Review of Customer Priorities for Service Improvements & Indicators of Willingness to Pay

Final Qualitative Report
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Executive Summary

Background & Objectives

Ofgem commissioned a comprehensive programme of qualitative and quantitative research in 2007-8 to measure relative service priorities for the Distribution Network Operators and to produce willingness to pay data for desired improvements as input into the review for DPCR5. Since the above study was undertaken the country has entered a severe recession and Ofgem consequently commissioned this qualitative research to assess the potential impact of the recession on customers' priorities and to get an indication of potential impacts on the previously stated willingness to pay values.

Methodology

The research was conducted using ten domestic discussion groups and four discussion groups with small to medium businesses in June 2009.

Key Messages

The key findings from the research were:

- the number of cuts experienced were typically few and infrequent; they were most common in rural areas, but there were mixed views about whether improvements in these areas were needed – some felt they were (particularly for the sake of the elderly and those with special needs) and would pay a small amount for them; some felt they were par for the course in rural areas and were happy to just sit them out. Businesses were far less tolerant of cuts than domestic respondents as a loss of power equated to a loss of income

- experiences of customer service during a cut were mixed: some domestic and business respondents had struggled to find the appropriate person to talk to (typically phoning their supplier first) and had then been passed from pillar to post. Others had found the number and made contact with relative ease

- communication in the event of – or in advance of – cuts was found to be a key requirement, particularly for businesses who called for speedy, proactive communication in the event of an outage; there were also calls for a clearer definition of supplier versus DNO responsibilities, provision of clearly defined contact details (ie who to call for what), better call record keeping and a nominated Business Account Manager

- proactive texts and call backs were considered a real benefit for businesses who would be able to plan resources more effectively; such services were already available from some other business suppliers; they were felt to be less relevant to domestic users – particularly the elderly who may not have mobile phones

- the key finding was the increased importance of the environment since the research undertaken in 2007-8; most domestic respondents felt that DNOs should both be investing in network technologies to serve a possible future low carbon economy and investing in their own energy efficient equipment such as green fleets; there was also strong support for investment in network improvements, particularly those

which would allow for connection to wind generators. However, although businesses also felt that everyone should be aiming to be greener – DNOs and themselves alike – and largely supported investments in network technologies and improvements to serve a possible future low carbon economy, when asked to choose between the green option of being off supply for a few hours in the event of an outage or a generator being used, most opted for the generator to avoid losing any business revenue.

Priorities for DNOs

Asked to assign a hypothetical sum of money to improvements, overall the key priorities for domestic and business respondents were:

DOMESTIC

- building networks for a future low carbon economy
- reducing the DNO's business carbon footprint
- reducing the number of power cuts

BUSINESS

- building networks for a future low carbon economy
- reducing the DNO's business carbon footprint
- reducing pollution losses from cables & electrical equipment.

Willingness to Pay (WTP) for Service Improvements

The survey identified very little willingness to pay due to general satisfaction with the current number and duration of power cuts, the large increases in bills they had already seen, a questioning of whether the costs shouldn't be met by reassigning a greater proportion of the bill to DNOs and the feeling that environmental improvements should be funded without the costs being passed on to customers.

That said, there was some small willingness to pay to reduce the number and duration of cuts in outage 'hot spots', for environmental improvements in Oban and Swindon and for improvements in customer service in King's Lynn.

Conclusions and Recommendations

The findings suggest that although the WTP figures calculated during the previous (2008) research were not thought to be particularly high, they are no longer acceptable to the majority due to the recent increases in their bills and the current state of the economy. That said, there were pockets of willingness to pay for service improvements, but these tended to be in areas suffering from frequent power cuts, poor customer service and a real need to see improvements, primarily for rural respondents. The hypothetical assignment of funds exercise also suggested that – were there a willingness to pay – the key areas for investment would be in environmental improvements and, for outage 'hot spots', a reduction in the number and duration of cuts.

We would conclude that this research has shown that the 2008 findings do, indeed, now overstate the willingness to pay situation. However, given that they are based upon qualitative rather than quantitative research, our recommendation would be to modify the 2008 figures downwards and possibly take another temperature reading in twelve months time, if feasible, to gauge whether they have started to move back again.

1. INTRODUCTION

1.1 Background

The Office of Gas and Electricity Markets (Ofgem)

Ofgem is the regulator for the gas and electricity industries in England, Scotland and Wales. Ofgem was formed in 1999 by the merger of Ofgas (the former gas regulator) and OFFER (the former electricity regulator).

Protecting consumers is Ofgem's first priority. This is done by:

- promoting competition, wherever appropriate, and
- regulating the monopoly companies which run the gas and electricity networks.

Distribution Price Control Review 5 ("DPCR5")

Ofgem, as the industry regulator, administers a price control regime which ensures DNOs can, through efficient operation, earn a fair return after capital and operating costs while limiting costs passed onto consumers.

The current price control period (DPCR4) commenced in 2005 and runs until 2010.

The next price control period (DPCR5) will run from 2010 until 2015. As part of the review for DPCR5 it was necessary to review the existing quality of service arrangements to ensure that DNOs continued to be provided with appropriate incentives to deliver a good level of service to consumers. This was done through commissioning Accent and RAND Europe to undertake a comprehensive programme of qualitative and quantitative research in 2007 and 2008 which measured relative service priorities and produced WTP data.

Current Situation

Since the above study was undertaken the country has entered a severe recession and Ofgem is concerned that the willingness to pay figures and priorities might now have changed. This subsequent qualitative research programme was commissioned to assess the potential impact of the recession on customers' priorities and get an indication of potential impacts on willingness to pay.

1.2 Objectives

The main aim of this research was to assess the impact of the recession on customers' attitudes to their willingness to pay and their priorities for improvement. The research consequently sought to:

- understand the key priorities and areas that consumers value and ascertain reasons for, and factors driving, areas of importance

- ascertain whether the figures produced in 2008 are still appropriate and whether priorities and willingness to pay are still similar

- explore the affordability of the 2008 figures

- ascertain the reasons for any identified shift in willingness to pay.

Subsidiary research aims were to:

- explore current experiences and satisfaction with quality of service in relation to:
  - power cuts
  - customer contact/communication with DNOs in various scenarios

- understand willingness to pay for improvements eg power cuts, customer contact and environmental issues

- explore the appropriateness of GSPs.

It should be noted that the opinions voiced in the qualitative research should not necessarily be viewed as representative of the population as a whole, as sample sizes associated with qualitative research are relatively small. Rather, they should be viewed as indicative of the views of those in the domestic and business segments covered.

2. METHODOLOGY

2.1 Research Structure

The methodology employed for this research comprised ten 90-minute discussion groups amongst residential customers. Six of these groups were conducted in urban locations and four conducted in rural locations. The six urban locations were:

- London
- Glasgow
- Cardiff
- Newcastle
- Hull
- Swindon.

The four rural locations were:

- Taunton (Minehead)
- King's Lynn
- Oban
- Windermere.

Accent also conducted four groups with small/medium businesses in four urban locations namely:

- Cheltenham
- Liverpool
- Birmingham
- Brighton.

For this research a deliberative approach was utilised whereby respondents were taken through an explanation of the energy supply industry and then asked to discuss their willingness to pay in the context of distribution rather than any other elements of the supply chain.

2.2 Sample

The following quotas (as summarised in Table 1) were set for the ten domestic groups. Also all respondents were required to be bill payers, either joint or sole.

Table 1: Residential group quotas

	SEG		AGE		EXPERIENCE OF CUTS
Location	**ABC1**	**C2DE**	**20-40**	**41-60**	**Yes, experienced a cut > 3 minutes in past 3 years**
London (urban)	**12**	0	**12**	0	Minimum of 3
Cardiff (urban)	0	**12**	**12**	0	Minimum of 3

8Taunton (rural)	0	**12**	**12**	0	Minimum of 3
Glasgow (urban)	**12**	0	0	**12**	Minimum of 3
Kings Lynn (rural)	**12**	0	**12**	0	Minimum of 3
Oban (rural)	0	**12**	0	**12**	Minimum of 3
Windermere (rural)	**12**	0	0	**12**	Minimum of 3
Hull (urban)	0	**12**	0	**12**	Minimum of 3
Newcastle (urban)	0	**12**	**12**	0	Minimum of 3
Swindon (urban)	0	**12**	0	**12**	Minimum of 3

The following quotas (as shown in Table 2) were set for business customers.

Table 2: Business group quotas

Location	**Business Size**		**Sector**	**Experience of Cuts**
	Bill size <£30,000	**Bill size £30,000-£275,000**		**Yes, experienced a cut > 3 minutes in past 3 years**
Cheltenham	12	0	Mix	Minimum of 3
Liverpool	0	12	Mix	Minimum of 3
Birmingham	0	12	Mix	Minimum of 3
Brighton	12	0	Mix	Minimum of 3

These were the same as the quotas set for the previous study undertaken in 2007-2008.

2.3 Timings of the Focus Groups

The focus groups were conducted between the 2nd June and the 18th June 2009 according to the schedule shown in Table 3 below. Attendance at these groups was high with an average of 8 respondents attending per group.

Table 3: Timing of the residential and business focus groups

No	**Location**	**DNO**	**Date**	**Number of attendees**
1	London (urban)	EDF LPN	02 June 2009	8
2	Cardiff (urban)	WPD S Wales	03 June 2009	10
3	Taunton (**rural**)	WPD S West	03 June 2009	12
4	Glasgow (urban)	SP Distribution	04 June 2009	10
5	Kings Lynn (**rural**)	EDF EPN	08 June 2009	7
6	Oban (**rural**)	Scottish Hydro Electric	08 June 2009	9
7	Windermere (**rural**)	United Utilities	09 June 2009	5

8	Newcastle (urban)	CE NEDL	09 June 2009	3 + 3 tele-depths[1]
9	Hull (urban)	CE YEDL	10 June 2009	8
10	Cheltenham (urban **Business**)	CN West	11 June 2009	8
11	Swindon (urban)	SSE SE	11 June 2009	5
12	Liverpool (urban **Business**)	SP Manweb	15 June 2009	6
13	Birmingham (urban **Business**)	CN East	16 June 2009	8
14	Brighton (urban **Business**)	EDF SPN	18 June 2009	10

The groups were each 90 minutes in duration, with respondent incentives of £30 provided for respondents outside London and £40 for those attending groups within London, to thank them for their time. Business respondents were offered an incentive of £50 to thank them for their time, irrespective of location.

2.4 Topic Guide

Both the domestic and business topic guides were predominately the same as those that were used in the initial wave of qualitative research which preceded the quantitative research in the 2007-8 study. However, some additional topics were asked about the current economic climate and its impact, further environmental questions were included and a priority exercise helped to establish opinions on where investment should be focused.

The deliberative element of the groups was a short, simple pictorial presentation given near the beginning of each workshop to educate customers about the DNO's role. This led to a spontaneous discussion about electricity service, an explanation of the energy chain, the responsibilities of the distributors and the proportion of the bill that goes to distributors.

It should be noted that the respondents knew that Ofgem had commissioned the research at the very beginning of the groups and therefore answered questions in that context. As a result they may have brought up issues related to the regulator earlier than if the regulator had perhaps not been mentioned.

Both the domestic and business topic guides can be viewed in Appendix A.

[1] As attendance at the Newcastle group was unexpectedly low, the number of attendees was topped up with three telephone depths undertaken using the same topic guide as that used for the groups.

3. KEY SAMPLE DIFFERENCES

3.1 By Location

The majority of respondents considered the current service offering to be acceptable, with few power cuts impacting on them.

> *"…it comes into my house with no problems. I don't notice any problems, it just happens."*
> (Cardiff, Domestic)

> *"The last time that we had an outage it was the whole area and it was less than 24 hours; somebody had actually crashed into – you know – the boxes at the side of the road. … But they had it up and running again very quickly."*
> (Glasgow, Domestic)

> *"Oh, we had a major one, third of February;… the remarkable thing, of course, it happens so rarely. I think it was 10am to 6pm, which is a fair time to be without any light or heat: couldn't cook, couldn't watch television, couldn't listen to the radio, couldn't do anything."*
> (Cardiff, Domestic)

> *"The last power cut I experienced was this year and because of construction workers cutting through a cable. I've never experienced any other kind of power cut. "*
> (Cardiff, Domestic)

However, in some rural areas there was the perception that they had frequent power cuts (planned and unplanned) and respondents pragmatically accepted that this was an inevitability living in a rural area.

> *"That was an organised power cut, wasn't it? Where I live, we do get a lot of power cuts, down on Seal. You just take power cuts for granted, you don't really mind."*
> (Oban, Domestic)

Respondents in Oban, in particular, felt that they were frequent sufferers of cuts, as well as some respondents in King's Lynn who lived further out from town. The latter felt the effects of a cut more than those living in the town, as they felt more isolated. Cuts seemed to be relatively frequent in Windermere, but respondents had come to terms with them and saw them as part of life.

3.2 Sample Differences by Age

Respondents who were younger and who were more city-focused were less likely to feel that their bills had drastically increased in recent years. Younger respondents were typically renting and moving house frequently. In general they lived in smaller houses and flats. They were sharing bills or contributing to their parent's bills. They were most likely to have key meters installed.

Older respondents were better able to offer a comparison of bills over time. They typically lived in larger houses, with lots of occupants. These respondents were most likely to have elderly parents.

