

# Scotia Gas Networks: CO Awareness Incentive

## Introduction

Ofgem's Initial Proposals rejects the concept of an incentive to raise awareness of the dangers of Carbon Monoxide (CO). Its concern over such an incentive is the lack of a robust output measure attributable to GDNs' activities and a lack of a clear basis for setting the marginal reward / penalty. Because of this, Ofgem proposes to fund specific activities relating to CO that may compliment efforts to raise awareness of its dangers and to publish GDNs relative performance to provide a reputational incentive.

Simply allowing a level of opex to bring forward one or two initiatives will only mean GDNs meet a minimum standard. We have been at the forefront of initiatives to improve customer awareness of the dangers of CO and want to do more. We believe the industry needs to change its behaviour and the only way to drive such change is through a financial incentive mechanism.

## Proposed incentive mechanism

Under RIIO-GD1 we believe GDNs need to be incentivised to develop a targeted, quality based approach to raising customer awareness. We suggest that the development of such an incentive is progressed through the Customer & Social Issues Working Group (CSIWG) between Initial Proposals and Final Proposals.

We believe that such an incentive should cover a range of activities are considered including:

1. Home based advice to customers

This will involve visiting customers in their homes to explain the risks of CO and what they can do to protect themselves and their families, rather than simply leaving information. A situational based discussion would take account of the individual characteristics of each customer's home, their circumstances and gas appliances, rather than simply providing generic advice and issuing a leaflet.. Discussions with stakeholders have indicated that the more personal the experience, the more likely it is to be meaningful and positive to customers.

GDNs will need to provide the necessary training for their workforce that enables them to give effective home based advice. This initiative will primarily be undertaken by the operational workforce, who might be visiting customers for operational reasons e.g. attendance at gas emergencies or other purposes. GDNs will need to develop the material and supporting information that enables the workforce to engage in CO discussion with customers positively and competently. The aim will be to improve customers' knowledge and understanding of the risk and the steps to take to prevent the dangers from CO.

We anticipate GDNs running a field trial at the start of the price control period (April 2013) to measure the effectiveness of the training, supporting information and the general approach. We expect each home based customer discussion will take approximately 15 minutes, delivered using our emergency and meterwork workforce.

2. General CO awareness campaigns / advice at external forums could include:

- school / university visits;
- landlords;
- local targeted events & advertising; and
- working in partnership with CO groups and / or local authorities

GDNs will need to employ and provide the necessary training to a small number of dedicated support staff to enable them to provide general CO awareness advice at external forums. GDNs will also need to develop the material and supporting information that can be provided to customers. The aim will be to improve customers' knowledge and understanding of the risk and the steps required to prevent the dangers from CO.

### 3. Events for fuel poor and vulnerable customers

GDNs would arrange a number of activities specifically for fuel poor and vulnerable customers.

In summary, we propose a mechanism that will incentivise GDNs directly to provide qualitative CO safety awareness using a range of initiatives across a wide customer base, including vulnerable customers.

### **Output measure & reward**

We suggest monitoring and reporting on the quality of the advice provided through independent survey that will assess the effectiveness of a GDNs CO awareness campaigns with customers who have participated in the GDN initiatives. The results of these surveys will allow GDNs to monitor and improve our CO safety campaigns, customer information and the training provide to our workforce.

Success in raising CO awareness should be measured from a baseline set during the first year of the price control (when the incentive properties are set to zero). The baseline should be developed by the CSIWG via a series of customer surveys during 2013.

GDNs will need to provide an auditable demonstration of the quality and effectiveness of their approach to improving CO awareness via annual, independent, customer surveys. Targets for representative groups of vulnerable customers can be included in the baseline and annual surveys.

Beyond start up costs the significant ongoing costs will be those of the operational workforce providing home based customer contact and advice. Therefore, the incentive must provide a direct opportunity to recover these costs and to outperform through positive customer experience and efficiency initiatives. As such, we believe that 0.5% of allowed revenue should be available for such an incentive. The annual reward can be calibrated to a percentage improvement in customer awareness between the baseline and latest survey results.

### **Summary**

Ofgem propose a reputational incentive and some funding for specific CO awareness initiatives. We believe this will lead to only to a minimum standard; to change behaviour a financial incentive is required. Ofgem's concerns around the lack of a robust output measure or a clear basis for setting the marginal reward / penalty can be overcome by using the first year of GD1 to develop a baseline for the incentive; and by allowing a reward calibrated around that baseline.

The CSI WG should be used between now and Final Proposals to finalise the detail of such an incentive mechanism.