

Consumer Social Issues Working Group

Minutes of the meeting held on 22 February 2011.	From Date and time of Meeting Location	santisl 22 February 2011 10:00 – 16:00 Ofgem	28 February 2011
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1. Present

Margaret Hunter	SGN
Mark Oliver	WWU
Tracy Hine	NGG
John Downing	NGG
Stephen Parker	NGN
Clare Cattle-Jones	ENA
Erika Melen	ENA (14:00-16:00)
Andy Bailey	SGN (14:00-16:00)
Mark Elliott	SGN (14:00-16:00)
Gary Farnhill	NGN (14:00-16:00)
Stephanie Trotter	CO-Gas Safety (14:00-16:00)
John	CO- Gas Safety (14:00-16:00)
Leigh Greenham	COGDEM (14:00-16:00)
James Veaney	Ofgem
Rebecca Langford	Ofgem
Karron Baker	Ofgem
Steve Brown	Ofgem
Lia Santis	Ofgem

2. Broad Measure – Initial position on responses

2.1. JV led Ofgem’s presentation on the responses to the December consultation document for the Broad Measure component. The GDNs gave an overview of their responses in turn. Ofgem’s presentation is attached to this document at Appendix 1.

2.2. SGN noted their concerns with proposals for incentivising complaint handling, and expressed their preference for a symmetrical incentive mechanism. They broadly support for the stakeholder engagement component, however they did not believe this should replace the Discretionary Reward Scheme (DRS).

2.3. NGN were supportive of a symmetrical incentive with 3 elements: customer satisfaction, complaint handling and stakeholder engagement. They believe that the proposed size and structure of the broad measure proposals have been too influenced by the electricity scheme introduced for DPCR5. The scale of the incentive is too small and they believe it should be calibrated +/- 2% of annual allowed revenues. On the customer satisfaction survey (CSS) component they propose two elements: one comparative with a dead band and also an absolute target against which performance (in year and year-on-year) would be measured and penalised/rewarded. The incentive should be 1% on surveys (with 70% allocated to the comparative element. The complaint handling element should focus on number of complaints resolved as well as speed of resolution.

2.4. WWU were broadly supportive of the December proposals. Their concerns regarded the need to ensure that there were clear and unambiguous guidelines to support the implementation of the various components. This should be supported by independent audits of systems and processes to ensure consistency across the GDNs. They support the

stakeholder engagement incentive but not the framework of assessment. They believe the process should be more vigorous and less subject to a subjective and brief assessment.

2.5. NGG is supportive of the overall metric for the Broad Measure but believe the incentive should be bigger given the RIIO framework. They would like the emergency line category removed from the CSS as this is a service they provide on behalf of all GDNs. On the complaints handling element, they disagree with the approach proposed as they believe that due to the number of networks owned by NGG they will also be exposed to penalties applied to networks that fall outside of the upper quartile of industry performance: as an owner of multiple networks this concern also applies to SGN. This sentiment is coupled with a similar concern that due to their size they are likely to be anchored to the industry average (for CSS). Therefore they will have limited ability to outperform the average. They therefore did not feel the overall package of incentives provided them with enough upside.

2.6. They welcome the incentive linked to stakeholder engagement and believe the DRS should be retained but came forward with a proposal for a more objective incentive that could be auditable and measurable and based on self assessment. The measure proposes three key areas: direct measurement, shipper surveys and other stakeholder survey. The strawman is attached to this document as Appendix 2.

2.7. The GDNs were broadly supportive of NGG's initiative.

2.8. Ofgem found the structure interesting and considers it a constructive step forward. We believe the weighting is a bit difficult to assess.

2.9. WWU followed up on the questions for the survey that the group had been working on for the past months and if they were going to be included in the final CSS. NGN added that the questions should be added in the RIGS for the current price control and they wanted to get the questions into the survey before the end of the year. Ofgem confirmed that the questions should be included in the final version of the CSS.

2.10. Ofgem's preferred methodology for the CSS would be telephone-based since we believe it allows the views of a broader and more representative sample of customers. Whilst telephone based surveys are more expensive than postal surveys, their relative cost is lower than anticipated. However, any change in methodology will need to be trialled.

