

# 10 Quality of service

## Introduction

10.1. This chapter examines the development of the quality of service provided by BG which, since privatization, has been influenced by the legal and regulatory framework, as well as by customer demands and commercial pressures. After reviewing developments prior to privatization, we outline the relevant legal and regulatory aspects. We then consider the performance measures and targets set by BG, in consultation with OFGAS, and its actual quality of service performance, both in terms of these measures and as perceived by its tariff customers. Next we look at other aspects of this subject: BG's complaints and compensation scheme, its special provision for vulnerable groups of customers, its performance in the contract and transportation markets, and energy efficiency and safety issues. Finally, we examine BG's approach to quality management.

10.2. The various topics are covered in the following paragraphs:

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## Quality of service developments before privatization

10.3. When the BGC was formed in 1973, the task of converting to natural gas was in progress. This major operation raised customer expectations about quality of service and BG told us that the BGC responded by developing its first internal standards of service. These standards were based on research into customer requirements. Also in 1973, BG established its National Gold Flame Awards for districts achieving the highest levels of, and improvements in, measured customer satisfaction.

10.4. BG told us that, between 1973 and privatization in 1986, the BGC periodically reviewed and extended its internal standards of service. This included introducing special provision for older and disabled customers, and codes of practice on payment, gas safety and energy efficiency. BG added that, in this period, BG's measurements of customer satisfaction showed a substantial improvement (see paragraph 10.68). Complaints to the GCC had also fallen by 18 per cent between 1980 and 1986, despite an increase in the number of domestic customers.

## Legislative framework and the role of OFGAS

10.5. The overall legislative framework setting out the rights and duties of BG is set out in detail in Chapter 1. In this chapter we summarize only those aspects of the legislation which have a direct impact on the quality of service provided by BG. The legislation is mainly concerned with the service provided to domestic consumers and other tariff customers, but some provisions also apply to the contract market.

### *The Gas Act*

10.6. Before privatization, BG, in common with other publicly-owned corporations, was subject to supervision by its sponsor Government department, the Department of Energy. After privatization, a more formal system of regulation was needed. The Gas Act introduced the concept of a public gas supplier and established the framework of its duties. Many of the duties relate to the safety and security of the gas supply system and to the quality of service provided by BG and (incorporating later additions) are outlined in Part A of Appendix 10.1. The Gas Act also provided for the appointment of the Director with the duty, *inter alia*, to protect the interests of consumers of gas with respect to continuity of supply and the quality of service provided. OFGAS was expected to exercise this duty by using the functions provided in the remainder of the Gas Act, including the enforcement powers, set out in section 28, and the powers to modify the public gas supplier's Authorisation, covered by sections 23 and 24.

10.7. The duties of BG, as an authorized public gas supplier under the Gas Act, are set out in Chapter 1. In summary, the main duties which relate to quality of service are:

- (a) to develop and maintain an efficient, co-ordinated and economical system of supply and, so far as it is economical to do so, to comply with any reasonable request for a supply (section 9);
- (b) to supply any premises which are within 25 yards of a main or are connected by a service pipe to a main with up to 25,000 therms a year (section 10);
- (c) to avoid undue preference in supply to customers entitled to a supply under (b) (section 9);
- (d) to provide and lay any pipes needed to connect any premises within 25 yards of a main and to provide the first 30 feet of the necessary pipes free of charge (section 10);
- (e) to pay interest on security deposits (section 11);
- (f) to comply with the Public Gas Supply Code set out in Schedule 5 to the Gas Act. This Schedule specifies the rights and obligations of BG and its tariff and contract customers, including the duty of BG to prevent gas escapes continuing and the rights and obligations in respect of the metering of gas, charging, and exercising of rights of entry (section 15);
- (g) to meet quality standards prescribed by the Secretary of State for the calorific value, purity and pressure of the gas supplied (section 16); and
- (h) to measure the quantity of gas supplied to customers using meters of patterns approved and duly stamped by meter examiners appointed by the Secretary of State (section 17).

10.8. At privatization, the functions of OFGAS in the contract sector were primarily to enforce the general duty to supply and to make directions relating to the common carriage of gas (sections 9 and 19 to 21). It was envisaged that, in addition to fuel-to-fuel competition, gas-to-gas competition would soon emerge in the contract market, making regulation unnecessary. Normal competition law continued to apply to the contract market, giving the OFT powers to intervene.

## ***BG's Authorisation as a public gas supplier***

10.9. Section 7 of the Gas Act defines a public gas supplier as a person authorized by the Secretary of State (in consultation with OFGAS) to supply gas through pipes in that person's authorized area. This section permits the Secretary of State to include conditions in the authorization relative to his duties and those of OFGAS and, under section 4, to include conditions requiring that:

- (a) arrangements be made for special services for disabled and elderly consumers;
- (b) the public gas supplier comply with directions made by OFGAS as specified in the Authorisation; and
- (c) the public gas supplier refer matters to OFGAS for consent or determination as required by the Authorisation.

10.10. The duties of BG under its current Authorisation are outlined in Part B of Appendix 10.1. BG's Authorisation, which was granted in July 1986, for a 25-year period, initially included the following main conditions relating to quality of service:

- (a) a requirement to provide details of BG's emergency service on request and to provide for the reception of telephone reports of gas escapes (condition 11);
- (b) a requirement to prepare codes of practice describing BG's service to tariff customers and the arrangements made by BG for paying bills, and to consult OFGAS and the GCC about these codes (condition 12);
- (c) a requirement to provide special services for elderly and disabled customers covering:
  - (i) free safety inspections for customers who live alone;
  - (ii) fitting special controls and adaptors for appliances and meters;
  - (iii) special means of identifying staff;
  - (iv) advice on the use of gas; and
  - (v) publishing a code of practice (condition 13);
- (d) a requirement to publish advice for tariff customers on the efficient use of gas (after consulting OFGAS and the GCC) and to publicize the energy efficiency advisory services available to contract customers (condition 14); and
- (e) a requirement to supply gas to public lamps (condition 15).

The conditions on quality of service initially included in the Authorisation broadly reflected the standards being applied by BG as at the time of its transition from public to private sector.

## ***The role of OFGAS and subsequent developments***

10.11. OFGAS told us that, given the legal background and after an initial review, it felt obliged to seek extended regulatory powers. It sought to give more protection to tariff customers in response to the public pressure it perceived, particularly in relation to debt and disconnection problems and the service provided by BG. OFGAS felt that its prime task was to protect the interests of BG's tariff customers. It concluded that, to understand the needs of these customers, it would have to take the initiative from the outset by ascertaining the problems customers were experiencing.

10.12. OFGAS approached this task through an annual programme of visits to local agencies dealing with consumer problems, including the 12 regional offices of the GCC. A working agreement arranged for

most customer complaints to be routed through the GCC's regional offices. OFGAS told us that it also, unsuccessfully, sought to develop direct contacts with BG's regions in order to understand the effect of company policies and practices at the point of contact with customers. In response, BG explained that it had established working arrangements with the GCC at regional level for handling customer complaints and wished to ensure that policy issues raised by OFGAS were handled at top management level. This was intended to ensure company-wide adoption of any policy clarification or changes. Communications were, therefore, co-ordinated by the Director of Regulatory Operations. The views of BG and OFGAS differ sharply on many aspects of the development of BG's quality of service. These differences apply both to accounts of negotiations between BG and OFGAS and to subjective assessments of BG's performance. Where there is no factual evidence to resolve these different viewpoints, we have presented both accounts.

10.13. Its contacts with local agencies and the GCC led OFGAS to take up a wide range of consumer problems with BG from 1986 onwards. Amongst the examples that OFGAS gave us were: the rate of interest paid on security deposits; the treatment of customers alleged to have interfered with their meters; the provision of supplies to prospective new customers; and the handling of customers who had fallen into debt.

10.14. After the number of customers disconnected for debt had risen by 70 per cent between 1985 and 1987, following a fall in the early 1980s (see paragraph 10.79), OFGAS became particularly concerned about the problem of debt and disconnection. It considered that BG's duty to 'give and continue to give' a supply of gas to its tariff customers (section 10 of the Gas Act) implied that the company should not disconnect any customer until all alternatives had been exhausted. After lengthy discussions with BG, and a formal reference of the disconnection problem to OFGAS by the GCC, OFGAS indicated to BG that it required a new condition to be included in the Authorisation.

10.15. The new condition 12A was adopted by agreement in April 1989. Under it BG agreed to adopt methods for dealing with tariff customers who were unable to pay their bills, due to misfortune or inability to cope with financial obligations, including:

- (a) distinguishing them from others in default;
- (b) detecting failures by these customers to comply with instalment payment arrangements;
- (c) taking account of the customers' ability to pay when making such arrangements;
- (d) ascertaining, with assistance from other organizations, the customers' ability to pay;
- (e) providing a prepayment meter when customers failed to comply with instalment payment arrangements; and
- (f) taking account of the customers' ability to pay when calibrating prepayment meters to recover charges due.

10.16. As a result of the MMC's 1988 report (see Chapter 1), four further conditions were included in BG's Authorisation in March 1989. These conditions (5, 5A, 9 and 9A) were concerned with the elimination of discriminatory pricing and restrictive contract terms in the contract market and improving the arrangements for common carriage on BG's pipeline system, rather than the quality of service provided by BG.

10.17. OFGAS told us that it found BG reluctant to adopt and publish general standards of service covering the whole range of its dealings with customers. When BG proposed a package of service standards in 1989, in response to a request in the OFGAS 1988 Annual Report, it was based on internal service standards, many of which were not known to customers. OFGAS considered that the proposed standards were surrounded by caveats, did not provide adequate performance measures, and did not include adequate arrangements for monitoring and controlling performance. This led to service standards being considered as part of the tariff formula review which started in June 1990. During the review, OFGAS proposed additional standards relating to continuity of supply, billing and estimating and the handling of customer contacts. BG, on the other hand, strongly denied that it had been reluctant to adopt general standards or that the package of standards proposed in 1989 was unsatisfactory. It also pointed out

that it had been active in developing standards since the early 1970s, and since privatization, had continued to develop and extend these standards, publishing them in April 1990 under the title *Commitment to our Customers*.

10.18. OFGAS told us that the discussions proved to be more difficult than it had envisaged, principally because BG had not set up management controls to ensure that its internal commitment to service was carried through to its front-line staff. BG, however, denied this and said that the effectiveness of its communication of key service messages to staff was borne out by the results achieved and increased customer satisfaction. OFGAS told us that it had aimed for comprehensive published standards, which were directed at BG's operations at the customer interface and were sharply defined to cause BG to put adequate management control systems in place. OFGAS felt that it was a struggle to get BG to publicize aspects of its operational systems which were previously confidential. Ultimately the package agreed did not have the sharp focus on service delivery which OFGAS had hoped for, partly owing to the shortcomings of BG's IT and other control systems. On the other hand, BG told us that it had published *Commitment to our Customers* two years before the regulated standards and felt that the package of standards agreed by OFGAS was sufficiently focused.

10.19. In addition to the adoption of a new tariff price formula, the review resulted in the introduction of condition 13A (see Appendix 10.2). This was designed to ensure that downward pressure on prices did not lead to falling standards of customer service, by requiring BG to establish and publish service standards and performance measures. BG's Authorisation was modified, by agreement, to include this condition in December 1991 and the service standards provided for in condition 13A came into effect on 1 April 1992. BG told us that, of the 30 regulated service standards, 28 were based on internal standards previously included in its 1990 publication, *Commitment to our Customers*. A revised version was subsequently published by BG. The standards are discussed in detail in Appendix 10.3.

### ***Competition and Service (Utilities) Act 1992***

10.20. Sections 11 to 19 of the 1992 Act inserted a number of additional sections into the Gas Act, several of which were designed to implement the 'Citizen's Charter' approach to regulating BG's quality of service. These sections essentially brought the powers of OFGAS, concerning quality of service, into line with those which had meanwhile been given to OFFER. The new powers covered the provision of services by BG, including guaranteed individual standards of service for customers, the creation of a complaint-handling scheme by BG with related compensation for failed service, and arrangements for resolving disputes between BG and its customers. During the passage of the Act, BG developed a voluntary complaint-handling and compensation scheme, which was launched in April 1992 and publicized to all customers.

10.21. New section 14A of the Gas Act provided for OFGAS to determine disputes concerning the provision of gas supplies between public gas suppliers and tariff customers or people wishing to become tariff customers. Provision was made in new section 15A for the Secretary of State to make regulations (which have not yet been made) empowering OFGAS to determine billing disputes between public gas suppliers and tariff customers. Under new section 32A, disputes of either type may also be subject to preliminary investigation by the GCC, as directed by OFGAS.

10.22. OFGAS was given powers, under new section 15B of the Gas Act, to determine standards of performance for the promotion, by public gas suppliers, of the efficient use of gas by consumers. Section 15B also provided for the publication of these standards and for BG to inform customers of the standards and its performance.

10.23. New section 33A of the Gas Act gave OFGAS powers to prescribe standards of performance for the provision of a gas supply service, by public gas suppliers, to individual tariff customers. This provided an alternative form of regulation to that available in condition 13A of BG's Authorisation which required BG, subject to OFGAS approval, to establish its own standards of service as distinct from OFGAS setting them in a regulation. OFGAS told us that it is proposing to seek enhancements to the powers available under condition 13A, to correspond with the provisions of section 33A. Following agreement between BG and OFGAS on proposals for the new package of standards for 1993, OFGAS has chosen to introduce them by modifying the existing condition 13A, rather than by prescribing standards under section 33A.

OFGAS considers that this will allow it, and BG, greater flexibility to develop new, or amended, standards to meet changing customer needs. It also feels that this approach is more in keeping with encouraging the development of total quality management in BG. In addition, section 33A provides for a statutory compensation scheme for the affected customers in the event that an individual standard is not achieved.

10.24. OFGAS was given powers, under section 33B of the Gas Act, to determine standards of overall performance (ie in aggregate) by public gas suppliers. Section 33B also gave public gas suppliers a duty to conduct their business in such a way as can reasonably be expected to lead to these standards being achieved.

10.25. The new section 33C of the Gas Act empowered OFGAS to collect information about the compensation payments made, and the levels of overall performance achieved, by public gas suppliers, under section 33A and 33B, and to arrange for this to be published. Section 33D gave public gas suppliers a duty to inform their customers, at least once each year, about their standards of overall performance and the levels of performance achieved.

