

Worst Served Customers

Qualitative Research – Final Presentation of Findings



September 2008

Agenda

- Research Background
 - Research Objectives
 - Contextual Reminder
 - Methodology and Sample
 - Sample Observations
- Main Findings
 - Role of Electricity and Awareness of DNO
 - Service Experiences
 - Customer Contact
 - Review of GSPs
- Overall Summary

Research Background

Research Background and Objectives

Research Background

- Expectations of DNOs & Willingness to Pay for Improvements in Service' study was completed at the beginning of this year
- As an extension to the above study, some specific research with “worst served customers” was commissioned:
 - for recruitment purposes these were defined as those who could remember experiencing 15 or more cuts in the past three years (based upon data provided by the DNOs); it is appreciated, therefore, that this data could represent an extreme segment of customers that could be considered worst served

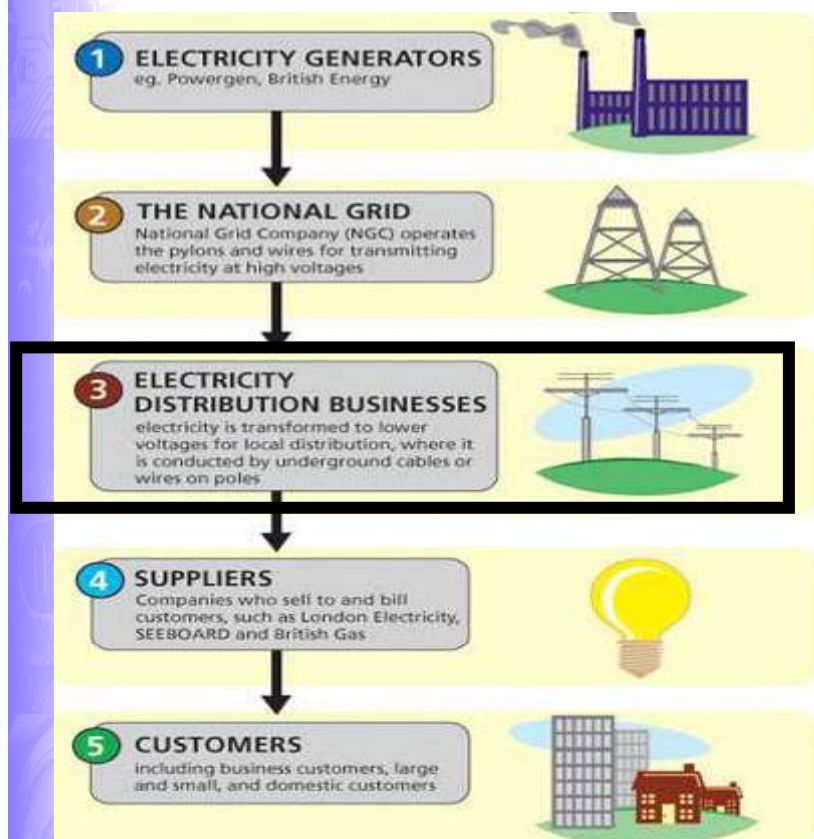


Specific Objectives:

- Explore current experiences and satisfaction with quality of service
- Understand key priorities and areas that Consumers value
- Explore awareness of and attitudes towards GSPs + potential new GSPs

Deliberative Process

Short, simple pictorial presentation given near the beginning of each workshop to educate customers about the DNOs role

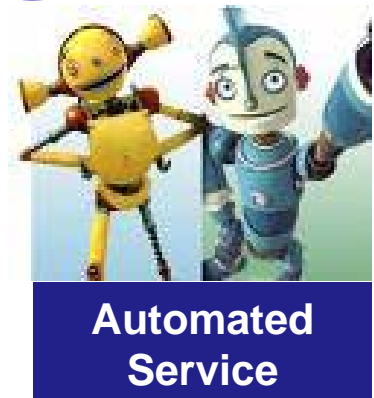


- Spontaneous discussion about Electricity service
- Explanation of the Energy Chain
- Responsibilities of the Distributors
- Proportion of the bill that goes to Distributors

Contextual Reminder

High engagement with the energy market place driven by rising prices and environmental media coverage

