



Ofgem Consumer First Panel Year 3

Report from the third set of workshops

Value of Lost Load

May 2011



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1. Background and objectives

The Office of Gas and Electricity Markets (Ofgem) is the economic regulator for the electricity and downstream natural gas markets in Great Britain. It has the key objective of protecting the interests of all current and future consumers. Ofgem's 'Consumer First' initiative is a programme that includes a range of primary market and social research to help the organisation ensure that policy development is consumer focused and that consultations are aligned with the abilities of consumers to respond effectively. As part of this programme, Ofgem has set up the 'Consumer First Panel', a diverse group of approximately 100 domestic energy consumers recruited to take part in a series of research events and surveys, to be 'the voice of the consumer' and a unique resource for Ofgem. Each year, Panellists are refreshed and locations changed. The Panel is now in its third year.

The Panel was designed to enable members to discuss issues from a consumer perspective with the advantage of a rounded view of how the industry works and knowledge of the business models involved. Participants are called upon regularly to feed back their views and opinions on key energy topics and regulatory issues.

As with the previous two years of the Consumer First Panel, the third workshop was set up as a three hour deliberative evening event in each of the locations.

The following is a report based on the findings from the third set of events for the third year of the Ofgem Consumer First Panel, which were held in January and February 2011 with reconvened Panellists.

A total of six deliberative workshops, each lasting 3 hours, were held around Great Britain, structured to cover two main topic areas:

1) Panellist views on issues of data privacy with the forthcoming Smart Meter rollout:

- What customer data do suppliers currently hold?
- What is this data used for and what are the benefits and drawbacks of this?
- How might the type and use of data change with the move to Smart Meters?
- What are the benefits and drawbacks of these changes to the use of customer data?
- What mechanisms and reassurances would mitigate against any concerns?

2) To understand Panellist knowledge of the risks to GB gas supply continuity and to explore options for securing this in a more robust manner, through exploring the Value of Lost Load (VoLL) to consumers:

- What are the current risks to GB gas supply continuity?
- How would consumers react in the event of planned and unplanned interruptions?
- How can risks be minimised?
- Where does responsibility lie?
- What are Panellist's responses to the introduction of a system of compensation?
- What is the willingness to pay for such a system?

This report focuses exclusively on the second topic (VoLL). The Smart Metering data privacy report is published as a separate document.

The agenda and content used at this year's third workshop (for the VoLL aspect only) can be found in the appendices.

2. Executive Summary

Perhaps not surprisingly, Panellists are clear about the value and benefits of gas in the home. Having identified the variety of appliances that use gas, Panellists highlighted the main uses of gas as being cooking and heating (both the home and the water supply). Asked to move beyond simpler descriptions of what they use gas for to consider the benefits and emotional needs that it fulfils, Panellists talked about warmth, comfort and the ability to feed oneself and one's family – all core human needs. Gas was seen as particularly effective in this sense as many highlighted the fact that it is a source of energy that fulfils these needs more 'instantaneously' than electricity (more immediate heat and hot water).

These benefits make Panellists feel that gas provides them with control over their appliances and home environment. A number also felt that it was a relatively cost effective energy source in comparison with electricity.

Asked to consider the possibility of a large scale major gas interruption, few were able to clearly envision this and how they might cope. Some of the older Panellists were able to remember the Three Day Week in 1974, the resulting rota cuts and the fact that people had to soldier on and 'make do' with what they had. The majority however mainly referred to very short term localised interruptions as a result of planned maintenance, which had generally caused little serious disruption to their lives. On reflection however, while many find it difficult to conceive of disruption on such a scale, a small number of Panellists highlight recent unpredictable national and global events such as the water shortage in Northern Ireland in later 2010/early 2011 and the catastrophic chain of events leading to the recent crisis in Japan. There is a sense of unease bubbling up for some people that having lived through a long period of economic growth and consumption, environmentally and economically, the world is not the predictable place that it once was.

Panellists were split into groups and asked to consider either a planned or unplanned interruption to the gas supply, the implications for them and their family and the actions they would expect to take as a result. For planned interruptions, Panellists largely talked about being 'inconvenienced', with some feeling 'worried'. The perceived impact of such a disruption was acknowledged to vary by length, season (i.e. less of a problem in summer) and the presence in a household of children and elderly, potentially vulnerable, individuals. Solutions discussed included (where necessary) alternative electric heaters, warmer clothing and alternatives to home cooking such as microwaveable meals.

When considering an unplanned interruption, all of the abovementioned issues are amplified considerably. While ‘inconvenience’ is still a common theme, so are other emotions and states, with words such as ‘worried’ and ‘panicked’ also coming up. Again, the perceived impact varies by season and household demographics (including vulnerable customers), but the main concern here is the unknown – the fact that information on the length of the interruption is unknown, and may actually be days, weeks or months rather than hours.

This initial concern about the unknown gives rise to a hierarchy of concerns. Panellists then typically focus on quality of life for themselves and their families, considering:

- What kind of support/alternative methods of heating/cooking will be available to us, and how will it be provided?
- What might be the financial/time impact of this disruption (loss of earnings, school closures meaning additional childcare, the need to feed a family through more expensive means)?
- What impact will it have on the elderly and vulnerable, specifically those without formal and informal support networks?

Lesser, but still relevant concerns include the safety of gas reinstatement, the impact it might have on their ability to work and for some, whether any compensation would be provided in return for the disruption to their lives.

Anticipating what actions they might take in responding to such an interruption, Panellists typically suggested they would seek information on the disruption in the short term, seek alternative ‘make do’ solutions in the medium term and expect some form of co-ordinated support plan to commence in the longer term. Expectations of how they would cope translate into the following in terms of timing:

- After one day – ‘making do’ while trying to understand the situation
- After three to four days – seeking more reliable and concrete alternatives to simply ‘making do’ (such as staying with relatives that may have electric heating and cooking facilities)
- After a week – expectation of a state/supplier sponsored support plan to be mobilised

The one thing that is clear from Panellists’ reactions is that good and frequent communication is paramount, even if the length of the interruption is unknown.

Co-ordination of any support plan, where the interruption is due to a combination of unpredictable factors is generally expected to be driven by ‘government’ and supported by

‘industry’. While Panellists do not always specify whether central or local government should lead the way, there is a sense that the plan should be led and co-ordinated by Central Government, with delivery often at a local level (e.g. through social services). Where an interruption is the direct result of ‘a failure’ or risky behaviour from a supplier, there is a need to see the supplier taking a visible role (financially or otherwise) as a means of reparation and ‘justice’ in the eyes of the consumer.

On reflection however, Panellists are clear that whatever formal support systems are put in place, there is likely to be a key role for ‘community’, with an expectation that people will ‘pull together’, potentially sharing resources and looking out for the elderly and other potentially vulnerable individuals.

Support plans are expected to have three main phases (and are typically outlined by Panellists as ‘worst case scenarios – i.e. during the winter):

- Fulfilling information needs (reassurance) - communication
- Fulfilling survival needs (practical and immediate) – heaters and blankets (individual support)
- Fulfilling survival needs (social, longer term) – local, community based support such as soup kitchens and heated communal spaces

Throughout discussions of such support, Panellists continue to raise the topic of vulnerable customers, and the fact that those who may struggle in such a situation should be prioritised. There is an expectation that any national plan would need to be well co-ordinated with local support services to work effectively and identify those that need support. But questions remain about whether or not these mechanisms are effectively in place.

Moving on from anticipated reactions and expectations to interruptions, Panellists were asked to consider the risks to the gas supply in Great Britain and responsibilities for minimising these risks, before moving on to consider potential solutions to these risks. While Panellists were generally vague about the risks to supply, talking in general terms about geopolitical tensions, it is clear that most feel that industry as whole is expected to be investing in solutions to minimise these risks. A minority note that Government needs to ensure that where possible there are positive relationships with gas producing countries.

Panellists are on the whole surprised that there are not stronger regulatory mechanisms in place to enforce a more secure gas supply in Great Britain, and found it difficult to come up with economic and regulatory proposals for this. Instead, they typically talked about

reducing reliance on gas by looking at alternative fuels, energy efficiency and in a small number of well informed cases, improving onshore storage facilities in order to better stockpile resources.

The final part of discussions asked Panellists to consider whether putting in place a regulatory mechanism that would compensate customers in the event of an interruption would be an appropriate solution to minimise risk.

The idea of compensation in itself received a mixed response. For some, it was a justified response to a supplier failing to secure adequate gas supplies. For others, it was felt to be potentially ruinous to the industry if energy companies actually had to pay out. Panellists did talk about what they expected compensation to be however; while some anticipated receiving a fixed sum relative to the length of the interruption, others discussed receiving practical help in the form of electric heaters and blankets.

Once the compensation mechanism was explained to Panellists as being proposed as a disincentive to allow an interruption to happen, this was generally understood and accepted by many to be a legitimate way to ensure investment for the purposes of minimising disruption. There was, however, considerable resistance from many to the idea of having to accept bill increases as a result, and even where such bill increases were accepted as being inevitable, Panellists were very clear that any increases made to finance investment *must* be used for these purposes.

Perhaps in response to this resistance to paying extra on energy bills, Panellists in three locations offered the unprompted solution of Ofgem obligating energy companies to make the required investments. 'Forcing' them to invest through a price control mechanism may release pressure on company bills and ensure that the best possible efforts are made to minimise the risk of an interruption.

Overall, Panellists were clear that the status quo is not acceptable, and were keen to see greater investment. While the compensation mechanism is seen as a legitimate and potentially very effective way of ensuring investment, there is still limited willingness to pay for this. Many see it as something that should be a core focus for the energy industry in any case, and some Panellists call for Ofgem to obligate the industry as a result.

3. Methodology

4.1 Overall Panel 3 methodology

The illustration below shows the overall structure of the third year of the Consumer First Panel:



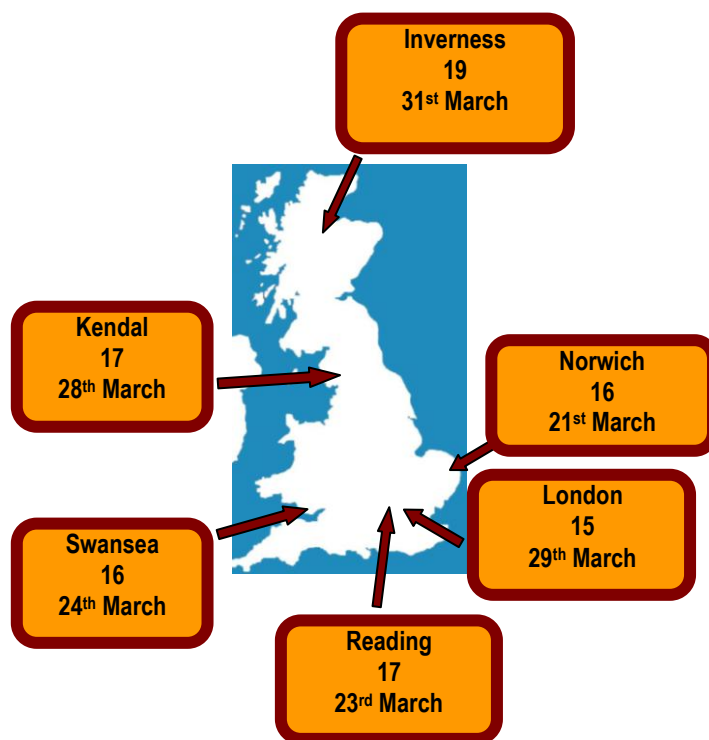
Workshop events can be used to explore topics in depth, and optional interim surveys are able to quickly and cost effectively get feedback on specific issues.