10.26. Section 33E required each public gas supplier to establish a complaints procedure for tariff customers, in consultation with the GCC and subject to approval by OFGAS.

## **Performance measures and targets**

### ***Key and established standards***

10.27. Condition 13A of BG's Authorisation provided for standards of service to be established, by BG with the approval of OFGAS, and is now the framework for monitoring BG's quality of service (see paragraph 10.19). It is shown in full at Appendix 10.2.

10.28. The package of standards introduced under condition 13A, as part of the tariff formula review, was based on internal standards which had already been developed by BG, although some new ones were included. Sixteen key standards, augmented by a further 14 established standards, were adopted. This first package of condition 13A standards applied to the period from April to December 1992. The standards are set out in full in Appendix 10.3. In most cases, a performance norm was set and BG's service standard took the form of a minimum percentage of total transactions which should meet this performance norm. Each standard related to the tariff market. The key standards were the subset of the established standards which had a direct formal link to the tariff price formula. They are highlighted in Appendix 10.3 by being set in bold type. Failure to achieve the key standards could result in OFGAS reconsidering the tariff price formula. OFGAS told us that its objective in setting the key standards was to cause BG to focus sharply on the delivery of service to its customers by front-line staff.

10.29. Overall company standards are set for BG's corporate performance and are subject to annual planned performance levels and annual reports on achievement. Individual standards describe the services which individual tariff customers can expect to receive from BG. Compensation may be paid for failure to deliver the individual standards.

10.30. The planned performance levels for the first year of application of condition 13A (ie the period from April to December 1992), and the results achieved, are discussed in Appendix 10.3 and paragraphs 10.41 to 10.46. The continuing development of standards for 1993 is considered in paragraph 10.49.

## **Complaints-handling procedure and the compensation scheme**

10.31. BG launched and publicized its own formal complaints-handling procedure and compensation scheme in April 1992, in parallel with provisions arising from the tariff formula review. The scheme has been publicized in a booklet which sets out the appropriate channels for customer complaints. Under the procedure, BG commits itself to investigate the complaint thoroughly and respond within five working days. Where this response does not satisfy the customer, the procedure allows for a further appeal to the regional Customer Relations Manager (CRM). In addition, dissatisfied customers may seek help from the GCC or OFGAS.

10.32. Where the investigation reveals a failure on BG's part, the customer may be entitled to compensation. BG told us that this compensation would normally be based on:

- any special needs of the customer;
- the nature and extent of the complaint;
- whether the complaint relates to a recurring event; and
- the extent and duration of any inconvenience, discomfort or loss suffered by the customer.

10.33. Fixed minimum compensation payments have been set for failures by BG to achieve certain key and established standards. These fixed payments are set out in Table 10.1.

TABLE 10.1 **Fixed compensation payments**

<i>Standard</i>	<i>Minimum compensation payable</i>
<i>Obtaining a gas supply</i> Standards 10(a), (b) and (c)	£10
<i>Continuity of supply-general</i> Standard 11	£20 per day without supply
<i>Continuity of supply-older or disabled customers</i> Standard 12	£10
<i>Appointments-general</i> Standard 16	£10
<i>Appointments-moving house</i> Standard 23	£10
<i>Appointments-special meter readings</i> Standard 24	£10
<i>Appointments-cancellation</i> Standard 18	Less than 24 hours' notice: £10  Cancellation of rearranged appointment: £10 (irrespective of notice)

Source: BG.

10.34. Table 10.2 sets out the data supplied by BG on the operation of its complaints and compensation scheme. At this stage, the data are difficult to interpret, given the newness of the scheme and the time-lag before compensation payments are actually made. The table does, however, show that the area of greatest concern is BG's record in making and keeping appointments. OFGAS told us that it had been unable to ascertain the basis for the complaints figures reported by BG. It believed that complaints are only recorded when they reach the CRMs in BG's regional offices and thus do not include all the complaints made to BG. OFGAS told us that it was aware of many unresolved complaints made to BG's front-line staff, which had not apparently been referred upwards for further consideration. It considered that the real intake of complaints was likely to be significantly higher than the figures shown in the performance reports. In reply, BG pointed out that its procedure was spelled out in a readily available brochure. As it aimed to satisfy customers at first contact, complaints might well be dealt with at front-line level. If they were not, BG policy was to direct them to the CRMs and, thereafter, to the GCC or OFGAS.

TABLE 10.2 Complaints to BG and compensation, nine months to December 1992

Relevant standard	Number of complaints resolved	Compensation		Payments initiated by BG (number)	Total number of relevant transactions '000
		Fixed amount (number)	Negotiable amount (number)		
<i>Regulated area</i>					
Standard 10(a) (Survey visit)	93	23	6	10	56
Standard 10(b) (Dispatch of quotation)	72	11	10	6	55
Standard 10(c) (No survey-dispatch of quotation)	13	0	1	0	17
Standard 11 (Restoration of supply)	1,112	716	298	126	65
Standard 12 (Vulnerable customers)	79	20	18	2	N/A
Standard 16 (Keeping appointments)	4,439	3,484	307	632	1,445*
Standard 18 (Rearrangement of appointments)	2,875	1,645	718	276	1,445*
Standard 23 (Final meter readings)	317	131	33	5	1,642
Standard 24 (Special meter readings)	316	187	17	8	691
Other standards	<u>7,256</u>	<u>0</u>	<u>909</u>	<u>0</u>	<u>N/A</u>
Total regulated area	<u>16,572</u>	<u>6,217</u>	<u>2,317</u>	<u>1,065</u>	<u>4,000</u>
Average value per case	-	£13.33	£38.27	-	-
<i>Non-regulated area</i>					
Keeping appointments	23,765	22,840	1,716	6,695	8,000*
Other standards	<u>42,489</u>	<u>27</u>	<u>6,912</u>	<u>0</u>	<u>8,000*</u>
Total non-regulated area	<u>66,254</u>	<u>22,867</u>	<u>8,628</u>	<u>6,695</u>	<u>8,000*</u>
Average value per case	-	£10.19	£45.80	-	-
Overall total	82,826	29,084	10,945	7,760	12,000*
<i>Source: BG.</i>					

\*The relevant transactions shown are best estimates and not always additive, eg standards 16 and 18 show the same number of transactions as the number of rearranged appointments is not available.

10.35. In December 1992, after discussing the basis for reviewing BG's complaints-handling procedures, OFGAS and BG agreed to appoint consultants and a formal direction was issued to BG for the consultants to carry out the review. It will be completed by the time this report is published and will establish whether BG's complaints systems accord with recognized best practice. OFGAS told us that it had always intended to carry out a review at this stage in the operation of the scheme. Although the standards of service had led to a considerable improvement in BG's handling of complaints, OFGAS was concerned about a number of complaints which passed through various different systems and levels of management without being resolved. This led to its becoming involved in settling the issues. OFGAS commented that an adequate complaints-handling system should resolve many of these complaints before they reached it. It was particularly concerned about failures of communication between functions in BG, the lack of adequate follow-up of complaints after the first contact and some customers who experienced a successive failure to respond adequately, as they pressed their complaints at higher levels. BG told us that these matters would be considered in the light of the consultants' report.

10.36. The GCC told us that, in 1992, it received 25,280 complaints from customers of BG. This represented a reduction of 11 per cent since 1991. Table 10.3 shows the total numbers of complaints about BG made to the GCC in each year since 1987. Category A complaints relate to situations where the customer has previously approached BG and failed to get satisfaction. The GCC staff formally investigate Category A complaints on the consumer's behalf. When stating the number of complaints received about BG, the GCC normally includes only Category A. Category B complaints are those in which the customer approached the GCC as the first port of call. A Consumer Adviser will normally pass a Category B complaint to the company concerned and advise the customer to approach the GCC again if the complaint is not satisfactorily settled. In that event, the complaint is redefined as Category A.

TABLE 10.3 **Complaints to the GCC about BG**

	1987	1988	1989	1990	1991	1992
Category A	26,397	27,355	21,181	21,435	22,428	19,281
Category B	<u>7,665</u>	<u>6,759</u>	<u>6,627</u>	<u>5,516</u>	<u>5,916</u>	<u>5,999</u>
Total	34,062	34,114	27,808	26,951	28,344	25,280
Annual change in Category A (%)	-	+3.6	-22.6	+1.2	+4.6	-14.0

Source: GCC.

10.37. Table 10.4 shows an extract of the main types of complaints received about BG since 1987. The GCC considers that the largely consistent levels of customer dissatisfaction, in the areas of gas accounts and service and repair work, underline the need for more effective standards in these areas. It attributes the reduction in other types of complaint to revised debt and disconnection procedures, the introduction of the district structure and CRMs and the publication of standards of service.

TABLE 10.4 **Main types of Category A complaint against BG**

	1987	1988	1989	1990	1991	1992
New appliances	3,942	3,083	2,443	2,443	2,256	1,903
Service and repairs	4,330	4,616	3,857	3,911	4,558	4,028
Gas accounts	7,750	7,776	6,247	6,997	7,895	6,517
Fuel debt	2,600	3,373	1,529	1,109	1,180	1,065

Source: GCC.

10.38. OFGAS, on the other hand, reports receiving an increased number of complaints and enquiries in 1992. It told us that it received 1,624 complaints and 203 enquiries from individuals concerning the activities of BG. This represented an increase of 89 per cent on the number received in 1991. An analysis of the complaints by category and type of referral is shown in Table 10.5. BG told us that it was concerned about the way in which OFGAS categorizes complaints. BG was unable to reconcile the numbers with its own figures. It had received only 506 formal complaints from OFGAS in 1992. BG believed that the OFGAS total included cases where customers were simply advised to contact the appropriate BG region, as well as enquiries settled by OFGAS without reference to BG.

TABLE 10.5 **OFGAS case breakdown, January to December 1992**

Category	Complaints received	Dealt with by OFGAS*	Cases referred to: BG region†	BG HQ	GCC‡	Other (HSE, OFT etc)
Meters	100	25	36	37	2	-
Distribution engineering	106	39	39	19	7	2
Tariff and standing charges	97	83	8	5	1	-
Account disputes	571	126	228	188	28	1
Miscellaneous	26	17	3	3	3	-
Meter tampering	34	1	-	33	-	-
Debt and disconnection	91	11	16	64	-	-
Gas safety	43	8	12	13	7	3
Premises definition	8	5	1	2	-	-
Disconnection/rights of entry	21	4	9	7	-	1
Services and related charges	398	37	51	30	280	-
Connection charges	<u>129</u>	<u>9</u>	<u>-</u>	<u>120</u>	<u>-</u>	<u>-</u>
Total	1,624	365	403	521	328	7

Source: OFGAS.

\*Cases of a general nature not requiring reference to BG.

†CRMs.

‡Cases where OFGAS enforcement functions do not apply.

10.39. OFGAS told us that it was uncertain about the reasons for the increase in complaints. It believed, however, that some factors influencing the increase were:

- (a) the greater public awareness of citizens' rights resulting from 'Citizen's Charter' initiatives and action by OFGAS;
- (b) reductions in the domestic tariff rate;
- (c) changes in the calculation of the calorific value of gas;
- (d) the metrication of gas bills; and
- (e) the decision to levy the standing charge on a daily basis.

BG commented that the increase in the number of complaints recorded by OFGAS is relatively small in relation to the numbers of customers and jobs concerned. It felt that any increase was likely to be caused by growing public awareness of OFGAS, rather than any deterioration in BG's service. Part of the increase could be attributed to debt problems associated with the recession, particularly in the South-East. BG considered that the reduction in complaints to the GCC was more significant, since the numbers involved were larger and covered the whole range of BG activities.

10.40. Where OFGAS complaints have not already been through BG's own complaints system, and do not require the immediate exercise of OFGAS's legal powers, they are normally referred direct to the CRM in the BG region concerned. The CRM reports back to OFGAS on the outcome of the complaint. Customers can approach OFGAS again if the complaint is not resolved to their satisfaction. Of the 403 complaints referred to the CRMs in 1992, the majority were fully resolved. Where OFGAS felt obliged to intervene further, improved results were obtained in 15 cases.

## **BG's performance against key and established standards**

10.41. A variety of methods is used by BG to monitor and control performance against the standards. Although most standards of service apply mainly to the market up to 25,000 therms, where applicable, data are also collected for the contract market (but not analysed separately). Given the small number of contract customers, relative to the number of tariff customers, they have little effect on the published results. Their inclusion is mainly of significance in enabling contract customers to qualify for compensation when individual standards are not met. BG's regions have monitored their own performance since the 1970s. It is now introducing consistent monitoring across regions to enable more reliable inter-region and inter-district comparisons to be made. At the request of OFGAS, an independent audit of BG's monitoring and reporting of performance is to be carried out in 1993, using consultants and terms of reference jointly agreed by BG and OFGAS.

10.42. The available data about BG's performance, against each of the key and established standards, are shown in Appendix 10.3, together with information from market research and other sources which throws light on each aspect of BG's performance in 1992. BG's performance is either above the standard set, or within 2 per cent of it, in all cases where quantified data are available. Where standards are monitored by inspection, or by management supervision, BG often does not have systematic information on the number of failures to achieve those key and established standards. We are, therefore, unable to judge its performance against these standards in detail. This affects Standards 1, 2, 3, 7, 12, 17, 18, 19, 26 and 28. Each of these standards require certain actions to be taken in all cases. BG tells us that its procedures are designed to ensure that this is always achieved. Where performance against standards is not quantified, through rigorous reporting procedures, this results in it being difficult to verify or audit independently.

10.43. In November 1992 BG's group audit department completed an internal review of the recording, monitoring and reporting procedures for the standards of service. Although the audit confirmed that all BG's locations had recording, monitoring and reporting systems, it found that their accuracy and coverage varied. At the majority of locations, systems were considered to be generally reliable. But improvement was required to ensure the completeness and reliability of the information provided. Three locations needed

more significant action to bring their systems up to standard. More widespread problems were found with the interpretation of three key standards (Standards 5, 8 and 9). A lack of documented procedures in some places led to inconsistent recording, monitoring and reporting.