3.3 Business Customers

All business respondents agreed that IT was so heavily relied upon now that even those less dependent on electricity felt that they could potentially lose significant income if power cuts were to increase**.**

> *"The speed which they sort it out [is important] because its money… When the electricity is off it's costing you money all the time so, yes, definitely the speed which they put it back on."*
> (Cheltenham, Business)

Lower dependency business users typically had offices in the service industry and had one site only. Their reactions to price increases were more in line with those of domestic respondents, but they still focused on lost income in the event of a power cut. These lower dependency business respondents were less likely to have had direct contact with DNOs than other business users.

Higher dependency business users were more likely to be in the printing, publishing, manufacturing, schools, food production and supermarkets sectors. These businesses typically had multiple sites and had a need for higher voltage. As a result of their need for high voltage levels they most likely had their own transformers and back up generators. They were much more likely to have direct contact with their DNO.

3.4 Major Shifts in Opinion Since The Recession

In 2008 seven key issues emerged as impacting on the response to the DNO service and consequent willingness to pay. These issues were:

- low involvement in the marketplace
- negativity around pricing
- increased/stealth taxes
- over complexity of the market
- industry 'fat cats'
- green issues
- and automated service.

In 2009 opinions seem to have shifted in 3 key areas, namely low involvement in the marketplace, negativity around pricing and the embedding of the green issue, and an additional issue has arisen, namely a negative perception of regulators.

Respondents have now shifted from low to high involvement in the marketplace, with respondents readily analysing all of their bills. Respondents are scrutinising how bills are calculated and looking at how to reduce them. They are questioning the visibility of the industry investment and the inherent value for money.

On the issue of pricing, negativity has increased dramatically with reports of up to 50% increases in bills, although the average bill increase seems to be 30%. There is a perception that price rises are passed on very quickly to customers but that reductions are rarely passed on. There is a belief that some companies are profiting from the recession.

> *"[There has been] a 50% increase from the energy bills for a start."*
> (Cheltenham, Business)

With regard to green issues, interest has increased in its intensity with respondents stating that this is no longer simply a 'nice to have' but an essential component of any company's service provision – from a supermarket to an energy supplier – irrespective of which part of the supplier chain they are at. Respondents state that there is an onus on all, both domestic and business users, to embrace green issues. Now it is perceived as an accepted way of life rather than a populist issue. Hence there is little debate as to whether it should be a priority or not. Instead, green issues are perceived as an essential component of the service provision.

The additional issue concerns the position and standing of regulators. In light of the credit crunch, the FSA has coloured the perceptions of regulators, with respondents perceiving them at best to be 'toothless' and at worst to be in collaboration with those they are meant to regulate. There is a general cynicism as to how empowered they actually are.

3.5 Overall Current Service Perceptions

When asked to say what was good about their existing electricity service, the domestic responses focused on the supplier relationship, with pricing, billing and customer service issues dominating, although supply reliability and constancy was also mentioned as a positive.

The spontaneous improvements they wanted to see were consequently also all supplier-focused:

- pricing – they wanted an explanation of why it kept going up and better explanation of loyalty schemes
- billing – they wanted less confusing bills and greater price transparency on their bills: what are they paying for? who gets what?
- metering – they wanted actual rather than estimated bills and (where used) complained of key meters being more expensive
- customer service – they wanted to know who to call, to get someone knowledgeable to answer the phone rather then recorded message and less frequent use of IVR for routine calls (rather than power cuts). Respondents preferred the reassurance of speaking to a human being, even if they had to wait for an extended period of time to do this.

Continuity of supply was seen as a secondary priority to supplier-focused issues due to the feeling that some power cuts will inevitably happen (particularly in rural areas), but that they now occur less frequently than they have done in the past.

> *"I think when you're rural you're not so surprised. It's just how life is, you accept it."*
> (Oban, Domestic)

When business respondents were asked to say what was good about their existing electricity service they were also very positive about the reliability of their electricity supply:

> *"…occasionally it pops off for a few seconds and comes straight back on …but yes, I don't have any problems with the electricity."*
> (Cheltenham, Business)

Again, in line with the domestic respondents, they were more negative about supplier side issues such as pricing, billing, communication and problem-solving, although in the case of customer service issues these related to both their supplier and distributor as they were more likely to have a relationship with their distributor than the domestic respondents.

The spontaneous improvements that they wanted to see were:

- pricing & contracts – not being tied in to costly packages or being put on emergency rates at renewal, and having the opportunity to have all their sites on half hourly metering (a small number stated that they already had half hourly metering – it is not possible to say whether this was simply a perception or reality)

- communication – more proactive communication with them and greater transparency about who owns/does what

- billing – accurate bills (based on meter readings not estimates), so avoiding getting lots of credit notes; less complicated bills

- problem solving – speedier resolution of issues; better internal communication and less passing of responsibility between parties.

4. POWER CUTS

4.1 Experience of Power Cuts

There was a varied reaction to the incidence of power cuts. A definite minority stated that they had experienced power cuts – whether frequently or infrequently – that had had a significant impact on them; these were more typically rural respondents. In Oban, for example, respondents talked of the impact of long cuts on the elderly (with respect to cooking and heating) and those with special needs, in particular.

"It was a huge problem…Big problem for carers looking after people with special needs…A lot of properties in and around Oban are dependant on electricity for heating and cooking."
(Oban, Domestic)

Despite one of the respondents being highly dependent on electricity for health reasons – and others being aware of friends or neighbours with special needs – it should be noted that there was no mention of the Priority Services Register.

One respondent in Windermere was particularly impacted by any cuts due to living on a farm and being reliant on electricity for their water filtration and for keeping their ice cream (which they produced) frozen.

The majority of the mainly urban sample indicated that their experience of power cuts was occasional or never. For the latter respondents who either did not, or only very occasionally, suffered power cuts, satisfaction with their DNO was high and reducing power cuts was consequently not considered by them to be a priority. Some of the comments made by these business and residential respondent are included below.

"Well, ours is a regular supply; we don't get power cuts, it's fairly reliable."
(Birmingham, Business)

"Yes, every now and again, but I mean, you can expect that with the amount that's being used anyway."
(Cheltenham, Business)

"I was going to say I can never recall a power cut affecting the office."
(Brighton, Business)

"Haven't had many power cuts in the last three years, but we did have one a few weeks ago, but that was actually dealt with within thirty minutes."
(Cardiff, Domestic)

"Do you know, I've lived here for 20 years and I can't ever remember having a power cut."
(Swindon, Domestic)

"We have had 3 in the last 10 years and it's mainly people digging up the road."
(Glasgow, Domestic)

"No, I mean you expect them occasionally - I mean, I think we've had one which was only for a few hours in 3 years that I've lived here."
(King's Lynn, Domestic)

"I really didn't think people still got power cuts - do they still get them?"
(London, Domestic)

"It very rarely goes off for more than a couple of minutes, does it."
(Taunton, Domestic)

However, urban areas had not been completely without cuts, as indicated below.

"There have been more power cuts in this part of the world in the last three or four years, and that is probably why you are investigating this, because I think the city was all down two years ago. There have been issues over the years."
(Liverpool, Business)

"I live in Gateshead and we are always losing power – it happens all the time – my Dad lives near me and he's the same."
(Newcastle/Gateshead, Domestic)

"We had a power cut today and I almost got pulled back from London. The whole of Lewes went dead…Lewes has got a habit of closing down, though, hasn't it? I've been stuck on trains trying to get back from Lewes in the mornings when the electricity has gone down. I thought it was the train lines, but they said it was a power cut."
(Brighton, Domestic)

4.2 Rural Issues with Power Cuts

Rural respondents (particularly in Oban and Windermere) were more likely to consider themselves to be in power cut 'hot spots'. The perception was that more remote/rural areas, high dependency households and older people were more concerned generally about the existence of power cuts. Some of the comments made by these rural respondents are included below.

"A lot of properties in and around Oban are dependent on electricity for heating and cooking. You get power cuts often at peak times, particularly in winter months and you've got no back up."
(Oban, Domestic)

"For us it's usually associated around bad periods of weather, either lightning, storms or severe winds. That's when we get affected where we live."
(Windermere, Domestic)

The commonality for rural respondents was an elevated sense of anxiety about the occurrence of power cuts. This was due to many interlinked factors pertaining to the rurality of their location including:

- that they were less likely to have mobile telephone reception (and modern landline phones did not work without electricity)

  "…but the best is they can't speak to you because you can't phone off your home phone because it's an electric phone, so you'll have to phone on somebody else's and then they say no sorry that's not your phone number, so you can't report the fault because there's not one there!"
  (Taunton, Domestic)

- the sparseness of their location, meaning they had fewer geographically close neighbours

- a heavy reliance on the internet as a method of communication with the outside world (which, again, did not work without electricity).

There was also a perception that they were at greater risk of severe adverse weather conditions. These respondents indicated a need for reassuring – and accurate – communication from their DNO:

> *"Our biggest mistake was believing them, if you like, stupidly. We thought, couple of hours, the freezers won't harm. Rang up after two hours, because we weren't back on. 'Oh it'll be another couple of hours', …This went on until 5am, by which time I'd phoned them – I'd been ringing them every couple of hours…I rang them at 5am, because I was incredibly fed up, and I said, 'look, I'm not being funny – you've been telling me that now for the last twelve hours. Can you please go and check?'"*
> (Windermere, Domestic)

> *"They kept saying 4 hours then 2 hours when I kept phoning, and it was 6 hours later at 12.15 at night that someone first made contact when they knocked on the door and said that they were here to fix the electric. And that was the first contact that they initiated. Before that I had been calling them…I then called again at 2am and they assured me that the engineer was on site fixing the problem. Then when I called again at 4am they said that the engineer had gone home and they won't be able to mend it until they come back at 9 in the morning. So it was a lack of information and being fobbed off and saying that they were doing it and they weren't , and this went on until 9.30am. Then it only took him half an hour to fix."*
> (Hull, Domestic)

> *"If they know something's going to be repaired then they can warn everybody can't they."*[2]

Not surprisingly, due to their anxiety about power cuts, they expressed a greater willingness to pay to reduce their occurrence. This real concern about the occurrence of power cuts is adeptly expressed in the following quote.

> *"I live quite a way out of town and I've got no real neighbours and my mobile phone doesn't work either, so if I go off, it's quite a big deal."*
> (King's Lynn, Domestic)

However, for some residential respondents who lived in more rural locations there was a more pragmatic acceptance of the prevalence of power cuts. For these respondents there was little need for reassurance. Rather, when a power cut occurred they simply looked out on to the street to see if the power cut affected others and they always contacted their neighbours to ascertain the extent of geographical coverage of the power cut. These respondents rarely called their distributor to confirm the existence of the power cut. Instead, they were willing to simply wait for the power to be reconnected.

[2] The above reflects a lack of understanding of the difference between planned and unplanned cuts which could also be better communicated.

"The first thing you do is phone a neighbour to see if it's just you that has the power cut."
(Oban, Domestic)

"There's so much media about disasters going on in the world; if you're without electric for a couple of hours, so what? You're going to get it back, aren't you?"
(Oban, Domestic)

4.3 Business Issues with Power Cuts

Business respondents viewed reducing power cuts as the greatest priority for DNOs, even if their region was not actually suffering from them. For them it was obvious that a continuous and reliable power supply should be a core business objective for DNOs, which needed to be delivered without resulting in an increase to their bills. For these respondents, therefore, there was no willingness to pay for improvements in the number of cuts.

Furthermore, there is also some evidence to suggest that they were less tolerant (except due to severe weather conditions) of power cuts, due to the tough economic climate. For a business a power loss would mean they would not be able to operate, as many expressed a total reliance on IT. This, in turn, would lead to customers being inconvenienced or business lost, with a simultaneous loss of income. Hence, there were perceptible financial ramifications for businesses if there was a power cut and a need to work hard to mitigate the impact of having experienced one.

"I think from a manufacturing point of view, a longer power cut – because obviously companies such as X work on a short lead time – a day out would just give the work to the competition, so that would be [a problem]…"
(Liverpool, Business)

"[A 24 hour cut] It is just too long a time – one hour in business is a lifetime sometimes"
(Brighton, Business,)

"it's money… when the electricity is off it's costing you money all the time."
(Cheltenham, Business)

4.4 Residential Issues with Power Cuts

Residential respondents were typically more tolerant of power cuts, which is in line with previous research. That said, whilst tolerance is still high, some respondents stated that the weather recently had been very severe, which was often attributed to global warming. These respondents argued that with climate change the DNOs need to be planning for the future and to be perceived as being prepared for such eventualities, rather than being caught unawares.

" With global warming it's getting warmer and wetter, so more floods and more storms – we haven't had power cuts here for years, but that may well change – they need to be prepared."
(Swindon, Domestic)

However, for some respondents – in the broader climate of high energy prices – there is a perception that they are paying a lot for a service and they do so with an expectation that it should work. That said, everyone accepts that there could never be no power cuts, but they do feel that investment in the infrastructure should be such that these are kept to an absolute minimum.

4.5 Priority Action at Time of Power Cuts

In terms of the priorities at the time of a power cut, the findings are comparable to 2008, with respondents indicating that the immediate priorities are two-fold, namely:

- the efficient restoration of their electricity supply
- and proactive communication from their distributor, so that they manage their expectations and customers are informed about when the power will be restored.