2.11. GDNs are not convinced that there is a need to change methodology. NGN, WWU and NGG believe they have a good track record with the postal survey and are not supportive of a change towards telephone surveying. They believe it is quite risky to change methodology since all the metrics will change affecting the industry mean and the dead band calculation which are based on the existing data available. SGN pointed out that we should use the methodology that matched the customer's preference.

2.12. Ofgem presented some sample charts highlighting likely performance levels for the customer survey and complaint handling. These were based on existing data sets and methodologies and assumed a hypothetical dead band (for CSS) and range from upper quartile performance against which maximum penalties would be applied (complaint handling). Based upon this sample information, GDNs questioned the value of the incentive to improve customer performance. WWU mentioned that the incentive is there but there are no real opportunities to outperform.

2.13. Ofgem commented that it is not necessarily that for the CSS most GDNs fell within the dead band given current levels of relatively consistent performance. The dead band could be narrowed to maximize the probability of reward/penalty however we would need to consider whether this was appropriate and in customer interests.

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2.15. The GDNs reiterated their concern that given the challenge of outperforming the industry average on the CSS element, and the penalty-only approach for complaint handling, overall the broad measure proposal contained more opportunity for downside penalty than upside reward. This is particularly felt to be the case for companies owning multiple networks.

2.16. Ofgem is not convinced that overall the broad measure offers companies only a downside incentive. We are concerned that introducing a reward associated with complaint handling would act as a potentially perverse incentive.

2.17. The GDNs encouraged Ofgem to use existing data to set the size of the dead bands for CSS and range from upper quartile for maximum complaint handling penalty. This was noted by Ofgem, who highlighted that change to the survey and methodology and measuring complaint resolution vs. complaint response might impact the validity of existing data.

2.18. GDNs are supportive of this approach but they believe we are being very conservative and we are taking a gamble that the trials will not change data available for the past five years.

Action

Circulate electricity guidelines for Stakeholder Engagement

Person – By

Ofgem –
Circulated

Circulate Accent methodology regarding electricity

Ofgem –
Circulated

GDNs will come back with tracked changes on the customer survey questionnaire in the RIGS. All the non-controversial proposals will be reviewed and included in the RIGS as we go through the year.

GDNs to check RIGS document and interpretation of complaints, repeat complaints, resolved complaints and come back with thoughts regarding definitions

3. Network Extension

3.1. Ofgem led the presentation of the parties responses and reiterated that our thinking has not changed. GDNs' funding option preference should be put forward in the business plan.

3.2. NGG stated that they will choose different options depending on their networks and innovative solutions that they might want to implement. They consider that in some instances option 2 might reduce exposure.

3.3. WWU stated that either option would work depending on the network's preference.

3.4. NGN said they are in favour of option 1. They do not like the use it or lose it option since it sends out the wrong signal.

3.5. SGN prefers the current mechanism but will not object to either of the proposed options.

3.6. Ofgem conceded that there is a weaker incentive for efficient costs under option 2.

Action**Person - By**

GDNs to provide information on fuel switching

4. Connections

4.1. Ofgem led the discussion on responses to the December consultations by stating that the majority of the network companies considered that there was no need to change existing connections margin arrangements.

4.2. WWU raised a question regarding where you put the money you charge for that margin and the treatment of this money. They believe the treatment of this money should be set out in the guidelines.

4.3. Regarding the point of consistency when charging a margin, NGN replied that NGG had been transparent in providing data about their margin. They believe it is Ofgem's role to change the way regulations are set out and highlight the rules GDNs should follow in this area.

4.4. Ofgem clarified that this group would discuss gas entry connection standards of service. The Environment Impact group will address other aspects of gas entry including financial issues.

4.5. On the issue of applying voluntary standards to gas entry connections, most GDNs agreed on the need of more input from stakeholders, in particular developers, in order to develop category of services and target dates.

4.6. NGN suggested that a voluntary scheme should be developed under non-contestable elements since the focus should be on the services GDNs can provide and not the ones they can go to market for. Other concerns would be who is funding this process and what GDNs role would be.

4.7. Ofgem reiterated that it would be beneficial for all customers if all networks could commit to the same timeframes. We questioned if GDNS require more information to propose some voluntary Guaranteed Standards.

4.8. ENA suggested that their Distribution Network group could be used to monitor and develop those voluntary standards.

Action**Person - By**

ENA to use DN group to monitor and develop voluntary standards.