10.44. At the time of the audit, no formal reporting systems, for some of the key and established standards, were in place. There was no mechanism for locations to report their performance in relation to three of the 16 key standards (Standards 1, 12 and 17). There was also no satisfactory mechanism for reporting performance against established Standards 3, 19 and 28. Group audit reported that remedial measures had been proposed and were being implemented. The performance data for 1992 are, however, affected by these interpretation and reporting problems. BG told us that, in light of operational experience gained in 1992, and the views obtained by OFGAS through its consultation process, virtually all of the standards in the draft package for introduction in 1993 will be subject to quantified monitoring and reporting.

10.45. In two cases (Standards 10 and 11), BG's own assessment of its performance against its standards can be checked against an independent assessment by a representative sample of customers (see Appendix 10.3). In these cases, we found significant differences in the perception of BG's response times. There are valid reasons why customer recollections may be different from internal monitoring. Also the customer's basis of response differs from BG's monitoring base: for example, BG measures delays in undertaking work from the time of receipt of the request, whereas customers are likely to measure from the time of issue (which may involve postal delays or third party delays). Nonetheless, BG told us that it fully supports customer surveys as a supplement to internal monitoring and also a 'sense check' on internal monitoring. Although customer recollections may be faulty, these differences highlight the value of extending the use of independent cross-checks to test BG's measurement of its performance against the standards. They also indicate areas which need to be examined by the independent review of BG's monitoring procedures (see paragraph 10.41).

10.46. OFGAS considered that there were increasing indications that BG was improving its service delivery, complaint handling and its general customer interactions in the regulated area. The new district offices were working hard to achieve good customer service. There were, however, still some major functions where further improvement was needed. This applied, in particular, to customer accounting and the unregulated appliance sales, installation and servicing sector of BG. Also, a number of BG's engineering and marketing functions still needed to experience the culture change emerging at district office level. Whilst OFGAS felt it was fair to compliment BG on the provision of service standards to its tariff customers, from the second half of 1992, this did not justify BG portraying itself as one of the best service delivery companies in the country. Although OFGAS did not want to detract from the progress that BG had made recently, there were still major tasks to tackle. Regulatory pressure should be maintained to encourage BG to speed up the process of cultural change and the improvement in its customer service.

### **Cost of meeting key and established standards**

10.47. BG told us that it is fully committed to improving its standards to meet customer requirements. It plans to achieve the regulated standards of service package, associated with the tariff formula from 1 April 1992, in a consistent manner. BG emphasized that the costs of meeting higher service standards should be taken into account. In 1989 BG estimated that additional annual revenue expenditure of £18.2 million would be required to meet its existing internal standards of service consistently in all regions. This cost arose because the previous standards of service differed from region to region, and the new standards required a uniform level to be achieved in all regions. Table 10.6 shows the composition of the additional annual costs that were identified.

TABLE 10.6 **Additional cost of achieving standards of service**

	<i>Annual cost, 1989 prices £'000</i>
<i>Customer contact*</i>	
Face to face	787
Telephone	5,584
Showrooms	2,905
Correspondence	<u>783</u>
	10,059
<i>Appointments and speed of response†</i>	
Marketing	4,695
Engineering	381
Customer accounting	<u>691</u>
	5,767
<i>Operational performance‡</i>	
Marketing	267
Engineering	1,052
Customer accounting	<u>1,029</u>
	2,348
 Total	 18,174

Source: BG.

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\*The cost of meeting telephone standards included additional staff to meet target response times and the extra costs of ensuring that a local telephone call facility was available everywhere. The cost of meeting showroom standards included extra costs for operating the standard on opening hours and avoiding extensive queuing for services or paying bills.

†The additional costs identified in this area mainly related to the additional manning implications of meeting the standards in respect of appointments and speed of response.

‡The two largest components of this item were £1.1 million in engineering for meeting standards in respect of reinstatement and £1.0 million in customer accounting for operating BG's policy on the frequency of meter reading.

10.48. OFGAS commented that it had been pressing BG to introduce a system for measuring the incremental costs of providing different levels of customer service. It had used consultants to provide BG with an outline for a system, which would establish a baseline of current service costs against which incremental costs could be measured. BG and OFGAS are currently discussing how to make progress with costing standards of service. OFGAS commented that, in view of this position, it could not place reliance on the cost figures previously provided by BG.

### ***Future development of key and established standards***

10.49. OFGAS told us that it considered that the package of standards of service, complaint handling and compensation arrangements, put into place in April 1992, had got off to a reasonably good start. It believed that critical self-examination of service delivery within BG was beginning to happen, as a result of tough negotiation by OFGAS. BG, on the other hand, told us that it considered it had long had a policy of critical self-examination. This had not been a result of pressure from OFGAS: its customer satisfaction index (see paragraph 10.67), for example, pre-dated the establishment of OFGAS. A review of service standards started in August 1992 and was supplemented by a consultation exercise and submissions from agencies dealing with consumer problems.

10.50. OFGAS told us that measurable service standards should be extended to all BG's major operational divisions and functions. Systems to measure the cost of service delivery needed to be established. The incremental cost of providing alternative levels of service could then be assessed. OFGAS considered that BG had made little effort to measure service costs. It, therefore, wanted to ensure that BG operated a comprehensive standard of service package reflecting best practice in the service sector, which was relevant to all tariff customers and properly costed, managed, controlled and delivered. Discussions between BG and OFGAS have taken place, on both the definition of standards for 1993 and the planned performance levels. A consultation document was published by OFGAS in June 1993 and, following the formal consultation exercise, will lead to the new standards of service package being put in place in the autumn of 1993. The review clarified the wording of some standards, introduced additional standards and

re-examined planned performance levels in the light of the levels achieved in 1992. BG commented that it had sought strenuously to reduce costs and had every incentive to do so given the tariff formula.

10.51. BG told us that it intends to continue developing internal standards for the contract market. Although no formal standards of service have been set for transportation and storage, a number of standards emanate from BG's contracts with shippers and undertakings given to the OFT (see paragraph 10.92). BG told us that it recognized the need to put these on a formal basis. Standards of service for third party transportation and storage are being developed by BG and OFGAS. Following consultation with shippers and users, these standards are expected to become part of BG's Authorisation.

10.52. The GCC has made a significant contribution to the review of standards of service. It told us that it sees considerable scope for improvement in the detail and priority of the standards, to ensure that they reflect the activities that are of most concern to customers. The GCC also favours automatic compensation where standards are not met. It told us that the current standards should be more positive. A range of new standards should be introduced, including published company standards for non-regulated areas. It has produced proposals for standards covering buying and installing gas appliances; servicing and repairs; spare part availability; and finishing work on the first visit. The GCC has also proposed that the standards should be extended to cover safety, including: setting out requirements for staff training; the handling of customer reports of faulty appliances and other safety risks; the promotion of low-cost basic safety checks; and publicity for safety activities.

10.53. We have not commented on the proposed standards for 1993 as the standards package should be a matter for negotiation between OFGAS, with the assistance of the GCC, and BG. We have, however, drawn attention in paragraphs 10.42 to 10.45 to some problems with the previous package, which should be taken account of in the current review.

## **Street works**

10.54. In addition to the quality of service standards set under the gas industry legislation, BG is also subject to any regulations made under the New Roads and Street Works Act 1991, which came into effect on 1 October 1992. This imposed responsibility for reinstatement on the road opener and also, under secondary legislation, directed the establishment of National Codes of Practice on specifications and performance standards of service provided by BG. Additional standards have been agreed between BG and OFGAS and these are shown in Appendix 10.4. OFGAS told us that its approach to the service standards for street works emerged from its experience of handling complaints about BG's performance. The standards were set after negotiation with BG, at the time that the other established standards were settled. It was, however, agreed that they would not be incorporated into the main body of standards, until the Department of Transport had developed new regulations and codes of practice under the New Roads and Street Works Act. These uniform standards for the various utilities have yet to be developed. Consequently, OFGAS has now agreed with BG that its street works standards will be incorporated into the next package of established standards. In essence, the standards require BG to provide advance warning of all street works to affected customers and premises, and to provide details of the work to be done and the reasons for it. BG is also required to make provision for pedestrian safety and to keep sites tidy. No information is yet available on BG's performance compared with the new standards.

10.55. BG told us that it has made considerable efforts to minimize excavations and inconvenience to customers and the public, by the increased use of such new methods as moling, insertion, narrow trenches and mechanized trenching equipment. Table 10.7 shows the use of these new methods recorded by one representative region (West Midlands) over recent years. BG told us that regions would typically have recorded under 10 per cent for each of these categories five years earlier.

TABLE 10.7 **New technology methods in street works, West Midlands Region**

	<i>per cent</i>			
	1989/90	1990/91	Nine months to December 1991	Nine months to September 1992
New mains*	31	28	45	57
Relay mains*	53	57	47	61
New services†	56	50	51	78
Relay services†	73	73	76	77

Source: BG.

\*Percentage by length.

†Percentage by number of service pipes laid or relaid.

## Public perception of BG performance

10.56. In addition to the data shown in Appendix 10.3, BG has supplied us with many other sets of survey results. This market research covers the views of many specialized sections of the public and many aspects of BG's corporate image. The general impression is that its customers and the general public have a positive view of BG and of the quality of service it provides. Although there has been some criticism of BG's management, its corporate culture and its relationship with OFGAS, from specialist journalists and investment analysts, BG told us that a survey of oil and energy journalists between February and April 1993 showed that perceptions of it were improving.

10.57. A relevant indicator of BG's quality of service performance in the tariff market is provided by the comparative surveys of the public perception of the various utilities. These surveys show BG with a consistently high level of customer satisfaction relative to the other privatized utilities. As a representative example, the NOP Satisfaction Index for November 1991 is shown in Table 10.8.

TABLE 10.8 **NOP satisfaction index, November 1991 (sample size: 3,782)**

	<i>per cent</i>				
	BG	Electricity company	Water authority	British Telecom	Royal Mail
<i>A. Overall, how satisfied are you with ... ?</i>					
Favourable	74	73	61	60	78
Neutral	17	15	17	15	10
Unfavourable	9	11	22	25	12
<i>B. How satisfied are you with the quality of service you receive from staff employed by ... ?</i>					
Favourable	71	71	57	64	81
Neutral	21	21	32	23	12
Unfavourable	8	7	12	13	7
<i>C. How satisfied are you that the service you receive from ... is good value for money?</i>					
Favourable	63	57	48	41	71
Neutral	22	23	24	19	15
Unfavourable	15	20	28	39	14

Source: NOP Omnibus Services.

10.58. A survey carried out for OFFER by MORI, in March 1993, also asked consumers to compare the performance of various utilities. The response is shown in Table 10.9.

TABLE 10.9 OFFER survey, March 1993 (sample size: 3,017)

	<i>per cent</i>			
	<i>BG*</i>	<i>Electricity company</i>	<i>Water company†</i>	<i>British Telecom*</i>
<i>A. Aside from prices, how satisfied or dissatisfied are you with the overall service you receive from ...?</i>				
Totally/very satisfied	54	45	35	41
Fairly satisfied	35	40	35	44
Total satisfied	89	85	70	85
Neutral	5	7	11	7
Dissatisfied	4	6	11	8
Don't know	1	1	5	1
<i>B. To what extent would you say the services provided by ... have improved or got worse since they were privatised?</i>				
Improved a great deal	2	1	-	3
Improved a little	11	6	3	14
Unchanged	74	79	70	62
Got worse	6	8	19	15
Don't know	6	6	7	4

Source: OFFER/MORI.

\*Excludes non-users.

†Section B applies to England and Wales only.

10.59. The phrasing of the questions has changed between the 1991 NOP survey and the 1993 MORI survey, making direct comparisons of the results difficult. There does, however, appear to have been an increase in the proportion of the sample giving a favourable response, for each of the four utilities covered by both surveys. BG still receives a better rating than the other privatized utilities. Although most customers (74 per cent) consider that BG's quality of service is unchanged since privatization, more consider that it has improved (13 per cent) than consider that it has got worse (6 per cent).

10.60. In March 1993 the GCC commissioned a more detailed survey to assess public opinion about introducing competition into the domestic market. A representative quota sample of 1,721 gas consumers was interviewed by MORI. Table 10.10 sets out their response, when questioned about the quality of service provided by BG.

TABLE 10.10 **GCC survey: customer rating of aspects of BG's service**

How would you rate British Gas on the following aspects of their service?

	<i>per cent</i>					
	<i>Very good</i>	<i>Fairly good</i>	<i>Average</i>	<i>Fairly poor</i>	<i>Very poor</i>	<i>Don't know</i>
Overall standard of service	33	45	13	2	1	6
Speed of response to gas leak	47	21	4	1	*	27
Speed of restoring gas supply if for some reason it is cut off, eg for mains replacement or leak	21	30	9	2	*	39
Speed of response to telephone calls and letters	17	36	20	4	1	22
Keeping to appointment made	17	32	17	7	4	24
Willingness to give appointments which specify a particular time of day	12	29	17	12	6	23

Source: GCC/MORI.

\*Less than 0.5 per cent.

10.61. When asked to rate BG on the various aspects of service mentioned, a high proportion in each case responded that they did not know. This no doubt reflected the proportion who did not have experience of these aspects of BG's service. When asked to rate the overall standard of service offered by BG, however, few were undecided. 78 per cent believed it to be good, a third saying it was 'very good'. Only 3 per cent believed it to be poor. BG's speed of response to gas leaks was rated highly: 68 per cent said it was good, including 47 per cent saying 'very good'. Respondents were more likely to rate BG 'fairly good' than 'very good' on the other aspects of the service. Altogether, a half believed it was good in terms of responding quickly to letters and calls (53 per cent) and restoring gas supplies (51 per cent). 49 per cent believed it to be good at keeping appointments made. The aspect which received the lowest rating was being willing to specify a time for appointments. But two in five still believed it to be good in this respect (41 per cent). It was only with respect to the two aspects relating to appointments that the proportion rating BG as 'poor' exceeded 5 per cent, keeping appointments made (11 per cent poor) and willingness to specify times (18 per cent poor).

10.62. Respondents were also asked how important they considered each aspect of service to be and whether having a choice of supplier mattered. The results are set out in Table 10.11.

TABLE 10.11 GCC survey: importance of various aspects of service

How important do you regard the following aspects of service from your mains gas supplier?