Respondents felt that it was critical to communicate that everything possible was being done to rectify the problem.

It was noticeable that business respondents were more eager for the latter priority to kick in as soon as possible**.**

"But in the event of a power cut, probably a phone call [would be good], because presumably the supplier would know who was affected. Maybe all the big businesses first."
(Liverpool, Business)

The above also suggests that there is a perception that the distributors would be aware of the cut without having to be informed; clearly there needs to be better communication about the need for communication from customers to distributors in the first instance, to ensure the distributor is aware that they have been affected. From that point there is an expectation of communication from the distributors about when it will be fixed – although some recognised that it would not be possible for all customers affected to be contacted individually by phone.

The lesser priorities would be to apologise to customers and explain why the power cut happened and to offer formal reassurance that the distributor is doing all that they can to ensure that it does not happen again.

A final priority mentioned by some was that compensation should be offered for the inconvenience of the power cut, although not everyone was in favour of compensation.

"That's right…you do feel there's an obligation on someone…if you have a supply of something, and because that supply fails you are put in a loss situation, there is nothing that you have any control over; that is

under their control to a certain extent – you would wish to see some compensation."
(Windermere, Domestic)

"I didn't know compensation could be claimed, but I think that is right, especially if you have suffered an inconvenience and are paying the company to keep your electricity supply on."
(Newcastle, Domestic)

"With regards to compensation…those poor blokes grafted and grafted around the clock and I haven't got the heart to turn around and say 'well we want some compensation'…when people are doing their utmost 24/7 you can't say 'oh well, we want some compensation…".
(Cheltenham, Business)

"I'm not sure about compensation – why should there be compensation? I don't think that would be an issue. If you were without it for weeks on end then yes…"
(Oban, Domestic)

"Well, if they paid you compensation, they would probably have to claw that back, so the prices would go up. In the end, you've paid your own compensation."
(Oban, Domestic)

4.6 Hypothetical Choice Preference

Respondents were asked:

Would you rather have more shorter power cuts every year or just one big one a year?

AND

Would you rather have a 24-hour cut once every 5 years or a 4 hour cut once a year.

For businesses the greatest concern pertains to lost trade equating to lost revenue. For this reason their preference was for infrequent, longer **planned** cuts. They felt that if the DNOs were able to notify them of an impending power cut then they could plan ahead and control the situation by, for example, cancelling staff or orders and managing their customers' expectations. However, if it was an unplanned cut, with no notification possible, then frequent, shorter cuts would probably have less impact on them.

Domestic customers more typically preferred frequent, shorter cuts. Those who did so considered that shorter power cuts had far less impact, especially in the daytime as many household members were at work or at school. They felt that with short power cuts they were less inconvenienced – they could typically manage without power for four hours. Furthermore, if it was a night time power cut they may even be unaware of its occurrence.

4.7 Importance of Reducing the Number of Power Cuts

For the majority of respondents – domestic and business – improvements in the number or duration of cuts were not necessary, as long as the current service was maintained and continual investment in the infrastructure and the impact of climate change was monitored. For these respondents there was no willingness to pay anything further, particularly given that bills had already increased in the previous 12 months:

> *"After a 50% increase?"*
> (Cheltenham, Business)

> *"I can't believe they agreed to that…They should be getting it right. We shouldn't have to pay them more to get it right."*
> (Liverpool, Business)

Only a very small minority felt that the WTP figures produced in the 2008 study were relatively little to pay for an improvement:

> *"I suppose it is not a great deal on your bill is it? But if it was any more, I'd prefer more cuts!"*
> (Newcastle, Domestic)

This included those from small pockets of regions that were still experiencing a relatively high number, mainly through geographical locations. For these respondents there was some willingness to pay for service improvements.

> *"Reducing 3 cuts in 5 years – yes I'd definitely pay £2.40 – you could fritter that much away."*
> (Oban, Domestic)

5. CUSTOMER SERVICE/CONTACT

5.1 Customer Contact During a Power Cut

The current level of customer contact during a power cut is generally considered 'acceptable' but it was noticeable that there was no reporting of 'delighting customers'. This may well be because electricity is seen as a hygiene factor which doesn't create satisfaction, but results in dissatisfaction when it doesn't work, as has been identified in previous research.

For some who had made contact, this was reported to have been poor due to having been passed from one person to another before anyone could give them the information they wanted, or simply passing the buck.

> *"…you have got no-one to contact, and they all blame everyone else… Nobody wants to take responsibility…if they just roll out the bog standard phrase of our Engineers will attend to it as soon as possible, you don't know where you stand."*
> (Cheltenham, Business)

> *"When something does go wrong they tell you to phone your supplier; you phone them, they say it's not us, you need to phone somebody else and then you don't know who you're phoning do you."*
> (Taunton, Domestic)

For those who found the customer contact acceptable this related to their ability to (eventually) find the correct phone number to call using their mobile, with the majority stating that they got through to an automatic messaging service. When they spoke to their distributor they typically got a list of the areas affected and were given an estimate of the time for the electricity to come back on again; typically (but not always, particularly in rural areas) this was fairly accurate.

At the opposite end of the spectrum were those who were not able to assess the customer contact during a power cut because they had no experience of calling their supplier/distribution company. These were typically those who were used to cuts and just waited for the power to come on, lighting candles in the meantime.

> *"Once you've had one or two, you think you'll just get prepared for it, and you don't really think twice about it."*
> (Oban, Domestic)

> *"It is inconvenient, but there is nothing you can do about having them – just make sure you have supplies in and candles, and hope it is not going to be very long."*
> (Newcastle, Domestic)

Some respondents stated that they would consult their neighbours to ascertain if theirs was an isolated case or not, but they would do no more than this.

5.2 Proactive Texts/Call Backs

The benefits of offering proactive texts or call backs were generally considered to be highly appealing, although it was felt to be 'nice to have' for the majority, who will probably never need it. However, a minority welcomed its implementation and stated that they might be willing to pay for this service offering. It would have a high delight value if it were offered for free.

Proactive texts and call backs was seen to offer hassle-free reassurance for some high frequency sufferers and it was considered a real benefit for businesses who would be able to plan resources more effectively.

It was especially pertinent where the penetration of mobile telephones was high and they were willing to supply their contact numbers. They felt it was becoming the norm to use mobile phones rather than fixed lines and many banks were now calling customers on their mobiles to investigate any potential fraudulent use of credit cards. Such an offering was already in existence from some business suppliers and therefore business respondents felt that it was a tangible service offering.

However, this offering was not amenable to all. Principally it was not considered relevant for the elderly without mobile telephones or for those who live in rural areas where mobile telephone reception is poor or non-existent.

It should also be noted that in discussions about customer service, the priority was always speedy resolution of power. In this context proactive texts or call backs were merely 'nice to have'; getting their electricity back was the key.

5.3 Live Network Information

Initially there was a very positive reaction to live network information, with respondents indicating that it sounded very appealing. However, upon reflection it was felt that the practicalities made it less useful than proactive texts.

On the positive side, it was felt that it could be accessed via an iPhone and Blackberry, which made it of particular interest to business respondents.

In terms of the negatives, respondents stated that even wireless laptops wouldn't work without power going to the wireless router, thereby making the information inaccessible during a cut. Some also felt that this would simply be information over-load. Most just wanted to find out when the power was coming back on. Looking at network information once the power had been resumed was only really of interest to those who were living in so-called 'hotspots' and wanted to know the reasons for the frequent cuts. The majority of respondents consulted felt they were more than happy to just have the power restored.

5.4 Preferences for Customer Contact For Planned Power Cuts

Respondents who had never had any power cuts and therefore never contacted their distributor were asked to talk about the scenario of the distributor having to contact them for planned interruptions of supply or ongoing maintenance in the area.

The majority felt that there was no real need to improve on contact for planned interruptions or maintenance. The majority could not remember when they were last contacted by their DNO (although many referred to contact regarding planned interruptions to their water supply).

Those with experience of a power cut who also wished to comment on this question felt that it would be good to have a letter through the door a week in advance of the planned power cut with an associated telephone number to call if there was a query about it as they currently do.

5.5 Ideal Domestic Customer Service

The research highlighted that proactive communication during power cuts would bring positive benefits to customers, although they would only be willing to pay a nominal amount to achieve this, and some nothing. However there was no real desire from domestic consumers to establish a relationship with their DNO beyond basic provision of information about power cuts. When there is a power failure proactive texts/call backs should be offered as a free option.

5.6 Ideal Business Customer Service

For the more sophisticated/higher energy users, there was a real desire to build relationships with DNOs to empower them to access the right personnel.

When a service had failed, improved customer service – such as proactive texts – was not considered to be a benefit that could be charged for. The current standing charge that was imposed was felt to cover customer service. They felt that for power failures a proactive texts/call backs should be offered as a free option.

A DNO information pack should provide a list of departments and phone numbers, with an associated explanation of responsibilities and Ofgem contact details.

Some businesses in Liverpool also felt that a proactive service through which the distributor advised them about the capacity available to them, ie the efficiency of the supply they would receive, would be valuable.

Finally, improved call management should offer an ability to get through to the right department first time, a nominated Business Account Manager and a call centre that keeps records of previous calls/incidents.

6. AWARENESS & EXPECTATIONS OF GUARANTEED STANDARDS OF PERFORMANCE

6.1 Overall Awareness and Attitudes towards GSPs

As with the 2008 research, although respondents welcomed the principle of service standards, awareness of the Guaranteed Standards of Performance was still low, although business customers typically recognized that some form of measurement was likely to be in place.

If there has been greater promotion of the DNOs role, as was recommended in the 2008 research, there was no evidence of it seen in these groups.

> *"What sort of guaranteed standards, because I mean they have to keep the voltage to a certain limit, have to keep the frequency to a certain limit … what sort of standards?"*
> (Cardiff, Domestic)

Whilst there was low awareness of GSPs, there were some isolated stories of having known someone who had claimed compensation from a DNO. There was much debate over what compensation should cover, for example, the inconvenience compared to the financial loss (lost business, contents of freezer).

Although there were mixed views on compensation (as previously discussed in Section 4.5) there was some call for penalties to be imposed by the regulator if standards were not met. However, there was apparent cynicism as to whether or not the penalties would be applied and the power of the regulator.

> *"Fine them. I think hit them where it hurts…Yes financial penalty."*
> (Glasgow, Domestic)

> *"…that's a bit like the banks that were being watched…it means absolutely nothing …"*
> (Taunton, Domestic)

> *"I don't know. I feel sometimes these regulators aren't strong enough with the companies. I'm not just talking about electricity. I'm talking about gas, and telephones, and everything else … they just don't seem to be strong enough…Since privatisation it's [Ofgem] been very weak…When you look at the prices we pay in the UK, compared to France and Germany and all these countries…you don't need to be a brain surgeon to work out that EDF or something, where are they owned, where are they based? And yet they are selling it to us at a remarkable increase to what they are selling it to France and Germany – the regulator should be there now saying, this is wrong."*
> (Liverpool, Domestic)

6.2 Reaction to Current GSPs

For the most part, when respondents were told what the standards were (see Appendix A for those discussed in the groups), they felt that they seemed to be measuring the right things, particularly domestic customers who indicated they were satisfied with what they covered.

However, some business customers were more demanding of the regulator and called for more checks to be in place to investigate identified problems. They typically wanted 'supply restored during normal weather' and 'multiple interruptions' to be analysed in terms of the causes and for a health-check on the infrastructure to be conducted if results were poor. They also wanted to check on the level of investment that DNOs were making to maintain the infrastructure. They would like 'estimation of charges for connections' to be more about whether customers are offered value for money rather than whether DNO estimation is similar to the actual fee charged.

> *"Is that just a log of interruptions, or is it a type of interruption – their own systems failing or is it external sources that cause these? Again, back to OFGEM, the actual modernisation of the electrical service in the area."*
> (Birmingham, Business)

6.3 Anything Missing From Current GSPs

As stated above, businesses were generally more demanding about what should be measured and monitored. In addition to what was mentioned above, they also wanted DNOs to be required to give:

- communication of the supply chain and communication regarding how the bill is devised and apportioned
- information on the level of investment in the infrastructure by DNOs and communication of how DNOs spend their 15% of the bill
- an explanation of what DNOs are responsible for and what their environmental responsibilities were
- more explanation regarding the relationship/call handling between their supplier and DNO (considered to be telephone 'ping-pong').

They also mentioned the high cost from mobiles of the contact phone numbers supplied.

There was also a call for records to be kept of customer contact from both domestic and business respondents. Many business customers in particular felt that when they called the DNO, information was not logged and they could then call the next week and their call details had not been recorded so that they had to repeat their request.

7. ENVIRONMENTAL AND SOCIAL ISSUES

7.1 Environmental Issues

The perceived benefits of reducing the business carbon footprint and improving the energy efficiency of equipment were a priority for every household and business. They were felt to be particularly germane to the energy industry. Furthermore, it was felt that these green issues forced companies to 'think outside of the box' and many wanted energy companies to be considering converting to all renewable sources and developing green energy sources for the future. Indeed, some questioned why we should not all have renewable sources like (as they perceived it) in Scandinavia?

However, there were concerns about reducing the carbon footprint and improving the energy efficiency of equipment if that were to lead to costs being passed on to customers. Some were also worried that because the benefits were long-term but the costs short-term (ie had to begin now), that these investments were being ignored.

