

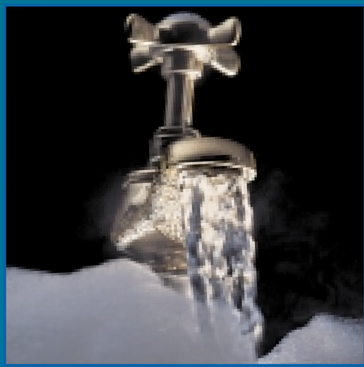


Gas Watch

Consumers' Experiences of Natural Gas in Northern Ireland

NORTHERN IRELAND
General Consumer Council

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ISBN 1 871095 37 9

Autumn 2002

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Contents

Gas Watch was adapted by the General Consumer Council from a report written by Fiona Boyle Associates

Introduction

When natural gas arrived in Northern Ireland in 1996 it was a welcome additional choice for both domestic and commercial consumers. Six years on around 48,000 consumers are using natural gas for heating, cooking or to run other appliances in their homes.

As the gas consumer watchdog in Northern Ireland, the General Consumer Council wanted to find out how domestic consumers were getting on with natural gas. We wanted to identify areas of both customer satisfaction and dissatisfaction and put forward recommendations for action. Thus consumers were surveyed in 2000 and again in 2002 to see if and how the situation had changed.

In general the report paints a mainly positive picture of the gas industry with consumers satisfied with many aspects of their natural gas experience. There is, however, no room for complacency. A significant number of customers were dissatisfied with the work carried out in their home by installers, a situation which did not change in the 2-year period. Also of great concern to the Council is the level of consumer dissatisfaction with Phoenix's complaint handling procedures which increased between 2000 and 2002.

The Council recognises that action is needed to raise its profile in relation to gas and has already embarked on a public awareness campaign to raise the level of understanding of its gas role particularly in regard to complaints.

We hope that all sectors of the gas industry will see this study as a positive contribution to the development of the natural gas market both within and outside the existing gas licence area. We also hope that Phoenix and the gas installers in particular will give careful consideration to our findings and recommendations and take early action. We are, after all, presenting the views expressed by their customers, and we look forward to working with the industry to bring about change which will benefit existing and future gas users in Northern Ireland.

JOAN WHITESIDE OBE
Chairman

Natural Gas in Context

The arrival of natural gas[1] in 1996 into the Northern Ireland energy market has provided another choice of fuel for consumers. It is worth noting that NI is well behind Great Britain and the Republic of Ireland, where natural gas has been available for the last 40 years[2] and the late 1970s[3] respectively.

Since the introduction of natural gas 6 years ago, around 48,000 households have connected to gas as a means of heating their homes and water, cooking, and running appliances such as tumble dryers and fires. This demonstrates a significant in-road into the well-established solid fuel and oil heating markets over a relatively short space of time.

Phoenix Natural Gas (Phoenix) was awarded the licence[4] to provide a gas pipeline system under the Gas (NI) Order 1996, throughout what is referred to as the gas licence area. This means that Phoenix is guaranteed to be the sole supplier of natural gas for domestic consumers in Northern Ireland until 2005 when the domestic market will be opened up to competition. The map opposite depicts the licence area.

Phoenix is obliged to ensure its gas pipes pass at least 81% of properties within the gas licence area (shaded) – an area comprising approximately 270,000 properties (2002 figures) and representing about one-third of Northern Ireland households.

The 1996 Order also gave the General Consumer Council new responsibilities to represent and protect the interests of consumers of natural gas and a duty to advise the Director General of Gas (the regulator[5]) and report to him on certain matters. In particular the Council was given a duty to investigate and seek to resolve consumer complaints against the energy supplier – Phoenix.

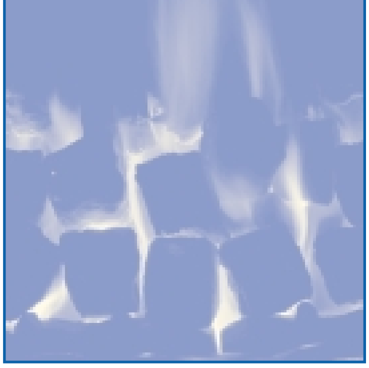
1 The natural gas comes from wells in the North Sea, is transported through the Transco system across Scotland coming on shore in Northern Ireland at Islandmagee.

2 In 1959 the first trial imports of liquefied natural gas arrived in Britain from Louisiana. Natural gas was brought ashore from the North Sea in 1967.

3 Natural Gas production officially began in 1978, after it was discovered off County Cork in the early 1970s.

4 As well as domestic consumers Phoenix also provides the industrial and commercial sector, through a separate system and tariff.

5 The Director General of Electricity Supply and the Director General of Gas Supply heads up Ofreg (The Office for the Regulation of Electricity & Gas). Ofreg is an independent public body set up to monitor the electricity and natural gas industries in Northern Ireland. In terms of gas, the Director General of Gas for Northern Ireland, has wide ranging legal powers. His duties include promoting the gas industry and protecting gas consumers.



Overall this further enhanced the Council's already well-established role in energy matters, having covered the areas of coal, oil and liquid petroleum gas (LPG) since the mid-1980s and electricity from 1985 until the privatisation of NIE in 1992.

This report describes domestic consumer views, perceptions and concerns about their experiences of natural gas over the last 5 years, obtained via consumer surveys in 2000 and 2002. Based on these findings it sets out a number of recommendations aimed primarily at Phoenix and installers to improve the level of service that consumers receive. By doing so it also provides an important benchmark of opinion, the first of its kind in Northern Ireland.

The report looks particularly at what are recognised, by both the industry and consumer bodies, and not least the user, as important consumer issues. These have been categorised under the broad headings of what are generally regarded to be consumer principles[6] to provide a framework in which the consumer issues relating to natural gas can be examined. Unless otherwise stated the findings relate to both years.

6 The consumer principles guide the Council in deciding whether goods and services meet consumer needs.

Recommendations

Supply

- Phoenix should produce a step-by-step guide to give to customers from the outset. This should clearly identify the areas of responsibility of the installer, Phoenix and the customer.
- In light of both the number of complaints and dissatisfaction with their complaints handling, Phoenix should urgently overhaul its complaints systems, including turnaround times, customer care and quality of response in terms of putting matters right.
- Where a problem is not resolved on the spot, Phoenix should give callers a reference or code to enable future calls to be more easily tracked and save customers' time being wasted on repeat calls to different members of staff. Callers should also be given a firm timescale for resolution.
- Phoenix should identify the causes for the number of complaints about billing as a matter of urgency and take action to rectify them.
- In closing complaints Phoenix should routinely advise their customers of the General Consumer Council's role.
- Phoenix should immediately move to providing customers who pay by direct debit with at least 2 bills each year. The overwhelming majority of direct debit gas customers in Great Britain and electricity customers in Northern Ireland receive 4 bills per year from their energy suppliers.
- Phoenix should continue to seek the help of the General Consumer Council in making their bills more easily understood.
- In the light of dissatisfaction with installers, Phoenix should require all installers on their recommended list to have proper complaints procedures. This requirement should be part of the selection criteria for inclusion in Phoenix's Directory of Installers.

Installation

- Installation businesses should ensure that all their operations staff are fully trained and have gained the necessary certification from CORGI to install gas.
- Installation businesses should ensure that they have a procedure for dealing with customer complaints quickly and thoroughly. They should consider joining one of the trade bodies which operate a formal complaints procedure.
- Installation businesses should brief customers about the need for their boiler and other gas appliances to be serviced every year and should leave a written reminder.
- CORGI should take further steps to encourage installers to improve standards and provide an all-round quality service.
- Trade bodies such as the Scottish and Northern Ireland Plumbing Employers' Federation (SNIPEF) and Institute of Plumbing (IOP) should actively encourage more installers to join the independent Plumbing Licensing Scheme[7]. This offers assurances to consumers about high standards of workmanship and offers further avenues of redress through their complaints resolution procedure when things go wrong.
- The Construction Industry Training Board (CITB) and other key training organisations should give extra emphasis to raising technical standards in the industry and introduce training in customer service as well.

