement guaranteed standards of service. PNG advised UR that should Guaranteed Service Standards in Gas come into operation within its 2012-2013 period of control, PNG would prepare a separate submission of forecast costs in order to implement such standards and UR would be required to issue a supplemental determination of allowable costs within PNG's cost base. PNG will not be in a position to request any allowances to implement the Guaranteed Service Standards or anticipate the level of such additional costs until each service standard has been agreed.

Individual Standards of Performance

PNG comments on each of the proposed guaranteed service standards for distribution licence holders in NI below:

	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)

PNG does not believe that Standard 1 was intended to apply to individual works and is of the view that this should replicate the applicable standard in GB and therefore be amended to clarify that it applies to planned maintenance *to maintain the integrity of pipes or to replace pipes*.

	Proposed Guaranteed Service Standard	Payment
2	Supply restoration Distribution companies must restore customer's gas supply within 24 hours following unplanned disruptions on their network	£50* (£125 I&C*)

PNG currently reports on Standard 2. PNG endeavours to reconnect consumers as quickly as possible following unplanned disruptions on the PNG network; however it will not be possible to restore supply within 24 hours in every instance. The current standard recognises this and measures the company's performance of restoring, *where practicable*, domestic customers' supply within 24 hours. Standard 2 should be amended accordingly.

	Proposed Guaranteed Service Standard	Payment
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)

Standard 3 would require distribution businesses to reinstate customer's premises within 5 working days. PNG accepts that this is a reasonable expectation for consumers and the business already strives to deliver this.

	Proposed Guaranteed Service Standard	Payment
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

Standard 4 would require distribution businesses to provide consumers with cost estimates for a new gas supply within 7 working days (15 working days for non-standard work). These

timescales are not reasonable for a business the size of PNG and with such limited resources as PNG. PNG is of the view that 10 working days for standard connections and 28 working days for non-standard connections are more appropriate given the amount of planning and verification required preparing a quotation for connection to the PNG network and the internal processes which must be followed.

	Proposed Guaranteed Service Standard	Payment
5	Responding to failure of a prepayment meter Distribution companies must deal with reports of problems with prepayment within 4 working hours	£25

It is unclear what is being proposed for prepayment meters in relation to Standard 5. Table 1 would require PNG to respond to failure of a prepayment meter within 4 working hours whereas UR's comment on page 8 goes further to suggest that this applies between 8 a.m. – 8 p.m. on each working day and 9 a.m. – 5 p.m. on any other day.

In addition, unlike responding to gas escapes, prepayment "faults" are not generally a safety issue and problems with PAYG meters are often caused by the customer themselves. It is therefore totally unreasonable that PNG should be penalised by having to respond to ALL prepayment meter "failures" within 4 working hours. This standard should only apply to genuine faults with PAYG meters as it is wholly inappropriate to compensate a consumer if they have caused the "fault" themselves e.g. where upon visiting the premises it is determined that they have simply run out of credit. Standard 5 should be amended accordingly.

	Proposed Guaranteed Service Standard	Payment
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

PNG notes the proposed time bands in Standard 6 for offering and keeping appointments with customers. It should be noted that gas operators in GB have in place high levels of technology with regards hand held devices that allow a mobile workforce to receive their work electronically from the office. This allows for greater flexibility as although some work may be allocated to teams in advance of the start of the day, most work is allocated throughout the day. This allows GB companies to move work around throughout the day as circumstances change

As UR is aware, PNG does not have this level of technology and all work is issued by paper. The paperwork not only tells the team what work needs to be done, but provides essential safety information such as location of other utilities' plant. Therefore if for some reason a

team was unable to make a specific appointment due to an earlier job taking longer than anticipated, it is very difficult to reallocate that team's work to another team in order to meet the appointment. It would be necessary for PNG to invest in a similar hand held system as in GB before Standard 6 could be implemented and for UR to allow such costs within PNG's cost base. It would be totally inappropriate to put in place standards that other gas operators work to without allowing PNG the same tools required to meet those targets.

Without such technology PNG would be forced to increase its level of resources to deliver this standard which would have the perverse effect of increasing costs to all consumers.

Furthermore if an appointment is acceptable to a customer outside of the time bands within Standard 6 above, why should UR consider a standard that prevented PNG and the customer reaching mutual agreement appropriate? In PNG's view this seems to restrict the level of service that can be offered to customers.