Top of
Mind
Issues



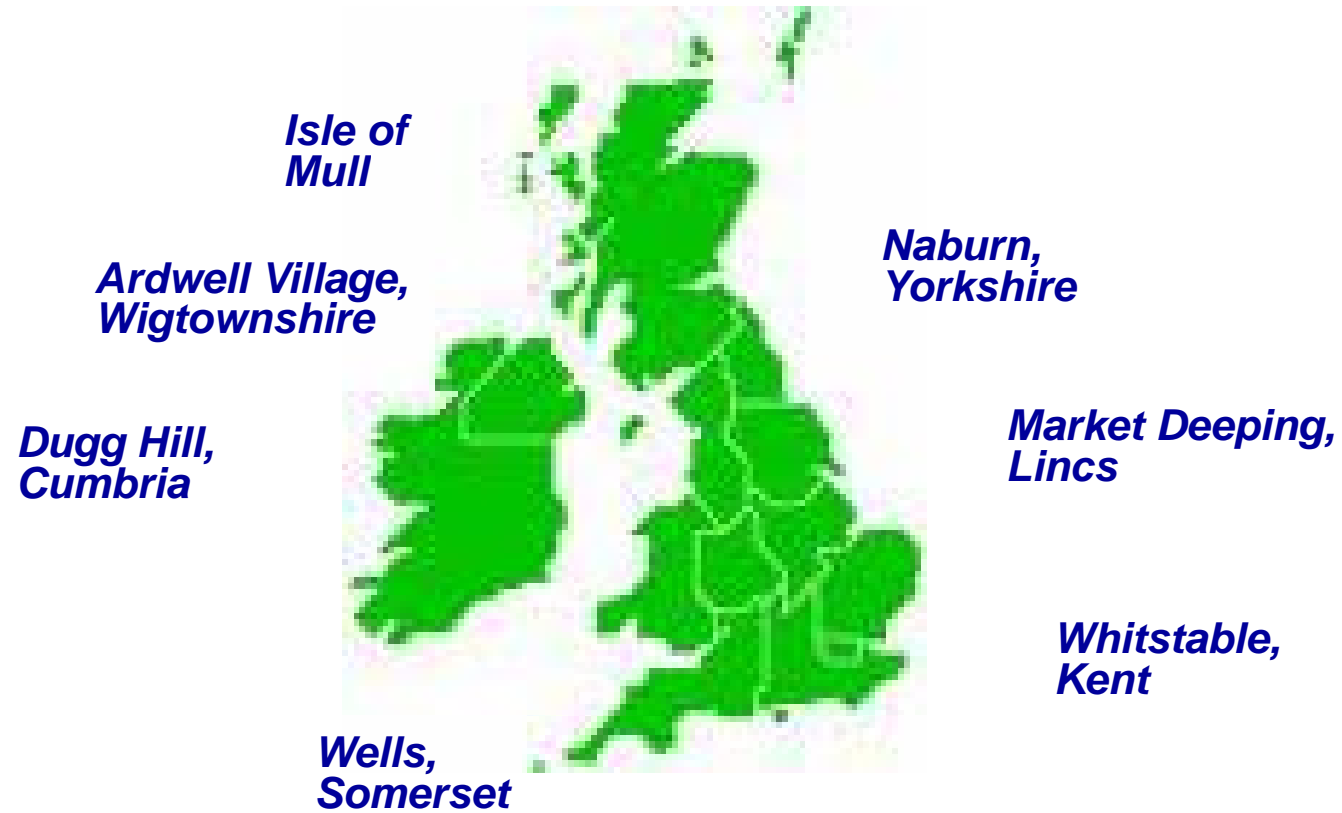
Methodology and Sample



7 Discussion Groups undertaken in Hotels

- All recruited as domestic customers
 - although some in Wells & Somerset were Business Owners
- All rural / semi-rural locations
- All to have experienced >15 Power Cuts within the last 3 years
- Mix of Age and SEG

Rural / Semi-Rural Locations



Location Observations

Severity of issues differed across locations but can be broadly separated into 3 categories

	Category 1	Category 2	Category 3
Locations	<ul style="list-style-type: none">Whitstable, Wells and Market Deeping	<ul style="list-style-type: none">Dugg Hill, Stranrear, Naburn	<ul style="list-style-type: none">Mull
Attitude and Lifestyle	<ul style="list-style-type: none">Busy, working/commuting, stressedMore anonymous (except amongst Businesses)	<ul style="list-style-type: none">Busy, working/retired, stressedNeighbourly vs. community feel	<ul style="list-style-type: none">Relaxed pace of life, many retired, Island lifeStrong sense of community
Service and Contact Issues	<ul style="list-style-type: none">Frequent smaller cutsInconvenientLack understanding of reasons behind power cutsLimited direct DNO contact	<ul style="list-style-type: none">Frequent longer cutsStrong frustration evidentGreater DNO contact	<ul style="list-style-type: none">Longer cutsPerceived to be infrequentVery little perception of inconvenienceContact with DNO = adequate

**Worst
Served
(Category 1)**

*"I agree ... when there is a storm brewing, like coming overhead, then you tend to get everything goes out but then turns back on, like near enough straight after, but you are just having to go round and re-set all the clocks and things like that."
Whitstable*

**Worst
Served
(Category 2)**

*"It's a problem, it's been a problem throughout the time I've been in the house and I believe it was a problem before I moved into the house."
Dugg Hill*

*"I can only speak from the limited time I've lived here.... it's power cuts.... It's sporadic power cuts at the most awkward times....."
Ardwell Village*

**Worst
Served
(Category 3)**

*"It's absolutely fine – yes of course we have lots of times that there are power cuts, but you just get on with things and they do the best they can to get things working again"
Mull*

Role of Electricity and Awareness of DNO



Electricity = Hygiene Factor *

Most of the time the electricity works – largely taken for granted

**WTP
Study**



=



**WTP study showed
electricity = hygiene**

**Worst
Served
Study**



=



**Although still a hygiene
factor, more acceptance
of outages in all Worst
Served Areas**

"You don't really expect problems in this day and age – not unless there's a reason...storm or they're doing something to the lines"
Wells

"In this day and age, with technology as it is, you would have thought that they could flick a switch and change you over to another supply – the rest of the village are on one so why can't we be?"
Naburn, York

"The fact is that electric has been around for many, many years and we take it for granted, so you can't really say, 'bravo to the electric'."
Ardwell Village

"I can remember when we didn't have electric on the Island so whilst you expect it now, I think we think differently"
Mull

"Every time you get a gale it seems to knock it out."
Whitstable

"You just take it for granted, don't you, totally, I've 2 teenage sons and they're never off their computers, so ... you do take it for granted."
Dugg Hill