Housing Organisations

- The Housing Executive and Housing Associations should provide information for their tenants who use natural gas; it should outline which organisations to contact in the event of problems with installation work, operation of gas appliances, safety concerns and billing.

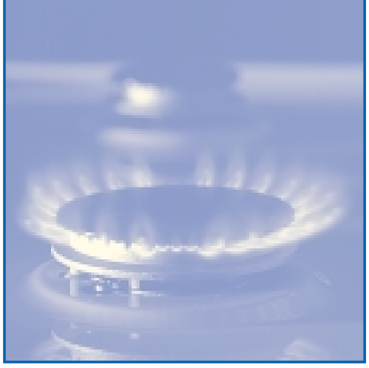
Safety

- Given that 20% of consumers are likely to contact the wrong organisation in the event of a gas leak, all organisations involved in the provision of gas

7 The Plumbing Industry Licensing Scheme was established by the Scottish & Northern Ireland Employers' Federation (SNIPEF) together with the Institute of Plumbing, the Society of Chief Officers of Trading Standards in Scotland, the Scottish Association of Chief Building Control Officers, the Scottish and Northern Ireland Consumer Councils, the Scottish and NI Water Authorities and the industry trade union (AMICUS-AEEU)

and consumer protection including Phoenix (who should take lead responsibility), OFREG, General Consumer Council and RoSPA (Royal Society for the Prevention of Accidents) should ensure that clear safety information is highlighted on all gas literature.

- Given the low level of knowledge about carbon monoxide, all organisations involved in the provision of energy safety advice including Environmental Health Departments, General Consumer Council and RoSPA should continue to work together to increase awareness of how to minimise the risk of carbon monoxide poisoning which can potentially arise from burning any fossil fuel.
- CORGI, with its statutory role in relation to gas safety, should seek a much higher profile than at present and raise public awareness of the various consumer protection services it can offer.
- Given that half of consumers said they would service their gas boiler **less** than once a year, if at all, Phoenix should work with **installers** to issue clear information outlining the safety requirement for gas appliance servicing, the recommended interval between servicing, and whose responsibility it is.



Profile of Gas Customers

As natural gas is a comparative newcomer to the Northern Ireland energy market it is interesting to take at look at which consumers are switching to this fuel and why. In the 2000 survey the reasons given for switching to gas included the following:

■ Cleaner than coal and no fire to clean out	44%
■ No say in the matter/offered by NIHE/Housing Association	17%
■ Handier than coal – nothing to carry around	16%
■ More economical and cheaper	12%
■ Easier to use – automatic/instant	12%
■ For health reasons	6%
■ Other	41%

Overall, the 2000 survey showed that domestic consumers considered gas to be better than their previous fuel. Eighty-six per cent thought it was easier to use, 74% felt it was more cost-effective to run and 67% viewed it as more energy efficient.

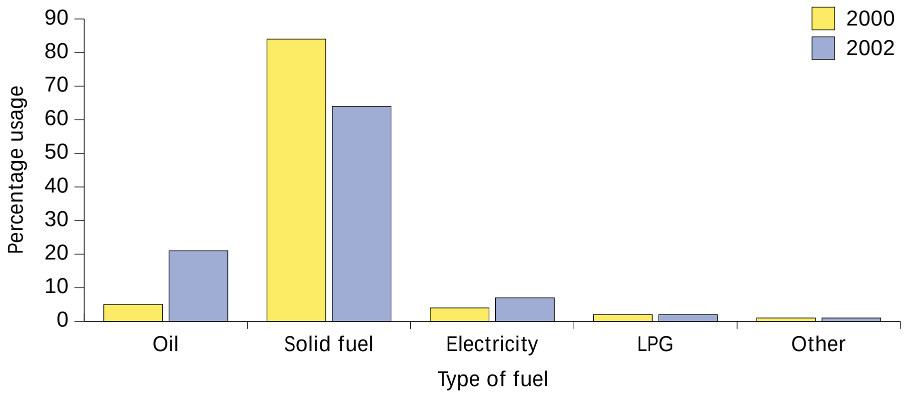
In both surveys respondents were asked to outline what type of fuel they used as their main heating source prior to getting gas installed. The results are illustrated in the following chart. In 2000 the overall majority (84%) of 'switchers' had used solid fuel with small numbers using other sources. By 2002, whilst there was still an overall majority of new gas users coming from the solid fuel bracket (64%)[8], it is significant that 1 in 5 (21%) switched from oil.

Whilst central heating was the main reason for using natural gas, respondents were asked for what other purposes they used gas. Over the 2-year period there was a significant increase in the use of natural gas for

"We just have a small yard at the back and a very small garden and we wouldn't have had room for a big oil drum at the back and that was part of the problem."

8 This would tie in with the Housing Executive's heating policy of replacing solid fuel and Economy 7 heating systems with natural gas where available.

PREVIOUS SOURCE OF HEATING

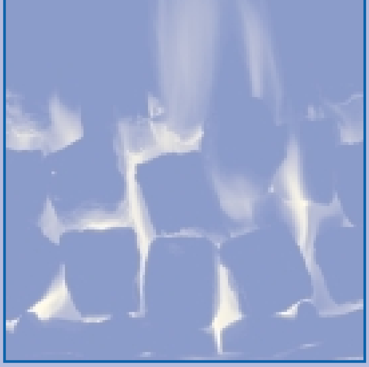


cooking (12% to 26%) and a very small increase for tumble-drying (1% to 3%). Conversely, the level of usage for a gas fire decreased from 58% to 41%.

Those responding to the surveys had been using gas for a range of time periods. Because of the timescale of "rolling out" the gas supply in Northern Ireland, respondents in the 2000 survey were most likely to have had gas between 6 and 12 months (42%), or for one year or more (42%). By 2002 nearly half (47%) of respondents had had gas for 18 months or more. Whatever the length of time it is clear that respondents' answers showed a range of experiences.

However, the decision to switch to natural gas does not always reside with the householder. For those in social rented accommodation, such as the Housing Executive and Housing Associations, this can fall to the landlord. The table below shows the distribution of switchers surveyed across tenure, and the shift towards owner-occupiers over the last 2 years.

Number of gas users surveyed by tenure	2000		2002	
	Nos.	%	Nos.	%
Owner-occupied	55	11%	250	50%
Social rented	421	82%	245	48%
Private rented	37	7 %	9	2%
Total number surveyed	513		504	




Customer Experiences

Access

Access is one of the most fundamental consumer principles. If you cannot access a service either easily, or at all, then you are unable to derive any benefit from it. Not all households in Northern Ireland have access to natural gas.

Current Situation

As outlined earlier, depending on where consumers live, there is not currently equality of access to natural gas. Presently Greater Belfast and parts of County Antrim and County Down have access to natural gas, but there is no availability in counties Fermanagh, Armagh, Londonderry or Tyrone.