4.1 Sample and recruitment

In order to ensure a representative sample of consumers in Great Britain, and also to avoid many of the frequently researched population centres, Panellists are drawn from six locations to ensure everyday consumer views are captured.

The members of the Panel change each year and this year involved new consumers from different locations. This year the Panel was held in six different locations in Great Britain. This was to give a fresh perspective and reflect the views of both rural and urban consumers.

This report details the findings from the third meeting of the third year of the Ofgem Consumer First Panel which consisted of a representative sample of 100 consumers across 6 locations in Great Britain.



Participants had been recruited purposively for a set of 3 workshops. This meant using approaches of door-to-door, on-street and ‘snowballing’ (i.e. developing contacts from those already recruited). They were all given information about the purpose of the Panel and of the commitment required at this stage – i.e. they would be taking part in up to 3 workshops over the year, with the potential of being asked to take part in other research in between. They were also told that an Opinion Leader member of staff would contact them for a short discussion prior to the first event (this was to ensure that they were committed to attending and is outlined in the next section). The groups were recruited using a specification based on National Statistic census data for Great Britain (2001) including the following criteria:

- Gender
- Age
- Ethnicity
- Socio-Economic Group (SEG)
- Tenure
- Fuel poverty
- Rural vs. Urban
- Supplier
- Electricity only vs. Gas and electricity
- Payment type
- Employment status
- Family status

While the Panel was represented to be as nationally representative as possible, in each location certain demographics were raised or lowered according to the surrounding region. Demographics were up-weighted to ensure certain groups were represented:

- **Black and Minority Ethnic (BME)** – overall, these areas are not wholly reflective of the ethnic mix of Great Britain. To compensate for this we up-weighted the representation

of BMEs in London and Reading to ensure that the overall sample broadly reflects the ethnic profile of Great Britain.

- **Age** – due to higher levels of drop out in this demographic, we up-weighted the proportion of younger Panellists.
- **Rural** – we up-weighted those living in rural areas, including those living off the gas networks, predominantly from locations around Kendal and Inverness, but also from in and around Norwich.

The Panel was over recruited to cover a potential drop out rate of 10%, which is common in research. The table below shows the overall target sample for recruitment along with those who were recruited and those that actually attended the third workshop:

Sample	Target	Achieved	Attended
Gender			
Male	52	51	45
Female	56	60	55
Total	108	111	100
Age			
18-24	20	17	15
25-44	37	42	36
45-64	30	31	30
65+	21	21	19
Total	108	111	100
Ethnicity			
White British	80	92	83
White Other	3	2	2
Black or Minority Ethnic	25	16	14
Total	108	110*	99*
SEG			
AB	23	25	23
C1	34	39	36
C2	24	26	23
DE	27	21	18
Total	108	111	100
Rural vs Urban			
Urban	93	93	85
Rural	15	18	15
Total	108	111	100
Electricity Only			
Electricity Only	17	15	13
Electricity and gas	91	96	87
Total	108	111	100

Tenure			
Owner Occupied	63	65	59
Social Rented	27	23	20
Private Rented	18	23	21
Total	108	111	100
Fuel Poverty			
Yes	19	14	12
No	89	97	88
Total	108	111	100
Employment status			
Employed	61	74	66
Unemployed	6	11	11
Student	8	5	5
Retired	26	18	16
Looking after home / family	7	3	2
Total	108	111	100
Long term condition or disability			
Yes	22	15	15
No	86	96	85
Total	108	111	100

* one participant refused to state their ethnicity

4.1 Ensuring attendance and engagement

Once again, Panellists received a telephone call thanking them for their attendance and contribution at the second workshop, which had aimed to understand their views on the current structure of tariffs and potential models for a new tariff structure. Panellists were informed about the action taken by Ofgem in response to this and other research undertaken on the subject; its announcement that it had told energy firms to offer simpler tariffs to better help consumers to compare prices was communicated to each Panellist. This news was welcomed by many of the Panellists and proved to be a motivating factor in their ongoing participation for the Consumer First Panel.

Panellists were again given advance notice of the third workshop either via email, telephone, or text message. This was later followed up with a more detailed invitation letter giving them a brief outline of the workshop's content and emphasising the importance of their involvement. Closer to the workshop, Panellists were sent reminder calls and/ or emails and were encouraged to interact with the friends and neighbours to seek their views and experiences of the home energy sector, as part of their role as 'Citizen Researchers'. Particular attention was paid to those Panellists who had acted as 'top-up' Panellists following the first workshop, with the result that 17 out of these 18 attended the third workshop in the series.

Once again, Panellists were pro-actively asked for their feedback following the second workshop, and were also encouraged to give feedback at any time to a member of the team. A number of Panellists responded by sending through their most recent communication or recounting their experience with their energy supplier. This helped to increase their engagement at the third workshop, and give them a real sense of their input and involvement as a member of the Consumer First Panel before and after the workshop.

4. The value of gas in the home

Panellists were asked to discuss a series of questions about the use of gas in their home in small groups. They then fed back their responses to the rest of the group. This session was designed to get Panellists to start thinking about their use of gas and its value to them, and therefore set the context for a further discussion about the possibility of interruptions to their gas supply in the future. Across the six locations, there were a small number of individuals that did not have gas in the home. These individuals were asked to pair up with those that did have gas to help them understand what kind of part it played in people's lives in order that they could better contribute to the discussion.

In their groups, Panellists were asked to consider and discuss the following questions in turn, using handouts as prompts:

- What appliances use gas in the home?
- What benefits does having gas in your home bring you?
- How and why is having gas in your home important to you?

4.1 Familiarity with appliances using gas

Panellists easily identified the appliances that used gas in their homes. They commonly spoke about central heating, gas hobs, gas ovens, gas fires and boilers (fulfilling a need for hot water). Occasional mentions were made of less commonly used appliances such as patio heaters, where bottled gas was used.

4.2 The value of gas in the home

In the first instance, Panellists tended to focus very much on gas as a utility, and the practical use of gas in the home. They talked at first about the tasks that gas played a key role in, such as cooking and washing.

“Without it, you can't eat or cook!”

In terms of benefits, gas was commonly identified as being an instantaneous source of energy, which was seen as an advantage over electricity by many. As a result, Panellists commonly discussed the added control they felt gas gave them over electricity. This was

based on the nature of the appliances they were using gas for, in particular their central heating and hot water, for which they perceived electricity to be less effective.

“Heat and water are instantly controllable”

“You can turn it off and on at any time... it’s fully controllable”

The element of control was most commonly noted in relation to central heating and water. Furthermore, Panellists commonly discussed the economical benefit of gas, which they perceived to be both cheaper and more responsive than electricity.

“It’s economical compared to electricity”

The ‘word cloud’¹ below represents the prevalence of words that Panellists used to describe the benefits of using gas in their homes. This demonstrates that the more top-of-mind factors are the practical tasks they use gas for, in particular “cooking” and “heating”, followed by tangible benefits such as “cost” and “control”.

Figure 1 – Word cloud based on responses to the question ‘What are the main benefits to you of having gas in the home’:



While Panellists spontaneously focussed upon the more practical benefits of gas, it was clear when probed further that there were also some more emotive associations with the use of gas in their homes, with each of the practical benefits they identified having an associated

¹ A word cloud is a graphic generated from a piece of text giving greater prominence to more frequently mentioned words (except for “stop words” such as and, the, at etc.) the word clouds in this document were created by inputting Panellist responses to the mission statement exercise captured on self completion forms

positive impact. Gas central heating, for instance, was associated with the benefits 'warmth' and 'comfort', while the instantaneous and economical benefits were seen to add 'convenience' to their lives.

"It provides comfort and warmth... it makes your general life easier..."

In relation to the responsiveness and perceived efficiency of gas, some participants also commented on it being a 'cleaner' source of energy, which was important to some in terms of their personal values.

Those that did not have gas in the home were able to comment to an extent. While they could generally understand the way that those with gas appliances relied upon it, and in many cases could understand its flexibility, there were some that were happy with their existing setup and ability to cook and heat their homes with electricity.

5. Previous experience of gas interruptions

Panellists received a brief presentation of information about the current structure of the gas supply chain, the sources that Great Britain currently relies on for gas supply and how this is anticipated to change by 2020. This was followed by explanation of the potential implications of these changes in terms of security of supply (see appendix 4).

Panellists were then asked about any previous experiences they had encountered of interruptions to their gas supply, as well as their reactions to the presentation given and the potential of future interruptions.

5.1 Experience of planned interruptions

Very few Panellists had previously experienced a planned interruption to their gas supply. Those that had tended to talk about temporary cut-offs due to planned maintenance work. In these cases, they discussed being given prior notice about the cut-off taking place, as well as a fairly short duration of interruption – around 2 days at the most. Panellists' reported impact of these interruptions was minimal. They described how they were able to make alternative arrangements, such as buying in food that would not require a gas hob for cooking. They also talked about simply 'making do' for a day or two until the supply was reinstated. Panellists noted that the prior notice of the interruption gave them time to plan for the event, as did having an understanding of its duration, resulting in them being able to minimise the impact of planned interruptions.

5.2 Other, unplanned interruptions

Some Panellists had experienced unplanned interruptions to their gas supply in the past, most often mentioned in relation to boiler breakdowns. These experiences tended to differ more widely than those from Panellists who had experienced planned interruptions. In some of these cases, the problem was fixed within days, and it was simply a case of calling an engineer to come and fix a loose valve. For others, the duration of their unplanned interruption was longer, and for one Panellist lasted over three weeks while a special part for the broken boiler was ordered. While this resulted in members of the household visiting friends' houses to shower, the Panellist still did not feel it represented a severe disruption.