"It's like a third world country, it's ridiculous."
Ardwell Village

Top of Mind Issues

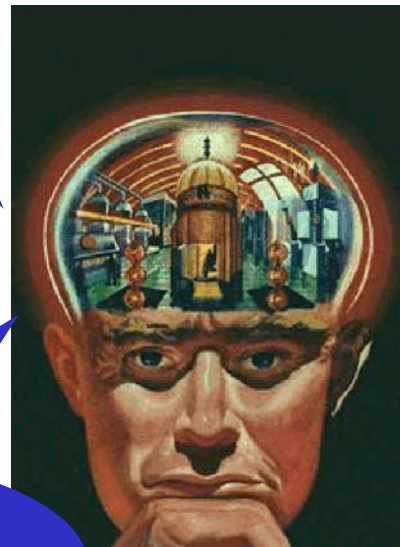
Supply issues – pricing, service - dominate discussion BUT more immediate recognition of distributor issues across the 'Worst Served' sample

*"Customer services are very poor with the provider."
Dugg Hill*

*"Since I moved to Heversham it's been reliability that I've thought of first."
Dugg Hill*

*"They should be working hard to reward lower users and lower income people"
Market Deeping*

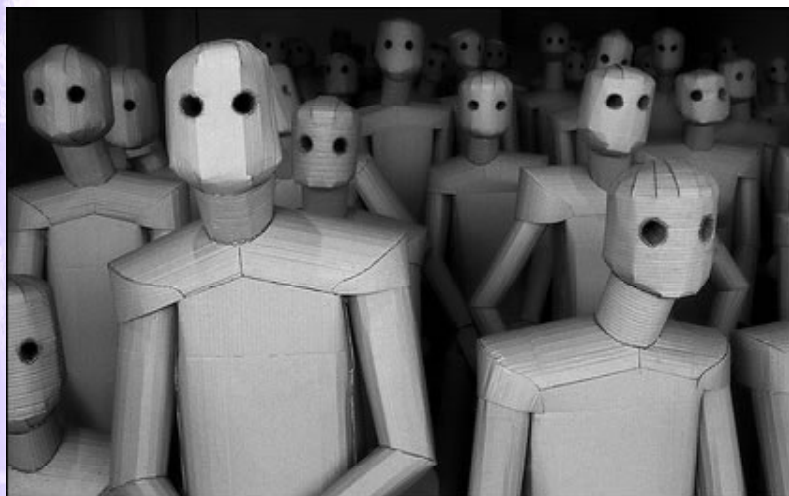
*"It's just so expensive – the government should be doing something about rising prices."
Wells*



*"They've cut back so much on the manpower. A crew came out to us one night we had a line break and the guy said they'd come all the way from Cudbury. They were the only team for Dumfries and Galloway for that night, and it was a stormy night. ."
Ardwell Village*

Awareness and Contact with DNOs

Low awareness and lots of confusion despite greater potential for contact in Worst Served Areas



- General lack of awareness of DNO
- Some perception that deregulation = more complex supply chain
- Once prompted, respondents aware of DNO via visibility of vans, workman, etc.
- Minority of customers (Category Two) who had contacted their DNO regarding poor service who knew their name
- Other customers who had contacted DNO thought they were speaking to their supplier or sub department (no. on energy bill)

Critical to increase profile of DNOs in these areas e.g. reinforce DNO name during points of contact

"If they came to the library, or the town hall, and put some posters up – had someone to talk to and they explained why we get so many cuts, and they told us what they were doing about it, I would be able to understand more."

Market Deeping

Where would they look for DNO details?

AS with WTP study, three key sources of DNO details
BUT back of bill most common source



- Contact Supplier
 - ask for details
 - ask to be transferred
- Look at back of bill



- Yellow Pages
- Emergency page at the front of the book
- Under 'Electricity'
- Look up Supplier



- Google/Search Engine
- 'Power Cut or Electricity Supplier'
- Although aware that this may not work during Power Cuts

DNO Performance

**Higher recognition of DNO issues (reliability/communication)
creates more negative responses than WTP study**

+ve

- Power is on more than its off
- They do their best in difficult circumstances
- Things get fixed eventually



-ve

- Number of Power Cuts
- Unexplained Power Cuts
- Lack of maintenance of infrastructure
- Decline in investment in workforce
- Lack of communication (during power cuts)
- Lack of pro-active communication

Positive comments mainly from Category 3 (Mull)

*"You've either got power or you haven't,
and if we've got power that's good."*

Ardwell Village

*"The last letter we got said
they were going to be doing
all this. In fact, they're
coming up to my area on
Wednesday to cut some
branches off trees that
might interfere with the
lines and that's the first
time they've done that for
years."*

Ardwell Village

*"It's a problem, it's been a problem
throughout the time I've been in the
house, and I believe it was a
problem before I moved into the
house."*

Dugg Hill

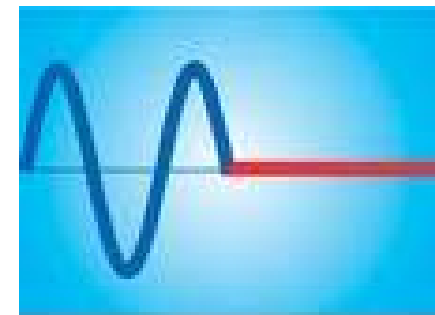
*"...it gets so bad that I've had to
turn off the supply at the mains
because you're going to blow
your equipment"*