5. Addressing Carbon Monoxide Risks

5.1. Ofgem led discussion by presenting responses to the consultation document including HSE's response which was broadly supportive of GDNs playing a role in raising CO awareness and amendments to licence obligations to extend time and scope of emergency visits to carry out more remedial work following CO detection.

5.2. WWU welcomed HSE's response but question how detection can be done without equipment. SGN commented there is a balance to be achieved regarding CO safety measures.

5.3. Ofgem reiterated that we do not feel it our role to be prescriptive on what GDNs should do and the specifications of the type of equipment to be used. Similarly Ofgem's understanding is that the HSE adopt a goal setting approach rather than setting out how duty holder delivers their obligations. The type of equipment to be used is therefore a

matter for the duty holder. However, HSE's view regarding amending licence obligation might be a step towards striking a balance for making safe.

5.4. There was a discussion regarding the duty of the licensed gas suppliers to provide certain safety information to customers and to undertake investigations into serious CO incidents if required to do so by HSE. Ofgem clarified that there is indeed a licence obligation for suppliers to provide this information and free safety checks when requested to by certain vulnerable customers. Ofgem emphasised that the discussion should focus on what GDNs could do to complement the activities of others. COGDEM clarified that the people being targeted by GDNs are those that do not have service contracts and are not covered by suppliers.

5.5. Ofgem stated that any ideas or proposals should be included in the business plan by summer. In December we would be in a position to set out outputs.

5.6. SGN was expecting some sort of commitment from this panel regarding how big the initiative should be. Their stakeholder engagement process pointed towards raising awareness. They propose three levels to their approach:

- provide information to raise awareness
- extend their emergency response which will need to be consistent with other GDNs response (funding for additional resources, time, impact of resources during winter),
- develop CO Safety as a proactive part of the business: provide safety inspections, maintenance and repair for a fee.

5.7. Ofgem stated that all three areas present possibilities and could be seen as a three tier approach. It would be constructive to put together measures/benchmarks that could be set to measure internal resources.

5.8. SGN raised the issue of timelines which they consider are important in the implementation of these initiatives. They state that appliances need to be assessed, guidelines need to be developed with Gas Safe to ensure a comprehensive plan to provide a safety check.

5.9. Ofgem reiterated that plans need to be put forward in order to get an idea of funding for any schemes. We will need evidence/data in order to assess the viability of any initiative put forward. All initiatives should be presented with direct quantifiable measures associated with it.

5.10. CO-Gas Safety stated that half hour to perform a safety check is less effective than coming into the visit with equipment and measuring the level of CO within the site. They also raised the possibility of the fuel company funding some of the trials given that they have some of the responsibility.

5.11. Ofgem suggested establishment of a working group to discuss the implications of SGN's emergency response idea. There is the capability of recognising initiatives to be implemented later in the price review.

5.12. WWU began their presentation of their proposed initiatives by stating they have started issuing PAMs and CO alarm trials. WWU has issued 6 PAMS which are on trial at the moment. They want to capture data and identify training issues. The plan would also be to issue CO alarms or vouchers depending on the implications and the costs. They plan to keep raising awareness of the dangers of CO among vulnerable populations and on the hot spots that have previously identified.

5.13. NGN pointed out that there may be issues with CO alarms since out of 1200 jobs they were called in, 700 were down to faulty alarms. The cause was deemed to be battery related and other circumstances. COGDEM and CO-Gas Safety discussed the procedure by which the alarm is assessed to be faulty. COGDEM stated that there is a database of CO alarms which was funded by SGN. However this is confidential information.

5.14. NGG propose extending CO alarms to vulnerable populations as defined by the suppliers licence definition. Their next stakeholder engagement event is in May and they will provide costing information to this forum.

5.15. CO-Gas Safety pointed out that they consider homeowners as vulnerable population. They recognise the difficulty to pinpoint an exact population that is vulnerable but they are keen to highlight that children under the age of five are defined as vulnerable.

5.16. NGN's proposal is to roll out a modification of the Gascoseeker which would include a CO gas analyser. They are starting a trial in July which will include 42 FCOs which will be used in a hot spot and will be tested against a control area. Their stakeholder engagement sessions are starting next month.