"Last Christmas our boiler broke down for four days and we survived for four days without gas... we worked our way round it"

Panellists talked about the impact of these small-scale unplanned interruptions in similar ways to those who described the planned interruptions they experienced. They were commonly described simply as ‘inconveniences’ rather than anything more severe.

5.3 Memories of energy crisis in the 1970s

Some older Panellists recounted their memories of the coal strikes in the early 1970s that led to the ‘Three Day Week’, as a result of which they had been asked to ration their power use. There was also mention of rota-cuts, in which they were supplied with electricity for two hour slots at certain times throughout the day. Again, reactions to such events were fairly pragmatic, with Panellists saying they just had to ‘make do’ with what they had.

“When you are in that mindset, you prepare”

5.4 Overall attitudes towards potential future gas interruptions

Typically, Panellists had never thought about a large-scale gas interruption taking place. Rather, their gas supply was something many of them acknowledged that they take for granted. As we have seen, many Panellists note that the ‘instantaneous’ nature of gas is one of its key benefits and it is therefore expected to be ‘on tap’ –most have not experienced a long term interruption. Awareness of the gas supply chain and supplier approaches to buying gas is low, and very few participants had a prior understanding of how and what could have a negative impact upon domestic supply.

“I’ve never really thought about it”

“[A major interruption has] never happened in my lifetime, never thought it could happen –I just take for granted”

There were some exceptions to this. Older Panellists, who talked about their experiences of rationing and rota-cuts in the 1970s, reacted with less surprise at the possibility of future interruptions than younger Panellists who had not shared the same experiences. Equally, a number of Panellists in Scotland experienced fairly frequent electricity interruptions, and were therefore less likely to be alarmed at the possibility of a gas interruption, perhaps due to being better conditioned to make alternative arrangements in such circumstances.

Other Panellists were also more accepting of the explanation they were given and the possibility of a gas interruption. Some compared this to the recent water interruptions in Northern Ireland, and others noted the impact of unpredictable world events, particularly the impact of the Japanese earthquake that took place at the very beginning of this fieldwork.

“If you’d talked about low probability a few months ago then OK but Japan has brought it home.”

There was certainly an acknowledgement amongst some Panellists that unanticipated global crises can have a significant impact on resources that were otherwise taken for granted. Whether as the result of perceived corporate incompetence, political instability or extreme weather events, it seems that Panellist attitudes are more attuned to the possibility of unpredictable and undesirable events impacting on the global (and in some cases national) status quo.

6. Reactions to potential future gas interruptions

At this stage, participants were again asked to work in small groups. Half of each table were asked to discuss how they would respond in the event of a planned interruption to their gas supply, and the other half an unplanned interruption. They were each asked to discuss the following set of questions:

- How would you feel?
- What are your main concerns?
- What would the main repercussions be for you / your family / work?
- How would you react?

At this stage, Panellists were given pen portraits of customers with different demographic characteristics (see appendix 6) and asked to consider:

- Who do you think is most likely to be affected by this? Do you think some customers are more vulnerable than others?
- Should they be treated differently?

A spokesperson was nominated to feedback each group's responses to the rest of the table, and the differences in responses between those who had discussed planned and unplanned reactions were explored.

6.1 Planned interruptions

6.1.1 Emotional response to a planned interruption

For the most part, Panellists' reactions to the prospect of a planned interruption were fairly passive and non-emotive. Panellists talked about it being an 'inconvenience' to them, but said that if they were given prior warning of the interruption (which this scenario included) it would be fairly easy to manage because they would have time to plan ahead. Some participants said they might feel 'worried' or 'unhappy' about it, and a small number used emotive words such as 'frustrated'. The main sense from Panellists was that they would just have to 'make do' for a little while. The word cloud overleaf shows the typical Panellist response.

Figure 2 – Word cloud based on responses to the question ‘How would you feel about a planned gas interruption to your home?’:

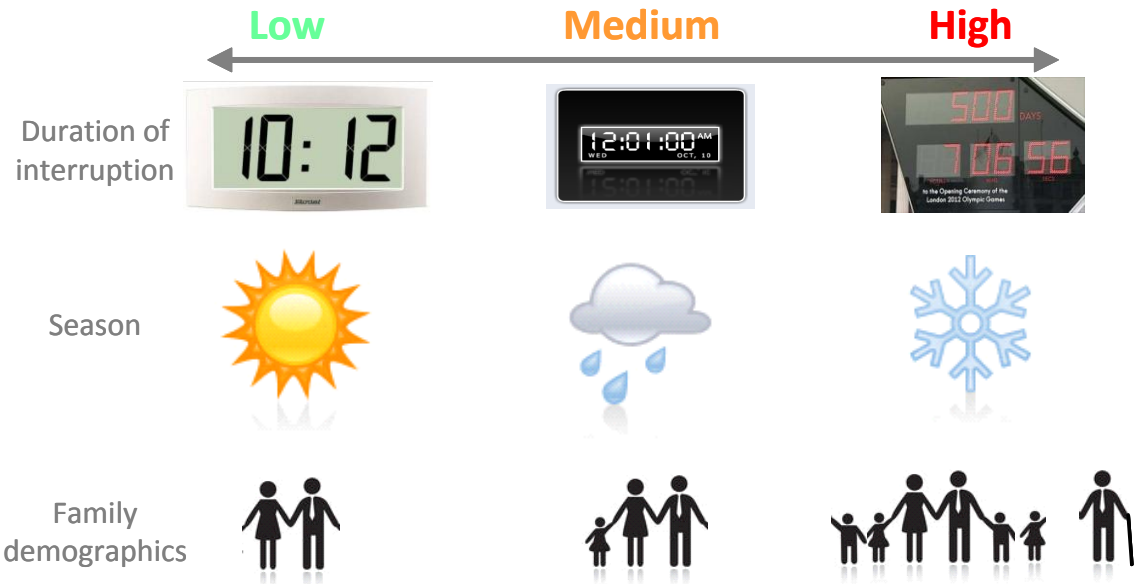


6.1.2 Perceived impact of planned interruptions

The perceived impact of a planned interruption varied considerably by three key factors:

- The duration of the interruption;
- The time of year the interruption took place;
- The demographic characteristics of the household they lived in

Figure 3 – Variables impacting upon the effect a planned gas interruption in the home:



In terms of duration, some of the Panellists who had previously experienced planned interruptions recalled them being short – a number of hours, or perhaps up to a day. This, they felt, had little impact on them. However, Panellists were clear that in the event of a

longer interruption, their reaction would be different. Their main concern was the impact that the interruption would have on their routine. Buying alternatives to home cooked food, or using shower facilities in the gym, as examples, were acceptable to them for a day or two, but the longer the interruption took place for and the more it impacted upon their daily lives, the more frustrated they said they would feel about it.

“If it’s one day, you can cope... it’s a bit of an adventure if it’s one day”

“If it’s a week, you would have to be more organised.”

“You would get angrier and crosser... you would need some definitive advice”

With regards the time of year, there was unanimous agreement among Panellists that an interruption in the winter would have more of an impact on them than in the summer. This was felt particularly strongly among Panellists who relied on gas for their central heating. A lack of heating in the summer, they felt, would not be an issue. In the winter, on the other hand, a lack of heating in their household could lead not only to discomfort but, in some cases, potential ill-health, particularly for the elderly or very young children. Again at this stage, Panellists discussed the importance of prior notice of the interruption in order that they could prepare appropriately, for example, by purchasing electric heaters.

“In summer it would be fine.”

“If would affect you differently.... In summer it would affect you less... you’d do a barbeque”

On consideration of the pen portraits, it was very clear that Panellists felt the impact of an planned interruption would be more significant for some people than it would others. While a lot of Panellists talked about ‘getting by’ by making alternative arrangements, they felt that not all people would be in a position to do so, even if given prior warning. Some people, they felt, might not have the necessary support networks to make alternative arrangements for them. They had concerns about the potential health impact on young children of a winter-time interruption, and particular concerns about elderly customers who may have limited mobility.

“If you have children – you should get support in terms of electric heater,”

“Look after the elderly with welfare centres”

While Panellists do not explicitly talk about the ‘social obligations’ of suppliers, Panellist quotes highlight expectations that suppliers need to ensure that alternative provisions need to be made for those considered vulnerable in the event of a gas interruption.

6.1.3 Reactionary measures in the event of a planned interruption

As alluded to in section 6.1.2, Panellists mentioned a number of ways in which they would anticipate reacting to a planned interruption taking place. Typically, they would look for alternatives to gas as a practical solution. The types of measures they talked about commonly included:

- Boiling the kettle for hot water to wash with
- Buying food that did not rely on a gas hob for cooking, making more use of microwave ovens
- Showering at friends’ houses
- Showering at the gym
- Wearing more clothes to keep warm
- Buying electric heaters

These actions were typical responses should the interruption be short term (generally seen as up to two days). If the interruption was to go on for a number of days, Panellists typically said that the types of actions they would take would begin to change as time went on. They talked, for instance, about arranging to stay with friends or relatives who hadn’t been interrupted. They may also be more likely to seek local external support, such as drop in centres, if they were struggling to make do with their existing setup at home.

6.1.4 Other concerns in the event of a planned interruption

Some Panellists spontaneously raised two other concerns they would have in the event of a planned interruption. A few participants said they would have concerns about their safety when it was time for their gas to be turned back on. This was sometimes based on their experience of having an engineer turn their supply back on after a previous planned interruption, or else a knowledge of the potential danger involved.

The issue of compensation in a reimbursement context was spontaneously mentioned by some Panellists across the groups. Some participants also raised concerns about the financial shortfalls that they might experience through having to buy-in items such as electric heaters. Others noted that they would certainly expect to be reimbursed for the

period in which they were not receiving gas if, for instance, they paid upfront through a direct debit for their supply.

“If I’m with a supplier and I’m not getting gas from them, for every day that I’m not getting gas, they should pay me x amount which will... help me with the problem”

6.2 Unplanned interruptions

6.2.1 Emotional response to an unplanned interruption

Panellists demonstrated stronger emotions about the possibility of an unplanned interruption than they did for a planned interruption. While they commonly said they would feel ‘inconvenienced’ again, they also commonly described feelings of ‘panic’, ‘worry’ and a few mentioned emotions such as ‘anger’, ‘insecure’ and ‘isolated’, demonstrating a more severe emotional response to an unplanned interruption. Given that many of their responses to the planned interruption were based on the fact they would be given prior notice, as well as be told about the duration, these two missing factors in the event of an unplanned interruption appear to be the main causes of their increased anxiety.

It is also worth noting that not only were the types of emotions they described stronger, but that there was also a much broader range of feelings they described, potentially making it more difficult to predict the way domestic customers would respond to the event. Typical words used by Panellists can be seen in the word cloud below.