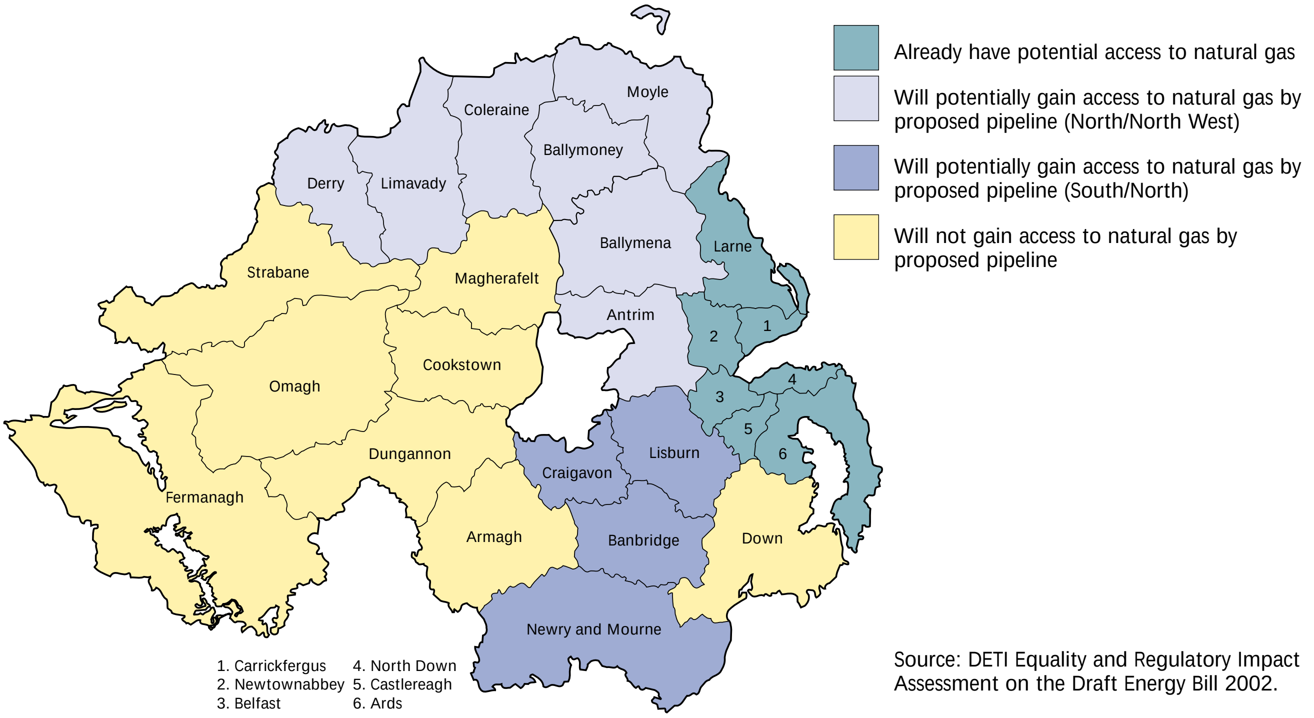
Once a geographical area is covered by Phoenix, there is a high level of equality of access to the service, irrespective of age, social, religious and economic status. In saying that, it should be noted that Phoenix's decision to provide gas to any street or area is based on demand levels – Phoenix generally want to see a minimum 20% interest rate before they move into an area. They gauge this interest through customer interest cards and presentation evenings.

Future Situation

In terms of the future, the Northern Ireland Assembly and Regulator have clearly stated that they are interested in and supportive of efforts to bring natural gas to other parts of Northern Ireland. Indeed, earlier this year Ofreg granted Bord Gáis, the Republic of Ireland's state-owned gas company, a licence to convey gas. Bord Gáis now propose to build a transmission network in Northern Ireland. Their proposal is divided into two phases.

Phase one will be the construction of a high pressure transmission pipeline running between a connection point on the existing Northern Ireland network to Coolkeeragh Powerstation in the north west. This pipeline will be known as the North West Pipeline, and it will facilitate the construction of downstream distribution networks in towns on route of the pipeline.

ACCESS TO NATURAL GAS BY DISTRICT COUNCIL



Source: DETI Equality and Regulatory Impact Assessment on the Draft Energy Bill 2002.

Phase two will be the construction of a high pressure transmission pipeline running between the Republic of Ireland's network and the North West pipeline. This will be known as the South North Pipeline and like the North West Pipeline it will facilitate the construction of downstream distribution networks in the towns on route of the pipeline.

The North West Pipeline is planned to be operational by 31 December 2004. The South North Pipeline is expected to be operational two years after the North West Pipeline. The final route of the North West and South North Pipelines is still to be approved by the Regulator. However, broadly speaking the areas within reach of the North West Pipeline are shown above in pale blue, while the areas within reach of the South North Pipeline are shown above in dark blue.

The North West and South North Pipelines in conjunction with the existing infrastructure have the potential to make natural gas available to 65 – 75% of the population in Northern Ireland. However, there is no guarantee that all

towns along the length of the pipeline will get gas. The Regulator has received expressions of interest from companies interested in developing downstream distribution. He intends to hold an open competition to find viable proposals for distribution networks. The process is at an early stage however the ability to reach large numbers of potential customers is likely to be included among the criteria for judging the competition.

Conclusions

- Access to natural gas in Northern Ireland is dependent on where consumers live.
- However, once a geographical area is covered by Phoenix, there is a high level of equality and fairness of access to the service, irrespective of age, social, religious and economic status.
- The two proposed gas pipelines could make natural gas available to up to 75% of the Northern Ireland population.

Choice

This section looks at the adequacy of consumer choices about natural gas in terms of connection and installation, and also in relation to the range of billing and payment methods available.

As a backdrop it should be noted that choosing to switch to natural gas is up to either the owner of the house or the landlord. Consumers in socio-economic groupings C, D and E are more likely to rent their accommodation in either the social or private rented sectors, and therefore do not have the ultimate choice in terms of their fuel source. However, there is no significant inequity based on type of tenure as the main social housing landlord, the NI Housing Executive, has introduced a heating policy whereby natural gas is installed where available and oil where it is not.

"It's the fact that it's all contracted out and you think you have a relationship with Phoenix Gas but in fact, you have all these different people, none of them are talking to each other, none of them are passing on the information and you are stuck in the middle and you are expected to hang around all day doing nothing."

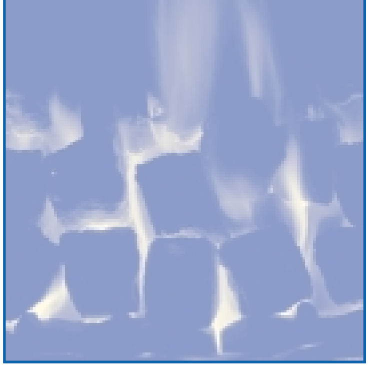
I. Connection

In connecting the domestic consumer to the natural gas network, Phoenix provides the pipes up to the house and the meter. The qualified installer is responsible for connecting the customers' home to the gas supply via the meter.

Whilst the connection and installation processes are intrinsically linked, they are in fact quite separately undertaken and managed. This can lead to confusion for the prospective or current customer, whose perception is that Phoenix undertakes, or controls, the whole process.

II. Installation

The installer is responsible for installing the central heating system and/or gas appliances including the connection from the meter. This installation process



is done independently by one of approximately 400 Corgi registered installer businesses throughout Northern Ireland. Phoenix produces a Directory of Installers to give to prospective gas customers with approximately 200 installer businesses. Not all installers choose to be featured in the Directory. This research indicates that one in four (25%) of respondents referred to this Directory when seeking quotes and choosing an installer. Again therefore, whilst the process is separate, Phoenix does offer some assistance to the customer. However, this can understandably give the impression that Phoenix is responsible not only for supplying the gas but also for installing it in peoples' homes.

SATISFACTION WITH INSTALLERS

Respondents were asked in both surveys if they had ever felt dissatisfied with the work done, or service provided by their gas installer. Alarmingly in 2000 almost 1 in 5 (18%) customers said they had been dissatisfied with an installer's work on at least one occasion. Remarkably this situation remained unchanged by 2002 with 19% of respondents dissatisfied with their installer.