5.17. SGN's proposal incorporate the three elements: Raising awareness of dangers of CO by improving the customer call back process, measuring the success rates regarding awareness and understanding of dangers of CO. Modifying quality of checks carried out within an emergency service by looking into CO spillage in confined spaces. They are considering extending the level of service checks to other services apart from emergency services. Third aspect would be providing a maintenance and repair service which is customer driven. They still need to carry out a high level assessment in terms of resources, time, training, regulation and safety benefits. They have identified the following constraints to their approach: emergency service coordination, liability issues, commercial liability issues and will.

5.18. COGDEM welcomed the initiatives and expressed that it would be ideal if some of these initiatives could be rolled out nationally through a central number.

5.19. CO-Gas Safety submitted a clarification regarding their understanding of the Gas Safety (Installation & Use) Regs 1998. This clarification is attached as Appendix 3 of this document.

Action

ENA will coordinate a round table to discuss Emergency Service initiatives

Person - By

ENA and GDNs

6. Summary of Actions

Actions

Circulate electricity guidelines for Stakeholder Engagement

Circulate Accent methodology regarding electricity

GDNs will come back with tracked changes on the customer survey questionnaire in the RIGS. All the non-controversial proposals will be reviewed and included in the RIGS as we go through the year.

GDNs to check RIGS document and interpretation of complaints, repeat

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GDNs

complaints, resolved complaints and come back with thoughts regarding definitions

GDNs to provide information on fuel switching

GDNs

ENA to use DN group to monitor and develop voluntary standards

ENA will coordinate a round table to discuss Emergency Service initiatives

ENA and GDNs

Appendix 1



Customer Survey

•Relative vs. absolute score

- GDNs receiving equalised opex allowance
- Not possible to allocate costs vs. absolute performance score
- Dead band in place to help mitigate regional variations

•Additional questions & methodology

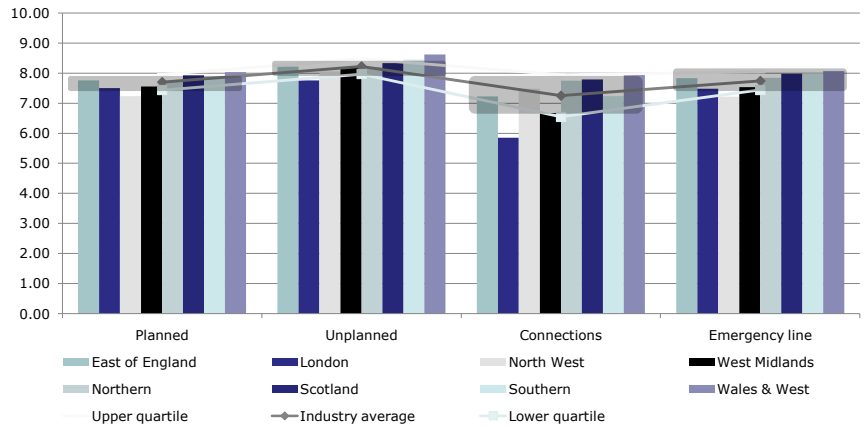
- Opportunity to incorporate additional questions into survey
- Telephone survey preferred methodology

•Pilot study – Apr-Dec – to develop: questions, methodology, performance levels, approach to setting dead band & cost of running survey



2009/10 Gas Customer Satisfaction Survey

Overall satisfaction (average of all scores) +/- 1 x Standard deviations from mean

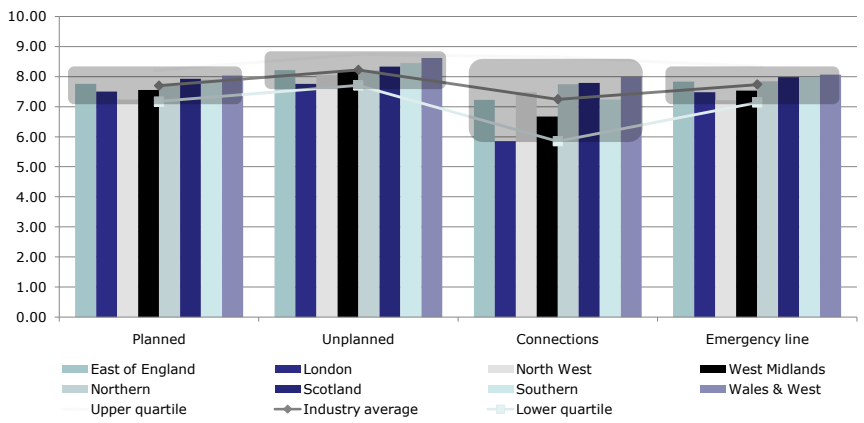


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2009/10 Gas Customer Satisfaction Survey