Figure 4 – Word cloud based on responses to the question ‘How would you feel about an unplanned gas interruption to your home?’:



6.2.2 Perceived impact of unplanned interruptions

Again, the perceived impact of an unplanned interruption changes by the variables that Panellists outlined for planned interruptions: duration of interruption; time of year; and demographic characteristics. The key difference with the unplanned interruption was the lack of upfront notice and the uncertainty surrounding the length of time they would be without gas, which heavily impacts upon the ability to prepare appropriately. This made it very difficult for Panellists to ascertain the impact it would have on them, and therefore led to deeper concerns for them than in the case of the planned interruption.

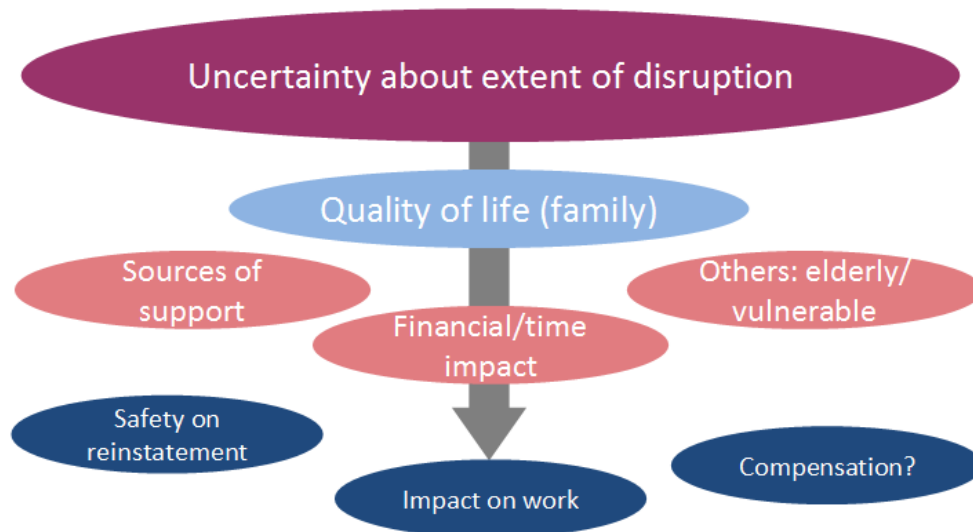
“If it’s unplanned, how will they tell you about it?”

“The most important thing is how long it’s going to be off for.”

6.2.3 Main concerns in the event of an unplanned interruption

Uncertainty about duration of the interruption was the overarching issue for Panellists, but this also fed in to numerous other concerns, shown overleaf.

Figure 5– Hierarchy of concerns in the event of an unplanned interruption:



Panellists’ thought processes typically conveyed a hierarchy of issues as outlined in the diagram above. Uncertainty, as we have noted, was ultimately the issue that formed an umbrella for various other concerns. Once they had discussed this, Panellists’ commonly began to raise concerns about the unknown impact on their quality of life, particularly in

relation to their families. They recognised that a lengthy interruption would impact on their ability to cook food, keep warm, and stay clean, and this was a deep concern for them.

“Cooking would be harder, you’d be restricted in what you could cook”

Some Panellists moved beyond this to raise concerns about how they and their families would be supported in the event of an unplanned interruption, and whose responsibility this would be. Some mentioned the potential financial impact on them. In some cases, this was similar to the financial issues raised in the planned interruption in terms of having to buy alternative means for their heating, for instance. But in this case, they also raised concerns about the potential impact of restrictions being placed on public buildings due to the legal requirement for them to be above a certain temperature, which they could fall below if the interruption were to take place during the winter. School closures, for example, could lead to potential childcare costs.

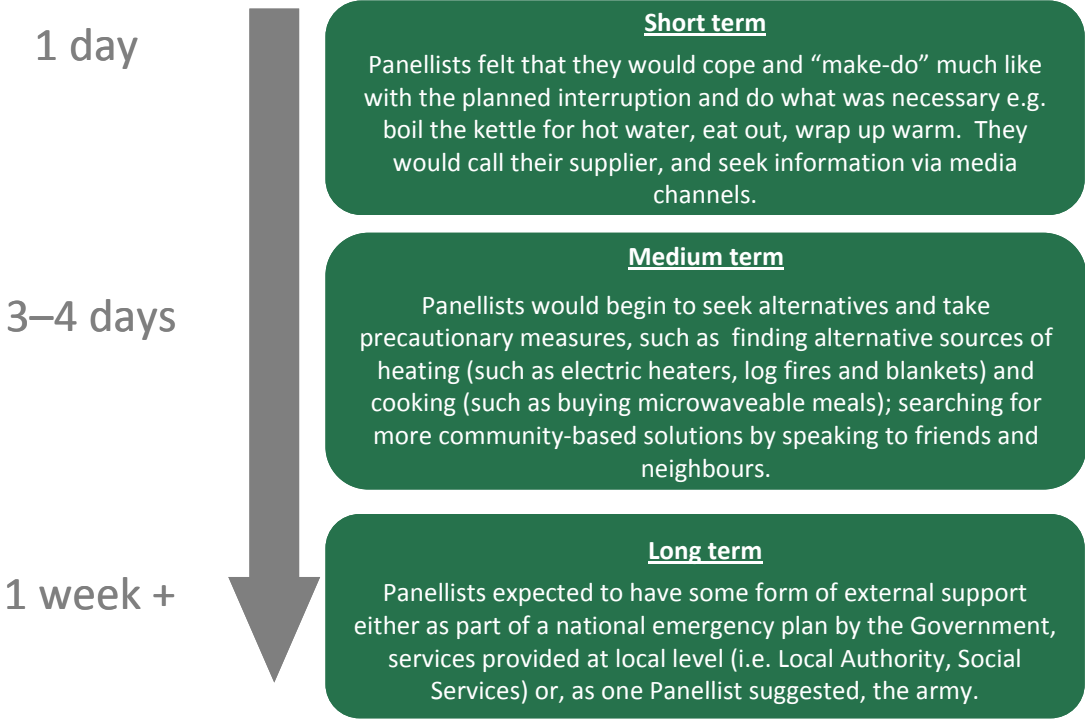
Some Panellists also raised concerns about more vulnerable customers, particularly those who had elderly relatives. Concern for the vulnerable is covered in more detail in section 6.2.5.

Finally, a small number of Panellists would then begin to raise concerns about safety on reinstatement (as with the planned interruption), and a small number discussed the potential impact on their work. For the most part, the impact on their work was mentioned with regards to legal working temperatures, in the event of no heating during the winter period. It was also mentioned by some Panellists in specific professions. One lady described how, from a health and safety perspective, she would be unable to attend her job as a beautician if she was unable to wash and maintain her personal hygiene due to a lack of hot water. The issue of compensation was also mentioned again here, in a similar vein in which it was mentioned for a planned interruption. A few Panellists raised their expectation that, given the potential financial implications that were discussed, they would be compensated appropriately.

6.2.4 Reactionary measures in the event of an unplanned interruption

The reactionary measures Panellists discussed varied very much by the duration of the interruption. Typically, Panellists discussed short-term actions (that they would take after a day), medium term actions (that they would take after 3 or 4 days) and long-term actions, which they would take when the interruption had been in effect for a week or more. The kinds of action they would take in each case are outlined in the diagram overleaf.

Figure 6: Panellists anticipated reactions and expectations in the event of an unplanned interruption



6.2.5 Concern for vulnerable customers

One of the main concerns Panellists noted when assessing the impact of an unplanned interruption was the impact on potentially vulnerable customers. On consideration of the pen-portraits, they had particular concern for the elderly, those with disabilities, in particular mobility impairments, and those who lived alone. The issue was very much the ability of the person to arrange alternative means to keep themselves fed, warm and clean, and they recognised that some customers would be in a more vulnerable position than others (indeed, some of the elderly Panellists did not see themselves as typically vulnerable) indicating that concerns are really for those without access to effective formal or informal support networks. Overall, Panellists commonly felt that these individuals would need to be prioritised in terms of support.

“Will Jean be able to afford an electric heater as she is on a state pension?”

“If you are vulnerable then surely you should get some kind of priority treatment”

“Those on benefits or low incomes should be considered for more support”

6.2.6 Importance of communication

When asked about the type of support they expected to receive, information and communication were absolutely top of mind for Panellists above any other sort of functional support such as heating equipment. As we have seen, the overarching concern in the event of an unplanned interruption was the unknown duration, and the potential short notice. While these factors cannot necessarily be avoided, the impact of them, they felt, could to some extent be alleviated by receiving clear information about as much else as possible. They expected, for example, to hear updates about the provision of any support available for those finding it difficult to cope without gas and the likely length of the interruption. This was expected to be communicated via a variety of media channels including radio, newspaper and television, and they expected this to be on a national level.

“Contingency and information – we should receive daily updates on what is happening”

7. Co-ordinating a response to an unplanned interruption

7.1 Panellist perceptions of responsibility for co-ordinating a response

Panellists were asked with whom they felt responsibility lay for co-ordinating a support plan for an unplanned interruption. Panellists typically felt that responsibility lay with both ‘government’ and with suppliers. In the event that the interruption is due to a number of unpredictable factors coming together at once (e.g. a cold winter, high demand and network problems happening concurrently), ‘government’ would be expected to oversee whatever plans were to be put into place. At the same time, there is an expectation that industry (suppliers) and local social services would be involved in delivering part of these plans, primarily in the form of communications and partly in the provision of alternative forms of heating and support services where available (the nature of ‘government’ is not specified at this point by Panellists as to whether it refers to central or local government). It was generally felt that in such a situation it would be unreasonable for suppliers to take on the entire cost and delivery of any contingency plan where it was not as a direct result of their inability to manage the supply of gas effectively.

“It’s mainly the government’s responsibility to put plans into action.... If it was your supplier at fault, they should be responsible for an alternative but if it’s a natural disaster then it’s the responsibility of the government and Ofgem”

On the other hand, where Panellists see a supplier’s irresponsibility or ‘a failure’ as the primary reason for an interruption (i.e. they have failed to secure adequate amounts of gas through risky behaviour or through directly attributable errors on their part), several Panellists felt that they should in turn be made to bear the brunt of any financial impact incurred as a result of the need to provide support. Panellists do not however fully explore how this would work in practice, beyond suppliers being made to provide alternatives to gas, such as the frequently mentioned electric heaters and blankets. Some Panellists acknowledged that such provision is a form of compensation in that it is an attempt at reparation for a service interruption.

“It is the supplier’s responsibility and it’s the chain of command as I give them money.”