Consumers who were dissatisfied with some aspect of the work carried out by their installer were asked for their reasons of dissatisfaction (many cited more than one reason). The table below shows that poor quality work came out as the main reason for dissatisfaction with installers' work or service (40%) in 2000, whilst leaving the house in a mess topped the list in 2002 (52%).

Reason for dissatisfaction[9]	2000		2002	
	No.[10]	%	No.	%
Poor quality work	38	40	32	34
House in a mess/paintwork damaged	-	-	49	52
Damage not made good	-	-	15	16
Work took too long	9	10	17	18
Misleading/not enough information before work was done	5	5	21	23
Work not done when agreed	1	1	12	13
Cost more than expected	2	2	4	4
Difficulty converting from LPG/Bottled Gas	0	0	3	3
Other	50	53	31	33
Don't Know	8	9	0	0
Total number of cited problems	113		184	
Actual number of respondents	94		96	

9 Because of the high level of 'Other' in the 2000 Survey, further categories were included in the 2002 survey which all broadly related to poor quality work and included – house left in a mess, discovery of fault after installation, paint/decoration damaged, damage not made good, and pipes/meter in the wrong place.

10 Number of times this reason was cited as a source of dissatisfaction.

"I came back at night and the place was a complete pigsty with holes in the walls for the flue or whatever. Tracking for the thermostats. There were bits of stones, bits of brick, everything, just lying about the place. So, rather than coming home from work, getting something to eat, get changed and washed, or whatever, I had to tidy it all up."

Other problems ranged from customers thinking the work had taken too long to complete and insufficient or misleading information given before work was done. (This point related to the availability, quality and accuracy of information and is explored further in the next section.)

The fact that satisfaction levels have not improved over a 2 year period, particularly as the industry has became more established, is cause for concern. Such levels of dissatisfaction have negative consequences not only for current customers, but also prospective "switchers" who hear 'bad news' stories by word of mouth.

The high level of dissatisfaction with installers and the installation process is a serious problem for both the installation and supply sides of the gas industry, given the business related inter-dependency and reliance each has on the other. Whilst already engaged in a number of initiatives to encourage and develop high standard workmanship from installers, this is an area where Phoenix needs to keep a close watching brief, particularly as it moves into the servicing side of the installation industry through Phoenix Energy Services.[11] Nonetheless, ultimate responsibility lies with the installer to improve the level of service they deliver to their customers.

III. Billing and Payment Methods

Consumers may have a choice of payment in theory, but if the methods available for making payment do not suit their income level, budget management and/or financial mechanisms used, e.g. no bank account, the choice is no longer there. A range of payment methods is particularly important in NI where as many as 26% of the adult population do not have bank accounts compared with 15% in GB.[12]

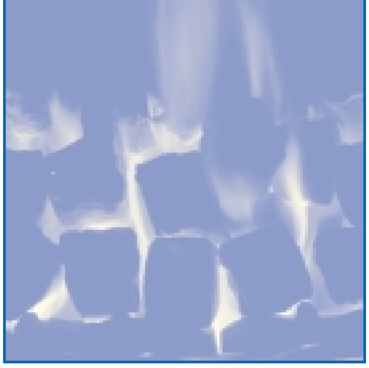
This research looked at what methods are used by consumers to pay for gas, and the level of satisfaction (and dissatisfaction) with these.

WHICH ONE?

The main payment methods used in 2000 were firstly via the Paypoint system or Easy Saver Card (45%) and secondly on a quarterly basis paying by cash, cheque or credit card (42%). By 2002, payment by monthly direct debit had increased dramatically from 4% to 37% of respondents, and likewise there was an increased usage, albeit smaller in scale, of the prepayment meter (2% to 7%). Prepayment (Quantum) meters were not available for the first few years of customers using natural gas but had just been introduced by 2000.

11 Phoenix Energy Services is a subsidiary of Phoenix Natural Gas. It provides emergency services and a range of gas maintenance activities for both domestic and commercial customers.

12 MORI survey of financial services 2000-2001.



These findings are highlighted in the chart below.

The availability of a range of payment methods has resulted in comparatively high levels of satisfaction. Whilst the proportion of consumers who were very satisfied declined slightly from 75% in 2000 to 71% in 2002, there was an increase in the numbers who were fairly satisfied, from 13% to 22% respectively.

PAYMENT METHODS 2000-2002

Key:

Paypoint: Paypoint system or energy care system

Quarterly: Quarterly by cash, cheque or credit card

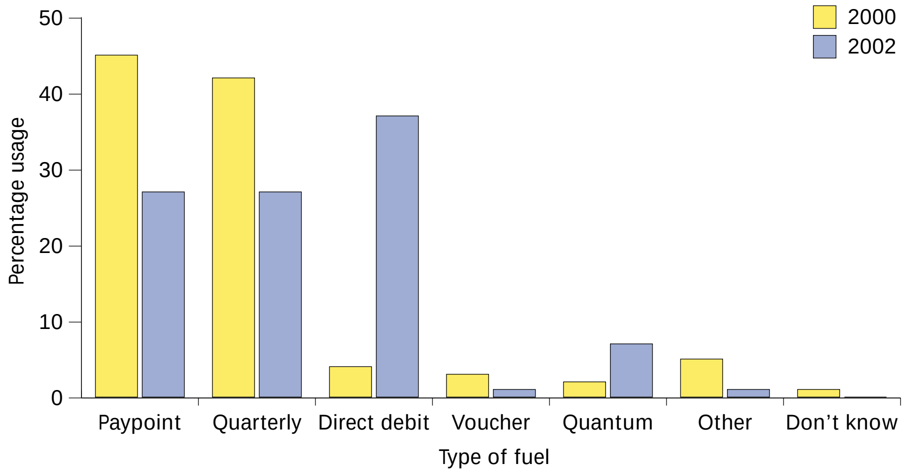
Direct debit: As stated

Voucher: Voucher Payment Scheme

Quantum: Prepayment Meter

Other: As stated

Don't Know: As stated



Overall therefore, in 2002 93% of gas consumers were satisfied with the method of payment they used. Although this level of satisfaction must be applauded, the fact that around 3% were dissatisfied still requires Phoenix to continue to monitor for improvements in existing payment methods and to assess alternative and additional ways that customers can pay for their gas, particularly taking account of advances in technology.

The main cause of dissatisfaction was the perception that there were insufficient local Paypoint outlets or that they were not working. Phoenix should continue to monitor both the number of Paypoints, the geographical spread of them and the numbers and location of customers who use Paypoint. However, with 289 outlets listed for Northern Ireland this comment may be perceptional and location-specific.

DIRECT DEBIT CUSTOMERS – FREQUENCY OF BILLS

Some dissatisfaction was expressed, particularly by owner-occupiers, with paying by direct debit. They were critical of receiving only one bill at the end of the year.

However it was recognised by some respondents that they could phone Phoenix with a reading at any time and receive a bill.

> "I would have preferred in the first instance to have an idea of how much I was consuming before they were taking money off me."

"After having gas in for three or four months we still hadn't had a bill and my husband rang up and they just said to go out and take a reading. So we took a reading and phoned them back and they sent us out a bill."

So although most respondents paying by direct debit were satisfied with the method of payment, some would have preferred an earlier indicator of their gas usage given the lack of household history of having gas. This would have enabled customers to see if their monthly payments were a realistic assessment of actual gas usage and allow them to adjust them if necessary.

Whilst recognising that customers are encouraged to provide their own readings over the telephone or the internet (if available to them), there will be many customers for whom self-reading is not practical or is unduly complex. The onus should be on the energy supplier to provide this information regularly and clearly.