> *"..if everybody takes the attitude that it's not that important, in a couple of hundred years it's going to be too late to reverse it."*
> (Glasgow, Domestic)

Because of the above, some felt that greater proof of the effectiveness of energy efficient equipment was needed, ie the longterm benefits and savings that it could bring both to them and the environment, and that it may need political pressure to bring this about – ie the burden of providing the proof may have to fall upon the government.

7.2 DNO Investment in Green Technology

Investment in Green Technology to Serve the Low Carbon Economy

Respondents were asked whether DNOs should be investing in network technologies to serve a possible future low carbon economy eg to power electric cars and they were generally positive towards this, as it was felt that everyone should be becoming greener. However, practical concerns were raised about having to charge up electric cars.

> *"[I am} sceptical about electric cars…the batteries in electric cars would still need re-charging so would we be any better off?"*
> (Hull, Domestic)

> *"But with electric cars – that electricity's got to be generated."*
> (Oban, Domestic)

Some also felt that electric cars were practical for cities but not for rural areas.

Respondents were also asked whether DNOs should be investing in network improvements so, for example, the DNOs can connect to renewable energy (eg wind generation). This was considered by respondents to be by far the most interesting green energy proposition. Respondents indicated that the current infrastructure was old and

needing investment anyway. The main appeal of wind generators was that it offered an opportunity for a fresh start. They were felt to really address the need to reduce the carbon footprint and increase efficiency but a return on investment would take a long time to come. There were also practical issues to consider such as planning permission for wind generators.

> *"The wind power and the water power just around Oban is phenomenal. That's exactly what they could be doing."*
> (Oban, Domestic)

Reducing the DNOs Business Carbon Footprint

Generally it was felt that DNOs should be investing in electric cars. However, as electric cars were considered to be expensive to purchase, some felt any introduction of green fleets should be on a rolling basis, ie the vehicle fleet did not need renewing wholesale, but only through individual vehicles being replaced when current vehicles were no longer serviceable. Respondents felt that greater energy efficiency would lead to reduced costs and, for them, reduced bills and therefore any high purchase price could be justified, although most felt this cost should be borne by the DNOs.

> *"Because I pay enough already…I mean, if they are increasing their efficiency and they are lowering their costs, so therefore it should be within their interests to actually invest in technology that going to enable them to lower their costs…"*
> (King's Lynn, Domestic)

> *"…if a company chooses to do that they should be looking within their own profits… to do something like that. They shouldn't be saying we've chosen to do this but that's going to be a knock on effect to you the customer that's not the kind of thing they should be passing on…"*
> (Glasgow, Domestic)

Network Undergrounding

The benefits of undergrounding overhead lines were that it was good for areas of outstanding natural beauty if the disruption was minimal. It was also felt to minimise the impact of global warming (floods, storms) and offer greater network resilience (Oban).

> *"Yes it's expensive to start, but what if you then spend less money – less maintenance etc. You have to weigh one against the other. And they're very good now at laying cables and making good."*
> (Oban, Domestic)

Conversely, in terms of the concerns undergrounding raised, it was considered to be costly. Also, more pragmatically, respondents felt that they had got used to seeing overhead wires and hence there would be no real benefit in comparison to other environmental issues. Really the only benefit would be for those living in areas where they suffer frequent power cuts due to severe weather and therefore they were interested in seeing greater undergrounding from a network resilience angle. Only in those areas really affected by severe weather was there any willingness to pay for undergrounding.

"[I] like the idea of undergrounding overhead lines especially as the environment would look better, but again, when you realise that it would need paying for, I am not quite so sure."
(Hull, domestic)

7.3 Hypothetical "Green" Exercise

Respondents were asked:

"Imagine that you have a power cut, would you rather be put back on immediately via a generator which is less environmentally friendly OR would you be willing to be out of power for longer and not use this type of generator?"

The moderators were asked to really challenge how green respondents were.

Interestingly, some respondents were critical of the choice scenario as they felt that there was little excuse for the DNO to use a non environmentally friendly generator at all. Although they all wanted their power to be resumed immediately, some were willing to go for the 'greener' option of waiting longer, although they did not want this to result in DNOs not endeavouring to get the power back as promptly as possible.

However, there were still some who felt that they would have to go for the less environmentally friendly option to keep their business up and running or avoid them incurring costs through, for example, freezers defrosting.

"Go back quicker… The problem is our customers wouldn't be tolerant of it… Yeah, they'd go use another sandwich shop."
(Brighton, Business)

7.4 Businesses & Climate Change Levy

Business respondents argued that they were already paying the Climate Change Levy and so consequently they felt that they were already pay for 'greener' energy. Respondents queried what the Climate Change Levy actually paid for and where that money goes. If they were to pay any more for greener energy respondents would feel that they were being double-charged for their energy use. Respondents felt that they themselves were not passing on the environmental costs to their customers and therefore why should their distributor.

"We're not keen on having to pay anything extra for environmental improvements; the companies making loads of money so they should be funding these improvements."
(Hull, Domestic)

7.5 Summary

The most interesting finding from this research project was the shift in attitudes on the environment since 2007-8. In the previous research it was evident that respondents felt that they "ought" to say that they wanted investments in environmental improvements to be made, whereas in this study most seemed to genuinely feel these were necessary. Being 'green' was seen very much as the standard position that everyone should now take.

8. PRIORITIES FOR DNOS

8.1 Prioritisation

Each group was given a theoretical amount of money to spend on improvements for their DNO. Business groups were given £100 and domestic groups were given £10 to spend. They were asked to focus on spending the money where they would like to see improvements made and it was made very clear that this was not related to any likely increase on the bill and was unrelated to any willingness to pay exercise. They were asked to envisage themselves as being in charge of future investments.

Overall, there were mixed reactions as to how the theoretical money should be invested. Those who did not suffer from frequent power cuts tended to opt for environmental improvements, whilst those who were frequent sufferers of cuts tended to opt for improvements in the number and duration of cuts.

Interestingly, across all the groups, customer service was an area which tended to receive the least allocation, since many rationalised that with a reduced number and duration of cuts then the demand for customer service would be reduced.

8.2 Domestic Customer Prioritisation Exercise

Domestic customers were asked to indicate if there were to be given a hypothetical £10 each, how they would allocate that money for services improvements. Despite each group being presented with the same exercise there were differences in their approach. Some groups had a broad brush approach and discussed allocation in percentage terms across a select few issues. Others were highly detailed and allocated pounds and pence very specifically. Where percentages were given these have been converted into £s based upon the number of people who attended the group and the total pot of money available to them (ie if there were 8 attendees the total available was £80). It should be noted, however, that not all of the group totals will add up to the expected sum for each group. This is because, despite the best efforts of the moderators, not all respondents were prepared to do the exercise and some did not assign all of their money (either because they were not prepared to complete the exercise fully or because they thought they had done so, but got their arithmetic slightly wrong). However, the figures shown do fairly present the priorities of each group.

In considering these findings, both the differing numbers of respondents at each group, and some incomplete assignment of funds, should be borne in mind and the figures treated with caution; no detailed comparison of individual figures should be made across groups. A table of the results is shown below, with the figures shown representing the £s per group allocated to each area. The figures in red are the key priorities for those groups.

Location	Cardiff	Glasgow	Hull	King's Lynn	London	Taunton	Newcastle	Oban	Swindon	Windermere	Total
Building networks for a future low carbon economy	27	21.5	11.5	1	19	60.0	1		25.0	11	**177.00**
Reducing the DNOs business carbon footprint	24	14.5	5.5	5	16	36.0	7		15.0	7	**130.00**
Reducing no. of power cuts	5.5	6	15.5	20	3	0.0	4.25	40.50		6	**100.75**
Improve network resilience to floods	5	7.75	55	5	8	0.0	6			5.5	**92.25**
Reducing length of power cuts	8	10	15.5	13	1	0.0	4.25	31.50		6	**89.25**
Reducing pollution losses from cables & electrical equipment	10	13.5	2	5	13	24.0	2		10.0	5.5	**85.00**
Improve network resilience to storms	6	8.5	6	6	9	0.0	4	18.00		5.5	**63.00**
Proactive texts & call backs during cuts	1.5	12.5	13.5	5	4	0.0	5.5			3.5	**45.50**
Undergrounding overhead lines	2	5	4	5	7		1.5			1	**25.50**
Total Allocated (£s)	**89**	**99.25**	**128.5**	**65**	**80**	**120**	**35.5**	**90**	**50**	**51**	**808.25**
Total attendees at group (* including 3 tele-depth respondents)	**10**	**10**	**8**	**7**	**8**	**12**	**6***	**9**	**5**	**5**	**80**

To summarise the above in brief:

- the priorities for domestic respondents from Cardiff, Glasgow and London were to reduce the carbon footprint, reduce polluting losses and build networks for a future low carbon economy
- for those in Hull, King's Lynn, Oban and Windermere, improvements related to cuts dominated
- in Minehead and Swindon the building of networks for a future low carbon economy dominated
- whilst in Newcastle responses were very mixed.

In detail, across all groups, for those who did not suffer from power cuts, the allocation against reducing the number and duration of power cuts was low as they assumed that the current service they receive would be maintained.

> *"Well for me the power cuts haven't been an issue so I don't need to see an improvement there."*
> (King's Lynn, Domestic)

However, naturally those who perceived they had suffered in the past felt that they would like to see investment in improvements and allocated accordingly.

> *"I'd go for £3 each on reducing cuts and reducing duration because if you do that I'd like to think you're addressing the other issues as well really."*
> (Hull, Domestic)

Many were mindful of investing in resilience to floods and storms as they considered this a potential problem for the future and therefore this often received points despite being some respondents being in an area where they experienced low frequency of power cuts.

> *"What with global warming you never know what the future may hold so I'm putting my money of resilience issues."*
> (Swindon, Domestic)

"I think you've got to have resistance to floods and storms so that's important – they need to invest in that because there are some parts of the country that really do suffer."
(King's Lynn, Domestic)

Being able to receive proactive texts and calls during a power cut was considered 'nice to have' but rarely warranted allocation of investment funds in relation to other improvement areas.

"It's one you think is nice but it's not my sort of thing."
(King's Lynn, Domestic)

Many felt their current service provision was adequate and in relation to the other issues suggested did not warrant further investment.

"Texting and phoning?Just a letter is fine."
(Oban, Domestic)

Environmental issues generally were widely backed and were felt to be something which should definitely form part of a company's long-term vision.

It's an essential to have it (environmental planning) but whether it should have the most importance – I mean it should be somewhere."
(King's Lynn, Domestic)

"I won't give anything to reducing the number of cuts or proactive texts. I'd probably go with undergrounding overhead lines; I think that should be done as and when it needs maintenance. Probably put two pounds on reducing pollution from equipment. A pound on rebuilding networks for the future … Reducing business carbon footprint, two pounds on that as well."
(Cardiff, Domestic)

Some respondents were genuinely concerned as to what companies were doing environmentally and felt that they needed to be more informed.

"Each year that goes that you don't see anything environmental happening makes you more keen that something is done. Every year I'm more worried about the power that we use, carbon footprint, everything to do with the environment."
(Cardiff, Domestic)

There was a general perception held by all groups that environmental issues were becoming far more important in life in general. They themselves as householders felt a pressure to become greener and were doing all they could to reduce their own carbon footprint. As a result they felt they were effectively putting pressure on businesses to reduce their carbon emissions.

They are under pressure from us as people – we've got to reduce our carbon footprint so why shouldn't they."
(King's Lynn, Domestic)

"I mean, I was looking at companies who were going to bill me, if they were saying right well our supplier is investing in greener technologies and we can offer you electricity for the same price as someone else, I would choose them because I think they are investing in it."
(King's Lynn, Domestic)

"Every year you don't see it (environmental improvements) happen – you get more and more frustrated that nothing is happening."
(Cardiff, Domestic)

Undergrounding overhead lines often received the lowest allocation of expenditure since many felt they were used to seeing the lines.

"From Glasgow to Inverness there are pylons running the whole way, but you don't notice them, you are so used to seeing these things"
(Glasgow, Domestic)

And many thought that it might be too cost-prohibitive to start a programme of undergrounding.

"You have to look at the cost-effectiveness of both – if poles and wires need to be renewed, is it going to be just as cheap to put them underground? It could take twice as long…"
(Oban, Domestic)

Although the conclusions of each group were mixed, general trends emerge. Environmental improvements were considered to be very high on the agenda for future investment and for those power cut 'hot spots' reducing the number and duration of power cuts was the most important issue.

The growing importance of environmental concerns has been seen in other recent research programmes and cannot be taken lightly. Issues such as supermarkets encouraging customers to re-use bags and not ask for plastic bags are the types of influences that are being seen in a change of attitude from the general public. Whilst a year ago many felt they had to attempt to be 'green' and state green intention, this research as with other similar studies shows that consumers are far more committed to green issues and feel they empowered to choose green options in their buying behaviour.

8.3 Business Customer Prioritisation Exercise

Business customers were also asked to indicate if they were to be given a hypothetical £100 each, how they would allocate that money for service improvements.