Running throughout this Panel event (and indeed reported in previous events) there is a feeling that suppliers gain far more from the transactional relationship that they share with

consumers, largely in terms of profits. As a result, there is a tendency for consumers to take advantage of any opportunity to see suppliers 'pay' for their mistakes or use their profits to finance additional work to ensure continuity of service.

"These companies are making so much money, could they not have some money put aside to invest in this to support us?"

Initial discussions on the expectations of a national support plan focused largely around the need for support in winter conditions (i.e. a 'worst case' scenario). They had not specifically been prompted to think about needs under these conditions, but typically responded in this way, which tended to highlight the need for structured support. After the discussions reported above about the responsibility for providing this support, a number of Panellists were of the opinion that community cohesion is likely to play a large part in any programme of national support, and that there was a strong feeling that the community would 'pull together' to overcome what might be challenging conditions.

"It might be nice if everybody pulls together in the streets... You might get the old fashioned community spirit back!"

"There should be public announcements telling people to look out for the elderly."

It was reiterated at this point in the discussion that effective communication from the 'authorities' (whether central or local government or energy companies) would remain a key requirement to help minimise any necessary worry and uncertainty.

7.2 Views on minimising the impact of an interruption before it takes place

Spontaneous responses on what might be done to help minimise the impact of an interruption prior to it taking place were not plentiful, and mainly reiterated the need to communicate effectively.

As noted earlier in discussions, a small number of older Panellists recalled rationing during the 1970s as a result of the three day week and suggested that rota cuts or similar may help to minimise the impact.

“Rationing seems like a practical way of getting people to use less and potentially shortening the interruption... you could have a system whereby gas would only be supplied for a certain number of hours per day”

When prompted to consider whether it would be appropriate to restrict the use of gas within industry as a precursor to any domestic interruptions, Panellists were almost unanimously in favour of this; Panellists focused exclusively on minimising the impact on domestic life and did not comment on any potential economic impact of this.

When prompted about whether people could be expected to minimise their use of gas prior to an interruption, most Panellists were clear that in such a situation, consumers should take on some responsibility for this. As before, when discussing what form of support consumers might expect, there is a feeling that as a community, consumers should be able to make efforts to use less, rather than be simply spoon-fed solutions. In such a situation, and in order to have the greatest impact, it was noted that there would need to be a clear programme of communication outlining the best approaches to minimising use (in the same way that hosepipe bans are concrete and realistic approaches to using less water, although not explicitly mentioned).

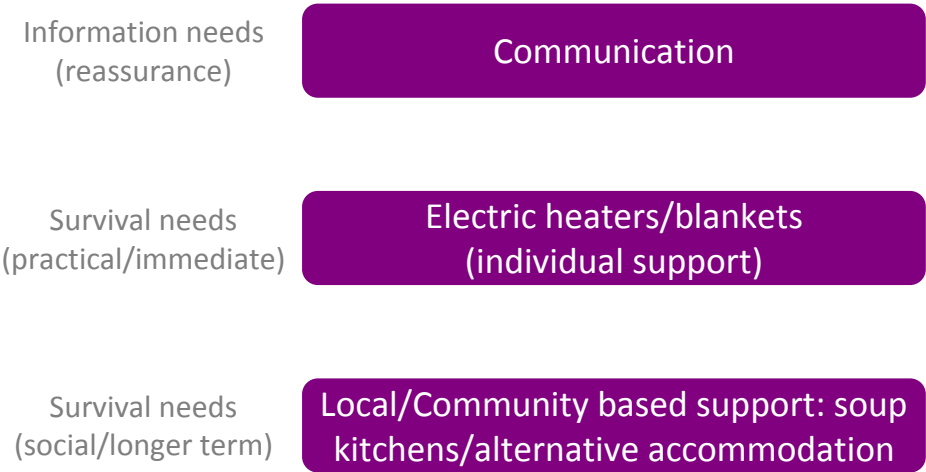
“If there was a problem with the national supply you should have to adapt... The government should be disseminating communication to consumers about using less gas”

7.3 Expectations of a support plan in the event of a gas interruption

When asked to consider the specifics of what a support plan might look like in more detail, requirements were generally broken down into three main needs, shown overleaf:

Figure 7 – Staged deployment of support plan based on Panellist expectations:

What should support plans look like?



Panellists continued to reiterate the need for clear and timely communications. There was a sense that this not only helped to outline the practical issues surrounding the interruption, but for many who may be worried or concerned about the impact this would have on them and their families, it would also provide a degree of reassurance that the matter is being taken seriously by the relevant organisations. This was felt to be a critical need given that Panellists had expressed earlier in discussions that uncertainty is a strong driver of the distress that people may feel.

“There should be good communication, public announcements. They should be up to date and regular and give you reassurances that they are doing what they can... They should give you advice on how to keep warm and tell you about any emergency procedures”

Secondly, there was an expectation that practical support will be mobilised in the form of alternative methods of heating where required. There were frequent mentions of the distribution of electric heaters and blankets to those that need them to stay warm as an immediate solution to an interruption.

“When the water goes out they supply us with bottled water... the local councils should have a role in distributing items like electric heaters”

Thirdly, there were expectations that longer term community based support should be available, in particular for those individuals that may live alone or without family members nearby or that may be less able to cope with the upheaval that an interruption may cause (Panellists were generally referring to the elderly and disabled in this case). Mention was made of soup kitchens and alternative accommodation for those without any means of cooking or heating. It was noted however that this form of support was expected to be driven both by communities themselves at a local government level as well as by the national 'authorities'. There was a clear acknowledgement that individuals have a responsibility to do what they can within communities, especially where others may be in greater need than themselves.

A small number of Panellists noted that the Army would be well suited to facilitating support centres, given their experience in setting up kitchens and accommodation in difficult conditions.

“The military should be involved – they could help the elderly and people who can’t get about. They can set up kitchens and things anywhere.”

As highlighted in section 6.2.4, the expectations of support tended to veer towards the worst case scenarios – large families, cold winters and long outages. A number of Panellists at this stage highlighted the fact that they may not necessarily need much support – dependent on circumstances they may already have alternatives to the use of gas for heating and cooking, and may simply just 'get on with things'.

7.4 Panellist views on provision for vulnerable customers in the event of an interruption

As outlined in section 6.2.5, Panellists raise concerns about vulnerable customers and their need to be given priority support where needed. When discussing expectations of a support plan, further concerns are raised over the practicalities of how such vulnerable customers will be identified, especially those that live alone or do not have existing support networks. Panellists highlighted that this would be a potentially problematic logistical exercise

It was highlighted that there would be an important role for local social support services, to work with any national co-ordination/planning body to ensure that those in need to could be effectively identified and given appropriate support.

“Suppliers should have a link to social service providers to make sure we know where the vulnerable people are.”

While not explicitly mentioned, the tone of these discussions highlighted that Panellists may not be confident that such joined up mechanisms are in place. It is also worth noting that having discussed the responsibility for co-ordinating a response in terms of 'government' vs. 'industry', Panellists tend to talk about government as a generic (and perhaps central) entity, rather than specifying aspects of local government as leading bodies in co-ordinating a response; this may highlight a need for a visible, consistent and authoritative presence, even though services may be delivered at a local level.

8. Panellists' understanding of the risks to the gas supply and responsibility for minimising them

8.1 Panellist views of the risks facing the GB gas supply

Panellists were asked to consider where the challenges lie in ensuring that Great Britain has a secure supply of gas, and what is currently being done to ensure that this is the case. Although Panellists had been provided with brief summaries of the gas supply chain and expected changes in gas supply sources over the next ten years (as outlined in chapter 5 and shown in Appendix 4), they still found it generally difficult to pinpoint specific challenges. Some made reference to increasing geopolitical tensions with Russia and the Middle East and the potential impact that this might have on the consistent supply of gas.

“If all the gas is coming from Russia and they all fall out what happens?”

A number of individual Panellists pointed to more specific technical issues, and questioned whether the storage capacity for gas is adequate, or whether industry is ‘stockpiling’ enough to meet demand.

“Are they doing enough to ensure security of supply? Gas could be stockpiled in the summer”

“How much do they store? Not a lot. They now liquefy it, by liquefying it you can get twenty times as much”

As some Panellists pointed out earlier in discussions, the impact of the recent earthquake and tsunami in Japan are highlighting to some people that globally there are a number of possible yet unpredictable scenarios that may threaten the current status quo in Great Britain. While these discussions do not directly connect world events with a specific and measurable risk to the security of gas supply, they do contribute to an overall feeling of uncertainty about the future.

8.2 Panellist expectations of which bodies should be active in minimising risk

Most Panellists were clear that it was the responsibility of industry (as a generic body) to ensure a secure and reliable supply of gas. Ultimately they trade in gas as a commodity and are responsible for service delivery to consumers. In a very small number of cases, there

was talk of individual parts of the supply chain, with the expectation that they should be stockpiling supplies and looking for new sources.

“You’re paying for a service and you expect companies to take steps to ensure that service continues to be provided”

“They need to ensure that the supply is going forwards... they should undertake research and look further afield for different alternatives”

A very small number of Panellists mentioned the National Grid and other parts of the supply chain, although they were not clear about the dynamics of how the supply chain works as a whole.

There was some feeling though that Government has a responsibility for creating positive conditions and relations between gas exporting nations and Great Britain, in order that we can avoid political crises in the future. Panellists again highlighted Russia and Middle Eastern countries as nations where there was the greatest risk.

“There needs to be some political manoeuvring. Look at Germany when Russia and Belarus hadn’t paid their gas charges and it affected Germany. It’s not the fault of the German gas companies; it should be Russia paying for it”

“Surely with all the wars going on at the moment it’s going to have an effect on gas coming into the country because they’re blowing the oil and gas supplies up”

Overall, many Panellists gave the sense that, although they were not aware of exact individuals roles of the supply chain and government in most cases, there is no one individual organisation with whom overall responsibility lies.

9. Panellist responses to solutions for minimising the risk of an interruption

9.1 Reactions to existing provision for minimising the risk of gas interruption

It was explained to Panellists that there are no current specific and targeted regulatory mechanisms in place that force industry to ensure an uninterrupted, secure supply of gas in Great Britain; they were typically surprised by this.

“Aren’t we already paying for this?”

“What are they doing now? Surely there must be a contingency plan in place”

For some this may be the result of an assumption that securing supply may be part of the energy companies’ existing regulatory obligations.

“Do they not already invest in ensuring supply?”

The overall tone of the discussion was such that it raises questions about whether the industry is prepared for potential crises in the future.

“A fundamental question – are they spending too little at the moment on investment?”