Ardwell Village

*"I was in South Manchester for
over 16 years and I think we had
one power cut in the whole
time...Up here, I find it a
constant, it is a nightmare."*

Dugg Hill

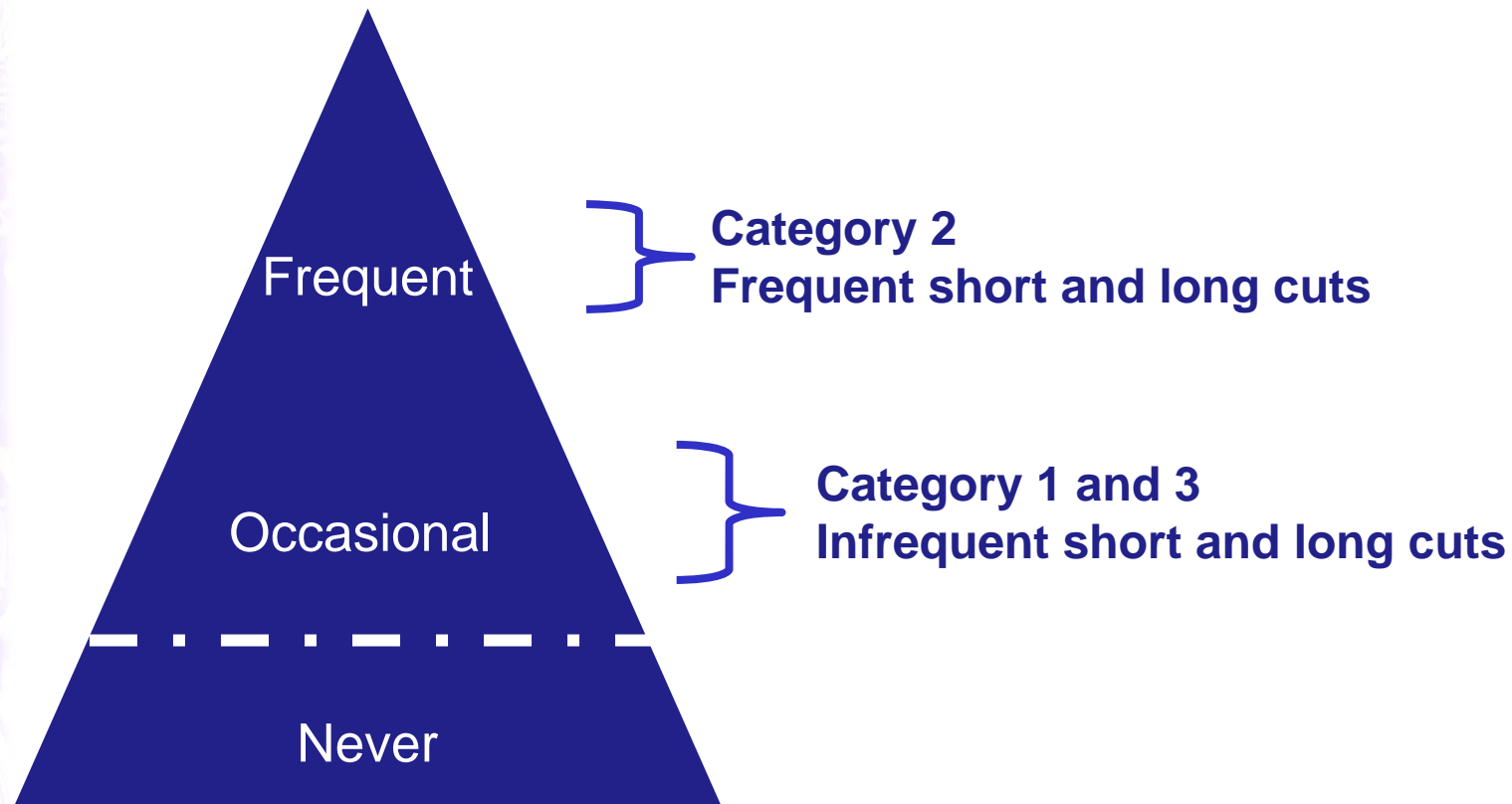
Power Cuts



POWER CUT

Experience of Power Cuts

High incidence of memorable Power Cuts ranging from Blips-Significant Outages



"It's the way the power cuts happen.... There's frequent on off on off all the time. Andy there's got a print out and we've had up to thirty power cuts in one night!"
Ardwell Village

"... you could get 10 in the space of 50 minutes, and then you can go 3 or 4 hours and then it can go off for an hour."
Ardwell Village