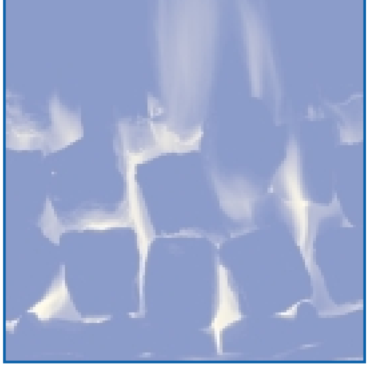
A telephone survey (2002)[13] of 17 gas suppliers in England, Scotland, Wales and the Republic of Ireland found that bills were issued to direct debit payers four times per year in 15 cases. In the remaining 2 cases, one issued monthly bills (Telecom Plus) and the other every 2 months (Bord Gáis). Moreover, Northern Ireland Electricity provide bills to direct debit customers on a quarterly basis. Clearly this is an interesting finding, and suggests that the Northern Ireland natural gas consumer is receiving a much lower standard of service in terms of the frequency of billing and account information.

More frequent bills for direct debit customers would be mutually beneficial to both the customer and the energy supplier ensuring charges reflect usage and enabling problems to be identified at an earlier stage. It could also assist Phoenix in building up better information for future estimating. Clearly it is an area that Phoenix needs to address, particularly given the significant increase since 2000 in the proportion of customers paying via direct debit (27%).

BILL LAYOUT

Information on bills must be clearly presented and unambiguous. Whilst the layout of bills was not a problem area for the majority of consumers, 1 out of 10 who had received a bill considered it was either not very easy or not at all easy to understand. However, recognising the importance of the presentation and content of bills, in 2001 the General Consumer Council together with Phoenix undertook a review of the wording and layout of bills. Encouragingly, following on from this review, Phoenix issued a new style of quarterly and direct debit bill in the summer of 2002 which incorporated a number of the Council's recommendations and is generally viewed as being much clearer in terms of both layout and content.

13 GENERAL CONSUMER COUNCIL (2002) – 17 companies comprised Amerada, Atlantic Electric and Gas, Bord Gáis, British Gas, Cambridge Gas and Electricity Company, Countrywide Energy, London Electricity Gas, Npower, Powergen, Scottish Gas, Scottish Power, See Board Energy Ltd, Severn Trent Energy, Southern Electric Gas, SWALEC Gas, Telecom Plus and Yorkshire Electricity (Gas Division).



CHECKING ACCURACY OF BILLS

Again, whilst content with the actual method of payment, 20% of consumers said they always or sometimes checked the bill against the meter, even if the bill was based on an actual meter reading. This is not surprising given that natural gas is new to consumers in NI. The fact that one in ten always does this suggests that consumers are adopting good consumer practice in checking the accuracy of their bills and becoming more interested in where their money is going.

Conclusions

- Whilst the connection and installation processes are intrinsically linked, they are in fact separately undertaken and managed. This has led to confusion for both the prospective or existing customer, whose perception is that Phoenix is responsible for the whole process.
- In both 2000 and 2002 one in five consumers were dissatisfied with the work of their gas installer or the process of getting gas installed. Dissatisfaction related to the actual quality of work, the way their house was left, to the length of time taken and information provided.
- Three-quarters of consumers are content with the range of payment methods available, with 9 out of 10 satisfied with the method they are currently using.
- There was some dissatisfaction from direct debit customers about receiving only one bill or statement per year.

Information

Consumers need clear reliable information on which to make informed decisions and choices about goods and services. In the case of natural gas, Northern Ireland consumers do not have the knowledge base associated with longer established fuels such as oil and solid fuel.

Information on the process of obtaining gas, the installation and running costs, safety and how to get redress if things go wrong is crucial. Therefore access to clear, easily understood information in a range of customer-friendly formats is imperative if the consumer is to make the right choice and understand what they have purchased or are considering purchasing. There is of course a level of responsibility for the consumer to read, understand and, if necessary, query the information with which they are provided.

Information was identified as an issue in terms of installation (see previous section). Five per cent of consumers said that they were either not given enough information before the work was done or that the information they were given was misleading. In this area installers must be encouraged to give out clear and useful information to consumers at the time it is required. With so many stages involved in 'getting gas' and the range of players involved it is important that information at the outset guides the consumer through the process.

PROBLEMS BEFORE GAS INSTALLED

"Lack of information about the cost of gas."

"Lack of information about other Phoenix services available."

"Not enough information given before work was done."

Information in terms of the content and layout of the bill has been covered in the previous section in terms of billing and payment methods.

PROBLEMS SINCE GAS INSTALLED:

"Bills difficult to understand and unclear."

"Difficult to understand how to use a quantum meter."

Having the right information obviously impacts on who to contact when an issue arises. For example, whilst nearly three-quarters of respondents correctly said they would contact Phoenix if they suspected a gas leak, a worrying 1 in 5 said they would contact the NI Housing Executive or Housing Association. In some cases, those intending to contact these organisations were not even social rented tenants. A similar finding is outlined in the section on "Getting Redress", where consumer confusion remains in terms of who to complain to.

Conclusions

- 1 in 10 consumers surveyed feel that Phoenix bills are not very easy to understand.
- 20% of consumers are likely to contact the wrong organisation to report a gas leak.

Safety

All fuels are safe if they and associated equipment are operated and maintained properly. However, the safety of gas has long been a consumer concern. In the UK the Ronan Point explosion in the 1960s led to a tightening up of the gas safety laws and the formation in 1970 of CORGI (the Council for Registered Gas Installers). CORGI is the National Watchdog for Gas Safety in the UK. Their mission is to promote and enhance gas safety, standards and quality. They maintain an up-to-date register of competent and qualified gas installation businesses and ensure that they and their operatives are aware of their requirement to register. They also raise awareness of gas safety with consumers and encourage them to only employ registered gas installers.[14]

The Gas Safety (Installation and Use) Regulations NI, operational from March 1991 onwards, required all businesses, whether employees or self-employed persons, who undertook gas work on fittings supplied by natural gas to be registered with CORGI. This registration scheme was extended to Northern Ireland in 1996 by the Health and Safety Executive in Northern Ireland (HSENI) via CORGI.

Installers therefore play a key role in not only the customer service chain, but also in ensuring safety and educating the consumer about safety.

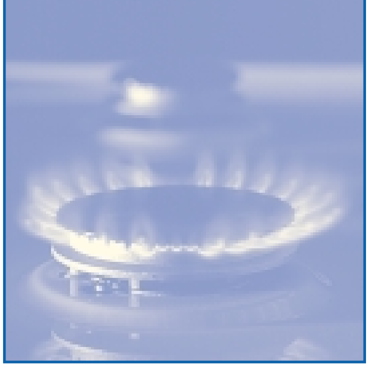
The surveys indicated a dichotomy of views about safety. Some respondents were happy with safety, citing automatic safety shut-off devices and the provision of emergency numbers.

"They say there is no way they can leak – there are so many safety devices now and all these follow-up things."

"The meter is actually in my kitchen and they put a big sticker on it ... with an emergency number and it explained all about the problems."

"I have no concerns because there are so many safety devices. If there is a leak there is a cut-off switch."

14 Source: CORGI Website



In contrast other respondents remained concerned about the safety aspect of natural gas.

"... I realised that I had a gas bottle hob before I had this one and this is much quieter, and I therefore realise I could have the gas on and not know – I don't hear and I don't smell it. So it has flashed through my mind that I've got to be careful here, you know."

In addition, the focus group (2000) with non-gas users highlighted safety as a major reason for not changing.

"I was considering gas but what puts me off is the safety to be honest."

"I think what they need is for someone to tell them that it's a completely different type of gas than it was years ago. It's not the same gas."