9.2 Panellist suggestions for action to minimise the risk of gas interruption

When asked to comment on what they believe *could* be done to mitigate the risk of an interruption, Panellists offer a range of different suggestions from seeking alternative sources of energy (i.e. reducing overall reliance on gas) through to investment in specific parts of the infrastructure. Overall, suggestions fall into three main categories:

- Seeking alternative sources of energy and being more energy efficient (reduce reliance on gas/use less overall) – **demand side solutions**
- Seeking new sources of gas (either new gas fields or other countries as suppliers) – **supply side (commodity) solutions**
- Better governance of and improved stability/capacity for the existing infrastructure and overall supply chain – **supply side (infrastructure) solutions**

Energy efficiency was raised both from the point of view of consumers making efforts to use less gas, as well as the industry providing technology to help them do so. In a very small number of cases, Panellists even talked about the rationing of gas supplies.

“People should waste and use less gas. Smart meters [may help with this].”

“Couldn’t they ration the gas?”

A number of Panellists suggested alternative sources of energy.

“Alternative energy – wind and solar [power]?”

“Investment in alternative energy sources, both nationally and internationally.”

Looking at supply side (commodity) solutions, Panellists in all locations noted that the relevant industry organisations should be looking for new reserves of gas, with an expectation from some that they are already doing this.

“Try and find new gas fields.”

Some Panellists, reflecting concerns about Russia and the Middle East, mentioned seeking to find other supply countries with whom Great Britain can form more stable relationships.

“They could form partnerships with other countries.”

“Try to work with safer regions for supply.”

A smaller number of suggestions, typically from Panellists that were more informed about the supply chain, were made about improving the infrastructure (supply side infrastructure solutions) through investment. These suggestions were mainly about improving storage such that greater quantities of gas can be stockpiled.

“They should be investing in storage.”

“We should have more gas storage, there should be a backup in case there’s a problem.”

Other suggestions made for securing the supply that relate to the industry and infrastructure include strengthening the infrastructure to avoid leakage, better planning and forethought and general comments about increasing investment.

“Plan better to know how much is needed.”

“Keep the infrastructure up to date – make sure there aren’t any breakdowns.”

“I expect them to be updating the equipment so it’s not leaking away.”

While a number of ‘practical’ and tangible suggestions were put forward, very few Panellists spontaneously proposed economic or regulatory solutions. A very small number of Panellists suggested penalties where the industry was not doing all it could with regard to investment, or that the Government should simply be ‘forcing’ industry to invest.

“When they were building roads they were not incentivising them, they were penalising them if they didn’t build them on time.. It would make them work harder.”

“Government should make sure that suppliers continue to supply and do everything [they can] to supply.”

9.3 Spontaneous reactions to the provision of compensation

After Panellists had discussed their own suggestions for minimising the risk of a gas interruption, they were asked specifically about whether they felt that there should be a system of compensation put in place as a solution to help minimise the risk of an interruption, and what they expected compensation to be in this context.

Spontaneous reactions to the provision of compensation fall into two main camps:

- 1) Those that feel compensation would be an unrealistic financial burden on the industry
- 2) Those that feel that some form of compensation would be deserved (and necessary) if the interruption is the direct fault of the supplier’s mismanagement

Many Panellists are clear that the financial burden of paying out compensation to customers on such a large scale would be potentially very damaging to the industry.

“They wouldn’t be able to handle compensation, you’d ruin the companies.”

“If the gas supply stopped because of a natural disaster it seems counterproductive to pay compensation if it’s something that couldn’t be avoided.”

On the other hand, there are Panellists who feel that some form of reparation would be important if suppliers themselves fail to ensure continuity of supply. Suppliers are clearly expected to do all that is within their power.

“You’re paying for a service and you expect companies to take steps to ensure that the service continues to be provided, and if they haven’t done that and it fails you should expect compensation, unless its unavoidable.”

“If it can be proven that the suppliers are negligent then we should be compensated.”

A small number of Panellists at this point made the connection that an obligation to provide compensation in the event of an outage may bring in an element of ‘fear’ that may drive more focused investment, but prior to explanation of compensation as a mechanism for driving investment it was not seen in the context of a regulatory strategy by the majority.

“It should act as a deterrent – hit them in the pocket!”

Compensation is largely seen as monetary reparation, and for most would be a variable amount proportional to the period of interruption, payable as a discount on future bill periods.

“It should be a percentage of the amount you are paying.”

“I would expect it to reflect on my bill so you should get a discount on your bills for the next period.”

Other suggestions made by Panellists included set amounts for compensation to cover out of pocket expenses made necessary by the interruption (e.g. childcare, purchase of electric

heaters). Many Panellists made the point that the compensation would need to be in the form of a set amount, otherwise the administrative requirements would be too great. Many also mentioned that compensation should be payable after a set period of time without gas – typically 2 days.

“Go for the simple flat daily rate, kicks in after a couple of days.”

“I would say an absolute max 48 hours; if it’s over that some sort of compensation should kick in.”

At this point in the discussions a small number of Panellists noted that bills would be likely to increase as a result of the compensation mechanism; others noted that such a payment was akin to paying an insurance premium.

“It would be like putting 50p on your phone bill to insure your phone.”

“It’s like an insurance policy – you hope you never have to claim but you can.”

Some Panellists, in reaction to this, were keen to point out that this situation would only be acceptable if any addition to the bill, or ‘insurance’ payment, was used in full for the purposes of securing supply.

9.4 Prompted reactions to the provision of compensation

At this stage of the discussion, the concept of a system of compensation as a disincentive was introduced directly to Panellists. After explanation of the rationale for this, there was typically agreement that, whether compensation is actually paid out or not, it would most likely act as an effective incentive for energy companies to work harder and invest to ensure greater security of gas supply.

“It would make them do their job better – monitoring and risk assessment.”

“I expect it would make sure that investment takes place and the right percentage goes into it.”

“It’s preventative rather than a cure.”

Once Panellists had grasped the economic ‘disincentive to fail’ of compensation, the typical view was such that they would far rather avoid an interruption than get to the point where compensation needs to be paid – i.e. they generally saw the compensation mechanism as a means to ensure investment rather than any kind of desirable end in itself.

“I don’t want the money, I want my service to continue!”

“Investment is far preferable than ever having to receive compensation.”

But while the mechanism itself is seen by many as a desirable and potentially very effective regulatory intervention, again Panellists are vocal about the fact that such a move would raise bills as a result of the required investment. This *may* be partly a Panel effect, as previous workshops have discussed how bills can be raised in order to finance industry programmes and initiatives. Nonetheless, this is a very clearly voiced objection.

“The more they invest, the more we pay!”

Willingness to pay is therefore clouded by the usual factors – perceived large supplier profits and the assumption that industry should already be doing all it can to ensure security of supply.

“New technology and pipelines need to be paid for but when you see how much they are making it is hard to swallow.”

“I can’t see why consumers should pay anything out of their pockets.”

“Its not them investing, it’s the public investing!”

“You would hope with the billions they make some of it should be reinvested.”

From some Panellists there is a certain feeling of inevitability that they will have no choice but to pay for this. There is, however, a very strong message that any customer money that is collected in the name of investment must be hypothecated for these purposes – this caveat, mentioned earlier in discussions, is strongly reinforced at this point as it becomes clearer that there would indeed be a cost involved in reducing the risk of a gas outage.

“We need a reassurance that the money is going into investment and nothing else!”

“What happens to that extra £50 that you give them?”

In three Panel locations, some Panellists suggested a different approach in response to this concern about paying more for what they see as being the suppliers existing responsibility. The alternative to a compensation mechanism proposed was for Ofgem to place an obligation on suppliers and the wider industry to ensure that they are investing as far as possible in security of supply. This would involve levying large fines as a disincentive for under-investment without allowing investment costs to be passed on to customers. While this would involve a considerably greater degree of regulatory input, it was felt very strongly to be a serious alternative to a mechanism of compensation.

9.5 Willingness to pay for a mechanism to reduce the likelihood of interruption

Panellists were asked to discuss willingness to pay for a mechanism that would reduce the likelihood of a disruption. As a qualitative exercise, any responses should be taken as indicative only, rather than as a robust measure (and bearing in mind that they were not asked to consider willingness to pay against the background of other investments required by the energy industry that they may require funding via customer bills in future).

Asked spontaneously, Panellists found it difficult to clearly articulate what they would be prepared to pay. This was in some part based on the existing reluctance to see bills rise, but also due to the fact that it is difficult to place a value on avoiding a disruption that they have not experienced, or cannot imagine experiencing. However, once prompted with a hypothetical bill of £650 a year, some were prepared to give figures based on percentages of this.

“It would be appropriate to pay £1 a month, so overall about 2%.”

“I would be willing to pay £50, but we need to make sure that the penalty goes to investing and securing the supply of gas.”

All responses were below 10% of the overall costs of the bill, with most being under 5%, and some as low as 1%.

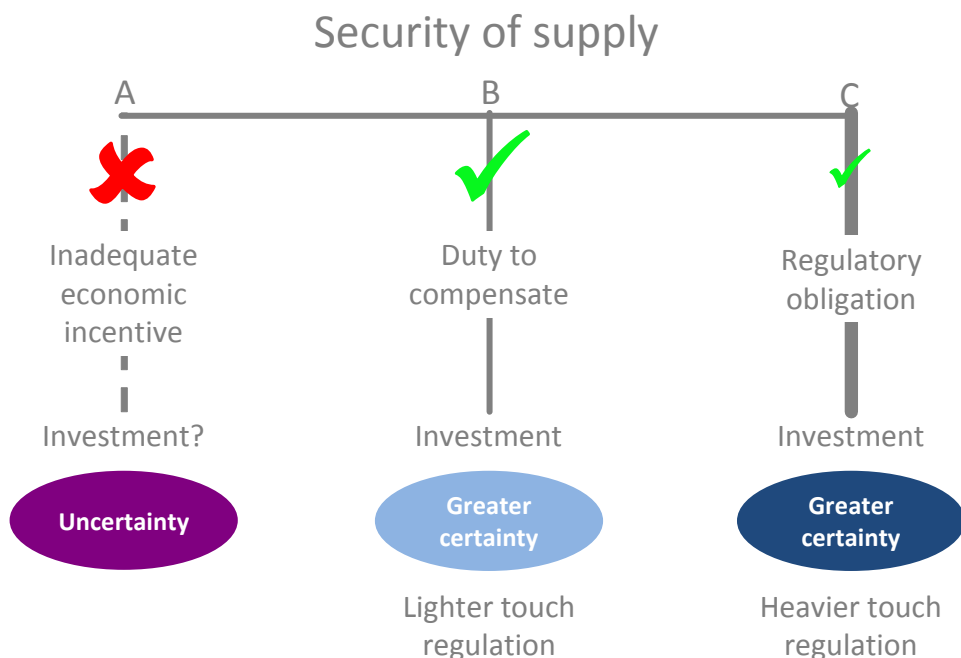
“£1 a month from every household per month is a LOT of money!”