Again, the way in which the exercise was undertaken varied with some groups choosing to use percentages and others actual amounts. Where percentages were given these have been converted into £s based upon the number of people who attended the group and the total pot of money available to them (ie if there were 8 attendees the total available was £800). It should be noted, however, that not all of the group totals will add up to the expected sum for each group. This is because, despite the best efforts of the moderators,

not all respondents were prepared to do the exercise and some did not assign all of their money (either because they were not prepared to complete the exercise fully or because they thought they had done so, but got their arithmetic slightly wrong). In the case of the Brighton attendees, some respondents actually over assigned funds quite considerably. However, the figures shown do fairly present the priorities of each group, but – due to the discrepancies between group size and allocation, should be treated with caution.

The results are shown in the table below, with the figures in red being the key priorities for those groups.

Location	Birmingham	Brighton	Cheltenham	Liverpool	Total
Building networks for a future low carbon economy	245	895		40	**1180.00**
Reducing the DNOs business carbon footprint	138	715		60	**913.00**
Reducing pollution losses from cables & electrical equipment	87	710		60	**857.00**
Improve network resilience to floods	67	78.75	200	66	**411.75**
Reducing no. of power cuts	42	8.75	200	136	**386.75**
Reducing duration of cuts	42	8.75	200	91	**341.75**
Improve network resilience to storms	37	8.75	200	76	**321.75**
Proactive texts & call backs during cuts	82	155		65	**302.00**
Undergrounding overhead lines	-	-		-	**0.00**
Total Allocated (£s)	**740**	**2580**	**800**	**594**	**4714**
Total attendees at group	**8**	**10**	**8**	**6**	**32**

For business respondents there was an equal prioritisation between power cuts and the environment. In terms of geographical differences, respondents in Birmingham and Brighton prioritised building networks for a future low carbon economy as the ultimate improvement area for all the reasons discussed below, followed by reducing the DNO's business carbon footprint and reducing pollution losses. Respondents in Cheltenham and Liverpool prioritised reducing the number and duration of power cuts, although (perhaps unsurprisingly) those in Cheltenham could not separate these out from improving network resilience to storms and floods.

Some businesses felt it was difficult to choose between any of the improvement areas as with their own business they felt that all the issues were important and any investment would need to be juggled.

> *"I would even it out between the whole lot because all the issues are important – 12% each."*
> (Birmingham, Business)

However, as mentioned previously, for the Birmingham and Brighton business groups, the over-riding priority was generally felt to be 'building networks for the future' since this was felt to address all of the environmental improvements.

> *"I'd put £90 on building networks for the future and ten above it (developing network technologies) because both of those will then achieve the one above that (reducing carbon footprint)."*
> (Brighton, Business)

It was also felt to be an area which if developed could eventually save them money as a business.

> *"I think the incentive thing is far more important. If you're able to plug into the grid and reduce your bill by half because you're generating energy by whatever means – whether solar panels on your roof or a wind turbine sitting down there – you'd be more inclined to invest in that technology, because you know the money is coming back to you in the long run."*
> (Brighton, Business)

Interestingly, they felt that there was also a communication need when recommending 'building networks for the future' for them to be kept more informed of environmental targets, achievements and developments. The tangibility of 'building networks for the future' was therefore even more appealing as they felt they might be able to understand where their money was being spent.

> *"You'd need updated information on what was happening and if they were reaching or hitting targets of where they wanted to get to. They need to let you know. They could use this text service for all sorts of things. Why not keep us informed all the way through you know? Like you have with your mobile phone, you're told all the time."*
> (Brighton, Business)

> *"I think, see, if you were building a network for the future, and investing more in that, what you'd need to see alongside it would be an actual programme that would encourage people to get involved in micro-regeneration."*
> (Brighton, Business)

Once the exercise had taken place, it was clear to see with the Birmingham and Brighton business groups that their investment priorities lay with the environmental issues. They were not surprised by this outcome, but felt that it reflected their concerns.

> *"But you can't spend too much on it (environment) because you need the infrastructure, the network to be solid, because if that's not efficient, it just doesn't matter."*
> (Birmingham, Business)

> *"Environmental issues will come about 50 years from now, but we need to be thinking about it now."*
> (Birmingham, Business)

> *"I really don't need to think about this at all. The whole £100 spread evenly across the environmental issues."*
> (Brighton, Business)

However, some did feel that the exercise was sterile in a way as many of the external and possibly political issues had been removed from this scenario.

> *"I think you're stripping away a lot of the outside issues."*
> (Birmingham, Business)

For the Liverpool and Cheltenham business group, due to previous issues with outages, priorities were felt to be with improving continuity of supply.

> *"I've got £60 for power cuts – I'd put power cuts and duration as the primary expenditure, storms and floods a little less as they are less frequent."*
> (Liverpool, Business)

> *"At the end of the day, I suppose we all believe that the primary purpose of the network is to provide electricity. If they can't do that they are not doing their job!"*
> (Liverpool, Business)

However that did not mean that environmental issues were ignored. They were still considered as an important priority.

> *"I'm afraid I've gone very green – I would put 30% into carbon footprint and 30% into reducing pollution and 20% into reducing the number of power cuts because I understand that businesses need to keep going."*
> (Liverpool, Business)

Some also felt that since you could never eradicate outages completely, some investment had to go into communication.

9. WILLINGNESS TO PAY FOR SERVICE IMPROVEMENTS

9.1 Willingness to Pay: Business Users

In terms of any positive willingness to pay aspects, power cuts led to a loss of income and so businesses were highly sensitive to this. That said, currently the level of power cuts was felt to be acceptable. Proactive texts were considered to be helpful but would not in themselves improve the perceived relationship between themselves and the DNOs.

Regarding negative barriers, increased prices during the past year since the previous research had been undertaken has meant that respondents were already questioning value for money. Respondents felt that they needed greater transparency of pricing to agree to more rises. There was also discontent about the presence of continental European owners of utilities.

With a greater explanation of bills and the supply chain, there may potentially be greater willingness to pay for distributor improvements. Unquestioningly the recession has hit respondents hard and many of these same respondents said that they may well have felt differently if they had been asked to comment a year ago.

In terms of environmental improvements, most were in agreement that they felt that these needed to be funded internally, with any associated costs not passed onto customers. Furthermore, it was felt that global warming needs to be planned for much more with a long term perspective.

Customer service improvement priorities focused on contact lists and about knowing who to call.

There was also a discernible mistrust of regulators with respondents already questioning the value for money.

> *"Willingness to pay any more on my bill is almost immaterial because of the increase I'm already paying. Feed that back to Ofgem and we'd like to know what has happened with that huge increase."*
> (Birmingham, Business)

> *"We are already paying for it so why should there be an increase? If they can improve it for 15% why haven't they done that already, regardless of the money?"*
> (Cheltenham, Business)

> *"It's another green tax. They think, 'if we can charge a bit more, we'll say we're doing something green', instead of investing the technology themselves"*
> (Brighton Business)

As businesses totally rejected the principle of paying more the figures were rejected outright. So there is little specific feedback available on the exact figures.

"I wouldn't pay 1.7%, because we don't get power cuts, so why would I bother."
(Brighton, Business)

"I suppose it would work, but it's the transparency that counts. As chief executive, if that money's coming in, I'll prop up the pension fund."
(Brighton, Business)

"1% of that is quite a lot of money. My bills are horrendous so 1% is a huge amount to me as a business."
(Liverpool, Business)

9.2 Willingness to Pay: Domestic Users

For domestic customers power cuts are currently at acceptable levels for the majority of respondents. However, in power cut 'hot spots' customers were willing to pay more for their reduction.

On a more negative note, there was a general mistrust of regulators and respondents were already questioning the value for money gained from higher market involvement. With increased electricity prices respondents were questioning value for money as they felt that there needed to be greater transparency of pricing before they could agree to more price rises.

Respondents questioned whether the 15% portion of the bill going to DNOs was fair; they asked was this portion spent well and do they have huge profit margins. They felt that with a greater explanation of bills and of the supply chain there may be greater willingness to pay for distributor improvements but until they understood the supply chain and, more importantly, the figures, they were far from willing to pay more than they do.

Regarding improvements from the DNOs the majority of respondents felt that there were none spontaneously required and therefore this affected their willingness to pay for improvements suggested to them.

The recession has hit hard and has clearly been exacerbated by the rise in supply prices and this has led to respondents surmising that they may well have felt differently if these questions were posed a year ago. Their current willingness to pay for DNO improvements is very low indeed.

Green issues were considered to be a way of life and they felt that these should now be funded internally. Respondents felt that, with global warming firmly on the agenda, providers should plan for the long term and, if they can't pay for the funding of green issues internally, then they should need to explain this. Until this explanation, willingness to pay for environmental improvements will remain low.

Proactive texts were regarded as helpful but there was a low willingness to pay for these unless respondents were in areas with a higher propensity for power cuts such as rural areas or 'hotspot' areas.

"It would be difficult for them to justify – their profits go up year on year but then they say to us 'oh well we'll put X on your bill so we can do this', it should be taken from the increased profits."
(Glasgow, Domestic)

"We pay for a reliable service. If they're not providing it, we shouldn't have to pay more."
(Windermere, Domestic)

"If we actually knew where the money is going to and what it's going on and more informed, and more likely to perhaps accept rises if we know what's happening or at least understand them."
(King's Lynn, Domestic)

"You might not have a problem paying it, but mentally, it's damned annoying."
(Oban, Domestic)

In terms of domestic respondents' reactions to the 2008 figures, most did not even tolerate looking at the previous study figures as they felt that on principle they were unwilling to pay any more irrespective of the figure involved. When rationalised, the figures did not look that high to them had supply prices had not risen so sharply recently.

"Yes putting it in that sort of way if your supplier came to you and said look 'if you pay £5 extra a year this is what improvement we can make', then yes I would look and it and say yes."
(King's Lynn, Domestic)

"In the last 12 months our bill has gone up by far more than that."
(Glasgow, Domestic)

10. CONCLUSIONS AND RECOMMENDATIONS

The key priorities for investment were environmental and, for outage 'hotspots', reducing the number and duration of power cuts. The top three aggregated priorities for domestic and business respondents were:

DOMESTIC

- building networks for a future low carbon economy
- reducing the DNO's business carbon footprint
- reducing the number of power cuts

BUSINESS

- building networks for a future low carbon economy
- reducing the DNO's business carbon footprint
- reducing pollution losses from cables & electrical equipment.

However, there was very little willingness to pay for DNO improvements, with the research identifying that willingness to pay has been directly affected by the recession, coupled with the fact that all households and businesses have seen dramatic rises in their energy costs. Many reported energy bills have risen by up to 50% (with the average at about 30%) with no perceived tangible benefits to show. With most respondents not really knowing how the industry works, they are not then able to differentiate between suppliers and the distribution companies, which makes the context for DNO investment stacked against the DNOs after a period of high supply price rises.

When rationalised, the figures from last year's study were not thought to be particularly high (especially in comparison to recent energy price rises) but respondents felt unable to agree to further increases in the light of the economic climate and the recent rises in bills. As a result, the findings suggest that the figures calculated during the previous (2008) research for the next price control period, DPCR5, may no longer be acceptable to the majority of energy consumers in the UK.

That said, there were pockets of willingness to pay for service improvements, but these tended to be in areas suffering from frequent power cuts, poor customer service and a real need to see improvements.

The following is a pictorial depiction of willingness to pay by region. It further shows that for domestic customers only there is a potential willingness to pay for service improvements in four areas – in King's Lynn for customer service, in Newcastle (Gateshead) for a reduction in power cuts, in Oban for the environment and in Swindon for the environment – if there was no other way to fund this.

Figure 1: Summary of willingness to pay by location

As a postscript to the research it is important to note that it is based on qualitative research only. Around one hundred people have been asked for their views through focus groups. The findings clearly catch the mood of the moment, stimulated by the recession and supply price rises.

These findings strongly suggest that the 2008 findings now overstate the willingness to pay situation. However, the 2008 output was based upon extensive and robust stated preference research with a large population. Had it not been for the recession/price rises there would be no need to question them.

It would not then be advisable to suggest that there really is negligible willingness to pay for DNO improvements over the next five years. Should this programme of qualitative research be undertaken a year after recession recovery we would expect to see the willingness to pay climb again.

Our recommendation, as a result, would be to modify the figures downwards and possibly take another temperature reading, if feasible, in twelve months time to gauge whether they have started to move back again.

However, whether they will have moved will be highly dependent upon not only the state of the economy but also upon the level of supply prices at that time and in the immediate preceding period. It would also help if there could be increased communication upon how the industry is structured so that respondents could more easily understand the investment dynamics.

APPENDIX A

Discussion Guides

Explain independent and exploratory nature of research – Research is on behalf of OFGEM – these are the people that promote competition in the energy market and regulate network monopoly businesses to ensure companies provide value for money for customers.

No right or wrong answers, only your opinion we are interested in. Explain some people may not agree with each other – that's fine the purpose of the group is to have a discussion about different topics rather than reach a consensus

Disclosures – all research findings will only be used by the team involved

Explain about tape recorder/viewing facility – only for our purposes, reassure anonymity, etc.