Overall satisfaction (average of all scores) +/- 2 x Standard deviations from mean

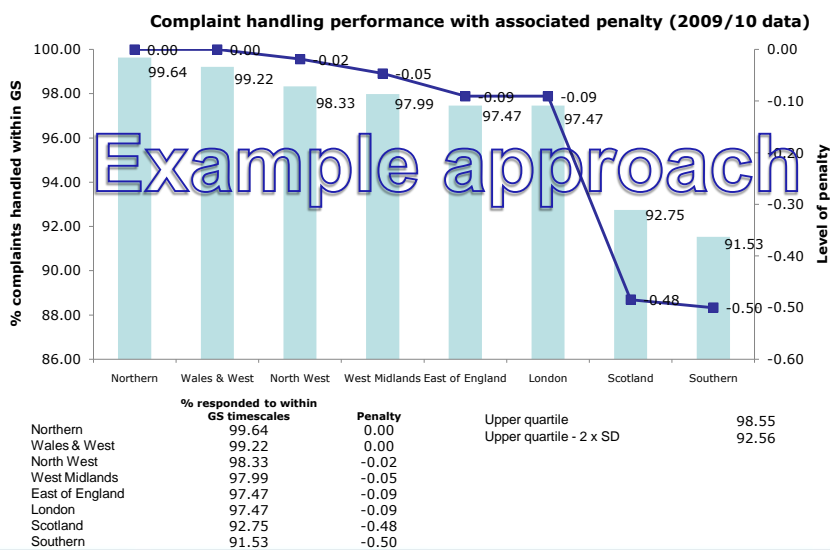


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Complaint handling

- **Including an upside**
 - Potential for perverse incentive. Other elements of broad measure provide opportunities for reward
- **Exposure for companies owning multiple networks**
 - Sliding scale penalty
 - Opportunities to gain in other elements of broad measure
- **Incorporate 'number of complaints' into metric – effective stakeholder engagement may increase complaint volume. Benefits elsewhere in broad measure for strategies to improve customer satisfaction**
- **Use Guaranteed standards timescales**
 - May not be appropriate/fair - measuring a different type of performance
- **Pilot study – Apr-Dec – to develop: systems and guidance, performance levels, approach to setting dead band**





Promoting choice and value
for all gas and electricity customers

Stakeholder engagement

- **Including a downside/lower incentive**
 - Qualitative assessment – difficult to penalise
 - Discretionary approach can limit amount rewarded
- **Process of assessment should be more robust**
 - Anticipate trialling (with electricity) in 2011 & 2012
 - NGG proposal for discussion
- **Maintain DRS – with a tight definition**

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for all gas and electricity customers

Way forward

- March:** agree pilot for survey – straw man
develop tender document for survey
agree complaint definitions and system readiness
- April:** appoint research agency for pilot study
- May-Jul:** 1st Quarter survey
- Aug:** Working group to review emerging issues
- Aug-Oct:** 2nd Quarter survey
- Nov:** Working group to review performance across 6 months
Dead band proposal & sliding scale for complaints
- Dec:** Open letter consultation
- Jan:** Decision

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Summary of responses

General

- Majority agreed fuel poor network extensions are still the most appropriate way of assisting vulnerable customers.
- Some respondents suggested aligning scheme with the Green Deal.
- One respondent suggested that we need to be mindful of less costly heating options that may arise in the future.
- Two respondents suggested that the current incentive mechanism should be adapted to include carbon savings



Continued....

Funding options

- No strong preference for either option 1 or 2. Option 1 preferred by one respondent.
- One respondent suggested introducing higher transportation charges for extension customers.