	<i>per cent</i>					
	<i>Essential</i>	<i>Very important</i>	<i>Fairly important</i>	<i>Not very important</i>	<i>Not at all important</i>	<i>Don't know</i>
A quick response to a gas leak	71	27	*	0	*	2
Prompt restoration of gas supply if for some reason it was cut off, eg for mains replacement or leak	54	40	3	*	0	3
Keeping to appointment made	25	63	9	*	*	2
Being willing to give appointments which specify a particular time of day	19	55	21	3	*	2
Speedy response to telephone calls and letters	17	59	20	1	0	3
Being able to have a choice between companies for the supply of mains gas	9	31	22	23	10	6

Source: GCC/MORI.

\*Less than 0.5 per cent.

10.63. The most important of the aspects of service described, according to respondents, were a quick response to a gas leak, which 71 per cent believed to be 'essential', and the prompt restoration of a gas supply, which 54 per cent believed to be 'essential'. Keeping appointments, specifying a time for an appointment and giving a speedy response to letters and telephone calls were all most likely to be considered 'very important' rather than essential (63 per cent, 55 per cent and 59 per cent respectively). The aspects of service which respondents considered to be most important also tended to be those for which they rated BG's performance highly.

10.64. Attitudes towards being able to choose between suppliers of mains gas were mixed. An equally low proportion felt that it was essential (9 per cent) as felt that it was not at all important (10 per cent). While three in ten felt that it was 'very' important, over two in ten felt that it was only 'fairly' important. A similar proportion believed that it was 'not very' important (23 per cent). Altogether, 33 per cent believed that having a choice was not important.

10.65. The customers interviewed were asked whether they thought that the various aspects of service would improve as a result of competition in the domestic market. Their response is shown in Table 10.12.

TABLE 10.12 GCC survey: expected effect of competition aspects of service

If there were more than one supplier of gas to households, do you think the following aspects of service would improve, get worse or stay about the same?

		<i>per cent</i>			
	<i>Base</i>	<i>Improve</i>	<i>Stay the same</i>	<i>Get worse</i>	<i>Don't know</i>
Ability to get an appointment at a specific time of day:					
All	(1,721)	43	37	7	14
Of which: BG `Good'	(705)	39	42	8	11
BG `Poor'	(316)	60	32	3	5
Companies' ability to keep their appointment:					
All	(1,721)	41	38	7	14
Of which: BG `Good'	(846)	36	46	9	9
BG `Poor'	(182)	60	27	5	8
Speed of response to telephone calls and letters:					
All	(1,721)	40	40	7	12
Of which: BG `Good'	(917)	36	47	9	8
BG `Poor'	(89)	58	34	2	6
Speed of restoration of gas supply if for some reason it was cut off, eg for mains replacement or leak:					
All	(1,721)	37	42	8	13
Of which: BG `Good'	(867)	36	47	9	8
BG `Poor'	(34)	58	34	2	6
Speed with which the companies respond to gas leak:					
All	(1,721)	36	44	9	11
Of which: BG `Good'	(1,160)	33	49	10	8
BG `Poor'	(20)	61	35	0	4

Source: GCC/MORI.

10.66. The two aspects of service on which BG was rated least highly were the most likely to be expected to improve. More than two in five expected that there would be an improvement in their ability to get an appointment at a specific time of day (43 per cent) and in the companies' ability to keep their appointments (41 per cent). An equal proportion (40 per cent) believed that speed of response to telephone calls and letters would improve as believed that it would stay the same. A slightly higher proportion expected that there would be no change in the speed of restoration of gas (42 per cent) and speed of response to gas leaks (44 per cent). In each case, fewer than one in ten believed that the aspect of service would get worse. In each case also, those who considered BG's services to be `poor' were markedly more likely than those who rated them as `good' to expect services to improve. BG commented that the survey was likely to reflect the perceived benefits of competition in general, without due recognition of the special circumstances of the domestic gas market. It added that fundamental issues, such as prices and security of supply, had not been raised.

10.67. BG has been carrying out large-scale internal surveys of customer attitudes since 1973, as part of its `Gold Flame' competition. These surveys are based on random samples of over 600,000 customers each year, structured to provide detailed information about the performance of BG's main departments. Because they have been carried out for many years, the surveys provide useful information on the trend in BG's quality of service, both before and after privatization. The results are presented as an average satisfaction index, where individual responses are weighted on the following scale:

Excellent	167
Very good	133
Good	100
Satisfactory	83
Fair	67
Poor	33
Very bad	0

10.68. The BG customer satisfaction index for customer service (eg emergency and meter work and appliance breakdown calls) has been measured on this basis since 1973 and details are shown in Table 10.13. It illustrates the improvement in customer perception of customer service departments since the surveys were started.

TABLE 10.13 **Gold Flame customer satisfaction indices for customer service departments**

Year	1973	1975	1980	1985	1986	1987	1988	1989	1990	1991	1992
Index	87	95	111	116	116	117	118	120	122	122	124

Source: BG.

10.69. Table 10.14 shows overall satisfaction indices for BG, averaged over all departments, since 1988. The results of the surveys indicate a steadily rising perception of BG's performance until 1991. BG attributed the recent interruption in this steady increase to disruption caused by the regional organization review (see Chapter 9), which resulted in significant numbers of staff moving office. It believed that the rising trend had since been resumed. OFGAS told us that it believed that the main reason for the apparent downturn in performance, in the winter of 1991/92, was the major step forward at the end of that period, owing to new control systems being brought into action to enable BG to comply with the standards of service.

TABLE 10.14 **Overall Gold Flame customer satisfaction indices**

Opinion of service level	Year ending					
	March 1988	March 1989	March 1990	March 1991	December 1991	December 1992
Overall Gold Flame scores	118.1	119.9	122.5	125.0	122.4	123.7
Overall opinion of service provided	116.6	118.3	120.5	123.3	120.5	122.2
Time taken to get job done	N/A	N/A	N/A	N/A	129.4	131.2

Source: BG.

Note: Based on the scale from 'excellent' = 167 to 'very bad' = 0.

10.70. The customer satisfaction surveys also provide a large amount of information on customer views of many aspects of BG's service. The examples shown in Table 10.15 cover the period from January to December 1992 and use the same type of index as Table 10.13.

TABLE 10.15 **Gold Flame customer satisfaction indices for departments, January to December 1992**

<i>Aspects of service</i>	<i>Index</i>
<i>(a) Customer account administration</i>	
Overall opinion of account administration	111
Overall opinion of staff dealing with account queries	116
<i>(b) Distribution engineering</i>	
Overall opinion of service provided by local gas region	117
Opinion of most recent job done	117
<i>(i) Customer initiated work</i>	
Opinion of time taken to contact customer	116*
Opinion of time taken to start the job after 'go-ahead'	112*
<i>(ii) BG initiated work</i>	
Opinion of amount of notice given	116*
Opinion of time taken to do work	114*
<i>(c) Showrooms</i>	
General opinion of local gas showroom	106
Opinion of showroom staff	114
<i>(d) Customer service (ie appliance servicing etc)</i>	
Overall opinion of service provided by local gas region	122
Opinion of most recent job done	125
Opinion of the way the work was done	132
Opinion of people who did the work	133

Source: BG.

\*April to December 1992.

Note: Based on the scale from 'excellent' = 167 to 'very bad' = 0.

10.71. The range of index results, from 106 to 133, is equivalent to a range from 'good' to 'very good' on BG's satisfaction scale. The customer satisfaction measured by BG thus shows that all areas are reasonably well thought of by customers. Customer service achieves the highest ratings and gas showrooms the lowest. The detailed underlying data indicate that the vast majority of BG's customers assess all the aspects of its service as excellent, very good, good or satisfactory. Taking the poor and very bad categories together, in no case does the number of customers giving these negative assessments exceed 10 per cent of the sample. The Gold Flame competition was originally based on overall customer satisfaction with service work. More recently, the scope of the competition was extended to include aspects of showroom activity, customer accounting and distribution work. OFGAS told us that it is encouraging BG to add as many of the standards of service as possible to the competition, to provide incentives for the district offices to improve service delivery.

## **Customer service departments**

10.72. BG's customer service departments are the main point of customer contact in relation to gas supply, where the activity is covered by regulated standards (eg emergency, safety or meter work). These departments also carry out other unregulated work (eg appliance installation), where they are subject to considerable competition. In those cases, BG operates to voluntary unregulated standards. All customer service work is subject to customer surveys, carried out for the 'Gold Flame' competition (see paragraph 10.67). These include monthly postal surveys in each district, of samples of 200 to 250 customers, who have had service work carried out in the previous month. The samples are selected by the regions as representative of their workload. Customers are asked for their overall opinion of the customer service provided by their region and their opinion of the most recent job done. The results are shown in Table 10.16.

TABLE 10.16 **Customer opinion of customer service departments, January to December 1992**

<i>Customer assessment</i>	<i>Overall opinion of service provided % of sample</i>	<i>Opinion of most recent job done % of sample</i>
Excellent/very good	59	66
Good/satisfactory	31	26
Fair	3	3
Poor/very bad	3	4
Not stated	4	1

Source: BG.

10.73. The customer assessments show that 72 per cent of jobs were completed in one visit and 83 per cent of jobs were completed in one day (more than one visit may be made on the same day). Figure 10.1 shows how the number of visits and number of days taken to complete a job has been reduced since 1988. Figure 10.2 shows the increasing proportion of jobs completed in one visit in the same period. BG told us that the significant improvements shown in these figures were due to a combination of better diagnostic skills by service engineers and improved stocks of spares on vehicles.

## **Vulnerable customers**

### ***Older and disabled customers***

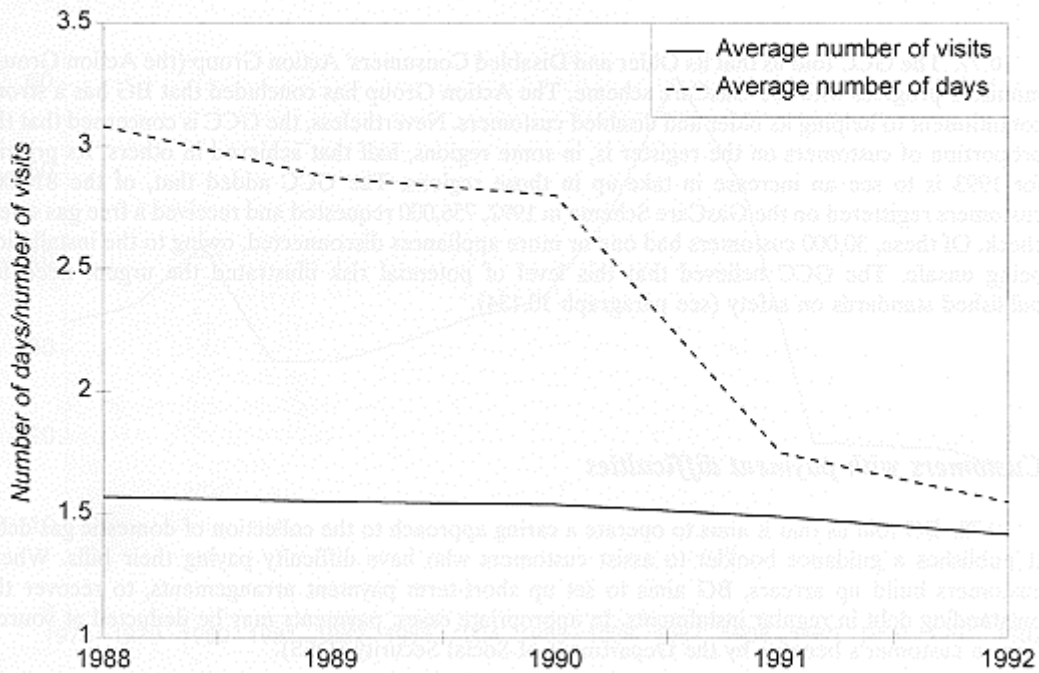
10.74. BG has made special provision for older and disabled customers for many years. Services for the elderly or infirm are provided by a range of BG employees, including showroom staff, the service engineers who check customers' installations and a team of 200 Home Service Advisers, whose role includes working with specialist agencies and older or disabled customers. BG told us that all employees involved in the provision of services to older or disabled customers receive relevant training and briefing supported by operational procedures and documentation. Condition 13 of BG's Authorisation commits it to providing the following services:

- (a) examining free of charge, in the case of customers who live alone, the safety of gas appliances and other gas fittings on the customer's side of the meter;
- (b) providing, where practical, special controls and adaptors for gas appliances and prepayment meters and repositioning meters;
- (c) providing special means of identifying its staff; and
- (d) giving advice on the use of gas and the use of gas fittings.

10.75. BG launched a code of practice for older and disabled customers in 1990. This provides for gas safety checks, adaptors for gas appliances, free advice and the use of identity cards. Special arrangements are made for older people with debt problems. Alternative heating and cooking facilities are made available if their supply is cut off. A 'GasCare' register of older and disabled customers has been established, to ensure that vulnerable customers receive the appropriate services. 840,000 customers are currently included on the register, which records their special needs. BG anticipates that the number of customers on the register will grow, to about 1 million. These customers receive various additional services, including regular free safety checks on appliances, access to contact telephone numbers and a free newspaper. OFGAS told us that the package of services for elderly and disabled customers emerged from a survey conducted by the GCC and the subsequent report seeking improvements in BG's services. The GCC had been unable to secure BG's agreement to the services that it considered necessary and had sought help from OFGAS. After intervention by OFGAS, the GasCare register was established and the overall package agreed between BG and the GCC. BG commented that these improvements need to be seen against a background of the progressive upgrading of its services for older and disabled customers over a number of years.