Warm-Up and Spontaneous Service Issues: 5 mins

PAIRED INTRODUCTIONS
Name, Age, Working Status, Describe where you're living
Has there been any change in your household's circumstances (DO NOT MENTION RECESSION AT THIS POINT UNLESS SPONTANEOUSLY MENTIONED)– **PROBE FOR AS MUCH DETAIL AS THEY ARE WILLING TO GIVE**

Thinking overall about your existing electricity service:

What's good about it? **[LIST ONE FROM EACH]**
What could be improved? **[LIST ONE FROM EACH]**
CAPTURE ON FLIPCHART

[Purpose of this is to understand spontaneous priority service issues that fall under Distributors responsibility]

Explanation of Energy Supply Chain: 5 mins

Explain that in order to get electricity into their homes, there are a number of different organisations that are involved – an energy supply chain. Before we go forward and talk more about the issues that are important to you and get your views on some different areas, we want to explain the 'Energy Supply Chain'.

RUN THROUGH SHOWCARDS A-G: Energy Supply Chain, explanation of Distributors, role and responsibilities, % of bill, focus on Distributors

To explain difference between Transmission and Distribution: we can use the national road network as an example. Transmission networks can be likened to the Motorways and Distribution Networks to the A roads, B roads and smaller roads to your house. *NB talk about Distributors* ***transporting*** *the electricity to your house rather than supplying.*

To explain Distribution portion of the bill: The portion that goes to the Distributor remains constant, even if your electricity bill goes up due to increases in the cost of

energy. [NOTE: Remind participants that Ofgem regulates the price that distributors are allowed to charge.]

Tell respondents that we're going to leave the 'Energy Supply Chain' showcard out/up on the wall as a reminder that we're talking about the Distributor's quality of service for the rest of the discussion.

Ask them to get out their bills that they should have brought along with them – demonstrate that about 15% of their bill is Distributor costs. Ofgem is only regulating that 15% of the bill.

Explain that whilst billing or other service issues raised earlier are interesting/important, and we will note and pass them on, they are not the focus of tonight's discussion

Spontaneous Issues relating to Distributors and Performance: 5 mins

So let's focus on your Electricity Distributor (refer to chart) who is responsible for the reliability of your supply, for maintaining the overhead lines and underground cables, dealing with power cuts, etc.

NOTE TO MODERATORS: keep flipchart note of any improvements that respondents mention as at the end of the group, they will be asked to prioritise all improvements.

Tell respondents who their Distributor is:

BACKGROUND IF NEEDED: Distributors make continuous investments that result in a given level of service and network reliability. We're interested in learning if your Distributor is spending money in the right places and providing value for money for their customers.

Power Cuts: 10 mins

We're now going to focus specifically on Power cuts for the next part of the discussion

Why do you think they happen?
When do they typically happen?
How do you feel about them?
What impact does it/they have on you?
What sort of preparation or contingencies do you have in place in case of a power cut?
Some feel that people are more tolerant of power cuts these days: do you agree?
IF YES: why do you think that is?
What's the most important thing to you when there is a power cut?

- rapid reconnection
- accurate and timely information
- human v automated response
- compensation
- you get an apology
- that it doesn't happen again

Do you feel that power cuts generally, rather than in just severe weather, happen more frequently or less frequently when compared to 3 years ago? **[NOTE: if no different from now, compare to 10 years ago]**
How do you feel your Distributor performs during severe weather?
Reasons for response
What do they do well?
What do they do badly?

How many power cuts have you experienced in the last year? (If none, go back 3 years)
Length of cuts experienced (less or more than 3 mins)
What were the reasons for these?
Did you contact anyone at the time?
Who?
What happened?
What did they say - how did they deal with your enquiry?
Were you notified of the power cut beforehand - was it planned?
How do you deal with them?

I just want to ask you about power cuts to get an idea of how you feel about the length and frequency – so I want you to make some hypothetical choices:
Would you rather have more shorter power cuts every year or just one big one a year?
Would you rather have a 24-hour cut once every 5 years or a 4 hour cut once a year.
Why say that, what would cause most problems?

Performance
How would you describe the current level of service/performance **(EXPLORE FOR EACH AREA MENTIONED ON THE FLIPCHART)?**
What's good?
What's not so good?
Why?
Which areas need improving?
How could this service be improved?

I want you to think about Severe Weather and power cuts (ie flooding, storms) or other examples where unforeseen acts might cause problems with your power supply

When we experience severe weather (snow, gales, floods etc **SHOWCARD H**), does that change the way you feel about power cuts – why, why not. Are you more tolerant – why, why not. Explore tolerance levels with sever weather and power cuts.

Has anything like this ever impacted on your service?
Explore issues
How well do you think your Distributor has dealt with any electricity faults that have resulted from these conditions?
What should the Distributors be doing right now to ensure your supply/the network/equipment is protected? Short term
What should they be doing to ensure they reduce the impact of these severe weather/environmental risks in the future and ensure that the network is more resilient (only prompt if necessary with e.g. tree trimming, undergrounding, coating wires etc).
These things will cost money and therefore there would be a resulting increase in your bill.

How do you feel about this?
Is it important enough to you for there to be an increase in your bill?

Awareness of Guaranteed Standards of Performance (GSPs): 5 mins

Now still thinking about Electricity Distribution
Does anyone know about the Guaranteed Standards of Performance that are currently in place?

If aware, how do they know about them?

SHOWCARD I – GSP EXPLANATION
What do you think of the idea of GSPs – good/bad, why?
What should happen if they're not met?
Did you know you could get compensation if service/performance levels are not met; has anyone ever claimed?
What should this cover? (Tell them that compensation is designed to compensate for the inconvenience rather than for any resultant costs to them and see how they feel about that. The amount can vary depending on the standard it covers and how long the customer has been off supply. Initial payments range from £20 - £50). ***NOTE we will not be discussing levels of compensation tonight – just the standards that are measured.***

WRITE ON FLIP CHART: Supply restoration during normal weather, Multiple interruptions, Notice of Planned interruption to supply, Making and keeping appointments, supply restoration in severe weather, estimating charges for connections, investigating voltage complaints. **Have details to hand but only use if anyone asks.**

Do you think they are measuring the right things?
Are there any other standards that you think are missing?
Think back to flipchart exercise – is everything covered.

Customer Service/Contact: 15 mins

Now thinking about quality of customer contact and overall communications e.g. telephone service if you need to contact the Distributor

First, does anybody have contact experience with the Distributor? [Note: Distributor could contact customer to tend to a fault in a cable on their property or to investigate due to other faults in the area] **[Note: If no one has had contact, ensure any general discussion focuses on potential distributor contact rather than general contact discussion.]**

How did you make contact?
How do you feel your Distributor performed in this area?
Reasons for response
What did they do well?
What did they do badly?
What could be improved?

How do you want to communicate with your Distributor – website, text, telephone, letter? What about ***during*** **a power cut** – would you expect/want your distributor to communicate proactively with you to give you updates? If yes how – via calls backs, texts etc – what would be the benefits to you and why. What about after the power cut, what communication would you want with them if anything? – what would be ideal – what would be the message (e.g. information about the cause of the power cut or about actions the distributor is taking to prevent future power cuts in your area), via which channel.
NOTE: if respondents have had no power cuts and therefore never contact their distributor, talk about the scenario of the distributor having to contact them for planned interruptions of supply or what about perceptions of ongoing maintenance in the area? How do you want them to communicate with you – what would be ideal? Perhaps think about whole process, how would you want to be contacted at each stage.
How would you like to receive information on an on-going basis following on from the power cut — **SPONTANEOUS**

THEN PROMPTED WITH: what about live network information being provided on the DNO websites or information on fault history in your area – explore reactions and ideal information provision.

What other information should they provide – what about information on the performance of the network in your local area – would you be interested in this – why, why not - what would you want it to include and why. How would you want it communicated – SPONTANEOUS

THEN PROMPTED WITH: by post/website/other?

When considering this information provision, do you think it's a 'nice to have' or would you think it has less priority than other issues – would you be willing to see less improvements in some areas to be concentrate on information provision- would you be willing to pay more for better communication – why, why not?

How important is the quality of their customer service compared with, say, reducing the number or duration of power cuts? (if they say power cuts then need to clarify that there will always be a level of faults that occur which are beyond the distributors control so there will never be zero)

Where would you put your money if you were the one making improvements – customer service or power cuts?

And thinking about quality of customer service, what sort of things should be measured?

Do you think they should be measured on the following – why, why not:

SHOWCARD J

- ease of contact
- speed of service
- quality and availability of information
- delivery of promises/commitments
- knowledge /politeness of staff

- quality of workmanship
- resolution of issue
- overall customer satisfaction
- quality of complaint handling

Initial response
Are these the right areas?
Is anything unnecessary?
What areas are missing? What should be their priorities – are some of these more important than others – which ones and why.

Environmental Issues: 15 mins

What do you think about **DNOs business carbon footprint e.g. what do they do to minimise the impact of their day to day business activities in the environment (i.e. emission from vehicle fleets and buildings, specifically greenhouse gases)** – do you think it should be a priority for them to reduce their carbon footprint – why, why not – what about replacing equipment and vehicles with less polluting fuels – is it a priority – why, why not. How important is it in comparison to other things we have talked about tonight.

What about **improving their energy efficiciency and efficiency of equipment that they own and operate** - should this be a priority for DNOs – why, why not – how important is it in relation to other improvements they could make.

What about **investing in network technologies** to serve a possible future low carbon economy e.g. to power electric cars. Should this be a priority – why, why not – how important is it.

What about investing in **network improvements** so for example the DNOs can connect renewable energy (e.g. wind generation) or accommodate electric vehicles back into the network - should this be a priority – why, why not – how important is it. This is all about adapting the network to accommodate possible low carbon needs.

What do you think about **putting overhead lines underground** in national parks and areas of outstanding natural beauty – good, bad, why? (Note: overheads are more susceptible to the elements, underground are more difficult to fix a problem so there are drawbacks of each. Exclude conversation on pylons – just wooden poles.)

The alternative is for the lines to be overhead: how do you feel about this?
What is the impact on the environment?
What about the overall look/impact of them in rural areas or areas of natural beauty?

Is it important enough to you for there to be an increase in your bill?

And thinking a bit more about environmental issues
What environmental concerns do you have related to the distribution of electricity?
EXERCISE: **Imagine that you have a power cut, would you rather be put back on immediately via a generator which is less environmentally friendly OR would you**

be willing to be out of power for longer and not use this type of generator (really challenge how green they are)

Why is this? Probe importance of green issues

What should the Distributors be doing in this area?

How much would you be willing to pay for improvements to the Distribution network to ensure environmental plans are put in place

Priorities: 15 mins

We would really like to know where you think your DNO should be spending their money and what priorities they should have. We have discussed lots of improvements that you suggest they should make but we would like to get an idea of the priorities – ***refer to flipchart list of improvements made throughout the group***. I also have a list of issues written on a flipchart which we have covered too (**Power cuts**: reducing number of power cuts, reducing duration of power cuts, improving network resilience to storms, improving network resilience to flooding. **Customer Service:** proactive texts and call backs during power cuts. **Environmental:** reducing business carbon footprint, undergrounding overhead lines, reducing polluting losses from cables and electrical equipment, building networks for a future low carbon economy.)

If we were to give you a hypothetical £10 each, how would you allocate that money for improvements? You can spend the money anyway you like – eg ten lots of £1 if you think there are 10 areas which are equally important. Or you can allocate all £10 on an area you consider wholly important or you can divide up the £10 in anyway you see fit. It is an individual exercise, so take a few minutes to review all the improvements we have discussed and I will go round the room and ask each of you where you would allocate your £10.

Moderator to give respondents a few minutes to decide on allocation, then ask each one how they would allocate the £10 and write on flipchart the tally.

If this was now equated to money on your bill, the areas of priority we have identified – would you be willing to pay more for improvements in that area – why, why not. Explore whether points priority can be translated into paying more.

Wrap: 10-15 mins

Thank you for doing those exercises. Can I just ask – if I had given you those exercises to do this time last year, do you think you would have made the same choices? If no, why not? What would have been different? Why?

We undertook a study last year to look at customers' tolerance of bill increases to fund some of the service improvements we've already discussed. We asked them how much more they would be willing to pay on top of their current bill to fund the improvements. In this study:

- people said that they would be willing to pay an additional £2.41 per annum on top of their current bills for a reduction of 3 cuts in 5 years (**FOR LPN READ:** £4.04 for a

reduction of 3 cuts in 10 years) How do you feel about that? Is it about right? Too high/low? What would you be willing to pay?

- people said that they would be willing to pay an additional £1.60 per annum on top of their current bills for a reduction of 20 minutes to the average length of a cut (**FOR LPN READ:** £1.20) – How do you feel about that? Is it about right? Too high/low? What would you be willing to pay?

- people said that they would be willing to pay an additional £1.06 per annum on top of their current bills for distributors to provide updates on cuts through call backs, texts messages etc. (**FOR LPN READ:** 52p) How do you feel about that? Is it about right? Too high/low? What would you be willing to pay?

- and people said that they would be willing to pay an additional £5.43 per annum on top of their current bills for distributors to replace 10% of their equipment & vehicles with those using less polluting fuels. (**FOR LPN READ:** £4.54) How do you feel about that? Is it about right? Too high/low? What would you be willing to pay?

In the same research a range of other improvements were also tested. Overall for all 12 possible improvements that were tested, people stated that they would be willing to see an increase in their bill of £27.23, ie about 50p per week – how would you feel if your bill was about 50p more each week? Could you afford this level of increase? Is it worth it for the improvements that would be made?

Show SHOWCARD K

If recession hasn't been mentioned yet, then prompt. Has there been a big impact on you, do you think it has changed your willingness to pay – how and why.