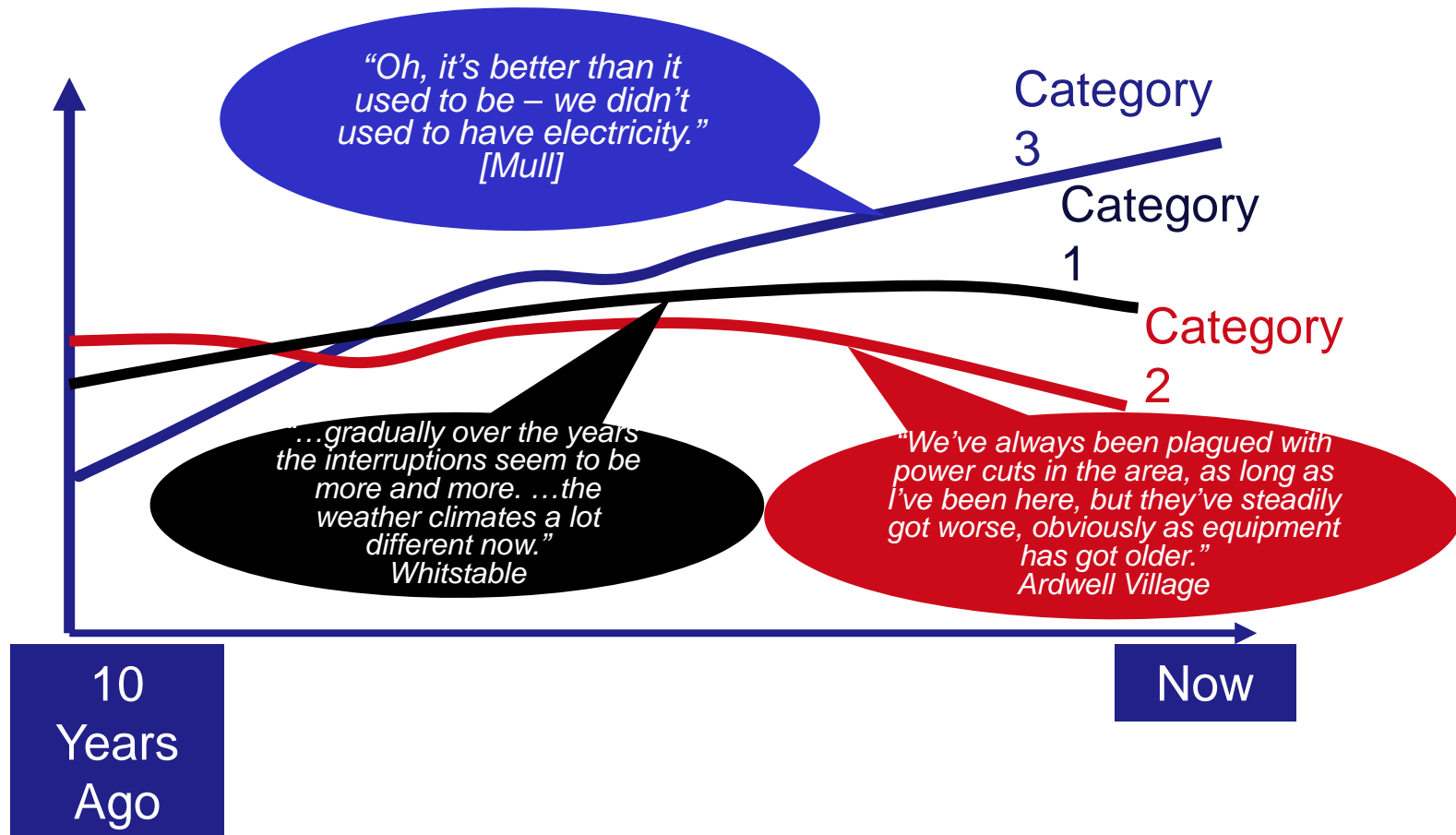
"Its difficult to say but they never feel that significant" Mull

"I would say at least 15 plus in the last year and I am talking an hour plus."
Whitstable

"As soon as the winter starts – it will be cold weather or wet weather and you think to yourself – oh here we go again! I don't know why but it's only in the winter"
Naburn, York

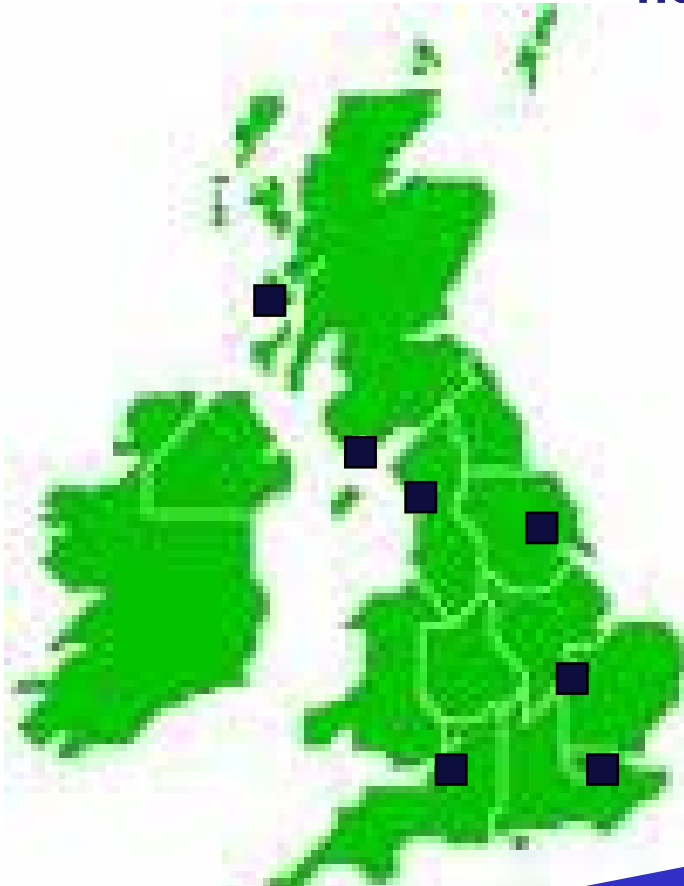
Changes Over Time

Perceptions differ across locations BUT sense of worsening in Categories 1 and 2 over time (bad weather, old equipment); however, it should be remembered that these represent the views of those that could be considered an extreme segment of worst served customers



Comparison to Other Locations

Recognition that their service is inferior to other places but not always sure why??