FIGURE 10.1

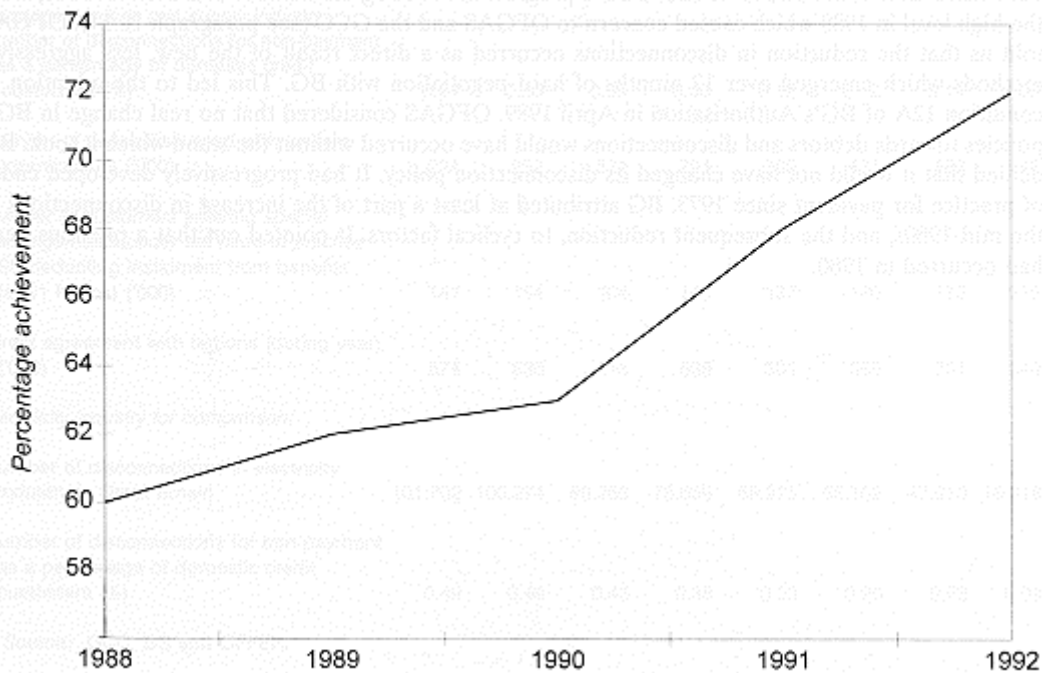
**Completion of customer service jobs,  
performance from 1988 to 1992**



Source: BG.

FIGURE 10.2

**Customer service jobs completed in one visit,  
performance from 1988 to 1992**



Source: BG.

10.76. BG estimated that it incurs additional annual operating costs of about £22.5 million, in providing free or subsidized services for older and disabled customers. The cost of these services is recovered through revenue from all tariff customers. OFGAS has proposed new standards of service, covering the GasCare register and the provision of related services for inclusion in the 1993 package.

10.77. The GCC told us that its Older and Disabled Consumers' Action Group (the Action Group) monitors progress with the GasCare scheme. The Action Group has concluded that BG has a strong commitment to helping its older and disabled customers. Nevertheless, the GCC is concerned that the proportion of customers on the register is, in some regions, half that achieved in others. Its priority for 1993 is to see an increase in take-up in those regions. The GCC added that, of the 810,000 customers registered on the GasCare Scheme in 1992, 756,000 requested and received a free gas safety check. Of these, 30,000 customers had one or more appliances disconnected, owing to the installation being unsafe. The GCC believed that this level of potential risk illustrated the urgent need for published standards on safety (see paragraph 10.134).

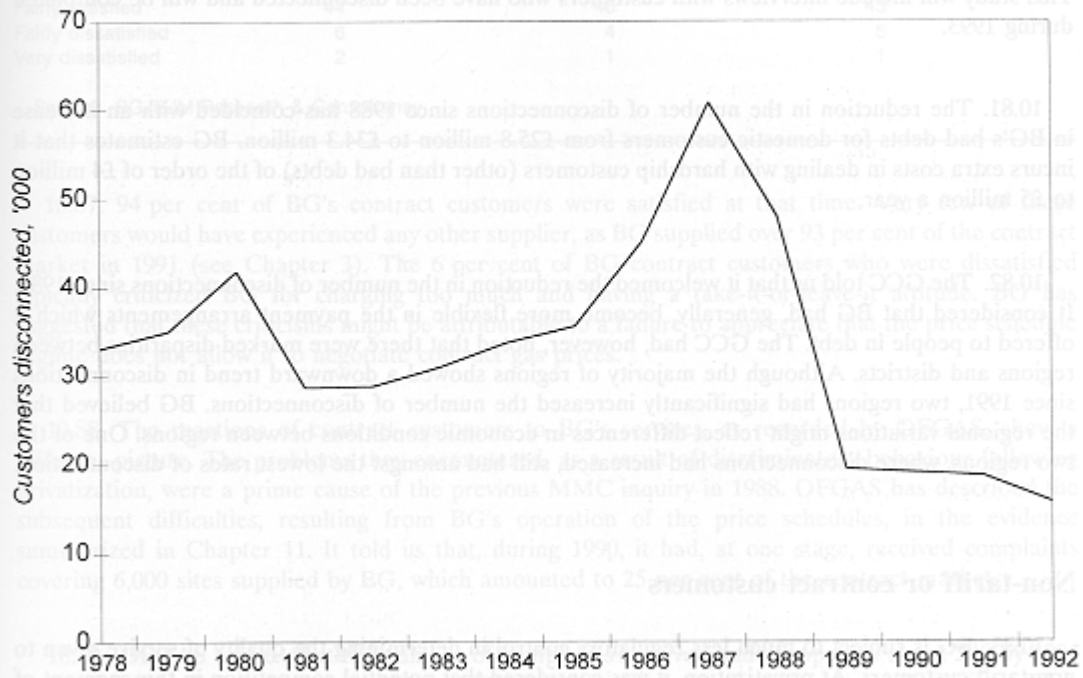
### ***Customers with payment difficulties***

10.78. BG told us that it aims to operate a caring approach to the collection of domestic gas debt. It publishes a guidance booklet to assist customers who have difficulty paying their bills. Where customers build up arrears, BG aims to set up short-term payment arrangements, to recover the outstanding debt in regular instalments. In appropriate cases, payments may be deducted at source, from a customer's benefits by the Department of Social Security (DSS).

10.79. BG told us that it regarded the installation of a prepayment meter as a last resort, to avoid disconnection. In most cases, a token-operated meter would be used. Only in extreme cases of failure to pay for gas supplied are customers disconnected. BG advises such customers to discuss the terms and options for reconnection with it. Figure 10.3 shows the number of disconnections since 1978. Table 10.17 shows comparative data for gas and electricity disconnections and details of BG's fuel debt cases since 1988. The table shows BG's progress in reducing the number of disconnections, from the high level in 1988 which caused concern to OFGAS and the GCC (see paragraph 10.14). OFGAS told us that the reduction in disconnections occurred as a direct result of the new, less aggressive, methods which emerged over 12 months of hard negotiation with BG. This led to the adoption of condition 12A of BG's Authorisation in April 1989. OFGAS considered that no real change in BG's policies towards debtors and disconnections would have occurred without the stand which it took. BG denied that it would not have changed its disconnection policy. It had progressively developed codes of practice for payment since 1973. BG attributed at least a part of the increase in disconnections in the mid-1980s, and the subsequent reduction, to cyclical factors. It pointed out that a previous peak had occurred in 1980.

FIGURE 10.3

**Customers disconnected by BG for non-payment**



Source: BG.

TABLE 10.17 Disconnections and fuel debt payment arrangements

	Calendar year								
	1985	1986	1987	1988	1989	1990	1991	1992	
Number of disconnections of gas supply	35,626	45,255	60,778	48,037	19,379	19,013	18,631	15,707	
<i>Details of fuel debt and payments arrangements in gas supply industry</i>									
Number of disconnections for non-payment as a percentage of domestic credit customers (%)	0.24	0.30	0.39	0.30	0.12	0.12	0.11	0.09	
Number of cases discussed with welfare organizations ('000)	224	252	321	291	330	431	482	448	
<i>Number of customers entering special arrangements under the code of practice</i>									
DSS deducting instalment from benefits (at 31 March) ('000)	141	154	164	149	137	140	172	216	
Direct agreement with regions (during year) ('000)	574	630	615	609	501	565	761	849	
<i>Electricity industry for comparison:</i>									
Number of disconnections in electricity industry in Great Britain	101,702	100,274	89,266	78,659	69,975	55,169	47,913	18,018	
Number of disconnections for non-payment as a percentage of domestic credit customers (%)	0.49	0.48	0.43	0.38	0.33	0.26	0.23	0.09	

Source: GCC, BG and OFFER.

10.80. Most customers now suffering disconnection are those who fail to come forward to seek help from BG. 96 per cent of customers disconnected by BG in 1992 were classified as 'no contact' by BG. Internal studies into the reasons for this inability to contact these customers have been inconclusive. BG is now funding an independent study by experts in the field of social research and consumer debt. This study will include interviews with customers who have been disconnected and will be completed during 1993.

10.81. The reduction in the number of disconnections since 1988 has coincided with an increase in BG's bad debts for domestic customers from £25.8 million to £34.3 million. BG estimates that it incurs extra costs in dealing with hardship customers (other than bad debts) of the order of £4 million to £5 million a year.

10.82. The GCC told us that it welcomed the reduction in the number of disconnections since 1988. It considered that BG had, generally, become more flexible in the payment arrangements which it offered to people in debt. The GCC had, however, noted that there were marked disparities between regions and districts. Although the majority of regions showed a downward trend in disconnections since 1991, two regions had significantly increased the number of disconnections. BG believed that the regional variations might reflect differences in economic conditions between regions. One of the two regions, where disconnections had increased, still had amongst the lowest rates of disconnection.

### **Non-tariff or contract customers**

10.83. BG is subject to much less regulatory control in determining the quality of service given to non-tariff customers. At privatization, it was considered that potential competition in this segment of the market would ensure that BG's standards of service met market requirements. Where applicable, BG uses the same standards of service for non-tariff customers as for tariff customers. It has been suggested that the requirement for BG to lose market share might reduce its motivation to maintain standards in its direct sales to the non-tariff market. There is no evidence that this has occurred.

10.84. OFGAS told us that it had, initially, found a high level of dissatisfaction with BG's performance in the non-tariff market. This largely arose from the price discrimination issues covered in the MMC's 1988 report. It continued after the price schedules were introduced, but was greatly reduced after the 1991 OFT review and the introduction of market share targets.

10.85. The regulatory duties applying to the non-tariff market are marked with an asterisk in Appendix 10.1. They require BG to:

- (a) maintain the gas supply system and comply with any reasonable request for a supply, where it is economic to do so (section 9);
- (b) provide information on the efficient use of gas (section 15B);
- (c) inform customers about service standards and performance (section 33D);
- (d) publish contract prices and terms of supply and not to restrict the use of gas (conditions 5 and 5A);  
and
- (e) make provision for the receipt of gas escape reports (condition 11).

10.86. Where standards of service apply to both the tariff and contract markets, BG does not analyse the performance data separately for the contract market. BG has collected information on the satisfaction levels of contract customers. A survey of 369 contract customers, carried out for BG in June 1991, produced the results shown in Table 10.18.

TABLE 10.18 **Contract market: BG customers' satisfaction with BG**

	<i>Industrial customers</i>	<i>Commercial customers</i>	<i>All contract customers</i>
Very satisfied	48	49	49
Fairly satisfied	44	46	45
Fairly dissatisfied	6	4	5
Very dissatisfied	2	1	1

Source: BG/BJM Research & Consultancy.

10.87. 94 per cent of BG's contract customers were satisfied at that time. Very few of these customers would have experienced any other supplier, as BG supplied over 93 per cent of the contract market in 1991 (see Chapter 3). The 6 per cent of BG contract customers who were dissatisfied typically criticized BG for charging too much and having a take-it-or-leave-it attitude. BG has suggested that these criticisms might be attributable to a failure to appreciate that the price schedule regime does not allow it to negotiate contract gas prices.

10.88. The reactions of contract customers to BG's services, as recorded by OFGAS, show a different picture. The problems they encountered, as a result of discriminatory behaviour following privatization, were a prime cause of the previous MMC inquiry in 1988. OFGAS has described the subsequent difficulties, resulting from BG's operation of the price schedules, in the evidence summarized in Chapter 11. It told us that, during 1990, it had, at one stage, received complaints covering 6,000 sites supplied by BG, which amounted to 25 per cent of the contract market.

10.89. OFGAS told us that the number of complaints received had dropped to about 200 by 1991 and had fallen slightly further to 191 in 1992. Even at this level, the rate of complaint from BG's contract customers was 100 times higher than that from tariff customers, in relation to their numbers. OFGAS considered that the reduction in the number of complaints owed more to the fact that BG contract customers were now able to move away to competitive suppliers than to any improvement in BG's service. It told us that it continued to receive complaints about the unwieldy and incomprehensible nature of BG's price schedules and its lack of flexibility, when customers sought reasonable modifications to contract terms. OFGAS considered that BG had been insufficiently sympathetic to contract customers with changing circumstances, for example by increasing prices charged to schools, which opt out of local authority control, and by applying payment terms which customers regarded as overstringent in the current economic climate. BG told us that the non-discriminatory application of the schedules constrained its flexibility in these circumstances and gave rise to these complaints. OFGAS commented that BG's dealings with contract customers still needed to be subjected to the cultural and other changes emerging in the district offices handling the tariff market.

10.90. BG told us that, although it sought to give customers as much choice as possible under the existing regime, the contract price schedules were difficult for customers to understand. Customers would prefer negotiated prices. BG felt that its flexibility to react to individual customers' circumstances was severely constrained whilst it was subject to the schedule regime.

10.91. OFGAS also told us of a number of complaints from contract customers, disappointed at being unable to obtain an offer of an independent supply of gas. It considered that this was a reflection of the continued limited availability of gas to competitive suppliers in the short term.

## **Transportation customers**

10.92. The rapid development, in the last year, of the market in third party gas transportation has opened up a major new sector for BG to serve. Although none of the formal standards of service apply to transportation, some standards have been set in the suspended undertakings, given by BG to the OFT, and in the terms and conditions of BG's contracts with independent shippers. These undertakings and conditions set the standard of service that BG is required to provide for:

- (a) its response to requests for quotations;
- (b) its response to requests for offers;
- (c) billing and meter reading; and
- (d) the provision of consumption data to shippers.

10.93. The first third party transportation contract was signed in February 1990. Two factors have combined to cause a dramatic increase in the number of customers being supplied by independent gas shippers. First, reducing the tariff threshold from 25,000 to 2,500 therms a year (see paragraph 1.39) added 250,000 customers to the potentially competitive sector in August 1992. Second, the availability of substantial additional volumes of release gas in September 1992 coincided with the first customer enquiries being received by shippers following the reduction in the tariff threshold.