Servicing Gas Appliances

An annual service for a domestic gas boiler and other gas appliances is essential to ensure the safety of gas in the home. This is strongly recommended by Phoenix, CORGI and appliance manufacturers. In addition, in the case of rented accommodation, it is the legal responsibility of the landlord to ensure an annual safety check is carried out by a CORGI registered installer on each gas appliance/flue that they own in properties that they let[15].

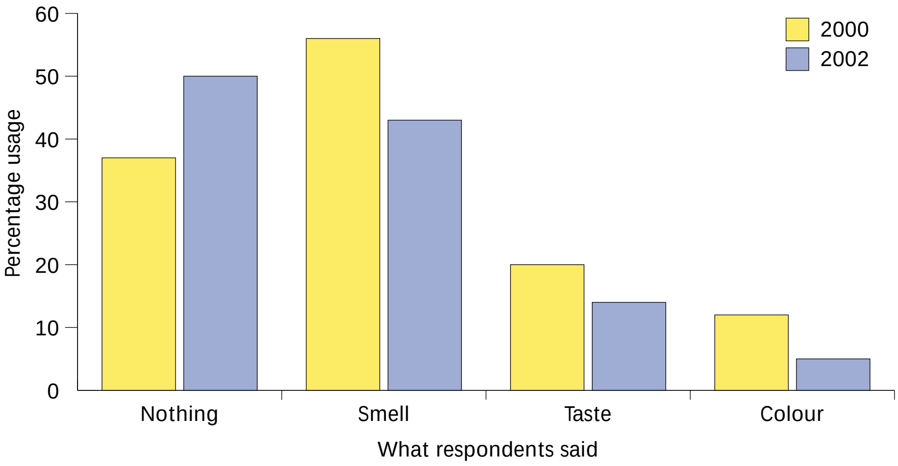
Worryingly only half of consumers in 2002 said that they plan to have their gas boiler serviced once a year. A high proportion (31%) said the NI Housing Executive or a private landlord would do it – but not all of these individuals lived in rented accommodation. Three per cent said that they were never planning to have their boiler serviced – a fact that is extremely worrying. Phoenix, CORGI and installers need to continue to stress to consumers the importance of annual servicing. This message should be conveyed both via personnel in direct contact with customers and in written form, made widely available in a range of accessible formats.

Carbon Monoxide Awareness – A Critical Safety Issue

Carbon monoxide gas can be produced when burning any fossil fuel such as coal, gas or oil – and where incomplete combustion of the fuel occurs.

15 Gas Safety Regulations (1998)

IDENTIFICATION OF CARBON MONOXIDE PROPERTIES



Note: Percentages add to more than 100% because respondents could provide more than one answer.

Carbon monoxide has no smell, taste, colour or visibility, but inhalation is potentially fatal. It is therefore critical that all consumers are aware of the dangers of carbon monoxide including the causes, signs and what action to take if they are concerned. Carbon monoxide production has also been linked to poor or irregular servicing of appliances/boilers. This is clearly of particular concern given the findings.

In the 2000 survey respondents were asked to say whether they would associate smell, taste or colour, or none of these, with carbon monoxide. The results are illustrated in the chart above. Only 37% correctly said that carbon monoxide does not have a smell, taste or colour. Over half (56%) thought they would be able to smell it, with a further 20% stating that they would be able to taste it. Interestingly a survey carried out with coal consumers in 1997 by the General Consumer Council produced similar findings with 61% of respondents who wrongly believed that carbon monoxide had a smell.

The 2002 survey results are only slightly more encouraging in terms of gas consumers' knowledge. Half noted correctly that carbon monoxide has no smell, taste or colour. However, the remaining half pointed to at least one sense/characteristic – smell (43%), taste (14%) and colour (5%). Whilst this is a slight improvement it is not an issue for complacency for any organisation with an interest in the safe provision and use of fossil fuels.

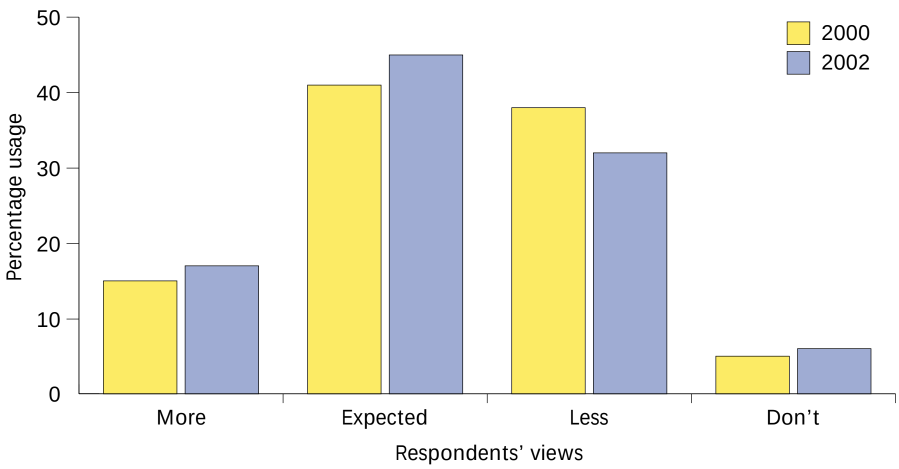
Conclusions

- Safety remains a key issue for consumers, but many are not taking the appropriate action, with half of consumers saying that they would service their boiler less than once a year, if at all.
- By 2002 half of consumers correctly noted that carbon monoxide has no smell, taste or colour. However, the remaining half wrongly said carbon monoxide had at least one of these attributes.

Value for Money?

With wide-scale recognition of fuel poverty in Northern Ireland, where some 28% of households (170,000) are considered to be at risk[16], the cost of installing and using gas is critically important.

EXPECTATIONS OF THE COST OF GAS



KEY

More: Bill was a little or much more than expected

Expected: Bill was about what I expected

Less: Bill was a little or much less than expected

Respondents were asked to state whether their gas bill was more or less than they had expected it to be. The results are illustrated in the chart above. In both years more than one third said it was less than they had expected although this did reduce slightly by 2002. Conversely, more people (17%) said that their bill had been more than expected, compared to 15% in 2000.

The first price increase in natural gas, since it became available in 1996, was in 2000. Phoenix abolished the standing charge and also pledged to limit any further price increases to below the rate of inflation up until September 2003. At this stage the Regulator can intervene in controlling the price if he deems it necessary.

During a period of fluctuating fuel prices elsewhere in the market these commitments have provided stability to the consumer, ensuring that natural

16 Fuel poverty – spending 10% or more of your income on fuel to obtain a satisfactory level of heating. General Consumer Council. The Price of Being Poor, Paper 4, Frozen Out. Spring 2002

gas provides one of the cheapest annual heating costs in Northern Ireland. This is supported by figures published in October 2002 which compare the annual cost of space and water heating for a 3 bedroom average size house using a range of fuels:

- £519 for natural gas
- £540 for oil
- £694 for solid fuel
- £747 for Economy 7
- £903 for LPG.[17]

The following quotes from gas customers support the generally positive view regarding the cost of natural gas.

"It's very reasonable. Compared to the coal I think it's brilliant."

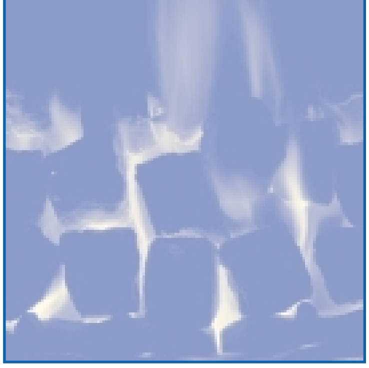
"I'd say it has saved me about £50."