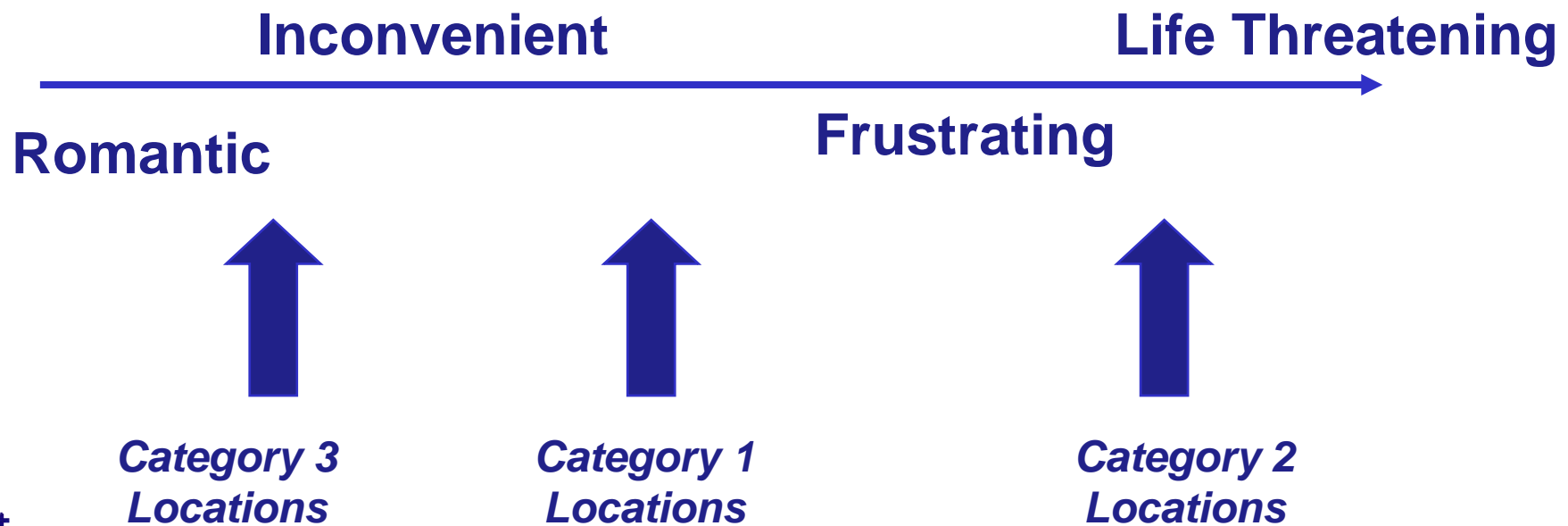
- Poor service vs. rest of country
- Family/friends feedback suggests they are poorly served
- Vulnerable areas – look for relevant explanations e.g. by the coast, exposed, near forests, etc
- But not clear why service differs to comparable rural/remote areas

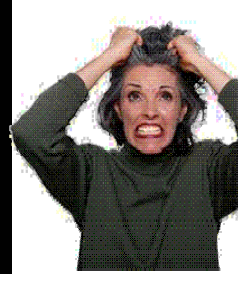
"And talking to people who live in much more rural areas they can hardly believe how bad it is." Ardwell Village

*"I used to live just outside the city gates of York and we never got cuts ever – I've only lived here for a few years, but I'm already fed up with them – they just seem to be inexplicable."
Naburn*

Impact of Power Cuts

Range of emotions from mild to major across sample





Inconvenient

Life Threatening

Romantic

Frustrating

"It's just a way of life – we have fantastic schools, health service, scenery and life up here"
Mull

"It's much more about blips than any major power cuts, but if I'm working in the shop it's inconvenient because we have to reset all the equipment"
Wells

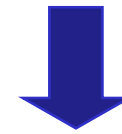
"I just feel really frustrated. It was the final of a programme I have been watching and it cut off just as I was about to find out who was going to win, and then it came back on at the closing credits, and had been off for about 15 or 20 minutes, and I thought 'oh my God' ... to this day I still don't know who won!"
Whitstable

"I rely on it to keep my fish alive...If I come in and the pump is off, they are gasping for air. Because I have got big Koi's...I get really cheesed off...If the electric's gone and my fish are gasping, I can lose a lot of money then."
Whitstable

"...there's a lot of elderly people living on their own and I quoted my neighbour in her 90s, and the lights go out, she's got a real problem."
Dugg Hill

What Contingency Plans Are In Place?

Contingency plans in place across the sample



- Majority here
 - Candles
 - Gas stoves
 - Torches
 - Provision of Gas
- Minority here
 - One in Whitstable
 - Ardwell Village
 - Generator in Oban for Mull

Causes of Power Cuts

Lack of communication or reasoning behind power cuts causes low tolerance to power cuts and blame on DNO



Out of DNO Control

- Severe weather conditions
- Accept that this happens
- Higher tolerance of these issues

"The worst one for us was in the gales...half the country was off...6 days...was mid-winter....very uncomfortable."
Dugg Hill

No Idea Why?



"To be honest, we're just guessing as to what the problems are – nobody has told us anything of any use at all"
Naburn, York

Within DNO Control

- Lack of investment
- Inefficient management
- Lack of maintenance
- Reduction in workforce
- Trees falling on cables
- Cutting through cables
- Not managing power surges etc

"They used to have a helicopter flying the lines, and they used to walk the lines looking for trees, damaged poles, that sort of thing, and that's all gone by the wayside now."
Ardwell Village

Are People More or Less Tolerant?