10.94. Consequently, the number of customers being supplied by third party shippers increased from a few hundred in January 1992 to over 22,000 by the end of December 1992. The mix of customers supplied by third party shippers also changed: large numbers of smaller customers were added to the limited number of single-site, high-volume customers previously supplied. BG failed to anticipate the scale of these changes and had insufficient time to upgrade the relevant computer systems. The previously adequate quality of service it provided to the independent shippers and their customers deteriorated rapidly in late 1992. OFGAS told us that it considered that BG should have anticipated the increase in quotations. The deterioration in service could then have been avoided by making adequate resources available. BG told us that it had responded by developing new mechanisms for handling the increased volume of work. It considered that, by April 1993, it had restored the previous level of service to shippers, even though the number of sites supplied by independent shippers had continued to increase, reaching 41,000 by that date.

### ***Quotations and nominations***

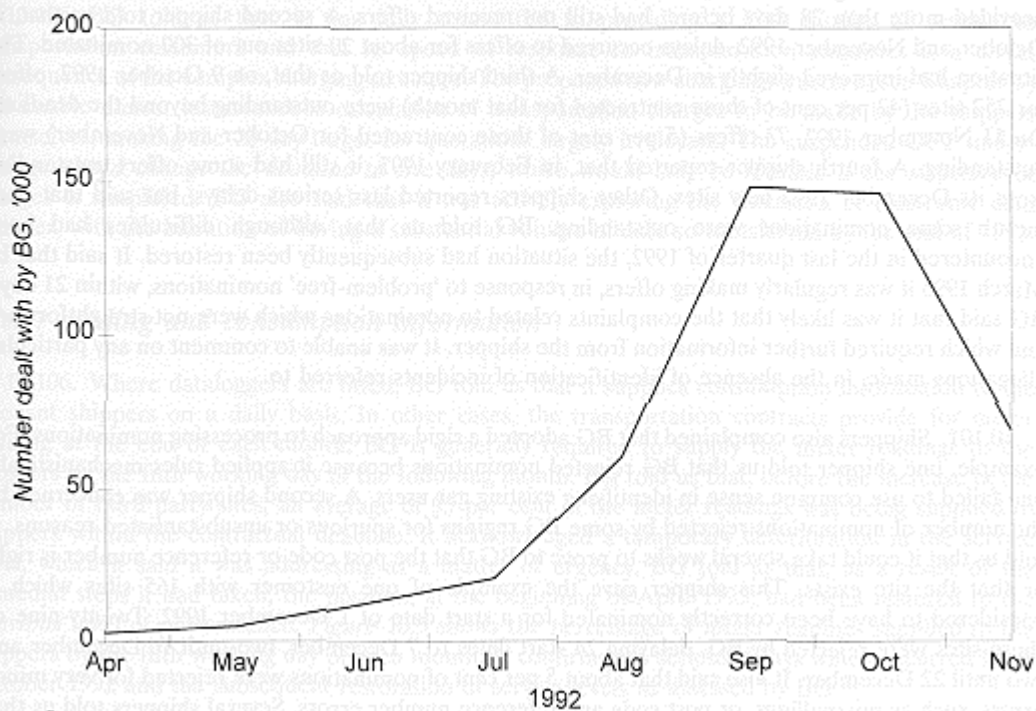
10.95. Each shipper has one transportation contract with BG, for all the gas supplied into the transmission system from each terminal. As customers are signed up by a shipper, this is notified to BG in the form of a 'nomination' under the relevant transportation contract. The deadlines in the transportation contracts then require BG to provide the shipper with an offer within 28 days of the nomination. This offer confirms the transportation charge and the availability of capacity to supply the particular site. It remains valid for the remainder of the contract year.

10.96. Until recently, shippers would generally request a transportation quotation from BG before quoting their price to a potential new customer. However, competition between shippers has been such that around 99 per cent now omit the quotation stage and go directly to the 'nomination' stage. Where quotations are sought, BG is required, under commitments to the OFT, to supply the quotations within 28 days of the requests. BG told us that the increased level of activity led to it failing to meet this commitment in September and October 1992, despite the use of additional staff and resources.

10.97. These transactions increased from 5,000 in May 1992 to 148,000 in September 1992. Figure 10.4 illustrates the rapid increase in the number of quotations and nominations handled by BG in the autumn of 1992. Although BG had expected an increase in the workload of the transportation department, it told us that it had not anticipated changes on this scale. OFGAS told us that it attributed most of the increase to BG having to requote on sites which it was already supplying. As BG was quoting afresh for each nomination request, identical nominations for the same site were calculated for different shippers. OFGAS considered that BG could have streamlined the handling of quotations and nominations, but did not give the transportation department the approval or resources to do so. As a result of the increased workload, in September and October 1992 many shippers experienced serious delays in the receipt of quotations and offers. BG told us that, since November 1992, it had routinely been responding in 21 days, despite continuing high volumes of transactions.

FIGURE 10.4

**Transportation quotations and nominations,  
number dealt with in each month**



10.98. We carried out an initial survey, in February 1993, of all independent companies known to be supplying gas to end users, or to have taken part successfully in the release gas scheme (described in Chapter 3). Completed questionnaires were received from 37 shippers. Questions were included about the quality of the transportation service provided by BG. Shippers were asked whether BG always achieved the agreed standards for its speed of response to requests for transportation quotations, and whether BG always met the terms and conditions set in transportation contracts with shippers. They were also asked to provide information about any problems they had experienced. At the time of our initial survey in February 1993 we were unaware of the detailed nature of the problems experienced by shippers. We were, therefore, only able to ask these two questions of a general nature. The responses were open-ended and it was thus not possible to assess what proportion of shippers had any particular problem: others might also have experienced, but not mentioned, the problem. In May 1993 we sought to address this limitation by means of a follow-up questionnaire (see paragraph 10.122).

10.99. In replying to the initial survey, 74 per cent of the shippers responding to the question about quotations complained about failures by BG to meet the 28-day OFT undertaking deadline. For example, one shipper told us that most requests were not responded to by the due date. It often had over 100 quotations outstanding for more than one month, and, in some cases, for up to three months. A second shipper told us that BG had, since October 1992, been unable to meet the 28-day deadline and, in many instances, took up to 42 days to respond. It added that, in February 1993, the position was 'improving'. A third shipper told us that BG 'restarted the clock' on quotations whenever any problem was encountered. Other shippers referred to a patchy service or to BG failing to meet its obligations. Two shippers told us that they made all their own estimates of transportation costs rather than relying on BG to provide quotations. Only one shipper commented that this BG service was generally acceptable. BG told us that, whilst the criticisms might have reflected the situation in the last quarter of 1992, the service had since returned to its previous high quality. BG denied that it 'restarted the clock' on quotations whenever any problem is encountered: it said that problems were dealt with as soon as possible.

10.100. Many shippers said that they were experiencing similar problems with the contractual deadline (also 28 days) for supplying offers after nominations were made (although we did not ask a question specifically about this). For example, in response to our survey in February 1993, one shipper told us that it had 967 nominations which had been lodged with BG for more than 28 days, without offers being made. In addition, 516 nominations, for which additional information had been provided more than 28 days before, had still not received offers. A second shipper told us that, in October and November 1992, delays occurred to offers for about 20 sites out of 300 nominated. The situation had improved slightly in December. A third shipper told us that, on 9 October 1992, offers for 252 sites (42 per cent of those contracted for that month) were outstanding beyond the deadline. On 11 November 1992, 73 offers (5 per cent of those contracted for October and November) were outstanding. A fourth shipper reported that, in February 1993, it still had some offers outstanding from its December 1992 new sites. Other shippers reported less serious delays, but said that each month some nominations were outstanding. BG told us that, although difficulties had been encountered in the last quarter of 1992, the situation had subsequently been restored. It said that by March 1993 it was regularly making offers, in response to 'problem-free' nominations, within 21 days. BG said that it was likely that the complaints related to nominations which were not straightforward and which required further information from the shipper. It was unable to comment on any particular allegations made, in the absence of identification of incidents referred to.

10.101. Shippers also complained that BG adopted a rigid approach to processing nominations. For example, one shipper told us that BG rejected nominations because it applied rules mechanistically and failed to use common sense in identifying existing gas users. A second shipper was concerned by the number of nominations rejected by some BG regions for spurious or unsubstantiated reasons. It told us that it could take several weeks to prove to BG that the post code or reference number is right or that the site exists. This shipper gave the example of one customer with 165 sites which it considered to have been correctly nominated for a start date of 1 December 1992. Twenty-nine of these sites were rejected by BG, delaying 24 start dates to 7 December, two until 16 December and two until 22 December. It also said that about 5 per cent of nominations were rejected for very minor errors, such as misspellings, or post code and reference number errors. Several shippers told us that BG was unable to identify a site without the BG reference number and the full post code, even though the contract did not require the reference number to be supplied.

10.102. BG denied that it insisted on the provision of BG reference numbers by shippers. Identification of sites was, however, easier where reference numbers were available. BG added that it did not 'reject' nominations with errors in reference numbers or misspellings, but such nominations might be queried and hence delayed. BG also denied that its approach was mechanistic or lacked common sense. The available systems had been designed before the growth of third party transportation and were not designed to identify customers readily without a BG reference number. In their absence, BG tried hard to identify sites, even where shippers supplied incomplete or ambiguous details. New computer systems were being developed to provide a definitive database of all sites consuming more than 2,500 therms a year. BG told us that this should remove many of the difficulties of site identification.

10.103. Shippers also reported difficulty in getting BG to accept that sites had a consumption of over 2,500 therms a year even when documentary evidence had been supplied. Two shippers provided copies of lengthy correspondence with BG about particular multi-site cases. One case took six months of correspondence with BG before all the sites were accepted as consuming above the threshold. BG told us that it had a simple criterion for testing consumption, namely whether 2,500 therms or more were consumed in the 12 months preceding the last bill before 1 September 1992. It pointed out that disputes could be taken to OFGAS for resolution but that none had been. It also said that problems sometimes arose when there were several existing gas accounts at a particular location, which might in aggregate exceed 2,500 therms a year.

10.104. One shipper told us that it had had several cases where BG had refused to offer maximum daily or weekly offtake quantities for sites, where these quantities were the same as those provided for in the existing BG contracts with the customers. BG responded that this circumstance might arise for various reasons. The site might receive gas from a number of meters, not all of which were identified by the shipper. In this case the situation could be corrected. Alternatively, the maximum usage specified in the prior contract with BG might be higher than that currently supplied or available. This could happen where the specified maximum became out of date and capacity surplus to actual requirements had subsequently been taken up by other customers. In such cases, the capacity stipulated in the new contract could not be

the same as in the previous BG contract. BG felt that this would not give rise to practical problems, since the customer's existing demand would still be met.

10.105. BG told us that it was fully committed to providing a high quality of service to transportation customers and that its speed of response to transportation enquiries is a direct consequence of the complex charging structure. The proposed new charging structure (see Chapter 5) will enable almost instantaneous calculation of transportation charges to be made by the shippers themselves, making the 28-day target for quotations largely irrelevant. The suspended OFT undertakings would change the deadline to five days, which would only be feasible if the structure of charges is simplified. BG also said that it was actively exploring the extension of electronic data transfer, with the intention of having a substantial volume of data so transferred by the end of 1993.

### ***Meter reading and consumption information***

10.106. Where dataloggers are fitted, BG told us that it supplies consumption information to the relevant shippers on a daily basis. In other cases, the transportation contracts provide for meter reading at the end of each month: BG is generally required to supply the meter readings to the shippers by the fifth working day of the following month. BG told us that, before the increase in the number of third party sites, an average of 95 per cent of the meter readings was being supplied to shippers within the contractual deadline. It acknowledged a temporary deterioration in the service level, which it said it was addressing as a matter of urgency. BG told us that, as a result of the remedial steps it had taken, the position, at the beginning of April 1993, had been restored to the previous level of performance. Figure 10.5 shows the percentage of meter readings supplied to the shippers by the fifth working day of each month. It confirms the serious delays which occurred from October 1992 and the subsequent restoration of service levels as assessed by BG.

10.107. Transportation invoices are due for payment by the 20th of the following month, or ten days after the invoice date if later. BG told us that it aimed to despatch all invoices by the tenth of the following month, although it had originally had difficulty meeting this target.

10.108. One of the questions in our initial survey asked whether BG always met the terms and conditions of its transportation contracts (see paragraph 10.98). 95 per cent of shippers responding complained about the late receipt of meter readings from BG. For example, one shipper said that BG very rarely met its obligation to supply meter readings by the fifth working day of each month. As a result, its November 1992 billing was only finalized on 19 December and its December billing on 5 February 1993. On 5 February 1993 this shipper had received only 200 meter readings for over 3,000 sites. A further 1,000 readings were received by 8 February and a further 50 by 15 February. The shipper added that these delays were damaging its relationship with its customers. A second shipper told us that less than 80 per cent of its meter readings were received on time. The remainder were often over one month late.

10.109. A third shipper told us that, in mid-January 1993, it was still awaiting offtake information for 30 sites for November 1992, and for 100 sites for December. It added that this affected its ability to invoice customers and to control its supply and demand balancing. A fourth shipper told us that delayed meter readings were having a detrimental effect on its business and had required an increased parent company loan to cover the cash flow effect. We were told by a fifth shipper that, on 19 January 1993, it had 15 readings outstanding for November 1992 and 329 readings or opening readings missing for December, ie 11 days after the due date. These delays affected its cash flow and the service provided to its customers. Several shippers referred to percentages of data arriving on time which ranged from 60 to 80 per cent.

10.110. Shippers also told us that they had experienced problems in obtaining the opening meter readings for new customers. One shipper said that it had yet to receive any metering information for some customers which had been contracted for several months. A second shipper told us that, on 9 February 1993, it had opening meter readings outstanding for 162 sites (about 11 per cent of the total). 84 per cent of these outstanding readings related to sites contracted from October and November 1992. A third shipper told us that, on 5 February 1993, it had only received six opening readings for its January 1993 new sites, out of a total of 115.

10.111. Although BG was unable to comment on the specific complaints without further details, it acknowledged that its service had deteriorated in the last quarter of 1992, owing to the huge increase in transportation transactions. BG reiterated its commitment to restoring a high quality of service to its transportation customers and told us that this had largely been achieved in April 1993 with respect to meter readings.