Whilst welcoming this more stable and affordable annual heating cost, Ofreg together with the General Consumer Council should maintain their watching brief on fuel costs, particularly with the lack of competition in the gas and electricity markets.

Conclusions

- In both years more than one third of respondents said that their gas bill was less than they had expected.

17 Salkent Ltd. Comparative Heating Costs. Oct 2002.



Complaints – Getting Redress

Knowledge of how to complain and achieve a satisfactory outcome is an important aspect of consumer welfare. This is particularly the case in relation to dissatisfaction with gas supply since, in the absence of any other supplier in NI, consumers cannot “vote with their feet” and change custom. It is of paramount importance therefore that if something goes wrong, there should be an effective system for putting it right. This applies to all sectors of the industry but particularly Phoenix and gas installers.

Earlier General Consumer Council research[18] showed that most consumers with cause for complaint are quite prepared to take action although they are often unsure of exactly what steps to take. Evidence from this survey would support that finding with almost 75% of gas customers who had a complaint with Phoenix or their installer, pursuing it further. Nonetheless it is vitally important that all gas consumers know how to complain about a problem with the provision of gas and to whom to complain.

Complaints about Installers/Installation

As previously noted, almost 1 in 5 respondents in both surveys said they had been dissatisfied with their gas installer. These individuals were also asked if they had done anything about their problem. In 2002 three-quarters of this group had followed up their complaint. The majority contacted their installer (48%) and one third went to their landlord – NI Housing Executive or Housing Association. The remaining twenty-one per cent of this group contacted Phoenix, although as has been already pointed out, the gas supply company is not responsible for installation but can offer advice.

18 General Consumer Council. Consumers in the Dark: Rights, Redress and Proficiency, January 1999.

As is evident in the table below, overall satisfaction levels with complaint handling in both years are poor. In 2000 the majority (66%) of consumers who had a complaint relating to their installation were dissatisfied with how it had been handled. Although the situation did improve in 2002, in both years only approximately 1 out of 3 customers were satisfied with how their complaint had been dealt with.

Level of satisfaction with complaint handling	Problems with installation 2000	2002
Satisfied	26%	38%
Neither/nor	6%	7%
Dissatisfied	66%	34%
Don't Know	2%	21%

Unfortunately these findings in relation to installer problems were borne out by the Council's experience; it received 47 complaints from consumers about their installations in 2001/2002. The main problems consumers were encountering included inadequate after-sales service and difficulty in finding installers willing to service gas appliances. In the latter case the recently established Phoenix Energy Services, which specialises in appliance maintenance and repair, should hopefully improve the situation.

In response to the problem, the General Consumer Council developed an information pack to help consumers who experience problems with their installations but are unable to achieve a satisfactory resolution through their installer. The pack includes details of organisations such as CORGI and SNIPEF who can offer some assistance to consumers with installer complaints.

"Phoenix, I found them very pleasant. As I say, they were out within a few hours. Their customer service does seem very good. I think if you had any problems at all, they wouldn't be too long in sorting them out."

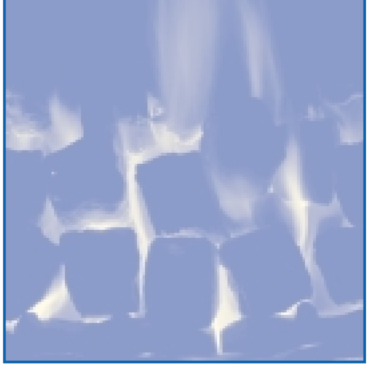
"It was just a last resort for me, I wrote to Phoenix to let them know what had happened to me. I wasn't expecting them to do anything really. But it ended up that they did, which I was glad about."

Complaints about Phoenix

Consumer surveys in both years indicated a slightly higher level of overall satisfaction with Phoenix before gas was installed compared to after.

BEFORE GAS WAS INSTALLED

The majority of consumers experienced no problems with Phoenix before gas was installed (94% in 2000 and 93% in 2002) with only 4% each year having problems. In 2002 these problems ranged from a delay in arranging for gas to be installed, a lack of information about the cost of gas, the sales person's behaviour or approach, or a failure to respond to complaints.



AFTER GAS WAS INSTALLED

Once gas was installed there were more complaints. In 2000 11% of respondents had been dissatisfied with the overall work or service provided by Phoenix. The main problem cited was a perceived failure to respond to complaints (16%) followed by a failure to help with problems involving gas installers or retailers (12%). A further 9% said the dissatisfaction arose from a query over the bill. Eight per cent said it was either because Phoenix failed to contact them by telephone or letter as had been agreed or an appointment had not been kept with them.

By 2002 this had gone up to 17% of all respondents – or almost one in 5 – who had a problem with Phoenix after they started burning gas. The majority of these related to the payment method, including bill inaccuracy, monthly direct debit amount set too high, whilst 5% of complaints related to staff attitude, communication by phone and broken appointments.

This increase in complaints about Phoenix is in part mirrored by the gas complaints received by the General Consumer Council. Last year (2001-02) the Council dealt with 80[19] consumer complaints about Phoenix compared to 35 in the previous year. This was mostly due to a 3-fold increase in billing complaints, with customers experiencing difficulty trying to set up a direct debit account, or finding that payments were not deducted or were too low and, as a result, they were in arrears. Many customers complained because they had not received their bills when expected and/or they found them confusing.

Customers complaining directly to Phoenix about billing have also risen significantly. In 1999 billing complaints represented a quarter of all complaints received by Phoenix and in 2001 they represented over half. Even taking into account the increasing customer base that Phoenix is servicing, with every second complaint relating to billing, prompt action needs to be taken in providing consumers with accurate and regular bills in a format which is clear and self explanatory.

Satisfaction with Complaint Handling

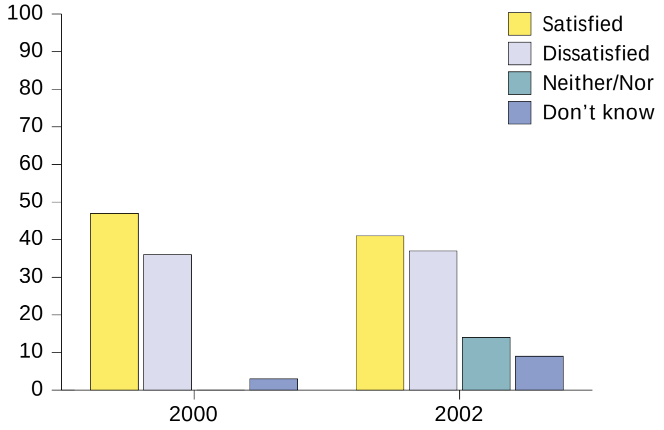
Having taken their complaint forward there was a varied level of consumer satisfaction with the handling of complaints as outlined in the following charts.

Clearly, for those who took forward a complaint there was neither complete satisfaction with the way their complaint was handled nor its outcome. In both years around 4 out of 10 customers who had a complaint whether

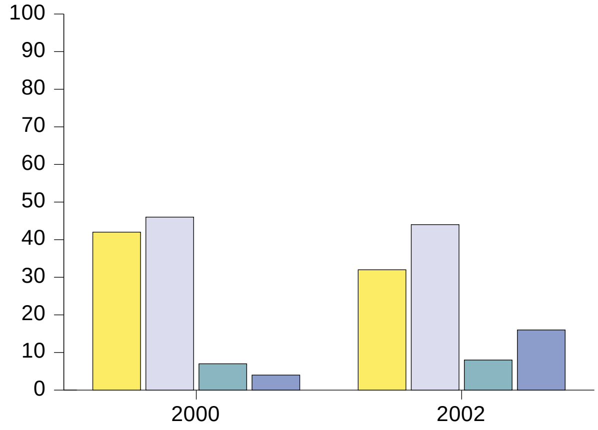
19 Includes both first and second stage complaints. Complaints are classified as first stage if the consumer contacts the Council without first taking the matter up with the company concerned. Second stage complaints are where the consumer has been unable to obtain a satisfactory response from the company concerned.

before or after gas was installed remained dissatisfied. This is an unacceptable level. Furthermore it is disappointing to see the handling of the complaint become an additional source of dissatisfaction for the consumer.