Majority less tolerant – driven by perceived lack of investment and maintenance

Greater Tolerance

- Severe weather events creates higher tolerance level

*"If you do get an exceptionally stormy spell, then you expect power cuts, that's perfectly reasonable."
[Ardwell Village]*

Less Tolerant

- Broader climate of high energy prices
- High frequency of power cuts
- Sense of service decline
- Lack of explanation
- Poor customer communications

"They seem to have the same problem over and over again – they keep telling me it's a fault in the overhead cabling but that could mean anything" Naburn, York



Priority Action at Times of Power Cut

Lower tolerance levels creates higher expectations for action – all of these steps important vs. first 2 in WTP study

1. Efficient restoration of supply as quickly as possible
2. Proactive communication
 - Outage has occurred
 - Manage expectations - knowing when it's coming back on
3. Apology and explanation – why did this happen?
4. Reassurance – giving customers the confidence in the longer term
5. Longer term plans - what we are doing to make sure it doesn't happen again
6. Compensation

Recurring problems mean greater levels of proactive DNO communication critical – apology, explanation, reassurance

Hypothetical Choices = Difficult Discussions

Despite explanation, idea of choosing Power Cuts for those who experience a high number can create annoyance

Frequent, Shorter cuts

Many short Power Cuts (30 in a year < 3 minutes OR 10 lasting 4 hours)



- Inconvenient-frustrating
- Wouldn't even notice – at work/kids at school/asleep
- You can plan for 4 hours

VS

NO MORE POWER CUTS

Infrequent, Longer cuts

Smaller number of longer Power Cuts (10 in a year = 5 hours OR 1 or 2 for 24 hours)



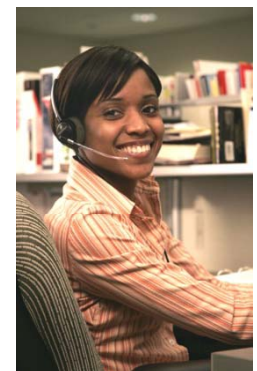
- Assume for maintenance
- Infrequent, longer cuts enables time to plan
- Better for home equipment

VS.

NO MORE POWER CUTS

Response depends on time of the day, time of year

Customer Contact



Contact with DNO

Widespread perception that quality of contact with DNOs is poor (Mull = exception)

- General transference of negative call centre issues which may be unfairly attributed to DNO performance eg automation
- Within this qualitative sample, most customers felt that the DNO service was impersonal and wholly automated
 - Automated response
 - *“power not working in your area”*
 - *“thank-you for registering power cut”*
 - *“doing everything we can”*
 - Lack of human response
 - No time estimates
- Exception = Mull where management of expectations good
- Some evidence of F2F contact in Ardwell Village by SP

Requirement = Speedy, timely information stating reason for power cut and when it is likely to be reconnected

*"I employed workmen to come....and I had to pay them for 3 days but at different intervals where there was no electric, they couldn't do no work but I still had to pay them because they were there and that was really, really annoying. They were saying how long is it going to be off for love, you don't know."
Whitstable*

*"There was a meeting. When was the meeting.... a couple of years ago? There was a big meeting in Sandhead.....and the guy came down from Scottish Power."
Ardwell Village*

*"Once or twice I've phoned up and you have to say your postcode and then you get the power in the Newton Stewart area is cut off, and you think, I'm not in Newton Stewart. It's miles away "
Ardwell Village*

*"You just expect to be able to ask someone why it happened - maybe even if they took an ad out in the local paper the next day"
Wells*

*"They shouldn't just say 'oh yes, it's been reported, yes, we are working on it', because you just feel like well what was the point in phoning up?"
Whitstable*

Minimum Expected Service Requirements

No real differences here from WTP study except longer term view

- Freephone number
- UK Call Centre
- Personal OR Up to date Recorded message
- Length of time getting through – 5 rings
- Not being passed around
- Efficient resolution of problem
- Information is accurate
- Staff are polite, well informed and willing to help
- Proactive call backs if power is not restored within dedicated times
- Text update
- Longer term = email/letter of investment plans

Service Standards – Review of GSPs



Overall Awareness of & Attitudes Towards GSPs

Despite 'Worst Served' areas, still low awareness of GSPs

- Low awareness of GSPs and detail across the sample
 - Minority had claimed but unsure of detail
- Principle of service standards welcomed
 - DNOs need some disincentive to combat poor performance
 - Strong call for penalties if standards not met reflects lower level of tolerance
 - Need for OFGEM to be more visible and stronger in management and communication of GSPs and associated penalties

Response to content of GSPs was similar to the WTP study and did not differ across groups

GS2:

Restoration of Supply (Normal Weather)

Should this be covered?

- Yes
- Should include explanation / communication from DNOs

Specific Detail

- Strong rejection of 18 hours; no justification for 18 hour length; much too long
- 6 hours = optimum
- Sophisticated equipment = find faults easily
- Lacks sense of urgency
- Low tolerance in these circumstances
- Expect DNOs to have contingency plans in place

Compensation

- Initial £50 for domestic OK
- Then concern that lesser payment for extra 12 hours
- Should be upward sliding scale

It should be noted that although this GSP was discussed, there had not been much experience of cuts in excess of 18 hours in these groups

GS11:

Restoration of Supply (Severe Weather)

Should this be covered?