10.112. One shipper told us that it experienced considerable problems with the accuracy of the meter readings supplied by BG. About 30 per cent of the readings had failed the shipper's validation checks for a large number of reasons, for example the wrong meters were read or the reading had the wrong number of digits. BG told us that it was surprised by the high level of failure claimed by this shipper. While it could not investigate the specific complaint without more detail, BG said that, where appropriate, it was meeting shippers to compare validation routines. Another shipper told us that BG was slow to respond to queries about meter readings: queries raised in November 1992, about consumption in October, were still awaiting an answer in mid-February 1993. BG told us that it could not respond to the complaint without further detail but that it aimed to answer all queries as promptly as possible.

10.113. The number of estimated meter readings received concerned one shipper, which told us that some customers had experienced an increase compared with their experience as BG customers. BG told us that estimated meter readings were supplied when an actual meter reading was not available, two working days after the contractual deadline. The increase in estimates was, therefore, related to the temporary decline in meter-reading performance in the last quarter of 1992.

### ***Failure to transfer customers***

10.114. Four shippers told us that some of their customers had continued to receive invoices from BG. It particularly annoyed the shippers that these customers had had their meters read and had already been billed by BG, although the actual supplier was still waiting to receive the meter reading from BG. One of these shippers supplied details of cases where BG had threatened to disconnect its customer because of non-payment of an invoice wrongly sent by BG. BG told us that the problem of it continuing to invoice former customers after they had changed supplier could arise if a site was not removed from the trading computer system. BG added that the planned developments to its transportation computer system, which were in progress, would ensure that such problems did not occur in future.

### ***The response of BG***

10.115. Although BG believed that there were considerable mitigating circumstances, arising from the massive surge of enquiries and actions which took place at the end of 1992, it told us that it should have handled the increased transportation workload much better than it did. BG had not treated the shippers as customers with legitimate rights and interests. It told us that changes in attitude were taking place within the company and that shippers would, in future, be accorded the high standards that all its customers expect and should receive. The Chief Executive of BG had responded personally to shippers and meetings were to be arranged with the shippers to understand their problems and concerns better.

10.116. BG told us that, in June 1992, when the reduction of the tariff threshold to 2,500 therms was under consideration, it had advised the DTI that practical difficulties would occur in providing meter readings for a large number of its competitors' customers. Even so, BG did not anticipate that such a large number of sites would transfer to other shippers so quickly, leading to a dramatic increase in the transportation meter-reading and billing workload. BG was now recovering from the resulting billing problems by applying the maximum resources. This included increasing the staffing of the relevant part of its gas transportation unit from 20 to 80, between December 1992 and June 1993. A further increase to 115 was planned by August 1993. Considerable IT resources had been devoted to resolving problems with computer systems. BG expected that its service should be back to normal by the end of May 1993 and told us that meter reading was back to normal by April 1993. It added that, in June 1993, it was responding to 81.5 per cent of nominations within 28 days. 10.5 per cent were delayed because of queries and 6 per cent were rejected, either because the sites were below the threshold or owing to insufficient capacity being available.

10.117. In the longer term, BG intended to carry out a major enhancement of its transportation billing systems. BG had created a new post of Project Director, Transportation Systems Development, and had established a Project Board with the responsibility of developing a system capable of dealing with 100,000 sites by 1 October 1993 and 250,000 sites by 1 January 1994. Very considerable resources would be devoted to this project to ensure that arrangements were in place to secure high standards of service as transportation activity expands. BG said that it was also examining the relevant software available in the USA. Its interest in a US company (National Gas Clearinghouse) was particularly useful and working visits and exchanges were under way to facilitate the cross-fertilization of ideas and working practices. BG also told us that it had established a team to develop and implement a formal set of service standards for transportation. This team was meeting all shippers individually, in July 1993, to discuss the scope of these standards.

### ***The views of OFGAS***

10.118. OFGAS told us that it considered that the shippers' problems arose from a combination of the cumbersome procedures used to process nominations and BG's failure to make adequate resources available to its transportation department. In December 1991 BG knew that it would have to lose 60 per cent of its contract market share by 1995 and that the Government would soon reduce the tariff threshold to 2,500 therms. BG should, therefore, have anticipated the sharp increase in nominations in September 1992 and had nine months to put the necessary resources in place. OFGAS believed that BG realized the problems that shippers would face and deliberately failed to take action.

10.119. Both the managerial and IT resources used by the transportation department were inadequate. OFGAS also felt that the transportation department carried out unnecessary checks with BG's regions, when existing BG customers were being transferred to shippers. Because shippers' nominations were processed in batches, a whole batch could be delayed by problems with one nomination. It also considered that BG's rejection of nominations for sites, which it believes may consume less than 2,500 therms a year, may be contrary to the provisions of section 8 of the Gas Act.

10.120. OFGAS considered that the difficulties experienced by shippers since October 1992 were a more extreme continuation of ploys by BG to frustrate open access to its transportation and storage system for competitors. When the legal right of access was established, in 1982, BG had at first refused to make common carriage terms available. Then, when required to publish prices, it had set them unreasonably high. BG had also failed to provide information about the whereabouts of its pipelines, had refused to offer fair and flexible contract terms and had been reluctant to offer specific services such as interruptible transportation. OFGAS felt that BG's failure to provide timely quotations and regular meter readings were part of a series of anti-competitive practices.

10.121. OFGAS had proposed, at the beginning of 1993, that BG should introduce standards of service for transportation and storage as soon as possible. These should enable shippers to obtain compensation from BG for any failure to provide contractual services, without taking legal action. BG had, however, refused to consider introducing any standards of service until 1994. OFGAS had heard that BG had sought to levy contract penalties on shippers that had been unable to balance their inputs and offtakes from the system as a result of BG's own failure to provide timely meter readings.

### ***Follow-up survey***

10.122. Our first questionnaire, in February 1993, revealed serious problems in the quality of service provided by BG to its transportation customers. BG had acknowledged many of these and said that action was in hand to deal with them. In May 1993, towards the end of the inquiry, we, therefore, carried out a follow-up survey, to establish whether the independent shippers felt that BG's service was improving. Twenty-three shippers, including all those which responded to the quality of service questions in the first survey and supplied more than 500,000 therms to end users in the last quarter of 1992, were sent a questionnaire. They were asked how they would describe various aspects of BG's transportation service over the three months to May 1993. This period was chosen to correspond to the time when BG felt that its service was beginning to improve. Twenty out of 23 shippers replied and their response is set out in Table 10.19.

TABLE 10.19 **BG's transportation service: views of shippers in May 1993**

How would you describe the quality of the following aspects of BG's transportation service over the last three months?

*Number of shippers and percentage response to question*

	<i>Good</i>	<i>Satisfactory</i>	<i>Not satisfactory but improving</i>	<i>Unsatisfactory and not improving</i>
Supplying quotations within 28 days	1 (6%)	4 (25%)	8 (50%)	3 (19%)
Responding to nominations within 28 days	-	4 (21%)	8 (42%)	7 (37%)
Correctly identifying customers nominated	-	1 (5%)	10 (50%)	9 (45%)
Supplying opening meter readings within five working days	-	2 (10%)	7 (35%)	11 (55%)
Supplying monthly meter readings within five working days	-	2 (10%)	14 (70%)	4 (20%)
Accuracy of meter readings	-	3 (15%)	10 (50%)	7 (35%)
Billing and customer accounting	-	1 (6%)	9 (50%)	8 (44%)

*Source:* MMC survey.

10.123. Our follow-up survey showed that the shippers were still generally dissatisfied with the service provided by BG in the three months from March to May 1993. Although a majority of shippers felt that the service was still not satisfactory, most dissatisfied shippers considered that there had been some improvement on all aspects of service, other than supplying opening meter readings. A clear majority of shippers felt that BG's performance in providing opening meter readings remained unsatisfactory and was not improving. The shippers had noticed most improvement in the supplying of quotations, a service which many no longer needed to use. Between 10 and 21 per cent of shippers felt that BG was providing a satisfactory service for monthly meter reading, accuracy of meter readings and responding to nominations. BG received very low approval ratings for the remaining three aspects of service: billing, correctly identifying customers and providing opening meter readings. BG told us that the survey results may have been depressed by shippers becoming sceptical about improvements, following a loss of goodwill late in 1992. Nevertheless, the results were of great concern to it. BG added that it had been making strenuous efforts to improve its service to transportation customers. It was continuing to discuss problems with shippers and reiterated its commitment to provide them with the quality of service to which they were entitled.

## **Safety**

10.124. BG has a statutory duty to provide 24-hour emergency cover and provides an emergency call-out service, which is free at the point of use. BG also has statutory powers of entry to property to control the danger from gas leaks and deal with dangerous appliances. The emergency service is available to customers of independent shippers as well as to BG's customers. The HSE told us that it considers this service to be well organized and effective. BG also provides subsidized safety checks (see paragraph 10.74), and a range of other safety services which are considered later.

10.125. Provided that appropriate precautions are taken, gas is a safe fuel and BG has given high priority to minimizing the hazards which can arise from either its distribution or use. The hazards include fire, explosion and carbon monoxide poisoning from gas appliances which are incorrectly installed or

maintained. Although BG is not responsible for the safe installation and maintenance of appliances unless it is contracted to do such work, it issues advice and publicity on gas safety and provides a range of subsidized gas appliance safety checks. Efforts have been made over several years to phase out open-flued water heaters in bathrooms by offering safety services and remedial work free of charge, together with allowances towards the cost of replacement room-sealed water heaters. Table 10.20 shows the gas industry's safety record since 1986. The number of deaths each year is consistently less than that attributable to electric current, despite the fact that any failure in the gas supply system is liable to result in a dangerous situation, in contrast with the fail-safe design of the electricity supply system. Most fatalities are caused by carbon monoxide poisoning rather than any failure of the gas supply system. BG told us that gas explosions are predominantly caused by leakage from, or interference with, the system within the property, rather than leakage from mains or service pipes.

TABLE 10.20 **Safety: accident record**

	1986	1987	1988	1989	1990	1991
Number of serious natural gas explosions* involving:						
Gas mains	8	4	3	3	6	3
Service pipes	3	5	2	4	1	3
Other	<u>49</u>	<u>46</u>	<u>42</u>	<u>40</u>	<u>31</u>	<u>42</u>
Total	60	55	47	47	38	48
Number of deaths due to gas explosions involving:						
Mains	2	-	1	3	1	-
Service pipes	2	2	-	-	-	1
Other	9	9	4	5	7	10
Number of deaths due to burnt gas poisoning	<u>40</u>	<u>43</u>	<u>48</u>	<u>41</u>	<u>20</u>	<u>38</u>
Total	53	54	53	49	28	49
Number of deaths due to electric current	78	79	62	62	79	N/A

Source: BG.

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\*A serious explosion is defined as an explosion involving: a fatality; and/or demolition of, or damage valued at over £1,500 to, property, including, as a minimum, damage to internal partition non-load-bearing walls, windows/doors, industrial plant, equipment or vehicles; and/or serious fire damage.

10.126. BG told us that it is active in supporting high standards of safety through installation and maintenance work. It established and funded the original CORGI (Confederation of Registered Gas Installers), which was then a voluntary registration body. Following privatization, the Government agreed with advice, given to it by the Health and Safety Commission (HSC), that mandatory registration should apply to all those working on gas installation and maintenance. After a period of public consultation, the HSC set up a statutory registration scheme which came into effect in March 1991. CORGI's name was then changed to the present Council for Registered Gas Installers. CORGI is an independent body which provides public assurance on standards. BG remains an active member of CORGI, which now has around 50,000 registered members.

10.127. The high level of investment in recent years on replacing mains and services (see Chapter 6) is primarily a response to the 1977 report of the King Inquiry into serious gas explosions. This report recommended the replacement of higher-risk priority mains by 1984 and the replacement of mains in less hazardous locations as resources permit. BG completed the replacement of the priority mains by 1984 and then addressed the secondary-risk mains. In 1987 BG implemented a points-based risk assessment scheme to assist in prioritizing these secondary-risk mains. The points scheme is recognized by the HSE as a reasonable and realistic approach to the identification of hazardous situations. The scheme takes into account a number of factors associated with the likelihood of mains fracture, gas entry into buildings, subsequent ignition, and the likely gravity of any harm caused by an incident. Cast iron mains identified by the points scheme are replaced by PE pipework systems. Whenever possible, BG uses the latest pipework insertion and moling techniques to carry out this work.

10.128. Traditionally, BG has played an important part in setting technical standards, both nationally and internationally. Many of these standards have significant safety elements which have been informed by BG's wide-ranging research programmes. The HSE told us that it was beginning to detect signs of a lessening in BG's commitment of resources to this work. BG responded that, since 1986, the focus of its work in setting standards had been on European standards as part of the development of the single market. BG said that it currently had more resources committed in this area than it had in 1986. As much of this work was now complete, the level of resources had been reduced from its peak. This did not, however, imply any lessening of BG's commitment to this role.

10.129. The HSE considered that BG provides a high standard of safety training for its employees, in a number of specialist training centres with full-time staff. Extensive technical guidance is also provided. BG told us that all employees engaged on emergency work undergo periodic update training. A key feature of this is joint training involving BG employees working on the gas supply system and those working on gas utilization. BG believed that this ensures effective team work in dealing with gas emergencies, which affect both the supply network and customers' premises.

10.130. During this inquiry, our attention was drawn to the unsuccessful prosecution of BG by the HSE following an incident at Royston in March 1991. The incident occurred when the LPS was accidentally connected direct to a medium-pressure main, resulting in excess pressure in the LPS. As a result, about 4,500 customers were temporarily connected to unsafe supplies and were without usable gas supplies. Traffic and train services also had to be diverted. No personal injuries occurred and property damage was limited to one explosion and five fires. Over 92 per cent of customers had their supplies reinstated within four days.

10.131. We asked both BG and the HSE to comment on this incident, on the frequency of similar occurrences, and on what lessons had been learned. BG told us that such incidents were extremely rare. There have been only three other occasions since 1986 where a connection had been made to the wrong main: on none of these occasions did the incident approach, or indeed have the potential to approach, the severity of the Royston incident. The incident at Royston occurred as a result of existing codes of practice being disregarded: before any valve is operated, the pressures on either side should be monitored. BG told us that it has subsequently clarified and reinforced the relevant code and that all mains drilling equipment has been fitted with pressure gauges. The HSE confirmed that Royston was essentially a one-off incident, although it was aware of an incident at Newtown in 1989 which, although different in scale, had some similar characteristics.