“They should communicate that £1 of your bills goes towards investing in the future!”

9.6 Overall views on minimising the risk of a gas interruption

The diagram below illustrates the options discussed by Panellists in depth. Options A and B had both been proposed to Panellists during the course of the discussions while Option C – placing a regulatory obligation on the supply chain to ensure the greatest possible resilience of Great Britain’s gas supply – was an option that was raised by some Panellists in response to the compensation proposal (and the accompanying increase in energy bills).

Figure 8 – Options discussed by Panellists for minimising the risk of a gas interruption:



While overall we did not see any robust consensus about the best approach to avoid gas interruptions in future, it was clear that Panellists felt that *some* form of action must be taken to address this potentially highly impactful gap in the current approach to energy security issues. The status quo (Option A) is not desirable.

Of the other two options, the prompted option of a compensation mechanism (Option B) was acknowledged by many as a potentially very effective method of pushing industry to strengthen security of gas supply. While there is resistance from some Panellists to the idea of subsidising this mechanism through their bills, others are more accepting (in some cases simply in terms of bill increases being inescapable), but with a strong caveat that any

additional monies paid towards increasing investment *must* be ringfenced for these purposes. It is also clear that Panellists' acceptance of this as an option is largely as a means to ensure supply, rather than an end in itself (i.e. receiving compensation).

Imposing a regulatory obligation to invest (Option C) was not prompted, and appeared to be a reaction characterised by either:

- Strong resistance to paying for what some Panellists feel to be the core role of energy companies – 'why are they not doing this already?';
- An expectation that the most effective way would be to simply obligate industry – 'force' them to invest, thereby releasing pressure on customer bills

In summary, considering the range of issues in securing supply within such a complex industry structure, and given the fact that Panellists (and consumers in general) have different levels of sophistication in terms of their understanding of what it and is not possible from a regulatory point of view, the compensation mechanism appeared to be understood by Panellists as a legitimate solution for improving gas supply continuity in Great Britain. There is however little willingness to pay for this, leading some to question why Ofgem cannot simply obligate industry to ensure that the best possible levels of investment are made.

Appendices

Appendix 1: VoLL agenda



Ofgem Consumer First Panel Year 3, Panel 3

VoLL agenda

[NOTE: Smart Metering discussion material 6.00-7.05pm deleted as this forms part of a separate document]

Discussion session II: Gas interruption

7.05-7.20pm

15mins

Begin to think about the value that they place on uninterrupted gas supply.

PAIR UP PANELLISTS – IF NON-GAS PANELLISTS THEN PAIRED UP WITH GAS PANELLISTS

PAIRS TO FILL IN TEMPLATE TO FEEDBACK TO THE TABLE AFTERWARDS

- What appliances use gas in the home?
- What benefits does having gas in your home bring you?
- How and why is having gas in your home important to you?
- What would be the implications of having gas supply to the home interrupted?
- How would this make you feel?
- What would you do to try and make up for this lack of service?

QUICK FEEDBACK FROM THE EXERCISE

7.20-7.30pm

10mins

Break

7.30-7.40pm

5-10mins

Presentation of the situation and why research is being carried out i.e. higher impact, low probability

- Structure of gas industry
- Reasons for the research
- Describe that this would be a unplanned or short notice interruption and what this means

7.40-8.05pm

25mins

- Spontaneous reactions to the presentation / awareness and views on the current security of gas supply
 - Have you ever thought about a gas interruption on this scale taking place?
 - Have you ever experienced a gas supply disruption? If so, how did you feel? What did you do? How long did it last?
 - **SPLIT TABLE IN TWO AND GET THEM TO WORK TOGETHER USING A TEMPLATE**
 - **HALF TO DISCUSS** – What would your reaction be to a planned gas interruption?
 - **HALF TO DISCUSS** – What would your reaction be to an unplanned gas interruption?
- FOR EACH...**
- How would you feel?
 - What are your main concerns?
 - What would be the main repercussion for you / your family / work? *PROBE* financial / time / work
 - How would you react? *PROBE find alternative sources of gas, phone supplier*

AT THE SAME TIME, HAND OUT PEN PORTRAITS to get Panellists thinking about how different types of customers would react to having their gas supply interrupted under varying circumstances (i.e. vulnerable customers)

- Who do you think is most likely to be affected by this? Are some customers more vulnerable than others?
 - Should they be treated differently? *PROBE* being protected from having their gas supply interrupted? How?
- **BOTH HALVES TO PRESENT BACK THEIR IDEAS/VIEWS TO THE ROOM (FIRST BOTH PLANNED GROUPS AND THEN BOTH UNPLANNED GROUPS) AND LEAD FACILITATOR TO PROBE TO COMPARE AND CONTRAST THEM**
 - What are the differences?
 - What is the reason for the differences?

Thinking about an unplanned, short notice interruption, describe how they would react under various circumstances:

- Winter vs. summer?
- 1 day / 1 week / 1 month / 2+ month interruption?

Service expectations pre, during and post the cut-off

- How would you expect to be supported if you had your gas supply interrupted? *Probe different types of support*
- How would you expect this to be paid for?
- What, if anything, should be done before the cut-off takes place? *PROBE trying to get people to minimise usage*
 - How could you get people to minimise their usage of gas?
 - Who would be responsible for doing this? *PROBE suppliers, Government*

8.05-8.55pm

50mins

Panellists' views on who is responsible for ensuring the continuity of supply of gas

Panellists' views on the necessity to encourage a continuous gas supply

HAND OUT DIAGRAM OF OVERALL GAS SUPPLY STRUCTURE

- Where do you think the problems lie in ensuring a secure supply of gas? *PROBE industry vs. Government (do not go into specific areas of the industry supply chain)*
- Whose responsibility is it to ensure the supply of gas? *PROBE industry vs. Government*
- Do you know what companies currently do to ensure the supply of gas? *PROBE investment in transportation, storage, distribution, alternative sources of gas, breaking reliance on gas*
- What could be done to ensure security of supply? *PROBE compensation vs. investment*

Solutions to the potential for the interruption of gas supply

- Do you think that there should be a system of compensation?
 - How would this system of compensation work?
- In this circumstance, what does compensation mean to you? *PROBE nature and type of compensation*
- What would be the benefits/drawbacks of compensation? *PROBE industry vs. consumers*
- Is there a benefit to having a threat of compensation for industry in case of a cut-off taking place?
- If there was a threat of having to compensate consumers, would this make them more likely to invest in ensuring a secure supply of gas?

EXPLAIN IF NEEDED – There is nothing in the current system that forces industry to ensure an uninterrupted/secure supply of gas in such circumstances (national interruption) – there is a gap in the current provision/arrangements and there is no system of compensation.

With a system of compensation, industry may be more likely to invest in ensuring a secure supply of gas due to the fear of having to compensate people if there is a cut-off. So, compensation may mean we never get to the point of compensation/cut-off – i.e. compensation can act as a deterrent.

Financial compensation

- Under what circumstances would you expect to be compensated? *PROBE national cut-off due to a combination of factors (i.e. nobody's fault) vs. supplier failing to buy enough gas to supply its customers (i.e. supplier's fault)*
- What would be a fair and reasonable amount?
 - Would this change according to the time of year / number of days of disruption / impact of disruption / reason for disruption?
 - Should the compensation be different for different types of consumers?
- Is there a point at which the situation gets so bad and the price of gas increases to such an extent that you would accept there being no compensation? *PROBE a major global crisis*
 - Whose responsibility would it be for providing support in this scenario? *PROBE suppliers, Local Authority, Government*

ASK BELOW QUESTION IF STRUGGLING WITH ABOVE QUESTIONS

- If you were cut off because a supplier had failed to buy enough gas to supply its customers, would you expect to be compensated? How much? **Because of the failure of one supplier to provide gas to its customers, all customers would potentially suffer an unplanned short-notice gas interruption.**

The amount that Panellists would be willing to pay to minimise the risk of the supply being cut-off

- **Improving the security of supply may lead to increased charges.** Would you be willing to pay extra on your bill to ensure that the risk of being cut-off is minimised? Why / why not?

IF NECESSARY: FOR NON-GAS PANELLISTS, PLEASE PLACE YOURSELF IN THE SHOES OF OTHERS WHO HAVE GAS OR PERHAPS LOOK BACK TO WHEN YOU LIVED IN A HOME THAT HAD GAS

TELL PARTICPANTS: AVERAGE ANNUAL GAS BILL IS £650

- How much would you say is fair and reasonable to pay based on this figure?
 - Would this be a set amount or a proportion/percentage of your current gas bill throughout the year?
 - Would this differ if there was a danger/experience of a interruption every 5 / 10 / 20 / 50 years?

- **USING PEN PORTRAITS** – should all consumers be expected to pay the same amount? Why (not)?
- What would make you more accepting of an increase in your bill?
- What reassurances would you need?
- If you pay more for your gas, should you get more compensation?
- How would you like the extra payment communicated to you? What are the key messages for and against it? *PROBE 'compulsory insurance'*

8.55-9.00pm

5mins

WRAP UP AND CLOSE

Ofgem Consumer Panel

Session 3



What will happen this evening

- **Discussions on:**
 - Views on Smart Meters and information sharing
 - Exploring future scenarios for Great Britain's gas supplies

- **Mix of:**
 - Table discussions
 - Information giving
 - Feedback sessions



Guidelines

- Make time for everyone to contribute
- Respect the opinions of others
- Let everyone speak
- No right or wrong answers
- Mobiles off please
- Take a break when you need one



[NOTE: Smart Metering slides deleted as this forms part of a separate document]

Appendix 3: Pair exercises on the value of an uninterrupted gas supply

Working in pairs...

- What appliances use gas in the home?
- What benefits does having gas in your home bring you?
- How and why is having gas in your home important to you?