- Yes

Specific Detail

- 24 hours OR 48 hours = acceptable
- Feels quite short in examples given eg flooding, Boscastle
- Especially compared to GS2 – 18 hours
- Far greater tolerance in these circumstances
- Lightening feels shorter term/less severe
- DNOs should prepare for severe weather scenarios

Compensation

- Onus on customer to claim = frustrating
- Automatic compensation would be true penalty for DNOs
- £25 feels extremely low
- £200 maximum = ok for domestic

GS2A:

Multiple Interruptions

Should this be covered?

- Yes
- 3 hours/4 times a year = too restrictive
- What is rationale behind 3 hours?
- Acceptable level = couple of times a year for 2/3 hours
- Many experiencing 5 or more in a year but less than 3 hours in duration so wouldn't qualify
- Not enough of a disincentive for DNOs
- Deliberately confusing – do they want you to claim?
- Should be in any 12 month period - why April-April?

Specific Detail

Compensation

- £50 a year seems too low (especially as issues with overall standard)
- Need to say £50 per year
- Onus is on the customer to keep a record – why?
 - What if they start/finish while you're asleep
 - Why don't DNO's keep a record
 - Lack trust in DNOs – if they claim DNOs will challenge

Total Duration Standard

If, **across the course of one year**, your electricity supply fails because of a problem on our distribution system and you are without power for **a combined total of 15 hours or more**, in any single year (12-month period), you will be entitled to compensation.

For example, you have 2 cuts in total in 12 months:

- in January you have one power cut lasting 10 hours*
- in June you have one power cut lasting 6 hours*

Total duration = 16 hours, i.e. more than 15 hours in a single year, making you entitled to compensation.

Response to Total Duration Standard

Could represent move in the right direction BUT lack of trust in DNO dampens enthusiasm

Should this be covered?

- Feels like an improvement
- OR certainly an additional enhancement

Specific Detail

- Seems simpler and more straightforward
- Fairer as takes into account every blip and cut regardless of length
- Biggest issues = customer logging
- DNOs relying on customer forgetting
- DNOs would challenge at every opportunity

"The first thing I reach for when the power goes off is my torch – it won't be my diary – that would be a real pain – surely they record all these things – they know how long we've been off – if we're entitled they should pay up as money off our bill" Naburn, York

Customer centric option is not to replace Multiple Standards but have Total Duration Standard as safety net and to have automatic compensation system

Principle of Compensation

Same overall response to compensation principle as WTP study BUT higher levels of frustration create stronger compensation culture

For Compensation

- Self focused
- Deserve compensation for poor service
- Resentment about high costs
- Teach DNOs a lesson
- Reduction should be automatically applied to the bill



Neutral/Against Compensation

- Focus on bigger picture
- Want DNOs to learn from mistakes vs. focus on compensation
- Sense that personal bills will increase to pay compensation
- Anti 'compensation culture'

"We just want them to get it right. And if they can't get it right, then they should compensate us. But they still have to get it right. They can't just compensate you and keep getting it wrong, because what they are paying in compensation doesn't cover it anyway.... It's hundreds and hundreds of poundsworth...."

Ardwell Village

Compensation vs. Penalties

Insights derived from WTP study (below) also apply strongly for Worst Served areas as they need to be clear that DNOs have clear motivation for service improvements

- GSP wording currently lacks clarity about compensation/penalties
- Unclear that DNOs are penalised if standards are not met and incentivised when they are met
- Current interpretation is that the onus is on the customer to claim and if not then DNOs are 'in the clear'
- Customers need to understand that DNOs will be fined for poor performance and therefore have a deterrent
- BUT need to communicate how OFGEM will spend those funds as this fuels distrust in the regulation system

Overall Summary

Qualitative Summary

- Respondents recruited from 'Worst Served' areas (with the definition for recruitment purposes being those who could remember experiencing 15 or more cuts in the past three years), so experience of power cuts was high
- Current service levels seen as unacceptable for majority (Mull = exception)
 - too many unexplained Power Cuts
 - sense of static to worsening service levels over past 5 years
 - worse than comparable areas
- Awareness of DNOs limited and contributes to poor service perceptions
 - creates perception of low investment and maintenance
- Lack of communication from DNOs as to power cut causes = highly problematic and critical to address
- Awareness of GSPs limited but principle of standards is important

Recommendations

- DNOs should focus on efficient restoration of supply, as quickly as possible
- As there was a feeling that many cuts where avoidable, DNOs should focus on re-assuring these customers (and demonstrating to them) that they are addressing the reasons for the cuts and investing in infrastructure, to give them the confidence that they will not reoccur in the longer term
- DNOs should proactively communicate the reasons for cuts and apologise for them
- Both of the above could perhaps be done through community meetings, or similar, which some respondents referred to as having previously occurred in their area; these will also help raise awareness of the DNO, their role and their commitment to their customers
- There is a need to raise awareness, again through proactive communication, of the GSPs
- Although the exercise relating to review of GSPs is largely academic, in that respondents had not always experienced the length of cuts referred to in each GSP, there were some amendments that should be considered:
 - shorten the number of hours before compensation is paid for GS2 and increase the compensation payments for each subsequent 12 hours
 - increase the amount of compensation paid by GS11 ((although it should also be noted that a timeframe of 24/48 hours was seen as stringent during severe weather, and that some participants were worried that increased compensation would mean higher bills))
- The new total durations standard researched well and is worthy of further consideration