10.132. The HSE told us that it recognized BG's commitment and was broadly satisfied with its approach to public safety. Its safety systems were considered to be generally satisfactory and the procedures were well documented and staff were well trained in using them. However, it felt that instances such as the Royston incident pointed to a need for adequate auditing of systems of work.

10.133. Nonetheless, the HSE told us that it regarded BG's long-standing expertise in gas matters to be an important factor in maintaining public confidence. The HSE also thought that the unified communications chain was beneficial in terms of safety management and helped to minimize the risk of a failure attributable to human factors. It would, therefore, be opposed to any change that would fragment the management of the gas transmission and distribution system. Further, it considered that opening up the market to competition must not leave the public or emergency services in any doubt about who to contact in the case of an incident or emergency.

10.134. The GCC told us that it considered that the absence of any standards of service relating to safety (other than gas escapes) was a serious omission from the current package of standards. It added that, in addition to the deaths attributable to burnt gas poisoning (shown in Table 10.20), in 1990/91 the HSE recorded a further 131 non-fatal cases of carbon monoxide poisoning. The GCC told us that it is pressing BG to publish standards to ensure that:

- (a) service engineers are trained to recognize potentially dangerous situations;
- (b) customer enquiry staff are able to recognize and react to reports that indicate dangerous or potentially dangerous situations;

- (c) customers' reports of faulty flues and other safety risks are dealt with as emergencies;
- (d) customers are informed about the facilities and help that BG provides where an appliance has to be disconnected;
- (e) a low-cost safety check is available; and
- (f) there is regular promotion of, and publication of, information about safety activities, particularly the safety check.

## **Security of supply**

10.135. A key aspect of the quality of service provided by BG is the level of security of supply that it plans to meet. At the individual customer level, this is governed by the continuity of supply standards (Standards 11 to 13) discussed in Appendix 10.3. Security of supply issues occur also over wider areas and nationally. The severity of the winter peak loads that BG is able to handle, without interrupting its own or other shippers' firm customers, is determined nationally by the gas that it and other shippers have contracted to buy, together with the available gas in BG's storage facilities, and at local level by the capacity available in the transmission and distribution system. In both cases, there is a trade-off between the level of security of supply that is offered to customers and the financial commitment that has to be made by BG (and other shippers) to achieve this.

10.136. BG currently plans its annual supply and demand balance and its investment in peak- shaving and seasonal storage on the basis of being able to meet all firm demand in a winter of 1-in- 50 severity. BG's transmission and distribution system is designed to meet the level of peak-day firm demand that would be exceeded only once in 20 years.

10.137. There have been no major supply problems since November 1965 and January 1966, when firm contract supplies were interrupted to most factories in Birmingham, Coventry, Stoke and parts of the Black Country. Although pressures were reduced to the minimum sustainable level, domestic and other small users continued to receive a supply. Where a total loss of supply has occurred subsequently, it has been confined to a few thousand customers and was caused by a system failure rather than any gas shortage. Nevertheless, restoring supplies has represented a major exercise, given the need to visit individual premises to ensure that it is safe to reconnect them. If there were any significantly larger loss of supply, it could take several weeks to reconnect customers. Security of supply issues are discussed in more depth in Chapter 9, in the context of the efficiency of the system.

## **Energy efficiency**

10.138. Although BG has a general duty to develop and maintain an efficient, co-ordinated and economical system of gas supply, it initially had no specific statutory obligation to promote energy efficiency. Section 15B was added to the Gas Act in 1992, to enable OFGAS to set standards of performance for BG's promotion of the efficient use of gas. BG is also required, by condition 14 of its Authorisation, to produce statements, in agreement with OFGAS and the GCC, informing customers about the efficient use of gas. Moreover, BG told us that it had a long-established programme of activity directed towards promoting energy efficiency amongst all its customers in the domestic, commercial and industrial sectors. BG said that, as well as launching its own energy-efficiency promotions, it had supported Government energy-efficiency campaigns, with leaflets and displays in showrooms. It added that, over the last two decades, the emphasis given to energy conservation and energy efficiency had moved from the economic benefits of gas and energy efficiency to the need to use finite natural gas resources responsibly and the environmental benefits of natural gas. BG said that, in addition to specific conservation projects, energy efficiency had been an integral part of its marketing activity.

10.139. BG told us that in 1990 it had commenced a programme of publishing all its commitments to customers. Much of its programme on energy efficiency was issued in a booklet entitled *Our Commitment to Energy Efficiency*. In addition, other publications and support material are available to customers. BG said that a feature of this commitment was that all showrooms had a City and Guilds certificated energy

adviser. Over 1,400 staff had this certificate. In addition, energy advice desks were available by telephone and received around 20,000 calls a year. BG told us that all home service advisers were trained in energy awareness and made home visits on energy-efficiency matters.

10.140. On the other hand, OFGAS told us that, before the tariff formula review, it was concerned that the previous tariff formula gave BG an incentive to satisfy fuel requirements by purchasing ever-increasing supplies of gas, without sufficient consideration being given to the alternative of investing in energy-efficiency measures. As a result, the 'E' factor was introduced with effect from April 1992.

10.141. The 'E' factor enables expenditure on energy-efficiency measures to be passed through to customers in the same way as gas purchase costs, thus encouraging BG to view expanded gas sales and greater energy efficiency as commercial alternatives. In June 1992, following discussions with interested parties, OFGAS published a set of guidelines on the use of the 'E' factor. The three main criteria are that:

- (a) expenditure has to be approved by OFGAS before it can be passed through to customers;
- (b) OFGAS must have regard to its duties in considering a scheme for 'E' factor pass-through; and
- (c) 'E' factor expenditure must be targeted and audited.

10.142. The procedure starts formally with BG proposing projects to OFGAS for inclusion under the 'E' factor. Each proposal must set out the costs of the scheme, together with the expected benefits to customers, shareholders and to the environment. The projects must be additional to BG's existing plans and must not substitute for existing expenditure.

10.143. In developing the arrangements for the 'E' factor, OFGAS and BG agreed that an independent trust should be set up by BG to ensure that projects were promoted at arm's length, in a cost-effective way and not to the commercial benefit of BG. Subsequently the Government set up an Energy Saving Trust (EST) with a wider remit which has now incorporated the original trust. The EST came into operation in November 1992 and will be responsible for letting contracts, monitoring performance against targets, and accounting for expenditure on 'E' factor projects.

10.144. It was originally envisaged that qualifying expenditure might run at about £50 million a year. In practice, the scheme has taken longer than expected to set up and only three pilot projects had been formally submitted to OFGAS by June 1993, of which two have been approved for 'E' factor pass-through:

- (a) *owner-occupier condensing boiler scheme*: a project to promote the take-up of this more energy-efficient boiler design through financial assistance to meet about half the purchase cost difference between the boiler and conventional central heating boilers;
- (b) *residential CHP scheme*: a project to provide financial assistance to promote the adoption of residential small-scale CHP schemes by housing associations and local authorities; and
- (c) *owner-occupier affordable heat scheme*: a project to provide assistance to the 'fuel poor' by providing affordable heating systems in association with existing home insulation programmes.

Schemes (a) and (b) have been approved by OFGAS. Scheme (c) is being developed by the EST.

10.145. Following the provision of new powers in the 1992 Act, OFGAS is developing standards of performance for BG to achieve on the promotion of the efficient use of gas. Ideas put forward by BG and the Energy Efficiency Office have been considered, and a seminar was held in December 1992 to discuss draft proposals. In June 1993 OFGAS published a more definitive set of five draft standards for formal consultation. These set out requirements for BG to provide energy-efficiency advice using information displays, a telephone service, trained staff at showrooms and special information for the elderly and disabled and for customers threatened with disconnection. It is intended to finalize a package of measures for introduction in autumn 1993.

## Quality management

10.146. BG has introduced a number of quality programmes, starting with the National Gold Flame Awards in 1973. It has, however, only recently developed this into a systematic TQ initiative at company level. BG told us that its regions have operated various TQ and Customer Care programmes, including 'The Way Ahead' (West Midlands), 'Striving for Excellence' (South Eastern) and 'Winning Together' (East Midlands). In 1991, following the implementation of the regional organization review, BG embarked upon a national systematic TQ initiative. A Director of Quality and Information Systems was appointed in September 1991, with a new national quality team, and, in September 1992, a Head of Quality was recruited.

10.147. As an example of the quality management initiatives under way at regional level, BG told us that Wales Region appointed a TQ manager in May 1991 and formed a TQ network, comprising a representative from each district and each regional Headquarters function. Its terms of reference include acting as a link with the Gas Business TQ network, reporting on quality initiatives, exchanging experience, reviewing progress and steering the region's TQ work. Each district and function has set up a TQ group to initiate and measure progress, and one department is developing its quality assurance to seek accreditation to the relevant British Standard (BS 5750). A booklet called *Quality Guidelines* has been published and discussed with each employee, and further booklets on *Landmarks on the TQ Route* and *Training for Quality* are in the course of preparation. OFGAS has commented that the emphasis on TQ by BG's top management appears to have had a positive effect on the company's culture and on the morale of those staff who are in direct contact with customers.

10.148. BG told us that, since many aspects of the gas supply system are subject to BG and Institution of Gas Engineers (IGE) standards, it has no overall plan to introduce quality assurance to BS 5750 throughout the company. However, areas have been identified where the introduction and attainment of BS 5750 is appropriate. For example, BG's national strategic stockyard at Derby and its on-line inspection centre at Cramlington have achieved BS 5750 registration. Many other parts of BG are working towards accreditation.

10.149. Remuneration of top management includes a performance management scheme, whereby a performance bonus may be payable if the individual and the company meet annual targets. Individual targets incorporate quality of service, customer satisfaction and safety. In each region, this scheme applies to the regional chairman and to the directors responsible for operations, engineering, marketing, personnel and finance. The quality of service measure used for the 1993 scheme is a weighted formula combining the region's performance against its standards of service with its 'Gold Flame' customer satisfaction indices (see paragraph 10.67). The assessment takes account of the potential for improvement compared with performance in 1992. In the case of a regional chairman, with 10 per cent of the performance incentive linked to quality of service and a further 10 per cent linked to safety, a maximum performance bonus of [ \* ] per cent of basic salary could be paid for maximum attainment of both quality of service and safety targets.

10.150. Staff motivation has been addressed through business awareness training, team briefings, and internal communications such as videos and newspapers. Work studied incentive bonus schemes were traditionally entirely volume-based and tended to reward, for example, unsatisfactory work requiring repeat visits. They have now been revised, and are linked to completed work: engineers are no longer rewarded for recalls. BG told us that it is considering how to develop incentive schemes related both to completed work and to quality performance. Staff suggestion schemes are now showing more savings, higher rewards and stronger feedback. Consultants, who have previously advised West Midlands Gas, are advising BG on a potential culture change programme. Although no staff attitude surveys had previously been carried out, a survey was to be carried out in May and June 1993 to provide feedback, before further changes.

10.151. To ensure that internal services, such as S&T, provide a consistent service to their internal customers, BG is increasingly using formal internal service level agreements, which record key performance targets.

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\*Figure omitted. See note on page iv.

## Summary

10.152. We have examined BG's performance in the tariff market, compared with its standards of service for 1992. We have also reviewed the results of various surveys into public attitudes towards BG and other utilities. BG's own monitoring data show that it meets, or exceeds, the standard of performance required by nearly all the formal standards for which it has kept records. In the case of the standards for keeping appointments, and for six-monthly meter reading, BG is falling short, but by less than 2 per cent. Of more concern are those standards for which BG has not kept systematic records: these amount to about a third of the total.

10.153. We are aware of few attempts by BG to provide independent cross-checks into the reliability of its performance monitoring. In two cases we were, however, able to compare BG's estimates of the time that it takes to respond to customers, with survey data showing the corresponding customers' perception. In each case, there were significant differences, which we could not adequately explain by examining the possible reasons. We have also seen an internal audit report into BG's monitoring of its standards of service. This report identified significant weaknesses, which BG is now seeking to remedy.

10.154. These problems cast some doubt over the reliability of BG's quality of service data, which needs to be addressed in the forthcoming independent review on behalf of OFGAS. We do not, therefore, have objective measures which are fully reliable in all areas. Despite this doubt, we believe that BG's performance in the tariff market is generally good. Our view in this is supported by the market research reports we have seen. Surveys, carried out independently of BG, consistently show that the public assesses its quality of service as better than that of the other privatized utilities.

10.155. Where the methods used have not changed, the trends shown in BG's performance data and in surveys are probably more reliable than the absolute values. All the data relating to the tariff market show a marked improvement in the last two years. We attribute this to an increased awareness of the importance of customer service in BG, at least in part motivated by the efforts of OFGAS to secure value for money for customers.

10.156. We have not commented in detail on the future development of BG's quality of service and its complaints and compensation scheme, as both of these are subject to continuing review between OFGAS and BG and to public consultation. Although we have indicated a few problem areas, we consider that these matters will be adequately handled by OFGAS.

10.157. Within the statutory framework, vulnerable customers, such as the elderly and disabled and those who have difficulty paying their bills, receive special consideration from BG. Services such as the GasCare register, free safety checks and special adaptors are strongly supported by the GCC and caring agencies. The costs of these services are a charge on tariff customers in general.

10.158. We have limited evidence about BG's quality of service in the non-tariff market. In one survey, the great majority of BG's contract customers said that they were satisfied with BG. Few contract customers complained about any non-price aspect of BG's service to its own customers, other than the inflexibility of its contracts relative to its competitors. This inflexibility is, as BG pointed out, a consequence of the system of price schedules which BG is required to operate.

10.159. By contrast, the quality of service provided to BG's transportation customers (and thus to their customers) has been far from satisfactory in the last year. We have received numerous complaints from shippers about many aspects of the service. BG has acknowledged some of the shippers' problems. It attributes them to the very rapid growth in its third party transportation workload since the tariff threshold was reduced to 2,500 therms. We believe that BG is now tackling these problems, but is still some way from providing a satisfactory service to shippers. Many of the problems arise from information systems and records which are inadequate for the use now being made of them and will thus take some time to rectify.