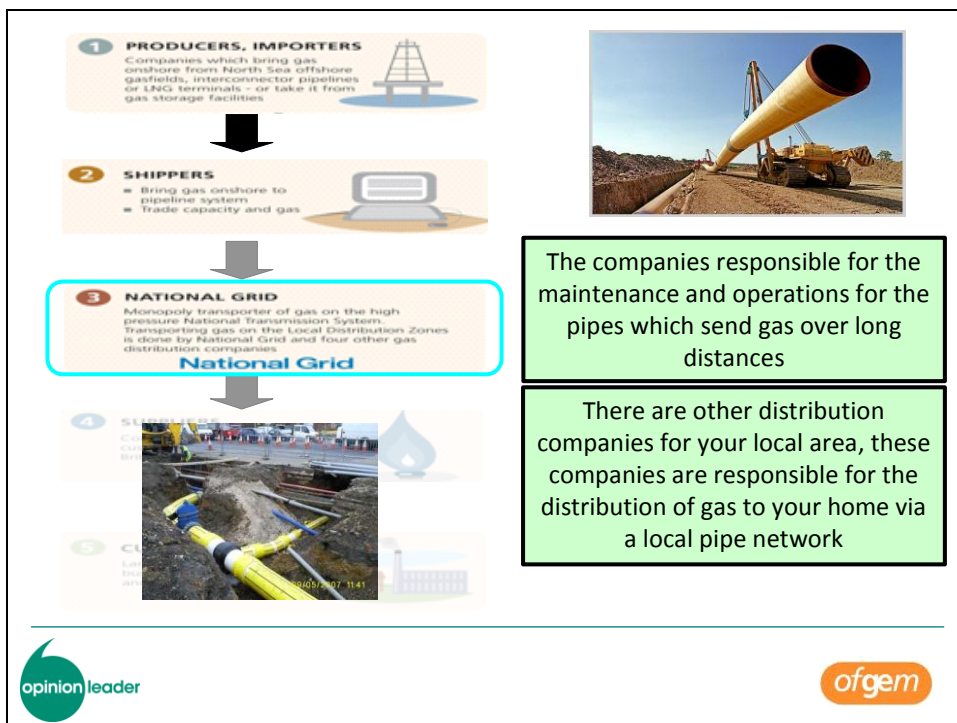
Working in pairs...

- What would be the implications of having gas supply to the home interrupted?
- How would this make you feel?
- What would you do to try and make up for this lack of service?

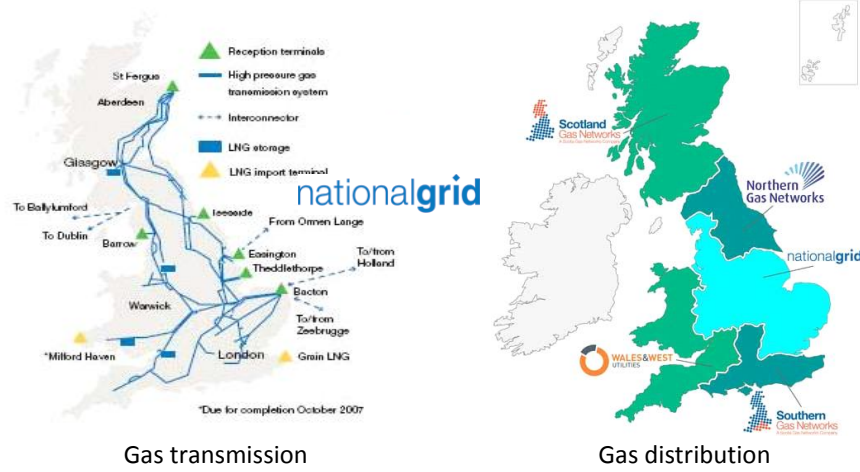
Appendix 4: Explanation of current sources of gas and risks to supply in Great Britain

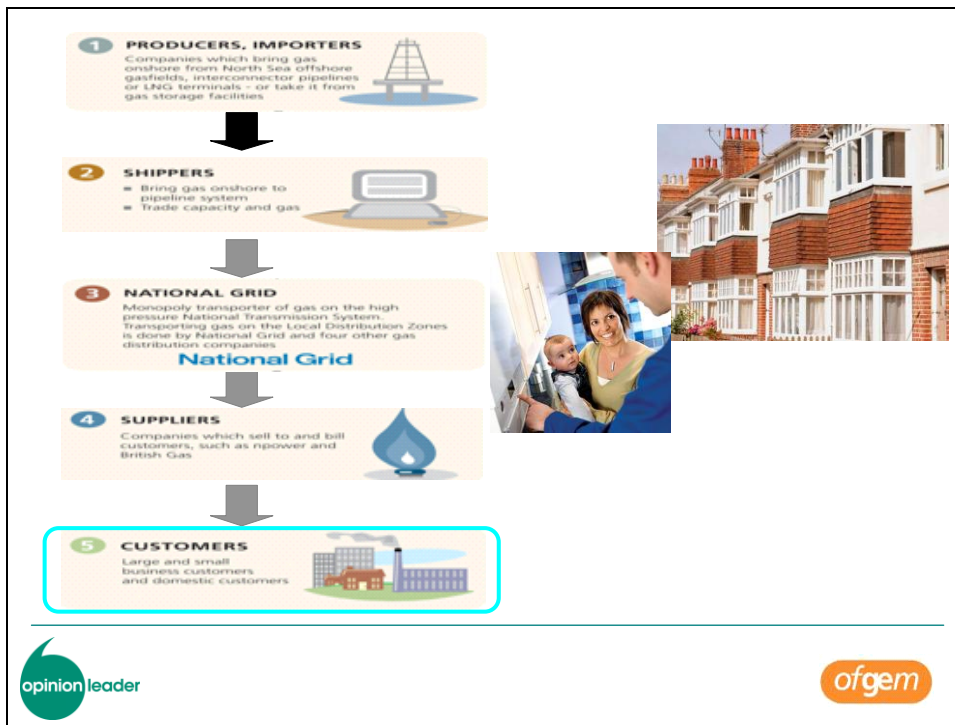
Where does Great Britain's gas come from?





Key organisations – Gas Network Companies

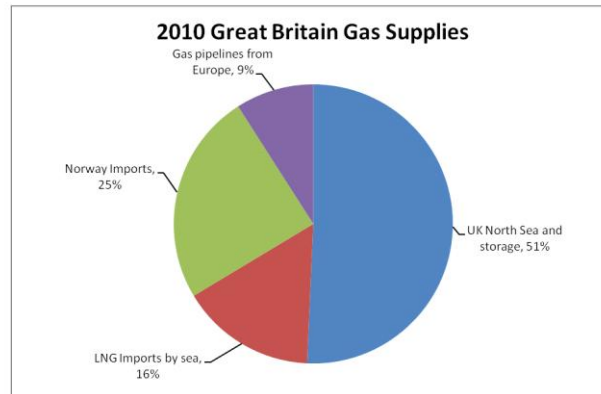




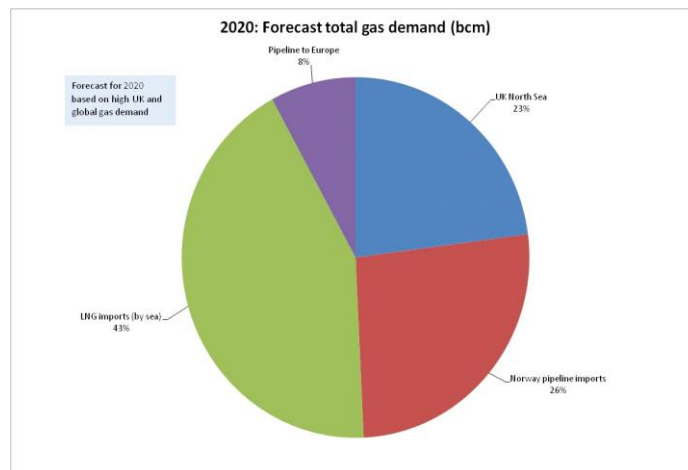
Gas supply to Great Britain

- In Great Britain, gas supplies come from a variety of sources, including from our own North Sea supplies
- Domestic consumers have experienced a continuous supply of gas for many decades
- We have not had to deal with an emergency gas supply interruption for a long time
- However, in the future, we will be more reliant on foreign imports

Current sources of gas in Great Britain



Future sources of gas in Great Britain



Interruption of gas supply in an emergency

- The likelihood of a large-scale gas interruption is **very small**
- Such an emergency may be caused by a reduction in gas supply (for example, lots of problems in the gas networks during a period of high consumer usage (for example, a very cold winter))
- This may lead to some domestic customers being cut-off for a certain amount of time
- If this emergency interruption would take place, it's likely to be unplanned and you would receive very little notice
- We want to explore your views on potential scenarios and impact of a gas interruption taking place
- There is a **very low probability** of this actually happening!



Appendix 5: Table exercises on a planned and unplanned gas interruption

Planned interruption

- This may take place for a number of reasons e.g. maintenance or repair work happening to the pipes in your area
- Customers will be automatically contacted and notified by their gas network company (or a contractor working on their behalf) regarding:
 - When the cut-off is taking place
 - How long the cut-off will be for
- The minimum notice period is 2 days prior to being cut off
- Following the planned cut off, an engineer will come round to customers' homes to ensure that the gas supply is switched back on safely

Questions: Planned interruption...

- How would you feel if this happened?
- How would you react? What would you do?
- What are your main concerns?

Questions: Planned interruption...

- What would be the main repercussion for (a) you? (b) your family? (c) your work?
- **USING THE PEN PORTRAITS**
 - Who do you think is most likely to be affected by this?
 - Are some customers more vulnerable than others?
 - Should they be treated differently? How?

Unplanned interruption

- The likelihood of a large-scale gas interruption is **very small**
- Such an emergency may be caused by a reduction in gas supply (for example, due to lots of problems in the gas networks during a period of high consumer usage – e.g. during a very cold winter)
- This may lead to some domestic customers being cut off for an unspecified amount of time
- If this emergency interruption would take place, it's likely to be unplanned and you would receive very little notice
- The length of the cut off would not be specified
- Following the planned cut off, an engineer will come round to customers' homes to ensure that the gas supply is switched back on safely

Questions: Unplanned interruption...

- How would you feel if this happened?
- How would you react? What would you do?
- What are your main concerns?

Questions: Unplanned interruption...

- What would be the main repercussion for (a) you? (b) your family? (c) your work?
- **USING THE PEN PORTRAITS**
 - Who do you think is most likely to be affected by this?
 - Are some customers more vulnerable than others?
 - Should they be treated differently? How?

Appendix 6: Pen Portraits

Laura



- Laura is 40 and lives alone in the outskirts of big city in a terraced house
- Laura lives with a disability and finds it difficult to get out and about
- Laura is supported through Disability Allowance

Bill and Suzanna



- Bill is 42 and Suzanna is 41
- Bill is an IT Director at a local company and Suzanna is a stay-at-home mother
- They live in a large detached house in a large town with their two children, James (aged 6) and Alice (aged 2)

Esther and Nigel



- Esther is 28 and Nigel is 32
- Esther is an accountant and Nigel is a solicitor
- They live together in a two-bedroom flat in a big city

Jean



- Jean is 72 and lives alone
- She lives in a small semi-detached house in a small town
- Jean receives a state pension

Joanna and Tom



- Tom is 67 and Joanna is 63
- They are both retired
- They live in a bungalow in a small village