Finally, can you tell me the one key area of service provided by your distributor in which you would like to see an improvement – choose one issue (if anything at all); and would you be prepared to see your bills increase to fund this?

Thank and Close

Explain independent and exploratory nature of research – Research is on behalf of OFGEM – these are the people that promote competition in the energy market and regulate network monopoly businesses to ensure companies provide value for money for customers.

No right or wrong answers, only your opinion we are interested in. Explain some people may not agree with each other – that's fine the purpose of the group is to have a discussion about different topics rather than reach a consensus

Disclosures – all research findings will only be used by the team involved

Explain about tape recorder/viewing facility – only for our purposes, reassure anonymity, etc.

Warm-Up and Spontaneous Service Issues: 5 mins

PAIRED INTRODUCTIONS
Name, business you work for, importance of electricity in your business
Has there been any change in your business's circumstances in the last year (DO NOT MENTION RECESSION AT THIS POINT UNLESS SPONTANEOUSLY MENTIONED)– **PROBE FOR AS MUCH DETAIL AS THEY ARE WILLING TO GIVE**

Thinking overall about your existing electricity service to the business:

What's good about it? **[LIST ONE FROM EACH]**
What could be improved? **[LIST ONE FROM EACH]**
CAPTURE ON FLIPCHART

[Purpose of this is to understand spontaneous priority service issues that fall under Distributors responsibility]

Explanation of Energy Supply Chain: 5 mins

Explain that: as you are probably aware, in order to get electricity into homes and businesses, there are a number of different organisations that are involved – an energy supply chain. Before we go forward and talk more about the issues that are important to your business and get your views on some different areas, we want to explain the 'Energy Supply Chain'. Some of you maybe aware of this, so please bear with me.

RUN THROUGH SHOWCARDS A-G: Energy Supply Chain, explanation of Distributors, role and responsibilities, % of bill, focus on Distributors

To explain Distribution portion of the bill: The portion that goes to the Distributor remains constant, even if your electricity bill goes up due to increases in the cost of energy. [NOTE: Remind participants that Ofgem regulates the price that distributors are allowed to charge.]

Tell respondents that we're going to leave the 'Energy Supply Chain' showcard out/up on the wall as a reminder that we're talking about the Distributor's quality of service for the rest of the discussion.

Ask them to get out their bills that they should have brought along with them – demonstrate that about 15% of their bill is Distributor costs. Ofgem is only regulating that 15% of the bill.

Explain that whilst billing or other service issues raised earlier are interesting/important, and we will note and pass them on, they are not the focus of tonight's discussion

Spontaneous Issues relating to Distributors and Performance: 5 mins

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NOTE TO MODERATORS: keep flipchart note of any improvements that respondents mention as at the end of the group, they will be asked to prioritise all improvements.

Tell respondents who their Distributor is:

BACKGROUND IF NEEDED: Distributors make continuous investments that result in a given level of service and network reliability. We're interested in learning if your Distributor is spending money in the right places and providing value for money for their customers.

Power Cuts: 10 mins

We're now going to focus specifically on Power cuts for the next part of the discussion, in relation to your experiences as a business, rather than as a consumer.

Why do you think they happen?
When do they typically happen at work?
How do you feel about them with respect to your business?
What impact does it/they have on your business?
What sort of preparation or contingencies do you have in place in case of a power cut?
IF PREPARATION/CONTINGENCIES: PROBE: for back-up supply, insurance for consequential losses. Ask if risk analysis is performed
Some feel that businesses are more tolerant of power cuts these days: do you agree?
IF YES: why do you think that is?
What's the most important thing to your business when there is a power cut?

- rapid reconnection
- accurate and timely information
- human v automated response
- compensation
- you get an apology
- that it doesn't happen again

Do you feel that power cuts generally, rather than in just severe weather, happen more frequently or less frequently when compared to 3 years ago? **[NOTE: if no different from now, compare to 10 years ago]**
How do you feel your Distributor performs during severe weather?
Reasons for response
What do they do well?
What do they do badly?

How many outages has your organisation experienced in the last year? (If none, go back 3 years)
Length of cuts experienced (less or more than 3 mins)
What were the reasons for these?
Did you contact anyone at the time?
Who?
What happened?
What did they say - how did they deal with your enquiry?
Was the business notified of the power cut beforehand - was it planned?
How do you deal with them as a business?

I just want to ask you about power cuts to get an idea of how you feel about the length and frequency – so I want you to make some hypothetical choices:
As a business, would you rather have more shorter power cuts every year or just one big one a year?
As a business, would you rather have a 24-hour cut once every 5 years or a 4 hour cut once a year. Why say that, what would cause most problems?

Performance
How would you describe the current level of service/performance **(EXPLORE FOR EACH AREA MENTIONED ON THE FLIPCHART)?**
What's good?
What's not so good?
Why?
Which areas need improving?
How could this service be improved?

I want you to think about Severe Weather and power cuts (ie flooding, storms) or other examples where unforeseen acts might cause problems with your power supply

When we experience severe weather (snow, gales, floods etc **SHOWCARD H**), does that change the way you feel about power cuts – why, why not. Are you more tolerant – why, why not. Explore tolerance levels with sever weather and power cuts.

Has anything like this ever impacted on your service?
Explore issues
How well do you think your Distributor has dealt with any electricity faults that have resulted from these conditions?
What should the Distributors be doing right now to ensure your supply/the network/equipment is protected? Short term
What should they be doing to ensure they reduce the impact of these severe weather/environmental risks in the future and ensure that the network is more resilient (only prompt if necessary with e.g. tree trimming, coating wires etc).

These things will cost money and therefore there would be a resulting increase in your bill.
How do you feel about this?
Is it important enough to you for there to be an increase in your business's energy bill?

Awareness of Guaranteed Standards of Performance (GSPs): 5 mins

Now still thinking about Electricity Distribution
Does anyone know about the Guaranteed Standards of Performance that are currently in place?

If aware, how do they know about them?

SHOWCARD I – GSP EXPLANATION
What do you think of the idea of GSPs – good/bad, why?
What should happen if they're not met?
Did you know you could get compensation if service/performance levels are not met; has anyone ever claimed on behalf of their business?
What should this cover? (Tell them that compensation is designed to compensate for the inconvenience rather than for any resultant costs to them and see how they feel about that. The amount can vary depending on the standard it covers and how long the customer has been off supply. Initial payments range from £20 - £100). ***NOTE we will not be discussing levels of compensation tonight – just the standards that are measured.***

WRITE ON FLIP CHART: Supply restoration during normal weather, Multiple interruptions, Notice of Planned interruption to supply, Making and keeping appointments, supply restoration in severe weather, estimating charges for connections, investigating voltage complaints. **Have details to hand but only use if anyone asks.**

Do you think they are measuring the right things?
Are there any other standards that you think are missing?
Think back to flipchart exercise – is everything covered.

Customer Service/Contact: 15 mins

Now thinking about quality of customer contact and overall communications e.g. telephone service if you need to contact the Distributor

First, does anybody have contact experience with the Distributor on behalf of your organisation? [Note: Distributor could contact customer to tend to a fault in a cable on their property or to investigate due to other faults in the area] **[Note: If no one has had contact, ensure any general discussion focuses on potential distributor contact rather than general contact discussion.]**

How did you make contact?
How do you feel your Distributor performed in this area?
Reasons for response
What did they do well?
What did they do badly?
What could be improved?

How do you want to communicate with your Distributor – website, text, telephone, letter? What about ***during*** **a power cut** – would you expect/want your distributor to communicate proactively with you to give you updates? If yes how – via calls backs, texts etc – what would be the benefits to you and why. What about after the power cut, what communication would you want with them if anything? – what would be ideal – what would be the message (e.g. information about the cause of the power cut or about actions the distributor is taking to prevent future power cuts in your area), via which channel.
NOTE: if respondents have had no power cuts and therefore never contact their distributor, talk about the scenario of the distributor having to contact them for planned interruptions of supply or what about perceptions of ongoing maintenance in the area? How do you want them to communicate with you – what would be ideal? Perhaps think about whole process, how would you want to be contacted at each stage.
How would you like to receive information on an on-going basis following on from the power cut — **SPONTANEOUS**

THEN PROMPTED WITH: what about live network information being provided on the DNO websites or information on fault history in your area – explore reactions and ideal information provision.

What other information should they provide – what about information on the performance of the network in the local area – would you be interested in this – why, why not - what would you want it to include and why. How would you want it communicated – SPONTANEOUS

THEN PROMPTED WITH: by post/website/other?

When considering this information provision, do you think it's a 'nice to have' or would you think it has less priority than other issues – would you be willing to see less improvements in some areas to be concentrate on information provision- would you be willing to pay more for better communication – why, why not?

How important is the quality of their customer service compared with, say, reducing the number or duration of power cuts? (if they say power cuts then need to clarify that there will always be a level of faults that occur which are beyond the distributors control so there will never be zero)

Where would you put your money if you were the one making improvements – customer service or power cuts?

And thinking about quality of customer service, what sort of things should be measured?

Do you think they should be measured on the following – why, why not:

SHOWCARD J (formerly K)

- ease of contact
- speed of service
- quality and availability of information
- delivery of promises/commitments
- knowledge /politeness of staff
- quality of workmanship
- resolution of issue
- overall customer satisfaction
- quality of complaint handling

Initial response
Are these the right areas?
Is anything unnecessary?
What areas are missing? What should be their priorities – are some of these more important than others – which ones and why.

Environmental Issues: 15 mins

What do you think about **DNOs business carbon footprint e.g. what do they do to minimise the impact of their day to day business activities in the environment (i.e. emission from vehicle fleets and buildings, specifically greenhouse gases)** – do you think it should be a priority for them to reduce their carbon footprint – why, why not – what about replacing equipment and vehicles with less polluting fuels – is it a priority – why, why not. How important is it in comparison to other things we have talked about tonight.

What about **improving their energy efficiency and efficiency of equipment that they own and operate** - should this be a priority for DNOs – why, why not – how important is it in relation to other improvements they could make.

What about **investing in network technologies** to serve a possible future low carbon economy e.g. to power electric cars. Should this be a priority – why, why not – how important is it.

What about investing in **network improvements** so for example the DNOs can connect renewable energy (e.g. wind generation) or accommodate electric vehicles back

into the network - should this be a priority – why, why not – how important is it. This is all about adapting the network to accommodate possible low carbon needs.

What about providing you with advice as to how you as a business can be more energy efficient. Should this be a priority – why, why not – how important is it.

Is it important enough to you for there to be an increase in your business's energy bill?

And thinking a bit more about environmental issues
What environmental concerns do you have related to the distribution of electricity?
EXERCISE: **Imagine that you have a power cut, would you rather be put back on immediately via a generator which is less environmentally friendly OR would you be willing to be out of power for longer and not use this type of generator (really challenge how green they are)**

Why is this? Probe importance of green issues

What should the Distributors be doing in this area?

How much would your organisation be willing to pay for improvements to the Distribution network to ensure environmental plans are put in place?

Priorities: 15 mins

We would really like to know where you think your DNO should be spending their money and what priorities they should have. We have discussed lots of improvements that you suggest they should make but we would like to get an idea of the priorities – ***refer to flipchart list of improvements made throughout the group***. I also have a list of issues written on a flipchart which we have covered too (**Power cuts**: reducing number of power cuts, reducing duration of power cuts, improving network resilience to storms, improving network resilience to flooding. **Customer Service:** proactive texts and call backs during power cuts. **Environmental:** reducing business carbon footprint, reducing polluting losses from cables and electrical equipment, building networks for a future low carbon economy.)

If we were to give you a hypothetical £100 each on behalf of your business, how would you allocate that money for improvements? You can spend the money anyway you like – eg ten lots of £10 if you think there are 10 areas which are equally important. Or you can allocate all £100 on an area you consider wholly important or you can divide up the £100 in anyway you see fit. It is an individual exercise, so take a few minutes to review all the improvements we have discussed and I will go round the room and ask each of you where you would allocate your £100.

Moderator to give respondents a few minutes to decide on allocation, then ask each one how they would allocate the £100 and write on flipchart the tally.

If this was now equated to money on your bill, the areas of priority we have identified – would you be willing to pay more for improvements in that area – why, why not. Explore whether points priority can be translated into paying more.

Wrap: 10-15 mins

Thank you for doing those exercises. Can I just ask – if I had given you those exercises to do this time last year, do you think you would have made the same choices? If no, why not? What would have been different? Why?

We undertook a study last year to look at customers' tolerance of bill increases to fund some of the service improvements we've already discussed. We asked them how much more they would be willing to pay on top of their current bill to fund the improvements.

In this study:

- people said that they would be willing to pay an additional 1.7% per annum on top of their current bills for a reduction of 3 cuts in 5 years. How do you feel about that? Is it about right? Too high/low? What would you be willing to pay?

- people said that they would be willing to pay an additional 1% per annum on top of their current bills for a reduction of 20 minutes to the average length of a cut. How do you feel about that? Is it about right? Too high/low? What would you be willing to pay?

- and people said that they would be willing to pay an additional 2.1% per annum on top of their current bills for distributors to replace 10% of their equipment & vehicles with those using less polluting fuels. How do you feel about that? Is it about right? Too high/low? What would you be willing to pay?