	Proposed Guaranteed Service Standard	Payment
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

It must be recognised that Northern Ireland is geographically remote from GB and there are certain instances when PNG must send items back to GB in order to progress an issue e.g. for a meter accuracy test PNG must use the facilities of an Ofgem recognised meter inspector and as there are none in Northern Ireland, meters have to be sent to GB for the test to be carried out. Therefore a standard of 5 working days to explain the probable cause of any meter accuracy issues is unachievable. PNG is of the view that a period of 15 working days would be more appropriate for Standard 7.

At present under Article 22 of the Gas (Northern Ireland) Order 1996 responsibility for approval, testing and certification of gas meters lies with UR. This legislation also includes provision for UR to appoint meter examiners to carry out these functions. If however UR decide to implement the requirements of the Energy Act (Northern-Ireland) 2011 and set up a local meter testing facility rather than leave it to industry to oversee as has been the case, then this standard could be reviewed at the appropriate time to see if a 15 working day time frame could be reduced.

	Proposed Guaranteed Service Standard	Payment
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

PNG does not have the appropriate systems to facilitate automatic payment of compensation within the 10 working days proposed in Table 1. Compensation payments would have to be manually validated and processed. PNG typically makes payments on receipt of an individual claim within 28 days. Standard 10 is not achievable in its current form and should be amended accordingly.

General comments

PNG is benchmarked against gas network operators in GB with regards its costs at the time of each price control review and its performance and as such we do not believe a compensation amount higher than that in place in GB is appropriate or indeed reasonable. PNG can see no rationale for applying £25 compared to the typical £20 penalty applied in GB.

Furthermore PNG believes that all compensation should be paid on receipt of a customer claim. Once a customer has connected to PNG's network, their relationship is with their chosen supplier, not PNG. While PNG remains responsible for maintaining its asset, the business does not have to be informed if the occupancy of the property changes. Therefore if PNG connected Mr Smith's property to its network but Mr Jones subsequently bought the property, PNG would not be advised and therefore it would be impossible for PNG to ensure that the name of the appropriate person to whom the cheque etc should be addressed is correct.

PNG does not believe that individual standards should be funded by the company. This is paramount to setting a 100% performance target which is totally unreasonable. There may be events outside of PNG's control that means that a certain standard cannot be met in every instance. UR must recognise and make allowance for this as part of PNG's price control process. This is in fact recognised by UR in its proposals for the targets for the overall standards of service.

PNG also note the introduction of abortive visit standard charges in GB. For example Scotland Gas Networks Connection Services Charges (effective from 11th April 2011) state that the charge to be applied for eligible abortive visits is £55.50. The charge is applicable in respect of any works where a planned date has been agreed between Scotland Gas Networks and the customer and subject to the following eligibility criteria:

- the customer refuses an on-site variation which requires a job cancellation or deferral, or;
- the customer has not informed Scotland Gas Networks of on-site conditions which prevent the work from being carried out, or would make it unsafe to do so. Where on-site conditions outside of the customer's control prevent the work from being carried out, no charge shall be made; or
- the customer has failed to inform Scotland Gas Networks of any changes 24 hours prior to the agreed start date.

There is therefore a strong argument for UR to introduce abortive visit charges for distribution businesses in NI given the penalties being proposed by UR on those who fail to keep an appointment. This would ensure that only those consumers who fail to keep an appointment are charged and may reduce the level of such instances which would help distribution licence holders to meet their remaining standards.

PNG believes that the guaranteed standards scheme would be best promoted by publishing the standards on the websites of the relevant gas companies and referring to the standards within the Consumer Checklist currently being considered as part of UR's consultation on the implementation of the EU Third Internal Energy Package. This will ensure that costs are minimised and customers will receive information about the standards on at least an annual basis.

Overall Standards of Performance

As already stated, it must be recognised that there will always be cost implications in delivering a certain level of service to consumers. The overall standards as proposed by UR will result in PNG incurring additional costs for resources which will ultimately result in increased costs to consumers. PNG would therefore request that UR reconsider whether it is right and worthwhile to increase costs to consumers in order to deliver these proposed standards.