COMPLAINT HANDLING BY PHOENIX BEFORE INSTALLATION



COMPLAINT HANDLING BY PHOENIX AFTER INSTALLATION



Overall satisfaction levels with complaints handling by Phoenix (whether before or after gas was installed) have worsened slightly between 2000 and 2002. As a matter of priority Phoenix need to examine closely both the level and nature of customer complaints. Furthermore they should also measure the effectiveness of their complaint handling procedures to identify where changes are required to improve the level of service that customers are currently receiving.

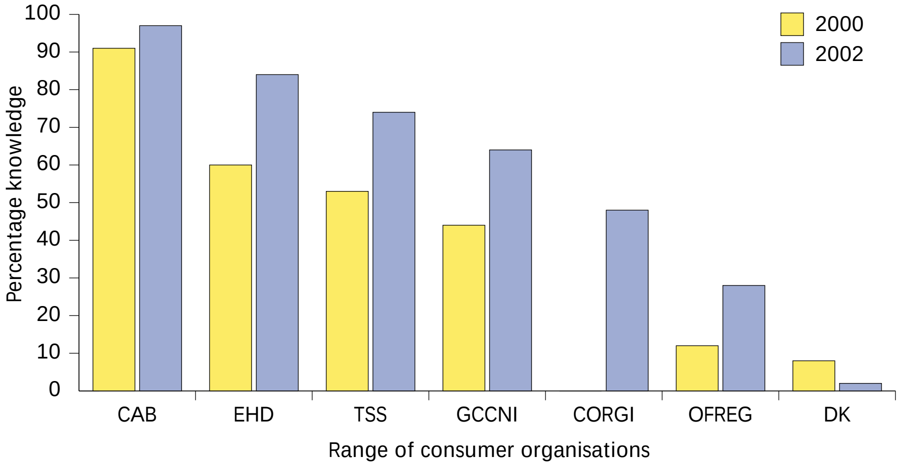
Conclusions

- Although most people are satisfied with the process of getting gas into their home, a sizeable proportion – 1 in 5 consumers in both 2000 and 2002, were dissatisfied.
- The majority of consumers (93% in 2002) experienced no problems with Phoenix during the installation process. However, nearly 1 in 5 (17%) had problems post installation – half of which related to billing.
- Overall satisfaction levels with complaints handling by Phoenix (whether before or after gas was installed) decreased between 2000 and 2002.
- In both years around 4 out of 10 customers who had a complaint whether before or after gas was installed remained dissatisfied.

Representation – the Voice of the Consumer

Very often the voice of the individual consumer is ignored whereas consumer groups can have a stronger and more effective voice on their behalf. Consumer organisations undertake a wide range of functions including research, policy development and complaints handling. In this section the surveys set out to establish if people had heard of a number of organisations/bodies representing consumer interests. The chart below shows actual knowledge of a range of consumer bodies in 2000 and 2002.

CONSUMER KNOWLEDGE OF ORGANISATIONS 2000-2002



Key

CAB: Citizens Advice Bureau

EHD: Environmental Health Department

TSS: Trading Standards Service

GCCNI: General Consumer Council for Northern Ireland

CORGI: Council for Registered Gas Installers

OFREG: Office for the Regulation of Electricity and Gas

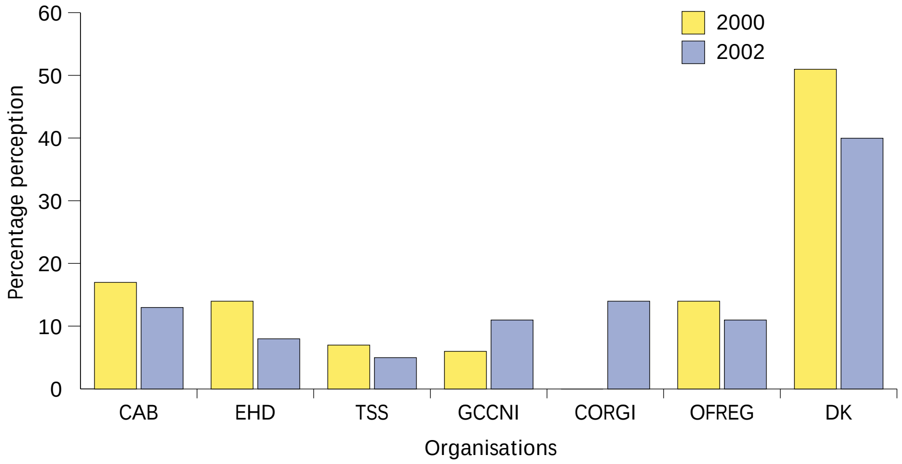
DK : Don't Know

Note: CORGI was not included in the 2000 survey.

Encouragingly it indicates that there has been a significant increase in the level of knowledge amongst gas users in Northern Ireland of consumer watchdog and advice bodies. In particular, there has been an increase of 20% in terms of the proportion who have heard of the General Consumer Council.

Consumers' knowledge of which organisations deal with gas complaints was tested in both surveys, with the following results.

CONSUMER PERCEPTIONS – ORGANISTIONS THAT DEAL WITH GAS



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Note: CORGI was not included in the 2000 survey.

The increase from 6% to 11% of consumers who correctly stated the General Consumer Council as the correct organisation for dealing with complaints about gas is an improvement. However, high proportions of respondents also suggested going to the 'wrong' organisation. In these circumstances the organisation can at least refer the individual on to the Council. The fact that General Consumer Council details are contained in Phoenix's information pack which is given to new customers and on the back of Phoenix's gas bills is useful; however, for direct debit customers who receive a bill only once a year, this is inadequate.

The fact that 15% of gas users noted CORGI as an organisation that deals with gas is also cause for concern, given the vital link to matters of safety. More worrying is the fact that 2 out of 5 consumers cannot suggest any organisation to which they would take a complaint about gas. Clearly more work needs to be done to raise awareness of organisations that deal with gas.

Whatever respondents' views on who currently looks after the interests of gas consumers, there was a high level of recognition of the importance of an independent body to do this. Ninety-one per cent of consumers thought this was important in 2000, increasing to 92% in 2002.

Conclusions

- Over the past 2 years the general public's knowledge of consumer watchdog and advice bodies has increased. In particular, there has been an increase of 20% in terms of the proportion of the public who have heard of the General Consumer Council.
- Only 15% of respondents had heard of CORGI.
- There was a high level of recognition of the importance of an independent body to look after the interests of gas consumers. 91% of consumers thought this was important in 2000, increasing to 92% in 2002.

Methodology

The findings outlined are taken from two independent consumer surveys[20] carried out in 2000 and again in 2002. The sample size in each case was approximately 500 households using natural gas. Respondents were sampled to represent the range of age, gender and socio-economic groupings, thus replicating the make-up of the wider community.

Respondents were asked a range of closed and open questions in a one-to-one interview that took place in their own homes. While many questions were identical, the questionnaire varied slightly between 2000 and 2002, the latter including a number of additional questions to reflect Phoenix's changing business, the growing gas market and issues arising from complaints.

In addition, three focus groups were held in 2000 and questions were included in 2 omnibus surveys. Quotes from the focus groups are included throughout this report.

20 Consumer surveys undertaken in 2000 and 2002 respectively by Ulster Marketing Surveys (UMS)/Millward Brown Ulster.