In the same research a range of other improvements were also tested. Overall for 9 possible improvements that were tested, businesses stated that they would be willing to see an increase in the Distributors element of their bill of 15.3%. If we use an example of a £2000 bill this would be an increase of £45 per annum **(show SHOWCARD K)** – how would you feel if your bill was 2.25% more each year over the next 5 years (**Show SHOWCARD L)**? Could your business afford this level of increase? Is it worth it for the improvements that would be made? (i.e. £45/£2000 = 2.25% increase)

If recession hasn't been mentioned yet, then prompt. Has there been a big impact on you and your business, do you think it has changed your willingness to pay – how and why.

Finally, can you tell me the one key area of service provided to businesses by your distributor in which you would like to see an improvement – choose one issue (if anything at all); and would you be prepared to see your bills increase to fund this?

Thank and Close

APPENDIX B

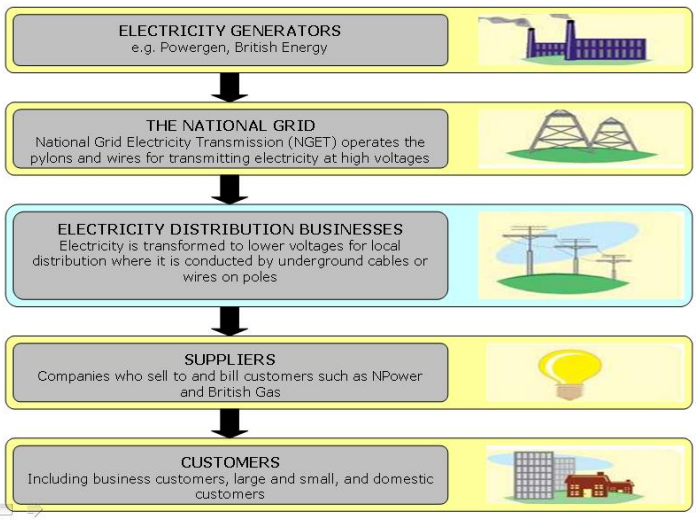
Stimulus

SHOWCARD A

Explanation of Distributors

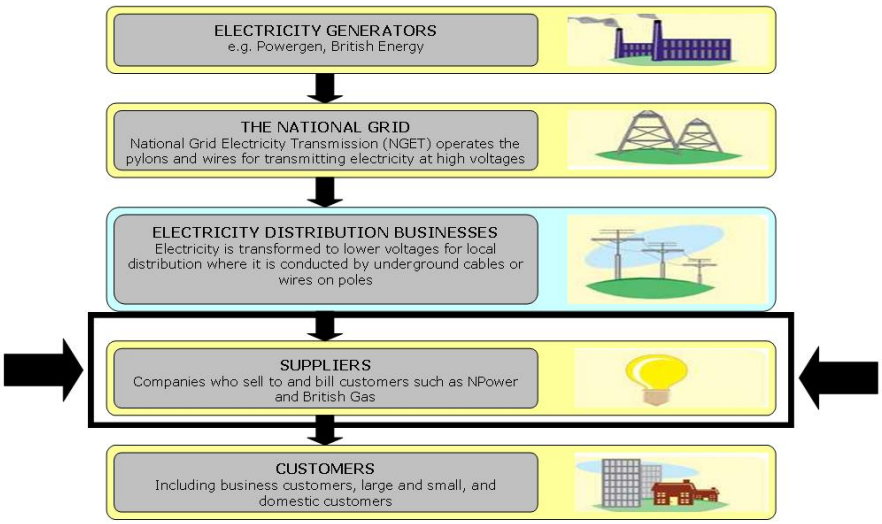
SHOWCARD B

Overview of the Energy Supply Chain



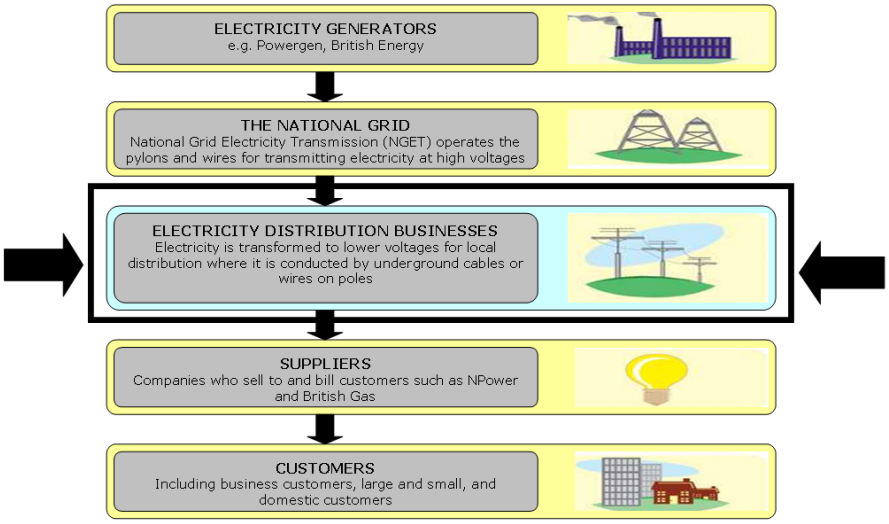
SHOWCARD C

Supplier is Main Customer-Facing Part of the Chain – Bills, Meter Reading



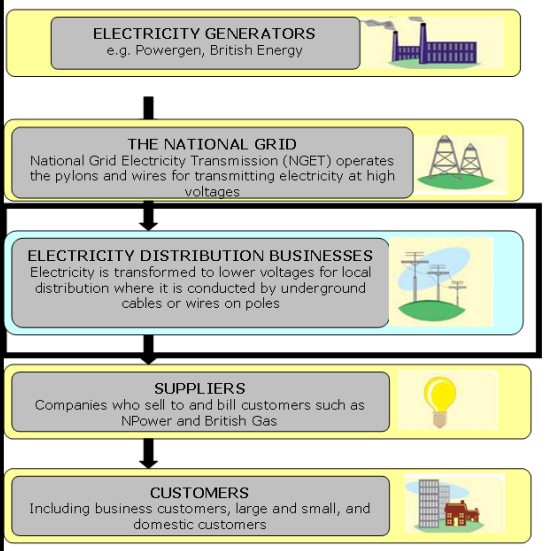
SHOWCARD D

Focus Tonight is on Distributors



SHOWCARD E

Who are Distributors - What do They do?



Own the wires and cables

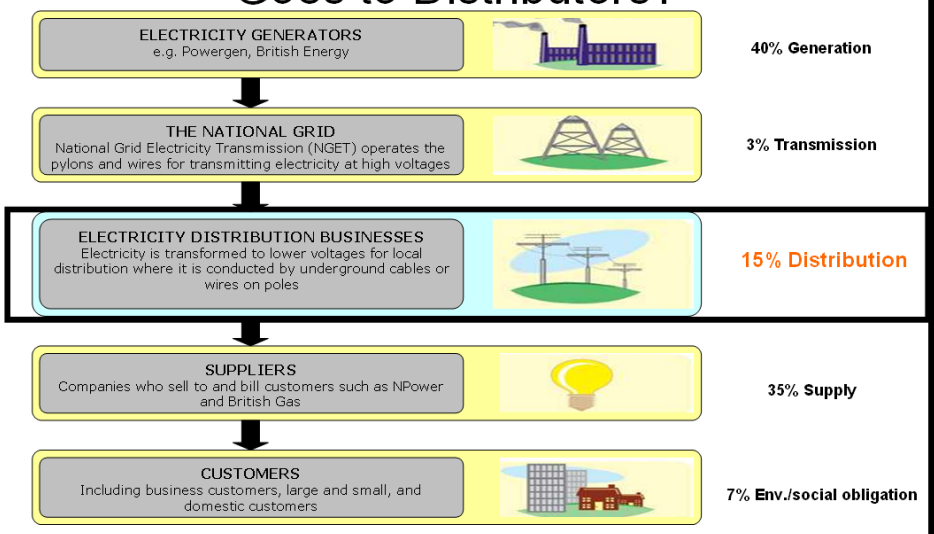
Duty to connect any customer requiring electricity within their area and maintain the connection

Ensure the right voltage gets to business and consumers

Must maintain an efficient cost-effective and coordinated system to distribute electricity e.g. the overhead cables, etc

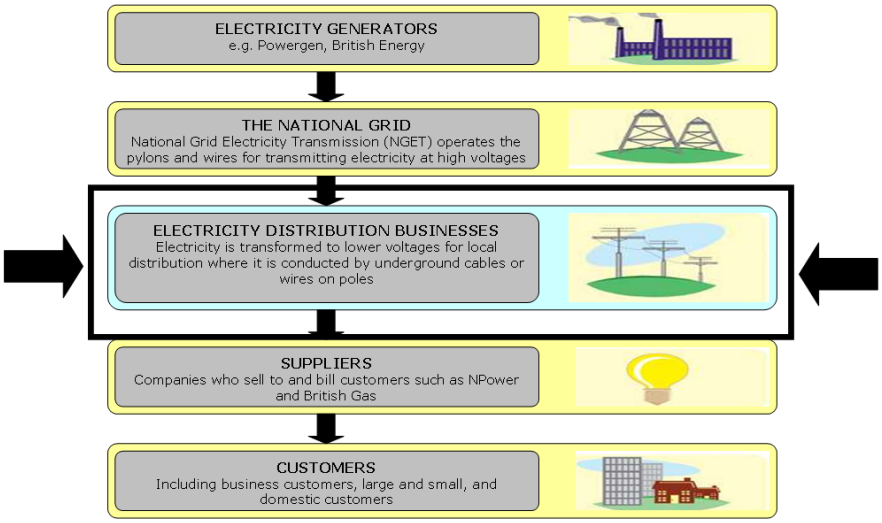
SHOWCARD F

Approximately What Proportion of the Bill Goes to Distributors?



SHOWCARD G

Focus Tonight is on Distributors



SHOWCARD H

SHOWCARD I

Explanation of Guaranteed Standards of Performance

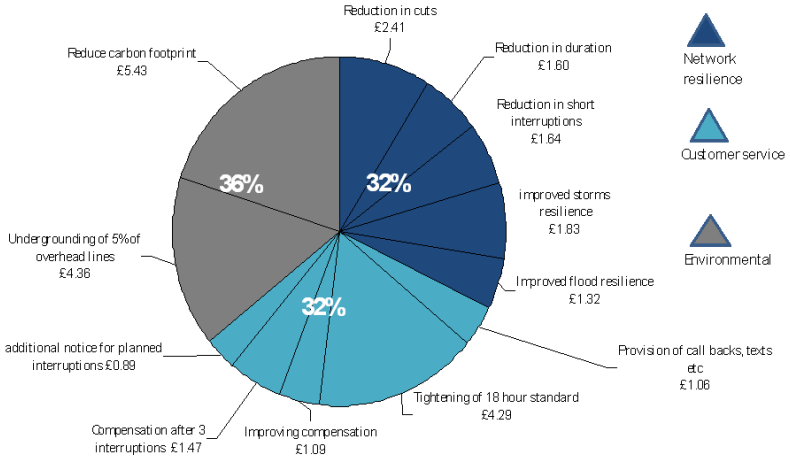
- Ofgem, the industry regulator, sets a number of Guaranteed Standards of Performance (GSPs) for domestic and business customers
- The GSPs prescribe certain minimum standards for Distributors to meet
- Tonight we want to understand whether these are still relevant or if there are any that are missing

Showcard J

- ease of contact
- speed of service
- quality and availability of information
- delivery of promises/commitments
- knowledge o/politeness of staff
- quality of workmanship
- resolution of issue
- overall customer satisfaction
- quality of complaint handling

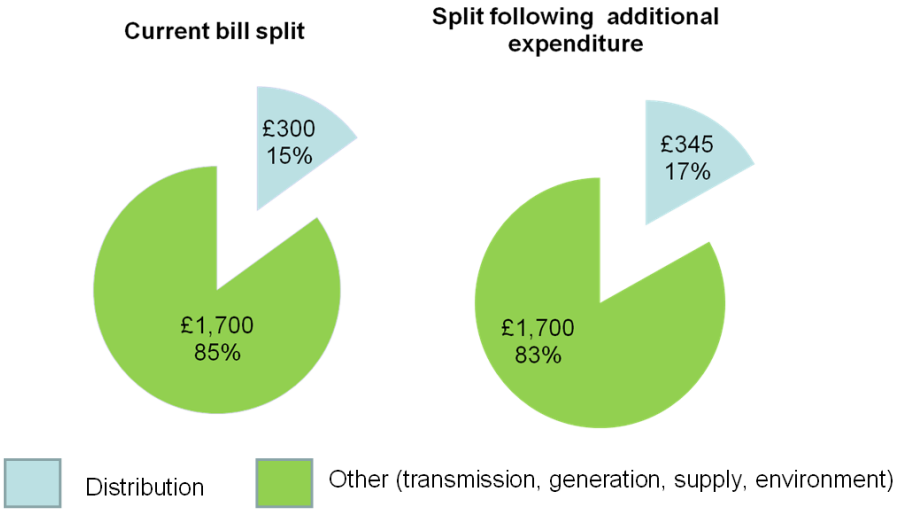
Showcard K (Domestic)

Share of Willingness to Pay Across 12 Attributes
Total £27.23



Showcard K (Business)

Example based on £2000 annual business bill



Showcard L (Business)

Breakdown of business priorities for additional expenditure