	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%

PNG currently reports on proposed standards 1-3. The associated targets are 95% for attending reports of gas emergencies (proposed Standards 2 and 3) and 90% for restoration of supply (proposed Standard 1). PNG already regards the current targets as challenging and given that these have been fully endorsed by UR and CCNI, sees no rationale for raising the targets to 97% as proposed in Table 2 of the consultation document

	Standard of Service	Business Area	Proposed Target
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%

PNG is responsible for new connections to its network and maintaining its asset thereafter. Following connection, the customer's relationship is with their chosen supplier not PNG.

Standard 4 - Suppliers are responsible for determining if they require a customer to be disconnected for non-payment. Suppliers are also responsible for requesting a reconnection of a customer after they receive all overdue payments. As PNG receives their instructions for disconnections and reconnections from suppliers, Standard 4 as written cannot be implemented by PNG.

Standard 5 - Moving of meters is an activity covered by PNG's Connection Policy and therefore the Standard is correctly allocated to PNG. However if a customer requests PNG to move a meter, a charge will be levied in line with that published in its Connection Policy as approved by UR. Currently no work is undertaken by PNG until payment is received and

therefore Standard 5 should be amended to “Move domestic meter within 15 working days of customer acceptance of quotation and payment thereof”.

Standard 6 – As per Standard 4, suppliers have the relationship with customers when it comes to changing a meter and it is therefore suppliers who request a change of meter from PNG. Standard 6 as written cannot be implemented by PNG.

	Standard of Service	Business Area	Proposed Target
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

The NI natural gas industry has almost 60% PAYG meters compared to GB which has only 10% and NIE with only 1 in 3 PAYG meters. The benefits of PAYG meters have been widely recognised and PNG is of the view that Standard 7 would penalise natural gas distribution businesses for providing industry with what it wanted, requiring PNG to work to a standard that is unreasonable and unrealistically stretching. Furthermore this standard is not applicable to the electricity sector in NI. Operationally, problems with PAYG meters are often caused by the customer themselves and therefore it is totally unreasonable that PNG should be targeted with responding to a fault caused by inappropriate customer behaviour. Also unlike responding to gas escapes, prepayment faults are not generally a safety issue and therefore if a customer reports a fault at 11 p.m. and there are no safety concerns, it does not seem first-rate customer service for PNG to respond at 3 a.m. when the customer may prefer a visit the following day. This is just one example of why a blanket approach to a problem may not deliver the best customer service and in fact may reduce the current levels of service being offered. PNG is therefore of the view that Standard 7 should be removed.

Implementation

PNG, like any other responsible utility, plans for extreme or unusual events. The prolonged sub-zero weather conditions this winter proved challenging for utilities across NI. In PNG’s experience, December 2010’s record freezing temperatures led to record levels of natural gas usage with customers’ heating equipment/appliances made to work flat out to deal with the sub-zero temperatures. This led to a high level of customer contacts due to the spike in demand for information and services. Local gas boiler repair and call out services along with PNG’s own Emergency Response Team worked hard to ensure those customers’ calls were answered and dealt with and information was provided on the Phoenix website advising customers who experience a boiler breakdown etc who they should contact to get assistance. As a general comment, PNG is therefore surprised to note that UR regards “events such as the previous cold winter period, to be manageable for gas companies”. Record freezing temperatures are not within PNG’s control and therefore such severe

weather must exempt companies from adhering to the standards of performance policies. Last December was the coldest month on record and 2010 the coldest year since 1919 in NI for mean minimum temperatures and as such was an exceptional occurrence. If UR wants PNG to have the available resources to meet all applicable standards in exceptional circumstances, resources will have to increase significantly and costs to consumers will therefore also increase significantly as a result.

Other events such as industrial action, acts of vandalism or terrorism including damage caused by consumers and actions or defaults by third parties, or not being able to gain access to premises as well as legislative constraints, labour disputes and reasons of safety should also exempt companies from adhering to the standards of performance policies.

PNG also believes that a minimum period of 12 – 18 months should be provided between confirming the detail of the standards and agreeing the allowable costs and the date upon which the standards should apply. This would allow the relevant systems and processes to be put in place. Furthermore PNG will not be in a position to report on standards retrospectively and therefore the appropriate reporting mechanisms will have to be in place at the start of the calendar year. Implementing the guaranteed and overall standards in early 2012 is therefore completely unfeasible.