Non-gas solutions

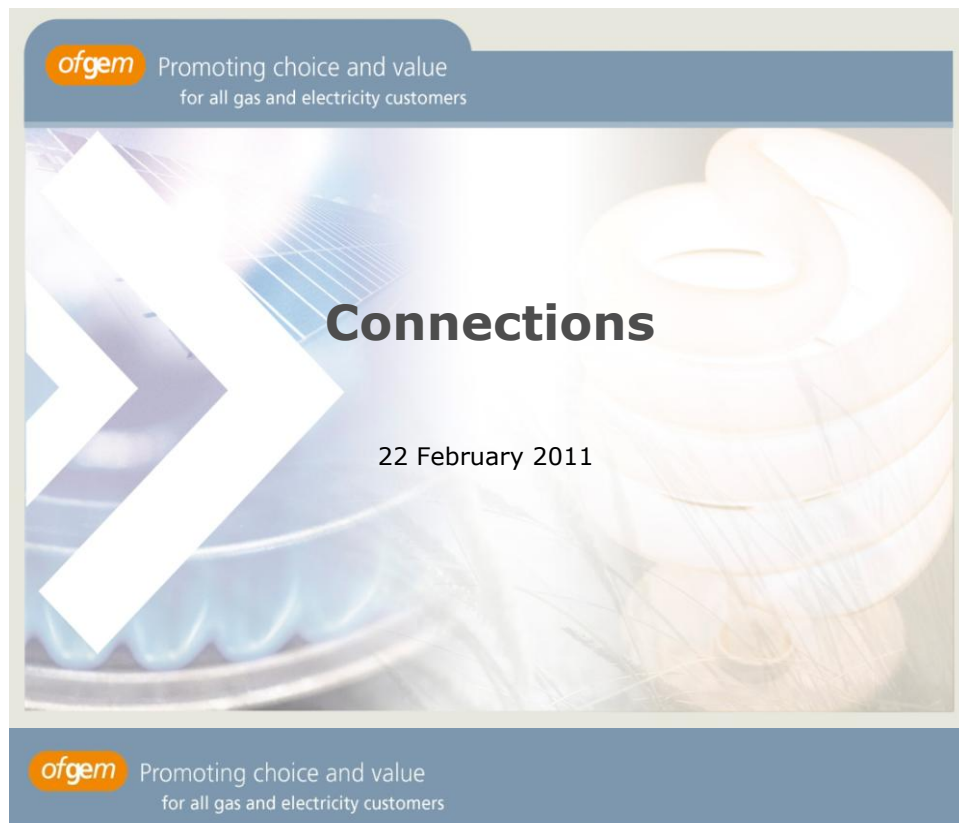
- Responses mixed on whether we could put in place mechanisms for network companies to play a role in helping deliver non-gas solutions.
- Some consider there is a role in encouraging alternative renewable technologies like district heating.



Our thinking for March document

December Initial Strategy	Our thinking for March
<ul style="list-style-type: none"> • Continue with the scheme • Review 2014 • GDNs to provide information on the fuels customers switching from 	<p><i>Unchanged....</i></p>
<p>Funding options</p> <ul style="list-style-type: none"> • Option 1 – GDNs outline their own policy, output measure and revenues to achieve outputs s.t. efficiency incentive rate. • Option 2 – Annual budget on a ‘use it or lose it’ basis to connect eligible customers. 	<p><i>Still considering approach to funding...welcome further input from GDNs on implications of options proposed or alternatives....</i></p>





Responses to our December strategy consultation

Margins

- The majority of the network companies considered that there was no need to change existing connections margin arrangements.
- WWU supported the introduction of a separate regulatory margin for the provision of contestable elements of non-statutory connections.
- There does not appear to be consistency in when GDNs charge a margin for connection services.

Should additional customers be excluded from connections guaranteed standards?

- There was recognition from the network companies that competition was working sufficiently well in a number of market segments.
- Two GDNs considered further market segments could be excluded from the guaranteed standards.
- National Grid considered that the voluntary standards covering services to UIPs and IGTs should be removed.

Responses to our December strategy consultation

Introduction of new demand guaranteed standards / changes to the existing standards

- GDNs agreed that no changes were required to the connections standards and that no new standards were required for gas demand connection customers.
- Consumer Focus supported the removal of caps on connection standards penalty payments.

Introduction of standards for gas entry customers

- GDNs agreed that Ofgem should not introduce new standards of service for gas entry customers at this time, although two supported a review of part way through the price control period.
- National Grid suggested that voluntary service levels could be introduced.
- Consumer Focus considered that there needed to be good reasons to implement any standards which would provide preferential treatment to particular technologies.

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March strategy decision document

Margins

- We have not been provided with any evidence that the current margin arrangements are hindering competition.
- We note that GDN margins are not currently very consistent or transparent.
- It seems GDNs should be able to charge a margin in certain circumstances and we do not intend to change current margin arrangements.
- However, we acknowledge current arrangements are not particularly clear and we hope to improve monitoring arrangements.

Changes to the existing guaranteed standards

- We are not minded to change the connections guaranteed standards at this time.
 - We consider that the GS provide good levels of customer service.
 - While the competitive market may well protect customers, we note that a review of the independents market is forthcoming.
 - We do not consider now is the right to remove standards on the assumption that the independent market will protect customers.
- Any changes to the guaranteed standards are likely to require further consultation under section 33BAA of the Act.

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March strategy decision document

Gas entry customers

- The question has been raised as to whether this is the appropriate forum to discuss gas entry connection standards of service.
- Given the lack of information available we are minded to revisit guaranteed standards for gas entry connections part way through the price control period.
- We are however interested in the potential for GDNs to apply voluntary standards to gas entry connections.
 - Standards could be applied on a national or GDN specific basis.
 - Standards could be agreed through stakeholder engagement? They could be revisited over time?
 - GDNs could agree to pay compensation where deadlines were not met.
 - GDNs could publish their performance against the voluntary standards.

We are interested in GDNs views on the introduction of voluntary standards for gas customers.

Appendix 2



Stakeholder Metric

- Intention is to develop more objective criteria to measure stakeholder engagement performance
- Potential for self assessment
- Auditable and measurable
- Measure proposed around 3 key areas:
 - Direct measurement
 - Shipper surveys
 - Other stakeholder surveys
- Weighting applied for each area

1



Stakeholder Metric – Strawman for discussion

Stakeholder Measure: [+0.5% of Revenue for each network assessed individually]

Shipper Survey Results		Other Stakeholder Survey		Direct Measurement		
Weighting 25%		Weighting 25%		Weighting 50%**		
UNC Mods facilitation / development for 3 rd parties Management of incidents Levels of service to Shippers (i.e. connections) Keeping informed of major change Attendance and participation at industry forums GDN collaboration – industry mods implemented		Facilitating and leading change Attendance and participation at industry events Website: Access to information and usefulness Wider education <u>Organisations (for e.g.)</u> DECC, HSE, EA, DEFRA, Consumer groups etc		Internal policy changes External Policy changes New Products and Services Best Practice developed and implemented		
		Controllable	Measurable	Auditable	Comparable	Material
Survey Results	Shipper and Stakeholder responses	No	Yes (although degree of subjectivity)	Yes	Yes	Yes
	Direct Measure	Internal policy change due to Stakeholder Engagement	Yes	number of changes and/or value	Yes	Yes
External Policy changes due to Stakeholder Engagement		Yes	number of changes and/or value	Yes	Yes	Yes
New Products and Services due to Stakeholder Engagement		Yes	Number of, and/or value of new products or changes to services	Yes	Yes	Yes
Best Practice developed by GDN and implemented		Yes	Number developed and implemented Volume and/or Value	Yes	Yes	Yes

** Direct Measurement – would be measured on value and/or number of changes

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Appendix 3

Dear Colin

Thank you very much indeed. Your explanation about upstream and downstream is extremely helpful.

Having looked further at the 1998 Regs. it seems to me that, from a consumer's point of view, when a normal householder calls the Emergency Service Provider (ESP) and there is or could be CO, the duty of the ESP is limited to advising that person of the immediate action to be taken to prevent such escape or emission and the need for the examination and, where necessary, repair of the fitting by a competent person, (i.e. someone registered with the Gas Safe Register).

So in effect re CO, there is no emergency service, merely a pep talk.

The guidance does mention identification of the appliance emitting CO but:-

1. The guidance is good advice only and
2. We cannot see how the appliance emitting the CO can possibly be correctly identified, unless equipment capable to testing for CO is used. Indeed we have examples of where this was incorrectly done (Paul Weccsler, Maria Falzon, the Mills case - where in our opinion, there was a fatality as a result).

Do please put me right if I have misunderstood.

Best Wishes

Stephanie

Stephanie Trotter, OBE (Mrs)

President & Director of CO-Gas Safety

CO-Gas Safety is an independent registered charity run almost entirely by volunteers.

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